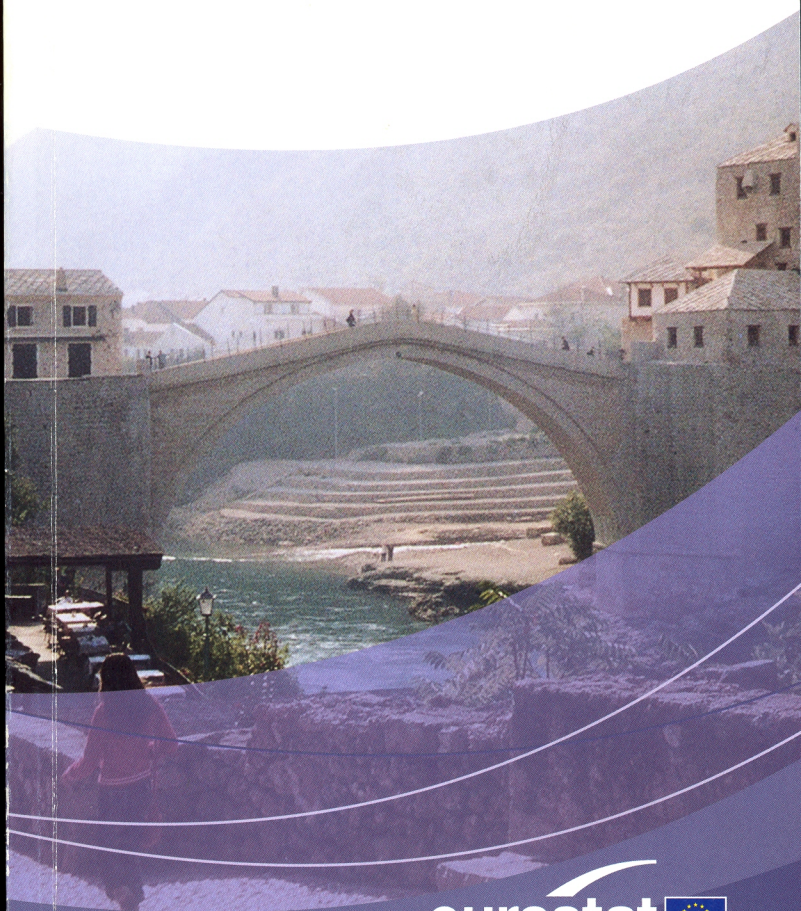


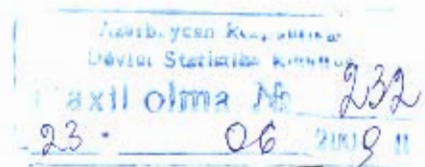
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**Pocketbook on candidate  
and potential candidate countries  
2009 edition**



**Pocketbook on candidate  
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## Introduction

This publication presents a range of statistics on candidate and potential candidate countries in comparison with the European Union (EU) from 1997 to 2007. It contains most of the structural indicators adopted by the European Council to monitor the Lisbon Strategy. The publication includes data on demography, education, social conditions, labour force, national accounts, finance, agriculture, energy, industry, construction and services, transport, communication and information society, external trade, research and development, as well as environment.

## The enlargement process

The leaders of EU Member States, coming together in the European Council, have agreed to give the Western Balkan countries and Turkey the prospect of joining the European Union, if they meet the established conditions. These countries are at various stages on their way to joining the EU. There are three candidate countries: Croatia, Turkey and the former Yugoslav Republic of Macedonia. The EU began accession negotiations with the first two in October 2005. The former Yugoslav Republic of Macedonia became a candidate country in December 2005 but accession negotiations have not started yet. All the other Western Balkan countries are potential candidate countries: Albania, Bosnia and Herzegovina, Montenegro, Serbia as well as Kosovo under UNSCR 1244/99.

The European Commission has been mandated by the Member States to report on progress achieved by candidate and potential candidate countries. In its annual progress reports, the Commission describes the political and economic developments in each candidate or potential candidate country as well as assesses the progress of each country in adopting EU standards and in fulfilling other specific conditions. In its annual strategy document, the Commission explains as well its policy on EU enlargement. The Commission adopted the 2008 enlargement strategy and progress reports in November 2008.

The EU provides focused pre-accession financial assistance to the candidate and potential candidate countries. This financial assistance is intended to help these countries to introduce the necessary political, economic and institutional reforms in line with EU standards. Since 2007, the EU pre-accession financial aid is channelled through a new Instrument for Pre-accession Assistance (IPA).

## Eurostat's role

Eurostat, the Statistical Office of the European Communities, follows the progress of candidate and potential candidate countries in complying with the *acquis communautaire* (the body of EU law) in the field of statistics as well as collects data from these countries. Eurostat provides technical assistance and support to the national statistical institutes of candidate and potential candidate countries, to enable them to produce and disseminate harmonised and good quality data according to European and international statistical standards.

## Guide to the statistics

### Data sources

EU-27 data that are presented for the purpose of comparison has been processed and calculated by Eurostat on the basis of information provided by the NSIs (National Statistical Institutes) of the 27 Member States as of 1 October 2008 with or without estimates. The information was extracted from Eurostat's free dissemination database. For all candidate and potential candidate countries, the vast majority of the data were provided by the NSIs. Eurostat collected this information through the exchange of a questionnaire with each statistical office. Compared with the last year, data quality and availability has improved. The only statistical theme where the data were processed directly by Eurostat was that of external trade (except for Montenegro, Serbia and Kosovo). For Croatia, the former Yugoslav Republic of Macedonia and Turkey, external trade data were extracted from the 'Enlargement' domain of Eurostat's external trade database, COMEXT. For Kosovo, the data were taken from the 'West Balkan' domain and for the EU-27 from the 'EEC Special Trade' domain of COMEXT. For Albania as well as Bosnia and Herzegovina, the data were extracted from the COMTRADE domain (source: the United Nations) of COMEXT. For Montenegro, Serbia and Kosovo the data provided by the NSI were used.

### Timeliness

The data used in this publication were collected from the candidate and potential candidate countries in August/September 2008. The database was completed in November 2008. The majority of indicators are available up until the reference years 2006 or 2007 (depending upon the statistical theme and territory). External trade statistics for the EU-27, the candidate and potential candidate countries were processed in October 2007 and are generally available up to reference year 2006. The EU-27 totals that are provided for the purpose of comparison were extracted from Eurostat's free dissemination database in September/October 2008. As with the data for the candidate and potential candidate countries, the information presented is generally available up until the reference years 2006 or 2007 (depending upon the indicator in question).

### Publication format

The data presented are structured according to a number of statistical themes, following quite closely the structure of the data questionnaire that was sent to each of the NSIs. Each theme is identified by a chapter number. The standard structure of the publication is to arrange information for a particular subject on a set of facing pages. Usually this takes the form of a large table or graph on the first page, followed by a short text and a small table or graph on the second page. Where possible, related indicators were selected for each set of facing pages. The supporting text is intended to guide the reader in the use of the data (either by providing definitions of the indicators presented, or by drawing attention to peculiarities that should be considered when interpreting the data). More detailed methodological notes are provided at the end of the publication.

### Exchange rates

For some indicators monetary values were requested from the candidate and potential candidate countries in terms of national currency denominations. However, for the majority of the monetary indicators data were requested in euro (EUR) terms. For a limited number of cases, the information provided was sent in an alternative denomination (usually in national currency or in US dollars). In these cases, Eurostat transformed the series using official exchange rates (annual averages for the reference year in question) so that data for all indicators foreseen in euro terms are denominated in the same currency. Technically data that are presented in euro terms prior to 1999 should be denominated in ECU. However, as the conversion rate was ECU 1 = EUR 1, for practical purposes the terms may be used interchangeably and this publication denotes all such monetary series in euro (EUR). While the conversion to a common currency unit facilitates comparisons of data between countries, fluctuations in currency markets are partially responsible for movements identified when looking at the evolution of a series for an indicator that is denominated in euro. A table is provided with information on the annual average exchange rates between the euro and the currencies of the candidate and potential candidate countries (please refer to Chapter 6 – Table 6.7).

### Geographical coverage

The data presented for the EU-27 covers all 27 Member States (except otherwise indicated) throughout the period considered in each table and graph regardless of whether there were 15 or 25 or 27 members in the reference year concerned (in other words, the data have been calculated backwards with a stable coverage).

### Non-availability

The colon (:) is used in tables to represent data that are not available, either because they were not provided to Eurostat or because they were confidential. In the graphs (figures), missing information is footnoted.

## Abbreviations and units

|                 |                                                                                                                                                                   |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| APW             | Average gross earnings of production worker in manufacturing                                                                                                      |
| CO <sub>2</sub> | Carbon dioxide                                                                                                                                                    |
| COICOP          | Classification of individual consumption according to purpose                                                                                                     |
| CPI             | Consumer price index                                                                                                                                              |
| ECU             | European currency unit                                                                                                                                            |
| ESA95           | European system of accounts (1995)                                                                                                                                |
| FAO             | Food and Agriculture Organization                                                                                                                                 |
| FDI             | Foreign direct investment                                                                                                                                         |
| GDP             | Gross domestic product                                                                                                                                            |
| GFS             | Government finance statistics                                                                                                                                     |
| GHG             | Greenhouse gases                                                                                                                                                  |
| GWh             | Gigawatt hour(s) = 1 000 MWh (megawatt hour(s)) = 106 kWh (a kilowatt hour is a unit of energy equivalent to one kilowatt of power expended for one hour of time) |
| HBS             | Household budget survey                                                                                                                                           |
| Heads           | Unit of measure for counting the number of animals                                                                                                                |
| hectare         | Unit of area equal to 100 ares or 10 000 square meters                                                                                                            |
| HICP            | Harmonized Consumer Price Index                                                                                                                                   |
| ILO             | International labour organisation                                                                                                                                 |
| IMF             | International Monetary Fund                                                                                                                                       |
| IPI             | Industrial production index                                                                                                                                       |
| ISCED           | International standard classification of education (UN classification)                                                                                            |
| kg              | Kilogram (1 000 grams), a unit of mass                                                                                                                            |
| km              | Kilometer (1 000 meters), a unit of distance                                                                                                                      |
| km <sup>2</sup> | Square kilometer, a unit of area                                                                                                                                  |
| LFS             | Labour force survey                                                                                                                                               |
| LSMS            | Living Standards Measurement Study                                                                                                                                |
| M1              | Narrowest category of money supply, includes physical money (coins & currency); used as a measurement to quantify the amount of money in circulation              |
| M2              | A broader measure of money supply that includes M1, time-related deposits, savings deposits, and non-institutional money-market funds                             |
| NACE            | Statistical classification of economic activities in the European Community                                                                                       |
| n.e.c.          | not elsewhere classified                                                                                                                                          |

|              |                                                                                                                            |
|--------------|----------------------------------------------------------------------------------------------------------------------------|
| NPISH        | Non-profit institutions serving households                                                                                 |
| OECD         | Organization for Economic Co-operation and Development                                                                     |
| PPI          | Producer price index (output price index)                                                                                  |
| SITC         | Standard international trade classification                                                                                |
| tonne        | 1 tonne = 1 000 kg                                                                                                         |
| TOE          | Tonne of oil equivalent = 42 GJ (net calorific value)                                                                      |
| Tonne-km     | Unit of measure of goods transported which represents the transport of one tonne over one kilometer                        |
| Tonne-km/GDP | See above for definition of tonne-km; this indicator adjusts tonne-km by GDP and provides a measure of transport intensity |
| UAA          | Utilised agricultural area                                                                                                 |

## Countries

|                   |                                                                       |
|-------------------|-----------------------------------------------------------------------|
| EU-27             | 27 Member States of the European Union                                |
| EU-25             | 25 Member States of the European Union (without Bulgaria and Romania) |
| HR                | Croatia                                                               |
| MK <sup>(1)</sup> | the former Yugoslav Republic of Macedonia                             |
| TR                | Turkey                                                                |
| AL                | Albania                                                               |
| BA                | Bosnia and Herzegovina                                                |
| ME                | Montenegro                                                            |
| RS                | Serbia                                                                |
| XK <sup>(2)</sup> | Kosovo under UNSCR 1244/99                                            |

## Currency

|     |                                                   |
|-----|---------------------------------------------------|
| EUR | Euro                                              |
| HRK | Croatian kuna                                     |
| MKD | Denar (the former Yugoslav Republic of Macedonia) |
| TRY | Turkish lira                                      |
| ALL | Albanian lek                                      |
| BAM | Convertible mark (Bosnia and Herzegovina)         |
| CSD | Serbian dinar (Republic of Serbia)                |

## Symbols

|   |               |
|---|---------------|
| % | percentage    |
| : | not available |

(1) Provisional code that does not affect the definitive denomination of the country to be attributed after the conclusion of the negotiations currently taking place in the United Nations.

(2) As defined by United Nations Security Council Resolution (UNSCR) 1244 of 10 June 1999.

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## Demography

1

## Population and population density

At the beginning of 2007 the EU-27 recorded a population of more than 495 million persons. Candidate and potential candidate countries had together a population representing nearly a fifth of the EU-27 population. Turkey was the largest candidate country in terms of inhabitants, with a population of nearly 70 million inhabitants in 2007, which represents about 14% of the total EU-27 population. Among the potential candidate countries, Serbia shows the highest number of inhabitants, almost 7.5 million in 2007.

In all candidate and potential candidate countries, except Kosovo, population density is lower than the EU-27 average of 114.8 inhabitants per km<sup>2</sup> (2006 value). Kosovo registers the highest population density, with 195.3 inhabitants per km<sup>2</sup> in 2007, a concentration about 1.7 times higher than the EU-27 average. Montenegro has by far the lowest population density reaching less than half the density in the EU-27. Note that these figures do not provide any information on how concentrated the population in urban areas is, or whether it is widely spread across more rural land.

In general the share of women in the total population is rather balanced for the EU-27 (51.2%) and in all candidate and potential candidate countries with values between 49.5% in Kosovo and 51.8% in Croatia. Only in Croatia and Serbia the proportion of women is higher than the EU-27 average. Bosnia and Herzegovina as well as Montenegro recorded a proportion of women lower than the EU-27 average but still above 50%. In contrast, there are fewer women than men in the former Yugoslav Republic of Macedonia, Turkey, Albania and Kosovo.

Table 1.1: Population and population density

|                                                         | Total population, 1 <sup>st</sup> January (thousands) |         |         |         |         |         |         |         |         |         | Population density (inhabitants per km <sup>2</sup> ) |      |
|---------------------------------------------------------|-------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------------------------------------------------------|------|
|                                                         | 1997                                                  | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007                                                  | 2007 |
| EU-27                                                   | 478 102                                               | 480 383 | 481 076 | 482 188 | 482 958 | 484 541 | 486 520 | 488 132 | 490 898 | 492 965 | 495 090                                               |      |
| Croatia                                                 | 4 572                                                 | 4 501   | 4 554   | 4 442   | 4 437   | 4 445   | 4 443   | 4 442   | 4 424   | 4 443   | 4 441                                                 |      |
| The former Yugoslav Republic of Macedonia <sup>a)</sup> | 1 991                                                 | 2 002   | 2 014   | 2 022   | 2 031   | 2 039   | 2 024   | 2 030   | 2 035   | 2 039   | 2 042                                                 |      |
| Turkey <sup>a)</sup>                                    | 63 485                                                | 64 642  | 65 787  | 66 889  | 67 896  | 68 838  | 69 770  | 70 692  | 71 610  | 72 520  | 69 689                                                |      |
| Albania                                                 | 3 324                                                 | 3 354   | 3 373   | 3 058   | 3 063   | 3 084   | 3 103   | 3 120   | 3 135   | 3 149   | 3 153                                                 |      |
| Bosnia and Herzegovina                                  | 3 777                                                 | 3 550   | 3 689   | 3 753   | 3 790   | 3 813   | 3 830   | 3 837   | 3 843   | 3 841   | 3 844                                                 |      |
| Montenegro                                              | 606                                                   | 608     | 610     | 612     | 615     | 617     | 619     | 621     | 623     | 624     | 625                                                   |      |
| Serbia                                                  | 7 610                                                 | 7 583   | 7 553   | 7 528   | 7 505   | 7 502   | 7 491   | 7 470   | 7 456   | 7 425   | 7 382                                                 |      |
| Kosovo under UNSCR 1244/99                              | 2 169                                                 | —       | —       | —       | —       | 1 985   | 2 016   | 2 041   | 2 072   | 2 100   | 2 127                                                 |      |
| EU-27                                                   | 110.9                                                 | 111.9   | 112.1   | 112.2   | 112.5   | 112.8   | 113.3   | 113.9   | 114.3   | 114.8   | 115.3                                                 |      |
| Croatia                                                 | 80.6                                                  | 79.5    | 80.5    | 78.6    | 78.5    | 78.6    | 78.5    | 78.5    | 78.5    | 78.5    | 78.5                                                  |      |
| The former Yugoslav Republic of Macedonia               | 77.4                                                  | 77.9    | 78.3    | 78.6    | 79.0    | 79.3    | 78.7    | 78.9    | 79.2    | 79.3    | 79.4                                                  |      |
| Turkey                                                  | 81.0                                                  | 82.5    | 84.0    | 85.4    | 86.6    | 87.9    | 89.0    | 90.2    | 91.4    | 88.9    | 90.1                                                  |      |
| Albania                                                 | 115.0                                                 | 116.7   | 117.3   | 106.4   | 106.6   | 107.3   | 107.9   | 108.5   | 109.0   | 109.5   | 109.7                                                 |      |
| Bosnia and Herzegovina                                  | 72.8                                                  | 69.3    | 72.0    | 73.3    | 74.0    | 74.5    | 74.8    | 74.9    | 75.0    | 75.0    | 75.1                                                  |      |
| Montenegro                                              | 43.9                                                  | 44.0    | 44.2    | 44.4    | 44.5    | 44.7    | 44.8    | 45.0    | 45.1    | 45.1    | 45.2                                                  |      |
| Serbia                                                  | 98.2                                                  | 97.9    | 97.5    | 97.2    | 96.9    | 96.8    | 96.7    | 96.4    | 96.2    | 95.8    | 95.3                                                  |      |
| Kosovo under UNSCR 1244/99                              | 199.2                                                 | —       | —       | —       | —       | 182.3   | 185.2   | 187.5   | 190.1   | 192.9   | 195.3                                                 |      |

a) Break in 2003, at 2004, values in 2007.

Figure 1.1: Share of women in the total population, 2007 (% of total)



## Population growth

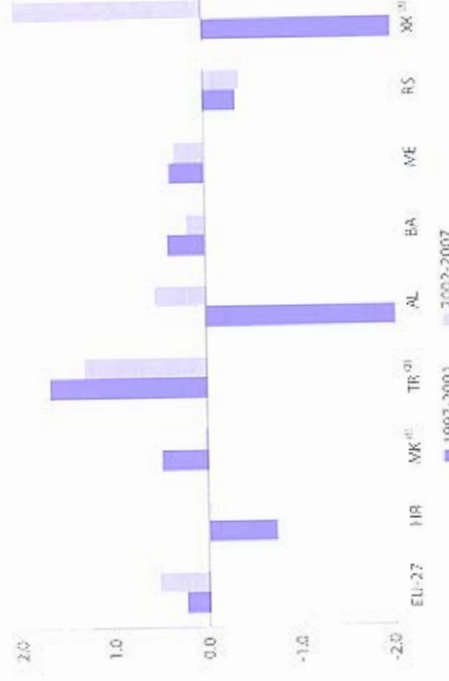
Due to a steady increase since 1997, the EU-27 population in 2007 was 3.6% higher than in 1997. Population growth was also recorded every year in Montenegro and every year except one in the former Yugoslav Republic of Macedonia, Albania and Bosnia and Herzegovina. This showed an increase of the population in Montenegro (3.2%), Bosnia and Herzegovina (3.1%) and in the former Yugoslav Republic of Macedonia (2.5%) since 1997. Although showing moderate growth rates each year from 2000 until 2007, Albania could not compensate the slump of -9.3% from 1999 to 2000. In contrast, Serbia recorded small population falls each year since 1997 amounting to a reduction of the total population by 3.2% between 1997 and 2007. Together with Croatia, Albania and Kosovo, Serbia formed the group of countries registering a decrease of the population since 1997, which was in the case of Serbia and Croatia due to a decrease in both five-year periods shown in Figure 1.2. However, the comparison with the previous year shows that in 2007 the population grew or remained stable in all territories, except Serbia, where the population declined by 0.6%. Note that the development of the Turkish population cannot be precisely analysed since the population census conducted in 2007 (break in series in 2007) may lead to some significant data revision for previous years.

Table 1.2: Population growth (%) change compared with the previous year<sup>1</sup>

|                                                         | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                                   | 0.2  | 0.5  | 0.1  | 0.2  | 0.2  | 0.3  | 0.4  | 0.4  | 0.5  | 0.4  | 0.4  |
| Croatia                                                 | 1.8  | 1.6  | 1.2  | -2.8 | 0.3  | 0.0  | 0.0  | -0.0 | 0.1  | 0.0  | -0.1 |
| The former Yugoslav Republic of Macedonia <sup>mt</sup> | 1.0  | 0.5  | 0.5  | 0.4  | 0.5  | 0.4  | 1    | 0.3  | 0.3  | 0.2  | 0.2  |
| Turkey <sup>tr</sup>                                    | 1.8  | 1.8  | 1.8  | 1.7  | 1.5  | 1.4  | 1.4  | 1.3  | 1.3  | 1.3  |      |
| Albania                                                 | 1.3  | 0.9  | 0.6  | -9.3 | 0.2  | 0.7  | 0.6  | 0.5  | 0.5  | 0.5  | 0.1  |
| Bosnia and Herzegovina                                  | -3.4 | -4.8 | 3.9  | 1.7  | 1.0  | 0.6  | 0.5  | 0.2  | 0.1  | 0.0  | 0.0  |
| Montenegro                                              | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  | 0.3  | 0.3  | 0.1  | 0.2  |
| Serbia                                                  | -0.2 | 0.4  | -0.4 | -0.3 | 0.3  | -0.0 | -0.1 | -0.3 | -0.2 | -0.4 | -0.6 |
| Kosovo under UNSCR 1244/99                              | 1.7  | :    | :    | :    | :    | :    | 1.6  | 1.2  | 1.4  | 1.4  | 1.3  |

<sup>1</sup> For Serbia, growth in 2007, 2008 and 2009 is preliminary.

Figure 1.2: Population, average annual growth rates (%)



<sup>1</sup> For Serbia, growth in 2007, 2008 and 2009 is preliminary.

## Population growth and breakdown by age group

In 2007 (or the last year with available data), the working age population (between 15 and 64) represents far more than two-thirds of the total population in the EU-27 as well as in almost all candidate and potential candidate countries (except Kosovo with 59% of the population aged 15-59). Turkey, Kosovo and Albania recorded the highest percentage shares of the age class below 15 years, with more than 25% of the total population (16% for the EU-27). In contrast, these countries recorded the smallest shares of people aged 65 and over (60 and over in the case of Kosovo) with less than 10% of the total population (17% for the EU-27).

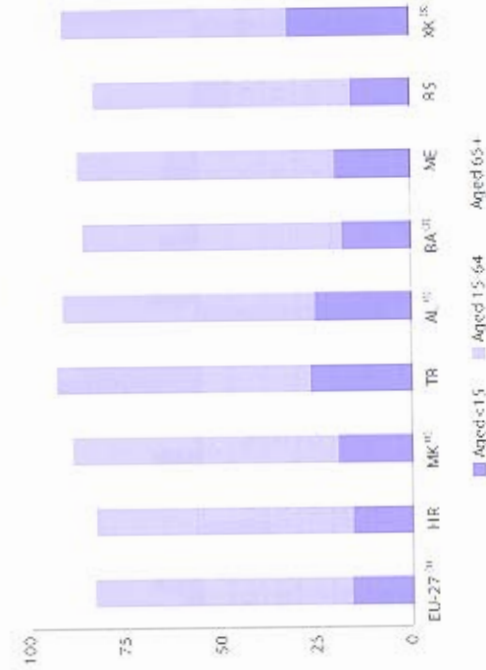
Between 1997 and 2007, but for different reference periods (depending on the data availability) for the individual countries, a decrease of the share of those under the age of 15 years can be seen in all territories apart from Kosovo. The largest drops at around 4.5 percentage points were recorded in the three candidate countries: Croatia, the former Yugoslav Republic of Macedonia and Turkey (2.1 percentage points in the EU-27). Over the same period, the share of those over 65 years of age rose in all territories, showing the biggest rise in Croatia (almost 5 percentage points) and Montenegro (almost 3 percentage points) somewhat above the EU-27 with almost 2 percentage points. The working age population (between 15 and 64) showed a diminishing share in Croatia, Bosnia and Herzegovina, Serbia and Kosovo, Bosnia and Herzegovina, with a reduction of almost 1.7 percentage points (period 2002 to 2005), had the largest decrease. Turkey, the former Yugoslav Republic of Macedonia and Albania were at the other extreme with an increase of the share of the working age population between 2.6 (Turkey) and 1.1 (Albania) percentage points (6.3 for the EU-27).

Table 1.3: Crude birth and death rates (per thousand inhabitants)

|                                           | Birth rates |      |      |      |      |      |      |      |      |      |      |      | Death rates |      |      |      |      |      |      |      |      |      |     |  |
|-------------------------------------------|-------------|------|------|------|------|------|------|------|------|------|------|------|-------------|------|------|------|------|------|------|------|------|------|-----|--|
|                                           | 1997        | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1997 | 1998        | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |     |  |
| EU-27                                     | 10.2        | 10.5 | 10.5 | 10.6 | 10.4 | 10.3 | 10.3 | 10.4 | 10.4 | 10.4 | 10.6 | 10.6 | 10.5        | 10.5 | 10.6 | 10.6 | 10.1 | 9.6  | 9.6  | 9.6  | 9.6  | 9.6  | 9.6 |  |
| Croatia                                   | 12.2        | 10.4 | 10.0 | 9.8  | 9.2  | 9.0  | 8.9  | 9.1  | 9.6  | 9.3  | 9.5  | 11.3 | 11.5        | 11.3 | 11.5 | 11.3 | 11.4 | 11.8 | 11.2 | 11.2 | 11.3 | 12.1 |     |  |
| The former Yugoslav Republic of Macedonia | 14.8        | 14.6 | 13.5 | 14.5 | 13.3 | 13.7 | 13.3 | 11.5 | 11.3 | 11.1 | 11.1 | 8.3  | 8.4         | 8.3  | 8.5  | 8.3  | 8.8  | 8.9  | 8.8  | 9.0  | 9.1  | 9.6  |     |  |
| Turkey <sup>(1)</sup>                     | 23.1        | 27.6 | 21.9 | 20.2 | 19.9 | 19.7 | 19.4 | 19.1 | 18.9 | 18.7 | 19.4 | 6.6  | 6.5         | 6.4  | 6.2  | 6.2  | 6.2  | 6.2  | 6.2  | 6.2  | 6.2  | 6.6  |     |  |
| Albania                                   | 18.5        | 17.9 | 18.0 | 16.7 | 17.7 | 14.7 | 15.1 | 13.8 | 12.6 | 10.9 | 10.5 | 5.5  | 5.4         | 5.2  | 5.4  | 5.1  | 5.3  | 5.8  | 5.7  | 5.5  | 5.4  | 4.6  |     |  |
| Bosnia and Herzegovina                    | 13.2        | 12.4 | 11.4 | 10.5 | 9.9  | 9.5  | 9.2  | 8.9  | 9.0  | 8.9  | 8.6  | 7.7  | 7.9         | 7.7  | 8.1  | 8.0  | 8.1  | 8.3  | 8.3  | 9.0  | 8.6  | 8.9  |     |  |
| Montenegro                                | 14.4        | 15.1 | 14.4 | 15.0 | 14.4 | 13.7 | 13.5 | 12.6 | 11.8 | 12.1 | 12.5 | 8.5  | 8.7         | 8.8  | 8.8  | 8.8  | 8.9  | 9.2  | 9.2  | 9.4  | 9.6  | 9.5  |     |  |
| Serbia                                    | 10.5        | 10.1 | 9.6  | 9.8  | 10.5 | 10.4 | 10.6 | 10.5 | 9.7  | 9.6  | 9.2  | 12.9 | 13.1        | 13.5 | 13.8 | 13.2 | 11.7 | 13.9 | 14.0 | 14.3 | 13.9 | 13.9 |     |  |
| Kosovo under UNSCR 1244/99                | -           | -    | -    | -    | -    | -    | 16.0 | 17.3 | 18.1 | 16.3 | 15.5 | -    | -           | -    | -    | -    | -    | 3.2  | 3.2  | 3.5  | 3.6  | 3.1  |     |  |
| EU-27                                     | 10.2        | 10.5 | 10.5 | 10.6 | 10.4 | 10.3 | 10.3 | 10.4 | 10.4 | 10.4 | 10.6 | 10.6 | 10.5        | 10.5 | 10.6 | 10.6 | 10.1 | 9.6  | 9.6  | 9.6  | 9.6  | 9.6  |     |  |
| Croatia                                   | 12.2        | 10.4 | 10.0 | 9.8  | 9.2  | 9.0  | 8.9  | 9.1  | 9.6  | 9.3  | 9.5  | 11.3 | 11.5        | 11.3 | 11.5 | 11.3 | 11.4 | 11.8 | 11.2 | 11.2 | 11.3 | 12.1 |     |  |
| The former Yugoslav Republic of Macedonia | 14.8        | 14.6 | 13.5 | 14.5 | 13.3 | 13.7 | 13.3 | 11.5 | 11.3 | 11.1 | 11.1 | 8.3  | 8.4         | 8.3  | 8.5  | 8.3  | 8.8  | 8.9  | 8.8  | 9.0  | 9.1  | 9.6  |     |  |
| Turkey <sup>(1)</sup>                     | 23.1        | 27.6 | 21.9 | 20.2 | 19.9 | 19.7 | 19.4 | 19.1 | 18.9 | 18.7 | 19.4 | 6.6  | 6.5         | 6.4  | 6.2  | 6.2  | 6.2  | 6.2  | 6.2  | 6.2  | 6.2  | 6.6  |     |  |
| Albania                                   | 18.5        | 17.9 | 18.0 | 16.7 | 17.7 | 14.7 | 15.1 | 13.8 | 12.6 | 10.9 | 10.5 | 5.5  | 5.4         | 5.2  | 5.4  | 5.1  | 5.3  | 5.8  | 5.7  | 5.5  | 5.4  | 4.6  |     |  |
| Bosnia and Herzegovina                    | 13.2        | 12.4 | 11.4 | 10.5 | 9.9  | 9.5  | 9.2  | 8.9  | 9.0  | 8.9  | 8.6  | 7.7  | 7.9         | 7.7  | 8.1  | 8.0  | 8.1  | 8.3  | 8.3  | 9.0  | 8.6  | 8.9  |     |  |
| Montenegro                                | 14.4        | 15.1 | 14.4 | 15.0 | 14.4 | 13.7 | 13.5 | 12.6 | 11.8 | 12.1 | 12.5 | 8.5  | 8.7         | 8.8  | 8.8  | 8.8  | 8.9  | 9.2  | 9.2  | 9.4  | 9.6  | 9.5  |     |  |
| Serbia                                    | 10.5        | 10.1 | 9.6  | 9.8  | 10.5 | 10.4 | 10.6 | 10.5 | 9.7  | 9.6  | 9.2  | 12.9 | 13.1        | 13.5 | 13.8 | 13.2 | 11.7 | 13.9 | 14.0 | 14.3 | 13.9 | 13.9 |     |  |
| Kosovo under UNSCR 1244/99                | -           | -    | -    | -    | -    | -    | 16.0 | 17.3 | 18.1 | 16.3 | 15.5 | -    | -           | -    | -    | -    | -    | 3.2  | 3.2  | 3.5  | 3.6  | 3.1  |     |  |

11: Break in series in 2000.

Figure 1.3: Breakdown of population by age group, 2007 (% of total)



11: 2006 data. 12: 2005 data. 13: 2001 data. 14: 2001 data. 15: 2001 data. 16: 2001 data. 17: 2001 data. 18: 2001 data. 19: 2001 data. 20: 2001 data. 21: 2001 data. 22: 2001 data. 23: 2001 data. 24: 2001 data. 25: 2001 data. 26: 2001 data. 27: 2001 data. 28: 2001 data. 29: 2001 data. 30: 2001 data. 31: 2001 data. 32: 2001 data. 33: 2001 data. 34: 2001 data. 35: 2001 data. 36: 2001 data. 37: 2001 data. 38: 2001 data. 39: 2001 data. 40: 2001 data. 41: 2001 data. 42: 2001 data. 43: 2001 data. 44: 2001 data. 45: 2001 data. 46: 2001 data. 47: 2001 data. 48: 2001 data. 49: 2001 data. 50: 2001 data. 51: 2001 data. 52: 2001 data. 53: 2001 data. 54: 2001 data. 55: 2001 data. 56: 2001 data. 57: 2001 data. 58: 2001 data. 59: 2001 data. 60: 2001 data. 61: 2001 data. 62: 2001 data. 63: 2001 data. 64: 2001 data. 65: 2001 data. 66: 2001 data. 67: 2001 data. 68: 2001 data. 69: 2001 data. 70: 2001 data. 71: 2001 data. 72: 2001 data. 73: 2001 data. 74: 2001 data. 75: 2001 data. 76: 2001 data. 77: 2001 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## Crude birth, death and natural increase rates

In 2007, Croatia, Albania, Bosnia and Herzegovina and Serbia showed smaller crude birth rates than the EU-27 average of 10.6, while the former Yugoslav Republic of Macedonia, Turkey, Montenegro and Kosovo recorded higher rates. A comparison between 2007 and 1997 (2007 and 2003 for Kosovo) shows that 2007 crude birth rates were smaller in the EU-27 as well as in all candidate and potential candidate countries. In 2007, crude death rates in six out of the eight countries were equal or below the EU-27 rate of 9.6. Only Croatia with 12.1 and Serbia with 13.1 deaths per thousand inhabitants were significantly above the EU-27 rate. For comparable periods the EU-27 as well as Albania and Kosovo recorded a slight reduction of the crude death rate in 2007. On the other hand, Croatia, the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Montenegro and Serbia showed slightly increased rates.

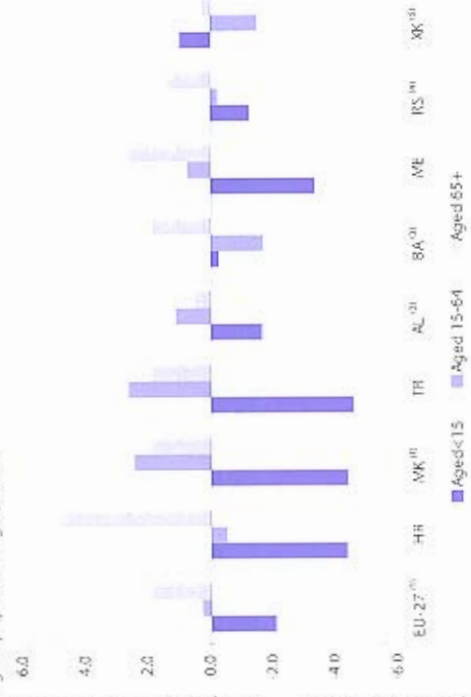
It is possible to calculate a crude rate of natural increase by subtracting the crude death rate from the crude birth rate. A positive result shows that the size of the population is growing, if the effects of migration are discounted. Over a longer period Serbia (all years) and Croatia (all years except 1997) were the only countries showing crude death rates higher than crude birth rates. For Serbia this caused the largest natural decrease of population in 2007 of all countries with a value of 4.7 per thousand inhabitants. In comparison, the largest crude rate of natural increase was recorded in Turkey with 12.7 closely followed by Kosovo with 12.4 in 2007. Natural population increases were also registered in the former Yugoslav Republic of Macedonia with a rate of 1.5, Montenegro with a rate of 3.0 and Albania with a rate of 5.9 per thousand inhabitants (1.0 for the EU-27). Contrary to the EU-27 all countries showed a lower natural growth rate in 2007 compared to 1997 (2003 for Kosovo).

Table 1.4: Fertility and infant mortality rates

|                                                                                                          | Fertility rates (children per woman) |      |      |      |      |      |      |
|----------------------------------------------------------------------------------------------------------|--------------------------------------|------|------|------|------|------|------|
|                                                                                                          | 1997                                 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| EU-27                                                                                                    |                                      |      |      |      |      |      |      |
| Croatia                                                                                                  | 17                                   | 15   | 14   | 15   | 14   | 13   | 13   |
| The former Yugoslav Republic of Macedonia                                                                | 19                                   | 19   | 18   | 19   | 17   | 18   | 18   |
| Turkey <sup>(1)</sup>                                                                                    | 26                                   | 26   | 25   | 23   | 23   | 22   | 22   |
| Albania                                                                                                  | 22                                   | 22   | 21   | 20   | 23   | 19   | 20   |
| Bosnia and Herzegovina                                                                                   | 17                                   | 16   | 14   | 13   | 14   | 12   | 12   |
| Montenegro                                                                                               | 17                                   | 19   | 18   | 19   | 18   | 19   | 18   |
| Serbia                                                                                                   | 15                                   | 17   | 16   | 15   | 16   | 16   | 16   |
| Kosovo under UNSCR 1244/99                                                                               |                                      |      |      |      |      |      |      |
| EU-27                                                                                                    |                                      |      |      |      |      |      |      |
| Croatia                                                                                                  | 68                                   | 65   | 61   | 59   | 58   | 55   | 53   |
| The former Yugoslav Republic of Macedonia                                                                | 157                                  | 163  | 148  | 118  | 119  | 102  | 111  |
| Turkey <sup>(1)</sup>                                                                                    | 388                                  | 363  | 339  | 289  | 278  | 267  | 263  |
| Albania                                                                                                  | 222                                  | 150  | 122  | 119  | 108  | 102  | 84   |
| Bosnia and Herzegovina                                                                                   | 125                                  | 110  | 102  | 97   | 76   | 92   | 76   |
| Montenegro                                                                                               | 148                                  | 139  | 134  | 111  | 146  | 108  | 110  |
| Serbia                                                                                                   | 120                                  | 119  | 111  | 106  | 107  | 101  | 90   |
| Kosovo under UNSCR 1244/99                                                                               | 182                                  |      |      |      |      | 112  | 151  |
| Infant mortality rates (deaths of children under one year of age relative to every thousand live births) |                                      |      |      |      |      |      |      |
| EU-27                                                                                                    |                                      |      |      |      |      |      |      |
| Croatia                                                                                                  | 82                                   | 77   | 74   | 77   | 70   | 61   | 57   |
| The former Yugoslav Republic of Macedonia                                                                | 157                                  | 163  | 148  | 118  | 119  | 102  | 111  |
| Turkey <sup>(1)</sup>                                                                                    | 388                                  | 363  | 339  | 289  | 278  | 267  | 263  |
| Albania                                                                                                  | 222                                  | 150  | 122  | 119  | 108  | 102  | 84   |
| Bosnia and Herzegovina                                                                                   | 125                                  | 110  | 102  | 97   | 76   | 92   | 76   |
| Montenegro                                                                                               | 148                                  | 139  | 134  | 111  | 146  | 108  | 110  |
| Serbia                                                                                                   | 120                                  | 119  | 111  | 106  | 107  | 101  | 90   |
| Kosovo under UNSCR 1244/99                                                                               | 182                                  |      |      |      |      | 112  | 151  |

(1) Based on years in 2003.

Figure 1.4: Relative change in the population between 1997 and 2007, by age group (percentage points)



(1) Period covered: 1997-2005, 2006 covered: 2001-2006, (3) Period covered: 2002-2005, as of 30 June estimated value of Period covered: 1999-2003 (3) Period covered: 2002-2003 same as Bosnia and Herzegovina and Turkey Survey 2001 the survey results (age groups refer to 14, 15, 16 and 17 years old)

### Fertility, infant mortality and life expectancy

Compared to 1997, the fertility rate has decreased in all candidate and potential candidate countries in 2006 or 2007 (depending on the data availability), and it remains at a low level, less than 2 children per woman, which is considered as the necessary rate in order to maintain the population level in the long-term. Fertility fell especially sharply in Albania, from 2.2 births per woman in 1997 to 1.3 in 2007. However, Albania (from 1997 to 2001 and again in 2003) and Turkey (for the entire period) were the only countries recording fertility rates of above 2 children. Other countries registered fertility rates of under 2 children per woman over the same period. Kosovo is not taken into account, as most of the data are not available.

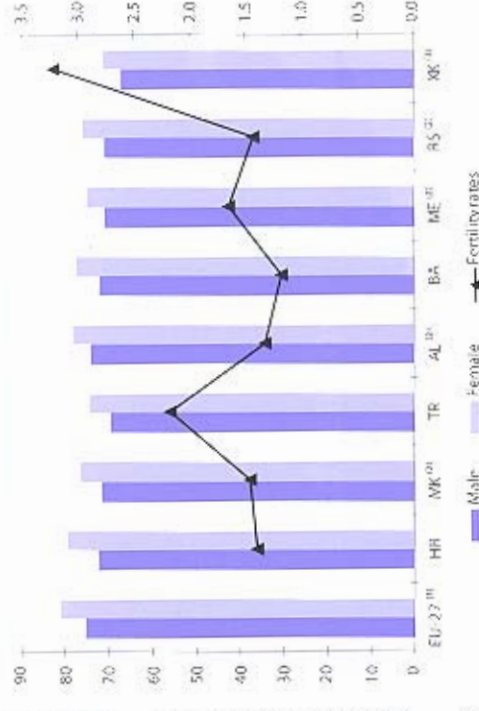
The infant mortality rate in both candidate and potential candidate countries was above the EU-27 value for each comparable year since 1997. However, this rate has generally declined in the EU-27 and all other countries over the available period. The most notable drop was recorded in Albania, where it has been progressively decreasing during the last ten years from 22.2 (deaths of children under one year of age, relative to every thousand live births) in 1997 to 5.6 in 2007. Montenegro reduced its infant mortality rate by 50%, from 14.8 in 1997 to 7.4 in 2007 and Turkey by 14% from 38.8 to 21.7 over the same period (although in this country there was a break in the series in 2000).

Figure 1.5: Crude rate of natural increase (per thousand inhabitants)



EU-27: 2007; HR: 2006; MK: 2006; TR: 2006; AL: 2006; BA: 2006; ME: 2006; RS: 2006; XK: 2006

Figure 1.6: Life expectancy at birth, 2007 (years)



EU-27: 2007; HR: 2006; MK: 2006; TR: 2006; AL: 2006; BA: 2006; ME: 2006; RS: 2006; XK: 2006

In 2007, the highest infant mortality was registered in Turkey with a rate of 21.7. The infant mortality rate was also above 10 for 2007 in Kosovo and the former Yugoslav Republic of Macedonia, with rates of 11.1 and 10.3 respectively. Countries recording rates below 10 were Bosnia and Herzegovina with 7.5 (data for 2006) as well as Montenegro and Serbia with 7.4 and 7.1 respectively. Croatia and Albania showed infant mortality rates of 5.6, only slightly above the EU-27 average of 4.7 in 2006.

Life expectancy at birth is lower in all candidate and potential candidate countries than in the EU-27 for both sexes, although not very different in some cases. Compared to the EU-27 (data from 2004) it was only about one year lower for men and three and a half years lower for women in Albania (2006 data), and three years lower for men and two years lower for women in Croatia (2007 data). Two countries showed much larger differences with the EU-27: Kosovo (data from 2003), where life expectancy was more than eight years lower for men and more than ten years lower for women, and Turkey (data from 2007), where life expectancy was six years lower for men and seven years lower for women. It is interesting to note that these two countries recorded the highest fertility rates of all countries, confirming the trend towards a younger population than in all other countries.

As in the case of the EU-27, life expectancy at birth is higher for women than for men in all candidate and potential candidate countries. The widest gap between male and female life expectancy was registered in Croatia, with about 7 years difference. It was the only country exceeding the 6 years difference of the EU-27. All other countries recorded values below the EU-27 difference, but still above 4 years.

# 2

## Education

### Early school leavers

Education and training policies are central to the Lisbon objective of creating a dynamic and competitive knowledge based economy. As part of its objectives for 2010, the EU has made tackling the problem of early school leavers one of its priorities.

While the number of early school leavers in the EU-27 has been reduced, in 2007 there remained 14.8% of young persons aged between 18 and 24 who had not completed upper secondary education and who were not engaged in any education or training. Within the candidate and potential candidate countries for which information is available, the highest share of young persons who had not completed upper secondary education and who were not engaged in any education or training was accounted for by Turkey (48%), followed by the former Yugoslav Republic of Macedonia (32% in 2002, the only information available), Serbia (11%) and Croatia (4%). In general, figures show a downward trend, except for increases in Croatia in 2006, Turkey in 2004 and Serbia in 2006 (0.3, 1.6 and 1.2 percentage points respectively).

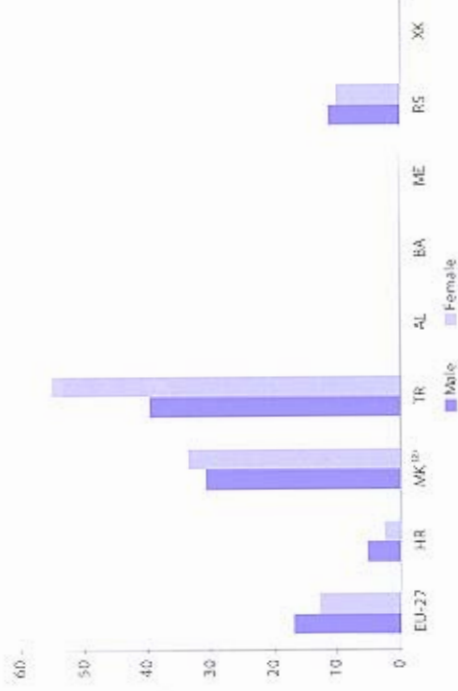
The proportion of men who had not completed upper secondary education was higher than that for women in the EU-27. This was also the case in Croatia where the proportion of men was twice that for women and in Serbia where the proportion of men was slightly higher than that for women. The opposite applied to the former Yugoslav Republic of Macedonia with the proportion of women slightly higher than that for men (in 2002) and to Turkey with the proportion of around 15 percentage points higher for women than for men.

Table 2.1: Proportion of the population aged 18-24 having not completed upper secondary education (currently not in any education or training) (%)

|                                           | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|
| EU-27                                     | 17.6 | 17.3 | 17.1 | 16.6 | 15.9 | 15.5 | 15.2 | 14.8 |
| Croatia                                   | —    | —    | 8.1  | 8.4  | 6.2  | 4.8  | 5.1  | 3.9  |
| The former Yugoslav Republic of Macedonia | —    | —    | 32.2 | —    | —    | —    | —    | —    |
| Turkey                                    | 58.8 | 57.3 | 54.8 | 53.0 | 54.6 | 51.3 | 50.0 | 47.8 |
| Albania                                   | —    | —    | —    | —    | —    | —    | —    | —    |
| Bosnia and Herzegovina                    | —    | —    | —    | —    | —    | —    | —    | —    |
| Montenegro                                | —    | —    | —    | —    | —    | —    | —    | —    |
| Serbia                                    | —    | —    | —    | —    | 11.5 | 11.4 | 12.6 | 13.7 |
| Kosovo under UNSCR 1244/99                | —    | —    | —    | —    | —    | —    | —    | —    |

1) Albania, Bosnia and Herzegovina, Montenegro and Kosovo under UNSCR 1244/99, not available 12. 2002 instead of 2007.

Figure 2.1: Proportion of the population aged 18-24 having not completed upper secondary education (currently not in any education or training), 2007 (%)





# Number of pupils/students by ISCED level of education

Education stages are defined in the ISCED as follows:

- 0 Pre primary education;
- 1 Primary education;
- 2 Lower secondary education;
- 3 Upper secondary education;
- 4 Post-secondary non-tertiary education;
- 5 First stage of tertiary education; <sup>1</sup>
- 6 Second stage of tertiary education (leading to an advanced research qualification).

Between 2001 and 2007, there was an increase in the number of students that attended first and second stages of tertiary education in the EU-27 as well as in candidate and potential candidate countries for which data is available (both for 2001 and 2007). The number of pupils in primary education increased in Turkey and Montenegro in the period observed. In contrast, the EU-27 and all other countries for which data is available recorded a decrease in the number of pupils in primary education. Note that this analysis cannot be complete as in case of all countries there is no data available for all ISCED levels.

Table 2.3: Number of pupils/students by ISCED level of education (thousands)

|                                                             | 2001    |         |         |         |         |         |
|-------------------------------------------------------------|---------|---------|---------|---------|---------|---------|
|                                                             | ISCED 0 | ISCED 1 | ISCED 2 | ISCED 3 | ISCED 4 | ISCED 5 |
| EU-27                                                       | 13 073  | 26 903  | 23 386  | 24 212  | 1 283   | 16 098  |
| Croatia <sup>(a)</sup>                                      | 96      | 193     | 207     | 198     | 1       | 111     |
| The former Yugoslav Republic of Macedonia <sup>(a)(b)</sup> | 35      | 124     | 128     | 94      | 1       | 40      |
| Turkey                                                      | 254     | 10 476  | 1       | 2 360   | 1 642   | 1 642   |
| Albania <sup>(a)</sup>                                      | 84      | 274     | 261     | 112     | 41      | 41      |
| Bosnia and Herzegovina <sup>(a)</sup>                       | 13      | 169     | 192     | 167     | 5       | 65      |
| Montenegro <sup>(a)</sup>                                   | 37      | 37      | 37      | 31      | 8       | 8       |
| Serbia                                                      | 90      | 342     | 365     | 316     | 183     | 183     |
| Kosovo under UNSCR 1244/99                                  | 1       | 1       | 1       | 1       | 1       | 1       |
|                                                             | 2007    |         |         |         |         |         |
|                                                             | ISCED 0 | ISCED 1 | ISCED 2 | ISCED 3 | ISCED 4 | ISCED 5 |
| EU-27 <sup>(a)</sup>                                        | 14 067  | 28 527  | 27 892  | 22 205  | 1 405   | 18 266  |
| Croatia                                                     | 93      | 182     | 194     | 184     | 1       | 188     |
| The former Yugoslav Republic of Macedonia <sup>(a)</sup>    | 37      | 101     | 113     | 96      | 0       | 57      |
| Turkey                                                      | 702     | 10 871  | 1       | 3 245   | 2 477   | 2 477   |
| Albania <sup>(a)</sup>                                      | 76      | 210     | 237     | 171     | 86      | 86      |
| Bosnia and Herzegovina                                      | 15      | 40      | 35      | 32      | 5       | 99      |
| Montenegro <sup>(a)</sup>                                   | 11      | 40      | 35      | 32      | 18      | 18      |
| Serbia                                                      | 70      | 290     | 329     | 288     | 183     | 183     |
| Kosovo under UNSCR 1244/99                                  | 26      | 175     | 147     | 89      | 27      | 27      |

<sup>(a)</sup> ISCED 5 includes students who have not completed their secondary education. <sup>(b)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(c)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(d)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(e)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(f)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(g)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(h)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(i)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(j)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(k)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(l)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(m)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(n)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(o)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(p)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(q)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(r)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(s)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(t)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(u)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(v)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(w)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(x)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(y)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education. <sup>(z)</sup> ISCED 5 includes students who have completed their secondary education but have not yet started their tertiary education.

### Tertiary graduates in science and technology

Tertiary graduates are defined as those who have successfully completed education programmes that usually result in obtaining a certificate or diploma, such as a bachelor's degree, master's degree or a doctorate. Science and technology is defined by ISCED including the following subject areas: life sciences, physical sciences, mathematics and statistics, computing, engineering, manufacturing and processing, architecture and building.

Enrolment rates in science and technology at tertiary level for women are nearly half the men's rate in the EU-27 (data from 2006), and slightly above 40% in Turkey (data from 2005). In the other candidate and potential candidate countries for which data are available, the female participation rate is more than half that of the male rate, the highest relative participation of women being registered in the former Yugoslav Republic of Macedonia, where female participation amounts to almost 90% of that of male participation (data for 2006). The male rate of the EU-27 is significantly higher than in the candidate and potential candidate countries. To a lesser extent, this is also true for female rates. Comparing the first and the last year for which data are available, enrolment rates for both men and women increased in all regions, showing especially fluctuating rates in candidate countries.

### Expenditure in education and participation in training

The Lisbon European Council called for a substantial annual increase in the per capita investment in human resources. In 2005, EU-27 public sector investment in education was equal to 5% of GDP, a figure that is higher than in any of the candidate and the potential candidate countries for the last few years, where it was within a range of 2.5% in Serbia (2000 and 2001) to 4.5% in Croatia (2000 and 2003) of GDP. Looking at the entire period for which data are available all countries recorded relatively stable percentages while Turkey and Serbia showed larger fluctuations with 1.2 and 1.5 points respectively between the lowest and highest percentages.

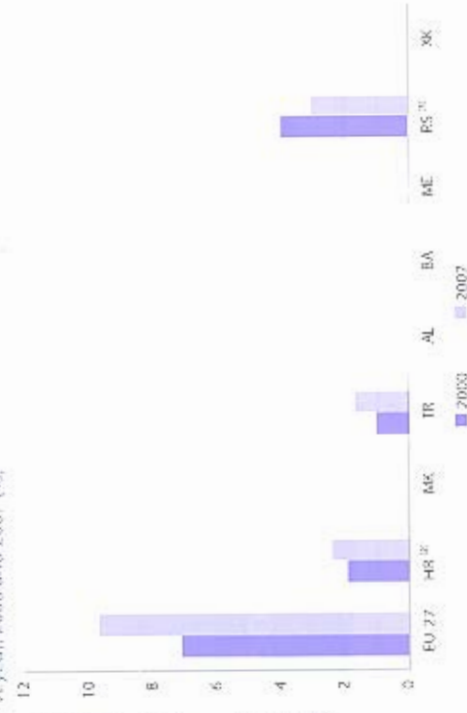
In 2007, the proportion of the population aged 25-64 years participating in education and training was much higher (more than three times) in the EU-27 than in the candidate and potential candidate countries for which information is available. The proportion has increased since 2001 in all countries except Serbia.

Table 2.4: Tertiary graduates in science and technology

|                                           | Male (per 1 000 population aged 20-29)   |      |      |      |      |      |      |      |      |      |      |
|-------------------------------------------|------------------------------------------|------|------|------|------|------|------|------|------|------|------|
|                                           | 1997                                     | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27                                     | 12.3                                     | 12.8 | 13.7 | 14.5 | 15.1 | 16.3 | 16.9 | 17.9 | 17.9 | 17.6 | 17.6 |
| Croatia                                   | 7.6                                      | 7.6  | 7.4  | 7.0  | 7.8  | 8.4  | 7.5  | 7.5  | 7.5  | 7.6  | 8.1  |
| The former Yugoslav Republic of Macedonia | 4.7                                      | 4.1  | 4.2  | 3.5  | 3.3  | 3.7  | 3.5  | 4.7  | 3.9  | 3.6  | 3.6  |
| Turkey                                    | 4.6                                      | 5.2  | 5.6  | 5.9  | 6.3  | 6.7  | 7.0  | 7.6  | 8.0  |      |      |
| Albania                                   |                                          |      |      |      |      |      |      |      |      |      |      |
| Bosnia and Herzegovina                    |                                          |      |      |      |      |      |      |      |      |      |      |
| Montenegro <sup>(1)</sup>                 |                                          |      |      |      |      |      |      | 3.1  | 4.6  | 5.0  | 4.6  |
| Serbia                                    | 6.7                                      | 7.2  | 7.2  | 7.2  | 7.3  | 7.5  | 7.4  | 8.3  |      |      |      |
| Kosovo under UNSCR 1244/99                |                                          |      |      |      |      |      |      |      |      |      |      |
|                                           | Female (per 1 000 population aged 20-29) |      |      |      |      |      |      |      |      |      |      |
|                                           | 1997                                     | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27                                     | 5.2                                      | 5.6  | 6.2  | 6.6  | 7.0  | 7.7  | 7.9  | 8.4  | 8.4  | 8.4  | 8.4  |
| Croatia                                   | 3.7                                      | 4.3  | 4.1  | 3.4  | 3.5  | 3.6  | 3.8  | 4.3  | 4.3  | 4.8  | 4.8  |
| The former Yugoslav Republic of Macedonia | 2.8                                      | 4.1  | 3.1  | 2.6  | 2.6  | 2.7  | 2.6  | 3.1  | 3.4  | 3.2  | 3.2  |
| Turkey                                    | 1.9                                      | 2.3  | 2.8  | 2.8  | 3.0  | 3.1  | 3.3  | 3.5  | 3.3  | 3.3  | 3.3  |
| Albania                                   |                                          |      |      |      |      |      |      |      |      |      |      |
| Bosnia and Herzegovina                    |                                          |      |      |      |      |      |      |      |      |      |      |
| Montenegro <sup>(1)</sup>                 |                                          |      |      |      |      |      |      | 1.8  | 2.3  | 2.5  | 1.9  |
| Serbia                                    | 4.5                                      | 4.8  | 4.5  | 4.9  | 5.4  | 5.4  | 5.4  | 6.2  | 6.2  | 6.2  | 6.2  |
| Kosovo under UNSCR 1244/99                |                                          |      |      |      |      |      |      |      |      |      |      |

(1) 2003 and 2004, estimated value.

Figure 2.3: Proportion of persons aged 25-64 having participated in education and training (at any time within a four week period prior to being surveyed), 2003 and 2007 (%)<sup>(1)</sup>



(1) The former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Kosovo under UNSCR 1244/99 are included in the sample of population data 2002, 2003 and 2004 only.

Table 2.5: Spending on human resources (public expenditure on education) as a proportion of GDP (%)

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                     | -    | -    | -    | 4.7  | 4.9  | 5.1  | 5.1  | 5.1  | 5.0  | -    | -    |
| Croatia                                   | -    | -    | 4.2  | 4.5  | 4.2  | 4.3  | 4.5  | -    | -    | -    | -    |
| The former Yugoslav Republic of Macedonia | -    | -    | -    | -    | -    | 3.4  | 3.4  | -    | -    | -    | -    |
| Turkey                                    | 2.9  | 3.3  | 3.1  | 3.5  | 3.7  | 3.6  | 3.7  | 4.1  | -    | -    | -    |
| Albania                                   | 3.3  | 3.2  | 3.3  | 3.1  | 3.3  | 3.0  | 3.1  | 3.2  | 3.2  | 3.1  | 3.2  |
| Bosnia and Herzegovina                    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Montenegro                                | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Serbia <sup>(1)</sup>                     | 4.0  | 3.3  | 2.7  | 2.5  | 2.5  | 3.0  | 3.8  | 3.5  | -    | -    | -    |
| Kosovo under UNSCR 1244/99                | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |

(1) 2004, estimated value.

## 3

## Social indicators



### Social inequality

In the last year for which data are available the proportion of the population living in jobless households showed similar values in the EU-27 for children and adults with 9.4% and 9.3% respectively. For children aged 0-17 years this value was close to the EU-27 in Croatia and Serbia, but more than three times higher in the former Yugoslav Republic of Macedonia. This country also showed the largest percentage for persons aged 18-59 years living in jobless households. Comparing 2002 data with the latest available year the EU-27 and Croatia showed a decrease and Serbia an increase for both groups of persons.

Table 3.2: Proportion of the population living in jobless households (%)

|                                                             | Children aged 0-17<br>(as a proportion of all<br>children aged 0-17) |      | Persons aged 18-59<br>(as a proportion of all<br>persons aged 18-59) |      |
|-------------------------------------------------------------|----------------------------------------------------------------------|------|----------------------------------------------------------------------|------|
|                                                             | 2002                                                                 | 2007 | 2002                                                                 | 2007 |
| EU-27                                                       | 10.0                                                                 | 9.4  | 10.3                                                                 | 9.3  |
| Croatia <sup>(1)</sup>                                      | 10.3                                                                 | 8.7  | 14.0                                                                 | 12.5 |
| The former Yugoslav Republic<br>of Macedonia <sup>(2)</sup> | 29.4                                                                 | 29.4 | 23.8                                                                 | 24.7 |
| Turkey                                                      | ;                                                                    | ;    | ;                                                                    | ;    |
| Albania                                                     | ;                                                                    | ;    | ;                                                                    | ;    |
| Bosnia and Herzegovina                                      | ;                                                                    | ;    | ;                                                                    | ;    |
| Montenegro                                                  | ;                                                                    | ;    | ;                                                                    | ;    |
| Serbia <sup>(3)</sup>                                       | 9.3                                                                  | 11.4 | 10.9                                                                 | 14.4 |
| Kosovo under UNSCR 1244/99                                  | ;                                                                    | ;    | ;                                                                    | ;    |

(1) 2000-2002: 2000-2002 value; 2007: 2004-2007 value; 2002 and 2007: value of 2002 persons aged 18-59; 2007: value of 2002 and 2007 persons aged 18-59; 2007: value of 2002 and 2007 persons aged 18-59; 2007: value of 2002 and 2007 persons aged 18-59.

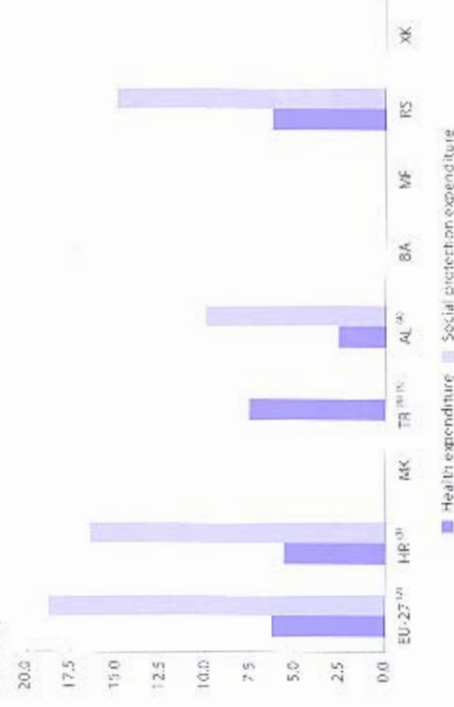
### Household consumption expenditure and social expenditure

Total household consumption expenditure can be broken down according to COICOP. At its first level, COICOP identifies 12 categories of consumption expenditure. The make-up of household expenditure in the EU-27 has shifted gradually from basic to less basic needs, for example, from products such as food, clothing and housing, towards the consumption of items for transport, leisure, recreation and health.

Housing, water, electricity, gas and other fuels accounted for the largest percentages in the EU-27 (21.6%), Croatia (30.0%) and Turkey (27.2%) while holding the second position in all other countries where food and non-alcoholic beverages held the first position. For the last comparable year there is a significant difference between the proportion of total expenditure accounted for by food and non-alcoholic beverages in the EU-27 (12.7%) and the corresponding figures for the candidate and the potential candidate countries, where expenditure was between two times (Croatia, Turkey and Serbia) or more than four times (Albania) the EU-27 value.

Social protection expenditure as a proportion of GDP registered a rate of about 19% in the EU-27, which was slightly higher than the Croatian expenditure ratio of around 17% or the Serbian expenditure ratio of 15%, and a little less than double the share accounted for in Albania. On the other hand, health expenditure, including the part financed by government, ranged between 2.6% in Albania and 7.6% in Turkey and was rather close to the EU-27 value of 6.4% in all countries except Albania.

Figure 3.2: Health and social protection expenditure as a proportion of GDP, 2007 (%)



(1) 2000-2002: 2000-2002 value; 2007: 2004-2007 value; 2002 and 2007: value of 2002 persons aged 18-59; 2007: value of 2002 and 2007 persons aged 18-59; 2007: value of 2002 and 2007 persons aged 18-59.



### Employment rates and activity rates

The labour force is made up of employed and unemployed persons, with the economic activity rate being calculated as the ratio of the number of persons that are part of the labour force (either working or seeking work) to the total population aged 15-64. Employment rates measure the proportion of those in work in a certain age group compared with the total population of the same age group.

There are three specific employment guidelines that have been set as benchmark targets for the EU-27 in order to help achieve the Lisbon objectives of making the EU the most competitive and dynamic knowledge-based economy in the world by 2010, while at the same time promoting full employment, quality and productivity at work, social cohesion and inclusion. The targets relate to employment rates, with the goal of achieving an overall employment rate of at least 70%, one of at least 60% among women, and at least 50% for older people (aged 55-64).

Between 1997 and 2007, the employment rate in the EU-27 followed an upward trend with a period of stagnation between 2001 and 2003 (reaching 65.4% in 2007). The candidate and potential candidate countries all registered lower employment rates in comparison to the EU-27, ranging from 57.1% in Croatia to 26.2% in Kosovo for 2007.

The proportion of the population aged 15-64 that is economically active is higher in the EU-27 than in all candidate and potential candidate countries in 2007 and 2000 for all countries for which data is available. This rate has increased since 2000 in the EU-27 and also in most of the candidate and potential candidate countries. It has decreased in Turkey, Serbia, Montenegro and Albania.

Table 4.1: Employment rate – proportion of the population aged 15-64 in employment (%)

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                     | 60.7 | 61.2 | 61.8 | 62.2 | 62.5 | 62.3 | 62.6 | 62.9 | 63.5 | 64.5 | 65.4 |
| Croatia <sup>(1)</sup>                    | 57.1 | 55.3 | 53.2 | 51.3 | 51.8 | 53.4 | 53.4 | 54.7 | 55.0 | 55.6 | 57.1 |
| The former Yugoslav Republic of Macedonia | -    | 39.6 | 40.2 | 40.3 | 42.6 | 40.4 | 38.5 | 36.8 | 37.9 | 39.6 | 40.7 |
| Turkey                                    | 51.3 | 51.4 | 50.8 | 48.9 | 47.8 | 46.7 | 45.5 | 46.1 | 45.9 | 45.9 | 45.8 |
| Albania <sup>(2)</sup>                    | -    | -    | 55.7 | 55.0 | 52.1 | 52.1 | 51.1 | 50.3 | 49.7 | 48.7 | -    |
| Bosnia and Herzegovina <sup>(3)</sup>     | -    | -    | -    | -    | -    | -    | -    | -    | -    | 35.0 | 36.8 |
| Montenegro <sup>(4)</sup>                 | 38.2 | 38.8 | 39.2 | 38.5 | 37.1 | 37.7 | 36.2 | 37.4 | 41.0 | 41.0 | 43.0 |
| Serbia                                    | 57.8 | 58.2 | 58.3 | 59.2 | 59.7 | 58.5 | 57.9 | 53.4 | 51.0 | 49.9 | 51.5 |
| Kosovo under UNSCR 1244/99                | -    | -    | -    | -    | 19.6 | 23.8 | 25.3 | 27.7 | 28.5 | 28.7 | 26.2 |

(1) - Year to 2001: second half of the year. (2) - Year in series starting with 2001 in line with the threshold of data source. (3) - Source for 2006: Labour Force Survey. (4) - Age group refers to 15+.

Figure 4.1: Economic activity rate – proportion of the population aged 15-64 that is economically active (%)



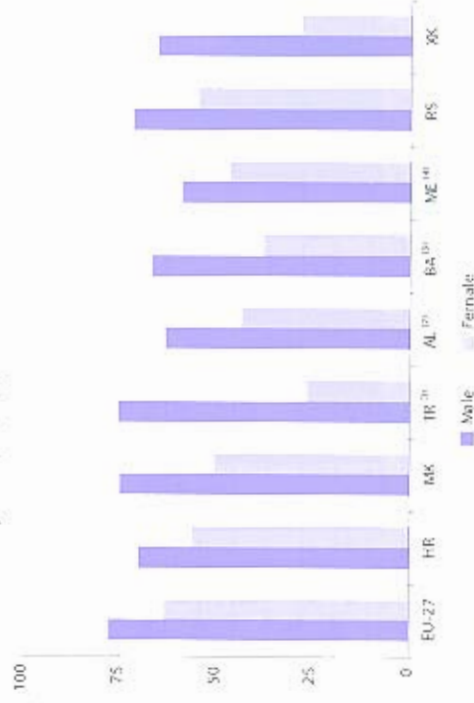
(1) 2007 results were calculated using the Adress Based Population Register System (ABRS) results. (2) 2006 data. (3) Source: Labour Force Survey. (4) 2005 data; age group refers to 15+; (5) 2007 instead 2006.

### Employment rates and activity rates by gender

Male activity rates are higher than female activity rates, as traditionally: men worked while women were more likely to stay at home taking care of the house, children and other dependants. Since 1997 there has been a larger increase of female than male employment rates in the EU-27 showing a rise of 6.9 and 2.5 percentage points respectively. Although with fluctuating rates all countries followed this general trend with the exception of Turkey and Albania, both recording a falling trend for male and female.

The gender gap shows higher employment rates for men in all countries and for all years available. In 2007, all countries accounted for a higher gender gap than the EU-27 with its 14.2 percentage points ranging from 14.4 percentage points in Croatia to 44.1 in Turkey. In line with the EU-27, all countries except Croatia and Bosnia and Herzegovina could reduce the gender gap for the last observable two-year period. A comparison of the data for the first and last year for which data are available shows that the gender gap could be reduced in the EU-27 and all countries except Croatia, Bosnia and Herzegovina and Kosovo.

Figure 4.2: Economic activity rates – proportion of the population aged 15-64 that is economically active, 2007 (%)



(1) 2007 results were calculated using the Address-Based Population Registration System (ABPRS) results. (2) 2006 data. (3) Source: Labour Force Survey. (4) Age group 15-64.

Table 4.2: Employment rates by gender

|                                           | Male employment rate: proportion of the male population aged 15-64 in employment (%) |      |      |      |      |      |      |      |      |      |      |      | Female employment rate: proportion of the female population aged 15-64 in employment (%) |      |      |      |      |      |      |      |      |      |  |  |
|-------------------------------------------|--------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|--|--|
|                                           | 1997                                                                                 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1997 | 1998                                                                                     | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |  |  |
| EU-27                                     | 70.0                                                                                 | 70.3 | 70.7 | 70.8 | 70.9 | 70.3 | 70.3 | 70.4 | 70.8 | 71.6 | 72.5 | 51.4 | 52.0                                                                                     | 53.0 | 53.7 | 54.3 | 54.4 | 54.9 | 55.5 | 56.3 | 57.3 | 58.3 |  |  |
| Croatia <sup>(1)</sup>                    | 63.6                                                                                 | 61.7 | 59.0 | 57.4 | 59.0 | 60.5 | 60.3 | 61.8 | 61.7 | 62.0 | 64.4 | 50.9 | 49.4                                                                                     | 47.8 | 45.5 | 44.9 | 46.7 | 46.7 | 47.6 | 48.6 | 49.4 | 50.0 |  |  |
| The former Yugoslav Republic of Macedonia | -                                                                                    | 49.8 | 49.4 | 49.7 | 50.6 | 48.6 | 45.6 | 44.4 | 45.4 | 48.3 | 48.8 | 29.3 | 30.9                                                                                     | 30.9 | 30.9 | 34.5 | 32.0 | 31.3 | 28.9 | 30.1 | 30.7 | 32.3 |  |  |
| Turkey                                    | 74.8                                                                                 | 74.3 | 72.7 | 71.7 | 69.3 | 66.9 | 65.9 | 67.9 | 68.2 | 68.0 | 67.9 | 26.0 | 28.5                                                                                     | 28.9 | 26.2 | 26.3 | 26.6 | 25.2 | 24.3 | 23.7 | 23.8 | 24.8 |  |  |
| Albania <sup>(2)</sup>                    | -                                                                                    | -    | 69.0 | 66.0 | 64.0 | 63.9 | 62.6 | 61.2 | 60.0 | 58.8 | -    | -    | -                                                                                        | 42.3 | 44.1 | 39.6 | 39.7 | 39.1 | 38.9 | 38.8 | 38.1 | -    |  |  |
| Bosnia and Herzegovina <sup>(3)</sup>     | -                                                                                    | -    | -    | -    | -    | -    | -    | -    | -    | 46.1 | 48.7 | -    | -                                                                                        | -    | -    | -    | -    | -    | -    | -    | -    | -    |  |  |
| Montenegro <sup>(4)</sup>                 | 47.4                                                                                 | 48.8 | 47.3 | 46.7 | 45.6 | 46.6 | 44.5 | 46.5 | 42.4 | 41.0 | 46.0 | 29.3 | 29.1                                                                                     | 31.4 | 30.6 | 29.0 | 29.0 | 28.1 | 26.8 | 27.6 | 29.0 | 30.9 |  |  |
| Serbia                                    | 66.8                                                                                 | 66.3 | 67.1 | 68.2 | 68.6 | 67.1 | 67.0 | 63.1 | 61.2 | 59.2 | 60.0 | 49.1 | 50.5                                                                                     | 49.8 | 50.4 | 50.8 | 50.0 | 48.7 | 44.0 | 40.8 | 40.6 | 43.0 |  |  |
| Kosovo under UNSCR 1244/99                | -                                                                                    | -    | -    | -    | 31.1 | 39.4 | 42.8 | 46.4 | 45.8 | 46.1 | 40.1 | -    | -                                                                                        | -    | 9.1  | 8.1  | 8.8  | 8.1  | 9.9  | 11.7 | 11.8 | 12.7 |  |  |
| EU-27                                     | 51.4                                                                                 | 52.0 | 53.0 | 53.7 | 54.3 | 54.4 | 54.9 | 55.5 | 56.3 | 57.3 | 58.3 | 29.3 | 29.1                                                                                     | 31.4 | 30.6 | 29.0 | 29.0 | 28.1 | 26.8 | 27.6 | 29.0 | 30.9 |  |  |
| Croatia <sup>(1)</sup>                    | 50.9                                                                                 | 49.4 | 47.8 | 45.5 | 44.9 | 46.7 | 46.7 | 47.6 | 48.6 | 49.4 | 50.0 | 26.0 | 28.5                                                                                     | 28.9 | 26.2 | 26.3 | 26.6 | 25.2 | 24.3 | 23.7 | 23.8 | 24.8 |  |  |
| The former Yugoslav Republic of Macedonia | -                                                                                    | 29.3 | 30.9 | 30.9 | 34.5 | 32.0 | 31.3 | 28.9 | 30.1 | 30.7 | 32.3 | -    | -                                                                                        | 42.3 | 44.1 | 39.6 | 39.7 | 39.1 | 38.9 | 38.8 | 38.1 | -    |  |  |
| Turkey                                    | 26.0                                                                                 | 28.5 | 28.9 | 26.2 | 26.3 | 26.6 | 25.2 | 24.3 | 23.7 | 23.8 | 24.8 | -    | -                                                                                        | -    | -    | -    | -    | -    | -    | -    | -    | -    |  |  |
| Albania <sup>(2)</sup>                    | -                                                                                    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -                                                                                        | -    | -    | -    | -    | -    | -    | -    | -    | -    |  |  |
| Bosnia and Herzegovina <sup>(3)</sup>     | -                                                                                    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -                                                                                        | -    | -    | -    | -    | -    | -    | -    | -    | -    |  |  |
| Montenegro <sup>(4)</sup>                 | 29.3                                                                                 | 29.1 | 31.4 | 30.6 | 29.0 | 29.0 | 28.1 | 26.8 | 27.6 | 29.0 | 30.9 | 29.3 | 29.1                                                                                     | 31.4 | 30.6 | 29.0 | 29.0 | 28.1 | 26.8 | 27.6 | 29.0 | 30.9 |  |  |
| Serbia                                    | 49.1                                                                                 | 50.5 | 49.8 | 50.4 | 50.8 | 50.0 | 48.7 | 44.0 | 40.8 | 40.6 | 43.0 | 49.1 | 50.5                                                                                     | 49.8 | 50.4 | 50.8 | 50.0 | 48.7 | 44.0 | 40.8 | 40.6 | 43.0 |  |  |
| Kosovo under UNSCR 1244/99                | -                                                                                    | -    | -    | -    | 9.1  | 8.1  | 8.8  | 8.1  | 9.9  | 11.7 | 12.7 | -    | -                                                                                        | -    | -    | -    | -    | -    | -    | -    | -    | -    |  |  |

(1) 1996-2001: second half of the year; (2) Break in series starting in 2001 due to the change of data source; (3) source for 2006: Labour Force Survey; (4) Age group 15-64.

### Employment rates for older workers (aged 55-64)

Employment rates among older workers in the EU-27 rose to 44.7% in 2007, which was above the levels found in the candidate and potential candidate countries (where data is available), varying from 35.8% in Croatia to 24.6% in Kosovo. In all territories, the employment rate among older workers rose in 2007 with the exception of Turkey and Kosovo, the latter showing a fall of 1.7 percentage points compared to 2006. It is notable that the EU-27 registered a relevant upward trend over the period 1997-2007 whereas Turkey is the country with the most significant downward trend during the same period.

The gender gap among older workers in the EU-27, 17.9 percentage points, is smaller than that of all candidate and potential candidate countries, where it ranges from 19 points in the former Yugoslav Republic of Macedonia to 34 points in Kosovo (data from 2005).

Figure 4.3: Employment rates of older workers, proportion of the population aged 55-64 that is economically active, 2007 (%)<sup>(1)</sup>



(1) Albania and Macedonia not available in 2007 results with no data derived using the Address Based Population Registration System (ABPRS) results (1). Source for 2006: Labour Force Survey with inequalities between 2005 and 2006. Source: Labour Market Statistics 2007.

Table 4.3: Employment rate of older workers – proportion of the population aged 55-64 in employment (%)<sup>(1)</sup>

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                     | 36.2 | 36.2 | 36.5 | 36.9 | 37.7 | 38.5 | 40.0 | 40.7 | 42.4 | 43.5 | 44.7 |
| Croatia <sup>(1)</sup>                    | 29.1 | 25.6 | 25.9 | 24.2 | 23.7 | 24.8 | 28.4 | 30.1 | 32.6 | 34.3 | 35.8 |
| The former Yugoslav Republic of Macedonia | -    | 26.3 | 26.3 | 26.2 | 27.7 | 25.8 | 28.5 | 24.5 | 26.2 | 27.9 | 28.8 |
| Turkey                                    | 40.5 | 41.1 | 39.3 | 36.4 | 35.9 | 35.3 | 32.7 | 33.1 | 30.8 | 30.1 | 29.4 |
| Albania                                   | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Bosnia and Herzegovina <sup>(2)</sup>     | -    | -    | -    | -    | -    | -    | -    | -    | -    | 30.6 | 31.3 |
| Montenegro                                | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Serbia                                    | 39.6 | 40.5 | 42.3 | 43.3 | 42.1 | 42.0 | 44.3 | 37.3 | 35.4 | 32.6 | 33.5 |
| Kosovo under UNSCR 1244/99 <sup>(3)</sup> | -    | -    | -    | 16.7 | 18.4 | 20.1 | 23.9 | 23.9 | 25.2 | 26.3 | 24.6 |

(1) 1997/98 second half of the year; (2) 1998-2006 calendar year; (3) 2006 calendar year. Source: Eurostat 2007; Labour Market Statistics 2007.

### Number of persons employed and employment by sector

The information on the level of total employment provides the number of persons in employment (employees and self-employed). Over the period 2000 to 2007, the average annual growth rate in the EU-27 was 1.2%. Lower rates were observed from 2002 to 2004, and it was just below the average in 2001. However, in 2005, 2006 and 2007 the growth rate of employed people was around 2.0%, the highest growth rates of the entire period. In the candidate and potential candidate countries, the largest contraction in the workforce between 2000 and 2007 was recorded in Albania and Serbia (both reaching an average annual growth rate of -2.2% in the period observed), while Bosnia and Herzegovina (for the period 2005-2007), Montenegro and Croatia were the only territories reporting a net increase in employment levels (with average annual growth rates of 8.2%, 2.6% and 0.4% respectively).

The distribution of employment among different economic sectors shows great disparity between the EU-27 and the majority of the other territories. In 2007, the service sector accounted for the largest shares in total employment (around 50 and more per cent) in the EU-27 and all candidate and potential candidate countries except Albania. A particularly high share, above the EU-27 level (67%), was recorded in Montenegro with more than three quarters of total employment. On the other hand the countries with the smallest shares in services recorded the highest shares for agriculture, at least three times the EU-27 share of around 6%. These were Turkey with 26%, Serbia with 21% and Bosnia and Herzegovina with 20%.

Figure 4.4: Breakdown of employment, 2007 (% of total)



(1) 2007 results were re-estimated using the Ambros Based Population Register System (ABRS), results (2) 2006 instead of 2007 (3) 2006 instead of 2007 (4) 2006, early average, the number of persons employed is equal to the number of persons in employment (5) 2007 (6) 2007 (7) 2007 (8) 2007 (9) 2007 (10) 2007 (11) 2007 (12) 2007

Table 4.4: Total number of persons in employment (thousands)

|                                                                 | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   |
|-----------------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>EU-27</b>                                                    |        |        |        |        |        |        |        |        |        |        |        |
| Croatia <sup>(1)</sup>                                          | 1 587  | 1 547  | 1 478  | 1 570  | 1 478  | 1 521  | 1 538  | 1 583  | 1 573  | 1 586  | 1 614  |
| <b>The former Yugoslav Republic of Macedonia <sup>(2)</sup></b> |        |        |        |        |        |        |        |        |        |        |        |
| Turkey <sup>(3)</sup>                                           | 21 204 | 21 779 | 22 050 | 21 582 | 21 525 | 21 354 | 21 146 | 21 790 | 22 046 | 22 340 | 21 189 |
| Albania <sup>(4)</sup>                                          | 1 107  | 1 083  | 1 065  | 1 068  | 970    | 920    | 926    | 931    | 932    | 935    | 935    |
| Bosnia and Herzegovina <sup>(5)</sup>                           |        |        |        |        |        |        |        |        |        |        |        |
| Montenegro <sup>(6)</sup>                                       | 179    | 180    | 195    | 182    | 177    | 178    | 168    | 187    | 179    | 178    | 217    |
| Serbia                                                          | 3 137  | 3 139  | 3 103  | 3 094  | 3 106  | 3 000  | 2 919  | 2 931  | 2 733  | 2 631  | 2 656  |
| <b>Kosovo under UNSCR 1244/99</b>                               |        |        |        |        |        |        |        |        |        |        |        |

(1) 1997-2007: average of employment figures during the second half of the year (2) 2000-2007: average of employment figures during the second half of the year (3) 2000-2007: average of employment figures during the second half of the year (4) 2000-2007: average of employment figures during the second half of the year (5) 2000-2007: average of employment figures during the second half of the year (6) 2000-2007: average of employment figures during the second half of the year

### Unemployment rates

Unemployment rates measure those persons aged 15 to 74 who are not in employment but are actively seeking work. In other words, the unemployment rate is the proportion of unemployed persons relative to all the persons who are in the labour force (employed or seeking employment). While unemployment rates give an overall picture of the failure to match supply and demand in the labour market, labour market policies are increasingly focusing on indicators such as ratios for those moving from long-term unemployment or inactivity into employment, or those moving from temporary into permanent employment, and those moving from low paid into higher paid employment.

The EU-27 unemployment rate was 7.1% in 2007. After rising between 2001 and 2003, this level is now the lowest since 2000. In all candidate and potential candidate countries, unemployment rates were higher than the EU-27 average, with the highest values of almost 44% in Kosovo, 35% in the former Yugoslav Republic of Macedonia and 29% in Bosnia and Herzegovina followed by Montenegro with a 19% rate (having experienced a significant reduction of 10.3 percentage points since 2006) and Serbia with a 18% rate. The lowest values were recorded in Turkey and Croatia, both with unemployment rates slightly lower than 10%.

The female unemployment rate is higher than the male unemployment rate in the EU-27 (by 1.2 percentage points), and it is also higher in all candidate and potential candidate countries for which information is available. Only the former Yugoslav Republic of Macedonia and Turkey register gender gaps (1.0 and 0.5 percentage points respectively) that are smaller than in the EU-27. The gender gap is particularly high in Kosovo, where female unemployment surpasses male unemployment by 16.7 percentage points, as well as in Bosnia

and Herzegovina, Serbia and Albania, with differences of 6.2, 5.2 and 3.0 percentage points respectively. Croatia shows a gender gap moderately higher than the EU-27, with 2.8 percentage points.

Figure 4.5: Unemployment rates, 2007 (%)



© 2007 Eurostat, based on the 2006 Labour Force Survey. For the Republic of Macedonia, the 2006 administrative data, unemployment rates for registered unemployment.

Table 4.5: Unemployment rate - proportion of the labour force aged 15-74 in unemployment (%)

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                     | 7.1  | 7.1  | 7.1  | 8.7  | 8.5  | 8.9  | 9.0  | 9.0  | 8.9  | 8.2  | 7.1  |
| Croatia <sup>(a)</sup>                    | 10.0 | 11.7 | 14.5 | 17.0 | 16.3 | 14.7 | 14.1 | 13.6 | 12.6 | 11.1 | 9.0  |
| The former Yugoslav Republic of Macedonia | 34.5 | 32.4 | 32.4 | 32.2 | 30.5 | 31.9 | 30.7 | 37.2 | 37.3 | 36.0 | 35.0 |
| Turkey                                    | 6.8  | 6.9  | 7.7  | 6.5  | 8.4  | 10.3 | 10.5 | 10.3 | 10.3 | 9.9  | 9.9  |
| Albania <sup>(a)</sup>                    | 18.4 | 18.4 | 18.4 | 16.8 | 16.4 | 15.8 | 15.0 | 14.4 | 14.1 | 13.8 | 13.8 |
| Bosnia and Herzegovina <sup>(b)</sup>     | 39.7 | 39.4 | 39.4 | 39.7 | 40.0 | 41.1 | 41.6 | 41.8 | 43.9 | 43.1 | 29.0 |
| Montenegro                                | 21.2 | 19.3 | 19.3 | 19.3 | 21.2 | 20.7 | 22.1 | 27.7 | 30.3 | 29.6 | 19.3 |
| Serbia                                    | 13.3 | 14.0 | 14.5 | 13.3 | 13.1 | 14.5 | 16.0 | 18.7 | 21.1 | 21.0 | 18.3 |
| Kosovo under UNSCR 1244/99                | 57.1 | 57.1 | 57.1 | 55.0 | 57.1 | 55.0 | 49.7 | 39.7 | 41.4 | 44.9 | 43.6 |

<sup>(a)</sup> 1997 to 2001: second to fifth year of 12 administrative data on unemployment; 2002 onwards: administrative data on unemployment; 2006: administrative data on unemployment; 2007: administrative data on unemployment. <sup>(b)</sup> 1997 to 2001: second to fifth year of 12 administrative data on unemployment; 2002 onwards: administrative data on unemployment; 2006: administrative data on unemployment; 2007: administrative data on unemployment.

### Long-term and youth unemployment

Long-term unemployment is defined as the proportion of the labour force that has been unemployed for 12 months or more. It is one of the most persistent social issues facing industrialised economies. More than half of the unemployed in the EU-27 were unemployed for a year or more in 2007.

In 2007, long-term unemployment rates in all countries for which data are available except Turkey were higher than the EU-27 rate of 3.7%. Female workers are particularly prone to long-term unemployment. Their long-term unemployment rates tend to be higher than male rates in the EU-27 and in all candidate and potential candidate countries. The proportions of male and female rates are in all countries relatively small except in Kosovo and Serbia where they are 1.8 and 1.5 respectively between male and female.

The youth unemployment rate is defined as the proportion of young persons aged 15 to 24 who are unemployed. In the EU-27, the youth unemployment rate was 15.3% in 2007. The rates in the former Yugoslav Republic of Macedonia, Serbia and Kosovo were at least three times the EU-27 rate showing values of 58%, 44% and 70% respectively. The closest rates to the EU-27 level were observed in two of the three candidate countries namely Croatia and Turkey with 24% and 20%.

Table 4.6: Long-term unemployment rate - proportion of the labour force aged 15-74 that has been unemployed for more than 12 months, 2007 (%)

|                                           | Total | Male | Female |
|-------------------------------------------|-------|------|--------|
| EU-27                                     | 3.7   | 3.5  | 4.0    |
| Croatia                                   | 6.3   | 5.8  | 7.7    |
| The former Yugoslav Republic of Macedonia | 31.1  | 30.5 | 32.1   |
| Turkey                                    | 3.5   | 3.2  | 4.6    |
| Albania                                   | ;     | ;    | ;      |
| Bosnia and Herzegovina <sup>(1)</sup>     | 28.4  | 26.7 | 30.8   |
| Montenegro                                | ;     | ;    | ;      |
| Serbia                                    | 17.0  | 13.9 | 21.0   |
| Kosovo under UNSCR 1244/99                | 41.1  | 31.5 | 56.5   |

1) Based on Labour Force Survey 2006; data refers to unemployed on 24 November.

Table 4.7: Youth unemployment rate - proportion of the labour force aged less than 25 that is unemployed (%)

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                     | ;    | ;    | ;    | 17.4 | 17.3 | 17.9 | 18.0 | 18.4 | 18.3 | 17.1 | 15.3 |
| Croatia <sup>(1)</sup>                    | 28.5 | 31.0 | 39.2 | 43.1 | 41.7 | 34.4 | 35.8 | 33.8 | 32.0 | 28.8 | 24.0 |
| The former Yugoslav Republic of Macedonia | ;    | 70.9 | 62.9 | 59.9 | 56.1 | 58.4 | 65.7 | 64.8 | 62.6 | 59.8 | 57.7 |
| Turkey                                    | 14.3 | 14.2 | 15.0 | 13.1 | 16.2 | 19.2 | 20.5 | 19.7 | 19.3 | 18.7 | 19.6 |
| Albania <sup>(2)</sup>                    | ;    | ;    | ;    | ;    | ;    | 26.8 | ;    | ;    | ;    | ;    | ;    |
| Bosnia and Herzegovina                    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    |
| Montenegro                                | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    | ;    |
| Serbia                                    | 46.7 | 50.6 | 53.2 | 50.2 | 46.4 | 45.3 | 44.8 | 48.1 | 47.7 | 47.8 | 43.7 |
| Kosovo under UNSCR 1244/99                | ;    | ;    | ;    | ;    | 80.0 | 77.7 | 74.9 | 66.5 | 70.5 | 75.5 | 70.0 |

(1) Average half of two years; (2) Based on the Labour Force Survey 1999 and the Labour Statistics Measurement Study of 2002.

# 5

## National accounts

## GDP

Gross domestic product (GDP) is the central aggregate of national accounts (as defined in ESA95), the candidate and potential candidate countries together accounted for the equivalent of 4.3% of EU-27 in 2006 (2005 data for Albania). If 2007 values — available for Croatia, Turkey and Bosnia and Herzegovina — and 2006 values for other countries are combined and compared to EU-27 GDP for 2007, this figure rises to 4.6%.

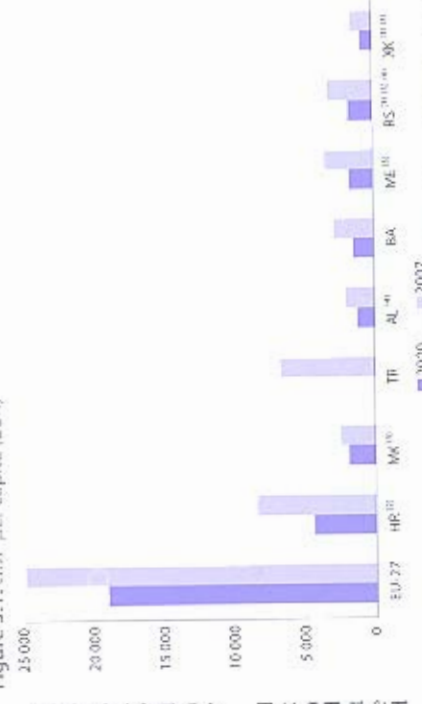
GDP growth in constant prices was considerably higher in most of the candidate and potential candidate countries than in EU-27 during the observable periods. On average, EU-27 growth was 2.3% over this seven-year period, less than half the growth recorded in Turkey (5.3%), Albania (6.0%, 2000 to 2005), Bosnia and Herzegovina (5.9%, 2004 to 2007) and Serbia (5.2%). Growth has been volatile in many candidate and potential candidate countries over this period, but in the latest year for which data are shown, all recorded substantially higher values than EU-27; these ranged from 8.6% in Montenegro (2006) to 4.0% in Macedonia (2006), which was still significantly higher than the 3.1% recorded for EU-27 (2006).

Croatia had the highest GDP per capita amongst the candidate and potential candidate countries in 2007, with EUR 8 445 per inhabitant, which was just over 33% of the EU-27 level. The next country in the ranking was Turkey, with EUR 6 804 per inhabitant, corresponding to 80% of Croatia's value, followed by Montenegro (EUR 3 443 in 2006) and Serbia (EUR 3 273 in 2006). Except for Kosovo, which recorded the lowest GDP per head of EUR 1 520 (2006), the remaining countries had comparable values, ranging between EUR 2 100 and EUR 2 880 per inhabitant.

Over the period 2000 to 2007 (or the nearest years with available data) all candidate or potential candidate countries, apart from Macedonia (with 30%

until 2006), recorded a much higher percentage growth in GDP per head than EU-27, which recorded 30% growth over the period. Croatia, Bosnia and Herzegovina and Montenegro (2000 to 2006) almost doubled GDP per head over the period. The lowest percentage growth in GDP was recorded for Albania, with over 60% (2000 to 2005).

Figure 5.1: GDP per capita (EUR)



(1) Except for EU-27, values were areas calculated using the GDP in euro and population as of 1st January. (2) Based on quarterly values. (3) 2000 instead of 2007. (4) 2005 instead of 2007. (5) 2007 instead of 2006. (6) Excluding Kosovo and Metohia. (7) 2003 instead of 2000.

Table 5.1: GDP

|                                                                   | GDP (million EUR) |           |           |           |           |           |            |            |            |            |            |
|-------------------------------------------------------------------|-------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|
|                                                                   | 1997              | 1998      | 1999      | 2000      | 2001      | 2002      | 2003       | 2004       | 2005       | 2006       | 2007       |
| EU-27                                                             | 7 791 423         | 8 162 141 | 8 585 432 | 9 202 025 | 9 579 832 | 9 941 617 | 10 106 367 | 10 602 725 | 11 062 220 | 11 672 735 | 12 339 731 |
| Croatia <sup>(1)</sup>                                            | 17 789            | 19 272    | 18 677    | 19 955    | 22 138    | 24 448    | 26 216     | 28 677     | 31 263     | 34 771     | 37 497     |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup>          | 3 310             | 3 193     | 3 448     | 3 893     | 3 839     | 4 001     | 4 105      | 4 325      | 4 676      | 5 081      | 5 480      |
| Turkey                                                            | 242 787           | 233 424   | 289 446   | 219 816   | 243 570   | 269 322   | 314 304    | 387 655    | 419 013    | 480 261    | 548 261    |
| Albania <sup>(1)</sup>                                            | 2 419             | 3 709     | 3 945     | 4 541     | 4 755     | 5 049     | 5 683      | 6 582      | 7 416      | 8 071      | 8 655      |
| Bosnia and Herzegovina <sup>(2)</sup>                             | 5 477             | 5 940     | 6 559     | 7 416     | 8 071     | 8 655     | 9 217      | 9 777      | 10 337     | 10 897     | 11 457     |
| Montenegro <sup>(3)</sup>                                         | 1 295             | 1 360     | 1 425     | 1 490     | 1 555     | 1 620     | 1 685      | 1 750      | 1 815      | 1 880      | 1 945      |
| Serbia <sup>(2)(3)(4)</sup>                                       | 11 186            | 16 812    | 18 009    | 19 724    | 21 077    | 22 430    | 23 783     | 25 136     | 26 489     | 27 842     | 29 195     |
| Kosovo under UNSCR 1244/99 <sup>(5)(6)</sup>                      | 1 624             | 1 735     | 1 797     | 1 858     | 1 919     | 1 980     | 2 041      | 2 102      | 2 163      | 2 224      | 2 285      |
| GDP growth - based on constant price national currency series (%) |                   |           |           |           |           |           |            |            |            |            |            |
|                                                                   | 1997              | 1998      | 1999      | 2000      | 2001      | 2002      | 2003       | 2004       | 2005       | 2006       | 2007       |
| EU-27                                                             | 2.7               | 3.0       | 3.0       | 3.9       | 2.0       | 1.2       | 1.3        | 2.5        | 2.0        | 3.1        | 3.1        |
| Croatia <sup>(1)</sup>                                            | 6.8               | 2.5       | -0.9      | 2.9       | 4.2       | 5.6       | 5.3        | 4.3        | 4.3        | 4.8        | 5.6        |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup>          | 1.4               | 3.4       | 4.3       | 4.5       | -4.5      | 0.9       | 2.8        | 4.1        | 4.1        | 4.0        | 4.0        |
| Turkey                                                            | -10.8             | 9.0       | 13.5      | 6.8       | -5.7      | 6.2       | 5.3        | 9.4        | 9.4        | 6.9        | 4.5        |
| Albania <sup>(1)</sup>                                            | -                 | -         | -         | 6.7       | 7.9       | 4.2       | 5.8        | 5.7        | 5.8        | 5.8        | 5.8        |
| Bosnia and Herzegovina                                            | -                 | -         | -         | -         | -         | -         | -          | 6.3        | 3.9        | 6.7        | 6.8        |
| Montenegro <sup>(3)</sup>                                         | -                 | -         | -         | -         | 1.1       | 1.9       | 2.5        | 4.4        | 4.2        | 8.6        | 7.5        |
| Serbia <sup>(2)(3)(4)</sup>                                       | -                 | -         | -         | 4.5       | 4.8       | 4.2       | 2.5        | 8.4        | 6.2        | 5.7        | 5.7        |
| Kosovo under UNSCR 1244/99 <sup>(6)</sup>                         | -                 | -         | -         | -         | -         | 1.2       | 3.1        | -          | -          | -          | -          |

(1) 2007 2006, data based on quarterly values. (2) 2006, provisional value. (3) 2000 2002, the value of coin observed in constant price series is not available. (4) 2000 2001, estimated values. (5) For a listing of countries and regions, see Annex A. (6) 2004, 2005, 2006, 2007 and 2008, in revised values. In 2000 2001, estimated values.



Table 5.4: Gross capital formation, as a proportion of GDP (%)

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| EU-27                                     | 19.6 | 20.7 | 20.8 | 21.3 | 20.5 | 19.6 | 19.6 | 19.9 | 20.2 | 21.1 | 21.8 |
| Croatia <sup>(1)</sup>                    | 27.5 | 24.3 | 23.0 | 20.2 | 23.9 | 29.1 | 31.1 | 30.6 | 31.2 | 32.8 | 32.7 |
| The former Yugoslav Republic of Macedonia | 21.0 | 22.3 | 19.7 | 22.3 | 19.2 | 20.6 | 20.0 | 21.9 | 20.8 | 21.3 |      |
| Turkey                                    |      | 22.1 | 19.1 | 20.8 | 15.1 | 17.6 | 17.6 | 19.4 | 20.0 | 22.1 | 21.6 |
| Albania <sup>(2)</sup>                    | 16.9 | 21.4 | 23.7 | 34.2 | 39.7 | 38.7 | 38.7 | 33.2 | 37.6 |      |      |
| Bosnia and Herzegovina                    |      |      |      |      |      |      |      | 28.6 | 27.0 | 23.9 | 27.9 |
| Montenegro <sup>(3)</sup>                 |      |      |      |      |      |      |      | 16.6 | 17.7 | 25.5 |      |
| Serbia <sup>(4)</sup>                     | 12.1 | 9.1  | 10.3 | 8.4  | 16.0 | 17.2 | 22.6 | 36.3 | 32.2 | 32.6 |      |
| Kosovo under UNSCR 1244/99 <sup>(5)</sup> |      |      |      |      | 40.7 | 34.5 | 29.3 | 23.3 | 23.5 | 25.0 |      |

(1) 2003–2007, data is based on quarterly values; (2) 2005–2007, data is based on quarterly values; (3) 2006–2007, data is based on quarterly values; (4) 2006–2007, data is based on quarterly values; (5) 2002–2006, data is based on quarterly values.

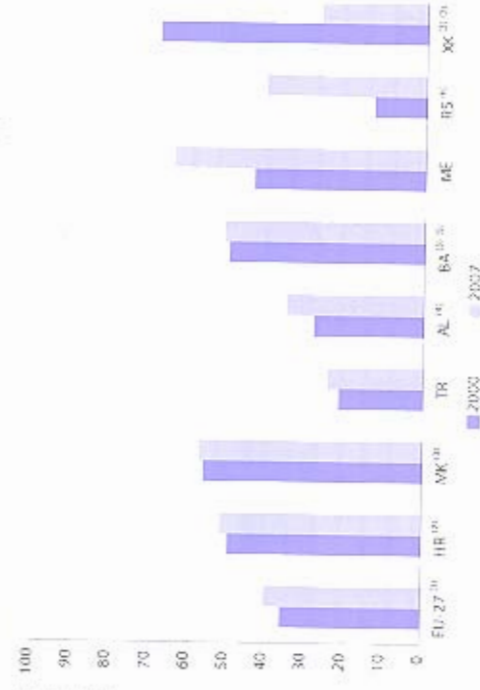
### External trade relative to GDP

External trade statistics can be used to indicate how open an economy is, that is, the extent to which an economy satisfies its own consumption or relies on imports, and also the attractiveness of each economy's goods and services for export. The average (simple arithmetic mean) of imports and exports of goods and services as a proportion of GDP is one measure of trade integration: the higher the indicator, the more integrated an economy within the international economy. Relatively small territories (in terms of land area and population) will tend to display higher levels of trade integration than larger territories, simply because they produce a limited number of goods and services and because of their close geographical proximity to neighbouring territories.

During the period 2000 to 2006, each of the candidate and potential candidate countries reported a trade deficit every year (apart from Turkey in 2001 and 2002), while in the EU-27 a surplus for goods and services was recorded for each year. The former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina, Montenegro, Serbia (in particular since 2001) and Kosovo were particularly reliant upon imports.

In 2007, the average of imports and exports relative to GDP registered a value of 40% for the EU-27. Lower levels were reported in Albania (35% in 2005), Kosovo (27% in 2006) and Turkey (24%). On the other hand, according to the latest data available, substantially higher values were recorded for the former Yugoslav Republic of Macedonia (57% in 2006) and Montenegro (64%) while Croatia and Bosnia and Herzegovina (data for 2006) also showed values above 50%.

Figure 5.2: Average of exports and imports, relative to GDP (%)



(1) Including other EU member states; (2) Bosnia and Herzegovina; (3) 2006 data; (4) 2005 data; (5) 2004–2006 data; (6) 2004–2006 data; (7) 2001–2006 data; (8) 2001–2006 data.

Table 5.5: External trade

|                                           | Exports of goods and services, relative to GDP (%) |      |      |      |       |      |      |      |      |      |      |
|-------------------------------------------|----------------------------------------------------|------|------|------|-------|------|------|------|------|------|------|
|                                           | 1997                                               | 1998 | 1999 | 2000 | 2001  | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27 <sup>(1)</sup>                      | 32.0                                               | 32.3 | 32.5 | 36.1 | 36.2  | 35.4 | 34.7 | 36.0 | 37.4 | 38.7 | 40.2 |
| Croatia <sup>(2)</sup>                    | 41.1                                               | 39.6 | 40.9 | 47.1 | 48.4  | 45.3 | 47.1 | 47.5 | 47.1 | 47.9 | 47.7 |
| The former Yugoslav Republic of Macedonia | 33.3                                               | 41.2 | 42.2 | 48.6 | 42.7  | 38.0 | 37.9 | 41.1 | 45.5 | 48.1 | -    |
| Turkey                                    | 27.3                                               | 19.4 | 19.4 | 20.1 | 27.4  | 25.2 | 23.0 | 23.6 | 27.9 | 27.7 | 22.0 |
| Albania <sup>(3)</sup>                    | 9.7                                                | 10.8 | 15.8 | 17.9 | 18.4  | 19.6 | 20.4 | 22.0 | 22.8 | -    | -    |
| Bosnia and Herzegovina <sup>(4)</sup>     | -                                                  | -    | -    | -    | -     | -    | -    | 29.4 | 30.7 | 36.6 | -    |
| Montenegro <sup>(5)</sup>                 | -                                                  | -    | -    | 36.8 | 38.4  | 35.4 | 30.6 | 42.0 | 43.6 | 49.4 | -    |
| Serbia <sup>(6)(7)</sup>                  | 7.3                                                | 21.2 | 11.1 | 10.5 | 21.7  | 19.9 | 20.6 | 23.8 | 27.7 | 30.7 | -    |
| Kosovo under UNSCR 1244/99 <sup>(8)</sup> | -                                                  | -    | -    | -    | 16.6  | 12.5 | 10.4 | 7.1  | 7.0  | 8.9  | -    |
|                                           | Imports of goods and services, relative to GDP (%) |      |      |      |       |      |      |      |      |      |      |
| 1997                                      | 1998                                               | 1999 | 2000 | 2001 | 2002  | 2003 | 2004 | 2005 | 2006 | 2007 |      |
| EU-27 <sup>(1)</sup>                      | 30.1                                               | 30.9 | 31.7 | 35.8 | 35.4  | 33.9 | 33.4 | 34.8 | 36.7 | 39.4 | 39.8 |
| Croatia <sup>(2)</sup>                    | 56.8                                               | 49.2 | 44.3 | 52.3 | 54.5  | 56.4 | 57.9 | 54.8 | 55.5 | 56.8 | 56.3 |
| The former Yugoslav Republic of Macedonia | 50.8                                               | 56.1 | 52.2 | 63.5 | 56.6  | 58.2 | 54.8 | 61.9 | 62.8 | 66.8 | -    |
| Turkey                                    | -                                                  | 20.2 | 19.3 | 23.1 | 23.3  | 23.6 | 24.0 | 26.2 | 25.4 | 27.6 | 27.1 |
| Albania <sup>(3)</sup>                    | 34.2                                               | 34.6 | 32.2 | 38.1 | 39.0  | 44.3 | 45.1 | 44.4 | 47.3 | -    | -    |
| Bosnia and Herzegovina <sup>(4)</sup>     | -                                                  | -    | -    | -    | -     | -    | -    | -    | 70.7 | 69.6 | 66.4 |
| Montenegro <sup>(5)</sup>                 | -                                                  | -    | -    | 51.1 | 62.0  | 59.9 | 47.0 | 58.1 | 51.1 | 78.1 | -    |
| Serbia <sup>(6)(8)</sup>                  | 24.3                                               | 28.9 | 17.8 | 16.3 | 41.3  | 40.7 | 42.2 | 50.8 | 47.8 | 50.8 | -    |
| Kosovo under UNSCR 1244/99 <sup>(8)</sup> | -                                                  | -    | -    | -    | 126.4 | 98.6 | 87.1 | 40.1 | 42.5 | 45.5 | -    |

Source: Eurostat, 2008. (1) EU-27 and 2008: not available. (2) 2004 and 2005: not available. (3) 2004 and 2005: not available. (4) 2004 and 2005: not available. (5) 2004 and 2005: not available. (6) 2004 and 2005: not available. (7) 2004 and 2005: not available. (8) 2004 and 2005: not available.

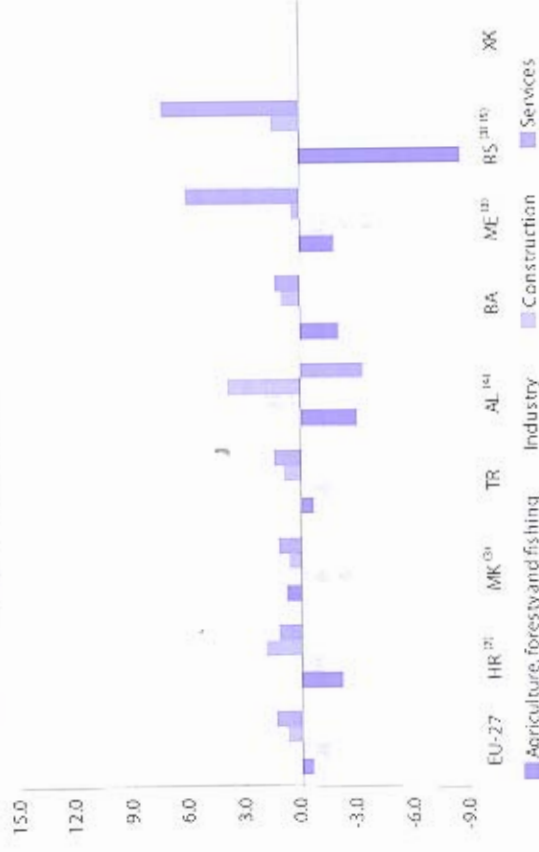
Table 5.6: Breakdown of gross value added by sector

|                                           | Agriculture, forestry and fishing |      |      |      |      |      |      |      |      |      |      |
|-------------------------------------------|-----------------------------------|------|------|------|------|------|------|------|------|------|------|
|                                           | 1997                              | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27                                     | 2.8                               | 2.6  | 2.5  | 2.4  | 2.4  | 2.2  | 2.2  | 2.2  | 1.9  | 1.8  | 1.8  |
| Croatia <sup>(1)</sup>                    | 9.3                               | 9.4  | 9.6  | 8.8  | 9.0  | 8.7  | 7.0  | 7.5  | 7.3  | 7.1  | 6.8  |
| The former Yugoslav Republic of Macedonia | 12.8                              | 13.2 | 12.9 | 12.0 | 11.8 | 12.4 | 13.4 | 13.2 | 12.8 | 12.6 | -    |
| Turkey                                    | -                                 | 12.9 | 12.7 | 10.8 | 9.4  | 11.4 | 11.1 | 10.7 | 10.6 | 9.4  | 8.7  |
| Albania <sup>(2)</sup>                    | 31.6                              | 28.8 | 25.8 | 25.5 | 23.6 | 23.4 | 23.5 | 27.3 | 20.7 | -    | -    |
| Bosnia and Herzegovina                    | -                                 | -    | -    | 11.8 | 11.5 | 10.8 | 9.7  | 10.5 | 10.3 | 10.7 | 9.5  |
| Montenegro <sup>(3)</sup>                 | -                                 | -    | -    | 2.4  | 11.9 | 12.2 | 11.6 | 10.9 | 10.4 | 10.1 | -    |
| Serbia <sup>(4)</sup>                     | 16.0                              | 15.4 | 12.8 | 19.8 | 19.8 | 14.8 | 13.1 | 13.7 | 15.9 | 11.2 | -    |
| Kosovo under UNSCR 1244/99                | -                                 | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
|                                           | Industry                          |      |      |      |      |      |      |      |      |      |      |
| 1997                                      | 1998                              | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |      |
| EU-27                                     | 23.3                              | 23.1 | 22.5 | 22.4 | 21.7 | 21.1 | 20.5 | 20.4 | 20.2 | 20.2 | 20.1 |
| Croatia <sup>(1)</sup>                    | 25.9                              | 25.0 | 24.6 | 24.7 | 24.3 | 23.0 | 22.8 | 23.4 | 23.8 | 23.5 | 23.3 |
| The former Yugoslav Republic of Macedonia | 28.4                              | 27.1 | 26.5 | 26.9 | 26.1 | 24.2 | 24.4 | 22.7 | 23.1 | 23.5 | -    |
| Turkey                                    | -                                 | 27.7 | 25.4 | 24.6 | 23.8 | 23.2 | 23.5 | 21.0 | 23.0 | 22.9 | 22.2 |
| Albania <sup>(2)</sup>                    | 8.8                               | 7.4  | 7.3  | 7.8  | 7.3  | 6.9  | 8.7  | 10.0 | 9.7  | -    | -    |
| Bosnia and Herzegovina                    | -                                 | -    | -    | 20.3 | 20.0 | 18.7 | 19.2 | 19.4 | 19.3 | 19.2 | 19.6 |
| Montenegro <sup>(3)</sup>                 | -                                 | -    | -    | 19.2 | 20.7 | 20.0 | 19.2 | 18.7 | 17.1 | 16.0 | -    |
| Serbia <sup>(4)</sup>                     | 22.9                              | 22.6 | 23.2 | 25.8 | 24.4 | 23.7 | 22.5 | 23.5 | 23.2 | 24.1 | -    |
| Kosovo under UNSCR 1244/99                | -                                 | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |

Source: Eurostat, 2008. (1) EU-27 and 2008: not available. (2) 2004 and 2005: not available. (3) 2004 and 2005: not available. (4) 2004 and 2005: not available.



Figure 5.4: Relative share of gross value added, 2001-2007 (change in percentage points)



(1) Kosovo under UNSCR 1244/99, not available. (2) Based on quarterly values. (3) 2006 data. (4) 2005 data. (5) Excluding Kosovo and Metohia.

### Labour productivity and employment change

The total number of persons employed in the EU-27 rose by 1% on average between 2001 and 2007 (around 6% growth over the entire period). In Croatia, the total number of persons employed fell in 2001 and increased in 2002 and 2003. In the former Yugoslav Republic of Macedonia it declined between 2001 and 2004, before rising by around 2% in the following two years corresponding to a overall growth of 1.3% over the period observed. In Serbia, however, the number of persons employed fell every year between 2001 and 2006 (with the exception of 2004) which resulted in an overall decrease of persons in employment of -8.0% from 2001 to 2006. Data for this measure are not available for any other country. It should be noted that the data presented refers to national accounts concepts and that results may differ somewhat if compared with those derived from labour force or other social statistics.

Compared with the EU-27, where labour productivity increased from one year to the other at relatively stable rates, all countries for which data are available showed more fluctuating changes. Most of the countries recorded positive changes compared to the previous year over the period observed or at least since 2002. Bosnia and Herzegovina with a decrease in 2006 and an increase in 2007 is the only exception.

Table 5.7: Total number of persons in employment (% change compared with the previous year)

|                                           | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|------|------|------|
| EU-27                                     | 1.0  | 0.4  | 0.4  | 0.6  | 1.0  | 1.6  | 1.8  |
| Croatia                                   | 5.4  | 4.2  | 0.6  | +    | +    | +    | +    |
| The former Yugoslav Republic of Macedonia | -2.0 | -1.0 | -2.0 | -2.0 | 2.1  | 2.3  | +    |
| Turkey                                    | +    | +    | +    | +    | +    | +    | +    |
| Albania                                   | +    | +    | +    | +    | +    | +    | +    |
| Bosnia and Herzegovina                    | +    | +    | +    | +    | +    | +    | +    |
| Montenegro                                | +    | +    | +    | +    | +    | +    | +    |
| Serbia <sup>(1)</sup>                     | -0.2 | -0.5 | -4.0 | 1.2  | -3.9 | 1.0  | +    |
| Kosovo under UNSCR 1244/99                | +    | +    | +    | +    | +    | +    | +    |

(1) Excluding Kosovo and Metohia

Table 5.8 : Labour productivity

|                                                          | GDP in constant prices per person employed (% change compared with the previous year) |      |      |      |      |      |      |      |      |      |      |
|----------------------------------------------------------|---------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|
|                                                          | 1997                                                                                  | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27                                                    | 1.8                                                                                   | 1.4  | 1.9  | 2.2  | 1.0  | 0.9  | 1.0  | 1.9  | 1.0  | 1.4  | 1.0  |
| Croatia                                                  | 7.3                                                                                   | 13.0 | 12.5 | 0.5  | 16.2 | 6.7  | 7.9  | 5.3  | 9.1  | 7.2  | 7.2  |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | -                                                                                     | -    | -    | -    | -    | 11.6 | 9.5  | 8.8  | 1.2  | 3.1  | -    |
| Turkey <sup>(2)</sup>                                    | -                                                                                     | -    | -4.6 | 9.1  | -5.4 | 7.0  | 6.3  | 6.1  | 7.1  | 5.5  | 10.1 |
| Albania                                                  | 10.1                                                                                  | 24.7 | 25.4 | 8.0  | 30.3 | 7.7  | 7.6  | 11.0 | 8.0  | -    | -    |
| Bosnia and Herzegovina                                   | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -1.4 | 7.9  |
| Montenegro                                               | -                                                                                     | -    | -    | -    | -    | 21.8 | 11.4 | 1.7  | 15.6 | 13.6 | -    |
| Serbia <sup>(3)</sup>                                    | -                                                                                     | -    | -    | 4.8  | 4.4  | 7.9  | 5.4  | 8.0  | 13.9 | 9.8  | -    |
| Kosovo under UNSCR 1244/99                               | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
|                                                          | Unit labour cost (% change compared with the previous year)                           |      |      |      |      |      |      |      |      |      |      |
|                                                          | 1997                                                                                  | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27                                                    | -1.0                                                                                  | 0.6  | -0.1 | 0.3  | 0.2  | -0.5 | -0.3 | -1.4 | 0.5  | -1.0 | -0.8 |
| Croatia                                                  | -3.0                                                                                  | 0.9  | 4.2  | 3.3  | -5.3 | 1.5  | 2.4  | -    | -    | -    | -    |
| The former Yugoslav Republic of Macedonia                | -                                                                                     | 1.7  | -1.2 | 9.0  | -1.6 | -2.2 | 1.3  | -7.9 | 5.5  | 4.5  | -    |
| Turkey <sup>(4)</sup>                                    | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Albania                                                  | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Bosnia and Herzegovina                                   | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Montenegro                                               | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Serbia                                                   | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Kosovo under UNSCR 1244/99                               | -                                                                                     | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |

<sup>(1)</sup> Annual estimates. <sup>(2)</sup> Labour productivity growth is an early estimate according to national accounts. <sup>(3)</sup> Labour productivity growth is an early estimate according to national accounts. <sup>(4)</sup> Labour productivity growth is an early estimate according to national accounts.

(1) Final data estimates. (2) Labour productivity growth is partially harmonised according to national accounts concepts. (3) Labour cost growth is partially harmonised according to national accounts concepts. (4) Labour productivity growth is partially harmonised according to national accounts concepts.

## Finance

## 6



## General government and gross foreign debt

Since general government debt relative to GDP depends on GDP growth in current terms, it has to be borne in mind that, even with a growing debt in absolute terms, the debt ratio may decrease or increase at only a moderate pace.

Between 2000 and 2007, EU-27 general government debt rose by 27% overall, an average of 3.5% per annum compared with GDP growth of 4.3% per annum over the same period. Amongst the candidate countries, an upward trend was seen for Croatia (7.8% per annum compared with GDP growth of 9.4% per annum) during the same period, whilst government debt was reduced in the former Yugoslav Republic of Macedonia (-4.4% on average in comparison with 4.5% growth in GDP between 2000 and 2006). Turkey saw a reduction in general government debt of just over 8% between 2005 and 2007, changing the upward trend seen since 2001. Of the potential candidate countries, this information is not available for Montenegro and Kosovo. Over the observable period Albania saw an average growth rate of over 9% per annum in general government debt, Bosnia and Herzegovina showed a very stable picture, and Serbia saw a sharp reduction of 36% in this measure. In 2006 or 2007, all countries for which data are available and the EU-27 as a whole showed values below the Maastricht threshold of 60% for general government debt relative to GDP.

Gross foreign debt of the whole economy covers both short- and long-term debt but excludes equity investment and money market instruments. Albania reported by far the lowest ratio (17% in 2000 and 2006) of foreign debt to GDP

Table 6.2: General government debt (million EUR)

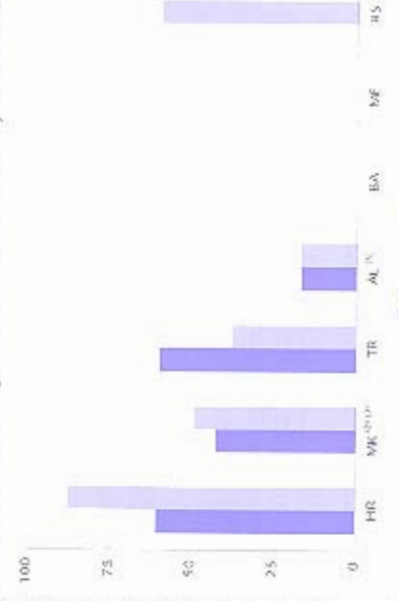
|                                           | 1997      | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      |
|-------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| EU-27                                     | 5,425,152 | 5,427,790 | 5,664,602 | 5,693,875 | 5,842,146 | 5,998,014 | 6,262,210 | 6,589,624 | 6,929,263 | 7,151,307 | 7,240,784 |
| Croatia                                   | ;         | ;         | 6,156     | 8,018     | 9,003     | 9,706     | 10,614    | 12,106    | 13,727    | 15,305    | 14,155    |
| The former Yugoslav Republic of Macedonia | ;         | ;         | 1,105     | 1,856     | 1,873     | 716       | 1,599     | 1,583     | 1,849     | 1,674     | 1,430     |
| Turkey                                    | ;         | ;         | ;         | 41,137    | 169,335   | 179,396   | 180,661   | 186,371   | 202,389   | 193,190   | 185,607   |
| Albania                                   | 1,157     | 1,452     | 1,723     | 2,374     | 2,856     | 3,007     | 3,106     | 3,431     | 3,636     | 4,269     | ;         |
| Bosnia and Herzegovina <sup>(1)</sup>     | ;         | ;         | ;         | 2,074     | 2,260     | 2,193     | 2,052     | 2,062     | 2,218     | 2,081     | 2,024     |
| Montenegro                                | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         |
| Serbia                                    | ;         | ;         | ;         | ;         | 13,401    | 1,684     | 11,581    | 10,513    | 10,581    | 8,465     | 8,587     |
| Kosovo under UNSCR 1244/99                | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         | ;         |

|                                           | 1997 | 1998 | 1999 | 2000 | 2001  | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------------|------|------|------|------|-------|------|------|------|------|------|------|
| EU-27                                     | 68.5 | 66.6 | 65.9 | 61.9 | 61.0  | 60.3 | 61.8 | 62.1 | 62.6 | 61.3 | 58.7 |
| Croatia                                   | ;    | ;    | 33.0 | 40.1 | 41.3  | 39.8 | 40.4 | 42.2 | 44.0 | 40.9 | 38.1 |
| The former Yugoslav Republic of Macedonia | ;    | ;    | 32.0 | 48.1 | 46.8  | 43.0 | 39.1 | 36.6 | 39.5 | 33.1 | 25.8 |
| Turkey                                    | ;    | ;    | ;    | 42.9 | 77.6  | 73.7 | 67.3 | 70.7 | 52.3 | 46.1 | 38.8 |
| Albania                                   | 49.8 | 53.5 | 53.7 | 60.2 | 58.5  | 63.9 | 61.5 | 56.3 | 55.3 | 59.7 | ;    |
| Bosnia and Herzegovina                    | ;    | ;    | ;    | 37.9 | 38.1  | 33.4 | 27.7 | 27.5 | 25.6 | 21.3 | 18.3 |
| Montenegro                                | ;    | ;    | ;    | ;    | ;     | ;    | ;    | ;    | ;    | ;    | ;    |
| Serbia <sup>(2)</sup>                     | ;    | ;    | ;    | ;    | 101.6 | 69.5 | 64.3 | 51.1 | 50.1 | 33.2 | 28.7 |
| Kosovo under UNSCR 1244/99                | ;    | ;    | ;    | ;    | ;     | ;    | ;    | ;    | ;    | ;    | ;    |

(1) Gross foreign debt relative to GDP of Bosnia and Herzegovina estimated by Eurostat in 2002 and 2003. Based on GDP estimated by Eurostat in 2002 and 2003.

among the candidate and potential candidate countries for which information is available. On the other hand, Croatia reported a growth in this measure from 60% in 2000 to almost 90% in 2007, while the former Yugoslav Republic of Macedonia saw a modest rise from 43% to 50% (data for 2006) and Turkey a sharp reduction from 60% to 38%.

Figure 6.2: Gross foreign debt of the whole economy relative to GDP (%)



(1) Bosnia and Herzegovina, Montenegro and Kosovo (UNSCR 1244/99) not available; (2) Gross foreign debt data do not include short term trade credits, i.e. 2008 instead of 2007.

## Balance of payments and the current account

The balance of payments summarises the economic transactions of a territory with the rest of the world. The standard components of the balance of payments are:

- The current account, which refers to trade in goods and services, income (compensation of employees, investment income), and current transfers;
- The capital and financial account, which refers to capital transfers and the acquisition/disposal of non-produced, non-financial assets, and financial assets and liabilities.

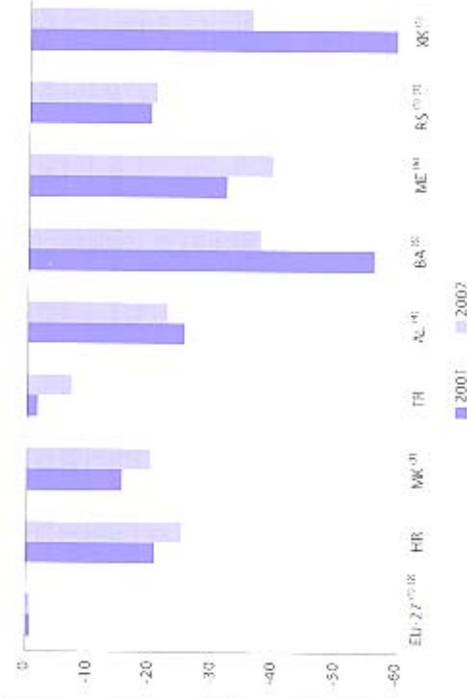
The current account for EU-27 and all candidate and potential candidate countries was in deficit in 2007, but the magnitude of these deficits varied considerably. The EU-27's deficit relative to GDP fell by 0.11 percentage points from 0.78% in 2001 to 0.66% in 2007. However, current account deficits as a percentage of GDP in candidate and potential candidate countries in 2007 ranged from 7% in Turkey to just under 40% in Montenegro, with Bosnia and Herzegovina and Kosovo (data for 2006) also recording values over 35%. In most countries, this percentage had increased since 2001, but reductions were seen in Albania (almost 3 percentage points), Bosnia and Herzegovina (nearly 20 percentage points) and most notably in Kosovo (a fall of almost 25 percentage points).

Table 6.3: Balance of payments, 2007 (million EUR)

|                                           | Current account | Capital account | Financial account | Net errors and omissions |
|-------------------------------------------|-----------------|-----------------|-------------------|--------------------------|
| EU-27 <sup>(1)</sup>                      | -96 250         | -13 072         |                   |                          |
| Croatia                                   | -2 696          | -134            | 3 680             | 984                      |
| The former Yugoslav Republic of Macedonia | -45             | 1               | 39                | 7                        |
| Turkey                                    | 25 401          | 0               | 25 538            | -138                     |
| Albania <sup>(1)(2)</sup>                 | -471            | 143             | 208               | 119                      |
| Bosnia and Herzegovina                    | -817            | 234             | 376               | 212                      |
| Montenegro                                | -531            | -14             | 552               | -6                       |
| Serbia                                    | -3 157          | 683             | 2 735             | -261                     |
| Kosovo under UNSCR 1244/99                | -389            | 3               | 18                | 368                      |

(1) 2006 instead of 2007; (2) Financial account includes the "Due on loans and credit of IMF

Figure 6.3: Current account balance relative to GDP (%)



(1) 2006 instead of 2007; (2) EU-27 data: (1) 2006 instead of 2007, attributed to 2007; (2) 2006 instead of 2007. The balance in 2007 is calculated using the official average rate of exchange for 2007. The values in 2007 are based on the basis of the current exchange rate - at 2007 instead of 2001 - 50 for 2001, there is a 10% increase in the values. Activities is not included in the GDP (60 2002 instead of 2001, 17% including exports and imports).



## Money supply

The M1 aggregate is the narrowest of the money supply measures and covers notes and coins in circulation, as well as bank sight deposits. The M2 aggregate covers M1 plus savings deposits, as well as other short-term claims on banks.

Between 2000 and 2005, the EU-27's M1 aggregate relative to GDP rose by almost 9 percentage points. Money supply expanded at a faster pace in many of the candidate and potential candidate countries between 2000 and the most recent year available, but with lower shares in GDP than the EU-27. They ranged between 9.3% in Turkey to 28.5% in Bosnia and Herzegovina. Using the M2 measure, a similar picture is seen, with all candidate and potential candidate countries (except Kosovo) showing growth of M2 shares in GDP in recent years but still below EU-27 shares. In particular Bosnia and Herzegovina with more than 33 percentage points, and Turkey and Macedonia each with about 24 percentage points recorded an especially sharp growth between 2000 and 2006 and 2007 respectively. Kosovo is the only country, which saw decreasing shares in GDP for both M1 and M2 (only data for 2001 to 2005 available).

Interest rates in most candidate and potential candidate countries for which information is available were relatively high compared to the EU-12. But with the exception of day-to-day interest rates in Croatia, all experienced significant reductions between 2001 and 2007, in particular in Turkey where all three types fell sharply with an extreme slump of 82% for day-to-day interest rates, a rate only slightly below the reduction of the consumer price index during the same period.

Table 6.6: Money supply, relative to GDP (%)

|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | M1   |      |      |      |      | M2   |      |      |      |      |  |
|-------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--|
|                                           |      |      |      |      |      |      | 2003 | 2004 | 2005 | 2006 | 2007 | 2003 | 2004 | 2005 | 2006 | 2007 |  |
| EU-27                                     | 20.9 | 21.9 | 23.0 | 22.7 | 23.8 | 25.2 | 27.0 | 27.9 | 31.6 |      |      |      |      |      |      |      |  |
| Croatia                                   | 11.1 | 9.6  | 9.7  | 11.9 | 14.5 | 17.0 | 16.9 | 15.7 | 16.8 | 19.3 | 21.1 |      |      |      |      |      |  |
| The former Yugoslav Republic of Macedonia | 6.9  | 7.8  | 9.4  | 9.5  | 10.8 | 10.8 | 10.8 | 10.4 | 10.4 | 11.2 |      |      |      |      |      |      |  |
| Turkey                                    |      | 2.9  | 3.7  | 4.2  | 4.1  | 3.8  | 4.9  | 5.0  | 10.1 | 9.2  | 9.3  |      |      |      |      |      |  |
| Albania                                   |      | 20.5 | 21.8 | 23.7 | 24.5 | 24.5 | 20.9 | 23.0 | 27.9 |      |      |      |      |      |      |      |  |
| Bosnia and Herzegovina <sup>(1)</sup>     |      |      |      | 3.1  | 33.2 | 33.4 | 21.5 | 22.4 | 24.2 | 26.5 | 28.5 |      |      |      |      |      |  |
| Montenegro                                |      |      |      |      |      |      | 18.9 | 17.4 | 19.4 | 22.5 |      |      |      |      |      |      |  |
| Serbia                                    |      |      |      |      | 7.4  | 9.2  | 8.5  | 7.8  | 8.3  | 9.8  |      |      |      |      |      |      |  |
| Kosovo under UNSCR 1244/99                |      |      |      |      | 59.8 | 57.5 | 49.6 | 23.7 | 18.6 |      |      |      |      |      |      |      |  |
|                                           |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |  |
|                                           | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |      |      |      |      |      |  |
| EU-27 <sup>(2)</sup>                      | 47.3 | 48.0 | 48.3 | 46.7 | 48.9 | 50.1 | 52.4 | 53.1 | 55.6 | 57.6 |      |      |      |      |      |      |  |
| Croatia                                   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |  |
| The former Yugoslav Republic of Macedonia | 11.2 | 13.4 | 16.1 | 17.7 | 20.8 | 26.3 | 30.2 | 33.5 | 36.1 | 41.3 |      |      |      |      |      |      |  |
| Turkey                                    |      | 12.9 | 17.7 | 17.8 | 16.9 | 14.9 | 17.6 | 18.9 | 38.7 | 38.2 | 41.9 |      |      |      |      |      |  |
| Albania                                   |      | 48.8 | 50.8 | 50.6 | 52.3 | 52.1 | 50.4 | 52.1 | 52.1 |      |      |      |      |      |      |      |  |
| Bosnia and Herzegovina <sup>(1)</sup>     |      |      |      | 23.0 | 40.1 | 39.5 | 37.9 | 43.3 | 47.7 | 52.7 | 56.6 |      |      |      |      |      |  |
| Montenegro                                |      |      |      |      |      |      | 26.7 | 26.2 | 33.9 | 51.1 |      |      |      |      |      |      |  |
| Serbia                                    |      |      |      |      | 8.6  | 10.9 | 10.7 | 10.2 | 11.0 | 13.7 |      |      |      |      |      |      |  |
| Kosovo under UNSCR 1244/99                |      |      |      |      | 67.5 | 64.9 | 61.9 | 37.5 | 56.6 |      |      |      |      |      |      |      |  |

1) Data on Serbia for 2001 to 2005 only.

2) Data on Serbia for 2001 to 2005 only.

Table 6.5: Interest rates (%)

|                                                          | Interest rates day-to-day money rate |      | Lending interest rate (one year) |      | Deposit interest rate (one year) |      |
|----------------------------------------------------------|--------------------------------------|------|----------------------------------|------|----------------------------------|------|
|                                                          | 2001                                 | 2007 | 2001                             | 2007 | 2001                             | 2007 |
| EUR-12 <sup>(1)</sup>                                    | 4.8                                  | 2.7  | 7.1                              | 7.6  | 2.0                              | 3.5  |
| Croatia                                                  | 3.0                                  | 5.6  | 19.5                             | 17.1 | 6.6                              | 4.2  |
| The former Yugoslav Republic of Macedonia <sup>(2)</sup> | 11.9                                 | 9.2  | 23.0                             | 3.5  | 1                                | 1    |
| Turkey                                                   | 9.5                                  | 17.3 | 78.8                             | 20.1 | 67.2                             | 22.3 |
| Albania                                                  | 1                                    | 1    | 11.9                             | 13.6 | 7.8                              | 6.3  |
| Bosnia and Herzegovina <sup>(3)</sup>                    | 1                                    | 1    | 12.6                             | 7.2  | 1.4                              | 0.4  |
| Montenegro                                               | 1                                    | 1    | 1                                | 1    | 1                                | 1    |
| Serbia                                                   | 1                                    | 1    | 1                                | 1    | 1                                | 1    |
| Kosovo under UNSCR 1244/99                               | 1                                    | 1    | 1                                | 1    | 1                                | 1    |

1) Interest rates, 2002 indicator of 2001, 2003 indicator of 2002, 2005 indicator of 2004, 2006 indicator of 2005, 2007 indicator of 2006. Lending rates are for overnight consumer bank, maturity less than 1 year. Deposit rates are for non-savings deposits and for overnight consumer bank, maturity less than 1 year. 2) 2003 indicator of 2002, 2005 indicator of 2004, 2006 indicator of 2005, 2007 indicator of 2006.

3) 2003 indicator of 2002, 2005 indicator of 2004, 2006 indicator of 2005, 2007 indicator of 2006.

## Exchange rates and consumer price indices

Exchange rate fluctuations may play an important role in determining the competitiveness of an economy, particularly with respect to its export performance. The exchange rates for the currencies of Croatia and the former Yugoslav Republic of Macedonia were relatively stable in relation to the euro during the period 1999 to 2006. The same was true for Bosnia and Herzegovina (where a fixed exchange rate is used). In Montenegro (from 2002 onwards) and Kosovo (from 1999 onwards) the euro has been used. The Albanian Lek appreciated slightly against the euro over the period considered, while the Turkish Lira depreciated significantly against the euro, the average exchange rate almost doubling between 2000 and 2001, since when it has followed a less dramatic, although steadily downward, trend until 2006 and a small recovery in 2007. The Serbian Dinar depreciated steadily between 2000 and 2006, before recovering somewhat in 2007.

Consumer price indices (CPIs) are economic indicators constructed to measure the changes over time in the price of consumer goods and services that are acquired, used or paid for by households. Price inflation in the EU-27 remained within the range of 2.1% to 3.5% between 2000 and 2007. Relative stability was seen both in Croatia (recording a range between 1.7% and 4.6%) and Albania (between 1.7% and 3.2%) over the same period and Kosovo (between 1.0% and 2.8%) between 2002 and 2007. On the other hand, Turkey saw price inflation reduce from 54.9% in 2000 to 8.8% in 2007, while Serbia saw a similarly dramatic reduction from 79.6% to 7.0% over the same period.

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Table 6.7: Exchange rates and consumer price indices

|                                                                   | Average exchange rates (1 EUR =...national currency) |          |          |          |          |          |          |          |          |          |         |
|-------------------------------------------------------------------|------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
|                                                                   | 1997                                                 | 1998     | 1999     | 2000     | 2001     | 2002     | 2003     | 2004     | 2005     | 2006     | 2007    |
| Croatia (HRK) <sup>(1)</sup>                                      | 6,9600                                               | 7,1400   | 7,5805   | 7,6432   | 7,4820   | 7,4130   | 7,5688   | 7,4567   | 7,4008   | 7,3247   |         |
| The former Yugoslav Republic of Macedonia (MKD)                   | 56,2200                                              | 61,0702  | 60,6200  | 60,7250  | 60,9133  | 60,9783  | 61,2639  | 61,3377  | 61,2938  | 61,1885  |         |
| Turkey (TRY) <sup>(2)</sup>                                       | 6,1706                                               | 0,2928   | 0,4472   | 0,5748   | 1,1024   | 1,4397   | 1,6949   | 1,7771   | 1,6771   | 1,8000   | 1,7891  |
| Albania (ALL)                                                     | 169,1640                                             | 146,9600 | 132,5800 | 128,4700 | 137,3600 | 137,5100 | 127,6700 | 124,1900 | 123,2800 | 123,6300 |         |
| Bosnia and Herzegovina (BAM)                                      | 1,9558                                               | 1,9558   | 1,9558   | 1,9558   | 1,9558   | 1,9558   | 1,9558   | 1,9558   | 1,9558   | 1,9558   | 1,9558  |
| Montenegro (EUR)                                                  |                                                      |          |          |          |          |          | 1,0000   | 1,0000   | 1,0000   | 1,0000   | 1,0000  |
| Serbia (RSD)                                                      |                                                      |          | 11,7400  | 49,6700  | 59,7700  | 60,6800  | 65,0600  | 72,5700  | 82,9100  | 84,1600  | 89,9800 |
| Kosovo under UNSCR 1244/99 (EUR)                                  |                                                      |          | 1,0000   | 1,0000   | 1,0000   | 1,0000   | 1,0000   | 1,0000   | 1,0000   | 1,0000   | 1,0000  |
| Consumer price indices (% change compared with the previous year) |                                                      |          |          |          |          |          |          |          |          |          |         |
|                                                                   | 1997                                                 | 1998     | 1999     | 2000     | 2001     | 2002     | 2003     | 2004     | 2005     | 2006     | 2007    |
| EU-27 <sup>(3)</sup>                                              | 7.3                                                  | 4.6      | 3.0      | 3.5      | 3.2      | 2.5      | 2.1      | 2.3      | 2.3      | 2.3      | 2.4     |
| Croatia                                                           |                                                      |          | 4.0      | 4.6      | 3.9      | 1.7      | 1.8      | 2.1      | 2.3      | 2.2      |         |
| The former Yugoslav Republic of Macedonia                         | 2.6                                                  | 0.1      | 0.7      | 5.8      | 5.5      | 1.8      | 1.2      | -0.4     | 0.5      |          |         |
| Turkey <sup>(2)</sup>                                             | 85.7                                                 | 84.6     | 64.9     | 54.9     | 54.4     | 45.0     | 25.3     | 10.6     | 8.2      | 9.6      | 8.8     |
| Albania <sup>(4)</sup>                                            |                                                      | 8.7      | 1.0      | 4.2      | 3.5      | 1.7      | 3.3      | 2.2      | 2.0      | 2.5      | 3.1     |
| Bosnia and Herzegovina                                            |                                                      |          |          | 4.8      | 3.1      | 0.4      | 0.6      | 0.4      | 3.6      | 6.1      | 1.5     |
| Montenegro                                                        |                                                      |          |          |          |          |          |          |          |          |          |         |
| Serbia                                                            | 21.5                                                 | 29.9     | 43.5     | 49.6     | 91.3     | 16.6     | 9.9      | 11.4     | 16.2     | 17.7     | 20.0    |
| Kosovo under UNSCR 1244/99                                        |                                                      |          |          |          |          | -1.0     | 0.3      | -0.8     | -2.1     | -2.5     | -2.8    |

Source: Eurostat, 2008. (1) 1997-2006 and 2007 values are in MKD. (2) 1997-2006 and 2007 values are in TRY. (3) 1997-2006 and 2007 values are in EUR. (4) 1997-2006 and 2007 values are in ALL. Total inflation in Montenegro (Bosnia and Herzegovina) is 1.0% (1.0%) in 2007.

7

Agriculture

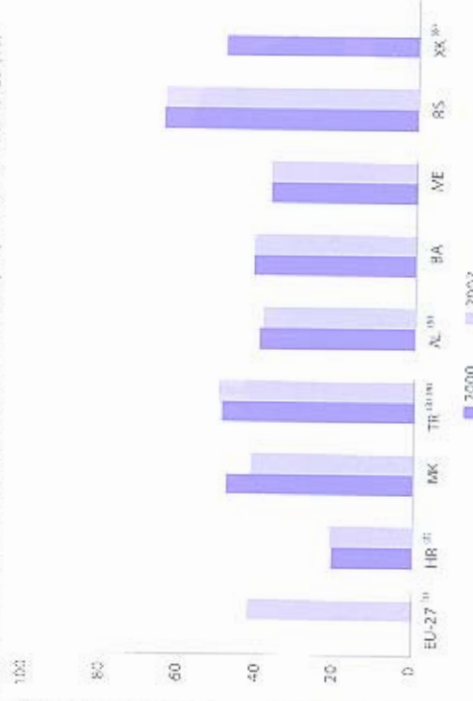
## Utilised agricultural area

The utilised agricultural area (UAA) consists of arable land, permanent grassland, area with permanent crops, area with crops under glass and kitchen gardens. Land area may be broken down into utilised agricultural area, wooded area and other land. Changes in this breakdown indicate the extent to which man modifies the basic land resource of a territory for agriculture, industry and commercial establishments, human settlements, transport, recreation and other uses. The availability of land for agricultural purposes depends to a large extent on the geography of a country; for example, mountainous countries and countries with cold climates are less suitable for agriculture than flat and more temperate countries.

Since the first year for which data is shown in Table 7.1, the total utilised agricultural area in the EU-27 has decreased at an average annual rate of 0.9%. Only Croatia and the former Yugoslav Republic of Macedonia recorded a bigger reduction with 4.7% and 1.8% respectively. In all other countries the agricultural area remained almost stable over the period observed. The only increases were recorded in Turkey and Bosnia and Herzegovina (both 0.1% on yearly average). The biggest countries in terms of total surface, namely Turkey and Serbia, had the largest absolute size of agricultural area. Turkey accounted for about a quarter of the EU-27 and for almost 80% of the total utilised agricultural area of all candidate and potential candidate countries.

Regarding the ratio of total utilised agricultural area to total area of the countries, the highest values were recorded for Turkey and Serbia (both over 50%). All other countries registered values between 49% in Kosovo and 21% in Croatia for the latest available year.

Figure 7.1: Total utilised agricultural area as a proportion of total area (%)



Source: Eurostat (2008). Total area of free countries is less than 100% due to the fact that the area of the country includes the area of the country in the EU-27. 2007 data is preliminary.

Table 7.1: Total utilised agricultural area (thousand hectares)

|                                           | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007   |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| EU-27 <sup>(1)</sup>                      | 197 313 | 194 163 | 190 907 | 189 990 | 188 600 | 183 155 | 184 202 | 183 358 | 183 641 | 187 129 |        |
| Croatia <sup>(2)</sup>                    | 1 941   | 2 048   | 2 032   | 1 169   | 1 178   | 1 181   | 1 200   | 1 201   | 1 185   | 1 169   | 1 201  |
| The former Yugoslav Republic of Macedonia | 1 285   | 1 293   | 1 294   | 1 336   | 1 244   | 1 316   | 1 303   | 1 265   | 1 229   | 1 225   | 1 077  |
| Turkey <sup>(3)</sup>                     | 39 242  | 39 344  | 39 180  | 38 757  | 40 967  | 41 196  | 40 665  | 41 210  | 41 223  | 40 496  | 39 503 |
| Albania                                   | 1 145   | 1 144   | 1 144   | 1 144   | 1 139   | 1 140   | 1 121   | 1 122   | 1 077   | 1 120   |        |
| Bosnia and Herzegovina                    |         |         |         |         | 2 126   | 2 122   | 2 192   | 2 186   | 2 187   | 2 194   | 2 189  |
| Montenegro <sup>(4)</sup>                 | 520     | 519     | 518     | 518     | 518     | 518     | 518     | 518     | 517     | 517     | 516    |
| Serbia                                    | 5 091   | 5 086   | 5 086   | 5 074   | 5 077   | 5 071   | 5 079   | 5 075   | 5 075   | 5 066   | 5 053  |
| Kosovo under UNSCR 1244/99                |         |         |         |         | 539     |         |         |         |         |         |        |

(1) 1996-2002: 2001-2003: estimated values. (2) Black area in 1998 reflects the fact that the country was not included in the EU-27. (3) 2004-2007: estimated values. (4) 2004-2007: estimated values.

## Utilised agricultural area, wooded area and other land

The EU's agricultural sector is extremely diverse, ranging from large, highly intensive farms to subsistence farming. The latter is often commonly found in the candidate and potential candidate countries, where traditional working practices are still widespread. Land abandonment, under-grazing and a lack of capital to maintain agricultural infrastructure, are some of the problems faced by farmers in the candidate and potential candidate countries.

Landscape plays an important role in determining land use. In Croatia, the former Yugoslav Republic of Macedonia, Albania and Montenegro a larger share of surface was covered by wood than in the EU-27, reaching more than a third of each country's total surface. However, in the EU-27 and all candidate and potential candidate countries except Croatia, between 40% and 65% of the surface is available as agricultural area. The utilised agricultural area of all candidate and potential candidate countries for the last available year accounts for less than a third of the EU-27 utilised area. Without Turkey this share is reduced to about 6%.

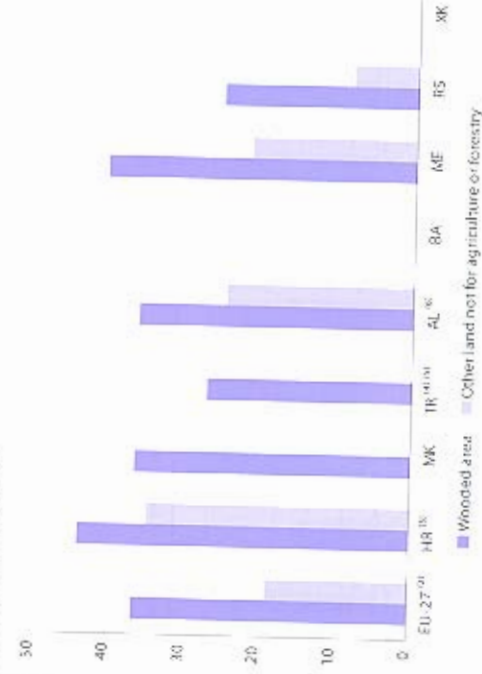
Permanent grassland accounted for around 31% of the EU-27's utilised agricultural area, whilst it was usually more significant in Montenegro (58%), the former Yugoslav Republic of Macedonia (51%), Bosnia and Herzegovina (48%), Turkey and Albania (both 37%). In contrast it was lower than the EU-27 in Kosovo with 21% (2001), Croatia with 22% and Serbia with 29%.

Table 7.2: Breakdown of utilised agricultural area

|                                                          | Total utilised agricultural area (UAA) |         | of which (% of total UAA) |      |                     |      |
|----------------------------------------------------------|----------------------------------------|---------|---------------------------|------|---------------------|------|
|                                                          | Thousand hectares                      |         | Arable land               |      | Permanent grassland |      |
|                                                          | 2001                                   | 2007    | 2001                      | 2007 | 2001                | 2007 |
| EU-27 <sup>(1)</sup>                                     | 188 600                                | 182 129 | 60.2                      | 59.3 | 33.9                | 30.9 |
| Croatia                                                  | 1 798                                  | 1 201   | 72.1                      | 70.5 | 21.6                | 27.4 |
| The former Yugoslav Republic of Macedonia <sup>(2)</sup> | 1 244                                  | 1 077   | 41.2                      | 42.1 | 50.6                | 51.1 |
| Turkey <sup>(3)</sup>                                    | 40 967                                 | 39 503  | 58.1                      | 55.6 | 35.7                | 37.0 |
| Albania <sup>(4)</sup>                                   | 1 139                                  | 1 120   | 50.7                      | 52.1 | 38.6                | 37.1 |
| Bosnia and Herzegovina <sup>(5)</sup>                    | 2 126                                  | 2 139   | 47.7                      | 47.9 | 48.1                | 47.5 |
| Montenegro                                               | 518                                    | 516     | 24.1                      | 24.1 | 57.7                | 57.5 |
| Serbia                                                   | 5 077                                  | 5 053   | 66.1                      | 65.3 | 27.8                | 28.8 |
| Kosovo under UNSCR 1244/99                               | 539                                    | -       | 53.5                      | -    | 20.8                | 0.9  |

1) Excludes values for permanent grassland excluding MAHs. 2000 data instead of 2007 for total arable agricultural area. 2) Excludes measures. 3) 2002 base; no values except for permanent grassland. 4) values as of 2007. 5) 2002 instead of 2007.

Figure 7.2: Proportion of wooded area and other land not for agriculture or forestry (% of total area)<sup>(1)</sup>



(1) Bosnia and Herzegovina and Kosovo under UNSCR 1244/99, not available. (2) Excludes values for wooded area and other land not for agriculture or forestry. (3) 2002 base; no values except for permanent grassland. (4) values as of 2007. (5) 2002 instead of 2007.

## Livestock and dairy cows

Within the EU-27, the total number of cattle has decreased by 5% since 2001, while the number of pigs has increased by 1%. In the candidate and potential candidate countries the situation varies considerably. With regard to cattle, four countries each show an increase or decrease. The largest increases from 2001 to 2006 are recorded in Kosovo (12.9%) and Croatia (10.3%), whereas Montenegro is at the other extreme (-35.5% until 2006). All countries with an increasing number of pigs show higher growths than the EU-27 ranging between 43.4% in Albania and 6.8% in Serbia. The most significant declines are registered in Montenegro (around -36%) and Turkey (around -32%). But for both countries these values have to be considered in relation to the absolute values.

For the last year for which data are available dairy cows accounted for 27% of the total number of cattle in the EU-27, and over 50% in all potential candidate countries with values between 52% in Kosovo and 69% in Montenegro. Among the candidate countries, only the former Yugoslav Republic of Macedonia showed a share of more than half, while Croatia with 48% and Turkey with 38% showed much lower shares in the total cattle herd. Contrary to the EU-27, four countries, the former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina and Montenegro increased their share of dairy cows in total cattle, while Croatia, Turkey, Serbia and Kosovo have recorded a fall since 2000. It is interesting to note that of the latter group only Kosovo has increased its absolute number of dairy cows since 2000.

Table 7.3: Livestock as of end of the period (thousand heads)

|                                           | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Cattle</b>                             |         |         |         |         |         |         |         |         |         |         |         |
| EU-27                                     | 93 780  | 92 336  | 91 123  | 90 220  | 89 641  | 88 463  | 89 042  |         |         |         |         |
| Croatia <sup>(1)</sup>                    | 451     | 443     | 438     | 427     | 438     | 417     | 444     | 466     | 471     | 483     | 467     |
| The former Yugoslav Republic of Macedonia | 289     | 268     | 270     | 265     | 265     | 259     | 260     | 255     | 248     | 235     | 234     |
| Turkey <sup>(2)</sup>                     | 11 185  | 11 031  | 11 054  | 10 761  | 10 548  | 9 803   | 9 788   | 10 069  | 10 526  | 10 871  | 11 037  |
| Albania <sup>(3)</sup>                    | 771     | 305     | 720     | 728     | 708     | 690     | 684     | 654     | 655     | 634     | 634     |
| Bosnia and Herzegovina                    | 176     | 178     | 180     | 179     | 178     | 183     | 175     | 169     | 118     | 115     | 468     |
| Montenegro <sup>(4)</sup>                 | 1 280   | 1 283   | 1 246   | 1 162   | 1 178   | 1 112   | 1 102   | 1 079   | 1 096   | 1 106   | 1 067   |
| Serbia                                    | 1 280   | 1 283   | 1 246   | 1 162   | 1 178   | 1 112   | 1 102   | 1 079   | 1 096   | 1 106   | 1 067   |
| Kosovo under UNSCR 1244/99                | 1       | 1       | 1       | 289     | 347     | 319     | 319     | 355     | 352     | 392     | 1       |
| <b>Pigs</b>                               |         |         |         |         |         |         |         |         |         |         |         |
| EU-27                                     | 159 771 | 167 666 | 175 138 | 180 411 | 188 970 | 198 970 | 208 970 | 218 970 | 228 970 | 238 970 | 248 970 |
| Croatia <sup>(1)</sup>                    | 1 176   | 1 166   | 1 362   | 1 234   | 1 234   | 1 286   | 1 347   | 1 489   | 1 705   | 1 488   | 1 348   |
| The former Yugoslav Republic of Macedonia | 180     | 197     | 226     | 204     | 189     | 106     | 179     | 158     | 158     | 167     | 255     |
| Turkey                                    | 5       | 5       | 3       | 3       | 3       | 4       | 7       | 4       | 2       | 1       | 2       |
| Albania <sup>(1)</sup>                    | 97      | 83      | 99      | 103     | 106     | 114     | 132     | 143     | 147     | 152     | 1       |
| Bosnia and Herzegovina                    | 24      | 23      | 22      | 19      | 21      | 27      | 24      | 27      | 11      | 13      | 535     |
| Montenegro <sup>(4)</sup>                 | 4 057   | 4 293   | 4 066   | 3 615   | 3 587   | 3 634   | 3 439   | 3 165   | 3 212   | 3 999   | 3 832   |
| Serbia                                    | 4 057   | 4 293   | 4 066   | 3 615   | 3 587   | 3 634   | 3 439   | 3 165   | 3 212   | 3 999   | 3 832   |
| Kosovo under UNSCR 1244/99                | 1       | 1       | 1       | 59      | 75      | 110     | 1       | 55      | 47      | 68      | 1       |

1. 1997-2006: data as of 1 December; 2007: final figures; 2008: preliminary data as of 31 December for pigs, and as of 31 December for cattle. 2. Excludes the number of half-bred pigs and half-bred cattle. 3. Excludes the number of half-bred pigs and half-bred cattle. 4. Excludes the number of half-bred pigs and half-bred cattle.

### Animals for slaughter

The information presented on the slaughter of livestock relates to bovine, porcine, equine, ovine and caprine species, as well as farmland poultry.

Between 1997 and 2007 (Table 7.4), the number of animals for slaughter increased in the EU-27 and in all candidate and potential candidate countries except Serbia. In terms of tonnes the EU-27 and the former Yugoslav Republic of Macedonia recorded only a small increase while values in Turkey, Albania and Bosnia and Herzegovina rose by 70%, 19% and 23% respectively. However, the overall increases showed fluctuations in almost all countries over the period observed, but recorded the largest values ever registered in the last year for which data is available by Turkey, Albania and Bosnia and Herzegovina. The only country with decreasing tonnes of slaughter weight was Serbia (-8% over the period observed). Nevertheless, Serbia and all other candidate and potential candidate countries registered an increase between the last two years available, while the EU-27 recorded a decrease.

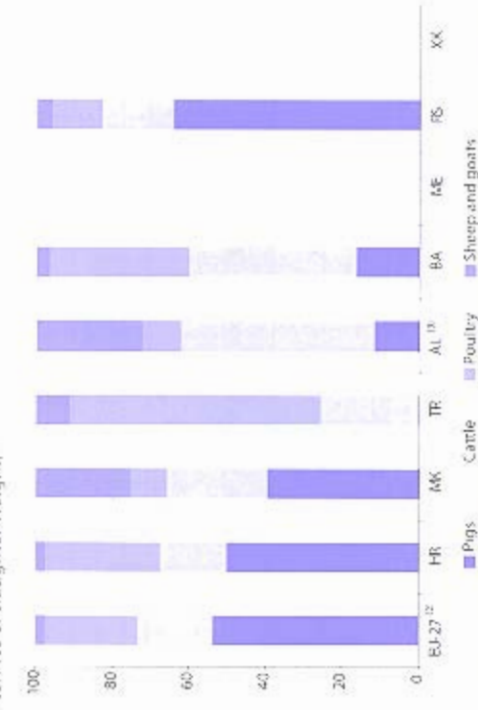
Regarding all slaughtered weight each country recorded a largely dominant animal category. In Croatia, the former Yugoslav Republic of Macedonia and Serbia this was pigs, in Albania and Bosnia and Herzegovina this was cattle, and in Turkey poultry. In Albania and the former Yugoslav Republic of Macedonia, sheep and goats accounted for a relatively high proportion. Pigs made up more than 50% of total meat slaughter weight in the EU-27, Croatia and Serbia. Values of more than 50% were reached for cattle in Albania and poultry in Turkey, the latter showing almost three times the share in the EU-27.

Table 7.4: Animals for slaughter (thousand tonnes of slaughter weight)

|                                                  | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   |
|--------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>EU-27<sup>(1)</sup></b>                       | 40 125 | 41 523 | 42 257 | 41 093 | 41 059 | 41 632 | 41 479 | 41 413 | 41 222 | 41 288 | 41 242 |
| <b>Croatia</b>                                   | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      |
| <b>The former Yugoslav Republic of Macedonia</b> | 52     | 53     | 57     | 58     | 50     | 53     | 57     | 55     | 53     | 50     | 53     |
| <b>Turkey</b>                                    | 983    | 1 015  | 1 116  | 1 150  | 1 063  | 1 146  | 1 270  | 1 360  | 1 387  | 1 371  | 1 674  |
| <b>Albania<sup>(2)</sup></b>                     | 63     | 58     | 64     | 64     | 65     | 68     | 71     | 73     | 74     | 75     | ;      |
| <b>Bosnia and Herzegovina<sup>(3)</sup></b>      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | 45     | 49     | 50     | 55     |
| <b>Montenegro</b>                                | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      |
| <b>Serbia<sup>(4)</sup></b>                      | 577    | 607    | 580    | 578    | 531    | 547    | 512    | 521    | 516    | 494    | 531    |
| <b>Kosovo under UNSCR 1244/99</b>                | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      | ;      |

(1) 1997, 2003, estimated values; (2) 2006, estimated by us; (3) Excluding years; (4) 2007 provisional value (data as survey sum at slaughter); p-pg: poultry; cattle and sheep: net weight.

Figure 7.4: Breakdown of animals for slaughter, 2007 (based on thousand tonnes of slaughter weight)



(1) Montenegro and Kosovo under UNSCR 1244/99 not available; (2) Separated by sex poultry, excluding Bosnia and Herzegovina; (3) Excluding years; (4) 2007 provisional value (data as survey sum at slaughter); p-pg: poultry; cattle and sheep: net weight.



# 8

## Energy

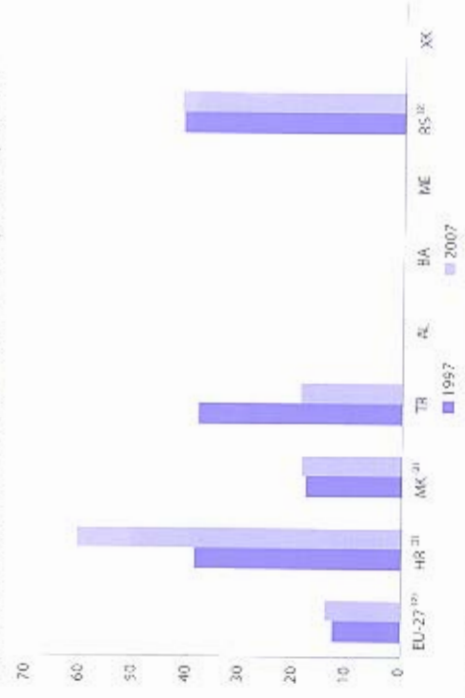
## Energy intensity, electricity generation and renewable energy

The energy intensity of an economy is defined as the ratio of gross inland energy consumption in kg of oil equivalent per EUR 1 000 GDP at constant prices: the lower the figure, the higher the energy efficiency. In 2006, the figure for the EU-27 was a little over 200 kg of oil equivalent. In comparison, Turkey consumed over 250 kg, Croatia 340 kg and the former Yugoslav Republic of Macedonia about 670 kg in the same year. In 2004, the latest year for which data is available, Albania consumed over 450 kg. Over the period from 1997 to 2006, this indicator has shown a downward trend in the EU-27 (-1.5% on average per year). Turkey was an exception, showing little change, and this may reflect the importance of energy intensive industries in its recent strong economic growth. For the other countries, a trend similar to that in the EU-27 applied, with downward trends varying from -4.6% in Albania to -2.1% in Croatia. It can also be seen that, with the exception of Turkey, the difference in terms of energy efficiency between the EU-27 and the candidate and potential candidate countries has fallen since 1998.

In 2006, the EU-27 generated 3.4 million GWh of electricity. Production in the candidate countries and potential candidate countries varied from 191 thousand GWh in Turkey to 2.1 thousand GWh in Montenegro, both in 2007. Since 1997, electricity production in the EU-27 has been growing by a little under 2% per year. This compares with average annual growths of over 6% for Turkey and Kosovo (from 2002 only) and 2.6% for Croatia. In contrast, there was an annual average decline for Albania of over 5% though this reflects a very low figure for 2007.

Renewable energy sources include wind, solar, geothermal, hydro electricity and biomass/waste. The share of renewable energy in electricity consumption measures the contribution of electricity from renewable energy sources to the total national electricity consumption. This share can vary greatly and depends, to a large extent, on the geographic characteristics of the territory concerned, particularly with regard to geothermal and hydroelectric generation. Between 1997 and 2006, Figure 8.1 shows that the proportion of renewable sources for the EU-27 rose from 12.7% to 14.0%. Rather similar small increases occurred in the former Yugoslav Republic of Macedonia and Serbia. In contrast, Croatia reported a rise from just under 40% to just over 60% between the same two years, although the changes behind such a rise are not apparent. Turkey recorded a sharp decline in the share of renewable sources in electricity consumption, falling from a little under 40% to a little under 20% between 1997 and 2007. Much of this decline is probably the result of the sharp rise in electricity consumption between these two years not being matched by a rise in renewable supplies.

Figure 8.1: Share of renewable energy in electricity consumption (%), m



(\*) Albania, Bosnia and Herzegovina, Montenegro and Kosovo under UNSCR 1244/99 not available in 2006  
 (m) based on 2002

Table 8.1: Energy intensity and electricity generation

|                                           | Energy intensity of the economy (kg of oil equivalent per EUR 1 000 GDP 2000) |         |         |         |         |         |         |         |         |         |
|-------------------------------------------|-------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                           | 1997                                                                          | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    |
| EU-27                                     | 232.0                                                                         | 227.5   | 216.5   | 213.9   | 214.7   | 214.7   | 212.1   | 208.6   | 207.5   |         |
| Croatia                                   | 408.2                                                                         | 410.7   | 410.4   | 397.8   | 387.0   | 392.0   | 381.1   | 366.0   | 353.2   | 338.8   |
| The former Yugoslav Republic of Macedonia |                                                                               | 513.2   | 361.7   | 210.5   | 720.2   | 770.9   | 710.6   | 684.7   | 685     | 672.0   |
| Turkey                                    | 257.3                                                                         | 261.7   | 266.9   | 261.0   | 259.5   | 259.3   | 244.7   | 240.9   | 157.1   | 261.2   |
| Albania                                   | 624.9                                                                         | 506.7   | 467.3   | 454.2   | 419.4   | 437.7   | 453.0   |         |         |         |
| Bosnia and Herzegovina                    |                                                                               |         |         |         |         |         |         |         |         |         |
| Montenegro                                |                                                                               |         |         |         |         |         |         |         |         |         |
| Serbia                                    |                                                                               |         |         |         |         |         |         |         |         |         |
| Kosovo under UNSCR 1244/99                |                                                                               |         |         |         |         |         |         |         |         |         |
|                                           | Electricity generation (thousand GWh)                                         |         |         |         |         |         |         |         |         |         |
|                                           | 1997                                                                          | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    |
| EU-27                                     | 2 940.9                                                                       | 3 010.0 | 2 993.7 | 3 021.4 | 3 085.5 | 3 117.1 | 3 176.0 | 3 267.6 | 3 369.1 | 3 358.0 |
| Croatia                                   | 9.1                                                                           | 10.9    | 12.2    | 10.7    | 12.2    | 12.3    | 12.7    | 13.3    | 13.1    | 12.5    |
| The former Yugoslav Republic of Macedonia | 6.7                                                                           | 7.0     | 6.9     | 6.8     | 6.4     | 6.3     | 6.7     | 6.7     | 6.9     | 7.0     |
| Turkey <sup>m</sup>                       | 103.3                                                                         | 111.0   | 116.4   | 124.9   | 122.7   | 129.4   | 140.6   | 150.7   | 162.0   | 176.3   |
| Albania                                   | 5.2                                                                           | 5.1     | 5.4     | 4.7     | 4.7     | 5.2     | 4.9     | 5.5     | 5.5     | 5.6     |
| Bosnia and Herzegovina                    |                                                                               |         |         |         |         |         |         |         |         |         |
| Montenegro                                | 2.5                                                                           | 2.7     | 2.7     | 2.7     | 3.5     | 2.3     | 2.7     | 3.3     | 2.9     | 3.0     |
| Serbia                                    | 38.0                                                                          | 35.0    | 31.0    | 42.0    | 41.0    | 21.0    | 32.0    | 34.0    | 36.0    | 37.0    |
| Kosovo under UNSCR 1244/99                |                                                                               |         |         |         |         | 3.2     | 3.2     | 3.5     | 4.0     | 4.0     |

(\*) 2002 provisional value

## Primary production of energy

To allow for aggregation of different types of energy, data on primary energy production (coal, oil, gas, nuclear heat, and hydro-electricity) is converted to a common unit, 'tonnes of oil equivalent (toe)'. In 2006, the EU-27's primary energy production was 872 million toe (Table 8.2). Amongst the candidate and potential candidate countries, primary energy production varied from nearly 26 million toe in Turkey in 2007 to 1.6 million toe in the former Yugoslav Republic of Macedonia in 2006. In the period since 1997, primary energy production has been falling in the EU-27 and in all the candidate and potential candidate countries, except Croatia, where it has changed little. The downward trend averaged 1.1% per year for the EU-27 (1997 to 2006) compared with 2.2% in Albania (1998 to 2004) and 1.7% in Montenegro (1997 to 2007). However, there have been some marked fluctuations in the data series for the candidate and potential candidate countries.

The energy mix in primary production is determined to a large extent by the natural resource endowment of a territory, policy decisions, for example, concerning nuclear energy (considered as a primary source of energy) and the development of renewable energy. In the EU-27, the major source in 2007 was "Other", a heading, which includes nuclear and renewable sources (Table 8.3). It far outweighed coal, natural gas and crude oil. In Croatia, natural gas was the main source of primary energy, accounting for 2.2 million toe. In contrast, in Turkey, hard coal and lignite was the primary source with 13 million toe. In Serbia, Kosovo, Montenegro and Bosnia and Herzegovina, hard coal and lignite was the only source of primary energy recorded in recent years.

Table 8.2: Breakdown of primary production of energy, 2005 (1 000 toe)

|                                           | Crude oil | Hard coal and lignite | Natural gas | Other   |
|-------------------------------------------|-----------|-----------------------|-------------|---------|
| EU-27                                     | 116 749   | 190 424               | 1 79 405    | 382 669 |
| Croatia                                   | 585       | 0                     | 2 204       | 939     |
| The former Yugoslav Republic of Macedonia | 0         | 1 296                 | 0           | 321     |
| Turkey                                    | 7 284     | 13 087                | 839         | 9 747   |
| Albania <sup>1)</sup>                     | 443       | 0                     | 11          | 724     |
| Bosnia and Herzegovina <sup>2)</sup>      | -         | 230                   | -           | -       |
| Montenegro                                | -         | 1 203                 | -           | -       |
| Serbia                                    | -         | 6 966                 | -           | -       |
| Kosovo under UNSCR 1244/99                | -         | 6 537                 | -           | -       |

1) 2004 instead of 2005; 2) 2003 instead of 2004.

Table 8.3: Primary production of energy products (1 000 toe)

|                                                         | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007   |
|---------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| EU-27                                                   | 952 463 | 940 507 | 942 829 | 933 041 | 932 987 | 933 220 | 927 211 | 923 057 | 891 431 | 871 247 | -      |
| Croatia                                                 | 4 077   | 3 983   | 3 570   | 3 562   | 3 730   | 3 689   | 3 727   | 3 852   | 3 781   | 4 128   | -      |
| The former Yugoslav Republic of Macedonia <sup>1)</sup> | 1 727   | 1 744   | 1 698   | 1 595   | 1 642   | 1 577   | 1 666   | 1 598   | 1 578   | 1 617   | -      |
| Turkey <sup>2)</sup>                                    | 27 999  | 29 108  | 27 526  | 26 715  | 25 065  | 24 627  | 23 857  | 24 193  | 23 612  | 26 580  | 25 957 |
| Albania                                                 | -       | 1 345   | 1 113   | 987     | 933     | 836     | 1 017   | 1 178   | -       | -       | -      |
| Bosnia and Herzegovina                                  | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -      |
| Montenegro                                              | 3 969   | 4 262   | 4 236   | 4 222   | 3 679   | 4 135   | 4 353   | 4 822   | 4 161   | 4 464   | 3 347  |
| Serbia                                                  | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -      |
| Kosovo under UNSCR 1244/99                              | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -      |

1) 1997, provisional value; 2) 2007, provisional value.







# 9

**Industry, construction & services**

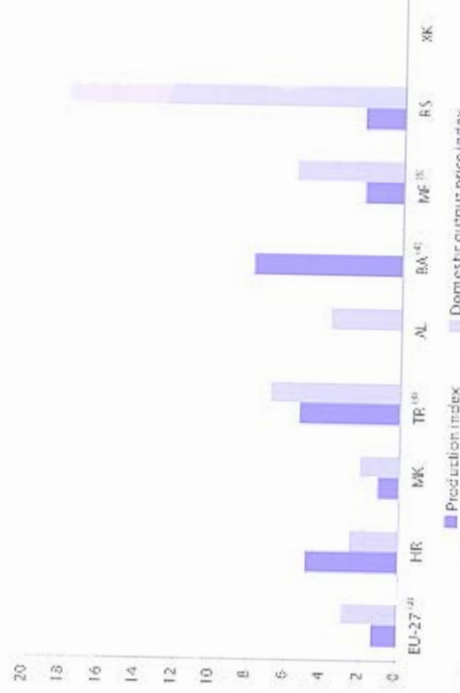
### Production and output price indices

Relatively rapid growth is reported for the industrial production (excluding construction) in almost all candidate and potential candidate countries over the period 2000 to 2007. All countries, except the former Yugoslav Republic of Macedonia, recorded higher average annual growth rates than the EU-27 (1.3%) ranging between 2.0% for Montenegro and 7.9% for Bosnia and Herzegovina. For this period, the highest growth rates were recorded in Bosnia and Herzegovina, Turkey and Croatia lying significantly above the EU-27 index of 108 in 2006.

Inflation, measured by the domestic output price index, was at a level of 3.3% in the EU-27 in 2007 compared to the previous year. The only country with an inflation rate below the EU-27 rate was Macedonia with 2.8%, while all other candidate and potential candidate countries for which data is available had inflation rates higher than that of the EU-27 increasing between 3.8% in Croatia to 17.8% in Serbia from 2006 to 2007.

Looking at the period 2000 to 2007 Croatia and the former Yugoslav Republic of Macedonia recorded lower average annual increases of the domestic output price index than the EU-27 of nearly 3%, while all other countries showed much higher increases between 3.8% in Albania and 18.0% in Serbia. Regarding the production index the pattern is more homogeneous with only the former Yugoslav Republic of Macedonia recording a lower increase than the EU-27, but all other countries showing yearly average growth rates between 2% (Montenegro and Serbia) and 8% for Bosnia and Herzegovina.

Figure 9.1: Average annual growth rates of production and prices in industry (excluding construction), 2003-2007 (%)



(1) Kosovo index UNSCR 1244/99 not available. (2) Production index - 2000 index of 2007. (3) Domestic output price index - 2003 index of 2007. (4) Estimated values for the production index. (5) Domestic output price index - 2000 index of 2007.

Table 9.1: Production and output price indices for total industry excluding construction (2000=100)

|                                           | Production index |       |      |       |       |       |       |       |       |       |       | Domestic output price index |      |      |      |      |      |      |      |      |      |      |  |
|-------------------------------------------|------------------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-----------------------------|------|------|------|------|------|------|------|------|------|------|--|
|                                           | 1997             | 1998  | 1999 | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 1997                        | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |  |
| EU-27                                     | 98.7             | 93.6  | 95.2 | 100.0 | 100.2 | 99.8  | 100.4 | 102.8 | 104.0 | 108.0 | 111.9 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Croatia                                   | 96.2             | 94.8  | 98.2 | 100.0 | 106.0 | 111.8 | 116.3 | 120.6 | 126.7 | 132.4 | 139.8 |                             |      |      |      |      |      |      |      |      |      |      |  |
| The former Yugoslav Republic of Macedonia | 94.9             | 99.2  | 96.6 | 100.0 | 98.9  | 91.8  | 96.1  | 94.0  | 100.6 | 104.2 | 108.0 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Turkey                                    | -                | -     | -    | 100.0 | 91.1  | 99.9  | 108.7 | 119.3 | 128.7 | 136.3 | 143.6 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Albania                                   | -                | -     | -    | -     | -     | -     | -     | -     | -     | -     | -     |                             |      |      |      |      |      |      |      |      |      |      |  |
| Bosnia and Herzegovina <sup>11</sup>      | -                | -     | -    | 100.0 | 105.3 | 112.4 | 118.0 | 132.8 | 144.7 | 159.3 | 170.4 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Montenegro <sup>21</sup>                  | 105.0            | 125.0 | 98.0 | 100.0 | 99.0  | 102.0 | 102.0 | 116.0 | 114.0 | 115.0 | 115.0 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Serbia                                    | 116.1            | 120.7 | 99.9 | 100.0 | 100.1 | 101.9 | 98.8  | 105.9 | 106.7 | 111.7 | 115.8 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Kosovo under UNSCR 1244/99                | -                | -     | -    | -     | -     | -     | -     | -     | -     | -     | -     |                             |      |      |      |      |      |      |      |      |      |      |  |
|                                           |                  |       |      |       |       |       |       |       |       |       |       |                             |      |      |      |      |      |      |      |      |      |      |  |
| EU-27                                     | 95.9             | 95.3  | 95.2 | 100.0 | 102.1 | 102.1 | 103.9 | 106.9 | 112.6 | 119.2 | 122.5 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Croatia                                   | 90.0             | 88.9  | 91.2 | 100.0 | 103.6 | 103.2 | 105.2 | 108.9 | 112.2 | 115.5 | 119.3 |                             |      |      |      |      |      |      |      |      |      |      |  |
| The former Yugoslav Republic of Macedonia | 88.4             | 91.9  | 91.8 | 100.0 | 102.0 | 101.1 | 103.8 | 101.7 | 104.9 | 112.6 | 115.4 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Turkey                                    | -                | -     | -    | -     | -     | -     | 100.0 | 112.2 | 120.1 | 131.8 | 139.8 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Albania                                   | -                | -     | 95.3 | 100.0 | 94.6  | 100.6 | 106.9 | 119.4 | 124.4 | 124.5 | 129.7 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Bosnia and Herzegovina                    | -                | -     | -    | -     | -     | -     | -     | -     | -     | -     | -     |                             |      |      |      |      |      |      |      |      |      |      |  |
| Montenegro                                | -                | -     | 85.9 | 100.0 | 114.5 | 119.6 | 125.0 | 142.2 | 131.0 | 130.9 | -     |                             |      |      |      |      |      |      |      |      |      |      |  |
| Serbia <sup>11</sup>                      | 27.5             | 34.5  | 69.4 | 100.0 | 187.7 | 204.2 | 213.6 | 233.1 | 266.1 | 301.5 | 319.3 |                             |      |      |      |      |      |      |      |      |      |      |  |
| Kosovo under UNSCR 1244/99                | -                | -     | -    | -     | -     | -     | -     | -     | -     | -     | -     |                             |      |      |      |      |      |      |      |      |      |      |  |

1. 2002-2003 estimated values. 2. 2003 break in series. 3. From 2003 national accounts affected by lower inflation rates. 4. 2005-2007 figures are preliminary.

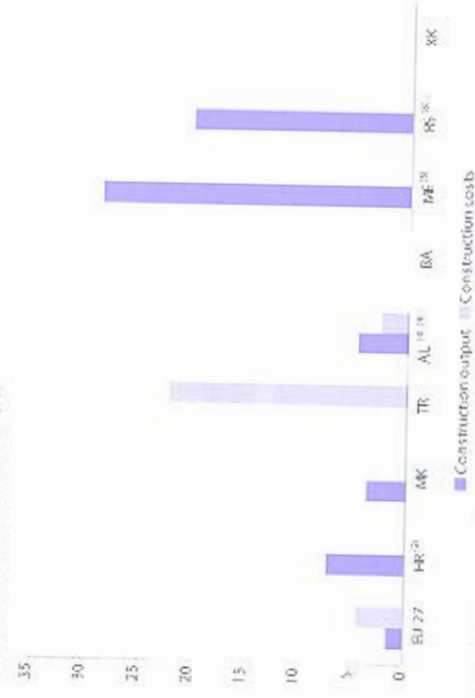
## Construction output and costs

Production in the construction sector of the candidate and potential candidate countries grew at a faster pace than the EU-27 average between 2000 and 2007 (as far as data was available). Construction output rose on average per year at a rate of 1.5% in the EU-27 over this period, while in the other territories the corresponding rates ranged between 3.6% in the former Yugoslav Republic of Macedonia and 28.8% in Montenegro (2000 to 2006).

Construction costs rose at a more rapid pace between 2000 and 2007 for Turkey (with an annual average increase of 22.3%) compared with a relatively moderate increase in EU-27 (4.4%). On the other hand, construction costs in Albania increased less than in the EU-27 over the period 2000 to 2006 with a rise, on average, of 2.6% per year.

In the period from 2000 to the most recent year available, all countries for which data are available showed a steady increase of the construction cost index while the picture for the construction output index was different. For the latter, only the EU-27 and Croatia recorded year-to-year growth, although at different rates. All other countries showed fluctuations over the whole period, which were most significant in the former Yugoslav Republic of Macedonia where they happened in two waves.

**Figure 9.2:** Average annual growth rates of construction output and of construction costs, 2000-2007 (%)



(1) Estimated by two-stage least squares method. Robustness test results are reported in parentheses. The 2000 Eukalypt estimate for construction output is "Construction output\_2004 @lead at 2007-14". Cash at arm's length: 2006 instead of 2007-15; "construction output\_2006 @lead at 2007-14". Cash at arm's length: 2006 instead of 2007-15; "construction output\_2006 @lead at 2007-14". Cash at arm's length: 2006 instead of 2007-15; "construction output\_2006 @lead at 2007-14".

Table 9.2: Construction output and construction costs, 2000–1031

[illegible]

1990-1995: Forecast estimates; 1996: estimate; 1997-1999: 1999 estimate; 2000-2006: 2006 estimate; 2007-2009: 2009 estimate; 2010-2014: 2014 estimate; 2015-2019: 2019 estimate; 2020-2024: 2024 estimate; 2025-2029: 2029 estimate; 2030-2034: 2034 estimate; 2035-2039: 2039 estimate; 2040-2044: 2044 estimate; 2045-2049: 2049 estimate; 2050-2054: 2054 estimate; 2055-2059: 2059 estimate; 2060-2064: 2064 estimate; 2065-2069: 2069 estimate; 2070-2074: 2074 estimate; 2075-2079: 2079 estimate; 2080-2084: 2084 estimate; 2085-2089: 2089 estimate; 2090-2094: 2094 estimate; 2095-2099: 2099 estimate; 2100-2104: 2104 estimate; 2105-2109: 2109 estimate; 2110-2114: 2114 estimate; 2115-2119: 2119 estimate; 2120-2124: 2124 estimate; 2125-2129: 2129 estimate; 2130-2134: 2134 estimate; 2135-2139: 2139 estimate; 2140-2144: 2144 estimate; 2145-2149: 2149 estimate; 2150-2154: 2154 estimate; 2155-2159: 2159 estimate; 2160-2164: 2164 estimate; 2165-2169: 2169 estimate; 2170-2174: 2174 estimate; 2175-2179: 2179 estimate; 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2570-2574: 2574 estimate; 2575-2579: 2579 estimate; 2580-2584: 2584 estimate; 2585-2589: 2589 estimate; 2590-2594: 2594 estimate; 2595-2599: 2599 estimate; 2600-2604: 2604 estimate; 2605-2609: 2609 estimate; 2610-2614: 2614 estimate; 2615-2619: 2619 estimate; 2620-2624: 2624 estimate; 2625-2629: 2629 estimate; 2630-2634: 2634 estimate; 2635-2639: 2639 estimate; 2640-2644: 2644 estimate; 2645-2649: 2649 estimate; 2650-2654: 2654 estimate; 2655-2659: 2659 estimate; 2660-2664: 2664 estimate; 2665-2669: 2669 estimate; 2670-2674: 2674 estimate; 2675-2679: 2679 estimate; 2680-2684: 2684 estimate; 2685-2689: 2689 estimate; 2690-2694: 2694 estimate; 2695-2699: 2699 estimate; 2700-2704: 2704 estimate; 2705-2709: 2709 estimate; 2710-2714: 2714 estimate; 2715-2719: 2719 estimate; 2720-2724: 2724 estimate; 2725-2729: 2729 estimate; 2730-2734: 2734 estimate; 2735-2739: 2739 estimate; 2740-2744: 2744 estimate; 2745-2749: 2749 estimate; 2750-2754: 2754 estimate; 2755-2759: 2759 estimate; 2760-2764: 2764 estimate; 2765-2769: 2769 estimate; 2770-2774: 2774 estimate; 2775-2779: 2779 estimate; 2780-2784: 2784 estimate; 2785-2789: 2789 estimate; 2790-2794: 2794 estimate; 2795-2799: 2799 estimate; 2800-2804: 2804 estimate; 2805-2809: 2809 estimate; 2810-2814: 2814 estimate; 2815-2819: 2819 estimate; 2820-2824: 2824 estimate; 2825-2829: 2829 estimate; 2830-2834: 2834 estimate; 2835-2839: 2839 estimate; 2840-2844: 2844 estimate; 2845-2849: 2849 estimate; 2850-2854: 2854 estimate; 2855-2859: 2859 estimate; 2860-2864: 2864 estimate; 2865-2869: 2869 estimate; 2870-2874: 2874 estimate; 2875-2879: 2879 estimate; 2880-2884: 2884 estimate; 2885-2889: 2889 estimate; 2890-2894: 2894 estimate; 2895-2899: 2899 estimate; 2900-2904: 2904 estimate; 2905-2909: 2909 estimate; 2910-2914: 2914 estimate; 2915-2919: 2919 estimate; 2920-2924: 2924 estimate; 2925-2929: 2929 estimate; 2930-2934: 2934 estimate; 2935-2939: 2939 estimate; 2940-2944: 2944 estimate; 2945-2949: 2949 estimate; 2950-2954: 2954 estimate; 2955-2959: 2959 estimate; 2960-2964: 2964 estimate; 2965-2969: 2969 estimate; 2970-2974: 2974 estimate; 2975-2979: 2979 estimate; 2980-2984: 2984 estimate; 2985-2989: 2989 estimate; 2990-2994: 2994 estimate; 2995-2999: 2999 estimate; 3000-3004: 3004 estimate; 3005-3009: 3009 estimate; 3010-3014: 3014 estimate; 3015-3019: 3019 estimate; 3020-3024: 3024 estimate; 3025-3029: 3029 estimate; 3030-3034: 3034 estimate; 3035-3039: 3039 estimate; 3040-3044: 3044 estimate; 3045-3049: 3049 estimate; 3050-3054: 3054 estimate; 3055-3059: 3059 estimate; 3060-3064: 3064 estimate; 3065-3069: 3069 estimate; 3070-3074: 3074 estimate; 3075-3079: 3079 estimate; 3080-3084: 3084 estimate; 3085-3089: 3089 estimate; 3090-3094: 3094 estimate; 3095-3099: 3099 estimate; 3100-3104: 3104 estimate; 3105-3109: 3109 estimate; 3110-3114: 3114 estimate; 3115-3119: 3119 estimate; 3120-3124: 3124 estimate; 3125

## Retail trade and tourism

The index of the volume of retail sales provides a deflated measure of turnover. Between 2000 and 2006, this index grew on average by 3.3% per year in the EU-27. This figure was well below the rates recorded in the candidate and potential candidate countries (as far as data was available). Among these countries, the volume of retail sales rose by 6.3% per year in Albania (2000 to 2006), 6.7% per year in Croatia, 16.1% per year in Serbia (2000 to 2007 each) and 20.4% in Montenegro (2000 to 2004).

Tourism is relatively underdeveloped in the majority of the candidate and potential candidate countries, with the notable exception of Croatia, where there were slightly more than 7 million non-resident arrivals in 2007 (data not available for Turkey and Kosovo). Although starting from relatively low levels, there was rapid growth in the number of tourist arrivals in the majority of these countries, with tourism developing at particularly fast rates since 1997: Montenegro registered an average annual growth rate of 33.6% between 1997 and 2005, followed by Serbia and Albania with 11.5% and 9.6% respectively between 1997 and 2007 and Bosnia and Herzegovina with 9.2% between 1997 and 2006. Croatia saw an average annual growth rate of 7.2% of the number of tourist arrivals over the period 1997 to 2007.

Accommodation capacity in hotels expressed as the number of bed places showed significant increases above the EC-27 average annual growth of 1.4% from 2000 to 2007: in Turkey with 7.7%, Bosnia and Herzegovina with 5.8% and Albania with 4.4% over the period available. Croatia and Montenegro recorded average annual decreases of 2.8% and 0.7% respectively of the number of bed places.

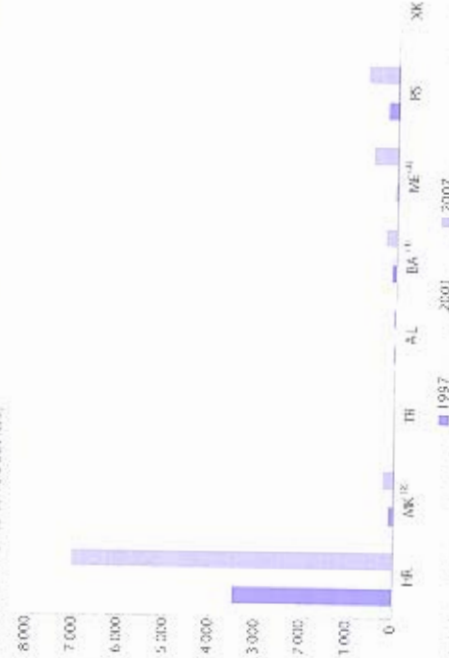
Table 9.3: Retail trade and tourism LOGD=100

[illegible]

115255 *Species lists and a list of genera are also given at the beginning and throughout the text. A 2011 print edition is also available.*

Looking at the yearly development it has to be noted that only Turkey, Bosnia and Herzegovina, and Serbia (with the exception of 2003) showed a constant year-to-year growth of the number of bed places.

Figure 9.3: Arrivals of non residents staying in collective accommodation establishments (thousands)



1. Turkey and Kosovo under UNESCO 1244-99, not available. (2) A/C.4 Sub-Committee of non-resident tourists in all types of accommodations under UNESCO 1244-99, not available. (3) 2006 instead of 2007-2008. (4) 2008 instead of 2007-2008.

# 10

Transport

### Transport infrastructure

The EU-27 had 4.8 million km of roads (excluding motorways) in 2004 (Table 10.1). Croatia recorded 28 thousand km, the former Yugoslav Republic of Macedonia 14 thousand km, Serbia 39 thousand km and Kosovo 2 thousand km in 2007. Albania and Bosnia and Herzegovina reported 3 thousand km and 7 thousand km respectively in 2006. Since 1997, the EU-27 as well as candidate and potential candidate countries, except Turkey and Serbia, showed growth of road length. For the EU-27, growth averaged around 0.7% per year while in Croatia there was very little movement (0.2%). All other countries recorded average annual growth around or above the EU-27 average. The former Yugoslav Republic of Macedonia saw its figures grow by nearly 3% and Albania (2003 to 2006) by almost 1.5%. Kosovo recorded an annual average rise of about 9% (2004 to 2007) but from a very low base. With two major breaks in the series since 1997, it is difficult to comment on the figures for Turkey. For 2006, Turkey reported road lengths of some 348 thousand, well down on the 426 thousand recorded in 2003.

In 2006, the EU-27 had 200 thousand km of railway lines in operation. In the other countries, Turkey had nearly 9 thousand km, Serbia 4 thousand and Croatia 3. As the figures show, the length of line operating changes relatively slowly. In the period 2000 to 2006, the length of railway line operating in the EU-27 declined by about one percent per year. Over the longer period from 1997 to 2007, Turkey was the only country recording a very small growth while all other countries showed a stable situation.

Motorway density in the EU-25, excluding Greece, measured in km per thousand km<sup>2</sup> of land area, was 13.0 in 2004 compared with 11.3 in 1997. In Croatia, there was a very rapid growth from 5.8 in 1997 to 17.7 in 2007 resulting in a higher density than the EU-25 network.

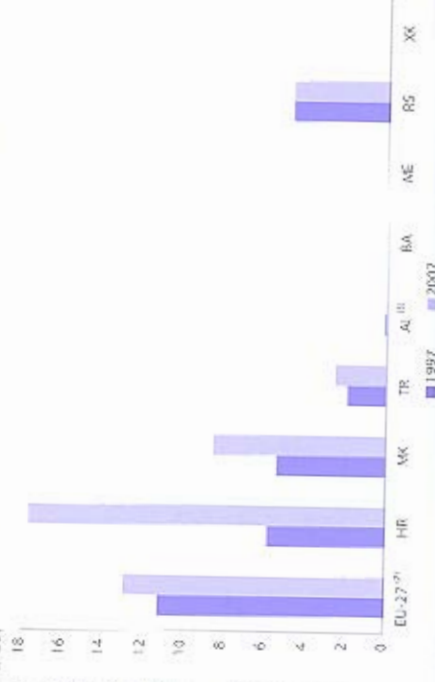
Table 10.1: Transport infrastructure (thousand kilometres)

|                                                       | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005  | 2006  | 2007  |
|-------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-------|-------|-------|
| <b>EU-27<sup>(1)</sup></b>                            | 4 619.3 | 4 656.3 | 4 656.9 | 4 668.1 | 4 701.5 | 4 879.4 | 4 842.3 | 4 843.5 |       |       |       |
| <b>Croatia</b>                                        | 27.5    | 27.5    | 27.6    | 27.7    | 27.8    | 27.9    | 27.8    | 27.6    | 27.6  | 27.9  | 28.0  |
| <b>The former Yugoslav Republic of Macedonia</b>      | 10.5    | 11.5    | 12.2    | 12.5    | 12.9    | 13.0    | 13.0    | 13.1    | 13.3  | 13.7  | 13.8  |
| <b>Turkey<sup>(2)</sup></b>                           | 383.0   | 379.0   | 383.0   | 416.0   | 475.0   | 426.0   | 427.0   | 348.0   | 348.0 | 348.0 | 348.0 |
| <b>Albania</b>                                        | 1       | 1       | 1       | 1       | 1       | 1       | 2.5     | 2.6     | 2.7   | 2.7   | 1     |
| <b>Bosnia and Herzegovina</b>                         | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1     | 1     | 1     |
| <b>Montenegro</b>                                     | 7.0     | 7.0     | 7.1     | 7.2     | 7.3     | 7.3     | 7.3     | 7.3     | 7.4   | 7.4   | 1     |
| <b>Serbia</b>                                         | 43.4    | 43.5    | 37.7    | 37.6    | 37.7    | 38.0    | 37.0    | 38.5    | 38.5  | 38.4  | 38.8  |
| <b>Kosovo under UNSCR 1244/99</b>                     | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1     | 1     | 1     |
| <b>Length of all roads (excluding motorways)</b>      |         |         |         |         |         |         |         |         |       |       |       |
| <b>EU-27<sup>(1)</sup></b>                            | 2 106   | 2 085   | 2 087   | 2 076   | 2 076   | 2 076   | 2 076   | 2 076   | 2 076 | 2 076 | 2 076 |
| <b>Croatia</b>                                        | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7   | 2.7   | 2.7   |
| <b>The former Yugoslav Republic of Macedonia</b>      | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7   | 0.7   | 0.7   |
| <b>Turkey</b>                                         | 8.6     | 8.6     | 8.7     | 8.7     | 8.7     | 8.6     | 8.7     | 8.7     | 8.7   | 8.7   | 8.7   |
| <b>Albania</b>                                        | 1       | 1       | 1       | 0.4     | 0.4     | 0.4     | 0.4     | 0.4     | 0.4   | 0.4   | 1     |
| <b>Bosnia and Herzegovina</b>                         | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1.0     | 1.0   | 1.0   | 1.0   |
| <b>Montenegro</b>                                     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3   | 0.3   | 1     |
| <b>Serbia</b>                                         | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8   | 3.8   | 3.8   |
| <b>Kosovo under UNSCR 1244/99</b>                     | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 0.4     | 1     | 1     | 1     |
| <b>Length of railway network (lines in operation)</b> |         |         |         |         |         |         |         |         |       |       |       |
| <b>EU-27<sup>(1)</sup></b>                            | 200     | 200     | 200     | 200     | 200     | 200     | 200     | 200     | 200   | 200   | 200   |
| <b>Croatia</b>                                        | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7     | 2.7   | 2.7   | 2.7   |
| <b>The former Yugoslav Republic of Macedonia</b>      | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7     | 0.7   | 0.7   | 0.7   |
| <b>Turkey</b>                                         | 8.6     | 8.6     | 8.7     | 8.7     | 8.7     | 8.6     | 8.7     | 8.7     | 8.7   | 8.7   | 8.7   |
| <b>Albania</b>                                        | 1       | 1       | 1       | 0.4     | 0.4     | 0.4     | 0.4     | 0.4     | 0.4   | 0.4   | 1     |
| <b>Bosnia and Herzegovina</b>                         | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1.0     | 1.0   | 1.0   | 1.0   |
| <b>Montenegro</b>                                     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3     | 0.3   | 0.3   | 1     |
| <b>Serbia</b>                                         | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8     | 3.8   | 3.8   | 3.8   |
| <b>Kosovo under UNSCR 1244/99</b>                     | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 0.4     | 1     | 1     | 1     |

(1) EU-25 data estimated values (2) 2004 break in series

There was also growth in motorway density in the former Yugoslav Republic of Macedonia and Turkey, with rises from 5.4 to 8.6 and 1.9 to 2.6 respectively. The motorway density in Serbia remained unchanged at 4.8.

Figure 10.1: Density of the motorway network (kms per thousand km<sup>2</sup> of land area)<sup>(1)</sup>



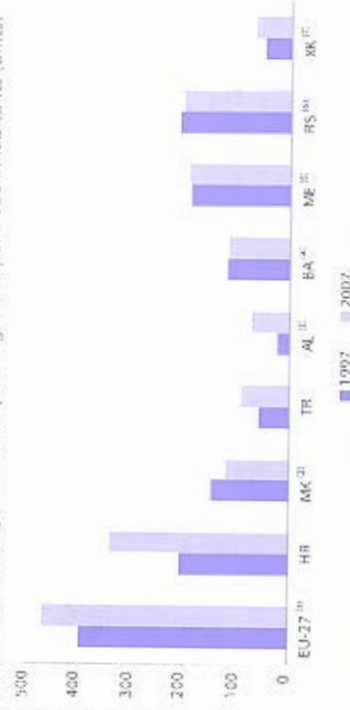
(1) Bosnia and Herzegovina, Montenegro and Kosovo under UNSCR 1244/99, not available (2) EU-25 data, actual

## Inland transport and number of cars

Between 1997 and 2004, the number of passenger cars in the EU-25 grew by over 2% per year to reach 214 million. The number of passenger cars in the candidate countries and the potential candidate countries varied from 6.5 million for Turkey to 119 thousand in Montenegro for the latest year for which data is available. Other countries with large fleets were Croatia and Serbia with 1.5 million each (Table 10.2). Positive annual growth rates in the candidate countries and potential candidate countries reached nearly 20% for Kosovo for the three years 2005 to 2007, 13% for Albania up to 2006, 6% for Turkey and 5% for Croatia, with all these countries showing a continuing year to year increase. In contrast, Serbia, the former Yugoslav Republic of Macedonia and Bosnia and Herzegovina all showed considerable fluctuations in the number of passenger cars and all recorded declines over the periods for which data is available. An alternative way of looking at the degree of motorisation within countries is shown in Figure 10.2. This displays car ownership per thousand inhabitants and provides a more direct comparison between countries. On this measure, the number of cars per thousand inhabitants in the EU-25 rose from 394 in 1995 to 463 in 2004, an increase of 18%. Albania accounted with 209% for the largest growth, but still showing one of the lowest number of passenger cars per 1 000 inhabitants amongst all countries. Croatia recorded a rise from 204 in 1997 to 336 in 2007, a 65% increase and approaching the levels in the EU-25. Serbia (in 2007) and Montenegro (in 2005) recorded figures around 200 but little changed over the periods available. Other countries to record substantial increases were Turkey, a rise of 63% to reach 92, and Kosovo, a rise of 39% over three years to reach 69. There were falls in the former Yugoslav Republic of Macedonia (18%, but break in series in 2004), Serbia (4%) and

Bosnia and Herzegovina (2%). Table 10.2 also shows road freight transport's share of total inland transport. For the EU-25, it is estimated that the share has been rising slowly since 2000, reaching 77% in 2006. Croatia has levels very similar to the EU-25 but has shown more variability from year to year.

Figure 10.2: Average number of passenger cars per 1 000 inhabitants (units)



(1) EU-25 data, 1995 instead of 1997, 2004 instead of 2007 (2) 2006 instead of 2007 (break in series, 2004, 2005 instead of 2007) (3) 2002 instead of 1997 (data refers to the Federation of Bosnia and Herzegovina only) (4) official data for the state level are not available (5) 1999 instead of 1997, 2005 instead of 2007 (6) Ministry of Interior Affairs excluded the vehicles that were not registered before the given deadline (7) monthly (2) 2005 instead of 2006

Table 10.2: Inland transport

|                                                                                | Number of passenger cars (thousands) |         |         |         |         |         |         |         |       |       | Road freight transport as a share of total inland freight transport (%) |      |      |      |
|--------------------------------------------------------------------------------|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|-------|-------|-------------------------------------------------------------------------|------|------|------|
|                                                                                | 1997                                 | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005  | 2006  | 2007                                                                    | 2006 | 2007 | 2007 |
| EU-27 <sup>(1)</sup>                                                           | 183 211                              | 189 299 | 195 042 | 200 870 | 205 884 | 209 895 | 212 232 | 214 183 |       |       |                                                                         |      |      |      |
| Croatia                                                                        | 932                                  | 1 000   | 1 064   | 1 125   | 1 196   | 1 244   | 1 293   | 1 338   | 1 385 | 1 436 | 1 491                                                                   |      |      |      |
| The former Yugoslav Republic of Macedonia <sup>(2)</sup>                       | 289                                  | 289     | 290     | 299     | 309     | 308     | 300     | 249     | 253   | 242   |                                                                         |      |      |      |
| Turkey                                                                         | 3 570                                | 3 838   | 4 072   | 4 422   | 4 535   | 4 600   | 4 700   | 5 400   | 5 773 | 6 141 | 6 472                                                                   |      |      |      |
| Albania                                                                        | 77                                   | 91      | 92      | 115     | 134     | 149     | 175     | 190     | 195   | 225   |                                                                         |      |      |      |
| Bosnia and Herzegovina <sup>(3)</sup>                                          |                                      |         |         |         |         |         | 444     | 429     | 446   | 450   | 440                                                                     |      |      |      |
| Montenegro                                                                     |                                      |         | 113     | 113     | 99      | 103     | 106     | 109     | 119   |       |                                                                         |      |      |      |
| Serbia                                                                         | 1 584                                | 1 749   | 1 573   | 1 274   | 1 382   | 1 344   | 1 368   | 1 455   | 1 481 | 1 512 | 1 477                                                                   |      |      |      |
| Kosovo under UNSCR 1244/99                                                     |                                      |         |         |         |         |         |         |         | 102   | 147   | 140                                                                     |      |      |      |
| <b>Road freight transport as a share of total inland freight transport (%)</b> |                                      |         |         |         |         |         |         |         |       |       |                                                                         |      |      |      |
| EU-27 <sup>(4)</sup>                                                           |                                      |         |         | 73.9    | 74.9    | 75.6    | 75.8    | 76.1    | 76.5  | 76.7  |                                                                         |      |      |      |
| Croatia                                                                        |                                      |         |         |         |         | 76.4    | 76.2    | 76.6    | 76.0  | 74.8  | 74.0                                                                    |      |      |      |
| The former Yugoslav Republic of Macedonia                                      | 76.0                                 | 69.0    | 69.0    | 60.0    | 83.0    | 89.0    | 97.0    | 90.0    | 88.0  | 92.0  | 85.0                                                                    |      |      |      |
| Turkey                                                                         | 93.6                                 | 94.8    | 94.8    | 94.3    | 95.3    | 95.5    | 94.6    | 94.4    | 94.4  | 94.3  |                                                                         |      |      |      |
| Albania                                                                        |                                      |         |         |         |         |         |         |         |       |       |                                                                         |      |      |      |
| Bosnia and Herzegovina                                                         |                                      |         |         |         |         |         |         |         |       |       |                                                                         |      |      |      |
| Montenegro                                                                     |                                      |         |         |         |         |         |         |         |       |       |                                                                         |      |      |      |
| Serbia                                                                         | 42.2                                 | 38.8    | 49.8    |         |         |         |         |         |       |       |                                                                         |      |      |      |
| Kosovo under UNSCR 1244/99                                                     |                                      |         |         |         |         |         |         |         |       |       |                                                                         |      |      |      |

(1) EU-25 data; except for 1999-2001 (2) 2000, break in series (3) Data refers to the Federation of Bosnia and Herzegovina only (4) official data for the state level are not available (5) EU-25 data; except for 1999-2001 (6) 2000, break in series (7) Data refers to the Federation of Bosnia and Herzegovina only (8) EU-25 data; except for 1999-2001 (9) 2000, break in series (10) EU-25 data; except for 1999-2001 (11) 2000, break in series (12) EU-25 data; except for 1999-2001 (13) EU-25 data; except for 1999-2001 (14) EU-25 data; except for 1999-2001 (15) EU-25 data; except for 1999-2001 (16) EU-25 data; except for 1999-2001 (17) EU-25 data; except for 1999-2001 (18) EU-25 data; except for 1999-2001 (19) EU-25 data; except for 1999-2001 (20) EU-25 data; except for 1999-2001 (21) EU-25 data; except for 1999-2001 (22) EU-25 data; except for 1999-2001 (23) EU-25 data; except for 1999-2001 (24) EU-25 data; except for 1999-2001 (25) EU-25 data; except for 1999-2001 (26) EU-25 data; except for 1999-2001 (27) EU-25 data; 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More detail on the development of rail and road freight over time is shown in Table 10.4. For the EU-27, rail freight levels have been static in the 4 years from 2003 to 2006 at around 380 billion tonne-km. In the other countries, Turkey nearly recorded 10 billion tonne-km, Serbia 4.6 billion, Croatia 3.6 billion, and Bosnia and Herzegovina 1.1 billion. In Bosnia and Herzegovina, there was an average annual growth rate in rail traffic of 37%, in Kosovo 15% (2005 to 2007) and the former Yugoslav Republic of Macedonia 11% although all these came from a very small base level. Turkish rail transport has been stagnant while the average growth rate in Croatia was 8% and Serbia 7%.

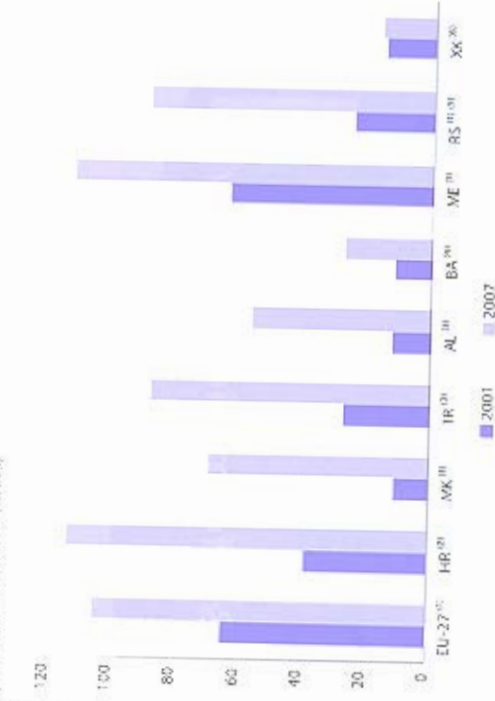
For road freight, the EU-27 figure is estimated at getting on for 2 thousand billion tonne-km. For the other countries, Turkey recorded 180 billion tonne-km, Croatia 10 billion, the former Yugoslav Republic of Macedonia 4.5 billion, Bosnia and Herzegovina at about 1.5 billion and Serbia at 1.2 billion tonne-km. Apart from a pause in 2003, road freight transport in the EU-27 has shown a consistent increase, growing at an average annual rate of 2.5%. In the other countries, there have been some major breaks in the series for Croatia and Serbia while the data for the former Yugoslav Republic of Macedonia is also rather variable. Taking account of these changes, there has been an average annual growth in road freight in recent years in Croatia of 25%, the former Yugoslav Republic of Macedonia and Bosnia and Herzegovina each of 18%. Turkey, which started with a much larger road freight sector has seen growth of 4%. Serbia and Montenegro are the only countries to record a decline (around 9% and 3% respectively).

# 11

## Communication & information society

### Fixed and cellular telephony

Figure 11.1: Average number of subscriptions to cellular mobile telephony per 100 inhabitants (units)



In the EU-27 there were nearly 234 million land telephone lines in 2006. In the same year all candidate and potential candidate countries for which data are available accounted for about 26 million lines (2003 data for Bosnia and Herzegovina) around 11% of the EU-27 total. A comparison of the last two available years in each country shows that all countries except Turkey and Montenegro increased the number of fixed lines. Apart from the former Yugoslav Republic of Macedonia the increase in all countries was far above the EU-27 increase of 0.2% ranging from 1.2% in Kosovo to 7.3% in Serbia.

There were 520 million mobile subscribers in the EU-27 in 2006, while the cumulative sum for the candidate and potential candidate countries in the same year (2003 data for Bosnia and Herzegovina, 2004 data for Kosovo) was nearly 69 million subscribers, or around 13% of the EU-27 total. In the last two comparable years most candidate and potential candidate countries increased the total number of mobile subscribers at higher rates than the EU-27 (10.2%). Growth varied from 8.6% in Kosovo to 40.2% in Bosnia and Herzegovina.

The markets for mobile telephony in the EU-27 and some of the candidate and potential candidate countries, especially in Croatia and Montenegro, have reached saturation point, showing penetration rates in excess of 100%, as a result, for example, of subscribers having multiple subscriptions. Rapid growth was still being reported in all countries except Kosovo for the available periods. The highest take-up of mobile subscriptions was recorded in Croatia, where there was an average of 1.14 (prepaid and post-paid) closely followed by Montenegro with 1.13, both being above the EU-27 value of 1.05 subscriptions per inhabitant. Compared with the most recent year for which data are available, the biggest increases were recorded for the former Yugoslav Republic of Macedonia where the number of subscriptions was almost seven times the number in 2001 and Albania where it was nearly five times larger than in 2001 (EU-27 values increased by 1.5 times).

(1) 2006 instead of 2007. (2) Data present the number of prepaid and post-paid users. (3) Source: the Telecommunications Authority. (4) 2003 instead of 2007. (5) 2006, estimated value. (6) 2004 instead of 2007.

Table 11.1: Fixed and cellular telephony (thousands)

|                                                          | Number of main telephone lines |         |         |         |         |         |         |         |         |         |         | Number of subscriptions to cellular mobile telephone services |        |        |        |        |        |        |        |        |        |        |
|----------------------------------------------------------|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                                          | 1997                           | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 1997                                                          | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   |
| EU-27                                                    | 218 590                        | 225 241 | 228 809 | 233 048 | 234 530 | 233 445 | 230 608 | 233 307 | 233 168 | 233 556 | 233 556 | 1 489                                                         | 1 558  | 1 641  | 1 721  | 1 780  | 1 766  | 1 709  | 1 635  | 1 677  | 1 654  | 1 685  |
| Croatia                                                  | 408                            | 457     | 784     | 906     | 792     | 793     | 723     | 733     | 670     | 672     | 672     | 15 744                                                        | 16 980 | 18 054 | 18 195 | 18 104 | 18 915 | 18 917 | 19 125 | 18 978 | 18 832 | 18 201 |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | 108                            | 116     | 140     | 153     | 198     | 220     | 255     | 231     | 243     | 260     | 260     | 303                                                           | 333    | 333    | 333    | 333    | 333    | 333    | 333    | 333    | 333    | 333    |
| Turkey <sup>(2)</sup>                                    | 147                            | 159     | 170     | 177     | 183     | 187     | 188     | 178     | 178     | 176     | 176     | 2 043                                                         | 2 153  | 2 251  | 2 190  | 2 234  | 2 299  | 2 409  | 2 457  | 2 673  | 2 869  | 2 869  |
| Albania                                                  | 81                             | 95      | 104     | 101     | 91      | 93      | 172     | 174     | 174     | 174     | 174     | 174                                                           | 174    | 174    | 174    | 174    | 174    | 174    | 174    | 174    | 174    | 174    |
| Bosnia and Herzegovina                                   | 9                              | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25                                                            | 25     | 25     | 25     | 25     | 25     | 25     | 25     | 25     | 25     | 25     |
| Montenegro                                               | 9                              | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25      | 25                                                            | 25     | 25     | 25     | 25     | 25     | 25     | 25     | 25     | 25     | 25     |
| Serbia <sup>(3)</sup>                                    | 1 160                          | 3 507   | 7 684   | 15 063  | 18 299  | 23 373  | 27 888  | 34 708  | 43 639  | 52 663  | 61 976  | 1 160                                                         | 3 507  | 7 684  | 15 063 | 18 299 | 23 373 | 27 888 | 34 708 | 43 639 | 52 663 | 61 976 |
| Kosovo under UNSCR 1244/99                               | 1 160                          | 3 507   | 7 684   | 15 063  | 18 299  | 23 373  | 27 888  | 34 708  | 43 639  | 52 663  | 61 976  | 1 160                                                         | 3 507  | 7 684  | 15 063 | 18 299 | 23 373 | 27 888 | 34 708 | 43 639 | 52 663 | 61 976 |

(1) 1997 and (2) 1998 and (3) 1999 onwards data present the number of prepaid and post-paid users. (4) 2003 instead of 2007. (5) 2006, estimated value. (6) 2004 instead of 2007.



## External trade in goods

12

## Total external trade in goods

External trade figures that are presented in this section cover trade in goods only (excluding trade in services). Note that all of the EU-27 data in this section refers to extra-EU trade, in other words, trade of the EU-27 with the rest of the world. The data, therefore, does not cover the considerable amount of intra-community trade, i.e. they exclude all trade between the 27 Member States.

Although EU-27 exports increased at a little higher average annual growth rate than imports (5.5% and 5.3% respectively) from 2000 to 2007, the EU-27 ran a trade deficit for goods that was estimated at slightly more than EUR 186 billion in 2007 and more than four times as high as in 2002. This deficit was slightly lower than the figure recorded in 2006 (EUR 192 billion) but a 47% rise in comparison to 2005. Expressed in a different way, exports from the EU-27 covered 87% of total imports in 2007 compared to 86% in 2006 and 89% in 2005. This indicator is often referred to as a cover ratio.

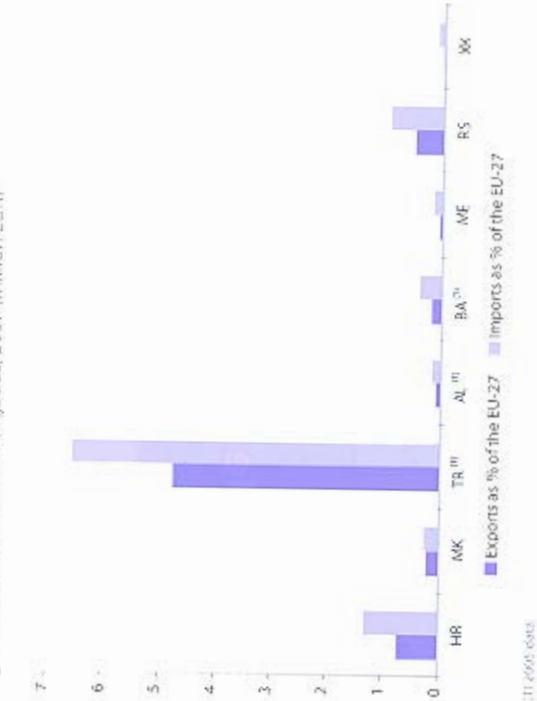
The candidate and potential candidate countries (for which data is available) also recorded trade deficit for goods in 2007. The deficits for the last available one-year period rose in general at higher rates in potential candidate than in candidate countries, with the exception of Albania where it decreased and Kosovo. Increases for candidate countries ranged between 11% in Croatia and 27% in the former Republic of Macedonia while the span was larger in potential candidate countries lying between 18% in Kosovo and 89% in Montenegro. Cover ratios ranged from 10% in Kosovo to 64% in the former Yugoslav Republic of Macedonia, with candidate countries showing a better balance between exports and imports of goods with the EU-27 than the potential candidate countries.

Table 12.1: External trade of goods (million EUR)

|                                           | Total exports |         |         |         |           |           |           |           | Total imports |      |      |      |      |      |      |      |
|-------------------------------------------|---------------|---------|---------|---------|-----------|-----------|-----------|-----------|---------------|------|------|------|------|------|------|------|
|                                           | 2000          | 2001    | 2002    | 2003    | 2004      | 2005      | 2006      | 2007      | 2000          | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27 <sup>(1)</sup>                      | 849 739       | 884 707 | 891 898 | 869 236 | 952 934   | 1 052 719 | 1 59 776  | 1 239 886 |               |      |      |      |      |      |      |      |
| Croatia                                   | :             | :       | 5 188   | 5 439   | 6 454     | 7 069     | 8 252     | 8 855     |               |      |      |      |      |      |      |      |
| The former Yugoslav Republic of Macedonia | :             | :       | 1 178   | 1 203   | 1 346     | 1 644     | 1 918     | 2 446     |               |      |      |      |      |      |      |      |
| Turkey                                    | 30 182        | 35 062  | 38 137  | 41 679  | 50 891    | 58 849    | :         | :         |               |      |      |      |      |      |      |      |
| Albania                                   | 283           | 340     | 331     | 395     | 479       | 906       | :         | :         |               |      |      |      |      |      |      |      |
| Bosnia and Herzegovina                    | :             | :       | :       | 908     | 1 299     | 1 920     | :         | :         |               |      |      |      |      |      |      |      |
| Montenegro                                | :             | :       | :       | :       | :         | 461       | 627       | 599       |               |      |      |      |      |      |      |      |
| Serbia <sup>(2)</sup>                     | 1 680         | 1 896   | 2 192   | 2 442   | 2 748     | 3 572     | 4 992     | 6 205     |               |      |      |      |      |      |      |      |
| Kosovo under UNSCR 1244/99                | :             | :       | :       | :       | 57        | 56        | 111       | 165       |               |      |      |      |      |      |      |      |
|                                           |               |         |         |         |           |           |           |           |               |      |      |      |      |      |      |      |
|                                           | Total exports |         |         |         |           |           |           |           | Total imports |      |      |      |      |      |      |      |
|                                           | 2000          | 2001    | 2002    | 2003    | 2004      | 2005      | 2006      | 2007      | 2000          | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| EU-27 <sup>(1)</sup>                      | 992 698       | 979 145 | 936 972 | 935 245 | 1 027 522 | 1 179 569 | 1 351 744 | 1 426 376 |               |      |      |      |      |      |      |      |
| Croatia                                   | :             | :       | 11 327  | 12 510  | 13 354    | 14 950    | 17 105    | 18 686    |               |      |      |      |      |      |      |      |
| The former Yugoslav Republic of Macedonia | :             | :       | 2 105   | 2 031   | 2 354     | 2 601     | 2 980     | 3 795     |               |      |      |      |      |      |      |      |
| Turkey                                    | 59 444        | 46 256  | 54 478  | 60 163  | 78 528    | 93 410    | :         | :         |               |      |      |      |      |      |      |      |
| Albania                                   | 1 179         | 1 486   | 1 590   | 1 648   | 1 873     | 2 118     | :         | :         |               |      |      |      |      |      |      |      |
| Bosnia and Herzegovina                    | :             | :       | :       | 2 928   | 3 966     | 5 670     | :         | :         |               |      |      |      |      |      |      |      |
| Montenegro                                | :             | :       | :       | :       | :         | 974       | 1 483     | 2 134     |               |      |      |      |      |      |      |      |
| Serbia <sup>(2)</sup>                     | 3 606         | 4 758   | 5 919   | 6 589   | 8 539     | 8 439     | 10 463    | 13 501    |               |      |      |      |      |      |      |      |
| Kosovo under UNSCR 1244/99                | :             | :       | :       | :       | 1 063     | 1 157     | 1 306     | 1 576     |               |      |      |      |      |      |      |      |

(1) Trade with potential candidate of the EU-27 under EU-27 trade. (2) Based on statistics from January 2005 data only based on United Nations Statistics Division and Partners with EU regulations.

Figure 12.1: External trade of goods, 2007 (million EUR)



## External trade with the EU

Over the period 2000 to 2007, the EU-27 was the main trading partner, accounting for the majority of both imports and exports of goods in most candidate and potential candidate countries. As far as exports are concerned, the only exception to this in the period 2004 to 2007 (the only years for which these data are available) was Kosovo, where just over 40% of total exports in 2007 were accounted for by EU-27. Both Montenegro and Kosovo recorded that EU-27 accounted for less than half of their imports of goods in 2007, while Macedonia recorded a figure of almost exactly 50%, a substantial fall from the 2002 figure of 62%.

Across the years for which data are available, Albania recorded by far the highest percentage of exports going to EU-27 (between 91% and 94% over the years 2000 to 2005), other countries recording figures mostly between 50% and 65%, with the exception of Kosovo (42% in 2007). With some fluctuation, most countries recorded a fairly stable picture for the importance of the EU-27 in their international trade in goods in recent years. However, the proportion of exports destined for the EU-27 from Kosovo rose from 30% in 2004 to 42% in 2007, and exports to EU-27 from the former Yugoslav Republic of Macedonia rose from 60% to 65% over the same period. The percentage of exports from Montenegro going to EU-27 also rose strongly from 54% in 2005 to 59% in 2007. On the other hand, the proportion of Croatian exports going to EU-27 fell from 66% in 2004 to 61% in 2007.

Table 12.2: External trade of goods with the EU-27

|                                           | Exports to the EU-27 (% of total exports)   |      |      |      |      |      |      |      |
|-------------------------------------------|---------------------------------------------|------|------|------|------|------|------|------|
|                                           | 2000                                        | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Croatia                                   | -                                           | -    | 66.1 | 68.3 | 65.8 | 63.3 | 64.3 | 60.9 |
| The former Yugoslav Republic of Macedonia | -                                           | -    | 35.9 | 38.9 | 60.3 | 56.9 | 61.3 | 65.2 |
| Turkey                                    | 56.4                                        | 56.0 | 56.6 | 58.0 | 57.9 | 56.4 | -    | -    |
| Albania                                   | 93.2                                        | 91.3 | 92.6 | 93.8 | 90.9 | 93.2 | -    | -    |
| Bosnia and Herzegovina                    | -                                           | -    | -    | 53.4 | 54.2 | 53.8 | -    | -    |
| Montenegro                                | -                                           | -    | -    | -    | -    | 53.5 | 62.2 | 50.0 |
| Serbia <sup>(1)</sup>                     | 54.3                                        | 58.2 | 59.5 | 53.9 | 56.6 | 58.7 | 57.5 | 57.5 |
| Kosovo under UNSCR 1244/99                | -                                           | -    | -    | 29.4 | 38.4 | 38.4 | 38.0 | 42.0 |
|                                           | Imports from the EU-27 (% of total imports) |      |      |      |      |      |      |      |
|                                           | 2000                                        | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Croatia                                   | -                                           | -    | 71.9 | 73.3 | 71.0 | 67.9 | 67.2 | 61.8 |
| The former Yugoslav Republic of Macedonia | -                                           | -    | 61.7 | 60.3 | 60.8 | 54.7 | 53.0 | 49.6 |
| Turkey                                    | 52.4                                        | 47.0 | 49.8 | 50.6 | 49.3 | 45.2 | -    | -    |
| Albania                                   | 80.7                                        | 80.3 | 77.0 | 74.3 | 70.5 | 67.2 | -    | -    |
| Bosnia and Herzegovina                    | -                                           | -    | -    | 58.5 | 53.0 | 51.9 | 45.4 | 45.6 |
| Montenegro                                | -                                           | -    | -    | -    | -    | 45.3 | 54.7 | 55.0 |
| Serbia <sup>(1)</sup>                     | 61.6                                        | 57.6 | 59.6 | 58.4 | 58.2 | 54.7 | 54.4 | 55.0 |
| Kosovo under UNSCR 1244/99                | -                                           | -    | -    | 39.5 | 39.5 | 37.3 | 34.4 | 36.3 |

<sup>a</sup>) Block regression coefficients are based on ordinary least squares regressions with Cholesky decomposition.

In general, imports of goods originating from the EU-27 decreased in all the territories within recent years (period subject to data availability). The most notable changes in the percentage of imports of goods originating from EU-27 were in Albania, which recorded a fall from 81% in 2000 to 67% in 2005, and in the former Yugoslav Republic of Macedonia, where the percentage decreased from 62% in 2002 to 50% in 2007. A comparison of the last two years for each country shows a reduction of imports from the EU-27 in all countries except Serbia and Kosovo.

### Trade balance

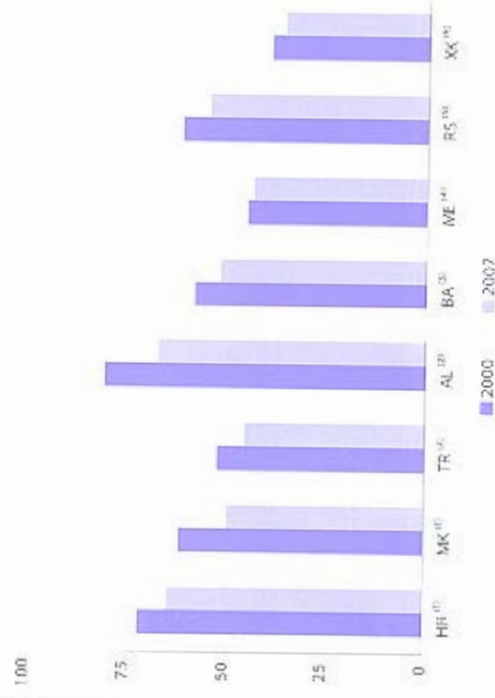
Over recent years, trade deficit remained relatively stable over the period observed in the former Yugoslav Republic of Macedonia, Albania and Kosovo, while Montenegro, recorded the largest increase of the deficit in 2007 with more than three times that registered in 2005. Each of the new candidate and potential candidate countries ran a trade deficit with the EU-27 over recent years. Notable increases in the deficit were recorded in Turkey, where it rose from EUR 3.5 billion in 2002 to EUR 9 billion in 2005, and in Croatia, where the deficit grew from EUR 4.7 billion in 2002 to EUR 6.7 billion in 2007, more than two-thirds of its total trade deficit. On the other hand, reductions in the trade in goods deficit with EU-27 were seen in the former Yugoslav Republic of Macedonia (more than 50%, down from EUR 640 million in 2002 to EUR 286 million in 2007) and in Albania (a fall of almost 40% from EUR 917 million in 2002 to EUR 578 million in 2005). The share of the EU-27 in the total trade deficit was more than 50% in Croatia, Bosnia and Herzegovina and Serbia, while it only accounted for about a quarter in the former Yugoslav Republic of Macedonia and Turkey.

Table 12.3: Trade balance of goods

|                                           | Trade balance (million EUR)  |         |         |         |         |          |          |          |
|-------------------------------------------|------------------------------|---------|---------|---------|---------|----------|----------|----------|
|                                           | 2000                         | 2001    | 2002    | 2003    | 2004    | 2005     | 2006     | 2007     |
| EU-27                                     | -142 559                     | -94 438 | 45 073  | -66 010 | -74 568 | -126 849 | -192 468 | -186 440 |
| Croatia                                   | ;                            | ;       | -6 139  | 7 031   | -6 901  | -7 880   | -8 853   | -9 832   |
| The former Yugoslav Republic of Macedonia | ;                            | ;       | -977    | -828    | -1 008  | -957     | -1 062   | -1 349   |
| Turkey                                    | -29 263                      | -11 194 | -16 341 | -18 484 | -27 637 | -34 560  | ;        | ;        |
| Albania                                   | -896                         | -1 145  | -1 259  | -1 752  | -1 344  | -1 212   | ;        | ;        |
| Bosnia and Herzegovina                    | ;                            | ;       | ;       | -2 019  | -2 667  | -3 750   | ;        | ;        |
| Montenegro                                | ;                            | ;       | ;       | ;       | ;       | -514     | -855     | -1 535   |
| Serbia <sup>(a)</sup>                     | -1 926                       | -2 862  | -3 777  | -4 147  | -5 791  | -4 867   | -5 471   | -7 295   |
| Kosovo under UNSCR 1244/99                | ;                            | ;       | ;       | ;       | -1 037  | -1 101   | -1 195   | -1 411   |
|                                           | Trade balance with the EU-27 |         |         |         |         |          |          |          |
|                                           | 2000                         | 2001    | 2002    | 2003    | 2004    | 2005     | 2006     | 2007     |
| Croatia                                   | ;                            | ;       | -4 718  | -5 452  | -5 231  | -5 678   | -6 182   | -6 720   |
| The former Yugoslav Republic of Macedonia | ;                            | ;       | -649    | -516    | -621    | -488     | -403     | -286     |
| Turkey                                    | -14 116                      | -2 523  | 5 538   | -6 245  | -9 276  | -8 994   | ;        | ;        |
| Albania                                   | -668                         | -882    | -917    | -854    | 850     | -578     | ;        | ;        |
| Bosnia and Herzegovina                    | ;                            | ;       | ;       | -1 226  | 1 399   | -1 908   | ;        | ;        |
| Montenegro                                | ;                            | ;       | ;       | ;       | ;       | -195     | -284     | -527     |
| Serbia <sup>(a)</sup>                     | -1 312                       | -1 636  | 2 225   | -2 532  | -3 413  | -2 500   | -2 764   | -3 859   |
| Kosovo under UNSCR 1244/99                | ;                            | ;       | ;       | ;       | ;       | -410     | -406     | -504     |

(a) Based on the 'New Imports, 2003' data on Trade of Unborn Customs Documents harmonised with EU regulations.

Figure 12.3: Imports of goods originating from the EU-27 (% of total imports)



(a) 2000 instead of 2000; (b) 2003 instead of 2003; (c) 2003 instead of 2003; (d) 2003 instead of 2003; (e) 2003 instead of 2003; (f) 2003 instead of 2003; (g) 2003 instead of 2003; (h) 2003 instead of 2003. (a) Based on the 'New Imports, 2003' data on Trade of Unborn Customs Documents harmonised with EU regulations. (b) 2004 instead of 2000.



## Breakdown of imports

As far as imports in 2007 are concerned, the candidate and potential candidate countries all recorded their highest proportion in SITC 7, 'machinery & transport equipment' (which includes products such as machines, computer and office equipment, motor vehicles and other transport equipment), or SITC 6, 'manufactured goods classified chiefly by material'. In 2007, SITC 7 'machinery & transport equipment' represented around one third of total imports in Turkey and Croatia and between 24% and 29% in Serbia, Bosnia and Herzegovina and Montenegro. These figures are all similar to the EU-27 value of 30%. In Kosovo and Albania these goods accounted for lower shares, 19% and 24% respectively, whereas SITC 6, 'manufactured goods classified chiefly by material', accounted for the largest share of these countries' total imports (20% and 26% respectively).

Table 12.5: Breakdown of imports of goods (% of total imports)

|                                                          | 1999   |        |        |        |        |        |        |        |        |        | 2007   |        |        |        |        |        |        |        |        |        |
|----------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                                          | SITC 0 | SITC 1 | SITC 2 | SITC 3 | SITC 4 | SITC 5 | SITC 6 | SITC 7 | SITC 8 | SITC 9 | SITC 0 | SITC 1 | SITC 2 | SITC 3 | SITC 4 | SITC 5 | SITC 6 | SITC 7 | SITC 8 | SITC 9 |
| EU-27 <sup>(1)</sup>                                     | 6.1    | 0.7    | 4.8    | 11.3   | 0.4    | 7.9    | 11.5   | 38.8   | 15.4   | 3.1    | 4.6    | 0.5    | 4.3    | 25.1   | 0.4    | 8.1    | 11.9   | 29.8   | 13.4   | 2.1    |
| Croatia <sup>(1)</sup>                                   | 3.4    | 0.8    | 2.4    | 12.2   | 0.3    | 11.4   | 19.4   | 34.3   | 11.6   | 0.1    | 7.2    | 0.6    | 1.8    | 15.9   | 0.3    | 10.8   | 19.5   | 32.2   | 11.6   | 0.0    |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | 12.4   | 0.9    | 2.5    | 13.2   | 1.0    | 10.6   | 13.2   | 20.4   | 5.7    | 20.1   | 9.8    | 0.9    | 3.6    | 20.2   | 0.8    | 9.8    | 29.7   | 18.3   | 7.0    | 2.0    |
| Turkey <sup>(2)</sup>                                    | 2.6    | 0.7    | 6.2    | 10.9   | 1.1    | 15.4   | 16.1   | 37.7   | 6.6    | 7.6    | 1.4    | 0.3    | 6.5    | 13.5   | 0.6    | 13.8   | 17.1   | 32.5   | 5.8    | 8.5    |
| Albania <sup>(3)</sup>                                   | 22.6   | 2.9    | 4.2    | 3.8    | 1.7    | 7.2    | 22.6   | 17.7   | 17.2   | 0.0    | 13.0   | 3.1    | 1.9    | 8.6    | 1.3    | 8.5    | 25.8   | 23.6   | 14.2   | 0.0    |
| Bosnia and Herzegovina                                   | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 13.4   | 3.0    | 3.3    | 13.0   | 0.7    | 10.8   | 19.9   | 25.5   | 10.3   | 0.2    |
| Montenegro                                               | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 12.5   | 3.5    | 2.1    | 11.5   | 0.6    | 7.8    | 16.1   | 21.3   | 11.1   | 11.6   |
| Serbia <sup>(1)</sup>                                    | 7.8    | 1.1    | 2.3    | 16.0   | 0.2    | 16.6   | 17.9   | 21.9   | 6.6    | 4.5    | 4.5    | 0.9    | 3.7    | 17.2   | 0.2    | 14.0   | 21.8   | 28.7   | 8.8    | 0.0    |
| Kosovo under UNSCR 1244/99                               | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 17.3   | 3.8    | 2.3    | 16.4   | 1.0    | 9.9    | 19.5   | 18.7   | 9.1    | 0.0    |
| EU-27 <sup>(1)</sup>                                     | 4.6    | 0.5    | 4.3    | 25.1   | 0.4    | 8.1    | 11.9   | 29.8   | 13.4   | 2.1    | 7.2    | 0.6    | 1.8    | 15.9   | 0.3    | 10.8   | 19.5   | 32.2   | 11.6   | 0.0    |
| Croatia <sup>(1)</sup>                                   | 7.2    | 0.6    | 1.8    | 15.9   | 0.3    | 10.8   | 19.5   | 32.2   | 11.6   | 0.0    | 9.8    | 0.9    | 3.6    | 20.2   | 0.8    | 9.8    | 29.7   | 18.3   | 7.0    | 2.0    |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | 9.8    | 0.9    | 3.6    | 20.2   | 0.8    | 9.8    | 29.7   | 18.3   | 7.0    | 2.0    | 1.4    | 0.3    | 6.5    | 13.5   | 0.6    | 13.8   | 17.1   | 32.5   | 5.8    | 8.5    |
| Turkey <sup>(2)</sup>                                    | 1.4    | 0.3    | 6.5    | 13.5   | 0.6    | 13.8   | 17.1   | 32.5   | 5.8    | 8.5    | 13.0   | 3.1    | 1.9    | 8.6    | 1.3    | 8.5    | 25.8   | 23.6   | 14.2   | 0.0    |
| Albania <sup>(3)</sup>                                   | 13.0   | 3.1    | 1.9    | 8.6    | 1.3    | 8.5    | 25.8   | 23.6   | 14.2   | 0.0    | 13.4   | 3.0    | 3.3    | 13.0   | 0.7    | 10.8   | 19.9   | 25.5   | 10.3   | 0.2    |
| Bosnia and Herzegovina <sup>(4)</sup>                    | 13.4   | 3.0    | 3.3    | 13.0   | 0.7    | 10.8   | 19.9   | 25.5   | 10.3   | 0.2    | 12.5   | 3.5    | 2.1    | 11.5   | 0.6    | 7.8    | 16.1   | 21.3   | 11.1   | 11.6   |
| Montenegro                                               | 12.5   | 3.5    | 2.1    | 11.5   | 0.6    | 7.8    | 16.1   | 21.3   | 11.1   | 11.6   | 4.5    | 0.9    | 3.7    | 17.2   | 0.2    | 14.0   | 21.8   | 28.7   | 8.8    | 0.0    |
| Serbia <sup>(1)</sup>                                    | 4.5    | 0.9    | 3.7    | 17.2   | 0.2    | 14.0   | 21.8   | 28.7   | 8.8    | 0.0    | 17.3   | 3.8    | 2.3    | 16.4   | 1.0    | 9.9    | 19.5   | 18.7   | 9.1    | 0.0    |
| Kosovo under UNSCR 1244/99                               | 17.3   | 3.8    | 2.3    | 16.4   | 1.0    | 9.9    | 19.5   | 18.7   | 9.1    | 0.0    |        |        |        |        |        |        |        |        |        |        |

1) 2002 data; 2) 2005 data; 3) 2006 data; 4) 2007 data. 5) Break in series from January 2008 data are based on Unilevel Customs Document File received with EU support only. 6) 2008 data.

### External trade by partner

In 2007 EU-27 exported EUR 269 billion of goods to the United States, some EUR 106 billion to the New Independent States, EUR 64 billion to China and EUR 45 billion to Japan. Exports from candidate countries reached only about 0.4% of all exports recorded by all EU-27 countries in 2007. As already noted, the EU-27 showed the highest weights of all destinations in exports from the candidate and potential candidate countries in the latest year for which data are available with shares in total exports ranging between 79% in Turkey and 99% in Albania, while the United States was often the second most important export partner. The exceptions were Turkey and the former Yugoslav Republic of Macedonia, which had the New Independent States as a second destination for their exports.

In 2007, total imports of candidate countries amounted to around 0.6% of all imports recorded by all EU-27 countries. The emergence of China as one of the main trading countries is evident as the data shows that the EU-27 imports from China were valued at EUR 195 billion in 2007, some EUR 20 billion more than those from the United States and EUR 118 billion more than the value of imports from Japan. While the candidate and potential candidate countries all recorded EU-27 as their main source of imports in the latest year for which data are available, with shares in total imports between 62% in Turkey and 80% in Albania, they all also showed a higher propensity to import goods from the New Independent States or from China than from the United States.

While EU-27 recorded a surplus of EUR 94 billion on trade in goods with the United States, it recorded a deficit with other major trading partners, notably a deficit of EUR 131 billion with China. All candidate and potential candidate countries ran a trade deficit with the New Independent States, the United States, China and Japan in 2007 (or the latest year for which data are available). However, all countries bar Turkey and the former Yugoslav Republic of Macedonia recorded their largest trade in goods deficit with EU-27. Turkey showed a deficit of EUR 9.7 billion (28% of the total) on trade with the New Independent States, compared to a deficit of EUR 9 billion with EU-27 (26%), while the deficit for the former Yugoslav Republic of Macedonia was 0.5 billion (39%) with the New Independent States and 0.4 billion (21%) with the EU-27.

Table 12.6: Value of exports to various partners, 2007 (million EUR)

|                                                          | EU-27   | New Independent States | United States | China  | Japan  |
|----------------------------------------------------------|---------|------------------------|---------------|--------|--------|
| EU-27                                                    | 269 307 | 105 779                | 268 992       | 63 794 | 44 735 |
| Croatia <sup>(1)</sup>                                   | 5 307   | 150                    | 262           | 13     | 76     |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | 1 175   | 24                     | 18            | 1      | 1      |
| Turkey <sup>(2)</sup>                                    | 33 277  | 4 054                  | 3 924         | 442    | 183    |
| Albania <sup>(2)</sup>                                   | 944     | 1                      | 5             | 3      | 0      |
| Bosnia and Herzegovina <sup>(2)</sup>                    | 1 032   | 8                      | 66            | 1      | 0      |
| Montenegro                                               | 1       | 1                      | 1             | 1      | 1      |
| Serbia                                                   | 1       | 1                      | 1             | 1      | 1      |
| Kosovo under UNSCR 1244/99 <sup>(1)</sup>                | 1       | 1                      | 1             | 1      | 1      |

1. 2006 imports of 2007/12, 2006 exports of 2007

Table 12.7: Value of imports from various partners, 2007 (million EUR)

|                                                          | EU-27  | New Independent States | United States | China   | Japan  |
|----------------------------------------------------------|--------|------------------------|---------------|---------|--------|
| EU-27                                                    | :      | 177 857                | 175 770       | 194 835 | 77 288 |
| Croatia <sup>(1)</sup>                                   | 11 489 | 1 945                  | 296           | 911     | 257    |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | 1 578  | 554                    | 32            | 110     | 21     |
| Turkey <sup>(2)</sup>                                    | 42 200 | 13 769                 | 4 271         | 5 520   | 2 495  |
| Albania <sup>(2)</sup>                                   | 1 422  | 171                    | 30            | 140     | 9      |
| Bosnia and Herzegovina <sup>(2)</sup>                    | 2 940  | 219                    | 109           | 193     | 40     |
| Montenegro                                               | :      | :                      | :             | :       | :      |
| Serbia                                                   | :      | :                      | :             | :       | :      |
| Kosovo under UNSCR 1244/99 <sup>(1)</sup>                | :      | :                      | :             | :       | :      |

1. 2006 imports of 2007/12, 2006 exports of 2007

Table 12.8: Value of trade balance with various partners, 2007 (million EUR)

|                                                          | EU-27  | New Independent States | United States | China  | Japan  |
|----------------------------------------------------------|--------|------------------------|---------------|--------|--------|
| Croatia <sup>(1)</sup>                                   | -6 192 | -1 696                 | -34           | -898   | -181   |
| The former Yugoslav Republic of Macedonia <sup>(1)</sup> | -403   | -530                   | 14            | -109   | -20    |
| Turkey <sup>(2)</sup>                                    | 8 994  | -9 715                 | -347          | -5 077 | -2 306 |
| Albania <sup>(2)</sup>                                   | -578   | -170                   | 24            | -137   | -9     |
| Bosnia and Herzegovina <sup>(2)</sup>                    | 1 908  | -212                   | -43           | -193   | -40    |
| Montenegro                                               | -577   | 32                     | -35           | -98    | -44    |
| Serbia <sup>(3)</sup>                                    | -3 859 | -1 885                 | 215           | -589   | -148   |
| Kosovo under UNSCR 1244/99 <sup>(4)</sup>                | -504   | -25                    | -15           | -105   | -10    |

<sup>(1)</sup> 2006 instead of 2007. <sup>(2)</sup> 2008 instead of 2007. <sup>(3)</sup> Data based on Uniform Customs Document harmonised with EU regulations, price 2000 index, (4) Trade with EU 25.

## 13

## Research &amp; development

The main measure used for research and development (R&D) statistics is gross domestic expenditure on research and development. It is composed of business enterprise expenditure on R&D, higher education expenditure on R&D, government expenditure on R&D and private non-profit expenditure on R&D. Figures on R&D expenditure are not available for Albania, Bosnia and Herzegovina, Serbia and Kosovo.

As part of the Lisbon objectives, the EU has set itself a target for its R&D expenditure of at least 3% of GDP by 2010. In 2006, EU 27's gross domestic expenditure on R&D was 1.84% of GDP. For the countries where data was available for the same year — Croatia and Turkey — the corresponding percentage was lower, with R&D expenditure equal to 0.87% and 0.76% of GDP respectively. The other two countries with data on this sector — the former Yugoslav Republic of Macedonia and Montenegro — have recorded values of 0.25% for 2005 and 1.02% for 2004 respectively.

Along with EU-27, the former Yugoslav Republic of Macedonia, Montenegro and Turkey all record that expenditure on R&D has risen as a percentage of GDP over the period shown, though in no country has there been a steady growth in every year. The former Yugoslav Republic of Macedonia, on the other hand, has recorded a fall in R&D expenditure as a percentage of GDP, from 0.38% in 1997 to 0.25% in 2005. Croatia's R&D expenditure rose from 0.99% of GDP in 1999 to 1.22% in 2004, though then fell back to 0.87 in 2006.

It can be seen in Figure 13.1 (above) that EU-27 spent substantially more per head (EUR 432) on R&D in 2006 than any of the other countries shown. Croatia spent the next largest amount per head (EUR 67) followed by Turkey (EUR 35) and Montenegro (EUR 27 in 2004).

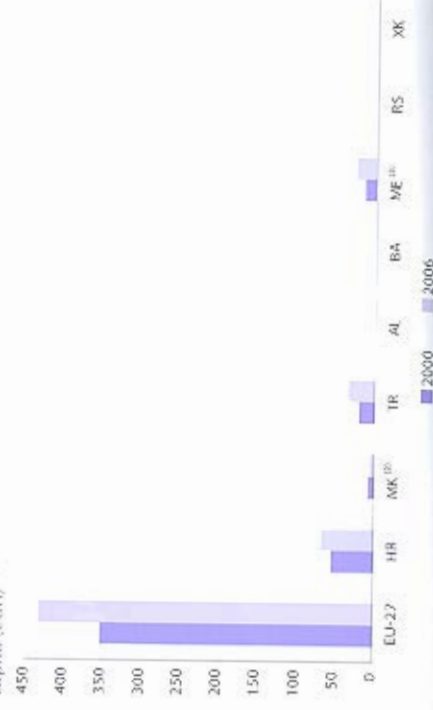
Table 13.1: Expenditure on research and development

| Gross domestic expenditure on research and development (million EUR)       |         |         |         |         |         |         |         |         |         |         |         |
|----------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                                                            | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
| EU-27                                                                      | 138 693 | 145 865 | 157 833 | 170 503 | 178 549 | 185 872 | 187 803 | 193 440 | 202 018 | 213 127 | 224 127 |
| Croatia                                                                    | —       | —       | 134     | 246     | 238     | 271     | 292     | 345     | 314     | 298     | —       |
| The former Yugoslav Republic of Macedonia                                  | 12      | 14      | 12      | 17      | 12      | 10      | 9       | 11      | 11      | —       | —       |
| Turkey                                                                     | 875     | 887     | 1 094   | 1 389   | 1 172   | 1 280   | 1 296   | 1 630   | 2 287   | 2 431   | —       |
| Albania                                                                    | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Bosnia and Herzegovina                                                     | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Montenegro                                                                 | —       | —       | —       | 9       | 10      | 10      | 12      | 17      | —       | —       | —       |
| Serbia                                                                     | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Kosovo under UNSCR 1244/99                                                 | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Gross domestic expenditure on research and development relative to GDP (%) |         |         |         |         |         |         |         |         |         |         |         |
|                                                                            | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
| EU-27                                                                      | 1.78    | 1.79    | 1.84    | 1.86    | 1.87    | 1.88    | 1.87    | 1.83    | 1.84    | 1.84    | 1.84    |
| Croatia                                                                    | —       | —       | 0.99    | 1.23    | 1.07    | 1.11    | 1.11    | 1.22    | 1.01    | 0.87    | —       |
| The former Yugoslav Republic of Macedonia                                  | 0.18    | 0.43    | 0.34    | 0.44    | 0.32    | 0.26    | 0.23    | 0.25    | 0.25    | —       | —       |
| Turkey                                                                     | 0.43    | 0.50    | 0.63    | 0.64    | 0.72    | 0.66    | 0.61    | 0.67    | 0.79    | 0.76    | —       |
| Albania                                                                    | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Bosnia and Herzegovina                                                     | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Montenegro                                                                 | —       | —       | —       | 0.85    | 0.75    | 0.75    | 0.80    | 1.02    | —       | —       | —       |
| Serbia                                                                     | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |
| Kosovo under UNSCR 1244/99                                                 | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       | —       |

(1) Albania, Bosnia and Herzegovina, Serbia and Kosovo under UNSCR 1244/99, not available. (2) 2005 instead of 2006. (3) 2004 instead of 2006.

In all countries, apart from the former Yugoslav Republic of Macedonia, where the value remained almost stable, this represented a rise on the figure recorded for 2000. In the case of Montenegro spending per head almost doubled over the period, from EUR 15 to EUR 27 per head, and in Turkey there was a large percentage rise (almost 70%), from EUR 21 to EUR 35 per head.

Figure 13.1: Gross domestic expenditure on research and development per capita (EUR) <sup>(1)</sup>



# 14

## Environment

The Kyoto Protocol set a target for the EU to reduce climate-changing greenhouse gas emissions by 8% compared to the 1990 levels by 2008-2012. During the period 1997 to 2006 EU-27 emissions fell, while emissions in the two candidate countries, Croatia and Turkey, significantly increased; both lying above the EU-27 index in 2006, but the jump in Turkey was faster than in Croatia.

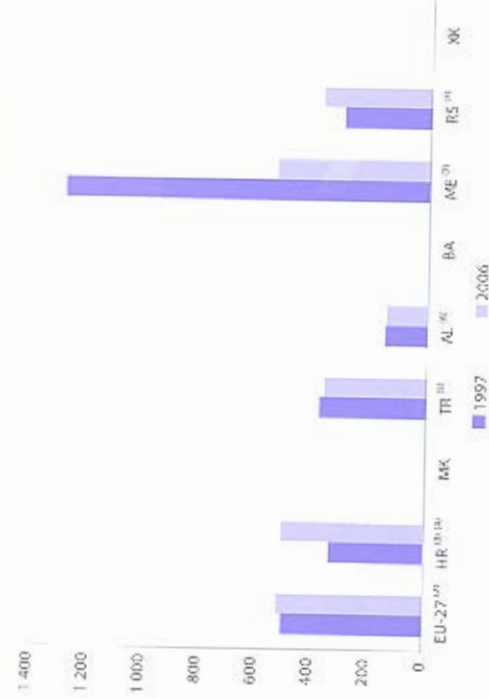
Looking at the development over the entire period, emissions in the EU-27 fell from 1997 to 1999, increased between 1999 and 2004, and decreased again slightly between 2004 and 2006 without ever going back to the lowest level recorded in 1999. In Turkey, the level of emissions increased significantly up to 2000, decreased from 2000 to 2001 and grew steadily from 2002. In 2006 it recorded twice the EU-27 index level. In Croatia emissions showed a constant upward trend until 2006, with a slight reduction between 1999 and 2000, surpassing for the first time the EU-27 level in 2005.

Municipal waste can be recorded according to different concepts as waste collected and generated. Municipal waste collected does not include waste generated in areas not covered by a collection system. In this publication data on waste collected are presented because most countries could not estimate the amount of waste generated in the areas not covered. The quantity of municipal waste per inhabitant in the EU-27 was slightly over 500 kg per person. Croatia and Montenegro recorded similar quantities while Turkey, Serbia and Albania collected about 30%, 27% and 72% respectively less than the EU-27 average in 2006. Comparing the years 1997 and 2006, quantities collected per person showed a small increase in the EU-27 but rose significantly in Croatia (2000 to 2005) and Serbia (1999 to 2006) while they decreased slightly in Turkey and Albania (2003 to 2006) and slumped in Montenegro (1999 to 2006).

Table 14.1: Index of greenhouse gas emissions 1990 = 100 (based on tonnes of CO<sub>2</sub> equivalent)

|                                           | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007 |
|-------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| EU-27                                     | 93.6  | 92.7  | 90.8  | 90.9  | 91.9  | 91.2  | 93.0  | 93.2  | 92.5  | 92.3  | -    |
| Croatia                                   | 77.3  | 77.7  | 80.9  | 80.6  | 84.2  | 87.7  | 92.4  | 92.5  | 94.0  | 94.8  | -    |
| The former Yugoslav Republic of Macedonia | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -    |
| Turkey                                    | 150.3 | 150.9 | 151.0 | 164.6 | 154.1 | 159.1 | 168.3 | 174.4 | 183.7 | 195.1 | -    |
| Albania                                   | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -    |
| Bosnia and Herzegovina                    | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -    |
| Montenegro                                | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -    |
| Serbia                                    | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -    |
| Kosovo under UNSCR 1244/99                | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -    |

Figure 14.1: Quantity of municipal waste collected (kilograms per inhabitant)



(1) Macedonia, Bosnia and Herzegovina and Kosovo under UNSCR 1244/99, not available. (2) Municipal waste generated, coverage close to 100%. (3) Water generated, estimation. (4) 2000 instead of 1997, 2003 instead of 2006. (5) Survey results applied to municipalities; indicators are calculated according to the mid-year population projections. (6) 2003 instead of 1997, (7) 1999 instead of 1997.

## Methodological notes

The following notes are presented in the same order as the indicators within the main body of the publication, structured according to the chapter headings. At the end of this section there are details of three classifications that have been used for the presentation of data. More information may be found on these by referring to the RAMON classifications server, which can be accessed through the Eurostat web site at:

<http://ec.europa.eu/eurostat/ramon>

## General definitions

**Average annual growth rate** is the year on-year growth rate of a phenomenon over a specified period. It describes the rate at which a phenomenon has grown as though it had grown at a steady state (in %).

**Growth rates** are rates of total changes over a specified reference period to values at the beginning of the period or at a specified earlier time.

### 1. Demography

**Crude birth rates** and **crude death rates** are expressed in terms of the number of births or deaths per thousand inhabitants. These rates are a measure of the number of births or deaths in a reference year divided by the average population of the same reference year.

**Fertility rates** for a given reference year are measured as the average number of children that would be born to a woman during her lifetime if she were to pass through her childbearing years conforming to the average fertility rates of each year. The data therefore represent the completed fertility of a hypothetical generation of women, with the overall figure being computed as the sum of the fertility rates for each age (with the number of women assumed to be the same for each age).

**Infant mortality rates** are measured as the ratio of deaths of children under the age of one, in relation to the number of live births during the same reference year; the result is expressed as a ratio per thousand live births.

**Life expectancy at birth** is the average number of years a person would live if age-specific mortality rates observed for a certain calendar year or period were to continue.

**Population data** should provide a count of the number of inhabitants in a given area as of 1 January of the reference year in question.

Population data may be based on information available from the most recent census, adjusted by the components of population change (the number of births and deaths, and the net result of migration into and out of the territory concerned). Alternatively, population data may be compiled from administrative registers.

**Population density** is the ratio between (total) population and surface (land) area. This ratio can be calculated for any territorial unit for any point in time, depending on the source of the population data. The population density is calculated using the average (mid-year) population.

## 2. Education

**Life long learning** presents the proportion of the population aged 25 to 64 who participated in education and/or training (at any time during a four week period prior to being surveyed by the LFS). The information collected relates to all education or training and includes formal and non-formal education: initial education, continuing or further training, training within an enterprise, apprenticeships, on-the-job training, seminars, distance learning, evening classes. It also includes general interest courses, such as language courses, computing, management, art/culture and health/medicine courses.

**Proportion of early school leavers** is computed as those aged 18 to 24 who have not completed upper secondary education and who are not in any other form of education or training. The numerator refers to persons aged 18 to 24 in the following two conditions: the highest level of education or training attained is ISCED 0 (pre-primary education), ISCED 1 (primary education) or ISCED 2 (lower secondary education); the respondent declared not having received any education or training in the four weeks preceding the (LFS) survey. The denominator is the total population of the same age group (those aged from 18 to 24), excluding persons having not answered questions concerning their participation in education and training.

**Proportion of the population aged 20 to 24 having completed at least upper secondary education** is defined as the percentage of young people (aged 20 to 24) having attained (completed) at least the upper secondary education attainment level, in other words, with at least an education level of ISCED 3 (upper) secondary education). The denominator consists of the total population of the same age group (aged 20 to 24), and excludes persons having not answered questions concerning their participation in education and training. The expression 'having attained' should be associated with obtaining a certificate or diploma. In cases where there is no certification, successful completion must be associated with full attendance of the course.

**Public expenditure on education** is expressed as a proportion of GDP. Generally, the public sector funds education by: financing current and capital expenditure of educational institutions; supporting students and their families with scholarships and public loans, and transferring public subsidies for educational activities to private firms or non-profit organisations (transfers to private households and firms).

**Tertiary graduates in science and technology per thousand population aged 20 to 29** are calculated by dividing the number of graduates (of all ages) in the fields of science and technology by the total population aged 20 to 29 and then multiplying by a thousand.

## 3. Social indicators

**Gender pay gap** is defined as the difference between average gross hourly earnings of male paid employees and female paid employees, expressed in percentage.

**Health expenditure** should ideally be provided in relation to the System of Health Accounts (SHA), which defines total expenditure on health as 'the final use of resident units of health care goods and services plus gross capital formation in health care provider industries'. This indicator is expressed as a proportion of GDP in current price terms.

**Household consumption expenditure** measures the value of all goods and services that are used for directly meeting household needs. It covers actual expenditure on purchases of goods and services, own consumption such as products from kitchen gardens, and imputed rents for owner-occupied dwellings. Investment effected by households, direct duties and taxes paid to various administrations, savings, social transfers in kind and voluntary transfers in cash or in kind to charities and aid organisations are excluded.

**Inequality of income distribution** is measured as the ratio of total income received by the 20% of the population with the highest incomes (the top quintile) to that received by the 20% of the population with the lowest incomes (the lowest quintile). This calculation should be made on the basis of equivalised disposable income, which is calculated for each household by adding together the income received by all members of the household and dividing by the equivalised household size (which is calculated as the sum of the persons in the household on the basis of the following weights: 1.0 to the first adult, 0.5 to other persons aged 14 or over who are living in the household, and 0.3 to each child aged less than 14).

**Proportion of the population living in jobless households** is measured for two sub-populations, children aged 0 to 17, and persons aged 18 to 59. In both cases the number of persons living in jobless households is expressed as a proportion of the total sub-population (in other words, as a share of all children aged 0 to 17 or as a share of all persons aged 18 to 59).

The information covers all persons living in private households (except for students aged 18 to 24 who live in households composed solely of students; these are not counted in either the numerator or denominator).

**Social protection expenditure** should ideally be drawn up according to the ESSPROS (European System of Integrated Social Protection Statistics) methodology. Social benefits consist of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of sickness/health care, disability, old age, survivors, family/children, unemployment, housing, and social exclusion not elsewhere classified. This indicator is expressed as a proportion of GDP in current price terms.

**Tax wedge** is defined as the proportion of total labour costs that are accounted for by income tax on gross wage earnings, employee's and employer's social security contributions.

**Unemployment trap** measures the proportion of gross earnings which is taxed away by higher tax and social security contributions and the withdrawal of unemployment and other benefits when an unemployed person moves into employment. This indicator is defined as the difference between gross earnings and the increase in net income when moving from unemployment to employment, expressed as a proportion of gross earnings. This indicator is compiled for single persons without children earning 67% of the APW (average gross earnings of production worker in manufacturing).

#### 4. Labour force

**Activity rates** for persons aged between 15 and 64 are defined as the proportion of persons aged between 15 and 64 in the labour force in relation to the total population of the same age. Activity rates for men and for women are expressed as a percentage of the male population aged 15 to 64 and the female population aged 15 to 64 respectively, not as a share of the total (male and female) population aged 15 to 64.

**Duration of unemployment** is defined in terms of the period spent searching for a job, or as the period since the last job was held (if this period is shorter than the duration of search for a job). The long-term unemployment rate is the share of persons unemployed for 12 months or more in the total number of active persons in the labour market (labour force). As with other unemployment rates, long-term unemployment rates for men and women are expressed as a proportion of the male labour force aged 15 to 74 and the female labour force aged 15 to 74 respectively, not as a share of the total (male and female) labour force aged 15 to 74.

**Employed persons** are defined in the Labour Force Survey (LFS) as persons aged 15 and over who during the reference week did any work for pay, profit or family gain or were not at work but had a job or business from which they were temporarily absent because of, e.g., illness, holidays, industrial dispute and education or training.

**Employment rates** for persons aged between 15 and 64 are defined as the proportion of employed persons aged between 15 and 64 in the total population of the same age. Employment rates for men and women are expressed as a percentage of the male population aged 15 to 64 and the female population aged 15 to 64 respectively, not as a share of the total (male and female) population aged 15 to 64.

**Employment rate of older workers** (defined as those aged 55 to 64) is defined in much the same way as for total employment rates, except that the numerator and the denominator are changed to reflect the age group of this sub-population.

**Labour force** is defined as those employed and those unemployed, in other words, those working and those seeking to work.

**Unemployed persons** are defined as those aged 15 to 74 who were without work during the reference week, were currently available for work and were either actively seeking work in the past four weeks or had already found a job to start within the next three months. Unemployment rates for men and women are expressed as a proportion of the male labour force aged 15 to 74 and the female labour force aged 15 to 74 respectively, not as a share of the total (male and female) labour force aged 15 to 74.

**Youth unemployment rates** for men and women are expressed as a proportion of the male labour force aged 15 to 24 and the female labour force aged 15 to 24 respectively, not as a share of the total (male and female) labour force aged 15 to 24.

#### 5. National accounts

**Average of imports and exports of goods and services** as a proportion of GDP are calculated by simply summing imports and exports (both should be given as positive values) and dividing by 2 (to create the mean of exports and imports). The result is then divided by GDP and multiplied by 100.

**Exchange rate** is the current market price for which one currency can be exchanged for another.

**Exports of goods and services** are recorded on the uses side of the account.

**External balance of goods and services** is the balancing item showing the difference between uses (exports of goods and services) and resources (imports of goods and services).

**Final consumption expenditure** (ESA95) consists of expenditure incurred by resident institutional units on goods or services that are used for the direct satisfaction of individual needs or wants or the collective needs of members of the community.

**GDP per capita** is an indicator that is derived through the division of GDP by the total population. The population data should consist of all persons, national or foreign, who are permanently settled in the economic territory of the country, even if they are temporarily absent. This means that total population is defined using the concept of residence rather than nationality. Note that population figures from national accounts may vary when compared with those for demographic statistics.

**Government final consumption expenditure** (ESA95) includes the value of goods and services produced by general government itself (other than own-account capital formation and sales) and purchases by general government of goods and services produced by market producers that are supplied to households (without transformation) as social transfers in kind.

**Gross capital formation** (ESA95) is comprised of gross fixed capital formation and stock variations. Gross fixed capital formation consists of resident producers' acquisitions (less disposals) of fixed assets (tangible or intangible) during a given period, plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units.

**Gross value added** (ESA95) is measured at market prices. It can be defined as final output minus intermediate consumption.

**Imports of goods and services** are recorded on the resources side of the account.

**Labour productivity** is defined as GDP at constant prices divided by total employment (covering both employees and the self-employed).

**Private final consumption expenditure** (ESA95) includes households' and NPISH's (non-profit institutions serving households) final consumption expenditure. Households consist of employers, employees, recipients of property incomes, recipients of pensions, recipients of other transfer incomes. NPISHs consist of non-profit making institutions which are separate legal entities, which serve households and which are private non-market producers.

**Unit labour costs** are defined in two steps. The numerator is composed of compensation per employee, and is expressed in current prices. The denominator is GDP in current prices divided by total employment. Compensation of employees (ESA95) is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period. It consists of wages and salaries, and employers' social contributions. Employees (ESA95) are defined as all persons who, by agreement, work for another resident institutional unit and receive remuneration. Total employment (ESA95) covers all persons (employees and the self-employed) who are engaged in a productive activity that falls within the production boundary of the system.

## 6. Finance

**Balance of payments** statistics are based on the International Monetary Fund's (IMF) Balance of Payments Manual (fifth edition) and Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment. Most items entered in the current account of the standard components should show gross debits and credits.

**Consumer price indices** (CPIs) measure the change over time in the prices of consumer goods and services acquired, used or paid for by households.

**Current account** covers all transactions (other than those in financial items) that involve economic values and occur between resident and non-resident entities. Most entries in the capital and financial account should be made on a net basis, as a credit or a debit. Inflows of real resources, increases in financial assets, and decreases in liabilities should be shown as debits; outflows of real resources, decreases in financial assets, and increases in liabilities should be shown as credits.

**Foreign direct investment** (FDI) is international investment made by an entity resident in one economy (the direct investor) to acquire a lasting interest in an enterprise operating in another economy. These statistics are based on the OECD's Benchmark Definition of Foreign Direct Investment, third edition (developed in line with the IMF's Balance of Payments Manual, fifth edition) and Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment.

**General government debt** (ESA95) is the consolidated stock of gross debt at nominal value at the end of the year. In other words, it is the accumulated total debt (over the years) of a territory.

**General government deficit/surplus** (ESA95) refers to the national accounts' concept of consolidated general government net borrowing/net lending. It refers to net borrowing or lending over the course of a single reference year. The general government sector comprises central government, state government, local government and social security funds.

**Interest rates** presented in this publication cover day-to-day money rates (which refer to deposit or loans on the money market with a maturity of one business day), lending interest rate (interest rate on loans, which forms the ceiling for money market rates) and deposit interest rate (the central bank rate, which forms the floor for money market rates).

**Money supply** aggregates are end of year stock data.

## 7. Agriculture

**Arable land** refers to land that is worked regularly, generally under a system of crop rotation.

**Cattle** are domestic bovine animals, including bovine animals under one year old, and dairy cows.

**Cereals** include the following: common wheat and spelt, durum wheat, rye, barley, oats, grain maize, sorghum, triticale, buckwheat, millet and canary seed. This heading also covers rice.

**Crop production** measures the volume of harvested production in terms of tonnage. Data for cereals refer to crops harvested for dry grain only, as crops harvested green for forage, silage or grazing are excluded (they are classified as fodder crops).

**Dairy cows** are defined as cows, which by reason of their breed or particular qualities are kept exclusively or principally to produce milk for human consumption or for processing into dairy products. These include cull (taken out of production) dairy cows (whether or not fattened between their last lactation and their slaughter). All Fruit production includes apples, pears, stoned fruits (such as apricots, peaches, plums, cherries), nuts, citrus fruits (such as oranges and lemons), soft fruits and currants, avocados, figs and quinces.

**Goats** are defined in a similar way and may be categorised as breeding females (female goats which have kidded) and other goats.

**Livestock data** are recorded for the end of the reference year in terms of units of livestock (referred to as heads within agricultural statistics).

**Oilseeds** include rape (winter, spring and turnip rape), sunflower seed, flax seed, soya bean, as well as other oil seeds (poppy, mustard, cotton, earth almond, sesame, groundnut).

**Other land** refers to all land, other than the total utilised agricultural area and the wooded area.

**Permanent crops** are crops that are not grown in rotation, which occupy the soil for a long period and yield crops over several years (grassland is excluded).

**Permanent grassland** is land that is not included in a crop rotation system, but instead is used for the permanent production (five years or more) of green forage crops (whether sown or self-seeded).

**Pigs** are domestic animals, which include piglets, breeding boars and sows, and cull boars and sows.

**Potatoes** include early potatoes and seed potatoes.

**Poultry** are defined as domestic animals including broilers, laying hens, turkeys, ducks (including ducks for 'foie gras'), geese (including geese for 'foie gras'), and other poultry (for example, quails, pheasants, guinea-fowl, pigeons, ostriches).

**Production of animals for slaughter** is recorded in terms of their slaughter weight.

**Sheep** are domestic animals divided into breeding females (female sheep which have lambed) and other sheep.

**Sugar beet** is a root crop, which is intended for use in the sugar industry and for alcohol production; seeds are excluded.

**Total land area** is measured in terms of square kilometres (km<sup>2</sup>) and should include all land area, as well as inland waterways (rivers, lakes, canals etc).

**Utilised agricultural area** (UAA) corresponds to arable land, permanent grassland, permanent crops (vines, orchards, etc.), kitchen gardens and crops under glass.

**Vegetable production** includes all fresh vegetables (not dried pulses) and melons grown outdoor or under low non-accessible cover. Vegetables grown principally for animal feed and cultivated vegetables for seeds are excluded.

**Wooded areas** are defined as areas covered with trees or forest shrubs, including poplar plantations inside or outside woods, and forest tree nurseries grown in woodland for the holding's own requirements, as well as forest facilities (forest roads, storage depots for timber, etc.). Commercial forest tree nurseries and other nurseries outside woodland, heath and moor land, parks, gardens (parks and lawns), grassland and unutilised rough grazing, areas of isolated trees, small groups or lines of trees, walnut and chestnut trees grown mainly for their fruit, as well as other plantations of non-forest trees and osieries are excluded.

## 8. Energy

**Energy dependency ratio** is defined as net energy imports as share in gross inland energy consumption.

**Energy intensity (efficiency)** is the ratio between the gross inland consumption of energy and the gross domestic product (GDP) for a given calendar year. It measures the energy consumption of an economy and its overall energy efficiency.

**Final energy consumption** is calculated net of transformation and network losses, and also excludes consumption of the energy sector.

**Gross inland energy consumption** is the quantity of energy consumed within the borders of a country. It may be calculated as primary production plus recovered products plus imports plus stocks changes minus exports minus bunkers (quantities supplied to sea-going ships). Gross inland energy consumption is measured in terms of tonnes of oil equivalent (TOE).

**Net imports of energy products** are defined as imports less exports of all energy products.

**Primary production of crude oil** is defined as the quantities of fuel extracted or produced within national boundaries, including off-shore production, with production including only marketable production of crude oil, natural gas liquids (NGL), condensates and oil from shale and tar sands, while excluding any quantities returned to formation.

**Primary production of hard coal and lignite** is defined as the quantities of fuel extracted or produced after any operation for removal of inert matter. Production generally includes quantities consumed by the producer during the production process, as well as any quantities supplied to other on-site producers of energy for transformation or other uses.

**Primary production of natural gas** is defined as the quantities of dry gas, measured after purification and extraction of natural gas liquids and sulphur. Production includes only marketable production used within the natural gas industry, in gas extraction, pipeline systems and processing plants, while excluding any quantities re-injected, vented and flared, and any extraction losses.

## 9. Industry, construction and services

**Construction cost index** is the combination of component cost indices (covering material costs and labour costs) and shows the price developments of production factors used in the construction industry. The material costs measure the evolution of the prices of the materials that are used in the construction process. The prices should be based on actual rather than list prices (excluding VAT).

The labour costs should cover wages and salaries, as well as social security charges for all persons employed. The basic form of the index is an unadjusted (gross) index.

**Industrial producer price index (PPI)** should reflect domestic producer prices, as determined by the residency of the third party that has ordered or purchased the product, which should be the same territory as the producer. Prices should be defined as ex-factory prices including all duties and taxes, except for VAT (and similar deductible taxes linked to turnover). The producer price index for total industry should cover NACE Sections C to E, excluding Groups 12.0, 22.1, 23.3, 29.6, 35.1 and 35.3. The basic form of the index is an unadjusted (gross) index.

**Industrial production index (IPI)** provides a measure of the volume trend in value added at factor cost over a given reference period. In practice, however, value added is not available on a monthly basis in most countries. Therefore, data is generally collected for variables other than value added, with possible alternatives including gross production values, volumes, turnover, work input, raw material input, energy input. The production index is a volume index, which should cover NACE Sections C and D and NACE Groups 40.1 and 40.2.

**Number of arrivals of non-residents staying in collective accommodation establishments** refers to arrivals of non-residents travelling in a given area that is outside their usual environment. An arrival is defined as a person who arrives at a collective accommodation establishment and checks in. Collective tourist accommodation establishments include hotels and similar establishments, specialised establishments (health establishments, work and holiday camps, conference centres and accommodation in collective means of transport), and other collective establishments (such as holiday dwellings, tourist campsites and social tourism accommodation).

**Volume index of construction output** measures changes in the volume of construction output and reflects the developments in value added at factor cost over a given reference period. The volume index of construction output should cover NACE Section E. The basic form of the index is working-day adjusted; if this is not available an unadjusted index should be provided.

**Volume of sales index for retail trade** should cover the total turnover invoiced by the observation unit during the reference period. Turnover should include all duties and taxes on the goods or services invoiced by the unit, as well as all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice.

**Turnover** excludes VAT and other similar deductible taxes directly linked to turnover, as well as all duties and taxes on the goods or services invoiced by the unit. Reduction in prices, rebates and discounts as well as the value of returned packing should be deducted. The index should cover NACE Division 52 (although Group 52.7 may be excluded). The basic form of the index is working-day adjusted; if this is not available an unadjusted index should be provided.

## 10. Transport

**Length of railway network** should measure (in kilometres) the length of railway lines operated for passenger transport, goods transport, or for both. Lines solely used for tourist purposes during a particular season are excluded, as are railways that are constructed solely to serve mines, forests or other industrial or agricultural undertakings and which are not open to public traffic.

**Motorways** are defined as roads that have been especially designed and built for motor traffic, providing separate carriage ways for two directions of traffic that are separated from each other, while not crossing at the same level any other road, railway or tramway track, or footpath.

**Passenger cars** may be defined as road motor vehicles, other than motorcycles, that are intended for the carriage of passengers and designed to seat no more than nine persons (including the driver). Hence, the data presented should cover micro-cars (no permit required to be driven), taxis and hired passenger cars (with less than ten seats), the only exception being minibuses.

**Road** is defined as a line of communication using a stabilised base other than rails or airstrips open to public traffic, primarily for the use of road motor vehicles running on their own wheels. Note that bridges, tunnels, supporting structures, junctions, crossings and interchanges, as well as toll roads are included, while dedicated cycle paths are excluded. As such, this indicator should measure the length (in kilometres) of state roads, provincial roads and communal roads, but should ideally exclude motorways.

**Transport performance indicators** should be reported according to the territoriality principle, meaning that only freight that is transported within the national territory should be included.

## 11. Communications and information society

Data relating to use of the Internet to interact with public authorities (for example, obtaining information, downloading forms, filling-in web-forms, full electronic case handling) refer to all enterprises with 10 or more persons employed, within NACE Sections D, F, G, H, I, K and O.

**Main telephone line** is one that connects the subscriber's terminal equipment to the public switched telephone network, with a dedicated part in the telephone exchange equipment. This is synonymous with the term 'main station' or 'direct exchange line'.

**'Proportion of enterprises' turnover from Internet e-commerce** is calculated as the enterprises' receipts from sales through the Internet as percentage of the total turnover. Internet e-commerce refers to transactions conducted over Internet Protocol-based networks; the goods and services must be ordered over these networks, but the payment and the ultimate delivery of the good or service may be conducted on or off line; orders received via telephone, facsimile, or manually typed e-mails are not counted as electronic commerce. The indicator is collected for all enterprises with 10 or more persons employed, within NACE Sections D, G, H, I and K.

**Subscriptions to cellular mobile telephone services** also include the number of active pre-paid cards.

The data relating to **Internet access** within enterprises refer to all enterprises with 10 or more persons employed within NACE Sections D, G, H, I and K.

## 12. External trade in goods

**External trade data** for imports cover transactions in goods (purchases, barter, gifts or grants) from non-residents to residents, whereas data for exports cover transactions in goods (sales, barter, gifts or grants) from residents to non-residents. The statistical values are generally based on the customs value.

## 13. Research and development (R&D)

**Gross domestic expenditure on R&D** refers to R&D activities in the business enterprise sector, the government sector, the higher education sector, and the non profit sector. GDP figures are compiled in accordance with ESA95. Indicators are calculated using current prices.

The basic methodological recommendations and guidelines for research and development (R&D) statistics are found in the Frascati Manual, which covers the measurement of all scientific and technological activities at the national level (Proposed Standard Practice for Surveys of Research and Experimental Development – Frascati Manual, OECD, 1994, revised 2002). R&D is defined as comprising 'creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications'.

#### 14. Environment

**Annual greenhouse gas (GHG) emissions** are estimated and reported according to the revised 1996 Intergovernmental Panel on Climate Change (IPCC) guidelines. By using the global warming potential (GWP) concept, all six GHGs can be summed up to a single value per year. The indicator shows trends in emissions of the 'Kyoto basket': carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF<sub>6</sub>). Figures are given in CO<sub>2</sub> equivalents based on tonnage.

**Municipal waste collected** includes waste originating from households, commerce and trade, small businesses, office buildings and institutions collected by or on behalf of municipalities. It also includes: waste from selected municipal services, i.e. waste from park and garden maintenance, waste from street cleaning services (street sweepings, the content of litter containers, market cleansing waste) if managed as waste. It does not include waste generated in areas not covered by a collection system.

**Municipal waste generated** consists of waste collected by or on behalf of municipal authorities and disposed of through the waste management system. The bulk of this waste stream is from households, though similar wastes from sources such as commerce, offices and public institutions are included. The variable should be reported in kilogramme (kg).

#### Classifications

##### COICOP Classification of Individual Consumption by Purpose

This classification is used for the breakdown of household consumption. Although COICOP data is presented at a fairly aggregated level, the following list is provided to help define each of the aggregates.

##### COICOP description

- 01-12 Individual consumption expenditure of households
- 01 Food and non-alcoholic beverages
- 02 Alcoholic beverages, tobacco
- 03 Clothing and footwear
- 04 Housing, water, electricity, gas and other fuels (including actual rentals for housing; maintenance and repair of the dwelling; water supply and miscellaneous services relating to the dwelling; electricity, gas and other fuels)
- 05 Furnishings, household equipment and routine maintenance of the house (including furniture and furnishings; carpets and other floor coverings; household textiles; household appliances; glassware, tableware and household utensils; tools and equipment for house and garden; goods and services for routine household maintenance)
- 06 Health (including medical products, appliances and equipment; out-patient services; hospital services)
- 07 Transport (including the purchase of vehicles; operation of personal transport equipment; transport services)
- 08 Communication (including postal services; telephone and telefax equipment and telephone and telefax services)
- 09 Recreation and culture (including audio-visual, photographic and information processing equipment; other major durables for recreation and culture; other recreational items and equipment, gardens and pets; recreational and cultural services; newspapers, books and stationery; package holidays)
- 10 Education (pre-primary and primary, secondary, post-secondary non-tertiary, tertiary education, and education not definable by level)
- 11 Restaurants and hotels (including catering services; accommodation services)
- 12 Miscellaneous goods and services (including personal care; personal effects n.e.c.; social protection; insurance; financial services n.e.c.; other services n.e.c.)

**ISCED 97 - International Standard Classification of Education**

This classification is used for the breakdown of the number of pupils/students; it is also used for determining the coverage of a number of other education indicators.

**ISCED description**

- 0 Pre-primary level of education; this level is defined as the initial stage of organized instruction, designed primarily to introduce very young children to a school-type environment.
- 1 Primary level of education; programmes are normally designed to give students a sound basic education in reading, writing and mathematics along with an elementary understanding of other subjects such as history, geography, natural science, social science, art and music. In some cases religious instruction is featured.
- 2 Lower secondary level of education; this is designed to complete the provision of basic education which began at ISCED level 1. The programmes at this level are usually on a more subject-oriented pattern using more specialized teachers and more often several teachers conducting classes in their field of specialization.
- 3 Upper secondary education; this level of education typically begins at the end of full-time compulsory education for those countries that have a system of compulsory education. More specialization may be observed at this level than at ISCED level 2 and often teachers need to be more qualified or specialised than for ISCED level 2.
- 4 Post-secondary, non-tertiary education (these programmes straddle the boundary between upper secondary and post-secondary education from an international point of view, even though they might clearly be considered as upper secondary or post-secondary programmes in a national context. These programmes are often not significantly more advanced than programmes at ISCED level 3 but they serve to broaden the knowledge of participants who have already completed a programme at level 3.
- 5 First stage of tertiary education (not leading directly to an advanced research qualification); this level consists of tertiary programmes with an educational content more advanced than those offered at levels 3 and 4.
- 6 Second stage of tertiary education (leading to an advanced research qualification); this level is reserved for tertiary programmes that lead to the award of an advanced research qualification. The programmes are devoted to advanced study and original research.

**NACE Rev. 1.1 - Statistical classification of economic activities in the European Community**

This classification was adopted in order to establish a common statistical classification of economic activities within the European Community in order to ensure comparability between national and community classifications and hence national and community statistics.

**NACE description**

- A and B Agriculture, hunting, forestry and fishing
- C to E Industry (excluding construction)
- C Mining and quarrying
- D Manufacturing
- E Electricity, gas and water supply
- F Construction
- G to P Services (as defined by NACE Sections G to P)
- G Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
- H Hotels and restaurants
- I Transport, storage and communication
- J Financial intermediation
- K Real estate, renting and business activities
- L Public administration and defence, compulsory social security
- M Education
- N Health and social work
- O Other community, social and personal service activities
- P Activities of households

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