The Main Macroeconomic Indicators of the Development of the European Union

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Abstract

The main objective of the paper was to conduct an analysis of the main macroeconomic indicators of the European Union member countries in the current economic scenario. The article showed the leaders of the EU by the economic strength: Germany, the United Kingdom, France, Italy, and Spain; they, in particular, define the tendencies and the structure of the Union's economy. The characteristics of the North Western European countries are also discussed. The EU countries, with transition economies, are distinguished by the high growth of macroeconomic indicators: they are leading in the GDP and GPD per capita growth rates in a 10-year period since 2003. The paper also showed that the European Union is an association of the national economies that effectively interact with each other.

Keywords: **GDP, competitiveness, Eurozone, private sector, specialization, macroeconomic indicators, economic growth indicators, GDP per capita, unemployment, index of economic freedom, investments**

JEL Classification: F15, F59, O11

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One of the peculiarities of the EU formation is the development in two directions at the same time: intensification, which is deepening of the relations between countries, and extensive territorial expansion. The European Union, from the Russian specialists' point of view, is a qualitatively new, unique example of an integration association with a functioning supranational mechanism inside, but also experiencing high differentiation in the development of member countries, and is a powerful economic center in the modern world economy. In Shishkov's (2000) opinion, the European Union is not only one of the three centers of economic power, having a huge influence on the world economy, but it is, first of all, a successful example of real integration of the countries that were independent in the past, which became possible due to enough level of integration maturity, including high level of technical and economic development, diversification of production and exports, and openness of the economy (Shishkov, 2000). Another Russian specialist, Zuev also noted the uniqueness of the Euro integration processes and revealed that the most typical trait for them that distinguished the EU from other intergovernmental structures is the supranational mechanism (Zuev, 2011).

Medvec considered the EU to be a mixture of economies, which are different in their development; he emphasized on the importance of active cooperation between the EU states that is necessary for their future success and for developing an effective supranational mechanism (Medvec, 2009). Wiener and Dias (2004) brought up the topic of federalization in the Eurointegration processes, but also considered the active territory expansion of the EU, advocating it and pointing out towards the objectivity and regularity of these processes.

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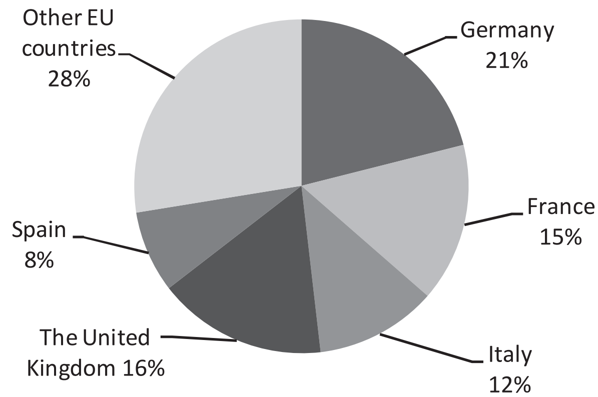
Figure 1. The Weight of the Main Member Countries in GDP of the European Union



Source : The World Bank (2014)

✍ **Body :** The European Union is an association of national economies, which interact effectively with each other. At that, more than 70% of the EU gross product is made up by five leading countries - Germany, France, the United Kingdom, Spain, and Italy, and these countries define the tendencies and structure of the EU economy in many respects (see Figure 1).

Germany occupies the central position in the European Union economy and is its leader. More than 20% of the EU gross product is made up by this country. Germany is also the biggest of the other member countries' EU budget sponsor, investing about 20% of the total sum, which is 26.2 billion Euros (2012) (European Union, 2013). Germany was at the third position in the world in the exports figures in 2013. According to Nikolaeva (2006), more than a half of it was allocated in the internal EU market in 2013 (France - 9.1%, the United Kingdom - 6.5%, Netherlands - 6.3%, Italy - 5.1%, Austria - 5.0%, Belgium - 4% , The World Factbook, 2014), and the main entries were motorcar construction, chemicals, and electro technologies. German goods that are manufactured by the highly qualified workforce are highly competitive.

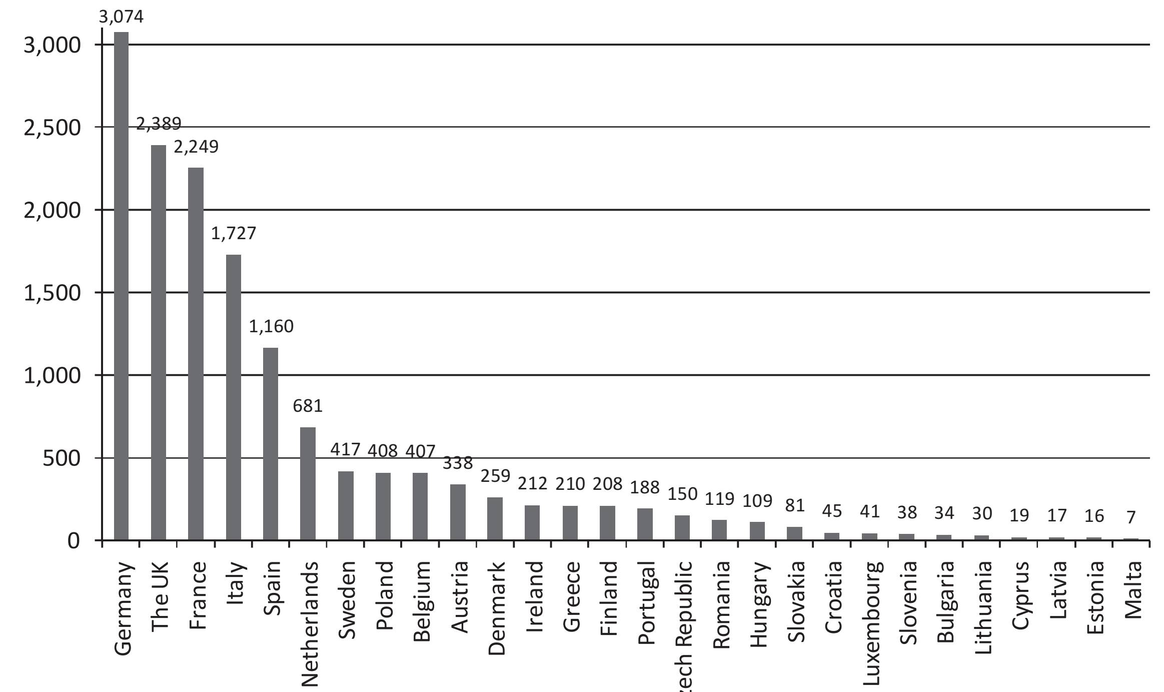
The United Kingdom, which is the second EU country in terms of economic power, makes up 16.3% of the EU GDP (The World Bank, 2014). First of all, it should be noted that the UK is relatively distanced from the common economic policy of the Union, having freedom for their economic policy directions in many respects and staying outside the Eurozone. Out of all the EU countries, the UK is the richest with energy resources reserves (including crude oil and gas), which are a basis of its exports along with industrial goods, tobacco, and products of the chemical and food industries. The spheres of telecommunications, finance, insurance, and business services are also developing most dynamically. Moreover, in 2013, the UK concentrated 1.4 trillion dollars of foreign direct investments, which provided it the third position in the world by this indicator (The World Factbook, 2014).

France, which is economically the third strongest country in the EU, produces 15% of the European Union's gross product. France is the second EU country by exports, and its main partners are the Union countries (Germany - 16.7%, Belgium - 7.5%, Italy -7.5%, Spain - 6.9%, the UK - 6.9%, and the Netherlands - 4.3%), which receive products of car construction, chemical, and pharmaceutical industries (The World Factbook, 2014).

Italy, the fourth EU member country by GDP – 1, 727 billion dollars (The World Bank, 2014), may be divided economically in two parts: the industrially developed north, where the private sector prevails, and the less developed south, where the agricultural sector prevails, and the unemployment rate is higher. Italy basically specializes in manufacturing consumer products, to be exact, textiles, food, and ceramic, which make up the biggest part of its exports, sent to Germany, France, the USA, Switzerland, the UK, and Spain. However, since the past few years, the Italian economy has been on a decline, having all time growing public debt and unemployment rate, and negative GDP growth.

Spain, which is at the fifth position in the EU by GDP value, developed rapidly till 2007. Beginning from 1998, the gross product growth rate of Spain varied from 3.1% to 5% annually, and the population's standard of living

Figure 2. Distribution of the European Union GDP by Country in 2012 (in Billions of Dollars)



Source : The World Bank (2014)

increased fast. However, since 2008, the GDP growth rates declined sharply, and in 2009-2010 and 2012, they become negative, and unemployment rate and public debt increased significantly. Gross domestic product is the central macroeconomic indicator of an economy's development. GDP distribution by the European Union countries in 2012 is presented in the Figure 2 (in descending order).

Out of the 28 member countries, only five countries (Germany, the UK, France, Italy, and Spain) and also Netherlands have GDP higher than 500 billion dollars. At that, the average gap between their GDP figures is 478.6 billion dollars, which is more than the GDP value of all other EU countries in particular. Moreover, it was observed that more than one third of all the EU countries (10 out of 28) have GDP less than 100 billion dollars, eight countries have GDP from 100 to 300 billion dollars, and there are four countries with GDP from 300 to 500 billion dollars. One of the economic growth indicators is the growth of gross product achieved in a country (or a group of countries). GDP growth rates in the EU countries for the last decade (2003-2012) are presented in the Table 1.

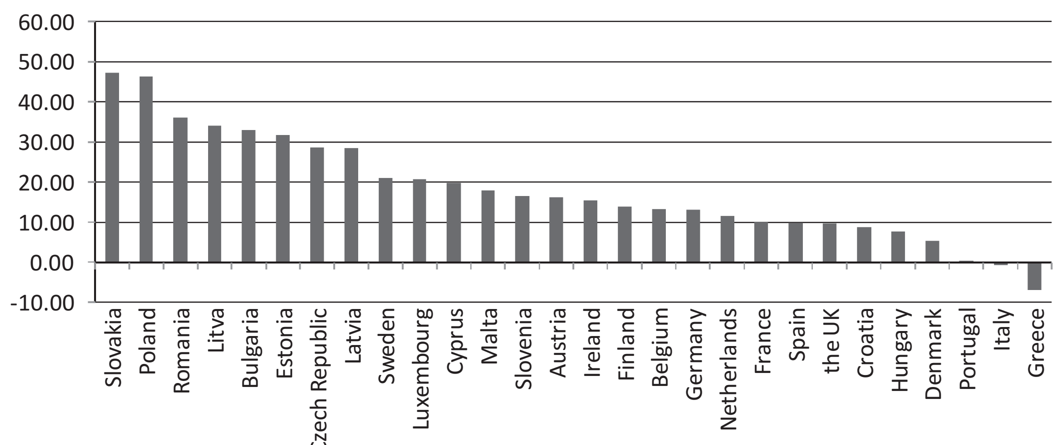
In most of the EU countries, the trend line of the growth rates is similar. Many developed countries had a small, but relatively stable GDP growth rate till 2008. In countries of East-Central Europe, growth was present; however, the figures were higher than they were in the North-Eastern European countries by several times. In 2008, the growth figures of most EU countries decreased, and in 2009, the growth rates became negative, which was a consequence of the world finance and economic crisis. It should be noted that a sharp decrease in growth figures was observed in all the EU countries, with Poland being an exception. During the last decade, the smallest GDP growth rate in Poland was 1.6% (2009). The sharpest drop in growth rates was noticed in the Baltic States – Latvia (-18%), Lithuania (-14.7%), and Estonia (-14.1%) in the same year. During the next two years (2010-2011), the economies of the EU states were rehabilitating, but in 2012, their indicators fell, and negative growth rates were observed in half of the member countries. The country with the worst growth rates for the last 5 years was Greece, as its GDP growth rate was -6.4% in 2012 (the lowest as compared to other EU states). Greece is considered to be the source of the European debt crisis that began in 2010 and spread to other Eurozone countries. During the last four years, a negative GDP growth rate was observed in Croatia, that entered the EU in 2013. GDP growth rate

Table 1. GDP Growth Rates in the European Union Countries (2003-2012)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	-0,4	1,2	0,7	3,7	3,3	1,1	-5,1	4,0	3,3	0,7
France	0,9	2,5	1,8	2,5	2,3	-0,1	-3,1	1,7	2,0	0,0
Belgium	0,8	3,3	1,8	2,7	2,9	1,0	-2,8	2,3	1,8	-0,1
Italy	0,0	1,7	0,9	2,2	1,7	-1,2	-5,5	1,7	0,5	-2,5
Luxembourg	1,7	4,4	5,3	4,9	6,6	-0,7	-5,6	3,1	1,9	-0,2
Netherlands	0,3	2,2	2,0	3,4	3,9	1,8	-3,7	1,5	0,9	-1,2
The UK	3,9	3,2	3,2	2,8	3,4	-0,8	-5,2	1,7	1,1	0,1
Denmark	0,4	2,3	2,4	3,4	1,6	-0,8	-5,7	1,6	1,1	-0,4
Ireland	3,9	4,4	5,9	5,4	5,4	-2,1	-5,5	-0,8	1,4	0,9
Greece	5,9	4,4	2,3	5,5	3,5	-0,2	-3,1	-4,9	-7,1	-6,4
Spain	3,1	3,3	3,6	4,1	3,5	0,9	-3,8	-0,2	0,1	-1,6
Portugal	-0,9	1,6	0,8	1,4	2,4	0,0	-2,9	1,9	-1,3	-3,2
Austria	0,9	2,6	2,4	3,7	3,7	1,4	-3,8	1,8	2,8	0,9
Finland	2,0	4,1	2,9	4,4	5,3	0,3	-8,5	3,4	2,7	-0,8
Sweden	2,3	4,2	3,2	4,3	3,3	-0,6	-5,0	6,6	2,9	1,0
Hungary	3,9	4,8	4,0	3,9	0,1	0,9	-6,8	1,3	1,6	-1,7
Cyprus	1,9	4,2	3,9	4,1	5,1	3,6	-1,7	1,3	0,4	-2,4
Latvia	7,2	8,7	10,6	12,2	10,0	-4,2	-18,0	-0,3	5,3	5,0
Lithuania	10,2	7,4	7,8	7,8	9,8	2,9	-14,7	1,3	6,0	3,7
Malta	0,1	-0,5	3,7	2,2	4,3	4,4	-2,7	2,7	1,8	1,0
Poland	3,9	5,3	3,6	6,2	6,8	5,1	1,6	4,1	4,5	1,8
Czech Republic	3,8	4,7	6,8	7,0	5,7	3,1	-4,5	2,5	1,8	-1,0
Estonia	7,8	6,3	8,9	10,1	7,5	-4,2	-14,1	2,6	9,6	3,9
Slovakia	4,8	5,1	6,7	8,3	10,5	5,8	-4,9	4,2	3,0	1,8
Slovenia	2,9	4,4	4,0	5,8	6,9	3,6	-8,0	1,4	0,7	-2,5
Bulgaria	5,5	6,7	6,4	6,5	6,4	6,2	-5,5	0,4	1,8	0,8
Romania	5,2	8,4	4,2	7,9	6,0	7,9	-6,6	-1,6	3,0	3,1
Croatia	5,4	4,1	4,3	4,9	5,1	2,1	-6,9	-1,4	-0,9	-2,0

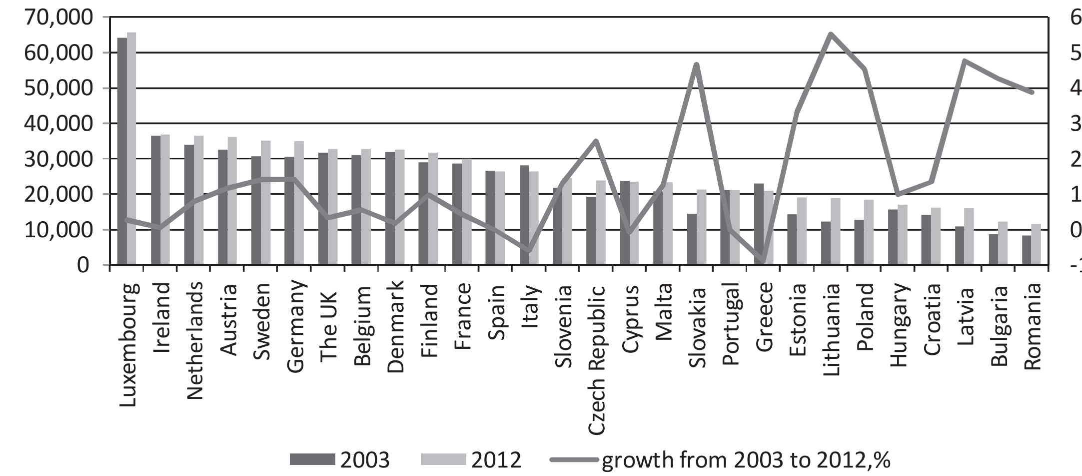
Source : The World Bank (2014)

Figure 3. GDP Growth Rate in the EU by Country in 2012 (Compared with 2003 Indicators) (in %)



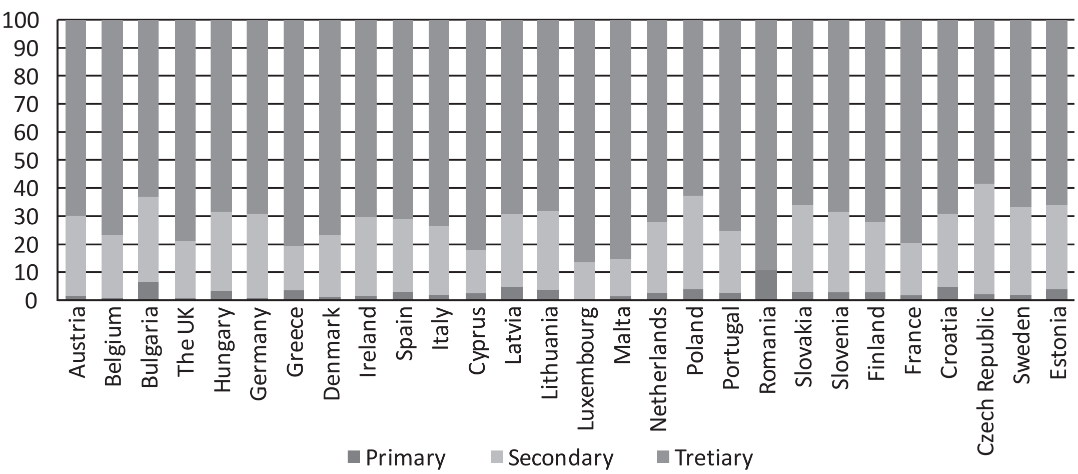
Source : The World Bank (2014)

Figure 4. GDP Per Capita in EU Countries from 2003-2012 (in dollars) and its Growth Rates (%)



Source : The World Bank (2014)

Figure 5. Weight of Various Sectors in GDP of the European countries in 2013 (in %)



Source : The World Factbook (2014)

figures in 2012 (compared with the 2003 period) are depicted in the Figure 3 (in descending order).

It can be observed from the Figure 3 that the highest growth since 2003 occurred in the East-Central European countries: Slovakia (47%), Poland (46%), Lithuania, Bulgaria, and Estonia (more than 30%), Czech Republic and Latvia (more than 25%). The least growth was noticed in Portugal (0.5%), Italy (-0.7%), and Greece (-6.8%). GDP per capita distribution in the European countries and its growth in 2012 since 2003 is depicted in the Figure 4.

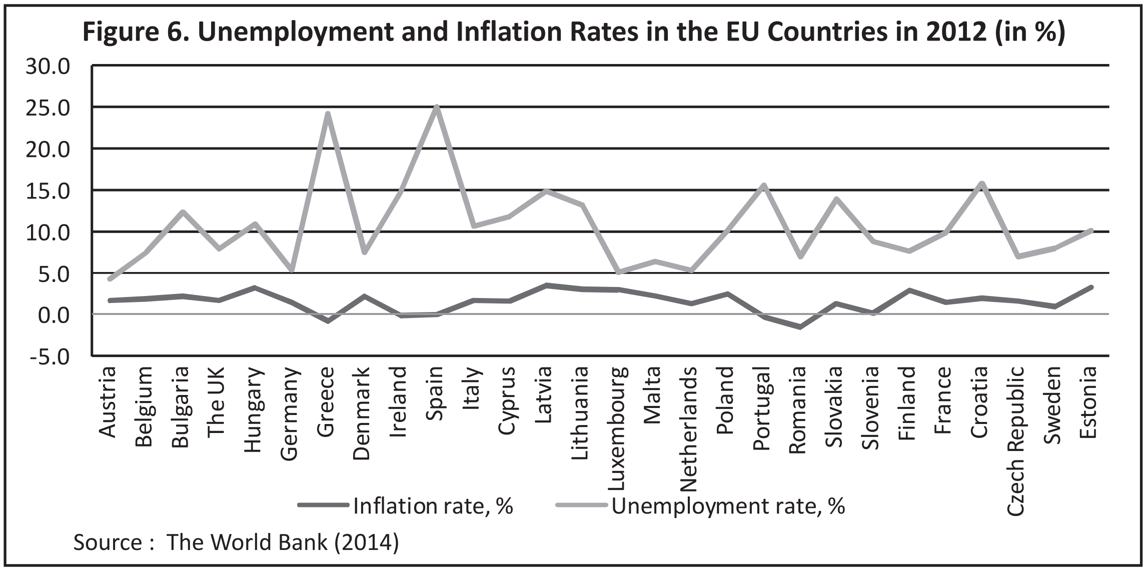
The biggest GDP per capita indicator among the EU countries belonged to Luxembourg – almost 66 thousand dollars. Considering this figure, the GDP per capita indicator of the following - Ireland, Netherlands, and Austria was almost two times smaller. The least indicators belonged to the Central and Eastern European countries, the last of which are Bulgaria and Romania, having GDP per capita a little more than 10 thousand dollars. However, the CCE countries (Lithuania, Latvia, Slovakia, Poland, Bulgaria, Romania, Estonia, and Czech Republic) made the greatest leap in their per capita indicators during the last decade. Lithuania increased its GDP per capita by 55%, and Latvia, Slovakia, Poland, and Bulgaria by more than 42%. In spite of the high developmental levels, there are countries in the EU, whose per-capita indicators decreased in 2012 (than they were in 2003) - Spain, Portugal, Cyprus (in limits of 1%), Italy (-6%), and Greece (-9%).

Considering the gross product structure of the EU countries by sectors, it can be seen that the tertiary sector (services) has the biggest weight in GDP of all the European Union countries (see Figure 5). On an average, about 70% of the EU countries' GDP consists of the services sector. However, in countries such as Luxembourg, Malta, Cyprus, and Greece (86%, 85%, 82%, and 81% in 2013 respectively), this sector comprised of the largest chunk of the GDP as compared to all the 28 countries in the EU ; however, this sector comprised of the least chunk of the GDP of Romania (51.8%). Romania is considered to be an industrially-agrarian country, and the weight of the primary and secondary sectors on its GDP is the largest among the other EU members. Foreign trade balance, which is the balance of exports and imports, is another important macroeconomic indicator, reflecting a county's participation in world trade. The export and import figures of the EU countries, their growth rate in relation to the 2012 figures, and their foreign trade balance are presented in the Table 2.

Table 2. Trade Balance of the European Union Countries in 2013

Country	Exports (in billions of dollars)	Exports growth in relation to the previous year (in %)	Imports (in billions of dollars)	Imports growth in relation to the previous year (in %)	Trade balance (in billions of dollars)	% of GDP
Germany	1 493,0	2,3	1222,0	-0,9	271,0	7,5
Netherlands	551,0	2,0	477,8	-0,3	73,2	9,1
Ireland	113,6	-4,8	61,5	-18,5	52,1	23,6
Italy	474,0	-1,0	435,8	-2,9	38,2	1,8
Spain	458,0	6,0	431,0	0,3	27,0	2,0
Sweden	181,5	-1,8	158,0	-3,3	23,5	4,3
Czech Republic	136,9	3,9	128,0	2,1	8,9	4,5
Denmark	106,0	1,0	98,5	2,9	7,5	2,3
Finland	75,7	-1,0	70,7	2,4	5,0	1,9
Slovakia	82,7	2,5	78,0	-3,2	4,7	4,8
Hungary	93,0	3,1	89,5	-1,9	3,5	2,7
Portugal	61,0	4,6	59,0	2,6	2,0	0,9
Slovenia	28,3	1,8	28,0	4,9	0,3	0,6
Malta	4,1	-4,7	5,2	10,3	-1,1	11,8
Estonia	15,1	4,1	16,4	2,6	-1,3	5,4
Lithuania	30,4	5,6	32,5	-7,1	-2,1	4,5
Cyprus	2,4	-7,7	4,7	2,5	-2,3	10,6
Austria	165,6	3,4	167,9	-5,4	-2,3	0,6
Latvia	12,7	4,1	15,6	0,2	-2,9	9,5
Bulgaria	27,9	4,5	32,9	3,1	-5,0	9,3
Poland	202,3	5,9	207,4	1,8	-5,1	1,0
Luxembourg	15,8	-0,6	23,1	5,1	-7,3	12,1
Romania	61,2	19,3	69,2	-30,9	-8,0	4,4
Croatia	12,4	-1,6	20,9	4,4	-8,5	14,5
Belgium	295,3	-2,3	310,2	0,4	-14,9	2,9
Greece	30,4	7,4	50,6	6,9	-20,2	8,3
France	570,1	0,5	640,1	-0,5	-70,0	2,6
The UK	475,7	0,6	646,0	-3,9	-170,3	6,8

Source: The World Factbook (2014)



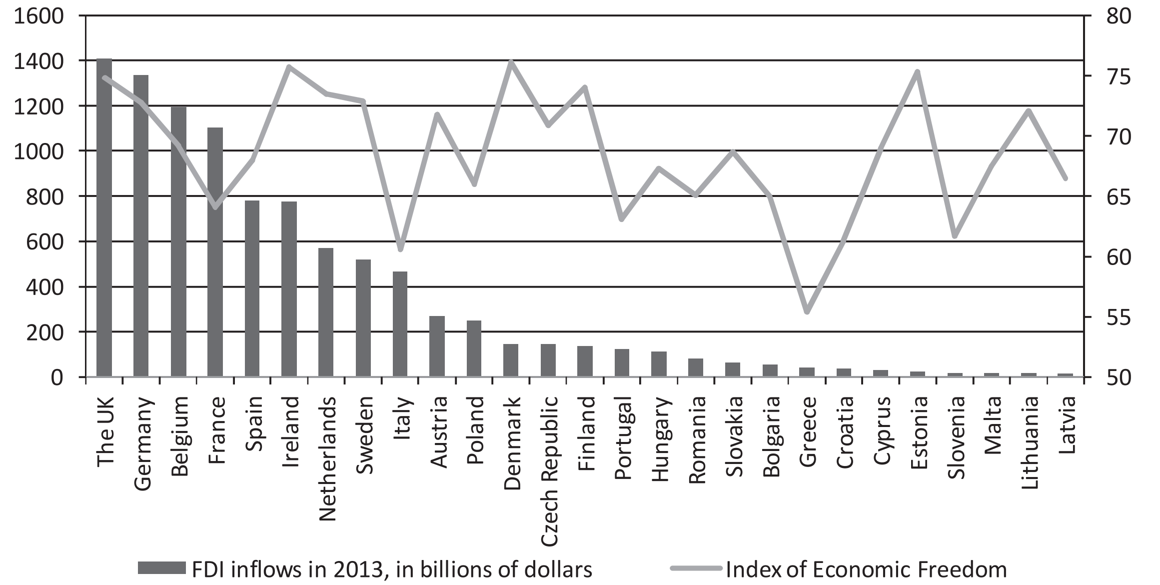
Active trade balance was found in 13 European Union states, the leader by the absolute value from which is Germany (271 billion dollars). Considering the weight of trade balance in GDP of a country, the biggest weight has the active balance of Ireland (23.6%). Active trade balance of the EU countries shows high competitiveness of export-oriented industries and high demand on their goods in the international markets. Passive trade balance was seen in 15 EU countries. The highest deficit of trade balance in absolute figures was in the UK (170.3 billion dollars), in spite of the high level of economic development and presence of high-tech and capital-intensive industries, thereby attracting significant investments. This may be an evidence of not high enough competitiveness of the national goods, but passive balance helps the UK hold inflation and maintains a high standard of living due to carrying labor-intensive production outside the country ("The reality passes ahead of the forecasts," 2012). Other important indicators are inflation and unemployment (see Figure 6).

In 2012, EU countries had creeping inflation; the rate exceeded 3.5%. During the last decade, the most developed countries of the Union had a stable and not a high inflation rate, and rates more than 5% were seen only in Luxembourg. Since 2008, there is deflation - reaching 4.8% in Ireland. Low enough inflation rates were observed in Spain since 2009, these were 0 - 0.1%. The highest inflation rates since 2003 were observed in Latvia (in 2005-2008 - from 9.9 to 20.3%) and Romania (in 2003-2008 - from 10.8 to 24%) (The World Bank, 2014).

Unemployment has been one of the central problems in the European Union countries since the last few years, which is also connected to the crisis of the Eurozone. The highest unemployment rates were in Spain (25%) and Greece (24.2%); the problem of unemployment in Spain is traditionally critical (from 1998-2012, the average indicator was more than 14%). In 2012-2013, the unemployment rates grew significantly, which lead to mass strikes. High enough unemployment rates were reported in Portugal and Croatia (almost 16%), Ireland and Latvia (15%), Slovakia and Lithuania (13-14%), Bulgaria and Cyprus (12%), and Hungary, Poland, and Estonia (10%). Unemployment in Slovakia has not declined to less than 10% during the last 15 years and reached a figure of 19%. Only four countries had unemployment rates at approximately 5% or lower: Austria, Luxembourg, Netherlands, and Germany.

Useful rating for evaluating countries is an index of economic freedom, that along with macroeconomic indicators may have a particular impact on the investment attractiveness of a country, in other words, on the FDI inflows to the European Union countries (see Figure 7). According to the rating, the European Union countries were not included in the "free" category (more than 80 points); Denmark, Ireland, Estonia, the UK, Luxembourg, Finland, Netherlands, Sweden, Germany, Lithuania, Austria, and Czech Republic were included in the "mostly free" category. These countries had index values of more than 70 points and occupied from 9th to 29th position in the world ratings. Countries with "moderately free" economic freedom are all the other states, except Greece; in

Figure 7. Index of Economic Freedom in 2012 and FDI Inflows to the EU Countries in 2013 (in Billions of Dollars)



Source : The Heritage Foundation (2013)

other words, they had 60 or more points. Greece was considered to be "mostly unfree" in 2013; it occupied 117th position in the rating with a score of 55.4. The report showed that overall, the European countries improved their indicators by a score of 0.5. Also, high attention was given to Poland, which increased its index score by 5.7 due to improvements during the last 5 years; however, Ireland lost more than five points since 2008.

Leaders with respect to investments inflows are the most developed countries of Western Europe - the United Kingdom, Germany, Belgium, and France, where the investment inflows were more than one trillion dollars in 2013; almost half of the Union countries received investments of the size of 100 billion dollars. One of the economic development features may be the development of transnational corporations. Out of the top 100 positions from Forbes biggest transnational corporations rating in 2011, eight are based in Germany, six - in France, and five - in the UK. While considering the top 500 corporations, the leaders will be the UK (30), France (27), Germany (23), and Netherlands (10). Besides these countries, the rating includes corporations from Italy, Spain, Belgium, Sweden, Denmark, Austria, Ireland, Finland, Czech Republic, Portugal, and Luxembourg (Forbes, 2013).

The information development index reflects three aspects of information technologies: access to technologies, their use, and level of skills. The European region is considered to be the most IT developed in the world: the average index for the EU was 6.68, and the gap between the biggest and the smallest values is the least among the other regions of the world (International Telecommunication Union, 2012). Moreover, six out of ten leading countries in this rating are the European Union states, and 26 out of 28 EU countries (except Bulgaria and Romania) were in the top 50 positions. The results of the rating in 2011, in comparison with the 2010 results, and estimations of each of the three aspects for the Union countries are depicted in the Table 3.

In the European region, the most developed with IT are the countries of Northern Europe: Sweden, Denmark, and Finland, whose indexes are above eight. They are followed by the developed Western European countries - Netherlands, Luxembourg, the UK, Germany, France, Austria, Ireland, and Belgium. The last positions in the rating, belonging to the EU countries, were taken by Bulgaria and Romania, although these countries improved their scores in comparison with the 2010 scores. The UK and Estonia significantly improved their indexes: the UK index score increased by 0.4 points, and in 2011, it went up by five positions immediately, and Estonia's index increased by 0.45 points. Cyprus, on the contrary, fell by six positions in the rating. Evaluating access to IT, the 2011 leaders not only in the EU, but also in the world, were Luxembourg and Germany; by use of IT, the leaders

Table 3. Information Development Index of the European Union Countries in 2011

Country	Rank	Index 2011	Rank in 2010	Index 2010	Rank 2011		
					Access	Use	Skills
Sweden	2	8,34	2	8,21	6	2	16
Denmark	3	8,29	3	8,01	9	3	12
Finland	5	8,04	5	7,89	18	4	2
Netherlands	6	7,82	7	7,60	10	9	24
Luxembourg	7	7,76	6	7,64	3	7	81
The UK	9	7,75	14	7,35	7	11	29
Germany	16	7,39	15	7,18	5	19	43
France	18	7,30	17	7,08	14	14	35
Austria	19	7,10	22	6,74	16	21	27
Ireland	20	7,09	19	6,99	21	18	25
Belgium	23	6,89	23	6,60	19	25	18
Estonia	24	6,81	26	6,36	27	22	23
Slovenia	25	6,70	24	6,54	26	30	6
Malta	26	6,69	28	6,30	15	26	54
Spain	28	6,62	27	6,31	29	28	15
Italy	29	6,28	29	6,13	30	34	22
Poland	31	6,19	30	6,09	43	32	17
Czech Republic	32	6,17	33	5,89	41	31	39
Greece	33	6,14	35	5,88	40	35	4
Lithuania	35	6,06	34	5,88	39	36	9
Latvia	36	6,06	37	5,80	49	29	34
Portugal	37	6,05	36	5,86	32	37	31
Slovakia	39	5,86	39	5,63	47	33	46
Hungary	41	5,77	42	5,53	42	44	26
Croatia	42	5,75	41	5,54	37	42	45
Cyprus	44	5,73	38	5,64	45	40	40
Bulgaria	51	5,20	51	4,87	52	52	50
Romania	52	5,13	50	4,89	55	57	32

Source : International Telecommunication Union (2012)

were Sweden, Denmark, and Finland; and by skills - Finland, Greece, and Slovenia.

The developed countries of Northwestern Europe had a bigger weight in the European Union economy, however, their position became weak because of the crisis. Macroeconomic indicators of the member countries of the Union that belong to the Central and Eastern Europe improved during the last decade, but they still are significantly smaller than the indicators of the developed EU countries, which is an evidence of the heterogeneity and differentiation in the social and economic development of the countries inside the group.

Conclusion

Leaders (in terms of economic power) in the EU are developed countries (Germany, the UK, France, Italy, and Spain). These countries produce the largest part of the EU GDP and trade turnover, and these countries also have higher GDP per capita than many of the other countries of the Union. Moreover, Northwest European countries are the most IT developed and are the places of basements of many European transnational corporations, which (overall) provide huge investment inflows. However, the last decade was characterized by high growth of macroeconomic indicators in the countries with transition economies within the EU: they were leading in the GDP and GDP per capita growth. The development of the CCE countries is also improving in other parameters: IT development and economic freedom. In spite of this, their indicators still remain very low, as compared with the indicators of the developed EU members, which is an evidence of the heterogeneity and differentiation in the social and economic development of the countries inside the block. Many EU countries' positions have also worsened due to higher inflation and unemployment because of the financial crisis.

Implications

The present study has shown that the EU countries have a high level of differentiation in the social and economic development within the Union, but transition economies have improved their indicators significantly since entering the EU. Still, only five countries of North-Western Europe have been able to maintain their position as the economic leaders in the European Union.

Limitations of the Study and Scope for Further Research

The study does not cover the macroeconomic data for the period earlier than 2003 for the EU member countries. In addition, the study does not provide the analysis of differentiation processes in the EU, their reasons, and possible ways for eliminating it.

The European Union is a unique form of integration, and, certainly, further study of macroeconomic indicators of the European Union members can give a new impetus to the development of a more rational understanding of integration associations, especially, if they include countries with different levels of economic and social development.

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