

Economy

The development of services in the CEEC

* « The service sectors in Central and Eastern Europe », H. Vidovic, WIIW Research report n°289, available on <http://www.wiiw.ac.at>

Abstract, statistical retreatment and comments,

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Sources of the different tables :
WIIW, International Labour Organization, INSEE

According to a study carried out by the WIIW*, the market share of services in the CEEC is progressing appreciably both as a percentage of employment - gaining approximately 6 points in all the countries except Bulgaria and Romania (+3) – and as a percentage of added value: +12 points in Poland and the Czech Republic, +9 in Slovakia and +22 in Romania (see tables in the left-hand column at the bottom of the page).

■ This tendency is to a great extent supported by a foreign presence, which is larger than in industry. Again according to this study, FDI stocks in the service sectors account for 55% of the total in the Czech Republic and Slovenia, approximately 50% in Poland, Hungary and Slovakia and about 45% in Bulgaria and Romania. Privatization in the banking sector, which has taken place in all the CEEC, explains the position occupied by the financial sector, which makes up between 20% and 25% of the FDI stock (except in the Czech Republic - 15%, and Hungary - 12%). Transport and telecommunications, trade and property (for the most advanced countries) also form part of the activities which attract the most investment. In spite of this progression, the market share of services remains lower than in the EU countries, in particular in the areas with strong added value (finance, property and business services). Thus they still have important development potential

Distribution of employment in service sectors
(2000, % total employment)

	POL	SLK	SLV	CZ	HU	UK	FR	ESP	ALL
Tradeable services	28,1	29,5	30,4	31,9	33,1	42,1	41,3	41,0	35,0
Wholesale & retail trade, repairs and motor vehicle repairs	14,1	12,4	12,5	13,0	14,1	15,5	12,8	16,2	14,1
Hotels and restaurants	1,7	3,1	3,8	3,3	3,5	4,2	3,2	6,3	3,3
Transport, storage and communications	6,1	8,0	6,4	7,9	8,1	6,6	6,6	6,0	5,5
Financial intermediation and insurance	2,6	1,8	2,4	2,1	2,2	4,2	3,0	2,7	3,6
Property, business services	3,7	4,3	5,2	5,6	5,3	10,9	12,3	7,3	8,0
Personal and domestic services	nd	nd	nd	nd	nd	0,5	3,4	2,5	0,5
Non-tradeable services	22,2	26,4	21	23,5	26,6	30,1	30,4	21,0	29,0
Total	50,3	55,9	51,4	55,4	59,7	72,2	71,4	62,0	64,0

Evolution and comparison of the importance of services in terms of employment (%)

	Share in employment in ()	Share in employment in 2000
BU	43,1 (1996)	46,1
HU	53,6 (1992)	59,7
POL	43,9 (1994)	50,3
CZ	49,4 (1993)	55,4
ROU	28,1 (1994)	31,1
SLK	50,0 (1994)	55,9
SLV	51,4 (1994)	51,4
FR	-	73,0

... and in the added value (%)

	Share in added value at current prices in ()	Share in added value at current prices (2000)
BU	54,5 (1996)	57,7
HU	57,1 (1990)	62,1
POL	49,3 (1990)	61,3
CZ	44,4 (1990)	56,1
ROU	28,1 (1990)	50,0
SLK	52,5 (1990)	61,3
SLV	52,8 (1990)	59,3
FR	-	72*

* 1995 prices

■ However, the rhythm of job creation in services is still insufficient to compensate for the losses in the other sectors. In the same study, the WIIW indicates that between 1990 and 2000 industry and agriculture lost 2.6 million jobs whereas services created 1.6 million. Although the initial years of transition recorded the greatest reductions, the following table shows the balance to be still largely negative over the recent period. Services seem nevertheless to be the main stimulus for job creation and a possible source of unemployment reduction.

Variations in employment within the main sectors (thousands of jobs)

	Industry	Agriculture	Services	Total	Unempl. Rate
Bulgaria (96/00)	-271	-14	-58	-343	19,7
Czech R. (93/00)	-225	-135	215	-145	8,5
Hungary (92/00)	-133	-208	112	-229	5,9
Poland (94/00)	-202	-800	869	-133	17,3
Roumania (94/00)	-769	337	281	-151	8,6
Slovakia (94/00)	-51	-75	119	-7	18,9
Slovenia (94/00)	-33	-1	82	48	6,4
Total	-1684	-896	1621	-959	-

The current process, which is characteristic of transition economies, is reminiscent of the one we experienced in France: over the past 20 years our agricultural industry has lost half of its workers, and the automotive industry a quarter, but the tertiary sector has gained nearly a third. Since the demand for services is characterized by its elasticity as regards income levels, their development will depend on the evolution of the local purchasing power. For services, the process of catching up the EU Member States will thus continue at the rhythm of actual convergence.