

Eurostat regional yearbook 2008



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Luxembourg: Office for Official Publications of the European Communities, 2008

ISBN 978-92-79-08212-2

ISSN 1830-9674

DOI 10.2785/11820

Cat. No. KS-HA-08-001-EN-N

(Cat. No. printed publication KS-HA-08-001-EN-C)

Theme: General and regional statistics

Collection: Statistical books

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Preface

Dear reader,

I am pleased to present the 2008 edition of the Eurostat regional yearbook, which gives an overview of the most recent developments in the regions of the European Union, with its current 27 Member States, as well as in the candidate countries and EFTA countries.

We have again selected themes that we think will show you the most interesting facets of development in the economic, social and demographic fields in Europe's regions. We are also pleased to include a contribution from our colleagues at the Commission's Directorate-General for Regional Policy for the second year running. This time the chapter is about 'Sectoral productivity' and it examines how productivity in different business sectors differs between the EU's regions.

Regional policy programmes initiated last year under the EU's new cohesion policy are now well under way and we hope that this publication will give some flavour of the progress being made in regional cohesion throughout the EU. We have also included some of the most recent results from the Urban Audit exercise, a data collection that compiles a great deal of statistical information on Europe's cities.

We are progressively developing the range of regional indicators available and will hopefully be able to include these in our choice of topics in future editions, as data availability and quality allow.

I wish you a stimulating read.



Hervé Carré
Director-General, Eurostat



Acknowledgements

The editors of the *Eurostat regional yearbook 2008* would like to thank all those who were involved in its preparation. We thank in particular the following chapter authors for making publication of this year's edition possible.

- **Population:** Gregor Kyi (Unit F.1 at Eurostat: Demographic and migration statistics)
- **Urban statistics:** Teodóra Brandmüller (Unit D.2 at Eurostat: Regional indicators and geographical information)
- **Gross domestic product:** Andreas Krüger (Unit C.2 at Eurostat: National accounts — production)
- **Household accounts:** Andreas Krüger (Unit C.2 at Eurostat: National accounts — production)
- **Structural business statistics:** Ulf Johansson (Unit G.1 at Eurostat: Structural business statistics)
- **Labour market:** Pedro Ferreira (Unit D.2 at Eurostat: Regional indicators and geographical information)
- **Sectoral productivity:** Zuzana Gáková (Unit C.3 at the Directorate-General for Regional Policy: Economic and Quantitative Analysis, Additionality)
- **Labour costs:** Simone Casali (Unit F.2 at Eurostat: Labour market statistics)
- **Transport:** Anna Bialas-Motyl and Anastassia Vakalopoulou (Unit G.5 at Eurostat: Transport statistics)
- **Tourism:** Ulrich Spörel (Unit F.6 at Eurostat: Information society and tourism statistics)
- **Science, technology and innovation:** Bernard Felix and Tomas Meri (Unit F4 at Eurostat: Education, science and culture statistics)
- **Health:** Tomasz Urbanski (Unit F.5 at Eurostat: Health and food safety statistics)
- **Agriculture:** Garry Mahon (Unit E.2 at Eurostat: Agricultural and fisheries statistics)

This publication was edited and coordinated by Åsa Önnarfors (Unit D.2 at Eurostat: Regional indicators and geographical information) with the help of Pavel Bořkovec (Unit B.6 at Eurostat: Dissemination). Baudouin Quennery (Unit D.2) produced all the statistical maps.

We are also very grateful to:

- the **Directorate-General for Translation of the European Commission**, and in particular the German, English and French translation units;
- the **Office for Official Publications of the European Communities**, and in particular Peter Johansson in Unit B.1, Cross-media publishing, and the proofreaders in Unit B.2, Editorial services.



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Introduction





Regional statistics give more detailed information

Eurostat, the statistical office of the European Communities, collects data on a range of different statistical topics, mainly from the 27 Member States of the European Union, but also from the three candidate countries (Croatia, the former Yugoslav Republic of Macedonia, and Turkey) and from the four EFTA countries (Iceland, Liechtenstein, Norway and Switzerland). The statistical data are often only collected at national level, but very many statistical fields also have statistics at regional level, which gives us a more complete picture.

This aim of this publication, the *Eurostat regional yearbook 2008*, is to give you detailed information on life in the European regions today. Looking at the regions of Europe under the magnifying glass allows the authors of the 13 different chapters to make an in-depth analysis of a large variety of statistical domains. We very much hope you will enjoy reading it!

The first chapter is about population statistics (demography), because population data form the basis for all other statistics. Many other statistical indicators are divided by the population figures, thus resulting in data with the unit expressed in terms of 'per inhabitant'. Therefore, we start the first chapter by presenting some basic facts about how the population is spread over the regions in Europe, providing birth and death rates, migration patterns and age distribution.

The second chapter, on urban statistics, is based on the Urban Audit data collection and it presents data on a range of different topics from all European capitals and from many other large European cities. As a large proportion of EU citizens live in these cities, it should be a topic that is interesting and directly relevant for many people.

The other chapters can be divided into four different themes.

The first concerns economic or financial indicators: gross domestic product (GDP), household accounts and structural business statistics. Economic cohesion is one of the main goals in EU policy and, one might say, the engine for all other policies. In particular the chapter on GDP gives a very good idea of the situation in the European Union today.

Labour market indicators form the second group of themes in this publication, containing a basic chapter on the labour market, and also introduc-

ing two totally new subjects for the *Eurostat regional yearbook*; sectoral productivity, written by a subject specialist from the Directorate-General for Regional Policy, and labour costs, where the regional differences in labour costs per hour are analysed.

The theme for the third group of chapters is more general and concerns the everyday life of most European citizens. Transport and tourism both focus on the mobility of people, while science, technology and innovation is often seen as one of the main cornerstones in the new Lisbon strategy for growth and jobs.

Well-being in general is the theme for the last two chapters; statistics on health are a welcome reappearance this year, focusing on the main causes of death and on the density of healthcare staff in the European regions; the chapter on agriculture this year concerns animal-rearing, mainly regarding pigs, sheep and cows.

The NUTS classification

All statistics at regional level within the EU are based on the nomenclature of territorial units for statistics (NUTS). The NUTS classification has been used for regional statistics for many decades, and has always formed the basis for regional funding policy. It was only in 2003, though, that NUTS acquired a legal basis, when the NUTS regulation was adopted by the Parliament and the Council ⁽¹⁾.

Whenever new Member States join the EU, the NUTS regulation is of course amended to include the regional classification in those countries. This was the case in 2004, when the EU took in 10 new Member States, and in 2007 when it expanded to include Bulgaria and Romania.

The NUTS regulation provides for a review to be conducted every three years whereby the regional classification can be changed and adapted to new administrative boundaries or economic circumstances. In 2006, this exercise took place for the first time, and the results of these changes to the NUTS classification have now been valid since 1 January 2008. Most territorial changes are at NUTS level 3, affecting 11 countries, while four countries had changes made at NUTS level 2 and only one country at NUTS level 1.

The main changes in this latest revision of the NUTS classification are the following: Denmark introduced new NUTS 2 regions and revised the existing NUTS 3 regions following a substantial

⁽¹⁾ More information on the NUTS classification can be found on the Internet (http://ec.europa.eu/eurostat/ramon/nuts/splash_regions.html).



administrative regional reform. In one German region, Sachsen-Anhalt, three different NUTS 2 regions were merged into just one NUTS 2 region. Slovenia introduced two new NUTS 2 regions where it had only one previously. In the United Kingdom, more specifically in north-eastern Scotland, a boundary shift at both NUTS 2 and 3 levels had the effect of creating new regions. Sweden introduced NUTS 1 regions for the first time due to the size of the country. For more detailed information on the most recent NUTS changes, please consult the Eurostat website.

Since these NUTS changes were introduced only on 1 January 2008 and the statistical data for all the chapters had already been extracted by the beginning of this year, you will find that regional data, especially for Denmark and Slovenia, are missing or have been replaced with national values on many of the statistical maps. The regional data availability for these two countries will have hopefully improved for next year's publication.

As a rule regional data by NUTS 2 regions are displayed and analysed in the *Eurostat regional yearbook 2008*, but there is one exception. Regarding labour costs, Eurostat only collects data at NUTS level 1 and therefore in that chapter the data are based on NUTS 1 regions instead.

Please note that some of the Member States have a relatively small population and they are therefore not divided into more than one NUTS 2 region. Thus, for these countries the NUTS 2 value is exactly the same as the national value. Following the latest revision of the NUTS classification this now applies to six Member States (Estonia, Cyprus, Latvia, Lithuania, Luxembourg and Malta), one candidate country (the former Yugoslav Republic of Macedonia), and two EFTA countries (Iceland and Liechtenstein): in all these cases the whole country consists of one single NUTS 2 region.

A folding map accompanies this publication on the inside of the cover and it shows all the regions at NUTS level 2 in the 27 Member States of the European Union (EU-27) and the corresponding statistical regions at level 2 in the candidate and EFTA countries. In the annex you will find the

full list of codes and names of these regions. This will help you to locate a specific region geographically on the map.

Coverage

The *Eurostat regional yearbook 2008* mainly contains statistics from the 27 Member States of the European Union, but when available also from the three candidate countries: Croatia, the former Yugoslav Republic of Macedonia, and Turkey; and from the four EFTA countries: Iceland, Liechtenstein, Norway and Switzerland.

Regions in the candidate countries and the EFTA countries are called statistical regions and they follow the same rules as the NUTS regions in the European Union, except that there is no legal base. Data from the candidate and EFTA countries are not yet available in the Eurostat database for some policy areas, but the data availability situation is constantly improving, and we hope to have even better coverage in the near future.

More regional information

Under the theme 'General and regional statistics' on the Eurostat website you will find tables with statistics on both 'Regions' and the 'Urban Audit' with more detailed time series (some of them going back as far as 1970) and with more detailed statistics than contained in this yearbook. You will also find a number of indicators at NUTS level 3 (such as area, demography, gross domestic product and labour market data). This is important since some of the countries covered are not divided into NUTS 2 regions, as mentioned above.

For more detailed information on the contents of the regional and urban databases please consult the Eurostat publication *European regional and urban statistics — Reference guide — 2008 edition*, which you can download free of charge from the Eurostat website. The specific data used for producing the maps and other illustrations in this publication can also be found as Excel tables on the Eurostat website.

4

Household accounts



Introduction: measuring wealth

One of the primary aims of regional statistics is to measure the wealth of regions. This is of particular relevance as a basis for policy measures which aim to provide support for less well-off regions.

The indicator most frequently used to measure the wealth of a region is regional gross domestic product (GDP). GDP is usually expressed in purchasing power standards (PPS) per inhabitant to make the data comparable between regions of differing size and purchasing power.

GDP is the total value of goods and services produced in a region by the persons employed in that region, minus the necessary inputs. However, owing to a multitude of interregional flows and State interventions, the GDP generated in a given region does not tally with the income actually available to the inhabitants of the region.

One drawback of regional GDP per inhabitant as an indicator of wealth is that a 'place-of-work' figure (the GDP produced in the region) is divided by a 'place-of-residence' figure (the population living in the region). This inconsistency is of relevance wherever there are net commuter flows — i.e. more or fewer people working in a region than living in it. The most obvious example is the Inner London region of the UK, which has by far the highest GDP per inhabitant in the EU. Yet this by no means translates into a correspondingly high income level for the inhabitants of the same region, as thousands of commuters travel to London every day to work there but live in the neighbouring regions. Hamburg, Vienna, Luxembourg, Prague and Bratislava are other examples of this phenomenon.

Apart from commuter flows, other factors can also cause the regional distribution of actual income not to correspond to the distribution of GDP. These include, for example, income from rent, interest or dividends received by the residents of a certain region, but paid by residents of other regions.

This being the case, a more accurate picture of a region's economic situation can be obtained only by adding the figures for net income accruing to private households.

Private household income

In market economies with State redistribution mechanisms, a distinction is made between two stages of income distribution.

The primary distribution of income shows the income of private households generated directly from market transactions, i.e. the purchase and sale of factors of production and goods. These include in particular the compensation of employees, i.e. income from the sale of labour as a factor of production. Private households can also receive income on assets, particularly interest, dividends and rents. Then there is also income from operating surplus and self-employment. Interest and rents payable are recorded as negative items for households in the initial distribution stage. The balance of all these transactions is known as the primary income of private households.

Primary income is the point of departure for the secondary distribution of income, which means the State redistribution mechanism. All social benefits and transfers other than in kind (monetary transfers) are now added to primary income. From their income, households have to pay taxes on income and wealth, pay their social contributions and effect transfers. The balance remaining after these transactions have been carried out is called the disposable income of private households.

For an analysis of household income, a decision must first be made about the unit in which data are to be expressed if comparisons between regions are to be meaningful.

For the purposes of making comparisons between regions, regional GDP is generally expressed in purchasing power standards (PPS) so that meaningful volume comparisons can be made. The same process should therefore be applied to the income parameters of private households. These are therefore converted with specific purchasing power standards for final consumption expenditure called PPCSs (purchasing power consumption standards).

Results for 2005

Primary income

Map 4.1 gives an overview of primary income in the NUTS 2 regions of the 23 countries examined here. Centres of wealth are clearly evident in southern England, Paris, northern Italy, Austria, Madrid and north-eastern Spain, Flanders, the western Netherlands, Stockholm, Nordrhein-Westfalen, Hessen, Baden-Württemberg and Bayern. The north-south divide in Italy and the west-east divide in Germany are clear to see, while the regional distribution in France is rela-

tively homogeneous. A south–north divide can also be seen in the United Kingdom, albeit to a lesser extent than in Italy and Germany.

In the new Member States, it is mainly the capital regions that have relatively high income levels, particularly Prague, Bratislava, Közép-Magyarország (Budapest) Mazowieckie (Warsaw) and București — Ilfov. The primary income of households is over half the EU average in two other Hungarian regions, all the other Czech regions and Slovenia, while in all the other regions of the new Member States it is below that level. The regional values range from 2 882 PPCS per inhabitant in north-eastern Romania to 29 392 PPCS in the UK region of Inner London. The 10 regions with the highest income per inhabitant include four regions each in the UK and Germany and one each in France and Belgium. This clear concentration of regions with the highest incomes in the United Kingdom and Germany is also evident when the ranking is extended to the top 30 regions: This group contains 11 German and six UK regions, along with five in Austria, three in Belgium, two in the Netherlands and one each in France, Italy and Sweden.

It is no surprise that the 30 regions at the tail end of the ranking are all located in the new Member States; the list contains 15 of the 16 Polish regions, seven of the eight Romanian regions, four regions in Hungary and two in Slovakia, together with Estonia and Latvia.

In 2005, the highest and lowest primary incomes in the EU regions differed by a factor of 10.2. Five years earlier, in 2000, this factor had been 11.8. There was therefore measurable convergence between the opposite ends of this distribution over the period 2000–05.

Disposable income

A comparison of primary income with disposable income (Map 4.2) shows the levelling influence of State intervention. This particularly increases the relative income level in some regions of Italy and Spain, in the west and north of the United Kingdom and in parts of eastern Germany and Greece. Similar effects can be observed in the new Member States, particularly in Hungary, Slovakia and Poland. However, the levelling out of private income levels in the new Member States is generally less pronounced than in those of the EU-15.

In spite of State redistribution and other transfers, most capital regions maintain their promi-

nent position with the highest disposable income for the country in question.

Of the 10 regions with the highest disposable income per inhabitant, five are in the United Kingdom, four in Germany, and one in France. The region with the highest disposable income in the new Member States is Közép-Magyarország (Budapest) with 11 283 PPCS per inhabitant, followed by the Prague region with 10 916 PPCS.

If the ranking is extended to the top 30 regions, the dominance of German, Austrian and UK regions is clear: the list contains seven regions each in the United Kingdom and Austria and 14 in Germany, together with one region each in Belgium and France.

The lower end of the distribution is very similar to the ranking for primary income. The bottom 30 include 13 Polish and seven Romanian regions, four in Hungary and three in Slovakia, together with the three Baltic States.

The regional values range from 3 146 PPCS per inhabitant in north-east Romania to 22 103 PPCS in Hamburg. State activity significantly reduces the difference between the highest and lowest regional values in the 23 countries dealt with here from a factor of around 10.2 to 7.0.

As with primary income, there is a clear trend in disposable income towards a narrowing of the spread in regional values: between 2000 and 2005 the difference between the highest and lowest values fell from a factor of 9.0 to 7.0.

It can thus be concluded overall that there was measurable regional convergence between 2000 and 2005 both in the primary income generated from market transactions and in the disposable income affected by State intervention.

The regional spread in disposable income within the individual countries is naturally much lower than for the EU as a whole, but varies considerably from one country to another. Graph 4.1 gives an overview of the spread of disposable income per inhabitant between the regions with the highest and the lowest values for each country. It can be seen that, with a factor of 2.3, the regional disparity is greatest in Romania. That means that the disposable income per inhabitant in the region of București — Ilfov is more than twice as high as in north-east Romania. Apart from Romania, only Greece and Hungary have regional spreads with a factor of more than 2. With factors of around 1.9, Italy and Slovakia also have large regional variations. For Spain, Poland and Germany the

highest value is about two thirds higher than the respective lowest value.

Of the new Member States, the Czech Republic, with 51 %, has the smallest spread between the highest and lowest values and is thus very close to Portugal, France and the United Kingdom. The smallest regional income disparities are to be found in Austria, Ireland, the Netherlands and Sweden, where the maximum values exceed the minimum values by between 10 % and 28 %.

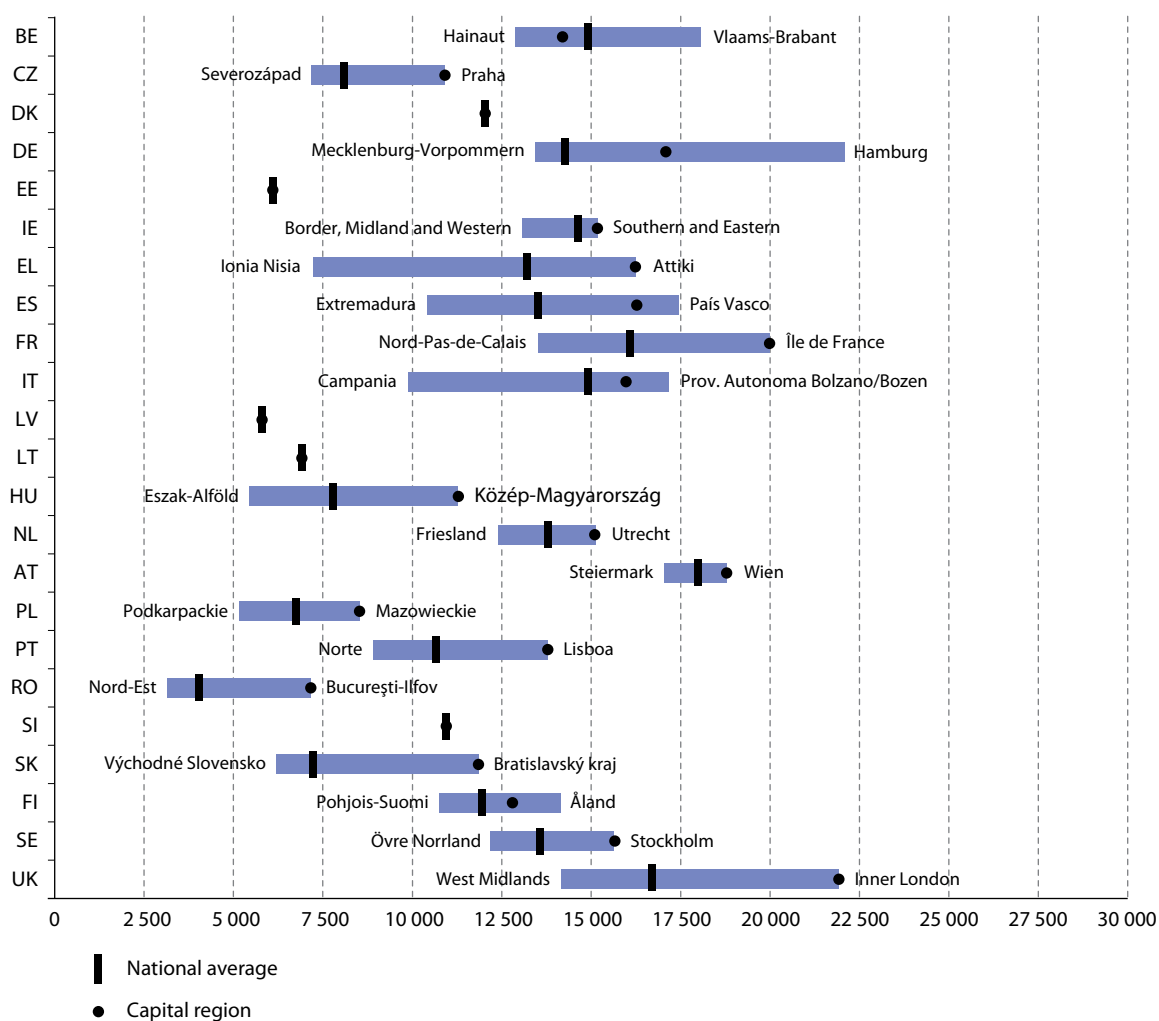
Graph 4.1 also shows that the capital cities of 12 of the 18 countries with more than one NUTS 2 region also have the highest income values. This group includes all the larger new Member States. The economic dominance of the capital regions is

also evident when their income values are compared with the national averages.

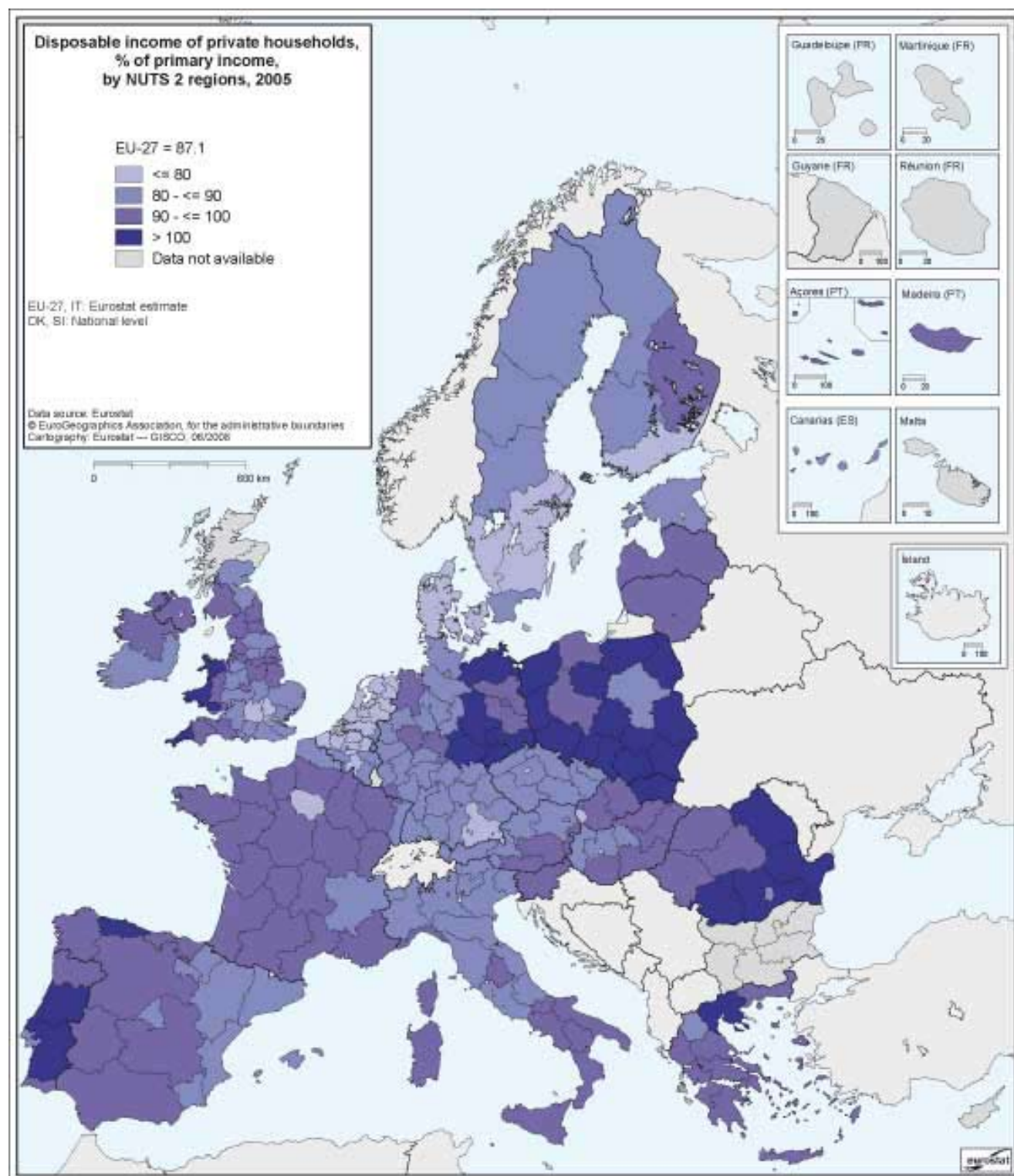
In four countries (Romania, Slovakia, Hungary and the Czech Republic), the capital cities exceed the national values by more than a third. Only in Belgium, Germany and Italy are the values lower than the national average.

To assess the economic situation in individual regions, it is important to know not just the levels of primary and disposable income but also their relationship to each other. Map 4.3 shows this quotient, which gives an idea of the effects of State activity and of other transfer payments. On average in the EU-27 disposable income amounts to 87.1 % of primary income. In 2000 this figure had

Figure 4.1: Disposable income of private households per inhabitant (in PPCS), by NUTS 2 regions, 2005



Notes: DK, SI: data only available at national level
FR: without overseas departments

Map 4.3: Disposable income of private households, % of primary income, by NUTS 2 regions, 2005



been 85.8 %, so over this five-year period the scale of State intervention and other transfers decreased slightly. In general the EU-15 Member States have lower values than the new Member States.

On closer inspection, substantial differences can be seen between the regions of the Member States. Disposable income in the capital cities and other prosperous regions of the EU-15 is generally less than 80 % of primary income. Correspondingly higher percentages can be observed in the less affluent areas, in particular on the southern periphery of the EU, in the west of the UK and in eastern Germany.

The reason for this is that in regions with relatively high income levels a larger proportion of primary income is transferred to the State in the form of taxes. At the same time State social benefits amount to less than in regions with relatively low income levels.

The regional redistribution of wealth is generally less significant in the new Member States than in the EU-15. For the capital regions the values are between 80 % and 90 % and are almost without exception at the bottom end of the national ranking. This shows that incomes in these regions require much less support through social benefits than elsewhere. The difference between the capital region and the rest of the country is particularly large in Romania, at 15 percentage points.

In the 23 EU Member States examined here, there are 30 regions in which disposable income exceeds primary income. This is primarily the case in Poland, where, out of 16 regions, only the centres of economic activity around Warsaw, Gdansk and Poznan record values of below 100 %, and in Romania where four out of eight regions lie above the 100 % mark. In the EU-15 Member States, the most noticeable instances are six eastern German regions and two each in Portugal and the United Kingdom.

When interpreting these results, however, it should be borne in mind that it is not just monetary social benefits from the State which may cause disposable income to exceed primary income. Other transfer payments (e.g. transfers from people temporarily working in other regions) can play a significant role in some cases.

Dynamic development on the edge of the Union

The focus finally turns to an overview of medium-term trends in the regions compared with the EU-

27 average. Map 4.4 uses a five-year comparison to show how disposable income per inhabitant (in PPCS) changed between 2000 and 2005 compared with the average for the EU-27.

It shows, first of all, the powerful dynamic processes in action on the edge of the Union, particularly in the case of most UK, Spanish and Romanian regions and in the Czech Republic, Slovakia and the Baltic States.

On the other hand, below-average trends in income are apparent in Belgium, Germany, Portugal and especially Italy, where even regions with only average levels of income were affected. The relative declines in Brussels and Vienna are less severe, however, as these regions have very high income levels.

The changes range from + 19.7 percentage points for Bratislava (Slovakia) to – 22.7 percentage points for Dyitiki Makedonia (Greece).

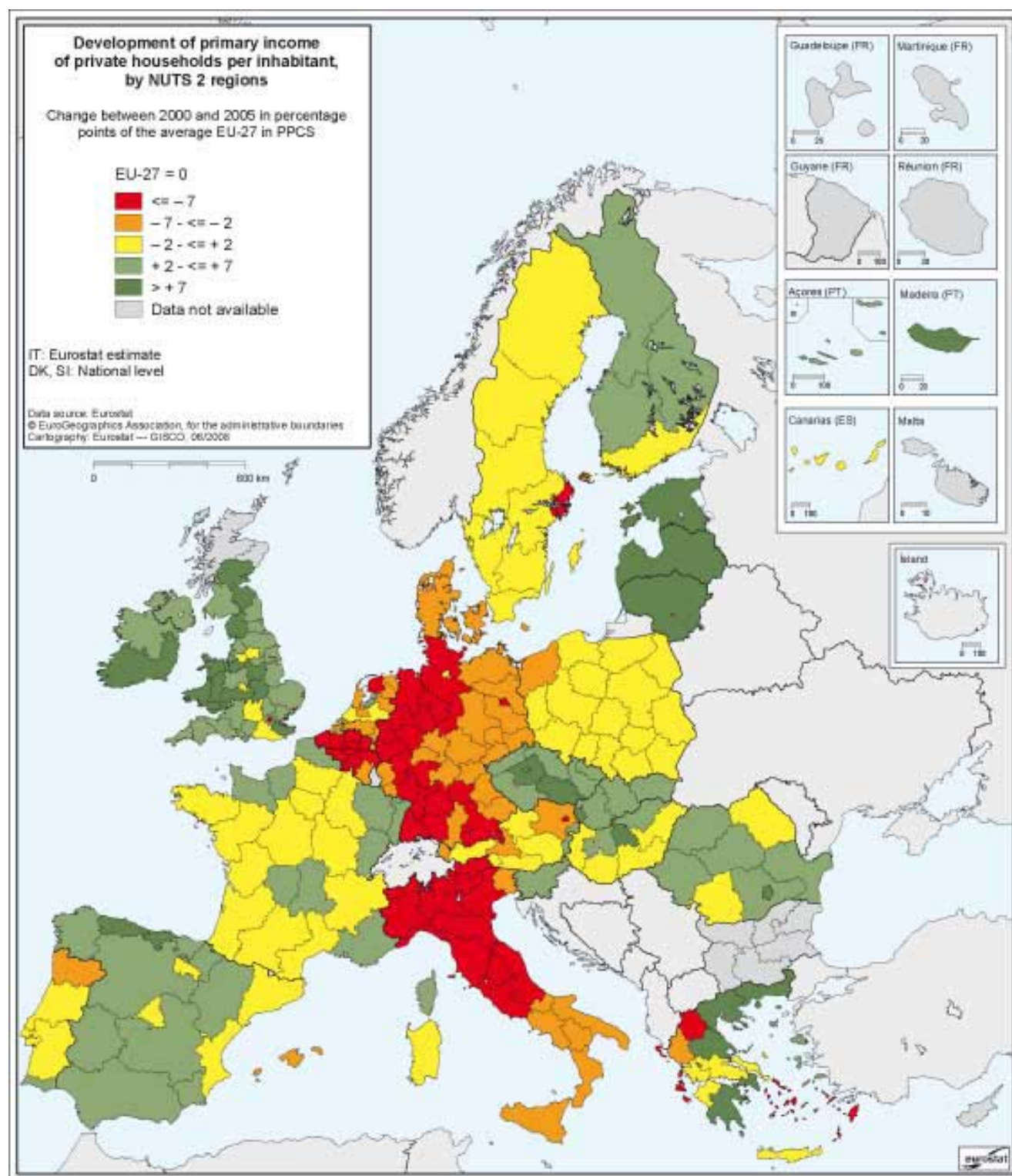
Despite clear evidence of a catching-up process in the new Member States, the same positive trend is not found everywhere. In 13 of Poland's 16 provinces incomes dropped behind the EU average by up to 2.6 percentage points, and in Hungary developments were less than satisfactory in two regions out of seven. The figures for Romania, on the other hand, are very encouraging. With an increase of 16.4 percentage points, the Bucureşti — Ilfov region achieved the third-highest relative improvement of all regions, with even the Nord-Est region (the region with the lowest income in the whole EU) catching up by 1.8 percentage points on average income growth in the EU. The structural problem nevertheless remains that in all the new Member States except Poland the wealth gap between the capital and the poorer parts of the country has widened further.

In all, the trend between 2000 and 2005 resulted in a slight flattening of the upper limit of the spread of regional income levels, especially as a result of fairly large relative falls in regions with high levels of income. At the same time, nine of the 10 regions at the tail end of the ranking have caught up considerably on the EU average.

Conclusion

The regional distribution of household income differs from that of regional GDP in a large number of NUTS 2 regions. This is mainly the result of State intervention in the form of monetary social transfers and the levying of direct taxes, which levels out considerably the disparities

Map 4.4: Development of primary income of private households per inhabitant, by NUTS 2 regions
Change between 2000 and 2005 in percentage points of the average EU-27 in PPCS





between regions. In some cases, other transfer payments and flows of other types of income received by private households from outside their region can also play an important role. On the other hand, unlike regional GDP, the figures for the income of private households are not affected by commuter flows.

Taken together, State intervention and other influences bring the spread of disposable income between the most prosperous and the economically weakest regions to a factor of about 7.0, whereas the two extreme values of primary income per inhabitant differ by a factor of 10.2. The flattening out of regional income distribution desired by most countries is therefore being achieved.

The income level of private households in the new Member States continues to be far below that in the EU-15, and in only a small number of capital regions are income figures more than two thirds of the EU average.

An analysis over the period 2000–05 shows that incomes in some regions of the new Member

States are catching up only very slowly. Some Polish and Hungarian regions have actually fallen back compared with the EU average. In Romania, on the other hand, a strong catching-up process has taken hold — a development which, fortunately, extends beyond the capital region of Bucureşti — Ilfov.

For both primary and disposable income there is a clear trend towards a narrowing of the spread in regional values. Between 2000 and 2005 the difference between the highest and lowest values fell from a factor of 11.8 to 10.2 for primary income and from 9.0 to 7.0 for disposable income.

With regard to the availability of data concerning income, the comprehensiveness of the data and the length of the time series have gradually improved. Once a complete data set is available, data on the income of private households could be taken into account alongside GDP statistics when decisions are taken on regional policy measures.

Methodological notes

Eurostat has had regional data on the income categories of private households for a number of years. The data are collected for the purposes of the regional accounts at NUTS level 2.

There are still no data available at NUTS 2 level for the following regions: Bulgaria, France's overseas departments, Cyprus, Luxembourg and Malta. For Denmark and Slovenia only national data are available. For Italy regional figures were available only up to and including 2004, but national figures were available for 2005. The regional figures for 2005 were therefore estimated using the regional structure from 2004.

The text in this chapter therefore relates to only 23 Member States, or 251 NUTS 2 regions. Three of these 23 Member States consist of only one NUTS 2 region, namely Estonia, Latvia and Lithuania. Since the beginning of 2008 Denmark and Slovenia have consisted of five and two NUTS 2 regions respectively, but they appear here only as single NUTS 1 regions, as no data are yet available for the newly defined NUTS 2 regions.

Because of the limited availability of data, the EU-27 values for the regional household accounts had to be estimated. For this purpose it was assumed that the share of the missing Member States in household income for the EU-27 was the same as for GDP. For the reference year 2005 this portion was 0.6 %.

Data that reached Eurostat after 8 April 2008 are not taken into account in this chapter of the year-book.