

COMMISSION OF THE EUROPEAN COMMUNITIES

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ECONOMIC SITUATION IN THE COMMUNITY

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1. The recent economic trend in the Community countries shows the following characteristics :

- The sharp tendency to acceleration which characterized the last three months of 1976 has moderated somewhat since the beginning of the year. In the first three months of 1977 the gross domestic product in real terms calculated on an annual basis increased by only 3 to 3 $\frac{1}{2}$ % in relation to the preceding period as against around 5.5% in the last quarter of 1976.

- Economic progress is insufficient to enable the ever increasing numbers of young people presenting themselves on the employment market for the first time to be absorbed. Since last autumn with allowance made for seasonal trends the figure for full-time unemployment in the Community has barely changed: approximately 5.4 million people, around 5.1% of the working population, are out of work.

- At the end of 1976 and in the first months of 1977 exceptional circumstances - earlier large devaluations, increases in raw material prices and increased indirect taxes and public service charges - countered the tendency for inflation rates to fall. For the first four months of 1977 the increase calculated on an annual basis was some 14% for the whole of the Community.

- After having worsened throughout 1976 the Community's trade balance has been improving since the beginning of the year owing to a slower increase in imports.

2. The outlook for the second half of the year is on the whole mediocre as regards growth and employment but some progress can be expected in the fight against inflation and in improvement of the external balance.

- Some strengthening of economic activity during the period is likely due to slightly better progress on the export front and in certain countries in private consumption. The Community's real gross domestic product should increase by about 3 % in 1977 as opposed to 4.5% in 1976. This likely increase is lower than the growth rate of 3.5% forecast in March and well below both the goal of 4% for 1977 adopted by the Council in the Annual Report on the Economic Situation in the Community and the objective of the Fourth Medium-Term Economic Policy Programme.

- There is a risk of an increase in the Community's overall unemployment rate. There are likely to be more young people looking for their first job than in 1976 and an increasing number of women will be entering the job market. The Community unemployment rate could rise from 5% in 1976 to 5.2% in 1977.

- A falling off in consumer price increases is anticipated as food prices are expected to revert to more normal levels and external price-raising factors to weaken. But the rise in consumer prices, nearly 10% in 1976, will only fall to 9½% in 1977 while the differences from country to country will remain large.

- The increasing contribution of North Sea oil and a slight increase in world demand, in particular, should secure continued improvement of the Community's trade balance. The balance of payments on current account for the Member States taken together will be close to equilibrium in 1977 as compared to an \$ 8,000 million deficit in 1976.

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3. The slowness of economic recovery in the Member States is worrying. A figure of 3.5 - 4% emerges as the annual average rate of growth for the Community for 1976-1978. The Fourth Medium-Term Economic Policy Programme set an annual average rate of growth of 4.5% between now and 1980.

The weakness in the growth rate, which is partly bound up with a reluctance to invest, means that there is considerable danger of not reaching full employment by 1980.

4. The regulation of overall demand and its coordination at Community level remains the vital instrument for modulating internal demand in accordance with balance of payments requirements. Those Member States who are in surplus have undertaken to try to reach the economic growth objectives they have already previously set themselves and to take appropriate measures if necessary. Those countries with deficits must maintain full efforts to reduce price and cost increases.

STATISTICAL APPENDIX

- Table - 1 - INDUSTRIAL PRODUCTION
- 2 - UNEMPLOYMENT
- 3 - CONSUMER PRICES
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TABLE 1

INDUSTRIAL PRODUCTION

(% change on preceding period)

Seasonally-adjusted figures

	1973	1974	1975	1976	1975				1976				1977				Apr. '76	Apr. '77	
					1975		1976		1976		1977		I	Jan.	Feb.	Mar.			Apr.
					III	IV	I	II	III	IV	I	Feb.							
Denmark	:	:	- 5,8	10,9	2,2	4,9	3,7	2,3	0,4	- 0,2	1,2	- 1,7	- 1,9	6,3	:	:			
F.R. Germany	7,9	- 1,1	- 7,2	7,9	0,3	4,3	2,8	2,4	0,4	1,6	1,5	5,9	- 1,7	- 0,8	3,5	7,1			
France	7,3	3,3	- 8,1	8,6	- 1,0	3,7	4,8	1,5	0,6	0,5	3,5	3,6	- 0,9	1,2	- 2,0	3,2			
Ireland	10,3	3,0	- 6,7	10,1	- 0,6	1,5	4,8	3,0	3,4	1,5	:	:	:	:	:	:			
Italy	10,0	4,3	- 9,8	12,2	- 0,3	3,7	4,9	4,8	0,3	6,7	1,4	- 0,9	0,0	- 1,8	- 3,3	6,3			
Netherlands	6,1	3,4	- 5,0	7,9	- 2,0	8,4	1,9	1,0	1,3	1,1	- 0,1	- 0,5	- 2,4	- 0,8	1,6	2,8			
Belgium	6,3	4,0	- 10,4	8,7	- 1,0	1,5	4,9	5,3	0,1	1,7	0,4	4,8	- 1,2	- 0,1	1,5	2,9			
Luxembourg	12,0	3,8	- 22,9	6,6	- 10,0	9,9	3,7	8,2	- 3,5	0,4	2,3	7,2	- 5,4	6,0	- 2,8	2,7			
United Kingdom	8,8	- 3,1	- 4,8	1,7	0,6	0,8	2,6	0,2	0,0	1,8	2,7	1,8	- 0,6	- 1,5	- 0,2	1,6			
Community	7,7	0,6	- 7,3	7,7	- 0,5	3,9	3,4	2,2	0,5	2,0	2,4	3,1	- 1,0	- 0,4	0,4	5,3			
Investment goods	6,6	2,5	- 3,9	1,9	- 1,0	1,4	0,9	1,6	- 0,5	1,7	2,8	4,9	- 0,0	0,1	0,4	5,7			
Consumer goods	7,3	- 0,6	- 4,8	7,8	2,1	2,1	2,5	3,0	0,7	3,2	1,4	3,1	- 1,5	- 0,1	1,6	6,7			
Intermediate goods	9,0	0,5	- 10,8	10,3	- 1,7	5,8	5,2	2,2	1,3	2,0	2,6	2,1	- 1,4	- 1,0	- 1,1	4,5			

Source : SOFC

TABLE 2

UNEMPLOYMENT

Unemployment rates⁽¹⁾ since 1973

	1973	1974	1975	1976	1975				1976				1977		
					Annual average	III	IV	I	II	III	IV	I	Apr.	May	
Denmark	1,0	2,1	5,2	4,9	5,4	5,3	5,1	4,8	4,9	4,8	4,8	5,6	5,9	5,8	
F.R.G. Germany	1,0	2,2	4,2	4,0	4,5	4,4	4,5	4,0	4,0	3,8	3,8	3,8	3,8	3,8	
France	1,8	2,2	3,8	4,2	3,9	4,4	4,3	4,2	4,1	4,3	4,3	4,3	4,5	4,6	
Ireland	5,9	6,2	8,7	9,8	9,1	9,4	9,6	9,8	10,0	9,8	9,8	9,6	9,6	9,5	
Italy	5,3	5,1	5,7	6,0	5,9	6,0	5,9	6,0	6,1	6,1	6,1	6,3	6,5	6,5	
Netherlands	2,4	2,7	4,1	4,4	4,3	4,4	4,4	4,3	4,5	4,3	4,3	4,0	4,0	4,1	
Belgium	2,9	3,1	5,2	6,7	5,8	6,3	6,3	6,6	7,0	7,1	7,1	7,1	7,2	7,4	
Luxembourg	-	0,0	0,2	0,3	0,1	0,4	0,3	0,3	0,4	0,4	0,4	0,5	0,5	0,5	
United Kingdom	2,5	2,3	3,0	5,3	4,1	4,8	4,9	5,2	5,7	5,5	5,4	5,4	5,4	5,3	
Community	2,5	2,9	4,4	5,0	4,7	4,9	5,0	4,9	5,1	4,9	5,0	5,1	5,1	5,1	

(1) Number of registered unemployed as % of civilian labour force. As definitions are not uniform, unemployment rates are not comparable from country to country.

Source : SOEC and Commission staff.

TABLE 3

CONSUMER PRICES

	% change on preceding period														
	1973	1974	1975	1976	1975				1976				1977		
					III	IV	I	II	III	IV	I	Apr.	May	May '76	May '77
Denmark	9,3	15,3	9,6	9,0	1,8	- 0,7	3,1	4,0	1,5	3,9	2,3	1,0	:	:	May '76
F.R. Germany	7,0	7,0	5,9	4,6	0,8	0,9	1,7	1,5	0,1	0,5	1,9	0,5	0,4	3,8	May '77
France	7,3	13,6	11,7	9,6	2,2	2,2	2,4	2,3	2,3	2,6	1,6	1,3	:	:	
Ireland	11,3	17,0	20,9	17,9	- 0,8	2,7	7,3	6,3	1,5	4,2	3,8	:	:	:	
Italy	10,8	19,2	17,0	16,7	1,9	2,9	4,2	6,3	2,8	6,4	4,7	1,1	1,2	18,3	
Netherlands	8,1	9,6	9,9	8,9	1,9	2,3	1,7	3,4	0,7	2,5	0,7	1,7	0,5	7,0	
Belgium	6,1	12,7	12,8	9,2	2,3	2,9	2,1	2,0	1,9	1,7	2,0	0,5	1,0	7,3	
Luxembourg	6,1	9,5	10,6	9,8	2,1	3,0	2,5	2,3	1,6	1,8	2,3	0,6	0,4	7,2	
United Kingdom	9,2	16,0	24,2	16,5	4,4	3,5	3,6	3,7	2,3	4,6	5,0	2,6	0,8	17,0	
Community	8,2	13,0	13,4	11,0	2,2	2,2	2,7	3,1	1,6	3,0	2,9	1,3	:	:	

Source : S.P.C.

BALANCE OF TRADE

Seasonally adjusted, \$ million

	1973	1974	1975	1976	1975				1976				1977		
					I	II	III	IV	I	II	III	IV	I	March at quarterly rates	April
Denmark	- 1584	- 2306	- 1348	- 3188	- 230	- 192	- 371	- 555	- 663	- 726	- 819	- 981	- 835	- 1002	- 567
F.R. Germany	12976	20260	15448	12994	4758	4257	3302	3131	3075	3131	3314	3473	3451	4250	3099
Germany	- 1428	- 7141	- 1894	- 8291	- 609	91	- 174	- 1202	- 1460	- 1480	- 2400	- 2951	- 2518	- 2635	- 2215
Ireland	- 684	- 1211	- 609	- 857	- 234	- 154	- 88	- 132	- 274	- 163	- 207	- 214	- 332	- 336	- 243
Italy	- 5661	- 11042	- 3161	- 6216	- 787	- 598	- 509	- 1266	- 1370	- 1747	- 1179	- 1920	- 1510	- 1462	- 1352
Netherlands	- 431	- 145	- 745	- 1170	- 404	- 89	- 190	- 61	122	- 598	- 241	- 453	(- 675)	:	:
Belgo-Luxembourg Economic Union	362	- 1631	- 894	- 717	231	- 321	- 449	- 355	- 212	- 243	- 209	- 52	- 345	- 127	:
United Kingdom	- 8555	- 15985	- 9642	- 9370	- 2824	- 2301	- 2623	- 1895	- 1617	- 2395	- 2635	- 2723	- 2331	- 2211	- 1697
Community (1)	- 4592	- 20549	- 4504	- 19476	- 827	451	- 1344	- 2784	- 3321	- 4784	- 5071	- 6299	(- 5300)	(- 2800)	:

(1) Community : Extra-Community trade.

Source : SOEC and Commission staff.