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EC COMMISSION PREDICTS GENTLE ECONOMIC RECOVERY IN SHORT TERM

Average economic growth in the European Community will reach 1 3/4 percent of Gross Domestic Product (GDP) in 1992 and will strengthen further to 2 1/2 percent of GDP in 1993, according to the latest forecasts completed for 1992/1993 by EC Commission services this spring. The external environment is also forecast to become more supportive of Community growth as growth in world output reaches 1 1/4 percent for 1992 after virtual stagnation last year.

Presenting the forecasts, Henning Christophersen, EC Commission Vice President for Economic and Financial Affairs, commented that the outlook for the EC until the end of 1993 is for a gentle recovery which has only just begun, and should gather pace as the year unfolds.

Private consumption is expected to grow by almost 2 percent in 1992 and 2 1/4 percent in 1993, due to greater consumer confidence and an improvement in the economic climate.

Investment is expected to increase only by 3/4 percent this year, but to strengthen to growth of 2 1/2 percent in 1993 due to a gradual upturn in demand prospects and improved business profitability.

The EC's trade balance is forecast to remain in a slight deficit of 1/4 percent of GDP both this year and in 1993. The Community's current account balance will remain virtually unchanged at a deficit of about 3/4 percent of GDP throughout the forecasting period.

Inflation is expected to drop as the deflator of private consumption decelerates to 4 percent in 1993 from 5.2 percent in 1991. The lower inflation rate is largely a result of a return to wage moderation. The degree of divergence between member states is also expected to narrow. In 1992, eight member states are forecast to be within 1 1/2 percentage points of the three best performers in terms of price stability.

Total employment in the Community is expected to fall slightly by 1/4 percent in 1992. Unemployment is expected to be at 9 1/2 percent, and will deteriorate only slightly to 9 3/4 percent in 1993. Divergences among the member states will narrow sharply in 1993 as average growth rates converge.

General government lending or borrowing is forecast to increase to about 4 3/4 percent of GDP in 1992 and 1993, up from 4.3 percent in 1991. This EC average masks large differences between individual member states.

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MAIN ECONOMIC INDICATORS 1989-1993

Community, USA and Japan

(a) GDP at constant prices (1) (annual % change)					
	1989	1990	1991	1992*	1993*
B	3.6	3.8	1.4	1 1/2	2
DK	.8	1.7	1.0	2 1/2	2 3/4
WD	3.3	4.7	3.4	2	2
D	-	-	.9	2 1/4	2 1/2
GR	3.5	-2	1.8	2	2 1/4
E	4.8	3.6	2.4	2 1/2	2 3/4
F	3.6	2.8	1.2	2	2 1/2
IRL	6.4	7.1	1.9	2 1/4	2 1/2
I	3.0	2.0	1.4	1 1/2	2
L	6.3	2.3	2.9	2 3/4	3 1/2
NL	4.0	3.9	2.2	1 1/4	1 3/4
P	5.2	4.4	1.6	2 1/4	3
UK	2.3	.8	-2.2	1/2	2 1/2
EC	3.3	2.8	1.3	1 3/4	2 1/4
EC+	-	-	.8	1 3/4	2 1/2
USA	2.8	.9	-.7	2	2 1/2
JAP	4.6	5.6	4.4	1 3/4	2 1/2

(b) Domestic demand at constant prices (annual % change)					
	1989	1990	1991	1992*	1993*
B	4.9	3.4	1.2	1 3/4	1 3/4
DK	.4	-.8	-.1	1 3/4	2 3/4
WD	2.8	5.0	3.0	1 3/4	1 3/4
D	-	-	4.7	2	2
GR	3.8	.8	2.3	1 1/4	2
E	7.8	4.7	2.9	2 3/4	3 1/4
F	3.2	2.9	1.1	1 3/4	2 1/2
IRL	6.6	5.0	-.6	-0	2 3/4
I	3.0	1.8	2.3	2	2 1/4
L	5.8	3.4	4.4	3 3/4	3 3/4
NL	4.5	3.8	1.8	1/2	1
P	4.3	5.4	4.0	3	3 3/4
UK	3.3	-.1	-3.1	3/4	2
EC	3.6	2.8	1.2	1 3/4	2 1/4
EC+	-	-	1.7	1 3/4	2 1/4
USA	2.2	.5	-1.3	1 1/2	2 1/4
JAP	5.7	5.8	3.0	1 1/2	2 1/2

(c) Deflator of private consumption (annual % change)					
	1989	1990	1991	1992*	1993*
B	3.6	3.6	3.2	3	3 1/4
DK	5.0	2.1	2.5	2 1/4	2 1/4
WD	3.0	2.7	3.6	4	3 3/4
D	-	-	4.8	5	4 1/2
GR	15.2	20.1	19.5	16	12 1/2
E	6.6	6.4	6.3	6 1/4	5
F	3.6	3.3	3.0	3	3
IRL	3.7	2.5	3.0	3 3/4	3 1/2
I	6.5	6.5	6.7	5 1/4	4 3/4
L	3.3	4.2	3.2	2 3/4	3
NL	2.8	2.7	3.5	3 1/2	4
P	12.1	12.6	11.9	9	7 1/2
UK	5.6	6.0	7.2	5 1/4	3 1/4
EC	4.9	4.8	5.2	4 1/2	4
EC+	-	-	5.5	4 3/4	4
USA	4.5	5.2	4.0	2 3/4	3 1/2
JAP	1.8	2.4	2.6	1 3/4	2 1/4

(d) Balance on current transactions (as a % of GDP)					
	1989	1990	1991	1992*	1993*
B	1.7	1.2	1.4	1 1/2	1 1/2
DK	-1.5	.5	1.3	1 3/4	2
WD	4.9	3.2	.8	1/4	0
D	-	-	-1.3	-1	-3/4
GR	-5.0	-6.2	-5.1	-3 1/4	-2 3/4
E	-3.2	-3.7	-3.5	-3 1/4	-3 1/2
F	-3	-.6	-.6	-1/2	-1/2
IRL	1.2	2.5	4.9	5 3/4	5 3/4
I	-1.3	-1.5	-1.6	-2	-2 1/4
L	34.3	33.8	25.9	27 3/4	31 1/2
NL	3.7	3.8	3.8	4	4
P	-2.3	-2.5	-1.0	-1	-1 3/4
UK	-5.1	-3.5	-.8	-1	-1
EC	-.1	-.3	-.4	-1/2	-1/2
EC+	-	-	-.9	-3/4	-3/4
USA	-1.9	-1.6	-.2	-3/4	-3/4
JAP	2.0	1.3	2.2	3	3

Note : EC+ , these aggregates include values for unified Germany.

(*) Based on the forecasts of May 1992.

(1) GNP for Japan from 1991 onwards.

Source : Commission services.

(I) Investment in construction at constant prices (annual % change)					
	1989	1990	1991	1992*	1993*
B	8.9	6.7	-1.8	1 1/4	1 1/4
DK	-4.8	-4.8	-8.2	-0	3 1/2
WD	5.1	5.3	4.1	4 1/4	3 1/4
D	-	-	4.0	5 1/2	4 3/4
GR	2.0	5.5	-6.4	2	5
E	14.9	10.8	4.3	1 3/4	3
F	5.3	2.3	1.1	1 3/4	2
IRL	9.8	11.7	-4.8	1 1/2	2 1/2
I	3.8	3.4	1.2	1/2	1
L	4.4	5.9	6.0	5	5
NL	1.6	1.3	-1.3	-1/4	-0
P	3.5	5.3	4.5	5	5
UK	2.5	-1.0	-6.7	-4 3/4	1 1/2
EC	5.3	3.9	.3	1 1/4	2 1/4
EC+	-	-	.4	1 3/4	2 3/4

(J) Investment in equipment at constant prices (annual % change)					
	1989	1990	1991	1992*	1993*
B	18.2	10.3	1.5	1 1/2	2 1/4
DK	8.3	4.3	4.3	1 3/4	7 1/4
WD	10.0	12.9	9.4	1 1/2	3
D	-	-	14.9	3 1/2	3 3/4
GR	17.4	5.7	3.3	4	6
E	13.0	1.4	-2.5	1 1/2	3 3/4
F	5.8	5.1	-3.4	-1	3 1/2
IRL	15.3	8.5	-5.0	5 1/2	9 3/4
I	6.2	3.1	.7	2 1/4	2 1/2
L	26.3	13.7	6.6	4 1/2	4 1/2
NL	4.5	7.7	.1	-1 1/2	-1/4
P	10.0	5.7	1.0	1 1/4	4 1/2
UK	8.3	-3.8	-11.8	-4	1
EC	8.5	4.8	-5	1/4	2 3/4
EC+	-	-	.7	3/4	3

(k) Gross fixed capital formation at constant prices (annual % change)					
	1989	1990	1991	1992*	1993*
B	14.5	8.3	-2	1 1/2	1 3/4
DK	-8	-5	-2.1	3/4	5 1/2
WD	7.0	8.8	6.7	2 3/4	3 1/4
D	-	-	8.8	4 1/2	4 1/4
GR	10.0	4.8	-1.9	3	5 1/2
E	13.8	6.9	1.6	1 1/2	3 1/4
F	7.4	3.5	-1.5	1/4	2 3/4
IRL	15.8	9.5	-4.9	3 1/2	6 1/4
I	4.6	3.0	.9	1 1/4	1 3/4
L	-6.5	9.4	6.3	4 3/4	4 3/4
NL	3.9	4.0	-.7	-3/4	-0
P	5.8	5.9	2.8	3 1/4	4 3/4
UK	6.8	-2.4	-10.3	-4 1/2	1 1/4
EC	7.3	4.2	-1	3/4	2 1/2
EC+	-	-	.8	1 1/4	2 3/4
USA	2.7	1.2	-6.5	4	6 1/2
JAP	8.9	10.9	3.4	1/2	3

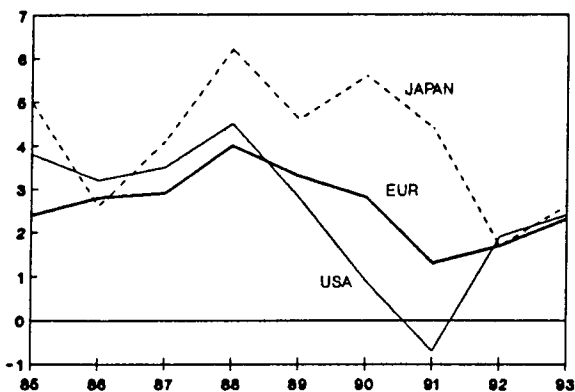
(l) GDP per head (EC=100) at current prices and current PPS					
	1989	1990	1991	1992*	1993*
B	97.4	103.4	103.0	106.0	106.1
DK	115.2	110.2	114.3	107.0	107.7
WD	124.3	116.7	119.2	118.3	117.3
D	-	-	-	-	-
GR	34.4	50.8	50.1	47.7	47.7
E	58.3	78.4	70.8	77.5	78.0
F	107.8	112.8	112.7	112.0	112.2
IRL	57.7	58.0	60.7	68.8	68.9
I	86.5	93.2	102.5	103.1	103.1
L	155.1	138.8	124.4	128.5	130.7
NL	115.7	110.3	103.6	100.9	100.2
P	37.2	54.1	50.7	54.8	55.4
UK	122.9	103.8	101.1	96.6	97.0
EC	100.0	100.0	100.0	100.0	100.0
EC+	-	-	-	-	-
USA	172.9	147.4	142.3	133.4	132.6
JAP	54.0	92.7	105.1	116.8	117.3

Note : EC+ , these aggregates include values for unified Germany.
 (*) Based on the forecasts of May 1992.

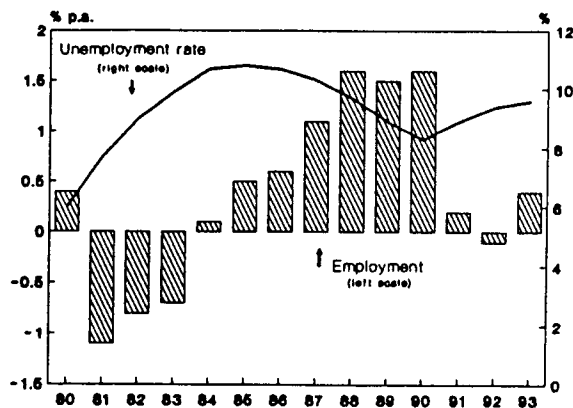
Source : Commission services.

ECONOMIC FORECASTS 1992-1993

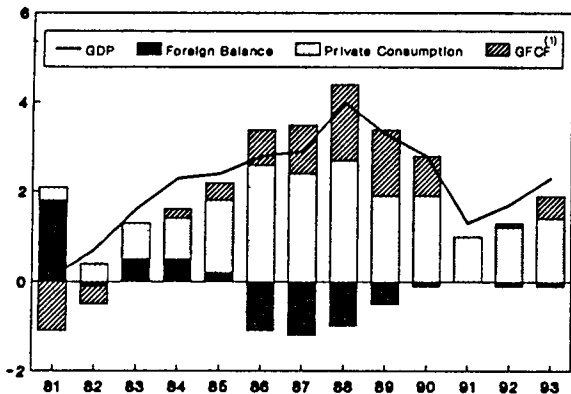
GDP/GNP growth in the EC, USA and Japan
(real % change p.a.)



Employment and unemployment - EUR

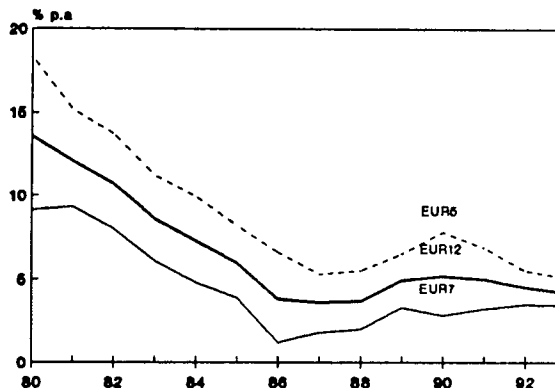


Contribution to GDP growth - EUR
(% of GDP of previous year)



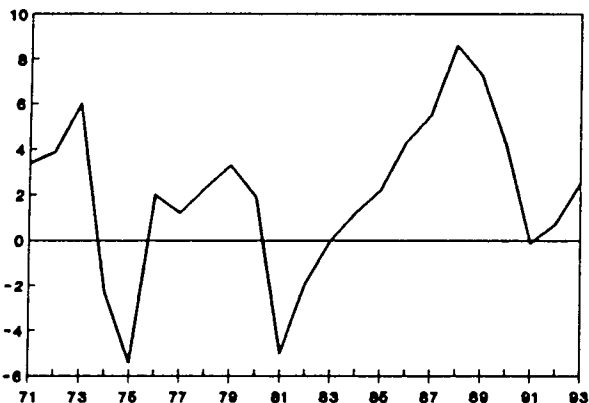
(1) Gross Fixed Capital Formation

Inflation
(deflator of private consumption)

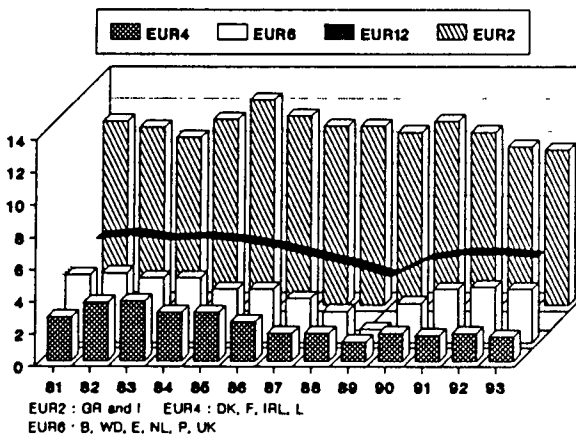


EUR7 : B, DK, WD, F, IRL, L, NL
EUR5 : GR, E, I, P, UK

Investment (GFCF) - EUR
(real % change p.a.)



Net borrowing of general government
(as % of GDP)



EUR2 : GR and I EUR4 : DK, F, IRL, L
EUR6 : B, WD, E, NL, P, UK