

Foreword

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EU seasonally-adjusted unemployment was 10.8% again in February. This is the same as in the three previous months. An estimated 18.2 million people were unemployed in the EU in February.

In the first 10 months of 1996 the European Union's *external trade balance* was ECU 33 billion in surplus whereas in the same period of 1995 it had shown a surplus of 14 billion. The yearly growth rates of extra-EU exports and imports for this period were 9.5% and 5.6% respectively.

The first estimate of *intra-EU trade* for the period January-October 1996 showed a total value for dispatches of around ECU 874.5 billion, an increase of 3.6% compared with a year earlier.

The US Federal Reserve signalled a rise in the federal funds rate on 25 March, by 0.25 percentage points to 5.5%. This is the first change in US *official interest rates* since January 1996. Following more than two months of sharp appreciation, the US dollar stabilised against the currencies of the EMS exchange rate mechanism (ERM) during March.

The Japanese *government bond yield* fell to record lows during March 1997, ending the month at 2.3%. The US and EU markets, however, suffered a fairly sharp reversal, partly in reaction to monetary tightening by the US Federal Reserve.

Reserves of the EUR 15 (excluding gold) moved 1.1% lower in November 1996, compared with October's record level, to a provisional ECU 325.8 billion.

Measured in terms of annual percentage change, *monetary aggregates* grew at a fairly steady rate in most EU Member States during the second half of 1996.

The *EU industrial production* trend rose by 0.2% in the three months to end-January compared with the three months before.

The "Dossier of the month" of this edition is devoted to *Education in the EU*, to *Social protection in the EU* and *EU agricultural income*.

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European economy at a glance



	Dates	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EUR 15
GDP, seasonally adjusted volume trends, T/T-1 %	III/96	:	0.99	1.14	:	0.61	0.86	:	0.59	:	0.6	:	:	2.07	0.67	0.45	0.81
GFCF, seasonally adjusted volume trends, T/T-1 %	III/96	:	2.65	1.64	:	-0.56	0.9	:	0.18	:	2.74	:	:	6.12	1.27	-1.97	0.7
Private final national consumption volume trends, T/T-1 %	III/96	:	1.31	0.75	:	0.58	0.91	:	0.31	:	0.36	:	:	0.73	1.81	0.99	0.76
Production index 1990=100 total, seasonally adjusted (1)	11/96	100.0	118.1	97.2	100.7	103.4	99.7	:	103.5	:	109.9	:	:	121.3	120.2	107.7	104.5
Consumer price index T/T-12 %	01/97	2.2	2.6	1.7	6.6	2.8p	1.8	1.9p	2.6	1.3	1.8	1.6p	2.8	0.9	1.3	2.1	2.2p
Conversion rate 1 ECU=... monthly average	02/97	40.3	7.45	1.95	306.0	165.4	6.59	0.73	1929	40.3	2.19	13.74	196.1	5.80	8.63	0.72	:
Exchange rate 1 USD=... monthly average	02/97	34.6	6.39	1.67	262.5	141.9	5.85	0.63	1655	34.6	1.88	11.79	168.3	4.98	7.40	0.62	:
Money supply, M1 T/T-12 %	11/96	1.9	:	10.2	9.9	7.3	6.3	15.6	3.9	:	13.3	10.8	7.3	17.2	:	:	:
Yield on public sector long-term bonds %	01/97	5.9	6.5	5.8	:	6.8	5.7	6.6	7.4	5.7	5.7	5.8	6.7	6.1	6.7	7.7	:
Unemployment rate seasonally adjusted %	01/97	9.4	:	9.6	:	21.6	12.4	11.7	:	3.4	6.4	4.1	7.2	15.0	10.3	7.3	10.8
Extra-EU trade balance BN ECU	I/96(2)	-2.7(3)	2.1	21.6	-2.3	-2.8	11.3	1.4	16.9	-2.7(3)	-16.6	:	-2.2	4.1	8.8	-16.7	24.1
Intra-EU trade balance BN ECU	I/96(2)	9.7(3)	1.1	17.2	-6.0	-5.3	-4.3	6.6	8.7	9.7(3)	29.4	-7.8	-3.3	1.3	2.7	-7.0	45.7

Data in italics are not necessarily for the indicated period but are the latest available (usually the previous month or quarter)

(1) Excluding construction

(2) : January to October 1996

(3) : BLEU



Inflation rate

EU annual inflation down to

2.0% in February

EU¹ annual inflation in February was 2.0%. January's rate was 2.2%. In February last year the corresponding rate was 2.6%.

This is according to the new European Index of Consumer Prices (EICP), calculated from the Harmonized Indices of Consumer Prices (HICPs) of Member States. The new system was introduced last month.²

Lowest February rates were in Finland (0.6%), Sweden (1.1%), Luxembourg and Austria (both 1.5%). Seven Member States were under 2.0%. Three - the United Kingdom, Belgium and Denmark - were 2.0%.

Only the southern Member States were above 2.0%. Italy (2.3%), Portugal (2.4%) and Spain (2.5%) were not much higher, but Greece stood at 6.5%. The Irish rate was unavailable.

Annual % inflation measured by HICPs - in ascending order

Feb. 97 /Feb. 96		Feb. 97 /Feb. 96	
EUR 15 ¹	2.0p	Belgium	2.0
Finland ³	0.6	Denmark	2.0
Sweden	1.1	United Kingdom	2.0
Luxembourg	1.5	Italy	2.3
Austria	1.5p	Portugal	2.4
Germany	1.6	Spain	2.5p
The Netherlands	1.6	Greece	6.5
France	1.7	Ireland	:

1 European Index of Consumer Prices (EICP).

2 See News Release 21/97 issued 5 March 1997.

3 Statistics Finland has discovered an error in calculation of its HICP since the last news release. Rates given here are the corrected ones.

p = provisional

: = not available.

Unemployment

EU unemployment stable

10.8% in February

EU seasonally-adjusted unemployment was 10.8% again in February. This is the same as in the three previous months.

In February last year it was 10.9%; 10.7% in February 1995.

Unemployment continues to fall in the United Kingdom (7.1%), Ireland (11.6%) and the Netherlands (6% [Jan]) but rise in Sweden (10.9%) and Portugal (7.3%). Elsewhere it seems fairly stationary.

It's above the EU average in Sweden (10.9%), Ireland (11.6), Italy (12.2% [Jan]), France (12.5%), Finland (15%) and Spain (21.7%). Spain has by far the EU's highest rate.

Lowest rates are Luxembourg's 3.4% and Austria's 4.4%.

An estimated 18.2 million people were unemployed in the EU in February. This is a seasonally-adjusted figure in line with ILO criteria.

Surplus of ECU 33 billion in extra-EU trade

Most important surplus in machinery

In the first 10 months of 1996 the European Union's¹ external trade balance was ECU 33 billion in surplus whereas in the same period of 1995 it had shown a surplus of 14 billion. The yearly growth rates of extra-EU exports and imports for this period were 9.5% and 5.6% respectively.

The EU balance with its Central and Eastern European partners showed the largest surplus in the period January-October 1996 (ECU 16.6 billion). On the contrary, trade with Japan and China registered the highest deficits (ECU 14 and 13.5 billion respectively). During the first 10 months of 1996, the

EU's trade balance in machinery and transport equipment recorded the greatest surplus (ECU 75 billion), while fuel products showed the largest deficit (ECU 52.6 billion).

Germany and Italy showed the two largest extra-EU surpluses among the EU countries (ECU 25.7 and 20 billion respectively). The Netherlands (ECU 19 billion) and the United Kingdom (ECU 17.6 billion) registered the highest external deficits. Nevertheless, The Netherlands' deficit has to be interpreted in connection with the intra-EU Dutch surplus and the transit role of this country in EU trade.

Total value for dispatches in intra-EU trade up by 3,6%

The first estimate of intra-EU² trade for the period January-October 1996 showed a total value for dispatches (i.e. exports, which are the more reliable measure of intra-EU trade) of around ECU 874.5 billion, an increase of 3.6% compared with a year earlier.

The Netherlands was the Member State with the largest intra-EU surplus, which in the first 10 months of 1996 grew to ECU 32 billion, up by 3 billion compared with the same period of 1995.

In the first 10 months of 1996, Germany registered the second-largest intra-EU trade surplus (ECU 19 billion), an increase of 2.5 billion compared with the same period of the previous year.

Portugal and Spain registered internal deficits of ECU 4 and 6 billion respectively. However, it must be pointed out that Spanish and Portuguese dispatches were fairly dynamic compared to 1995, showing growth rates of 10.8% and 9.4% respectively.

¹ The European Union's figures for 1996 are provisional and subject to frequent revisions.

² On 1 January 1993, following the abolition of customs controls in the EU, a new collection system for intra-EU data (Intrastat) was introduced. Instead of being derived from customs declarations, trade figures are now compiled from data provided directly by companies.

The US tightend monetary policy

The dollar's appreciation came to a halt

In a move widely anticipated on the financial markets, the US Federal Reserve signalled a rise in the federal funds rate on 25 March, by 0.25 percentage points to 5.5%. This is the first change in US official interest rates since January 1996, and the first increase since February 1995. The policy tightening comes during a long period of sustained, low-inflation growth for the US economy.

Following more than two months of sharp appreciation, the US dollar stabilized against the currencies of the EMS exchange rate mechanism (ERM) during March. The dollar reached a peak against the deutschemark of DEM 1.719, its highest level since 1994, on 6 March 1997, a gain of 10.6% in value since the end of 1996. At the end of the month, however, the dollar was slightly below its end February level, at DEM 1.68. Meanwhile, after a pause in February, the Japanese yen resumed its downward trend against the dollar, falling from 120.8 at the end of February to 123.6 a month later.

Movement between currencies in the ERM was very limited in March. The Irish pound remained easily the strongest currency, although it ended the month weak-

er than it began against the DEM, falling to 2.635. Other currencies remained close to their bilateral central rates. Of the two currencies which entered the ERM in late 1996, the Italian lira remained weaker than its DEM central rate of ITL 990, but fluctuated within a narrow range, ending the month at 998.1. The Finnish markka was also steady: its rate against the DEM was FIM 2.969 at the end of the month, above its central rate of 304. The cut in Spanish official interest rates in mid-March to record low levels, after favourable news on inflation, had very little impact on the peseta, which kept within a range of ESP 84.5 to 85 against the DEM.

The Swedish krona, which was fairly stable against the DEM in January and February, depreciated in March from SEK 4.43 to 4.51, at one point reaching 4.59 during the month, the weakest for a year. The Norwegian krone, which had strengthened considerably over several months to a peak of NOK 3.92 to the DEM on 5 February 1997, remained fairly volatile in March, around an average of 4.015.

Note: Exchange rates are as supplied to the European Commission by central banks on a daily basis.

Global bond markets suffered a reversal

Japanese government bond yield fell to record low

The Japanese government bond yield fell to record lows during March 1997, ending the month at 2.3%. The US and EU markets, however, suffered a fairly sharp reversal, partly in reaction to monetary tightening by the US Federal Reserve. The resulting increase in bond yields in the EU was fairly uniform. Comparing end of month data for February and March, French and Dutch bond yields (the lowest in the EU) rose from 5.3% to 5.8%, and that on German bonds from 5.5% to 5.9%. Meanwhile, the Italian yield (the

highest in the EU) rose from 7.4% to 7.8%. Therefore, the differential between the highest- and lowest-yielding EU bonds remained narrow, at around 2%.

For the EU markets, the reversal in March came after two months of rising bond prices. The US market, however, showed little movement in January and February, before the downturn in March. The US Treasury yield moved up 0.3 percentage points during March, to 6.9%, the highest end of month level since August 1996.

Note: The above-mentioned yields relate to government bonds of around 10 years to maturity. No data are available for Greece, as there are no comparable bonds.

Steady growth in monetary aggregates

No significant change for money supply

Measured in terms of annual percentage change, monetary aggregates grew at a fairly steady rate in most EU Member States during the second half of 1996. One exception was growth in Ireland's broad money measure M3, which continued on a rising trend, reaching 23.4% by the end of the year. Although this rate of expansion is considerably faster than similar measures in other EU countries, growth in economic activity in Ireland has been relatively strong. At the other extreme the trend in broad money supply remained very weak in Finland and France during the second half of 1996. Finland's M3

contracted by 1.3% in the year to December, and French M3 fell 1% in the year to November.

Looking at the trend in the narrow measure (M1) during the second half of last year, there was no significant change in the annual rate of growth for most countries. Growth in Italian M1 accelerated from 0.2% in mid-1996 to 4.4% in December, but this was still the slowest rate apart from Belgium (1.9% in November). M1 in the Netherlands decelerated from 17.3% in mid-1996 to 12% by the end of the year, but remained fast relative to most other EU countries.

Generally, M1 = notes and coin in circulation + bank sight deposits;

M2 = M1 + savings deposits + other short-term claims on banks;

M3 = M2 + certain placements in a less liquid or longer-term form;

EUR 15 reserves decreased

Biggest percentage rise in Greece's reserves

Reserves of the EUR 15 (excluding gold) moved 1.1% lower in November 1996, compared with October's record level, to a provisional ECU 325.8 billion. In the year to November, however, there was a rise of almost 15%, the biggest percentage increases being in the reserves of Spain (71%) and Italy (59%), though Finland's reserves fell 31%, and those of Sweden and the Netherlands also showed significant declines of around 16%.

Greece saw the biggest percentage rise in its reserves in November compared with the previous month, of over 7% to ECU

15.3 billion, a new record. Spain's reserves continued on a rising trend, with an increase of almost 5% on the month to ECU 44.7 billion. This is the second highest level in the EU after Germany, whose reserves edged 1 billion higher in November, to ECU 68.4 billion. Italy's were the third highest in November, despite falling 5.3% on the month to ECU 38.2 billion. Meanwhile, Japan's reserves were the equivalent of ECU 171.0 billion, and those of the USA 50.9 billion in ECU terms.

Industrial production

EU industrial production up 0.2%

Biggest increase in Sweden

The EU industrial production trend¹ rose by 0.2% in the three months to end-January compared with the three months before.

It was up 2.2% in Sweden, 1.7% in

Finland, 0.9% in the United Kingdom, 0.7% in Germany and 0.5% in the Netherlands. Spain was on the EU average. It was down in France, Belgium and Italy.

Production trend index¹			
Changes from Aug.-Oct. 1996 to Nov. 1996-Jan. 1997 in Member States with available data			
Sweden	2.2 %	Spain	0.2 %
Finland	1.7 %	EUR 15	0.2 %
United Kingdom	0.9 %	France	-0.2 %
Germany	0.7 %	Belgium	-0.7 %
The Netherlands	0.5 %	Italy	-1.5 %

¹ Production volume of total industry (excluding construction) in EUR 15, adjusted for both seasonal factors and one-off fluctuations.

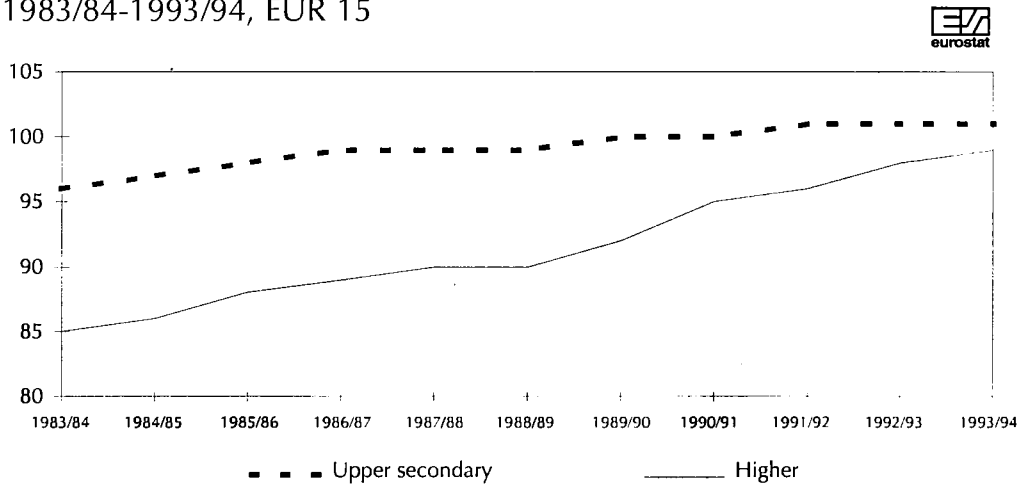
Dossier of the month

Education in the European Union Towards equality of opportunity ...

In 1993/94, there were 72 million pupils in preprimary, primary and secondary education and a further 12 million in higher education in the European Union. There are 101 girls to every 100 boys in upper secondary education, compared with 96 ten years ago

The lowest rate of female participation in higher education is in Germany (73 girls to every 100 boys). The reverse applies in other countries. In Portugal, for example, there were 132 girls to every 100 boys in 1993/94.

Trend in the number of girls to every 100 boys, 1983/84-1993/94, EUR 15



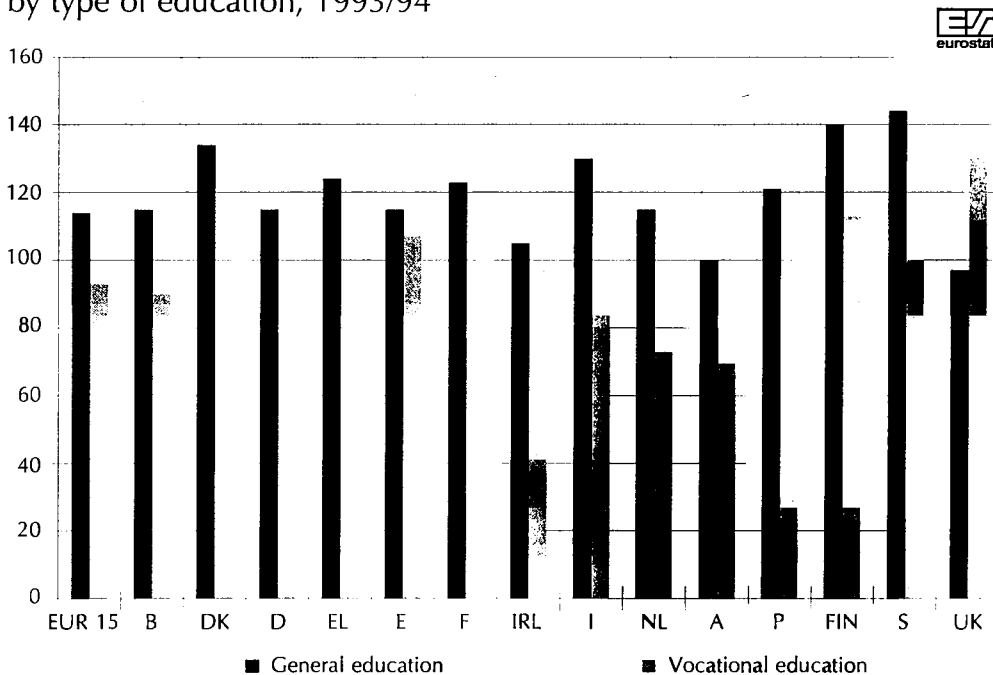
Number of girls to every 100 boys in upper secondary and higher education, 1993/94

	EUR 15	B	DK	D	EL	E	F	IRL	I	NL	A	P	FIN	S	UK
Upper secondary	101	97	101	85	93	111	96	103	99	84	84	111	125	114	115
Higher	99	97	105	73	88	104	120	93	106	86	89	132	113	120	100

Girls tend to opt for general rather than vocational education. In 1993/94, there were 114 girls to every 100 boys in general education, compared with just 93 in vocational education

There are wide variations between individual Member States. The United Kingdom, Finland, Sweden and Spain all have more girls than boys in vocational education (131 girls to every 100 boys). Greece is at the other end of the spectrum, with just 52 girls to every 100 boys.

Number of girls to every 100 boys in upper secondary education, by type of education, 1993/94



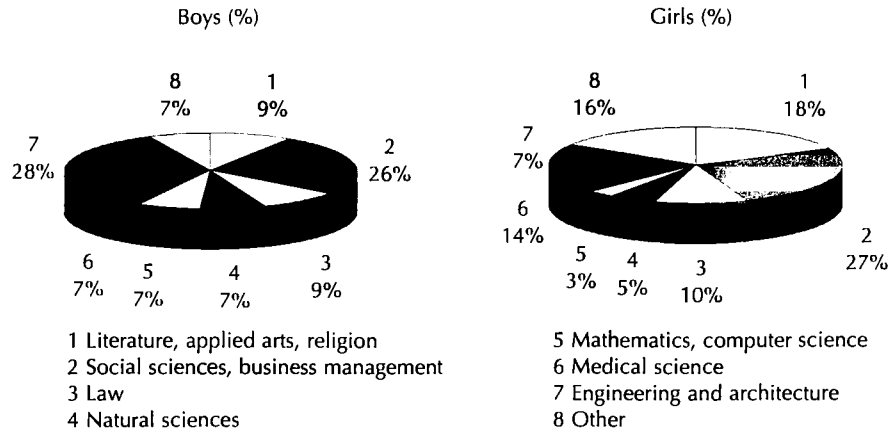
Number of girls to every 100 boys in upper secondary education, by type of education, 1993/94

	EUR 15	B	DK	D	EL	E	F	IRL	I	NL	A	P	FIN	S	UK
General education	114	115	134	115	124	115	123	105	130	115	100	121	140	144	97
Vocational education	93	90	79	78	52	107	77	97	89	73	80	83	113	100	131

In terms of subjects studied at institutes of higher education in the EU, it is generally the case that girls continue to favour literature and applied sciences, whereas boys tend to prefer natural sciences and mathematics

The most marked differences are in engineering and architecture studies, which attract four times as many boys as girls in the EU as a whole (in Finland, 41% of boys take these subjects, compared with just 6% of girls).

Choice of subjects in higher education, EUR15, 1993/94



Choice of subjects in higher education, EUR15, 1993/94



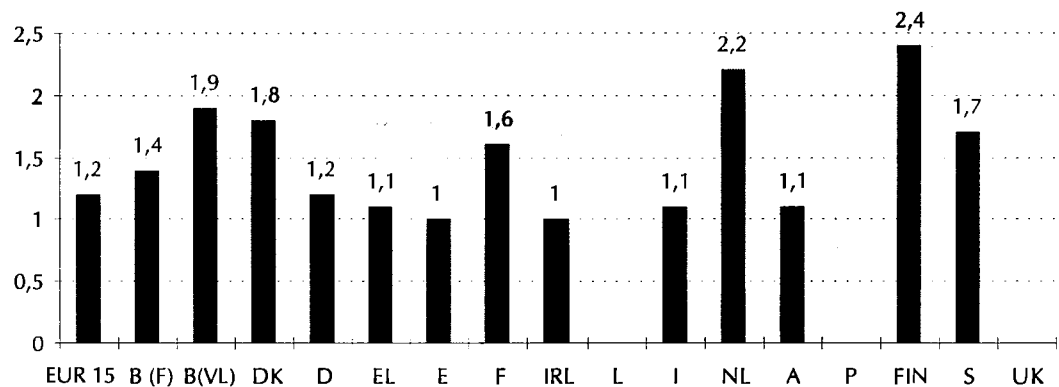
	1	2	3	4	5	6	7	8
Boys (%)	9	26	9	7	7	7	28	
Girls (%)	18	26	10	5	3	14	7	16

1 Literature, applied arts, religion
 2 Social sciences, business management
 3 Law
 4 Natural sciences
 5 Mathematics, computer science
 6 Medical science
 7 Engineering and architecture
 8 Other

General secondary pupils in the European Union learn an average of 1.2 modern foreign languages⁽¹⁾. The most popular is English (about 88%), followed by French (32%) and German (18%)

In most countries, more than 90% of pupils learn English. The percentages are lowest in Greece (64%) and Italy (71%), although English is still the most popular language in those countries. The only exception is Francophone pupils in Belgium, a majority of whom (70%) learn Dutch.

Average number of foreign languages taught in secondary general education, 1993/94



The most commonly taught foreign languages⁽¹⁾ in secondary general education, 1993/94 (%)



	EUR15	B (W)	B (FL)	DK	D	EL	E	F	IRL	I	NL	A	FIN	S
English	88	60	70	94	93	64	94	95	-	71	93	96	99	99
French	32	-	98	18	23	45	8	-	70	34	57	9	11	17
German	18	5	23	61	-	2	0	28	27	4	69	-	33	45

⁽¹⁾ Percentage of pupils learning the language in question.

Rising share of unemployment benefits

Denmark and the Netherlands at the top

EU 12 social protection spending¹ as a percentage of GDP fell slightly in 1994 to 28.6% from 28.8% the year before. Caring for Europe's ageing population continues to take the lion's share. And it highlights the increasing share of unemployment benefits.

In the EU, Denmark (33.7% of GDP), the Netherlands (32.3%) Germany (30.8%) and France (30.5%) recorded the highest ratio of social protection expenditure. However, provisional data for Finland indicate an even higher level of 34.8% (up from 25.4% in 1990). Austria was also high at 30.2%.

Bottom were Greece (16%), Portugal (19.5%) and Ireland (21.1%).

The latest EU average (28.6%) is well up from 24.3% at the start of the 1980s, although from 1990 the new German Länder are included. It traces a steep rise in the 1990s as a result of the slowdown in GDP growth and rising unemployment. But in 1994 social protection expenditure stabilised or even fell slightly in real terms in Spain, Italy and the Netherlands as a result of efforts to curb expenditure.

Gap narrowed

In 1994, social benefits per person were highest in Luxembourg and Denmark: over 6 000 PPS2 (purchasing power standards). In contrast, Greece spent 1 644 PPS per person and Portugal 2 162.

The gap between the highest and lowest benefits per person has

narrowed. In 1980 the ratio was 1 to 5.5; in this latest year 1 to 4. This is thanks to bigger rises in spending in real terms in countries that spent the least in 1980 - Portugal, Greece, Spain and Ireland.

Faced with ageing population

In most Member States, old age benefits take the lion's share of total social protection spending - in Italy and Greece well over 60%. The lowest proportion in 1994 was Ireland's 27.5%. The EU 12 average was 44.2% (43.3% in 1980).

Between 1980 and 1994 these benefits rose by 59% in real terms. One reason was the high incidence of early retirement in the 1980s. Faced with an ageing population, several countries are currently carrying out reforms to their pension schemes, the effect of

which will gradually become apparent over the course of time. Between 1980 and 1994, the proportion of expenditure on sickness, disability and accidents at work decreased from 37.5% to 35.2%, due to a relatively lower pace of growth in expenditure on this group compared to benefits as a whole. It accounted for the biggest share of total benefits in the Netherlands (43.6%), Ireland (36.8%) and Finland (35.6%). (EU12 average: 35.2%).

Unemployment, family and maternity spending

EU-wide, unemployment and employment protection accounted for 9.2% of total social protection spending. Figures vary from well over 15% in Spain, Ireland and Denmark to less than 3% in Greece, Italy and Luxembourg. But differences in national practices make it difficult to draw too many conclusions. In 1994, EU average spending on unemployment as a percentage of total social protection was 9.2% (6.4% in 1980). In Germany, Ireland, Luxembourg and Portugal it doubled. However, the trend was downwards in Belgium (11.6% to 11.0%) and particularly the United Kingdom (9.6% to 7.3%).

Family and maternity spending formed 7.6% of the EU12 total in 1994.

Highest was in Ireland, Luxembourg and Finland - over 13%; lowest in Greece and Spain, 1.2% and 1.7% respectively.

The proportion going on family benefits in 1980-94 fell in all Member States, mainly as a result of the fall in fertility in all developed countries. EU-wide, it went from 10.5% to 7.6%.

Housing and other functions averaged 3.5% in 1994.

Bigger share from government contributions

EU-wide, contributions by employees and employers are the main source of finance for social protection (58% in 1994). But there are large differences between Member States. Social contributions are particularly high in Belgium, Greece and France, where they account for over 65% of total receipts. At the other end of the scale, Denmark, who finances its social pro-

tection system through taxes (over 75% of receipts).

In the EU, general government contributions accounted for 30.2% compared to 27.9% in 1980. The tendency is for a bigger share from government, only in Belgium, Denmark, Ireland and the Netherlands the proportion is decreasing.

1. The data on social protection expenditure are recorded gross before taxes and social contributions payable on social benefits.

2. PPS is used to cancel the impact of price differences among countries for a set of comparable and representative goods and services.

EU spending on social protection in 1994

	As % of GDP	On old age/survivors as % of total benefits		On unemployment, as % of total benefits	
	1994	1994	1980	1994	1980
Belgium	27,0	44,2	41,5	11,0	11,6
Danemark	33,7	36,6	35,7	16,8	12,9
Germany	30,8	41,2	42,6	9,2	4,5
Greece	16,0	66,8	66,1	2,7	2,7
Spain	23,6	42,6	41,0	18,1	15,7
France	30,5	43,7	43,9	8,1	5,1
Ireland	21,1	27,5	31,4	17,2	8,8
Italy	25,3	64,0	55,1	2,5	2,3
Luxemburg	24,9	46,0	47,5	2,3	0,9
The Netherlands	32,3	36,8	31,0	10,4	6,1
Portugal	19,5	40,1	39,4	5,8	2,8
UK	28,1	41,3 a	42,8	7,3 a	9,6
EU12	28,6	44,2	43,3	9,2	6,4
Austria	30,2	44,5	-	5,3	-
Finland	34,8	32,3	-	15,2	-

a. 1993

No data for Sweden.; all 1994 figures include new German Länder.

Source: Eurostat Statistics in focus, Population and social conditions, no 3/97

Third successive year of strong growth

Plus 4,3% in 1996

Agricultural income, as measured by real net value added at factor cost per annual work unit (called indicator 1), is calculated to have risen by + 4.3% for the EU as a whole in 1996. This latest rise in agri-

cultural income follows from two other years when marked increases were recorded (1995: + 3.7% and 1994: + 9.8%), placing the measure of indicator 1 at its highest level since 1980.

Change in agricultural income, as measured by indicator 1 1996/1995 (in %)			
E	+ 21,5	L	+ 2,0
FIN	+ 10,9	F	+ 1,8
P	+ 8,9	NL	+ 0,1
B	+ 7,5	IRL	- 1,4
EUR 15	+ 4,3	S	- 1,5
D	+ 4,2	EL	- 2,5
I	+ 4,1	UK	- 5,2
DK	+ 2,9	A	- 7,0

The clear rise in the level of indicator 1 of the EU as a whole in 1996 can essentially be attributed to the continued decline in the volume of total agricultural labour (- 3.2%),

since real net value added at factor cost was only slightly up on 1995 (+ 1.0%).

Slight increase in final agricultural output

The real value of final agricultural output in the EU is estimated to have risen slightly in 1996 (+ 1.1%) as a result of a higher volume of output (+ 3.1%) and falling prices in real terms (- 1.9%).

The price and volume developments for final output were mainly determined by the

trends in crop products, the reason being that, on the animal output side, the highly contrasting trends in the real prices of individual products virtually cancelled each other out, while the total volume remained stable.

Bumper harvest and lower real prices

The real value of final crop output for the EU as a whole rose by +2.7% in 1996 compared with 1995, reflecting a strong increase in output volume (+ 6.4%) and a fall in real prices.

A major factor in the greater volume of agricultural output for the EU as a whole was the upturn in the output volumes of

cereals, fruit, fresh vegetables and wine in Spain after four years of drought (final crop output volume: + 26.0%).

The fall in the real price of final crop output to a large extent reflected the slump in potato prices (- 38.5%) and the lower price for cereal (- 7.2%) in the EU.

Real value of final animal output unchanged

The volume of animal output in the EU in 1996 matched the level of the previous year. Highly contrasting price trends for individual products cancelled each other out in the aggregate, so that the real value of final animal output in 1996 remained unchanged (- 0.1%). Markets for animal products were severely affected in 1996

by shifts in demand away from beef as a result of the BSE1 crisis. It was not possible to adjust the volumes of most animal products in line with the changed demand conditions so quickly, which led to a slump in cattle prices and a simultaneous sharp rise in prices for other livestock.

Agricultural labour declined

The real value of total intermediate consumption in agriculture for the EU as a whole is estimated to have increased in 1996 (+ 2.3%), with volume growing by + 0.9% and real prices on average by +1.4%.

The volume of total agricultural labour measured in terms of annual work units

(AWUs), continued to decline in all Member States (averaging - 3.2% for the EU as a whole). This change was the principal force behind the rise in the level of Indicator 1, the headline measure of income per unit of labour input.

¹ BSE: Bovine Spongiform Encephalopathy or "mad cow disease".

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