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Recent economic trends

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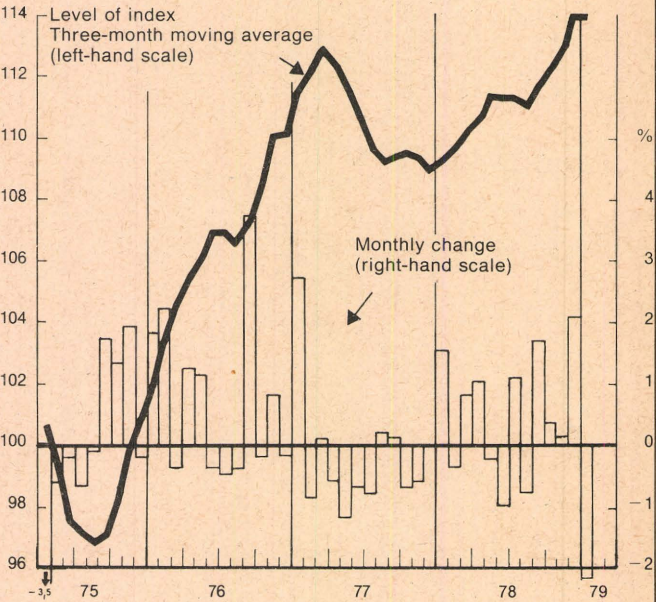
Entry into force of the European Monetary System (EMS). — The European Monetary System was formally introduced on 13 March, with all the Member States' currencies except sterling taking part in the intervention mechanism. The first two weeks of its operation passed smoothly. On 30 March, after sterling had appreciated against all the EMS currencies, the Irish authorities decided to break the parity link between their currency and sterling. On 4 April, the value of sterling was 1,4% higher than that of the Irish pound. The dollar held steady against the ECU in March, at USD 1,35 for 1 ECU (Table 5).

Temporary fall-off in industrial production. — The rapid growth of industrial production in the Community in the closing months of 1978 was not sustained in January mainly owing to exceptional circumstances (the severe winter weather and industrial disputes in a number of Member States). In seasonally adjusted terms and excluding building and construction, industrial production in January was actually 2,1% down on December (see Table 1). However, while the United Kingdom experienced a contraction of 5,3% and Italy, the Netherlands and Belgium also recorded a decline, output in France was up on a month earlier. In the Federal Republic of Germany, where the December figure was recently revised downwards, output levels have been unchanged for four months. Industrial production in the Community as a whole showed a 12-month increase of only 2,5% in January.

Differing trends of unemployment. — In February, the seasonally adjusted unemployment rate for the Community still stood at the level reached in July 1978 (see Table 2). The only improvement noted was in the Federal Republic of Germany, where the unemployment rate, which had peaked in February 1977, is currently at its lowest level (3,6% in February) since January 1975. By contrast, the unemployment rate has risen in the other large Member States (France, Italy and the United Kingdom) and in Belgium. Year on year, the number of jobless in the Community as a whole showed a slight rise of 2,8% in February. In Denmark, the registration system for the unemployed has been changed and so comparisons with earlier sets of figures have become impossible since January.

Prices under pressure. — After holding relatively steady in the Community throughout last year, inflation, as measured by the consumer price index, seems to be gathering pace again. Expressed at an annual rate, the six-month increase in the seasonally adjusted index of consumer prices edged up from just over 7½% in the second half of 1978 to 8,0% in January and 8,4% in February (see Graph 3). The higher oil prices have begun to feed through into consumer prices while the general trend of other import prices has been less favourable for some months. In February, the monthly increase in the index was 0,8%. Apart from the spurt of 1,2% recorded last January, which was attributable in part to the exceptionally severe winter weather, this increase was the largest since April 1978. With the exception of Belgium, all Member States

GRAPH 1: Industrial production (s.a.), EC total
1975 = 100



GRAPH 2: Unemployment (s.a.), EC total

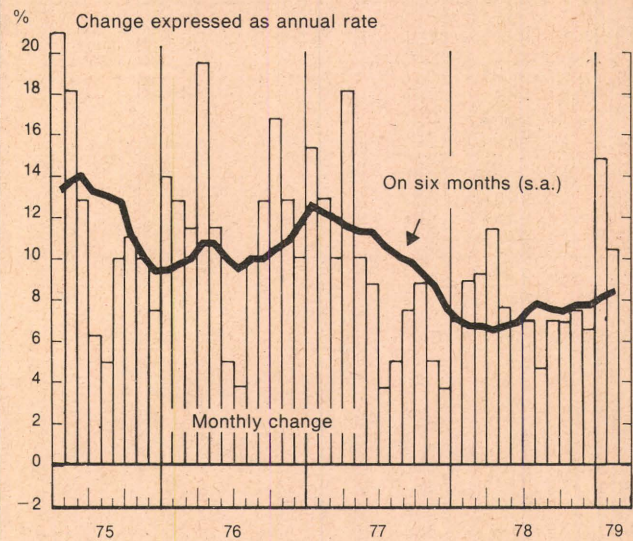


saw consumer prices climb by half a percentage point or more in February (see Table 3), with Italy experiencing the sharpest increase.

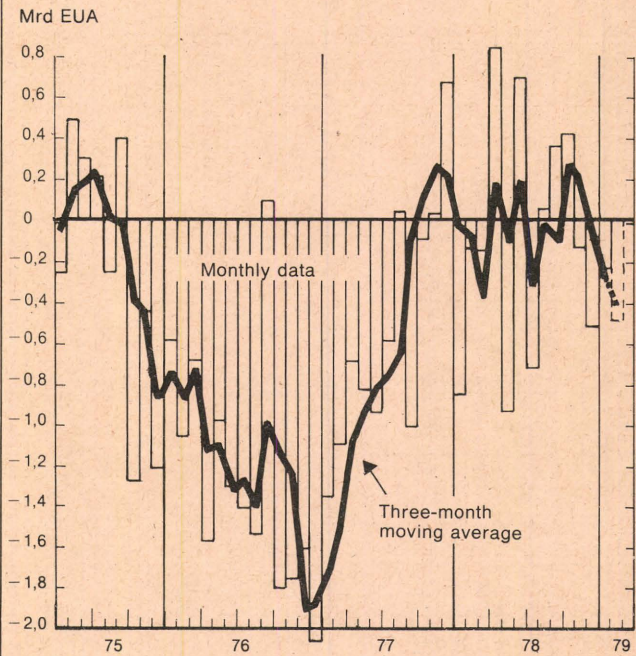
Wider trade deficit. — Judging from the seasonally adjusted figures, the Community's trade balance continued to worsen in February. The surplus in the Federal Republic of Germany was again much lower than in the closing months of 1978, the trade deficit in France deteriorated markedly and that in Denmark was slightly heavier (see Table 4). By contrast, the trade deficit in Ireland narrowed substantially. These performances reflect a continuation of the tendency — discernible in the Community since last autumn, especially in the Federal Republic of Germany and Italy—towards a more rapid growth of imports, particularly from other Member States. What is more, the oil price increases applied since the beginning of the year are already showing up in import prices.

5 April 1979

GRAPH 3: Consumer prices, EC total



GRAPH 4: Trade balance (s.a.), EC total



GRAPH 5: Value of ECU and EUA against USD

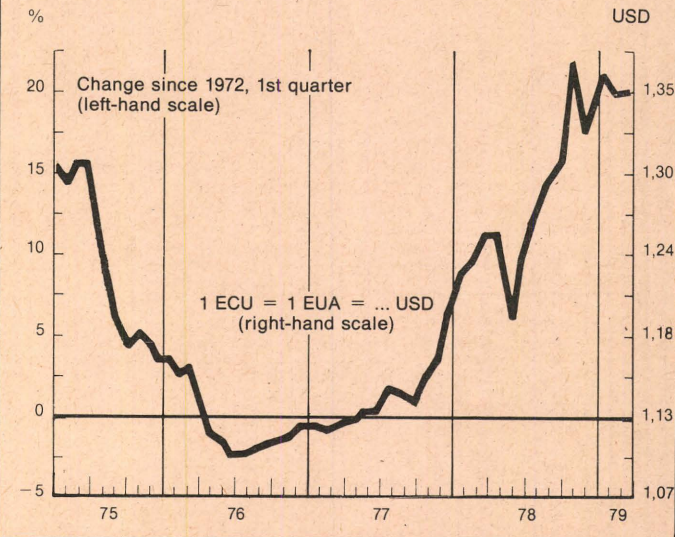


TABLE 1: Industrial production¹ - Percentage change on preceding period (s.a.)

	1974	1975	1976	1977	1978	1977	1978					1978						1979	Change over
						IV	I	II	III	IV		July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	12 months % ³
DK	-1,1	-5,7	9,2	0,8	2,1	-1,6	-2,9	7,2	-2,1	2,8		-6,2	8,6	-4,1	2,6	2,7	-3,9	:	0,9
D	-1,1	-6,2	7,4	2,8	2,2	0,9	0	0	2,6	0,8		1,7	-0,8	1,7	0	0	0	0	0,7
F	2,5	-8,9	9,7	1,6	1,6	-1,6	2,4	1,9	-0,8	1,8		0,8	0	1,6	0	0,8	0,8	0,8	5,3
IRL	2,9	-6,1	9,0	8,1	12,1 ²	3,5	2,1	3,0	-1,3	:		-1,6	-9,0	10,7	0,9	:	:	:	8,2
I	3,9	-8,8	11,6	0	2,0	-1,8	3,6	-0,8	0,4	5,8		-0,6	-0,5	1,8	5,0	0,4	-1,5	-0,9	4,8
NL	5,0	-4,8	5,9	0,8	1,2	1,9	0	-0,3	0,8	2,6		1,6	-3,8	2,4	0	0,8	4,6	-3,7	4,7
B	4,0	-9,8	7,7	0,4	2,1	-0,5	-1,0	1,3	1,4	5,0		3,8	-2,2	5,3	1,2	-1,4	7,5	-6,2	5,9
L	3,5	-21,9	6,4	0,5	5,0	0,5	6,2	-1,7	0,7	1,3		1,3	3,3	-8,1	7,1	0	0,7	:	8,5
UK	-2,6	-4,8	2,7	4,6	3,1	-0,9	1,3	3,1	0,6	-1,4		0,2	0,4	-1,5	-1,8	1,0	1,7	-5,3	-1,6
EC	0,6	-6,6	7,3	2,2	2,2	-0,6	1,8	0,5	0,9	1,8		1,3	-0,9	1,8	0,2	0,1	2,1	-2,1	2,5

TABLE 2: Unemployment rate - Number of unemployed as % of civilian labour force (s.a.)

	1974	1975	1976	1977	1978	1977	1978					1978						1979	Change over
						IV	I	II	III	IV		Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Febr.	12 months % ³
DK	2,0	4,6	4,7	5,8	6,6	5,9	6,1	6,6	6,7	6,6		6,7	6,6	6,7	6,6	6,6	5,9 ⁴	5,9	-10,3
D	2,2	4,2	4,1	4,0	3,9	3,9	3,9	3,9	3,9	3,7		4,0	3,9	3,8	3,8	3,7	3,7	3,6	-7,4
F	2,3	3,9	4,3	4,9	5,3	5,0	4,9	5,1	5,5	5,7		5,5	5,6	5,7	5,7	5,8	5,8	5,9	21,1
IRL	6,3	8,7	9,8	9,7	8,9	9,5	9,2	8,9	8,6	8,5		8,7	8,5	8,6	8,6	8,4	8,3	:	-8,6
I	4,9	5,3	5,6	6,4	7,1	6,9	7,0	7,0	7,1	7,3		7,0	7,1	7,2	7,3	7,4	7,3	7,4	5,9
NL	2,9	4,1	4,4	4,3	4,3	4,4	4,1	4,2	4,4	4,4		4,4	4,5	4,4	4,4	4,3	4,3	4,3	3,1
B	3,2	5,3	6,8	7,8	8,4	8,2	8,2	8,4	8,4	8,5		8,5	8,5	8,5	8,5	8,5	8,5	8,6	5,1
L	0,0	0,2	0,3	0,6	0,8	0,7	0,9	0,8	0,9	0,7		0,9	0,9	0,7	0,7	0,7	0,8	0,8	-6,9
UK	2,4	3,8	5,3	5,7	5,7	5,8	5,8	5,7	5,7	5,5		5,7	5,6	5,6	5,5	5,4	5,4	5,5	-3,8
EC	2,9	4,4	4,9	5,3	5,5	5,5	5,5	5,5	5,6	5,6		5,6	5,6	5,6	5,6	5,6	5,6	5,6	2,8

TABLE 3: Consumer price index - Percentage change on preceding period

	1974	1975	1976	1977	1978	1977	1978					1978						1979	Change over
						IV	I	II	III	IV		Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Febr.	12 months %
DK	15,3	9,6	9,0	11,1	10,0	5,2	1,3	1,6	1,2	2,9		0,4	0,7	1,9	0,6	0,1	(0)	(0,6)	(6,8)
D	7,0	5,9	4,6	3,9	2,6	0,2	1,3	0,9	0	0,1		-0,3	-0,3	0	0,3	0,4	1,1	0,6	2,9
F	13,6	11,7	9,6	9,5	9,3	1,9	1,6	2,9	2,7	2,1		0,6	0,6	0,9	0,5	0,5	0,9	0,7	10,1
IRL	17,0	20,9	17,9	13,7	7,7	1,7	1,4	1,8	3,1	1,5		1,0	0,5	0,5	0,5	1,4	1,4	1,3	10,9
I	19,2	17,0	16,7	18,5	12,1	3,3	2,6	3,1	2,4	3,0		0,5	1,6	0,9	1,0	0,5	1,7	1,5	13,1
NL	9,8	9,9	8,9	6,8	4,2	1,3	0,1	2,0	0,7	1,1		0,4	0,8	0,4	0,1	-0,1	-0,4	0,6	4,3
B	12,7	12,8	9,2	7,1	4,5	1,2	1,3	0,5	1,1	1,0		0,5	0,4	0,2	0,3	0,4	0,6	0,3	3,9
L	9,5	10,8	9,8	6,7	3,1	0,4	0,7	1,0	0,5	0,9		0,1	0,2	0,6	0,3	0	0,8	0,5	4,0
UK	16,0	24,2	16,5	15,9	8,2	1,5	1,7	2,7	1,8	1,7		0,7	0,4	0,4	0,8	0,8	1,5	0,8	9,6
EC	12,7	13,3	10,9	10,8	7,5	1,7	1,6	2,2	1,6	1,6		0,4	0,6	0,6	0,6	0,5	1,2	(0,8)	(8,3)

TABLE 4: Trade balance - fob/cif, million EUA (s.a.)

	1974	1975	1976	1977	1978	1977	1978					1978						1979	Change over
						IV	I	II	III	IV		Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Febr.	12 months ³
DK	-1 860	-1 357	-2 949	-2 803	-2 294	-569	-604	-472	-542	-607		-203	-151	-220	-216	-173	-190	-207	-43
D	16 227	12 234	12 301	14 520	15 967	4 281	3 458	4 100	3 982	4 380		1 529	1 562	1 607	1 431	1 342	1 183	1 155	51
F	-5 804	-1 704	-7 672	-6 128	-4 081	-1 024	-1 285	-1 091	-591	-972		-356	-124	-224	-277	-471	-464	-778	-451
IRL	-986	-468	-786	-870	-1 129	-191	-199	-311	-310	-308		-134	-86	-140	-112	-56	-168	-95	-16
I	-8 965	-2 895	-5 772	-2 239	-319	-442	-16	323	-419	-23		75	66	106	103	-186	-185	:	-192
NL	-149	136	116	-1 680	-2 169	-271	-174	-517	-615	-825		-278	-107	-295	-434	-96	-9	:	58
B/L	-1 338	-1 615	-2 224	-2 439	-1 813	-654	-696	-468	-459	-460		-259	-105	-88	-104	-268	:	:	-126
UK	-13 174	-7 793	-8 852	-5 516	-5 588	-914	-1 515	-1 238	-1 468	-1 231		-494	-593	-328	-552	-352	-313	:	330
EC	-16 049	-3 461	-15 838	-7 154	-1 452	218	-1 121	585	-365	-267		35	353	406	-153	-521	(-222)	(-500)	(-350)
EC Trade balance fob/fob (in '000 million EUA)																			
	-3,8	7,4	-1,5	6,9	12,9	(5,1)	(3,3)	(5,4)	:	:		:	:	:	:	:	:	:	:
EC Balance of payments on current account (in '000 million EUA)																			
	-8,9	1,6	-5,1	2,1	10,6	(3,6)	(1,3)	(4,0)	:	:		:	:	:	:	:	:	:	:

TABLE 5: Value of ECU and EUA - 1 ECU = 1 European unit of account = ... units of national currency

	1974	1975	1976	1977	1978	1978					1979						1979	Change over
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Febr.	March	12 months %
DKR	7,26	7,12	6,76	6,86	7,02	7,03	6,98	7,07	6,99	6,98	7,06	7,00	6,97	7,01	6,96	6,96	7,01	-0
DM	3,08	3,05	2,82	2,65	2,56	2,57	2,57	2,57	2,52	2,51	2,56	2,52	2,52	2,51	2,51	2,51	2,52	-1,1
FF	5,73	5,32	5,34	5,61	5,74	5,88	5,69	5,62	5,76	5,78	5,67	5,75	5,77	5,77	5,76	5,78	5,80	-1,7
LIT	776	810	930	1 007	1 081	1 067	1 065	1 074	1 116	1 136	1 078	1 108	1 116	1 126	1 137	1 136	1 136	6,1
HFL	3,20	3,13	2,96	2,80	2,75	2,75	2,75	2,79	2,79	2,71	2,78	2,74	2,73	2,72	2,71	2,71	2,72	-0,2
BFR/LFR	46,40	45,57	43,17	40,88	40,06	39,92	40,11	40,53	39,69	39,67	40,35	39,69	39,61	39,78	39,59	39,56	39,86	-0,8
UKL	0,510	0,560	0,622	0,654	0,664	0,642	0,673	0,664	0,677	0,670	0,664	0,681	0,676	0,673	0,677	0,675	0,669	3,9
USD	1,19	1,24	1,12	1,14	1,27	1,24	1,24	1,28	1,34	1,35	1,30	1,37	1,32	1,34	1,36	1,35	1,35	7,9

Source: Eurostat unless otherwise stated.

¹ National sources, except in the cases of the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in the methods of seasonal adjustment, the change in the EC index, adjusted by Eurostat and given in Table 1, may differ from the change in the EC index obtained by aggregation of the national indices. The figures are corrected for the number of working days. Excluding building and construction and, in the case of France, the foodstuffs and beverages industry.

² January-October.

³ For the most recent figure given in the table.

⁴ From January 1979 new series.

Note: (s.a.) = seasonally adjusted.

: = not available.

() = estimate.

Major economic policy measures — March 1979

Community (EC)

12.3 and 13.3 The European Council discussed the economic and social situation, the problems of employment, energy and convergence and the common agricultural policy. In accordance with the pledge, made in Bremen and now renewed, to reduce the dependence on imported energy by 50% between now and 1985, the Community and the Member States will endeavour, in 1979, to cut oil consumption in the Community from the figure of 525 million tonnes to 500 million tonnes.

13.3 The European Monetary System was formally introduced after France had withdrawn its provisional reservation.

19.3 The Council (Economic and Financial Affairs) discussed, among other things, the action to be taken as a follow-up to the deliberations of the European Council on the economic and social situation. It conducted the first quarterly examination of the economic situation in the Community and noted that there was no need, for the time being, to adjust the guidelines set out in the Annual Economic Report 1978-79.

Denmark (DK)

15.3 With a view to reducing the consumption of oil products by 5%, the Danish Government adopted a number of measures most of which take effect on 1 April (immediate lowering of speed limits on motorways and other major roads by 10 km/hr, imposition of a maximum room temperature of 20°C in public buildings, compulsory inspection of oil burners, ban on illuminated advertising after 11 p.m. and restrictions on road lighting).

28.3 Parliament adopted a draft law on wage settlements for the period ending March/April 1981:

- (i) the automatic wage indexation system will be maintained and the two portions of the increase in the index that had been temporarily blocked will not be paid; instead, there will be a gradual extension of paid holidays;
- (ii) with effect from 1 March, the minimum hourly wage will be increased by DKR 1,20; as of 1 March 1980, a supplementary amount equal to 0,75% of the wage bill will be paid to the lowest categories of wage earners;
- (iii) specific settlements agreed in certain firms will continue to apply;
- (iv) over the two-year period covered by the collective agreement, public-sector employees will receive an increment equal to 13/4% of the wage bill;
- (v) the price freeze will be replaced on 1 April 1979 by controls on prices, profits and dividends.

28.3 A temporary ceiling was imposed on lending rates, which should not rise above 14% between now and the end of the year.

Federal Republic of Germany (D)

24.3 Employers and unions in the public sector agreed on a 4% pay increase for wage and salary-earners, which will take effect on 1 March 1979; the holiday allowance will go up from DM 150 to DM 300, bringing the overall increase to 4½%. This agreement will also be used as the basis for adjusting civil servants' salaries and will thus apply to a total of some 4½ million persons. The extra expenditure involved is about DM 8 000 million.

29.3 The discount rate was raised from 3% to 4% and the rate for advances on securities from 4% to 5%. The banks' rediscount quota was increased from DM 22 000 million to DM 27 000 million.

France (F)

14.3 The Government adopted a package of measures aimed at encouraging the setting up of industrial enterprises, for which a special agency is to be established, and of artisanat enterprises. A national fund will be established, financed by a contribution of FF 20 million from the central government budget and one of FF 20 million from the banking institutions; it will provide guarantees in respect of 65% of the amount of medium-term and long-term loans granted to persons setting up firms by banking institutions and in respect of 75% of the amount of such loans granted by mutual guarantee

companies. A number of measures to assist the artisanat were also adopted. In all, more than FF 3 500 million will be made available, at a reduced interest rate, to artisanat enterprises in 1979, as against FF 2 200 million in 1978.

16.3 The agreement on unemployment benefits concluded on 16 March between employers and the unions adjusts the rates and amounts of benefits. The lowest benefits paid out were increased (the basic benefit is now 42% of pay; in addition there will be a daily allowance of FF 20; however, the supplementary tide-over benefit will now be paid on a degressive scale.

16.3 The Government is preparing a package of measures aimed at ensuring that fewer firms in difficulty will have to close down.

Ireland (IRL)

30.3 The Central Bank announced an extension of the restrictions on bank lending until mid-February 1980. Personal borrowing will be permitted to increase by only 10% in the twelve months to mid-February 1980. Total credit for the non-government sector will be allowed to rise by 18%. An easing of the restrictions on Irish banks' borrowings in foreign currency was also announced and the 50% deposit requirement for external capital inflows through the banks was suspended.

30.3 As a result of sterling's appreciation against all the currencies participating in the EMS, the Irish authorities decided to discontinue the parity link between their currency and sterling.

Italy (I)

11.3 Newspaper prices were increased by 25%. The sliding wage scale will not be affected as the increase does not apply to subscriptions.

Netherlands (NL)

1.3 The general increase in rents from 1 July will be restricted to 5% instead of the 6% proposed by the Government (1978: 7%).

Belgium (B)

7.3 The National Bank cut the rate on special advances under subceiling B from 7,5% to 7%. The maximum aggregate amount of special assistance available to the 'Fonds des Rentes' in the form of a special advance or a subscription to certificates issued by the 'Fonds des Rentes' was raised from BFR 30 000 million to BFR 50 000 million. This increased the amount which the Treasury may borrow from the 'Fonds des Rentes' to BFR 87 000 million.

9.3 With effect from 9 March, the leading financial intermediaries decided to lower their effective base rate for discount and acceptance credits from 8,25% to 8%.

19.3 With effect from 19 March, the banks and the savings banks cut the interest rate on 15-day, one-month and three-month deposits by one quarter of a percentage point.

Luxembourg (L)

19.3 The Government and the employers and unions (with the exception of the LCGB and the FEP) in the steel industry signed the final document drawn up by a tripartite conference. The steel industry agreed to carry out an LFR 23 200 million investment programme between now and 1983. In addition, the workforce will not be cut below 16 500. In return, the steel industry will receive Government aids totalling LFR 3 100 million.

United Kingdom (UK)

1.3 The minimum lending rate was cut from 14% to 13%.

8.3 The Government announced a modification to the Job Release Scheme to take effect from 1 May which will enable men to retire at 62 (64 at present) and at 60 for disabled men. The weekly allowance paid on early retirement will also be increased. It remains a condition of the scheme that such people are replaced by younger persons currently registered as unemployed.

PRICES

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