



EUROPEAN ECONOMY

Supplement — Series A

No 8-9 — August-September 1980

Recent economic trends

Declining output after positive first quarter. — According to provisional estimates based on data for the four major countries, real gross domestic product of the Community rose by 4,3% (seasonally adjusted annual rate) from the fourth quarter of 1979 to the first quarter of 1980. Domestic expenditure rose by only 3% but the foreign balance improved considerably in volume terms due to a comparatively fast expansion of exports and only moderate import growth. The trend in industrial production, however, already hesitant in the early months of 1980, is now clearly on a falling trend. Unemployment has increased to close to 7 million people corresponding to 6,2% of the active population. Consumer price increases are slowing down somewhat but the pressure from cost factors remains strong. The trade deficit has not deteriorated much more but a general improvement is not yet evident.

Major supply and demand components, EC total

percentage change over previous quarter, seasonally adjusted annual rates, volume terms.

		GDP	Imports ¹	Exports ¹	Domestic expenditure	Gross fixed investment
1977	Q1	1,7	-1,7	1,8	1,0	3,6
	Q2	-1,0	-1,2	8,7	-3,3	-5,0
	Q3	2,4	2,7	6,3	2,0	-0,9
	Q4	3,6	0,4	1,2	2,6	1,7
1978	Q1	2,6	8,3	7,9	3,3	2,3
	Q2	5,7	7,9	5,1	6,0	9,7
	Q3	3,2	11,1	2,8	5,1	3,1
	Q4	5,1	14,0	10,0	5,5	6,2
1979	Q1	0,8	7,9	-1,2	3,6	-10,2
	Q2	5,8	14,3	14,8	5,6	16,0
	Q3	2,8	13,6	5,0	4,8	15,3
	Q4	4,3	6,2	2,4	5,1	8,4
1980	Q1	4,3	7,0	14,2	3,0	1,1

¹ Goods and services, including intra-trade.

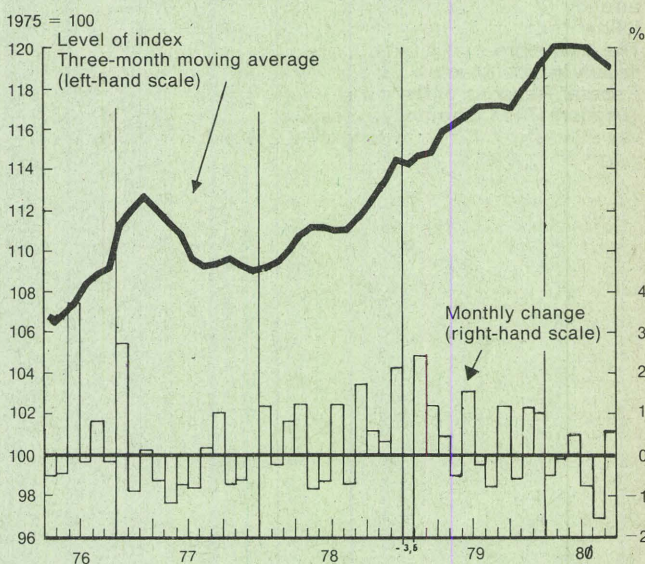
Source: Estimate by the Commission's staff based on national accounts data for the Federal Republic of Germany, France, Italy and the United Kingdom.

Declining trend in industrial production. — The trend of industrial production in the Community turned down in June. Although results for single months are subject to large fluctuations and must be interpreted with caution there are now unambiguous signs that industrial output is declining. The index of industrial production in June rose slightly over the preceding month but the average for the second quarter showed a decline of 1,2% over the previous quarter and the June level was 0,1% lower than a year earlier. Indicators of production expectations and order books moreover show a sharp deterioration of the business climate in June and July.

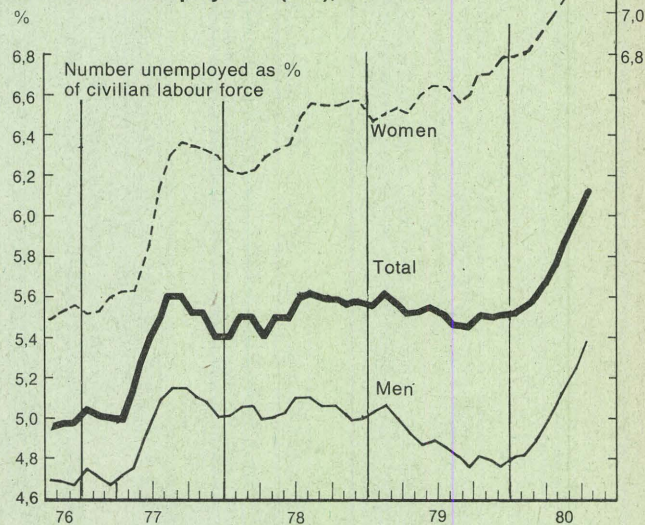
Unemployment situation worsens further. — The seasonally adjusted rate of unemployment in the Community, after reaching 6% in June, rose further in July to 6,2%, a new record level, which represents

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



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



nearly 7 million unemployed persons (Table 2, Graph 2). All Member States are now sharing in this trend, the largest rises occurring in the United Kingdom (29,5% higher than a year ago), Denmark, the Netherlands and Ireland. In addition, the number of unfilled vacancies is now falling sharply everywhere, and once again the male and female unemployment rates are both rising steeply together, after a year in 1979 when only the female rate was rising.

Slowdown in the rate of inflation hesitant. — After falling in May, and again in June, the rate of increase in the index of consumer prices in the Community rose in July to 1%. However, the change over 12 months fell from 14,6% in June to 12,7% in July reflecting mainly the drop in the 12-month rate for the United Kingdom where the rise in the VAT in 1979 ceased to affect the figures (Table 3); and the trend increase over six months also showed (Graph 3) a decline in July. Only the Federal Republic of Germany and the United Kingdom registered a fall in the monthly rate of increase; in most other Member States, the July increase is back to the levels recorded at the beginning of the year, and the change over 12 months still shows a wide divergence between Member States. Data on wholesale prices and hourly wages in industry which have recently become available show only a very slight deceleration in cost factors, but are too incomplete to allow any firm conclusions about a future decline in the inflation rate to be drawn.

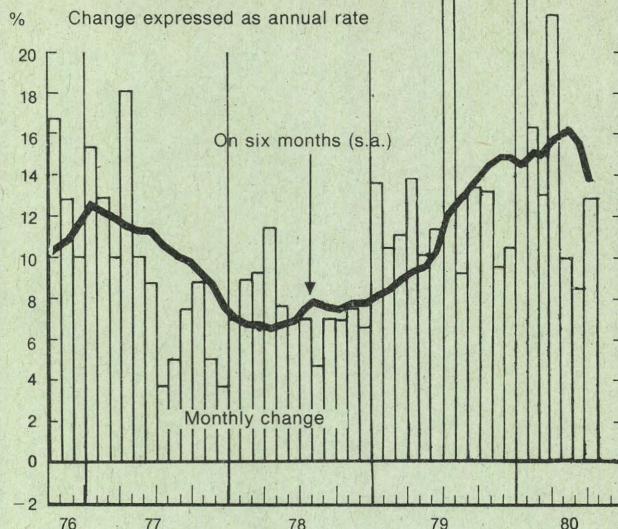
Stabilization of the trade deficit. — The Community's trade deficit on a fob-cif basis stabilized at a monthly level of some 4 000 million ECU in the second quarter of 1980. The continuing substantial trade imbalance nevertheless conceals an improving trade balance trend in three Member States: in the Federal Republic of Germany, the surplus increased slightly in June and July, though from a very low May level; in Ireland the narrowing of the deficit was mainly due to a slowdown in imports; in the United Kingdom the non-oil balance and in particular the increase in the surplus on manufactures accounts for the second quarter cut in the trade; the United Kingdom July trade figures were also favourable.

Money supply development uncertain. — The growth of money supply, which had decelerated in May in Denmark, France, the Federal Republic of Germany and Ireland, slowed down further in June in the two latter countries but showed an acceleration in Denmark. In the United Kingdom an acceleration had taken place already in May and the money supply rose substantially in July following the abolition of the special supplementary deposit scheme. The development of interest rates was also hesitant; the easing seen in July in most Member States was followed in August by a rise in the Federal Republic of Germany, France, Netherlands and the United Kingdom. The Community average of short-term interest rates, which had fallen from 12,9% in June to 12,2% in July, thus showed a small increase in August.

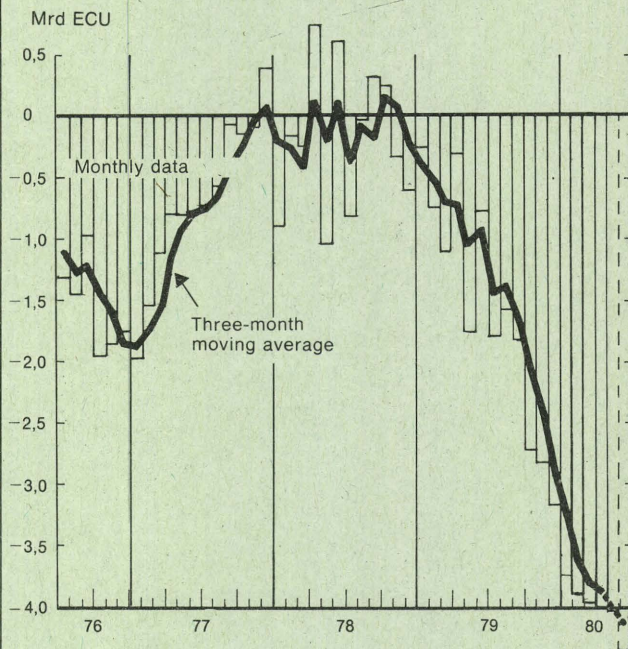
Dollar recovery in August. — In July the dollar went on weakening against the European currencies but the trend was reversed in August and the dollar gained almost 2% on a monthly average against the ECU. The yen followed a similar path to the dollar but made less progress (+0,6%). Sterling also firmed in July but even more in August (+1,8%) so that the ECU fell below the level of UKL 0,6 for the first time since March 1976. The Italian lira definitely weakened in July but a limited strengthening became apparent in August. The German mark has slipped slightly in the last two months. At the end of August the Belgian franc was losing a little ground and took the German's mark place as the weakest currency in the 2,25% band.

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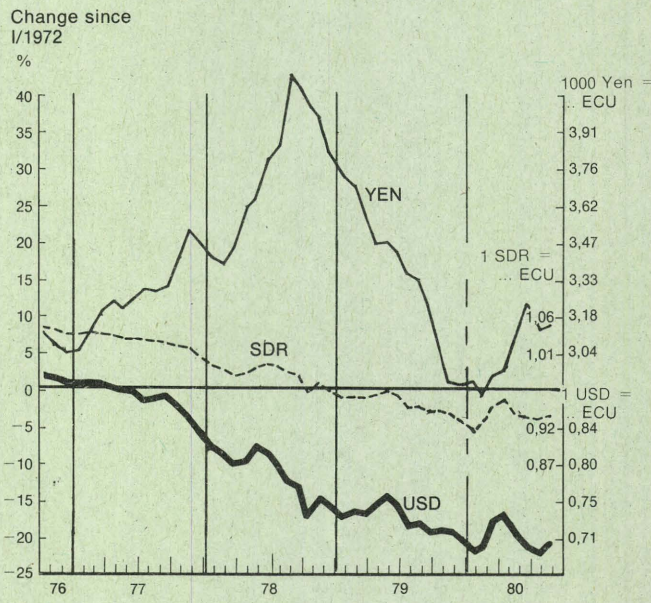
GRAPH 3: Consumer prices, EC total



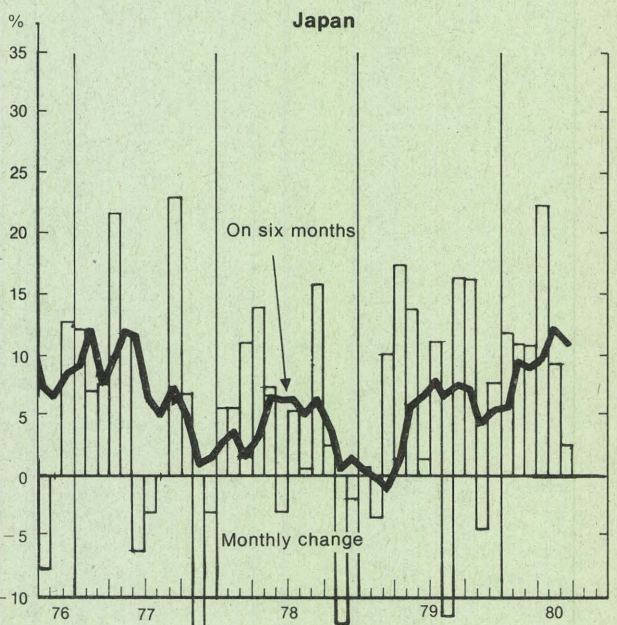
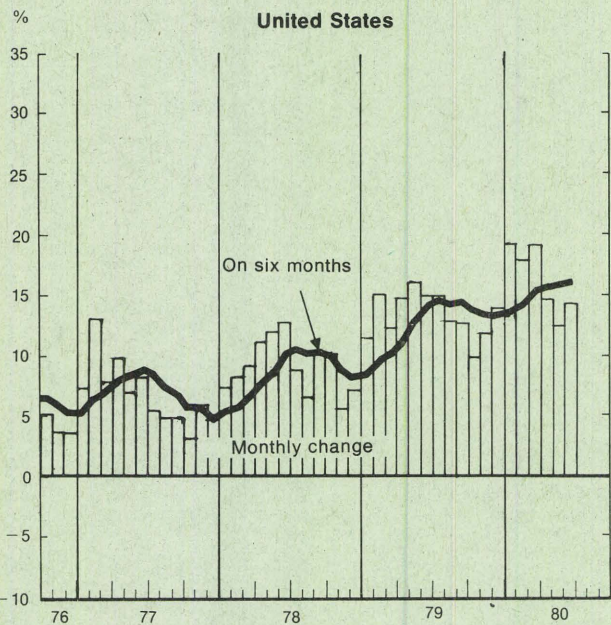
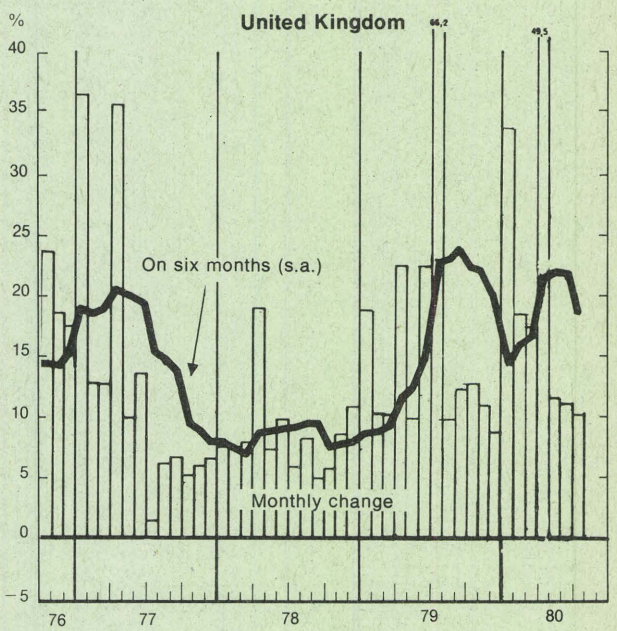
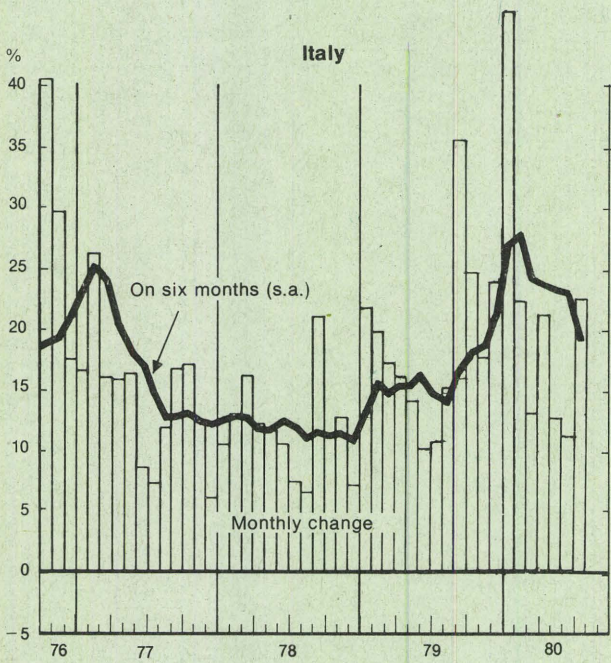
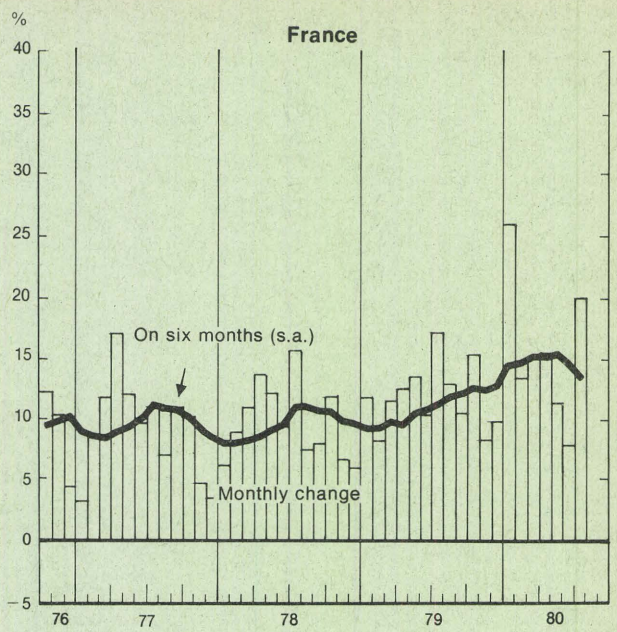
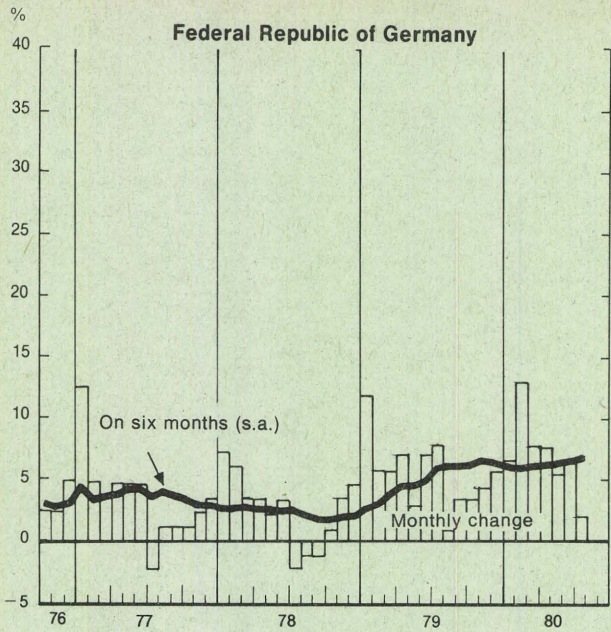
GRAPH 4: Trade balance (s.a.), EC total



GRAPH 5: Value of USD, yen and SDR in ECUs



GRAPH 6: Consumer prices, EC total Change expressed as annual rate



Source: National data.

TABLE 6: Trade balance - fob/cif, million ECUs (s.a.)

	1975	1976	1977	1978	1979	1979			1980		1980						Change over 12 months 2	
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
DK	-1 359	-2 954	-2 801	-2 198	-2 806	-778	-780	-800	-868	-619	-292	-306	-270	-287	18	-349	:	-130
D	12 224	12 243	14 514	15 934	8 933	2 996	1 771	984	1 131	553	439	308	384	335	95	123	382	-988
F	-1 700	-7 732	-6 117	-4 097	-6 490	-1 421	-1 819	-2 082	-4 051	-4 435	-1 225	-1 307	-1 518	-1 218	-1 805	-1 412	:	-1 010
IRL	-461	-772	-876	-1 132	-1 955	-554	-533	-503	-567	-378	-221	-214	-133	-138	-168	-72	:	143
I	-2 882	-5 981	-2 444	-336	-4 151	-463	-778	-2 012	-3 210	:	-1 073	-1 228	-909	-1 265	-996	:	:	601
NL	203	317	-1 687	-2 240	-2 619	-514	-798	-1 138	-576	-857	-120	-152	-304	-179	-177	-501	:	485
B/L	-1 626	-2 375	-2 526	-2 890	-3 022	-443	-391	-885	-1 468	:	-525	-376	-567	:	:	:	:	357
UK	-7 617	-8 664	-5 246	-5 548	-8 695	-1 658	-1 922	-1 966	-2 096	-1 906	-800	-709	-589	-910	-454	-542	-118	525
EC ⁸	-3 216	-15 919	-7 184	-2 508	-20 804	-2 875	-5 252	-8 765	-11 631	(-12 400)	-3 769	-3 895	-3 975	(-4 000)	(-4 050)	(-4 300)	:	(-3516)
USA	-3 017	-13 189	-31 907	-31 014	-27 206	-6 977	-6 844	-7 292	-8 619	(-5 807)	-3 297	-3 896	-2 326	-1 387	-2 825	(-1 595)	:	(516)
JAP	-1 700	2 171	8 488	14 285	-5 574	-477	-2 356	-3 505	-3 256	(-32 14)	-847	-1 111	-1 298	(-1 485)	(-479)	(-1 256)	:	(-1 026)

TABLE 7: Money supply⁹ - Percentage change on corresponding period of preceding year

	1975	1976	1977	1978	1979	1979			1980		1980						Change over 12 months 2	
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May		June
DK (M2)	25,5	11,4	9,8	6,7	9,9	9,3	9,5	9,9	8,5	6,8	9,9	9,6	8,3	8,5	6,7	6,0	6,8	
D (M3)	8,5	8,4	11,1	11,0	6,0	10,8	7,8	6,0	5,9	4,3	6,0	5,7	5,6	5,9	4,8	4,7	4,3	
F (M2)	15,7	12,8	13,9	12,2	14,4	13,6	13,0	14,4	13,0	:	14,4	13,2	13,0	13,0	12,5	12,1	:	
IRL (M3)	19,1	14,3	16,3	28,7	19,0	36,0	26,2	19,0	14,6	9,2	19,0	16,6	16,3	14,6	13,4	9,4	9,2	
I (M2)	23,5	20,8	21,8	22,8	20,4	20,2	20,0	20,4	17,6	:	20,4	19,1	17,9	17,6	:	:	:	
NL (M2)	5,7	22,7	3,6	4,2	6,9	5,0	3,8	6,9	5,7	:	6,9	6,5	6,6	5,7	:	:	:	
B (M2)	17,2	13,4	9,9	9,7	6,1	8,9	6,6	6,0	4,1	:	6,0	:	:	4,1	:	:	:	
UK (EM3)	7,8	11,3	9,3	13,3	11,7	11,1	11,8	11,7	12,0	11,6	11,7	11,4	11,2	12,0	10,4	11,3	11,6	16,4
EC ¹⁰	12,9	12,9	12,3	12,7	11,0	12,3	11,1	11,0	10,1	:	11,0	10,3	10,0	10,1	:	:	:	
USA (M2)	12,8	14,1	10,8	8,3	8,8	9,2	9,4	8,8	8,9	:	8,8	9,1	9,5	8,9	7,5	(7,7)	:	
JAP (M2)	14,5	13,5	11,1	13,1	9,1	11,8	12,1	9,1	9,7	:	9,1	10,1	10,2	9,7	10,4	:	:	

TABLE 8: Short-term interest rates¹¹

	1975	1976	1977	1978	1979	1979			1980		1980						Change over 12 months 2	
						II	III	IV	I	II	Feb.	March	April	May	June	July		Aug.
DK	14,5	10,3	14,5	15,4	12,5	9,8	17,4	16,5	19,1	18,9	18,3	19,1	18,9	19,2	18,9	17,8	:	3,4
D	5,0	4,2	4,4	3,7	6,7	6,6	8,0	9,6	9,8	9,9	9,1	9,8	10,1	10,2	9,9	9,3	:	1,3
F	8,0	8,8	9,3	8,1	9,5	9,3	11,6	12,6	13,8	12,5	13,8	13,8	13,0	12,8	12,5	11,6	12,2	0,8
IRL	11,0	11,8	8,4	9,9	15,9	17,6	17,4	18,5	19,0	17,6	18,1	19,0	18,6	18,0	17,6	16,6	14,8	-2,6
I	10,4	17,6	14,5	11,3	11,5	11,1	10,9	16,5	15,8	15,6	15,8	15,8	15,6	16,0	15,6	16,0	:	5,5
NL	5,3	7,1	4,8	6,6	9,5	8,4	9,8	13,0	11,2	10,5	12,9	11,2	10,5	11,2	10,5	9,5	10,7	1,1
B	7,4	10,0	7,6	7,3	10,1	9,8	12,5	14,5	17,5	14,0	15,0	17,5	17,0	15,8	14,0	13,0	12,6	0,6
UK	10,6	10,6	8,1	8,3	13,7	14,1	14,2	17,1	18,5	17,1	18,2	18,6	17,1	17,1	17,1	15,9	16,8	2,5
EC ¹⁰	7,7	7,5	8,0	7,2	9,6	9,4	10,9	13,1	13,7	12,9	13,3	13,7	13,3	13,2	12,9	12,2	(12,3)	(1,8)
USA	5,8	5,0	5,3	7,2	10,1	8,8	10,1	12,0	13,6	(7,4)	13,4	13,6	12,2	7,7	(7,4)	:	:	(-1,4)
JAP	:	:	6,2	5,1	5,9	5,3	6,5	8,0	12,7	:	9,9	12,7	:	:	:	:	:	:

TABLE 9: Long-term interest rates¹²

	1975	1976	1977	1978	1979	1979			1980		1980						Change over 12 months 2	
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
DK	13,1	13,6	16,6	16,7	15,9	16,1	16,6	17,1	18,6	19,0	17,4	18,7	18,6	18,6	19,2	19,0	:	2,9
D	8,5	7,8	6,2	5,7	7,4	7,8	7,5	7,9	9,4	8,2	8,1	8,5	9,4	9,4	8,7	8,2	7,9	0,1
F	10,3	10,5	11,0	10,6	10,0	10,7	11,6	12,6	14,4	13,3	12,5	12,5	14,4	14,0	13,5	13,3	13,4	2,1
IRL	14,0	14,7	12,9	12,8	14,9	15,4	15,7	16,3	16,8	14,6	16,0	16,4	16,8	16,2	15,8	14,6	14,1	-1,9
I	10,4	12,5	15,2	14,2	14,3	13,9	14,4	15,3	16,2	:	15,3	15,6	16,2	16,4	16,3	:	:	2,4
NL	8,8	9,0	8,1	7,7	8,8	9,0	8,7	9,4	11,5	10,0	9,4	10,4	11,5	10,6	10,0	10,0	9,7	0,7
B	8,5	9,0	8,8	8,5	9,7	9,4	9,9	11,1	12,5	11,8	11,4	11,9	12,5	12,0	12,3	11,8	11,8	2,2
L	6,7	7,2	7,0	6,6	6,8	6,8	6,8	6,8	7,3	7,5	6,9	7,1	7,3	7,4	7,4	7,5	7,5	0,7
UK	14,4	14,4	12,7	12,5	13,0	12,7	12,6	14,7	14,6	13,8	14,2	14,6	14,6	14,1	14,0	13,8	13,1	0,8
EC ¹⁰	10,3	10,4	10,1	9,7	10,3	10,5	10,7	11,6	12,9	(12,1)	11,6	12,0	12,9	12,7	12,3	(12,1)	(11,8)	(0,7)
USA	7,0	6,8	7,1	7,9	8,7	8,3	8,7	9,6	11,9	9,4	10,0	11,6	11,9	10,8	9,8	9,4	:	1,1
JAP	9,2	8,7	7,3	6,1	7,7	8,1	7,9	8,6	10,0	:	8,5	9,3	10,0	10,3	:	:	:	2,7

TABLE 10: Value of ECU — 1 ECU = units of national currency or SDR

	1975	1976	1977	1978	1979	1979			1980		1980						Change over 12 months % 2	
						II	III	IV	I	II	Feb.	March	April	May	June	July		Aug.
DKR	7,12	6,76	6,86	7,02	7,21	7,15	7,28	7,42	7,80	7,84	7,80	7,83	7,85	7,85	7,81	7,79	7,82	7,2
DM	3,05	2,82	2,65	2,56	2,51	2,52	2,52	2,48	2,50	2,52	2,50	2,51	2,52	2,51	2,51	2,52	2,53	0
FF	5,32	5,34	5,61	5,74	5,83	5,83	5,88	5,82	5,85	5,85	5,86	5,85	5,84	5,86	5,85	5,84	5,86	-0,5
IRL	0,560	0,622	0,654	0,664	0,669	0,665	0,670	0,670	0,675	0,675	0,675	0,677	0,674	0,676	0,674	0,671	0,670	-0,3
LIT	810	930	1 007	1 080	1 138	1 128	1 135	1 154	1 162	1 182	1 158	1 166	1 176	1 181	1 188	1 198	1 197	5,8
HFL	3,13	2,96	2,80	2,75	2,75	2,75	2,78	2,76	2,75	2,76	2,75	2,75	2,77	2,77	2,76	2,75	2,75	-0,8
BFR/LFR	45,57	43,17	40,88	40,06	40,17	40,35	40,45	40,22	40,54	40,36	40,58	40,63	40,46	40,34	40,27	40,27	40,44	-0,2
UKL	0,560	0,622	0,654	0,664	0,646	0,640	0,622	0,652	0,626	0,608	0,625	0,615	0,608	0,609	0,607	0,607	0,596	-3,5
USD	1,241	1,118	1,141	1,274	1,371	1,332	1,389	1,405	1,411	1,391	1,430	1,358	1,347	1,402	1,423	1,441	1,413	2,2
YEN	367,7	331,2	305,8	267,1	300,5	290,0	303,8	335,8	343,1	321,9	349,0	337,3	336,0	319,7	310,0	318,3	316,5	5,1
SDR	1,022	0,968	0,977	1,018	1,061	1,045	1,067	1,080	1,082	1,071	1,089	1,064	1,060	1,074	1,078	1,085	1,076	1,1

⁸ The seasonally-adjusted net balance for the Community does not tally with the total of the net balances of the Member States; this is because it is obtained by seasonally adjusting the total of the gross export and import figures for the various countries.

⁹ National sources; last month of the year or quarter; EC excluding Luxembourg.

¹⁰ Average weighted by GDP at current prices and exchange rates.

¹¹ National sources; EC excluding Luxembourg; three-month interbank rate except: Denmark, call-money rates on the money market (monthly average); Italy, yield of three-month Treasury bills; Belgium, yield at issue of four-month certificates issued by the Fonds des Rentes. Annual average, end of quarter

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

	1975	1976	1977	1978	1979	1979			1980		1979 Dec.	1980						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
DK	-5.7	9.3	0.8	2.3	3.6	2.7	0.6	6.0	-0.2	-4.3	-2.3	2.7	0.2	-1.2	-1.6	-3.7	1.4	0.8
D	-6.2	7.4	2.8	2.0	5.5	2.5	1.6	0.8	1.6	-2.3	-0.8	1.6	0.8	0	-0.8	-2.3	-0.8	-1.1
F	-8.9	9.7	1.6	1.6	3.7	1.3	3.8	-2.2	0.2	-1.7	1.5	0	0.7	-0.7	0.8	-3.7	0.8	-1.5
IRL	-6.1	9.0	8.1	9.4	6.7	3.0	0.8	0.4	:	:	-5.2	3.6	1.8	:	:	:	:	6.9
I	-8.8	11.6	0	2.1	7.7	-3.2	1.4	8.6	3.1	-2.2	-1.5	1.3	4.3	-0.4	1.4	-8.0	2.6	13.0
NL	(-4.8)	8.0	0	0.9	2.8	1.5	0.6	-0.6	2.7	-2.9	-4.3	6.4	-3.4	1.8	-2.6	0.9	-2.7	0
B	-9.8	8.1	0.4	2.4	4.1	5.1	0	-0.9	3.8	-1.9	2.4	3.3	-3.2	3.0	-4.1	1.4	1.4	-0.6
L	-21.9	3.8	0.5	3.2	3.4	1.2	-1.3	2.0	1.8	-2.4	6.3	-4.6	1.6	0.6	-0.1	-3.4	-2.7	-4.1
UK	-4.8	2.7	4.8	3.1	3.6	3.9	-2.6	-0.1	-1.8	-2.8	-2.1	0.2	-1.5	-1.6	-1.4	-0.4	1.4	-7.4
EC	-6.6	7.4	2.4	2.3	4.8	1.7	0.8	1.1	0.5	-1.2	0.7	-0.5	-0.1	0.5	-0.7	-1.6	0.7	-0.1
USA	-8.2	10.2	6.5	5.7	4.2	-0.2	0.2	0.1	0	(-4.8)	0.1	0.3	-0.2	-0.5	-2.2	(-2.6)	(-2.4)	-7.5
JAP	-11.0	11.1	4.1	6.2	8.3	2.4	2.0	2.6	4.1	(2.6)	-0.2	1.2	5.7	-3.3	1.8	(-1.2)	(-0.7)	7.5

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

	1975	1976	1977	1978	1979	1979			1980		Jan.	Feb.	March	April	May	June	July	Change over 12 months % ²
						II	III	IV	I	II								
DK ³	4.6	4.7	5.8	6.5	5.3	5.4	5.1	4.7	5.0	5.5	4.8	5.1	5.0	5.2	5.4	5.8	5.9	18.3
D	4.2	4.1	4.0	3.9	3.4	3.4	3.4	3.2	3.1	3.3	3.2	3.1	3.1	3.2	3.3	3.4	3.5	6.2
F	3.9	4.3	4.8	5.2	6.1	6.0	6.1	6.3	6.4	6.4	6.4	6.3	6.4	6.4	6.3	6.4	6.4	5.8
IRL	8.5	9.5	9.4	8.7	7.9	7.9	7.8	7.6	7.6	6.2	7.6	7.6	7.7	7.9	8.2	8.6	8.9	15.6
I	5.3	5.6	6.4	7.1	7.5	7.5	7.4	7.6	7.6	7.9	7.6	7.5	7.7	7.8	7.9	7.9	7.9	7.2
NL	4.0	4.3	4.1	4.1	4.2	4.2	4.2	4.1	4.2	4.4	4.2	4.2	4.2	4.3	4.5	4.6	4.8	17.8
B	5.3	6.8	7.8	8.4	8.8	8.7	8.9	8.9	8.9	9.1	8.8	8.8	8.9	9.0	9.1	9.1	9.4	8.0
L	0.2	0.3	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	1.8
UK	3.8	5.3	5.7	5.7	5.3	5.3	5.2	5.3	5.6	6.1	5.4	5.6	5.7	5.9	6.1	6.4	6.8	29.5
EC	4.3	4.9	5.3	5.5	5.6	5.5	5.5	5.5	5.6	5.9	5.6	5.6	5.7	5.8	5.9	6.0	6.2	13.1
USA	8.5	7.7	7.0	6.0	5.8	5.7	5.8	5.9	6.1	7.5	6.2	6.0	6.2	7.0	7.8	7.7	7.8	(38.6)
JAP ⁴	1.9	2.0	2.0	2.2	2.1	2.1	2.1	2.1	1.9	:	1.9	1.8	1.9	2.1	2.0	:	:	(-6.0)

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

	1975	1976	1977	1978	1979	1979			1980		Jan.	Feb.	March	April	May	June	July	Change over 12 months % ²
						II	III	IV	I	II								
DK	9.6	9.0	11.1	10.1	9.6	2.5	5.1	2.6	2.5	3.1	0.8	1.0	1.4	0.8	1.4	0.2	1.8	12.8
D	5.9	4.3	3.7	2.7	4.1	1.4	1.3	0.8	1.8	1.8	0.5	1.1	0.6	0.6	0.4	0.5	0.2	5.5
F	11.7	9.6	9.5	9.3	10.7	2.8	3.2	2.8	3.9	3.2	1.9	1.1	1.2	1.2	0.9	0.6	1.5	13.7
IRL	20.9	17.9	13.7	7.7	13.2	3.2	4.1	3.7	3.7	7.4	1.2	1.2	2.5	2.4	2.4	:	:	20.3
I	17.0	16.8	17.0	12.2	14.8	3.7	3.5	5.6	6.5	3.9	3.2	1.7	1.0	1.6	1.0	0.9	1.7	21.7
NL	9.9	9.0	6.4	4.2	4.3	2.0	0.8	2.0	1.8	2.5	0.5	1.0	0.9	1.3	0.4	-0.1	0.6	7.5
B	12.8	9.2	7.1	4.5	4.5	0.7	1.7	1.4	2.4	0.8	1.4	0.8	0.2	0.1	0.3	0.2	1.2	7.3
L	10.7	9.8	6.7	3.1	4.5	1.1	1.4	1.7	1.7	1.6	0.5	0.8	0.4	0.6	0.6	0.2	0.4	6.4
UK	24.2	16.5	15.9	8.3	13.4	3.7	6.7	2.8	4.7	5.8	2.5	1.4	1.4	3.4	0.9	0.9	0.8	16.9
EC	13.3	10.8	10.5	7.5	9.9	2.8	3.6	2.8	4.0	3.6	2.0	1.3	1.0	1.7	0.8	0.7	1.0	13.7
USA	9.1	5.8	6.5	7.6	11.5	3.5	3.4	2.8	3.9	(3.5)	1.4	1.4	1.4	1.1	1.0	(1.1)	(0)	(12.9)
JAP	10.2	9.3	8.1	3.8	3.6	2.5	1.0	1.7	2.1	(3.3)	0.9	0.9	0.8	1.7	0.9	(0.2)	:	8.3

TABLE 4: Wholesale price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1979			1980		Jan.	Feb.	March	April	May	June	July	Change over 12 months % ²
						II	III	IV	I	II								
DK	5.7	8.2	7.9	4.4	9.0	3.8	3.4	3.8	6.3	:	2.7	1.9	3.0	0.4	0.4	:	:	18.3
D	1.2	5.8	1.8	-0.8	6.9	3.6	1.7	1.1	3.9	1.7	1.9	1.2	0.5	0.3	0.8	0.2	0.4	7.8
F ⁵	1.0	10.1	6.5	4.6	11.8	3.8	2.5	3.3	:	:	:	:	:	:	:	:	:	13.1
IRL	24.2	19.6	17.2	8.9	(12.5)	3.2	1.5	:	:	:	1.8	:	:	:	:	:	:	9.6
I	8.5	22.9	17.4	8.4	15.4	4.6	4.3	5.6	6.6	3.5	3.2	1.8	1.0	1.3	0.8	1.1	:	21.4
NL ⁵	6.8	6.9	5.4	2.0	(2.9)	0.8	2.0	1.3	4.3	:	3.5	0.5	0.5	:	:	:	:	10.3
B	1.2	7.1	2.4	-1.9	6.3	2.0	1.2	1.5	3.4	-0.5	2.0	1.3	0.5	-0.7	-0.8	-0.1	0.2	4.0
UK	24.1	16.4	19.2	10.5	12.1	4.0	5.0	3.1	5.2	(4.1)	2.8	1.6	1.5	1.4	1.2	1.0	0.9	16.2
EC ⁶	7.4	12.0	9.3	4.4	10.3	3.7	3.0	(2.7)	:	:	(2.1)	(1.4)	:	:	:	:	:	(16.1)
USA	9.2	4.6	6.1	7.8	12.5	3.6	3.1	3.5	4.5	2.0	2.1	2.0	0.7	0.3	0.5	(0.6)	:	(13.8)
JAP	3.0	5.5	1.9	-2.5	7.3	4.1	4.9	4.3	6.5	:	2.1	2.6	2.0	2.7	-0.2	:	:	21.9

TABLE 5: Gross hourly wages in industry⁷ - Percentage change

	On preceding period										On corresponding quarter of preceding year							
	1975	1976	1977	1978	1979	1979				1980		1979				1980		
						I	II	III	IV	I	II	I	II	III	IV	I	II	
DK		16.7	11.7	9.1	10.7	12.9	2.3	5.6	3.3	3.2	:	:	11.1	12.5	12.3	15.2	:	:
D		7.6	6.4	7.1	5.3	5.7	0.9	2.4	2.0	0.1	0.4	:	6.2	6.1	5.4	5.5	4.9	:
F		16.7	15.1	14.7	12.3	12.2	3.7	3.6	2.1	2.3	3.4	3.9	11.9	12.9	11.9	12.2	11.8	12.1
IRL		27.7	18.9	16.7	14.6	14.7	2.8	2.1	4.2	7.9	:	:	13.9	15.1	11.6	18.0	:	:
I		24.8	20.8	26.7	22.7	16.5	2.9	2.9	7.1	5.1	4.8	3.8	15.2	13.3	17.8	19.3	21.5	22.6
NL		13.0	11.3	7.9	8.3	6.8	2.6	1.7	2.1	0.5	2.5	0	6.1	6.7	7.5	7.0	7.0	5.2
B		17.4	13.6	10.1	6.6	6.7	2.4	1.8	1.0	2.5	1.5	3.3	6.1	7.0	5.7	8.0	7.0	8.6
L		12.0	13.9	10.4	7.7	4.0	3.6	3.4	-1.2	-1.2	:	:	4.1	3.2	3.9	4.6	:	:
UK		27.4	16.4	9.4	12.5	14.4	1.0	6.3	6.8	1.5	3.1	6.2	10.6	12.9	17.5	16.3	18.7	18.6
EC		17.5	13.6	12.3	11.7	10.5	2.0	3.8	4.2	2.0	(2.5)	:	10.3	10.9	12.4	12.7	(12.7)	:
USA		9.1	7.9	9.2	8.6	8.4	2.0	1.4	2.0	2.2	1.7	1.7	9.0	8.9	8.7	7.8	7.5	7.9
JAP		11.5	12.3	8.5	5.9	7.4	1.5	2.3	3.0	0.4	1.8	:	5.7	7.1	8.4	8.0	7.9	:

Source: For the Community countries: Eurostat, unless otherwise stated; for the United States and Japan: national sources.

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 For the most recent figure given in the Table.

³ From January 1979: new series.

⁴ As percentage of the total labour force.

⁵ National source.

⁶ Excluding Luxembourg; weighted average.

⁷ United States and Japan: manufacturing industry. Japan: quarterly figures s.a.

Major economic policy measures — July/August 1980

Community (EC)

15.7 The Council (Economic and Financial Affairs) carried out its second examination of the economic situation in the Community and agreed that there was no need to amend the economic policy guidelines for 1980 adopted by the Council in December 1979 and confirmed at its meeting of 17 March 1980. It noted that the Member States had taken the measures necessary to implement these guidelines. The Council also released 80% (400 million ECU) of the second 500 million ECU instalment from New Community Instrument borrowing.

Denmark (DK)

4.7 The Central Bank accepts minor deviations from the credit ceilings in order to allow banks to comply with requests from farmers to obtain loans for rescheduling of debts.

20.8 The Central Bank increases the credit ceilings by another 2% from the end of August and envisages minor adjustments of individual ceilings. The previous increase (3%) took place from end of May.

Federal Republic of Germany (D)

4.7 The reductions of taxation to take effect in 1981 were approved by the Bundestag and the Bundesrat. The measures include:

- (1) Adjusting the taxation of wages and incomes with effect from 1981, by an overall amount of DM 6 100 million.
- (2) Increasing tax reliefs on end-of-year bonuses from DM 400 to DM 600 from the end of 1980. Overall cost per year: DM 1 400 million.
- (3) Increasing the allowances for single persons who have dependent children, with effect from 1982. Overall cost: DM 300 million.
- (4) Unification on the federal level of the tax deductibility of children's education costs, a measure brought into force from 1 January 1980. Overall cost: DM 2 100 million.
- (5) Improvements in respect of the tax deductibility of special expenses applicable from 1982. Overall cost in a full year: DM 3 600 million.
- (6) Special reliefs and simplified taxation to assist industry, from 1981. Overall cost: DM 300 million.
- (7) From 4 February 1981, raising family allowances from DM 100 to DM 120 per month for the second child and from DM 200 to 240 per month for the third child. Overall cost: DM 2 000 million.
- (8) Increasing rent subsidy from the beginning of 1981. Overall cost: DM 600 million.

The budgetary cost of this legislation will be approximately DM 12 500 million for 1981, and will grow by a further DM 3 900 million in 1982, to some DM 16 400 million.

21.8 The Bundesbank's Central Council decided to reduce the compulsory reserve coefficient by 10% with effect from 1 September. The effect of this measure will be to make some DM 5 500 million in additional liquidity available to the credit institutions.

France (F)

1.7 The statutory minimum wage (SMIC) was set at FF 14 an hour, with effect from 1 July. The increase is 2,49%: prices in the reference period rose by 2,12%.

1.7 Public service salaries were increased by 3,15% from 1 July.

5.8 The system of control with foreign investment in France originating from other Community Member States and in the Community originating from France and which had been introduced at the same time as the exchange control following the events of May 1968 is somewhat relaxed: the preliminary authorization is replaced by a preliminary declaration which, after two months, is automatically transformed in authorization, except in case of opposition on behalf of the administration. This liberalization does not concern investment transactions with third countries nor projects in the field of public health, national defence, etc.

Ireland (IRL)

2.7 The major banks reduced short-term lending rates by 1% and long-term rates by 0,75%.

6.8 A revised national free fuel scheme for more than 100 000 people who cannot afford to pay for their own heating needs was announced to operate from October 1980 to April 1981 at a cost to the Exchequer of IRL 7 million.

13.8 It was decided that employers in vulnerable labour intensive industries would receive a subsidy of IRL 6 a week backdated to 1 April for each worker concerned.

Italy (I)

29.6 The Banca d'Italia published, a month earlier than planned, the ceilings on the outstanding amounts of lira bank lending to March 1981. The rates of increase over the end of May 1979 are set at 20% for September 1980, 26% for December 1980 and 27% for March 1981. At the same time, the Banca d'Italia announced stiffer penalties in the form of additional reserves for banks exceeding the new ceilings.

3.7 The Italian Government adopted measures designed, under the 1980 budget, to increase tax receipts by some LIT 3 200 000 million (to assist industry) and to reduce other items of expenditure so as to bring the net domestic borrowing of the public sector broadly defined below the earlier forecast of LIT 40 500 000 million. The tax increases include: a LIT 50 per litre increase in the price of petrol, a change in the structure of VAT which will raise the average collection rate and a sharp increase in the excise duty on spirits. The measures, moreover, include a stepping up of the fight against tax evasion, a reduction of social security premiums of industry and the establishment of a special fund intended to provide finance for firms operating in the southern part of the country.

Netherlands (NL)

21.7 The Nederlandsche Bank reduced the discount rate from 9,5% to 9%.

Belgium (B)

31.7 The Banque Nationale lowered the discount rate and the rate for advances against securities from 13% to 12%; the rate for special advances came down from 14% to 13%.

10.8 The Government outlined the draft budget for 1981. Current receipts are estimated at BFR 1 104 200 million and expenditure at BFR 1 194 900 million. The current account deficit is thus BFR 90 700 million or BFR 10 000 million less than the adjusted 1980 budget, but representing a BFR 8 600 million increase over the initial draft. The public investment programme is maintained at its 1980 level, but with an additional 5% slice to be distributed according to selective criteria. With the balance on capital transactions put at BFR 151 300 million, the borrowing requirement should stand at BFR 242 000 million, equivalent to 6,4% of GNP, as against 7,3% in 1980. GNP growth is estimated at 1,1% in real terms and at 7,6% in nominal terms.

10.8 The Government announced several measures to ensure implementation of the 1981 budget: a 2% pension contribution on all public sector salaries (yield: BFR 6 000 million), the linking of social security benefits to welfare (cost: BFR 1 000 million), an increase in indirect taxation on national gas, gas oil and diesel fuel (added value: BFR 3 100 million on an annual basis), renewal of the windfall profits tax (BFR 2 000 million).

Luxembourg (L)

29.7 The Government presented the draft budget for 1981. Total receipts are estimated at LFR 49 800 million (+8,7% compared with 1980). The deficit is therefore LFR 1 400 million. It is made up of a LFR 3 900 million surplus for the ordinary budget and a LFR 5 300 million deficit for the extraordinary budget. The growth of gross domestic product in 1981 is estimated at 1% as against 1 1/2% in 1980; the rate of inflation should be between 4 1/2% and 5 1/2%.

29.7 The Government announced several measures: lowering of direct taxes, an increase in appropriations for the restructuring of industry and for various public works. Lastly, unemployed persons out of work for over 18 months will be able to receive an unemployment allowance.

United Kingdom (UK)

3.7 Minimum Lending Rate (MLR) was cut by 1% to 16%.

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