

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

No 10 — October 1982

Supplement A

Recent economic trends

Features of the current recession. — Gross domestic product in the Community (as estimated by the Commission services on the basis of national accounts data for the four major Member States) in the second quarter of 1982 was down by 1,1% (seasonally adjusted, annual rate) over the previous quarter. The level of output in the Community has thus shown approximate stagnation for as long as nine quarters, the previous peak being situated in the first quarter of 1980 (see Graph 6). The recent unexpected weakness of economic activity seems to have originated in the external balance: exports in volume terms fell in the first two quarters of the year while imports, after a strong rise in the first quarter, levelled off in the following three months. As a consequence the real external balance — which had improved sharply in 1981 — showed a new deterioration early in 1982. The fluctuations in imports to some extent reflect the movements in inventory formation which went into a rising phase already in the third quarter of 1981, presumably in response to the fall in world market prices of oil and raw materials and fears of a further rise in the dollar.

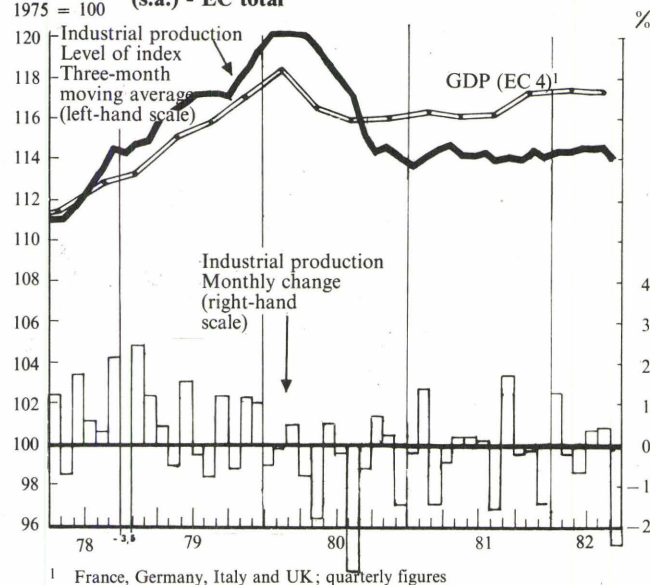
Domestic demand excluding inventory formation remained level in the second quarter of 1982 and has thus been unchanged since the beginning of 1980. These two years have, however, seen a large shift in the composition of domestic demand with gross fixed asset formation falling by a total of almost 10% while consumption — notably public consumption — has expanded somewhat further. The level of real gross fixed asset formation in the Community in the first half of 1982 thus was no higher than at the beginning of 1973.

Among the four major Member States only France recorded a positive rate of growth of gross domestic product in the second quarter of 1982, stimulated by a strong rise in domestic demand but accompanied by a very sharp deterioration of the foreign balance in real terms. In Germany gross national product fell at an annual rate of 1,6% due in particular to a sharp decline of private consumption while gross fixed asset formation recovered somewhat after two quarters of rapid fall and while the external balance improved. In the United Kingdom GDP fell at an annual rate of 3,1% reflecting both weak domestic demand and falling net exports and similar developments were seen in Italy where GDP fell at an annual rate of 5,9%.

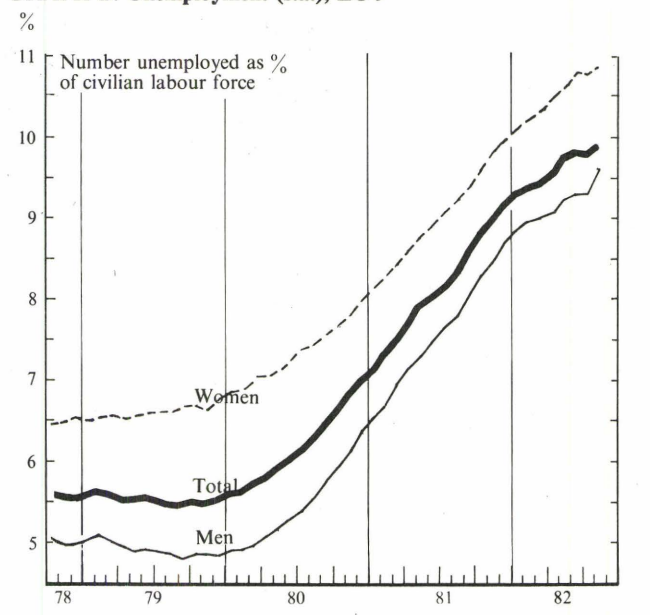
Developments in the third quarter of the year are as of yet only very imperfectly known. The Community's business tendency survey (see the forthcoming number of Supplement B), however, shows a rather pronounced deterioration in the business climate with a marked fall in production expectations and in export orders since the month of May. Weak trends are also revealed by a fall in industrial production in June (see Table 1) and the more hesitant development of the Community's trade balance since the beginning of the current year. The new strong rise in unemployment in August (reaching 9,8% of the active population) may, however, be due to the arrival of a large number of young people on the labour market rather than to the cyclical weakening of activity (Table 2).

Slowdown of inflation and decline in interest rates. — In sympathy with the pronounced slowdown in consumer price increases (with the trend rate of inflation down from more than 12% at the beginning of the year to below 10% in July-August, (see Table 3 and Graph 3)) the level of interest rates in the Community has come down somewhat in the course of 1982. The decline in short term rates however, has been much less pronounced than in the United States. Consequently, in September, the interest rate differential between the Community on average and the United States had widened to almost 5 percentage points. With respect to long-term rates the spread was much smaller, due in particular to the fact that long term rates in the US have fallen only moderately since the

GRAPH 1: Industrial production and gross domestic product (s.a.) - EC total



GRAPH 2: Unemployment (s.a.), EC 9



present prudent relaxation of monetary policy started. The fact that long-term rates have remained high in the US may be one of the reasons for the persistent strength of the dollar. On a trade weighted basis the dollar rose by 0,6% in September (estimated by the Commission services) while the international value of the ECU fell by 0,3% and that of the yen by 1,2% over the previous month. Compared with a year earlier the dollar in September was up by 10,8% on a trade weighted basis while the ECU had lost 4,3% on a trade weighted basis and 11% against the dollar (Tables 9 and 10).

6 October 1982

Major supply and demand components at constant prices

(Percentage change on preceding period, annual rates; seasonally adjusted)

	GDP ¹	Imports ²	Exports ²	Foreign balance ^{2,3}	Domestic demand	Change in stocks ³	Gross fixed investment	Government consumption	Private consumption
EC total									
1979 Q1	1,1	7,1	-0,7	-1,9	3,1	1,0	-6,0	1,6	5,1
Q2	6,5	19,4	14,2	-1,1	7,7	-0,8	15,3	3,4	8,1
Q3	1,3	11,3	4,7	-1,6	3,0	3,9	7,7	0,5	-4,0
Q4	5,5	6,8	4,3	-0,7	6,2	0,0	11,1	2,3	6,0
1980 Q1	3,9	10,3	12,7	0,5	3,4	-0,7	2,5	3,2	5,0
Q2	-5,2	-6,2	-11,0	-1,3	-3,9	0,3	-7,0	1,7	-5,0
Q3	-2,6	-5,9	-5,4	0,2	-2,8	-4,6	-1,8	2,6	3,0
Q4	1,4	-2,1	0,4	0,7	0,7	-0,1	0,9	0,2	1,0
1981 Q1	1,0	-0,7	8,9	2,5	-1,4	-0,6	-10,0	5,6	0,5
Q2	-2,3	-1,4	11,4	3,3	-5,5	-4,1	-0,3	-4,3	-1,1
Q3	-0,4	11,7	14,3	0,8	-1,1	-2,4	-1,2	4,2	1,4
Q4	4,3	3,0	9,4	1,8	2,5	3,5	-4,6	-1,4	0,4
1982 Q1	1,2	8,3	-4,0	-3,3	4,8	4,4	-7,2	5,0	1,5
Q2	-1,1	-1,0	-5,3	-1,3	0,2	0,2	3,9	-0,2	-1,2
FR of Germany									
1981 Q1	1,9	14,7	23,3	2,3	-0,4	0,4	-11,9	17,1	-2,2
Q2	-3,2	-12,4	10,4	7,0	-9,9	-6,1	7,6	-12,4	-4,9
Q3	2,8	11,3	22,8	3,6	-0,8	-3,6	4,9	5,9	1,4
Q4	0,6	-6,4	12,9	6,1	-5,4	0,8	-22,3	-3,1	-0,5
1982 Q1	-0,8	26,9	-0,7	-7,0	7,0	9,6	-16,0	7,2	-1,4
Q2	-1,6	-14,7	-5,5	2,8	-4,5	-2,5	11,7	-1,2	-6,7
France									
1981 Q1	-2,0	-7,3	2,0	2,3	-4,2	-2,9	-8,1	0,9	0,6
Q2	4,3	3,6	22,0	4,1	0,2	-2,8	0,1	2,5	4,3
Q3	0,8	2,5	3,5	0,3	0,5	-1,4	-6,1	1,7	4,7
Q4	3,7	20,6	1,3	-4,1	8,2	6,7	1,8	0,9	1,3
1982 Q1	-0,4	-6,4	-10,3	-1,0	0,7	-2,3	-5,2	1,6	6,1
Q2	3,8	16,3	-14,9	-7,3	11,7	7,5	9,2	2,6	2,7
Italy									
1981 Q1	3,3	-1,3	14,2	3,4	-0,1	-1,7	0,5	1,4	2,0
Q2	-4,1	-14,9	2,0	3,9	-7,9	-5,4	-15,1	1,4	0,2
Q3	-6,6	-16,6	15,8	7,4	-13,6	-10,0	-6,4	1,4	-3,9
Q4	10,6	27,5	17,0	-1,0	12,4	8,1	19,4	1,6	0,0
1982 Q1	5,1	17,0	12,4	-0,3	5,7	4,7	-8,1	2,6	2,9
Q2	-5,9	-12,3	-11,9	-0,5	-5,7	-5,1	-5,3	2,6	0,3
United Kingdom									
1981 Q1	1,8	-17,9	-12,2	1,8	0,0	2,7	-19,5	-5,8	3,7
Q2	-8,8	33,3	8,5	-5,7	-3,3	-0,7	-1,9	0,9	-3,8
Q3	-2,6	56,7	10,0	-10,9	9,0	6,9	-0,3	5,9	1,2
Q4	7,2	-14,2	6,3	7,1	0,1	-1,2	8,0	-2,7	0,9
1982 Q1	4,4	-8,7	-15,7	-2,1	6,4	4,5	12,7	6,2	-2,2
Q2	-3,2	17,3	16,0	-0,7	-2,4	-0,1	-11,8	-2,9	0,6

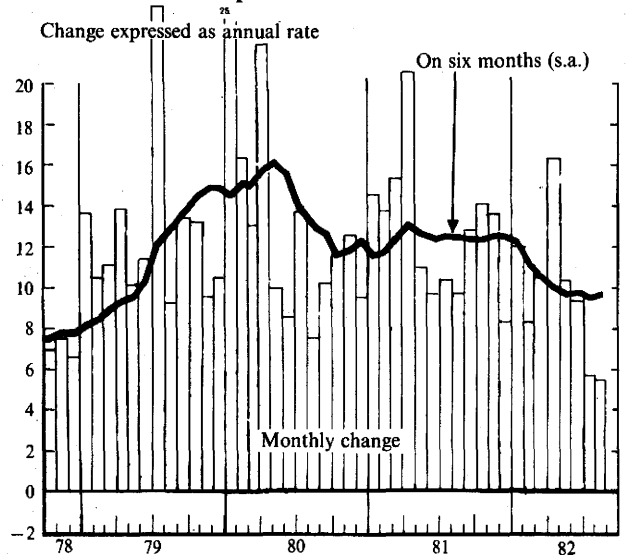
¹ FR of Germany: GNP.

² Goods and services; including intra-Community trade; FR of Germany: including factor incomes.

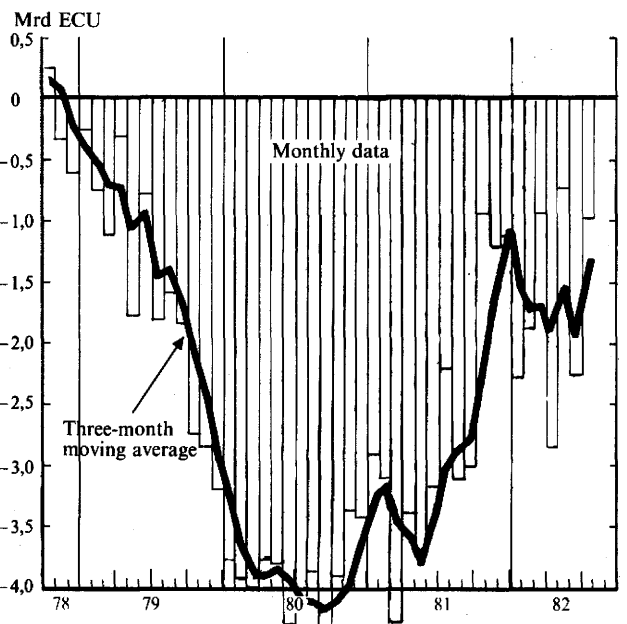
³ Change on previous period as percentage of previous period's GDP.

Source: Estimates by the Commission services based on national accounts data for the Federal Republic of Germany, France, Italy and the United Kingdom.

GRAPH 3: Consumer prices EC 10

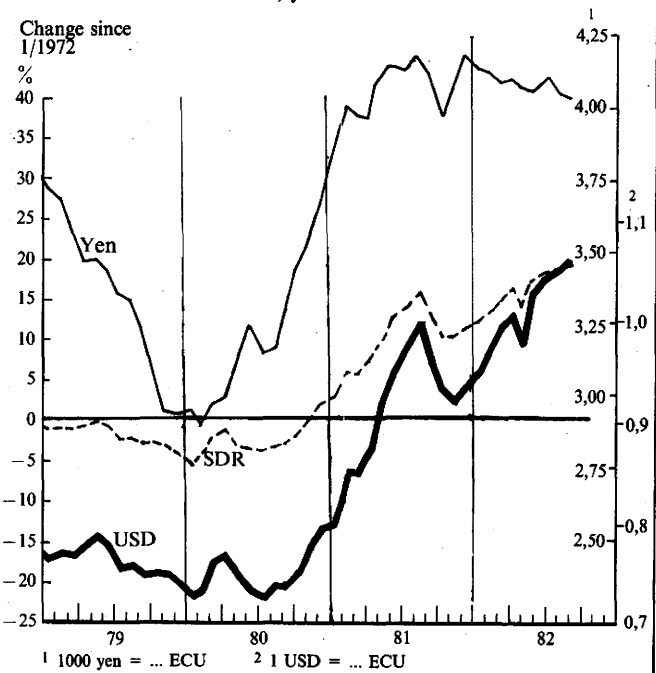


GRAPH 4: Trade balance (s.a.), EC 9



From March 1981, the series is constructed on the basis of an estimate for the United Kingdom.

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



1 1000 yen = ... ECU 2 1 USD = ... ECU

EUROPEAN ECONOMY

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Supplement A — No 10

Economic briefs

October 1982

Economic forecasts, 1982-1983¹

The outlook for the world economy in 1982 and 1983 has deteriorated severely since early summer. The forecasts made in spring 1982 by the Commission, which were partly based on a perceived upturn in cyclical and business indicators, proved to be too optimistic. The results for the first half of 1982 point to a strong decline in imports by OPEC, the LDCs and the USA, severely reducing the expected growth rate of Community exports. The estimated growth of world trade in 1982 has therefore been revised strongly downwards, and only a very slight recovery in trade is expected in 1983. The resulting slowing in growth of Community exports (1982.I +0,3%) together with the stagnation of domestic demand and the sharp decline of business confidence in the Community² will lead to only very low growth of output with unemployment rising strongly, and budget deficits increasing again in several Member States.

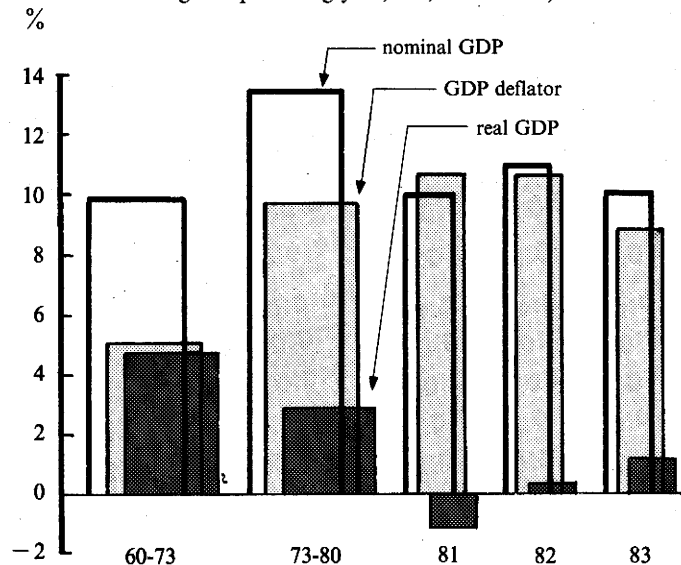
The main results of the forecast for the Community as a whole are as follows:

- GDP is expected to rise in volume terms by only 0,3% in 1982 and by 1,1% in 1983.
- Private consumption growth in real terms will lag behind that of GDP (1982: 0,1%, 1983: 0,8%).
- Fixed investment, after a fall of 5,6% in volume in 1981 will decline again in 1982 (-3%) and rise by only 0,6% in 1983.
- Unemployment is expected to reach 9,4% of the labour force (10¼ million) in 1982 and 10,3% (12 million) in 1983.
- Imports in volume terms rise slightly faster than exports (1982: 2,3% against 2,0%, 1983: 2,8% against 2,7%) but with a terms of trade gain in both years, the Community's current account deficit falls (1981: 20,8 mrd, 1982: 15,6 mrd, 1983: 11 mrd).
- Inflation will fall in both years by a significant amount (rise in private consumption deflator 1981: 11,8%, 1982: 10,5%, 1983: 8,8%).

Output and the components of demand. — GDP in the Community is expected to grow by 0,3% in 1982 and by 1,1% in 1983 (Table 1). Whilst output grew strongly in the last quarter of 1981 (+3,5%) at annual rates it weakened considerably throughout the first half of 1982 (1982 Q1: 0,6%, Q2: -1,0%) and is expected to remain flat in the second half (Table 2). A relatively weak recovery is expected in the first half of 1983, gaining some strength in the second half. Nevertheless the picture for the whole period is one of stagnating output with little sign of a convincingly sustained upswing.

Private consumption in the EC as a whole which, in volume terms, stagnated in 1981 is expected to rise only slightly in 1982 (0,1%) and 1983 (0,8%) (Table 2). This is due to the limited increases in the compensation of employees in both years (Table 4), the very small rise in real disposable income (1982: +0,4%, 1983: +0,6%) and uncertainty in the labour market which has probably been keeping the level of household savings high. The slight strengthening of private consumption in 1983 at the EC level is expected to result partly from the reduction of inflation, this effect being especially marked in those countries where a sharp downward adjustment in the rate of price increases is expected (UK, France). On the other hand a series of Member States have taken restrictive budgetary measures or have adopted income policy guidelines which will tend to reduce private consumption in 1983 (Belgium, Netherlands, Ireland and Denmark, Table 10). Little stimulus to GDP growth can be expected in either year from real government consumption (1981: 1,4%, 1982: 1,0%, 1983: 0,9%), the growth rate of which has now fallen each year since 1978.

GRAPH 1: Nominal GDP, deflator of GDP, real GDP (percentage change on preceding year, EC, 1960-1983¹)



¹ 1982 and 1983: forecast
Source: Commission forecast

TABLE 1: Gross domestic product (percentage change at constant prices on preceding year, EC countries, EC, USA, Japan, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
B ³	3,2	3,2	2,3	2,5	-1,7	-0,5	0,5
DK ³	2,6	1,3	3,0	-0,2	-0,2	2,0	1,6
D ⁴	2,9	3,3	4,3	2,0	0,1	-0,5	1,0
GR ²	4,8	6,7	3,8	1,7	-0,7	0,7	1,9
F ²	3,6	3,5	3,0	1,3	0,3	1,1	1,0
IRL ³	4,4	6,7	2,4	1,9	1,1	2,0	2,4
I ²	3,2	2,7	4,9	4,0	-0,2	0,8	1,0
L ³	3,1	4,6	4,1	0,7	-2,4	-0,3	1,0
NL ³	3,6	2,7	1,8	0,6	-1,1	-0,5	-0,3
UK ³	2,2	3,3	1,4	-1,4	-1,9	0,6	1,7
EC	3,1	3,2	3,3	1,4	-0,6	0,3	1,1
USA	2,9	4,4	2,4	-0,2	2,0	-1,6	2,0
JAP	6,9	5,0	5,5	4,4	3,0	2,5	3,3

¹ Forecast. ² 1970 prices. ³ 1975 prices. ⁴ 1976 prices.
Source: Commission services.

Fixed investment and stockbuilding were the major demand components initiating the recession of 1980-81 in the Community. Neither is expected to recover very strongly in the forecast period, though both should provide positive contributions to GDP growth in 1983. Fixed investment, which declined by over 5% in the Community in 1981, is expected to decline by a further 3% in 1982 and will only stabilize in 1983 (+0,6%). In half-yearly profile, it is expected that investment will be growing more strongly in the second half of 1983 as the beneficial effects of lower interest rates and certain announced investment support schemes work their way through. Wage moderation and improved profitability are also expected to lead to an improvement in business confidence with beneficial effects on investment. Nevertheless investment in 1983 is still expected to be over 6% below the level attained in 1979. In most Member States it is expected that the fall in construction, and especially in residential construction, will continue into 1983, whilst investment in equipment will recover more strongly.

Stockbuilding is forecast to be the component contributing most to growth in 1982. This positive contribution however combines strong, and probably involuntary, stockbuilding in the first half of 1982 as the renewed drop in demand caught enterprises by surprise, and a considerable destocking in the second half. This destocking is expected

¹ The following summarizes the results of the Commission's autumn forecasting round for 1982 and 1983. The cut-off date for information used in the forecasts was 6 October.
² As reported in the business surveys in the Community, European Economy, Supplement B, No. 9, 1982.

to be reversed towards the end of 1982, to give way to renewed stockbuilding in 1983, encouraged, apart from the very low levels of stocks, by the decline in interest rates and the slight improvement in the business outlook. At the national level stockbuilding is expected to be especially important as a growth factor in 1982 in the UK, Greece and the Netherlands.

The *net foreign balance*, which in 1981 contributed strongly to the rise in output (+1,5%), is not expected to be a source of GDP growth in either 1982 or 1983. Whereas in spring the Community's growth rate of exports of goods and services in volume was forecast to be 4,9% in 1982, this has been revised downwards in the present forecast to 2,0%. Imports have also been revised downwards, though by somewhat less, leaving a small negative effect from the foreign balance on GDP. It is conceivable that, with the weakness in oil imports, the forecast for imports of goods in 1982 for the Community (+2,3%) might prove to be slightly on the high side. In 1983, with a small recovery in world trade, Community exports and imports are both expected to grow at similar rates (+2,7% and +2,8%) with a small negative net contribution to GDP growth (-0,1%). Whilst exports and imports for 1982 have been revised downwards for all Member States, Germany has been among the most severely affected by the weakness of world markets, especially those of OPEC and the LDCs, which accounted for a large proportion of the exceptional increase in German exports in 1981 (German exports of goods in 1982.II -12% in volume at annual rates).

TABLE 2: Rates of change of demand components and contributions to GDP growth (EC, 1970-1983)

	Percentage change on preceding period ¹ at constant prices				
	1970 1979	1980	1981	1982 ²	1983 ²
Private consumption	3,4	1,5	-0,2	0,1	0,8
Govt. consumption	2,9	2,4	1,4	1,0	0,9
Fixed capital formation	1,4	2,1	-5,6	-3,0	0,6
GDP	3,1	1,4	-0,6	0,3	1,1
	8102	8201	8202	8301	8302
Private consumption	-0,4	0,2	0,5	0,8	1,0
Govt. consumption	0,3	1,5	0,7	1,0	1,1
Fixed capital formation	-2,9	-3,8	-2,0	0,8	2,6
GDP	-0,1	0,7	0,0	1,0	2,3

Contributions to changes in GDP³

	1970	1980	1981	1982 ²	1983 ²
	1979				
Final domestic demand	2,7	1,8	-1,3	-0,7	0,9
Stockbuilding	0,1	-0,2	-0,9	1,2	0,4
Foreign balance	0,1	0,1	1,5	-0,2	-0,3
	8102	8201	8202	8301	8302
Final domestic demand	-0,7	0,2	0,3	1,0	1,6
Stockbuilding	-0,4	1,5	-0,3	0,5	0,4
Foreign balance	1,0	-1,1	0,2	-0,5	0,2

¹ Half-yearly figures at annual rates, seasonally adjusted (8102 = second half of 1981 etc).

² Forecast.

³ Change as percentage of GDP of preceding period.

Source: Commission services.

Labour markets. — The forecast suggests that total employment in the Community will decline for the third and fourth consecutive years in 1982 and 1983 (-1,1% and -0,3% respectively). This means that employment would be 3% lower in 1983 (annual average) than 1979, which corresponds to a loss of 3,4 million jobs during the recession. Labour productivity per head in the whole economy would increase by 1,5% in both forecasting years.

TABLE 3: Number of unemployed as percentage of working population (EC countries, EC, USA, Japan, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
B	5,0	8,4	8,7	9,4	11,7	13,9	14,8
DK	3,3	6,5	5,3	6,1	8,4	9,1	9,2
D	2,5	3,9	3,4	3,4	4,8	6,9	8,3
GR	·	2,2	(2,2)	(2,8)	(3,1)	(3,8)	(4,0)
F	3,3	5,2	6,0	6,4	7,3	8,3	9,3
IRL	7,1	8,4	7,4	8,3	10,3	12,1	14,0
I	5,6	7,1	7,5	8,0	8,5	9,9	10,5
L	0,2	0,7	0,7	0,7	1,0	1,2	1,3
NL	3,0	4,1	4,1	4,7	7,5	10,4	13,1
UK	4,0	5,7	5,3	6,9	10,6	12,2	12,5
EC	3,8	5,4	5,4	6,0	7,8	9,4	10,3
USA	6,2	6,0	5,8	7,1	7,6	9,4	9,6
JAP	1,7	2,2	2,1	2,0	2,2	2,3	2,1

¹ Forecast.

Source: Commission services.

Since the total labour force will probably keep on rising at a relatively high rate (0,6% and 0,7% respectively) unemployment will increase in 1982 by 1,8 million people to an annual average of 10,8 million (9,4% of civilian labour force), and next year by a further 1,1 million to almost 12 million (10,3%). Although the rate of increase of unemployment is expected to slow down in 1983 there is no stabilization of the rising trend foreseen before the end of the forecasting period (Table 3).

The upsurge of unemployment between 1981 and 1983 is common to all member countries, though there are considerable differences in the structure of unemployment between them.

Wages. — The forecast suggests that the rise of wages per head in the EC will slow down in both forecasting years (Table 4). The rate of increase would thus have fallen between 1980 and 1983 from 12,8% to 9,8%. Real wages per head, while stagnant in the current year (+0,3%) will rise again moderately (+1,0%) in 1983, for the EC as a whole. Real wages are expected to decline this year in Germany, Luxembourg, Belgium, the Netherlands, and Ireland, and next year again in the latter three countries, as well as in France.

TABLE 4: Compensation of employees per head (percentage change on preceding year, EC countries, EC, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
B	12,6	7,5	5,6	8,9	7,5	7,1	7,0
DK	11,9	8,1	8,6	6,4	10,5	10,6	6,9
D	10,0	5,4	5,7	6,5	5,3	4,6	4,6
GR	19,9	23,2	20,7	16,2	27,1	27,4	21,0
F	14,1	12,6	12,8	14,6	14,8	12,2	9,5
IRL	18,7	14,8	16,6	19,3	20,5	14,1	11,8
I	18,5	16,1	17,9	22,0	22,0	18,2	17,7
L	12,0	5,8	5,9	8,2	7,7	6,2	9,0
NL	12,1	7,2	6,1	5,6	3,3	5,6	3,3
UK	15,4	13,8	16,3	20,9	13,6	9,4	8,4
EC	13,3	10,7	11,1	12,8	12,8	10,8	9,8

¹ Forecast.

Source: Commission services.

Inflation. — Several years of anti-inflation policy are beginning to have an impact on price rises. According to the forecast, the average rise of the private consumption deflator in the EC will have fallen in 1983 by 3,0 points (from 11,8% to 8,8%) from the high level of 1981 (Table 5). However, this is still a modest performance compared to the US and Japan. This year and next year the EC rate is expected to decline by similar amounts (1,3 and 1,7 points). The deceleration of inflation in the two forecasting years is common to all countries (except Luxembourg in 1982).

The traditional grouping into 'high and low inflation countries' seems to have been reshaped: next year Germany and the Netherlands will constitute the low inflation group, the UK, Belgium, Luxembourg, Denmark and France having a moderate position, Ireland and Italy will form a group with rather high inflation and Greece will be alone with a rate of more than 20%. The forecast suggests that some progress is being made as far as convergence of price trends is concerned. The standard deviation of consumer price increases in the EC declines from 1980 onwards, as does the difference between the highest and the lowest rates, although the progress measured in both terms is slow.

TABLE 5: Deflator of private consumption (percentage change on preceding year, EC countries, EC, USA, Japan, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
B	6,7	3,9	3,9	6,5	9,1	9,0	8,5
DK	9,8	9,8	9,6	11,5	10,7	9,9	7,0
D	5,1	2,4	4,0	5,3	6,0	5,0	3,6
GR	11,5	12,6	17,7	23,7	24,4	23,0	21,0
F	8,6	8,8	10,9	13,2	12,5	11,0	8,9
IRL	12,8	7,5	13,4	18,3	19,6	18,5	13,0
I	13,1	12,9	16,0	20,4	19,0	16,6	15,0
L	6,3	3,5	6,8	7,7	8,1	11,0	9,0
NL	7,5	4,3	4,3	6,6	6,5	6,3	4,5
UK	12,3	8,9	14,3	15,5	10,9	8,8	6,9
EC	9,1	7,1	9,1	11,1	11,8	10,5	8,8
USA	6,1	6,8	9,1	10,2	8,5	5,6	4,5
JAP	7,7	4,6	3,4	7,1	4,6	2,5	1,8

¹ Forecast.

Source: Commission services.

Much of the slowdown of inflation is due to import prices. Their rate of increase for the EC on average is expected to fall from 14,9% in 1981 to 7,5% in 1983 (Table 6). In the same period the rise of the GDP deflator will have slowed down according to the forecast from 10,6% to 8,8%. This brings the mechanical contribution of the external factor to the rate of increase of the total demand deflator down to a fifth in 1983, after a third in 1981.

TABLE 6: Deflator of GDP, of imports and unit labour costs (percentage change on preceding year, EC, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
Deflator of GDP	9,4	8,3	9,3	10,8	10,6	10,6	8,8
Deflator of imports (goods and services)	9,6	0,9	10,4	15,0	14,9	9,3	7,5
Unit labour costs (whole economy)	10,0	6,9	8,1	11,9	10,0	8,5	7,4

¹ Forecast.

Source: Commission services.

Looking more closely at the internal factors, a comparison of the GDP deflator (whose main determinants apart from wages are non-labour income and indirect taxes) with unit labour costs reveals a reversal of the contribution of wages to the internal component of inflation. From 1981 onwards the rise of unit labour costs is less than that of the GDP deflator (Table 6).

Foreign balance. — The Community's trade balance (fob/fob), in heavy deficit in 1980 due to the oil price rise (USD - 32 mrd) is likely to be in balance this year (USD 2,6 mrd) and in surplus next year (USD 9 mrd). With a positive balance of services and a strongly negative transfer balance (this deficit being on an upward trend) the deficit in the current balance has declined sharply since 1980, when it attained USD 28 mrd (1,4% of GDP, Table 7). The forecast suggests that it will fall to USD 11 mrd (0,6% of GDP) next year. The improvement in 1982 and 1983 will be achieved mainly due to improvements in terms of trade (1,4% and 1,2% respectively).

However, the expected improvement of the Community's foreign balance pertains mainly to four countries: Germany, the Netherlands, Italy and Belgium are seen to be the most successful in adjusting their current balances between 1980 and 1983. Several others remain in heavy deficit. Ireland's current balance deficit, although declining, is still forecast to amount to 7,6% of GDP in 1983. In Belgium and Denmark the current account deficit, very sizeable in recent years, is expected to exceed 3% of GDP next year, whilst in France it is expected to reach 2,6% of GDP in 1982, falling back to around 2% in 1983. The UK's strong surplus position is expected to be further eroded and may turn into a slight deficit in 1983. The improvement of the Community's current balance is part of a pattern of substantial shifts in the distribution of balances of current account among major regions and countries on a world-wide level (Graph 2). The second oil shock created huge imbalances in 1980 between the industrialized countries and the OPEC countries as well as aggravating the structural deficit problem of the other developing countries. In Graph 2 though the group of 'other OECD countries' is in balance in 1983 this covers up a substantial Japanese surplus (USD 13 mrd) and a corresponding deficit for the smaller OECD countries. The OPEC surplus, USD 100 mrd in 1980, is forecast to turn into a slight deficit in 1982, while the other LDCs remain heavily in deficit throughout the forecasting period.

TABLE 7: Balance on current account (per cent of GDP, EC countries, EC, US, Japan, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
B	0,4	-1,6	-2,9	-5,3	-5,4	-4,0	-3,2
DK	-2,9	-2,7	-4,5	-3,8	-3,2	-4,1	-4,0
D	0,9	1,5	-0,6	-1,8	-1,1	0,1	0,3
GR	-2,8	-2,3	-2,9	-2,4	-2,2	-2,4	-2,3
F	-0,3	0,6	0,1	-1,4	-2,0	-2,6	-1,9
IRL	-4,2	-3,1	-9,8	-8,4	-13,2	-9,0	-7,6
I	-0,2	2,4	1,7	-2,5	-2,3	-1,3	-0,5
L	22,5	23,3	28,1	22,7	20,3	19,7	18,8
NL	1,3	-0,8	-1,3	-1,4	2,3	4,0	5,0
UK	-0,9	0,4	-0,0	1,4	2,4	0,8	-0,2
EC	-0,1	0,8	-0,4	-1,4	-0,8	-0,7	-0,6
USA	0,1	-0,6	-0,1	-0,2	0,1	0,3	-0,2
JAP	0,8	1,7	-0,9	-1,1	0,4	0,6	1,0

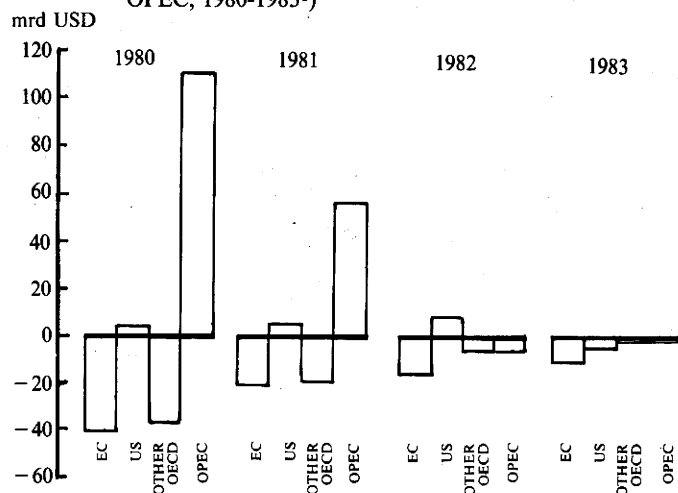
¹ Forecast.

Source: Commission services.

Competitiveness. — For the Community as a whole no further substantial improvement of competitiveness against the US is to be expected next year, and no major further deterioration against Japan. With the realignment of last June in the EMS, inflation differentials were offset to varying degrees by exchange rate adjustments. In 1982, Belgium and Luxembourg improve their competitiveness thanks to the devaluation of their currencies in the EMS, whilst the Netherlands and Germany (due to revaluations) as well as Ireland, Italy and notably Greece (due to not fully compensated internal cost rises) will have above average cost rises if expressed in a common currency.

Government finance. — Net borrowing of general government as a percentage of GDP is expected to rise from 4,8% in 1981 to 5,0% this

GRAPH 2: Current balances, (mrd USD, EC, USA, other OECD, OPEC, 1980-1983¹)



¹ 1982 and 1983: forecast.

Source: Commission services.

year and to level off in 1983 (4,9%) (Table 8). These figures are higher than any historical rates except for 1975. Among the countries with the largest deficits—Ireland, Belgium, Italy, Denmark, Greece—only the Danish figures suggest a rise into 1983, despite the restrictive measures announced by the Danish government on 4 October. The UK is seen to have the lowest general government borrowing this year (together with Luxembourg) and clearly so next year.

Capital expenditure (gross capital formation plus net capital transfers) as a percentage of public expenditure has been falling steadily since 1980 to 7,4% in 1983 for the EC as a whole. The practice of cutting investment rather than consumption expenditure when restrictions are required is thus expected to continue.

TABLE 8: General government lending or borrowing (-) as percentage of GDP (EC countries, EC, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ¹	1983 ¹
B	-4,2	-5,5	-6,9	-9,4	-13,4	-12,8	-12,1
DK	0,0	-2,2	-3,1	-5,9	-7,1	-9,5	-9,6
D	-1,5	-2,8	-3,0	-3,5	-4,0	-3,9	-4,1
GR	-4,4	-5,1	-4,8	-5,4	-10,1	-9,2	-8,6
F	-0,6	-2,3	-0,8	0,5	-1,5	-3,0	-3,0
IRL	-8,5	-10,5	-11,9	-12,8	-15,4	-14,7	-14,4
I	-8,6	-9,7	-9,5	-8,4	-11,9	-11,6	-11,0
L	2,3	3,3	0,1	-1,8	-0,8	-0,9	-1,0
NL	-1,3	-2,1	-2,0	-3,4	-4,5	-5,7	-5,5
UK	-3,2	-4,0	-3,3	-3,5	-2,1	-0,9	-0,5
EC	-2,9	-4,0	-3,6	-3,5	-4,8	-5,0	-4,9

¹ Forecast.

Source: Commission services.

Money supply. — The annual growth rate of the money supply (M2 or M3) in the EC as a whole, which had come down progressively since 1978 (13,9%) to settle at 10,8% in 1981, is expected to remain stable this year, and to fall back to 10% next year (Table 9). This forecast for money supply is consistent with the financial balances of sectors derived from the forecasts of the 'real' aggregates. Given the deceleration of inflation, these growth rates for the nominal money supply imply an increase of real money balances.

TABLE 9: Money supply M2/M3¹ (percentage change at end of year on twelve months earlier, EC countries, EC, USA, Japan, 1970-1983)

	1970 1979	1978	1979	1980	1981	1982 ²	1983 ²
B	10,9	7,8	6,0	2,7	6,6	6,5	7,0
DK	11,0	6,7	9,9	10,9	9,6	12,0	11,0
D	10,1	11,0	6,0	6,2	5,0	7,0	5,0
GR	23,3	39,4	18,4	24,7	34,3	29,1	23,0
F	15,4	12,2	14,4	9,7	11,5	12,5	12,0
IRL	18,2	28,9	19,0	16,9	17,4	16,8	16,5
I	19,6	23,0	20,3	12,0	16,0	15,8	16,2
L	—	—	—	—	—	—	—
NL	11,6	4,2	7,6	3,6	5,2	7,6	7,0
UK	13,6	15,0	12,7	18,6	14,6	10,2	10,1
EC	13,9	13,9	11,9	10,5	10,8	10,8	10,0
USA	9,5	8,3	8,8	10,1	9,5	—	—
JAP	16,9	13,1	9,1	7,2	8,7	—	—

¹ DK, F, NL, USA: M2; D, GR, IRL: M3; B: M2H; UK: UKL M3 (fiscal year); I: M2 (68-75), M3 (76-83); JAP: M2 & CD.

² Forecast.

Source: Commission services.

Forecasting techniques and procedures

Short-term forecasts are prepared by the Directorate-General for Economic and Financial Affairs twice a year, in April-May and September-October. The time horizon of these forecasts is to the end of the following year. The forecasts are built up for each of the 10 member countries of the Community, but within a framework of common assumptions about the external environment, exchange rates and interest rates, and subject to controls and checks on the consistency of foreign trade forecasts. The forecasts are made on the basis of the assumptions of unchanged government policies.

The autumn forecasting round provides part of the quantitative background for the Annual Economic Report of the Community and the Annual Economic Review prepared by the Commission. The spring forecasts provide the basis for budgetary guidelines prepared in June-July for the following year.

Community totals are, unless otherwise indicated, a weighting of macroeconomic aggregates derived using aggregations converted at purchasing power parities (PPP). Current price totals are aggregated at current prices and current PPP constant price totals are

aggregated at 1975 prices and 1975 PPP; Community price deflators are obtained by dividing the current-price total by the corresponding constant-price total.

The forecasting round starts with assumptions for exchange and interest rates followed by forecasts for oil and other raw materials, world trade and forecasts for the USA, Japan and Canada. These assumptions are modified if necessary during the course of the round. Model simulations are used as background material. When the forecasting work is in its formative stage particular attention is paid to ensuring that the changes in total intra-EC imports and exports should be close in both volume and price terms. Checks are also made at world level to make sure that world exports and imports are in line with each other. In order to reach this desired convergence and in response to the emerging forecasts for industrial countries which are being developed at the same time, this procedure for achieving trade consistency is reiterated several times.

In the above forecast the USD/ECU exchange rate was assumed to be 1982: 1 USD = 1,02 ECU, 1983: 1 USD = 1,06 ECU. The average oil price in USD is assumed to fall by 4½% in 1982 and to remain unchanged in 1983 at slightly below the 34 USD/barrel.

TABLE 10: Rates of change of demand components and contributions to GDP growth (EC countries, 1970-1983)

	Percentage change on preceding period at constant prices					Contributions to changes in GDP ¹					
	1970-79	1980	1981	1982 ⁵	1983 ⁵	1970-79	1980	1981	1982 ⁵	1983 ⁵	
B³											
Private consumption	3,9	1,8	-1,4	-2,5	-2,0	Final domestic demand	3,4	2,6	-4,1	-2,8	-1,6
Govt. consumption	4,3	1,6	0,6	-1,8	-2,2	Stockbuilding	0,0	-0,7	0,1	0,2	0,2
Fixed capital formation	2,2	5,6	-16,2	-5,2	0,5	Foreign balance	-0,3	0,7	2,3	2,1	1,9
GDP	3,2	2,5	-1,7	-0,5	0,5						
DK³											
Private consumption	2,4	-3,7	-1,1	1,4	-0,5	Final domestic demand	2,3	-3,6	-2,7	1,4	0,6
Govt. consumption	4,0	5,2	3,0	3,0	0,8	Stockbuilding	0,0	-0,8	0,0	0,2	0,6
Fixed capital formation	0,4	-13,7	-16,3	-1,0	4,3	Foreign balance	0,2	4,2	2,5	0,4	0,4
GDP	2,6	-0,2	-0,2	2,0	1,6						
D⁴											
Private consumption	3,2	1,8	-1,2	-1,5	0,4	Final domestic demand	2,5	2,2	-1,1	-2,0	0,5
Govt. consumption	2,6	2,5	2,0	0,8	0,5	Stockbuilding	0,2	-0,6	-1,2	0,4	0,3
Fixed capital formation	1,3	3,7	-3,8	-6,3	0,9	Foreign balance	0,1	0,4	2,4	1,0	0,2
GDP	2,9	2,0	0,1	-0,5	1,0						
GR²											
Private consumption	5,0	0,2	0,7	0,9	1,3	Final domestic demand	4,8	-1,8	-0,5	0,3	1,8
Govt. consumption	7,1	-0,8	6,5	3,0	2,1	Stockbuilding	0,0	0,6	0,8	0,9	0,0
Fixed capital formation	2,5	-8,7	-10,1	-4,8	3,4	Foreign balance	-0,3	2,8	-1,0	-0,5	0,0
GDP	4,8	1,6	-0,7	0,7	1,9						
F²											
Private consumption	4,3	1,7	2,2	3,1	1,4	Final domestic demand	3,4	1,6	-0,6	1,9	0,8
Govt. consumption	3,1	2,8	1,4	2,0	1,5	Stockbuilding	0,1	0,1	-0,2	0,2	0,0
Fixed capital formation	2,0	0,8	-2,8	-1,4	-1,5	Foreign balance	0,0	-0,5	1,1	-1,0	0,2
GDP	3,6	1,3	0,3	1,1	1,0						
IRL³											
Private consumption	3,2	-1,0	-0,5	-2,8	-0,5	Final domestic demand	4,9	-2,5	1,1	-1,6	-0,2
Govt. consumption	6,1	3,8	-0,1	2,3	1,6	Stockbuilding	0,3	-2,6	0,2	0,0	0,0
Fixed capital formation	6,6	-8,5	5,2	-2,1	1,2	Foreign balance	-0,9	7,0	-0,2	3,6	2,2
GDP	4,4	1,9	1,1	2,0	2,4						
I²											
Private consumption	3,0	4,3	0,2	0,5	1,1	Final domestic demand	2,4	4,6	0,3	0,2	0,8
Govt. consumption	2,8	2,1	1,8	2,0	2,1	Stockbuilding	0,2	2,2	-3,1	0,0	0,0
Fixed capital formation	0,7	9,4	-0,2	-2,4	-0,7	Foreign balance	0,5	-2,8	2,6	0,6	0,2
GDP	3,2	3,9	-0,2	0,8	1,0						
L³											
Private consumption	4,0	3,2	0,7	-2,5	0,0	Final domestic demand	3,0	2,1	-0,2	-1,4	0,2
Govt. consumption	3,9	1,6	1,5	0,5	-0,6	Stockbuilding	-0,3	1,4	-0,3	0,0	0,1
Fixed capital formation	1,1	0,1	-3,6	0,1	1,2	Foreign balance	0,3	-2,9	-1,8	1,1	0,7
GDP	3,1	0,7	-2,4	-0,3	1,0						
NL³											
Private consumption	4,4	-0,7	-2,6	-2,1	-3,1	Final domestic demand	3,2	-0,7	-3,4	-2,0	-1,7
Govt. consumption	2,8	1,4	1,7	-0,2	1,1	Stockbuilding	-0,1	0,2	-1,8	0,7	0,6
Fixed capital formation	1,0	-2,6	-10,8	-4,0	-0,5	Foreign balance	0,4	1,2	4,1	0,8	0,8
GDP	3,6	0,6	-1,1	-0,5	-0,3						
UK³											
Private consumption	2,2	0,0	0,0	0,7	2,6	Final domestic demand	2,0	0,4	-1,5	0,7	2,3
Govt. consumption	2,4	2,3	0,0	0,5	0,9	Stockbuilding	0,1	-3,0	0,2	1,9	0,8
Fixed capital formation	0,7	-0,7	-7,9	1,1	2,5	Foreign balance	-0,1	1,7	-0,6	-2,0	-1,4
GDP	2,2	-1,4	-1,9	0,6	1,7						

¹ Change as percentage of GDP of preceding period.

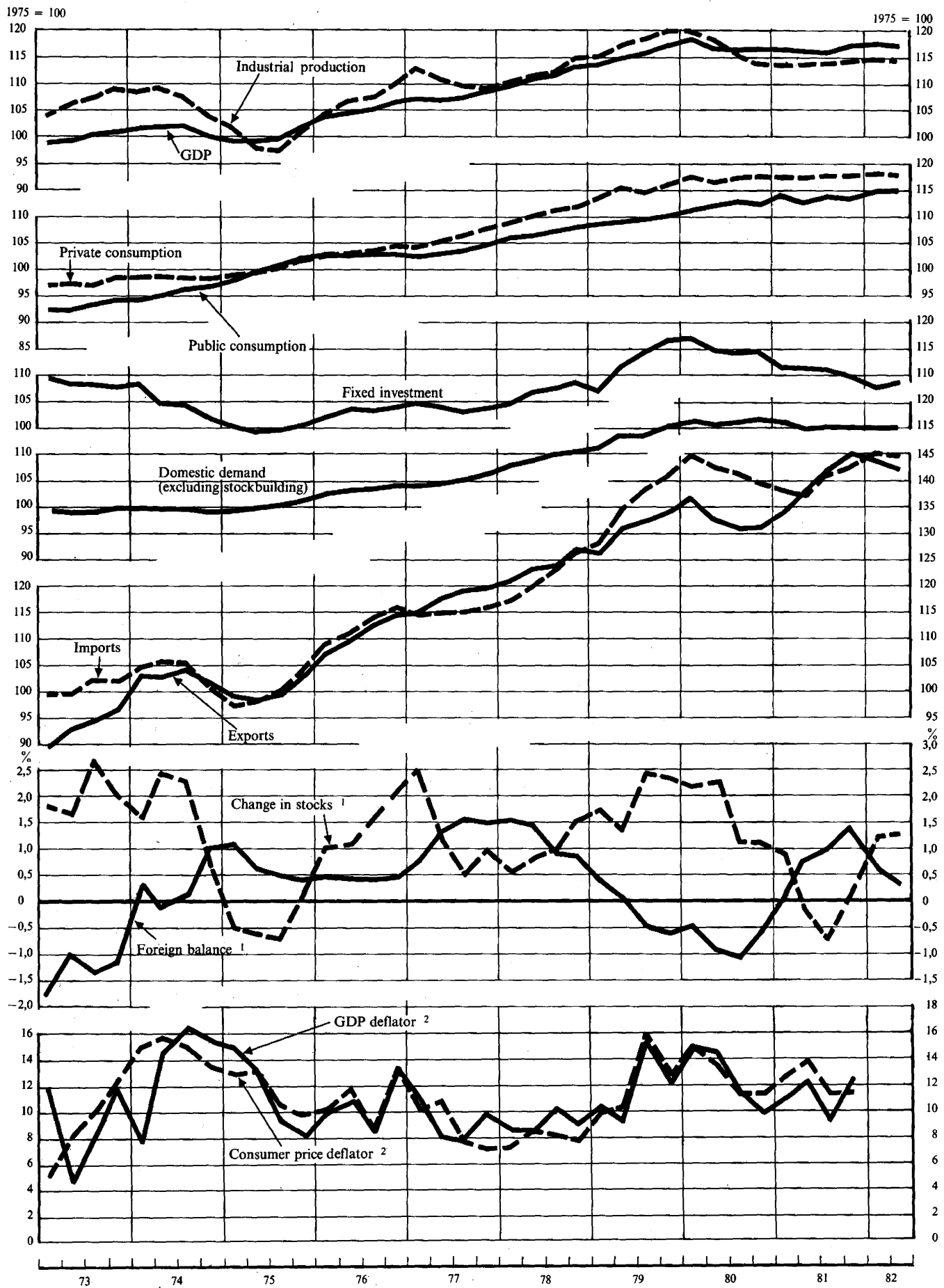
⁵ Forecast.

² 1970 prices.

³ 1975 prices.

⁴ 1976 prices.

Graph 6: Major supply and demand components (1975 prices) and price developments, EC total



¹ Percentage of GDP.
² Annual rates, seasonally adjusted.

Source: Estimates by the Commission services based on national accounts data for the four major EC Member States.

TABLE 6: Money stock⁸ - Percentage change on preceding period (s.a.)

	1977	1978	1979	1980	1981	1981			1982		1982						Change over 12 months % ²		
						II	III	IV	I	II	Febr.	March	April	May	June	July		Aug.	
B (M2)	9,9	9,6	6,2	2,7	6,0	3,2	0,4	1,3	0,8	:	:	:	:	:	:	:	:	:	5,9
DK (M2)	9,5	6,6	9,4	10,6	10,0	2,5	1,8	2,6	3,0	1,3	0,7	1,2	0,1	0,7	0,6	2,1	:	:	10,7
D (M3)	11,1	11,0	6,0	6,2	4,8	2,3	1,1	0,3	3,0	2,3	0,6	0,9	0,8	0,2	1,3	0,2	0,0	:	6,2
GR (M3)	22,7	26,0	18,4	24,7	34,7	9,0	6,8	8,4	5,5	:	1,9	2,3	2,6	1,8	:	:	:	32,0	
F (M2)	13,9	12,2	14,4	9,7	11,4	3,9	2,6	0,7	4,3	3,9	1,3	0,6	1,3	1,5	1,0	:	:	12,2	
IRL (M3)	16,3	28,7	19,0	18,0	18,8	5,2	4,6	3,2	2,1	1,7	1,9	-1,7	1,8	-0,4	0,2	2,2	0,9	10,3	
I (M2)	21,8	22,8	20,4	12,3	10,0	1,5	1,0	4,4	1,5	3,3	0,4	0,5	0,9	1,5	0,8	1,2	:	11,8	
NL (M2)	3,6	4,2	7,0	3,6	5,6	0,8	1,4	-0,4	5,7	0,9	0,8	2,2	0,5	0,2	0,2	:	:	7,6	
UK (EM3)	9,3	13,3	11,7	19,6	13,9	3,9	5,6	2,3	1,7	2,5	0,0	0,6	0,5	1,1	0,8	0,8	1,4	11,4	
EC 8 ⁹	12,7	13,3	11,7	10,6	9,3	2,8	2,3	1,6	2,8	(2,3)	0,6	0,7	(0,8)	(0,9)	(0,9)	:	:	9,9	
USA (M2)	10,8	8,3	8,8	9,6	10,0	2,3	2,1	2,5	2,3	:	0,4	0,9	0,8	0,9	:	:	:	9,5	
JAP (M2)	11,1	13,1	9,1	7,2	11,0	3,1	2,4	2,8	2,0	1,7	1,0	-1,0	-0,2	1,1	0,9	:	:	9,3	

TABLE 7: Short-term interest rates¹⁰

	1977	1978	1979	1980	1981	1981		1982			1982						Change over 12 months % ²	
						III	IV	I	II	III	March	April	May	June	July	Aug.		Sept.
B	7,3	7,3	10,9	14,2	15,6	16,0	16,0	14,5	15,8	13,0	14,5	15,0	14,8	15,8	14,8	13,9	13,0	-3,0
DK	14,5	15,4	12,5	16,9	14,9	20,6	11,6	14,8	16,8	20,2	14,8	19,5	20,7	16,8	12,0	11,4	20,2	-0,4
D	4,3	3,7	6,9	9,5	12,3	12,3	10,8	9,6	9,5	8,0	9,6	9,3	9,2	9,5	9,4	8,4	8,0	-4,3
GR	:	:	:	11,0	16,8	15,0	18,0	20,0	22,9	:	20,0	23,0	22,9	22,9	21,0	23,4	:	5,1
F	9,1	7,8	9,7	12,0	15,3	18,6	15,1	16,3	15,0	13,9	16,3	16,6	16,1	15,0	14,9	14,3	13,9	-4,7
IRL	8,4	9,9	16,0	16,2	16,6	18,9	18,8	21,1	19,9	15,2	21,1	19,9	20,1	19,9	17,4	16,0	15,2	-3,7
I	14,0	11,5	12,0	16,9	19,1	20,0	20,7	20,3	20,4	:	20,3	20,4	20,5	20,4	20,1	:	:	0,7
NL	4,8	7,0	9,6	10,6	11,8	12,9	10,9	8,4	9,1	7,9	8,4	8,8	8,7	9,1	9,1	8,1	7,9	-5,0
UK	8,0	9,4	13,9	16,8	14,2	16,9	15,8	13,6	13,1	10,6	13,6	13,8	13,4	13,1	11,9	10,9	10,6	-6,3
EC 8 ⁹	8,1	7,7	10,3	13,3	14,8	16,4	14,7	14,1	13,9	(12,5)	14,1	14,3	14,1	13,9	13,3	(12,7)	(12,5)	(-3,8)
USA	5,3	7,4	10,8	11,6	14,0	14,7	11,7	13,4	12,6	7,6	13,4	12,5	11,7	13,3	9,6	8,3	7,6	-7,1
JAP	6,2	5,1	5,9	10,7	7,4	7,2	6,9	6,4	:	:	6,4	6,6	6,8	:	:	:	:	:

TABLE 8: Long-term interest rates¹¹

	1977	1978	1979	1980	1981	1981			1982		1982						Change over 12 months % ²	
						II	III	IV	I	II	Febr.	March	April	May	June	July		Aug.
B	8,8	8,5	9,7	12,2	13,8	14,2	14,0	14,0	13,9	13,6	13,8	13,9	13,7	13,6	13,6	13,4	13,1	-1,0
DK	16,2	16,8	16,7	18,7	19,3	19,5	20,4	19,5	20,6	21,2	20,6	20,6	20,8	21,3	21,2	20,6	20,9	0,6
D	6,2	5,7	7,4	8,5	10,4	10,9	11,1	9,7	9,5	9,1	9,8	9,5	9,0	8,8	9,1	9,3	9,0	-2,2
GR	9,5	10,0	11,2	17,1	17,7	18,4	16,6	16,9	16,4	15,8	16,7	16,4	15,4	15,6	15,8	16,0	15,5	-3,3
F	11,0	10,6	10,9	13,7	16,3	17,3	17,1	16,5	16,4	16,0	16,3	16,4	16,3	16,1	16,0	16,0	15,8	-1,2
IRL	12,9	12,8	15,1	15,4	17,2	17,2	18,2	18,2	18,8	18,6	19,2	18,8	18,3	18,3	18,6	17,3	15,9	-1,7
I	14,6	13,7	14,1	16,1	20,6	21,8	22,4	21,4	20,9	21,2	21,1	20,9	21,0	21,2	21,2	21,2	21,1	-1,1
L	7,0	6,6	6,8	7,4	8,6	8,7	9,2	9,3	10,0	10,7	9,9	10,0	10,2	10,7	10,7	10,8	:	1,8
NL	8,5	8,1	9,2	10,7	12,2	12,3	13,1	11,8	10,8	10,9	11,6	10,8	10,6	10,4	10,9	11,2	10,7	-1,3
UK	12,5	12,6	13,0	13,9	14,8	14,7	16,1	15,8	13,6	13,6	14,4	13,6	13,9	13,6	13,6	13,0	11,6	-3,6
EC 9 ⁹	10,4	10,1	10,9	12,6	14,8	15,4	15,8	15,0	14,4	14,2	14,7	14,3	14,2	14,1	14,2	14,1	13,6	-2,1
USA	7,1	7,9	8,7	10,8	12,9	12,4	14,1	12,9	13,0	13,2	13,6	13,0	12,8	12,7	13,2	12,9	11,4	-2,2
JAP	7,3	6,1	7,7	9,2	8,7	8,8	9,0	7,9	7,6	8,5	7,9	7,6	7,6	8,0	8,5	:	:	0,3

TABLE 9: Value of ECU — 1 ECU = units of national currency or SDRs

	1977	1978	1979	1980	1981	1981			1982		1982						Change over 12 months % ²	
						III	IV	I	II	III	March	April	May	June	July	Aug.		Sept.
BFR/LFR	40,88	40,06	40,17	40,60	41,29	41,07	41,10	42,97	45,11	45,19	44,91	45,16	45,03	45,14	45,05	45,16	45,36	11,3
DKR	6,86	7,02	7,21	7,83	7,92	7,88	7,88	8,06	8,13	8,22	8,14	8,14	8,09	8,16	8,18	8,22	8,28	5,9
DM	2,65	2,56	2,51	2,53	2,51	2,51	2,44	2,43	2,38	2,36	2,41	2,39	2,39	2,37	2,36	2,36	2,35	-5,5
DR	42,04	46,80	50,78	59,24	61,62	61,47	61,74	62,72	64,82	66,70	62,47	63,38	64,97	65,99	66,58	66,76	66,76	9,1
FF	5,61	5,74	5,83	5,87	6,04	5,99	6,15	6,21	6,30	6,60	6,22	6,23	6,21	6,42	6,57	6,59	6,65	11,5
IRL	0,654	0,664	0,669	0,676	0,691	0,688	0,688	0,691	0,690	0,687	0,687	0,691	0,689	0,688	0,686	0,686	0,688	0,7
LIT	1 007	1 080	1 138	1 189	1 263	1 254	1 302	1 308	1 323	1 325	1 309	1 318	1 324	1 327	1 324	1 324	1 326	5,6
HFL	2,80	2,75	2,75	2,76	2,78	2,79	2,69	2,67	2,64	2,59	2,65	2,65	2,65	2,62	2,61	2,60	2,58	-6,7
UKL	0,654	0,664	0,646	0,598	0,553	0,562	0,578	0,561	0,563	0,551	0,560	0,564	0,570	0,556	0,552	0,552	0,549	-5,7
USD	1,141	1,274	1,371	1,391	1,116	1,033	1,090	1,038	1,002	0,951	1,013	0,998	1,033	0,978	0,959	0,952	0,941	-11,0
YEN	305,8	267,1	300,5	315,0	245,4	239,1	244,4	242,1	244,4	245,9	243,9	243,4	244,3	245,5	244,2	246,4	247,2	2,0
SDR	0,977	1,018	1,061	1,068	0,946	0,911	0,938	0,912	0,885	0,875	0,901	0,858	0,910	0,887	0,878	0,876	0,872	-5,6

TABLE 10: Effective exchange rates: export aspect¹² - Percentage change on preceding period

	1977	1978	1979	1980	1981	1981			1982		1982						Change over 12 months % ²	
						III	IV	I	II	III	March	April	May	June	July	Aug.		Sept.
B/L	6,1	3,5	1,5	-0,4	-0,6	-0,9	1,0	-5,1	-5,5	-0,9	-6,3	-0,8	0,9	-0,7	0	-0,3	-1,7	-12,4
DK	-0,3	0,0	-0,7	-8,0	-7,5	-0,1	2,0	-3,5	-1,4	-2,4	-1,6	-0,2	1,5	-2,0	-0,8	-0,6	-1,2	-8,1
D	8,5	6,5	5,2	0,5	-6,2	-1,1	5,1	-0,6	2,1	0,2	1,3	0,7	1,3	-0,3	0,2	0,1	-0,9	4,6
F	-4,7	-1,3	0,7	0,4	-8,5	-1,1	1,7	-2,1	-1,6	-4,1	-0,6	-0,4	1,1	-4,4	-2,9	-0,4	5,1	-7,4
IRL	-3,1	1,2	0,4	-2,5	-9,9	0,5	2,1	-2,4	-0,2	-1,3	0,6	-0,6	1,5	-1,6	-0,3	-0,1	-0,9	-4,8
I	-7,7	-5,9	-3,2	-3,7	-12,2	-1,3	2,6	-1,6	-1,7	-1,1	-0,7	-1,0	0,4	-1,0	0	0	-1,3	-8,1
NL	5,8	2,9	1,7	0,1	-4,8	-0,5	5,0	-0,2	0,6	1,1	0,7	-0,3	0,8	0,4	0,3	0,5	-0,3	5,0
UK	-4,8	0,9	6,5	10,0	-0,9	-7,5	0,9	1,7	-1,0	1,0	-0,8	-1,0	0,1	1,2	0,2	0,2	-0,3	3,5
ECU	0,9	2,5	5,9	2,3	-15,2	-4,4	3,0											

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

	1977	1978	1979	1980	1981	1981			1982		1982							Change over 12 months % ²
						II	III	IV	I	II	Jan.	Febr.	March	April	May	June	July	
B	0,4	2,4	4,3	-1,0	-2,9	0,2	-0,6	1,0	0,9	1,9	10,0	-6,6	-4,0	6,0	3,0	-2,3	:	1,8
DK	0,8	2,3	3,6	0,2	0,3	-0,7	3,2	-3,2	3,4	2,4	-0,2	3,5	3,6	-1,1	-4,6	9,7	-7,4	-4,5
D	2,8	2,0	5,5	-0,8	-1,4	-0,9	0,9	-0,9	1,9	-1,8	1,9	0,9	0,9	-0,9	-0,9	-2,8	-1,9	-3,2
GR	1,5	7,5	6,0	0,9	-0,6	3,1	1,9	0,3	-0,6	:	0,6	0,9	-2,6	-1,3	:	:	:	0,9
F	1,6	1,6	4,7	-0,7	-2,3	0,8	0	1,5	-2,8	1,3	-3,8	-0,8	1,6	0	0,8	0	:	-0,8
IRL	7,6	8,4	6,2	-1,0	1,9	1,9	1,6	-0,4	-0,2	0,7	-6,4	6,0	1,2	-1,7	0,2	-1,3	:	0
I	0	2,1	6,7	5,0	-2,2	-2,4	-4,3	5,5	2,4	-4,1	0,4	7,8	-3,1	-0,4	-3,4	-4,9	2,3	-4,5
L	0,5	3,2	3,4	-3,3	-6,8	1,6	1,1	1,2	0,5	-4,7	6,0	5,8	-8,5	-2,4	3,3	-1,4	-0,6	-4,6
NL	0	0,9	2,8	-0,9	-1,8	-3,0	-1,5	3,1	-0,9	-4,0	0	-1,8	-1,8	0	-2,8	-1,0	:	-2,8
UK	4,9	3,4	3,9	-6,6	-3,8	0,5	0,4	1,1	-0,9	0,3	-0,4	0,6	0,3	0,1	0,7	-1,8	1,4	-1,2
EC 10	2,3	2,4	4,8	-0,8	-2,1	-0,1	0,1	0,1	0,4	-0,4	1,4	-0,1	-0,6	0,4	0,6	(-2,2)	:	(-2,0)
USA	6,5	5,7	4,4	-3,6	2,7	0,4	0,3	-4,4	-3,1	-1,8	-1,9	1,6	-0,9	-1,1	-0,7	(-0,7)	(-0,1)	(-10,1)
JAP	4,1	6,2	8,3	7,0	3,1	0,5	2,1	2,0	-1,0	-1,7	-0,6	-0,8	1,4	-1,9	-1,7	2,4	0,6	1,1

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

	1977	1978	1979	1980	1981	1981			1982		1982							Change over 12 months % ²
						II	III	IV	I	II	Febr.	March	April	May	June	July	Aug.	
B	7,8	8,4	8,7	9,4	11,6	11,3	12,0	12,5	13,2	13,5	13,2	13,3	13,4	13,5	13,8	13,8	14,0	15,5
DK ³	5,8	6,5	5,3	6,2	8,3	8,3	8,3	8,9	8,9	9,0	8,7	8,8	9,1	9,0	(8,8)	(8,0)	(8,7)	6,3
D	4,0	3,9	3,4	3,4	4,8	4,5	5,1	5,8	6,3	6,9	6,3	6,5	6,6	6,9	7,0	7,1	7,2	39,4
F	4,8	5,2	6,0	6,4	7,8	7,5	8,0	8,5	8,6	8,8	8,6	8,6	8,7	8,8	8,9	8,9	8,8	11,6
IRL	9,2	8,4	7,4	8,3	10,4	10,3	10,7	11,0	11,5	12,1	11,4	11,7	11,9	12,0	12,3	12,6	12,9	26,1
I	6,4	7,1	7,5	8,0	8,8	8,5	8,8	9,4	9,7	10,3	9,7	9,9	10,1	10,3	10,4	10,6	10,7	22,5
L	0,5	0,7	0,7	0,7	1,0	0,9	1,0	1,1	1,2	1,2	1,2	1,2	1,3	1,2	1,2	1,2	1,2	21,6
NL	4,1	4,1	4,1	4,8	7,2	6,8	7,5	8,3	8,9	9,6	8,9	9,1	9,3	9,5	9,9	10,2	10,3	38,6
UK	5,7	5,7	5,3	6,9	10,6	10,4	11,1	11,8	12,0	12,2	12,0	12,0	12,1	12,1	12,2	12,2	12,4	12,0
EC 9	5,3	5,5	5,5	6,2	8,1	7,8	8,3	9,0	9,3	9,7	9,3	9,4	9,6	9,7	9,8	9,7	9,9	19,4
USA	7,0	6,0	5,8	7,1	7,6	7,4	7,4	8,4	8,8	9,5	8,8	9,0	9,4	9,5	9,5	9,8	9,8	(32,0)
JAP ⁴	2,0	2,2	2,1	2,0	2,2	2,3	2,2	2,2	2,3	2,4	2,3	2,3	2,4	2,4	2,5	12,4	:	9,1

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

	1977	1978	1979	1980	1981	1981			1982		1982							Change over 12 months % ²
						II	III	IV	I	II	Febr.	March	April	May	June	July	Aug.	
B	7,1	4,5	4,5	6,6	7,6	0,8	2,6	2,1	1,9	2,3	0,2	0,2	1,2	0,9	0,9	0,7	0,6	9,0
DK	11,1	10,1	9,6	12,3	11,7	4,3	2,4	2,2	2,1	2,4	0,6	0,9	0,6	1,1	0,8	0,8	0,6	9,6
D	3,7	2,7	4,1	5,5	5,9	1,8	1,2	1,2	1,5	1,4	0,2	0,2	0,5	0,6	1,0	0,2	-0,2	5,1
GR	12,2	12,5	19,0	24,9	24,5	5,4	1,9	7,5	4,2	7,0	-0,2	3,3	3,0	1,3	2,6	-0,5	-1,3	22,2
F	9,4	9,1	10,7	13,6	13,4	3,3	3,9	3,2	2,8	3,1	1,1	1,1	1,2	0,8	0,7	0,3	0,3	10,8
IRL ⁵	13,6	7,6	13,2	18,2	20,4	3,9	5,6	5,9	2,3	5,8	(0,8)	(1,9)	(1,9)	(1,9)	(0,7)	(0,7)	(0,7)	17,0
I	17,0	12,2	14,8	21,2	19,6	4,4	3,0	4,6	4,0	3,0	1,5	0,8	0,8	1,1	1,0	1,3	(1,8)	(17,0)
L	6,7	3,1	4,5	6,3	8,1	2,2	2,0	1,6	2,7	2,0	1,0	0,1	0,3	1,4	1,1	1,0	0,5	9,7
NL	6,4	4,2	4,3	7,0	6,9	2,3	1,6	1,9	1,1	1,6	0,5	0,9	0,7	0,2	0,2	0,3	0,1	5,7
UK	15,9	8,3	13,4	18,0	11,9	4,9	1,7	2,5	1,7	3,2	0	0,9	2,0	0,7	0,3	0	0	8,0
EC 10	10,5	7,6	10,2	14,1	12,6	3,6	2,5	3,1	2,5	2,9	0,7	0,8	1,3	0,8	0,8	0,5	(0,5)	10,7
USA	6,5	7,6	11,5	13,5	10,2	2,3	2,9	1,4	0,8	1,5	0,3	-0,1	0,4	1,0	1,2	0,6	0,2	5,9
JAP	8,1	3,8	3,6	8,0	4,9	1,7	0,3	1,2	0	1,1	-0,3	0,2	0,8	0,4	0,1	-0,8	0,8	3,3

TABLE 4: Volume of retail sales - Percentage change on preceding period (s.a.)

	1977	1978	1979	1980	1981	1981			1982		1982							Change over 12 months % ²
						II	III	IV	I	II	Jan.	Febr.	March	April	May	June	July	
B	1,2	2,3	3,9	1,2	-3,3	1,6	-1,2	0,4	-0,7	-1,4	-3,4	1,3	2,1	1,2	-6,6	0,5	:	-6,9
DK	1,1	-2,4	2,2	-1,5	-0,6	0,1	0,6	-1,2	1,9	2,0	-1,4	3,3	0	2,0	-1,7	0,1	-0,2	-0,5
D	3,1	2,8	2,6	0,3	-2,6	-2,2	1,2	0,2	-2,3	-2,4	-4,7	3,1	1,4	-1,0	-4,7	-0,4	0,8	-7,3
GR	5,9	4,9	-2,1	-3,0	-3,3	3,9	1,2	11,5	-15,2	-1,0	16,6	-6,0	0,8	0,1	1,2	-0,7	:	-4,5
F	0,1	2,1	2,3	-0,4	0,7	0,5	0,6	1,7	0,6	-0,2	-1,8	2,8	0,2	-0,3	-4,5	6,3	-3,1	1,4
IRL	4,9	8,7	3,3	-0,7	-0,7	-1,2	1,3	-4,9	0	:	-7,3	4,8	-0,1	2,1	-3,8	:	:	-9,4
I	2,9	2,6	7,3	3,1	2,0	-0,3	0,2	2,4	1,0	3,0	3,0	-2,4	4,4	2,9	-3,2	0,9	:	7,3
NL	4,7	4,7	-0,3	-4,1	-5,2	-1,3	-1,2	-3,6	-0,7	-0,6	-0,9	2,2	-3,0	2,3	-2,2	0	:	-4,4
UK	-1,7	5,5	4,3	0,1	1,1	-1,8	0,7	0	1,1	-0,5	2,3	-0,9	0,5	-0,7	-0,1	0,8	0,9	-3,3
EC 9 ⁶	1,5	3,2	3,4	0,2	-0,4	-0,9	0,5	0,6	-0,1	(-0,3)	-1,0	1,1	1,2	0,3	-3,4	(1,6)	:	(0,8)
USA	6,5	3,3	0,3	-4,6	-0,7	-1,4	0,5	2,7	-1,1	:	-2,1	2,4	-0,3	0,3	0,5	:	:	0,6
JAP	8,2	6,5	-4,1	-8,4	-9,2	-2,9	0,4	4,1	0	:	3,0	-3,8	0,2	-1,4	-0,2	:	:	-6,1

TABLE 5: Visible trade balance - fob/cif, million ECU (s.a.)

	1977	1978	1979	1980	1981	1981			1982		1982							Change over 12 months % ²
						II	III	IV	I	II	Febr.	March	April	May	June	July	Aug.	
B/L	-2 526	-2 890	-3 020	-5 172	-5 420	-1 367	-1 758	-722	-1 446	-1 388	-229	-668	-597	-429	-363	-116	:	525
DK	-2 801	-2 198	-2 904	-1 911	-1 481	-332	-313	-451	-420	-413	-174	-87	-171	-113	-129	-68	-209	-188
D	14 514	15 934	8 933	3 545	11 239	2 320	2 983	5 204	5 168	5 542	1 715	2 301	1 262	2 168	2 113	1 956	1 934	1 598
GR	-3 588	-3 347	-4 187	-3 906	-3 951	-1 111	-943	-1 212	-2 000	-1 296	-758	-681	-486	-495	-315	-232	:	137
F	-6 117	-4 097	-6 195	-16 952	-17 283	-4 066	-4 276	-5 136	-4 771	-6 043	-1 578	-1 625	-2 223	-1 141	-2 679	-1 939	:	-328
IRL	-876	-1 132	-1 955	-1 898	-2 471	-582	-742	-573	-627	-353	-185	-228	-215	-98	-40	-94	-185	-17
I	-2 444	-336	-4 103	-15 696	-13 654	-4 722	-3 460	-1 980	-3 724	-2 909	-2 026	-621	-855	-947	-1 108	-669	:	104
NL	1 687	-2 240	-2 619	-2 184	1 312	-254	317	1 342	1 823	:	642	:	:	:	:	:	:	742
UK	-5 246	-5 548	-8 705	-3 590	:	:	:	(357)	(-1638)	(-2267)	(52)	(-459)	(-344)	(-870)	(-1054)	(-85)	(-170)	:
EC 9 ⁷	-7 184	-2 508	-20 804	-43 859	(-30 900)	(-10 250)	(-8 350)	(-3 250)	(-4 870)	(-5 810)	(-1 750)	(-970)	(-2 850)	(-710)	(-2 250)	(-		

Major economic policy measures — October 1982

Community (EC)

None.

Belgium (B)

9.9 The Banque Nationale lowered the basic discount rate from 13% to 12,50%. The rate for advances on current account was reduced from 14% to 13,50%.

17.9 The Banque Nationale reduced interest rates on very short-term treasury certificates from 13,75% to 12,75% in four stages.

24.9 The Government adopted the principle of designating 'employment areas'; by granting certain tax advantages in these areas, it hopes to enhance the attractiveness of investment for Belgian and foreign firms manufacturing new products.

27.9 The Government introduced an early retirement pension for working men aged 60 and over. This pension is granted only when the employing firm recruits a replacement worker.

Denmark (DK)

None.

Federal Republic of Germany (D)

23.9 The Central Council of the Bundesbank (Zentralbankrat) reduced, with effect from 1 October, the level of minimum reserves imposed on private banks by 10%. By this measure the liquidity of the private banking system is increased by about DM 5 500 million.

Greece (GR)

None.

France (F)

1.9 The Government adopted its draft budget for 1983. Expenditure and revenue increase by 11,8% and 10% respectively. The estimated deficit for the central government budget is set at FF 117 000 million, or about 3% of estimated gross domestic product (including FF 20 000 million as a reserve for purposes of regulation). The macro-economic assumptions underlying the draft budget include nominal GDP growth of 11,1% and real growth of 2%. The main feature of the draft budget is the moderate increase in taxes, with a major effort to limit current expenditure and more emphasis on measures in favour of research, industrial development, employment and subsidized housing.

14.9 A new Government loan, amounting to FF 10 000 million for seven years at 15,75%, was issued on the financial market. This is the Government's third issue since the beginning of the year, bringing the total amount to FF 30 000 million.

15.9 A Government loan for USD 4 000 million (FF 28 000 million) was issued on the international capital market. The loan, with a maturity of 10 years, will enable the Banque de France to increase its reserves (at present FF 22 000 million) for intervention in support of the French franc.

16.9 As an incentive to industrial investment, all equipment necessary for work will be exempt from the wealth tax until 1985. Subsequently, the tax will be payable only if investment over the four years to 1985 amounts to less than the amount due in tax; if investment for more than this amount is carried out, the surplus will count as a tax for the following years.

20.9 Artisanal entrepreneurs were exempted from the solidarity contribution to finance unemployment insurance.

29.9 The Minister of Social Affairs announced the arrangements adopted by the Council of Ministers to balance the social security accounts in 1983. The main measures were:

1. Harmonization of contributions:
 - farmers' contributions will be increased by 16%;
 - insured persons in receipt of a bridging pension will pay the same contributions as employees in employment on 1 April 1983;
 - the basis of assessment for the contributions of self-employed persons outside the agricultural sector will be gradually adjusted to cover the borrowing requirement of the social security funds of the self-employed.
2. The contribution of persons in receipt of a bridging pension: at present, the recipients of bridging pensions contribute to sickness

insurance at a reduced rate of 2^o, and make no contribution to old-age pension funds; from 1 April 1983, when the right to retire at 60 will be introduced, they will pay the contributions due under their basic social security scheme on the same conditions as employees, i.e. those insured under the general scheme (sickness: 5,5% of total bridging pension; widow's pension rights: 0,1%; old-age pension rights: 4,7%). Those whose bridging pension is less than the minimum wage (SMIC) will be exempt from contributions.

3. The reform of hospital charges: from 1 January 1984, payment on the basis of a daily price will be discontinued to be replaced by a system of budget endowments for each establishment.
4. The adjustment of certain items of expenditure to the Government's economic objectives:
 - the salaries of hospital staff and medical fees may not increase by more than 8%;
 - family allowances will be raised by 7,5% on 1 January and by a further 4% on 1 July 1983;
 - retirement pensions and minimum old-age pensions will be raised by 4% on 1 January and again by the same amount on 1 July 1983.
5. Central government aid: as the central government will take over the handicapped adult's allowance (AAH) while the national family allowances fund takes over family benefits to farmers, the net savings for the general scheme will amount to FF 7 500 million.

Moreover, the principle of a supplementary tax on tobacco and alcoholic beverages was adopted.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

17.9 The Commissariat au Contrôle des Banques (bank supervisory commission), in agreement with the Government, decided that the deposit accounts of non-residents and holding companies under Luxembourg law (not representing the interests of residents) could no longer be denominated in Luxembourg francs; this applies irrespective of the form taken by the deposit (account, savings book, certificate). The Commissariat also decided that the time deposits of residents of LFR 1 000 000 or more placed for 12 months or less could no longer be denominated in Luxembourg francs. Residents' current accounts, savings accounts and certificates of deposit are not subject to this rule. Sight and time accounts of Luxembourg banks with each other may be denominated in Luxembourg francs if this contributes to balancing the franc position of the banks concerned.

Netherlands (NL)

21.9 The Government presented the draft central government budget for 1983. Total expenditure from the budget and budget funds (excluding HFL 4 000 million on redemption of the debt) amounts to HFL 156 300 million, an increase of 2,8% on the probable outturn for 1982; revenue increases by 0,8% (HFL 125 100 million). The net budget deficit for 1983 thus amounts to HFL 31 200 million, or 9,1% of net national income (1982: 8,5%). The aggregate general government cash deficit is set at 10,8% (1982: 10,2%). The growth of expenditure has been limited by a series of economic rehabilitation measures amounting to HFL 12 100 million, and affecting both the central government budget and social security funds. The net increase in revenue is limited to HFL 850 million, with increases, in an as yet unspecified form, amounting to HFL 1 600 million, offset by tax reductions totalling HFL 750 million. The total burden of taxes and social security contributions increases by 1,1% of net national income (52,5% in 1983, compared with 51,4% in 1982). The underlying assumptions for the budget include very slow real growth of gross domestic product, an extra 110 000 unemployed and an average consumer price increase of between 4 and 5%.

United Kingdom (UK)

None.

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