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Supplement A — No 4 — April 1983

Economic trends

This month:
EMS realignment in March 1983. The economic and social situation in the Community

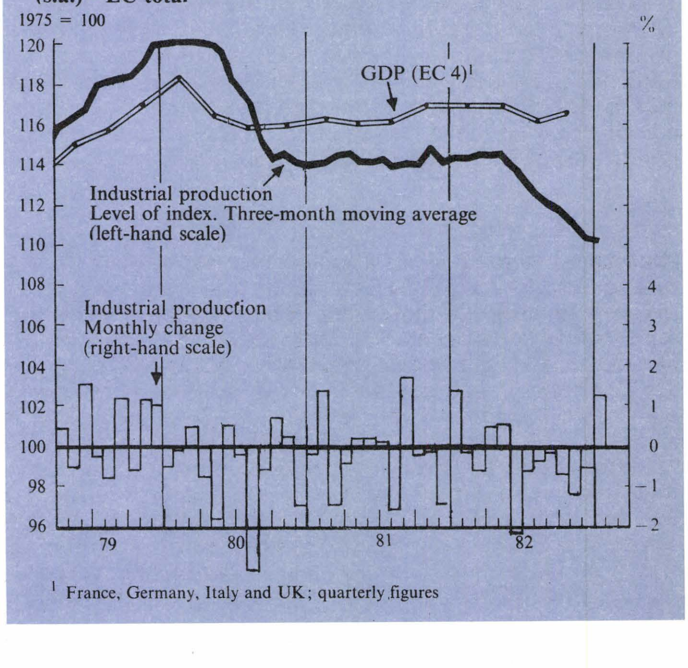
Signs of upturns in output

The Community's GDP up in the fourth quarter of 1982. — According to provisional estimates based on national accounts data for the four major Member States, real gross domestic product in the Community rose at a seasonally adjusted annual rate of 1,9% in the fourth quarter of 1982 following a decline of 2,8% in the third quarter. Figures for the preceding quarters have been somewhat revised and the downturn of GDP in the second half of 1982 now seems to have been less pronounced than estimated three months ago (see Supplement A for January). Data for the individual countries (see Table 1) show that the *German* GDP fell somewhat further (0,6%) in the fourth quarter but that the third quarter decline, at 3,2%, was smaller than the 5% initially estimated. In *France*, on the other hand, GDP rose by 2,8% in the fourth quarter, regaining thus almost fully the 3,0% fall which had occurred in the third quarter. A sharp upturn of GDP took place in the *United Kingdom*, with real GDP up in the fourth quarter at a seasonally adjusted annual rate of 7,7% after an increase of 4,5% in the third quarter. This was in sharp contrast to developments in *Italy* where GDP fell by 0,6% in the fourth quarter after a drop of 9,0% in the third. (A more detailed review of the development of GDP in the fourth quarter of 1982 will be published in the May number of Supplement A.)

Industrial production up in January 1983. — Industrial production in the Community (s.a.) in January 1983 rose by 1,3%. The trend value of the index as estimated by the moving average over three months remained approximately unchanged compared to December. All Member States for which data are available experienced a rise in industrial production in January with rises ranging from a modest 0,1% in the United Kingdom to 2% in Germany and 9,6% in Luxembourg; the latter figure, however, following declines of a similar order of magnitude in the two preceding months. Despite the somewhat better performance in January, industrial production in the Community in January was down 3,9% over a year earlier. Among the Member States only the United Kingdom recorded a rise (1,2%) over 12 months. A relatively favourable year-on-year performance was registered in Belgium (−0,7%) and France (−1,5%) while Germany, Greece, Italy, Luxembourg and the Netherlands all saw declines in excess of 5%. (The provisional estimate for February suggests that the Community's industrial production was unchanged compared to the level of January.)

Unemployment edges up. — Unemployment in the Community (seasonally adjusted) in February 1983 reached 12,3 million persons, corresponding to 10,4% of the active population, and representing a rise of one tenth of a percentage point from January. The rate of unemployment jumped a further 0,4 percentage points in Germany and by 0,2 percentage points in Belgium, Ireland, Italy and the Netherlands. Denmark recorded an increase of 0,1 percentage point while the rate of unemployment was unchanged in France, Luxembourg and the United Kingdom. Unemployment in the Community in February was up 16% over a year earlier with the largest rise (31%) occurring in Germany and the smallest (3,8%) in France (Table A.2).

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



[1] France, Germany, Italy and UK; quarterly figures

TABLE 1 : **Gross domestic product at constant market prices** (Percentage change on preceding quarter — annual rates, seasonally adjusted)

		Community [1]	FR of Germany [1]	France	United Kingdom	Italy
1979	Q1	0,8	2,0	0,9	−3,5	3,2
	Q2	6,8	9,4	3,5	14,2	−1,3
	Q3	2,5	0,6	6,5	−5,0	8,6
	Q4	4,4	5,1	1,5	0,7	12,3
1980	Q1	0,2	6,1	1,7	−2,7	−10,8
	Q2	−1,9	−6,7	−2,1	−7,8	17,8
	Q3	−1,0	1,0	−1,0	0,8	−7,2
	Q4	−0,1	−1,0	−0,7	−1,5	4,4
1981	Q1	0,3	1,1	−2,4	−0,2	3,7
	Q2	−1,2	−2,3	5,1	−7,9	−2,1
	Q3	0,4	3,6	0,5	−2,6	−3,0
	Q4	3,5	0,1	4,2	7,4	5,3
1982	Q1	−0,2	−3,6	−0,8	2,1	6,0
	Q2	−0,3	−0,1	4,2	−2,9	−5,6
	Q3 (2)	−2,8	−3,2	−3,0	4,5	−9,0
	Q4	1,9	−0,6	2,8	7,7	−0,6

[1] FR of Germany: GNP.
Source: Federal Republic of Germany: Bundesbank; France: Insee; Italy: ISCO; United Kingdom: CSO. Figures for Germany do not include the adjustment for calendar irregularities.

Little change in the trend rate of inflation. — The index of consumer prices in the Community in February rose by 0,7% following a rise of 0,8% in January. Compared to a year earlier the index of consumer prices was up by 9,2% and the trend rate of inflation, estimated as the seasonally adjusted rate of change over six months, was only marginally down, from about 8,2% in January to 8,1% in February, suggesting that the fast reduction of the trend rate of inflation seen in the course of 1982 has at least temporarily come to a halt. Indeed, an upturn in the trend rate of inflation in the last few months has been recorded in Greece, France, Ireland and the United Kingdom while the slowdown of inflation continued in Germany and the Netherlands, where the trend fell to 2,8 and 2,5% respectively. Belgium, Denmark, Italy and Luxembourg also recorded declining trend rates of inflation but at a considerably higher level than in the former two countries. The inflation divergence within the Community measured as the (unweighted) standard deviation of the trend rates of inflation, rose considerably from January to February mainly as a result of a sharp rise in the trend rate of inflation in Greece.

Retail sales fall back at the beginning of 1983. — The volume of retail sales in the Community (seasonally adjusted) in the last quarter of 1982 is estimated to have increased by 1,3% over the previous quarter after a fall of 0,7% in the third quarter. The relatively buoyant development in the last months of 1982, however, does not seem to have been maintained in January 1983 : the four countries for which data are available, Denmark, Germany, France and the United Kingdom all recorded rather pronounced declines, notably France where retail sales are estimated to have fallen by 4,2% in real terms over the previous month (Table A.4). Month-to-month movements in retail sales are, on the other hand, rather erratic and figures for a single month are not, therefore, a reliable basis for assessing the trend.

Pronounced increase in the Community's trade deficit. — The trade deficit (fob/cif) of the Community in January is estimated to have reached to more than 3 000 million ECU (s.a.), representing a considerable deterioration as compared to December 1982. The largest single factor behind this change in the Community aggregate was a swing in the trade balance of the United Kingdom from a surplus of 336 million ECU in December to a deficit of 1 187 million in January. Other Member States, however, also recorded large changes in the trade balance in January with substantial improvements for Belgium, Luxembourg, Denmark and France and a considerable deterioration in Italy. The German trade surplus fell somewhat from the high level seen in December but, nevertheless, at some 2 000 million ECU, remained close to the monthly average of the second half of 1982.

Slight upswing in monetary growth in the Community in 1982. — After slowing down considerably in November, the rate of monetary growth in the Community in December was, at 0,9%, again close to that of earlier months. Quarterly figures show a slowdown in the expansion of the money supply (M 2/3) between the third quarter of 1982 (+2,7%) and the fourth (+2,1%). Through 1982 (December to December), the money supply expanded on average in the Community by 10,8%, compared with 9,7% in 1981; in view of the development of activity and prices, this points to a stabilization of the liquidity ratio in the Community economy after the previous years's fall. Rates of monetary expansion in 1982 (December 1981 to December 1982) increased in Denmark, the Federal Republic of Germany, Italy and the Netherlands; they were stable in Belgium and France, and declined in Greece, Ireland and the United Kingdom.

Short-term interest rates declining again. — Average short-term interest rates in the Community began to decline once again in March, when they eased by three tenths of a point to 11,1%. The downward movement was pronounced in the Federal Republic of Germany and the Netherlands, two of the Member States where discount rates were lowered, and in the United Kingdom. In France, after a temporary rise due to pressure on exchange markets before the adjustment of EMS central rates on 21 March, short-term rates were lower at the end of the month than they had been in February. A similar upswing followed by a decline, furthered by the raising and subsequent lowering of the discount rate, was observed in Belgium in March. Rates were still higher at the end of the month than at the beginning in Greece, Italy and especially Ireland. Yields on long-term public securities continued on a downward path in the Community in February.

Markets calmer after EMS realignment. — In the third week of March the foreign exchange markets were characterized by heavy speculation, mainly against the FF and the BFR. This pressure led to a polarization of the EMS currencies within the fluctuation band: except for the HFL, they all stood at their lower fluctuation limit against the DM. After the EMS realignment of 21 March (see below for details), the FF, DKR and IRL, benefitting from the unwinding of speculative positions, have tended to remain at or near their upper intervention limits against the DM. After Easter the DM was joined at the bottom of the band by the HFL. The BFR has maintained a comfortable position within the EMS since the realignment, allowing the Belgian National Bank to bring down the discount rate and repay some foreign borrowing, while the discount of the financial BFR had fallen to less than 2 % by early April. Outside the EMS, sterling recovered during the first half of April after continued falls (to record lows) during March. The US dollar was little changed against the ECU between February and March on a monthly-average basis (+0,6%), but weakened slightly towards the end of March and at the beginning of April before stabilizing in mid-April.

21 April 1983

Adjustment of EMS central rates on 21 March 1983

On 21 March 1983, the Ministers and central bank governors of EEC member countries, by mutual agreement, in a common procedure involving the Commission and after consultation of the Monetary Committee, decided on an adjustment of central rates within the European Monetary System.

Changes in central rates are the following:

— German mark:	+5,5%	— Luxembourg franc:	+1,5%
— Dutch guilder:	+3,5%	— French franc:	−2,5%
— Danish krone:	+2,5%	— Italian lira:	−2,5%
— Belgian franc:	+1,5%	— Irish pound:	−3,5%

Table 2 shows the full matrix of new bilateral central rates and intervention limits applicable as from 22 March 1983.

TABLE 2: **Bilateral central rates and intervention margins for currencies participating in the EMS exchange rate mechanism as from 22 March 1983**

		Amsterdam in HFL	Brussels in BFR/LFR	Frankfurt in DM	Copenhagen in DKR	London in UKL	Dublin in IRL	Paris in FF	Rome in LIT
	+2,25%		1818,—	90,770	329,63		29,3832	278,35	58997,—
HFL 100	central rate	100	1777,58	88,7526	322,297	*	28,7295	272,158	55563,—
	−2,25%		1738,—	86,780	315,13		28,0904	266,10	52329,—
	+2,25%	5,7535		5,106	18,543		1,6530	15,659	3318,9
BFR/LFR 100	central rate	5,62561	100	4,99288	18,1312	*	1,61621	15,3106	3125,76
	−2,25%	5,5005		4,882	17,727		1,5803	14,97	2943,8
	+2,25%	115,235	2048,35		371,40		33,1015	313,63	66473,—
DM 100	central rate	112,673	2002,85	100	363,141	*	32,3703	306,648	62604,3
	−2,25%	110,1675	1958,50		355,06		31,6455	299,85	58960,—
	+2,25%	31,7325	564,10	28,165			9,1168	86,365	18305,—
DKR 100	central rate	31,0273	551,536	27,5375	100	*	8,91396	84,4432	17239,7
	−2,25%	30,3375	539,30	26,925			8,7157	82,565	16236,—
UKL 1	central rate	*	*	*	*	*	*	*	*
	+2,25%	3,5600	63,2810	3,160	11,4735			9,6885	2053,53
IRL 1	central rate	3,48075	61,8732	3,08925	11,2184	*	1	9,47313	1934,01
	−2,25%	3,4030	60,4965	3,021	10,9687			9,2625	1821,45
	+2,25%	37,58	668,—	33,350	121,11		10,7964		21677,
FF 100	central rate	36,7434	653,144	32,6107	118,423	*	10,5562	100	20415,7
	−2,25%	35,925	638,60	31,885	115,78		10,3214		19227,—
	+6%	1,911	33,970	1,696	6,159		0,549015	5,201	
LIT 1000	central rate	1,79976	31,9922	1,59733	5,80057	*	0,517061	4,89819	1000,—
	−6%	1,69500	30,130	1,504	5,463		0,486968	4,6130	
1 ECU	central rate	2,49587	44,3662	2,21515	8,04412	(0,629848)	0,71705	6,79271	1386,78

* Does not participate in the exchange mechanism.

The economic and social situation in the Community

(Communication from the Commission to the European Council of 21-22 March 1983)

I. Introduction

In early 1983, the Community economy is hesitating.

1. Recent indicators point to some incipient recovery in a number of Member States that is attributable in part to the more favourable trend of the US economy since the end of 1982, to the downward movement in interest rates internationally and, with some reservations, to the prospect of an easing of the oil constraint.

This does not mean that the end to the recession is already assured. The favourable developments observed still need to be confirmed as to their scale and duration. In addition, many of the world's economies have not as yet adjusted sufficiently to the consequences of the 1979 oil shock and the trend in the dollar since 1980. The international financial situation also needs to be closely monitored.

2. There is thus the chance of a positive turnaround, but there are also uncertainties. This chance to start bringing down unemployment through non-inflationary and hence sustained growth is offered to us for the first time in several years and must be seized.

For this reason, the ways and means of accentuating the favourable tendencies and initiating a period of sound growth must be the main point of the debate that is started at this European Council, will continue at the OECD and at the Williamsburg Summit, and will be completed at the European Council to be held in June.

3. This memorandum should help to launch the discussion and prepare the ground for follow-up action at Community level:
— it gives a brief description of the current economic situation and of the outlook for the immediate future,
— and sets out a number of thoughts on how to manage the recovery, that is to say on how to reinforce it and make it last.

II. The present situation and immediate outlook

A. *Developments in 1982*

1. On account of a very pronounced fall-off in the third quarter, growth in the Community in 1982 was weaker than forecast: it was 0,2% in volume terms, with Denmark showing the largest increase of 2,3% and Germany and the Netherlands recording declines of 1% and 1,5% respectively. This experience was common to all the industrialized countries, their real output falling in 1982 for the first time since 1975.

Much of the deterioration was due to the combined impact of:
— a worsening in the recession in the United States, where real GDP declined by 1,7%;
— a contraction in world trade attributable to cyclical conditions but also to the growing difficulties in international financing. World trade, which had expanded at an average annual rate of 6,9% in volume terms between 1976 and 1979, declined by 1,5% in 1982, after having been flat in 1981.

2. The number of people out of work continued to climb, to reach 9,6% of the labour force in 1982 on average, i.e. a level 75% higher than in 1979. As a result, unemployment in the Community, which, on average, has not shown any contraction since 1973, has risen steadily since 1978/79.

3. Two more positive aspects should be stressed:
— inflation, which dropped from 11,8% in 1981 to 10,5% in 1982, has eased in all Member States. However, the

slowdown is less pronounced than in the United States or Japan and, what is more, quite marked divergences are still discernible within the Community. Inflation is below 6% in Germany and the Netherlands and has been brought down from 15,5% in 1980 to 8,5% in 1982 in the United Kingdom but it is still running at over 15% in Greece, Ireland and Italy;

— for the Community as a whole, progress in bringing the current account of the balance of payments back into equilibrium has been faster than anticipated; the deficit was equivalent to only 0,5% of GDP in 1982 compared with 1,3% in 1980.

Here too, the overall result masks sharp divergences between Member States. Belgium, Denmark, Greece, France, Ireland and Italy are in deficit while Germany, Luxembourg, the Netherlands and the United Kingdom are running a surplus, in some cases a large one.

B. *Outlook for 1983*

1. The forecasts at present available for 1983 are subject to three external factors of uncertainty:

— the first is the scale and duration of the US recovery, which are bound up *inter alia* with the prospects for interest rates, themselves dependent to a large degree on how developments in the Federal budget deficit will affect monetary policy;

— the second factor of uncertainty has to do with international financial developments;

— lastly, there is no way of knowing at the moment what the full extent or effects of the fall in oil prices will be.

Confirmation of the upturn in the US economy and, under certain conditions, a decline in oil prices should make it easier for the European economy to pick up again, although the combined effect of these two factors cannot be expected to alter fundamentally the profile for 1983.

2. The poor performance in the third quarter of 1982 has made it necessary to revise the GDP forecast for 1983 downwards for virtually all Member States (an increase of only 0,4% in volume terms compared with one of just over 1% forecast at the end of last year). Growth is expected to pick up during the second half of the year, helped by restocking, some support from public-sector demand and a recovery in exports, while private consumption and, at least in the first half of 1983, investment are unlikely to make any contribution to a revival in activity.

These forecasts are based on a very cautious assumption regarding oil prices. All in all, in the present cyclical situation, the strength and duration of the hesitant expansion which is now getting under way are not assured even if the tendency towards recovery were to be more pronounced than expected.

3. According to present forecasts, there will probably be a further slowdown in the rate of inflation: in 1983, this rate is likely to be 8,6% for the Community as a whole, which is the lowest for seven years (with the exception of 1978 when it was 7,1%). While the need for consolidation remains as pressing as ever and differences in inflation rates will not disappear, 1983 is likely to see some narrowing of the differences in price rises within the Community: the rate of inflation will probably be slow in the Federal Republic of Germany and the Netherlands and relatively moderate in many countries (Belgium, Denmark, Luxembourg,France and the United Kingdom).

4. Unemployment, on the other hand, is likely to continue to rise in 1983 throughout the Community: the average rate of unemployment as a proportion of the labour force will easily exceed 10% in 1983, giving a total of more than 12 million jobless; the rates of increase will vary from one Member State to another.

5. The prospects in 1983 should see further improved equilibrium in the balance of payments on current account, with the deficit for the Community as a whole likely to fall to approximately 0,3% of GDP, notably as a result of reduced deficits in Belgium, Denmark, France, Ireland and Italy.

III. Guidelines

Despite the modest outlook for growth and the present uncertainties, there is a possibility of a change of trend, of a gradual upturn in the economy and therefore of a check to and then a reversal of the unemployment trend. If we miss this opportunity, the danger of continued stagnation is likely to increase. It is therefore more than ever necessary to define a common approach which can encompass the various elements of healthy and sustained growth.

The following three lessons can be drawn from the experience of recent years:

(a) The crisis, which is both cyclical and structural in nature, calls for national policies which are directed equally towards stability (the fight against inflation) and—if the employment problem is to be solved—towards the development of productive activities through creation of the conditions necessary for growth (improvements in supply, investment, mobility and competitiveness). No international cooperation will remove the need for such efforts.

(b) The Community, which is a large integrated market helping, through the EMS, to pull individual policies closer together and so to make them more effective, which acts as a catalyst for the strategies pursued in the fields of investment, industrial development and energy, and which is an influential spokesman in dealings with the outside world, is an asset which must be exploited at all costs. This theme is one which constantly underlies the Commission's actions and which the European Council has begun to examine. The fact that it is not set out in detail in this communication in no way lessens the degree of priority it is given nor the obligation to observe the programmes laid down and to propose new courses of action.

(c) Economies are now so interdependent that no national policy can be sure of success without an orderly external framework. It is this order which is lacking, depriving economies and firms of a sufficiently stable environment, distorting expectations and altering management conditions through abrupt and unforeseen changes which do not reflect economic fundamentals. The economies which are most market-oriented cannot endure the present level of disorganization in the international economic system. Here lies also one of the dangers of rising protectionism, which we must join forces to roll back. The Community must cooperate with its main partners in order to assure the international conditions of a recovery—particularly in trade, financial, monetary and interest rate policies, but also in the economic domain proper.

This document, drawn up ahead of important international meetings, is largely centred on this final aspect. If recovery is to be brought about, it is not so much *ad hoc* measures, however firm they may be, but rather the awareness of interdependence and the manner of administering that interdependence more effectively which must form the substance of future concerted action.

It is with this in mind that the Commission, aware that the evidence which it has cited is now beginning to be generally accepted, proposes that discussions should cover five points relating to the strengthening of international economic organization or to the search for a cohesion in national policies which will improve the chances of a return to growth.

A. *The security of the international financial system*

1. The level, in absolute terms, of the indebtedness of the developing countries, the level of real interest rates and the effects of stagnation have created strains in the international financial system. Reactions have been rapid and effective: the amendment of the General Arrangements to Borrow, the increase in IMF quotas and the way in which a number of specific cases have been settled all bear witness to this fact.

2. These results do not obviate the need for continued and more thorough-going work to consolidate a still fragile situation. In addition to the decisions already taken, lessons must be learnt from developments which the western world has been unable to ward off.

Priority must be given to establishing an information and monitoring mechanism, to reinforcing the capacity of the international financial system as a whole to react, and to improving preventive machinery. In these various fields, the Community must define common positions and cooperate with its partners in order first to consolidate the results achieved and then to establish means of preventing a repetition of similar situations.

3. The solutions adopted will have to take account of a second factor: one of the reasons for the present stagnation lies in the low level of international demand. The Community and its Member States must therefore actively help to maintain an adequate flow of funds to the developing countries, both via the banking sector and through official development aid. The aim must be to carry out the necessary adjustment and at the same time to maintain international trade at an adequate level.

This last point is all the more important in that the health of the international financial system will depend greatly—through the development of trade, improved terms of trade and the reduction of indebtedness—on strong and lasting growth.

B. *The stability of the international monetary system*

1. One of the major lessons to be learnt from recent events is that the international economy can no longer withstand upheavals in its essential components. This applies not only to energy prices and interest rates, but also to exchange rates. Volatile exchange rates, whose financial function is ominously tending to supplant the trade function:

— make business decisions more difficult at a time when a vigorous investment effort is a key condition for recovery;
— above all, disrupt trade relations to an intolerable extent, and jeopardize the maintenance of free trade.

2. The EMS, an essential element of stability, has shown, despite its setbacks, the value of systematic monetary cooperation. It is a major asset for internal Community purposes and a valuable means of influencing international monetary developments. Consequently:

— the Council of Ministers, and subsequently the European Council, should give careful thought to strengthening it and extending it to include sterling and the drachma;
— for the reasons which led to the setting up of the EMS and for basic economic reasons, the Community must get its partners to share its determination to stabilize international exchange rate relationships.

3. A step in this direction was taken at the Versailles Summit. The Community must not be content with adopting a common position on the follow-up to the study of intervention problems. It must also persuade the United States and Japan of the importance of bringing exchange rates more into line with economic facts and of bringing down real interest rates. It must put across to them its view of how monetary cooperation should be organized. The Commission will put forward guidelines for this purpose and hopes that a Community position on these points can be voiced clearly at Williamsburg.

C. *Oil prices, growth and energy policy*

1. The recent drop in oil prices is likely under certain conditions to produce a moderate but real increase in growth, and this is to be welcomed.

However, the net results are difficult to forecast in any detail: they will depend on the impact of physical, financial and psychological threshold effects. Price falls that are visible but smooth are likely to be beneficial in terms of prices, external equilibrium and growth, without affecting unduly the pursuit of energy policy. But tumbling prices would jeopardize the policy on energy restructuring and impose strains on the international financial and trade equilibrium.

2. The Community must therefore help to keep matters on an even keel; this requires close cooperation with the Community's partners, notably the industrialized countries, so as to ensure a common view and consistent attitudes, including, if necessary, the provision of safety nets.

In this area of essential importance for economic growth and the pursuit of energy objectives, the Community must establish its general approach at the highest level. It will then be for the Commission and the Council of Ministers to implement it and follow up its effects.

D. *Monetary policy*

1. In last December's guidelines, priority was given, wherever economic policy conditions allowed, to the pursuit of monetary policies that would make for a fall in real interest rates and underpin the recovery in growth.

2. The Commission proposes that the European Council confirm this priority. It is a key element in consolidating the recovery both within the Community and internationally, especially as a fall in real interest rates is the best way of stimulating investment and reducing the burden of internal and external indebtedness.

It is therefore essential that those Member States which have been the first to achieve favourable results in terms of inflation and the balance of payments (the Federal Republic of Germany, the Netherlands and the United Kingdom) should pursue their monetary policy with the degree of flexibility and openness that is consistent with a steady and lasting fall in real interest rates. Closer monetary policy coordination and greater efforts to achieve economic convergence within the EMS would help to extend the benefits of this policy to the whole of the Community.

3. The same need to provide rapid support for the early signs of recovery is evident at international level, especially as the results achieved in the United States will be decisive even for the success of our own efforts. The Community must endeavour to get its main partners to recognize explicitly the central role of lower interest rates in improving the economic situation and the need to pursue the measures that will allow this objective to be attained, and to affirm their desire to establish the necessary close cooperation.

E. *Public finance*

1. With regard to public finance, the two-pronged approach adopted in December remains entirely valid. The first element was the steadfast pursuit of efforts to bring the deficits and the growth of the budget aggregates under control and to change the emphasis of budget structures, with a shift towards investment. But provided that this general line was observed, a second element was that in certain Member States, for example the Federal Republic of Germany and the United Kingdom, when the results of current policies permitted, public finance could be used to fuel the upturn, in fostering the development of productive activities by stimulating investment, adjusting taxation or reducing company costs.

2. At any event, the present situation holds out two definite, and one possible, courses of action for these few countries in the use of public expenditure:

— the basic principle to be respected absolutely must be to restore or to reinforce confidence in governments' ability to bring budgets under control; this means that every instance of the use of public finance must be compatible with the fight against inflation, must comply with the imperatives for restructuring public expenditure, and must not impede the rundown of the deficits; these are the essentials for credibility in a stuation where lack of confidence is rife;
— even if the 'automatic stabilizers' [1] must, in any event, operate on the assumption that developments are disappointing, they must not be allowed, with the first uncertain signs of recovery, to move prematurely in the direction of lowering deficits;
— lastly, despite the hopes that the economic situation will improve, should it not do so as rapidly and as substantially as wished, there is no reason why, in the present situation, certain Member States should rule out the use of cyclical budgetary action which satisfies the above conditions and will consolidate an upturn which is still hesitant.

The question whether to pursue such a course of action must be decided soon, i.e. as soon as the facts are clearer, so that if it is decided to go ahead action can be taken at the right time in the cycle. The decision ought to be taken as part of the process of determining internationally coordinated economic action in the few weeks between the next European Council meeting and the Williamsburg Summit.

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To permit Europe to approach the forthcoming international meetings in a position of initiative, the European Council should approve the proposed guidelines on the five main domains of action indicated above, and take the procedural decisions necessary for the Council of Ministers to assure their rapid and precise implementation.

Note: A set of tables accompanying the communication have not been included in this edition. The most recent forecasts for 1983 by the Commission services were presented in European Economy, Supplement A, No 2, February 1983.

1 By 'automatic stabilizers' is meant those public expenditures or receipts whose impact tends to attenuate economic fluctuations.

TABLE A.1: **Industrial production**[1] - Percentage change on preceding period (s.a.)

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 July	Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Change over 12 months %[2]
B	2,4	4,3	−1,0	−2,9	:	1,1	0,1	1,8	−2,4	:	−1,9	−4,1	5,2	3,8	−3,8	:	:	−0,7
DK	2,3	3,6	0,2	0,3	2,2	−3,2	3,4	2,4	−3,1	0,5	−8,9	−0,4	5,6	−8,0	9,0	−1,7	:	−4,4
D	2,0	5,5	−0,8	−1,4	−2,4	−0,9	0,9	−0,9	−3,7	−1,9	−2,9	2,9	−1,9	−1,0	0	−1,0	2,0	−6,4
GR	7,5	6,0	0,9	−0,6	:	0,3	−0,6	−4,6	−4,1	:	−1,7	−4,2	8,3	−1,2	1,5		:	−6,7
F	1,6	4,7	−0,7	−2,3	−1,5	0,5	−1,5	0,5	−2,3	0,8	−2,3	0	0	0,8	0,8	−1,6	0,8	−1,5
IRL	7,7	6,9	−1,8	1,4	0,4	−1,0	0	1,5	−1,1	0,8	1,4	−3,2	0,9	2,9	−1,8	−1,1	:	−3,2
I	2,1	6,7	5,0	−2,2	−2,7	2,2	2,2	−3,1	−4,7	0,7	3,0	−8,3	5,1	−2,1	2,7	−2,4	0,2	−5,9
L	3,2	3,4	−3,3	−6,8	−3,7	1,2	0,5	−4,7	−0,1	−4,2	−0,6	1,6	−2,0	6,5	−9,8	−8,9	9,6	−10,7
NL	0,9	2,8	0	−1,8	−2,7	3,1	−0,6	−3,0	−2,8	0,6	2,9	−5,6	1,0	1,0	0	2,9	0,9	−5,3
UK	3,4	3,8	−6,6	−3,9	0,6	1,2	−0,6	0,4	−0,3	−0,2	0,4	0,1	0,4	−0,3	−1,4	2,2	0,1	1,2
EC 10	2,5	4,9	−0,8	−2,2	(−1,6)	0,1	0,3	−0,1	−2,0	−1,7	−0,6	−0,4	−0,1	−0,5	(−1,2)	(−0,5)	(1,2)	(−3,9)
USA	5,7	4,4	−3,6	2,7	(−8,2)	−4,4	−3,1	−1,7	−0,8	−2,2	0,1	−0,3	−0,8	−1,2	(−0,7)	(0,1)	(0,9)	(−3,3)
JAP	6,2	8,4	7,1	3,2	(1,0)	2,0	−0,9	−1,7	−1,5	(−0,7)	0,6	−0,4	1,2	−3,1	3,0	(−0,7)	(−0,3)	(−1,7)

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

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Feb.	Change over 12 months %[2]
B	8,4	8,7	9,4	11,6	13,7	12,5	13,1	13,4	14,0	14,5	14,0	14,1	14,3	14,5	14,7	(14,9)	(15,1)	(12,9)
DK[3]	6,5	5,3	6,1	8,3	(8,8)	8,9	8,9	9,0	8,5	(8,9)	7,9	8,8	9,0	8,9	(8,8)	(9,1)	(9,2)	(8,1)
D	3,9	3,4	3,4	4,8	6,9	5,8	6,3	6,9	7,3	7,8	7,2	7,7	7,7	7,9	7,9	8,3	8,7	31,0
F	5,2	6,0	6,4	7,8	8,8	8,5	8,7	8,9	9,0	9,0	8,9	9,0	9,0	9,0	9,0	8,9	8,9	3,8
IRL	8,4	7,4	8,3	10,2	12,5	10,9	11,4	12,0	12,8	13,6	12,8	13,0	13,3	13,5	13,9	14,2	14,4	29,3
I	7,1	7,5	8,0	8,8	10,4	9,4	9,8	10,3	10,5	11,1	10,5	10,7	10,9	11,1	11,2	11,2	11,4	16,7
L	0,7	0,7	0,7	1,0	1,3	1,1	1,2	1,2	1,2	1,4	1,2	1,3	1,4	1,4	1,5	1,5	1,5	21,9
NL	4,1	4,1	4,7	7,2	10,0	8,3	8,9	9,6	10,4	11,2	10,3	10,6	10,9	11,2	11,5	(11,6)	(11,8)	(29,8)
UK	5,3	5,0	6,4	9,8	(11,4)	11,0	11,2	11,3	11,3	11,9	11,2	11,7	11,8	11,9	12,1	12,2	12,2	11,5
EC 9	5,4	5,4	6,0	7,9	9,5	8,8	9,2	9,6	9,7	(10,3)	9,7	9,9	10,0	10,2	(10,2)	(10,3)	(10,4)	(16,0)
USA	6,0	5,8	7,1	7,6	(9,7)	8,3	8,8	9,4	10,0	10,7	9,9	10,2	10,5	10,7	10,8	10,4	:	22,9
JAP[4]	2,2	2,1	2,0	2,2	2,4	2,2	2,3	2,4	2,4	2,4	2,3	2,4	2,5	2,4	2,4	2,7	2,7	22,2

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

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Feb.	Change over 12 months %[2]
B	4,5	4,5	6,6	7,6	8,7	2,1	1,9	2,3	2,5	1,9	0,6	1,2	0,8	0,1	−0,1	1,2	0,6	8,7
DK	10,0	9,6	12,3	11,7	10,1	2,2	2,1	2,4	2,6	2,5	0,6	1,1	1,2	0,8	−0,5	0,7	0,3	8,8
D	2,7	4,1	5,5	5,9	5,3	1,2	1,5	1,4	1,1	0,7	−0,2	0,3	0,3	0,2	0,2	0,2	0,1	3,7
GR	12,5	19,0	24,9	24,5	21,0	7,5	4,2	7,0	1,6	5,6	−1,3	2,7	2,4	2,1	1,5	0,8	1,9	21,2
F	9,1	10,7	13,6	13,4	12,0	3,2	2,8	3,1	1,4	1,9	0,3	0,5	0,5	1,0	0,8	0,9	0,7	9,2
IRL[5]	7,6	13,2	18,2	20,4	17,2	5,9	2,3	5,8	2,1	1,6	(0,7)	(0,5)	(0,5)	(0,5)	(0,8)	(0,8)	(0,8)	12,5
I	12,2	14,8	21,2	19,6	16,4	4,6	4,0	3,0	4,1	4,5	1,8	1,5	1,7	1,4	0,6	1,5	1,3	16,0
L	3,1	4,5	6,3	8,1	9,4	1,6	2,7	2,0	2,9	2,5	0,5	0,7	1,1	0,9	0,3	1,2	0,3	9,5
NL	4,2	4,3	7,0	6,9	5,9	1,9	1,1	1,6	0,8	0,9	0,1	0,7	0,5	−0,1	−0,2	0	0,2	3,5
UK	8,3	13,4	18,0	11,9	8,6	2,5	1,7	3,2	0,5	0,7	0	0	0,5	0,5	−0,2	0,1	0,5	5,3
EC 10	7,6	10,2	14,1	12,6	10,7	3,1	2,5	2,9	1,8	2,1	0,5	0,7	0,8	0,8	0,4	0,8	0,7	9,2
USA	7,6	11,3	13,5	10,3	6,2	1,4	0,8	1,5	1,9	0,2	0,2	0,2	0,3	−0,2	−0,4	0,2	−0,2	3,2
JAP	3,8	3,6	8,0	5,0	2,6	1,2	0	1,0	0,4	1,0	0,7	1,8	0,3	−1,1	−0,2	0,2	−0,3	2,0

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

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 July	Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Change over 12 months %[2]
B	2,3	3,9	1,2	−3,3	:	0,4	−0,7	−1,4	0,3	:	3,2	−0,3	−2,0	−0,7	1,6	:	:	0,9
DK	−2,4	2,2	−1,5	−0,6	1,7	−1,2	1,9	2,0	−2,1	−0,2	−0,9	−2,3	2,5	−2,3	2,2	−0,9	−2,0	0,1
D	2,8	2,6	0,3	−2,6	−4,5	0,2	−2,3	−2,4	−0,9	−0,2	0,8	0,8	−1,0	−1,6	3,6	−1,4	−1,9	−2,8
GR	4,9	−2,1	−3,5	−3,3	−3,7	11,5	−15,2	−1,2	3,7	8,6	1,7	0,6	6,1	3,6	2,9	−4,1	:	−4,5
F	2,1	2,3	−0,4	0,7	1,8	1,7	0,6	−0,2	−1,7	2,7	−3,6	0,5	−2,7	4,2	−1,0	2,5	−4,2	−2,1
IRL	8,7	3,3	−0,7	−0,7	:	−4,9	0	−2,6	−2,1	:	−3,1	3,4	3,2	−0,7	−0,4	:	:	−1,0
I	2,6	7,3	3,1	2,0	4,5	2,4	1,0	3,0	−2,4	1,9	2,5	−4,6	−3,9	3,9	2,2	2,5	:	7,8
NL	4,7	−0,3	−4,1	−5,2	−2,7	−3,6	−0,1	0,7	0,7	0,3	3,9	−5,2	3,5	−1,5	−0,3	4,6	:	4,2
UK	5,5	4,2	0,1	1,1	2,5	0,1	1,1	0,2	2,0	1,4	0,7	1,3	−0,2	0	0,7	1,9	−1,8	4,0
EC 9[6]	3,2	3,4	0,2	−0,4	(0)	0,6	−0,1	−0,1	−0,7	(1,3)	0,3	−0,6	−1,5	1,1	1,4	(1,1)	:	(1,6)
USA	3,1	−0,1	−6,2	−1,1	:	−2,7	−0,7	1,2	−1,7	:	1,0	−1,2	0,8	0,3	2,4	:	:	1,3
JAP	4,4	5,5	−0,2	−2,8	−4,0	−1,1	−0,8	−1,7	−1,2	0,7	−2,5	2,6	−1,2	0,6	−0,1	0,3	:	−2,9

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

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 July	Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Change over 12 month %
B/L	−2890	−2064	−4993	−5418	−3082	−722	−1446	−1388	−343	−133	−115	−369	142	323	−373	−83	553	1101
DK	−2198	−3022	−2116	−1475	−1866	−451	−420	−413	−445	−571	−68	−221	−156	−151	−151	−269	6	16
D	15967	8939	3615	11239	21599	5204	5168	5542	5872	5718	1956	1934	1982	1258	1978	2481	1971	81
GR	−3340	−4162	−3853	−3951	−5826	−1212	−2000	−1295	−1163	−1457	−232	−335	−596	−338	−532	−587	:	−5
F	−4081	−6194	−16948	−17283	−24457	−5136	−4771	−6043	−6243	−6850	−1939	−1849	−2455	−1771	−2155	−2924	(−2017)	(−45
IRL	−1137	−1947	−1893	−2467	−1574	−573	−627	−353	−332	−300	−94	−181	−58	−65	−120	−114	−93	12
I	−319	−3893	−15307	−13554	−12513	−1980	−3724	−2909	−2968	−2502	−649	−1060	−1259	−1024	−702	−775	−1704	−62
NL	−2198	−2622	−2981	1320	3500	1342	1823	1039	523	549	26	246	252	265	−28	312	:	−1
UK	−5588	−7998	−3353	−446	−3295	−334	−1290	−1943	−810	118	−134	−209	−467	−318	100	336	−1187	−25
EC10[7]	−5782	−22961	−47829	−32034	−27515	−3877	−7671	−8372	−6698	−6050	−1430	−1681	−2587	−2040	−2140	−1870	(−3087)	(−20
USA	−31014	−27146	−26113	−35538	−43518	−10326	−8571	−7022	−14418	−13716	−2526	−7437	−4445	−5727	−4465	−3524	:	−185
JAP	14285	−5574	−7707	7832	7034	1973	1968	2519	2061	1097	802	609	649	475	233	387	:	36

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 Monthly series calculated by linear interpolation.
6 Until 1979: EC 8 (without L and GR), from 1980: EC 9 (without L).
7 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.

TABLE A.6: **Money stock**[8] - Percentage change on preceding period (s.a.)

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 Aug.	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Fev.	Change over 12 months %[2]
B (M2)	9,6	6,2	2,7	5,9	5,9	1,2	0,8	2,0	3,1	−0,1	:	:	:	:	:	:	:	5,9
DK (M2)	8,6	10,6	7,8	9,0	11,5	2,5	3,3	2,5	2,6	2,7	0,5	0,6	0,3	0	2,4	1,5	:	12,3
D (M3)	11,0	6,0	6,2	4,8	7,1	0,3	3,0	2,3	1,3	0,4	0,4	0,8	0	−0,4	0,6	2,1	0,6	7,4
GR (M3)	26,0	18,4	24,7	34,7	28,6	8,9	5,6	9,7	5,0	6,1	1,0	2,1	1,4	2,1	2,5	:	:	28,6
F (M2)	12,2	14,4	9,7	11,4	11,4	2,1	3,7	3,7	2,4	1,3	0,8	0,5	1,8	−0,5	−0,1	(2,1)	:	(12,1)
IRL (M3)	28,7	19,0	18,0	18,8	12,8	3,2	2,1	1,7	4,9	2,7	0,9	1,7	0,7	3,5	−1,4	1,4	0,8	10,3
I (M2)	22,1	20,3	12,7	9,9	16,7	4,4	1,5	3,3	4,3	6,2	1,2	1,8	1,0	1,9	3,2	:	:	16,7
NL (M2)	4,2	7,0	3,8	5,3	8,8	−0,4	5,1	1,6	1,8	0,6	−0,4	1,1	1,1	−0,2	−0,2	:	:	8,8
UK (£M3)	13,3	11,7	19,6	13,9	10,3	2,3	1,7	2,5	3,3	2,4	1,4	1,1	1,7	0,1	0,6	0,4	0,3	9,8
EC 10[9]	13,4	11,8	10,9	9,7	10,8	2,0	2,7	2,9	2,7	2,1	0,8	1,0	1,0	0,2	0,9	:	:	10,9
USA (M2)	8,3	8,8	9,6	10,0	9,1	2,5	1,9	2,0	2,8	2,2	1,2	0,7	0,7	0,8	0,7	2,5	:	10,9
JAP (M2)	13,1	9,1	7,2	11,0	8,0	2,8	2,0	1,7	2,7	1,3	0,7	1,3	1,0	−0,7	1,1	:	:	8,0

TABLE A.7: **Short-term interest rates**[10]

	1978	1979	1980	1981	1982	1982 I	1982 II	1982 III	1982 IV	1983 I	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Febr.	1983 March	Change over 12 months %[2]
B	7,3	10,9	14,2	15,6	14,1	14,5	15,8	13,0	12,4	12,3	13,0	12,9	12,5	12,4	12,3	12,3	12,3	−2,2
DK	15,4	12,5	16,9	14,9	16,4	14,8	16,8	20,2	17,5	18,2	20,2	21,6	17,5	17,5	18,4	16,3	18,2	3,4
D	3,7	6,9	9,5	12,3	8,8	9,6	9,5	8,0	6,4	5,3	8,1	7,4	7,4	6,4	6,0	5,7	5,3	−4,3
GR	:	:	11,0	16,8	20,2	20,0	22,9	23,0	15,8	19,6	23,0	15,5	13,8	15,8	15,3	19,3	19,6	−0,4
F	7,8	9,8	12,3	15,6	14,6	16,0	15,1	13,9	12,7	12,3	13,9	13,1	13,1	12,7	12,7	12,9	12,3	−3,7
IRL	9,9	16,0	16,2	16,6	17,5	21,1	19,9	15,4	15,5	17,3	15,4	13,6	13,6	15,5	16,4	14,2	17,3	−3,8
I	11,5	12,0	17,6	20,0	20,1	20,8	20,5	18,6	19,1	19,4	18,6	18,9	19,4	19,1	19,0	19,3	19,4	−1,4
NL	7,0	9,6	10,6	11,8	8,3	8,4	9,1	7,9	5,3	4,3	7,9	6,5	6,8	5,3	5,1	4,6	4,3	−4,1
UK	9,4	13,9	16,8	14,2	12,2	13,6	13,1	10,6	10,6	10,8	10,6	9,6	10,5	10,6	11,6	11,4	10,8	−2,8
EC 10[9]	7,7	10,3	13,4	15,0	13,2	14,2	14,0	12,4	11,4	11,1	12,4	11,7	11,8	11,4	11,5	11,4	11,1	−3,1
USA	7,4	10,1	11,6	14,0	10,6	13,4	13,3	7,8	8,1	8,6	7,8	8,0	8,2	8,1	8,1	7,9	8,6	−4,8
JAP	4,4	5,9	10,9	7,4	6,9	6,7	7,2	7,0	6,9	:	7,0	6,9	6,7	6,9	6,6	6,6	:	0,0

TABLE A.8: **Long-term interest rates**[11]

	1978	1979	1980	1981	1982	1981 IV	1982 I	1982 II	1982 III	1982 IV	1982 Aug.	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Febr.	Change over 12 months 2
B	8,5	9,7	12,2	13,8	13,5	14,0	13,9	13,6	13,2	12,7	13,1	13,2	13,2	12,9	12,7	12,5	12,6	−1,2
DK	16,8	16,7	18,7	19,3	20,5	19,5	20,6	21,2	21,2	19,4	20,9	21,2	20,1	19,6	19,4	18,0	15,6	−5,0
D	5,7	7,4	8,5	10,4	9,0	9,7	9,5	9,1	8,7	7,9	9,0	8,7	8,3	8,1	7,9	7,6	7,7	−2,1
GR	10,0	11,2	17,1	17,7	15,4	16,9	16,4	15,8	14,9	13,8	15,5	14,9	13,8	12,4	13,8	14,8	17,8	1,1
F	10,6	10,9	13,7	16,3	16,0	16,5	16,4	16,0	15,8	15,5	15,8	15,8	15,8	15,8	15,4	15,0	14,9	−1,4
IRL	12,8	15,1	15,4	17,2	17,0	18,2	18,8	18,6	15,2	14,5	15,9	15,2	14,0	15,5	14,5	14,9	14,3	−5,0
I	13,7	14,1	16,1	20,6	20,9	21,4	20,9	21,2	20,4	20,5	21,1	20,4	20,4	20,7	20,5	19,9	19,2	−1,9
L	6,6	6,8	7,4	8,6	10,4	9,3	10,0	10,7	10,5	10,9	9,7	10,5	10,7	10,8	10,9	10,7	10,4	0,5
NL	8,1	9,2	10,7	12,2	10,5	11,8	10,8	10,9	10,4	8,4	10,7	10,4	9,9	8,9	8,4	7,8	8,1	−3,4
UK	12,6	13,0	13,9	14,8	12,7	15,8	13,6	13,6	11,1	11,0	11,6	11,1	10,3	11,4	11,0	12,0	11,2	−3,2
EC 10[9]	10,1	10,9	12,7	14,9	14,0	15,1	14,4	14,3	13,4	12,9	13,7	13,4	13,1	13,2	12,9	12,8	12,5	−2,3
USA	7,9	8,7	10,8	12,9	12,2	12,9	13,0	13,2	11,5	9,9	12,2	11,5	10,5	10,1	9,9	10,4	9,9	−3,7
JAP	6,1	7,7	9,2	8,7	8,1	7,9	7,6	8,5	8,4	7,5	8,4	8,4	8,5	8,1	7,5	7,8	7,5	−0,3

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

	1978	1979	1980	1981	1982	1982 I	1982 II	1982 III	1982 IV	1983 I	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Febr.	1983 March	Change over 12 months %[2]
BFR/LFR	40,06	40,17	40,60	41,29	44,68	42,97	45,11	45,19	45,45	44,87	45,36	45,60	45,45	45,31	45,05	45,03	44,52	−0,9
DKR	7,02	7,21	7,83	7,92	8,15	8,06	8,13	8,22	8,21	8,09	8,28	8,28	8,20	8,14	8,09	8,10	8,09	−0,6
DM	2,56	2,51	2,53	2,51	2,38	2,43	2,38	2,36	2,33	2,28	2,35	2,35	2,34	2,31	2,30	2,29	2,26	−6,2
DR	46,80	50,78	59,24	61,62	65,30	62,72	64,82	66,70	67,01	78,32	66,76	66,81	66,66	67,56	77,56	78,84	78,57	25,8
FF	5,74	5,83	5,87	6,04	6,43	6,21	6,30	6,60	6,60	6,53	6,65	6,65	6,61	6,54	6,51	6,50	6,58	5,8
IRL	0,664	0,669	0,676	0,691	0,690	0,691	0,690	0,687	0,691	0,692	0,688	0,691	0,689	0,693	0,691	0,690	0,695	1,0
LIT	1 080	1 138	1 189	1 263	1 324	1 308	1 323	1 325	1 339	1 326	1 326	1 338	1 345	1 334	1 321	1 320	1 339	2,3
HFL	2,75	2,75	2,76	2,78	2,62	2,67	2,64	2,59	2,55	2,52	2,58	2,56	2,55	2,55	2,53	2,53	2,52	−5,1
UKL	0,664	0,646	0,598	0,553	0,561	0,561	1,563	0,551	0,556	0,619	0,549	0,548	0,561	0,590	0,610	0,616	0,630	12,4
USD	1,274	1,371	1,391	1,116	0,981	1,038	1,002	0,951	0,934	0,948	0,941	0,930	0,916	0,955	0,962	0,944	0,938	−7,4
YEN	267,1	300,5	315,0	245,4	243,5	242,1	244,4	245,9	241,7	223,2	247,2	252,0	242,3	230,9	223,8	222,9	223,1	−8,5
SDR	1,018	1,061	1,068	0,946	0,888	0,912	0,885	0,875	0,866	0,868	0,872	0,868	0,858	0,873	0,874	0,866	0,864	−4,1

TABLE A.10: **Effective exchange rates: export aspect** [12] - Percentage change on preceding period

	1978	1979	1980	1981	1982	1982 I	1982 II	1982 III	1982 IV	1983 I	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Febr.	1983 March	Change over 12 months %[2]
B/L	2,9	1,2	−0,5	−5,3	−9,2	−5,1	−5,3	−0,4	−0,3	1,3	−0,5	−0,2	0,1	0,6	0,5	−0,2	1,4	1,2
DK	−0,1	−0,8	−7,9	−6,8	−4,2	−3,4	−1,4	−1,9	2,0	2,1	−0,7	1,4	1,1	1,6	0,8	−0,4	0,4	2,5
D	6,0	4,8	0,4	−5,2	5,1	−0,4	2,3	0,7	1,8	2,6	0,2	0,7	0,3	2,1	0,5	0	2,0	8,3
GR	−8,7	−5,4	−13,5	−9,4	−7,2	−2,7	−3,4	−3,4	−0,3	−14,6	−0,2	0,4	−0,3	−0,9	−13,1	−2,0	0,7	−20,7
F	−1,0	0,9	0,4	−8,6	−8,1	−2,1	−1,4	−5,8	0,5	1,5	−1,2	0,6	0,3	1,9	0,5	−0,1	−1,0	−5,5
IRL	0,7	0,2	−2,0	−8,3	−1,3	−2,0	0	−0,7	0,4	2,2	−0,3	−0,1	0,5	1,3	1,1	0,1	−0,1	1,8
I	−6,1	−3,2	−3,7	−12,2	−6,8	−1,5	−1,3	−0,8	−0,8	1,2	−0,3	−0,5	−1,1	1,7	1,0	−0,2	−1,2	−2,2
NL	2,8	1,8	0,1	−5,0	5,5	0	1,1	1,5	2,2	1,4	0,7	1,1	0,3	0,7	0,8	−0,2	0,6	6,2
UK	0,4	6,2	10,1	1,1	−5,0	1,9	−0,6	1,5	−2,4	−9,2	0,3	1,0	−3,1	−4,4	−3,8	−1,5	−2,0	−12,1
EC 10	2,9	5,9	2,2	−14,9	−5,5	−2,5	−0,9	−2,1	0,9	−0,7	−0,3	1,5	−1,3	1,2	−0,6	−0,8	0,3	−1,8
USA	−8,7	−3,3	−0,3	14,0	12,0	4,0	3,8	4,9	1,9	−1,9	1,0	1,8	0,7	−3,5	1,2	1,5	1,2	7,7
JAP	21,7	−7,1	−4,1	14,0	−4,3	−1,4	−2,4	−2,9	1,7	9,6	−0,8	−2,2	3,5	7,5	3,6	−0,4	0,2	7,7

8 National sources for Belgium, Denmark, the Federal Republic of Germany, France, Ireland and the United Kingdom; seasonally adjusted by Eurostat for Greece, Italy and The Netherlands.
9 Average weighted by 1975 GDP at 1975 prices and purchasing power parities. For the money supply, the monthly variation is calculated for Belgium using linear interpolation of quarterly data.
10 National sources; EC excludes Luxembourg; 3-month interbank rate except: Belgium, yield at issue of 4-month certificates issued by the Fonds des Rentes; Denmark, call-money rates on the money market (monthly average); France, 1-month interbank rate on 'private paper'. Annual average, end of quarter and end of month.
11 Yield of public-sector bonds. Annual average and average of last month of the quarter, monthly average except for France: end of quarter and end of month.
12 Weighted exchange rates in relation to 19 industrialized countries. EC rates weighted in relation to 11 non-EC countries (+ = appreciation; − = depreciation).

Note: (s.a.) = seasonally adjusted.
: = not available.
() = estimate.
EC 9 = Community total, excluding Greece.

Major economic policy measures — March 1983

Community (EC)

21.22.3 The European Council discussed the continued implementation of the Community's strategy for re-establishing economic stability, encouraging productive activity and contributing to a climate of expansion of markets without renewed inflation, and thus far succeeding in creating durable jobs and making possible an examination of the question of working time. In particular, it expressed the wish that all Member States and the Community should now take effective action to improve the employment situation of young people. It notes the intention of the Commission to submit concrete proposals and invites the Council to submit a report to the European Council in June on progress made both nationally and at Community level.

Belgium (B)

9.3 The *Banque Nationale* raised the discount rate from 11,50% to 14%, and the rate on advances from 12,50% to 15%, while the rate of interest on very short-term Treasury bonds rose from 12,25% to 15%.

11.3 The Government approved a draft law raising the school-leaving age to 18 (16 for full-time education).

12.3 In order to reduce the 1983 budget deficit by BFR 52 400 million, the Government decided to reduce expenditure by BFR 39 400 million, in particular by postponing payment of the 1983 annual bonus for civil servants until 1984, increasing social security contributions by a total of BFR 6 000 million and temporarily raising the rate of unemployment insurance contributions from 0,87% to 2,87%. Tax measures were taken to discourage households with a net annual income of over BFR 750 000 from combining unemployment benefits and income; excise duties were increased on oil products apart from domestic and industrial heating fuel, yielding an extra BFR 5 300 million.

23.3 The *Banque Nationale* lowered the discount rate from 14% to 11% and the rate on advances from 15% to 12%. The new rates are the lowest since February 1980. The rate of interest on very short-term Treasury certificates was reduced in two stages from 15% to 12,25%.

Denmark (D)

23.3 'Nationalbanken' has lowered the official discount rate from 10% to 8,5%.

Federal Republic of Germany (D)

17.3 The Central Council of the Bundesbank (Zentralbankrat) reduced the Central Bank's lending rates: the discount rate was reduced from 5% to 4%, and the Lombard Rate from 6% to 5%. It also reduced the rediscount quotas by DM 5 000 million with effect from 5 April 1983.

Greece (GR)

11.3 The Government announced the total amount available for new lending in 1983; DR 720 000 million (compared with DR 630 000 million in 1982). Of this amount, DR 300 000 million will go to the private sector (DR 267 000 million in 1982), and DR 420 000 million to the public sector (DR 363 000 million in 1982). New lending will mainly occur through an increase of DR 400 000 million in bank deposits, or 14,3% (DR 350 000 million or 30,6% in 1982), an increase of DR 72 000 million in the amount of money in circulation (DR 55 000 million in 1982) and official foreign borrowing which should not exceed USD 1 600 million in 1983.

France (F)

3.3 To continue and extend the policy for the integration of young people aged 16 to 25 into working life and society, the Government adopted a plan providing for more places in technological training courses, for increasing new apprenticeships by 10%,for increasing assistance for job-creation to 200 000 training and employment contracts in 1983, and for a programme to encourage training in information technology for young job-seekers.

18.3 The two sides of industry and the Government signed a financial agreement on supplementary pensions, supplementing the agreement of 4 February on retirement at 60 for workers with 37½ years' contributions.

26.3 Measures to back up the devaluation were taken in the following fields:

1) **Taxation**

— As an exceptional measure, a levy of 1% of all taxable incomes will be raised by 1 July: the proceeds will be paid into a fund to balance social security budgets;

— Tax stamps will be introduced for spirits on 1 April and for tobacco by 1 July; a special tax will be applied to offset the fall in oil prices and prevent increased consumption.

2) **Forced and voluntary saving**

— A compulsory government loan corresponding to 10% of the amount paid in income tax and wealth tax in 1982 will be issued in May. This loan, redeemable on maturity in three years' time and bearing interest, will not concern taxpayers whose income tax bill amounted to less than FF 5 000. Early redemption is provided for if the foreign trade position is restored rapidly;

— The rate of interest on home-purchase savings will be raised from 9% to 10%, while the deposit ceiling for such savings will be raised from FF 150 000 to FF 300 000;

— A proportion of wage increases will be channelled into investment by a system of in-firm savings.

3) **Public service charges**

— Almost all public service charges (electricity, gas, rail fares, postage) will be increased by an average of 8 % on 1 April.

4) **Savings on expenditure**

— Savings of FF 4 000 million will be made in social security. The daily charge for hospital patients, already agreed in principle, will be applied from 1 April; budget appropriations for 1983 will be cut by FF 15 000 million;

— Strict limits will be placed on the amount of foreign currency French tourists may take abroad (the equivalent of FF 2 000 for adults and FF 1 000 for children for the whole of 1983, plus FF 1 000 for each trip).

Ireland (IRL)

1.3 The Central Bank adopted a credit guideline of 11% for the growth in overall licensed bank lending to the private sector during the period January 1983/January 1984. Both Irish pound credit and the Irish pound equivalent of credit denominated in foreign currency are included within the guideline. A guideline of 11% is alo being applied to overall bank lending to the personal sector, excluding mortgage finance, and to hire-purchase finance companies.

21.3 Within the context of an EMS realignment, the Irish pound was devalued by 3,5%.

Italy (I)

18.3 Parliament approved a law allowing fixed assets entered in companies' balance sheets since 1982 to be revalued free of tax.

18.3 Parliament approved a law laying down rules for collective investment funds in Italy. Previously, only foreign funds had operated in Italy.

23.3 The decree-law confirming most of the agreement of 22 January between the Government and the two sides of industry became a law.

26.3 The Finance Act for 1983 was approved by Parliament. It provides for a Treasury deficit of LIT 75 890 000 million.

Luxembourg (L)

3.3 Parliament ratified the convention of 9 March 1981 prolonging the Belgo-Luxembourg Economic Union for ten years (see Supplement A, No 2, February 1981).

3.3 Parliament approved the establishment of a Luxembourg Monetary Institute with powers: (i) to issue notes and coins of the same face value as Belgian currency, and manage their circulation; (ii) to promote currency stability and supervise the functioning of financial markets; (iii) to carry out duties and exercise rights resulting from international monetary and financial agreements; (iv) to supervise the financial sector and ensure the regulation of credit policy. The Institute will thus exercise some of the functions of a central bank, but it will not have powers to create fiduciary money, this limitation having been voluntarily written into the monetary association with Belgium.

Netherlands (NL)

1.3 and 18.3 The *Nederlandsche Bank* twice reduced its rates by half a point, with effect on 1 March and 18 March. The discount rate thus became 3½%, the rate on advances 4% and the rate on promissory notes 4½%.

23.3 The scale of taxes for wages and incomes was amended from 1 April, with effect, in principle, until 31 December. The thresholds of all bands of taxable income have been uniformly reduced by HFL 650, while rates of tax have been raised by one point for the bands taxed at 40%, 50% and 59%, and by two points for the bands taxed at 64% and 67%. The 70% rate (the highest) has been abolished.

United Kingdom (UK)

15.3 The Government presented its budget for the financial year 1983-84, together with a revised version of the Medium-Term Financial Strategy (MTFS).

The budget measures included:

— an increase in General Government expenditure of 5,8% between 1982-83 and 1983-84. The plans follow those given in the Public Expenditure White Paper (Cmnd 8789) published on February 1, with some extra expenditure coming from the contingency reserve;

— increased personal allowances (above the rate of inflation) and a reduction in taxation of North Sea oil production (reducing revenue by UKL 2 300 million);

— revalorization of excise duties and a reduction in the national insurance surcharge (increasing revenue on balance by UKL 380 million).

The MTFS sets out:

— a monetary growth target range of 7-11% for 1983-84 (applicable to a range of aggregates) falling to 5-9% in 1985-86;

— a Public Sector Borrowing Requirement falling from UKL 8 000 million in 1983-84 ($2^3/_4$% of GDP) to UKL 7 000 million (2%) in 1985-86.

Price (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD
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