

EUROPEAN ECONOMY

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

Supplement A — No 12 — December 1983

Economic trends

LIBRARY

*This month:
Development and level
of wage earnings in the Community*

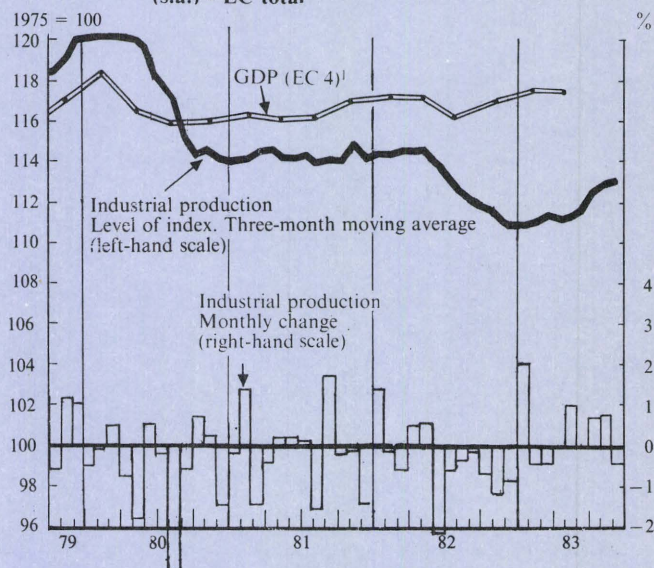
Slow improvement in the Community's economic situation in the third quarter. — According to a provisional estimate based on data for the four largest Member States, real Community GDP expanded by the equivalent of 1% in annual average terms (seasonally adjusted) during the third quarter of 1983 after a slight decline in the preceding quarter. Industrial output and retail sales in volume are up on the same month in 1982, and the rate of unemployment in the Community as a whole has been stable since March. The results of the latest Community business survey imply that this slow improvement in the economic situation is likely to continue. However, the effects of the recovery in the United States seem to be less favourable to the Community's trade balance than to Japan's, and the average Community inflation rate has tended to rise over the past few months. The average money supply in the Community has expanded (over the latest 12 months for which figures are available) at a rate 1,4 points below that recorded in the United States. As the average rate of inflation in the Community (on the basis of the price deflator for private consumption) was about 2 points higher than the US rate, the real increase in the Community's money supply was considerably slower than that in the US. The dollar, nevertheless, appreciated by about 8% against the ECU from November 1982 to November 1983.

Industrial output trend still rising. — The Community's seasonally adjusted industrial production declined by 0,4% in September after rising by 0,8% (revised figure) in August. The underlying trend as represented by the three-month moving average is still rising, however (see Graph 1). Industrial production (not seasonally adjusted) in the Community was 1,1% up in September 1983 on September 1982, and an increase was recorded for the twelve-month period in all the Member States except Italy, where production declined by 2,4%. It should, however, be noted that the figures for Italy are extremely unstable from one month to the next.

Unemployment rate unchanged. — The rate of unemployment, seasonally adjusted, in the Community as a whole remained at

10,7% in October 1983. This was the seventh consecutive month in which the index rate showed no significant changes (see Table A.2). The rate of unemployment was a little down on September in two Member States: the Federal Republic of Germany and the United Kingdom. The number of unemployed has increased by 6,4% in the Community as a whole since

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



¹ France, Germany, Italy and UK: quarterly figures

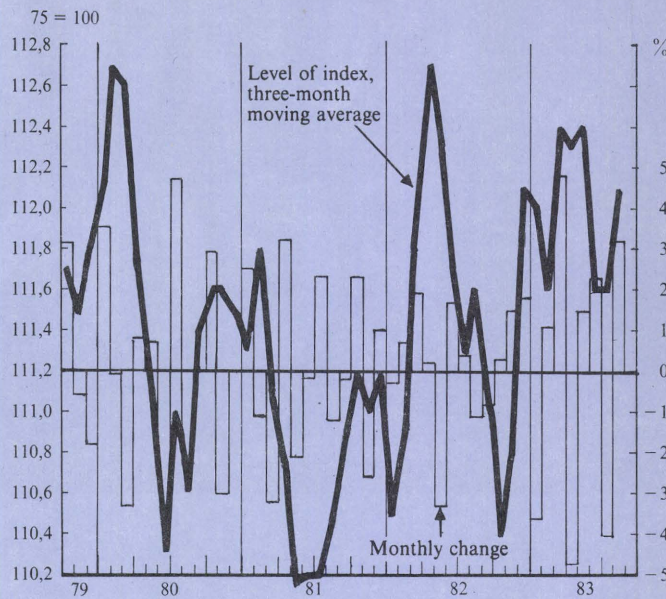
October 1982, a much lower rate than the increases over twelve months observed during 1982 and part of 1983. In France, the number of unemployed contracted by 0,5% from October 1982 to October 1983, while the increase over the same period in the other Member States ranged from 1,5% in the United Kingdom to 16,2% in the Netherlands.

Retail sales expand. — The seasonally adjusted volume of retail sales, in the Community expanded by 3,2% from July to August after contracting by 4% from June to July (see Table A.4). The volume of retail sales in August was 2,2% up on the same month last year and the trend as reflected in the seasonally adjusted moving average (see Graph 2) has been rising ever since the trough of mid-1981. Short-term fluctuations in the three-month moving average have been considerable, especially in individual Member States, which makes it difficult to draw reliable conclusions about the development of demand. In relation to the same month of 1982, the latest available figures show a particularly rapid expansion in the volume of retail sales in Denmark (8,2%), Italy (8,3%) and the United Kingdom (7,1%). The increase amounted to 1,6% in both France and the Federal Republic, while sales have contracted in the other Member States by up to 4,7% (Belgium).

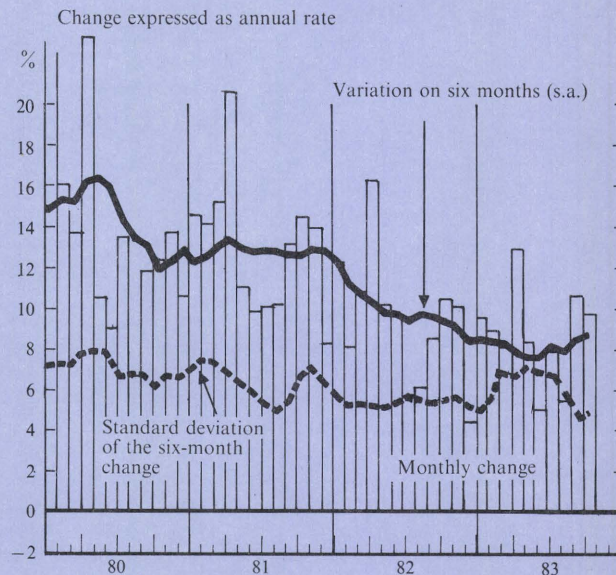
Inflation trend further upwards in October. — The month-to-month rise in consumer prices in the Community in October at 0,8% was marginally below the September increase. On a year-to-year basis the rise remained (at 8,4%) the same as in the previous month (Table A.3).¹ However, the trend of inflation, measured as the seasonally-adjusted increase over six months at an annual rate, continued to creep up slowly as the slight acceleration of consumer prices in the lower inflation countries, despite its month-to-month stability in Germany and Belgium (principally due to petrol price cuts in the latter country), was reinforced by an upward movement in the trend rates in Greece and Italy (where the annual indexation of rents accounted for half the increase in prices in October). Accordingly, a small upward movement was registered in the divergence of inflation rates, measured by the standard deviation of the trend rates.

Further slight improvement in trend of the visible trade balance in the Community. — The provisional estimate of the seasonally-adjusted visible trade balance of the Community in August is, at ECU1 428 million, practically unchanged from the estimated figure for July. The trend in the balance, as measured by a three-month moving average of the seasonally-adjusted figures, showed a further small improvement. The figures for individual Member States indicate marked month-to-month fluctuations, but an improving trend seems to have been reasonably evident in recent months in France, Ireland (where the improvement so far this year has been particularly marked) and Greece. Compared with the corresponding month of 1982, the Community's visible trade balance (on the basis of the latest available data) shows an improvement of 452 million ECU—corresponding to an annual rate of 5 400 million ECU or 0,2% of GDP with very large improvements for Greece and France while a deterioration of the trade balance over twelve months was recorded by Germany, Italy and the United Kingdom (the month-to-month fluctuations for individual countries are, however, so large as to substantially influence even a comparison over twelve months). In an international perspective, however, the improvement of the Community's trade balance looks relatively modest. The trade balance of the United States deteriorated by 2 355 million ECU (at a monthly rate) between September 1982 and 1983, but the counterpart of this deterioration was found for the most part in an improvement in the trade balance of Japan (1 154 million) suggesting that the Community has not yet been in a position to benefit importantly from the upturn of activity on the other side of the Atlantic.

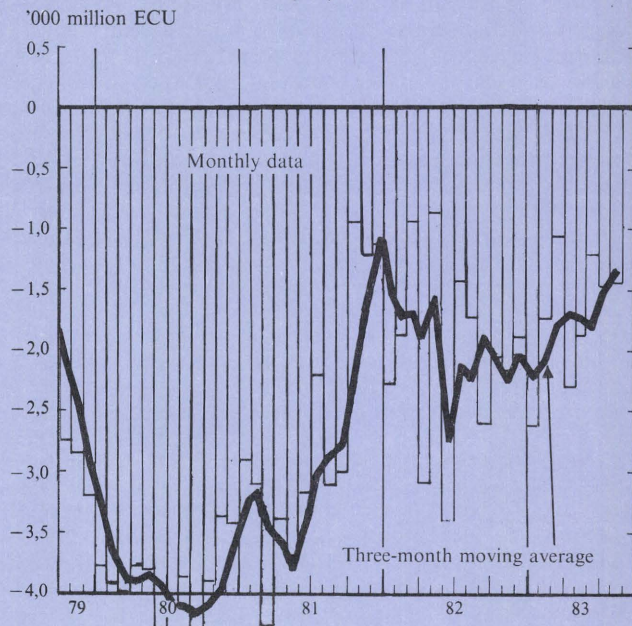
GRAPH 2: Volume of retail sales (s.a.), EC 9



GRAPH 3: Consumer prices EC 10



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



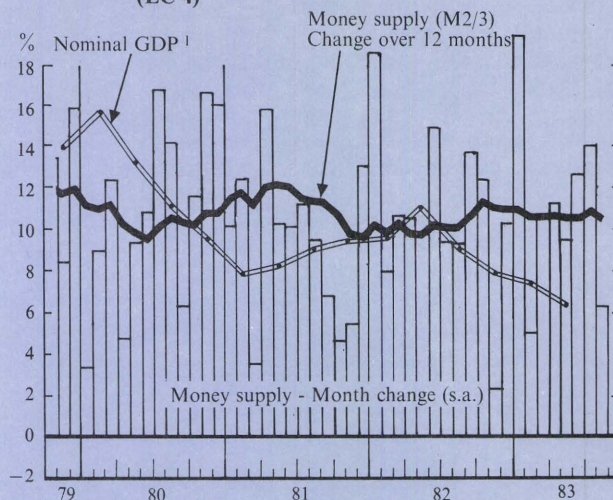
¹ The monthly index of consumer prices in the Community is calculated by Eurostat as a fixed weight (Laspeyres) index (base year 1975) while the deflator of private consumption is calculated as a current weight index. The difference between the two estimates will increase with the distance from the base year and is at present (in 1983) almost 2 percentage points at an annual rate.

Community money supply growth over 12 months stable since early 1983. — Average money supply in the Community slowed down considerably in August: seasonally adjusted figures show growth of only 0,5%, compared with 1,1% in July. The slowdown in money creation in the Community as a whole is explained by the slower rate in the Federal Republic of Germany, France, Italy, the Netherlands and the United Kingdom. Monetary expansion in the Community over 12 months was 10,5% in August, 0,2 points down on the figure for July. Graph 5 shows that figures for monetary expansion over 12 months have been very stable since the beginning of the year, at or slightly below 10,5%. As the value of gross domestic product (nominal GDP) is rising more slowly, the liquidity ratio in the European economies is rising, which has favourable effects on the whole on economic recovery. The stability of the rate of monetary expansion over the first eight months of 1983 was the combined result of generally lower rates of domestic money creation and a decline in the external destruction of liquidity due to the reduction of late in balance-of-payments deficits. The rate of private sector borrowing also slowed down gradually over the same period in most of the Member States, the main exceptions being Denmark and the Federal Republic of Germany, where the rate has been tending to rise.

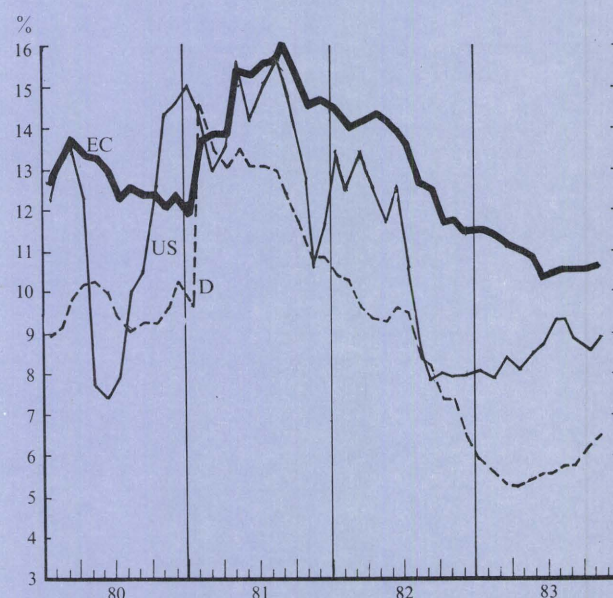
Short-term interest-rate rises spreading. — After remaining stable from August to October, the average Community short-term interest rate rose by one tenth of a point to 10,6% in November. The rising tendency noted in the Spring and early Summer in the Netherlands and the Federal Republic of Germany continued in both countries in November and spread to Belgium, where the discount rate was increased by one point from 24 November. This rising tendency dominated the Community average in spite of declines in Ireland and Denmark (where the decline followed a major rise in September), while the cost of borrowing remained stable in France and the United Kingdom. As the rate on three-month US Treasury bonds declined in September and October before recovering by 3-tenths of a point in November (to a level that was still below that of August), the average movement of Community rates has widened the differential with US rates: having been 1,1 points in July, this differential stood at 1,9 points in October and 1,7 points in November (see Graph 6). The different Member States did not all contribute in the same way to the general movement, partly because their initial positions were so different after the EMS realignment in March. In the Netherlands, the authorities were induced to raise the discount rate early in September by reason, not only of money market conditions, but also of the increase in US rates last Spring. At the same time, the German authorities raised their rate on advances on securities to reinforce control over the expansion of monetary aggregates. The Belgian decision to increase the lending rate at the end of November was based both on the increased cost of borrowing abroad and on the weakness of the Belgian franc in the EMS over some time. France and the United Kingdom did not join in the process of emulation: short-term rates in both countries were lower at the end of November than at the beginning of the year. The average long-term interest rate in the Community remained stable at 12% in October, although long-term rates declined in Belgium, Denmark, the Federal Republic of Germany, Italy and the Netherlands, while they rose only in Greece, France and Luxembourg. In view of the rise in long-term US yields, the differential between Europe and the USA has narrowed considerably since the Spring (see Graph 7). The gap between long-term and short-term rates is still higher in the USA, at 2,5 points, than the Community average of 1,4 points.

Strong rise of dollar and yen in November. — After falling back in October, the dollar's monthly-average rate against the ECU rose by 2,6% in November. In the same month, the yen rose by 1,8% against the ECU, continuing a steady rise which brought its ECU value 22,2% higher than a year earlier. Within the EMS, the French franc remained at the top of the narrow fluctuation band throughout the month. In the second half of the month there was a tendency for the Dutch guilder, the Danish krone and the Irish pound to move down slightly, leaving the French

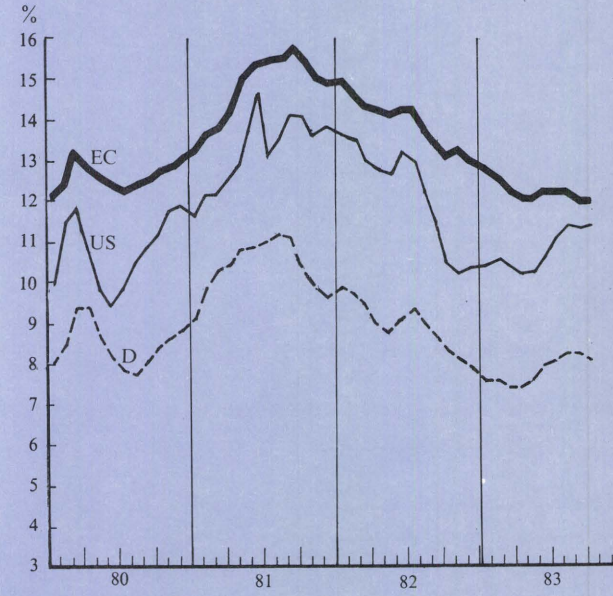
GRAPH 5: Money supply (EC total) and nominal GDP (EC 4)



GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



franc alone at the top of the band. The Deutschemmark was depressed by the strong performance of the dollar but remained in the top half of the fluctuation band. The Belgian franc was at the floor of the narrow fluctuation band in the first three weeks of the month, prompting substantial intervention. A rise in interest rates took it slightly away from the floor at the end of the month. Outside the exchange-rate mechanism of the EMS, sterling rose slightly against the ECU in November on a monthly-average basis but was weakening towards the end of the month. On a trade-weighted basis the dollar in November

had appreciated by 3,9% compared to November 1982 while in the case of the yen the appreciation amounted to 18%. Among the Member States only Germany recorded an effective (trade-weighted) appreciation of its currency against competitors (including other Member States) between November 1982 and November 1983. Other Member States recorded effective depreciations ranging from 1,1% for the Netherlands to 19,9% for Greece.

16 December 1983

Development and level of wage earnings in the Community

Slowdown in rate of increase of hourly earnings in 1983. — The rate of increase in hourly earnings in the Community in 1983 has fallen back considerably from the peak rates recorded during the previous three years. Average gross hourly earnings of manual workers in industry in the first quarter of 1983 were some 11%¹ higher in the Community than a year earlier. By comparison, the highest rate of increase in recent years was 16% recorded in the second quarter of 1980 over a year earlier (Graph 8). Data are not available for subsequent quarters of 1983 for a sufficiently large number of Member States to allow the calculation of a Community average, but for most countries for which data exist, the slowdown seems to have continued beyond the first quarter. Preliminary estimates for Denmark suggest that the 12-month increase in hourly earnings fell to some 7% in the third quarter of 1983; in France hourly earnings in the second quarter of 1983 were 10,2% higher than a year earlier—representing a reduction of the annual rate of increase of 8 points since the peak of 18,2% increase in the second quarter of 1982. In Ireland the rate of increase in earnings in the second quarter was down to 14% and in the United Kingdom the third quarter figure was, at 7,6%, the same as the second quarter and only about a third of the peak rates of increase during the period of rapid wage inflation in 1980 (Graph 9).

Faster growth of real earnings in 1983. — The slowdown in the growth of nominal earnings shown in Graph 8 in 1983 has not led to a deterioration of real earnings. In fact, the deceleration of inflation having been more substantial than the deceleration of wage increases, hourly earnings in real terms—after declines or only modest rises in the four quarters from 1981 (Q2) to 1982 (Q1) showed a somewhat faster rate of increase during the remainder of 1982 and in early 1983 (Graph 10). As the rate of growth of nominal earnings would seem likely to have slowed down further in the course of 1983, while the rate of price increase has remained relatively stable since the beginning of the year, the rise in real earnings may, however, have seen a new deceleration in the second and third quarters of 1983.

Some narrowing of divergence with respect to purchasing power of earnings. — On the basis of the twice-annual survey of hourly earnings in industry, Eurostat produces comparable estimates of the purchasing power of those earnings using a conversion to purchasing power standards.² As shown in Table 1, the level of

TABLE 1: Gross hourly earnings in manufacturing industry - October of each year

	Purchasing power standards							
	1975	1976	1977	1978	1979	1980	1981	1982
B	2,87	3,26	3,67	4,06	4,61	5,34	6,14	6,56
DK	3,49	3,93	4,32	4,79	5,28	5,87	6,51	6,98
D	2,72	3,12	3,54	3,88	4,29	4,87	5,43	5,92
GR	1,23	1,46	1,68	2,02	2,27	2,66	3,11	3,92
F	2,02	2,34	2,66	2,94	3,25	3,75	4,24	4,72
IRL	2,48	2,61	2,98	3,38	3,88	4,36	4,84	5,12
I	2,48	2,94	3,32	3,64	4,04	4,46	5,17	5,60
L	3,62	4,17	4,72	5,22	5,66	6,13	6,70	7,35
NL	2,89	3,17	3,59	3,90	4,28	4,74	5,20	5,79
UK	2,80	3,04	3,15	3,54	3,91	4,21	4,69	5,13
Divergence ¹								
EC 9 ²	0,166	0,171	0,171	0,169	0,160	0,153	0,147	0,143
EC 10	0,245	0,243	0,239	0,227	0,220	0,208	0,198	0,175

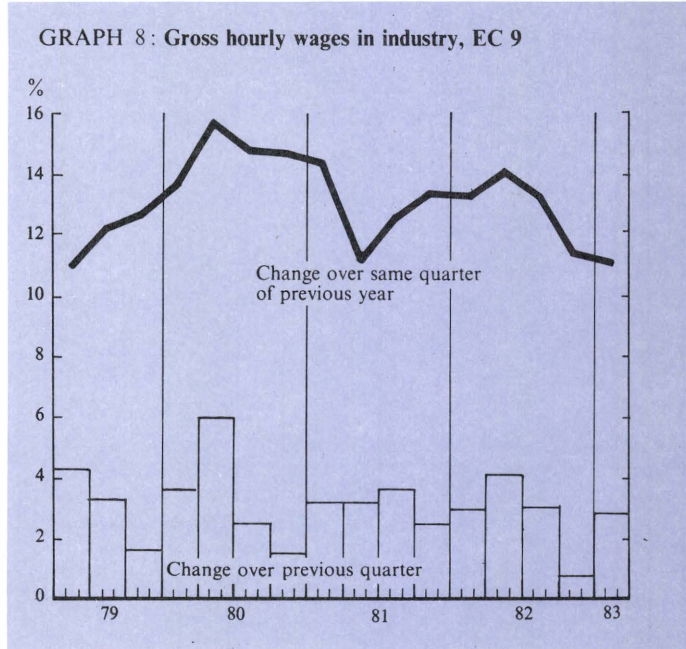
¹ Unweighted coefficient of variation (unweighted standard deviation divided by unweighted mean).

² Excluding Greece.

Source: Eurostat (Hourly earnings—Hours of work, 1-1983 and Wages and Incomes, 5-1983) and Commission services.

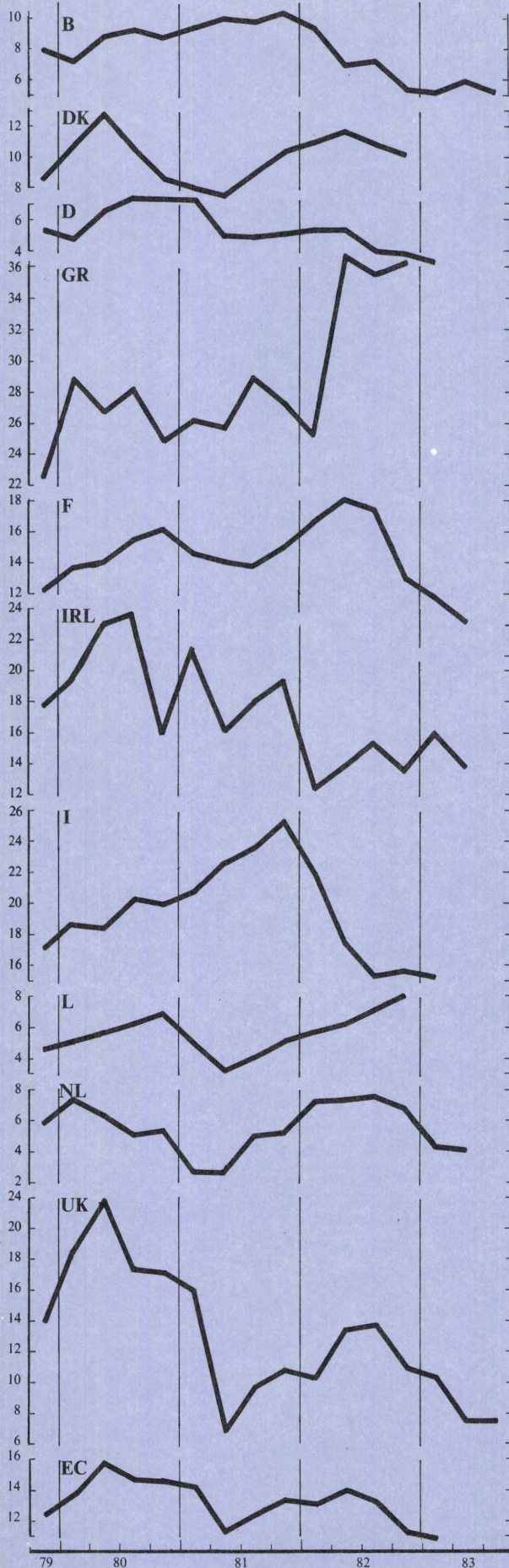
¹ The index of hourly earnings in the Community is calculated by Eurostat as a Laspeyres average of the available national indices with 1975 as base year. The use of fixed weights in this calculation creates an upward bias in the Community average the size of which increases with the distance from the base year. In 1983 the difference between a fixed (1975) weight and a current-weight average for the Community may amount to as much as 3 percentage points (implying that a current-weight index could be expected to show a rise of some 8% rather than the 11% indicated by the fixed-weight index).

² Purchasing power parities are rates of conversion of national currencies into a common currency (purchasing power standard). These rates are calculated on the basis of relative price levels for a basket of goods and services and are thus independent of the level of exchange rates.

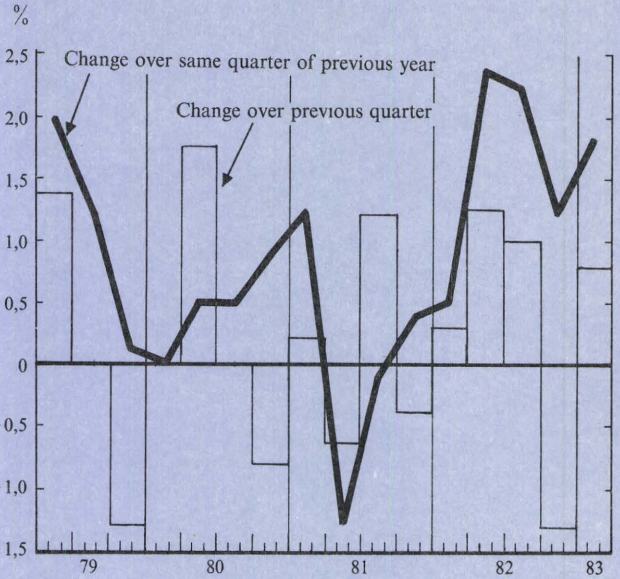


GRAPH 9: Gross hourly earnings in industry, EC

Change over same quarter of previous year



GRAPH 10: Real gross hourly earnings in industry, EC



hourly earnings expressed in purchasing power standards in 1982 (October) was highest in Luxembourg with Denmark second, while the lowest purchasing power is found in Greece. The ranking of these countries was the same as in 1975 while some change in the ranking of the other Member States took place over these seven years, Belgium, Germany and Italy moving up in terms of relative position and the United Kingdom moving down. Among the four major Member States, the purchasing power of earnings in Germany in 1982 was some 25% higher than in France while the difference in 1975 amounted to 35%. As a result of a substantial increase in the purchasing power of earnings in Greece, the overall rate of divergence of 'real' earnings (as measured by the unweighted coefficient of variation of the wage levels) was reduced by almost a third (from 0,245 to 0,175) in the period 1975 to 1982. Excluding Greece, the reduction of the rate of divergence was more modest, from around 0,17 in 1975-77 to 0,143 in 1982.

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

	1978	1979	1980	1981	1982	1982		1983			1983							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	2.4	4.3	-1.0	-2.9	0	-1.3	-0.2	1.3	0.5	:	1.0	-0.4	-1.9	5.5	0.9	-1.1	:	7.6
DK	2.3	3.6	0.2	0.3	2.4	-3.1	1.2	1.4	2.1	-0.3	2.0	-3.6	5.3	1.8	-8.3	8.8	-0.5	3.7
D	2.0	5.5	-0.8	-1.4	-2.8	-3.7	-1.0	1.0	1.9	0	1.0	0	1.0	1.9	-1.9	0	1.0	2.6
GR	7.5	6.0	0.9	-0.6	-4.2	-4.4	2.4	2.4	-1.8	:	-0.1	0.5	-4.7	5.0	-2.8	4.6	:	11.7
F	1.6	4.7	-0.7	-2.3	-1.5	-2.3	0.8	0.8	1.0	0.8	0	0	2.3	-1.5	1.6	0	-1.5	2.3
IRL	7.7	6.9	-1.8	1.4	0.4	-1.1	0.8	4.4	-2.2	:	-0.4	-2.1	-0.1	3.0	2.5	-4.0	:	5.1
I	2.1	6.7	5.0	-2.2	-2.6	-4.6	-0.7	0.6	-4.7	1.7	-1.8	-4.8	2.6	-3.0	3.7	-2.3	2.2	-2.4
L	3.2	3.4	-3.3	-6.8	-3.7	-0.1	-4.2	-1.2	2.6	2.6	-4.2	9.1	-3.3	-4.6	8.8	-4.6	4.7	3.6
NL	0.9	2.8	0	0.9	-3.6	-2.8	0.6	3.5	-1.2	-1.2	-1.8	-0.9	2.8	-4.5	3.8	-3.7	-1.0	0
UK	3.6	3.9	-6.5	-3.9	2.1	0.8	-0.5	1.3	-0.5	1.9	-1.1	0.1	0.8	-1.7	3.0	-0.2	0.1	1.9
EC	2.4	4.9	-0.9	-2.2	-1.4	-1.7	-1.7	0.7	0.2	(1.4)	-0.4	0	1.0	(0)	(0.7)	(0.8)	(-0.4)	(1.1)
USA	6.1	4.7	-4.5	2.5	-8.5	-0.3	-2.4	2.9	4.9	(5.1)	1.6	1.9	1.5	1.5	(2.1)	(1.3)	(1.8)	(12.9)
JAP	6.3	7.3	4.7	1.0	0.3	0.5	-1.2	0.9	1.5	3.5	1.1	-0.2	0.2	1.0	0.2	(2.7)	(1.8)	(6.5)

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

	1978	1979	1980	1981	1982	1982		1983			1983							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	(8.1)	(8.4)	(9.1)	(11.2)	(13.1)	13.3	13.8	14.2	14.3	14.6	14.2	14.2	14.5	14.4	14.7	14.8	14.8	9.4
DK ⁶	6.5	5.3	6.1	8.2	8.8	9.0	9.0	9.4	9.7	9.6	9.8	9.7	(9.7)	(9.6)	(9.6)	(9.7)	(9.7)	6.4
D	3.8	3.3	3.3	4.7	6.8	7.2	7.7	8.4	8.5	8.6	8.5	8.5	8.6	8.6	8.5	8.6	8.3	11.9
F	5.2	6.0	6.4	7.8	8.8	9.0	9.1	9.0	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	-0.5
IRL	8.4	7.4	8.3	10.2	12.3	12.6	13.4	14.2	14.8	15.1	14.6	14.8	15.0	15.0	15.1	15.3	15.4	19.0
I	7.1	7.5	8.0	8.8	10.5	10.6	11.2	11.7	11.9	11.9	12.0	12.0	11.8	11.9	12.0	12.0	12.1	9.8
L	0.7	0.7	0.7	1.0	1.3	1.2	1.4	1.5	1.5	1.6	1.5	1.5	1.5	1.6	1.6	1.5	1.6	11.7
NL	(5.4)	(5.5)	(6.2)	(8.8)	(11.7)	12.1	13.0	13.5	14.0	14.4	13.8	13.9	14.3	14.3	14.5	14.5	14.5	16.2
UK	5.3	4.9	6.3	9.6	11.2	11.2	11.8	12.1	12.2	11.8	12.3	12.1	12.1	11.9	11.6	12.0	11.8	1.5
EC ⁹	(5.4)	(5.5)	(6.1)	(7.9)	(9.6)	9.7	10.1	10.5	10.7	10.6	10.7	10.7	(10.7)	(10.6)	(10.6)	(10.7)	(10.7)	(6.4)
USA	6.0	5.8	7.1	7.6	9.7	10.0	10.7	10.4	10.1	9.4	10.2	10.1	10.0	9.5	9.5	9.3	8.8	(-14.2)
JAP ⁷	2.2	2.1	2.0	2.2	2.4	2.4	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.5	2.8	2.8	:	(0.3)

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

	1978	1979	1980	1981	1982	1982		1983			1983							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	4.5	4.5	6.6	7.6	8.7	2.5	1.9	1.7	1.3	2.5	0.3	0.5	0.6	1.0	1.0	0.7	0	6.5
DK	10.0	9.6	12.3	11.7	10.1	2.6	2.5	0.8	1.5	1.2	0.7	1.1	0.3	0	0.5	1.1	0.5	5.3
D	2.7	4.1	5.5	5.9	5.3	1.1	0.7	0.5	0.6	1.0	0.2	0.4	0.4	0.4	0.3	0.2	0	2.6
GR	12.5	19.0	24.9	24.5	21.0	1.6	5.6	5.4	6.9	0.8	1.7	1.8	0.1	-0.9	-0.3	3.8	2.0	20.8
F	9.1	10.7	13.6	13.4	12.0	1.4	1.9	2.6	2.8	2.1	1.3	0.7	0.5	0.9	0.6	0.7	(0.8)	(10.4)
IRL ⁸	7.6	13.2	18.2	20.4	17.2	2.1	1.6	2.5	2.8	2.9	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	:	:	10.0
I	12.1	14.8	21.2	19.5	16.4	4.1	4.5	3.6	2.9	2.3	1.0	0.9	0.6	0.8	0.5	1.3	(1.7)	(13.3)
L	3.1	4.5	6.3	8.1	9.4	2.9	2.5	2.0	0.9	2.7	0.3	0.5	0.3	1.5	0.7	1.0	0.9	8.4
NL	4.2	4.3	7.0	6.8	6.0	0.8	0.9	0.1	0.7	0.9	0.5	0.1	0.1	0.5	0.3	0.4	0.4	(2.4)
UK	8.3	13.4	18.0	11.9	8.6	0.5	0.7	0.5	2.0	1.3	1.4	0.4	0.2	0.5	0.4	0.5	0.3	5.0
EC	7.7	10.4	14.3	12.9	11.0	1.8	2.1	2.0	2.3	1.7	1.0	0.7	0.4	0.6	0.4	0.9	(0.8)	(8.4)
USA	7.6	11.3	13.5	10.3	6.2	1.9	0.2	0	1.3	1.2	0.7	0.5	0.3	0.4	0.3	0.5	0.4	3.0
JAP	3.8	3.6	8.0	5.0	2.6	0.4	0.9	-0.4	1.1	-0.4	0.4	1.1	-0.7	-0.5	-0.3	1.3	0.9	1.4

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

	1978	1979	1980	1981	1982	1982		1983			1983							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	2.3	3.9	1.2	-3.3	-1.3	0.3	0.9	-4.2	-5.3	:	-0.3	-4.7	-0.7	0.3	2.1	1.8	:	-4.7
DK	-2.4	2.2	-1.5	-0.6	1.5	-2.1	-0.2	2.6	-2.6	5.4	7.4	-11.1	4.8	3.5	0.1	0.8	2.4	8.2
D	2.8	2.6	0.3	-2.6	-2.7	-1.2	-0.6	2.3	0.4	:	8.2	-8.1	1.8	5.9	-9.3	4.7	:	1.6
GR	4.9	-2.1	-3.5	-3.3	-3.7	-0.3	1.9	-0.7	-1.6	:	-2.3	-6.0	17.0	-5.5	1.3	:	:	-0.5
F	2.1	2.3	-0.4	0.7	1.8	-0.8	1.9	0.1	-4.6	1.3	4.7	-9.0	3.3	-2.7	-1.1	3.9	1.9	1.6
IRL	8.7	3.3	-0.7	-0.7	-5.4	-2.1	3.1	-1.5	-5.2	:	-19.1	1.8	5.9	0	-4.9	:	:	-3.3
I	2.6	7.3	2.7	2.2	4.6	-2.5	1.9	-1.3	0.5	:	6.6	-6.2	1.3	5.2	-5.6	7.1	:	8.3
NL	4.7	-0.3	-4.1	-4.8	-3.1	0.7	-0.2	-0.3	0.3	:	4.1	-1.8	-4.2	5.0	-1.7	:	:	-2.6
UK	5.5	4.3	0	1.2	2.6	2.0	1.4	0.5	2.3	1.0	0.7	0.9	0.7	0.3	-0.1	-0.9	3.9	7.1
EC	3.1	3.4	0.2	-0.4	0.7	-0.6	1.0	0.3	-0.7	:	4.8	-5.7	1.5	2.3	-4.0	(3.2)	:	(2.2)
USA	4.6	2.1	-2.9	1.4	-1.3	-0.9	2.4	0.3	4.9	(0.4)	2.0	1.8	2.9	0.6	-0.1	(-1.9)	(1.2)	(7.9)
JAP	4.6	3.6	-0.8	1.8	0.9	0.4	-1.9	1.8	-0.2	(2.2)	-1.0	2.2	-1.1	-2.6	5.0	(0.9)	(-3.5)	(1.4)

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

	1978	1979	1980	1981	1982	1982		1983			1983							Change over 12 months % ³
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B/L	-2890	-2064	-4993	-5418	-3082	-343	-133	170	-176	:	-152	19	-132	-63	-112	:	:	3
DK	-2198	-3022	-2116	-1475	-1866	-445	-571	-174	-240	-115	-179	-40	-137	-63	54	-57	-112	17
D	15967	8939	3615	11239	21599	5872	5718	5945	4614	4112	2069	1197	1669	1748	1161	1664	1287	-695
GR	-3340	-4162	-3853	-3951	-5826	-1163	-1457	-1270	-1664	-1051	-422	-582	-395	-688	-426	-337	-288	308
F	-4081	-6194	-16948	-17283	-24457	-6243	-6850	-6095	-4301	-3137	-2072	-1198	-1860	-1243	-1131	-1284	-723	1732
IRL	-1137	-1947	-1893	-2467	-1574	-332	-300	-298	-92	-53	-119	-6	-70	-16	35	-77	-11	47
I	-319	-3893	-15307	-13554	-12513	-2968	-2502	-2651	-1887	:	-280	-1136	-29	-743	-384	-1172	:	-112
NL	-2198	-2622	-2981	1320	3500	523	548	944	1270	842	524	413	425	432	404	69	369	117
UK	-5588	-7998	-3353	-445	-3295	-810	118	-2182	-2781	:	-303	-971	-1210	-600	-1193	-695	:	-486
EC ⁹	-5782	-22962	-47829	-32034	-27515	-6015	-6077	-5396	-5354	:	-1036	-2302	-1866	-1186	(-1458)	(1458)	:	(452)
USA	-31014	-27146	-26113	-35538	-43518	-14131	-13727	-11374	-18045	-22486	-3870	-4974	-7515	-5556	-7235	-8436	-6815	-2355
JAP	14286	-5541	-7707	7832	7034	2061	1097	4385	6005	(6973)	1498	2422	2374	1210	2620	2784	(1569)	(1154)

Sources: for Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.

¹ National sources, except for the Community,

TABLE A.6: Money stock¹⁰ - Percentage change on preceding period (s.a.)

		1982					1983			1983							Change over 12 months % 4		
		1978	1979	1980	1981	1982	III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	(M2)	9,6	6,2	2,7	5,9	5,9	3,1	0,0	0,2	1,7	:	:	:	:	:	:	:	:	5,1
DK	(M2)	8,6	10,6	7,8	9,0	11,5	3,1	2,5	6,1	7,6	5,1	1,7	2,6	3,2	0,5	1,9	2,6	:	23,2
D	(M3)	11,0	6,0	6,2	4,8	7,1	1,3	0,4	3,3	1,1	(1,6)	0,5	-0,1	0,7	0,9	(0,4)	(0,2)	:	6,3
GR	(M3)	26,0	18,4	24,7	34,7	29,0	5,0	6,4	1,8	4,9	(4,4)	1,6	2,2	1,1	0,9	(1,6)	(1,8)	:	(18,7)
F	(M2)	12,4	14,7	10,0	11,5	11,7	2,4	1,4	2,3	2,7	:	1,0	1,5	0,1	1,0	(0,3)	:	:	(8,3)
IRL	(M3)	28,7	19,0	17,9	17,6	12,9	4,7	2,4	-0,9	1,7	1,1	0	2,1	-0,4	0,6	-0,4	1,0	-0,2	:
I	(M2)	22,1	20,3	12,7	10,0	17,0	4,3	6,5	2,0	3,6	:	1,0	0,8	1,7	1,7	(1,5)	:	:	(18,2)
NL	(M2)	4,2	7,0	3,8	5,3	8,8	1,6	-0,1	5,5	2,5	:	0,5	0,7	1,2	0,2	0	:	:	9,2
UK	(£M3)	13,3	11,7	19,6	13,9	10,3	2,4	2,1	2,4	3,9	0,5	1,7	0,5	1,6	0,8	0,1	-0,4	1,5	9,4
EC 10 ¹¹		13,5	11,9	10,9	9,7	10,9	2,5	2,1	2,7	2,7	:	1,0	0,8	1,0	1,1	(0,5)	:	:	(10,5)
USA	(M2)	7,9	7,9	8,9	10,1	9,2	2,8	2,2	5,6	2,1	1,5	0,2	1,0	0,9	0,6	0,5	0,4	:	11,9
JAP	(M2)	13,1	9,1	7,2	11,0	7,9	2,6	1,4	1,5	1,6	(1,6)	-0,2	1,2	0,7	1,7	-0,3	(0,9)	:	(6,9)

TABLE A.7: Short-term interest rates¹²

	1978	1979	1980	1981	1982	1982		1983			1983					Change over 12 months % 5	
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.
B	7,3	10,9	14,2	15,6	14,1	13,0	12,4	12,3	9,5	9,3	10,0	9,5	9,3	9,3	9,5	10,8	-1,7
DK	15,4	12,5	16,9	14,9	16,4	20,2	17,5	18,2	5,4	13,7	8,4	5,4	7,9	7,1	13,7	11,7	9,3
D	3,7	6,9	9,5	12,3	8,8	8,0	6,4	5,3	5,6	5,8	5,5	5,6	5,6	5,8	5,8	6,2	-0,9
GR	:	:	11,0	16,8	20,2	23,0	15,8	19,6	14,0	11,8	22,3	14,0	16,8	16,5	11,8	15,0	:
F	7,8	9,8	12,3	15,6	14,6	13,9	12,7	12,3	12,6	12,6	12,6	12,6	12,2	12,4	12,6	12,3	-0,8
IRL	9,9	16,0	16,2	16,6	17,5	15,4	15,5	17,3	13,7	12,6	14,7	13,7	13,8	13,4	12,6	12,8	-1,3
I	11,5	12,0	17,6	20,0	20,1	18,6	19,1	19,4	17,8	17,5	17,9	17,8	17,6	17,6	17,5	17,6	-1,5
NL	7,0	9,6	10,6	11,8	8,3	7,9	5,3	4,3	5,4	6,2	6,2	5,4	5,6	6,3	6,2	6,1	-0,5
UK	9,4	13,9	16,8	14,2	12,2	10,6	10,6	10,9	9,7	9,7	10,3	9,7	10,0	9,8	9,7	9,3	-1,2
EC 10 ¹³	7,7	10,3	13,4	15,0	13,2	12,4	11,4	11,1	10,3	10,5	10,8	10,3	10,4	10,5	10,5	(10,6)	-1,2
USA	7,4	10,1	11,6	14,0	10,6	7,8	8,1	8,6	8,7	8,8	8,6	8,7	9,3	9,3	8,8	8,6	0,7
JAP	4,4	5,9	10,9	7,4	6,9	7,0	6,9	6,7	6,2	6,5	6,1	6,2	6,4	6,5	6,5	6,4	-0,5

TABLE A.8: Long-term interest rates¹⁴

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

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

	1978	1979	1980	1981	1982	1982		1983			1983						Change over 12 months % 2	
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.	
BFR/LFR	40,06	40,17	40,60	41,29	44,68	45,19	45,45	44,87	45,22	45,69	45,27	45,43	45,54	45,68	45,85	45,91	45,97	1,2
DKR	7,02	7,21	7,83	7,92	8,15	8,22	8,21	8,09	8,08	8,18	8,09	8,14	8,17	8,20	8,17	8,15	8,16	-0,5
DM	2,56	2,51	2,53	2,51	2,38	2,36	2,33	2,28	2,27	2,28	2,27	2,27	2,27	2,28	2,27	2,25	2,26	-3,3
DR	46,80	50,78	59,24	61,62	65,30	66,70	67,01	78,32	76,67	76,50	77,10	75,30	74,44	76,01	78,98	80,43	81,11	21,7
FF	5,74	5,83	5,87	6,04	6,43	6,60	6,60	6,53	6,81	6,85	6,82	6,84	6,84	6,86	6,86	6,89	6,88	4,2
IRL	0,664	0,669	0,676	0,691	0,690	0,687	0,691	0,692	0,718	0,723	0,718	0,720	0,721	0,722	0,725	0,727	0,727	5,6
LIT	1 080	1 138	1 189	1 263	1 324	1 325	1 339	1 326	1 347	1 355	1 349	1 348	1 346	1 354	1 364	1 370	1 371	1,9
HFL	2,75	2,75	2,76	2,78	2,62	2,59	2,55	2,52	2,55	2,55	2,55	2,55	2,54	2,55	2,54	2,53	2,54	-0,6
UKL	0,664	0,646	0,598	0,553	0,561	0,551	0,566	0,619	0,586	0,570	0,583	0,576	0,575	0,568	0,568	0,578	0,571	1,7
USD	1,274	1,371	1,391	1,116	0,981	0,951	0,934	0,948	0,912	0,861	0,919	0,892	0,879	0,852	0,852	0,866	0,844	-7,9
YEN	267,1	300,5	315,0	245,4	243,5	245,9	241,7	223,2	216,6	208,7	216,0	214,1	211,4	208,3	206,5	201,7	198,2	-18,2
SDR	1,018	1,061	1,068	0,946	0,888	0,875	0,866	0,868	0,846	0,817	0,848	0,835	0,827	0,812	0,811	0,815	0,802	-6,5

TABLE A.10: Effective exchange rates: export aspect¹⁵ - Percentage change on preceding period

	1978	1979	1980	1981	1982	1982		1983			1983							Change over 12 months	
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.	% ²	
B/L	2.9	1.2	-0.5	-5.3	-9.2	-0.4	-0.3	1.2	-1.0	-1.9	-0.9	-0.7	-0.5	-0.8	-0.4	0	-0.5	-2.7	
DK	-0.1	-0.8	-7.9	-6.8	-4.2	-1.9	2.0	2.2	-1.2	-2.7	-1.4	-1.3	-0.8	-1.1	0.4	0.4	-0.7	-2.0	
D	6.0	4.8	0.4	-5.2	5.1	0.7	1.8	2.6	0.2	-1.8	-0.8	-1.0	-0.4	-0.9	0.3	1.2	-1.1	1.6	
GR	-8.7	-5.4	-13.5	-9.4	-7.2	-3.4	-0.3	-15.3	2.3	-1.0	0.4	1.8	0.8	-2.8	-3.8	-1.7	-1.5	-19.9	
F	-1.0	0.9	0.4	-8.6	-8.1	-5.8	0.5	1.5	-5.3	-2.0	-1.2	-0.9	-0.3	-1.0	-0.1	-0.1	-0.6	-6.4	
IRL	0.7	0.2	-2.0	-8.3	-1.3	-0.7	0.3	2.2	-5.4	-2.4	-1.3	-1.2	-0.3	-1.1	-0.4	0.4	-1.0	-6.6	
I	-6.1	-3.2	-3.7	-12.2	-6.8	-0.8	-0.9	1.2	-2.5	-2.0	-0.8	-0.6	-0.2	-1.4	-0.8	-0.3	-0.7	-4.3	
NL	2.8	1.8	0.1	-5.0	5.5	1.5	2.2	1.4	-1.6	-0.9	-0.5	-0.4	-0.1	-0.7	0.3	0.7	-0.8	-1.1	
UK	0.4	6.2	10.1	1.1	-5.0	1.5	-2.4	-9.2	4.9	1.2	2.8	0.5	-0.3	0.4	-0.2	-1.7	0.6	-5.2	
ECU	2.9	5.9	2.2	-14.9	-5.5	-2.0	0.9	-0.7	-2.3	-3.7	-0.8	-1.6	-1.0	-1.9	-0.3	0.1	-1.6	-7.6	
USA	-8.7	-3.3	-0.3	14.0	12.0	4.9	1.9	-1.9	2.8	3.9	0	2.2	1.0	2.1	-0.1	-1.7	1.8	3.9	
JAP	21.7	-7.1	-4.1	14.0	-4.3	-2.9	1.6	9.7	1.3	0.6	1.2	-0.7	0.5	-0.2	0.8	3.3	0.3	18.0	

¹⁰ National sources for Belgium, Denmark, Germany, France, Ireland and the United Kingdom; seasonal adjustment by Eurostat for Greece, Italy and the Netherlands.

¹¹ Average of monthly changes, seasonally adjusted, weighted for GDP at 1975 prices and purchasing power parities. For money supply, the monthly change in Belgium is obtained by linear interpolation of quarterly data.

¹² National sources; three-month interbank rates except: Belgium: yield on issue of four-month *Fonds des Rentes* certificates; Denmark: daily money market rate (monthly average). Annual average, end quarter and end month.

¹³ Average weighted for GDP at 1975 prices and purchasing power parities.

¹⁴ Yield on public sector bonds. Annual average. Average for last month of quarter and monthly average for Germany, Italy

Principal economic policy measures — November 1983

Community (EC)

None.

Belgium (B)

21 and 23.11 The *Banque Nationale* raised the rate on one-month Treasury certificates from 9% to 10,30% in two stages.

24.11 The Chamber of Representatives adopted a series of amendments to the tax bill. The first concerned the withholding tax in settlement of liability: it introduces a distinction between risk capital and fixed-yield investment capital. The limit beyond which a special tax is levied on income from capital remain at BFR 1 100 000 for risk capital, but the special tax will be levied on income from fixed-yield investments in excess of BFR 316 000. Another amendment reduces the period during which tax exemption will be available on purchase of special Treasury bonds from 18 months to one year, i.e. from 1 July 1984 to 30 June 1985 (instead of 1 January 1984 to 30 June 1985). Finally, the maximum income tax allowance for purchases of shares or units was kept at BFR 40 000 plus BFR 10 000 per dependent, instead of being reduced to BFR 35 000 as the Government draft provided.

24.11 The *Banque Nationale* raised the discount rate from 9% to 10%, and the rate on advances from 10% to 11%.

24.11 The banking commission drew up new rules for savings books and deposits. From 1 January 1984, interest on all savings books and deposits must be broken down into a basic rate (subject to a ceiling) and a premium for regular saving or loyalty (unlimited). This will help to distinguish more clearly between true savings and accounts.

Denmark (DK)

2.11 Parliament adopted two schemes concerning agriculture aiming: (a) to reduce the financial costs of previous borrowing at high interest rates and (b) to compensate for some of the economic losses due to the bad harvest in 1983. Total budgetary expenditure is estimated at some DKR 700 million in 1984.

Federal Republic of Germany (D)

None.

France (F)

31.10 The new exchange-control rules were published; they will govern trips abroad after the '*carnet de changes*' arrangements have been discontinued on 20 December 1983, earlier than originally announced. From that date, travellers will be allowed to take FF 5 000 out of the country on each journey in French francs, foreign currency or travellers' cheques. Freedom for bank transfers of sums to settle tourists' bills (accommodation, meals, fares, etc.) was restored. Travel agencies will once more be free to act as intermediaries for all payments, and from 20 December they will be free to sell any journey. However, the arrangements for credit cards introduced on 25 March, will stay in force: it will still be forbidden to use personal credit cards abroad to pay for goods and services or to withdraw cash; firms' credit cards can continue to be used by business travellers.

Greece (GR)

7.11 Two state-controlled bodies were set up to take partial responsibility for foreign trade. The AGREX will have sole responsibility for exporting citrus fruits, the KYDEP will deal with exports of wheat and flour.

30.11 The draft central government budget for 1984 was presented to Parliament. The budget apparently provides for an increase of 25,1% in revenue and 19,8% in expenditure. The deficit would amount to DRA 365 500 million (9,7% of gross domestic product) compared with DRA 342 000 million (10,9% of GDP) in 1983. Ordinary budget revenue should increase by 25,6%, as a result of the expected economic recovery and improved proceeds of taxation due to simpler procedures and stricter control of evasion. Ordinary budget expenditure would increase by 18,1%, and investment budget expenditure by 29,3%. Investment expenditure would grow very fast in the fields of social security (93,4%) and education (65,8%).

Ireland (IRL)

None.

Italy (I)

24.11 Parliament ratified the Government's decree-law on tax increases decided in the framework of the budgetary arrangements adopted on 30 September 1983. Apart from renewing temporary tax provisions, this decree authorizes at least LIT 4 500 000 million in new revenue.

24.11 The Senate adopted the Finance Act for 1984; among other things, the Finance Act sets the central government budget deficit at LIT 94 950 000 million, an increase of LIT 2 000 000 million in relation to the government's bill. The opposition had proposed amendments corresponding altogether to LIT 28 000 000 million.

Luxembourg (L)

None.

Netherlands (NL)

4.11 The index-linked wage rise due from 1 January 1984 will amount to 1,9% (a rate based on the consumer price increase from May to October 1983). Almost one quarter of the working population will receive the full rise, while the others will lose part or all of the increase and working hours will be correspondingly reduced so as to enable new jobs to be created.

United Kingdom (UK)

17.11 In his Autumn Statement, the Chancellor of the Exchequer presented revised public expenditure plans for the financial year 1984/85. The planning total for public expenditure in 1984/85 is maintained at the level of UKL 126 400 million already set last February. This represents an increase compared with the expected out-turn for 1983/84 of 5,5% in nominal terms, or almost no change in real terms. Offsetting changes have been made to a number of specific spending programmes. The public sector borrowing requirement (PSBR) is projected to be UKL 10 000 million (3,25% of GDP) in 1983/84, and UKL 8 000 million (2,5% of GDP) in 1984/85.

Price (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
'European Economy' (4 issues per year)	19.64	800	13.50	11.60	22.80	The annual subscription runs from 1 January to 31 December of each year.
Supplements						
Series A — 'Economic trends' (11 issues per year)	9.82	400	6.75	5.80	11.50	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
Series B — 'Business survey results' (11 issues per year)	9.82	400	6.75	5.80	11.50	
Series C — 'Consumer survey results' (3 issues per year)	3.69	150	2.50	2.20	4.20	These are surface mail rates; for air subscription rates please apply to the agents.
All three supplements	23.32	950	16.00	13.80	27.00	
Combined subscription — 'European Economy' and supplements	42.97	1 750	29.40	25.50	50.00	

