

# EUROPEAN ECONOMY

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

Supplement A — No 8/9 — August-September 1984

Recent economic trends

*In this number :  
Quarterly National Accounts  
First quarter 1984*

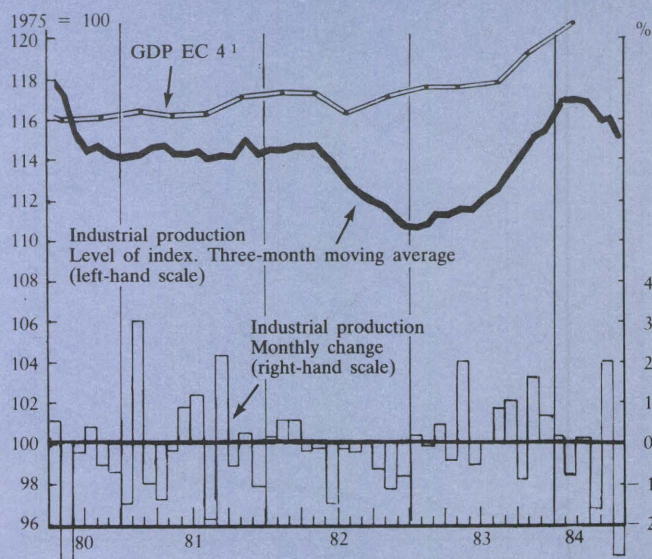
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**Industrial output down in the second quarter.** — The seasonally-adjusted index of industrial output in the Community declined by 2,8 % from May to June, bringing the decline for the second quarter relative to the first to an average of 1,5 %. This result was no doubt partially due to temporary factors, in particular the strike by German metal-workers over the 35-hour week and the miners' strike in the United Kingdom, which began in March. The index should rise again when the situation returns to normal, and this is confirmed by the preliminary provisional estimate for German industrial output in July, which shows a major increase. The trend of output measured by a three-month moving average was stable in January and February, and then began to decline. In view of the difficulty of distinguishing between temporary factors and changes in trend, it is not easy to assess the true scope of recent developments; a more reliable judgement will be possible when results for the next few months are available. Community industrial output in June was 0,8 % down on the same month last year, the decline being entirely due to a 10,1 % reduction over 12 months in the figure for Germany. The increases recorded in the other countries range from 1,5 % (France) to 16,7 % (Ireland). (No figures have been available for Luxembourg since the beginning of 1984).

**Rate of unemployment unchanged.** — The rate of unemployment (seasonally adjusted) in the Community remained stable in July at 11,1 % for the fifth consecutive month. However, the graph (based on unrounded figures) shows a 0,5 point rise, corresponding to an increase in the unemployed population of 50 000 in one month. The main developments to note in the individual Member States are a decline in unemployment in the Netherlands (from 14,8 % to 14,4 % between May and July), and an increase in Denmark (from 10,0 % to 10,3 % over the same period). Unemployment in the Community in July was 6,0 % up on the figure for the same month last year, with the largest increases recorded in France (15,4 %), Ireland (10,5 %) and Italy (11,3 %).

**Trend of retail sales still uncertain.** — The volume of retail sales in the Community expanded by 0,9 % in April after contracting by 2,1 % in March (see table A.4). The only Member States to record an increase in March were Denmark, Luxembourg and the Netherlands, but in April substantial increases were recorded in Germany, Ireland, Italy and the United Kingdom. The increase over 12 months

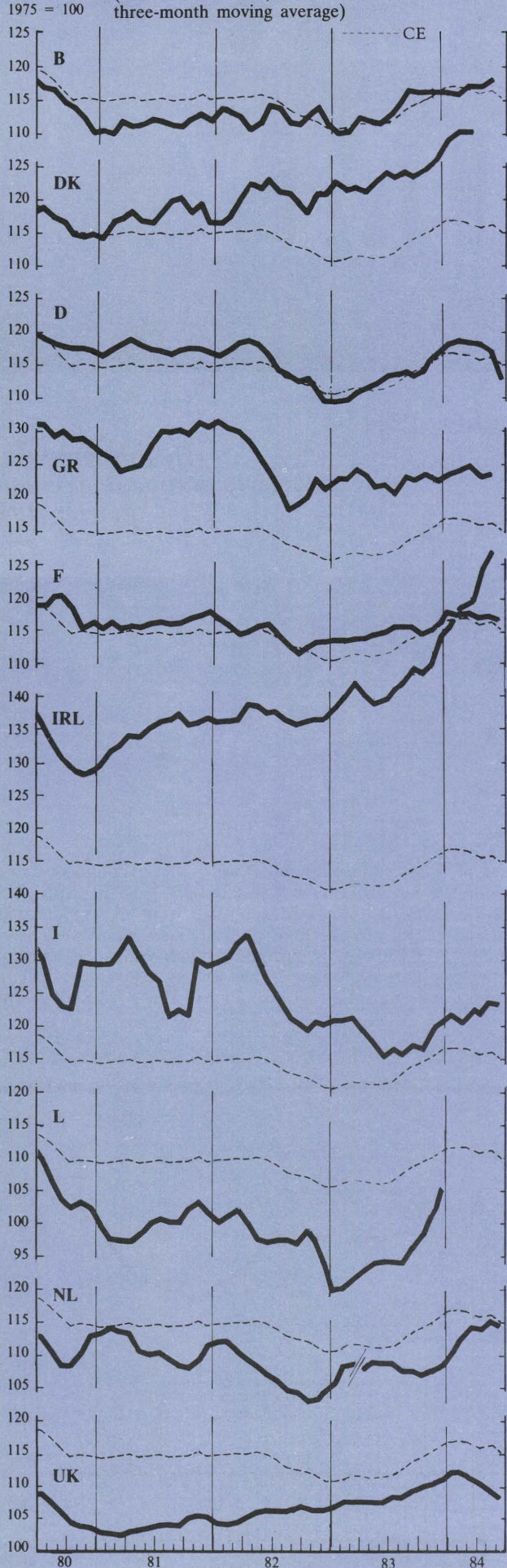
GRAPH 1 : Industrial production and gross domestic product (s.a.) EC total



<sup>1</sup> France, Germany, Italy and UK: quarterly figures.

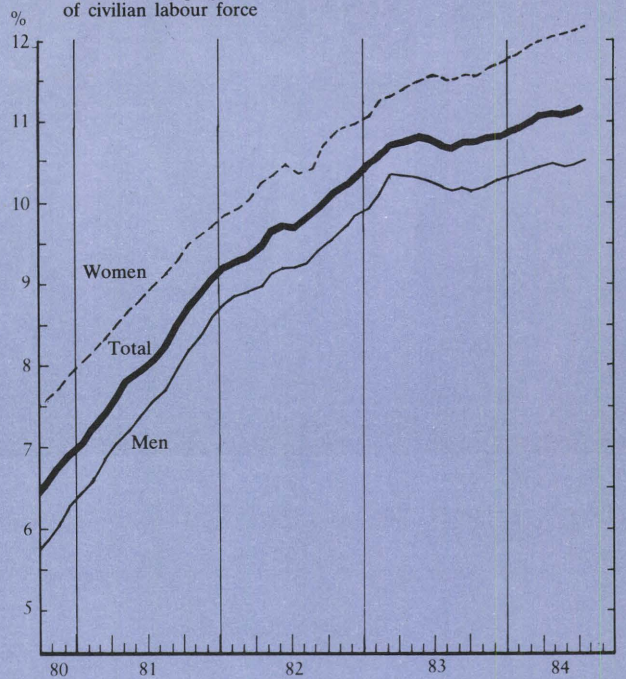
GRAPH 2 : Industrial production (s.a.)

(Index: 1975 = 100;  
three-month moving average)



GRAPH 3 : Unemployment (s.a.) EC 9

Number unemployed as %  
of civilian labour force

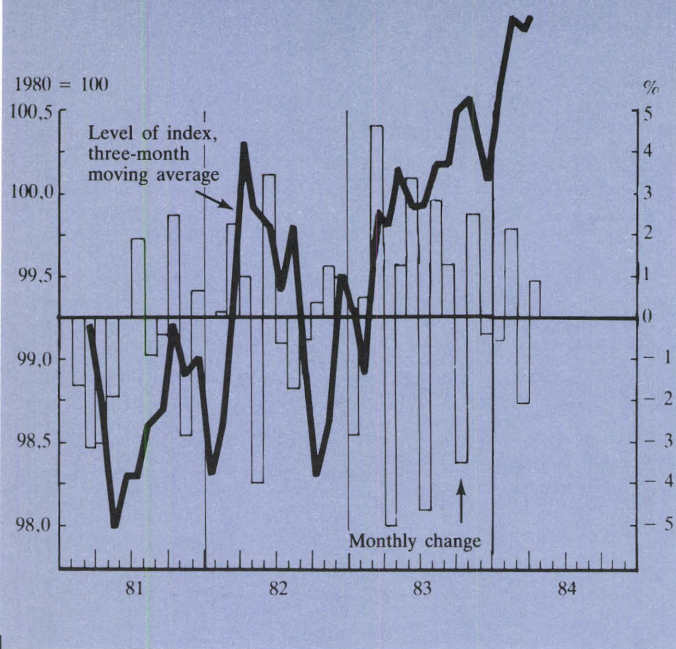


for the Community as a whole was 3,8 %, resulting from expansion in Italy, the United Kingdom, Denmark, Greece and Ireland. The largest increase in retail sales over 12 months was 16,9 % in Italy.

**Trend rate of inflation continues to decline.** — The index of consumer price in the Community rose by 0,5 % in June and 0,2 % in July. Seasonal factors depressed rises in both months by 0,1 %. Thus, while the seasonally adjusted rise in prices in June (0,6 %) was marginally higher than in the previous three months a marked deceleration was recorded in July to 0,3 %, the lowest monthly rate for a number of years, with falls in the price index being registered in Denmark, Germany and the Netherlands. The slowdown in the July monthly rate took the trend rate of inflation in the Community, measured as the seasonally adjusted change over six months at an annual rate, down to just under 6,5 %. All Community countries participated in this decline. The index of consumer prices in the Community in May was 7,1 % higher than a year earlier with changes ranging from 2,1 % in Germany to 19,2 % in Greece, with all countries except Italy (10,8 %) and Greece in single figures.

**No clear trend in Community trade balance in recent months.** — Monthly movements in the Community's visible trade balance (fob/cif, seasonally adjusted) continue to be irregular. In May, the deficit is provisionally estimated at 1 648 million ECU, against 2 578 million ECU in April and 5 784 million ECU in March (Table A.5). On the basis of these figures, the deficit for the second quarter seems likely to be higher than that for the first quarter, breaking a fairly steadily-downward trend after the second quarter of 1982. Provisional second-quarter estimates are now, in fact, available for some member countries of the Community. Between the first and second quarters there were, thus, sharp deteriorations in the balances of Germany and the United Kingdom to some extent as a result of the strikes. In Germany, in particular, the conflict entailed a decline in exports of the metal manufacturing industry (following a certain anticipatory increase in the first quarter). There was, however, a fall in the French trade deficit in the second quarter, but this only partly offset the sharp rise in the first-quarter deficit. There was little change between the first and second quarters in Denmark, but the rapidly improving trend in Ireland's visible trade balance continued, and provisional estimates actually show a surplus in the second quarter. Figures up to May suggest a further increase in the Dutch visible surplus. In Italy, however, the worsened trend evident in the first quarter seems likely to have continued in the

GRAPH 4 : Volume of retail sales (s.a.) EC 9



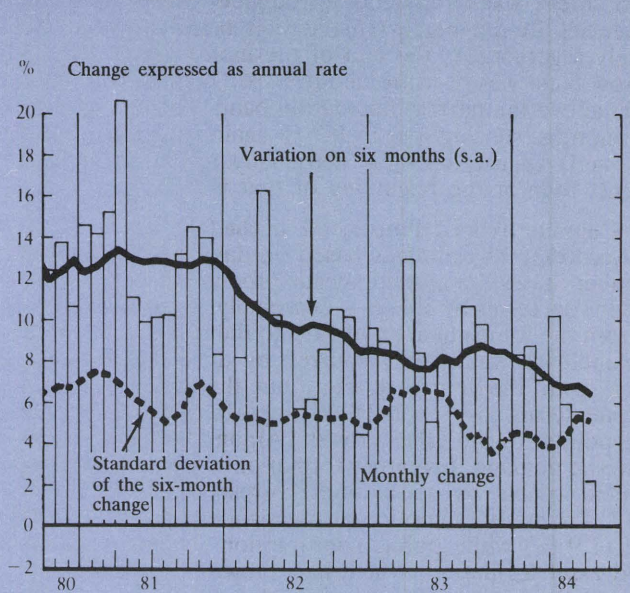
second. The run of available monthly figures for Greece suggests a flat trend through the early months of 1984. The latest figure available for Belgium is that for January. The Belgian visible deficit appears to have been on a worsening trend from the third quarter of 1983 onwards.

**Monetary growth somewhat faster in the second quarter.** — The average money supply in the Community (seasonally adjusted) expanded by 0,7 % in March and by 0,8 % in April. Movements were varied in May, with a contraction in the money supply in Germany, a slowdown in expansion in Greece, France, Ireland and the Netherlands and some acceleration in Denmark, Italy and the United Kingdom. On average for the Community, these results gave expansion of 0,4 %. The preliminary results available for the second quarter as a whole indicate that the rate of money creation is rising in Denmark, Germany, Greece, Ireland and the United Kingdom. This is due to movement in Denmark to major demand for bank loans, while it is explained in Germany by the decline in non-monetary deposits with banks. Monetary growth in Greece was slightly faster than forecast; in Ireland, the results for the second quarter contrast sharply with those for the first, when the money supply was stable. Sterling M3 growth picked up considerably, and overshot the upper limit of the target range, mainly because of major Treasury expenditure at this time of year.

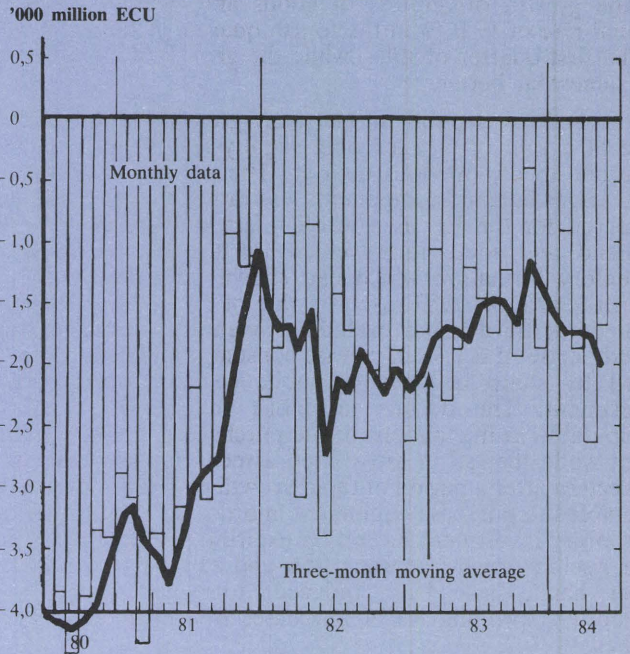
**Short-term interest rates ease in August.** — After some rather erratic rises in the summer, due mainly to fluctuations recorded in Germany, the United Kingdom and Denmark, the average Community interest rate fell by 0,5 points in August; this brought it back to the level of April, and represented a 0,1 point rise on August 1983. Over the same period, short-term interest rates in the United States continued to rise, reaching 10,6 % in August, when they exceeded the average Community rate for the first time since 1981. The average long-term rate for the Community stood at 11,7 % in July, as in June and 0,6 points lower than a year earlier. The US long-term interest rate rose above the average Community rate in March for the first time since 1961; in July it was, at 12,8 %, 1,1 point above the Community rate and 1,7 points higher than a year earlier. However, the decoupling of US and European rates was accompanied by depreciation of the ECU against the dollar.

**Further rise of dollar in August.** — The dollar rose by a further 1,3 % against the ECU between the average for July and the average for August (Table A.9), and was also higher at the end of August than at the beginning of that month. The rise between July and August brought the dollar's overall rise between March and August to nearly 11 %, and the twelve-month rise (August to August) to 9,8 %. The yen was also

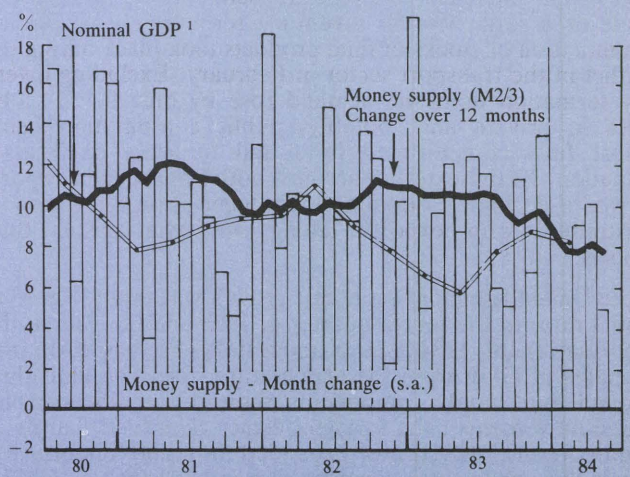
GRAPH 5 : Consumer prices EC 10



GRAPH 6 : Trade balance (s.a.) EC 9



GRAPH 7 : Money supply (EC total) and nominal GDP (EC 4)



strong against the ECU between July and August, rising 1,4 % to bring its twelve-month rise to 10,7 %. Within the EMS, there was a tendency throughout August for all the currencies in the narrow fluctuation band to cluster fairly closely together. At the end of the month the width of the narrow band was down to about  $\frac{3}{4}$  %. The lira continued to trade above the narrow fluctuation band. On average for the two months, sterling rose by 0,7 % against the ECU between July and August, but was marginally lower at the end of August than at the beginning of that month.

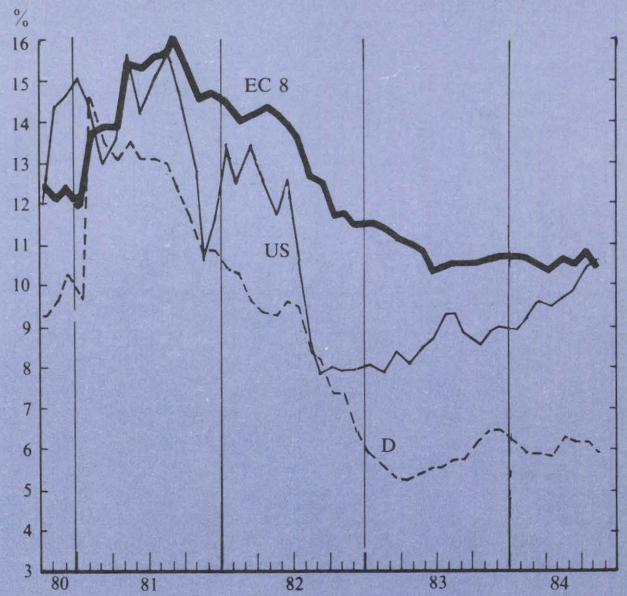
**The Community's GDP up 3,4 % in the first quarter of 1984.** — According to estimates based on data for the four major Member States the gross domestic product of the Community rose in real terms by 3,4 % — seasonally adjusted annual rate — from the fourth quarter of 1983 to the first quarter of 1984. The increase was mainly spurred by domestic demand, up 2,6 % over the fourth quarter, but the foreign balance in volume terms also contributed importantly (0,8 % percentage points) to the GDP growth. Among the components of domestic demand, inventory formation was the most buoyant element, rising by an amount corresponding to 1,8 % of GDP. Private consumption also expanded at a relatively fast rate (1,9 %) while public consumption stagnated and gross fixed asset formation, which had shown a fast expansion in the fourth quarter of 1983, fell at a rate of 1,7 %. Final domestic demand, excluding inventory formation, consequently rose at an annual rate of only 0,8 %. The improvement of the foreign balance reflected a pronounced slowdown of the growth of imports of goods and services, from an annual rate of 19,0 % in the fourth quarter of 1983 to 4,3 % in the first quarter of 1984, while the growth of exports kept up somewhat better.

In the **Federal Republic of Germany** gross domestic product rose at a rate of 5 % or only slightly less than the 5,7 % recorded in the previous quarter. The pattern of growth of the various demand components was rather similar to the one observed for the EC as a whole : fast increase in domestic demand and some improvement of the foreign balance. Inventory formation which had shown little change in the fourth quarter of 1983 rose at a rate of 3,7 % of GDP while final domestic demand excluding inventory formation stagnated, a rise of 6,1 % in private consumption being compensated by sharp declines in public consumption and fixe investment. The decline in public consumption may be attributable to fluctuations in the purchase of military equipment while the fall in gross fixed asset formation came as a correction after a period of rapid growth in 1983 as firms have scrambled to purchase equipment in order to benefit from the temporary investment incentives expiring at the end of 1983. The rise in private consumption and exports may, on the other hand, have been induced, to some extent by a temporary speeding up of purchases in anticipation of the strikes.

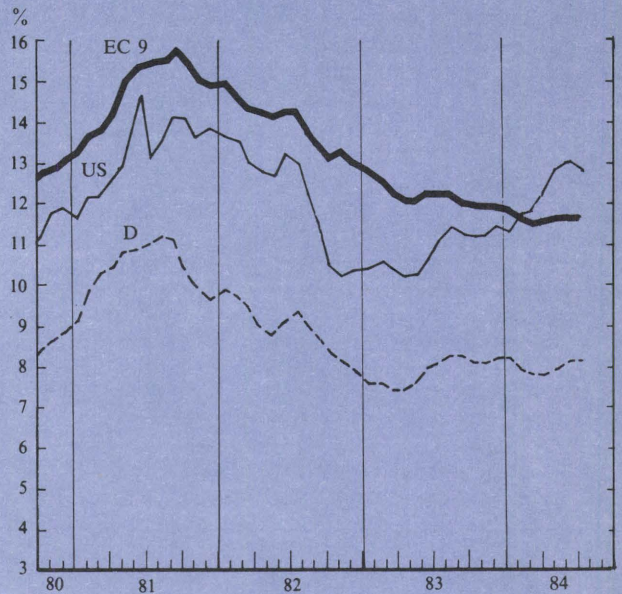
In **France** gross domestic product expanded at a rate of 3,3 % in the first quarter of 1984 or about the same rate as for the EC as a whole. Domestic demand expanded by 3,7 % while the foreign balance showed a small deterioration (0,4 % of GDP). The increase in domestic demand was mainly the result of a large rise in inventory formation as a certain accumulation of stocks of final products took place during the conflict in the transport sector in February. Excluding inventory formation domestic demand rose by only 0,4 %, advances in private and, notably, public consumption being almost fully compensated by a fall in gross fixed asset formation. In the external account both imports and exports showed a decline, no doubt also influenced by the transport constraints, with exports falling somewhat faster than imports.

In the **United Kingdom** economic growth was rapid (8,8 % at annual rate) in the fourth quarter of 1983 and the gain in the first quarter of 1984 was a modest 0,8 % based on the estimates of GDP from the expenditure side. The individual demand and supply components showed very diverse and erratic movements : the foreign balance improved sharply in volume terms, as exports expanded fast and imports fell marginally, while total domestic demand fell by 1,5 %. The decline in domestic demand was, however, the result of a substantial fall in inventory formation as stocks were run

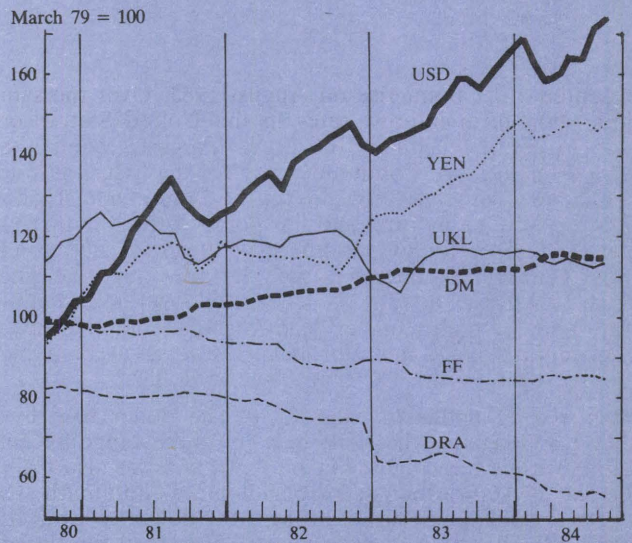
GRAPH 8 : Short-term interest rates



GRAPH 9 : Long-term interest rates



GRAPH 10 : Exchange rates  
Value of USD, yen and some EC currencies in ECU



1 Change over the same quarter of previous year.

**TABLE 1: Major supply and demand components at constant prices**  
(Percentage change on preceding period, annual rates: seasonally adjusted)

	GDP <sup>1</sup>	Imports <sup>2</sup>	Exports <sup>2</sup>	Foreign balance <sup>2</sup>	Domestic demand	Change in stocks <sup>3</sup>	Final domestic demand	Gross fixed investment	Government consumption	Private consumption
<b>EC 4</b>										
1980 Q1	3,4	11,7	11,7	-0,1	3,4	-0,8	4,3	7,0	2,4	4,0
Q2	-4,7	-9,8	-10,9	-0,3	-4,4	-0,1	-4,4	-9,7	2,2	-4,4
Q3	-1,5	-7,0	-6,7	0,1	-1,6	-3,5	2,0	-1,7	2,4	3,1
Q4	0,1	-0,9	0,1	0,3	-0,1	-0,5	0,4	-0,1	0,8	0,5
1981 Q1	1,1	-2,7	8,6	2,9	-1,7	-1,7	-0,1	-5,0	5,1	0,2
Q2	-1,7	-1,2	12,7	3,6	-5,2	-4,2	-1,0	-1,6	-4,2	0,2
Q3	2,0	10,9	13,0	0,6	1,3	0,3	1,1	-3,7	3,9	1,9
Q4	1,8	6,5	10,3	1,1	0,7	2,0	-1,4	-8,3	-0,3	0,7
1982 Q1	0,9	9,0	-5,1	-3,8	4,9	3,2	1,7	2,5	3,2	1,0
Q2	-0,6	0,5	-4,5	-1,4	0,9	0,6	0,3	-1,1	-0,7	1,0
Q3	-1,3	-6,6	-3,4	0,9	-2,2	-1,9	-0,3	0,2	-0,8	-0,3
Q4	1,4	-5,2	4,0	2,6	-1,1	-2,9	1,9	-1,4	2,3	1,5
1983 Q1	2,2	6,9	-4,2	-3,0	5,3	3,5	1,7	1,3	2,9	2,8
Q2	0,5	0,1	4,0	1,1	-0,5	-1,3	0,8	-2,1	1,2	1,6
Q3	0,9	1,3	2,4	0,3	0,6	-0,1	0,7	2,9	0,0	0,2
Q4	4,7	19,0	18,5	0,0	4,8	1,5	3,2	9,8	2,8	1,3
1984 Q1	3,4	4,3	7,0	0,8	2,6	1,8	0,8	-1,7	0,1	1,9
<b>Federal Republic of Germany</b>										
1982 Q1	-4,0	18,6	-3,3	-5,9	2,2	4,5	-2,5	-8,0	3,9	-2,7
Q2	-0,1	-4,6	-0,4	1,3	-1,5	0,9	-2,4	3,3	-5,0	-3,4
Q3	-1,1	-4,7	-1,9	0,8	-2,0	0,0	-2,0	1,9	-2,5	-3,2
Q4	-0,8	-12,5	-4,1	2,5	-3,3	-5,0	2,0	5,2	-0,6	1,9
1983 Q1	1,2	5,1	-3,0	-2,4	3,9	2,1	1,6	-8,6	0,0	6,1
Q2	5,1	8,3	-1,9	-2,9	8,6	3,8	4,5	14,3	2,6	1,8
Q3	0,1	1,8	-3,1	-1,5	1,7	2,7	-1,1	3,2	0,0	-2,9
Q4	5,7	16,2	22,3	2,3	3,5	0,3	3,2	15,1	4,6	-1,4
1984 Q1	5,0	10,0	12,4	1,1	4,0	3,7	0,1	-8,7	-6,2	6,1
<b>France</b>										
1982 Q1	1,0	-3,3	-17,7	-3,8	4,9	0,8	4,1	-0,3	2,2	6,0
Q2	2,6	17,7	-10,1	-6,3	9,3	5,2	4,0	5,1	3,4	3,8
Q3	-1,3	-6,3	12,3	4,4	-5,4	-4,8	-0,8	-3,8	-0,5	0,2
Q4	2,8	1,2	15,7	3,2	-0,4	-1,6	1,2	-5,0	1,5	3,1
1983 Q1	-1,1	8,3	-17,9	-6,5	5,6	3,9	1,6	6,6	3,9	-0,3
Q2	1,8	-17,9	14,6	8,3	-6,0	-4,7	-1,5	-11,3	0,8	1,3
Q3	0,0	-6,0	15,0	4,9	-4,7	-4,3	-0,5	1,0	1,7	-1,3
Q4	2,4	27,0	13,1	-2,7	5,3	2,3	2,9	3,6	0,2	3,3
1984 Q1	3,3	-1,7	-3,1	-0,4	3,7	3,3	0,4	-7,7	7,2	1,6
<b>United Kingdom<sup>4</sup></b>										
1982 Q1	4,2	-3,2	-3,1	0,0	4,4	1,4	2,9	21,1	4,0	-1,8
Q2	0,9	12,7	6,4	-1,3	2,3	1,2	1,1	-9,1	0,9	4,1
Q3	-1,5	-15,4	-16,5	-0,7	-0,8	-5,8	5,4	17,5	0,4	4,0
Q4	9,8	1,1	14,4	3,4	6,3	-0,5	6,8	1,8	9,2	7,3
1983 Q1	9,2	13,5	0,2	-3,0	12,8	9,1	3,2	15,0	5,9	-0,8
Q2	-5,1	7,1	-3,0	-2,5	-2,7	-4,2	1,6	-11,5	-1,7	6,8
Q3	0,3	1,8	-6,8	-2,3	2,6	-0,6	3,2	5,9	-3,5	4,9
Q4	8,8	23,4	27,5	1,0	7,8	2,4	5,2	22,4	2,8	1,7
1984 Q1	0,8	-0,4	8,4	2,3	-1,5	-3,1	1,7	27,2	2,3	-4,9
<b>Italy</b>										
1982 Q1	8,1	25,1	8,5	-2,7	11,5	6,4	4,6	16,9	1,5	2,2
Q2	-8,3	-23,0	-18,7	0,4	-9,0	-7,5	-1,4	-13,3	2,2	1,3
Q3	-1,3	0,1	-12,1	-3,1	1,8	3,7	-2,0	-10,4	1,6	-0,5
Q4	-4,9	-5,5	-1,6	0,8	-5,8	-3,4	-2,4	-11,4	1,4	-0,9
1983 Q1	2,4	1,2	11,7	2,5	0,0	-0,2	0,2	1,8	4,3	-1,2
Q2	-4,7	7,1	14,7	2,0	-6,8	-3,2	-3,6	-7,9	2,5	-3,9
Q3	5,2	12,1	10,7	0,2	5,3	1,6	3,5	3,4	2,3	3,8
Q4	2,3	8,3	7,6	0,2	2,2	0,6	1,5	-2,3	2,3	2,3
1984 Q1	3,0	7,2	7,3	0,3	2,8	0,7	2,1	-0,4	2,2	2,6

<sup>1</sup> FR of Germany: GNP.

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

<sup>3</sup> Change on previous period as a percentage of previous period's GDP.

<sup>4</sup> The GDP series for the United Kingdom present the estimates from the expenditure side. The estimates from the output side give, for the period considered, substantially different results:

GDP change estimated from the side of	1982				1983				1984
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Expenditure	4,2	0,9	-1,5	9,8	9,2	-5,1	0,3	8,8	0,8
Output	0,8	2,9	1,6	1,6	2,4	0,8	6,5	4,3	0,8

Source: Estimates by the Commission services based on national accounts data for the Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISCO) and the United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.

down during the strike in the coal mines. Excluding inventory formation domestic demand actually rose at an annual rate of 1,7 %. There was a strikingly fast increase (27,2 %) in gross fixed asset formation while private consumption fell at an annual rate of 4,9 %. As seen below the output based GDP estimate showed a rise close to the one estimated from the expenditure side. It is estimated that the dispute in the coal mine reduced the level of output by about 0,5 % (2 % annual rate) in the first quarter.

In Italy, gross domestic product expanded at an annual rate of 3 % in the first quarter of 1984 mainly as a reflection of an increase in domestic demand (details only partly available) while the foreign balance gave only a small positive contribution to GDP growth.

TABLE A.1: Industrial production<sup>1</sup> - Percentage change on preceding period (s.a.)

	1979	1980	1981	1982	1983	1983			1984		1983	1984						Change over 12 months % <sup>2</sup>
						II	III	IV	I	II		Dec.	Jan.	Feb.	March	April	May	
<b>B</b>	4.5	-1.2	-2.7	0	2.2	-0.3	2.4	1.4	0.7	:	-2.6	0.3	1.2	2.4	-3.5	3.7	:	7.9
<b>DK</b>	3.6	0.2	0.3	2.4	3.3	2.1	-0.1	1.7	3.5	:	0.3	0.7	1.7	-2.4	:	:	:	4.4
<b>D</b>	5.1	0.2	-1.9	-2.9	0.6	2.0	-0.1	2.8	1.1	-4.4	0.5	0	2.1	-3.3	-0.7	1.4	-9.5	-10.1
<b>GR</b>	6.0	0.9	-0.6	-4.2	-0.7	-2.4	1.2	0.4	2.0	:	-2.1	6.4	-2.7	-2.2	2.2	1.0	:	7.6
<b>F</b>	4.7	-0.7	-2.3	-1.5	(0.8)	1.0	0.8	-0.3	1.5	-0.8	-0.8	0.8	-0.8	1.5	-3.0	3.1	-1.5	1.5
<b>IRL</b>	7.7	-0.8	0.6	-0.4	6.6	-2.9	3.7	3.4	3.2	:	8.4	-6.5	3.8	5.5	0.6	0	:	16.7
<b>I</b>	(6.8)	5.5	-1.6	-3.0	-3.2	-2.6	2.6	0.5	1.0	0.3	-3.1	1.7	-1.0	3.7	-4.2	3.7	0.1	2.8
<b>L</b>	3.4	-3.3	-6.8	-3.7	1.1	2.6	2.6	9.2	:	:	8.9	:	:	:	:	:	:	37.4
<b>NL</b>	4.1	-1.0	-2.0	-4.1	2.1	2.1	-1.4	1.7	5.2	0	2.1	3.0	-1.0	2.0	-1.9	2.0	-1.0	6.6
<b>UK</b>	3.8	-6.5	-3.6	1.8	3.2	0	2.0	1.5	-0.5	-2.7	0.8	-0.5	-0.3	-1.1	-1.4	-1.1	0.3	1.7
<b>EC</b>	4.7	-0.5	-2.3	-1.6	0.9	0.9	1.2	1.6	(0.8)	(-1.5)	0.7	(0.2)	(-0.9)	(0.2)	(-1.7)	(2.0)	(-2.8)	(-0.8)
<b>USA</b>	4.7	-4.5	2.5	-8.5	7.8	4.9	5.3	2.4	(2.8)	(2.0)	0.3	1.7	(1.2)	(0.5)	(0.9)	(0.4)	(0.4)	(11.6)
<b>JAP</b>	7.3	4.7	1.0	0.4	3.7	1.6	3.3	2.4	(3.2)	(2.8)	0.5	0.7	2.7	(-1.3)	(0.8)	(2.4)	(0.5)	(12.6)

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

	1979	1980	1981	1982	1983	1983			1984		1983	1984							Change over 12 months % <sup>2</sup>
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	July	
<b>B</b>	(8.4)	(9.1)	(11.2)	(13.1)	14.4	14.3	14.6	14.7	14.5	14.4	14.5	14.5	14.5	14.4	14.5	14.5	14.4	14.4	0.2
<b>DK</b>	5.8	6.7	8.9	9.5	10.2	10.3	10.3	10.2	(10.3)	(10.1)	10.2	(10.2)	(10.4)	(10.4)	(10.0)	(10.1)	(10.3)	(10.3)	-2.3
<b>D</b>	3.3	3.3	4.7	6.8	8.4	8.6	8.6	8.4	8.5	8.4	8.4	8.5	8.5	8.5	8.4	8.4	8.5	8.5	0
<b>F</b>	6.0	6.4	7.8	8.8	9.0	8.9	8.9	9.1	9.6	10.0	9.4	9.6	9.8	10.0	10.0	10.1	10.1	10.1	15.4
<b>IRL</b>	7.4	8.3	10.2	12.3	15.0	14.9	15.3	15.6	16.2	16.4	16.1	16.2	16.3	16.4	16.3	16.5	16.5	16.5	10.5
<b>I</b>	7.5	8.0	8.8	10.5	11.8	11.8	11.9	12.1	12.5	12.8	12.3	12.5	12.7	12.8	12.8	12.8	12.9	12.9	11.3
<b>L</b>	0.7	0.7	1.0	1.3	1.6	1.5	1.6	1.7	1.8	1.7	1.8	1.9	1.7	1.7	1.7	1.7	1.8	1.8	8.5
<b>NL</b>	(5.5)	(6.2)	(8.8)	(11.7)	14.0	13.9	14.4	14.6	14.8	14.7	14.8	14.8	14.7	14.8	14.8	14.6	14.4	14.4	1.0
<b>UK</b>	4.9	(6.3)	(9.2)	(10.6)	(11.5)	(11.6)	(11.5)	(11.6)	(11.8)	(11.8)	(11.7)	(11.8)	(11.8)	(11.8)	(11.9)	(11.9)	(11.9)	(11.9)	3.0
<b>EC</b>	(5.5)	(6.1)	(7.8)	(9.4)	(10.6)	(10.6)	(10.6)	(10.7)	(11.0)	(11.1)	(10.8)	(11.0)	(11.1)	(11.1)	(11.1)	(11.1)	(11.1)	(11.1)	6.0
<b>USA</b>	5.8	7.1	7.6	9.7	9.6	9.9	9.2	8.4	7.8	7.4	7.9	7.7	7.7	7.7	7.4	7.0	:	:	(-25.8)
<b>JAP</b>	2.1	2.0	2.2	2.4	2.7	2.6	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.6	2.7	2.8	:	:	(9.9)

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

	1979	1980	1981	1982	1983	1983			1984		1983	1984							Change over 12 months % <sup>2</sup>
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	July	
<b>B</b>	4.5	6.6	7.6	8.7	7.7	1.3	2.5	1.2	1.9	1.4	0.9	0.8	0.4	0.7	0.2	0.3	0.5	6.3	
<b>DK</b>	9.6	12.3	11.7	10.1	6.9	1.5	1.2	2.0	1.5	1.8	0.3	1.1	0.4	0.3	1.0	0.5	(-0.3)	(6.5)	
<b>D</b>	4.1	5.5	5.9	5.3	2.9	0.5	1.0	0.5	0.9	0.4	0.4	0.3	0.1	0.1	0.3	-0.2	-0.2	2.1	
<b>GR</b>	19.0	24.9	24.5	21.0	20.5	6.9	0.8	5.8	4.1	5.9	1.2	0.4	3.2	1.9	1.5	2.1	-0.9	19.2	
<b>F</b>	10.7	13.6	13.4	12.0	9.4	2.8	2.1	1.9	1.7	1.8	0.7	0.7	0.6	0.6	0.6	0.5	0.7	7.5	
<b>IRL</b>	13.2	18.2	20.4	17.2	10.2	2.8	2.9	1.8	2.4	2.3	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	:	:	9.7	
<b>I</b>	14.8	21.2	19.5	16.4	14.7	2.9	2.3	3.5	2.9	2.3	1.2	1.2	0.7	0.8	0.6	0.6	0.3	10.8	
<b>L</b>	4.5	6.3	8.1	9.4	8.7	0.9	2.7	2.3	1.4	0.8	0.6	0.6	-0.1	0.6	0.4	-0.6	0.2	5.4	
<b>NL</b>	4.3	7.0	6.8	6.0	2.8	0.7	0.9	1.0	0.7	1.0	0.2	0.4	0.5	0.5	(0)	0	0	3.0	
<b>UK</b>	13.4	18.0	11.9	8.6	4.6	2.0	1.3	1.1	0.6	2.0	0	0.4	0.3	1.3	0.4	0.2	-0.1	4.5	
<b>CE</b>	10.4	14.3	12.9	11.0	8.5	2.3	1.7	2.0	1.7	1.9	0.7	0.7	0.6	0.8	0.5	0.5	(0.2)	(7.1)	
<b>USA</b>	11.3	13.5	10.3	6.2	3.2	1.3	1.2	0.9	1.1	1.1	0.6	0.5	0.2	0.5	0.3	0.3	:	4.2	
<b>JAP</b>	3.6	8.0	5.0	2.6	1.7	1.1	-0.4	1.2	0.4	0.9	0.3	0.6	0.3	0.3	0.7	-0.8	0.3	2.7	

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

	1979	1980	1981	1982	1983	1983			1984		1983	1984							Change over 12 months % <sup>2</sup>
						II	III	IV	I	II		Dec.	Jan.	Feb.	March	April	May	June	
<b>B</b>	3.9	1.2	-3.3	-1.3	-7.8	-5.4	3.0	-3.7	1.6	:	-4.4	3.7	-0.2	-2.5	-3.8	4.4	:	-0.7	
<b>DK</b>	2.3	-1.5	-0.6	1.7	1.6	-2.6	4.7	-1.7	1.9	0.9	-2.4	1.8	-0.6	2.6	-0.8	0	0.5	3.5	
<b>D</b>	2.6	0.2	-1.5	-3.7	0.9	1.2	-1.7	-0.4	1.1	1.0	-1.0	0.3	3.2	-4.5	2.4	2.1	-2.0	-5.6	
<b>GR</b>	:	-3.5	-3.6	-3.6	-1.5	-1.8	1.4	-1.7	4.8	:	2.3	1.4	6.6	-0.9	:	:	:	9.7	
<b>F</b>	0.6	-1.9	-2.2	1.3	-3.1	-1.6	-0.9	-2.2	1.4	:	0.2	-0.4	1.4	-1.3	-5.1	1.9	:	-4.6	
<b>IRL</b>	:	:	-0.6	-5.4	-4.0	-5.0	0.2	3.5	-4.1	:	-0.1	-3.6	1.3	-3.3	7.2	0.8	:	3.1	
<b>I</b>	:	:	2.9	3.9	2.4	0.7	2.4	1.9	2.0	:	0.4	0.3	2.1	-1.5	5.3	:	:	16.9	
<b>L</b>	:	:	3.9	4.6	-4.9	-1.2	-0.7	-1.2	1.0	-1.5	0.4	-2.2	3.6	0.9	-6.5	2.9	4.6	-1.3	
<b>NL</b>	:	:	-3.6	-2.9	-1.9	-1.3	0.3	-2.2	0.8	:	-0.6	-3.1	4.3	0.7	-7.0	:	:	-6.5	
<b>UK</b>	:	:	0.4	2.1	5.3	1.8	0.8	1.9	-1.6	2.9	0.1	-3.0	1.7	-1.1	3.6	-1.3	1.3	4.3	
<b>CE</b>	:	:	-0.7	0.1	0.5	0	0.2	-0.1	0.9	:	-0.3	-0.5	2.2	-2.1	(0.9)	:	:	(3.8)	
<b>USA</b>	2.2	-2.9	1.1	-0.9	6.9	3.6	1.2	2.5	(2.5)	(2.5)	0.3	3.2	(-1.0)	(-1.8)	(3.5)	(0.8)	(0.9)	(8.4)	
<b>JAP</b>	3.8	-1.1	1.8	0.7	1.0	-0.2	2.1	-1.0	(3.4)	(2.5)	0.2	(4.2)	(2.1)	(-4.1)	(3.3)	:	:	(4.1)	

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

	1979	1980	1981	1982	1983	1983			1984		1983	1984							Change over 12 months % <sup>3</sup>
						II	III	IV	I	II		Dec.	Jan.	Feb.	March	April	May	June	
<b>B/L</b>	-2064	-4993	-5418	-3082	-1321	-176	-373	-501	:	:	-230	-507	:	:	:	:	:	-1060	
<b>DK</b>	-3022	-2116	-1475	-1866	-740	-240	-115	-244	-377	-383	-181	-129	-159	-89	-105	-166	-112	-49	
<b>D</b>	8939	3615	11239	21599	18501	4614	4112	4053	5113	3846	1323	1462	2068	1584	1167	1975	704	-1044	
<b>GR</b>	-4162	-3853	-3951	-5826	-5800	-1664	-1052	-1550	-1239	:	-854	-544	-392	-303	-249	-311	:	83	
<b>F</b>	-6194	-16948	-17283	-24457	-15628	-4301	-3137	-2507	-3977	-3332	-626	-1453	-1437	-1088	-1072	-885	-1375	-133	
<b>IRL</b>	-1947	-1893	-2467	-1574	-621	-92	-53	-139	-116	192	-61	-63	-91	39	23	57	112	128	
<b>I</b>	-3893	-15307	-13554	-12513	-8516	-1887	-2369	-1562	-2201	:	-1314	-397	-628	-1176	-997	-1677	:	-1648	
<b>NL</b>	-2622	-2981	1320	3500	4499	1270	843	1099	(952)	:	498	312							

TABLE A.6: Money stock<sup>9</sup> - Percentage change on preceding period (s.a.)

		1979	1980	1981	1982	1983	1983			1984		1984						Change over 12 months % <sup>4</sup>	
							II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
B	(M2)	6,2	2,7	5,9	5,9	8,7	1,5	3,6	2,8	2,7	:	:	:	:	:	:	:	:	11,0
DK	(M2)	10,6	7,8	9,0	11,5	24,7	7,7	5,3	4,4	2,9	3,4	0,7	1,3	0,9	0,5	2,1	0,8	-0,2	16,1
D	(M3)	6,0	6,2	4,8	7,1	5,7	1,0	1,4	0,6	0,2	1,5	-0,1	0,1	0,1	1,2	-0,2	0,4	0,4	3,2
GR	(M3)	18,4	24,7	34,7	29,0	20,3	4,9	4,4	6,7	4,3	(7,5)	1,0	2,1	1,2	3,9	(0,6)	(2,9)	:	(25,8)
F	(M2R)	14,7	10,0	11,5	11,7	11,2	1,9	1,5	4,5	1,1	:	0	0	1,2	0,5	(0,1)	:	:	(8,2)
IRL	(M3)	19,0	17,9	17,6	12,9	5,6	1,7	1,2	3,5	0	3,1	1,7	-1,5	-0,1	0,8	0,6	1,6	2,6	10,1
I	(M2)	20,3	12,7	10,0	17,0	13,2	3,6	4,5	2,8	1,8	:	0,8	0	1,0	0,6	0,8	:	:	12,7
NL	(M2)	7,0	3,8	5,3	8,8	10,8	2,6	1,1	1,6	-0,1	:	-0,7	1,1	-0,6	2,2	0,8	:	:	7,2
UK	(M3)	11,7	19,6	13,9	10,3	10,8	1,6	1,4	2,4	2,1	3,4	0,6	0,1	1,4	0,3	1,0	2,0	-1,0	8,0
EC10		11,9	10,9	9,7	10,9	(9,8)	2,0	2,0	2,4	1,2	:	0,2	0,2	0,7	0,8	(0,4)	:	:	(7,8)
USA	(M2)	7,9	8,9	10,1	9,2	11,7	2,4	1,5	2,2	1,5	:	0,5	0,7	0,6	:	:	:	:	7,7
JAP	(M2)	9,1	7,2	11,0	7,9	7,3	1,7	2,0	1,5	2,3	:	0,6	1,1	0,3	:	:	:	:	7,8

TABLE A.7: Short-term interest rates<sup>11</sup>

		1979	1980	1981	1982	1983	1983			1984		1984						Change over 12 months % <sup>3</sup>		
							II	III	IV	I	II	Feb.	March	April	May	June	July		August	
B		10,9	14,2	15,6	14,1	10,5	9,5	9,3	11,0	12,4	11,9	12,5	12,4	11,9	11,9	11,9	11,9	11,9	11,5	2,2
DK		12,5	16,9	14,9	16,4	12,1	5,4	13,7	13,1	11,4	11,7	11,0	11,4	12,6	10,5	11,7	11,8	11,8	10,9	3,8
D		6,9	9,5	12,3	8,8	5,8	5,6	5,8	6,5	5,8	6,1	5,9	5,9	5,8	6,3	6,1	6,1	5,9	0	
GR		:	11,0	16,8	20,2	19,4	14,0	11,8	10,0	15,8	14,6	17,3	15,8	14,0	17,4	14,6	15,0	16,8	0,3	
F		9,8	12,3	15,6	14,6	12,5	12,6	12,6	12,3	12,6	12,2	12,6	12,6	12,4	12,4	12,2	11,8	11,3	-1,1	
IRL		16,0	16,2	16,6	17,5	14,1	13,7	12,6	12,3	13,0	12,4	12,7	13,0	12,8	12,4	12,4	13,8	13,4	0	
I		12,0	17,6	20,0	20,1	18,1	17,8	17,5	17,9	17,4	16,9	17,2	17,4	17,4	16,9	16,9	16,6	16,6	-1,0	
NL		9,6	10,6	11,8	8,3	5,7	5,4	6,2	6,1	6,1	6,2	6,0	6,1	5,9	6,2	6,2	6,4	6,3	0	
UK		13,9	16,8	14,2	12,2	10,1	9,7	9,7	9,4	8,9	9,6	9,3	9,0	8,9	9,8	9,6	12,3	10,8	1,0	
EC12		10,3	13,4	15,0	13,2	10,8	10,3	10,5	10,6	10,5	10,5	10,6	10,5	10,4	10,7	10,5	10,9	10,4	0,1	
USA		10,1	11,6	14,0	10,6	8,7	8,7	8,8	9,0	9,7	9,9	9,1	9,7	9,5	9,7	9,9	10,4	10,6	1,3	
JAP		5,9	10,9	7,4	6,9	6,4	6,2	6,5	6,4	6,0	5,9	6,0	6,0	5,9	5,7	5,9	6,0	:	-0,2	

TABLE A.8: Long-term interest rates<sup>13</sup>

		1979	1980	1981	1982	1983	1983			1984		1984						Change over 12 months % <sup>4</sup>	
							II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
B		9,7	12,2	13,8	13,5	11,8	11,6	11,4	11,9	12,2	12,1	12,0	12,4	12,2	12,1	12,2	12,1	12,1	0,7
DK		16,7	18,7	19,3	20,5	14,4	14,3	13,7	12,6	14,0	14,6	12,9	13,4	14,0	13,6	14,3	14,6	14,5	0
D		7,4	8,5	10,4	9,0	7,9	8,0	8,3	8,2	7,9	8,1	8,2	8,0	7,9	8,0	8,1	8,1	8,1	0
GR		11,2	17,1	17,7	15,4	18,2	18,0	18,8	19,7	19,6	18,3	21,1	19,9	19,6	19,6	19,5	18,3	18,3	-0,1
F		10,9	13,7	16,3	16,0	14,4	14,5	14,0	14,0	14,0	14,0	13,8	13,9	14,0	13,8	14,0	13,8	13,9	-0,1
IRL		15,1	15,4	17,2	17,0	13,9	13,6	13,7	14,2	14,1	14,6	13,9	14,2	14,1	14,1	14,5	14,6	14,9	1,1
I		14,1	16,1	20,6	20,9	18,0	17,9	17,6	17,4	15,4	14,9	16,6	15,9	15,4	15,4	15,2	14,9	14,3	-3,6
L		6,8	7,4	8,6	10,4	9,8	9,8	9,3	9,5	10,1	10,4	9,7	10,0	10,1	10,2	10,4	10,4	10,5	1,2
NL		9,2	10,7	12,2	10,5	8,8	9,7	9,1	8,9	8,7	8,9	8,9	8,7	8,7	8,8	8,9	8,9	9,1	-0,2
UK		13,0	13,9	14,8	12,7	10,8	10,5	10,5	10,2	10,2	11,3	10,4	10,4	10,2	10,6	11,2	11,3	11,8	0,6
EC10		10,9	12,7	14,9	14,0	12,2	12,2	12,0	11,9	11,5	11,7	11,8	11,4	11,5	11,6	11,7	11,7	11,7	-0,6
USA		8,7	10,8	12,9	12,2	10,8	10,6	11,3	11,4	11,9	13,0	11,3	11,4	11,9	12,2	12,9	13,0	12,8	2,4
JAP		7,7	9,2	8,7	8,1	7,4	7,5	7,3	6,9	6,6	7,1	6,9	6,9	6,6	6,7	7,3	7,1	7,2	-0,4

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

		1979	1980	1981	1982	1983	1983			1984		1984						Change over 12 months % <sup>3</sup>	
							II	III	IV	I	II	Feb.	March	April	May	June	July		August
BFR/LFR		40,17	40,60	41,29	44,68	45,44	45,22	45,69	45,94	45,90	45,59	45,96	45,69	45,61	45,59	45,55	45,33	45,23	-1,0
DKR		7,21	7,83	7,92	8,15	8,13	8,08	8,18	8,17	8,18	8,20	8,19	8,18	8,21	8,20	8,20	8,18	8,16	-0,5
DM		2,51	2,53	2,51	2,38	2,27	2,27	2,28	2,26	2,24	2,24	2,24	2,23	2,23	2,24	2,23	2,24	2,24	-1,7
DR		50,78	59,24	61,62	65,30	78,09	76,67	76,50	81,11	84,90	88,46	84,45	87,91	88,50	88,19	88,69	88,11	89,24	17,4
FF		5,83	5,87	6,04	6,43	6,77	6,81	6,85	6,88	6,90	6,87	6,91	6,88	6,87	6,88	6,87	6,86	6,87	0,3
IRL		0,669	0,676	0,691	0,690	0,715	0,718	0,723	0,727	0,728	0,730	0,728	0,729	0,729	0,729	0,730	0,729	0,726	0,6
LIT		1138	1189	1263	1324	1350	1347	1355	1371	1382	1382	1385	1388	1382	1383	1382	1374	1381	2,0
HFL		2,75	2,76	2,78	2,62	2,54	2,55	2,55	2,53	2,53	2,52	2,53	2,52	2,52	2,52	2,52	2,52	2,53	-0,9
UKL		0,646	0,598	0,553	0,561	0,587	0,586	0,570	0,574	0,579	0,591	0,577	0,591	0,594	0,587	0,592	0,595	0,591	4,1
USD		1,371	1,391	1,116	0,981	0,890	0,912	0,861	0,840	0,832	0,825	0,831	0,860	0,845	0,815	0,816	0,786	0,776	-8,9
YEN		300,5	315,0	245,4	243,5	211,4	216,6	208,7	196,3	191,9	189,5	194,0	193,8	190,2	187,9	190,4	190,7	188,0	-9,7
SDR		1,061	1,068	0,946	0,888	0,833	0,846	0,817	0,802	0,792	0,789	0,792	0,808	0,799	0,783	0,785	0,770	0,764	-5,9

TABLE A.10: Effective exchange rates: export aspect<sup>14</sup> - Percentage change on preceding period

		1979	1980	1981	1982	1983	1983			1984		1984						Change over 12 months % <sup>3</sup>	
							II	III	IV	I	II	Feb.	March	April	May	June	July		August
B/L		1,2	-0,5	-5,3	-9,2	-2,5	-1,1	-1,8	-1,1	-0,1	0,6	0,8	1,1	-0,1	-0,4	0,2	0,2	0	-0,3
DK		-0,8	-7,9	-6,8	-4,0	-0,1	-1,2	-2,7	-0,4	-0,5	-0,3	0,7	0,8	-0,7	-0,7	0,3	-0,2	-0,2	-1,1
D		4,8	0,4	-5,2	5,1	4,2	0,3	-1,8	0,1	0,3	0,4	1,6	1,4	-0,5	-1,2	0,5	-0,6	-0,5	0,2
GR		-5,4	-13,5	-9,4	-7,3	-18,0	2,2	-0,8	-6,3	-5,2	-4,1	-1,5	-3,2	-1,2	-1,4	-0,3	0,1	-1,6	-16,6
F		0,9	0,4	-8,6	-8,0	-6,7	-5,3	-2,0	-1,2	-0,5	0,4	1,1	1,3	-0,3	-1,1	0,5	-0,5	-0,5	-2,0

## Principal economic policy measures — August-September 1984

### Community (EC)

9.7 The Council (Economic and Financial Affairs) undertakes the second quarterly review of the economic situation in the Community. The Council agrees with the opinion of the Commission according to which a change in the stance of economic policy for 1984 — as decided upon by the Council in December 1984 — is not called for at this stage. The Council also reaches agreement on the decision concerning a second tranche (amounting to 1 400 million ECU) of the NCI III.

### Belgium (B)

1.8 The government adopted the main outlines of the draft central government budget for 1985. Total expenditure is to increase by 4 % to BFR 1 906 500 million, while revenue rises by 7,3 % to BFR 1 415 200 million. Allowing for the deficit of BFR 4 000 million on cash transactions, the total deficit will amount to BFR 495 300 million, or 10,3 % of GDP (compared with 11,3 % of GDP in 1984 and 12,6 % in 1983). The government is assuming that real GDP growth in 1985 will be 1,5 %, with a 5,5 % rise in consumer prices (and GDP deflator of 5 %), while employment will remain unchanged. The multiannual plan to restore a healthy public finance situation should bring total expenditure down by BFR 172 100 million. When the draft budget was drawn up, the government took several decisions under this plan, including the discontinuation of exemption from withholding tax for dividends paid to the public sector, changes in tax arrangements for certain undertakings with income from abroad and measures to reduce the cost of public borrowing: a reduction in the commission paid when government loans are placed with the public (from 1,70 % to 1,60 %); an extension in the maturity for the first coupon on the forthcoming government loan (14 or 15 months instead of one year: a saving of BFR 12 000 million), and the reconversion of some short-term Treasury certificates into longer-term securities (a saving of BFR 10 000 million to 13 000 million).

### Denmark (DK)

15.8 The central government presented its draft budget for 1985. It shows a reduction of the deficit on the current, investment and lending account by DKR 3 500 million to DKR 42 000 million in 1985 or 7,1 % of GDP against 8,2 % this year. Total revenue should grow by 5,3 % to DKR 149 400 million, while total expenditure could increase by 2,1 % to DKR 191 400 million. Net interest payments amount to DKR 52 900 million implying a surplus of DKR 10 800 million on other budgetary items. In order to maintain expenditure at the same level in real terms as in 1984, ceilings have been imposed on each ministry. New expenditure has consequently been met by cuts in other outlays. Despite the recovery and the impact of measures adopted in April reflected in the budget, the improvement is largely a once-for-all result of advanced payments in 1985 of outstanding taxes actually due this year (i.e. some DKR 6 000).

### Federal Republic of Germany (G)

None.

### Greece (GR)

1.7 In accordance with a decision by the Minister of Labour, valid for six months, firms with a workforce of more than 50 employees may not dismiss more than 2 % of their workers, or more than a total of 30 employees.

1.7 A new security fund was set up within the IKA (social insurance branch) to cover members of the professions and other self-employed workers not previously insured.

2.7 The rate of interest on Greek residents' foreign currency time deposits with banks was raised by one point.

2.7 A regulatory tax was introduced as a temporary measure, in agreement with the European Communities, to replace the tax arrangements for the protection of national products, which involved in particular a different basis of assessment for imported products and similar Greek products, discriminating against the former. The new arrangement will remain in force for five years, with a gradual and progressive reduction in the rates applied, subject to a prearranged calendar.

23.7 The committee responsible for monetary matters decided to increase by one point the percentage share of deposits which commercial banks must allocate to financing public sector undertakings. The new rate of 3,5 % will be applied to the balance of all bank deposits on 30 June 1984: it is quite separate from any other financial commitment the banks may have towards the State sector.

### France (F)

1.7 Family benefits were raised by 2,35 %.

5.7 Unemployed persons who set up new undertakings will receive government assistance of between FF 8 000 and FF 50 000, according to circumstances.

5.7 The government launched its second loan for 1984. Like the previous loan, this one totals FF 12 000 million.

11.7 The fuel tax paid to the national energy fund was raised from 0,14 to 20,24 centimes.

19.7 The government adopted the main outlines of the central government budget for 1985. Compulsory levies decline by one percentage point, which will reduce the volume of taxes and other contributions by about 8 %, one of the measures being the abolition of the 1 % exceptional social security contribution. Expenditure will increase by no more than 6 % but, in order to ensure that the priorities of the IXth Plan are respected, the rise will not be evenly spread over all expenditure headings. The budget deficit will not exceed 3 % of GDP.

1.8 The postal and telecommunications authority (PTT) introduced a 10-centime increase in the basic calling charge: local calls will now cost 75 centimes.

13.8 The government decided to bring down the interest rate on savings books by 1 point, and those on various types of loans (housing loans, loans to local authorities and loans to undertakings) by between 0,25 and 1 point. The bank's base rate was also lowered by 0,25 point.

28.8 Credit institutions may grant an extra FF 5 000 million this year in long-term subsidized loans. Total loans of this type thus expand from FF 36 000 million in 1983 to FF 46 000 million in 1984.

### Ireland (IRL)

2.8 Partial abolition of consumer subsidies, achieving an estimated saving of IRL 16 million in 1984.

### Italy (I)

17.7 Parliament approved a law suspending the annual rent adjustment for 1984. The next adjustment, to offset 75 % of the effect of inflation, will not be made until August 1985.

19.7 The Interministerial Committee for credit and savings (CICR) adopted the following decisions:

- (i) the percentage of their takings which banks are obliged to invest in securities issued by specialized property and agricultural credit institutions under the 'vincolo di portafoglio' was reduced from 5,5 % to 4,5 % for the second half of 1984;
- (ii) the regulations governing the territory over which banks may operate were amended: the geographical scope of a bank's operations still depend on the volume of funds it raises but the parameters have been changed so that there are now 100 banks authorized to operate throughout the country instead of only 20 as previously.

20.7 The Italian foreign-exchange office (UIC) decided to limit the net external debtor position of banks to that obtaining on 30 June, i.e. about LIT 26 000 000 million for the banking system as a whole.

24.7 The government presented a law amending the tax arrangements for compensation paid on termination of labour contracts, since the Constitutional Court had ruled that the earlier arrangements doubled the rate of progressivity applied to the basis for assessment. Since this law will apply retroactively to all compensation paid since 1974, the revenue authorities will have to pay back about LIT 260 000 million. Excise duties on diesel oil and heating oil were increased by 10 lire a litre: telephone charges were increased by 5,7 % for 1984 and by 6,5 % for 1985.

25.7 The parties of the majority reached an agreement on the principles of budgetary policy for 1985. The Finance Act should provide for measures to reduce the underlying deficit by LIT 20 000 000 million, with expenditure cuts accounting for half the reduction. This will make it possible to maintain the Treasury deficit at the same level as in 1984, i.e. LIT 96 000 000 million. On the revenue side, the measures provided for include: a reform of VAT rates; some limitation on the opportunities available to family firms for splitting the income among family members, and the introduction of a local tax on buildings. On the expenditure side, it was agreed to keep a check on the unjustified expansion of certain items, and to eliminate waste. The main items concerned will be civil service pay, which may not rise by more than the programmed inflation rate of 7 % and local health service facilities, which are to be reorganized.

31.7 The government approved a number of new tax measures, in particular:

- (i) rates of VAT on most goods will now be either 9 % or 18 % (there were previously five different rates). Certain foodstuffs and publications will be taxed at a reduced rate of 2 % while luxury products will be liable to VAT at 38 %.
- (ii) taxpayers opting for simplified accounts or those whose turnover is less than LIT 780 million will be subject, as an exceptional measure applicable in 1985, 1986 and 1987, to more stringent requirements for purposes of VAT and of deductions from taxable income.
- (iii) entertainment expense account deductions from income from self-employment may no longer exceed 2 % of takings: expenditure on luxury items will not be tax deductible.

### Luxembourg (L)

13.8 The government adopted its draft central government budget for 1985. In relation to 1984, revenue increases by 7,7 % to LFR 73 800 million (including a loan issue of LFR 1 000 million), while expenditure increases by 4 % to LFR 70 400 million. The surplus (excluding the loan issue) thus stands at LFR 2 400 million which will be used mainly for continued restructuring in the steel industry, by means of 'exceptional and temporary' State aids (under a programme to be submitted to the tripartite conference in September), and for topping up the investment fund. The government expects real GDP growth of 2 % in 1985 and price rises of 6,5 %: an increase of 4,4 % has been adopted for the sliding scale. The government does not intend to increase taxes on social security contributions next year but tax revenue of about LFR 1 000 million will be lost as a result of the indexation of tax brackets. The expenditure headings given priority in the draft budget are employment and labour (provision of jobs for young unemployed people), public health (aid to hospitals and old folks' homes) and the environment (setting up of an environment fund).

### Netherlands (NL)

None.

### United Kingdom (UK)

24.7 The Secretary of State for the Environment announced targets for current expenditure by each local authority in 1985-86. In most cases, targets will be raised from their levels in 1984-85 by 4 ¼ % but the targets for those authorities whose budgets in the current year exceed target levels by more than 4 % will be unchanged, or in some cases even reduced. This applies to 18 authorities, mainly in London or other urban areas. The total of local authority spending targets for 1985-86 amounts to UKL 21 800 million, some UKL 800 million above the provision in the February 1984 Government Expenditure White Paper.

### Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD
Series A — 'Economic trends' (11 issues per year)	11.35	520	8.50	6.50	12.00

