

EUROPEAN ECONOMY

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

Supplement A — No 10 — October 1984

Recent economic trends

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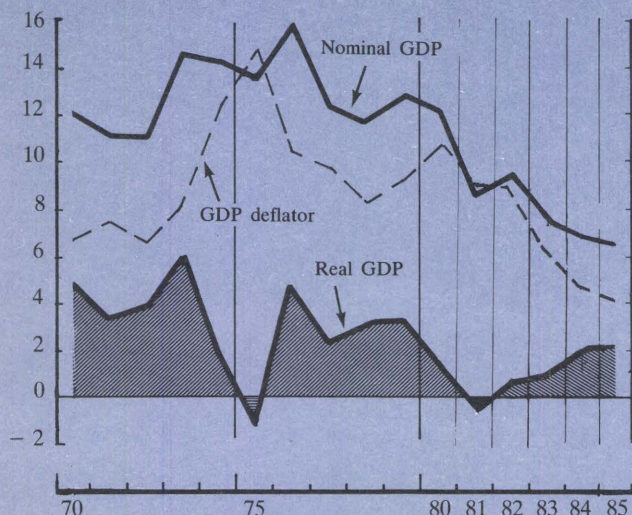
In this number :
Economic forecasts for 1984 and 1985¹

The economic recovery in the Community is expected to continue through this year and next, but the rate of growth is likely to remain relatively modest despite the boost to Community exports from the increased buoyancy of world trade.

The principal features of the forecast for the Community as a whole are as follows :

- GDP growth at constant prices is little changed from the June forecasts, with rates of 2,2 % and 2,3 % (2,2 % and 2,1 % in June) for 1984 and 1985 respectively.
- Inflation, as expressed in the private consumption deflator, fell to 6,2 % in 1983, and should decelerate further to 5,1 % in 1984, and 4,2 % in 1985.
- GDP at current prices is forecast to rise by 6,9 % this year and by 6,5 % in 1985.
- Growth, both in 1984 and 1985, will come principally from a recovery in domestic demand and especially in fixed investment.
- Private consumption, in real terms, is forecast to grow by about 1 1/4 % in both years.
- Unemployment will continue to rise from 11,0 % of the civilian labour force in 1984 to 11,5 % in 1985 : these rates are equivalent to 12,4 and 13,0 million people respectively.
- The aggregate balance on current account of the Member States is forecast to be in slight deficit by USD 0,7 billion in 1984 before returning to a surplus of USD 9,0 billion in 1985.
- The general government borrowing requirement after several years at a level of around 5 1/2 % of GDP should decline to 4,8 % in 1985.

GRAPH 1 : Nominal GDP, deflator of GDP, real GDP
(percentage change on preceding year, EC, 1970-1985)¹



¹ 1984 : estimate 1985 : forecast.
Source : Commission services.

International economic environment. — The world economy has proved to be far more buoyant than expected at the time the previous forecasts were made in June 1984. The rapid expansion of economic activity in the United States (at an annual rate of over 8 % in the first half of 1984), combined with a persistently strong dollar, has resulted in a massive increase in US merchandise imports (over 40 % at an annual rate in the first half of this year). These developments have contributed positively to economic growth in developed countries, particularly Japan and Canada, and in some developing countries, such as Mexico and Brazil. The pursuit of necessary adjustment policies both in those developing countries which have a heavy external debt burden, and in certain OECD countries which are attempting to reduce public sector or balance of payments deficits, will, however, temporarily slow down the present recovery (Table 1).

As a consequence of this increased activity, and despite some extension of protectionist measures, the growth of world trade has accelerated to a rate not seen since the first oil shock (Table 2), and should continue to expand, albeit at a more modest rate, through 1985 (real world trade in 1984, +9,3 % ; in 1985, +5,2 %). The dollar price of oil is assumed to remain unchanged, on average, in 1985. The prices of non-oil commodities (Table 3) are expected to remain relatively weak, given ample supplies of agricultural products and, in the case of industrial raw materials, the asynchronous phases of the economic cycle of the principal consuming countries.

¹ The following text summarizes the results of the Commission's Autumn forecasting round. The cut-off date for information used in the forecasts was 9 October 1984. The previous forecast for 1984 and 1985 was summarized in Supplement A, N° 6 (June, 1984).

US interest rates are likely to remain high, and tight control of monetary expansion will probably continue. Nevertheless, a modest depreciation of the dollar vis-à-vis the DM is assumed to begin in 1985, though, on a yearly basis, this movement is dominated by the positive carryover from 1984 leading to a slightly higher average dollar/DM rate in 1985 than in 1984.

TABLE 1: World GDP/GNP (at constant prices)

	Percentage change on preceding year					
	1980	1981	1982	1983	1984 ¹	1985 ¹
EC	1,1	-0,3	0,5	0,9	2,2	2,3
USA	-0,3	2,5	-2,1	3,3	7,1	3,0
Canada	1,0	3,3	-4,4	3,3	4,4	3,4
Japan	4,8	4,0	3,3	2,9	5,5	4,4
Other OECD	2,4	1,6	0,9	1,5	3,4	2,7
OECD total	1,2	1,7	-0,1	2,3	4,7	3,0
OPEC	-0,1	-3,5	-4,0	-2,5	2,0	1,0
Other developing countries	5,0	3,0	0,9	0,1	2,9	3,6
Other countries	3,2	2,3	2,2	3,8	3,5	3,7

¹ Forecasts.
Source: Commission services.

TABLE 2: World imports (at constant prices)

	Percentage change on preceding year					
	1980	1981	1982	1983	1984 ¹	1985 ¹
EC	1,9	-2,9	2,4	2,3	6,5	4,4
USA	-6,0	2,5	-5,0	11,4	30,4	8,3
Canada	-5,7	2,8	-16,0	14,4	21,8	7,3
Japan	-5,0	-2,2	-0,5	1,2	9,0	6,0
Other OECD	5,3	-0,2	1,1	-0,8	7,0	4,4
OECD total	-0,1	-1,2	-0,4	4,0	12,6	5,6
OPEC	10,5	27,4	5,5	-8,2	3,0	2,5
Other developing countries	6,7	4,3	-6,1	-0,7	5,7	5,9
Other countries	4,0	1,7	-2,0	1,6	4,1	3,8
World	1,9	1,8	-1,0	1,9	9,3	5,2

¹ Forecasts.
Source: Commission services.

TABLE 3: World export prices¹

	Percentage change on preceding year					
	1980	1981	1982	1983	1984 ²	1985 ²
Fuels	67,7	10,8	-3,2	-10,9	-4,9	0,1
Other primary commodities	12,7	-10,1	-10,7	0,5	0,9	2,0
Manufactures	10,8	-4,8	-1,9	-3,6	-3,9	-0,7

¹ Based on export prices in US dollars.
² Forecasts.
Source: United Nations and forecasts by Commission services.

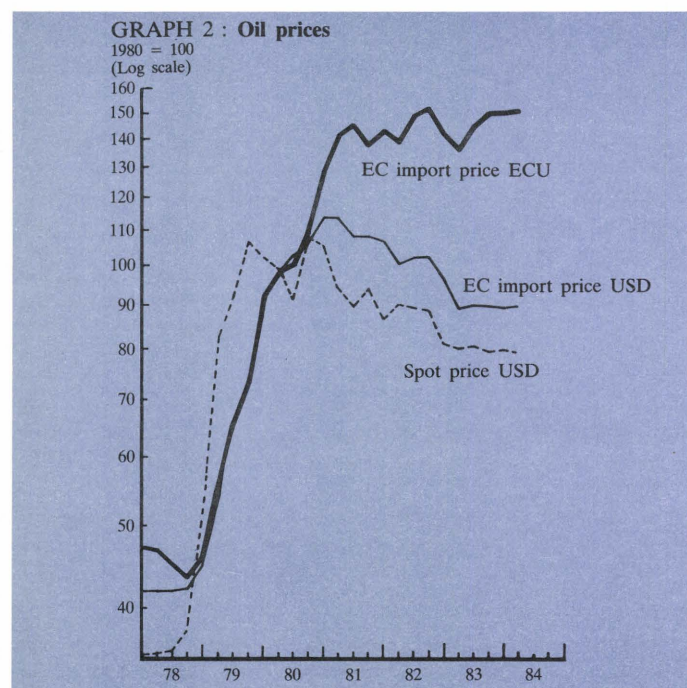


TABLE 4: Interest and exchange rates assumptions

	1980	1981	1982	1983	1984	1985
Annual rates (%)						
Rates of interest (US)						
— short-term ¹	11,6	14,0	10,6	8,7	10,0	10,8
— long-term ²	10,8	12,9	12,2	10,8	12,5	13,5
Change on preceding year (%)						
Exchange rate of USD						
— vis-à-vis ECU ³	-1,6	+24,7	+13,7	+10,1	+12,5	+3,4
— vis-à-vis DM ³	-0,6	+23,9	+7,5	+5,2	+10,9	+2,1

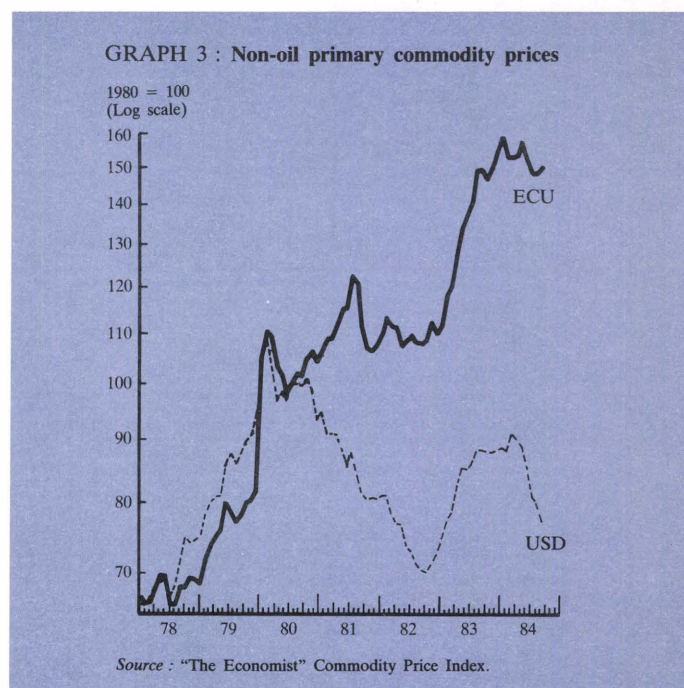
¹ 13-week US Treasury bills.
² US bonds over 10 years.
³ + (-) signifies an appreciating (depreciating) USD.
Source: Services of the Commission.

GDP growth in the Community. — Real growth of GDP in the Community is forecast to accelerate from 0,9 % in 1983 to 2,2 % this year, and to reach 2,3 % in 1985 (Table 5). The greater part of this growth will be attributable to domestic demand, as in 1983, but it will become more widely based as investment, both in fixed assets and in stockbuilding, strengthens. Output will also be stimulated by a marked increase in the rate of growth of total exports, which are expected to expand by 6,4 % in 1984 and by 5,5 % next year. Whereas in 1983, real growth of GDP was negative in two Member States and less than 1 % in five other countries, the forecasts point to positive GDP growth in all Member States at rates between 1,4 % and 3,8 % in 1984, and between 1,0 % and 3,0 % next year.

TABLE 5: Gross domestic product, volume (percentage change at constant prices on preceding year, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	2,8	3,2	-1,1	1,1	0,4	1,5	1,0
DK	2,0	-0,4	-0,7	3,6	2,5	3,8	2,9
D	2,5	2,0	0,0	-1,0	1,0	2,4	2,5
GR	3,9	1,6	-0,4	0,0	0,3	2,2	2,0
F	3,1	1,1	0,3	1,6	0,7	1,4	1,7
IRL	4,1	3,7	1,6	1,2	0,6	3,1	2,6
I	3,0	3,9	0,1	-0,3	-1,2	2,9	2,3
L	2,5	1,7	-1,8	-1,1	-1,4	2,0	1,9
NL	2,9	0,9	-0,8	-1,6	0,6	2,0	1,8
UK	1,4	-2,6	-1,3	2,3	3,3	2,0	3,0
EC	2,6	1,1	-0,3	0,5	0,9	2,2	2,3
USA	2,9	-0,2	3,0	-2,4	3,3	7,0	2,9
JAP	4,8	4,9	4,0	3,2	2,9	5,5	4,4

¹ Forecasts.
Source: Commission services.



Source: "The Economist" Commodity Price Index.

Inflation. — The average rate of inflation in the Community should continue to decelerate over the period covered by the forecast (Table 6). For the Community as a whole, the rate of increase of the implicit consumer price deflator is expected to decline from 6,2 % in 1983 to 5,1 % this year, and to reach 4,2 % in 1985. Greece is the only country for which the rate of inflation is forecast to exceed 10 % in 1985.

TABLE 6: Deflator of private consumption (percentage change on preceding year, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	7,4	7,0	8,7	7,5	6,8	6,4	5,5
DK	10,4	9,8	11,7	10,3	6,7	6,0	4,3
D	5,2	5,4	5,7	5,1	2,9	2,3	2,2
GR	15,3	22,1	22,3	21,1	19,0	18,5	18,0
F	10,1	13,1	12,7	11,1	9,3	7,6	5,7
IRL	14,9	18,6	20,1	17,1	9,7	8,8	7,0
I	16,0	20,3	19,2	16,7	15,1	10,3	7,1
L	7,0	7,7	7,7	10,0	8,4	6,7	5,5
NL	7,5	6,7	6,2	5,5	2,9	3,2	2,3
UK	13,6	16,8	11,1	8,3	5,1	5,1	5,6
EC	10,1	11,1	10,1	8,8	6,2	5,1	4,2
USA	7,4	10,2	8,9	5,8	3,9	3,4	3,6
JAP	8,4	6,8	4,8	2,4	1,4	2,9	3,3

¹ Forecasts.

Source : Commission services.

In 1984, the deceleration of inflation is attributable to a marked weakening of domestic cost pressures : the rise in unit labour cost is forecast to decline from 5,9 % in 1983 to 3,7 % this year (Table 7), reflecting both better productivity and lower wage increases. Part of this improvement is, however, offset by a higher rate of increase in import prices, due largely to a further strengthening of the dollar (1984 ECU import prices for the Community : +7 %). Next year, the inflationary pressure from import prices is expected to weaken despite some hardening of commodity prices in dollar terms, and the increase in unit labour costs is forecast to decline further to 2,9 %.

TABLE 7: Deflator of GDP, of imports and unit labour costs (percentage change on preceding year, EC, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
Deflator of GDP	10,0	10,9	9,2	9,0	6,4	4,7	4,1
Deflator of imports (goods and services)	11,7	14,6	14,1	6,9	3,2	7,0	4,1
Unit labour costs (whole economy)	10,4	11,8	9,9	7,7	5,8	3,7	2,9

¹ Forecasts.

Source : Commission services.

Nominal GDP. — For the Community as a whole, in both 1984 and 1985, the increase in the rate of growth of real GDP will be more than offset by a deceleration in prices, thus leading to a lower rate of growth of GDP at current prices (Table 8 and Graph 1).

TABLE 8: Gross domestic product, nominal (percentage change at current prices on preceding year, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	9,9	7,7	3,9	8,2	6,2	7,1	6,4
DK	12,1	7,8	9,8	14,4	10,3	9,5	7,6
D	7,5	6,4	4,1	3,7	4,2	4,4	4,7
GR	19,9	19,7	18,9	23,8	20,1	20,9	20,0
F	13,5	13,2	12,3	14,3	10,8	9,0	7,7
IRL	19,0	18,7	19,3	17,5	11,1	10,9	8,5
I	19,3	25,4	18,5	17,1	13,7	13,3	10,0
L	9,9	9,6	5,9	6,7	6,0	9,0	8,2
NL	10,5	6,6	4,9	4,0	2,5	4,6	2,8
UK	15,8	16,7	10,2	9,6	8,6	6,2	8,5
EC	12,9	12,2	8,9	9,5	7,4	6,9	6,5
USA	10,5	9,1	12,5	4,0	7,6	11,4	6,8
JAP	12,1	7,9	6,7	5,0	3,9	5,2	7,0

¹ Forecasts.

Source : Commission services.

Components of demand. — *Private consumption*, in real terms, is forecast to continue to grow at a rate of around 1 1/4 % in both years (Table 9). Although some deceleration in the rate of growth of compensation of employees is expected, other income will show somewhat faster growth, resulting in an increase in total disposable income of households of 6,3 % in 1984, and 5,7 % in 1985. After taking account of decelerating inflation, these represent increases in real disposable income of 1,2 % and 1,4 %, respectively. A slight increase in the personal savings ratio is foreseen for 1985. At the national level, some contraction of private consumption is expected in 1984 in the three Benelux countries, but in 1985 growth should become positive in all Member Countries except Belgium (Table 15).

TABLE 9: Rates of change of demand components and contributions to GDP growth (EC, 1972-85)¹

	Percentage change on preceding period ¹ at constant prices				
	1972-81	1982	1983	1984 ²	1985 ²
Private consumption	2,9	0,5	1,2	1,2	1,3
Government consumption	2,6	1,1	1,7	0,6	0,4
Fixed capital formation	0,7	-1,7	-0,1	3,2	3,6
Exports of goods and services	5,6	0,9	2,3	6,4	5,5
Imports of goods and services	4,5	2,3	2,0	5,9	4,1
GDP	2,6	0,5	0,9	2,2	2,3
	8302	8401	8402	8501	8502
Private consumption	0,8	1,2	1,5	1,0	1,8
Government consumption	1,7	0,1	0,5	0,2	0,7
Fixed capital formation	3,0	1,8	6,2	1,8	4,7
Exports of goods and services	7,0	6,2	6,4	6,0	3,7
Imports of goods and services	6,9	6,2	4,5	4,4	3,1
GDP	2,0	2,1	2,5	2,3	2,1
	Contributions to changes in GDP ³				
	1972-81	1982	1983	1984 ²	1985 ²
Final domestic demand	2,4	0,8	1,0	1,5	1,6
Stockbuilding	-0,1	0,6	-0,1	0,5	0,2
Foreign balance	0,3	-0,4	0,1	0,2	0,5
	8302	8401	8402	8501	8502
Final domestic demand	1,4	1,1	2,2	1,0	2,1
Stockbuilding	0,5	0,9	-0,3	0,7	-0,3
Foreign balance	0,1	0,1	0,6	0,6	0,2

¹ Half-yearly figures at annual rates, seasonally adjusted (8202 = second half of 1982 etc).

² Forecasts.

³ Change as percentage of GDP of preceding period.

Source : Commission services.

The pursuit of adjustment policies in several Member States will contribute to ensuring that the rate of growth of *real government consumption* will be restrained over the outlook period (+0,6 % in 1984 and +0,4 % in 1985). Indeed, in five Member States, real government consumption will contract in 1985.

These forecasts confirm the strength of the recovery in *fixed investment* which began in the second half of 1983. Growth will be particularly strong in equipment investment, which should expand by almost 4 % this year and by over 6 % in 1985. Investment in construction is expected to grow by around 2 1/2 % in 1984 for the Community as a whole but this figure is heavily influenced by developments in Germany and the United Kingdom where fiscal modifications have affected the timing of investment projects : in all other Member States, except Denmark, construction investment will either decline, or increase by less than 1 %, this year. Little improvement is foreseen for 1985, and this type of investment will increase, on average, by just over 1 %. The gradual acceleration foreseen in economic activity in the Community is likely to be accompanied by increased *stockbuilding* which should make a small positive contribution to GDP growth in both years.

Although little gain in market share is foreseen despite recent improvements in competitiveness, the buoyancy of world trade is expected to stimulate Community *exports of goods and services*, which are forecast to expand by 6,4 % this year and by 5,5 % in 1985. Although the growth of *imports* will also accelerate as demand recovers, the external sector will still make a net positive contribution to GDP growth in both years.

TABLE 10: Balance on current account (per cent of GDP, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	-1,4	-4,5	-4,3	-3,6	-0,9	-0,4	0,5
DK	-3,2	-3,7	-3,1	-4,1	-2,1	-2,8	-2,2
D	0,3	-1,8	-1,0	0,6	0,7	0,6	1,1
GR	-1,4	0,3	0,3	-3,7	-4,5	-4,7	-4,9
F	-0,7	-1,4	-1,4	-3,0	-1,5	-1,2	-0,7
IRL	-7,6	-9,9	-13,1	-8,3	-5,9	-4,4	-3,3
I	-0,7	-2,4	-2,3	-1,6	0,1	-0,4	0,0
L	24,5	22,6	28,2	35,2	39,0	39,1	37,5
NL	1,1	-1,6	2,2	2,8	2,8	3,8	4,4
UK	0,1	1,8	2,5	2,0	1,0	0,2	0,2
EC	-0,3	-1,3	-0,6	-0,5	0,0	0,0	0,4
USA	0,0	0,2	0,1	-3	-1,2	-2,5	-3,6
JAP	0,3	-1,0	0,5	0,7	2,0	3,0	3,3

¹ Forecasts.

Source: Commission services.

Balance of payments. — The Community's external payments position is expected to show little further improvement in 1984, as growth of its principal export markets will be significantly less than that of total world trade and as the beneficial effects of buoyant world trade are offset by the deterioration in the terms of trade. However, some renewed progress is forecast for 1985. This year, the surplus on trade account (fob/fob) of the Community should exceed USD 14 billion (0,7 % of GDP) and is expected to increase to USD 24 billion (1,1 % of GDP) in 1985. Whereas in 1984 the small favourable movement in volumes (exports +7,1 % : imports +6,5 %) will be almost entirely offset by a deterioration of the terms of trade, in 1985 little further deterioration in the terms of trade is foreseen, and the marked increase in the trade surplus should stem from an increase in real net exports (exports +5,9 % : imports +4,3 %).

The Community's deficit on invisible transactions is expected to show a further deterioration in 1984, but to stabilise in 1985. As a result, the Community is expected to record a small deficit on current transactions in 1984 (equivalent, however, to less than 0,1 % of GDP) : a surplus amounting to 0,4 % of GDP is forecast for 1985. An improvement, or stability in the balance on current account is expected in most Member States over the period 1983-1985, the exceptions being the United Kingdom and Greece.

TABLE 11: Number of unemployed as percentage of working population (EC countries, EC, USA, Japan, 1972-85)

	1972-1981	1980	1981	1982	1983	1984 ¹	1985 ¹
B	6,5	9,1	11,2	13,1	14,4	14,4	14,8
DK	4,9	6,7	8,9	9,5	10,2	10,0	9,9
D	3,1	3,3	4,7	6,8	8,4	8,5	8,5
GR	:	:	:	:	(7,9)	(8,4)	(8,8)
F	4,4	6,4	7,8	8,8	9,0	10,7	12,4
IRL	7,9	8,3	10,2	12,4	15,0	16,5	16,5
I	6,4	8,0	8,8	10,5	11,8	12,5	12,9
L	0,4	0,7	1,0	1,3	1,6	1,7	1,8
NL	5,1	6,2	8,8	11,7	14,0	14,8	14,8
UK	4,8	6,3	9,3	10,7	11,5	11,6	11,7
EC	4,8	6,1	7,8	9,5	10,6	11,0	11,5
USA	6,6	7,1	7,6	9,7	9,6	7,5	7,1
JAP	1,9	2,1	2,2	2,4	2,6	2,6	2,5

¹ Forecasts.

Source: Commission services.

Labour markets. — Despite additional gains in productivity, the rate of growth of output in the Community is expected to be sufficient to halt the downward trend in employment in 1984 and prevent any further net loss of employment in 1985. At the national level, an expansion of employment in both years is forecast for Denmark, Greece, Italy and the United Kingdom.

The forecast stability of employment in the Community will, however, not be sufficient to prevent a further increase in unemployment as the civilian labour force will continue to grow, notwithstanding a slight reduction in the participation rate compared to 1983.

Unemployment in the Community is expected to average 11,0 % of the civilian labour force in 1984 and 11,5 % next year. This further slight increase in unemployment is common to most Member States, and only in Denmark is unemployment expected to fall.

TABLE 12: Compensation of employees per head (percentage change on preceding year, EC countries, EC, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	11,5	9,0	7,4	7,7	7,1	6,7	6,2
DK	11,4	10,8	10,0	11,7	7,0	5,5	4,6
D	7,8	6,8	5,3	4,4	3,7	3,4	2,9
GR	19,8	14,4	24,3	26,7	21,3	21,2	19,4
F	14,1	14,8	14,4	13,5	10,8	8,8	7,0
IRL	18,7	21,1	17,1	15,2	10,4	10,6	5,9
I	19,3	22,5	21,2	17,1	15,9	12,3	7,9
L	10,4	7,8	8,5	6,7	6,6	6,8	7,5
NL	9,9	5,4	3,5	5,7	3,6	0,4	-0,2
UK	16,1	19,6	13,2	8,4	8,3	5,8	8,5
EC	12,6	13,4	11,6	8,7	7,7	6,0	5,2

¹ Forecasts.

Source: Commission services.

Wages. — The downward trend in average employee compensation is expected to continue at the Community level both this year and next (Table 12). However, the continued fall in consumer price inflation will contribute to maintaining positive growth of real wages per head at a rate of around 1 % in each of the two years under review. However, in Denmark and the Netherlands, the real value of compensation per employee is expected to decline in both years.

The deceleration in the rate of growth of average employee compensation will be re-inforced by the impact of a slightly accelerating growth of labour productivity, resulting in a significant slowdown in the rate of increase of unit labour costs. Taking the Community as a whole, unit labour costs — which are estimated to have risen by 5,9 % last year are forecast to increase by 3,7 % and 2,9 % in 1984 and 1985 respectively. Taking manufacturing industry alone, unit labour costs are expected to fall this year in Denmark, Germany, Ireland, Luxembourg and the Netherlands, a development which would permit some increase in profit margins and should contribute to the maintenance of price competitiveness of those countries' exports.

Government finance. — The forecasts, prepared on the general assumption of unchanged policies, point to a marked deceleration in the rate of growth of public expenditure in the Community as a whole, from 8,7 % last year to 7,0 % in 1984. A further slowdown is expected in 1985 to a rate of 4,7 % — well below the forecast increase in nominal GDP (+6,5 %) — reflecting the adjustment policies which have been introduced in a number of Member States.

The rate of increase of current revenue is forecast to decelerate also, but less markedly than that of expenditure and it is likely to remain at least 2 percentage points above the rate of consumer price inflation. After taking into account gross capital formation and net capital transfers, which are expected to increase more slowly than current revenue, the general government borrowing requirement, as a percentage of GDP, is forecast to remain unchanged in 1984 but to fall by 1/2 percentage point of GDP in 1985 (Table 13). However, at

TABLE 13: General government lending or borrowing (—) as percentage of GDP (EC countries, EC, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	-5,6	-9,9	-12,6	-11,1	-12,2	-11,5	-10,5
DK	-0,7	-3,3	-7,1	-9,3	-7,6	-5,5	-3,7
D	-2,5	-3,1	-3,9	-3,4	-2,7	-1,7	-0,8
GR	-5,1	-5,4	-10,6	-9,7	-9,2	-10,0	-10,1
F	-0,6	0,3	-1,8	-2,5	-3,3	-3,4	-3,6
IRL	-9,3	-11,8	-15,8	-14,2	-12,3	-10,8	-10,9
I	-8,9	-8,4	-11,7	-12,7	-11,8	-13,6	-12,2
L	1,7	-0,8	-2,3	-1,4	0,0	0,1	0,9
NL	-2,1	-4,0	-5,2	-6,9	-6,1	-5,6	-6,0
UK	-3,6	-3,4	-2,7	-2,3	-3,4	-3,0	-2,4
EC	-3,3	-3,5	-5,4	-5,6	-5,5	-5,4	-4,8

¹ Forecasts.

Source: Commission services.

the national level, over the period 1983 to 1985, an increase in the general government borrowing requirement, as a percentage of GDP, is forecast for France, Italy, Greece and Luxembourg.

Money supply. — The annual average growth rate of the aggregate money supply (using the broad definition : M2 or

M3) is expected to continue to decelerate to reach end-year rates of 8,0 % and 7,2 % for 1984 and 1985 respectively (Table 14). This forecast implies that the growth of the money supply will only be marginally greater than the growth rate of nominal GDP in 1985.

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TABLE 14: Money supply M2/M3 (percentage change at end of year on twelve months earlier, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	12,1	6,5	10,0	7,5	7,1	7,8	7,3
DK	11,8	8,1	9,1	11,4	24,7	11,0	8,0
D	8,9	6,2	5,0	7,1	5,3	4,7	4,7
GR	23,6	24,7	34,7	29,0	20,3	24,2	24,1
F	14,2	8,4	11,4	10,8	11,2	7,0	6,5
IRL	19,3	17,7	17,4	13,0	5,6	13,2	11,0
I	20,7	17,3	15,9	17,2	13,2	12,0	10,8
L	—	—	—	—	—	—	—
NL	10,4	4,4	5,3	7,6	10,5	7,0	6,0
UK	14,5	18,5	13,7	8,9	10,3	8,5	7,0
EC	14,0	10,8	9,6	9,7	10,0	8,0	7,2
USA	9,7	8,9	10,1	9,2	11,5	—	—
JAP	18,7	7,2	11,0	7,9	7,4	—	—

¹ Forecasts.
Source: Commission services.

TABLE 16: Contributions to real GDP growth¹ (EC countries, 1972-85)

	1972-81	1982	1983	1984 ²	1985 ²
B Final domestic demand	2,4	0,4	-1,7	-0,5	-0,4
Stockbuilding	-0,2	0	0,2	0,5	0
Foreign balance	0,3	0,7	1,9	1,5	1,4
B Final domestic demand	1,3	3,8	1,9	2,8	2,6
Stockbuilding	-0,1	0,1	-0,6	1,1	-0,1
Foreign balance	0,9	-0,2	1,1	-0,1	0,4
D Final domestic demand	2,2	-2,0	1,2	1,5	1,7
Stockbuilding	-0,1	0,4	0,6	0,5	0
Foreign balance	0,5	0,9	-0,9	0,5	0,8
GR Final domestic demand	4,0	1,6	0,2	1,8	1,8
Stockbuilding	0,1	1,1	-1,3	0,1	0
Foreign balance	-0,1	-2,5	1,4	0,3	0,2
F Final domestic demand	3,4	3,5	0,6	0,7	1,3
Stockbuilding	-0,1	0,9	-1,1	0,3	0,1
Foreign balance	-0,1	-2,0	1,1	0,4	0,4
IRL Final domestic demand	4,3	-3,7	-4,1	-0,1	0,5
Stockbuilding	-0,2	1,2	1,2	0	0,1
Foreign balance	0	4,9	3,5	3,1	2,0
I Final domestic demand	2,9	-0,2	-0,8	1,7	1,7
Stockbuilding	0	0,3	-1,1	0,8	0
Foreign balance	0,2	-0,3	0,7	0,3	0,6
L Final domestic demand	2,8	-2,2	-2,1	-1,4	0,8
Stockbuilding	0,1	-0,7	0,1	0,1	0,1
Foreign balance	-0,3	1,2	0,6	3,4	1,0
NL Final domestic demand	2,2	-0,4	0,2	0	0,7
Stockbuilding	-0,3	1,2	0,3	1,4	0
Foreign balance	0,9	-1,1	0,1	0,7	1,2
UK Final domestic demand	1,3	2,8	3,8	2,6	2,0
Stockbuilding	-0,2	0,8	0,6	-0,4	0,8
Foreign balance	0,2	-0,5	-1,1	-0,2	0,2

¹ Change as percentage of GDP of preceding period.

² Forecasts.

Source: Commission services.

TABLE 15: Demand components at constant prices (percentage change on preceding year, EC countries, 1972-85)

	1972-81	1982	1983	1984 ¹	1985 ¹
B³ Private consumption	3,2	1,8	-1,0	-1,2	-1,0
Government consumption	3,6	-1,4	0,2	-0,4	-0,7
Fixed capital formation	0,8	-2,3	-6,4	2,1	2,0
Exports of goods and services	5,3	1,6	0	5,5	4,1
Imports of goods and services	5,1	0,5	-3,0	3,3	2,1
GDP	2,8	1,1	0,4	1,5	1,0
DK³ Private consumption	1,5	2,1	2,2	2,5	2,0
Government consumption	4,1	4,1	1,3	-0,1	-0,1
Fixed capital formation	-2,5	6,0	2,3	9,4	9,6
Exports of goods and services	5,0	1,7	4,6	4,9	5,1
Imports of goods and services	2,1	2,7	1,7	6,0	4,5
GDP	2,0	3,6	2,5	3,8	2,9
D⁴ Private consumption	2,8	-1,9	1,1	1,2	1,4
Government consumption	2,2	-0,9	0	0,5	0,5
Fixed capital formation	0,6	-5,2	3,1	3,3	4,1
Exports of goods and services	6,0	3,7	-1,2	6,8	6,6
Imports of goods and services	4,5	0,5	1,9	6,1	4,7
GDP	2,5	-1,0	1,0	2,4	2,5
GR² Private consumption	4,1	0,6	0	1,8	1,4
Government consumption	6,4	1,0	2,4	3,0	2,5
Fixed capital formation	0,2	-1,0	-1,4	0,1	2,2
Exports of goods and services	10,1	-5,8	16,6	7,9	5,7
Imports of goods and services	5,4	5,9	3,3	4,0	3,3
GDP	3,9	0	0,3	2,2	2,0
F² Private consumption	3,8	3,3	1,0	0,9	1,1
Government consumption	2,9	2,2	1,8	0,2	-0,5
Fixed capital formation	2,0	0,5	-1,4	0,4	3,3
Exports of goods and services	7,5	-3,7	4,0	4,9	5,2
Imports of goods and services	7,7	4,8	-0,9	3,2	3,6
GDP	3,1	1,6	0,7	1,4	1,7
IRL³ Private consumption	2,6	-5,0	-3,5	1,1	1,3
Government consumption	5,7	3,3	0	-1,2	-0,4
Fixed capital formation	5,3	-8,5	-7,7	-1,9	-0,8
Exports of goods and services	7,7	4,3	10,6	14,2	9,3
Imports of goods and services	6,0	-4,3	3,9	8,8	6,4
GDP	4,1	1,2	0,6	3,1	2,6
I² Private consumption	2,9	0,3	-0,6	1,7	1,6
Government consumption	2,8	1,8	2,8	2,1	1,0
Fixed capital formation	1,5	-5,3	-5,2	1,8	3,3
Exports of goods and services	6,8	1,2	3,8	6,9	5,2
Imports of goods and services	5,2	2,1	1,1	6,8	3,7
GDP	3,0	-0,3	-1,2	2,9	2,3
L³ Private consumption	3,7	-1,6	-1,4	-1,6	1,0
Government consumption	3,7	0,3	0	-0,7	-0,3
Fixed capital formation	-0,1	-2,2	-5,4	-1,6	1,1
Exports of goods and services	2,9	0,3	-1,3	8,6	3,7
Imports of goods and services	3,2	-0,9	-1,9	4,6	2,7
GDP	2,5	-1,1	-1,4	2,0	1,9
NL⁵ Private consumption	3,4	-1,4	-0,2	-0,5	0,3
Government consumption	2,5	0,6	1,1	-1,1	0,1
Fixed capital formation	-0,4	-4,9	0,4	2,7	2,6
Exports of goods and services	4,4	-0,7	4,8	6,1	5,0
Imports of goods and services	2,7	1,7	4,8	5,2	3,2
GDP	2,9	-1,6	0,6	2,0	1,8
UK⁵ Private consumption	1,7	1,2	4,3	1,7	2,0
Government consumption	2,1	1,4	2,6	0,6	0,7
Fixed capital formation	-1,1	5,8	4,2	8,6	3,8
Exports of goods and services	3,3	1,6	1,0	6,0	5,1
Imports of goods and services	2,4	3,3	5,6	7,0	4,7
GDP	1,4	2,3	3,3	2,0	3,0

¹ Forecasts.

² 1970 prices.

³ 1975 prices.

⁴ 1976 prices.

⁵ 1980 prices.

Source: Commission services.

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

	1979	1980	1981	1982	1983	1983			1984		1984							Change over 12 months % ²
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	4.5	-1.2	-2.7	0	2.1	-0.3	2.0	1.6	0.8	1.6	1.0	0.4	2.8	-3.8	4.1	2.2	..	8.4
DK	3.6	0.2	0.3	2.4	3.3	2.1	-0.1	1.7	3.5	..	0.7	1.7	-2.4	..	..	..	..	4.4
D	5.1	0.2	-1.9	-2.9	0.6	2.2	-0.3	3.0	0.9	-4.7	0	1.6	-2.7	-0.9	1.2	-10.0	14.2	8.2
GR	6.0	0.9	-0.6	-4.2	-0.7	-2.4	1.2	0.4	2.0	0.6	6.4	-2.7	-2.2	2.2	1.1	0.3	..	2.7
F	4.7	-0.7	-2.3	-1.5	0.8	1.0	0.8	-0.3	1.5	-0.8	0.8	-0.8	1.5	-3.0	3.1	-1.5	..	1.5
IRL	7.7	-0.8	0.6	-0.4	6.6	-2.9	3.7	3.4	3.2	7.8	-6.5	3.8	5.5	0.6	0	6.7	..	21.2
I	(6.8)	5.5	-1.6	-3.0	-3.2	-2.6	2.6	0.5	1.0	0.5	1.7	-1.0	3.7	-4.2	3.7	0.8	-1.3	4.4
L	3.4	-3.3	-6.8	-3.7	1.1	2.6	2.6	9.2	..	..	..	..	..	..	..	..	..	..
NL	4.1	-1.0	-2.0	-4.1	2.1	2.1	-1.4	1.7	4.5	0	2.0	-1.0	3.0	-1.9	0	1.0	-2.0	3.9
UK	3.8	-6.5	-3.6	1.8	3.2	0	2.0	1.5	-0.9	-2.3	-0.9	-0.4	-1.0	-1.1	-1.0	0.5	-0.7	-2.0
EC	4.7	-0.5	-2.3	-1.6	0.9	0.9	1.2	1.6	(0.8)	(-1.4)	(0.2)	(-0.9)	(0.3)	(-1.7)	(2.0)	(-2.5)	..	(-0.5)
USA	4.7	-4.5	2.5	-8.5	7.8	4.9	5.3	2.4	(2.8)	(2.1)	1.7	1.2	(0.5)	(0.8)	(0.4)	(0.7)	(1.0)	(10.7)
JAP	7.3	4.7	1.0	0.4	3.6	1.9	2.6	2.9	3.2	(2.8)	0.2	3.3	-1.3	0.8	(2.4)	(0.5)	(0.3)	(12.8)

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

	1979	1980	1981	1982	1983	1983			1984		1984							Change over 12 months % ²
						II	III	IV	I	II	Feb.	March	April	May	June	July	August	
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	14.4	14.5	14.5	14.4	14.6	1.3
DK	5.8	6.7	8.9	9.5	10.2	10.3	10.3	10.2	(10.3)	(10.1)	(10.2)	(10.4)	(10.4)	(10.0)	(10.1)	(10.4)	(10.1)	(0.1)
D	3.3	3.3	4.7	6.8	8.4	8.6	8.6	8.4	8.5	8.4	8.5	8.5	8.5	8.4	8.4	8.5	8.5	0.3
F	6.0	6.4	7.8	8.8	9.0	8.9	8.9	9.1	9.6	10.0	9.6	9.8	10.0	9.9	10.0	10.1	10.3	15.9
IRL	7.4	8.3	10.2	12.3	15.0	14.9	15.3	15.6	16.2	16.4	16.2	16.3	16.4	16.3	16.5	16.5	16.5	10.5
I	7.5	8.0	8.8	10.5	11.8	11.9	11.9	12.2	12.5	12.8	12.5	12.7	12.8	12.8	12.8	12.8	12.9	9.9
L	0.7	0.7	1.0	1.3	1.6	1.5	1.6	1.7	1.8	1.7	1.9	1.7	1.7	1.7	1.7	1.8	1.7	2.9
NL	(5.5)	(6.2)	(8.8)	(11.7)	14.0	13.9	14.4	14.6	14.8	14.7	14.8	14.7	14.8	14.8	14.6	14.4	14.6	1.5
UK	4.9	(6.3)	(9.2)	(10.6)	(11.5)	(11.6)	(11.5)	(11.6)	(11.8)	(11.8)	(11.8)	(11.8)	(11.8)	(11.9)	(11.9)	(11.9)	(11.9)	3.5
EC ⁹	(5.5)	(6.1)	(7.8)	(9.4)	(10.6)	(10.6)	(10.6)	(10.7)	(11.0)	(11.1)	(11.0)	(11.1)	(11.1)	(11.1)	(11.1)	(11.1)	(11.2)	6.2
USA	5.8	7.1	7.6	9.7	9.6	9.9	9.2	8.4	7.8	7.4	7.7	7.7	7.7	7.4	7.0	7.4	..	18.6
JAP ⁵	2.1	2.0	2.2	2.4	2.7	2.6	2.7	2.6	2.7	2.7	2.7	2.7	2.6	2.7	2.8	2.8	..	9.0

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

	1979	1980	1981	1982	1983	1983			1984		1984							Change over 12 months % ²
						II	III	IV	I	II	Feb.	March	April	May	June	July	August	
B	4.5	6.6	7.6	8.7	7.7	1.3	2.5	1.2	1.9	1.4	0.8	0.4	0.7	0.2	0.3	0.5	0.4	5.7
DK	9.6	12.3	11.7	10.1	6.9	1.5	1.2	2.0	1.5	1.8	1.1	0.4	0.3	1.0	0.5	-0.2	0.4	6.5
D	4.1	5.5	5.9	5.3	2.9	0.5	1.0	0.5	0.9	0.5	0.3	0.1	0.1	0.1	0.4	-0.1	-0.2	1.7
GR	19.0	24.9	24.5	21.0	20.5	6.9	0.8	5.8	4.1	5.9	0.4	3.2	1.9	1.5	2.1	-0.9	-0.5	18.9
F	10.7	13.6	13.4	12.0	9.4	2.8	2.1	1.9	1.7	1.8	0.7	0.6	0.6	0.6	0.5	0.7	0.5	7.4
IRL ⁷	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)	(0.4)	(0.4)	(0.4)	7.9
I	14.8	21.2	19.5	16.4	14.7	2.9	2.3	3.5	2.9	2.3	1.2	0.7	0.8	0.6	0.6	0.3	0.3	10.5
L	4.5	6.3	8.1	9.4	8.7	0.9	2.7	2.3	1.4	0.8	0.6	-0.1	0.6	0.4	-0.6	0.2	0.2	4.9
NL	4.3	7.0	6.8	6.0	2.8	0.7	0.9	1.0	0.7	0.9	0.4	0.5	0.5	(0)	0	-0.1	0.1	2.7
UK	13.4	18.0	11.9	8.6	4.6	2.0	1.3	1.1	0.6	2.0	0.4	0.3	1.3	0.4	0.2	-0.1	0.9	4.9
CE	10.4	14.3	12.9	11.0	8.5	2.3	1.7	2.0	1.7	1.9	0.7	0.6	0.8	0.5	0.5	0.2	0.4	6.9
USA	11.3	13.5	10.3	6.2	3.2	1.3	1.2	0.9	1.1	1.1	0.5	0.2	0.5	0.3	0.3	0.3	0.5	4.3
JAP	3.6	8.0	5.0	2.6	1.7	1.1	-0.4	1.2	0.4	0.9	0.6	0.3	0.3	0.7	-0.8	0.2	-0.9	1.9

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

	1979	1980	1981	1982	1983	1983			1984		1984							Change over 12 months % ²
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	3.9	1.2	-3.3	-1.3	-7.8	-5.4	3.0	-3.7	1.6	-3.6	3.7	-0.2	-2.5	-3.8	4.4	-2.6	..	-3.6
DK	2.3	-1.5	-0.6	1.7	1.6	-2.6	4.7	-1.7	1.9	0.9	1.8	-0.6	2.6	-0.8	0	0.5	-0.9	-0.5
D	2.6	0.2	-1.5	-3.7	0.9	1.2	-1.7	-0.4	1.1	1.0	0.3	3.2	-4.5	2.4	2.1	-2.0	-0.8	-4.2
GR	..	-3.5	-3.6	-3.6	-1.5	-1.8	1.4	-1.7	4.8	2.8	1.4	6.6	-0.9	3.5	-4.3	2.4	..	7.0
F	0.6	-1.9	-2.2	1.3	-3.1	-2.2	-0.3	-2.2	1.4	-3.4	-0.4	1.4	-1.3	-5.1	1.9	2.7	..	-2.3
IRL	..	..	-0.6	-5.4	-4.0	-5.0	0.2	3.5	-4.1	..	-3.6	1.3	-3.3	7.2	0.8	..	..	3.1
I	..	..	2.9	3.9	2.4	0.7	2.4	1.9	2.0	..	0.3	2.1	-1.5	5.3	-1.5	..	..	10.7
L	..	..	3.9	4.6	-4.9	-1.2	-0.7	-1.2	1.0	-1.5	-2.2	3.6	0.9	-6.5	2.9	4.6	..	-1.3
NL	..	..	-3.6	-2.9	-1.9	-1.3	0.3	-2.2	0.8	-1.5	-3.1	4.3	0.7	-7.5	4.9	3.8	..	0.7
UK	..	..	0.4	2.1	5.3	1.8	0.8	1.9	-1.6	2.9	-3.0	1.7	-1.1	3.6	-1.3	1.3	-0.8	3.8
CE	..	..	-0.7	0.1	0.5	-0.1	0.4	-0.1	0.9	..	-0.5	2.2	-2.1	1.0	0.6	..	..	2.4
USA	2.2	-2.9	1.1	-0.9	6.9	3.6	1.2	2.5	(2.7)	(2.8)	3.4	-1.0	-1.8	(3.5)	(0.9)	(0.7)	(-0.7)	(8.1)
JAP	3.8	-1.1	1.8	0.7	1.0	-0.2	2.0	-1.0	(3.4)	..	(2.5)	(3.3)	(-3.6)	(2.7)	(-4.8)	..	..	(4.1)

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

	1979	1980	1981	1982	1983	1983			1984		1984							Change over 12 months %
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B/L	-2064	-4993	-5418	-3082	-2435	-362	-771	-974	:	:	-544	-390	:	:	:	:	:	-1060
DK	-3022	-2116	-1475	-1866	-740	-240	-115	-244	-377	-383	-129	-159	-89	-105	-166	-112	-75	-130
D	8939	3615	11239	21599	18501	4614	4112	4053	5113	3846	1462	2068	1584	1167	1975	704	1451	290
GR	-4162	-3853	-3951	-5826	-5800	-1664	-1052	-1550	-1239	-1011	-544	-392	-303	-249	-311	-451	:	237
F	-6194	-16948	-17283	-24457	-15628	-4301	-3137	-2507	-3977	-3332	-1453	-1437	-1088	-1072	-885	-1375	-816	315
IRL	-1947	-1893	-2467	-1574	-621	-92	-53	-139	-116	195	-63	-91	39	23	57	115	110	74
I	-3893	-15307	-13554	-12513	-8516	-1887	-2369	-1562	-2201	-3872	-397	-628	-1176	-997	-1677	-1198	:	-474
NL	-2622	-2981	1320	3500	4499	1270	843	1099	964	1930	312	153	498	487	800	642	:	210
UK	-7998	-3353	-445	-3295	-9681	-2781	-2465	-2573	-2668	-3687	-1271	-249	-1148	-1551	-1055	-1081	-912	281
CE ⁸	-22962	-47829	-32033	-27515	-20422	-5546	-4890	-4558	(-5755)	:	-2594	(-1162)	(-1999)	(-2812)	(-1859)	(-3341)	:	(-2063)
USA	-27146	-26113	-35538	-43518	-77969	-17941	-22955	-26373	-35850	-36190	-11771	-12144	-11935	-14426	-10846	-10918	-17889	-10642
JAP	-5541	-7707	7832	7034	(23072)	5705	6571	6432	8662	(10121)	2945	2803	2914	3575	(2733)	(3813)	(3239)	(636)

TABLE A.6: Money stock⁹ - Percentage change on preceding period (s.a.)

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

TABLE A.7: Short-term interest rates¹¹

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

TABLE A.8: Long-term interest rates¹³

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

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 % ²
							III	IV	I	II	III	March	April	May	June	July	August	Sept.	
BFR/LFR		40,17	40,60	41,29	44,68	45,44	45,69	45,94	45,90	45,59	45,25	45,69	45,61	45,59	45,55	45,33	45,23	45,20	-1,4
DKR		7,21	7,83	7,92	8,15	8,13	8,18	8,17	8,18	8,20	8,15	8,18	8,21	8,20	8,20	8,18	8,16	8,12	-0,6
DM		2,51	2,53	2,51	2,38	2,27	2,28	2,26	2,24	2,24	2,24	2,23	2,23	2,24	2,23	2,24	2,24	2,24	-1,4
DR		50,78	59,24	61,62	65,30	78,09	76,50	81,11	84,90	88,46	88,83	87,91	88,50	88,19	88,69	88,11	89,24	89,13	12,9
FF		5,83	5,87	6,04	6,43	6,77	6,85	6,88	6,90	6,87	6,87	6,88	6,87	6,88	6,87	6,86	6,87	6,88	0,2
IRL		0,669	0,676	0,691	0,690	0,715	0,723	0,727	0,728	0,730	0,726	0,729	0,729	0,729	0,730	0,729	0,726	0,723	-0,2
LIT		1138	1189	1263	1324	1350	1355	1371	1382	1382	1380	1388	1382	1383	1382	1374	1381	1384	1,5
HFL		2,75	2,76	2,78	2,62	2,54	2,55	2,53	2,53	2,52	2,53	2,52	2,52	2,52	2,52	2,52	2,53	2,53	-0,6
UKL		0,646	0,598	0,553	0,561	0,587	0,570	0,574	0,579	0,591	0,592	0,591	0,594	0,587	0,592	0,595	0,591	0,589	3,6
USD		1,371	1,391	1,116	0,981	0,890	0,861	0,840	0,832	0,825	0,768	0,860	0,845	0,815	0,816	0,786	0,776	0,742	-12,9
YEN		300,5	315,0	245,4	243,5	211,4	208,7	196,3	191,9	189,5	186,9	193,8	190,2	187,9	190,4	190,7	188,0	1818	-12,0
SDR		1,061	1,068	0,946	0,888	0,833	0,817	0,802	0,792	0,789	0,757	0,808	0,799	0,783	0,785	0,770	0,764	0,736	-9,2

TABLE A.10: Effective exchange rates: export aspect¹⁴ - Percentage change on preceding period

	1979	1980	1981	1982	1983	1983		1984			1984							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July	August	Sept.	
B/L	1,2	-0,5	-5,3	-9,2	-2,5	-1,8	-1,1	-0,1	0,6	0	1,1	-0,1	-0,4	0,2	0,2	0	-0,7	-0,5
DK	-0,8	-7,9	-6,8	-4,0	-0,1	-2,7	-0,4	-0,5	-0,3	-0,5	0,8	-0,7	-0,7	0,3	-0,2	-0,2	-0,5	-2,1
D	4,8	0,4	-5,2	5,1	4,2	-1,8	0,1	0,3	0,4	-1,4	1,4	-0,5	-1,2	0,5	-0,6	-0,5	-1,3	-1,4
GR	-5,4	-13,5	-9,4	-7,3	-18,0	-0,8	-6,3	-5,2	-4,1	-1,7	-3,2	-1,2	-0,4	-0,3	0,1	-1,6	-1,0	-14,2
F	0,9	0,4	-8,6	-8,0	-6,7	-2,0	-1,2	-0,5	0,4	-1,2	1,3	-0,3	-1,1	0,5	-0,5	-0,5	-1,2	-3,1
IRL	0,2	-2,0	-8,3	-1,1	-3,4	-2,5	-0,9	-0,2	0,2	-0,7	0,7	-0,2	-1,0	0,3	-0,2	-0,1	-0,6	-1,5
I	-3,2	-3,7	-12,2	-6,7	-3,5	-1,9	-2,0	-1,3	-0,1	-1,1	0,6	0	-0,9	0,3	0,2	-1,0	-1,4	-4,7
NL	1,8	0,1	-5,0	5,5	2,3	-0,9	0	-0,1	0,4	-1,2	1,1	-0,3	-0,7	0,3	-0,6	-0,4	-1,0	-1,7
UK	6,2	10,1	1,1	-4,6	-7,0	1,2	-1,7	-1,6	-2,2	-1,8	-1,6	-1,2	0,3	-0,8	-1,2	0,2	-1,2	-7,8
ECU	5,9	2,2	-14,9	-5,5	-5,3	-3,6	-2,5	-1,5	-0,5	-3,2	1,6	-1,1	-1,9	0,6	-1,3	-1,0	-3,0	-8,7
USA	-3,3	-0,3	14,0	12,1	7,1	3,9	0,6	0,8	1,0	6,3	-2,4	1,2	2,9	0,4	3,6	0,4	3,1	10,7
JAP	-7,1	-4,1	14,0	-4,8	11,5	0,6	4,5	2,2	1,3	-1,9	2,1	1,1	-0,6	-1,0	-1,7	0,6	1,0	6,6

Principal economic policy measures — September 1984

Community (EC)

15.9. The Council, meeting informally at Dromoland Castle in Ireland, decided on a proposal from the Commission, and after consulting the Monetary Committee and the Board of Governors of the EMCF, to revise the composition of the ECU. The revision took account of underlying economic criteria and of the need to ensure smooth functioning of markets. The Council, in response to a request from the Greek Government, also decided to incorporate the drachma in the ECU basket. The revised composition does not change ECU central rates for the currencies participating in the EMS exchange rate mechanism, or bilateral par values. The Council's decision has no agri-monetary implications.

Composition of ECU from 17/9/84		Previous composition of ECU	
0,719	DM	0,828	DM
0,0878	UKL	0,0885	UKL
1,31	FF	1,15	FF
140	LIT	109	LIT
0,256	HFL	0,286	HFL
3,71	FB	3,66	FB
0,14	LFR	0,14	LFR
0,219	DKR	0,217	DKR
0,00871	IRL	0,00759	IRL
1,15	DR		

Belgium (B)

7.9. The Government adopted various employment policy measures. In particular, it extended the validity of the joint agreements of 1983-1984 into 1985 and 1986. These agreements provided for a 5 % reduction in working hours, wage restraint of 3 % and compensatory recruitment of 3 %. Where a firm does not apply the arrangements for shorter working hours and compensatory recruitment, it must pay an amount equivalent of the savings resulting from wage restraint into an employment fund.

18.9. The Banque Nationale reduced the rate on very short-term Treasury certificates from 11,5 % to 11 % in three stages. The private-sector banks decided to reduce the base rate on their counter credits and discounts by 0.5 points, from 14.75 % to 14.25 % (within the previously agreed range). The financial intermediaries decided, each on its own account, to reduce the rate of interest on mortgage loans by 0.50 points.

Denmark (DK)

18.9. The Centralbank decided to modify borrowing limits in order to curb banklending in excess of the official guideline (at present 10 % annual increase). Banks exceeding the guideline will have their borrowing rights with the Centralbank reduced. These are at present 15 % of banks' net capital, but from November they will be split into two tranches: the first corresponding to 6 % of net capital at 8 % interest, the second varying according to liquidity requirements at 12 % interest.

Federal Republic of Germany (D)

None.

Greece (GR)

10.9. The Governor of the Bank of Greece decided to increase by one point (i.e. from 37 % to 38 %) the percentage of their deposits that commercial banks must allocate to subscriptions to Government bond issues and Treasury bills, and to financing public sector undertakings and agencies.

17.9. The drachma was incorporated in the ECU basket, accounting for 1,3 % of the value of the unit, which now includes DRA 1.15. To facilitate ECU transactions, the Bank of Greece decided to invest the equivalent of USD 30 million on the Eurodrachma market. It further authorized non-resident Greeks to open accounts in convertible drachmas with Greek banks.

France (F)

1.8. The ban on the use of credit cards by tourists travelling outside France was lifted. As a further step towards relaxing the constraints on foreign currency purchases by undertakings, moreover, the threshold beyond which undertakings are obliged to use the services of a bank was raised from FF 150 000 to FF 250 000.

12.9. The draft Finance Act for 1985 was adopted. Revenue is estimated at FF 855 000 million, expenditure at a little over FF 995 000 million (a 6 % increase), which implies a

deficit of about FF 140 000 million, or some 3 % of GDP, in line with the priority objective. On the revenue side, the Government has decided to reduce taxes by a uniform 5 % in current terms. All taxpayers will share in the benefits of this reduction. Moreover, the exceptional 1 % levy payable to social security funds is discontinued. These measures will cost the budget FF 45 000 million, including almost FF 13 000 million corresponding to the yield of the 1 % social security levy. A reduction in the business tax (taxe professionnelle) will cost a further FF 10 000 million approximately: as the yield of the tax was about FF 60 000 million, it could not be abolished without seriously endangering the equilibrium of local authority budgets. Taxpayers whose tax bill exceeds FF 30 000 will now pay exceptional tax at a rate of 3 % instead of 8 %. On the expenditure side, the draft budget concentrates on investment where expenditure expands by 6.5 % compared with only 4.4 % for operating expenditure as a whole, resulting from a 5.2 % increase in staffing costs and a 2 % reduction in current operating costs. Expenditure on aids and grants to public sector undertakings and agencies expands by only 3 %.

19.9. The Government prepared to launch the third loan issue of the year, for an initial amount of FF 15 000 million divided into two instalments each amounting to at least FF 4 000 million. The first instalment will be for eight years and carry interest at a fixed rate of 12.20 %; the second will be for twelve years and carry interest at 11.60 % with the option, each year, of exchanging the securities for variable-rate bonds. This issue brings the total for Government loans issued so far this year to FF 49 500 million.

24.9. The Minister of Trade, Crafts and Tourism announced that a further FF 800 million would be available in the form of subsidized loans to very small firms. The rates on the loans, moreover, would be reduced by half a point: from 9.60 % to 9.10 % for loans to set up new undertakings and to carry out job-creating investment, and from 12.60 % to 12.10 % for other loans.

Ireland (IRL)

None.

Italy (I)

28.9. The Government adopted the draft budget for 1985. Revenue amounts to Lit 259 800 000 million (an increase of 11.6 %, including Lit 16 000 000 million to be raised by measures not yet approved by Parliament, in relation to the 1984 budget), while expenditure amounts to Lit 358 100 000 million (an increase of 9 %), comprising current expenditure of Lit 310 050 000 million (+8.6 %) and capital expenditure of Lit 48 050 000 million (+11.4 %). The net borrowing requirement will amount to Lit 98 300 000 million, or 14.3 % of predicted GDP for 1985.

Luxembourg (L)

None.

Netherlands (NL)

18.9. The Government presented Parliament with the draft central government budget for 1985. The net borrowing requirement of the budget and consolidated budget funds stands at HFL 29 400 million, or 8.2 % of net national income, compared with HFL 31 200 million, or 8.9 % of NNI, in 1984. Net expenditure rises by 0.8 % to HFL 164 200 million; revenue is estimated at HFL 134 800 million, an increase of 2.4 %. The net general government deficit, including items no longer included in the budget, declines from 10.5 % of NNI in 1984 to 9.7 % in 1985. The expansion of expenditure will be contained principally by economy measures decided in the spring of 1984, leading to savings of HFL 9 500 million and affecting in particular social security funds, civil service pay and other budget expenditure. The cost of debt, however, increases by 16.4 % to absorb 12.1 % of total net expenditure. A programme to combat unemployment among young people will get under way, with an endowment of HFL 700 million, mainly used to finance apprenticeship centres, the provision of jobs for young people who have been out of work for a long period, through an official agency, and the provision of part-time jobs in the public sector for young people. The increase in revenue is mainly due to improved conditions. Higher tax revenue is entirely attributable to the increase yield of corporation tax and VAT. As a result of rising prices, natural gas revenue will amount to HFL 20 600 million, compared with HFL 18 300 million in 1984. The burden of taxation and parafiscal charges payable to general government as a percentage of NNI will decline by almost 2 points, from 54.5 % in 1984 to 52.6 % in 1985. Enterprises will save some HFL 1 500 million altogether as a result of budget measures, in particular the planned reduction in employers' social security contributions and the reduction in the rate of corporation tax from 43 % to 42 %.

United Kingdom (UK)

None.

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