

EUROPEAN ECONOMY

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Supplement A — No 12 — December 1984

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in the EC*

Recent economic trends

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European Council welcomes the Commission's Annual Economic Report. — At its meeting in Dublin on 3-4 December the European Council supported the guidelines set out in the text of the Annual Economic Report 1984-85 proposed by the Commission. The proposed text was also formally adopted by the Council in December. (See box inset for the text of the European Council's conclusions on the economic and social situation in the Community.)

Industrial production back towards trend in the third quarter. — The seasonally adjusted index of industrial output in the Community declined by 0.6 % in September; however, the third quarter as a whole showed a rise of 1.9 % over the preceding quarter as German output recovered from the dip due to the metal workers' strike. The trend of output,

measured by a three-month moving average, also picked up sharply (see Graph 1). In September, industrial production in the Community was 1.8 % higher than a year earlier. Rates of growth over 12 months were particularly high in Denmark (17.1 %), principally as a result of increased output of investment goods, Italy (6.2 %) and Ireland (4.2 %), while in the United Kingdom production was 1 ½ % lower than in September 1983. Output was unchanged in Germany, although the German statistical office has indicated that this provisional figure may be subject to upward revision. At the Community level, the quarter to quarter increase in production over the period July-September was highest in the investment goods sector (2.8 %) followed by consumer goods (2.5 %) with intermediate goods production only showing a modest increase of 1 %.

EUROPEAN COUNCIL, DUBLIN, 3-4 DECEMBER 1984 CONCLUSIONS

Economic and Social Situation

"The European Council welcomed the priority given to the problem of unemployment in the Commission's recently published Annual Economic Report. It, therefore, supports the balanced guidelines in the Report, which embodies a consistent economic policy framework for improving supply and demand conditions; and it considers that these guidelines should be speedily implemented. In particular it agreed that the Council, in its appropriate formations :

should initiate a review of manpower policy to reorientate training towards sectors where labour will be needed, take steps to encourage job mobility and foster enterprise, especially amongst the young;

should take steps to complete the Internal Market, including implementation of European standards;

should pursue and accelerate its consideration of measures to achieve a greater role for the ECU and develop and strengthen the European Monetary System, on the basis of the relevant Commission Communications;

should implement without delay the firm political commitments agreed by the European Council at its

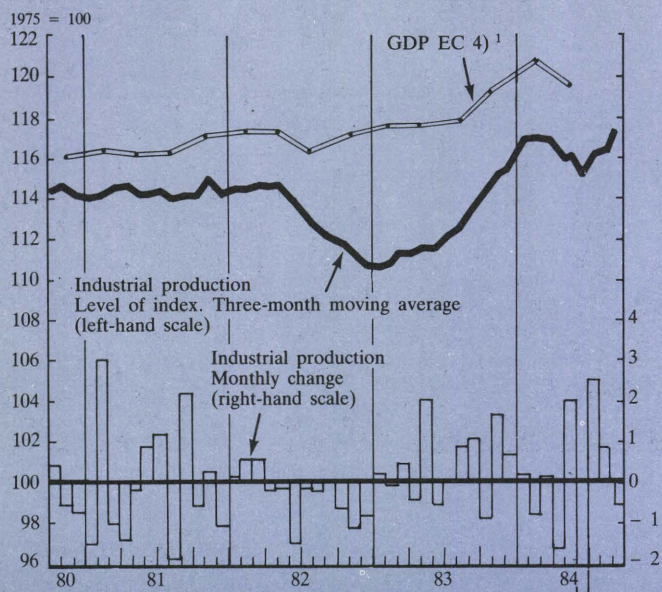
meetings of Brussels and Fontainebleau in the field of transport policy;

should adopt further measures to strengthen the technological base of the Community and restore competitiveness; to this end, the Commission is asked to submit an appropriate draft action programme to the next European Council."

"The European Council agreed that the Community and the Member States should take measures, including concertation of economic policies, designed, in the words of the Preamble to the Rome Treaty, to reduce the differences existing between the various regions and the backwardness of the less favoured regions."

"In regard to any possible faltering of the European and world recovery of output and employment, the European Council also asked the ECO/FIN and the Commission to keep external developments under continuous review. It requested them to report back to its meeting in March on what measures might be appropriate for the Community or may already have been initiated to assure the objective of a progressive increase in the actual and potential growth rate for the Community to the benefit of employment."

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



¹ France, Germany, Italy and UK: quarterly figures

Diverging unemployment trends within the Community. —

The rate of unemployment in the Community (s.a.) in October was relatively steady at 11.2 % with the numbers out of work rising by less than 20 000 to 12 691 900. Among the Member States declines were recorded in Denmark, Germany, Ireland, the Netherlands and the United Kingdom. However, these were more than compensated for at the Community level by continued strong increases in the numbers out of work in Italy (55 000) and France (38 000). Unemployment rates in October ranged between 1.8 % in Luxembourg, 16.6 % in Ireland.

The Community's trade balance improves after temporary weakening. —

The Community's seasonally-adjusted visible trade deficit was, according to provisional estimates, slightly smaller in August (1 235 million ECU) than in July (1 323 million ECU). A three-month moving average of the figures improved from a deficit of 2 155 million ECU in July to one of 1 951 million ECU in August. This measure currently distorts the trend, however, as it remains influenced by the very large deficit for June, affected by industrial disputes in Germany, and by catch-up effects in subsequent months. Preliminary indications suggest that the German surplus in September continued to run at a rate close to that for August. Initial figures for the United Kingdom suggest a near-doubling of the deficit on visible trade between July and September.

Monetary growth resumes in August. —

After declining by 0.2 % in July, the average Community money supply expanded by 0.8 % (seasonally-adjusted figure) in August. Monetary growth was substantial in Denmark (3.7 %) and, to a certain extent, Greece (2 %). After contracting sharply in July, French M2R expanded by 1.1 % in August, owing mainly to the expansionary effects of transactions with the external sector. Monetary growth continued at a monthly rate of 1 % in Italy, while accelerating sharply to 1.4 % in the Netherlands, where the money supply expanded at a rate equivalent to 17 % in annual terms from June to August owing to substantial domestic money creation and major capital inflows. In September, the Danish national bank's decision to restrict borrowing facilities for banks that had exceeded their lending limits led to a slowdown in Danish monetary growth; the rate of money creation in Germany rose slightly in September.

Average Community interest rates still falling. —

The average short-term interest rate in the Community declined by two tenths of a point in November to 10.1 %. Many market rates eased slightly not only in Belgium and the Netherlands, but also in Germany, Greece and Italy, where the upward movements of earlier months were partially or totally offset.

A more marked decline of 0.8 % points was recorded in the United Kingdom, where the banks lowered their base rates by half a point in early November. In France, the money market rate firmed up slightly for the first time in months, rising from 10.3 % to 10.6 % because of tighter liquidity, which also raised short-term rates in Ireland from 13.3 % in October to 14.9 % in November. The average long-term interest rate in the Community stood at 10.8 % in October, three tenths of a point down on the September figure. The yield on government securities rose slightly, however, in Greece, Italy and Luxembourg, while it remained stable in the United Kingdom.

Dollar rebound towards end of November. — On average for the month of November, the dollar fell by 2.4 % against the ECU. However, the fall was concentrated in the first half of the month, and most of it was recovered in the second half. The yen's average value against the ECU fell by 1 % between October and November. Within the narrow fluctuation band of the EMS, conditions during November were quiet, with little change in the relative positions of the currencies. Since late October, however, the lira has been trading well within the narrow band after having been above it for many months. The path of sterling's value against the ECU through November was, qualitatively, the inverse of the dollar's but the movements were relatively small. On average for November, sterling gained 0.7 % against the ECU.

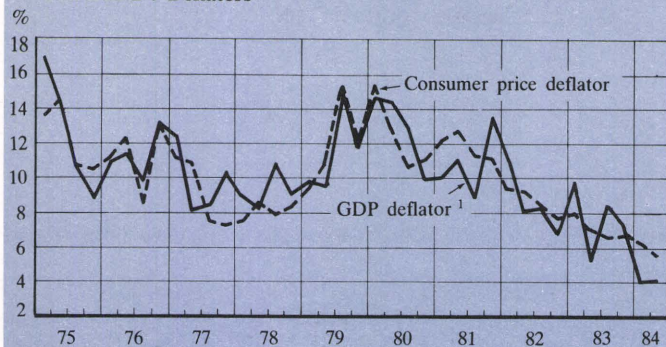
Inflation rate stabilizing at a low level. — Since the beginning of 1980 inflation in the Community has been more than halved and is now lower than at any time since the early 1970's. There are signs, however, that the slowdown of inflation was brought to a halt in the third quarter of 1984. Price developments are reviewed below, starting with the global price indicators calculated on the basis of quarterly national accounts and including also an analysis of recent trends in commodity prices.

The Community's domestic cost inflation down to 4 % in the first half of 1984. —

According to estimates based on the quarterly national accounts data for the four largest Member States, the price deflator of GDP in the Community, the broadest indicator of domestic inflation, rose at an annual rate of 4 % in the second quarter of 1984, almost the same as in the first quarter, but substantially below the figures recorded through 1983. The terms of trade worsened considerably in the first quarter as a result of the impact on the import deflator of large import purchases denominated in dollars in the first quarter (in particular oil). The export price deflator behaved more consistently over the longer period with prices of exports moving more in line with the effective exchange rate. Thus an effective exchange rate depreciation of 6 % (see Table A10) in the second half of 1983 was associated with a rise in export prices of over 11 % at annual rates while the depreciations of 1.5 and 0.5 % in the first and second quarters of 1984 were associated with rises in export prices of 6.1 and 4.6 % respectively at annual rates. The adverse movement in the terms of trade in the first quarter of 1984 on the one hand boosted the final domestic demand deflator, through the effect of higher import prices on consumption, investment and stock deflators, whereas the GDP deflator which measures the price of value added in the economy (thus excluding the effect of import prices contained in the other deflators of final demand) rose less fast. An improvement in the terms of trade in the second quarter of 1984 resulted in the final domestic demand deflator slowing down to 3.7 % at annual rates. The deflators of the main components of domestic demand except government consumption, where the deflator rose by one percentage point, participated in this decline with the rise in the deflator of private consumption slowing by 0.7 percentage points to 5.5 %. This confirmed the downward trend which has been in evidence since the first half of 1981 when the consumer deflator was between 12 and 13 % (see Graph 2 for the longer run developments in the consumer and GDP deflators).

In all four Member States for which quarterly national accounts price series are available the rise in the GDP deflator has slowed down considerably since 1983, with price increases in the first half of 1984 ranging from quasi-stability in the Federal Republic of Germany to some 8 % on average for the two quarters in Italy (and 6.4 % in the second quarter alone). As a result notably of exchange rate changes vis-à-vis

GRAPH 2 : Deflators



¹ Annual rates, seasonally adjusted.

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

the dollar, terms of trade movements have been rather erratic resulting in strong fluctuations in the price increases for domestic demand component. Generally, however, the price deflator for private consumption in the first half of 1984 in all four countries rose significantly faster than the GDP deflator.

Halt to slowdown in consumer prices during the third quarter.

— The slowdown of prices measured by the consumer price index seems to have come to a halt in the second half of 1984. The index of consumer prices in the Community in October rose by 0,8 % from September to October. Although a part of this increase was seasonal in nature, the seasonally adjusted monthly increase (0,7 %) was the highest since February 1984. The trend rate of inflation, measured as the seasonally adjusted rate of change over 6 months at an annual rate, jumped to 6,5 % after the low point of 6 % recorded in September. The Community index in October was 6,7 % up on a year earlier, 0,1 percentage points higher than the September annual rate 1.

TABLE 1 : Principal price deflators of components of GDP
(Percentage change on previous period, annual rates; seasonally adjusted)

	GDP ¹⁾	Imports ²⁾	Exports ²⁾	Final Domestic demand ³⁾	Gross fixed investment	Government consumption	Private consumption
EC 4							
1980 Q1	14,6	21,9	15,3	16,3	15,4	16,7	15,3
Q2	14,3	13,1	13,1	14,3	14,9	19,2	12,8
Q3	12,8	1,7	6,9	11,3	11,2	15,7	10,5
Q4	9,9	14,6	9,2	11,3	10,1	12,1	11,0
1981 Q1	10,0	18,9	13,2	11,4	12,0	11,8	12,1
Q2	11,0	21,6	14,1	12,9	10,8	16,1	12,7
Q3	8,8	17,4	15,1	9,5	8,3	12,2	11,3
Q4	13,6	3,5	7,7	12,4	9,5	12,7	11,1
1982 Q1	10,9	3,9	11,1	9,0	7,9	9,0	9,3
Q2	8,0	2,5	7,5	6,7	6,1	9,7	9,1
Q3	8,2	8,8	6,6	8,8	5,1	6,1	8,4
Q4	6,7	9,0	7,0	7,2	5,8	7,3	7,6
1983 Q1	9,8	-2,4	3,3	8,2	5,5	12,8	8,0
Q2	5,1	2,7	2,1	5,2	6,8	5,9	7,0
Q3	8,4	6,6	11,6	7,1	7,2	8,3	6,5
Q4	7,2	9,8	11,2	6,7	5,6	6,4	6,6
1984 Q1	3,9	14,4	6,1	6,0	4,3	5,1	6,2
Q2	4,0	3,3	4,6	3,7	4,1	6,1	5,5
Federal Republic of Germany							
1982 Q1	4,9	-2,3	4,4	3,1	1,5	1,6	4,0
Q2	4,4	-0,6	3,7	2,8	2,7	3,7	5,3
Q3	3,7	-0,3	1,9	3,0	-1,0	4,1	5,3
Q4	4,6	8,5	5,2	5,5	2,1	5,2	2,9
1983 Q1	3,2	-6,7	-2,3	1,9	0,8	-1,0	0,6
Q2	0,4	-6,8	-1,1	-1,5	2,3	1,3	2,3
Q3	3,7	5,2	3,8	4,1	3,4	7,5	4,6
Q4	4,1	8,4	5,1	5,3	2,6	1,2	4,0
1984 Q1	-0,1	7,6	2,2	1,6	2,9	0,3	1,4
Q2	0,4	-0,9	1,8	-0,6	1,6	3,7	2,0
France							
1982 Q1	12,1	7,7	22,5	8,5	13,1	13,1	10,3
Q2	13,2	4,0	13,1	10,6	6,8	14,5	11,5
Q3	4,0	22,8	0,5	9,3	7,0	6,1	7,5
Q4	7,7	7,3	13,3	6,6	6,0	8,3	5,2
1983 Q1	12,8	-7,8	0,7	9,8	7,6	10,0	12,5
Q2	10,3	15,0	10,5	11,9	11,9	11,4	11,8
Q3	8,4	9,9	13,8	7,9	8,0	10,5	8,7
Q4	9,2	3,8	19,5	5,6	5,9	8,0	5,9
1984 Q1	4,7	25,6	7,6	8,6	5,4	7,4	7,3
Q2	6,2	-2,1	13,4	2,5	3,8	6,4	6,4
United Kingdom							
1982 Q1	5,7	-1,4	-0,1	5,4	3,5	5,6	7,3
Q2	7,1	5,1	2,9	7,7	4,0	11,7	7,8
Q3	7,9	4,6	9,3	6,6	3,0	2,9	4,7
Q4	3,9	6,5	8,8	3,4	2,4	2,7	5,7
1983 Q1	6,9	21,0	13,3	8,4	2,4	20,8	6,2
Q2	0,8	4,5	3,6	1,0	3,0	-2,3	3,4
Q3	7,6	-1,7	6,0	5,6	6,3	2,1	4,2
Q4	2,8	7,6	6,0	3,2	6,2	5,0	4,2
1984 Q1	2,5	15,0	7,9	4,2	-0,1	2,8	5,9
Q2	4,4	8,7	7,0	4,9	5,4	4,9	5,4
Italy							
1982 Q1	24,4	13,9	23,2	22,6	15,8	19,1	18,4
Q2	8,0	3,8	12,3	4,8	13,0	9,7	13,3
Q3	21,1	-12,8	17,0	19,8	14,5	13,2	18,2
Q4	11,4	14,5	0,2	15,0	16,1	14,9	19,5
1983 Q1	19,4	-11,8	2,1	14,9	13,5	27,2	15,4
Q2	10,5	2,1	-5,3	13,3	11,4	16,5	12,2
Q3	16,5	14,7	31,5	13,2	12,7	15,0	9,3
Q4	14,4	20,2	18,1	15,3	10,5	13,6	14,6
1984 Q1	10,4	12,3	7,8	11,8	10,2	12,0	12,2
Q2	6,4	8,2	-6,2	8,7	6,6	10,3	9,5

¹⁾ F.R. Germany : GNP.

²⁾ Goods and services including intra Community Trade F.R. Germany: including factor incomes.

³⁾ Including inventor formation.

Sources: estimates by the Commission Services based on national accounts data for the Federal Republic of Germany, France, the United Kingdom and Italy.

Community relative price performance improves. — Despite the sharp depreciation in the ECU against the dollar in recent years the Community's price performance has improved more or less in parallel with that of the United States. The average inflation rate in the United States as measured by the index of consumer prices for the period 1979-1983 was 2,5 percentage points lower than the Community rate (see Table 2). In October 1984 the increase in consumer prices over the previous twelve months in the Community was 2.3 % percentage points higher than in the United States. The spread between the Community and Japan on average in the 1979-1983 period — 7.2 percentage points — narrowed by October 1984 to 4.6 points, with inflation rates being more or less halved in both cases. Despite this parallel development, it should be noted that the level of inflation in Japan is still significantly lower than in the Community.

TABLE 2

Consumer price developments (% change in the consumer price index)

	1979	1980	1981	1982	1983	Average 79/83	Oct. 83- Oct. 84
EC ¹	10,4 (9,0)	14,3 (11,1)	12,9 (10,1)	11,0 (8,8)	8,6 (6,2)	11,4 (9,0)	6,7 (5,1) ²
USA	11,3	13,5	10,3	6,2	3,2	8,9	4,4
Japan	3,6	8,0	5,0	2,6	1,7	4,2	2,1

¹ Figures in brackets are for the consumer expenditure deflator. See discussion below on fixed versus floating weights.

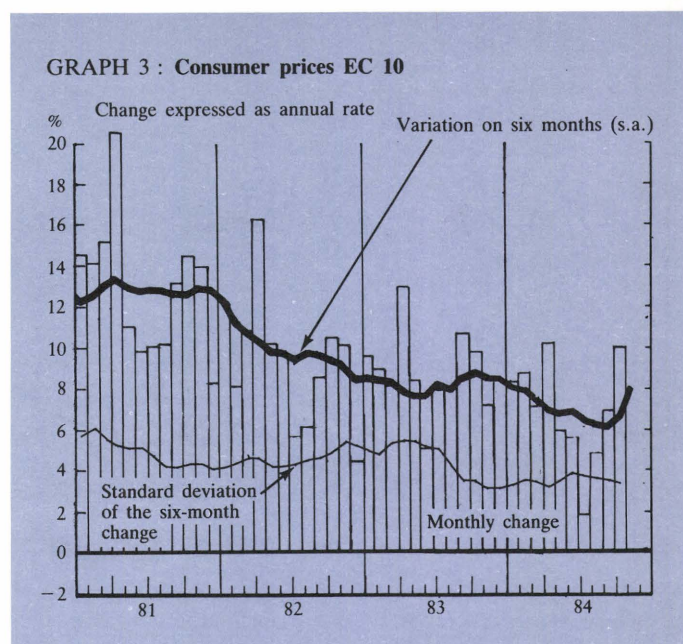
² Forecast for year 1984.

The comparison of consumer price development as between the Community and the United States and Japan, however, is influenced by statistical biases. The Community aggregate consumer price index is a fixed weight index and attributes a rising importance to higher inflation countries as the index moves further from the base year². The Statistical Office of the European Communities will shortly be calculating the Community inflation rate on a 1980 base. This will have the effect of reducing this measure of Community inflation somewhat. The second line of Table 2 shows figures for the private consumption deflator. Although the coverage of this deflator is somewhat broader than the consumer price index, it is calculated on the basis of a harmonic mean with a fixed base year, which underestimates the Community developments to some extent, but it does provide another measure of the longer term development of Community inflation rates. Measured via the deflator of private consumption the improvement in Community inflation is less marked than that shown by the data on the consumer price index, but the difference between the Community and the United States is substantially smaller.

Slowdown of external price increases in dollar terms underway. — The slowdown in the rise of import prices in the second quarter could continue in the third quarter despite the depreciation of the effective exchange rate of the ECU.

After the rapid increase in the first half of 1983 (see Graph 4) dollar prices on non-oil commodities levelled off through the rest of 1983 and fell steeply in second and third quarters of 1984. Raw material prices are thus now almost back to the level of the previous low point of the second half of 1982. This represented the effect of better harvest compensating for earlier shortages on the vegetable oil market and the influence on markets of signs of a slowdown in activity in the United States economy. Import prices for oil (Graph 5) in dollar terms, after a decline in the second half of 1982 and the early part of 1983, stabilized at a level which was below that of the first quarter of 1980. In addition the widening of the gap between spot prices and import prices (shown in Graph 6) suggests a further easing of the dollar import price of crude oil in the fourth quarter of 1984 or early 1985.

The appreciation of the dollar exchange rate vis-à-vis the ECU obviously meant that these favourable price develop-



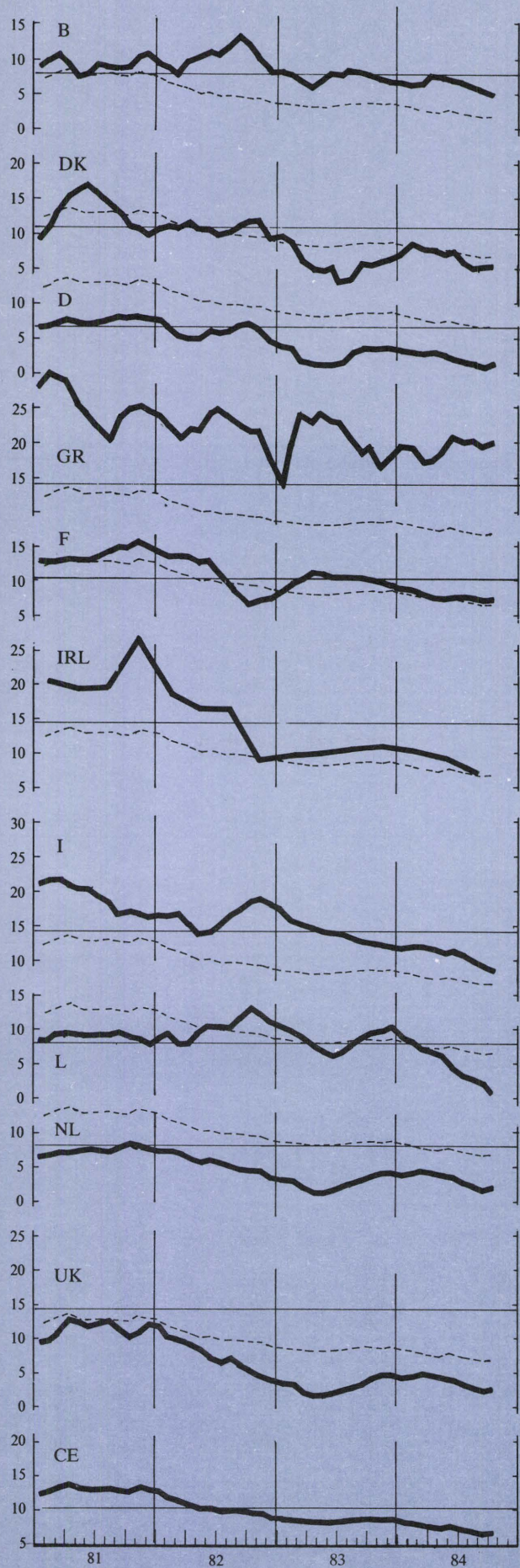
ments of commodity prices have been tempered as far as Community importers are concerned. Although non-oil prices turned down in the second quarter of 1984 their decline in ECU terms was less marked. The sharp depreciation of the ECU in the third quarter vis-à-vis the dollar had an even stronger impact on oil prices since these are exclusively denominated in dollar terms. The slight fall in dollar prices of oil was seen by Community importers in this period as a strengthening in ECU terms.

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¹ See below however for a reservation on the interpretation of the level of the Community consumer price index with 1975 as a base year.

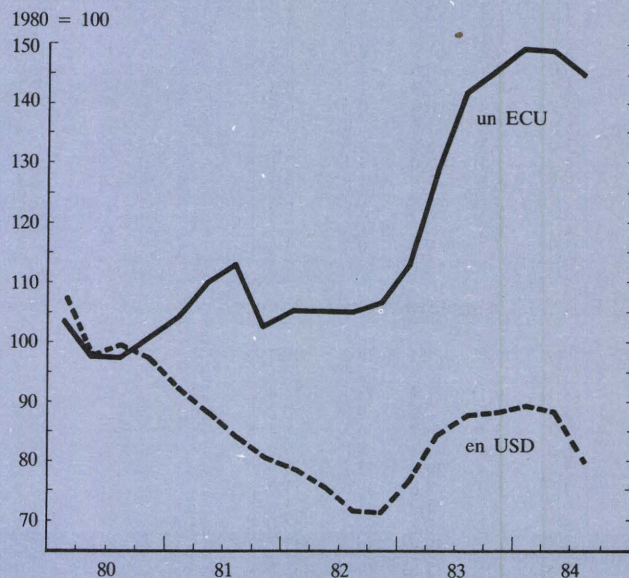
² The significantly different inflation rates in the Member States from the mid-1970's led in the early 1980's to a divergence between the Laspeyres-type consumer price index for the Community aggregate and the Paasche-type implicit price index for consumption in the national accounts. The first tended to overstate and the second to understate price developments at the aggregate Community level. Currently the SOEC is rebasing both the consumer price index and the components of the GDP and has adopted chain Laspeyres indices weighted in purchasing power standards as the unique way of aggregating country indices to a Community total index.

GRAPH 4 : Consumer price trends ¹ in EC Member States

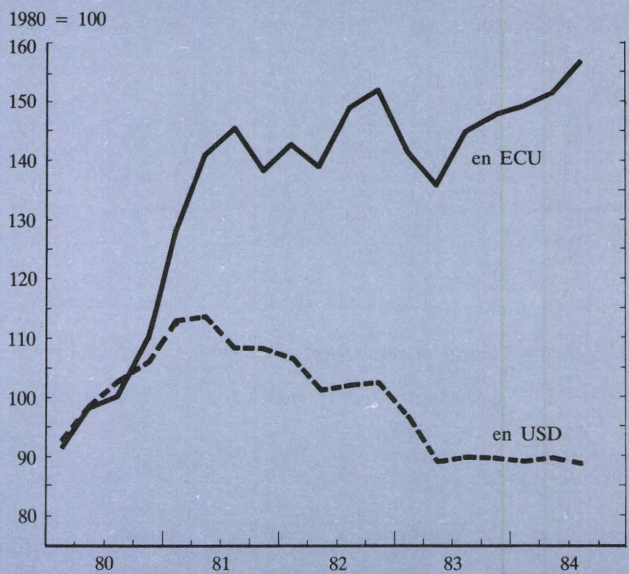


¹ Change over 6 months, annual rates (s.a.). The horizontal line indicates the average rate of change from 1970 to 1980.

GRAPH 5 : Commodity prices
(The Economist's index, all items)



GRAPH 6 : Import price (cif) of crude oil



GRAPH 7 : Price of crude oil, USD per barrel

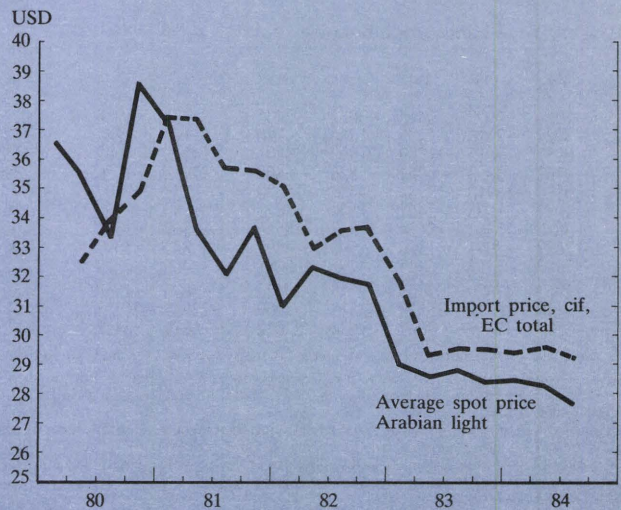


TABLE A.1 : Industrial production¹ - Percentage change on preceding period (s.a.)

	1979	1980	1981	1982	1983	1983		1984			1984							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	4.5	-1.3	-2.7	0	1.9	1.9	1.5	0.7	1.5	:	2.1	-3.5	3.3	3.2	-2.5	-1.9	:	0.6
DK	3.6	0.2	0	2.8	3.2	-0.1	1.7	5.3	0	:	-1.1	-4.0	11.9	-10.1	3.3	:	:	17.1
D	5.1	0.2	-1.9	-2.9	0.6	-0.3	3.0	0.9	-4.7	6.1	-2.7	-0.9	1.2	-10.0	14.4	-1.4	0.1	0
GR	6.0	0.9	-0.6	-4.2	-0.7	1.2	0.4	2.0	0.6	:	-2.2	2.2	1.1	0.3	-0.8	1.2	:	0.8
F	4.7	-0.7	-2.3	-1.5	0.8	0.8	-0.3	2.1	-1.3	2.5	0.8	-3.0	3.1	-1.5	3.8	0	-3.7	-2.3
IRL	7.7	-0.8	0.6	-0.4	6.6	3.7	3.4	3.2	7.8	:	5.5	0.6	0	6.7	-8.8	-4.0	:	4.2
I	(6.8)	5.5	-1.6	-3.0	-3.2	2.6	0.4	1.1	0.5	1.9	3.6	-4.0	3.7	0.8	-1.2	1.5	1.1	6.2
L	3.4	-3.3	-6.8	-3.7	1.1	2.6	9.2	:	:	:	:	:	:	:	:	:	:	:
NL	4.1	-1.0	-2.0	-4.1	2.1	-1.4	1.7	4.5	0.3	0	3.0	-1.9	0	2.0	-2.9	3.0	-1.0	6.6
UK	3.8	-6.5	-3.6	1.8	3.3	2.2	1.5	-0.8	-1.9	-0.8	-0.9	-0.8	-1.1	0.6	-1.3	0.1	1.3	-1.5
EC	4.7	-0.5	-2.3	-1.6	0.9	1.2	1.6	0.8	-1.3	(1.9)	0.2	-1.8	(2.2)	(-2.5)	(2.6)	(0.8)	(-0.6)	(1.8)
USA	4.7	-4.5	2.5	-8.5	7.8	5.3	2.4	2.8	(2.2)	:	0.5	0.8	(0.4)	(0.9)	(1.0)	(0.2)	:	(10.0)
JAP	7.3	4.7	1.0	0.3	3.6	2.6	2.9	3.2	(2.8)	(1.6)	-1.3	0.8	2.4	0.5	(0.3)	(0.7)	(-0.7)	(9.0)

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
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	(8.4)	(9.1)	11.2	13.1	14.4	14.6	14.7	14.5	14.4	14.5	14.4	14.5	14.4	14.6	14.5	14.5	-0.4	
DK	5.8	6.7	8.9	9.5	10.2	10.3	10.1	10.2	10.0	(10.1)	10.0	9.9	10.1	(10.4)	(9.9)	(9.9)	(-8.5)	
D	3.3	3.3	4.7	6.8	8.4	8.6	8.4	8.5	8.4	8.5	8.5	8.4	8.4	8.5	8.5	8.4	-0.2	
F	6.0	6.4	7.8	8.8	9.0	8.9	9.1	9.6	10.0	10.2	10.0	9.9	10.0	10.1	10.2	10.3	16.2	
IRL	7.4	8.3	10.2	12.2	15.0	15.3	15.7	16.2	16.4	16.6	16.4	16.3	16.6	16.5	16.6	16.6	8.1	
I	7.5	8.0	8.8	10.5	11.9	11.9	12.2	12.6	12.9	12.8	12.9	12.9	12.9	12.9	12.9	12.7	8.2	
L	0.7	0.7	1.0	1.3	1.6	1.6	1.7	1.8	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7	8.0	
NL	5.5	6.2	8.8	11.7	14.0	14.4	14.6	14.7	14.6	14.3	14.6	14.6	14.5	14.2	14.5	14.2	-2.7	
UK	4.9	(6.3)	(9.2)	(10.5)	(11.5)	(11.5)	(11.5)	11.7	11.8	11.9	11.7	11.8	11.8	11.8	11.8	11.9	4.2	
EC ⁹	(5.5)	(6.1)	(7.8)	(9.4)	(10.6)	(10.6)	(10.7)	11.0	11.1	11.1	11.1	11.1	11.1	(11.1)	(11.1)	(11.2)	(5.6)	
USA	5.8	7.1	7.6	9.7	9.6	9.2	8.4	7.8	7.5	(7.5)	7.8	7.5	7.1	7.5	7.5	(7.4)	(-14.9)	
JAP ⁹	2.1	2.0	2.2	2.4	2.7	2.7	2.6	2.7	2.7	2.8	2.6	2.7	2.8	2.8	2.8	2.8	(0.6)	

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

	1979	1980	1981	1982	1983	1983		1984			1984							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	4.5	6.6	7.6	8.7	7.7	2.5	1.2	1.9	1.4	1.2	0.7	0.2	0.3	0.5	0.4	0.3	0.5	5.8
DK	9.6	12.3	11.7	10.1	6.9	1.2	2.0	1.5	1.8	1.0	0.3	1.0	0.5	-0.2	0.4	0.7	0.4	6.0
D	4.1	5.4	6.3	5.2	3.3	1.0	0.5	0.9	0.4	0	0.1	0.1	0.3	-0.1	-0.2	0.1	0.6	2.1
GR	19.0	24.9	24.5	21.0	20.5	0.8	5.8	4.1	5.9	1.6	1.9	1.5	2.1	-0.9	-0.5	2.9	2.5	18.4
F	10.7	13.6	13.4	12.0	9.4	2.1	1.9	1.7	1.8	1.7	0.6	0.6	0.5	0.7	0.5	0.5	0.6	6.9
IRL ⁷	13.2	18.2	20.4	17.2	10.2	2.9	1.8	2.4	2.3	1.2	(0.8)	(0.8)	(0.4)	(0.4)	(0.4)	:	:	7.9
I	14.8	21.2	19.5	16.4	14.7	2.3	3.5	2.9	2.3	1.4	0.8	0.6	0.6	0.2	0.5	0.8	1.0	9.6
L	4.5	6.3	8.1	9.4	8.7	2.7	2.3	1.4	0.8	0.1	0.6	0.4	-0.6	0.2	0.2	0	0.6	3.6
NL	4.3	7.0	6.8	6.0	2.8	0.9	1.0	0.7	0.9	0.1	0.4	0	0	-0.1	0.1	0.4	0.7	2.8
UK	13.4	18.0	11.9	8.6	4.6	1.3	1.1	0.6	2.0	0.9	1.3	0.4	0.2	-0.1	0.9	0.2	0.6	5.0
CE	10.4	14.3	12.9	11.0	8.6	1.7	2.0	1.7	1.9	1.1	0.8	0.5	0.5	0.2	0.4	0.5	0.8	6.7
USA	11.3	13.5	10.3	6.2	3.2	1.2	0.9	1.1	1.1	1.1	0.5	0.3	0.3	0.3	0.4	0.5	0.4	4.4
JAP	3.6	8.0	5.0	2.6	1.7	-0.4	1.2	0.4	0.9	-0.2	0.3	0.7	-0.8	0.2	-0.9	1.6	0.8	2.1

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
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	3.9	1.2	-3.3	-1.3	-7.8	3.0	-3.7	1.6	-3.6	:	-2.5	-3.8	4.4	-2.6	2.4	-1.4	:	-5.7
DK	2.3	-1.5	-0.6	1.7	1.6	2.9	-1.0	1.5	0.9	:	1.2	0.3	0	0.1	-0.4	-0.1	1.8	-1.9
D	2.6	0.2	-1.5	-3.7	0.9	-1.7	-0.4	1.1	1.0	-0.8	-4.5	2.4	2.1	-2.0	-0.8	1.3	-0.7	-2.6
GR	:	-3.5	-3.6	-3.6	-1.5	1.4	-1.7	4.2	3.3	:	-2.4	5.0	-4.3	2.4	0.7	-5.1	:	1.7
F	0.6	-1.9	-2.2	1.3	-3.1	-0.2	-2.3	1.4	-3.4	:	-1.3	-5.1	1.9	2.7	-8.3	7.6	:	-3.7
IRL	:	:	-0.6	-5.4	-4.0	0.2	3.5	-4.1	4.0	:	-3.3	7.2	0.8	-5.2	-1.9	0.3	:	-2.5
I	:	:	2.9	3.9	2.4	2.4	1.9	2.0	4.3	:	-1.5	5.3	-1.5	1.1	-4.2	5.6	:	8.8
L	:	:	3.9	4.6	-4.9	-0.7	-1.2	1.0	-1.5	-1.5	0.9	-6.5	2.9	4.6	-9.0	7.0	-1.3	-5.4
NL	:	:	-3.6	-2.9	-1.9	0.3	-2.3	0.4	-1.6	:	-0.1	-7.6	5.7	3.0	-6.3	7.2	:	1.6
UK	:	:	0.4	2.1	5.3	0.8	1.9	-1.6	2.9	0.5	-1.1	3.6	-1.3	1.3	-0.8	-0.3	3.2	4.1
CE	:	:	-0.7	0.1	0.6	0.3	-0.1	0.9	0.9	:	-2.1	1.0	0.7	0.5	-3.2	3.2	:	1.8
USA	2.2	-2.9	1.1	-0.9	6.9	1.2	2.5	(2.7)	(3.0)	:	-1.8	3.5	0.9	(1.3)	(-2.3)	(-1.0)	:	(6.8)
JAP	3.8	-1.1	1.8	0.7	1.0	2.0	-1.0	3.4	(-1.5)	:	-3.6	2.7	-4.8	(1.4)	(3.8)	(-1.6)	:	(0.6)

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

	1979	1980	1981	1982	1983	1983		1984			1984							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B/L	-2064	-4993	-5418	-3082	-2435	-771	-974	-1097	.	.	-164	-398	-417
DK	-3022	-2116	-1475	-1866	-740	-115	-244	-377	-383	-188	-89	-105	-166	-112	-75	-78	-34	78
D	8939	3615	11239	21599	18501	4112	4053	5113	3846	5614	1584	1167	1975	704	1451	2142	2021	734
GR	-4162	-3853	-3951	-5826	-5800	-1052	-1550	-1239	-1011	.	-303	-249	-311	-451	-490	-478	.	-141
F	-6194	-16948	-17283	-24457	-15628	-3137	-2507	-3977	-3332	-2450	-1088	-1072	-885	-1375	-816	-782	-852	-129
IRL	-1947	-1893	-2467	-1574	-621	-53	-139	-116	195	33	39	23	57	115	103	-187	118	129
I	-3893	-15307	-13554	-12513	-8516	-2369	-1562	-2201	-3872	.	-1176	-997	-1677	-1198	-195	-1125	.	47
NL	-2622	-2981	1320	3500	4499	843	1099	796	1858	.	422	461	759	639	251	.	.	-153
UK	-7998	-3353	-445	-3295	-9681	-2465	-2573	-2668	-3687	-3876	-1148	-1551	-1055	-1081	-912	-1298	-1665	-1088
CE ⁸	-22962	-47829	-32033	-27515	-20422	-4890	-4558	-5834	(-7893)	.	-1988	-2751	(-1849)	(-3293)	(-1323)	(-1235)	.	(670)
USA	-27146	-26113	-35538	-43518	-77969	-22955	-26373	-35850	-36190	-47638	-11935	-14426	-10846	-10918	-17889	-12705	-17044	-9741
JAP	-5573	-7707	7832	7034	23072	6571	6432	8662	10121	9698	2914	3575	2733	3813	(3239)	(1863)	(4596)	(2997)

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
							III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
B	(M2)	6,2	2,7	5,9	5,9	8,7	3,6	2,8	2,7	0,8	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	10,2
DK	(M2)	10,6	7,8	9,0	11,5	24,7	5,5	4,8	3,0	3,6	4,0	0,5	2,1	0,9	-0,6	3,7	1,0	2,6	18,8
D	(M3)	6,0	6,2	4,8	7,1	5,7	1,4	0,6	0,2	1,5	1,6	1,2	-0,2	0,4	0,4	0,4	0,7	0,3	3,7
GR	(M3)	18,4	24,7	34,7	29,0	20,3	4,4	6,7	4,3	(7,5)	(5,9)	3,9	0,6	(2,8)	(2,7)	(2,0)	(1,1)	⋮	(26,5)
F	(M2R)	14,7	10,0	11,5	11,7	11,2	1,5	4,6	1,0	1,9	⋮	0,5	0,1	1,2	-1,3	1,1	⋮	⋮	7,9
IRL	(M3)	19,0	17,9	17,6	12,9	5,6	1,2	3,5	0	3,1	2,9	0,8	0,6	1,6	2,6	0,2	0,1	1,7	11,7
I	(M2)	20,3	12,7	10,0	17,0	13,2	4,5	2,9	1,9	2,1	⋮	0,7	0,6	0,8	1,0	1,0	⋮	⋮	11,0
NL	(M2)	7,0	3,8	5,3	8,8	10,6	1,1	1,6	-0,1	4,0	⋮	2,3	0,6	1,0	0,6	1,4	⋮	⋮	9,2
UK	(£M3)	11,7	19,6	13,9	10,3	10,8	1,4	2,4	2,1	3,2	1,0	0,3	0,8	2,0	-1,0	0,7	1,3	0,3	8,3
EC ¹⁰		11,9	10,9	9,7	10,9	9,8	2,0	2,4	1,1	(2,2)	⋮	0,8	0,3	(1,0)	(-0,2)	(0,8)	⋮	⋮	(7,3)
USA	(M2)	7,9	8,9	10,1	9,2	11,7	1,5	2,2	1,5	1,9	⋮	0,6	0,7	0,6	0,4	0,4	⋮	⋮	7,2
JAP	(M2)	9,1	7,2	11,0	7,9	7,3	2,0	1,5	2,3	1,4	⋮	0,7	-0,1	0,8	0,4	0,9	1,8	⋮	8,6

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	May	June	July	August	Sept.	Oct.	Nov.	
B	10,9	14,2	15,6	14,1	10,5	9,3	11,0	12,4	11,9	11,0	11,9	11,9	11,9	11,5	11,0	11,0	10,8	0
DK	12,5	16,9	14,9	16,4	12,1	13,7	13,1	11,4	11,7	11,3	10,5	11,7	11,8	10,9	11,3	11,0	11,4	2,4
D	6,9	9,5	12,3	8,8	5,8	5,8	6,5	5,8	6,1	5,8	6,3	6,1	6,1	5,9	5,8	6,1	5,8	-0,7
GR	:	11,0	16,8	20,2	19,4	11,8	10,0	15,8	14,6	15,0	17,4	14,6	15,0	16,8	15,0	16,5	16,3	1,5
F	9,8	12,3	15,6	14,6	12,5	12,6	12,3	12,6	12,2	11,0	12,4	12,2	11,8	11,3	11,0	10,3	10,6	-1,7
IRL	16,0	16,2	16,6	17,5	14,1	12,6	12,3	13,0	12,4	13,0	12,4	12,4	13,8	13,4	13,0	13,3	14,9	2,6
I	12,0	17,6	20,0	20,1	18,1	17,5	17,9	17,4	16,9	17,7	16,9	16,9	16,6	16,6	17,7	17,3	17,1	-0,8
NL	9,6	10,6	11,8	8,3	5,7	6,2	6,1	6,1	6,2	6,2	6,2	6,2	6,4	6,3	6,2	6,0	5,9	-0,4
UK	13,9	16,8	14,2	12,2	10,1	9,7	9,4	8,9	9,6	10,8	9,8	9,6	12,3	10,8	10,8	10,6	9,8	0,5
EC ¹²	10,3	13,4	15,0	13,2	10,8	10,5	10,6	10,6	10,5	10,5	10,7	10,5	10,9	10,4	10,5	10,3	10,1	-0,6
USA	10,1	11,6	14,0	10,6	8,7	8,8	9,0	9,7	9,9	10,2	9,7	9,9	10,4	10,6	10,2	9,1	8,4	-0,5
JAP	5,9	10,9	7,4	6,9	6,4	6,5	6,4	6,0	5,9	6,3	5,7	5,9	6,0	6,1	6,3	6,2	:	-0,2

TABLE A.8 : Long-term interest rates¹³

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

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

	Table A.1.1. Value of 100 U.S. dollars in national currency of 12 EC countries																	Change over 12 months % ⁵
	1979	1980	1981	1982	1983	1983		1984			1984							
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.	
BFR/LFR	40,17	40,60	41,29	44,68	45,44	45,69	45,94	45,90	45,59	45,25	45,59	45,55	45,33	45,23	45,20	45,19	45,01	- 2,1
DKR	7,21	7,83	7,92	8,15	8,13	8,18	8,17	8,18	8,20	8,15	8,20	8,20	8,18	8,16	8,12	8,07	8,06	- 1,2
DM	2,51	2,53	2,51	2,38	2,27	2,28	2,26	2,24	2,24	2,24	2,24	2,23	2,24	2,24	2,24	2,23	2,23	- 1,4
DR	50,78	59,24	61,62	65,30	78,09	76,50	81,11	84,90	88,46	88,83	88,19	88,69	88,11	89,24	89,13	91,42	91,94	13,4
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	6,86	6,87	6,88	6,85	6,84	- 0,6
IRL	0,669	0,676	0,691	0,690	0,715	0,723	0,727	0,728	0,730	0,726	0,729	0,730	0,729	0,726	0,723	0,721	0,720	- 1,1
LIT	1138	1189	1263	1324	1350	1355	1371	1382	1382	1380	1383	1382	1374	1381	1384	1383	1387	1,2
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	2,53	2,53	2,52	2,52	- 0,8
UKL	0,646	0,598	0,553	0,561	0,587	0,570	0,574	0,579	0,591	0,592	0,587	0,592	0,595	0,591	0,589	0,597	0,601	5,2
USD	1,371	1,391	1,116	0,981	0,890	0,861	0,840	0,832	0,825	0,768	0,815	0,816	0,786	0,776	0,742	0,728	0,746	- 11,6
YEN	300,5	315,0	245,4	243,5	211,4	208,7	196,3	191,9	189,5	186,9	187,9	190,4	190,7	188,0	181,8	179,7	181,5	- 8,4
SDR	1,061	1,068	0,946	0,888	0,833	0,817	0,802	0,792	0,789	0,757	0,783	0,785	0,770	0,764	0,736	0,723	0,744	- 7,3

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 % ⁵
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.	
B/L	1,2	-0,5	-5,3	-9,2	-2,5	-1,8	-1,1	-0,1	0,6	0	-0,4	0,2	0,2	0	-0,7	-0,3	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	-0,7	0,3	-0,2	-0,2	-0,5	0,3	0,7	-0,8
D	4,8	0,4	-5,2	5,1	4,2	-1,8	0,1	0,3	0,4	-1,4	-1,2	0,5	-0,6	-0,5	-1,3	-0,1	0,7	-0,9
GR	-5,4	-13,5	-9,4	-7,3	-18,0	-0,8	-6,3	-5,2	-4,1	-1,7	-0,4	-0,3	0,1	-1,6	-1,0	-3,0	0	-14,1
F	0,9	0,4	-8,6	-8,0	-6,7	-2,0	-1,2	-0,5	0,4	-1,2	-1,1	0,5	-0,5	-0,5	-1,2	0	0,7	-1,6
IRL	0,2	-2,0	-8,3	-1,1	-3,4	-2,5	-0,9	-0,2	0,2	-0,7	-1,0	0,3	-0,2	-0,1	-0,6	0,3	0,8	0,1
I	-3,2	-3,7	-12,2	-6,7	-3,5	-1,9	-2,0	-1,3	-0,1	-1,1	-0,9	0,3	0,2	-1,0	-1,4	-0,4	0,2	-3,8
NL	1,8	0,1	-5,0	5,5	2,3	-0,9	0	-0,1	0,4	-1,2	-0,7	0,3	-0,6	-0,4	-1,0	0	0,5	-1,1
UK	6,2	10,1	1,1	-4,6	-7,0	1,2	-1,7	-1,6	-2,2	-1,8	0,3	-0,8	-1,2	0,2	-1,2	-2,0	0	-8,7
ECU	5,9	2,2	-14,9	-5,5	-5,3	-3,6	-2,5	-1,5	-0,5	-3,2	-1,9	0,6	-1,3	-1,0	-3,0	-1,2	1,3	-7,3
USA	-3,3	-0,3	14,0	12,1	7,1	3,9	0,6	0,8	1,0	6,3	2,9	0,4	3,6	0,4	3,1	1,3	-1,8	10,0
JAP	-7,1	-4,1	14,0	-4,8	11,5	0,6	4,5	2,2	1,3	-1,9	-0,6	-1,0	-1,7	0,6	1,0	0,3	0,2	3,4

Principal economic policy measures — November 1984

Community (EC)

28.11 The Commission adopted a draft Council resolution consisting of a package of measures for a modest but significant reinforcement of the EMS. The measures proposed had the following three objectives :

- strengthening convergence within the EMS by making full use of existing Community surveillance procedures;
- reactivating the financial integration process;
- encouraging the official use of the ECU as well as its use in the private sphere.

3 and 4.12 The European Council meeting in Dublin approved the economic and social policy recommendations presented by the Commission in its Annual Economic Report 1984-85. It considered that these guidelines should be speedily implemented (see box on first page).

19.12 The Council (Research), at the Commission's proposal adopted in the Community languages the decision approving the Annual Economic Report on the economic situation in the Community and setting the main economic guidelines for 1984. It decided on the publication of this decision in the Official Journal of the European Communities.

Belgium (B)

9.11 The *Banque Nationale* reduced the interest rate on very short-term Treasury certificates from 11 % to 10.75 %. The financial intermediaries reduced the base rate on cash credits by 0,25 of a point (within the range previously agreed).

Denmark (DK)

15.11 After deliberations in the Parliament concerning the draft budget for 1985, the Government will propose to phase out the job creation-scheme and to modify the job offer-scheme with a view to reinforce training and recycling in order to reintegrate long-term unemployed in normal work. The scheme will allow long-term unemployed to benefit from maximum allowances during a five year-period, while employment alternatives are explored or prepared.

15.11 The Government intends to reduce general grants-in-aid to local government in 1985 by DKR 4,5 billion in order to offset cyclical improvements on local budgets.

Federal Republic of Germany (D)

None

Greece (GR)

20.11 A bill was put before Parliament, introducing a national scheme for unemployment insurance, providing for unemployment benefits for young people who have never worked, improving the existing system of benefits and providing subsidies for job creation and conservation. The new benefit concerns young people aged 20 to 29 who have been unemployed for at least twelve months since registering as jobseekers. It will be payable for a maximum of five months at a monthly rate not exceeding 20 times the daily rate. The improvements involve new rules for calculating benefits, to the advantage of certain categories of jobseekers, in particular unemployed construction workers. Subsidies will be available for job creation in local authority undertakings, and job conservation in the hotel sector and in partially State-owned undertakings; there will also be subsidies for emigrants returning to Greece and for the recycling of unskilled workers.

28.11 The central government budget for 1985 was presented to Parliament. It provides for a 27,4 % increase in expenditure, with current expenditure rising faster than investment expenditure, and a 29,6 % increase in revenue. The deficit should remain unchanged at 10,2 % of predicted GDP. Within current expenditure, an increase of 24,7 % in remunerations is provided for, on the basis of an inflation rate of 16 %, while the burden of debt-servicing increases by 46 %. The investment budget conforms to the priorities of the medium-term plan, and provides for particularly large increases in the health sector (the establishment of a national health scheme) and in agriculture. On the revenue side, direct tax revenue is to expand by 44 %, more than in 1984, thanks to new measures to combat evasion and expedite the settlement of disputes still pending. Moreover, a new personal income tax scale is to be introduced, with reductions to take account of inflation and extra allowances for the lowest income groups.

France (F)

1.11 The minimum hourly wage rate (SMIC) was raised by 2,2 % from 1 November, from FF 23,84 to FF 24,36.

14.11 Three new measures were introduced to relax exchange controls.

- (i) Private individuals can henceforth transfer FF 1.500 a month (instead of FF 1.500 a quarter) without providing justification.
- (ii) Undertakings setting up or extending establishments in other Community countries may now finance up to 50 % of the investment cost (instead of 25 %) in France.
- (iii) The Community institutions are to have wider access to the French financial market. They will be able to increase the amount of their French franc issues, and to float Ecu issues, the certificates for which will be delivered under investment-currency arrangements.

19.11 A further step towards price freedom was announced, affecting mainly the prices of products and services purchased by industry. The prices of some private consumer goods can be freely determined up to 1 January 1985 : jewellery, television, car-radios, spare parts for motor vehicles, certain food products. The same applies to a number of products for intermediate consumption by industry : timber and chemicals. The prices of certain services, e.g. leasing of transport equipment, are to be freed during the first six months of 1985.

21.11 The draft amending Finance Act shows a budget deficit of FF 144.400 million in 1984, 3,3 % of GDP instead of 3 % initially planned. In absolute figures, the deficit expands by FF 18.600 million (with debt-servicing alone accounting for an extra FF 14.700 million). The figures in the revised budget confirm that the yield of taxation in 1984 fell short of initial expectations by FF 10.600 million.

Ireland (IRL)

15.11 The Government announced details of the public expenditure plans for 1985. The main features are :

- a) *Current expenditure.* Expenditure on non-capital supply services is planned to be IRL 5.318 million, a nominal rise of 5 % (estimated inflation rate 7 %). No provision is being made for pay increases in the public service and allocations for social welfare benefits will not permit full indexation.
- b) *Public Capital Programme (PCP).* Expenditure on the PCP is set to fall sharply. The 1985 provision, at IRL 1.800 million, implies a fall in real terms of about 6 ¼ %.

Italy (I)

28.11 The Government adopted a Decree-Law prohibiting legal entities from deducting from taxable income the interest paid on loans contracted to purchase Government securities, which are exempt from taxation. To determine the share of interest received covered by the new rules, the Decree-Law stipulates that where a company has both debts and Government securities, those securities are presumed to have been entirely from borrowed resources.

Luxembourg (L)

19.10 The Government adopted a package of measures to promote recovery in the building sector. The package includes measures to encourage private building, a five-year building programme for subsidized housing and an increase in public investment expenditure. It involves in particular the construction of 1.060 homes, an increase in the maximum income to determine eligibility for building premiums and VAT refunds and an increase in appropriations for the renovation of historic buildings, schools and public monuments. The measures will cost LFR 575 million in 1985.

Netherlands (NL)

9.11 The Government presented Parliament with a draft Law on income tax reform; the draft includes an increase of HFL 387,50 in the flat-rate tax-free allowance for all wage-and-salary-earners, and a further increase of HFL 768 in the allowance for households with dependent children.

United Kingdom (UK)

12.11 In his Autumn Statement, the Chancellor of the Exchequer presented revised public expenditure plans for the financial year 1985/86. The planning total for public expenditure in 1985/86 is set at UKL 132.000 million, slightly higher than the figure (UKL 131.600 million) indicated in the Budget in March. This represents an increase in nominal terms of 3,1 % over the expected outturn for 1984/85. Taking into account debt interest payments and national accounts adjustments, total general government expenditure planned for 1985/86 is now UKL 2.000 million above the level indicated in the Budget. The expected level of revenue in 1985/86 is also raised by UKL 2.000 million, mainly because of revised North Sea tax estimates, leaving the projected PSBR level unchanged at UKL 7.000 million (2 % of GDP), as compared to an estimated outturn of UKL 8.500 million (2 ½ % of GDP) in 1984/85.

Prices (excluding VAT) in Luxembourg

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