ISSN 0379-2056

EUROPEAN ECONOMY

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A
Economic trends
No 12 – December 1995

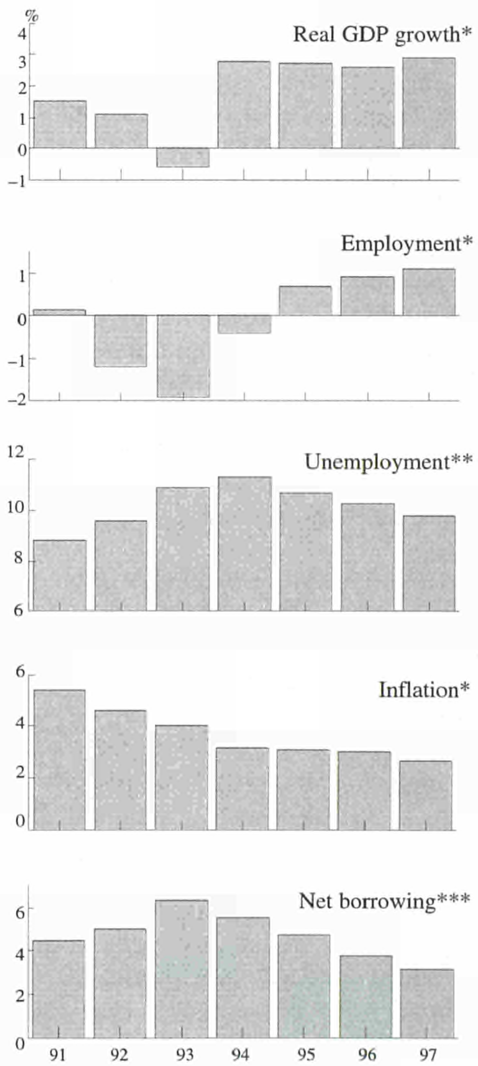
In this number :
Economic Forecasts for 1995–1997[1]

THE COMMUNITY ECONOMIC OUTLOOK : 1995–1997[1]

The Commission services' Autumn 1995 forecasts include for the first time a scenario for the year 1997, based on the assumption of "unchanged economic policies". The main features of the forecasts are as follows:

- *The current slowdown of economic activity in the Community is expected to give way to a renewed strengthening in the course of next year, driven by sound fundamentals and supportive monetary and financial conditions.*
- *Output growth is forecast at 2.7 % this year and 2.6 % in 1996. The latter figure hides an acceleration of economic growth during 1996 to a pace of around 3 %. A consolidation of output growth at this level is expected for 1997.*
- *Employment is increasing by around 0.7 % this year, and it is forecast to rise by around 1 % per year in 1996 and 1997. This corresponds to the net creation of 4.1 million jobs over the three years. Unemployment is forecast to decline from the September 1995 level of 10.5 % of the labour force to around 9½ % in late 1997.*
- *Community–wide inflation is forecast to edge down to a record–low level of 2¾ % in 1997. Inflation is expected to remain below 3 per cent per year in 11 member states and to decline towards that level in the remaining 4 member states.*
- *The average budget deficit is estimated to decline to 4.7 % of GDP this year and, on unchanged fiscal policies, is projected to fall to just above 3 % of GDP in 1997, with more than half of the forecast improvement attributable to fiscal consolidation efforts. The deficit reduction is just sufficient to roughly stabilise the government debt–to–GDP ratio in the Community at some 71 per cent of GDP in 1996/97.*

EC economy : General outlook



* Annual percentage change.
** As a percentage of the civilian labour force.
*** As a percentage of GDP at market prices : general government.

1 This is a summary of the Commission Services' Autumn 1995 Economic Forecasts, based on available data up to 15 November 1995. The Spring 1995 forecasts for 1995 and 1996 were published in Supplement A, N° 4/5 of April/May 1995.

OVERVIEW

The Commission services' Autumn 1995 forecasts include for the first time a scenario for the year 1997. Both the forecasts for 1996 and the scenario for 1997 are based on the assumption of "unchanged economic policies". However, while most countries have adopted their budget laws for 1996, this is not the case for 1997. The scenario for 1997 illustrates the likely outcome, particularly in the budgetary field, if no further policy measures were to be taken.

As regards real activity, the surprisingly strong recovery of 1994 has lost considerable momentum over the first half of 1995. The slowdown has turned out to be more pronounced than initially expected as the "classical pause" in the recovery process has been exacerbated by a number of interrelated forces: the shell–shock of the spring currency turmoil, the lagged effects of the marked rise in long–term interest rates in 1994 and a steady decline in private sector confidence. As a result, GDP growth in the Community in 1995 has been revised down to 2.7 per cent (against 3.1 per cent previously).

Although activity is expected to remain subdued in the closing months of this year, economic prospects for the Community remain broadly favourable. Indeed, under the combined impact of healthy fundamentals, a further rebalancing of the monetary/fiscal policy mix and a progressive restoration of confidence, a revival in economic activity is expected during 1996 and output growth should accelerate to 3 per cent in 1997. As anticipated, the recovery will continue to be driven mainly by buoyant exports and investment in equipment. Private consumption is forecast to pick up more gradually in line with accelerating household incomes, progressively bolstered by rising employment and positive, albeit moderate, real wage increases. Whereas in the period immediately ahead, the growth outlook is surrounded by important downside risks related to deteriorating confidence, thereafter the strong fundamentals could reassert themselves more strongly than forecast, provided that governments resolutely take the necessary fiscal consolidation and structural reform measures.

For the first time since 1991, the Community experienced an increase in employment in 1995, and prospects are for a net job creation of some 4.1 million jobs over the forecasting period. The rate of unemployment is estimated to fall, as previously forecast, to 10.7 per cent this year, dropping slowly to around 9½ per cent in late 1997, implying a drop in the number of job–seekers of around 2.2 million between 1994 and 1997.

Inflation is expected to remain subdued in the Community as a whole due to lower pressures on capacity, reflecting a lower growth outlook, and continued moderation in wage increases, reflecting increased credibility of the low–inflation objective and considerable labour market slack. Inflation is expected to remain below 3 per cent in all of the eleven countries where it is currently beneath that rate and to converge towards the 3 per cent level in the remaining member countries.

Main features of Autumn 1995 Economic Forecasts
(Annual percentage change, unless otherwise stated)

					Forecast		Scenario
	86–90	91–93	94–97	1994	1995	1996	1997
Real GDP growth							
EUR[1]	3.3	0.6	2.8	2.8	2.7	2.6	2.9
Germany[1]	3.4	2.0	2.6	2.9	2.1	2.4	3.1
France	3.2	0.2	2.7	2.7	2.8	2.4	2.8
Italy	3.0	0.2	2.8	2.2	3.2	3.0	2.9
United Kingdom	3.3	–0.2	3.0	3.8	2.6	2.7	2.7
Inflation[2]							
EUR[1]	4.2	4.7	3.0	3.2	3.1	3.0	2.7
Germany[1]	1.5	4.2	2.2	2.7	1.8	2.1	2.2
France	2.9	2.6	1.9	1.8	1.9	2.1	1.8
Italy	5.9	5.8	4.6	4.8	5.6	4.3	3.7
United Kingdom	5.0	5.2	2.7	2.4	2.9	3.0	2.6
Unemployment (%)[3]							
EUR[1]	9.0	9.5	10.6	11.3	10.7	10.3	9.9
Germany[1]	5.9	6.7	8.1	8.4	8.3	8.1	7.4
France	9.8	10.5	11.4	12.3	11.5	11.0	10.6
Italy	9.6	9.4	11.3	11.4	11.7	11.3	10.9
United Kingdom	9.0	9.8	8.6	9.6	8.5	8.2	8.1
General government net borrowing (% of GDP)							
EUR[1]	–3.7	–5.3	–4.3	–5.5	–4.7	–3.8	–3.1
Germany[1]	–1.5	–3.2	–2.7	–2.6	–2.9	–2.8	–2.4
France	–1.8	–4.1	–4.5	–6.0	–5.0	–3.9	–2.9
Italy	–10.8	–9.8	–6.9	–9.0	–7.4	–6.0	–5.2
United Kingdom	–1.1	–5.5	–4.6	–6.8	–5.1	–3.7	–2.8
Current account balance (% of GDP)							
EUR[1]	0.1	–0.8	0.5	0.1	0.5	0.6	0.7
Germany[1]	4.2	–1.0	–1.0	–1.3	–1.0	–1.0	–0.8
France	–0.3	0.2	1.3	1.1	1.3	1.3	1.3
Italy	–0.6	–1.0	2.2	1.8	1.9	2.5	2.8
United Kingdom	–3.8	–2.5	–1.3	–2.2	–1.2	–1.1	–0.7
International economic environment							
GDP growth US	2.8	1.8	3.2	4.1	3.2	2.3	3.2
GDP growth JAP	4.5	1.7	1.4	0.5	0.4	2.3	2.6
World imports excl. EUR	6.7	6.0	10.3	11.4	10.8	9.2	9.1
Extra–EC export market growth	6.4	3.7	9.1	10.2	9.2	8.5	8.4

[1] EUR and Germany including the new German Länder from 1991 onwards; for percentage changes from 1992 onwards.
[2] Deflator of private consumption.
[3] Eurostat definition.

The Community–wide budget deficit is expected to fall from 4.7 per cent in 1995 (somewhat higher than forecast in the spring) to around 3¾ per cent of GDP in 1996 mainly as a result of widespread consolidation efforts. In the scenario for 1997 – based on the "no–policy–change" assumption and therefore only taking into account such measures as have already been adopted or clearly announced – the budget deficit should fall to just over 3 percent of GDP. The projected fall in the Community–wide budget deficit will just be sufficient to roughly stabilise the debt to GDP ratio at 71½ per cent in 1996 and 1997.

THE COMMUNITY ECONOMY

The forecasts for 1996 and the scenario presented for 1997 are based upon the conventional assumption of "*no change in economic policies*". This means that only policy measures which have already been *adopted* or are clearly *announced in sufficient detail*, especially in the budgetary field, are incorporated in the projections. General policy intentions, expressed in government plans or convergence programmes, which have not yet been translated into specific actions, are not taken into account.

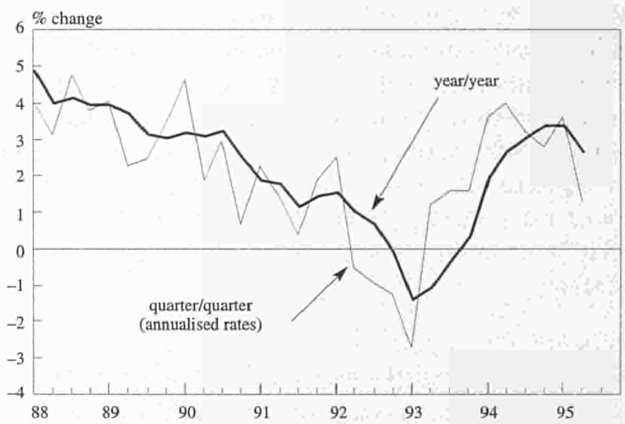
A clear distinction should be made between the forecasts for 1996 and the scenario for 1997. Most countries have adopted their budget laws for 1996[1], but this is not the case for 1997. Several member countries are expected to introduce additional fiscal retrenchment measures between now and 1997 in order to respect the targets set out in their convergence programmes. The conventional assumption of "unchanged policies" does not cast doubt on the governments' commitment to achieving the stated goals. Rather, the *difference between the projections and the convergence programmes' objectives for government deficits is an indication of the adjustment efforts still required in each member country* for these goals to be achieved.

1. Growth slowdown in 1995

Recent developments – The surprisingly strong recovery of the Community economy after the 1992/93 recession has lost considerable momentum over the first half of this year. The rate of output growth has progressively slowed down from 3½ to 4 per cent (annualized rate) throughout most of 1994 to below 2 percent in the second quarter of 1995. The slowdown has been especially pronounced for industrial production (graph 1).

While economic activity continued to be supported by strong exports driven by buoyant world demand, domestic demand within the Community countries slowed down more than expected in the first half of 1995. In particular, the lower output growth was due to a sharp turnaround in the contribution from stockbuilding (table 1). Private consumption and construction investment kept growing at a modest pace while investment in equipment expanded at an 8 per cent annualised rate in the first half of 1995.

GRAPH 1a : **GDP – EUR**



GRAPH 1b : **Industrial production – EUR**

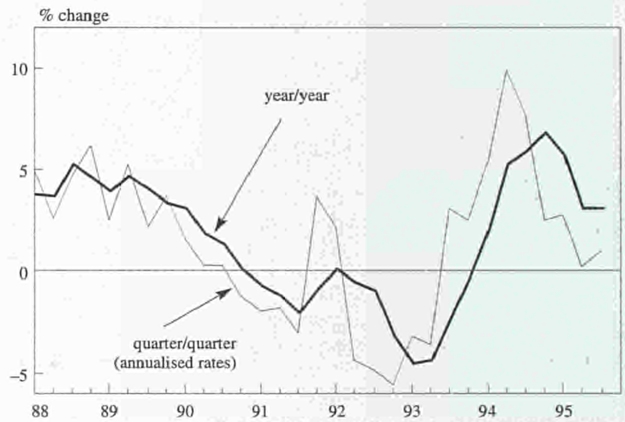


TABLE 1 : **Recent evolution of economic activity – EUR**
(Real percentage change from previous half–year at annual rate)

	1993		1994		1995
	H1	H2	H1	H2	H1
Private consumption	–1.8	2.0	1.1	2.1	1.7
Government consumption	0.6	0.7	1.4	0.5	1.1
Gross fixed capital formation	–9.7	–2.8	4.2	3.4	5.0
– *of which equipment*	–15.1	–5.0	4.2	6.8	8.5
– *of which construction*	–4.8	–2.3	3.3	0.1	2.6
Change in stocks[1]	–0.6	–0.4	1.2	1.2	–0.7
Exports[2]	–0.1	7.7	9.9	8.3	8.3
Imports[2]	–7.7	3.4	9.7	8.1	5.0
GDP	–1.5	1.2	3.2	3.5	2.8

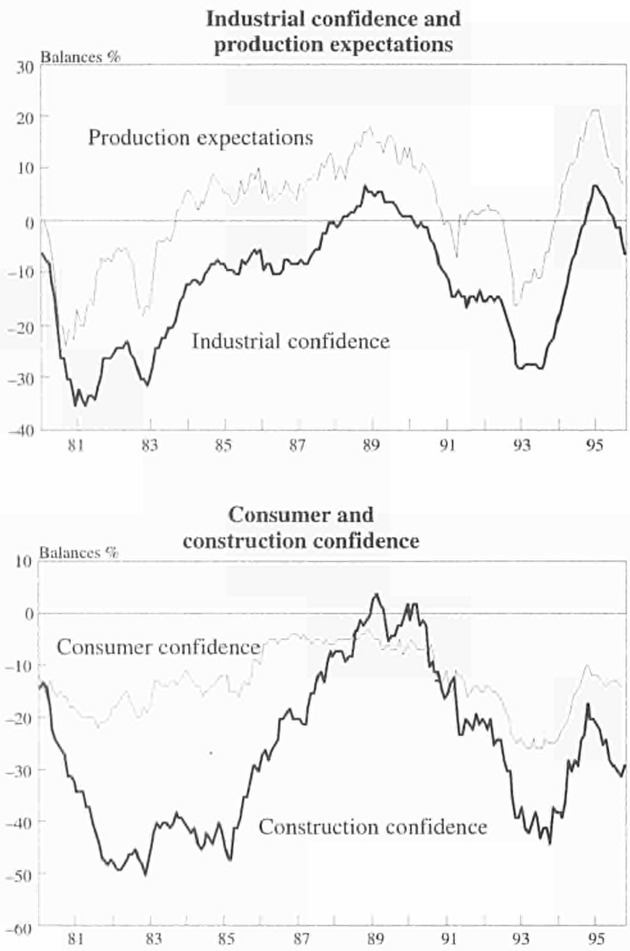
1 Contribution to change in GDP.
2 Goods and services including intra–EC trade.

The slowdown has essentially been caused by two types of forces. The slowdown of growth was initially induced by so–called "classical" cyclical forces, including an end to the early–cycle boost from stockbuilding and a switch from external to internal forces driving the recovery. Such factors also caused a short–lived growth pause during the recoveries of the mid–1970s and the early 1980s, roughly at the same period of the upward phase. However, the "classi-

1 Some countries (Greece, Ireland, Austria, Portugal and the United Kingdom) had not yet presented their budgets for 1996 when the forecasts were completed and so any measures to be included in these budgets could not be allowed for in the forecasts. For monetary policies, "no policy change" means the continuation of the stability–oriented course. Finally, the forecasts are based on the technical assumption of unchanged exchange rates (in nominal terms amongst ERM countries; in real terms otherwise), taking the average of the rates prevailing in September as the starting point.

cal" pause in the current recovery process has been exacerbated by adverse developments in financial markets. In particular, the exchange rate turmoil in the spring of this year – closely associated with market doubts about the resolve of authorities to carry out fiscal and structural adjustments – led to heightened financial uncertainties, a worsened growth outlook and, in depreciating countries, higher inflationary risks. In addition, the rise in long–term interest rates during 1994 appears to have exerted a restraint on economic activity, especially in construction investment.

GRAPH 2 : **Survey indicators – EUR**



Industrial confidence, which by historical standards had reached a record high level in late 1994 and early 1995, fell markedly in the wake of the exchange rate movements in early spring. Production expectations in industry deteriorated sharply from March onwards (graph 2), particularly but not exclusively in countries whose currencies appreciated at the time. The decline in industrial confidence has continued until the latest available survey (October 1995). Confidence in the *construction* sector, which had revived somewhat during 1994, has steadily declined since the end of last year, partly reflecting the impact of the rise in long–term interest rates in 1994. *Consumer confidence* has been comparatively resilient but also here a certain weakening has taken place. Initially, there was a negative impact on consumer confidence in depreciating countries as consumers anticipated risks of higher inflation and interest rates. More recently, this trend has reversed, but consumer confidence has deteriorated in several appreciating countries reflecting a more pessimistic assessment of the general outlook for the economy.

In line with the lower output growth in the Community, the rate of improvement in the labour market has tapered off. The *unemployment* rate – which peaked at 11.4 per cent of the labour force in spring 1994 before starting to decline gradually – remained unchanged at 10.5 per cent in the three months to September 1995. On a more positive note, the acceleration in inflationary pressures during the spring of this year has subsequently abated, partly in response to the growth slowdown. *Consumer price inflation* fell back over the summer to a level of 3.1 per cent (over 12 months) in July 1995 and remained at this level in August and September.

Following the abrupt and sizeable currency movements in March/April 1995, a partial reversal of *exchange rates* took place over the summer. The DM, which appreciated by 6 per cent in effective terms between December and April 1995, fell back by around 2½ per cent by September 1995[1]. Similar movements were recorded for countries whose currencies are closely linked to the DM. The Italian Lira, which dropped by around 13 per cent in trade–weighted terms between December 1994 and April 1995, subsequently recovered most of the lost ground, and by September the level was some 3½ per cent below December 1994 (table 2). Thereafter, renewed weakening of the dollar, coupled with economic and political factors in some member countries, led to exchange rate instability in early autumn, but by early November markets appeared to have calmed down again.

TABLE 2 : **Recent exchange rate developments**
(Nominal effective exchange rates;
Index August 1992 = 100)

	1993	1994	1995			
	Dec.	Dec.	April	Sept.	Oct.	Nov.
Germany	100.8	103.1	109.3	106.6	108.3	108.1
France	100.9	102.4	106.3	105.7	105.9	107.2
Italy	75.1	72.7	63.2	70.2	69.2	69.6
United Kingdom	88.7	87.1	83.1	83.5	83.1	82.4

Changes in officially controlled *short–term interest rates* across the Community have to some extent mirrored the shifts in exchange rates in the spring. In Germany, the discount rate was lowered in March and August 1995 in response to sub–target money supply growth and abating inflationary pressures (aided by the dampening impact of the strong DM). For the Community as a whole, short–term interest rates increased during the currency turbulence in March/April as a number of countries raised rates to defend their currencies or to fight off inflationary consequences of depreciation, but the average interest rate subsequently fell back to a level below that prevailing in late 1994 (table 3). *Long–term interest rates,* which increased

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1 The average of the exchange rates prevailing in September 1995 constitutes the starting point for the technical assumption of unchanged exchange rates (in nominal terms among ERM countries; in real terms otherwise) underlying the forecast.

TABLE 3 : **Recent interest rate developments**

	1993	1994	1995			
	Dec.	Dec.	April	Sept.	Oct.	Nov.[1]
	Short–term interest rates					
Germany	6.1	5.2	4.6	4.1	4.0	3.9
France	6.5	5.9	7.8	6.0	6.9	5.4
Italy	8.6	9.0	10.8	10.3	10.6	10.5
United Kingdom	5.3	6.4	6.7	6.7	6.7	6.6
EUR15	6.9	6.6	7.1	6.4	6.6	6.2
	Long–term interest rates					
Germany	5.5	7.3	6.8	6.1	6.1	5.6
France	5.8	8.3	7.7	7.2	7.4	6.7
Italy	9.2	11.8	12.8	11.2	11.5	11.1
United Kingdom	6.3	8.6	8.4	8.1	8.3	7.4
EUR15	6.8	9.0	8.8	8.0	8.0	7.7

1 Latest available daily rates (29 November), except monthly average for EUR15 and for long–term rates in Italy.

sharply during 1994, came down again by more than 100 basis points to a level of below 8 per cent in the Community on average in November.

Downgrading of output growth in 1995 – The decline in business and consumer confidence as well as recent months' economic indicators point to a rather weak growth picture in the second half of 1995. As a result, Community output growth in 1995 has been revised down to 2.7 per cent from 3.1 per cent in the spring essentially reflecting a scaling down of investment (particularly in construction) and a slight downward revision for private consumption. The expansion of internal demand has been revised down from 2.9 per cent to 2.3 per cent, which is partly off–set by less buoyant import growth, whereas the estimate for export growth has remained broadly unchanged.

The forecast for output growth has had to be revised down for most member countries, but the most significant downscaling has taken place for countries whose currencies appreciated in early 1995. In Germany, the rate of expansion is now expected to be only slightly above 2 per cent (against 3 per cent in the spring forecast). For most other countries, the downward revision is in the range of ¼ to ½ percentage points, although the forecasts for Denmark, Greece, Spain and Italy have remained broadly unchanged and growth in Sweden has been revised up by 1 percentage point thanks to buoyant exports.

2. Healthy fundamentals and positive growth forces should lead to pick–up in 1996

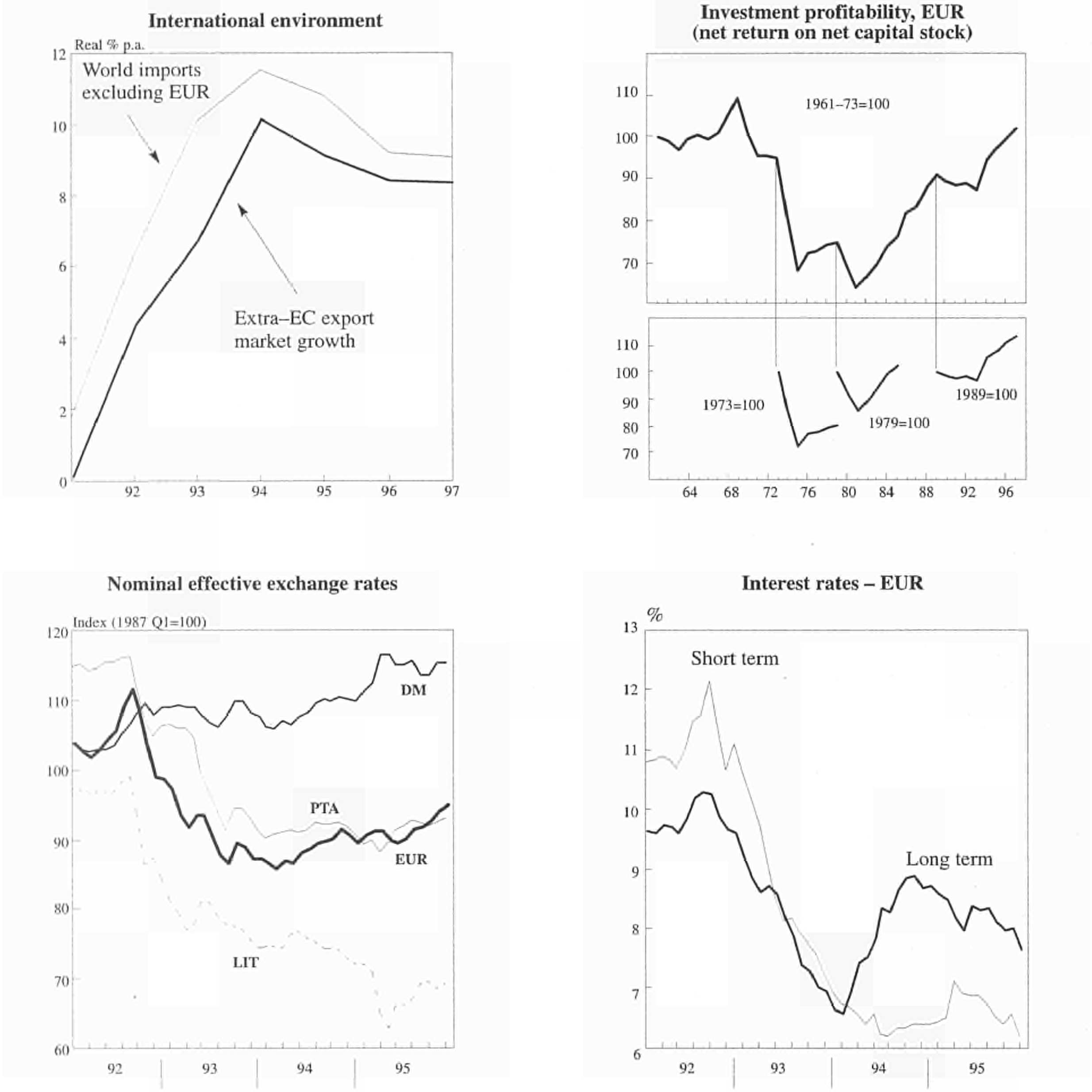
Main forces shaping activity – Notwithstanding the growth moderation in 1995, the main forces determining the growth outlook for the European economy remain broadly favourable (graph 3):

- *Healthy supply–side fundamentals* – Capital profitability remains strong on average and is almost back at the level prevailing in the 1960's: if the latter is set to an index of 100, investment profitability now stands at an index of 96 (for EUR15 in 1995) compared to an index of 85 on average over the period 1986–90. Furthermore, area–wide inflation is low, matching the best performance of the 1960's, and wage pressures appear to be relatively moderate. Thus, much better supply side fundamentals are in place to accommodate a renewed pick–up in demand.

- *International environment remains favourable* – Although the pace of world trade outside the Community has slowed down somewhat from recent years' double–digit rates, it is expected to continue to expand at a healthy pace in 1996/97. World trade is underpinned by sustained growth in the US economy continued high growth in emerging market economies in Central and Eastern Europe as well as in South East Asia (see section on the Community's external environment) and fast–rising Japanese imports in response to the strong Yen as well as recent market–opening measures.

- *Supportive monetary and financial conditions* – For the Community as a whole, the reduction in short–term interest rates since spring and the considerable fall in long–term interest rates since the beginning of this year imply that monetary and financial conditions are, on average, quite favourable to a re–acceleration of demand. In Germany, where the output gap is forecast to be reduced rather slowly and price as well as wage increases are expected to remain modest over the forecasting horizon, short–term interest rates are assumed to fall slightly further until early next year and remain broadly unchanged thereafter. In countries whose currencies have traditionally followed the DM, short rates are assumed to stay close to and/or converge towards German rates. Provided that inflationary pressures remain under control and fiscal consolidation plans are strictly adhered to, short rates are likely to come down also in countries whose currencies depreciated in early 1995. Long–term interest rates are assumed to follow a path consistent with that of short–term rates. Thus, the interest rate setting should continue to be moderately supportive of a pick–up in interest–sensitive demand in 1996/97.

For these healthy fundamentals and positive growth forces to re–assert themselves and bring about a restoration of confidence, it is essential that the steady progress made since 1993 in rebalancing the monetary/fiscal policy mix in the Community is continued and, in some cases, reinforced. This process was characterised by annual reductions in the cyclically–adjusted budget deficits of about half a percentage point of GDP in the Community on average and a progressive but significant easing of monetary conditions. The assumption underlying the forecasts of supportive monetary and financial conditions as well as currency stability is critically dependant upon further, determined progress towards sounder public finances. As amply shown by events over the recent past, credible fiscal consolidation efforts are a prerequisite for exchange rate stability, for less restrictive stability–oriented monetary policies and for reductions in interest rate differentials relative to Germany. Particularly in countries with high fiscal deficits, large public debts or significant interest rate premia, GRAPH 3 : **Main forces shaping activity**



the net impact of credible fiscal retrenchment on output growth is likely to be positive over the forecasting horizon.

In addition, the partial reversal of the spring exchange rate overshooting – which had threatened the growth engines of the present recovery – has improved conditions for more balanced growth and inflation developments across the Community. Nevertheless, in appreciating countries the negative effects on exports and investment of the still sizeable deterioration in competitive positions and the squeezed profit margins in export sectors will extend into the first half of 1996.

The growth outlook – On balance, the combined impact of the strong fundamentals and positive growth forces is expected to spur renewed healthy growth during 1996. For the year as a whole, output growth should reach 2.6 per cent (down by about a ¼ of a percentage point on the Spring forecast), but this average figure masks an acceleration from a moderate pace in the beginning of the year to a rate of around 3 per cent during the year.

The nature of the recovery process remains in line with what has been expected in the Commission's previous forecasts. Strong exports continue to underpin the expansion but the recovery will increasingly be driven by rising investment. Private consumption is expected to pick up more gradually. This should not give cause for concern; in fact it is a sign of the sound basis of the recovery that private consumption is expected to grow at a rate sufficient to support new investment while not leading to excessive pressures on available production capacities.

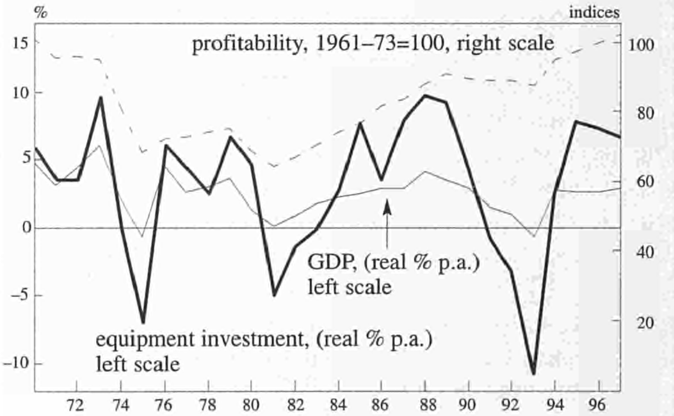
Exports should benefit from the expected buoyancy of extra–EC markets as well as continued growth in intra–EC trade, supported by further economic integration within the Single Market. While the export performance of the Community has continued to benefit this year from the large im–

TABLE 4 : **Composition of growth – EUR**

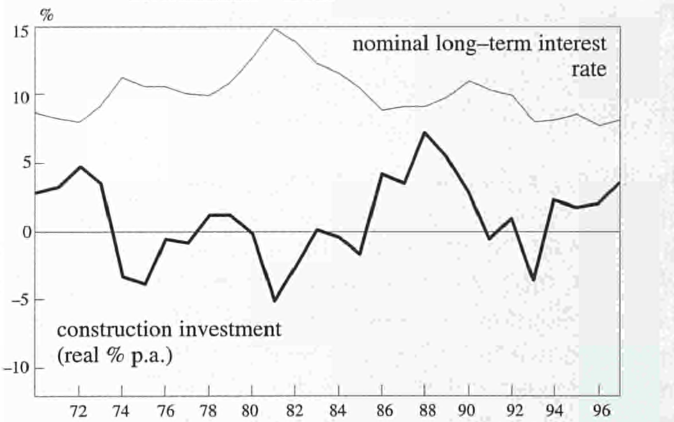
			Forecast		Scenario
	'93	'94	'95	'96	'97
	Real annual percentage change				
Private consumption	–0.3	1.6	1.9	2.2	2.4
Government consumption	1.2	1.0	1.0	1.1	1.2
Gross fixed capital formation	–6.6	2.5	4.5	4.4	5.1
– *of which : Equipment*	–10.6	2.6	8.0	7.4	6.8
– *of which : Construction*	–3.4	2.4	1.9	2.2	3.7
Exports of goods and services[1]	1.7	8.8	7.3	6.3	6.2
Imports of goods and services[1]	–2.6	7.8	6.0	5.8	5.7
GDP	–0.6	2.8	2.7	2.6	2.9
	Contribution to changes in GDP				
Domestic demand (excl. stocks)	–1.4	1.6	2.2	2.4	2.7
– *of which : GFCF*	–1.4	0.5	0.9	0.9	1.1
Stocks	–0.7	0.9	0.1	0.0	0.0
Foreign balance	1.5	0.3	0.4	0.2	0.2

[1] Including intra–EC trade.

GRAPH 4a : **Investment in equipment and its main determinants – EUR**



GRAPH 4b : **Investment in construction and its main determinants – EUR**



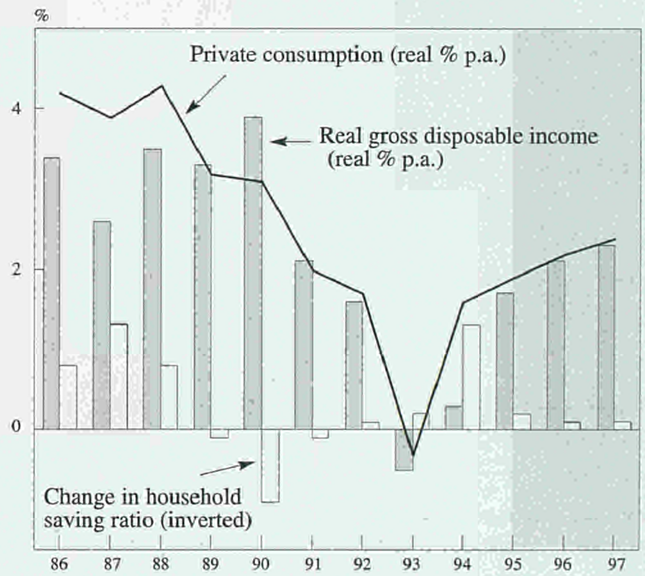
provement in competitiveness between 1992 and 1994, the impact of the subsequent appreciation of the Community currencies will gradually be felt and the previous market share gains are expected to be partly unwound in the next two years. All in all, exports of the Community (to intra– and extra–EC destinations) are expected to decelerate from 8 per cent this year to around 6½ per cent in 1996.

Investment in equipment, which has already responded quite sharply to the pick–up in the economy, is supported by relatively high capacity utilisation rates in manufacturing industries, prospects for sustained growth of final demand, strong investment profitability and rather low interest rates in the Community as a whole. The growth of equipment investment is expected to continue at a buoyant pace, decelerating only slightly from a rate of 8 per cent this year to 7½ percent in 1996.

Investment in construction, however, may pick up only modestly over the forecasting horizon due to a scaling back of public works and the withdrawal of government stimuli to construction which had been introduced in several countries during the period of economic slowdown. The fall in long–term interest rates during 1995 as well as rising incomes and growing investment needs should nevertheless support some recovery in private construction investment. The growth of total construction investment is expected to accelerate moderately to 2 per cent next year.

Private consumption is forecast to pick up gradually in line with accelerating real disposable income, bolstered by rising employment and positive, albeit moderate, real wage increases. Given the relatively cautious mood among consumers, the household saving ratio is expected to edge down only slightly, and consumption expenditures are forecast to rise by 2¼ per cent next year.

GRAPH 5 : **Private consumption and its determinants – EUR**



3. Growth divergence expected to gradually subside

Following the tendency towards rising growth divergence among member countries this year, *inter alia* reflecting the impact of exchange rate movements, a gradual convergence in growth performances is foreseen over the forecasting horizon. Next year, economic growth is expected to be relatively moderate at around 2½ percent for most of the countries whose currencies strengthened in 1995, but this masks a certain acceleration during the year 1996. Conversely, as the export boost wanes, output growth is expected to record no further acceleration in most of the countries whose currencies depreciated in 1995.

In ***Germany,*** the negative impact of the DM appreciation since the summer of 1994 has come through earlier than expected via a deceleration in stockbuilding, weaker than anticipated investment and decelerating exports. Confidence indicators have fallen sharply since March 1995 and leading indicators point to very weak activity in the second half of this year, especially due to lower export growth and a decline in construction investment. The growth pause should be overcome in early 1996 in response to a relatively favourable monetary and fiscal policy setting. Private consumption is expected to grow quite strongly next year, boosted by tax cuts, a rebound in consumer sentiment and growing employment. Improving domestic demand prospects in combination with relatively high capacity utilisation and a progressive restoration of profit margins in the export sector (which suffered in 1995 from the combination of DM appreciation and relatively high wage increases) should lead to an acceleration in investment in equipment. However, construction is set to remain weak owing to lower public sector investment and a downturn in residential construction, which will only gradually be reversed in response to the easing of long–term interest rates. Overall, growth is expected to accelerate from just above 2 percent this year to 2½ percent next year.

TABLE 5 : **Contributions to real GDP growth**
(Per cent of real GDP in the preceding year)

			Forecast		Scenario
	'93	'94	'95	'96	'97
			Germany		
Domestic demand, excl. stocks	–1.1	1.7	1.9	2.3	3.0
– *of which GFCF*	–1.3	0.9	0.5	0.4	1.1
Stockbuilding	–0.2	1.1	0.0	0.1	0.0
Net foreign balance	0.1	0.1	0.1	–0.1	0.1
Real GDP growth	–1.2	2.9	2.1	2.4	3.1
			France		
Domestic demand, excl. stocks	–0.5	1.4	2.4	2.3	2.7
– *of which GFCF*	–1.3	0.2	0.6	0.7	0.9
Stockbuilding	–1.8	1.6	0.1	0.1	0.1
Net foreign balance	0.8	–0.2	0.4	–0.1	–0.1
Real GDP growth	–1.5	2.7	2.8	2.4	2.8
			Italy		
Domestic demand, excl. stocks	–5.0	0.6	1.7	2.0	2.1
– *of which GFCF*	–2.8	0.0	1.0	1.0	0.8
Stockbuilding	–1.4	0.8	0.2	0.1	0.0
Net foreign balance	5.1	0.8	1.3	0.9	0.7
Real GDP growth	–1.2	2.2	3.2	3.0	2.9
			United Kingdom		
Domestic demand, excl. stocks	1.8	3.0	1.9	2.5	2.2
– *of which GFCF*	0.1	0.6	0.5	1.0	0.8
Stockbuilding	0.3	0.4	0.1	–0.2	0.0
Net foreign balance	–0.1	0.4	0.6	0.4	0.5
Real GDP growth	2.0	3.8	2.6	2.7	2.7

In ***France,*** growth in the first half of 1995 has been sustained by a strong contribution from the external side, owing not least to well performing exports. However, business and consumer sentiment has declined markedly during the year and combined with the impact of the appreciation of the French Franc, economic growth is expected to be relatively subdued in the second half of this year. Yet, investment in equipment is expected to continue growing at a relatively strong pace given the continued large needs to renew equipment and enhance productivity. The restraining impact on investment of relatively high (but declining) real interest rates is alleviated somewhat by the strong financial position of the business sector. Private consumption is likely to continue to grow at a moderate pace next year as the planned fiscal consolidation measures will exert a drag on the rise in disposable income which is only partly compensated by a fall in the saving ratio. With no further positive contribution from the external side, growth may decelerate slightly from 2¾ percent this year to around 2½ percent next year.

In ***Italy***, the renewed fall in the Lira exchange rate in the Spring of this year in combination with further policy tightening has deepened the rift between the booming external sector and a very subdued domestic economy. The Lira's drop to an excessively low level led to a marked acceleration in exports in the first half of this year (20 percent annualised growth rate on the previous half–year). Export market gains will inevitably fade but should remain noticeable next year. Buoyant investment in equipment has helped capacity in the export sector keep apace this year and it is expected to expand significantly also in 1996. In stark contrast, consumption has remained subdued in the first half of 1995 in response to increased uncertainty, rising inflation, tax increases and lower real wages. Unless there is a significant reduction in financial and other uncertainties, the continued need for fiscal tightening will bear down on the growth of private consumption. At present, consumption expenditures are foreseen to remain subdued and accelerate only moderately in response to higher employment and a small improvement in real wages in 1996. This acceleration to some extent makes up for the lower contribution from exports and equipment investment, and GDP growth is expected to slow down only very little from 3¼ percent this year to 3 percent in 1996.

The ***United Kingdom*** appears to have succeeded in achieving a soft "landing" after last year's high growth rate of just under 4 percent. The key to this success has been a pre–emptive tightening of monetary policy combined with fiscal consolidation and moderate wage increases. However, the slowdown in growth this year appears to be slightly more pronounced than anticipated. In the first half of the year, exports were surprisingly weak (partly due to a levelling off of oil exports), but in the wake of the depreciation of Pound Sterling and continued strong market growth, exports are expected to recover and grow at a healthy pace in 1996. Investment growth was also disappointingly low in the first half of 1995, but given the improved competitive position, strong company profits and prospects for sustained demand growth, investment in equipment is expected to expand more rapidly into next year. Investment in construction, however, is restrained by continued weakness in the housing market and by cuts in public investment. Private consumption is expected to continue growing at a steady pace as employment increases and real wages grow moderately, while fiscal tightening in 1995 and 1996 is partly off–set by small declines in the household savings ratio. GDP growth is expected to continue at a steady pace of 2½ to 2¾ per cent per year throughout the forecasting period.

In **Belgium, Denmark, the Netherlands** and **Austria,** the pace of economic activity is restrained this year by the negative impact on exports of the appreciation of their currencies. For Austria, this is partly compensated by the strong expansion of trade with east European countries, while in the Netherlands, overall growth is sustained by large government construction investment. In Denmark the expansion of domestic demand should slow to a more sustainable rate following recent years' strong pace, whereas in Belgium, economic activity continues to be restrained by very subdued private consumption. Next year, output growth in all of these countries is expected to converge on the 2½ per cent growth rates also expected in Germany and France. Output growth is expected to decelerate in 1996 in **Sweden** as the export boost wears off, while the rebound in private consumption may be restrained by higher taxes. The same applies to **Finland** although economic activity is expected to remain very buoyant aided by a strong recovery of investment from a very low level. In **Spain,** an acceleration of domestic demand should compensate for lower export growth and the expansion of economic activity is expected to be steady next year, while growth should be on an upward trend in **Portugal**. In **Greece,** economic activity is expected to accelerate moderately as the economy is influenced by planned fiscal consolidation and an expected real appreciation of the Drachma. **Ireland** remains the Community's front–runner in terms of economic growth, although the expansion is likely to proceed at a slightly less buoyant pace than this year.

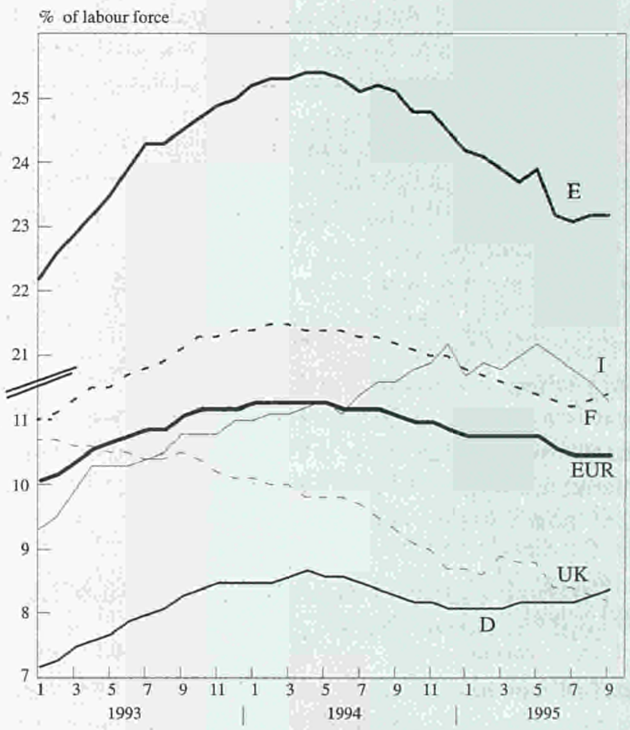
4. Moderate improvement in the labour market

The outlook for a gradual firming of economic activity in 1996 engenders the prospect of a continued, moderate, improvement in the labour market situation. Employment in the Community, which had fallen by more than 6 million over the period 1992–94, responded to the pick–up in activity with a lag of around one year and started rising as of mid–1994. Employment is expected to rise by about ¾ of a per cent in 1995 and by close to 1 per cent in 1996, corresponding to the net creation of 2.4 million jobs over the two years. The rise in employment is aided by wage restraint, as the growth of real wages is expected to be more than 1 percentage point below productivity growth in 1995, even though this differential may decline to ¾ of a percentage point in 1996.

This year, the most visible gains in employment are expected to be made in Denmark, Spain, Ireland, Finland and to a lesser extent Sweden, reflecting the strength of recovery in these countries aided in some cases by improvement in the functioning of the labour market. In contrast, employment is expected to fall or remain stagnant in 1995 in Belgium, Germany, Italy, Austria and Portugal. However, these differences are expected to subside as growth rates converge and employment should rise in all fifteen member countries in 1996.

Better job prospects are expected to induce a return to the labour market of discouraged workers and a higher entrance of new job seekers which will lead to renewed growth in the labour force in 1995–96. However, given the

GRAPH 6 : **Unemployment rates**



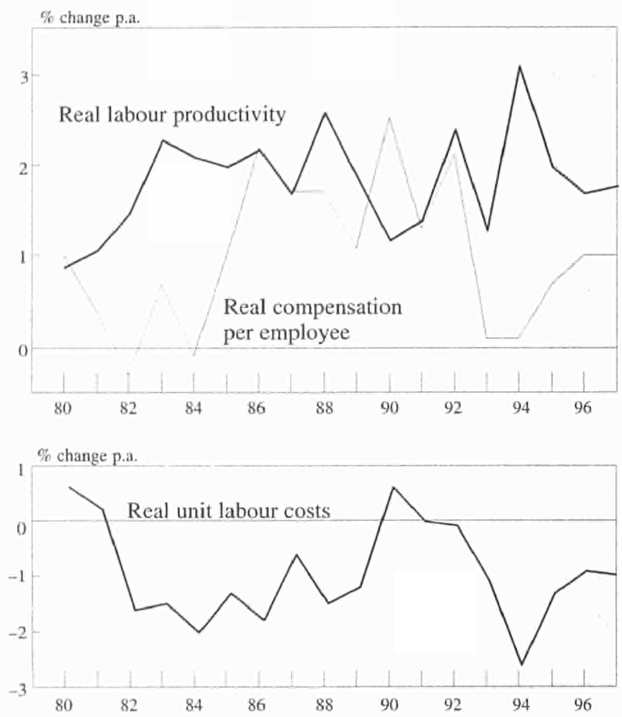
Source : Eurostat.

TABLE 6 : **Labour market outlook – EUR**
(Annual percentage change, unless otherwise specified)

							Forecast		Scenario
	61–73	74–85	86–90	91–93	94–97	1994	1995	1996	1997
Population of working age (15–64 years)	0.6	0.8	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Labour force	0.4	0.7	0.9	–0.1	0.4	0.2	0.2	0.5	0.6
Employment	0.3	0.0	1.3	–1.1	0.6	–0.4	0.7	0.9	1.1
Unemployment rate (%)[1]	2.3	6.4	9.0	9.5	10.6	11.3	10.7	10.3	9.9
Labour productivity, whole economy	4.4	2.0	1.9	1.7	2.2	3.1	2.0	1.7	1.8

1 Eurostat definition.

GRAPH 7 : **Wage developments – EUR**



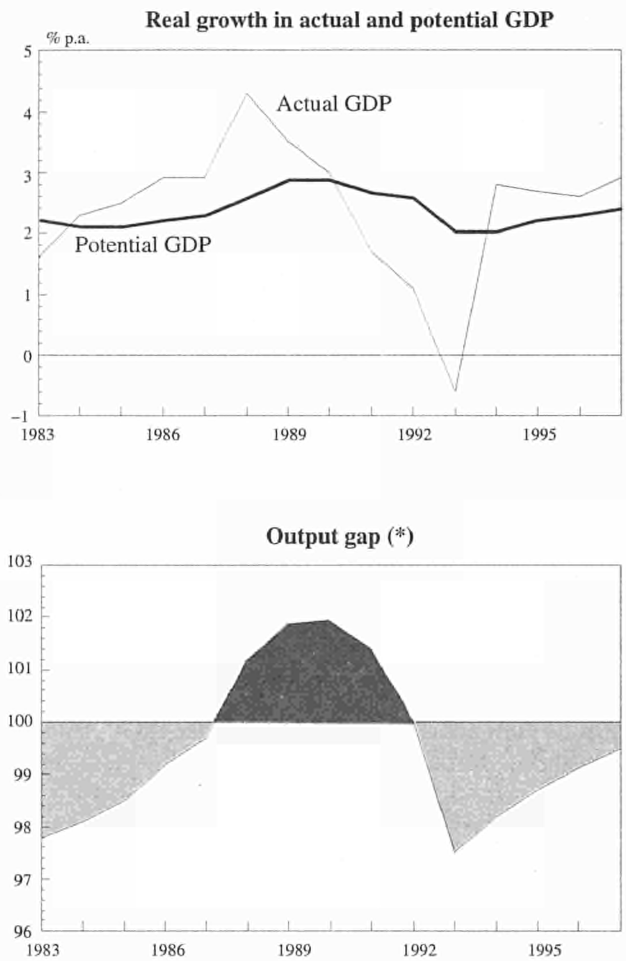
continued high level of unemployment, labour discouragement is expected to subside only gradually and the growth of the labour force should remain somewhat below the level registered during the boom years 1986–90.

In these circumstances, the unemployment rate is expected to decline by around ½ of a percentage point both this year and next, but it will remain high at just above 10¼ per cent in 1996. Over the two years 1995–96, the reduction in the number of unemployed amounts to some 1.6 million persons. Over this period, the jobless rate is expected to fall in all member countries except Austria, Greece and Luxembourg where it remains roughly unchanged. Unemployment is expected to decline more rapidly than the Community average especially in Denmark, Spain, Ireland and Finland although it will still be at a very high level in the latter three member countries.

5. Further progress expected in inflation convergence towards low level

After a slight up–tick during the first half of 1995, the average rate of inflation in the Community (private consumption deflator) is expected to edge down further to 3 per cent next year. The benign outlook for inflation reflects the influence of two main factors. First, the expected growth of activity will result in a rather slow narrowing of the output gap in the Community and the projected robust growth of investment should lead to a sufficient expansion of productive capacities to avoid inflationary pressures arising in manufacturing industries. Secondly, given the increased credibility of the objective of low inflation, wage inflation is expected to remain below 4 per cent and the growth of unit labour costs should remain subdued. In addition to these two factors, raw materials prices – which decelerated in the first half of 1995 – are expected to remain subdued.

GRAPH 8 : **Actual and potential GDP – EUR**



(*) Ratio of actual to potential GDP.

GRAPH 9 : **Countries where inflation is forecast to exceed 3 percent in 1997**

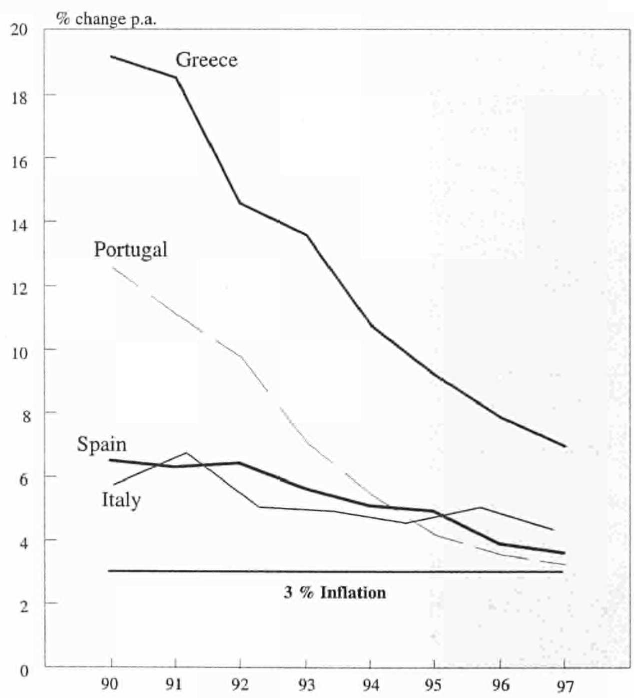


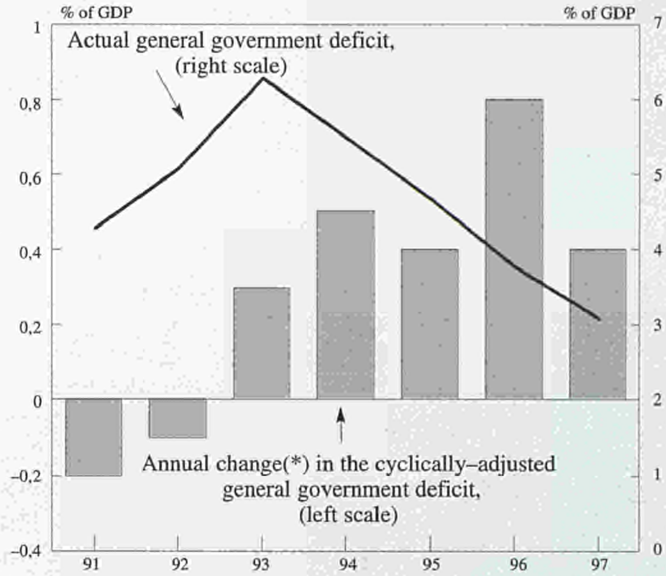
TABLE 7 : **Inflation outlook – EUR**
(Annual percentage change)

			Forecast		Scenario
	'93	'94	'95	'96	'97
Private consumption deflator	4.0	3.2	3.1	3.0	2.7
GDP deflator	3.7	2.7	2.9	2.9	2.7
Compensation per employee	4.1	3.3	3.7	3.9	3.7
Unit labour costs	2.7	0.2	1.8	2.2	1.9
Import prices of goods[1]	2.5	2.3	3.3	2.5	2.6

1 Including intra–EC imports.

Inflation is expected to remain low or to decline in all member countries. In those 11 member states where the rate of inflation is already below 3 per cent, it will stay below that level in the years to come. In the remaining 4 member states, inflation will gradually decline towards that level. Spain and Italy experienced an acceleration in consumer prices over the first half of 1995, but recently inflation has been falling in Spain and it appears to have stabilised in Italy albeit at a high level. Inflation is forecast to decelerate considerably to a range of 3¾ to 4¼ per cent next year in Portugal, Spain and Italy. In Greece, the assumed real appreciation of the Drachma and fiscal tightening should help bring down inflation, but it could still remain high at almost 8 per cent next year.

GRAPH 10 : **Fiscal policy – EUR**



(*) A "+" ("–") sign means a higher (lower) positive figure or a lower (higher) negative one compared to the previous year.

6. Continued moderate reductions in budget deficits

General government net borrowing in the Community as a whole, which peaked at 6.3 percent of GDP in 1993, is expected to fall to 4.7 per cent of GDP in 1995. The improvement has been the result of a combination of improved cyclical conditions, lower interest rates on government debt and discretionary fiscal measures aimed at cutting deficits. Of the budgetary adjustment between 1993 and 1995, almost half is due to the operation of the cycle (the automatic stabilisers contributed 0.7 percentage points of the 1.6 percent improvement), with the remainder emanating from a reduction in the structural deficit. The primary deficit, i.e. government borrowing excluding interest payments, has swung from a deficit of 0.8 percent of GDP in 1993 to a surplus of a similar size in the present year. The necessity to maintain primary surpluses is the inevitable legacy of insufficient fiscal discipline over the previous two decades which has caused the build–up of large public debts and a heavy burden of annual interest payments, thereby crowding out other, more productive, government expenditure.

The government deficit is expected to fall further to 3¾ percent of GDP in 1996 mainly as a result of widespread fiscal consolidation efforts. In continuation of the trend which has been observed since 1993, government revenues are expected to rise in line with the growth of economic activity, implying an unchanged fiscal pressure as a share of GDP. The share of public expenditure in GDP, which peaked at around 52½ per cent of GDP in 1993, should be reduced somewhat further to 50 per cent of GDP in 1996. Despite the reduction since 1993, this level remains high by historical and international comparisons.

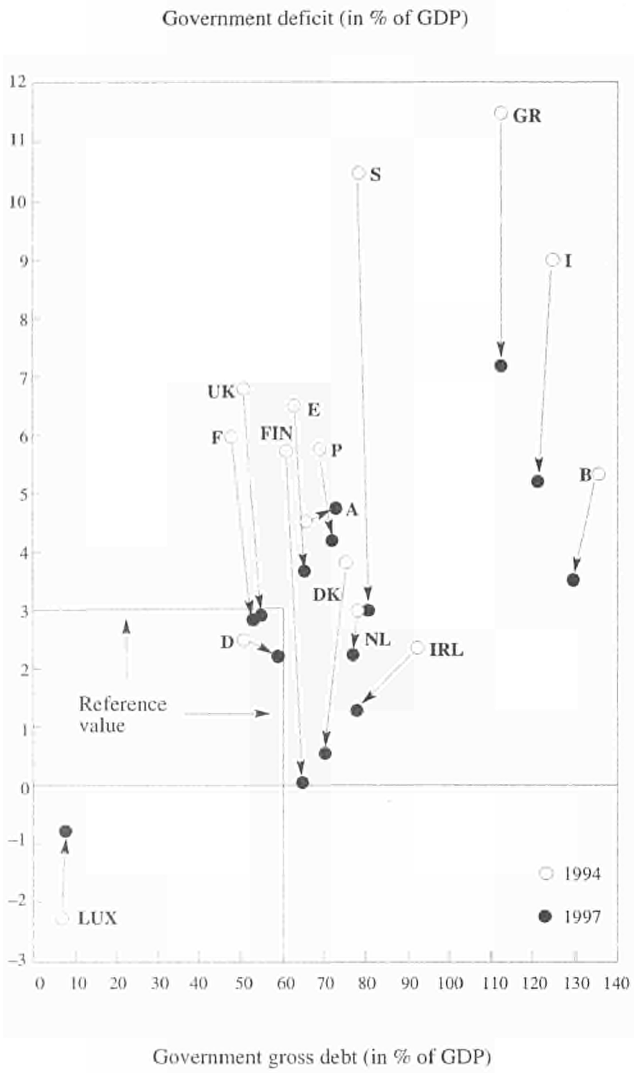
A reduction in public deficits is projected to take place in all member countries next year, reflecting the general recognition of the need to cut budget deficits and to prevent any slippage from the announced consolidation paths. Several countries have taken courageous efforts in this regard in the recent past: the reduction in the cyclically adjusted deficit in 1996 is expected to exceed, or be of the order of, 1 percentage point of GDP in Belgium, Greece, Spain, France, Italy, Finland, Sweden and the United Kingdom.

TABLE 8 : **General government budgetary position – EUR**
(Percent of GDP)

							Forecast		Scenario
	1989	1990	1991	1992	1993	1994	1995	1996	1997
Current receipts	44.8	44.7	45.1	45.6	46.2	45.9	46.2	46.2	46.0
Expenditure	47.2	48.2	49.5	50.7	52.5	51.4	50.9	50.0	49.1
Actual balance	–2.4	–3.6	–4.3	–5.1	–6.3	–5.5	–4.7	–3.8	–3.1
Primary balance	2.2	1.2	0.5	0.2	–0.8	–0.2	0.7	1.6	2.3
Cyclically–adjusted deficit[1]	–3.7	–5.2	–5.4	–5.4	–5.1	–4.6	–4.2	–3.4	–3.0
Gross debt	62.2	58.7	56.0	60.3	66.2	68.1	71.0	71.6	71.3

1 As estimated by the Commission services.

GRAPH 11 : **General government budgetary positions**



Note : The arrow means the development in the respective country from 1994 to 1997.

In 1996, the government budget deficit is expected to be below 3 per cent of GDP in six member countries (Denmark, Germany, Ireland, Luxembourg, the Netherlands and Finland), and only fractionally above the reference value in Belgium.

The budget deficit reduction is not sufficient to prevent a further increase in the government debt to GDP ratio for the Community as a whole in 1996. The debt ratio, which jumped from around 68 percent of GDP last year to around 71 percent of GDP this year (partly as a result of the take–over by the German government of the accumulated debt of the Treuhandanstalt), is expected to rise further to 71½ percent of GDP in 1996.

The level of government debt is expected to be below 60 percent of GDP in four countries in 1996 (Luxembourg, the United Kingdom, France and Germany where it might approach 60 per cent). Between the recession year 1993 and 1996, the ratio of government debt to GDP is projected to fall by 16 percentage points of GDP in Ireland, 8 percentage points in Denmark, 5 percentage points in Belgium and somewhat less in the Netherlands. In Italy, the government debt ratio is expected to decline moderately for the second year running in 1996, but in the remainder of the member states the government debt ratio is expected to remain unchanged or in some cases to increase in 1996.

7. Sustained improvement in external balances

The Community's current account balance, which swung into surplus in 1994, is expected to improve again this year mainly as a result of continued strong international demand combined with a lower pace of Community imports following the moderation of domestic demand in member countries this year. The current account surplus is expected to exceed ½ of a percent of Community GDP this year and it should increase slightly further to ¾ of a percent of GDP in 1996. Again, the improvement is mainly due to a growing trade surplus (national accounts basis). Healthy export growth to third countries is expected to continue to slightly outpace the growth of Community imports in 1996, while the terms of trade are expected to be roughly unchanged.

TABLE 9 : **External balance – EUR**
(Percent of GDP)

			Forecast		Scenario
	'93	'94	'95	'96	'97
Trade balance (fob/fob)	1.0	1.3	1.7	1.8	2.0
Services balance	0.3	0.3	0.3	0.2	0.2
Factor income and transfers	–1.3	–1.2	–1.5	–1.5	–1.5
Current account balance	0.0	0.3	0.5	0.6	0.7

8. Scenario for 1997 based on unchanged policies

The forecast scenario developed for 1997 on the basis of "unchanged economic policies" is essentially an extrapolation of expected trends in 1996. As a result of the continued positive forces acting upon the economy, activity is assumed to expand at a rate of around 3 per cent throughout the year. Output growth will continue to be driven mainly by strong investment in equipment, supported by healthy exports and a modest further acceleration in private consumption.

Against this background, employment in the Community is forecast to expand by more than 1 per cent in 1997 (corresponding to 1.7 million jobs), resulting in a further reduction in unemployment to around 9¾ per cent of the labour force in 1997. The number of unemployed thus falls by a further 0.6 million.

In this scenario, wage increases are expected to remain low and roughly in line with the objective of low inflation. In addition, the expansion of productive capacity is expected to keep pace with the increase in demand. Thus, inflation is projected to remain low and could edge down to a historically low level of 2¾ per cent in 1997. Inflation convergence should make further progress as the rate of price increases is expected to fall to a range of 3¼ to 3¾ per cent in Portugal, Spain and Italy and to some 7 per cent in Greece.

The budget projections for 1997 illustrate the consequences for public finances in the absence of further discretionary fiscal consolidation measures. However, certain of the measures which have already been decided will produce lasting effects, and since the cyclical position is furthermore expected to improve, the government deficit is projected to fall further to just above 3 percent of GDP in 1997 for the Community as a whole.

The number of countries whose deficit would be below 3 percent of GDP would rise to eight with the addition of France and the United Kingdom to this group. For the remaining seven member states, the extent to which their deficit exceeds the reference value provides a measure of the additional efforts needed. On current projections, the additional effort required in order to reduce the deficit to below 3 percent of GDP is expected to be of the order of a ½ percentage point of GDP or less in Sweden, Belgium and Spain. In order to achieve the objectives set out in their convergence programmes, larger efforts would be required in Portugal, Austria, Italy and Greece.

On unchanged policies, the government debt ratio in the Community would decline slightly in 1997 to around 71¼ percent of GDP. The debt–to–GDP ratio would decline in almost all member countries, but to varying degrees, in part reflecting the differences in the level of public debt. However, in Austria, the government debt could rise to 72 per cent of GDP in the absence of further fiscal consolidation measures, while in France, the debt ratio might increase, but it would stay well below 60 percent of GDP.

9. Risks and uncertainties characterising the economic outlook

Given the continued worsening of economic sentiment across the Community in recent months, the downside risks to the forecast for the remainder of 1995 and for early 1996 appear to have risen considerably. These risks are mainly domestic in origin, although the uncertainties surrounding the external environment cannot be neglected. Conversely, the chances of a better–than–expected outcome in 1997 appear favourable in view of the current, healthy fundamentals of the European economy.

Self–reinforcing loss of confidence – In the period immediately ahead, an important downside risk is that economic agents may stick to their current wait–and–see attitude in response to uncertain growth and employment prospects and uncertainties about the necessary fiscal and structural adjustments. This could generate a self–reinforcing spiral of weak sentiment and scaling–back of spending and hiring decisions. If this risk materialises, the slowdown could be more severe and possibly more protracted than currently anticipated.

Credibility of budgetary policies – There is a certain danger that the current growth moderation could lead to pressures to relax the necessary budgetary and structural reform efforts. However, any uncertainty about the resolve and ability of governments to implement fiscal consolidation plans, and about the details of measures to be taken, would continue to undermine private sector confidence and would increase the risk of renewed turbulence in foreign exchange and financial markets. As amply demonstrated by the events of September 1992 and March/April 1995, currency turmoil may have an immediate and pronounced negative impact on the expansion of real activity. Therefore, any attempt to scale back fiscal adjustments would most likely produce perverse effects.

Less favourable international environment – The current state of the Community economy has raised its exposure to adverse developments in the international economy. The present forecast is elaborated on the basis of a US–dollar exchange rate vis–à–vis the DM which is low by historical standards, but given recent volatility the risks to the US–dollar exchange rate assumption appear to be evenly balanced. More importantly, the assessment of slowing, but still buoyant, world demand growth could turn out to be overly optimistic, particularly if the US economy were unexpectedly to slow down markedly over the forecast horizon.

Healthy fundamentals could lead to a stronger rebound – On the other hand, if governments resolutely take the necessary decisions to meet stated commitments and to achieve and maintain a sound and stable macroeconomic environment, this is likely to boost business and consumer confidence, to dispel doubts about the EMU process and to lead to a lowering of interest rates due to a reduction in risk premia. If such a favourable climate emerges, the strong fundamentals are likely to reassert themselves, leading, through a virtuous circle of improved confidence and higher business spending, to a better growth outlook, especially in 1997.

THE COMMUNITY'S EXTERNAL ENVIRONMENT

1. World trade: strong expansion likely to abate gradually

The outlook for output growth in *OECD–countries outside the Community* in 1995–96 has been revised moderately downwards since the Spring forecasts, essentially due to lower–than–expected growth in Japan this year. However, with no signs of inflationary tensions and in the absence of major constraints on capacity, economic activity in industrialised countries outside the Community is expected to reaccelerate from this year's 2 per cent to around 2½ and 3 per cent in 1996 and 1997, respectively. Economic activity in *non–OECD countries*, which performed as expected this year with an average GDP–growth of around 5 per cent, is likewise expected to be moderately higher in 1996–97. Strong output growth is expected to continue in Asia, Latin America and Eastern Europe while the economic situation is expected to improve considerably in the former Soviet Union.

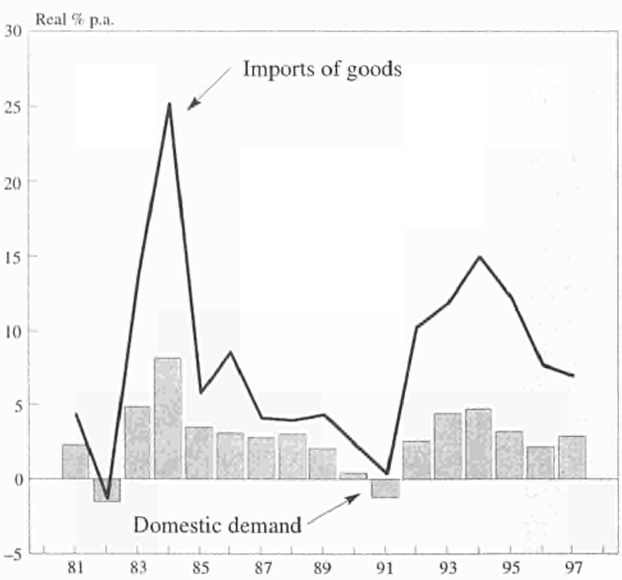
TABLE 10 : **International economic environment**
(Real annual percentage change)

	Weights	'93	'94	Forecast '95	Forecast '96	Scenario '97
World output	100.0	2.2	3.6	3.4	3.9	4.4
EUR	23.5	–0.6	2.8	2.7	2.6	2.9
World excl. EUR	76.5	3.0	3.8	3.6	4.4	4.8
– USA	21.2	3.4	4.1	3.1	2.3	3.2
– Japan	8.4	–0.2	0.5	0.4	2.4	2.9
– CCEE[1] + FSU[2]	5.2	–8.4	–7.4	–4.3	4.0	4.8
– DAEs[3]	4.8	6.8	7.9	7.9	7.4	7.3
World imports excl. EUR[4]	61.9	10.1	11.4	10.8	9.2	9.1
– USA	16.6	11.9	15.0	12.3	7.7	7.0
– Japan	5.9	7.0	13.3	11.4	10.5	12.6
– CCEE[1] + FSU[2]	3.4	4.6	7.0	7.3	9.0	8.5
– DAEs[3]	13.5	13.4	15.8	14.4	12.4	11.7
Extra–EC export market growth		6.8	10.2	9.2	8.5	8.4

1 Countries from Central and Eastern Europe (including the Baltic States);
2 Former Soviet Union (excluding the Baltic States);
3 Dynamic Asian Economies;
4 Goods only.

Despite increasing output growth in OECD as well as non–OECD countries, import growth is forecast to decelerate in both regions in 1996–97. The exceptionally high elasticity of imports with respect to GDP–growth observed in recent years cannot be expected to continue, in part because of the expected less strong growth contributions from import–intensive demand components such as stockbuilding and investment in equipment. Thus, the brisk expansion of *imports in non–EC countries* in 1993–95 is expected to loose some momentum in 1996–97, but still remain high by historical standards. Imports in *OECD–countries outside the EC* appear to be slowing down as expected to around 10 per cent in 1995, and they are forecast to decelerate further to around 7½ per cent in 1996–97. In contrast, the increase in imports in *non–OECD countries* is continuing unabated this year (around 11½ percent) and is expected to cool off only slightly to around 10 per cent per year in 1996–97.

GRAPH 12 : **US import growth and domestic demand**



Overall, the growth of extra–EC export markets (i.e. the import growth in non–EC countries weighted with their share in the Community's extra–EC exports) appears to be moderating somewhat this year compared to last year's two–digit pace, and is expected to decelerate slightly further but remain vigorous at around 8½ per cent per year in 1996–97.

2. United States: soft landing followed by gentle rebound

In the United States, it appears that the authorities have succeeded in engineering a soft landing. Owing to the more restrictive stance of monetary policies, lower stockbuilding, decelerating residential construction and the dampening effects of the Mexican Peso crisis, the US economy has slowed down since early 1995, and it is expected to experience moderate, sub–potential, growth until mid–1996. However, activity is expected to rebound gently thereafter. After a pause, business investment is expected to regain momentum in 1997 due to ongoing structural changes, prospects for sustained growth of internal and external demand as well as good profitability. Private consumption should accelerate as higher incomes resulting from rising employment and real wages are enhanced by expected tax cuts. Net exports are likely to improve in accordance with the normalisation of trade flows with Mexico. As activity reaccelerates, unemployment may fall back below 6 per cent of the labour force in 1997, but inflationary pressures should remain under control thanks to the expansion of productive capacities, modest import price inflation and the continued moderate evolution of unit labour costs, possibly aided by an increased flexibility in the labour market.

3. Japan: delayed recovery

In Japan, the lacklustre and hesitant recovery which was under way in 1994 was dealt a severe blow by the renewed strong appreciation of the Yen in early 1995. The economy has not yet been able to escape its deflationary trap and it now appears that this situation could last for several more months. However, the stalling of the recovery has prompted significant policy responses. The latest fiscal stimulus package (amounting to some 3 percent of GDP, of which more than half is in the form of additional public expenditures) coupled with short–term interest rates close to zero and a sizeable depreciation of the Yen over the summer is expected to engineer a gradual recovery in 1996–97. Against this background, and assuming that the existing problems in the financial system do not result in a further blow to confidence, GDP growth is forecast to accelerate from ½ per cent in 1995 to 2¼ per cent in 1996 and 2¾ per cent in 1997.

Imports, which have been growing at a rate of around 11 per cent per year in volume terms in 1994 and 1995, should continue to be boosted by the structural opening of the Japanese market caused by the deregulation process and changing consumer habits. Aided by a reawakening of domestic demand growth and the relative strength of the Japanese Yen, import growth is expected to remain vigorous. The current account surplus is forecast to decline gradually from 2¾ percent of GDP in 1994 to around 2 percent of GDP in 1997.

4. Broadly based expansion in Central and Eastern Europe

In Central and Eastern European countries, the decline in output experienced during the first years of economic transition has generally been overcome, and most countries are now experiencing a broadly based expansion. Countries which engaged in reforms early and decisively while paying attention to a sound macroeconomic and financial framework are reaping the fruits of their efforts.

For the *associated six countries*, the strength of activity has been revised up to 4¼ per cent in 1995, and output growth is expected to accelerate further to 4½ to 4¾ per cent per year in 1996–97. The expansion is likely to be particularly vigorous in Poland, the Czech republic, Slovakia and Romania, while it is expected to be more hesitant in Bulgaria and Hungary. Of the four countries with which "Europe Agreements" are in the process of being ratified or have been initialed, the *Baltic States* present a mixed picture (strong growth in Estonia and Lithuania while Latvia is currently experiencing a crisis), whereas *Slovenia* is engaged in a sound and steady expansion.

TABLE 11 : **Real GDP growth in CCEE and FSU**
(Annual percentage change)

				Forecast		Scenario
	Weights	1993	1994	1995	1996	1997
Central and Eastern Europe	*34.9*	1.4	3.6	4.2	4.8	4.4
– Bulgaria	*2.9*	–4.2	1.4	2.8	2.6	1.3
– Czech Rep.	*4.8*	–0.9	2.6	4.1	4.6	4.8
– Hungary	*3.9*	–0.9	2.0	0.9	2.6	2.9
– Poland	*13.7*	3.8	5.0	6.0	6.0	5.0
– Romania	*4.1*	1.3	3.4	3.3	4.9	5.7
– Slovakia	*2.0*	–4.1	4.9	4.4	3.9	3.7
Former USSR (excl. Balts)	*65.1*	–12.8	–16.9	–8.8	3.1	5.2
– Russia	*41.0*	–12.0	–15.0	–8.5	4.5	5.9
– Ukraine	*10.1*	–17.1	–23.0	–10.0	0.0	5.0
CCEE + FSU	*100.0*	–9.8	–10.7	–4.3	4.0	4.8

In the *former Soviet Union (excluding the Baltic States)* and in particular in Russia, the situation has improved appreciably. The recent years' continued decline in production is now bottoming out, and the Russian economy is poised to expand at a rate of 4½ to 6 per cent in 1996–97, which entails a considerable upwards revision since spring.

29 November 1995

DETAILED AUTUMN 1995 ECONOMIC FORECASTS

TABLE 1 : **Gross domestic product, volume** (percentage change at constant prices on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	4,9	1,8	3,0	0,8	2,3	2,2	1,8	–1,6	2,2	2,3	2,2	2,6
DK	4,3	2,0	1,4	1,2	3,4	1,3	0,8	1,5	4,4	3,4	2,6	3,2
D*	4,3	1,7	3,4	2,0	2,6	5,0	2,2	–1,2	2,9	2,1	2,4	3,1
GR	7,7	2,5	1,7	1,1	1,8	3,2	0,8	–0,5	1,5	1,7	1,9	2,2
E	7,2	1,9	4,5	0,6	2,8	2,2	0,7	–1,1	2,0	3,0	2,9	3,2
F	5,4	2,2	3,2	0,2	2,7	0,8	1,3	–1,5	2,7	2,8	2,4	2,8
IRL	4,4	3,8	4,6	3,1	6,0	2,2	3,9	3,1	6,7	6,7	5,6	4,8
I	5,3	2,8	3,0	0,2	2,8	1,2	0,7	–1,2	2,2	3,2	3,0	2,9
L	4,0	1,8	4,6	1,7	3,6	3,1	1,9	0,3	4,4	3,1	3,3	3,5
NL	4,8	1,8	3,1	1,5	2,7	2,3	2,0	0,2	2,7	3,0	2,5	2,8
A	4,9	2,2	3,0	1,6	2,7	2,9	1,8	–0,1	3,0	2,4	2,5	2,8
P	6,9	2,2	5,1	0,7	2,5	2,1	1,1	–1,2	1,1	2,7	3,1	3,3
FIN	5,0	2,7	3,4	–4,0	4,3	–7,1	–3,6	–1,2	4,0	4,8	4,4	4,1
S	4,1	1,8	2,3	–1,7	2,8	–1,1	–1,4	–2,6	2,2	3,7	2,6	2,5
UK	3,2	1,4	3,3	–0,2	3,0	–2,0	–0,5	2,0	3,8	2,6	2,7	2,7
EUR*	4,8	2,0	3,3	0,6	2,8	1,5	1,0	–0,6	2,8	2,7	2,6	2,9
USA	3,9	2,3	2,8	1,8	3,2	–0,5	2,5	3,4	4,1	3,2	2,3	3,2
JAP	9,6	3,6	4,5	1,7	1,4	4,3	1,1	–0,2	0,5	0,4	2,3	2,6

TABLE 2 : **Deflator of gross domestic product** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	4,1	6,7	3,1	3,4	2,4	2,7	3,5	4,1	2,6	2,2	2,3	2,3
DK	7,0	9,0	3,9	1,8	2,5	2,2	2,0	1,1	2,3	2,4	2,6	2,6
D*	4,4	4,1	2,4	4,4	2,2	3,9	5,5	3,8	2,3	2,1	2,3	2,2
GR	4,5	17,7	16,6	15,4	8,8	18,4	14,2	13,6	10,9	9,3	8,0	7,1
E	7,2	15,0	7,4	6,1	4,2	7,1	6,7	4,4	4,1	4,8	4,0	3,8
F	5,0	10,2	3,4	2,6	1,8	3,3	2,1	2,5	1,4	2,0	2,1	1,9
IRL	7,2	12,8	3,2	2,6	2,1	1,7	2,0	4,1	1,2	2,0	2,5	2,7
I	5,5	16,2	6,9	5,5	3,8	7,7	4,5	4,3	3,6	4,0	4,1	3,7
L	4,4	6,7	4,7	5,2	2,7	3,8	5,7	6,2	2,2	3,2	2,6	2,7
NL	6,0	5,6	0,8	2,3	1,8	2,7	2,3	2,0	2,3	2,0	1,5	1,5
A	4,6	5,5	2,9	3,9	2,6	4,0	4,2	3,6	3,4	2,6	2,1	2,2
P	3,9	20,8	13,3	11,7	4,7	14,2	13,5	7,4	5,6	5,4	4,2	3,8
FIN	6,8	10,7	5,6	1,9	2,5	2,5	0,7	2,4	1,2	3,6	2,7	2,4
S	4,9	9,8	7,0	3,7	3,3	7,6	1,0	2,7	3,5	3,9	3,0	2,9
UK	5,1	12,4	5,5	4,7	2,4	6,5	4,3	3,4	2,1	2,3	2,7	2,7
EUR*	5,2	10,5	4,9	4,5	2,8	5,5	4,4	3,7	2,7	2,9	2,9	2,7
USA	3,6	7,0	3,6	2,6	2,0	3,5	2,4	2,0	2,1	1,8	2,0	2,1
JAP	6,0	5,3	1,2	1,4	0,4	2,0	1,5	0,8	0,2	–0,4	0,8	1,2

TABLE 3 : **Final domestic demand, volume** (percentage change at constant prices on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	4,8	1,2	3,8	0,8	2,1	2,0	2,2	–1,8	1,4	2,2	2,1	2,6
DK	4,6	1,3	0,4	–0,0	3,8	–0,4	–0,5	1,0	5,2	4,5	2,5	3,1
D*	4,5	1,3	3,5	2,1	2,5	4,8	2,8	–1,3	2,8	1,9	2,5	3,0
GR	7,9	2,0	2,3	1,1	2,1	3,2	–0,2	0,4	1,0	2,2	2,4	2,7
E	7,7	1,3	6,6	–0,1	2,7	2,8	1,0	–4,1	0,7	3,3	3,0	3,7
F	5,6	1,8	3,8	–0,5	2,7	0,6	0,4	–2,3	2,9	2,4	2,5	2,8
IRL	5,1	2,1	3,3	–0,2	4,7	–0,1	–1,2	0,8	4,2	5,9	4,6	4,0
I	5,3	2,4	3,6	–1,1	1,9	1,8	1,0	–6,0	1,4	1,9	2,1	2,2
L	4,1	1,5	5,5	3,1	2,1	7,7	0,8	1,1	0,3	2,5	2,6	2,9
NL	4,9	1,4	3,0	0,7	2,7	1,9	1,6	–1,2	3,3	3,0	2,1	2,4
A	4,9	1,9	3,4	1,7	3,4	2,9	1,9	0,1	5,5	2,7	2,6	2,7
P	7,3	1,1	7,6	2,6	3,2	4,3	4,3	–0,9	1,7	3,3	3,7	4,2
FIN	5,0	2,5	4,0	–7,3	4,7	–9,2	–6,4	–6,4	2,9	4,6	6,4	4,9
S	3,7	1,5	2,9	–3,2	1,6	–2,1	–1,8	–5,6	1,4	1,5	1,5	1,9
UK	3,2	1,2	4,0	–0,3	2,5	–3,1	0,3	2,0	3,4	2,0	2,3	2,2
EUR*	4,9	1,6	3,9	0,1	2,5	1,2	1,1	–2,0	2,5	2,3	2,5	2,8
USA	4,0	2,5	2,4	2,0	3,2	–1,1	2,9	4,4	4,7	3,2	2,2	2,9
JAP	9,8	2,8	5,4	1,1	2,2	2,9	0,3	–0,0	1,0	1,1	3,1	3,6

* *Notes* : see page 27.

TABLE 4 : **Gross national product at current market prices** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	9,2	8,5	6,3	4,7	4,8	5,6	5,2	3,5	5,1	4,5	4,5	4,9
DK	11,6	10,8	5,4	3,4	6,3	3,8	3,2	3,1	6,8	6,5	5,7	6,4
D*	8,9	5,9	5,9	6,1	4,7	9,0	7,4	2,2	4,8	3,9	4,7	5,3
GR	12,5	20,3	18,6	17,0	10,8	22,2	15,1	13,8	12,7	11,0	10,1	9,4
E	14,9	17,1	12,3	6,6	6,7	9,4	7,3	3,4	4,8	8,3	6,8	7,1
F	10,7	12,5	6,7	2,8	4,6	4,0	3,2	1,1	4,2	5,0	4,5	4,7
IRL	11,7	15,9	7,7	5,4	8,0	5,6	5,0	5,6	8,7	8,1	7,9	7,3
I	11,0	19,3	10,0	5,6	6,7	8,7	4,9	3,2	6,0	7,2	7,2	6,5
L	9,0	11,3	7,9	4,6	4,8	7,1	4,7	2,1	5,1	5,1	4,4	4,6
NL	11,1	7,4	3,9	3,9	4,7	5,0	4,1	2,6	5,6	5,0	4,0	4,4
A	9,7	7,9	5,9	5,7	5,6	6,7	6,7	3,5	7,4	5,1	4,7	5,1
P	11,2	22,8	20,3	12,5	7,2	16,9	15,5	5,4	6,3	7,8	7,3	7,2
FIN	12,0	13,6	9,0	–3,3	7,8	–5,8	–4,1	0,1	7,0	9,3	7,8	7,0
S	9,2	11,4	9,3	1,6	6,5	6,6	–1,2	–0,3	6,1	7,6	6,1	6,2
UK	8,5	13,9	8,8	4,8	5,5	4,4	4,8	5,3	6,0	5,2	5,5	5,5
EUR*	10,0	10,8	7,3	3,7	4,8	6,7	4,2	0,2	4,8	4,2	5,1	5,0
USA	7,7	9,5	6,5	4,4	5,0	2,9	4,8	5,4	6,0	5,0	4,1	5,1
JAP	16,2	9,1	5,9	3,2	1,8	6,3	2,8	0,6	0,6	–0,1	3,1	3,8

TABLE 5 : **Investment in construction, volume** (percentage change on preceding year, 1971-97)*

	1971-73	1974–85	1986–90	1991–93	1994–97	1992	1993	1994	1995	1996	1997*
B	2,3	–2,9	7,6	2,2	3,5	5,3	–1,0	1,5	4,3	3,8	4,5
DK	5,1	–3,4	0,0	–6,2	3,6	–0,4	–6,8	3,0	4,1	2,9	4,4
D*	4,0	–1,4	3,1	4,4	2,9	9,7	0,9	7,8	0,9	–0,4	3,5
GR	12,6	–3,2	2,9	–6,3	3,8	–5,9	–5,1	–3,5	7,0	6,3	6,0
E	7,3	–1,5	10,9	–2,5	6,0	–4,4	–6,5	1,2	9,3	6,8	6,9
F	6,1	–0,8	5,3	–2,8	1,1	–2,5	–5,9	0,2	0,6	1,2	2,3
IRL	8,0	0,6	2,6	–0,7	8,1	0,3	–3,7	9,9	9,0	7,5	6,0
I	0,5	–1,3	2,1	–2,4	–1,0	–2,1	–6,3	–5,2	–1,0	0,8	1,5
L	12,2	–2,8	10,2	6,2	2,8	5,4	4,6	0,6	4,1	3,0	3,5
NL	0,1	–1,7	3,8	0,3	3,4	2,6	–1,6	4,6	4,2	1,7	3,0
A	9,8	–0,7	5,0	4,4	3,7	4,9	2,2	12,3	1,1	0,8	1,3
P	–	–	6,4	3,0	7,9	5,4	–1,0	3,5	9,2	9,3	9,7
FIN	6,3	0,7	4,0	–16,9	4,4	–17,3	–18,8	–5,6	1,5	11,4	11,3
S	–0,5	–1,1	3,9	–10,9	–0,6	–7,7	–19,2	–11,5	0,5	5,2	4,1
UK	2,0	–0,4	6,2	–3,1	2,5	–0,0	–0,6	2,1	–0,1	4,2	4,1
EUR*[1]	4,3	–1,1	4,8	–1,0	2,6	0,9	–3,4	2,4	1,9	2,2	3,7
USA	6,4	1,2	–0,7	–0,2	2,3	4,5	3,9	4,7	1,8	1,1	1,6
JAP	9,1	0,1	6,8	0,3	4,1	–0,6	–0,7	8,3	–1,1	5,1	4,5

[1] EUR without Portugal up to 1985.

TABLE 6 : **Investment in equipment, volume** (percentage change on preceding year, 1971-97)*

	1971-73	1974–85	1986–90	1991–93	1994–97	1992	1993	1994	1995	1996	1997*
B	3,1	2,4	11,8	–7,9	5,3	–6,2	–12,3	–0,7	8,0	7,0	7,0
DK	3,8	3,5	1,6	–3,9	7,0	–13,4	2,0	3,3	13,0	6,4	5,7
D*	0,2	1,6	7,2	–3,0	3,8	–3,5	–14,1	–1,2	4,5	5,0	7,0
GR	11,8	0,7	4,1	1,0	6,1	6,8	1,3	5,9	5,4	6,2	6,9
E	10,9	–0,5	13,0	–8,6	5,8	–3,6	–18,3	0,6	9,4	6,8	6,5
F	9,2	1,0	6,9	–3,3	5,8	–4,1	–5,8	2,3	6,6	7,0	7,2
IRL	13,8	1,6	5,6	–7,6	5,8	–8,2	4,0	3,3	7,0	6,5	6,5
I	9,2	3,2	6,9	–7,4	8,1	–1,3	–19,3	5,3	11,4	9,3	6,6
L	5,4	–2,6	20,4	2,5	–1,6	–12,1	10,0	–16,9	4,9	3,9	3,8
NL	2,2	2,4	3,6	–2,1	5,1	–1,5	–5,3	0,3	12,5	2,5	5,5
A	6,4	2,6	4,9	–2,0	8,5	–3,6	–8,2	8,8	8,7	8,2	8,6
P	–	–	13,2	–1,5	6,2	5,4	–9,2	1,2	6,0	8,5	9,2
FIN	6,2	1,8	6,2	–22,3	22,1	–16,0	–20,0	4,9	27,6	37,9	20,5
S	4,6	3,2	6,9	–14,2	15,6	–16,0	–14,7	18,1	22,4	13,8	8,5
UK	4,0	2,1	5,3	–4,1	6,3	–2,7	1,6	5,8	6,6	8,1	4,7
EUR*[1]	5,5	2,0	7,1	–4,9	6,2	–3,3	–10,6	2,6	8,0	7,4	6,8
USA	8,4	3,4	3,5	8,0	10,7	7,3	19,7	16,3	15,0	5,6	6,3
JAP	7,5	4,3	11,8	0,1	0,9	–1,7	–3,1	–8,5	2,0	4,7	6,0

[1] EUR without Portugal up to 1985.

* *Notes* : see page 27.

TABLE 7 : **Total investment, volume** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	5,1	–0,7	9,5	–2,7	4,3	–1,5	0,2	–6,7	0,5	5,9	5,2	5,6
DK	6,5	–0,9	0,9	–5,1	5,4	–5,7	–7,2	–2,3	3,1	8,7	4,7	5,1
D*	3,9	–0,3	4,8	1,2	3,3	6,0	3,5	–5,6	4,3	2,2	1,7	4,9
GR	10,0	–1,6	3,0	–3,5	4,8	–6,7	–1,1	–2,5	0,4	6,3	6,3	6,4
E	10,5	–0,9	11,6	–4,6	5,9	1,3	–4,1	–10,5	1,0	9,4	6,8	6,8
F	7,7	–0,2	5,9	–3,0	3,0	0,0	–3,1	–5,8	1,1	3,0	3,6	4,3
IRL	9,9	0,7	4,0	–3,7	7,2	–7,1	–3,1	–0,8	7,3	8,2	7,1	6,2
I	4,7	0,5	4,4	–4,9	3,7	0,6	–1,7	–13,1	–0,1	5,3	5,4	4,4
L	4,9	–2,7	13,9	3,8	0,9	9,8	–2,1	4,0	–7,3	4,4	3,4	3,6
NL	5,3	–0,3	3,7	–0,8	4,2	0,2	0,6	–3,1	3,0	7,7	2,1	4,1
A	6,5	0,5	4,9	1,8	5,8	6,3	1,3	–2,1	10,8	4,2	3,9	4,5
P	7,9	–1,3	9,9	0,9	7,0	2,4	5,4	–4,8	2,2	7,5	8,9	9,5
FIN	4,8	1,1	4,8	–18,8	11,1	–20,3	–16,9	–19,2	–2,2	10,5	22,0	15,4
S	4,4	0,6	5,4	–12,4	6,3	–8,4	–10,8	–17,6	–0,4	10,2	9,4	6,3
UK	4,6	0,7	5,7	–3,5	4,2	–9,5	–1,2	0,3	3,7	2,8	6,0	4,4
EUR*	5,7	–0,1	5,7	–2,7	4,1	–0,6	–0,9	–6,6	2,5	4,5	4,4	5,1
USA	4,7	2,1	1,2	3,9	6,9	–5,3	5,8	11,9	10,7	8,9	3,7	4,3
JAP	14,0	1,7	8,8	0,2	2,1	3,7	–1,1	–1,8	–2,5	0,7	4,9	5,4

TABLE 8 : **Private consumption, volume** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	4,3	1,8	2,9	1,7	1,5	3,1	2,9	–0,7	1,3	1,3	1,4	2,0
DK	3,8	1,5	0,5	1,5	4,1	1,2	1,1	2,4	7,6	3,5	2,5	2,9
D*	5,1	2,1	3,4	3,1	2,0	5,7	3,5	0,2	0,9	1,8	2,7	2,7
GR	6,7	3,0	2,6	1,4	1,7	2,3	1,8	0,2	1,5	1,4	1,7	2,0
E	7,2	1,6	4,7	1,0	2,1	2,8	2,1	–2,0	0,9	1,6	2,3	3,3
F	5,3	2,4	3,2	1,0	2,1	1,4	1,4	0,2	1,5	2,2	2,1	2,5
IRL	3,8	2,2	3,6	2,1	3,9	2,0	2,9	1,4	4,3	4,2	3,5	3,5
I	6,0	3,1	4,0	0,2	1,4	2,6	1,5	–3,4	0,9	1,2	1,5	1,7
L	4,6	2,6	4,0	2,8	2,5	6,5	1,7	0,2	2,3	2,4	2,5	2,8
NL	5,6	2,0	2,8	2,2	2,1	3,1	2,5	0,9	2,1	2,1	2,1	2,1
A	4,6	2,4	3,1	1,7	2,5	2,9	1,9	0,2	2,5	2,4	2,5	2,7
P	6,0	1,4	5,6	3,0	1,5	4,8	3,7	0,4	–0,2	1,5	2,1	2,4
FIN	5,2	2,5	3,7	–3,8	3,6	–3,6	–4,9	–2,9	1,8	5,0	4,2	3,3
S	3,3	1,1	2,7	–1,3	1,0	1,1	–1,4	–3,7	0,5	0,6	1,1	1,9
UK	3,0	1,6	4,7	0,1	2,4	–2,2	0,0	2,6	3,1	2,0	2,2	2,2
EUR*	4,9	2,2	3,7	1,2	2,0	2,2	1,8	–0,3	1,6	1,9	2,2	2,4
USA	4,2	2,7	2,8	2,1	3,0	–0,2	3,0	3,5	3,5	2,8	2,6	3,2
JAP	8,7	3,3	4,2	1,6	2,0	2,2	1,7	1,0	2,2	1,0	2,3	2,7

TABLE 9 : **Public consumption, volume** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	5,5	2,2	0,1	1,2	0,9	2,4	0,3	0,8	1,5	0,9	0,5	0,7
DK	5,8	3,0	0,6	1,3	1,1	–0,1	1,4	2,8	1,1	1,0	1,3	0,9
D*	3,8	1,5	1,0	0,1	1,7	–2,9	2,7	0,5	1,0	1,8	2,0	1,9
GR	6,2	5,2	1,4	–0,4	0,3	2,4	–4,7	1,3	0,5	0,4	0,2	0,1
E	4,5	5,0	6,6	3,8	0,4	5,6	3,7	2,3	0,2	0,4	0,4	0,4
F	4,0	2,9	2,1	3,2	1,6	2,8	3,5	3,4	1,2	2,0	1,7	1,7
IRL	5,2	3,7	–0,6	2,1	3,0	2,5	2,5	1,3	3,9	4,1	1,9	2,2
I	4,0	2,7	2,2	1,1	0,1	1,5	1,0	0,7	0,0	–0,8	0,1	1,2
L	3,4	2,4	2,9	3,2	1,7	3,8	3,5	2,2	1,2	1,9	1,9	1,8
NL	2,8	2,1	2,2	1,1	1,1	1,5	1,7	0,2	0,9	1,5	1,0	1,0
A	3,2	2,9	0,9	2,8	1,7	3,1	2,4	3,0	2,2	1,5	1,5	1,5
P	9,1	6,7	5,8	1,5	1,4	3,0	1,4	0,0	1,5	2,0	1,0	1,0
FIN	5,4	4,3	3,2	–1,7	–0,4	2,5	–2,2	–5,3	–0,6	–0,5	–0,4	–0,0
S	4,9	2,7	1,6	0,9	–0,9	3,2	–0,0	–0,6	–1,0	–1,3	–0,7	–0,6
UK	2,5	1,4	1,4	1,1	0,9	2,6	–0,0	0,6	2,0	0,6	0,6	0,6
EUR*	3,8	2,5	2,0	1,5	1,0	1,8	1,7	1,2	1,0	1,0	1,1	1,2
USA	2,5	2,3	2,4	–0,1	–0,8	1,5	–1,0	–0,8	–1,0	–1,2	–0,7	–0,2
JAP	5,8	3,9	2,2	2,0	2,8	1,6	2,7	1,7	2,9	3,1	2,8	2,6

* *Notes* : see page 27.

TABLE 10 : **Price deflator of private consumption** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	3,7	7,5	2,3	2,5	2,3	2,5	2,0	3,1	3,0	1,5	2,4	2,2
DK	6,6	9,6	3,7	1,8	2,0	2,4	1,8	1,0	1,0	2,0	2,4	2,7
D*	3,5	4,3	1,5	4,2	2,2	3,9	4,8	3,9	2,7	1,8	2,1	2,2
GR	3,5	17,5	17,1	15,8	8,7	18,8	15,1	13,6	10,8	9,2	7,9	7,0
E	6,5	15,4	6,6	6,1	4,4	6,4	6,4	5,6	5,1	4,9	3,9	3,6
F	4,8	10,5	2,9	2,6	1,9	3,2	2,4	2,2	1,8	1,9	2,1	1,8
IRL	6,3	13,8	3,2	2,4	2,5	2,8	2,5	1,7	2,7	2,5	2,3	2,4
I	4,9	16,0	5,9	5,8	4,6	6,9	5,4	5,1	4,8	5,6	4,3	3,7
L	3,0	7,4	2,7	2,3	2,3	2,4	0,1	4,4	2,6	1,9	2,2	2,5
NL	5,0	5,7	0,9	2,9	2,0	3,2	3,1	2,3	2,4	1,6	1,8	2,0
A	4,1	5,9	2,0	3,6	2,5	3,5	3,9	3,5	3,0	2,4	2,3	2,4
P	3,9	22,2	11,7	10,2	4,2	12,6	11,1	7,1	5,5	4,2	3,6	3,3
FIN	5,7	10,8	4,5	4,6	1,7	5,6	4,1	4,2	1,3	1,2	2,0	2,2
S	4,8	10,2	6,5	6,0	2,9	10,2	2,2	5,8	3,0	2,8	2,6	3,0
UK	4,8	12,0	5,0	5,2	2,7	7,4	4,7	3,4	2,4	2,9	3,0	2,6
EUR*	4,7	10,7	4,2	4,7	3,0	5,6	4,6	4,0	3,2	3,1	3,0	2,7
USA	3,1	7,1	4,1	3,0	2,2	3,8	2,8	2,4	2,2	2,3	2,1	2,2
JAP	6,1	6,4	1,0	1,9	0,3	2,5	2,1	1,3	0,3	–0,4	0,3	1,0

TABLE 11 : **Compensation of employees per head** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	9,0	9,4	3,8	5,7	3,4	7,9	6,0	3,2	4,9	2,7	2,9	3,3
DK	10,7	10,1	5,1	3,4	3,8	4,3	3,8	1,9	3,2	3,3	4,2	4,6
D*	9,1	5,8	3,5	6,9	3,6	5,9	10,7	4,3	3,2	3,9	3,9	3,2
GR	10,1	21,6	16,6	11,2	9,6	13,8	10,3	9,4	12,3	9,8	8,7	7,5
E	14,6	18,0	7,7	8,1	4,4	8,2	9,3	6,8	4,6	3,9	4,4	4,6
F	9,9	12,9	4,2	3,6	2,9	4,3	4,3	2,2	2,1	3,0	3,2	3,2
IRL	11,3	16,6	6,0	5,2	3,2	3,8	7,0	4,9	3,2	2,7	3,2	3,6
I	11,5	18,2	8,8	5,9	4,4	8,5	5,8	3,6	3,4	4,7	4,9	4,6
L	7,4	9,2	5,1	5,4	4,1	4,8	6,2	5,3	4,5	3,7	3,9	4,2
NL	11,4	6,7	1,7	4,1	2,4	4,5	4,7	3,1	2,3	3,1	1,8	2,2
A	9,6	7,9	4,4	5,6	3,7	6,4	5,9	4,6	3,0	4,0	3,8	4,1
P	10,9	24,1	16,4	11,0	4,8	14,7	9,4	9,1	4,8	6,0	4,5	3,8
FIN	11,2	13,4	8,8	2,8	4,3	5,7	1,9	1,0	3,5	5,5	3,8	4,2
S	8,4	10,7	9,2	4,8	4,9	6,8	3,9	3,7	5,9	3,3	5,6	5,0
UK	8,3	13,9	8,2	6,3	3,4	8,6	5,5	4,9	2,8	3,2	3,8	3,8
EUR*	9,9	12,4	6,1	6,0	3,7	6,9	6,9	4,1	3,3	3,7	3,9	3,7
USA	5,6	7,5	4,4	4,5	3,0	4,6	5,3	3,5	3,2	3,1	2,6	3,0
JAP	14,2	8,3	4,0	2,3	1,4	4,6	1,5	0,8	1,7	1,3	1,3	1,5

TABLE 12 : **Real compensation of employees per head**[1] (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	5,1	1,8	1,5	3,1	1,1	5,3	4,0	0,1	1,8	1,1	0,5	1,1
DK	3,8	0,5	1,4	1,6	1,7	1,8	2,0	0,9	2,2	1,3	1,7	1,8
D*	5,4	1,4	2,0	2,6	1,3	1,9	5,6	0,3	0,5	2,1	1,7	1,0
GR	6,4	3,5	–0,4	–4,0	0,8	–4,2	–4,1	–3,7	1,3	0,5	0,8	0,5
E	7,6	2,3	1,0	1,9	–0,0	1,7	2,8	1,2	–0,5	–0,9	0,5	1,0
F	4,9	2,2	1,3	0,9	0,9	1,1	1,9	–0,1	0,3	1,1	1,1	1,3
IRL	4,7	2,5	2,7	2,8	0,7	1,0	4,4	3,1	0,4	0,2	0,8	1,2
I	6,3	1,9	2,7	0,1	–0,2	1,5	0,4	–1,4	–1,3	–0,9	0,6	0,9
L	4,2	1,7	2,3	3,0	1,7	2,3	6,1	0,8	1,9	1,7	1,7	1,7
NL	6,0	0,9	0,8	1,2	0,4	1,2	1,5	0,8	–0,0	1,5	–0,0	0,2
A	5,3	1,9	2,4	1,9	1,2	2,8	1,9	1,1	0,0	1,5	1,5	1,7
P	6,7	1,6	4,2	0,7	0,6	1,8	–1,5	1,9	–0,7	1,7	0,8	0,5
FIN	5,2	2,4	4,1	–1,7	2,5	0,0	–2,2	–3,0	2,2	4,3	1,8	1,9
S	3,5	0,4	2,5	–1,1	2,0	–3,0	1,7	–2,0	2,7	0,5	2,9	1,9
UK	3,3	1,7	3,1	1,1	0,6	1,1	0,8	1,4	0,4	0,2	0,7	1,1
EUR*	5,0	1,5	1,8	1,2	0,7	1,3	2,1	0,1	0,1	0,6	0,9	1,0
USA	2,5	0,4	0,3	1,4	0,8	0,8	2,4	1,1	1,0	0,8	0,6	0,7
JAP	7,6	1,8	3,0	0,3	1,1	2,1	–0,6	–0,4	1,4	1,7	1,0	0,5

[1] Deflated by the price deflator of private consumption.

* *Notes* : see page 27.

TABLE 13 : **Real GDP per occupied person** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986-90	1991-93	1994-97	1991	1992	1993	1994	1995	1996	1997*
B	4,3	2,1	1,9	1,4	2,2	2,1	2,3	–0,2	3,0	2,1	1,8	1,9
DK	3,2	1,5	1,2	2,1	2,3	2,9	1,2	2,2	4,7	1,3	1,3	2,1
D*	4,0	1,9	1,9	2,4	2,2	2,5	4,1	0,6	3,6	2,1	1,7	1,6
GR	8,1	1,6	1,0	1,1	0,5	5,6	–0,6	–1,5	–0,4	0,7	0,8	1,0
E	6,5	3,4	1,2	2,2	1,4	1,6	1,9	3,0	2,9	0,5	0,9	1,2
F	4,7	2,1	2,4	0,8	1,8	0,7	2,1	–0,4	2,6	1,7	1,4	1,8
IRL	4,3	3,7	3,6	2,7	3,6	2,2	3,5	2,5	4,0	3,1	3,9	3,4
I	5,5	1,8	2,4	1,2	2,9	0,4	1,8	1,5	3,8	3,1	2,4	2,2
L	3,0	1,2	1,5	–1,0	1,3	–1,0	–0,6	–1,4	3,0	0,6	0,5	0,9
NL	3,9	2,0	1,2	0,8	1,6	0,9	1,0	0,4	2,6	1,8	1,0	1,0
A	5,0	1,6	2,2	1,0	2,3	1,2	1,3	0,4	2,8	2,3	2,2	2,0
P	6,6	2,6	3,9	1,0	2,3	–0,6	2,9	0,7	1,3	3,3	2,6	2,2
FIN	4,5	2,4	3,2	2,4	2,6	–2,0	3,7	5,7	5,4	1,7	1,6	1,6
S	3,5	1,0	1,2	2,2	2,1	0,4	3,2	3,2	3,2	1,9	1,6	1,5
UK	2,9	1,6	1,5	2,1	2,3	1,1	1,6	3,7	3,2	1,9	2,0	2,1
EUR*	4,4	2,0	1,9	1,7	2,2	1,4	2,4	1,3	3,1	2,0	1,7	1,8
USA	1,9	0,5	0,6	1,6	1,1	0,5	2,6	1,6	1,0	1,5	0,8	1,3
JAP	8,1	3,0	3,0	0,5	1,2	2,2	–0,0	–0,6	0,5	0,3	2,2	1,8

TABLE 14 : **Unit labour costs, whole economy**[1] (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986-90	1991-93	1994-97	1991	1992	1993	1994	1995	1996	1997*
B	4,5	7,1	1,9	4,3	1,2	5,7	3,7	3,4	1,8	0,5	1,1	1,4
DK	7,3	8,5	3,9	1,2	1,4	1,4	2,6	–0,3	–1,4	2,0	2,6	2,6
D*	4,9	3,8	1,6	4,4	1,3	3,3	6,3	3,6	–0,4	1,8	2,2	1,6
GR	1,8	19,8	15,5	9,9	9,0	7,7	11,0	11,1	12,7	9,1	7,8	6,5
E	7.6	14,2	6,4	5,8	3,0	6,5	7,3	3,7	1,6	3,4	3,5	3,3
F	4,9	10,6	1,8	2,8	1,0	3,6	2,1	2,6	–0,5	1,3	1,8	1,4
IRL	6,8	12,5	2,3	2,5	–0,4	1,5	3,4	2,4	–0,8	–0,4	–0,7	0,2
I	5,6	16,1	6,2	4,7	1,5	8,1	3,9	2,1	–0,3	1,6	2,4	2,3
L	4,3	7,9	3,5	6,5	2,8	5,8	6,9	6,8	1,5	3,0	3,4	3,2
NL	7,1	4,6	0,5	3,3	0,8	3,5	3,7	2,7	–0,2	1,4	0,8	1,2
A	4,5	6,2	2,2	4,6	1,4	5,1	4,5	4,2	0,2	1,7	1,6	2,1
P	4,0	20,9	11,9	9,9	2,4	15,4	6,3	8,3	3,5	2,6	1,8	1,6
FIN	6,4	10,8	5,4	0,4	1,7	7,8	–1,8	–4,4	–1,8	3,7	2,2	2,6
S	4,7	9,6	7,8	2,5	2,8	6,4	0,8	0,4	2,5	1,3	3,9	3,4
UK	5,2	12,1	6,6	4,1	1,1	7,4	3,8	1,2	–0,3	1,3	1,7	1,6
EUR*	5,2	10,2	4,1	4,2	1,5	5,5	4,3	2,7	0,2	1,8	2,2	1,9
USA	3,6	7,0	3,8	2,8	1,8	4,1	2,6	1,9	2,2	1,5	1,9	1,7
JAP	5,6	5,2	1,0	1,8	0,3	2,4	1,5	1,4	1,2	1,0	–0,8	–0,3

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

TABLE 15 : **Real unit labour costs**[1] (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986-90	1991-93	1994-97	1991	1992	1993	1994	1995	1996	1997*
B	0,4	0,4	–1,2	0,8	–1,1	3,0	0,1	–0,6	–0,8	–1,7	–1,1	–0,9
DK	0,2	–0,4	0,0	–0,5	–1,0	–0,8	0,6	–1,3	–3,7	–0,4	0,0	–0,0
D*	0,5	–0,3	–0,8	0,0	–0,9	–0,6	0,8	–0,1	–2,6	–0,3	–0,1	–0,6
GR	–2,5	1,8	–0,9	–4,7	0,2	–9,0	–2,8	–2,2	1,6	–0,2	–0,2	–0,6
E	0,5	–0,8	–0,9	–0,2	–1,2	–0,5	0,5	–0,6	–2,4	–1,3	–0,5	–0,5
F	–0,1	0,4	–1,6	0,1	–0,8	0,3	0,1	0,1	–1,9	–0,7	–0,2	–0,5
IRL	–0,4	–0,2	–0,8	–0,2	–2,5	–0,1	1,4	–1,7	–2,0	–2,3	–3,2	–2,4
I	0,1	–0,1	–0,6	–0,7	–2,3	0,4	–0,5	–2,1	–3,8	–2,3	–1,6	–1,3
L	–0,2	1,1	–1,2	1,2	0,1	2,0	1,1	0,6	–0,7	–0,2	0,8	0,5
NL	1,0	–0,9	–0,3	0,9	–1,0	0,8	1,4	0,6	–2,5	–0,6	–0,6	–0,3
A	–0,2	0,7	–0,7	0,6	–1,1	1,1	0,3	0,6	–3,0	–0,9	–0,5	–0,1
P	0,1	0,1	–1,2	–1,6	–2,2	1,0	–6,4	0,8	–2,0	–2,6	–2,2	–2,2
FIN	–0,4	0,1	–0,2	–1,4	–0,8	5,2	–2,5	–6,6	–2,9	0,1	–0,5	0,2
S	–0,2	–0,1	0,8	–1,2	–0,5	–1,1	–0,3	–2,2	–0,9	–2,5	0,9	0,5
UK	0,1	–0,3	1,0	–0,6	–1,3	0,9	–0,5	–2,1	–2,4	–0,9	–1,0	–1,0
EUR*	0,0	–0,3	–0,7	–0,4	–1,3	–0,0	–0,1	–1,0	–2,5	–1,1	–0,7	–0,8
USA	–0,0	–0,1	0,2	0,2	–0,2	0,5	0,1	–0,0	0,1	–0,3	–0,1	–0,4
JAP	–0,4	–0,0	–0,3	0,3	–0,2	0,4	0,0	0,6	1,0	1,4	–1,6	–1,5

[1] Nominal unit labour costs divided by GDP price deflator.

* *Notes :* see page 27.

TABLE 16 : **Total employment** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	0,6	–0,3	1,1	–0,6	0,1	0,1	–0,4	–1,4	–0,7	0,1	0,4	0,7
DK	1,1	0,5	0,3	–0,9	1,0	–1,5	–0,4	–0,7	–0,2	2,1	1,2	1,1
D*	0,3	–0,2	1,5	–0,4	0,4	2,5	–1,8	–1,8	–0,7	–0,0	0,7	1,5
GR	–0,5	1,0	0,7	0,0	1,3	–2,3	1,4	1,0	1,9	1,0	1,0	1,2
E	0,7	–1,4	3,3	–1,5	1,4	0,6	–1,2	–4,0	–0,9	2,5	1,9	2,0
F	0,7	0,1	0,8	–0,6	0,8	0,1	–0,7	–1,1	0,1	1,1	1,0	1,0
IRL	0,1	0,1	1,0	0,4	2,3	0,0	0,4	0,6	2,6	3,5	1,6	1,4
I	–0,2	0,9	0,6	–1,0	–0,1	0,8	–1,0	–2,6	–1,6	0,1	0,5	0,6
L	1,1	0,5	3,1	2,8	2,3	4,1	2,5	1,8	1,3	2,5	2,8	2,6
NL	0,9	–0,2	1,9	0,7	1,1	1,3	1,0	–0,2	0,1	1,2	1,4	1,8
A	–0,1	0,7	0,7	0,6	0,4	1,7	0,5	–0,4	0,3	0,2	0,3	0,8
P	0,3	–0,4	1,1	–0,3	0,2	2,8	–1,8	–1,9	–0,2	–0,6	0,5	1,1
FIN	0,5	0,3	0,2	–6,2	1,7	–5,2	–7,0	–6,5	–1,3	3,0	2,8	2,5
S	0,6	0,8	1,0	–3,9	0,7	–1,5	–4,4	–5,6	–1,0	1,7	1,0	1,0
UK	0,3	–0,2	1,8	–2,2	0,7	–3,1	–2,1	–1,6	0,7	0,8	0,7	0,6
EUR*	0,3	0,0	1,3	–1,1	0,6	0,1	–1,4	–1,9	–0,4	0,7	0,9	1,1
USA	1,9	1,8	2,1	0,2	2,0	–1,0	–0,2	1,8	3,1	1,7	1,5	1,9
JAP	1,3	0,7	1,5	1,2	0,3	2,1	1,1	0,4	0,0	0,0	0,1	0,8

TABLE 17 : **Employment in manufacturing industries** (percentage change on preceding year, 1974-97)*

	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	–2,9	–0,3	–7,3	–0,3	–1,0	–1,5	–5,1	–1,9	0,0	0,0	0,5
DK	–0,5	–0,1	–0,0	1,8	–2,3	–1,2	–3,8	0,9	3,8	1,4	1,3
D[2]	–1,3	1,2	–2,8	–	1,4	–1,9	–6,3	–5,5	–	–	–
GR	–	–	–	–	–	–	–	–	–0,3	–0,3	–0,3
E	–	2,8	–7,9	1,1	–2,9	–4,7	–10,5	–2,8	0,4	2,0	1,7
F	–1,5	–0,9	–8,5	0,2	–1,6	–3,4	–4,6	–2,5	0,5	1,3	1,3
IRL	–1,2	0,6	–5,5	3,5	–0,2	–0,3	0,1	2,3	3,4	4,1	4,0
I	–1,0	0,3	–9,1	0,1	–2,2	–4,3	–5,1	–1,1	0,1	0,8	0,6
L	–2,0	–1,2	–6,1	–0,5	4,8	–5,4	–3,4	–2,7	–0,1	1,1	1,1
NL	–2,2	1,4	–3,2	–0,3	–0,3	–0,8	–3,6	–4,4	0,4	1,2	1,6
A	–1,0	–0,4	–5,9	–1,7	–0,3	–2,3	–4,5	–3,5	–1,2	–1,3	–0,3
P	–	0,8	–3,9	–0,7	–2,3	–3,4	–3,8	–1,7	–2,5	0,6	1,1
FIN	–0,3	–2,3	–13,0	3,3	–7,3	–9,6	–6,1	0,2	7,0	4,0	3,0
S	–0,9	–0,8	–11,3	2,6	–6,6	–9,5	–7,5	1,0	4,9	2,5	2,0
UK	–3,1	–1,0	–14,4	0,4	–7,6	–4,0	–3,6	–0,3	1,2	0,5	0,6
EUR*[1,2]	–1,7	0,3	–3,4	–0,2	–2,0	–5,0	–5,6	–2,7	0,2	0,9	0,8

[1] EUR without Portugal, Spain up to 1985 and without Greece up to 1994.

[2] Includes West–Germany.

TABLE 18 : **Number of unemployed** (as a percentage of civilian labour force, 1964-97)[1]*

	1964-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	2,0	7,7	8,7	7,6	9,9	6,6	7,3	8,9	10,0	10,2	10,1	9,8
DK	0,9	6,4	6,4	9,2	6,3	8,4	9,2	10,1	8,2	6,9	6,2	5,7
D*	0,7	4,2	5,9	6,7	7,9	5,6	6,6	7,9	8,4	8,3	8,1	7,4
GR	4,2	3,8	6,6	7,8	8,9	7,0	7,9	8,6	8,9	8,9	8,9	8,8
E	2,8	11,3	18,9	19,2	22,6	16,4	18,5	22,8	24,1	22,5	21,7	21,0
F	2,2	6,4	9,8	10,5	11,5	9,5	10,4	11,7	12,3	11,5	11,0	10,6
IRL	5,7	10,6	15,5	15,3	13,6	14,8	15,4	15,7	15,1	14.9	14,5	14,0
I	5,2	7,0	9,6	9,4	11,3	8,8	9,0	10,3	11,4	11,7	11,3	10,9
L	0,0	1,7	2,1	2,2	3,5	1,7	2,1	2,7	3,5	3,8	3,7	3,6
NL	1,3	7,1	7,4	6,0	6,4	5,8	5,6	6,6	7,0	6,7	6,4	6,0
A	1,7	2,5	3,4	3,8	4,5	3,5	3,6	4,2	4,4	4,5	4,5	4,4
P	2,5	6,9	6,1	4,6	6,8	4,0	4,2	5,7	7,0	7,2	6,8	6,3
FIN	2,3	5,3	4,7	12,9	16,2	7,6	13,1	17,9	18,4	17,2	15,6	13,9
S	2,0	2,5	2,1	6,2	9,1	3,3	5,8	9,5	9,8	9,1	8,4	8,2
UK	2,0	6,9	9,0	9,8	8,6	8,8	10,1	10,4	9,6	8,5	8,2	8,1
EUR*	2,4	6,4	9,0	9,5	10,5	8,3	9,4	10,9	11,3	10,7	10,3	9,9
USA[2]	4,6	7,5	5,9	7,0	5,9	6,7	7,4	6,8	6,1	5,8	6,1	5,8
JAP[2]	1,2	2,2	2,5	2,3	3,0	2,1	2,2	2,5	2,9	3,1	3,2	2,9

[1] Series following SOEC definition, based on the labour force survey.

[2] In percentage of total labour force.

* *Notes :* see page 27.

TABLE 19 : **General government total expenditure** (as a percentage of GDP, 1970-97)*

	1970-73	1974–85	1986–90	1991–93	1994–97	1992	1993	1994	1995	1996	1997*
B	43,6	56,9	57,0	55,8	54,1	55,7	56,3	55,6	54,3	53,4	53,0
DK	42,1	53,0	56,8	60,1	59,1	60,1	62,3	62,1	59,0	58,4	56,8
D*	40,1	47,6	46,0	49,0	49,1	48,8	50,0	49,4	49,8	48,8	48,2
GR	–	–	47,1	45,2	47,3	44,8	46,9	48,0	47,4	47,3	46,7
E	23,0	32,6	41,9	46,8	46,3	46,1	49,3	47,9	46,5	45,8	44,9
F	38,2	47,2	51,0	53,1	54,5	52,8	55,5	55,4	54,6	54,2	53,6
IRL	35,9	47,4	45,3	41,1	39,4	41,3	41,3	41,5	40,1	38,5	37,3
I	34,4	42,7	51,2	54,7	52,4	53,6	56,9	54,1	53,1	52,0	50,6
L	33,1	47,6	–	–	41,2	–	43,7	42,3	41,4	41,0	40,0
NL	44,2	55,7	57,0	56,0	51,6	56,1	56,3	54,1	51,9	50,7	49,8
A	40,0	48,6	51,0	51,5	52,3	51,1	53,3	52,4	52,8	52,3	51,8
P	24,9	–	39,4	43,0	42,3	42,3	43,4	42,3	42,9	42,3	41,8
FIN	31,5	40,5	45,5	59,4	56,6	60,7	61,9	60,7	58,2	54,8	52,6
S	45,4	59,7	60,5	68,5	66,9	68,6	74,1	70,5	68,0	65,5	63,5
UK	37,7	43,7	40,3	42,6	42,1	43,3	43,8	43,1	42,8	41,8	40,8
EUR*	37,1[1]	45,7[2]	47,7	50,5	50,4	50,7	52,5	51,4	50,9	50,0	49,1
USA	31,3	34,1	36,4	37,9	35,9	38,5	37,7	36,1	36,2	36,0	35,4
JAP	21,2	30,8	32,3	33,2	35,4	32,8	34,7	34,9	35,6	35,7	35,3

1 EUR without Greece.
2 EUR without Greece and Portugal.

TABLE 20 : **General government total current receipts** (as a percentage of GDP, 1970-97)*

	1970-73	1974–85	1986–90	1991–93	1994–97	1992	1993	1994	1995	1996	1997*
B	40,1	48,8	49,8	49,0	50,0	48,7	49,6	50,4	49,9	50,2	49,5
DK	46,3	50,2	57,6	56,9	57,2	57,2	57,8	58,3	57,1	57,0	56,3
D*	40,3	44,9	44,5	45,8	46,4	46,0	46,5	46,8	46,9	46,0	45,8
GR	–	32,9	34,0	33,4	38,2	33,0	34,9	36,6	38,0	39,0	39,4
E	23,1	29,6	38,1	41,3	41,1	41,9	41,8	41,3	40,7	41,1	41,3
F	38,9	45,5	49,2	49,0	50,0	48,8	49,3	49,4	49,6	50,3	50,7
IRL	31,8	36,9	39,8	38,7	37,3	38,8	38,9	39,4	37,4	36,5	36,0
I	29,0	33,2	40,3	44,9	45,5	44,1	47,3	45,1	45,7	45,9	45,4
L	35,8	49,5	–	–	42,2	–	45,5	44,5	41,8	41,6	40,7
NL	44,6	52,7	51,9	52,7	48,8	52,1	53,1	50,8	48,7	48,0	47,5
A	41,5	46,2	47,8	48,7	47,4	49,1	49,2	48,0	47,2	47,2	47,2
P	26,5	33,7	34,7	37,3	37,3	39,0	36,3	36,4	37,5	37,6	37,7
FIN	36,1	44,3	49,5	54,2	53,4	54,9	53,8	54,9	52,8	53,3	52,6
S	49,7	57,8	63,7	61,1	60,6	60,9	60,7	60,1	61,0	61,0	60,4
UK	37,3	40,0	39,2	37,1	37,5	37,1	36,0	36,3	37,7	38,1	38,1
EUR*	36,5[1]	41,7	44,1	45,2	46,1	45,6	46,2	45,9	46,2	46,2	46,0
USA	30,6	32,2	34,0	34,2	34,1	34,1	34,3	34,2	34,6	34,1	33,5
JAP	22,0	27,6	33,6	34,2	32,7	34,3	33,4	32,5	32,9	32,7	32,6

1 EUR without Greece.

TABLE 21 : **General government lending (+) or borrowing (–)** (as a percentage of GDP, 1970-97)*

	1970-73	1974–85	1986–90	1991–93	1994–97	1992	1993	1994	1995	1996	1997*
B	–3,8	–8,2	–7,2	–6,8	–4,1	–7,1	–6,7[3]	–5,3[3]	–4,5	–3,1	–3,5
DK	4,3	–2,8	0,9	–3,2	–1,9	–2,9	–4,5	–3,8	–2,0	–1,3	–0,5
D*	0,2	–2,8	–1,5	–3,2	–2,7	–2,8	–3,5	–2,6	–2,9[4]	–2,8	–2,4
GR	–	–	–13,0	–11,7	–9,1	–11,7	–12,1	–11,4	–9,3	–8,3	–7,3
E	0,4	–2,8	–3,8	–5,5	–5,2	–4,2	–7,5	–6,6	–5,9	–4,7	–3,6
F	0,7	–1,7	–1,8	–4,1	–4,5	–4,0	–6,1	–6,0	–5,0	–3,9	–2,9
IRL	–4,1	–10,5	–5,5	–2,3	–2,0	–2,4	–2,4	–2,1	–2,7	–2,0	–1,3
I	–5,4	–9,6	–10,8	–9,8	–6,9	–9,5	–9,6	–9,0	–7,4	–6,0	–5,2
L	2,7	1,9	–	1,5	1,0	0,8	1,8	2,2	0,4	0,6	0,7
NL	–0,5	–3,9	–5,1	–3,3	–2,8	–3,9	–3,2	–3,2	–3,1	–2,7	–2,2
A	1,5	–2,4	–3,2	–2,9	–4,9	–2,0	–4,1	–4,4	–5,5	–5,0	–4,6
P	1,9	–	–4,7	–5,7	–5,0	–3,3	–7,1	–5,8	–5,4	–4,7	–4,1
FIN	4,6	3,7	4,0	–5,1	–3,2	–5,9	–8,0	–5,8	–5,4	–1,5	0,0
S	4,5	–1,7	3,2	–7,4	–6,3	–7,8	–13,4	–10,4	–7,0	–4,5	–3,2
UK	–0,4	–3,7	–1,1	–5,5	–4,6	–6,1	–7,8	–6,8	–5,1	–3,7	–2,8
EUR*	–0,7[1]	–4,0[2]	–3,7	–5,3	–4,3	–5,1	–6,3	–5,5	–4,7	–3,8	–3,1
USA	–0,7	–1,9	–2,4	–3,7	–1,8	–4,3	–3,4	–2,0	–1,6	–1,9	–1,8
JAP	0,8	–3,2	1,3	1,0	–2,7	1,5	–1,4	–2,4	–2,7	–3,1	–2,6

1 EUR without Greece.
2 EUR without Greece and Portugal.
3 The figures for 1993 and 1994 include the proceeds from the sale of participations, indirectly owned by the public sector. The amounts involved are BFR 32.2 bn in 1993 and 12.7 bn in 1994.
4 Not including unification–related debt assumptions by the federal government in 1995 (Treuhand and eastern housing companies) equal to 236 bn DM.

* *Notes :* see page 27.

TABLE 22 : **Government gross debt** (as a percentage of GDP, 1980–97)*[1]

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997*
B	78,8	123,1	130,9	130,9	130,3	131,1	137,5	135,0	134,4	132,3	130,0
DK[2]	–	72,0	59,5	59,6	64,6	69,0	80,3	75,6	73,6	72,7	70,5
D*	–	–	–	43,8	41,5	44,1	48,2	50,2	58,8	59,5	59,3
GR	–	–	–	82,6	85,4	91,6	114,5	113,0	114,4	114,0	113,1
E	17,5	43,7	43,2	45,1	45,8	48,4	60,4	63,0	64,8	65,8	65,4
F	20,1	31,0	34,4	35,4	35,8	39,6	45,3	48,4	51,5	53,4	54,2
IRL	–	–	–	96,5	96,7	94,3	97,4	91,1	85,9	81,3	76,9
I	57,8	82,3	95,6	97,9	101,3	108,4	119,4	125,4	124,9	123,9	122,3
L	–	–	–	4,6	4,1	5,1	6,3	5,9	6,3	6,7	6,8
NL	47,6	71,5	79,1	78,8	78,8	79,6	81,3	78,0	78,4	78,2	77,8
A	37,3	50,5	58,9	58,3	58,6	58,3	63,0	65,2	68,0	69,9	71,5
P	–	–	–	68,6	70,2	62,4	67,2	69,4	70,5	71,0	70,9
FIN	11,8	16,5	15,0	14,5	23,0	41,5	57,3	59,8	63,2	64,6	64,5
S	41,0	63,8	45,5	43,5	53,0	67,1	76,2	79,7	81,4	80,8	79,8
UK	–	–	–	–	35,7	41,9	48,6	50,1	52,5	53,3	53,2
EUR*[3]	37,3	58,2	62,2	58,7	56,0	60,3	66,2	68,1	71,0	71,6	71,3

[1] As defined by the Council Regulation n° 3605/93 on the excessive deficit procedure.
[2] Government deposits with the central bank, government holdings of non–government bonds and public enterprise related debt amounted to some 23 % of GDP in 1994.
[3] Aggregated with the available country data which are incomplete until 1991.

TABLE 23 : **Trade balance total (fob/cif)** (in bn. ECU, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	–0,1	–3,6	–2,3	–1,0	12,1	–7,4	–6,5	10,8	12,0	11,7	12,5	13,5
DK	–0,7	–1,8	0,6	4,1	5,5	2,7	4,4	5,3	4,7	5,5	5,9	6,2
D*	3,6	16,0	55,8	19,1	49,7	9,8	15,7	32,0	38,6	47,2	51,7	61,2
GR	–0,9	–4,3	–6,9	–10,9	–12,3	–10,4	–10,8	–11,6	–10,2	–12,3	–13,9	–15,5
E	–1,9	–7,5	–13,3	–18,1	–17,6	–21,4	–21,8	–11,0	–10,1	–17,9	–19,7	–22,8
F	–0,8	–11,0	–13,2	–6,0	7,6	–15,3	–6,9	4,3	5,2	9,2	8,5	7,4
IRL	–0,4	–1,0	2,2	4,8	8,4	2,7	5,0	6,8	7,4	7,8	9,0	10,2
I	–1,3	–8,8	–7,8	–0,1	26,7	–10,4	–8,0	18,0	18,5	21,4	29,5	37,4
L[1]	–	–	–	–	–	–	–	–	–	–	–	–
NL	–1,0	0,9	2,1	0,9	10,8	–2,9	–4,9	10,5	9,8	10,8	11,0	11,5
P	–0,5	–3,1	–4,8	–8,3	–9,0	–8,1	–9,2	–7,5	–7,5	–8,3	–9,3	–10,8
UK	–2,7	–7,7	–31,3	–24,3	–20,4	–22,2	–26,7	–23,9	–26,4	–19,6	–19,1	–16,7
EUR*	–6,6	–31,8	–18,7	–39,7	61,5	–83,1	–69,8	33,6	41,9	55,4	66,2	81,6

[1] Included in the figures for Belgium.

TABLE 24 : **Balance on current account** (as a percentage of GDP, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	1,1	–1,5	1,4	2,6	4,8	1,7	2,1	3,9	4,3	5,0	5,0	5,0
DK	–2,0	–3,5	–2,1	2,2	1,9	1,1	2,5	2,9	2,0	1,5	1,9	2,2
D*	0,7	0,8	4,2	–1,0	–1,0	–1,0	–1,0	–0,9	–1,3	–1,0	–1,0	–0,8
GR	–2,4	–2,5	–4,8	–4,5	–2,8	–6,2	–4,0	–3,3	–2,5	–2,7	–2,9	–3,2
E	–0,7	–1,4	–1,3	–2,8	–1,6	–3,6	–3,6	–1,3	–1,8	–1,3	–1,4	–1,7
F	0,4	–0,3	–0,3	0,2	1,3	–0,5	0,1	1,0	1,1	1,3	1,3	1,3
IRL	–2,4	–7,7	–1,2	3,4	5,9	2,0	3,3	4,9	5,1	6,0	6,1	6,4
I	1,4	–0,7	–0,6	–1,0	2,2	–1,8	–2,3	1,2	1,8	1,9	2,5	2,8
L	6,3	24,8	27,6	23,9	28,8	24,9	26,4	20,6	30,0	29,6	28,6	27,2
NL	0,5	1,9	3,0	3,7	4,7	3,4	3,1	4,4	4,4	4,8	4,8	4,8
A	0,1	–1,0	0,1	–0,2	–1,6	0,0	–0,1	–0,5	–1,0	–1,8	–1,8	–1,7
P	0,4	–5,8	–0,5	–2,0	–1,9	–1,9	–1,9	–2,1	–1,4	–1,4	–2,0	–2,8
FIN	–1,4	–2,0	–3,2	–3,8	2,3	–5,4	–4,6	–1,3	1,1	3,6	2,7	2,0
S	0,2	–1,7	–1,6	–2,1	1,9	–2,1	–3,1	–1,1	–0,6	1,6	2,8	3,7
UK	–0,1	–0,1	–3,8	–2,5	–1,3	–2,7	–2,6	–2,3	–2,2	–1,2	–1,1	–0,7
EUR*	0,3	–0,3	0,1	–0,8	0,5	–1,3	–1,2	0,0	0,1	0,5	0,6	0,7
USA	0,5	–0,4	–2,5	–0,8	–2,3	0,1	–1,0	–1,5	–2,2	–2,3	–2,3	–2,4
JAP	0,6	0,9	2,8	3,0	2,3	2,5	3,3	3,2	2,8	2,4	2,3	1,9

* *Notes :* see page 27.

TABLE 25 : **Rates of change of demand components, EUR** (1992-97)[1]*

	Percentage change on preceding period at constant prices											
	1992	1993	1994	1995	1996	1997*	1995-I	1995-II	1996-I	1996-II	1997-I*	1997-II*
Private consumption	1,8	–0,3	1,6	1,9	2,2	2,4	1,7	2,1	2,2	2,3	2,4	2,4
Government consumption	1,7	1,2	1,0	1,0	1,1	1,2	1,1	0,9	1,0	1,3	1,1	1,3
Fixed capital formation	–0,9	–6,6	2,5	4,5	4,4	5,1	5,0	4,1	4,7	4,3	5,4	5,4
— Construction	0,9	–3,4	2,4	1,9	2,2	3,7	2,6	1,1	2,3	2,8	3,9	4,3
— Equipment	–3,3	–10,6	2,6	8,0	7,4	6,8	8,5	8,2	7,8	6,1	7,2	6,7
Change in stocks (as % of GDP)	0,3	–0,4	0,5	0,7	0,7	0,7	0,5	0,8	0,5	0,8	0,6	0,8
Domestic demand	1,1	–2,0	2,5	2,3	2,5	2,8	1,5	2,8	1,9	3,2	2,2	3,5
Exports of goods and services	3,5	1,7	8,8	7,3	6,3	6,2	8,3	4,8	6,8	7,0	6,2	5,7
Imports of goods and services	3,7	–2,6	7,8	6,0	5,8	5,7	5,0	6,3	5,8	5,4	6,0	5,6
Gross domestic product	1,0	–0,6	2,8	2,7	2,6	2,9	2,8	1,9	2,8	2,9	2,9	3,0

[1] Half-yearly figures at annual rates, seasonally adjusted (95-I = first half of 1995 etc.).

TABLE 26 : **Imports of goods, volume** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	9,3	2,1	7,3	2,4	5,6	1,5	4,5	1,1	6,6	5,1	5,3	5,5
DK	7,9	1,5	1,5	–0,2	7,3	5,1	–0,5	–4,9	10,6	7,7	5,4	5,5
D*	8,7	3,8	7,1	2,1	5,6	13,7	1,2	–7,5	7,8	3,5	5,3	5,9
GR	12,8	2,9	10,3	3,9	5,6	10,2	0,6	1,3	3,7	5,9	6,3	6,4
E	–	1,9	15,3	2,9	9,2	9,8	5,7	–6,0	13,6	9,3	6,3	7,6
F	11,3	2,2	7,5	–0,1	6,1	2,9	0,6	–3,8	7,0	5,7	5,8	6,1
IRL	9,2	4,2	6,6	4,3	9,1	1,0	4,7	7,2	12,0	10,2	7,7	6,6
I	10,2	2,8	6,4	–0,3	7,9	4,7	3,4	–8,5	9,9	10,2	6,4	5,2
L	6,2	2,4	6,5	1,5	4,1	8,1	0,2	–3,5	3,6	4,1	4,2	4,5
NL	9,4	2,4	5,6	1,2	6,8	4,3	2,0	–2,6	7,9	7,4	6,2	5,5
A	–	4,4	8,7	2,2	7,3	5,9	2,6	–1,9	7,8	8,1	6,7	6,5
P	–	–	17,7	4,3	11,0	5,4	11,1	–3,2	11,9	11,0	11,5	9,5
FIN	–	2,1	5,7	–5,1	12,6	–14,3	0,9	–1,0	17,0	12,5	13,0	7,9
S	–	3,3	4,6	–1,4	9,3	–5,1	–0,6	1,7	15,3	8,5	7,1	6,5
UK	5,2	2,6	7,2	1,5	4,4	–5,3	6,7	3,6	5,2	3,0	4,8	4,5
EUR*[1]	9,0	2,9	7,5	1,5	6,6	4,9	3,0	–3,2	8,4	6,3	6,0	5,8
USA	9,1	5,4	4,7	7,5	10,4	0,5	10,3	11,9	15,0	12,3	7,7	7,0
JAP	–	2,1	10,1	0,6	11,9	–3,5	–1,5	7,0	13,3	11,4	10,5	12,6

[1] Excluding Spain, Austria, Finland, Sweden up to 1973 and Portugal up to 1985.

TABLE 27 : **Exports of goods, volume** (percentage change on preceding year, 1961-97)*

	1961-73	1974-85	1986–90	1991–93	1994–97	1991	1992	1993	1994	1995	1996	1997*
B	10,1	2,7	6,2	2,6	6,1	1,7	4,2	1,8	7,8	5,4	5,5	5,7
DK	6,8	4,9	3,7	3,4	5,9	7,2	5,0	–1,7	8,2	4,5	5,2	5,7
D*	8,0	4,7	4,8	2,0	6,4	11,0	0,4	–4,8	9,2	4,4	5,3	6,6
GR	12,0	6,5	5,9	6,9	4,8	14,6	7,2	–0,5	3,0	5,3	5,5	5,5
E	–	8,5	5,2	9,2	10,5	10,0	6,7	11,0	20,7	9,0	6,3	6,4
F	10,0	4,3	5,1	2,5	6,5	3,9	4,7	–1,0	6,5	8,0	5,5	6,0
IRL	8,1	8,7	9,0	10,0	10,3	4,9	15,6	9,8	14,9	10,7	8,5	7,3
I	11,5	5,3	5,4	4,9	10,3	1,6	4,2	9,1	10,9	14,5	8,8	6,9
L	5,3	1,9	5,1	–0,3	5,1	3,1	0,2	–4,0	7,1	4,3	4,4	4,7
NL	10,3	3,3	5,3	2,7	6,5	4,8	2,6	0,6	6,8	7,0	6,4	5,8
A	–	6,3	7,8	3,2	7,9	6,5	2,2	1,0	8,0	8,1	7,6	7,9
P	–	–	11,9	0,4	12,1	0,5	6,1	–5,1	14,9	12,3	12,8	8,5
FIN	–	3,7	1,6	6,4	8,8	–5,9	9,3	17,0	13,1	12,1	5,3	5,1
S	–	3,1	2,5	2,8	11,4	–2,5	1,3	9,9	15,8	13,5	9,1	7,3
UK	5,0	3,9	5,4	2,3	7,5	1,2	2,5	3,2	9,9	6,2	7,0	6,7
EUR*[1]	8,8	4,7	5,4	3,6	7,7	5,2	3,5	2,1	9,9	7,9	6,6	6,5
USA	6,7	2,5	10,4	6,5	10,7	7,5	6,6	5,5	11,4	13,5	9,0	9,0
JAP	–	9,0	2,6	0,7	5,0	2,3	0,7	–1,0	1,5	6,0	6,0	6,5

[1] Excluding Spain, Austria, Finland, Sweden up to 1973 and Portugal up to 1985.

* *Notes :* see page 27.

TABLE 28 : **Export markets and export performance** (percentage change on preceding year, 1995-97)*

	Export markets			Export performance[1]		
	1995	1996	1997*	1995	1996	1997*
B	7,0	6,9	6,9	–1,5	–1,3	–1,1
DK	6,8	6,6	6,4	–2,2	–1,3	–0,7
D	7,9	7,2	7,0	–3,2	–1,8	–0,3
GR	6,3	6,6	6,4	–0,9	–1,0	–0,8
E	7,4	6,9	6,6	1,5	–0,6	–0,2
F	7,5	6,8	6,7	0,4	–1,2	–0,7
IRL	6,9	6,2	6,0	3,6	2,2	1,2
I	7,0	7,1	7,2	7,0	1,6	–0,3
L[2]	–	–	–	–	–	–
NL	5,9	6,0	6,0	1,0	0,4	–0,2
A	6,7	6,8	7,0	1,3	0,7	0,8
P	7,3	6,4	6,5	4,7	6,0	1,9
FIN	7,9	7,2	7,0	3,9	–1,8	–1,8
S	7,9	7,3	6,9	5,2	1,7	0,3
UK	8,3	7,3	7,1	–1,9	–0,3	–0,3
EUR*	7,4	6,9	6,8	0,5	–0,2	–0,3
USA	10,2	8,4	8,5	3,0	0,6	0,5
JAP	11,4	9,1	8,7	–4,8	–2,8	–2,0

[1] Index of export volume growth divided by index of market growth (includes intra-EC trade).

[2] Included in the figures for Belgium.

TABLE 29 : **Trade balances (fob-fob) EUR, USA and Japan***

	1992	1993	1994	1995	1996	1997*
			as a % of GDP			
EUR	–0,4	1,0	1,3	1,7	1,8	2,0
USA	–1,6	–2,1	–2,5	–2,7	–2,7	–2,7
Japan	3,6	3,3	3,1	2,8	2,9	2,7
			in billions of USD			
EUR	–9,5	70,9	99,1	140,7	161,1	184,7
USA	–96,1	–132,6	–166,4	–189,0	–202,4	–210,0
Japan	132,4	141,6	145,9	141,5	141,3	136,4
			in billions of ECU			
EUR	–7,3	60,5	83,4	108,2	125,7	145,2
USA	–74,2	–113,1	–140,1	–145,3	–157,9	–165,1
Japan	102,2	120,8	122,9	108,8	110,2	107,2

TABLE 30 : **World export prices**[1] (percentage change on preceding year)*

	1992	1993	1994	1995	1996	1997*
Fuels	–3,3	–11,9	–7,1	7,8	0,6	2,8
Other primary commodities	–0,5	–7,3	8,5	9,2	2,9	4,0
Manufactures	3,0	–3,9	15,8	6,9	0,7	1,7

[1] In US dollars.

Source : United Nations and forecasts by Commission services.

TABLE 31 : **World GDP** (at constant prices)* (percentage change on preceding year)

	1992	1993	1994	1995	1996	1997*
EUR	1,0	–0,6	2,8	2,7	2,6	2,9
USA	2,5	3,4	4,1	3,2	2,3	3,2
Japan	1,1	–0,2	0,5	0,4	2,3	2,6
Canada	0,7	2,3	4,5	2,2	2,0	2,8
Rest OECD	3,5	4,4	1,2	–0,2	2,7	3,5
Total OECD	1,8	1,3	2,9	2,3	2,5	3,0
CCEE	–18,0	–8,4	–7,4	–4,3	4,0	4,8
OPEC	5,8	3,1	2,6	3,4	4,6	4,9
Other developing countries	5,9	6,0	6,7	7,0	6,9	6,9
— DAE's	6,3	6,8	7,9	7,9	7,4	7,3
— Other Asia	8,7	8,2	8,9	8,7	8,2	8,1
— Latin America	2,1	5,0	5,8	3,3	4,1	4,5
— Africa	–0,2	1,2	3,2	3,4	4,2	4,2
World	1,4	2,2	3,6	3,4	3,9	4,4
World excluding EUR	1,5	3,0	3,8	3,6	4,4	4,8

TABLE 32 : **World imports of goods** (at constant prices)* (percentage change on preceding year)

	1992	1993	1994	1995	1996	1997*
EUR	3,0	–3,2	8,4	6,3	6,0	5,8
USA	10,3	11,9	15,0	12,3	7,7	7,0
Japan	–1,5	7,0	13,3	11,4	10,5	12,6
Canada	4,6	8,6	10,6	13,5	7,0	8,2
Rest OECD	–2,1	6,6	9,0	0,6	6,0	6,9
Total OECD	3,8	2,1	9,6	8,0	6,8	6,9
CCEE	2,2	4,6	7,0	7,3	9,0	8,5
OPEC	7,8	–2,7	–2,4	5,8	4,5	5,2
Other developing countries	10,7	12,4	11,5	13,1	11,8	11,1
— DAE's	10,1	13,4	15,8	14,4	12,4	11,7
— Other Asia	17,6	25,0	8,9	10,4	13,8	13,0
— Latin America	17,9	20,3	19,3	16,5	9,2	7,9
— Africa	–0,3	0,8	5,5	4,2	5,0	5,4
World	5,4	5,0	10,3	9,1	8,0	7,9
World excluding EUR	7,1	10,1	11,4	10,8	9,2	9,1

TABLE 33 : **World balances of current account** (in billions USD)*

	1992	1993	1994	1995	1996	1997*
EUR	–78,3	8,9	10,5	38,8	50,3	64,9
USA	–67,8	–103,9	–155,7	–159,9	–173,5	–184,7
Japan	117,6	131,5	129,2	118,3	111,7	94,8
Canada	–22,1	–23,9	–18,2	–11,0	–9,2	–7,1
Rest OECD	4,6	1,5	6,6	–1,6	–1,5	–0,1
Total OECD	–70,4	–9,4	–56,2	–15,4	–22,3	–32,2
CCEE	1,8	–9,3	–10,1	–11,0	–11,3	–10,4
OPEC	–29,5	–15,8	–14,7	–13,6	–14,7	–14,9
Other developing countries	–38,8	–47,7	–47,7	–40,4	–42,6	–47,6
— DAE's	4,4	9,3	4,3	–4,6	–4,7	–6,5
— Other Asia	–2,9	–19,5	–9,2	4,9	7,6	6,9
— Latin America	–5,6	–17,8	–21,1	–31,7	–35,9	–37,6
— Africa	–5,2	–4,1	–6,9	–9,0	–9,6	–10,4
Errors and omissions	–107,3	–66,4	–114,0	–80,5	–90,9	–105,2

TABLE 34 : **World trade balances** (fob-fob, in billions USD)*

	1992	1993	1994	1995	1996	1997*
EUR	–9,5	70,9	99,1	140,7	161,1	184,7
USA	–96,1	–132,6	–166,4	–189,0	–202,4	–210,0
Japan	132,4	141,6	145,9	141,5	141,3	136,4
Canada	6,0	7,6	12,8	15,4	17,3	17,8
Rest OECD	4,0	–2,4	4,4	–1,8	–1,3	–1,2
Total OECD	16,1	66,2	71,5	106,8	116,0	127,7
CCEE	–8,8	–3,3	–1,1	–5,8	–6,0	–5,5
OPEC	39,9	45,0	50,4	54,4	56,3	60,1
Other developing countries	21,4	3,6	8,6	–53,4	–55,3	–62,4
— DAE's	–2,5	–3,0	–10,7	–20,6	–22,2	–26,2
— Other Asia	–14,1	–28,3	–14,6	–3,1	0,1	–0,7
— Latin America	8,0	–1,0	–5,6	–16,7	–19,4	–20,6
— Africa	–9,9	–9,0	–10,9	–13,0	–13,8	–14,9
Errors and omissions	28,7	66,5	79,1	102,1	111,0	119,9

* *Notes :* see page 27.

TABLE 35 : Demand components at constant prices [1] and contributions to real GDP growth [2], EUR countries and EUR, 1991–97*

		1991	1992	1993	1994	1995	1996	1997*
B[5]	**Demand components**							
	Private consumption	3,1	2,9	–0,7	1,3	1,3	1,4	2,0
	Government consumption	2,4	0,3	0,8	1,5	0,9	0,5	0,7
	Fixed capital formation	–1,5	0,2	–6,7	0,5	5,9	5,2	5,6
	— Construction	2,5	5,3	–1,0	1,5	4,3	3,8	4,5
	— Equipment	–5,0	–6,2	–12,3	–0,7	8,0	7,0	7,0
	Exports of goods and services	2,6	3,9	1,6	8,1	4,9	5,1	5,2
	Imports of goods and services	2,3	4,2	1,3	7,2	4,8	5,0	5,2
	GDP	2,2	1,8	–1,6	2,2	2,3	2,2	2,6
	Contributions to growth							
	Final domestic demand	2,0	2,0	–1,7	1,2	2,1	2,0	2,5
	Stockbuilding	–0,0	0,2	–0,2	0,3	0,1	0,1	0,0
	Foreign balance	0,2	–0,4	0,2	0,8	0,0	0,1	0,0
DK[3]	**Demand components**							
	Private consumption	1,2	1,1	2,4	7,6	3,5	2,5	2,9
	Government consumption	–0,1	1,4	2,8	1,1	1,0	1,3	0,9
	Fixed capital formation	–5,7	–7,2	–2,3	3,1	8,7	4,7	5,1
	— Construction	–11,2	–0,4	–6,8	3,0	4,1	2,9	4,4
	— Equipment	0,5	–13,4	2,0	3,3	13,0	6,4	5,7
	Exports of goods and services	7,7	2,7	–2,0	7,7	4,5	5,1	5,5
	Imports of goods and services	4,1	–0,2	–4,1	10,6	7,5	5,3	5,4
	GDP	1,3	0,8	1,5	4,4	3,4	2,6	3,2
	Contributions to growth							
	Final domestic demand	–0,4	–0,3	1,5	4,7	3,4	2,4	2,6
	Stockbuilding	0,0	–0,2	–0,7	0,1	0,8	–0,1	0,3
	Foreign balance	1,8	1,3	0,6	–0,3	–0,8	0,3	0,4
D[9] *	**Demand components**							
	Private consumption	5,7	3,5	0,2	0,9	1,8	2,7	2,7
	Government consumption	–2,9	2,7	0,5	1,0	1,8	2,0	1,9
	Fixed capital formation	6,0	3,5	–5,6	4,3	2,2	1,7	4,9
	— Construction	2,7	9,7	0,9	7,8	0,9	–0,4	3,5
	— Equipment	10,0	–3,5	–14,1	–1,2	4,5	5,0	7,0
	Exports of goods and services	12,3	–0,3	–4,7	7,5	3,9	4,9	6,3
	Imports of goods and services	12,8	2,2	–5,2	7,1	3,3	5,2	5,7
	GDP	5,0	2,2	–1,2	2,9	2,1	2,4	3,1
	Contributions to growth							
	Final domestic demand	4,4	3,4	–1,1	1,7	1,9	2,3	3,0
	Stockbuilding	0,1	–0,6	–0,2	1,1	0,0	0,1	0,0
	Foreign balance	0,5	–0,6	0,1	0,1	0,1	–0,1	0,1
GR[7]	**Demand components**							
	Private consumption	2,3	1,8	0,2	1,5	1,4	1,7	2,0
	Government consumption	2,4	–4,7	1,3	0,5	0,4	0,2	0,1
	Fixed capital formation	–6,7	–1,1	–2,5	0,4	6,3	6,3	6,4
	— Construction	–7,8	–5,9	–5,1	–3,5	7,0	6,3	6,0
	— Equipment	–4,9	6,8	1,3	5,9	5,4	6,2	6,9
	Exports of goods and services	15,6	8,5	–1,0	7,3	5,2	5,7	6,0
	Imports of goods and services	10,6	2,3	2,3	3,8	5,5	5,9	6,1
	GDP	3,2	0,8	–0,5	1,5	1,7	1,9	2,2
	Contributions to growth							
	Final domestic demand	0,4	0,4	–0,2	1,3	2,5	2,7	3,1
	Stockbuilding	3,3	–0,6	0,7	–0,1	0,0	0,0	0,0
	Foreign balance	–0,5	1,0	–1,0	0,3	–0,8	–0,8	–0,9
E[6]	**Demand components**							
	Private consumption	2,8	2,1	–2,0	0,9	1,6	2,3	3,3
	Government consumption	5,6	3,7	2,3	0,2	0,4	0,4	0,4
	Fixed capital formation	1,3	–4,1	–10,5	1,0	9,4	6,8	6,8
	— Construction	3,8	–4,4	–6,5	1,2	9,3	6,8	6,9
	— Equipment	–3,1	–3,6	–18,3	0,6	9,4	6,8	6,5
	Exports of goods and services	7,9	7,3	8,3	17,7	8,8	6,0	6,3
	Imports of goods and services	9,0	6,9	–5,1	11,0	9,2	6,3	7,5
	GDP	2,2	0,7	–1,1	2,0	3,0	2,9	3,2
	Contributions to growth							
	Final domestic demand	3,0	0,9	–3,5	0,9	3,1	3,1	3,8
	Stockbuilding	–0,0	0,1	–1,0	–0,1	0,2	0,0	0,0
	Foreign balance	–0,8	–0,4	3,3	1,2	–0,3	–0,3	–0,6
F[3]	**Demand components**							
	Private consumption	1,4	1,4	0,2	1,5	2,2	2,1	2,5
	Government consumption	2,8	3,5	3,4	1,2	2,0	1,7	1,7
	Fixed capital formation	0,0	–3,1	–5,8	1,1	3,0	3,6	4,3
	— Construction	0,2	–2,5	–5,9	0,2	0,6	1,2	2,3
	— Equipment	0,2	–4,1	–5,8	2,3	6,6	7,0	7,2
	Exports of goods and services	4,1	4,9	–0,3	5,8	6,5	5,1	5,5
	Imports of goods and services	3,0	1,0	–3,3	6,6	5,0	5,4	5,7
	GDP	0,8	1,3	–1,5	2,7	2,8	2,4	2,8
	Contributions to growth							
	Final domestic demand	1,3	0,8	–0,5	1,4	2,4	2,3	2,7
	Stockbuilding	–0,7	–0,4	–1,8	1,6	0,1	0,1	0,1
	Foreign balance	0,2	1,0	0,8	–0,2	0,4	–0,1	–0,1
IRL[8]	**Demand components**							
	Private consumption	2,0	2,9	1,4	4,3	4,2	3,5	3,5
	Government consumption	2,5	2,5	1,3	3,9	4,1	1,9	2,2
	Fixed capital formation	–7,1	–3,1	–0,8	7,3	8,2	7,1	6,2
	— Construction	1,3	0,3	–3,7	9,9	9,0	7,5	6,0
	— Equipment	–17,5	–8,2	4,0	3,3	7,0	6,5	6,5
	Exports of goods and services	5,1	13,8	9,2	13,9	10,1	8,0	6,9
	Imports of goods and services	1,4	6,3	6,8	11,9	9,8	7,3	6,4
	GDP	2,2	3,9	3,1	6,7	6,7	5,6	4,8
	Contributions to growth							
	Final domestic demand	0,3	1,6	0,9	4,1	4,2	3,2	3,1
	Stockbuilding	–0,3	–2,7	–0,2	–0,5	0,8	0,6	0,2
	Foreign balance	2,3	5,1	2,4	3,1	1,8	1,8	1,6
I[5]	**Demand components**							
	Private consumption	2,6	1,5	–3,4	0,9	1,2	1,5	1,7
	Government consumption	1,5	1,0	0,7	0,0	–0,8	0,1	1,2
	Fixed capital formation	0,6	–1,7	–13,1	–0,1	5,3	5,4	4,4
	— Construction	1,4	–2,1	–6,3	–5,2	–1,0	0,8	1,5
	— Equipment	–0,1	–1,3	–19,3	5,3	11,4	9,3	6,6
	Exports of goods and services	–0,2	5,4	9,9	11,1	14,7	9,0	7,1
	Imports of goods and services	2,3	5,8	–8,2	8,8	10,4	6,6	5,4
	GDP	1,2	0,7	–1,2	2,2	3,2	3,0	2,9
	Contributions to growth							
	Final domestic demand	2,1	0,7	–5,0	0,6	1,7	2,0	2,1
	Stockbuilding	–0,1	0,3	–1,4	0,8	0,2	0,1	0,0
	Foreign balance	–0,7	–0,3	5,1	0,8	1,3	0,9	0,7
L[5]	**Demand components**							
	Private consumption	6,5	1,7	0,2	2,3	2,4	2,5	2,8
	Government consumption	3,8	3,5	2,2	1,2	1,9	1,9	1,8
	Fixed capital formation	9,8	–2,1	4,0	–7,3	4,4	3,4	3,6
	— Construction	8,7	5,4	4,6	0,6	4,1	3,0	3,5
	— Equipment	11,2	–12,1	10,0	–16,9	4,9	3,9	3,8
	Exports of goods and services	3,6	1,3	–3,5	7,0	4,6	4,8	5,0
	Imports of goods and services	8,1	0,2	–2,4	3,7	4,2	4,3	4,6
	GDP	3,1	1,9	0,3	4,4	3,1	3,3	3,5
	Contributions to growth							
	Final domestic demand	7,0	1,0	1,4	0,1	2,7	2,5	2,8
	Stockbuilding	0,5	–0,2	–0,3	0,2	–0,2	0,0	0,2
	Foreign balance	–4,9	1,3	–1,0	4,1	0,6	0,7	0,6
NL[8]	**Demand components**							
	Private consumption	3,1	2,5	0,9	2,1	2,1	2,1	2,1
	Government consumption	1,5	1,7	0,2	0,9	1,5	1,0	1,0
	Fixed capital formation	0,2	0,6	–3,1	3,0	7,7	2,1	4,1
	— Construction	–0,0	2,6	–1,6	4,6	4,2	1,7	3,0
	— Equipment	0,6	–1,5	–5,3	0,3	12,5	2,5	5,5
	Exports of goods and services	4,7	2,9	1,6	5,8	6,7	6,2	5,8
	Imports of goods and services	4,1	2,1	–1,1	7,5	7,1	6,1	5,6
	GDP	2,3	2,0	0,2	2,7	3,0	2,5	2,8
	Contributions to growth							
	Final domestic demand	2,1	1,9	–0,1	2,0	3,0	1,8	2,2
	Stockbuilding	–0,3	–0,4	–1,1	1,1	–0,2	0,1	0,0
	Foreign balance	0,5	0,6	1,4	–0,4	0,2	0,5	0,5

TABLE 35 *(continued)*

A[4]	1991	1992	1993	1994	1995	1996	1997*
Demand components							
Private consumption	2,9	1,9	0,2	2,5	2,4	2,5	2,7
Government consumption	3,1	2,4	3,0	2,2	1,5	1,5	1,5
Fixed capital formation	6,3	1,3	–2,1	10,8	4,2	3,9	4,5
— Construction	6,2	4,9	2,2	12,3	1,1	0,8	1,3
— Equipment	6,5	–3,6	–8,2	8,8	8,7	8,2	8,6
Exports of goods andservices	5,9	2,8	–1,0	4,9	6,5	6,6	6,9
Imports of goods and services	6,3	2,6	–0,6	7,8	7,9	6,6	6,5
GDP	2,9	1,8	–0,1	3,0	2,4	2,5	2,8
Contributions to growth							
Final domestic demand	3,8	1,9	0,1	4,5	2,8	2,7	3,0
Stockbuilding	–0,9	0,1	0,1	1,0	–0,0	–0,1	–0,2
Foreign balance	–0,2	0,1	–0,2	–1,4	–0,9	–0,2	–0,0

P[8]	1991	1992	1993	1994	1995	1996	1997*
Demand components							
Private consumption	4,8	3,7	0,4	–0,2	1,5	2,1	2,4
Government consumption	3,0	1,4	0,0	1,5	2,0	1,0	1,0
Fixed capital formation	2,4	5,4	–4,8	2,2	7,5	8,9	9,5
— Construction	4,7	5,4	–1,0	3,5	9,2	9,3	9,7
— Equipment	–0,1	5,4	–9,2	1,2	6,0	8,5	9,2
Exports of goods and services	0,5	6,1	–5,1	11,7	11,5	12,0	8,7
Imports of goods and services	5,4	11,1	–3,2	10,3	10,7	11,1	9,2
GDP	2,1	1,1	–1,2	1,1	2,7	3,1	3,3
Contributions to growth							
Final domestic demand	4,5	4,5	–1,2	0,7	3,4	4,2	4,7
Stockbuilding	0,4	0,6	0,2	1,2	0,3	0,1	0,2
Foreign balance	–2,8	–4,0	–0,1	–0,8	–1,1	–1,2	–1,6

FIN[8]	1991	1992	1993	1994	1995	1996	1997*
Demand components							
Private consumption	–3,6	–4,9	–2,9	1,8	5,0	4,2	3,3
Government consumption	2,5	–2,2	–5,3	–0,6	–0,5	–0,4	–0,0
Fixed capital formation	–20,3	–16,9	–19,2	–2,2	10,5	22,0	15,4
— Construction	–14,5	–17,3	–18,8	–5,6	1,5	11,4	11,3
— Equipment	–30,2	–16,0	–20,0	4,9	27,6	37,9	20,5
Exports of goods and services	–6,6	10,0	16,7	12,5	11,2	5,1	5,0
Imports of goods and services	–11,7	1,1	0,7	12,6	12,0	11,8	7,7
GDP	–7,1	–3,6	–1,2	4,0	4,8	4,4	4,1
Contributions to growth							
Final domestic demand	–6,8	–7,1	–6,6	0,4	4,1	5,6	4,6
Stockbuilding	–2,4	0,7	0,5	2,2	0,2	0,3	0,0
Foreign balance	1,4	2,1	4,3	0,8	0,5	–1,6	–0,6

S[9]	1991	1992	1993	1994	1995	1996	1997*
Demand components							
Private consumption	1,1	–1,4	–3,7	0,5	0,6	1,1	1,9
Government consumption	3,2	–0,0	–0,6	–1,0	–1,3	–0,7	–0,6
Fixed capital formation	–8,4	–10,8	–17,6	–0,4	10,2	9,4	6,3
— Construction	–5,2	–7,7	–19,2	–11,5	0,5	5,2	4,1
— Equipment	–11,9	–16,0	–14,7	18,1	22,4	13,8	8,5
Exports of goods and services	–2,4	2,3	7,6	13,9	12,2	8,4	7,0
Imports of goods and services	–5,0	1,1	–2,8	13,2	7,0	6,4	6,3
GDP	–1,1	–1,4	–2,6	2,2	3,7	2,6	2,5
Contributions to growth							
Final domestic demand	–0,4	–2,9	–5,2	–0,1	1,4	1,8	1,8
Stockbuilding	–1,7	1,1	–0,3	1,4	0,0	–0,4	–0,1
Foreign balance	1,0	0,4	2,9	0,9	2,2	1,3	0,8

UK[8]	1991	1992	1993	1994	1995	1996	1997*
Demand components							
Private consumption	–2,2	0,0	2,6	3,1	2,0	2,2	2,2
Government consumption	2,6	–0,0	0,6	2,0	0,6	0,6	0,6
Fixed capital formation	–9,5	–1,2	0,3	3,7	2,8	6,0	4,4
— Construction	–8,4	–0,0	–0,6	2,1	–0,1	4,2	4,1
— Equipment	–10,8	–2,7	1,6	5,8	6,6	8,1	4,7
Exports of goods and services	–0,7	3,1	3,0	8,2	5,3	6,1	6,0
Imports of goods and services	–5,3	6,3	2,9	6,1	2,7	4,4	4,2
GDP	–2,0	–0,5	2,0	3,8	2,6	2,7	2,7
Contributions to growth							
Final domestic demand	–2,7	–0,2	1,8	3,0	1,9	2,5	2,2
Stockbuilding	–0,6	0,6	0,3	0,4	0,1	–0,2	0,0
Foreign balance	1,5	–1,1	–0,1	0,4	0,6	0,4	0,5

EUR[5*]	1991	1992	1993	1994	1995	1996	1997*
Demand components							
Private consumption	2,2	1,8	–0,3	1,6	1,9	2,2	2,4
Government consumption	1,8	1,7	1,2	1,0	1,0	1,1	1,2
Fixed capital formation	–0,6	–0,9	–6,6	2,5	4,5	4,4	5,1
— Construction	–0,5	0,9	–3,4	2,4	1,9	2,2	3,7
— Equipment	–0,6	–3,3	–10,6	2,6	8,0	7,4	6,8
Exports of goods and services	4,8	3,5	1,7	8,8	7,3	6,3	6,2
Imports of goods and services	3,8	3,7	–2,6	7,8	6,0	5,8	5,7
GDP	1,5	1,0	–0,6	2,8	2,7	2,6	2,9
Contributions to growth							
Final domestic demand	1,5	1,2	–1,4	1,6	2,2	2,4	2,7
Stockbuilding	–0,3	–0,0	–0,7	0,9	0,1	0,0	0,0
Foreign balance	0,3	–0,2	1,5	0,3	0,4	0,1	0,1

[1] Percentage change on preceding year.
[2] Change as a percentage of GDP of preceding period.
[3] 1980 prices.
[4] 1983 prices.
[5] 1985 prices.
[6] 1986 prices.
[7] 1988 prices.
[8] 1990 prices.
[9] 1991 prices.

Source : Commission services.

* *Notes :* see here under.

Notes on technicalities, concepts and sources

1. Directorate General II "Economic and Financial Affairs" regularly produces, under its own responsibility, short-term economic forecasts. These forecasts cover the principal macro-economic aggregates of the Member States and of the Community as a whole, in addition to the international environment. Although the forecasts primarily serve as a support to the internal work of the Commission and its services, they also form the subject-matter of a regular publication in the Supplement A series "Economic Trends" of "European Economy".

2. *Concepts and sources*

The sources for the tables and graphs are the Commission's services, except where otherwise indicated.

The historical part of the time series presented in the tables (in the present case, until 1993) is based on ESA national accounts (European System of Integrated Economic Accounts) which are published once a year by Eurostat. In the prospective part (1995 estimates, 1996 forecasts and 1997 scenario of unchanged economic policies) the concepts are generally in line with national economic accounting practice and, therefore, do not always follow the ESA definitions.

Since October 1989, the rates of unemployment presented in table 18, both for the historical part and the forecast, are based on the definition of the Statistical Office of the European Communities (SOEC), which relies on the labour force survey data.

3. *Community (EC) data* are generally aggregated using Purchasing Power Standards (PPS). For aggregates at constant prices, PPS weighted national currency is used. The aggregation in the tables "Current Balance as % of GDP" and "GNP at Market Prices' is made using current exchange rates.

4. Technical Notes

The world *geographical zones* are defined as follows :

- Rest OECD: Norway, Switzerland, Iceland, Turkey, Mexico, Australia and New Zealand.
- OECD : EC, USA, Canada, Japan, Norway, Switzerland, Iceland, Australia, New Zealand and Turkey
- Countries in Central and Eastern Europe (CCEE) : Bulgaria, Czech Republic, Slovakia, Hungary, Poland, Romania, former USSR and Yugoslavia
- OPEC : Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab. Emirates and Venezuela
- Dynamic Asian Economies (DAE) : Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand
- Other Asia : all except DAE's, Indonesia, Iran, Iraq, Kuwait, Qatar, Saudi Arabia and UAE
- Latin America : all except Ecuador and Venezuela
- Africa : all except Algeria, Gabon, Libya and Nigeria

In the ESA definition of "General Government" social security is included but public enterprises are excluded.

The employment statistics refer to the number of occupied persons except in the Netherlands where they refer to man-years.

In the "imports" and "exports" tables, the EC figures include both intra- and extra-Community trade.

German data as well as EUR figures include the new German Länder from 1991 onwards; for percentage changes from 1992 onwards.

Forecasts for year 1997 should be treated as a scenario based on the "unchanged economic policies" assumption.

Principal economic policy measures – October 1995

Community (EUR–15)

11.10 Commission adopts its communication "The European Employment Strategy: Recent Progress and Prospects for the Future"

23.10 EcoFin Council warmly welcomes the Finnish convergence programme.

Belgium (B)

3.10 The government presents the draft budget for 1996 to Parliament. Federal government expenditure is estimated at 46.6% of GDP (48.3% in 1995) and revenue at 43.9% of GDP (44.1% in 1995), resulting in a Federal budget deficit of 2.6% of GDP and a general government deficit of 3% of GDP. The debt/GDP ratio is put at 131.1% for 1996 compared with 134.2% in 1995. On the expenditure side, the government estimates that it will save BFR 8.5 billion on interest charges. The various ministries have to contribute BFR 16 billion, while BFR 21 billion will come from a reduction in social security expenditure. As regards revenue, the standard rate of VAT will go up from 20.5% to 21% (yielding BFR 9.5 billion), excise duty on petrol will be increased in two stages (BFR 16.5 billion) and the registration tax on diesel cars will rise (BFR 7.9 billion). The withholding tax on investment income will go up from 13.39% to 15% (BFR 6 billion). Lastly, the government will step up its fight against tax evasion and avoidance (BFR 3.5 billion). The government's job–creation measures include extending the period for which lower social security contributions can be paid in some sectors (Maribel) and reducing social security contributions for a self–employed person who recruits his first employee ("Plan Plus un") or for the recruitment of an unemployed young person ("Emploi tremplin"); the measure which reduces social security contributions on low wages is broadened.

4.10 The central bank cuts its central rate from 4.10% to 4.05%.

Denmark (DK)

5.10 The central bank lowers the repo rate by 10 basis points to 5.30%.

16.10 Parliament approves a government proposal for a top marginal tax rate of 62% in 1996.

Germany (D)

None.

Greece (GR)

None.

Spain (E)

30.9 The Spanish government approves the "supplementary budget law for 1996" relating to structural reforms in the areas of transport, housing land and professional associations.

25.10 The Spanish Parliament rejects the government's draft budget for 1996. As a result, the 1995 budget will automatically be rolled over into 1996.

France (F)

2.10 The government will make a payment to owners of cars more than eight years old who decide to have it scrapped in order to buy a new one. The payment is FF 5 000 or FF 7 000, depending on the category of vehicle purchased. In addition, capital gains on the disposal of holdings in SICAVs (open–ended investment companies) will be exempt from tax if the sale yields less than FF 100 000 and if the sum realized is used to purchase a new car.

6.10 The Bank of France replaces its 5 to 10 day emergency lending facility, set at 6.15%, with a 24–hour facility at the same rate.

9.10 Since the technical measure taken on 6 October was not sufficient to curb speculation against the franc, the Bank of France raises its ceiling rate by 110 basis points.

16.10 The Bank of France reduces the 24–hour lending rate from 7.25% to 7.00%.

17.10 The increase in the flat–rate contribution to the cost of hospital treatment should yield almost FF 1.5 billion for the sickness insurance scheme. The setting of a historically low reference rate for hospital expenditure is a sign of the determination to control health expenditure.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

20.10 The government approves a draft bill adjusting civil servants' pay for the period 1995 to 1999. The measure will cost this year's budget an additional LFR 607 million, and an estimated LFR 1.25 billion for 1996, LFR 1.93 billion for 1997, LFR 2.5 billion for 1998 and LFR 3.3 billion pour 1999.

Austria (A)

12.10 The Austrian coalition government fails to agree on a budget for 1996 and agrees on the dissolution of Parliament.

13.10 The Austrian Parliament decides to call for new general elections on 17 December 1995. Before its dissolution, some urgent laws were passed, the most important ones being those permitting the 1995 budget to be overdrawn by ÖS 23 billion (1% of GDP), authorizing the sale of the Illwerke power station (ÖS 3.7 billion) and enabling some additional investments for the publicly owned post office.

Netherlands (NL)

10.10 The coalition parties agree on the introduction from 1 January 1996 of a general energy tax the proceeds of which will reduce personal and company tax and social security charges. In its draft budget for 1996, the government had planned an energy tax for households and small consumers, whereas the present agreement concerns all consumers. This measure is expected to raise HFL 1.28 billion, HFL 80 millions of which will come from large–scale consumers.

19.10 The Nederlandsche Bank reduces its rate for special advances from 3.80% to 3.70%.

Portugal (P)

None.

Finland (FIN)

5.10 The Bank of Finland cuts its tender rate to 5.5% from 6.0%.

5.10 In accordance with the proposal of the Board of the Bank of Finland, the Parliamentary Supervisory Board cuts the base interest rate from 5.25% to 5%, with effect from 1 November 1995.

18.10 The government adopts its multiannual employment programme for the years 1996–99. The key measures of the programme are directed towards easing taxes on labour, promoting enterprise, increasing the provision of education and training, and stimulating construction activity.

Sweden (S)

None.

United Kingdom (UK)

None.

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