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In this number:
Mergers and Acquisitions

SUMMARY

The Internal Market Programme has altered profoundly the economic environment for Community enterprises. The removal of a wide range of barriers to trade motivated companies to reassess their strategies both with regard to their domestic and to the Community market. Many have since undertaken mergers and acquisitions to quickly establish and reinforce their presence across the Community. The development of cross-border mergers has become an important indicator of progress in Community-wide economic integration. But its economic benefits will only be fully realized if effective competition is maintained. Mergers and acquisitions and their impact on concentration thus also have to be carefully monitored from a competition policy point of view.

The European Commission's Directorate General for Economic and Financial Affairs has therefore decided to provide regular information and analysis of mergers and acquisitions in the Community. After a first discussion of the economic issues in *European Economy* No 40 of May 1989 ("Horizontal mergers and competition policy in the European Community"), No 57 of *European Economy* — to be published in spring 1994 — is again dedicated to Community merger control.

Furthermore, *Supplement A* of *European Economy* will report annually on recent developments in cross-border mergers and acquisitions affecting the Community. This first issue gives, in its part A, an overview of the evolution of cross-border mergers and acquisitions since 1986. Part B focuses on the activity in 1993. Moreover, a first box describes the data bases used for this study and explains their differences. A second box presents the effects of German unification on Community merger activity. A third provides a short summary of *European Economy* No 57 on Community merger control.

- *Between 1986 and 1993 a wave of mergers and acquisitions swept across the Community. After a build up in 1987 and 1988, the number of cross-border purchases of Community enterprises nearly tripled in 1989. With a further significant increase their number reached its peak in 1990 at some four and a half times the average annual level of activity of 1986 — 1988. Since then they have fallen every year but the level of merger activity remains significantly higher in the Community than in the mid-1980s.*
- *At the peak of the European merger wave companies with a total asset value of more than 44 billion ECU were purchased across Community borders. This is a low estimate as information on the bid values of individual mergers and acquisitions is not always available. The time pattern of merger values is similar to that of the number of mergers, but because of a few very big operations in 1989 the peak in value occurred a year earlier.*
- *The European merger wave gathered steam as the US merger wave of the 1980s came to an end. The 1980s saw an unprecedented merger wave in the USA. But unlike in the Community, mergers in the USA dropped sharply in 1990 and further in 1991. The motives for the strong dynamic in cross-border mergers in Europe were Community specific.*

- **The strategic responses of enterprises to the Community's internal market programme were a major driving factor.** As the internal market objective became credible in the second half of the 1980s, firms had to adjust to its new possibilities and competitive challenges. One strategic reaction was to concentrate the product range on the "core" activities and at the same time expand the geographic range. Community-wide mergers and acquisitions are the quickest way to achieve this objective. Other companies focused on the consolidation of their national home base. Resulting domestic concentration processes could be preliminary consolidation to prepare for cross-border expansion. But they have to be carefully monitored to prevent the creation at national level of market power which would permit nationally dominant firms to impede Community-wide market integration.
- **The apparent motives for mergers changed profoundly from more defensive in 1985-1986 to predominantly offensive in 1991-1992.** Analysis of the motives for individual mergers shows that the desire to restructure was particularly strong at the beginning of the period, when nearly half of the mergers of 1985-86 were explained by the companies involved in terms of rationalization and synergy. By 1991-92, the same motives accounted for only 16 per cent of mergers, while strengthening of market position and expansion emerged as the dominant reasons.
- **The most dynamic components of the European merger wave were Community and international mergers.** Purely national mergers (involving only companies of the same Member State) peaked in 1989 at roughly double their level of 1986-1988. The number of "Community mergers" (involving companies of different Member States) and "international mergers" (involving at least one non-Community company) both continued to rise in 1990 to more than four and a half times mid-1980s levels. Since then, international mergers have remained at levels close to their peak. Community mergers slowed down but remain still considerably higher than in the mid-1980s.
- **British and French companies were the most active cross-border purchasers in the Community between 1986 and 1992.** Nearly 45% of all cross-border purchases were by British firms, some 20% by French. The United Kingdom and France both have corporate sectors with a long experience of mergers as well as developed take-over markets. The much smaller German cross-border merger activity during the period (12%) reflects the traditional preference for internal growth, the priority companies gave to exploiting growth opportunities offered by unification, and also a more inward-looking small and medium-sized business sector. Dutch and Irish companies were also relatively active purchasers.
- **German companies were purchased most often.** 25% of all cross-border purchases were targeted at German firms. This focus was particularly pronounced in the first year of the East German privatization programme when the share of German companies reached 34%. Spanish and — on a much smaller scale — Portuguese firms were also relatively attractive mainly because of the considerable growth of their domestic markets in the second half of the 1980s.
- **US American companies were the most active third country buyers in the Community.** In the 1986-1992 period, US companies accounted for 35 % of total purchases from non-Community countries. Switzerland and Sweden led the EFTA countries. The US dominated even more as the most important non-EC target for Community companies, accounting for 63 % of all cases. Over the average of the period, more EC companies bought US companies than vice versa. This trend has, however, reversed since 1991.
- **Mergers and acquisitions in industry increased earlier and more strongly than in services. Since 1991 the service sector is becoming more important.** The merger wave emerged earlier and more strongly in industry, but reached service sectors as well. In both cases cross-border mergers started to decline after 1990. But service sector mergers maintained their 1991 levels and thus gained in relative weight. In industry mechanical engineering, the chemical industry, electrical and electronic engineering, paper manufacture and products, the food industry and rubber and plastics were most affected. In

services wholesale distribution, business services and banking and finance were most actively targeted.

- **1993 has seen a further slow down in merger activity affecting Community enterprises.** This stands in contrast to the USA where mergers and acquisitions have started to build up again since 1992. Number and value of cross-border mergers in the Community are, however, still significantly above the level of the mid-1980s. German companies continue to be most sought after. But German companies have also played a more active role in Community takeovers in 1993. The decline in merger activity was mainly in the industrial sector. Service sector mergers continue at a high level: some of the most spectacular acquisitions in the Community in 1993 involved insurance companies, banks and retailers.

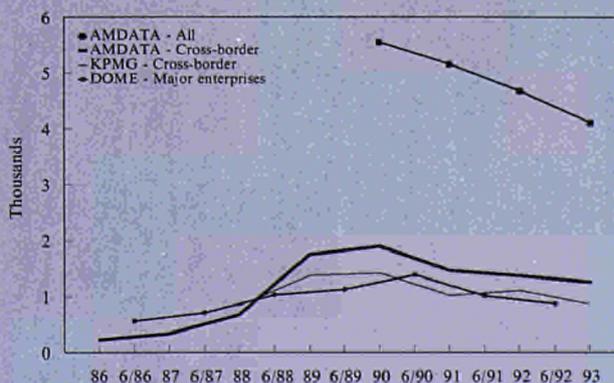
Part A — TRENDS IN MERGERS AND ACQUISITIONS AFFECTING THE COMMUNITY FROM 1986 TO 1992

1. Methodological considerations

Description and analysis of mergers and acquisitions requires first of all reliable statistical sources. Data on mergers are, however, difficult to collect. While changes in company ownership are in principle registered with national authorities these registration lists are dominated by small operations. Furthermore economic and legal control may not coincide and the legal registration may be in quite a different country from the main economic impact. A growing number of Member States require the *ex ante* notification of mergers which significantly affect their territory in order to assess their competitive impact. While these national notifications could in principle be a basis for Community statistics in the future, for the time being their coverage is too uneven. Notification thresholds differ widely among Member States. Since 1990 mergers of a very large "Community dimension" are to be notified to the European Commission but the thresholds are so high that only some 100 operations per year are formally or informally brought to the attention of the Commission services.

Currently the main sources on mergers and acquisitions are publications in the specialized press, company reports, press releases etc. which are assembled into data bases. Between 1971 and June 1992 the Commission's Directorate General for Competition (DG IV) provided such a data base on merger activities of the largest companies in the Community and in the world. Its results were published annually in the Statistical Annex to the Commission's Competition Report. Since it has been discontinued, commercial data bases now have to be used. Given the disparate material each has limited coverage. Furthermore, subjective assessments are often inevitable for example with regard to the timing or the sectoral classification of an operation. As a result statistics differ from one database to the next. Box 1 presents the three data bases taken into consideration for this issue.

GRAPH 1: Evolution of mergers and acquisitions*
Comparison between databases



* For AMDATA and KPMG, where a Community enterprise is targeted. For DOME, with an effect in the Community.
Sources: DOME, KPMG, AMDATA.

Box 1

SOURCES OF STATISTICAL INFORMATION ON MERGERS AND ACQUISITIONS

The monitoring of mergers and acquisitions in the Community is difficult. The number of such operations is high: the data base AMDATA has, for example, identified more than 5500 such operations in the year 1990 alone. The transparency of mergers and acquisitions is limited: while major operations affecting publicly listed companies are often officially published and widely reported in the press, the large number of purchases of unlisted companies are more difficult to detect. Furthermore an analysis of merger trends requires additional information with regard to the operation itself (joint venture, minority or majority acquisition), with regard to the companies involved (for example the groups they belong to, their nationality and their size) and with regard to the markets affected. Some of the additional information is not accessible for reasons of confidentiality. A considerable amount of research is required for each operation introduced into a data base.

All providers of data bases on mergers and acquisitions therefore have to limit the scope of their coverage. Consequently, data bases differ with regard to the panel of enterprises for which information is collected. Usually there are minimum thresholds for the size of the enterprises or the amount of an operation to be covered. Furthermore, differences in the objectives of the data base producers result in differing emphasis in respect of geographical or sectoral coverage and the provision of additional information. Only the biggest operations are likely to be present in all data bases.

Another difficulty arises from the degree of subjectivity involved in the classification of some operations. For example, different data bases retain different points in time when they consider an operation to have taken place or decide differently on the main sectors affected.

The situation with regard to data bases on mergers and acquisitions can be illustrated with three major data bases: **DOME**, **AMDATA** and **KPMG**.

DOME

<i>Producer</i>	European Commission — Directorate General for Competition (DG IV) from 1971 to June 1992. DOME has been mainly used for the annual Report on Competition Policy to provide a statistical annex on mergers in the Community.
<i>Data Coverage</i>	DOME monitored operations involving the 1000 largest European industrial enterprises, the 500 largest firms world-wide and the most important firms in the service sector. Both cross-border and purely national transactions were covered.
<i>Advantages</i>	Its main advantage is the long, consistent time series. Its coverage was well adapted to Community level analysis.
<i>Disadvantages</i>	Data are only available until June 1992, as it has been decided to discontinue the base. Furthermore coverage was somewhat limited.
<i>Sources</i>	Press.

AMDATA

<i>Producer</i>	Acquisitions Monthly (Lonsdale House-7/9 Lonsdale Gardens-Tunbridge Wells-Kent TN1 1NU-United Kingdom).
<i>Data Coverage</i>	Private and public mergers and acquisitions, minority participations and joint ventures. Also management buy-outs, reverse take-overs, divestments, strategic alliances and trail data. AMDATA originated in the United Kingdom. From January 1984 major domestic and cross-border transactions have been monitored world-wide. Gradually medium sized and smaller operations were included for other European countries. From 1990 information also on smaller operations in the Community is rather comprehensive. Today the base includes over 40.000 operations. Additional information about the enterprises involved is often provided but not complete.
<i>Advantages</i>	The base is very comprehensive. Major domestic and cross-border transactions can already be analyzed over one decade.
<i>Disadvantages</i>	Small and medium sized transactions are generally not included before 1990. Information on bid values is often missing for smaller bids. Joint ventures are monitored only since 1994.
<i>Sources</i>	The primary sources are original documents such as press releases, company reports, local government registration lists, offer documents and listing particulars. Experts are located in several countries and constitute a network. AMDATA also monitors the international financial press.

KPMG

<i>Producer</i>	KPMG-International Head Quarters (KPMG Building — Rijnderslaan, 20 — NL 1185 MC Amstelveen — The Netherlands).
<i>Data Coverage</i>	KPMG collects data on three types of cross-border operations: Outright acquisitions (starting in 1987), minority participation and joint ventures (from 1990). More than 17,500 operations involving 120 countries are carried on the database.
<i>Advantages</i>	KPMG is currently the only source for time series on joint ventures. Statistics based on this base are regularly quoted. They are also widely used in economic studies. Statistics are published quarterly in Deal Watch. KPMG also produces tailored reports.
<i>Disadvantages</i>	The data base is limited to cross-border operations only. Furthermore, the base cannot be directly accessed. Data on individual operations are not available
<i>Sources</i>	Business newspapers as well as information from press agencies.

Because of their different approaches, statistics from different data bases cannot be directly compared. But those series which are most similar in the different bases can be juxtaposed (see Graph 1): A series provided by AMDATA ("AMDATA cross-border") on major cross-border acquisitions, the series of KPMG, which only covers cross-border operations, and DOME. The latter included, on the one hand, a number of purely national operations, but, on the other hand registered only operations of major companies. The main observation is that the three series display a similar time profile: the strong increase in the number of mergers and acquisitions in the Community until 1990 and a decline in the following years which is not yet down to the level of the mid-1980s. Only KPMG reported an increase in operations in 1992. For 1993 both KPMG and AMDATA indicate a further decline. For comparison a second series by AMDATA ("AMDATA all") is displayed in graph 1 which includes national operations. This series has only become available in 1990. Its difference from AMDATA "cross-border" indicates the large number of mergers involving companies of the same Member State. The trend of the comprehensive "AMDATA all" series appears to go in the same direction as in the other data series.

Other methodological considerations are required to circumscribe the area of analysis. Cross-border operations are the most interesting from a Community point of view. This does not exclude that major national operations may have significant cross-border effects but these are difficult to identify without a case by case evaluation. Majority acquisitions are most important as they imply a permanent structural change in the market affected. The perspective of Community enterprises as "targets" permits an inward oriented analysis focusing on the impact of mergers and acquisitions on the Community. Unless indicated otherwise the following analysis therefore refers to cross-border majority acquisitions as reported in AMDATA, where a Community enterprise has been targeted and which have been completed in the specified years.

2. Number of cross-border mergers and acquisitions

Between 1986 and 1992 a "wave" of mergers and acquisitions has swept across the Community. Graph 2 shows the development of cross-border mergers during that period. After a build up already in 1987 and 1988, it was in 1989 that cross-border operations nearly tripled to reach their peak after a further increase in 1990. The number of such mergers in 1990 reached nearly four and a half times the level of 1986-1988. Since then they have fallen to two thirds of the peak activity in 1993. In historical comparison the number of Community companies which are bought by companies from outside their home country every year remains, however, quite high.

The recent European merger wave is not a unique phenomenon. US experience shows that mergers happen in waves. In the US four major merger waves have been observed since 1887. The most recent wave developed from the mid-1970s to reach record volumes during the 1980s. Even after the collapse of stock prices on 19 October 1987, merger activity resumed briskly. The wave finally peaked in 1989 and receded quickly in 1990 and 1991.

Data on European merger activity do not date back as far. A first recorded European merger wave took place between 1958 and 1970, when trade barriers were lowered significantly following the establishment of the EEC. As with the recent wave the lowering of trade barriers played an important role in inducing a restructuring of many markets by means of mergers and acquisitions.

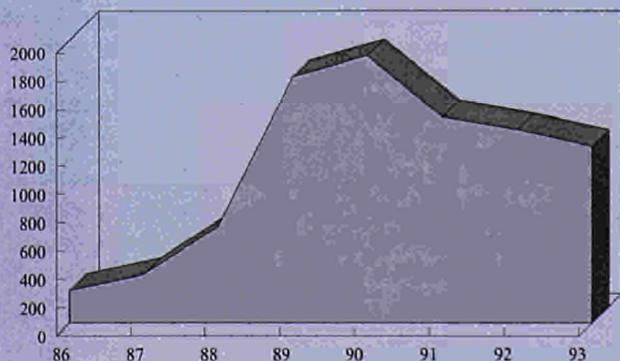
3. Value of cross-border mergers and acquisitions

Mergers and acquisitions activity can be measured using different criteria. The number of transactions reflects the level of activity, but the aggregated value indicates the real effort that enterprises are able or willing to make for their external growth. And only a small part of the total number of transactions is important when considering overall amounts involved.

Graph 3 shows the evolution of the aggregated values of the acquired assets from transactions with a minimum value of 25 million ECU. The graph can only provide an approximation as the bid values are unknown for a considerable number of operations. It shows a peak in 1989 with cross-border purchases of Community enterprises of a total asset value of 44 billion ECU, three and a half times higher than the average of 1986 — 1988. From 1990 the total annual value of operations declined.

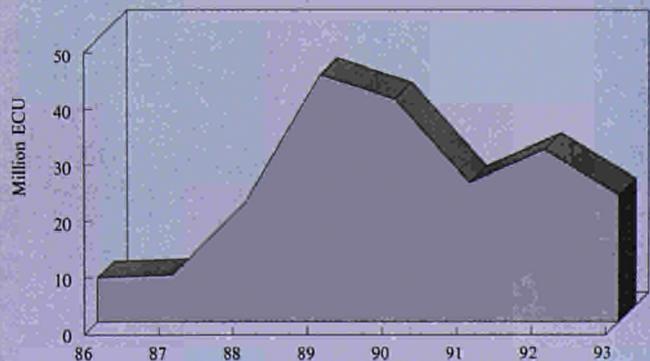
The time pattern of the aggregated value is more volatile than the development of the number of mergers and acquisitions as it may be strongly influenced by the timing of a few very large operations. Thus the fact that the peak in values occurred a year earlier than the peak in the number of transactions can be explained by some very large deals completed in 1989. Indeed three of the ten largest deals between 1986 and 1992 took place in that year. These included the acquisition of Beecham (UK) by Smithkline (USA) for 6.9 billion ECU in the pharmaceutical products sector. In the food sector BSN SA (FR) took over the European operations of RJR Nabisco Inc (US) in a deal worth ECU 2.3 billion. Finally Jaguar (UK) was acquired by the Ford Motor Company (US) for ECU 2.2 billion. The largest deal in 1990, worth ECU 2.0 billion, ranked only twelfth among all the deals that took place during the seven years under consideration. This was the acquisition of the German holding company Feldmühle active in the paper and pulp sector, by the Swedish company Stora Kopparbergs Bergslags AB.

GRAPH 2: Number of cross-border mergers and acquisitions*



* Where a Community enterprise is targeted.
Sources: AMDATA.

GRAPH 3: Value of cross-border mergers and acquisitions*



* Transactions over ECU 25 million, where a Community enterprise is targeted.
Source: AMDATA.

The temporary increase in the values of purchases in 1992 is also due to a couple of very large deals that year: Reed International (UK) and Elsevier NV (NL) concluded a merger worth ECU 3.8 billion, Nestlé (CH) acquired Source Perrier SA (FR) for ECU 2.2 billion.

4. Motives for mergers

There are a number of *macroeconomic factors* which facilitated the European merger wave: The strongly improved economic activity in the Community between 1988 and 1991, the important recovery of business profitability and the stability of nominal exchange rates in the Exchange Rate Mechanism of the European Monetary System between 1987 and 1992 played an important role. As these factors reversed merger activity slowed down.

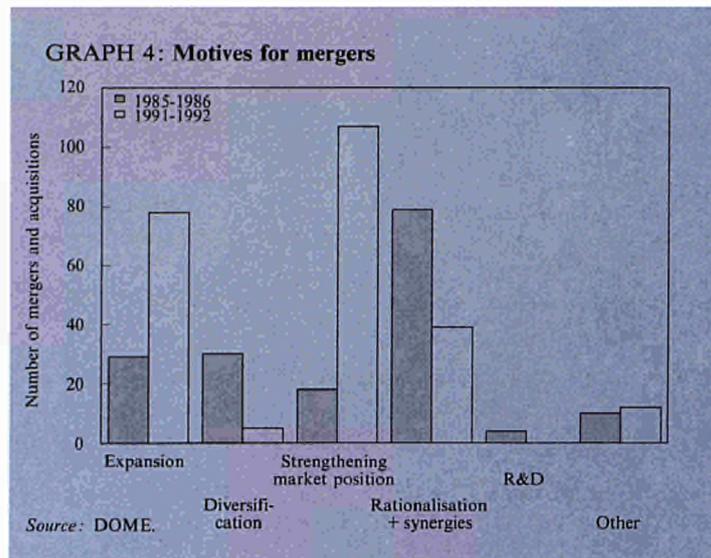
On the *structural side* the lingering adjustment requirements after the recession at the beginning of the 1980s continued to require consolidation and rationalization throughout the decade. By 1987, however, a new, more forward looking perspective was provided to Community enterprises as the programme for the completion of the internal market became a credible Community objective. Enterprises in the Community were motivated to reconsider their strategic orientation in the Community. As was documented for example in *European Economy* Special edition 1990 ("The impact of the internal market by industrial sector") enterprises often reacted by concentrating their product range on their "core" business and widening their geographical reach beyond national borders. On the one hand, operations lying outside the core activity in which firms do not possess a comparative advantage were divested. These sell-offs provided candidates for takeovers. On the other hand, European firms needed to expand Community-wide operations. The elimination of non-tariff barriers to intra-Community trade offers to firms the possibility of selling their domestic production abroad. However, many firms find that internal growth is insufficient to keep pace with changes in market size. Hence, firms turn their attention to external growth. The fastest way to attain a Community wide presence is by acquiring similar firms or looking for possible partners in other Member States. The process develops its own dynamics: once enterprising "first movers" have widened their field of activity, competitors are forced to follow suit thus triggering a growing number of re-active acquisitions. Once the process of liberalization begins to stagnate and the new optimal structures have been realized takeover activities fall off.

An illustration of the impact of these factors can be provided by an evaluation of the motives publicly stated by companies for their mergers and acquisitions. These motives have been collected for the DOME data base and presented in the annual Competition Reports. Even when applying due caution with regard to the interpretation of public statements and their classification, the comparison in graph 4 between the motives cited in 1985-1986 and 1991-1992 reveals striking differences.

Rationalization and the search for synergies motivated almost half the mergers of major Community enterprises in 1985-1986. Many companies were still struggling with the legacy of the recession of the early 1980s and were merging with other companies to regain profitability by means of consolidation. A number of companies aimed at diversification into new business activities to reduce their risk exposure. At that time rather few companies indicated expansionary motives.

The picture begins to change in 1988-1989. A new trend appears as a result of which the motives cited in 1991-1992 are quite different. Rationalization and synergies are referred to only in 16 percent of the operations. Instead, more aggressive motives dominate, i.e. the strengthening of market position and expansion. This confirms that the European merger wave is predominantly the result of expansionary company intentions. To the extent that these intentions are directed across national borders to develop into a Community-wide company they serve to strengthen the integration of the Community economies fully in line with the expectations of the internal market programme.

But to the extent that they remain national and focus on concentrating national producers they may also serve to protect national markets against the competitive pressures from the internal market. Effective merger control in the Community is required to counteract such tendencies.



5. Geographical characteristics

A better differentiation between the relative weight of cross-border expansion and national market dominance strategies can be made if the geographical dimension of mergers and acquisitions in the Community is examined. A first distinction can be made between "national", "Community" and "international" transactions.

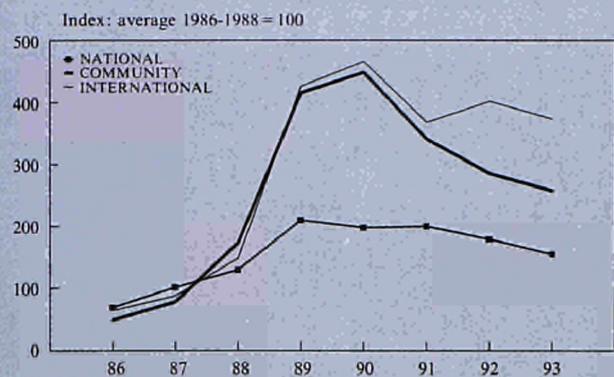
Operations are considered "national" when the firms involved originate from one and the same Member State. Their main impact may be at the national level, but in the context of Community integration spill-over effects to other Member States are increasingly likely. An important spill-over effect could be the foreclosure of national markets against emerging competition from companies of other Member States ("national champion" strategies). This would negate the integration effects hoped for from the internal market. But domestic concentration processes may also be a stage of consolidation to prepare for cross-border expansion.

Operations are "Community mergers" if the firms involved are all Community based, but originate from different Member States. Such operations have by definition effects beyond an individual Member State and are therefore most important from a Community perspective. Concentrations where at least one of the participating firms comes from outside the Community are classified as "international".

Graph 5 plots the evolution of the different geographic categories of concentrations. It indicates that the dynamic element of the European merger wave was provided by Community and international mergers. While purely national mergers increased until 1989 to twice the level of 1986 — 1988, Community mergers reached their peak in 1990 at four and a half times the level of the mid-1980s and international mergers intensified even more.

To some extent non-national mergers are more volatile than national mergers given the higher degree of uncertainty involved. They would be expected to react more favourably to a generally improving business climate in the target countries, exchange rate stability and similar factors. But the growing importance of expansionary motives described above taken together with the particularly strong dynamic of Community and international mergers indicates that many enterprises have reacted in the ways expected to the new perspectives provided by the internal market.

GRAPH 5: Evolution of national, Community and international mergers and acquisitions*



* Number of transactions, where a Community enterprise is targeted.
Sources: AMDATA.

The strong growth of international mergers indicates that enterprises from third countries have also been induced to expand their presence in the internal market. The discussions about the openness of the internal market to the rest of the world may also have motivated some company purchases within the Community although the most concerned companies from the Far East predominantly preferred greenfield investments.

6. National differences in merger activities

Table 1 shows the cross-border activities of the Community enterprises by their nationality in relation to the share of their home countries in Community GDP. British and French companies were the most active purchasers in the merger wave: In 1986-1992, British companies dominated largely with a share of 44.5 percent in total cross-border acquisitions. French firms followed with a share of 19 percent, German (11%) and Dutch companies (7%) take third and fourth place. Concerning the EFTA countries, Swedish companies were the most active purchasers followed by Swiss and a considerable number of Finnish companies.

TABLE 1: Share of cross-border mergers and acquisitions by Member States, average 1986-1992, as % of EC

	Target	Purchaser	GDP
B	6.1 %	2.6 %	3.2 %
DK	3.4 %	3.6 %	2.2 %
D	25.6 %	11.7 %	25.2 %
GR	0.4 %	0.0 %	1.1 %
E	9.2 %	1.4 %	7.6 %
F	15.1 %	19.6 %	19.9 %
IRL	1.2 %	3.5 %	0.7 %
I	7.5 %	4.8 %	17.8 %
L	0.5 %	0.9 %	0.1 %
NL	9.6 %	7.3 %	4.8 %
P	1.4 %	0.1 %	1.0 %
UK	19.9 %	44.5 %	16.3 %
EUR	100.0 %	100.0 %	100.0 %

Source: AMDATA and DG II.

The high level of merger activity of British and French companies is not surprising. The United Kingdom and France have the most developed national take-over markets, and British and French companies are most experienced in this activity. Between 1990 and 1992 French companies took the lead in cross-border takeovers in the Community. Takeovers by French companies also tended to be rather large operations. This explains why, after the Community Merger Regulation

came into effect in September 1990, French companies were more often subject to Community merger control than companies from any other Member State. The much smaller takeover activities of German companies reflect a number of factors: (i) A traditional preference for internal growth, i.e. green-field investment. But the share of total German intra-Community direct investment between 1984 and 1989 has not been much more prominent (14%). (ii) Small and medium sized enterprises, often family owned, are an important part of the German economic structure. They tend to be overall more oriented towards domestic markets. (iii) Since 1990 German unification provided important takeover opportunities within the enlarged Germany.

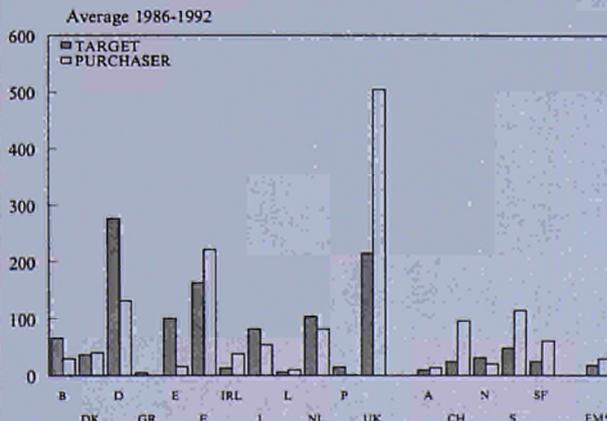
Irish companies have also been relatively active cross-border purchasers. Their share in such merger and acquisition activity in the Community is relatively high (3%) compared to their share in GDP (0.7%) and is, in absolute numbers, well above Greek, Portuguese and even Spanish companies. Again company organization plays an important role. Historically, Ireland has had an open market structure for firms as is reflected by the existence, since 1978, of a regulation on mergers, takeovers and monopolies.

On the other side, German, British and French companies are most often targeted by cross-border takeovers. German companies were more than twice as often subject to foreign takeover than they were active themselves. The privatization process in former East Germany contributed to this imbalance (see box 2).

Other countries with a negative balance on cross-border takeovers were the Mediterranean countries. In the cases of the three less developed countries, Greece, Portugal and Spain, this can be generally explained by a shortage of resources sufficient to allow their firms to engage in take-over activity. Another reason is to be found in the significant growth rates of these countries. Their domestic markets offered interesting opportunities for both internal growth and take-over activity. This is especially visible in Spain. Italy is a different case, mainly because its general economic structure dissuades take-over activity. With only a few large private firms, most larger Italian companies are state-owned. Furthermore, smaller firms generally have strong family ties. Italian firms, therefore, do not change hands as easily as those in the northern part of the Community, where the majority of firms are private and often quoted on stock markets.

Companies from the Benelux countries and Denmark show a relatively high level of cross-border takeover activity. Their integration into a wider area of economic activity progresses quickly. The strong engagement of Swedish, Finnish and Swiss companies illustrates the economic dynamics underlying the political momentum for a European Economic Area.

GRAPH 6: Number of cross-border mergers and acquisitions by country



EM*: European Multinationals.
Source: AMDATA.

From outside Europe, US American companies have been the most active purchasers of Community companies: they undertook more than one third of international takeovers between 1986 and 1992. Japanese companies accounted only for 8 % of international takeovers in the Community in that period, barely above the number of Finnish takeovers. Japanese companies preferred to expand their presence in the Community by means of own subsidiaries. Other non-European nationalities with at least ten takeovers per year were Canadian and Australian.

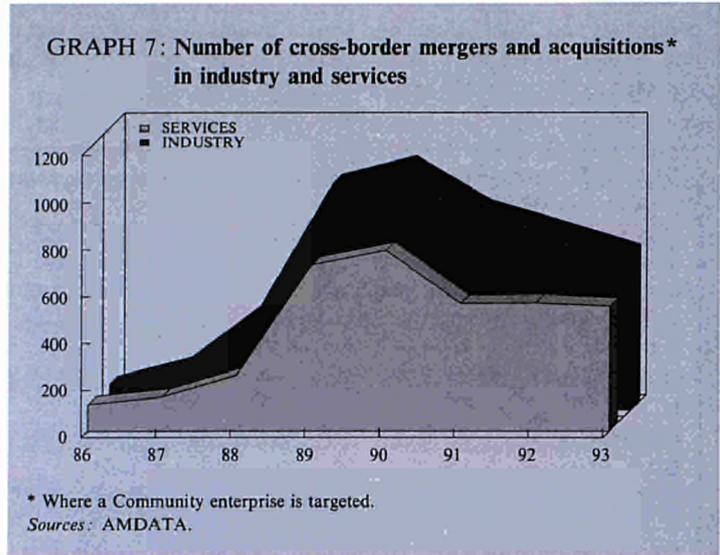
US companies were by far the most desired non-European targets for mergers and acquisitions by EC firms. Indeed, over the period 1986 — 1992 EC companies were more active purchasers of US companies than of companies of any single Community Member State. The net balance of takeover numbers between EC and US companies was in favor of EC companies by a margin of two to one. Apart from the USA, EC companies purchased some companies in Australia and Canada. Since 1991 a considerable takeover activity has emerged with regard to Hungarian and, to a lesser extent, Czech and Polish enterprises. No significant purchases of Japanese or other Asian companies are apparent.

7. Sectoral aspects of mergers and acquisitions

A sectoral analysis of mergers and acquisitions has to contend with the difficulty that industrial classifications of enterprises are at best approximations. Firms, and not only large conglomerates, are often too diversified to be conveniently classified into a single sector. The data bases on mergers and acquisitions classify firms according to their "main activity". This classification is a source of differences among data bases. The problem increases with the degree of detail and therefore the sectoral break-down has to be limited.

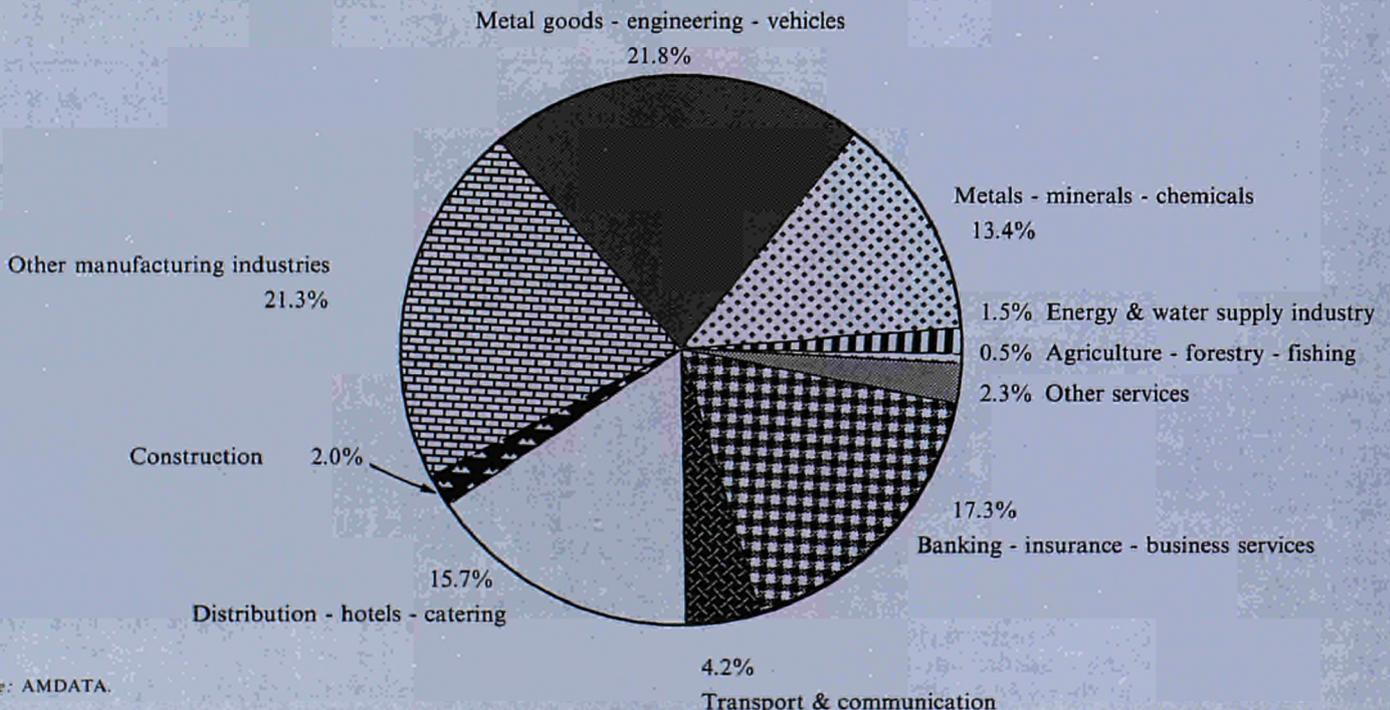
Graph 7 shows the evolution of cross-border merger and acquisition activity in the Community in industry (NACE sectors 2-4) and services (NACE sectors 6-9). It indicates that the merger wave emerged in industry earlier and more strongly than in services. In both areas mergers declined after 1990. But service sector mergers have maintained their 1991 level and thus gained in relative importance in recent years. This pattern reflects the fact that the liberalization of services in the internal market programme was confronted with particular difficulties. Most service activities (banking, insurance, financial services, road, rail, air and inland water transport) required sector specific liberalization concepts which had to be agreed individually and some of which will only fully come into effect in the second half of the 1990s. Some important services were

subject to Community liberalisation initiatives in parallel to the internal market programme (telecommunications, postal services); but important parts will also come into effect only during the 1990s. Community measures taken in the meantime to Furthermore, some services are provided by national monopolies or by state-owned companies, which restricts the possibilities for cross-border mergers. However, as it became clear that the objective of liberalization would be effectively pursued also in these sectors, service sector mergers became increasingly important. This is likely to continue as the degree of Community-wide integration of services is still much lower than in industry. Furthermore many services require local retail networks which can more easily be bought than built.



Graph 8 indicates the relative importance of each sector (NACE 1-digit level) between 1986 and 1992: In industry most enterprises were purchased in the metal goods/engineering/vehicles (NACE 3) sector. In services the distribution/hotels/catering sector (NACE 6) was most affected. On a more detailed level (NACE 2-digits) in industry, mechanical engineering, the chemical industry, electrical and electronic engineering, paper manufacture and products, the food industry and rubber and plastics were most prominent. In services, the sectors with the most significant structural changes were wholesale distribution, business services and banking and finance.

GRAPH 8: Target sectors (NACE 1 - digit) 1986-1992



Box 2

THE EFFECT OF GERMAN UNIFICATION ON COMMUNITY MERGERS AND ACQUISITIONS

German unification came formally into effect on the third of October 1990. It had a strong impact on the Community. The inefficient planned economy in the East had to make way for a market-oriented economy. An important stage in the economy's reorientation was the privatization of state-owned companies in former east Germany. The *Treuhandanstalt* was given responsibility to privatize 8000 industrial companies and 20,000 shops and service outlets. Most of the shops and service outlets were privatized within one year. The task is expected to be completed before the end of 1994.

TABLE 2: Number of mergers and acquisitions where a German company is targeted

Purchaser nationality	1990	1991	1992	1993	Total	% of all cross-border acquisitions
B	15	15	1	4	35	2.1 %
DK	6	14	8	3	31	1.8 %
GR	0	0	0	0	0	0.0 %
E	3	1	2	2	8	0.5 %
F	63	83	48	36	230	13.7 %
IRL	5	3	2		10	0.6 %
I	11	13	8	6	38	2.3 %
L	1	8	2	1	12	0.7 %
NL	48	37	16	39	140	8.4 %
P	0	0	0	0	0	0.0 %
UK	86	67	41	50	244	14.6 %
CH	58	74	59	33	224	13.4 %
S	26	24	19	14	83	5.0 %
SF	20	12	8	8	48	2.9 %
Multi Nat.	16	11	11	7	45	2.7 %
USA	62	75	87	88	312	18.6 %
Japan	14	15	10	12	51	3.0 %
Other	24	39	57	45	165	9.8 %
Total cross-border	458	491	379	348	1676	100.0 %
D	669	1241	998	713	3621	

Source: AMDATA.

The large sale has left its mark on mergers and acquisitions in the Community. Its primary impact was to reorientate German companies towards the new "domestic" investment opportunities. Purchases of German companies by other German companies nearly doubled in 1991 as compared to 1989 and 1990. 1992 saw still a very high, but already lower level of activity and in 1993 German/German mergers have nearly come back down to pre-unification levels. The surge in inner-German mergers has raised the share of total acquisitions of German companies in total takeovers in the Community from some 20 % in 1990 to 39 % in 1991 only to decline again to 29 % in 1992 and 25 % in 1993.

The orientation of cross-border mergers was also strongly affected. While cross-border takeovers declined significantly in the Community overall, they increased with regard to mergers and acquisitions of German companies. German unification has thus somewhat attenuated the overall decline in Community cross-border mergers. In 1991 34 % of all cross-border acquisitions affecting the Community were directed at Germany, up from 24 % in 1990. In 1992 and 1993 this share declined to 28 % per cent.

Table 2 shows the evolution of mergers and acquisitions targeted at German companies between 1990 and 1993. The level of German/German transactions reported here is certainly underestimated given that even a comprehensive international data base is limited to larger operations which are reported for example in the press.

Table 2 indicates that from the Community British and French companies were most involved in acquiring German companies in that period. While British interest decreased steadily after 1990, French companies actually accounted for some 17 % of all cross-border purchases in Germany in 1991. After 1991 French activity also declined strongly. Very much involved were Dutch and, to a lesser extent, Belgian and Italian companies. From outside the Community US American companies were most prominently involved in purchasing German companies. US companies actually increased their acquisitions in 1992 and 1993 and represented overall nearly 19 % of foreign purchases in Germany from 1990 to 1993. Their investments exceeded any single Community Member State. Equally remarkable is the involvement of Swiss companies. Swedish, Finnish and multi-national companies were also active. The number of Japanese purchases remained very small.

8. The impact of mergers and acquisitions on sectoral concentration in industry

Mergers and acquisitions structurally change market conditions. In some cases cross-border acquisitions are part of a widening of the geographical market for the products concerned and thus an intensification of competition. But horizontal mergers and acquisitions, i.e. mergers where the enterprises involved overlap in at least some of their activities, always reduce the number of independent actors in a market and thus increase concentration. This effect is the main concern of merger control authorities, as the reduction in competitors may erode effective competition. The actual competitive impact of a merger can, however, only be established on a case by case basis.

Some indirect evidence on competitive pressures in specific sectors can be found in sectoral concentration ratios. These ratios indicate the share of the largest enterprises in the overall activity of the sector. Their interpretation has to be cautious. To reduce the impact of the classification problem mentioned above, they should be provided on a rather highly aggregated sectoral level. At such an aggregate level, however, they

comprise numerous different markets where the competitive situation may be very different. Furthermore while there may possibly be a link between the degree of concentration as indicated by such ratios and the effective competitive pressures in the sector, the precise extent of these links is highly disputed. Sectoral concentration ratios are therefore best interpreted as indicators for the relative economic strength of the leading enterprises in a sector. If they are high or increasing strongly a closer look from a competition policy point of view would be indicated.

Table 3 shows the C5 ratio (the value added share of the top five enterprises divided by the value added of the whole sector) for a number of industrial sectors in the Community. These ratios have been calculated on the basis of a business data base (DABLE — Source: DG III-A-3) and a sectoral data base (VISA — Source: Eurostat). Their sectoral definitions are similar to but not identical with the data bases on mergers and acquisitions.

Generally, Table 3 shows that in some industrial sectors in the Community the five leading enterprises have a very strong

position as compared to the sector overall. In the sector of "primary metal products" (which includes in particular iron, steel and aluminum) the five largest firms achieved a value added of 82 % of the sectoral value added in the Community in 1991. In aerospace the ratio reached 72 %. Pharmaceuticals and rubber and plastic products indicate a considerable increase albeit from a lower level, similarly food and drink. Merger activity in the chemical industry was among the highest in recent years. There is no indication of an increase in the relative strength of the leading firms at this aggregate level, but the concentration ratio is still one of the highest in Community industry. Several other important industrial sectors in the Community do not show an increase in concentration ratios. Apparently the merger wave in the run up to the internal market has not resulted in a wide-spread strengthening of the already leading firms.

A closer look at some of the industrial sectors with high or growing concentration ratios illustrates the importance of a few major acquisitions for the described structural change:

- In "primary metal products" the mergers of Usinor and Sacilor in France as well as Krupp/Hoesch in Germany have further strengthened leading steel producers. Very important was also the creation of a single integrated state-owned steel company in Italy (ILVA).
- In *aerospace* the large increase in the concentration ratio is in particular due to the strong external growth of British Aerospace. While Aérospatiale constituted the largest company in this sector in 1986, it was British Aerospace that took over the lead in 1987 and generated a 1991 turnover more than twice that of Aérospatiale. The growth of British Aerospace occurred, however, primarily through acquisitions in non-aerospace activities: Rover (cars) and Royal Ordnance (armaments).
- Strong reshuffling in *pharmaceuticals* was one anticipated effect of the internal market. It was this sector especially that suffered from strong national fragmentation, due to diverging national regulations. The purchase of Beecham (UK) by Smithkline (USA) created a strong sectoral leader. The purchase of Sterling Drug (UK) brought Sanofi (FR) into the group of the five largest producers. The 1986 sectoral leader

Glaxo (UK) maintained a second position mainly on the basis of internal growth.

- In the *rubber* sector, the three top firms Michelin (FR), Pirelli (IT) and Continental (D) have all grown even stronger by means of important acquisitions in recent years: Michelin bought Uniroyal Goodrich (USA), Pirelli acquired Metzeler (D), Continental obtained Semperit (Austria), General Tyre (USA) and Uniroyal-Engelbert (USA). The failed hostile take-over bid by Pirelli for Continental, which would have meant the creation of a new market leader, indicates the high volatility in the sector.
- The activity of the French firm BSN exemplifies the take-over strategy exhibited in the *food* sector. Food markets are relatively mature with only a small number of new subsectors (niches), like prepared meals. Take-overs have generally been rather small, but steady. The strategies of the largest players concentrate on taking-over locally well-known brands, hoping in this way to secure and strengthen their already strong positions across the Community. In this way BSN increased its turnover by 25% in 1991. According to company's reports, the increase would only have been 4.7% without take-overs. The fact that concentration in the food industry is lower in the southern Member States than in the northern Member States suggests that an increase in merger activity in these countries can be expected. That BSN's main take-over activity in 1991 took place in Spain, Italy and Greece is, therefore, hardly surprising.
- Merger and acquisition activity in the *chemicals* sector is traditionally characterized by cross-border activity. Take-overs in this already highly concentrated sector are relatively sensitive from a competitive point of view. In 1989, two thirds of Community production was accounted for by the twenty largest firms. All these firms have engaged in at least some degree of merger and acquisition activity, concentrating their purchases in niche-markets. Indications exist that in some of these markets, such as paint and varnish, and soap, detergents and toilet needs, effective competition has been reduced.

Food and chemicals are good examples that rather stable aggregate concentration ratios can disguise competition problems if enterprises focus on niche markets.

TABLE 3: Ratio of value added top five EC firms to total added value of each sector (C5 ratio)

SECTOR	1986	1991	CHANGE % - PTS
Primary metal products	47.21	82.31	35.10
Aerospace	51.24	71.97	20.72
Pharmaceuticals	19.28	27.66	8.38
Rubber and plastic products	14.78	21.71	6.93
Drink	39.73	43.24	3.50
Food	16.92	20.37	3.45
Metal goods	9.79	11.69	1.90
Motor vehicles and parts	55.45	56.49	1.05
Tobacco *	58.39	59.16	0.76
Textiles	7.71	8.24	0.54
Printing & publishing	19.20	19.34	0.14
Industrial machinery	20.07	20.10	0.03
Chemicals	42.25	41.48	-0.77
Computers	34.08	33.17	-0.91
Electronics	33.92	31.48	-2.44
Construction materials	28.39	24.29	-4.11

Source: Dable/DG III-A-3 and VISA

* only top three firms.

Part B — MERGERS AND ACQUISITIONS IN 1993

1. Overview

1993 saw basically a continuation of the trends which have emerged after 1990. The number of mergers and acquisitions continued to decline: cross-border operations targeting Community enterprises declined by 8 1/2 % compared to 1992 (see graph 2), somewhat faster than in 1992 (-6 1/2 %). "Community" mergers (involving enterprises from at least two different Member States) slowed down somewhat faster (-10%) in 1993 than "international" mergers (where the buyer is a non-EC company): - 7 % (see graph 5). Two main reasons may be advanced for this continued slow down. First, the continuing weakness of economic activity in the Community. Second, the most urgent acquisitions to react to the internal market may have been achieved. But the still high level of cross-border mergers indicates that the integration process continues. This is underlined by the fact that purely "national" mergers declined more strongly in 1993 (-13 1/2%) than cross-border mergers..

The value of cross-border purchases decreased more sharply than their number (see graph 3). The time profile of purchase values is, however, strongly influenced by a relatively small number of very large deals. In 1993 the value of the largest deals was relatively low (see table 4 below). Nevertheless, cross-border acquisitions with a total asset value of more than 22.5 billion ECU were identified in 1993, which is still nearly twice the level of 1986-1988.

2. Country analysis

Table 4 shows the cross-border activity by country when a Community enterprise is targeted as well as when a Community enterprise is purchaser in relation to the GDP weight of the home country. This table should be compared with table 1 which provides the corresponding information for the historical period (1986-1992).

TABLE 4: Share of cross-border mergers and acquisitions by Member States, average 1993, as % of EC

	Target	Purchaser	GDP
B	4.9 %	3.6 %	3.2 %
DK	4.4 %	4.8 %	2.1 %
D	28.6 %	18.0 %	29.4 %
GR	0.3 %	0.1 %	1.1 %
E	9.0 %	2.0 %	7.4 %
F	15.2 %	18.4 %	19.7 %
IRL	1.0 %	3.7 %	0.7 %
I	8.5 %	5.2 %	15.5 %
L	0.5 %	1.1 %	0.2 %
NL	8.5 %	10.5 %	4.8 %
P	1.1 %	0.0 %	1.2 %
UK	18.0 %	32.6 %	14.6 %
EUR	100.0 %	100.0 %	100.0 %

Source: AMDATA and DG II (estimates).

British, and, at some distance, French companies have again been the largest acquirers within the Community. This corresponds with historical patterns although the activities of British companies are less dominant than in the past. Cross-border purchases of German companies have increased considerably above the average of the merger wave and have nearly reached the level of French enterprises. This could indicate that more German companies are turning towards the Community again after focusing for three years predominantly on inner-German investment opportunities. Dutch companies increased further their already high level of cross-border purchases. Also quite remarkable also the activities of Irish companies.

Of the EFTA countries Swiss companies have become most active. In fact Swiss companies were only surpassed by four Community countries in their buying of Community companies, an indication that the integration of Swiss companies into the Community continues while at the same time Switzerland withdrew from the process of formation of the European Economic Area.

From outside Europe, US American companies were ever more dominant buyers of Community enterprises. Against the declining trend of mergers within the Community they increased their purchases in 1993 by some 20 % and became the second most important buyer overall after the British. The activity of Japanese companies, already low, has further declined.

From the point of view of the nationality of the targeted enterprises, the three main targeted Community countries remained the same: Germany, the UK and France. The absolute number for Germany is still significantly above the historical average but clearly below the unification inspired peak. Spain remained largely net target in 1993, as was the case throughout the historical period.

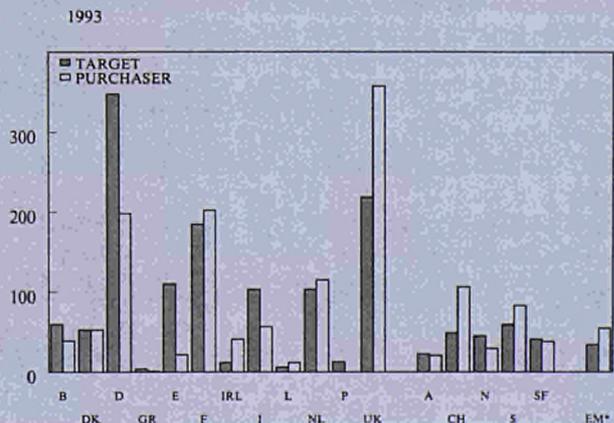
The more important changes occurred in EFTA countries. Their enterprises were more sought after in 1993. This was particularly the case for Switzerland and Finland but purchases of Swedish companies also exceeded the historical average. This indicates that integration has become more balanced in both directions as the discussions about future Community membership have intensified. Outside Europe, US companies are still most actively acquired, but the historical excess of EC purchases in the US over US purchases in the EC has been quite drastically reversed since 1992.

3. Sector analysis

The continued decline in cross-border mergers and acquisitions stems predominantly from industrial sectors. Indeed, the number of cross-border purchases in services stayed in 1993 virtually at the level of 1991. This supports the observation that restructuring in the service sector is still very much in progress.

A sectoral breakdown for 1993 based on the NACE-1 classification is presented in Graph 9. Most mergers still occurred in metal goods/engineering/vehicles but this sector did not escape the general decline of merger activity in industry. As far as services are concerned, activity in the distribution/hotels/catering sector continued to increase. The other services sectors declined but remained above their historical average.

GRAPH 9: Number of cross-border mergers and acquisitions by country



EM*: European Multinationals.

Source: AMDATA.

A more detailed breakdown is given in table 5. The table ranks the twenty sectors which were targeted most in 1993, classified according to the NACE 2-digit code. The most active sector was distribution. The second most targeted sector was business services, which also incorporates the activity of holding companies. There follow a number of industrial sectors that have also been heavily involved in merger activity in the past: mechanical engineering, the chemical industry, electrical & electronical engineering, paper manufacture & products, non-metal mineral products. Banking and finance has been the second most active service sector.

4. Larger deals in 1993

Another way to illustrate the structural changes which are initiated, advanced or completed by means of mergers and acquisitions is to monitor the largest such operations every year. Here, in contrast to the operations presented above, purely national operations and purchases of minority stakes are important and therefore included.

Table 6 ranks the 25 largest acquisitions of 1993. The table gives the name and nationality of target and purchaser, as well as the value of the deal. Stakes are also indicated: acquired stake, shares before and after the deal.

Many of the largest operations took place in the service sector. Two trends of recent years continued: on the one hand, a gradual cross-border integration and, on the other hand, consolidation at national level. The most prominent cross-border acquisition within the same sector was the purchase by Union des Assurances de Paris (FR) of Vinci (NL) in order to

obtain control of Colonia, a German insurance company. In the banking sector, AMEV (NL) increased its stake in ASLK-CGER (B) and Deutsche Bank (D) bought Banca Popolare di Lecco (IT). In the retail sector Kingfisher (UK) bought Financière Darty (F) and Franz Haniel (D) purchased the French distributor of pharmaceuticals, Office Commercial Pharmaceutique.

Consolidation at the national level continued when for example the major German retailer Karstadt took control of another important German retailer, Hertie, Banca Popolare di Verona (IT) bought Banco di San Gimignano e San Prospero (IT). The purchase of VRG-Group and Buehrmann-Tetterode by KNP combined all important Dutch producers of paper products and distributors of printing presses.

Most important industrial operations were the purchase by MB-Caradon of RTZ Pillar which brought together two British producers of building materials, the acquisition by the brewery Scottish & Newcastle (UK) of Chef & Brewer (UK), the purchase of an important stake in CBR Cimentières (B) by Heidelberger Zement (D) and the acquisition of a majority in Fokker (NL) by Daimler Benz (D).

From outside the Community US American companies were prominently represented: an international consortium led by General Electric bought the Italian producer of gas turbines, Nuovo Pignone, Gillette took control over Parker Pen (UK) and IBM obtained Generale d'Informatique (F). The only other large third-country purchase was the take-over of Del Monte Foods (UK) by Royal Foods (South Africa).

GRAPH 10: Target sectors (NACE 1 - digit) 1993

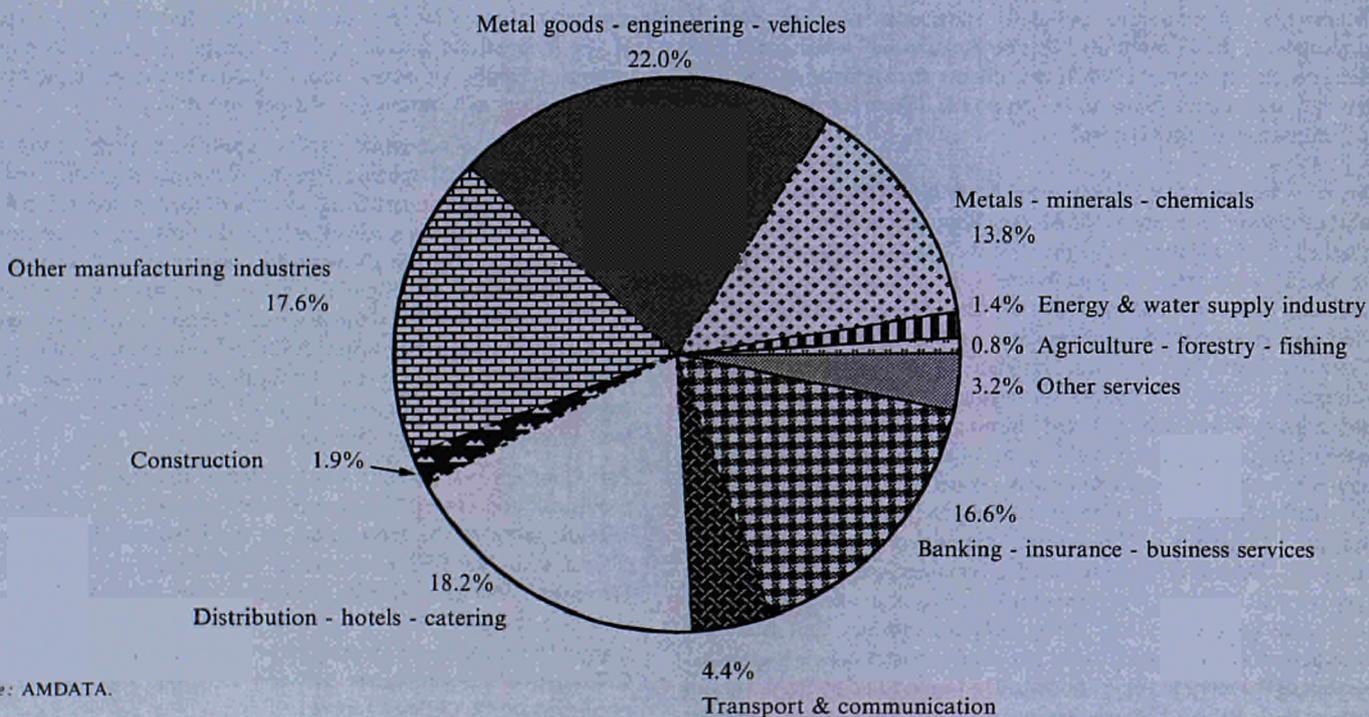


TABLE 5: Most targeted sectors for cross-border mergers and acquisitions *

	NACE	1993	Average 1986-1992
Distribution — wholesale	61	152	100
Business services	83	112	106
Mechanical engineering	32	104	82
Chemical industry	25	96	78
Electrical & electronic engineering	34	63	73
Paper manufacture & products	47	56	60
Non-metal mineral products	24	52	39
Banking and finances	81	40	41
Food industry	41	36	45
Sugar & sugar by-products	42	35	41
Hotels & catering	66	32	23
Other metal goods manufacture	31	30	27
Insurance	82	29	24
Motor vehicles & parts	35	29	21
Rubber & plastic processing	48	27	37
Construction — civil engineering	50	24	22
Other transport services — storage	77	23	21
Textile industry	43	23	13
Footwear & clothing industries	45	22	14
Instrument engineering	37	20	17

* where a Community enterprise is targeted.

Source: AMDATA.

Box 3

EUROPEAN ECONOMY NO 57: "COMPETITION AND INTEGRATION — COMMUNITY MERGER CONTROL POLICY" (SPRING 1994)

European Economy No 57 provides an up-to-date overview of Community merger control policy. It takes stock of three years of application of the Community "Merger Regulation" which came into effect on 21 September 1990. It documents the working of the new Regulation and contributes to the economic debate on key questions of Community merger control.

Part A — written by DG II economists — begins with a short guide to substance and procedure of the Merger Regulation. It introduces in a nut-shell the Regulation's key provisions. A second chapter analyses the recent European "merger wave": the strong acceleration in particular of cross-border and international mergers and acquisitions affecting Community enterprises from 1988 finally decided Member States to create a new legal instrument for merger control at Community level. The merger wave peaked in 1990 at a historical record level. While it has abated since as economic activity slowed down in the Community, sizeable mergers and acquisitions still occur regularly with a considerable impact on economic structures across the Member States. This is underlined by the fact that the number of mergers which have a "Community dimension" and are therefore subject to Community jurisdiction has remained quite stable at some sixty per year. Chapter 3 presents the statistics of the cases notified to the Commission since 1989. They show for example that while the Commission has only prohibited one single concentration, nearly ten per cent of the intended operations had to be modified by the parties to prevent the creation or strengthening of a dominant position. Chapter

4 identifies and discusses the Commission's approach to the key economic issues of merger control: market definition, the assessment of the competitive impact and the special problems of oligopoly analysis. Finally, an annex puts Community merger control in the wider context of Community competition policy.

In *part B* three academic experts contribute their views to the economic debate of specific aspects of merger control. First, *Paul Seabright* discusses institutional aspects of merger control in a paper on "Regulatory capture, subsidiarity and European merger control". A second paper by *Leo Sleuwaegen* summarizes and applies recent economic methods to define "The relevant anti-trust market". A third contribution by *Peter J. Williamson* on "Oligopolistic dominance and EC merger policy" presents the traditional assessment of oligopolies in merger control and suggests quantifiable economic indicators to recognize if a merger poses a threat of oligopolistic dominance. He then applies his ideas to four case studies.

Part C makes available for quick reference the most important legal provisions concerning Community merger control. They include the relevant parts of the Agreement on the European Economic Area (EEA) with the EFTA countries which came into effect on 31 December 1993 and provides for cooperation between the Commission and the new "EFTA Surveillance Authority (ESA)" on some merger cases. Furthermore, the Annex provides the texts of all major Commission case decisions between 1990 and 1993 as they were published in the Official Journal.

TABLE 6: Top mergers and acquisitions in 1993*

TARGET NAME	PURCHASER NAME	Value million ECU	Acqui- red stake	Initial stake	Final stake
Vinci BV (NL)	Union des Assurances de Paris (F)	1706	59	0	59
Financière Darty SA (F)	Kingfisher PLC (UK)	1268	100	0	100
Riz Pillar Ltd (UK)	MB-Caradon PLC (UK)	1056	100	0	100
Chef & Brewer Group Ltd (UK)	Scottish & Newcastle PLC (UK)	947	100	0	100
Hertie Waren- und Kaufhaus GmbH (D)	Karstadt AG (D)	782	100	0	100
Banque Nationale de Paris SA (F)	Union des Assurances de Paris (F)	734	5	10	15
Matra SA (F)	Hachette SA (F)	719	100	0	100
Vinci BV (NL)	Union des Assurances de Paris (F)	626	21	74	95
Immeubles Industriels, Société des (F)	Banque Eurofin SA (F)	609	100	0	100
Internationale Nederlanden Groep NV (NL)	PGGM (NL)	593	7	0	7
Nuovo Pignone SPA (I)	Consortium (US/I)	576	69	0	69
Banco di San Geminiano E San Prospero (I)	Banca popolare di Verona (I)	556	47	17	64
Yves Saint Laurent SCA (F)	Entreprise de Recherches et d'Activités Pétrolières SA (F)	552	100	0	100
CBR Cimenteries SA (B)	Heidelberger Zement AG (D)	549	43	0	43
Gardner Merchant Ltd (UK)	Gardner Merchant Services Group Ltd (UK)	509	100	0	100
ASLK-CGER Holding NV-SA (B)	AMEV NV (NL) / Groupe AG (B)	484	25	25	50
Banca popolare di Lecco SPA (I)	Deutsche Bank AG (D)	456	100	0	100
Peninsular and Oriental Steam Navigation Company (UK)	Granada Group PLC (UK)	451	100	0	100
Del Monte Foods International Ltd (UK)	Royal foods Ltd / Anglo American Corporation (South Africa)	424	100	0	100
Office Commercial Pharmaceutique SA (F)	Franz Haniel & Cie GmbH (D)	397	100	0	100
Eroupelectrabel SA (B)	Tractebel SA (B)	395	5	0	5
Parker Pen Holdings Ltd (UK)	Gillette Company (US)	393	100	0	100
VRG-Groep NV / Bühmann-Tetterode NV (NL)	Koninklijke Nederlandse Papierfabrieken NV (NL)	384	100	0	100
Koninklijke Nederlandse vliegtuigenfabriek Fokker NV (NL)	Daimler-Benz AG (D)	383	51	0	51
Générale d'informatique SA, Compagnie (F)	International Business Machines Corporation (US)	382	100	0	100

*Where a Community enterprise is targeted, including minority stakes.

Source: AMDATA

TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1988	1989	1990	1991	1992	1992		1993			1993					Change over 12 months (b)		
						III	IV	I	II	II	May	June	July	Aug.	Sept.		Oct.	Nov.
B	5.8	3.4	4.4	-2.0	-0.1	-2.8	-2.5	-2.2	-0.1	-0.2	0.2	-1.6	0.6	1.6	-2.6	2.8	:	-2.4
DK	1.9	2.4	0.5	2.2	1.6	4.7	-6.2	-1.5	-2.4	6.1	-9.0	16.5	-3.2	0.0	7.2	-7.3	3.9	6.3
WD	4.5	5.2	5.0	3.1	-1.0	-1.3	-2.8	-3.9	-0.9	0.0	0.7	-0.6	-0.8	2.7	-2.3	-0.8	0.4	-4.0
GR	5.7	1.5	-1.9	-1.5	-1.0	1.4	-1.7	-3.3	2.9	-0.3	-1.0	3.6	-4.1	1.5	2.5	-3.6	-0.5	-3.4
E	3.0	4.5	0.1	-0.7	-2.9	-0.2	-4.6	-3.5	1.2	2.1	1.3	0.1	0.3	2.1	-0.4	-2.5	:	2.4
F	4.7	4.1	1.9	0.0	-1.2	-1.0	-1.1	-1.7	-1.0	0.0	0.7	-0.5	0.6	-0.9	0.0	-0.6	1.0	-0.8
IRL	10.7	11.5	4.7	3.3	9.2	3.5	-0.7	4.4	-1.4	1.7	-1.9	-5.8	5.0	2.7	-0.9	:	:	2.9
I	6.8	3.9	-0.7	-2.1	-1.5	-3.1	-1.3	-1.8	-0.4	-0.2	1.7	-2.0	1.2	-1.7	1.4	0.9	-0.4	-0.1
L	8.7	7.9	-0.5	0.5	-0.9	-1.2	0.7	-2.7	3.2	-5.7	3.4	-1.3	-0.3	-15.1	15.8	:	:	-3.4
NL	2.5	4.2	2.0	2.8	-0.2	-1.2	-2.1	1.2	-0.9	0.9	0.9	-0.9	0.9	-0.9	2.7	-1.8	0.9	2.5
P	3.8	6.8	9.0	-0.1	-2.2	-4.9	0.1	-0.7	-3.3	1.2	-0.5	-1.5	0.9	5.0	-5.1	:	:	-4.7
UK	4.8	2.1	-0.3	-3.9	-0.5	1.2	0.6	0.1	1.0	1.0	1.6	-0.9	1.1	-0.1	0.1	1.0	0.5	4.1
EUR 12	4.6	4.0	1.9	-0.2	-0.9	-1.3	-2.0	-1.4	-0.4	0.3	1.1	-1.0	0.3	0.5	0.1	(-0.2)	(0.4)	(-0.3)
USA	4.4	1.5	0.0	-1.9	2.4	0.2	1.7	1.4	0.5	0.7	-0.2	0.3	0.3	0.2	0.3	0.8	0.8	4.2
JAP	11.0	4.9	4.2	1.8	-5.7	-0.3	-2.6	0.6	-1.6	-0.1	-2.4	1.7	-0.5	-0.9	2.1	-5.2	2.0	-3.3

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

	1989	1990	1991	1992	1993	1992		1993			1993					Change over 12 months (c)		
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.		Nov.	Dec.
B	8.6	7.6	7.5	8.2	9.4	8.5	8.9	9.4	9.6	9.8	9.5	9.5	9.6	9.7	9.7	9.8	9.8	1.1
DK	7.7	8.1	8.9	9.5	10.4	9.8	10.0	10.4	10.5	10.5	10.5	10.6	10.5	10.6	10.6	10.5	10.4	0.4
WD	5.6	4.8	4.2	4.5	5.6	4.8	5.2	5.5	5.8	6.0	5.5	5.7	5.7	5.9	6.1	6.1	6.0	1.1
GR	7.4	7.2	7.7	7.7	:	:	:	:	:	:	:	:	:	:	:	:	:	:
E	17.1	16.2	16.4	18.2	21.5	19.5	20.7	21.5	21.6	22.3	21.8	21.7	21.4	21.7	22.1	22.4	22.5	2.7
F	9.4	9.0	9.5	10.0	10.8	10.2	10.4	10.7	11.0	11.2	10.8	10.9	10.9	11.0	11.2	11.2	11.2	0.9
IRL	15.7	14.5	16.2	17.8	18.4	18.3	18.4	18.5	18.2	18.4	18.3	18.3	18.2	18.3	18.5	18.4	18.5	0.2
I	10.9	10.0	10.1	10.3	11.2	10.5	10.8	11.4	11.1	11.4	11.3	11.0	11.1	11.1	11.3	11.4	11.5	0.9
L	1.8	1.7	1.6	1.9	2.6	2.1	2.2	2.5	2.7	2.9	2.7	2.6	2.6	2.8	2.8	2.9	3.0	0.8
NL	8.5	7.5	7.1	7.2	:	7.6	8.2	8.5	9.0	:	8.5	8.8	8.9	9.2	9.5	9.5	:	2.0
P	5.0	4.6	4.0	3.9	5.0	4.2	4.7	5.0	5.1	5.3	5.1	5.2	5.1	5.0	5.2	5.2	5.5	1.1
UK	7.1	7.0	8.9	10.2	10.5	10.6	10.4	10.4	10.7	10.4	10.5	10.7	10.7	10.7	10.6	10.4	10.3	-0.4
EUR 12	8.9	8.3	8.7	9.4	(10.5)	9.8	10.1	10.5	10.6	(10.9)	10.5	10.6	10.6	10.7	10.8	10.9	(10.9)	(1.0)
USA (g)	5.3	5.5	6.7	7.4	6.8	7.3	7.0	6.9	6.7	6.5	6.9	6.8	6.7	6.7	6.7	6.5	6.4	-0.9
JAP (g)	2.3	2.1	2.1	2.2	:	2.3	2.3	2.4	2.5	:	2.5	2.5	2.5	2.6	2.7	2.8	:	0.5

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

	1989	1990	1991	1992	1993	1992		1993			1993					Change over 12 months (%) (b)		
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.		Nov.	Dec.
B	3.1	3.4	3.2	2.4	2.8	0.5	1.0	0.4	0.9	0.3	0.0	0.7	0.4	-0.2	0.1	0.1	0.2	2.7
DK	4.8	2.6	2.4	2.1	1.3	0.3	0.0	0.7	0.2	0.6	-0.1	-0.2	0.2	0.3	0.3	0.2	-0.2	1.5
WD	2.8	2.7	3.5	4.0	4.1	1.0	1.7	1.0	0.4	0.5	0.2	0.2	0.0	0.1	0.2	0.2	0.2	3.7
GR	13.7	20.4	19.5	15.9	14.4	6.6	2.7	4.4	0.0	4.6	1.1	-1.9	0.4	2.5	1.9	0.8	1.0	12.1
E	6.8	6.7	6.0	5.9	4.6	1.1	1.3	0.9	1.2	1.2	0.3	0.4	0.6	0.6	0.4	0.2	0.5	5.0
F	3.6	3.4	3.2	2.4	:	0.5	0.8	0.6	0.2	(0.5)	-0.1	0.1	0.0	0.4	0.2	0.1	(-0.1)	(2.1)
IRL (h)	4.1	3.3	3.1	3.1	1.4	0.2	0.4	-0.2	1.0	0.3	0.3	0.3	0.3	0.1	0.1	0.1	:	1.4
I	6.2	6.5	6.3	5.2	(4.4)	1.2	1.2	1.2	0.9	(1.0)	0.5	0.3	0.2	0.2	0.6	(0.3)	(0.0)	(4.2)
L	3.4	3.7	3.1	3.2	3.6	0.8	1.4	0.7	0.7	0.7	0.1	0.4	0.3	0.1	0.3	0.3	0.1	3.6
NL	1.1	2.4	4.0	3.7	2.1	0.7	-0.4	0.7	0.9	0.4	-0.3	0.7	0.4	0.4	0.2	-0.1	-0.3	1.7
P	12.7	13.2	10.9	9.0	6.4	0.9	1.9	1.4	1.4	1.5	0.2	0.7	0.4	0.3	0.5	0.7	0.3	6.4
UK	7.8	9.5	5.9	3.7	1.6	0.4	-0.7	1.6	0.3	0.3	-0.1	-0.2	0.4	0.4	-0.1	-0.1	0.2	1.9
EUR 12	5.1	5.7	5.0	4.2	(3.4)	0.9	0.8	1.1	0.6	(0.7)	0.1	0.1	0.2	0.3	0.3	(0.2)	(0.1)	(3.3)
USA	4.8	5.4	4.2	3.0	3.0	0.7	0.8	0.8	0.4	0.7	0.1	0.0	0.3	0.2	0.4	0.1	0.0	2.7
JAP	2.3	3.1	3.3	1.7	1.3	0.4	0.0	0.9	0.5	-0.3	-0.1	0.3	0.3	0.1	-0.1	-0.6	0.1	1.0

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

	1988	1989	1990	1991	1992	1991		1992			1992					Change over 12 months (d)		
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.		Nov.	Dec.
B/L	-2543	-2107	-5655	-7295	-6746	-1970	-2480	-1472	-1354	-1432	-366	-571	-413	-370	-257	-439	-736	23
DK	925	1225	1951	2318	4062	674	779	901	1043	1306	412	331	377	355	554	496	256	3
D(i)	60935	64055	44036	9245	15262	3241	2477	3055	5961	4152	628	809	2682	2470	2577	1234	341	-1271
GR	-5825	-7783	-9228	-10342	-10609	-3387	-2391	-3076	-2596	-2635	-1063	-929	-755	-912	-873	-506	-1256	-194
E	-11974	-19802	-19232	-21285	-21714	-5624	-6014	-5617	-5912	-4611	-1845	-2274	-1947	-1691	-1423	-1347	-1841	-39
F	-11855	-13986	-17275	-13811	-6835	-2083	-1170	-1125	-1781	-1500	-923	-346	-689	-746	-873	-398	-229	1187
IRL	2741	3049	2505	2701	5025	890	1228	1356	1247	1339	377	435	456	356	477	448	414	174
I	-8388	-11098	-9273	-10439	-8193	-2311	-2219	-3318	-1519	-1160	-1226	-786	-47	-686	-175	-513	-472	-415
NL	1296	2895	-329	-2913	-1810	-715	-514	24	-210	-859	-136	-91	-187	68	87	-311	-635	-98
P	-3473	-5033	-6239	-7492	-8853	-1922	-1897	-2081	-2308	-2435	-646	-592	-924	-792	-714	-818	-913	-209
UK	-42384	-41826	-30906	-22327	-26888	-4974	-6375	-6643	-7054	-7144	-2010	-2117	-2751	-2186	-1815	-2613	-2716	-1293
EUR 12 (j)	-20548	-30416	-49647	-81642	-67296	-18108	-18705	-17933	-14534	-15116	-6500	-6079	-4159	-4296	-2389	-4874	-7853	-2158
USA	-100208	-99430	-79511	-53455	-63871	-13174	-11858	-16945	-17662	-17406	-5255	-5477	-6195	-5990	-5458	-6326	-5622	-873
JAP	65441	58691	41167	62943	82222	17862	20545	20148	18862	22667	6002	6275	5968	6619	7858	7155	7655	1541

TABLE A.5: Money stock (k) — Percentage change on preceding period (s.a.)

	1989	1990	1991	1992	1993	1992		1993			1993					Change over 12 months (e)		
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.		Nov.	Dec.
B (M3H)	13.3	4.5	5.8	6.5	:	-0.1	:	:	:	:	:	:	:	:	:	:	:	:
DK (M2)	6.1	7.1	6.4	-1.7	23.8	-1.4	5.5	5.2	5.8	5.6	2.1	2.3	1.3	2.0	2.5	1.7	1.2	24.1
D(i) (M3)	5.5	4.2	6.3	7.6	(10.9)	1.6	1.1	2.9	1.5	(3.1)	0.6	0.8	0.5	0.2	0.7	0.9	(1.6)	(8.9)
GR (M3)	24.2	15.3	12.3	14.4	(15.5)	3.1	1.0	4.3	3.7	(4.4)	1.7	1.2	1.4	1.0	0.9	2.1	(1.2)	(14.0)
E (ALP)	14.4	15.2	10.7	4.9	7.7	2.2	1.2	1.5	2.3	2.4	0.8	0.9	0.3	1.1	0.7	0.6	1.1	7.7
F (M3)	9.6	8.9	2.5	5.2	-2.8	1.3	1.1	-0.6	-1.3	-2.0	-0.9	-1.3	0.1	-0.2	-0.1	-0.4	-1.5	-2.9
IRL (M3)	5.0	15.4	3.1	9.0	23.3	8.5	12.6	4.1	5.2	2.3	0.1	2.3	1.2	1.6	1.4	-0.3	1.2	26.2
I (M2)	9.9	8.1	9.1	4.5	7.9	1.8	2.7	2.3	1.5	1.3	0.9	0.0	0.5	0.9	0.5	1.1	-0.2	8.0
NL (M3)	12.0	7.7	5.2	6.3	:	0.7	2.7	1.5	1.1	:	0.0	0.8	0.1	0.1	0.			

TABLE A.6: Short-term interest rates (m)

	1989	1990	1991	1992	1993	1992					1993					1994				Change over 12 months (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.			
B	8.7	9.8	9.4	9.4	8.2	8.8	8.5	7.4	8.8	8.1	7.3	9.2	10.0	9.2	8.1	7.2	7.0	-1.3		
DK	9.7	11.0	9.9	11.5	10.8	14.1	15.1	9.3	10.9	8.1	10.7	11.7	10.3	8.8	8.0	7.4	6.3	-7.4		
D	7.1	8.4	9.2	9.5	7.2	8.9	8.3	7.6	6.8	6.3	7.2	6.6	6.6	6.6	6.3	6.1	5.8	-2.7		
GR	18.7	19.9	22.7	23.5	23.5	28.3	26.0	21.8	23.8	22.3	23.3	23.0	25.0	27.9	19.2	19.9	.	-8.8		
E	15.0	15.2	13.2	13.3	11.7	14.6	14.3	12.6	10.6	9.2	11.3	10.6	10.0	9.6	9.2	8.9	8.8	-5.6		
F	9.4	10.3	9.6	10.4	8.6	10.7	11.8	8.0	7.8	6.7	8.1	7.9	7.3	7.0	6.7	6.5	6.3	-5.8		
IRL	9.8	11.4	10.4	12.4	9.3	17.6	16.3	7.8	6.6	6.4	6.5	6.6	6.8	6.6	6.4	6.3	6.0	-17.5		
I	12.7	12.3	12.2	14.0	10.2	14.7	11.8	10.8	9.3	8.8	9.5	9.3	9.1	8.8	9.0	8.6	8.4	-4.3		
NL	7.4	8.7	9.3	9.4	6.9	8.7	7.9	7.1	6.4	6.0	6.6	6.4	6.4	6.3	6.0	5.6	5.2	-2.9		
P	14.9	16.9	17.7	16.2	12.2	15.4	.	.	10.9	10.8	11.1	10.9	10.6	10.6	10.9	11.0	10.7	-3.8		
UK	13.9	14.8	11.5	9.6	5.9	7.6	6.4	5.9	5.9	5.6	6.0	5.9	5.9	5.8	5.6	5.3	5.4	-1.6		
EUR 12 (n)	10.6	11.4	10.8	11.1	8.5	11.0	10.2	8.6	7.9	7.2	8.1	7.9	7.7	7.5	7.2	6.9	6.7	-3.8		
USA	8.4	7.8	5.5	3.5	3.1	3.2	3.0	3.0	3.1	3.2	3.1	3.1	3.0	3.1	3.3	3.3	3.2	0.1		
JAP	5.4	7.7	7.4	4.4	3.0	3.8	3.4	3.2	2.9	2.3	3.2	3.0	2.6	2.4	2.3	2.1	2.1	-1.6		

TABLE A.7: Long-term interest rates (o)

	1989	1990	1991	1992	1993	1992					1993					1994				Change over 12 months (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.			
B	8.7	10.1	9.3	8.6	7.2	8.0	7.5	7.3	7.2	6.8	7.1	7.1	7.4	7.1	6.9	6.4	6.5	-1.1		
DK	10.2	11.0	10.1	10.1	8.8	10.2	9.9	8.8	8.5	8.0	8.7	8.4	8.4	8.1	8.0	7.7	7.4	-2.5		
D	7.0	8.9	8.6	8.0	6.3	7.3	6.7	6.6	6.2	5.6	6.4	6.2	6.0	5.8	5.6	5.5	5.5	-1.5		
GR	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
E	13.7	14.7	12.4	12.2	10.2	13.2	12.0	11.0	9.3	8.3	10.0	9.2	8.9	8.5	8.3	8.1	7.8	-4.7		
F	8.8	9.9	9.0	8.6	6.8	8.2	7.6	7.1	6.4	6.0	6.6	6.4	6.4	6.1	6.2	5.8	5.6	-2.2		
IRL	9.0	10.1	9.2	9.1	7.7	9.6	9.0	7.9	7.4	6.7	7.7	7.2	7.2	6.8	6.8	6.5	6.4	-3.2		
I	12.9	13.4	13.0	13.7	11.3	14.4	13.2	12.5	10.3	9.3	11.0	10.0	9.7	9.1	9.6	9.2	8.8	-4.7		
L	7.7	8.6	8.2	7.9	.	8.2	7.3	7.1	6.6	.	6.6	6.6	6.6	6.7	6.7	.	.	-1.5		
NL	7.2	9.0	8.7	8.1	6.7	7.6	7.0	7.0	6.6	6.2	6.8	6.6	6.4	6.2	6.2	6.1	6.0	-1.2		
P	16.7	16.8	18.3	15.4	12.5	14.7	13.8	14.0	11.5	10.5	12.5	11.3	10.8	10.4	10.4	10.7	10.6	-4.2		
UK	9.6	11.1	9.9	9.1	7.8	8.9	8.5	8.4	7.4	6.7	7.8	7.1	7.2	7.1	6.8	6.3	6.4	-2.4		
EUR 12 (n)	9.7	10.9	10.2	9.8	7.9	9.7	8.8	8.4	7.5	6.9	7.8	7.4	7.3	7.0	6.9	6.6	6.5	-2.6		
USA	8.5	8.6	8.1	7.7	6.6	7.5	7.1	6.9	6.3	6.1	6.6	6.3	6.0	5.9	6.2	6.3	6.3	-1.1		
JAP	5.2	7.5	6.7	5.3	4.0	4.6	4.2	4.4	4.1	3.4	4.3	4.1	3.9	3.7	3.5	3.1	3.2	-1.2		

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1989	1990	1991	1992	1993	1992					1993					1994				Change over 12 months (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.			
BFR/LFR	43.38	42.43	42.22	41.60	40.47	40.40	40.11	40.17	40.69	40.89	40.29	40.73	41.06	41.49	40.89	40.32	40.36	0.1		
DKR	8.05	7.86	7.91	7.81	7.59	7.58	7.49	7.50	7.74	7.64	7.56	7.83	7.83	7.71	7.64	7.57	7.54	-0.2		
DM	2.07	2.05	2.05	2.02	1.94	1.96	1.95	1.95	1.93	1.92	1.95	1.92	1.91	1.91	1.92	1.93	1.94	-0.8		
DR	178.8	201.3	225.2	246.8	268.4	256.4	261.9	265.7	270.0	276.1	267.0	269.2	273.8	276.3	275.0	277.0	278.8	6.6		
PTA	130.4	129.4	128.5	132.4	148.7	140.2	138.9	146.2	154.8	155.7	153.1	157.3	154.1	153.7	154.9	158.4	159.5	14.7		
FF	7.02	6.91	6.97	6.85	6.63	6.66	6.60	6.59	6.69	6.65	6.65	6.72	6.69	6.69	6.67	6.60	6.60	-0.7		
IRL	0.777	0.768	0.768	0.761	0.799	0.745	0.779	0.801	0.814	0.804	0.807	0.815	0.821	0.811	0.804	0.796	0.778	4.9		
LIT	1511	1522	1533	1592	1840	1724	1839	1815	1823	1883	1802	1819	1848	1863	1882	1906	1894	4.8		
HFL	2.34	2.31	2.31	2.28	2.18	2.21	2.19	2.19	2.17	2.15	2.19	2.16	2.15	2.14	2.15	2.16	2.17	-1.3		
ESC	173.4	181.1	178.7	174.7	188.0	175.4	177.6	183.8	194.3	196.8	190.4	196.3	196.1	197.1	196.4	197.1	196.2	11.3		
UKL	0.673	0.714	0.701	0.736	0.780	0.903	0.807	0.786	0.764	0.764	0.760	0.760	0.773	0.774	0.762	0.757	0.746	-5.6		
USD	1.102	1.271	1.238	1.295	1.172	1.267	1.191	1.207	1.150	1.140	1.138	1.133	1.179	1.164	1.129	1.129	1.114	-8.1		
YEN	151.8	183.6	166.4	164.0	130.1	155.8	144.0	132.8	121.4	123.4	122.5	117.6	124.2	124.5	121.7	124.1	124.1	-18.1		
DTS	0.860	0.937	0.905	0.920	0.839	0.954	0.903	0.865	0.820	0.818	0.819	0.808	0.832	0.827	0.813	0.816	0.811	-7.9		

TABLE A.9: Effective exchange rates: export aspect (p) — Percentage change on preceding period

	1989	1990	1991	1992	1993	1992					1993					1994				Change over 12 months (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.			
B/L	-0.9	5.2	-0.3	2.3	0.8	2.0	0.1	-0.6	-2.5	-0.5	-0.9	-1.5	0.1	-1.3	1.1	1.6	-0.4	-2.6		
DK	-2.7	7.6	-1.9	2.8	2.1	2.4	1.2	-0.8	-4.6	1.5	-1.7	-4.0	1.6	1.2	0.3	1.2	-0.4	-3.0		
D	-1.3	5.7	-1.1	3.3	2.7	2.0	0.2	-1.0	-0.2	0.7	-0.7	1.4	2.1	0.1	-1.6	-0.6	-1.2	-2.5		
GR	-7.5	-8.0	-11.5	-7.7	-9.6	-3.1	-2.6	-2.1	-3.1	-2.0	-1.0	-1.3	-0.5	-1.1	0.0	-0.5	-1.0	-8.7		
E	4.1	5.1	-0.3	-1.8	-13.1	-7.6	0.1	-5.6	-6.9	-0.4	-2.7	-3.0	3.5	0.0	-1.5	-2.1	-1.1	-15.6		
F	-1.3	6.1	-2.1	3.6	1.9	2.2	0.3	-0.3	-3.1	0.8	-1.9	-1.6	1.9	-0.2	-0.3	1.4	-0.4	-2.1		
IRL	-1.3	5.8	-1.3	2.8	-5.9	2.6	-5.2	-3.5	-3.3	1.3	-1.9	-1.3	0.6	1.0	0.1	1.0	1.6	-8.0		
I	0.4	3.7	-2.0	-2.7	-16.9	-11.5	-7.9	0.8	-2.1	-3.4	-2.4	-1.4	-0.4	-1.1	-1.8	-1.2	0.2	-8.1		
NL	-1.0	3.9	-0.7	2.4	3.0	2.3	0.4	-0.6	0.1	0.8	-0.6	1.2	1.7	0.1	-1.0	-0.3	-0.9	-1.0		
P	-3.2	-1.3	0.6	3.6	-7.6	-0.7	-1.5	-3.7	-6.2	-1.3	-2.8	-3.1	1.1	-0.8	-0.2	-0.2	0.0	-11.9		
UK	-3.4	-0.8	0.4	-3.6	-9.0	-12.3	-1.8	2.3	1.2	0.1	2.0	-0.3	-0.1	-0.5	0.6	0.9	0.9	2.3		
EUR 12	-3.0	11.5	-3.3	2.4	-9.0	-6.8	-3.6	-1.2	-4.0	-0.2	-2.4	-1.2	3.2	-0.7	-1.9	0.2	-1.1	-8.8		
USA	4.9	-6.2	-0.7	-2.3	4.5	6.3	3.5	-3.1	2.1	1.5	2.2	-0.3	-1.3	1.1	1.7	0.6	0.5	1.8		
JAP	-4.4	-10.2	8.6	5.0	20.8	6.6	5.1	9.1	6.5	-2.0	1.4	3.9	-2.9	-1.0	0.4	-1.9	-1.0	16.2		

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

(a) Excluding construction. Data are adjusted for working days.

(b) Percentage change over 12 months on the basis of the non-adjusted series of the most recent figure.

(c) Difference of rates with respect to the corresponding month of the previous year.

(d) Absolute value of change on corresponding month in previous year; seasonally adjusted.

(e) Percentage change over 12 months in the s.a. figure.

(f) Number of unemployed estimated by Eurostat on the basis of the results of Community labour force survey; annual average and quarterly average.

(g) National source: quarterly and monthly figures of the Netherlands; USA and Japan; as % of the total labour force.

(h) Monthly figures calculated by linear interpolation.

(i) Before January 1991, West-Germany.

(j) The deseasonalized series for EUR 12 is the result of a deseasonalization of the gross export and import figures of the Member States.

(k) National sources for Belgium, Denmark, Germany, Spain, France, the Netherlands, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland and Italy.

(l) Average of monthly changes s.a. weighted by GDP at 1985 prices and purchasing power. Belgium: monthly figure obtained by linear interpolation of quarterly data.

(m) National sources; three-month interbank rate except: Belgium, up to end 1989, 3 month treasury certificates; Denmark, daily money market rate; Portugal: 3 month treasury. Annual, quarterly and monthly averages.

(n) Weighted geometric mean; weights: gross domestic product at current prices and ECU.

(o) Yield on public sector bonds. Portugal starting from 1990 before tax. Annual and quarterly averages. Monthly average for Germany, Spain, France, Italy, Luxembourg, the Netherlands, Portugal, USA; end of month for the other countries.

(p) Weighting coefficients are calculated taking into account not only bilateral trade but also competition on third markets and on the domestic market of the exporting country.

Notes: (s.a.) = seasonally adjusted ; = data not available () = estimated.

Principal economic policy measures — December 1993-January 1994

Community (EUR-12)

10.12 Commission's White Paper on Growth, Competitiveness and Employment was positively received and approved by the European Council.

13.12 ECOFIN Council approves the recommendation for the broad guidelines of the economic policies of the Member States and of the Community in accordance with Article 103(2) of the European Union Treaty.

14.12 Global agreement between the EC and the United States in relation to Uruguay Round trade negotiations announced in Geneva.

16.12 Community budget for 1994 is signed by the President of the Parliament in agreement with the Council.

Belgium (B)

2.12 The central bank reduces its discount rate from 5.50% to 5.25% with immediate effect. In addition, the central rate is cut from 8.30% to 8% and the rate on advances in excess of the ceiling is reduced by half a percentage point to 11.50%.

7.12 The central bank reduces its central rate from 8% to 7.5% with immediate effect. It also cuts its rate on advances within the ceiling from 9.7% to 9.2%. The discount rate remains unchanged at 5.25%.

22.12 The central bank reduces its central rate from 7.50% to 7.25% in two stages (on 22 and 29 December). It also cuts its rate on advances within the ceiling from 9.20% to 8.95%. The rate on advances in excess of the ceiling and the discount rate remain unchanged.

6.1 The central bank decides to reduce its central rate from 7.25% to 7.10%. It also cuts its rate on advances within the ceiling from 8.85% to 8.70% and that on advances in excess of the ceiling from 11.50% to 11.25%. The discount rate remains unchanged at 5.25%.

25.1 The central bank lowers its central rate from 7.10% to 7%. It also cuts its rate on advances within the ceiling from 8.70% to 8.60%. The discount rate remains unchanged at 5.25%.

31.1 The central bank reduces its central rate from 7% to 6.85%. It also lowers its rate on advances within the ceiling from 8.60% to 8.35% and that on advances in excess of the ceiling from 11.25% to 11%. The discount rate remains unchanged at 5.25%.

Denmark (DK)

9.12 The National bank lowers its discount rate by a quarter of a percentage point to 6.5%.

21.12 The National bank lowers its discount rate by a quarter of a percentage point to 6.25%.

6.1 The National bank lowers its discount rate by ¼% to 6% (lowest in 25 years).

19.1 The National bank lowers its discount rate by ¼% to 5.75%.

Germany (D)

16.12 The Bundesbank sets the target range for the growth of money supply (M3) in 1994 at 4%-6% (4.5%-6.5% in 1993).

17.12 The Federal budget for 1994 is adopted by the Bundesrat (upper house of Parliament) after approval by the Bundestag. The budget projects Federal expenditure at DM 480 billion in 1994 (4.8% up on 1993) and Federal net borrowing at DM 69 billion (slightly down on 1993).

1.1 Increases in mineral-oil tax and compulsory contributions to the old-age pension scheme come into effect (the latter rising from 17.5% of gross wages to 19.2%).

1.1 The "Standortsicherungsgezetzt" enters into force. It is aimed at improving the overall fiscal framework with a view to strengthening Germany's attractiveness as a business location.

Greece (GR)

31.11 The 1994 budget forecasts a central government deficit of 12.8% of GDP, down from 13.9% of GDP in 1993. The primary deficit of 0.3% of GDP in 1993 is expected to turn into a primary surplus of 2.3% of GDP in 1994.

13.12 The Government issues seven-year bonds to borrow DR 200 billion from four commercial banks. The rate of interest is set at 2.25% above the one-year Treasury bond rate.

1.1 Social security contributions increase by 2.75%.

13.1 Following a recommendation from the Minister for Labour, unemployment benefits will rise by 30% and the minimum level of unemployment benefit is set at DR 60 000.

13.1 The Minister for the National Economy announces the 1994 incomes policy for the central government: wage increases of 5%, effective as from 1 January 1994; an additional increase of 5%, effective as from 1 July 1994; and the possibility of a compensatory increase in early 1995 if inflation exceeds the forecast of 9.5% for 1994. There are no specific limits for wage and salary increases in the enlarged public sector; however, expenditure targets for 1994 will be set.

13.1 No overtime in the public or private sector will be recognized and compensated for in the first six months of 1994, according to a decision of the Minister for Labour.

28.1 The limits on consumer credit are raised. Following a decision of the Bank of Greece, total consumer credit granted by financial institutions will be limited to DR 8 million per person; the previous limit was DR 300 000.

31.1 The one-year Treasury-bill rate is reduced by 80 basis points to 19.75%; the level of the term structure is also lowered.

Spain (E)

27.12.93 The Government announces the 1994 target band for the growth of broad money supply (ALP) (3%-7%), together with the growth targets for domestic private credit (5%) and for domestic public credit (9%).

25.1 The Bank of Spain cuts the minimum intervention rate by 0.25 of a percentage point to 8.75%, five percentage points lower than a year ago.

France (F)

2.12 Pensions and family allowances will be increased by 2% in January 1994.

2.12 Public utilities investment is planned to increase by 1.7% in volume terms in 1994 (compared with an increase of 6% in 1993).

3.12 The Banque de France cuts its intervention rate from 6.45% to 6.20% and its five- to ten-day repo rate from 7.25% to 7%.

6.12 New tax and financial measures are adopted to assist small businesses.

7.12 The second revision of the Finance Law for 1993 is adopted. The budget deficit is equivalent to 4.5% of GDP.

17.12 The budget for 1994 is adopted. The budget deficit target is fixed at 4.1% of GDP.

1.1 Pensions and family allowances are increased by 2%.

1.1 The Banque de France becomes officially independent.

12.1 The French Parliament adopts the five-year Law on budget-deficit consolidation. The target central government budget deficit is set at 2.5% in 1997 (as against 4.5% in 1993).

27.1 The newly established "Conseil de la politique monétaire" of the Banque de France announces a 5% medium-term growth target for money supply (M3) over the next four years; no target range was given for the current year.

Ireland (IRL)

7.1 The central bank lowers its key short-term facility (STF) by 25 basis points to 6.7%.

26.1 The National budget sets a deficit target of 2 3/4% of GDP for 1994, a slight rise on the outturn of 2 1/4% in 1993 but below the Maastricht target for the sixth consecutive year. The main thrust of the budget is to accelerate the reform of the labour taxation and welfare systems in an effort to improve employment performance. The measures include a range of tax concessions geared primarily towards the lower-paid and partly financed by the phased reduction of tax reliefs enjoyed mainly by high-income earners. The budget is based on projected real GDP growth of 4% in 1994 and inflation (private consumption deflator) of 2 1/2%.

Italy (I)

28.12 The Government fixes the 1994 target range for the growth of broad money supply (ALP) at 3%-7%, and the targets for domestic private credit expansion and domestic public credit expansion at 5% and 9% respectively.

Luxembourg (L)

None.

Netherlands (NL)

2.12 With effect from 3 December, the Nederlandsche Bank cuts its special advances rate by 0.2 percentage point to 5.8%. It also cuts its three official rates by a quarter of a percentage point, and notably its discount rate from 5.25% to 5%.

15.12 With effect from 1 January 1994, the Nederlandsche Bank terminates its discount facilities, in agreement with the credit institutions, and decides that its discount rate will be withdrawn at the same date. It justifies its decision by the fact that the banks no longer make much use of these facilities. The only survivors of the DNB's present three key rates will be the rate for bank overdrafts and the rate for advances on promissory notes. The latter will be retained because of its use as a legal reference rate but will no longer be published. From 1 January the rate for advances on promissory notes will be half a point higher than the rate for bank overdrafts.

22.12 The Nederlandsche Bank reduces its special advances rate by 0.2 percentage point to 5.40% in two stages (on 22 and 31 December) as a result of the guilder's strength against the German mark. The other official rates remain unchanged.

6.1 The central bank cuts its special advances rate by 0.1 of a percentage point to 5.5% in the light of the guilder's strong performance against the German mark. The other official rates remain unchanged.

Portugal (P)

4.1 The central bank lowers its key interest rates by 0.125 of a percentage point in line with the downward trend at European level; the rate on certificates of deposit thus falls from 10% to 9.875% and the emergency funds rate from 11% to 10.875%.

12.1 The central bank cuts its intervention rate on the money market by 0.125 of a percentage point, thereby reducing the rate for drawing off liquidity to 9.75% and that for injecting liquidity to 10.75%.

United Kingdom (UK)

None.

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