

EUROPEAN ECONOMY

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*In this number :
Economic Forecasts
for 1993-1995¹*

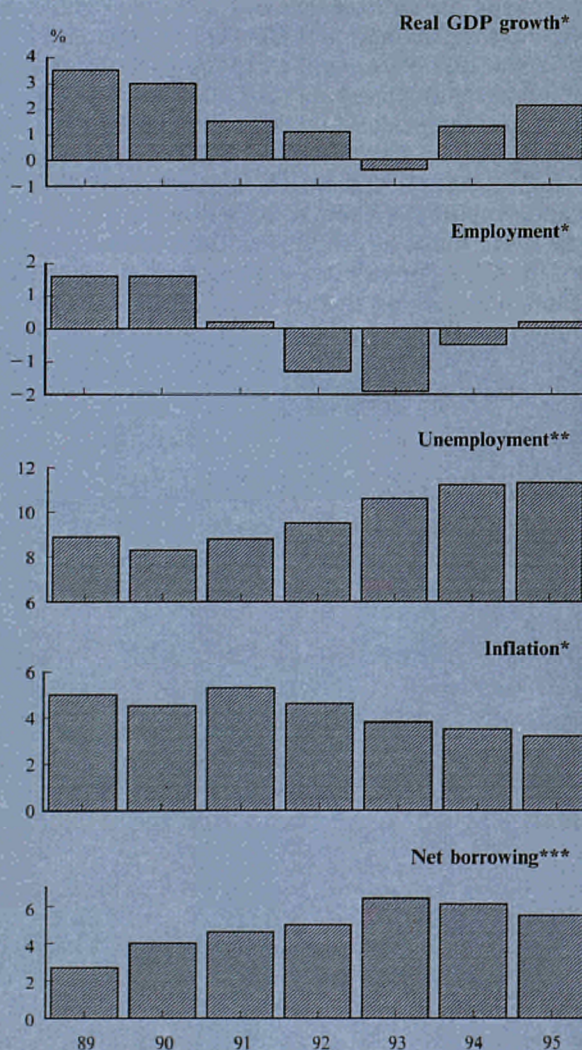
THE COMMUNITY ECONOMIC OUTLOOK: 1993-1995¹

The salient features of the Commission services' Autumn 1993 Economic Forecasts are as follows:

- *In the Community, the recession, which lasted for about one year, appears to have hit bottom in the summer of this year but a solid recovery is still some way off. Following broadly flat output growth over the next few quarters, the rate of expansion of the Community economy should pick up progressively from mid-1994 onwards, rising to 2 % in 1995.*
- *The recovery is expected to be essentially driven by further monetary easing and the self-stabilising properties of market economies. Any upswing is likely to be moderately paced, however, since the main recessionary forces of the last two years -- tight monetary conditions, relatively high wage growth, rising unemployment, depressed private-sector confidence and more recently, announced and envisaged fiscal consolidation efforts -- are likely to exert a continuous albeit diminishing constraining influence.*
- *The historical weakness in economic activity is being accompanied by unprecedented job losses and a steady climb in the unemployment rate, reaching a historical peak of around 11½ % in mid-1995.*
- *Inflation is set to edge down further but at a disappointingly slow pace given the strength of disinflationary influences in the Community; its resistance is an important factor behind the cautious, step-wise loosening of monetary conditions.*
- *Recession as well as discretionary measures in some countries are swelling the Community-wide budget deficit to a historical peak of 6½ % of GDP in 1993. Despite consolidation efforts in many countries, only moderate improvements are expected over the next two years.*
- *Basically reflecting the weakness in domestic demand, the EC's current account deficit is expected to narrow steadily to close to equilibrium in 1995.*

¹ This is a summary of the results of the Commission services' Autumn 1993 Economic Forecasts, based on data available up to 8 November 1993. They include a revision of the Summer 1993 forecasts for 1993 and 1994 (published in Supplement A, No 6/7 of June/July 1993) and first figures for 1995. The conventional assumption of «no policy change» applies, implying that the forecast for 1995 is essentially an extrapolation of expected trends in 1994.

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.

OVERVIEW

The economic situation¹ in the Community has been unfolding very much as expected by the Commission services in their Summer forecasts. As a result, unlike most other national and international institutions which had to revise their forecasts further downwards, the present short-term growth outlook for 1993-94 is almost identical to the previous presentation. The sharp deterioration in economic activity, which started in the second half of last year, has levelled off since early Summer. It thus appears that the trough of the present recession is being reached or may have passed. There are as yet no convincing signs of an imminent and sustained recovery; most economic indicators continue hovering around historically low levels, suggesting sluggish economic activity in coming months. The emergence of more solid rates of real GDP growth of one and a half percent or more is tentatively anticipated for the second half of next year and beyond.

Overall, Community GDP is now expected to decline by about half a percent in 1993, followed by a moderately-paced recovery from next year onwards with growth rates of about 1¼ % and 2 % in 1994 and 1995 respectively. If these figures prove to be correct, output growth around the cyclical trough would be the weakest in Community history, outstripping that experienced during the previous downturns of the mid-1970s and early 1980s. Not surprisingly, therefore, the labour market situation is also historically adverse with the unemployment rate set to peak at about 11½ % of the civilian labour force in the middle of 1995, following an unprecedented 3¼ % cumulative drop in employment over the period 1992-94. Thanks to an expected pick-up in the rate of economic expansion to some 2 %, this trend of falling employment may be halted in 1995. Recession as well as discretionary measures are swelling the Community's budget deficit to close to 6½ % of GDP in 1993, with only a modest improvement occurring in the next two years. On the other hand, inflation is likely to edge down gradually to some 3¼ % in 1995, while, largely due to the weakness of domestic demand, the EC's current account could show some improvement, though remaining slightly in deficit over the forecasting period.

Main features of Autumn 1993 Economic Forecasts* - EUR (a)

	1988-90	1991	1992	1993	1994	1995
GDP growth	3.4	1.4	1.1	-0.4	1.3	2.1
Investment	6.6	-0.2	0.1	-4.6	2.0	4.5
Employment	1.6	0.2	-1.3	-1.9	-0.5	0.2
Unemployment rate (b)	8.3	8.8	9.5	10.6	11.2	11.3
Inflation (c)	4.4	5.4	4.6	3.8	3.5	3.2
Net borrowing (d)	-3.5	-4.5	-5.0	-6.4	-6.1	-5.5
Current account balance (% of GDP)	-0.2	-1.1	-1.1	-0.4	-0.3	-0.1

(*) Real % change p.a. unless otherwise stated.

(a) EUR including the five new German Länder from 1992 onwards (see footnote 1).

(b) As a percentage of the civilian labour force; first column: figure for 1990.

(c) Deflator of private consumption; % change p.a.

(d) General government; % of GDP.

¹ In this summary text, all data up to 1990 refer to the Community excluding the five new German Länder. Unless otherwise stated, they refer to the Community including the five new German Länder from 1991 onwards. However, data showing percentage changes from the previous year refer to the Community including the five new German Länder from 1992 onwards. The same treatment applies for Germany.

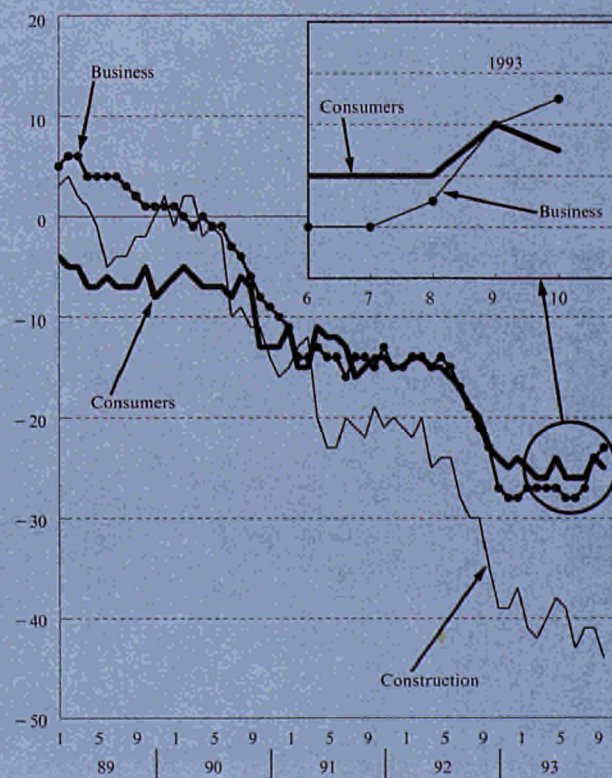
THE COMMUNITY ECONOMY

The present forecasts have been prepared under particularly difficult circumstances for basically two reasons. Firstly, the setting of a monetary background to underlie the forecasts is greatly complicated by the widening of the permissible exchange rate fluctuation bands to $\pm 15\%$. Since countries have been adhering to the same policies that were in place before the latest ERM crisis, the present forecasts are based on a monetary setting broadly similar to the one adopted in the Summer forecasts. Nevertheless, there is a risk that countries may pursue a more flexible approach than has been assumed in this forecast. Secondly, a change in the collection system for intra-EC trade flows has seriously disrupted the availability and reliability of trade statistics in the EC this year. The abolition of frontier controls between EC member countries as of 1 January 1993 implies the loss of customs documentation which was the basis for the old system. A new procedure based on company surveys is being put in place. The resulting delay in the publication of the data and, more importantly, the difficulties encountered in interpreting the new information is unfortunate, especially in view of the importance of assessing the impact on trade and overall GDP growth of exchange rate movements within the EC since September 1992. For both these reasons, there is a significant risk of forecasting error and consequently, the forecasts should be interpreted with caution.

1. Recession in 1993, followed by two years of slow growth

Recent developments — Preliminary data suggest that in the Community as a whole the recession intensified during the first half of 1993. Having contracted by ½ % during the second half of last year, Community GDP may have fallen by almost 1 % (annual rate) during the first half of this year. It should be noted that this output contraction occurred entirely in the first quarter of the year (fall of about 2½ %, quarter-on-quarter annual rate), followed by quasi stagnation in the second quarter.

GRAPH 1: Confidence indicators in the Community



As regards the second half of the year, conjunctural indicators (survey results and economic indicators) suggest a continued depressed economic climate in the Community (Graph 1).

However, the earlier sharp deterioration in these indicators has been arrested and in some cases has even given way to some modest improvement. As a result, expectations are that the Community may have reached the through of its recession. With economic activity expected to broadly stagnate during the second half of this year, the fall in Community GDP for the year as a whole might be close to half a percent.

A dominant feature of the present forecast is the unanticipated sharp fall in domestic demand as high interest rates, weak confidence and falling employment appear to be weighing more heavily on demand than expected. The current projection of a contraction in domestic demand of 1¼ % this year compares with a forecast decline of ¾ % six months ago. But this abrupt slackening of domestic spending, combined with a marked depreciation of EC currencies in effective terms, has entailed a slump in imports, so that its impact on overall GDP growth is largely offset by a large positive contribution from net exports.

Short-term prospects — The outlook is for a sluggish recovery over the next two years: Community GDP may grow by 1¼ % in 1994 (unchanged on the previous forecast), accelerating to 2 % in 1995. If these forecasts prove to be correct, output growth around the cyclical trough would be the weakest in Community history, outstripping that experienced during the previous downturns of the mid-1970s and the early 1980s (Graph 2).

The anticipated slowness of the recovery in the Community reflects the combined influence of a number of growth-constraining factors.

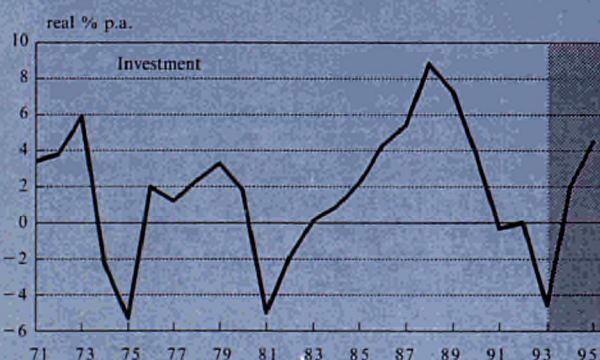
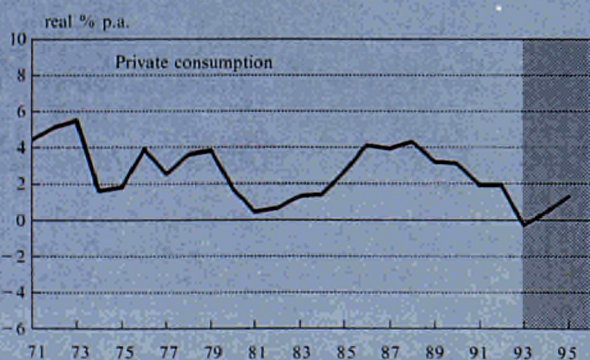
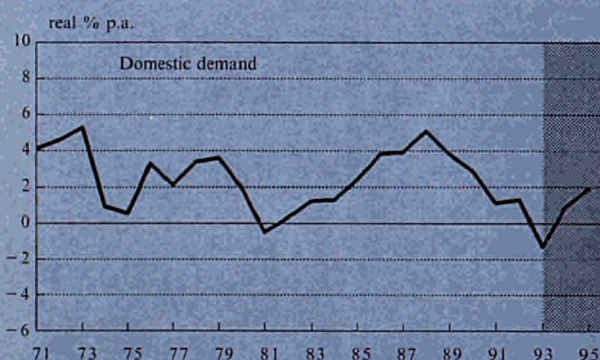
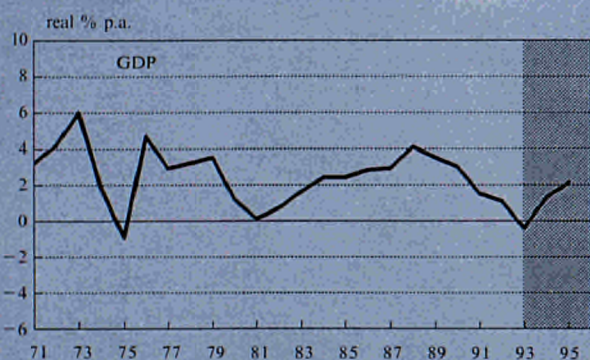
- Firstly, despite gradual reductions over the last twelve months, interest rates in the Community remain high, especially relative to the severity of the present downturn. In addition, the timing of the monetary easing has been more erratic than assumed, creating additional uncertainty. Furthermore, the yield curve has remained inverted, suggesting continued tight monetary conditions in the Community.

Therefore, and not surprisingly, the response of households and firms to the step-wise reduction in interest rates has been very muted hitherto and this is likely to remain so for a while. A continued cautious monetary easing is largely discounted, particularly by business, so that only accelerated cuts in interest rates are likely to spur a robust upswing in investment.

- Secondly, during the last couple of months, several member countries have implemented or announced sizeable fiscal consolidation programmes in order to rein in the observed deterioration in their budgetary positions. While such efforts are required to bring these economies back on a sustained, medium-term growth path, in the short run, however, the demand-dampening impact of fiscal retrenchment risks outweighing the positive crowding-in effects.
- Thirdly, the Community's external environment remains rather subdued. The recent firming of the dollar against EC currencies constitutes a silver lining, however.
- Fourthly, notwithstanding buoyant equity markets in most EC countries, business and consumer confidence remain depressed. Important contributory factors in this regard have been continuing high and rising unemployment, uncertainty about the future of EMU, particularly following the August ERM crisis, and the absence of distinct recovery-inducing factors.
- Finally, despite a better-than-expected output performance in the second quarter, there remain significant uncertainties about growth prospects in West Germany.

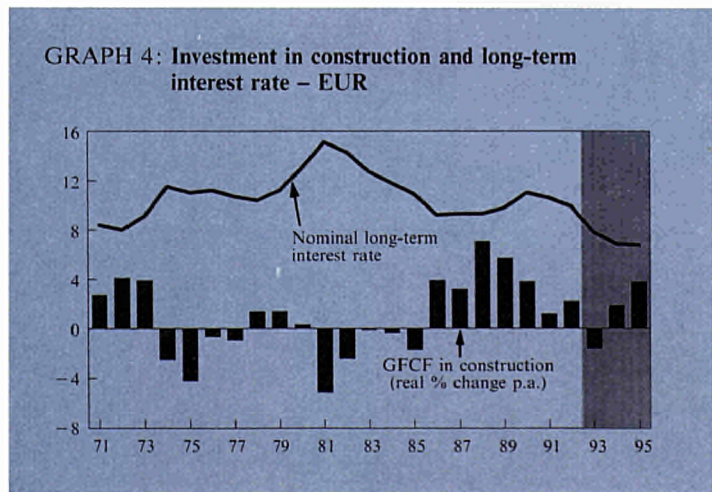
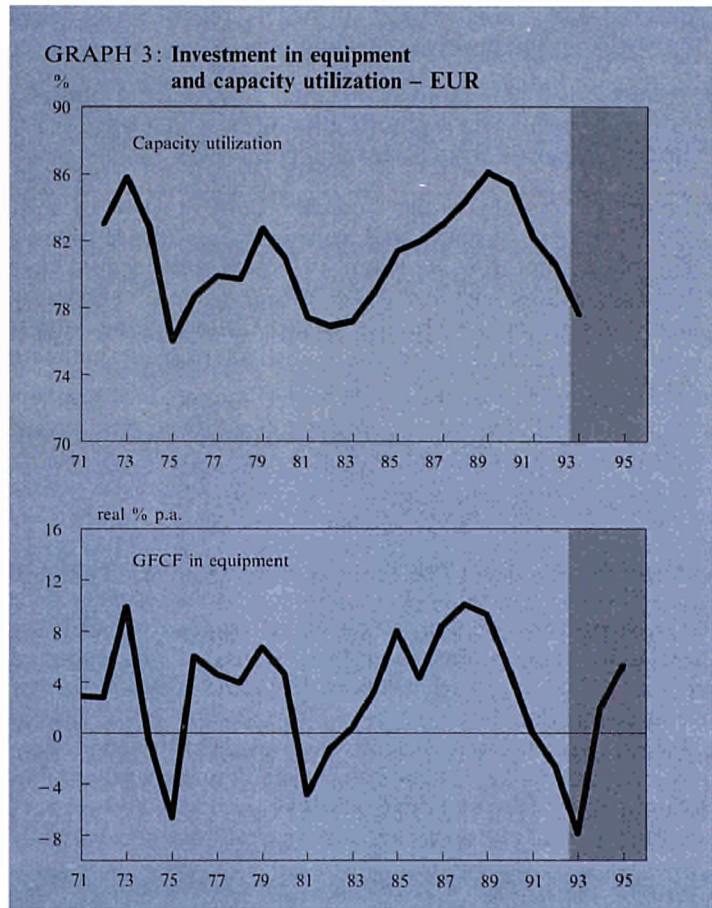
Composition of GDP growth — *Investment*, particularly in equipment, is expected to play a key role in the recovery. It is forecast to turn moderately positive next year (growth of 2 %), thereby accounting for about two thirds of the expected rebound in GDP growth between 1993 and 1994. A further strengthening to above 4½ % is forecast for 1995. Several elements interact to give effect to an investment-driven pick-up in economic activity: (i) continuous falling interest rates; (ii) a cyclical revival in investment following three successive years of contraction; (iii) some improvement in profit margins basically

GRAPH 2: The current EC recession in historical perspective – EUR



due to a further moderation of wages and unit labour costs; (iv) improved financial position of enterprises; (v) the introduction of specific measures to boost investment in a number of countries and (vi) expectations of a partial revival of confidence. However, a more vigorous rebound in investment appears to be unlikely given continued weakness of consumption demand and the currently low level of capacity utilisation (Graph 3).

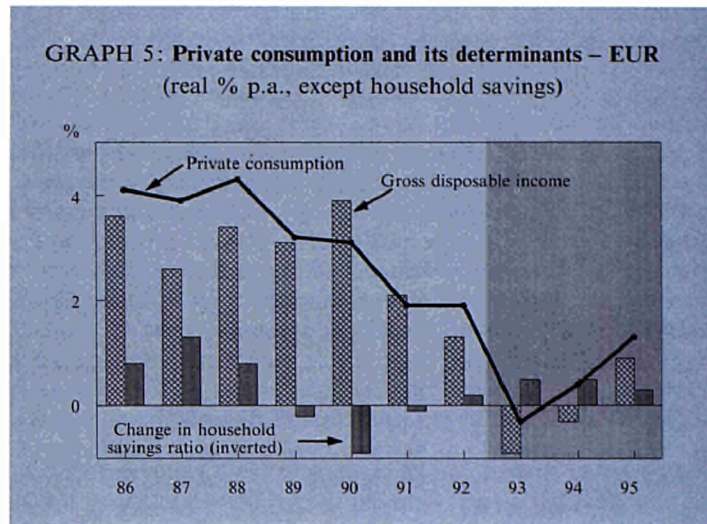
Private consumption growth may lag output growth throughout the forecasting period, though given its weight it may count for more than half of the forecast acceleration of output growth in 1995.



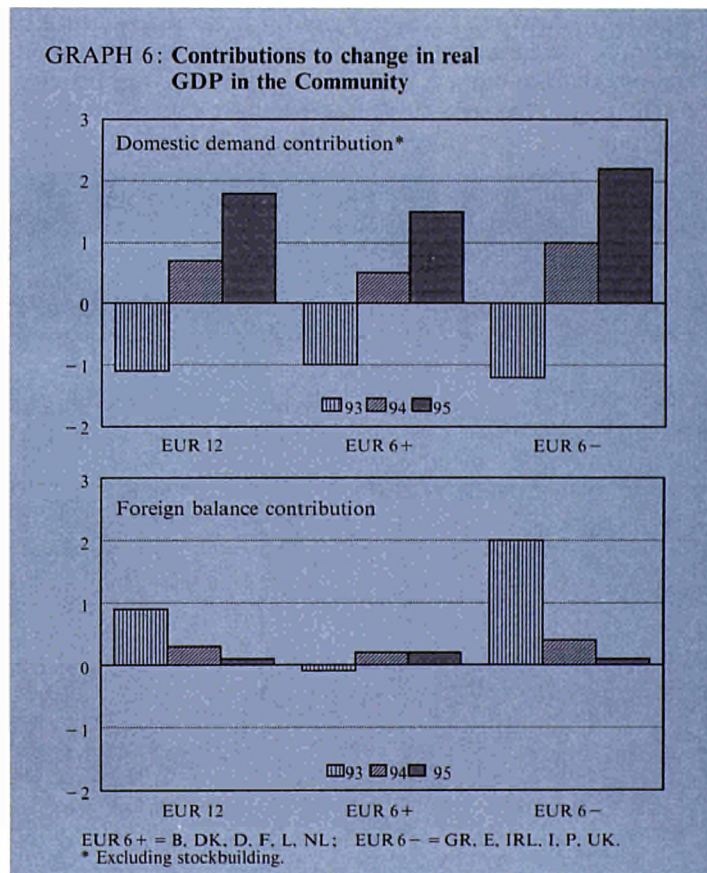
With real disposable income being eroded by falling employment, continued wage moderation and higher taxes and social security contributions in a number of countries, private consumption is expected to pick up only very moderately in 1994, following a mild contraction this year (Graph 5).

Obviously, private consumption could develop a little more favourably if households were to reduce their savings further. The current forecast assumes only a modest drop in the

households savings ratio over the next two years as persistent sluggishness in income growth and anxieties about employment prospects may lead to a rise in precautionary savings. On the other hand, because of fiscal consolidation efforts in many member countries, growth of public consumption should be limited to half a percentage point over the next two years.



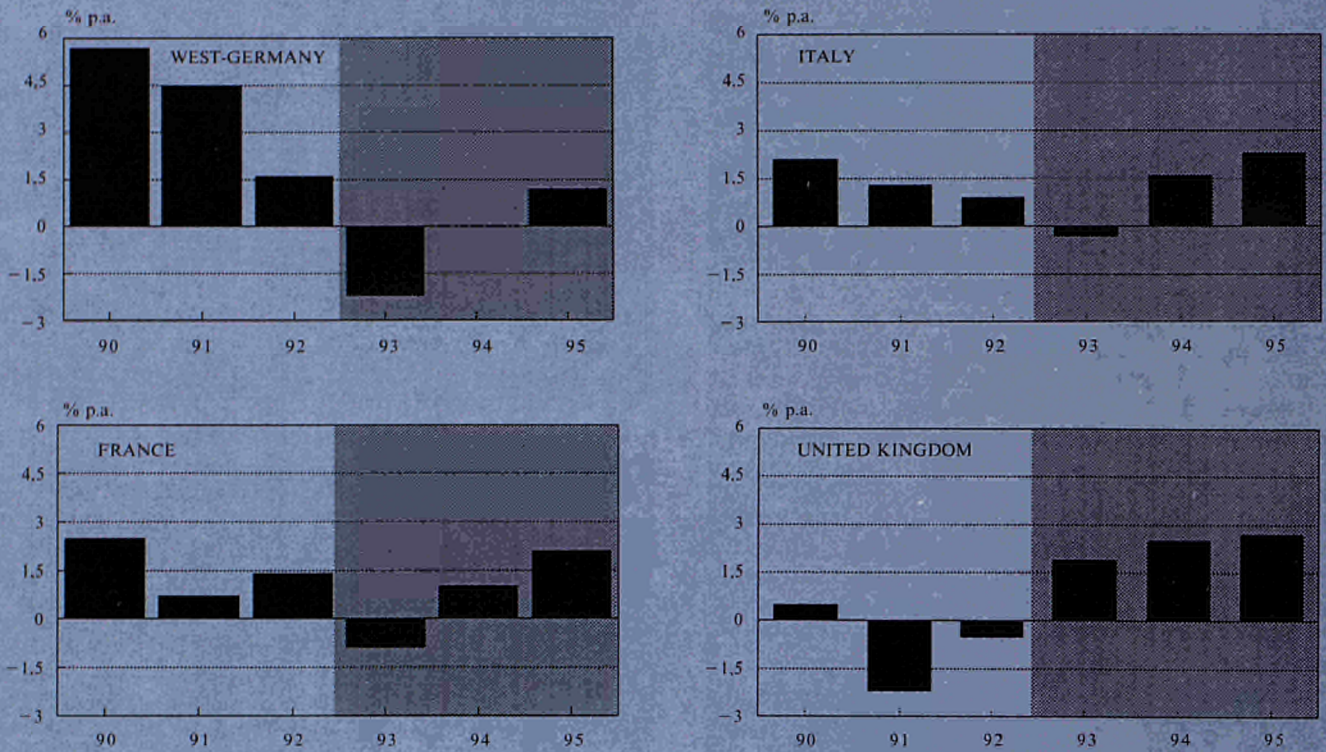
The expected investment-driven uptake in domestic demand should be accompanied by a resumption in *intra-EC exports* next year, following a collapse in 1993. Nevertheless, over the next two years, extra-EC exports are expected to grow at a relatively faster pace given more buoyant import demand in the EC's trading partners. Despite the expected marked rebound in exports, the positive contribution of the foreign balance to GDP growth is likely to gradually disappear due to a relatively stronger upswing in import growth (Graph 6).



2. Marked growth differences amongst Member States

The downturn in the Community economy to a large extent mirrors the pattern in West Germany. The *West German*

GRAPH 7: Real GDP growth in the larger member countries



economy which plunged into recession in mid-1992 is likely to continue more or less stagnating until well into 1994 as it struggles to get to grips with great structural problems either caused or aggravated by unification. The unexpected small rise in GDP in the second quarter of this year has given rise to some hopes that the economy is on the edge of an upswing. This optimism, however, seems rather premature. Several survey results suggest that economic activity may at best sustain current levels during the second half of this year. Overall, West German GDP is now set to decline by 2¼ % in 1993, down by a quarter of a percentage point on the previous forecast. The picture for the overall German economy is somewhat less negative because of a positive contribution from East Germany.

Expectations are for stagnation, at best, of economic activity in West Germany next year, although the overall figure hides a moderate resumption in output growth from mid-1994 onwards. A number of explanatory factors account for this weak growth outlook: the erosion of real disposable income by sharply falling employment, wage moderation, higher social security contributions and tax increases; the sharper than expected decline in investment in 1993; and the relative strength of the DM, despite the recent weakening against the dollar, adversely affecting competitiveness while export opportunities have been reduced by the decline in domestic demand in Germany's neighbouring partner countries.

The combination of these factors, allied to continuing concern about the budgetary situation, have sapped confidence and may lead to further weakness in the economy, with a very gentle recovery tentatively expected from mid-1994 onwards as the recessionary forces gradually begin to unwind. Private consumption will be the most depressed demand component in 1994 (fall of about 1¼ %). There is, however, something of a recovery in exports and investment. This constitutes the basis for the more general upturn which is projected to occur in 1995. Several downside risks are however attached to this forecast — *inter alia* related to the pace of monetary easing, the behaviour of household saving and the strength of the resumption of export growth — so that a worse outcome cannot be excluded at present.

Short-term growth prospects for the *French* economy are also rather bleak. Despite significant reductions since the beginning of the year, interest rates have remained high, particularly in real terms, entailing a pattern of sharply falling domestic demand, especially investment in equipment (expected fall of 9½ %). In addition, exports which had sustained economic activity through much of 1992, fell markedly this year. Nevertheless, due to collapsing import demand, the foreign balance is expected to contribute positively to GDP growth. All in all, the growth rate of the French economy is now forecast at close to -1 % this year. In 1994, the already observed and assumed continuing fall in interest rates should progressively improve the business climate which, together with strengthened foreign demand prospects, is expected to halt a three-year trend of declining investment. Private consumption is forecast to increase only marginally from this year's level, being constrained by stagnating real disposable income due to rising unemployment and an increased tax burden. Hence, any recovery appears to depend crucially on a considerable upswing in exports. On the other hand, a rebound in consumer confidence, translating into a marked fall in the household savings ratio, could improve growth prospects substantially. Overall, output is expected to expand by a mere 1 % in 1994, accelerating to just above 2 % in 1995.

After a two-year period of slow growth, the *Italian* economy entered recession by mid-1992. This year, GDP is expected to decline by about ¼ %. This overall growth figure masks, however, sharply contrasting developments in the domestic and foreign sector of the economy. For the first time in the post-war period, private consumption is likely to fall (by 1¾ %) as real disposable income is being squeezed by the reduction in employment, a drop in real wages following the abolition of the *scala mobile* and increased fiscal stringency. In addition, 1993 will see a slump in investment (drop of 8½ %) as the negative influence of depressed demand and high real interest rates takes effect. Conversely, exports, sparked by the sizeable *lira* depreciation, are keeping the economy afloat but will be insufficient to offset the steep decline in domestic demand. Over the forecasting period, the buoyancy of the external sector is expected to spill over into the domestic sector, which together

with falling interest rates, should entail a gradual pick-up in the major components of domestic demand.

Having been in recession for the previous two years, the *United Kingdom* is the only one of the larger EC economies to show positive growth in 1993, even if at 2 % it is relatively moderate. Domestic demand, and particularly private consumption, strengthened significantly in 1993 under the impact of a substantial easing of monetary conditions. In addition, despite the large improvement in competitiveness from sterling depreciation and a marked moderation of cost pressures, sluggish continental market growth has limited the positive contribution from net exports. Prospects are for a gradual, broadly-based acceleration of output growth during the next two years as confidence strengthens further, the adverse effects of household and corporate balance sheet adjustments level off and export demand benefits from a gradual resumption of positive, albeit subdued, growth in the rest of the Community.

The situation in the *other Community countries* broadly reflects that of the larger EC economies. The recession in Germany and France is mirrored in the neighbouring countries such as the Netherlands, Belgium and Spain, while Ireland has managed to avoid recession possibly through its strong links with the UK and the more favourable external environment for its exporting industries. Similarly, as regards the forecast recovery, there is a discernible pattern of replication depending on the nature of the links with the larger economies. Belgium and the Netherlands are expected to recover very slowly and laboriously in part because of the continuing German recession while the faster recovery in Denmark is mainly attributable to an expansionary fiscal policy. In Spain, the forecast upswing will be slow to materialise partly because of a subdued external environment but also due to the adverse effects of the critical labour market situation on confidence and disposable income. Conversely, for the reasons cited above, Ireland is expected to continue outperforming all other EC countries. However, these differences relate basically to the depth of the downturn and the pace of the recovery. The pattern of an investment and export-led recovery spilling over into a subsequent upturn in private consumption is generally similar across all countries.

3. Risks and uncertainties

If the theme of the current forecast is the persistence of slow growth, then the discussion of the risks and uncertainties attached to it revolves around the likely outturn for the factors underpinning the recession and those promoting recovery in the later years of the forecast. The Commission services' forecast of a recovery are essentially reliant on: a further easing of monetary conditions and a restoration of private sector confidence, entailing a revival of investment on the one hand, and a rebound of exports, particularly intra-EC, on the other.

A number of major risks and uncertainties continue to surround the timing and strength of the hoped-for recovery, with the majority on the downside, particularly as regards 1994. Hence a worse-than-expected output performance, meaning a paltry recovery in 1994, cannot entirely be ruled out at present.

- The forecast recovery is essentially predicated on further falls in German interest rates, followed by parallel movements in the other ERM member countries. However, inflation could prove to be more resilient than expected, particularly in Germany, so that the assumed monetary easing could occur later and to a lesser extent. In addition, given low rates of capacity utilisation and rather poor demand outlook, the business sector response to lower interest rates could be weaker and slower than anticipated.
- A major uncertainty concerns the development of private consumption and the household savings ratio. A moderately declining ratio is implied in the forecasts basically reflecting a

gradual revival in consumer confidence. Increased fears about future income growth resulting from high and rising unemployment combined with widespread moves towards budget consolidation, could keep consumer confidence at its historically low level. In such a scenario, precautionary saving might rise, thereby threatening the assumed modest upturn in private consumption. In addition, failure to make 'systemic' improvements in the Community (namely a successful implementation of the Treaty on European Union) and the world economy (particularly a completion of the Uruguay round before the end of this year) could lead to a further erosion of business confidence.

- A further point concerning the recovery is its assumed investment and export-oriented character. This involves a negative risk. Although the forecast assumes a moderate acceleration only of extra-EC imports in 1994, it may turn out to be somewhat over-optimistic. For instance, import demand in the Community's main trading partners (EFTA, US and Japan) may be less strong due to continued relatively subdued domestic demand growth while the relatively buoyant demand scenario for the Countries of Central and Eastern Europe is threatened by any deterioration in the political situation in Russia. In addition, and perhaps more importantly, assuming no considerable gain in competitiveness vis-à-vis the rest of the world, the forecast marked upswing in EC exports of goods in 1994 hinges crucially upon an expected significant resumption of intra-EC import growth. However, with slow growth of private consumption embodied in the forecast, the assumed intra-Community export growth should result from the anticipated increase in investment. This may not materialise as expected.
- Finally, despite some recent encouraging signs, growth prospects in West Germany remain rather gloomy. The economy is dealing with severe structural problems, as it tries to cope with the cost of unification and at the same time to make its industrial base more competitive. These problems may require more time and effort to be resolved than anticipated in the present forecast. A worse-than-expected outturn in Germany, would obviously adversely affect economic prospects for its main EC trading partners.

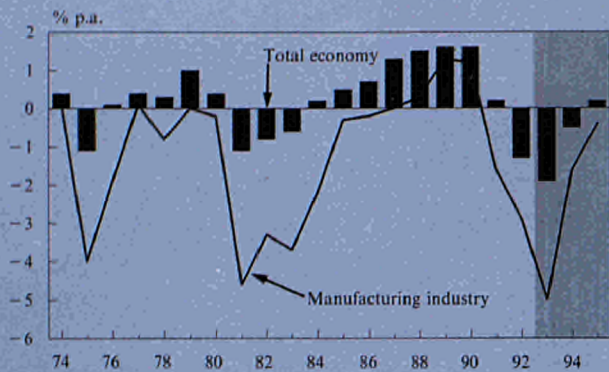
On the other hand, this could become the part of the economic cycle when — as is frequently the case — the performance of the economy surprises forecasters on the favourable side. In fact, a stronger recovery cannot entirely be ruled out. It would require a more aggressive loosening of monetary conditions, a relatively stronger US dollar against EC currencies, stronger improvements in EC competitiveness and more dynamic growth in the Community's main trading partners. In addition, early and significant progress in the implementation of the Maastricht Treaty together with credible and determined macroeconomic and structural actions in conformity with the Broad Guidelines for Economic Policy could generate a strong rebound in private sector confidence, thereby entailing a faster-than-expected pick-up in domestic demand in the Community.

4. Alarming deterioration in labour market conditions

The deepening recession has had a profound impact on the Community labour market. The *unemployment rate* is now forecast to reach 10½ % of the civilian labour force this year. The expected upswing in economic activity during the next two years will be insufficient to prevent the unemployment rate from rising to 11¼ % in 1995 (Graph 8 and 9).

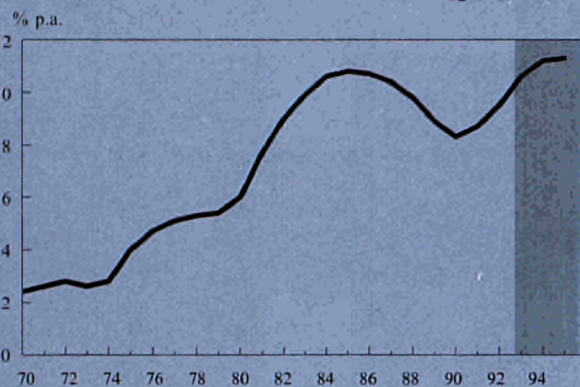
There are a number of elements contributing to this sombre picture. *Employment* is now forecast to fall by almost 2 % in the Community as a whole in 1993, followed by a further drop of ½ % next year before turning marginally positive in 1995. This rapid reduction in the number of people employed is not

GRAPH 8: Employment in the Community



GRAPH 9: Unemployment in the Community

(Number of unemployed as a % of the civilian labour force; annual average)



however fully reflected in the unemployment rate because of a decline in the *participation rate*, indicating worker discouragement. These employment and unemployment forecasts represent the worst performance in the history of the Community, reflecting the depth and duration of the current downturn. Thus far, in the present cycle the fall in employment is almost entirely concentrated in the manufacturing industry. Although in the services sector the overall number of jobs has so far remained broadly unchanged, the growing number of job losses in this sector is a worrying feature.

While the present rise in unemployment is largely cyclical in nature, structural elements — such as corporate restructuring and accelerated rationalisation — unmistakably also play a role. In addition, past experiences teach us that the subsequent recovery is unlikely to reduce unemployment to pre-recession levels, transforming cyclical unemployment into structural unemployment and resulting in a long-term upward ratcheting of the jobless rate (see graph 9).

As regards the individual countries, Germany and Spain are performing worst as regards employment. In Germany, employment started to fall in 1992 and is expected to continue to do so throughout the forecasting period, albeit at a decelerating pace. Consequently, under the combined impact of a slump in employment in East Germany, particularly in the first two post-unification years, and the peculiar nature of the recession in West Germany, overall employment may show a cumulative drop of more than 6 % in the period 1992-95. In Spain, a continuing shake-out will result in a fall of about 4¼ % in employment this year with further, more moderate falls forecast for the next two years. Most of the other countries are forecast to register a fall in employment close to or above 1¼ % this year, notable exceptions being Greece and Ireland where employment is likely to show little change. In 1994, in most

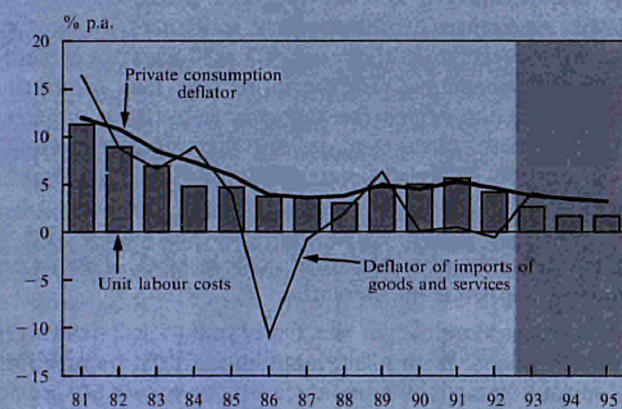
countries the fall in employment is expected to moderate but only in Denmark, Ireland and the United Kingdom is employment expected to increase substantially.

This very poor employment outlook is translated into a steady rise in unemployment rates across the Community. The situation is most alarming in Spain, where in 1995 close to a quarter of the labour force could be unemployed. In four other member countries (Belgium, France, Ireland and Italy) the rate of unemployment is expected to remain above 10 % by 1995. Conversely, only in the United Kingdom is the number of jobless likely to come down during the next two years, but remaining relatively high at 9¼ % in 1995.

5. Continued edging down of inflation but at a disappointingly slow pace

The inflation outlook in the Community is somewhat more favourable than in recent years. On the basis of available evidence, inflation (*private consumption deflator*) in the Community on average is now expected to decelerate to 3¾ % in 1993, down by almost half a percentage point on the previous forecast. A continued edging down, though at a slower pace, is expected in the next two years with inflation possibly reaching 3¼ % in 1995, which is a quarter of a point below the low rate achieved in 1987.

GRAPH 10: Inflation in the Community

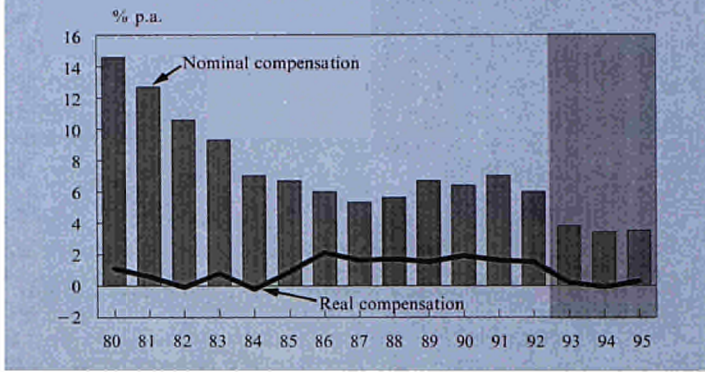


Contrary to earlier expectations, in the countries whose currencies depreciated following the September 1992 ERM turmoil, current and prospective inflation developments remain rather encouraging. Whereas in the United Kingdom and Ireland a certain but temporary edging up of inflation is forecast for 1994, Spain, Italy and Portugal are expected to experience continued disinflation throughout the forecasting period, thereby steadily narrowing the differential with the Community average.

Several factors are contributing to this not unfavourable outlook but the single most important factor is undoubtedly the expected moderation in wages and unit labour costs. Considerable labour market slack in all member countries is bearing down on nominal wage increases and is expected to continue to do so.

Nominal compensation of employees per head is predicted to fall from just below 6 % in 1992 to 3¾ % in 1993. Only a small further moderation to some 3¼ % is expected next year while 1995 may show a marginal acceleration. Most countries are likely to share in this wage disinflation, the main exceptions being Belgium, Greece and Italy where a certain acceleration in wages is forecast for 1994. Given an expected increase in *labour productivity* of about 1¼ % on average during 1993-95, mainly due to labour shedding, *unit labour costs* may decelerate to just below 2 % in 1994-95, the lowest rate in the Community since 1960.

GRAPH 11: Wage developments – EUR
(Compensation per employee; total economy)



In 1993, more pronounced progress towards low inflation has been hampered by a marked swing in *import prices of goods and services* from a decline of 0.5 % in 1992 to an anticipated increase of 4 % this year. Despite an assumed pick-up in commodity prices, import prices of goods and services in 1994 are forecast to decelerate marginally. On the other hand, announced increases in *indirect taxation* will add to inflationary pressures in the years ahead.

In sum, while inflation is not a dominant feature of the current forecast, it is nonetheless clear that the recessionary climate is largely responsible for keeping in check price increases. But given the strength of disinflationary influences in the Community, an overall rate of the order of 3½ % does not present an impressive performance. Furthermore, the risk of mark-up inflation when the hoped-for recovery gets firmly underway remains relevant. A delayed inflationary uptake cannot be excluded entirely at present, particularly in the countries which have experienced a currency depreciation.

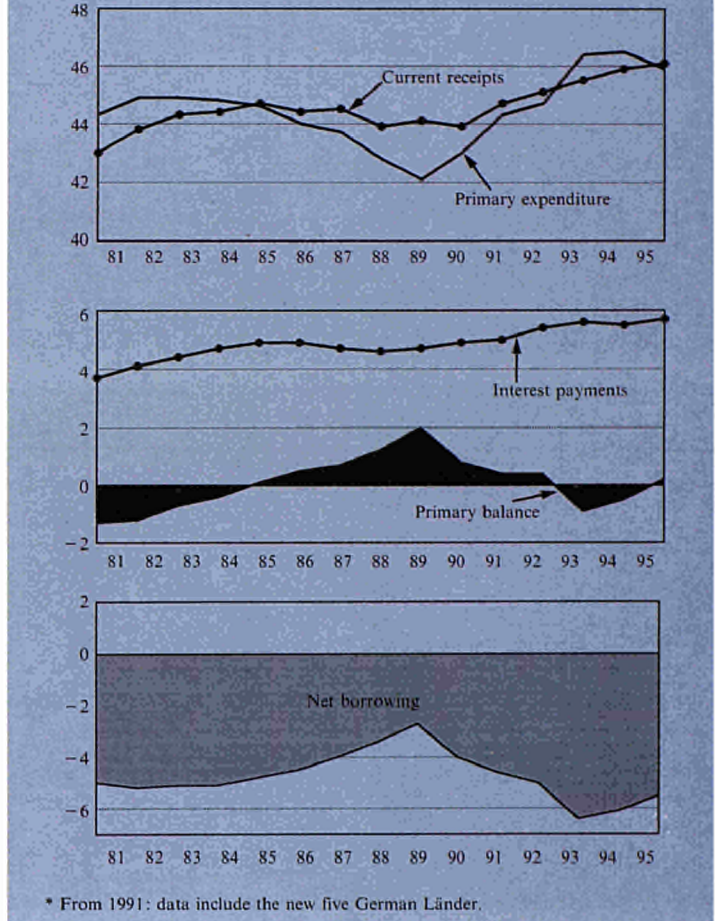
6. Budget deficit reaches historical peak in 1993, showing only a modest improvement thereafter

The budgetary situation in the Community has deteriorated seriously this year. With a forecast deficit of 6½ % of GDP in the Community as a whole, it has now exceeded previous records. This rise in net borrowing of general government is of course a by-product of the recession but there is also a deterioration in its structural component in a number of countries.

A moderate improvement only is forecast over the next two years. This improvement, it should be noted, is predicated on the assumption that corrective action will be taken in a number of countries to improve the situation and on falling interest rates, alleviating the debt service burden. On the other hand, with economic growth remaining below its potential rate, adverse cyclical effects will continue to play a diminished role.

The worsening in budgetary performance in 1993 is a common feature in all member countries. Certainly, three of the major economies have contributed importantly to the problem. The French deficit has increased by 2 percentage points while in Germany and the United Kingdom a rise of just above 1½ points is expected. But whereas in Germany this deterioration in part reflects continued unification costs, in both France and the United Kingdom a considerable share of the widening stems from deliberate growth-promoting measures. Conversely, in Italy the deterioration is confined to half a percentage point thanks to the implementation of stringent fiscal measures. On the other hand, there is also evidence of serious budgetary slippage in some smaller countries, particularly in Spain, Greece and Portugal. In Denmark, as a combined result of slow growth and discretionary measures to boost growth and employment, the budget deficit is forecast to almost double to 4½ % of GDP in 1993.

GRAPH 12: Public finances – EUR
(General government, % of GDP)*



* From 1991: data include the new five German Länder.

Despite subdued growth in 1994, in half of the member countries budgetary positions are forecast to show some improvement. Assuming no change in policy, a modest further reduction in the budget deficit is forecast in virtually all member countries in 1995.

7. Some improvement in external balances but current account to remain slightly in deficit

The Community's external position has improved since the last forecast but this is basically due to a collapse in import demand. The sharp reduction in domestic demand across the Community has resulted in a fall of 4 % in the volume of imported goods this year. Despite a nominal depreciation of Community currencies of 9 % in effective terms in 1993, export demand has also fallen but not nearly as sharply. As a result, the Community's trade balance is forecast to turn marginally positive in 1993, improving slightly further in 1994 and 1995. This compares with an earlier forecast deficit of 0.4 % of GDP in 1993. With no marked change in the non-trade components of the balance of payments, the Community current account deficit is expected to halve in 1993 to just below ½ % of GDP, improving marginally further during the next two years. The expected improvement in the external position is no great achievement because it is due almost entirely to the weakness in domestic demand. The recovery is therefore likely to bring with it some added pressures on the current balance giving support to the notion of continuing structural deficiencies in the EC economy.

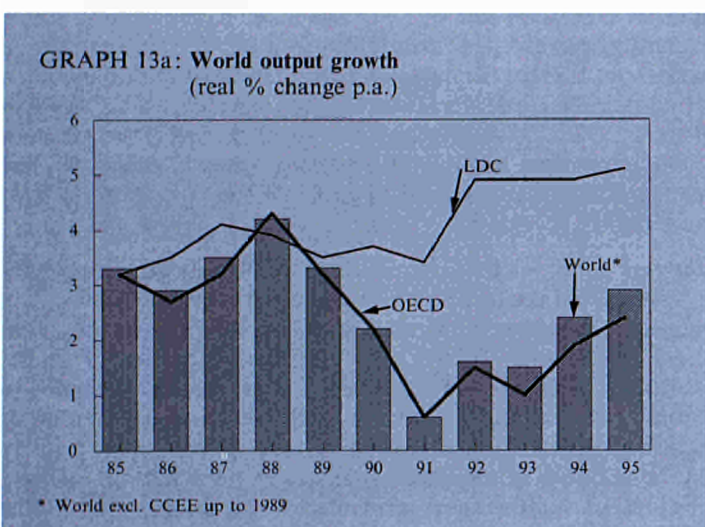
The improvement in the external position has occurred pretty evenly across the Community. While it is emphasised that this is predominantly a feature of the recession, it is noteworthy also that the balance of import and export growth is markedly different in Spain and Italy than in France and Germany, with

relatively buoyant export growth resulting from competitiveness gains in the former two countries while import demand has fallen dramatically in the latter. This pattern can be expected to level off in 1994 and 1995, however, as the effects of recent exchange rate movements peter out. Conversely, the absolute size of the UK trade balance remains a worry.

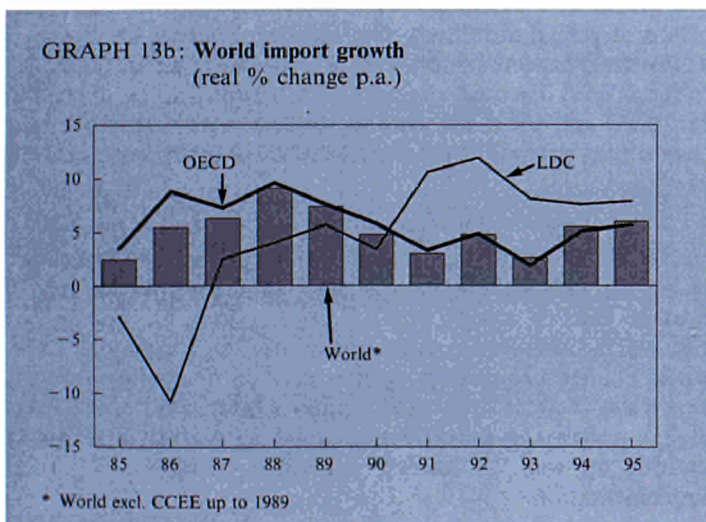
THE COMMUNITY'S EXTERNAL ENVIRONMENT

8. Gradual strengthening of growth of world output and trade

The outlook for *world output growth* in 1993 and 1994 is little changed from the Summer forecasts. Slightly weaker-than-expected activity in the industrial countries is offset by slightly stronger-than-anticipated growth in the non-OECD countries, particularly in the newly industrialising countries of South-East Asia and Latin America. Following expected growth of about 1½ % in 1993, world output is projected to strengthen gradually to close to 3 % in 1995. Poor growth prospects in the EC are reducing the growth forecasts for the world economy by about half a percentage point.

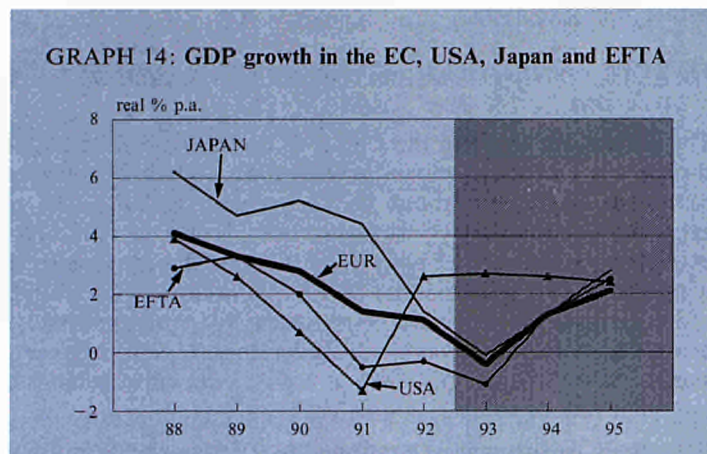


World trade (excluding the EC), measured by import volumes, is assumed to increase by around 7 % throughout the forecasting period. It should be noted, however, that given the recession in the EC, *export market growth for goods* for the EC as a whole — including intra-EC trade — is forecast to fall by 1½ % in 1993. Given a small acceleration only of import demand in the world outside the EC, the forecast resumption of export market growth in 1994 to 4 % should stem almost entirely from a rebound in intra-EC imports.



9. United States: sustained expansion close to potential rate

The present forecast assumes that in the United States the moderate growth observed since 1992 will continue till 1995, with annual rates of growth in the region of 2½ %. This scenario of the economy growing at a rate close to its potential is consistent with the absence of significant inflationary pressures as the output gap generated during the downturn of 1990/91 is unlikely to be completely reduced. It should also allow a moderate decline in the unemployment rate to 6 % at the end of the forecast horizon.



Activity is expected to be supported by the effects of historically low interest rates, continued progress in financial balance restructuring in the private sector and a continued weak US dollar. Nevertheless, for several reasons this growth outlook is more moderate than consensus expectations of 3 % growth over the next two years. After the boom of the last twelve months, business investment is expected to decelerate substantially over the forecasting period, although its impact may be partially offset by a gradual recovery in non-residential construction as the excess supply dating from the eighties dries up. Furthermore, the strict control of public expenditures, particularly in the defence sector, is assumed to reduce GDP growth by a quarter to half a percentage point annually. But fiscal restraint should translate in a marked reduction in the budget deficit to 1½ % of GDP in 1995 (from 4.6 % in 1992), which in turn may help consumer confidence. Nevertheless, there is little scope for an acceleration in private consumption from its current rate of 3 %. The forecast already implies a small fall in the as of now low household savings rate. Another obstacle to a more buoyant expansion is the high level of import penetration in certain US markets. Although a certain deceleration is expected, this high level diminishes knock-on effects of any acceleration in domestic demand. Meanwhile, exports are being restrained by poor market growth in Europe and Japan.

10. Japan: gentle recession in 1993 followed by fiscally-induced moderate recovery

In keeping with the continued influx of bad news, the growth forecast for Japan has been revised down substantially. For the first time since 1974, the Japanese economy is expected to experience a marginal output contraction this year. As yet, there are no signs of recovery but the significant easing of monetary and fiscal policy during the last year should generate a moderate upturn in 1994, with GDP growth possibly picking up to 1¼ %. The single most important force negatively impacting upon the Japanese economy is undoubtedly the huge appreciation of the yen of more than 30 % in nominal effective terms over the last twelve months. This large appreciation, together with slow economic growth in some of its major trading partners, has entailed strongly weakened exports. Moreover, through its

adverse effects on corporate profits, wages and consumer confidence, the yen appreciation also acts as a drag on domestic demand, thereby compounding the restraining effects of the asset price deflation and falling employment. The economic downturn is, however, significantly attenuated by the three fiscal stimulus packages adopted since August 1992. The additional spending included in these packages is estimated to increase GDP by 1½ % at the end of 1994, one third of the official estimate. These fiscal injections, together with a certain acceleration in housing investment and private consumption, should make for a moderate but hesitant recovery in 1994, but the economy is not very likely to achieve growth of some 3 % before well into 1995.

11. EFTA countries: moderate recovery after prolonged recession

The current recession in the EFTA as a whole has now lasted three years. Following two years of an annual average decline in economic activity of about half a percent, EFTA GDP is expected to contract by just above one percent in 1993. The extended recession is of both domestic and foreign origin. It would, however, seem that the EFTA bloc is close to the trough of its recession. With recessionary forces dissipating gradually, expectations are for a general but moderate and fragile recovery, starting in the first half of 1994 and with growth approaching its potential rate of some 2½ % in 1995.

Economic performances continue to vary markedly among EFTA countries. In *Norway*, following a short period of weak but still positive economic growth in 1993, the next two years are likely to see continued but moderate economic expansion as domestic demand picks up and exports gain momentum. *Sweden* and *Finland* still struggle with adjustments from the structural imbalances incurred during the 1980s. Both economies seem to have reached the low point of the recession however. The expected modest recovery should be basically driven by vigorously expanding exports following substantial depreciations of the Krona and the Markka, with the gains in competitiveness achieved in this way being supported by moderate wage increases. Despite cuts in both short and long-term interest rates since late 1992, domestic demand is expected to contract further in 1994, reflecting the severity of the domestic adjustment and uncertainty about the recovery. Conversely, in *Austria* and *Switzerland*, economic activity is seriously affected by the protracted and severe German recession. In Austria, output is expected to shrink by 1 % in 1993 while in Switzerland a fall in GDP, for the third successive year, is expected. Under the combined impact of continued reductions in interest rates and a gradually improving external environment, in both countries a moderate recovery is anticipated for next year.

12. CCEE: gradually improving growth prospects

In the six main countries of *Eastern Europe* (Bulgaria, the Czech and Slovak Republics, Hungary, Poland and Romania) the severe output contraction seems to be levelling off. On aggregate, real GDP in these countries is projected to virtually stagnate in 1993 and to resume modest growth in the next two years. Aggregate imports are expected to increase at a pace of 3-4 % over the forecasting period. Prospects for the *Newly Independent States* of the former Soviet Union are undoubtedly less favourable. Nevertheless, expectations are for a steady deceleration of the decline in output in 1993 and 1994, with the contraction possibly coming to an end in 1995. The collapse of imports in 1993 is likely to be followed by an equally strong surge in import demand in 1994, halving to 5 % in 1995.

MAIN ASSUMPTIONS

Oil prices— Having risen during the first quarter of this year, oil prices were on a downward trend as from May onwards,

resulting in a low of \$15.5 per barrel Brent UK in September. A general weakness in demand, together with lack of discipline among OPEC members in adhering to quota agreements, resulted in more than adequate supply. The most recent OPEC agreement to hold output at 24.5 mio bl./d over the next six months may help reduce the large stocks of oil. In line with an expected strengthening of world demand for oil, it is assumed that prices will firm slightly throughout the forecasting period. However, given the negative carry-over, oil prices in 1994 might on average be somewhat below the 1993 level. The adopted assumptions for Brent UK per barrel are: 1993: \$17.3; 1994: \$16.6 and 1995: \$17.2.

Non-oil commodity prices— Non-oil commodity prices have been declining at a slightly faster pace than assumed in the Summer forecasts. Nevertheless, as in the previous exercise, this declining trend is assumed to be reversed in the course of next year. Consequently, following a drop of about 6 % in 1993, non-oil commodity prices are assumed to increase by about 1½ % and slightly above 3 % in 1994 and 1995 respectively.

Exchange rates— The standard assumption applies of constant real exchange rates over the forecasting period between the ERM currencies, US, Japan, the UK and Italy. The third quarter USD/DM rate of 1.677 was taken as the starting point, resulting in an average USD/DM rate of 1.65 for 1993 as a whole and about 1.68 for the next two years. This assumption implies a nominal effective depreciation for the Community as a whole of 9 % in 1993, 3 % in 1994 and 1 % in 1995. As before, between ERM countries, stability in nominal terms is assumed. The Greek drachma is assumed to appreciate by 1 % both in 1994 and 1995.

Interest rates— In response to a reduction in inflationary pressures and continued weakness in the domestic economy, a step-wise reduction in German short rates to 4½ % at the end of 1994 is assumed. In the other member countries, with the exception of the United Kingdom, interest rates are assumed to broadly match cuts in German short rates, while differentials relative to the DM should be reduced though remaining positive in the majority of member countries. In the United Kingdom, the present negative short-term interest-rate differential with the DM is assumed to disappear gradually, turning positive in the course of 1994. Following a dramatic decline in long-term rates over the last twelve months, no further significant downward moves are expected over the forecasting period. These interest rate assumptions are broadly in line with those adopted for the previous exercise. They are, however surrounded by a considerably higher degree of risk, basically related to the stability of exchange rates.

Reflecting modest inflation in line with a moderately-paced economic recovery, short-term rates in the United States are assumed to rise from their current low level of about 3¼ % to just above 4 % at the end of 1994. Assuming full implementation of the Clinton budgetary package, only a small rise in long rates is expected and not until 1994. In Japan, the latest cut in the official discount rate to 1.75 is assumed to be the last in this cycle and short rates are expected to rise slowly over the forecasting period; little significant change in long rates is predicted.

Economic policy— The assumption made is the traditional 'no policy' change. This means that both monetary and budgetary policy for 1994 and 1995 are assumed to be an extrapolation of present stances except where new measures are decided or concretely announced. As regards *monetary policy*, the no-policy change means the maintenance of the currently prevailing orientation towards price and exchange rate stability. The *fiscal* stance underlying the forecasts embodies well-defined policy actions as well as known practices in respect of their implementation.

DETAILED AUTUMN 1993 ECONOMIC FORECASTS

TABLE 1: Gross domestic product, volume (percentage change at constant prices on preceding year, 1961-95) *

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	4.9	1.8	1.5	2.0	5.0	3.8	3.4	1.9	0.5	-1.6	0.5	1.3
DK	4.3	2.0	3.6	0.3	1.2	0.6	2.0	1.2	1.2	0.0	2.6	2.8
D	4.3	1.7	2.3	1.5	3.7	3.6	5.7	4.5	1.6	-2.2	-0.0	1.2
D+	—	—	—	—	—	—	—	—	2.1	-1.6	0.5	1.6
GR	7.7	2.5	1.6	-0.7	4.1	3.5	-0.1	1.8	1.3	-0.2	0.9	1.0
E	7.2	1.8	3.2	5.6	5.2	4.7	3.7	2.3	0.8	-0.9	1.1	2.0
F	5.4	2.2	2.5	2.3	4.5	4.3	2.5	0.7	1.4	-0.9	1.0	2.1
IRL	4.4	3.8	-0.4	4.5	4.2	6.2	9.0	2.6	4.8	2.0	3.3	3.7
I	5.3	2.8	2.9	3.1	4.1	2.9	2.1	1.3	0.9	-0.3	1.6	2.3
L	4.0	1.8	4.8	2.9	5.7	6.7	3.2	3.1	1.8	0.7	2.0	2.7
NL	4.8	1.8	2.7	1.2	2.6	4.7	4.1	2.1	1.4	-0.3	0.9	1.8
P	6.9	2.2	4.1	5.3	3.9	5.2	4.4	2.1	1.1	-0.5	1.4	3.0
UK	3.2	1.4	4.1	4.8	4.3	2.1	0.5	-2.2	-0.5	1.9	2.5	2.7
EUR	4.8	2.0	2.9	2.9	4.1	3.5	3.0	1.5	1.0	-0.6	1.2	2.0
EUR+	—	—	—	—	—	—	—	—	1.1	-0.4	1.3	2.1
USA	4.0	2.2	2.6	3.0	3.9	2.6	0.7	-1.3	2.6	2.7	2.6	2.4
JAP	9.6	3.6	2.6	4.1	6.2	4.7	5.2	4.4	1.4	-0.1	1.3	2.8

TABLE 2: Deflator of gross domestic product (percentage change on preceding year, 1961-95) *

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	4.1	6.7	3.8	2.4	1.8	4.7	2.7	2.7	4.2	2.8	3.1	3.0
DK	7.0	9.0	4.6	4.7	3.4	4.2	2.6	2.5	1.9	1.1	2.1	2.6
D	4.4	4.1	3.2	1.9	1.5	2.4	3.1	3.9	4.4	3.5	2.5	2.6
D+	—	—	—	—	—	—	—	—	5.3	4.6	2.8	2.9
GR	4.5	17.7	17.5	14.3	15.6	12.7	20.5	19.5	14.6	13.5	10.7	10.0
E	7.1	15.1	11.1	5.8	5.7	7.0	7.4	6.9	6.5	3.9	3.8	3.7
F	5.0	10.2	5.2	3.0	2.8	3.0	3.0	3.0	2.3	2.8	1.6	1.6
IRL	7.2	12.7	6.5	2.3	3.1	4.6	-1.6	1.0	1.1	2.7	3.8	3.0
I	5.5	16.2	7.9	6.0	6.6	6.2	7.6	7.4	4.7	4.0	3.6	3.4
L	4.4	6.7	3.8	-1.0	4.0	6.0	2.9	3.0	4.6	3.2	4.1	4.2
NL	6.0	5.6	0.1	-0.5	1.2	1.2	2.3	2.8	2.5	1.7	2.4	2.7
P	3.9	20.8	20.5	11.2	11.6	13.0	14.3	14.1	13.7	7.0	5.6	5.0
UK	5.1	12.4	3.5	5.0	6.6	7.1	6.3	6.7	4.3	2.9	3.2	3.0
EUR	5.2	10.7	5.6	4.0	4.4	4.9	5.2	5.4	4.4	3.4	3.0	2.9
EUR+	—	—	—	—	—	—	—	—	4.6	3.7	3.0	2.9
USA	3.6	7.1	2.7	3.2	3.9	4.5	4.3	4.0	2.9	2.9	3.1	3.4
JAP	6.0	5.3	1.8	0.0	0.4	1.9	2.1	1.9	1.7	1.6	1.5	1.7

TABLE 3: Final domestic demand, volume (percentage change at constant prices on preceding year, 1961-95) *

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	4.8	1.2	2.8	3.8	4.5	5.1	3.5	1.6	1.5	-1.3	0.5	1.1
DK	4.6	1.3	6.1	-2.2	-1.2	0.5	-0.5	-0.4	-0.6	0.4	2.7	2.9
D	4.5	1.3	3.3	2.4	3.6	2.9	5.2	3.6	1.5	-2.1	-0.3	1.0
D+	—	—	—	—	—	—	—	—	2.7	-1.2	0.2	1.4
GR	8.1	1.8	-1.1	-1.5	6.7	3.8	0.9	2.7	1.1	-0.5	1.1	1.4
E	7.6	1.2	5.4	8.1	7.0	7.8	4.7	3.1	1.1	-3.1	0.1	1.7
F	5.6	1.8	4.5	3.3	4.7	3.9	2.8	0.5	0.5	-1.3	0.9	1.9
IRL	5.1	2.2	1.1	0.0	1.5	7.5	6.7	-0.3	-1.2	1.5	3.0	3.5
I	5.3	2.4	3.4	4.3	4.7	2.9	2.8	1.8	1.2	-4.3	0.9	2.4
L	4.1	1.5	8.0	4.2	6.8	5.7	5.1	8.0	0.5	1.7	1.9	2.2
NL	4.9	1.4	3.8	1.4	1.8	4.6	3.5	1.5	1.4	-0.6	0.3	1.5
P	7.3	1.1	8.3	10.4	7.4	4.3	5.4	4.1	3.6	0.8	1.8	2.7
UK	3.2	1.2	4.7	5.4	8.0	3.3	-0.5	-3.2	0.4	1.9	2.4	2.5
EUR	4.9	1.6	4.0	3.9	5.1	3.8	2.9	1.1	1.0	-1.5	0.9	1.9
EUR+	—	—	—	—	—	—	—	—	1.3	-1.3	0.9	1.9
USA	4.1	2.5	3.5	3.1	3.3	2.2	0.1	-2.1	2.9	3.4	2.9	2.4
JAP	9.8	2.8	3.7	5.1	7.6	5.8	5.4	3.0	0.7	-0.0	1.5	2.9

TABLE 4: Gross national product at current market prices (percentage change on preceding year, 1961-95) *

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	9.2	8.5	5.6	4.7	6.8	9.0	5.7	5.3	4.7	1.1	3.5	4.2
DK	11.6	10.8	8.5	5.2	4.8	4.6	4.4	3.9	3.4	1.8	5.2	6.2
D	8.9	5.9	5.5	3.5	5.2	6.7	8.9	8.4	5.5	1.0	2.4	3.7
D+	—	—	—	—	—	—	—	—	7.0	2.7	3.2	4.4
GR	12.5	20.3	18.8	13.7	20.6	16.4	21.1	21.8	16.1	13.2	11.8	11.1
E	14.8	17.0	14.9	11.9	10.9	12.3	11.3	9.1	7.0	2.4	4.4	5.7
F	10.7	12.5	8.1	5.4	7.5	7.4	5.3	3.6	3.4	1.8	2.6	3.8
IRL	11.7	15.8	6.9	7.2	5.4	9.7	8.7	5.2	5.5	4.0	7.2	6.9
I	11.0	19.3	10.9	9.4	11.0	9.1	9.6	8.5	5.4	3.6	5.4	5.9
L	9.0	11.3	5.8	-0.3	10.2	12.7	8.1	5.8	4.5	3.4	5.2	5.9
NL	11.1	7.4	2.7	0.6	3.3	6.7	6.4	4.9	3.9	1.2	3.4	4.5
P	11.2	22.8	28.1	18.2	16.5	19.5	20.6	16.5	15.6	6.3	6.9	8.1
UK	8.5	13.9	7.8	9.5	11.0	9.3	6.5	4.4	4.6	0.3	3.8	4.7
EUR	10.1	10.8	6.3	5.4	8.4	8.9	7.4	6.7	4.1	2.7	4.2	5.0
EUR+	—	—	—	—	—	—	—	—	4.6	3.1	4.3	5.1
USA	7.7	9.5	5.2	6.2	8.0	7.4	5.1	2.6	5.4	5.7	5.8	5.9
JAP	16.2	9.1	4.4	4.4	6.6	6.8	7.4	6.4	3.3	1.5	2.8	4.5

* Notes: see page 19.

TABLE 5: Investment in construction, volume (percentage change on preceding year, 1974-95)*

	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	-2.6	3.0	3.0	14.9	9.2	7.9	3.6	2.8	-4.5	1.1	1.8
DK	-3.4	18.0	1.1	-5.5	-6.0	-4.6	-10.9	-1.6	1.5	3.6	2.0
D	-1.3	3.1	-0.0	3.1	4.4	4.9	4.1	5.5	-1.0	2.2	2.4
D+	—	—	—	—	—	—	—	9.5	1.3	3.5	3.8
GR	-3.2	-0.8	-5.0	9.2	4.0	5.7	-6.5	-4.0	1.1	2.9	3.7
E	-1.5	6.5	9.9	12.4	15.1	10.8	9.7	-4.8	-5.5	1.0	3.4
F	-1.0	3.6	3.2	7.9	5.4	2.4	1.2	1.0	-2.1	0.7	3.3
IRL	0.6	-4.6	-8.6	-1.9	11.6	19.7	-1.4	0.3	-1.5	3.8	5.0
I	-1.3	1.9	-0.7	2.3	3.6	3.5	1.4	-1.8	-5.3	-0.5	3.3
L	-3.0	5.3	8.7	12.5	13.8	7.2	9.0	6.4	0.2	-0.8	2.1
NL	-1.8	5.0	1.9	9.7	2.2	2.1	-2.1	2.8	-2.8	-1.9	2.0
P	—	8.7	9.4	10.1	3.5	5.3	4.5	3.5	1.8	3.8	6.0
UK	-0.8	6.1	11.0	13.4	5.4	-0.6	-8.3	0.8	0.1	4.0	6.1
EUR ¹	-1.3	4.0	3.2	7.1	5.7	3.8	1.2	0.9	-2.4	1.4	3.4
EUR+	—	—	—	—	—	—	—	2.2	-1.6	1.9	3.8

¹ EUR without Portugal up to 1985.

TABLE 6: Investment in equipment, volume (percentage change on preceding year, 1974-95)*

	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	3.3	5.3	7.1	16.1	17.4	9.9	-2.5	-3.4	-8.0	1.2	2.5
DK	3.5	16.6	-8.9	-8.6	9.7	2.7	3.1	-17.9	-9.5	2.5	5.2
D	1.9	4.5	5.0	6.7	9.2	13.1	10.3	-3.9	-12.0	0.8	4.1
D+	—	—	—	—	—	—	—	-1.9	-9.5	2.0	5.0
GR	0.7	-12.6	-5.2	8.4	18.1	5.7	3.3	7.0	0.5	1.5	2.5
E	-0.5	15.7	23.2	16.6	12.9	1.4	1.4	-2.5	-13.6	-2.0	2.2
F	1.1	4.3	6.7	10.5	8.0	4.6	-4.7	-4.3	-9.4	0.1	4.0
IRL	1.4	1.5	0.9	0.2	23.3	1.8	-12.0	-4.4	-1.8	3.0	4.3
I	3.4	2.6	11.9	11.6	5.2	4.0	0.0	-1.1	-11.1	4.1	8.0
L	-2.6	87.2	18.7	16.0	4.4	-6.0	11.2	-11.9	13.5	-7.1	1.9
NL	2.4	10.1	1.9	-2.4	7.8	5.4	2.7	-0.9	-3.8	3.1	4.4
P	—	14.2	26.8	23.2	10.0	5.8	1.0	5.6	-2.7	1.5	4.7
UK	2.2	-0.9	8.7	13.0	11.6	-3.6	-11.5	-3.5	2.1	4.9	7.3
EUR ¹	1.7	4.3	8.4	10.1	9.3	4.8	-0.0	-3.0	-8.4	1.8	5.1
EUR+	—	—	—	—	—	—	—	-2.6	-7.9	2.0	5.3

¹ EUR without Portugal up to 1985.

TABLE 7: Total investment, volume (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	5.1	-0.7	4.4	5.6	15.4	13.7	8.4	0.3	0.0	-6.0	1.2	2.1
DK	6.5	-0.9	17.1	-3.8	-6.6	1.0	-0.9	-4.2	-10.3	-3.8	3.1	3.5
D	3.9	-0.3	3.3	1.8	4.4	6.3	8.5	6.1	1.1	-5.9	1.6	3.1
D+	—	—	—	—	—	—	—	—	4.2	-3.4	2.9	4.3
GR	10.0	-1.6	-6.2	-5.1	8.9	10.0	5.7	-2.0	1.1	0.8	2.2	3.1
E	10.4	-1.2	9.9	14.0	13.9	13.7	6.9	1.6	-3.9	-8.6	-0.1	2.9
F	7.7	-0.2	4.5	4.8	9.6	7.9	2.9	-1.5	-2.1	-6.2	0.4	3.7
IRL	9.9	0.9	-2.8	-2.3	-1.6	13.6	12.6	-7.3	-1.9	-1.6	3.4	4.7
I	4.7	0.5	2.2	5.0	6.9	4.3	3.8	0.6	-1.4	-8.4	1.8	5.7
L	4.9	-2.7	31.2	14.7	14.1	8.9	2.5	9.8	-2.1	5.7	-3.6	2.0
NL	5.3	-0.3	6.9	0.9	4.5	4.9	1.6	0.4	1.1	-3.3	0.4	3.1
P	7.9	-1.3	10.9	15.1	15.0	5.6	5.9	2.4	4.5	-0.4	2.7	5.4
UK	4.6	0.7	2.4	9.6	14.2	7.2	-3.1	-9.9	-1.1	1.0	4.4	6.6
EUR	5.7	-0.1	4.2	5.4	8.8	7.3	3.8	-0.3	-1.0	-5.3	1.6	4.2
EUR+	—	—	—	—	—	—	—	—	-0.0	-4.6	2.0	4.5
USA	4.5	2.1	2.0	2.9	5.0	2.7	-2.8	-8.5	6.4	7.2	5.2	4.7
JAP	14.0	1.7	4.8	9.6	11.9	9.3	9.5	3.4	-0.9	-1.8	2.0	4.0

TABLE 8: Private consumption, volume (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	4.3	1.8	2.3	3.0	2.9	3.7	2.8	2.6	2.2	-0.8	0.4	0.9
DK	3.8	1.5	5.7	-1.5	-1.0	-0.4	0.6	1.2	1.4	0.9	2.9	3.5
D	5.1	2.1	3.4	3.3	3.1	1.9	5.1	4.5	2.1	-1.1	-1.2	0.5
D+	—	—	—	—	—	—	—	—	2.7	-0.7	-0.9	0.6
GR	6.7	3.0	0.7	1.0	3.5	4.3	2.0	1.2	1.3	-0.6	1.0	1.3
E	7.2	1.5	3.3	5.8	4.9	5.6	3.7	3.1	2.1	-1.9	-0.3	1.5
F	5.3	2.5	3.9	2.9	3.3	3.1	2.9	1.4	1.7	0.4	0.6	1.2
IRL	3.8	2.3	2.0	3.1	4.8	6.0	1.9	1.6	2.8	2.2	2.9	3.4
I	6.0	3.1	4.4	4.5	4.6	3.6	2.9	2.2	2.2	-1.8	0.5	1.7
L	4.6	2.6	3.4	5.0	3.9	3.9	4.0	6.5	1.7	1.2	2.1	2.5
NL	5.6	2.0	2.6	2.7	0.8	3.5	4.2	3.0	2.1	0.3	0.5	1.3
P	6.0	1.4	5.6	5.4	6.6	3.3	5.3	5.2	3.7	1.5	1.8	2.3
UK	3.0	1.6	6.4	5.5	7.5	3.3	0.7	-2.1	-0.0	1.6	1.4	1.7
EUR	5.0	2.2	4.2	3.9	4.3	3.2	3.1	1.9	1.7	-0.4	0.4	1.3
EUR+	—	—	—	—	—	—	—	—	1.9	-0.3	0.4	1.3
USA	4.2	2.8	4.1	2.8	3.7	2.0	1.1	-0.6	2.6	3.1	3.0	2.4
JAP	8.7	3.3	3.4	4.2	5.2	4.3	4.2	2.7	1.8	0.7	1.2	2.1

* Notes: see page 19.

TABLE 9: Real compensation of employees per head¹ (percentage change on preceding year 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	5.0	1.8	4.1	-0.2	0.9	0.0	4.0	3.6	3.2	1.6	1.5	0.2
DK	3.8	0.5	1.5	3.1	1.0	-0.5	1.0	1.2	1.2	1.1	-0.0	-0.0
D	5.4	1.4	4.0	2.5	1.6	-0.1	1.9	2.0	1.3	-0.2	-0.1	0.5
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	6.7	3.6	-7.6	-3.7	4.2	2.6	-0.0	-2.8	-2.8	-1.7	0.9	0.6
E	7.5	2.2	0.1	0.9	2.0	-0.2	2.2	1.5	3.9	2.5	1.1	0.8
F	4.9	2.2	1.4	0.4	1.5	6.4	-3.2	1.4	1.4	0.8	0.3	0.3
IRL	4.7	2.6	0.7	2.7	3.3	3.2	3.6	2.4	3.2	3.3	0.9	0.4
I	6.3	1.9	1.3	2.8	2.9	1.5	5.6	1.7	0.3	-1.2	-0.5	0.3
L	4.2	1.7	2.4	3.1	0.5	3.0	3.2	1.4	1.8	2.2	2.0	2.2
NL	6.0	0.9	1.8	1.2	0.3	-0.5	1.0	0.9	1.6	1.3	-0.3	1.0
P	6.7	1.7	6.8	7.2	3.1	0.6	5.4	5.5	4.6	1.4	1.0	0.5
UK	3.3	1.6	3.4	2.4	2.5	2.2	3.9	1.5	1.8	0.0	-0.4	0.3
EUR	5.0	1.5	2.1	1.6	1.7	1.5	1.9	1.6	1.5	0.2	-0.1	0.3
EUR+	—	—	—	—	—	—	—	—	—	—	—	—

¹ Deflated by the price deflator of private consumption.

TABLE 10: Public consumption, volume (percentage change on preceding year 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	5.5	2.1	1.7	0.3	-1.0	0.2	1.1	0.9	-0.8	1.5	0.7	-0.1
DK	5.8	3.0	0.5	2.5	0.9	-0.6	-0.4	-0.2	1.2	2.0	1.8	0.6
D	3.8	1.5	2.3	1.2	0.1	0.4	1.2	-2.2	1.8	-1.0	-0.0	-0.0
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	6.2	5.2	-0.8	0.9	4.7	4.2	-0.1	-0.7	-0.4	0.4	0.5	0.6
E	4.5	4.8	5.4	8.9	4.0	8.3	5.7	4.2	3.8	1.6	-0.0	0.3
F	4.0	2.9	1.7	2.8	3.4	0.5	2.0	2.5	2.7	1.6	1.5	1.0
IRL	5.2	3.7	2.6	-4.8	-5.0	-1.0	5.7	2.4	2.2	2.5	2.4	2.0
I	4.0	2.7	2.6	3.5	2.8	0.8	1.2	1.4	1.0	0.4	0.0	0.0
L	3.4	2.4	3.1	2.7	3.8	1.9	3.2	3.8	3.4	2.4	3.0	2.7
NL	2.8	2.1	3.6	2.6	1.4	1.5	1.6	1.3	1.3	-0.1	-0.6	-0.1
P	9.1	6.7	7.2	4.9	5.3	2.8	1.5	3.0	1.8	0.3	1.0	-0.5
UK	2.5	1.4	1.8	1.2	0.6	0.9	3.2	2.8	0.2	0.5	0.7	0.8
EUR	3.7	2.4	2.3	2.6	1.9	1.3	2.2	1.5	1.5	0.5	0.5	0.4
EUR+	—	—	—	—	—	—	—	—	1.6	0.5	0.5	0.4
USA	3.1	2.3	4.9	3.4	2.1	0.3	2.8	1.2	-1.3	-0.8	-0.7	-1.1
JAP	5.8	3.9	4.5	0.4	2.1	2.0	1.9	3.4	2.4	2.1	1.8	2.6

TABLE 11: Price deflator of private consumption (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	3.7	7.5	0.7	1.9	1.6	3.5	3.1	2.9	2.4	2.8	3.2	3.0
DK	6.6	9.6	2.9	4.6	4.0	4.3	2.6	2.5	1.9	1.4	2.6	2.8
D	3.5	4.3	-0.3	0.7	1.4	3.0	2.8	3.8	4.0	3.6	3.0	2.8
D+	—	—	—	—	—	—	—	—	4.7	4.3	3.2	3.0
GR	3.5	17.5	22.1	15.7	14.3	15.2	19.7	18.4	14.9	13.7	11.1	10.0
E	6.6	15.4	9.4	5.7	5.0	6.6	6.4	6.2	6.4	4.7	4.4	4.1
F	4.8	10.5	2.7	3.2	2.7	3.4	2.9	3.0	2.4	2.3	2.2	2.2
IRL	6.3	13.7	4.6	2.6	2.9	3.6	1.6	2.3	2.6	2.3	3.5	3.0
I	4.9	16.0	6.2	5.3	5.7	7.2	5.2	6.9	5.4	4.4	4.0	3.5
L	3.0	7.4	1.3	1.7	2.7	3.6	3.6	2.9	2.8	3.6	3.2	3.3
NL	5.0	5.7	0.3	0.2	0.5	1.2	2.2	3.4	3.0	2.1	2.5	2.7
P	3.9	22.2	13.8	10.0	10.0	12.1	12.6	11.1	9.7	6.7	5.6	4.7
UK	4.9	12.0	4.3	4.4	5.1	5.9	5.3	7.2	4.7	3.4	3.6	3.3
EUR	4.7	10.8	3.8	3.6	3.8	5.0	4.5	5.3	4.4	3.7	3.4	3.2
EUR+	—	—	—	—	—	—	—	—	4.6	3.8	3.5	3.2
USA	3.1	6.9	2.3	4.2	4.2	4.8	5.0	4.2	3.3	2.9	2.9	3.2
JAP	6.1	6.4	0.4	0.2	-0.1	1.8	2.6	2.6	2.0	1.3	1.6	2.0

TABLE 12: Compensation of employees per head (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	8.9	9.4	4.7	1.8	2.4	3.5	7.3	6.6	5.7	4.5	4.7	3.2
DK	10.7	10.1	4.4	7.9	5.0	3.8	3.6	3.8	3.2	2.6	2.6	2.8
D	9.1	5.8	3.6	3.2	3.0	2.9	4.7	5.8	5.4	3.4	2.9	3.3
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	10.4	21.7	12.8	11.4	19.1	18.1	19.7	15.1	11.7	11.8	12.2	10.7
E	14.6	18.0	9.5	6.7	7.1	6.4	8.8	7.9	10.5	7.3	5.6	4.9
F	9.9	12.9	4.1	3.6	4.2	10.0	0.4	4.4	3.8	3.1	2.5	2.5
IRL	11.3	16.7	5.3	5.4	6.4	6.9	5.3	4.7	5.9	5.7	4.4	3.4
I	11.5	18.2	7.5	8.2	8.8	8.8	11.0	8.7	5.7	3.1	3.5	3.8
L	7.4	9.2	3.7	4.9	3.2	6.7	6.9	4.4	4.7	5.9	5.3	5.5
NL	11.4	6.7	2.1	1.4	0.9	0.7	3.2	4.3	4.6	3.5	2.2	3.7
P	10.8	24.3	21.6	17.9	13.4	12.8	18.7	17.2	14.8	8.1	6.6	5.2
UK	8.3	13.8	7.8	6.9	7.8	8.3	9.5	8.9	6.6	3.5	3.2	3.6
EUR	9.9	12.5	6.0	5.3	5.6	6.7	6.4	7.0	6.0	3.8	3.4	3.5
EUR+	—	—	—	—	—	—	—	—	—	—	—	—

* Notes: see page 19.

TABLE 13: Real GDP per occupied person (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	4.3	2.1	0.8	1.6	3.5	2.2	2.0	1.7	1.1	-0.0	1.6	1.6
DK	3.2	1.5	1.0	-0.6	1.8	1.1	2.6	2.2	1.3	1.1	1.9	2.0
D	4.0	1.9	0.9	0.7	2.9	2.1	2.7	1.9	0.7	-0.2	1.4	1.2
D+	—	—	—	—	—	—	—	—	3.8	0.9	2.1	2.0
GR	8.1	1.5	1.3	-0.6	2.4	3.0	-1.2	3.5	-0.8	-0.2	0.8	0.9
E	6.5	3.2	1.8	0.5	2.3	1.3	0.5	1.8	2.8	3.5	2.4	2.2
F	4.7	2.1	2.1	1.9	3.6	2.9	1.5	0.7	1.9	0.5	1.6	2.0
IRL	4.3	3.7	-0.6	4.6	3.2	6.3	5.5	2.7	4.8	1.9	2.8	2.8
I	5.5	1.8	2.1	2.7	3.2	2.9	1.3	0.5	1.8	1.3	1.7	2.1
L	3.0	1.2	2.1	0.1	2.6	2.9	-1.1	-1.2	-0.1	-0.4	1.1	1.7
NL	3.9	2.0	0.7	-0.5	1.0	2.7	1.7	0.6	0.6	0.5	1.3	1.5
P	6.7	2.7	7.0	4.7	3.9	4.1	3.5	1.2	1.7	1.5	2.7	2.9
UK	2.9	1.6	4.0	2.7	1.0	-0.8	-0.2	0.9	2.4	3.3	1.5	1.6
EUR	4.4	2.0	2.1	1.6	2.6	1.9	1.4	1.3	1.7	1.2	1.6	1.7
EUR+	—	—	—	—	—	—	—	—	2.4	1.5	1.8	1.9
USA	2.0	0.4	0.8	-0.5	1.1	0.2	-0.1	-0.2	2.4	1.2	0.6	0.5
JAP	8.1	3.0	1.8	3.2	4.5	2.7	3.0	2.3	0.3	0.2	1.6	2.5

TABLE 14: Unit labour costs, whole economy¹ (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	4.4	6.9	3.9	0.2	-1.0	1.3	5.2	4.8	4.6	4.5	3.2	1.7
DK	7.3	8.4	3.3	8.5	3.2	2.6	1.0	1.6	1.9	1.5	0.7	0.8
D	4.9	3.6	2.7	2.4	0.1	0.7	2.0	3.9	4.7	3.6	1.5	2.1
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	2.1	19.7	11.4	12.0	16.2	14.7	21.1	11.3	12.6	11.8	11.5	9.7
E	7.7	13.9	7.6	6.2	4.7	5.1	8.2	6.0	7.5	3.7	3.1	2.6
F	4.9	10.4	2.0	1.6	0.6	6.9	-1.8	3.7	1.9	2.7	0.9	0.5
IRL	6.8	12.2	5.9	0.8	3.1	0.5	-0.2	1.9	1.1	3.7	1.6	0.6
I	5.6	15.9	5.3	5.3	5.4	5.8	9.6	8.2	3.8	1.9	1.7	1.7
L	4.3	7.8	1.5	4.7	0.6	3.7	8.1	5.7	4.8	6.2	4.3	4.3
NL	7.1	4.4	1.4	2.0	-0.1	-1.9	1.5	3.7	4.0	2.9	0.8	2.2
P	3.9	20.7	13.6	12.6	9.1	8.3	14.7	15.8	12.9	6.6	3.8	2.3
UK	5.2	11.9	3.7	4.1	6.7	9.2	9.7	8.0	4.1	0.2	1.6	1.9
EUR	5.2	10.1	3.7	3.6	3.0	4.7	5.0	5.6	4.2	2.7	1.8	1.8
EUR+	—	—	—	—	—	—	—	—	—	—	—	—

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

TABLE 15: Real unit labour costs¹ (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	0.3	0.4	0.1	-2.1	-2.7	-3.2	2.4	2.1	0.4	1.7	0.1	-1.3
DK	0.2	-0.4	-1.2	3.6	-0.2	-1.5	-1.5	-0.9	-0.1	0.4	-1.4	-1.8
D	0.5	-0.3	-0.5	0.5	-1.4	-1.7	-1.1	-0.0	0.2	0.1	-1.0	-0.5
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	-2.2	1.8	-5.2	-1.9	0.6	1.7	0.5	-6.9	-1.8	-1.5	0.7	-0.3
E	0.6	-0.7	-3.2	0.3	-0.9	-1.8	0.8	-0.8	1.0	-0.2	-0.6	-1.0
F	-0.1	0.4	-3.1	-1.3	-2.2	3.8	-4.7	0.7	-0.4	-0.1	-0.7	-1.1
IRL	-0.4	-0.2	-0.6	-1.5	-0.0	-3.9	1.5	1.0	-0.0	1.0	-2.2	-2.4
I	0.1	-0.1	-2.4	-0.6	-1.2	-0.4	1.8	0.7	-0.9	-2.0	-1.8	-1.6
L	-0.2	1.1	-2.2	5.8	-3.3	-2.1	5.0	2.7	0.2	2.9	0.2	0.0
NL	1.0	-0.9	1.3	2.5	-1.3	-3.1	-0.8	0.9	1.5	1.2	-1.5	-0.5
P	-0.0	0.2	-5.7	1.3	-2.2	-4.1	0.4	1.5	-0.7	-0.4	-1.7	-2.5
UK	0.1	-0.3	0.2	-0.9	0.1	2.0	3.2	1.2	-0.2	-2.6	-1.5	-1.0
EUR	0.1	-0.4	-1.7	-0.4	-1.4	-0.1	-0.2	0.3	-0.1	-0.7	-1.1	-1.1
EUR+	—	—	—	—	—	—	—	—	—	—	—	—
USA	-0.0	-0.1	0.4	0.6	0.2	-1.2	1.1	0.7	0.4	-1.1	0.1	-0.4
JAP	-0.4	-0.0	-0.3	-0.1	-1.2	-0.0	0.1	0.3	-0.1	-1.3	-2.2	-2.6

¹ Nominal unit labour costs divided by GDP price deflator.

TABLE 16: Total employment (percentage change on preceding year, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	0.6	-0.3	0.6	0.5	1.5	1.6	1.4	0.1	-0.5	-1.6	-1.0	-0.3
DK	1.1	0.5	2.6	0.9	-0.6	-0.6	-0.5	-0.9	-0.1	-1.0	0.7	0.8
D	0.3	-0.2	1.4	0.7	0.8	1.5	3.0	2.6	0.9	-2.0	-1.4	-0.1
D+	—	—	—	—	—	—	—	—	-1.7	-2.4	-1.6	-0.4
GR	-0.4	1.0	0.3	-0.1	1.6	0.4	1.1	-1.6	2.1	0.0	0.1	0.1
E	0.7	-1.4	1.4	5.1	2.8	3.4	3.2	0.5	-1.9	-4.3	-1.3	-0.2
F	0.7	0.1	0.4	0.3	0.9	1.3	1.0	0.0	-0.5	-1.4	-0.6	0.1
IRL	0.1	0.1	0.2	-0.1	1.0	-0.1	3.3	-0.1	-0.0	0.2	0.5	0.9
I	-0.2	0.9	0.8	0.4	0.9	0.1	0.8	0.8	-0.9	-1.5	-0.1	0.2
L	1.1	0.5	2.6	2.8	3.1	3.7	4.3	4.3	1.9	1.1	0.9	1.0
NL	0.9	-0.2	2.1	1.7	1.6	1.9	2.3	1.5	0.8	-0.8	-0.5	0.3
P	0.2	-0.5	-2.7	0.5	0.1	1.0	0.9	0.9	-0.6	-1.9	-1.3	0.1
UK	0.3	-0.2	0.1	2.1	3.3	3.0	0.7	-3.1	-2.8	-1.3	0.9	1.1
EUR	0.3	-0.0	0.7	1.3	1.5	1.6	1.6	0.2	-0.7	-1.7	-0.4	0.3
EUR+	—	—	—	—	—	—	—	—	-1.3	-1.9	-0.5	0.2
USA	1.9	1.8	1.7	3.5	2.8	2.4	0.8	-1.1	0.2	1.5	2.0	1.9
JAP	1.3	0.7	0.9	0.9	1.7	2.0	2.1	2.1	1.1	-0.3	-0.3	0.3

* Notes: see page 19.

TABLE 17: Employment in manufacturing industries (percentage change on preceding year, 1974-95)*

	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	-3.2	-1.8	-2.5	-0.7	2.0	0.3	-1.6	-1.0	-4.8	-2.7	-0.5
DK	-0.5	3.8	-1.3	-2.1	-1.0	-9.3	-2.2	-1.2	-6.0	-1.0	1.1
D	-1.6	1.7	0.3	-0.3	1.4	2.8	1.5	-1.7	-7.5	-3.0	-1.5
D+	—	—	—	—	—	—	—	—	—	—	—
GR	—	—	—	—	—	—	—	—	-0.2	-0.2	0.0
E	-2.4	1.5	2.6	2.7	3.8	2.9	-3.0	-4.8	-9.5	-1.8	0.0
F	-1.7	-2.0	-2.6	-1.6	0.5	0.7	-1.3	-2.8	-4.0	-1.5	-0.5
IRL	-0.7	4.0	-2.4	-0.5	3.0	2.4	0.5	0.1	0.3	0.9	1.3
I	-1.0	-1.2	-0.4	1.2	0.4	0.1	-2.7	-3.9	-2.7	-0.9	0.0
L	-1.9	1.9	-1.8	-3.2	-0.8	-0.3	-1.4	-3.0	-0.8	-0.9	0.0
NL	-2.2	2.1	0.8	0.9	1.5	2.1	0.0	-1.0	-0.7	-0.2	0.3
P	—	-2.5	-1.7	-1.7	1.5	1.4	-0.1	-2.0	-2.9	-2.5	-0.1
UK	-3.1	-2.5	0.6	0.8	-0.1	-0.7	-6.7	-5.5	-3.3	-1.1	0.3
EUR¹	-1.9	-0.4	-0.2	0.1	1.0	1.0	-1.8	-3.1	-5.1	-1.8	-0.4
EUR+	—	—	—	—	—	—	—	—	—	—	—

¹ EUR without Greece and Portugal up to 1985; EUR without Greece for 1986-1992.

TABLE 18: Number of unemployed (as percentage of civilian labour force, 1964-95)¹*

	1964-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	2.0	8.1	11.7	11.3	10.2	8.6	7.6	7.5	8.2	9.5	10.7	11.3
DK	0.9	6.4	5.5	5.6	6.4	7.7	8.1	8.9	9.5	10.5	10.1	9.5
D	0.7	4.2	6.5	6.3	6.3	5.6	4.8	4.2	4.5	5.6	6.9	7.4
D+	—	—	—	—	—	—	—	5.1	5.9	6.8	8.0	8.6
GR	4.2	4.0	7.4	7.4	7.7	7.5	7.0	7.7	7.7	7.8	8.3	8.8
E	2.8	11.3	21.0	20.4	19.3	17.1	16.1	16.3	18.0	21.2	22.4	22.7
F	2.2	6.4	10.3	10.4	9.9	9.4	9.0	9.5	10.0	10.8	11.6	11.7
IRL	5.7	11.0	18.2	18.0	17.3	15.7	14.5	16.2	17.8	18.4	18.7	18.8
I	5.2	7.3	10.5	10.8	10.9	10.9	10.0	10.0	10.3	11.0	11.3	11.4
L	0.0	1.7	2.6	2.5	2.0	1.8	1.7	1.6	1.9	2.6	2.6	2.5
NL	1.3	7.8	10.3	10.0	9.3	8.4	7.5	7.0	6.7	8.2	9.1	9.5
P	2.5	6.9	8.3	6.9	5.7	5.0	4.6	4.1	4.7	5.2	6.2	6.1
UK	2.0	6.9	11.4	10.4	8.5	7.1	7.0	8.8	10.0	10.4	9.9	9.3
EUR	2.4	6.8	10.7	10.4	9.8	8.9	8.3	8.7	9.3	10.4	11.0	11.1
EUR+	—	—	—	—	—	—	—	8.8	9.5	10.6	11.2	11.3
USA²	4.6	7.5	7.0	6.2	5.5	5.3	5.5	6.7	7.3	6.7	6.0	5.9
JAP²	1.2	2.2	2.8	2.8	2.5	2.3	2.1	2.1	2.2	2.5	3.1	2.8

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

² In percentage of total labour force.

TABLE 19: Total public expenditure (as percentage of GDP, 1974-95)*

	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	57.1	60.7	59.0	56.6	54.9	54.6	55.5	56.4	58.0	57.3	56.3
DK	53.0	54.3	55.7	58.0	58.4	57.0	57.4	59.2	61.5	63.0	61.2
D	48.1	47.1	47.4	47.0	45.5	45.8	48.7	48.4	50.4	51.2	51.7
D+	—	—	—	—	—	—	49.2	49.8	51.4	52.2	52.3
GR	—	47.2	47.7	47.9	49.4	52.5	51.2	52.6	52.7	52.4	52.4
E	32.4	41.9	40.8	41.0	42.3	43.4	45.3	46.6	48.9	49.1	49.2
F	47.2	52.2	51.7	50.8	49.9	50.5	51.2	52.2	54.3	55.1	55.1
IRL	47.3	51.4	49.4	46.3	39.9	40.2	40.8	41.4	42.9	42.2	41.4
I	42.7	50.7	50.2	50.3	51.3	53.2	53.6	53.2	56.0	54.4	53.6
L	51.8	50.4	54.2	50.8	47.1	49.7	53.4	53.9	54.0	53.4	52.2
NL	55.7	57.9	59.4	57.6	54.8	55.0	55.3	56.1	56.9	55.8	54.8
P	—	44.6	43.0	43.0	42.9	44.3	46.9	48.2	48.4	47.5	46.0
UK	43.6	42.5	40.8	38.1	37.7	40.0	40.9	42.4	43.5	43.4	42.9
EUR	46.2 ¹	48.9	48.4	47.4	46.8	47.9	49.2	49.8	51.7	51.7	51.5
EUR+	—	—	—	—	—	—	49.3	50.1	51.9	52.0	51.6

¹ EUR without Greece and Portugal.

TABLE 20: Total public receipts (as percentage of GDP, 1974-95)*

	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	48.7	51.3	51.5	49.9	48.2	48.8	48.9	49.5	50.6	50.9	50.4
DK	50.2	57.7	58.1	58.6	57.9	55.6	55.2	56.6	57.1	58.2	57.8
D	45.4	45.8	45.5	44.8	45.6	43.7	45.2	46.1	46.6	47.9	48.4
D+	—	—	—	—	—	—	46.0	47.2	47.1	48.2	48.6
GR	30.5	35.1	36.0	34.1	31.7	33.9	34.9	39.4	37.3	37.0	37.0
E	29.5	35.9	37.7	37.7	39.5	39.5	40.0	41.9	41.8	41.9	42.6
F	45.5	49.4	49.8	49.2	48.6	49.0	49.1	48.3	48.4	49.2	49.7
IRL	36.9	40.8	41.0	41.8	38.3	38.0	38.8	39.3	39.9	39.1	38.5
I	33.2	39.1	39.2	39.6	41.4	42.2	43.3	43.7	46.0	45.6	45.5
L	53.9	55.5	57.5	56.0	53.9	53.0	52.4	51.4	51.6	51.1	50.4
NL	52.7	52.8	53.5	53.0	50.1	49.9	52.8	52.6	52.9	51.7	51.2
P	31.2	37.3	36.2	37.6	39.5	38.8	40.5	43.0	39.5	39.3	39.1
UK	40.0	40.1	39.4	39.1	38.6	38.8	38.2	36.5	35.9	36.6	37.0
EUR	42.2 ¹	44.4	44.5	43.9	44.1	43.9	44.5	44.8	45.3	45.7	46.0
EUR+	—	—	—	—	—	—	44.7	45.1	45.5	45.9	46.1

¹ EUR without Greece and Portugal.

* Notes: see page 19.

TABLE 21: General government lending (+) or borrowing (-) (as a percentage of GDP, 1974-95) *

	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	-8.4	-9.4	-7.5	-6.8	-6.7	-5.8	-6.6	-6.9	-7.4	-6.4	-6.0
DK	-2.8	3.4	2.4	0.6	-0.5	-1.5	-2.2	-2.6	-4.4	-4.9	-3.4
D	-2.8	-1.3	-1.9	-2.2	0.1	-2.1	-3.5	-2.3	-3.8	-3.3	-3.3
D+	—	—	—	—	—	—	-3.2	-2.6	-4.2	-4.0	-3.6
GR	—	-12.0	-11.6	-13.8	-17.7	-18.6	-16.3	-13.2	-15.4	-15.4	-15.4
E	-2.8	-6.0	-3.1	-3.3	-2.8	-3.9	-5.2	-4.6	-7.2	-7.2	-6.6
F	-1.7	-2.7	-1.9	-1.7	-1.3	-1.5	-2.1	-3.9	-5.9	-5.9	-5.4
IRL	-10.4	-10.6	-8.5	-4.5	-1.7	-2.2	-2.0	-2.2	-3.0	-3.2	-2.9
I	-9.6	-11.6	-11.0	-10.7	-9.9	-10.9	-10.2	-9.5	-10.0	-8.9	-8.1
L	2.1	5.1	3.3	5.2	6.8	3.3	-1.0	-2.5	-2.5	-2.2	-1.8
NL	-3.9	-5.1	-5.9	-4.6	-4.7	-5.1	-2.5	-3.5	-4.0	-4.1	-3.6
P	—	-7.2	-6.8	-5.4	-3.4	-5.5	-6.4	-5.2	-8.9	-8.2	-6.9
UK	-3.6	-2.4	-1.4	1.0	0.9	-1.2	-2.7	-5.9	-7.6	-6.8	-6.0
EUR	-4.0	-4.5	-4.0	-3.4	-2.7	-4.0	-4.7	-5.0	-6.4	-5.9	-5.5
EUR+	—	—	—	—	—	—	-4.6	-5.0	-6.4	-6.1	-5.5
USA	-1.9	-3.5	-2.5	-2.0	-1.5	-2.5	-3.5	-4.5	-3.6	-2.5	-1.6
JAP	-3.2	-0.9	0.5	1.5	2.5	2.9	2.9	2.6	1.0	0.1	-0.2

¹ EUR without Greece and Portugal.

TABLE 22: Trade balance total (fob/cif) (in billions of ECU, 1961-95)*

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	-0.1	-3.9	-0.2	-0.7	-2.9	-2.2	-5.6	-7.2	-6.5	-2.2	-2.5	-2.1
DK	-0.7	-1.9	-1.5	0.2	0.9	1.2	2.4	2.6	4.3	4.6	4.5	4.6
D	3.6	17.5	53.1	57.0	61.0	64.0	44.0	—	—	—	—	—
D+	—	—	—	—	—	—	—	9.2	15.3	14.9	17.9	23.7
GR	-0.9	-4.7	-5.8	-5.6	-5.9	-7.8	-9.2	-10.4	-10.6	-9.8	-10.2	-11.0
E	-1.9	-8.1	-6.3	-8.7	-11.9	-19.3	-20.1	-21.3	-21.8	-20.1	-18.3	-18.4
F	-0.8	-12.0	-9.2	-12.6	-12.2	-14.9	-17.3	-15.4	-7.0	-0.2	-1.0	-0.4
IRL	-0.4	-1.1	1.0	2.0	2.7	3.1	2.3	2.7	5.0	4.6	4.9	5.4
I	-1.3	-9.6	-2.5	-7.5	-8.4	-11.2	-9.3	-10.4	-8.2	10.1	16.6	17.1
L¹	—	—	—	—	—	—	—	—	—	—	—	—
NL	-1.0	0.9	4.6	1.1	1.2	3.5	0.3	-2.7	-5.4	5.7	7.1	8.2
P	-0.5	-3.4	-2.3	-3.7	-5.8	-5.6	-6.7	-7.9	-9.0	-9.9	-10.6	-10.9
UK	-2.7	-8.3	-19.9	-20.9	-42.6	-41.1	-31.9	-22.3	-26.9	-25.5	-28.2	-28.8
EUR	-6.6	-34.6	11.0	0.8	-23.9	-30.3	-51.0	—	—	—	—	—
EUR+	—	—	—	—	—	—	—	-83.1	-70.8	-27.9	-19.8	-12.7

¹ Included in the figures for Belgium.

TABLE 23: Balance on current account (as a percentage of GDP, 1961-95) *

	1961-73	1974-85	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	1.1	-1.5	2.1	1.3	1.7	1.7	0.9	1.7	1.8	1.3	1.1	1.2
DK	-2.0	-3.5	-5.4	-2.9	-1.3	-1.5	0.5	1.4	3.0	2.8	2.7	2.9
D	0.7	0.8	4.3	4.1	4.3	4.8	3.6	1.4	1.6	0.4	0.7	0.3
D+	—	—	—	—	—	—	—	-0.6	-1.3	-0.9	-0.8	-0.7
GR	-2.9	-2.9	-5.3	-3.1	-2.0	-5.0	-6.1	-5.1	-4.4	-3.7	-4.1	-4.6
E	-0.2	-1.4	1.6	0.1	-1.1	-3.2	-3.7	-3.8	-3.7	-2.7	-2.4	-2.2
F	0.4	-0.3	0.5	-0.2	-0.3	-0.5	-0.9	-0.5	0.2	0.6	0.3	0.4
IRL	-2.4	-7.7	-3.3	-0.2	-0.0	-1.7	-0.7	2.0	3.6	5.1	5.4	5.7
I	1.4	-0.7	0.5	-0.2	-0.7	-1.3	-1.4	-1.8	-2.1	0.2	0.9	1.0
L	6.9	27.1	38.8	30.3	30.8	34.0	34.3	28.0	27.6	25.2	25.0	24.8
NL	0.5	1.9	3.1	1.9	2.8	3.5	3.8	3.6	3.2	3.0	3.5	3.6
P	0.4	-6.6	2.4	-0.4	-4.4	-2.3	-2.5	-2.9	-2.1	-2.1	-2.8	-1.9
UK	-0.1	-0.1	-0.8	-2.0	-4.8	-5.4	-4.2	-1.8	-2.3	-2.0	-2.0	-1.9
EUR	0.4	-0.2	1.3	0.7	0.1	-0.2	-0.4	-0.5	-0.3	-0.0	0.2	0.1
EUR+	—	—	—	—	—	—	—	-1.0	-1.1	-0.4	-0.3	-0.1
USA	0.5	-0.4	-3.3	-3.4	-2.4	-1.7	-1.4	0.2	-0.9	-1.5	-1.5	-1.4
JAP	0.6	0.9	4.3	3.6	2.8	2.0	1.3	2.5	3.2	3.1	3.0	2.9

TABLE 24: Rates of change of demand components, EUR (1990-95)¹ *

	Percentage change on preceding period at constant prices											
	1990	1991	1992	1993	1994	1995	1993-I	1993-II	1994-I	1994-II	1995-I	1995-II
Private consumption	3.1	1.9	1.9	-0.3	0.4	1.3	-0.7	-0.3	0.4	1.0	1.3	1.6
Government consumption	2.2	1.5	1.6	0.5	0.5	0.4	0.4	1.1	0.2	0.4	0.4	0.5
Fixed capital formation	3.8	-0.3	-0.0	-4.6	2.0	4.5	-5.7	-2.1	2.9	4.2	4.6	4.5
— Construction	3.8	1.2	2.2	-1.6	1.9	3.8	-2.1	-0.8	2.5	3.5	3.9	3.9
— Equipment	4.8	-0.0	-2.6	-7.9	2.0	5.3	-9.7	-3.7	3.5	5.2	5.4	5.2
Change in stocks as % of GDP	0.7	0.5	0.4	0.2	0.4	0.5	-0.1	0.5	0.5	0.4	0.5	0.6
Domestic demand	2.9	1.1	1.3	-1.3	0.9	1.9	-2.4	0.7	0.8	1.4	2.0	2.3
Exports of goods and services	6.9	5.5	3.5	-1.5	3.6	4.6	-2.3	-0.1	4.4	5.8	4.2	4.3
Imports of goods and services	6.4	4.3	4.0	-3.8	2.5	3.9	-7.3	1.3	2.7	3.4	3.9	4.3
Gross domestic product	3.0	1.5	1.1	-0.4	1.3	2.1	-0.7	0.3	1.3	2.2	2.0	2.2

¹ Half-yearly figures at annual rates, seasonally adjusted (1992-I = first half of 1992 etc.). EUR+ from 1992 onwards.

TABLE 25: Export markets and export performance
(percentage change on preceding year, 1992-95)*

	Export markets			Export performance ¹		
	1993	1994	1995	1993	1994	1995
B	-3.0	3.7	4.9	0.4	-1.9	-2.3
DK	-1.3	3.8	4.7	-1.2	-1.1	-0.5
D+	-1.1	4.2	5.3	-8.3	-1.2	-0.8
GR	-2.6	3.9	4.7	5.5	1.2	-0.6
E	-2.5	3.8	5.1	10.1	3.6	0.6
F	-1.3	3.9	4.8	-3.7	-0.4	0.7
IRL	-0.3	3.7	4.6	4.2	0.8	0.4
I	-1.6	4.2	5.1	9.9	1.4	-0.7
L ²	—	—	—	—	—	—
NL	-2.9	3.3	4.2	2.5	-0.3	0.1
P	-3.1	3.2	4.5	0.6	1.0	6.4
UK	0.1	4.5	5.3	0.3	-1.1	0.0
EUR+	-1.5	4.0	5.0	-0.5	-0.3	-0.2
USA	3.6	5.6	6.1	0.3	-0.5	0.4
JAP	6.8	7.6	7.6	-5.4	-4.8	-4.1

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

² Included in the figures for Belgium.

TABLE 26: Imports of goods, volume
(percentage change on preceding year, 1961-95)*

	1961-73	1974-81	1982-91	1992	1993	1994	1995
B	9.3	1.8	4.3	1.0	-2.1	1.6	2.2
DK	7.9	-0.2	3.5	-0.1	-2.9	2.9	4.4
D	8.7	4.2	6.0	3.2	-8.4	2.2	3.1
D+	—	—	—	2.0	-8.7	2.2	3.1
GR	12.8	0.4	9.9	4.7	1.4	3.6	4.2
E	—	1.7	9.3	5.4	-3.6	2.1	3.7
F	11.3	2.4	4.8	1.0	-6.0	2.4	4.2
IRL	9.2	4.5	4.7	4.6	3.2	4.2	4.7
I	10.2	2.6	4.9	3.6	-7.6	2.8	4.7
L	6.2	1.0	6.1	-0.5	1.0	0.6	1.5
NL	9.4	1.3	5.0	1.6	-0.8	2.4	4.0
P	—	—	7.0	11.2	1.5	4.2	7.0
UK	5.2	0.4	6.2	6.6	1.1	3.1	4.4
EUR ¹	9.0	2.3	5.7	3.4	-4.2	2.6	3.9
EUR+	—	—	—	3.2	-4.2	2.5	3.9
USA	9.1 ²	3.0	6.5	10.4	9.5	7.0	5.8
JAP	—	7.3	7.7	-1.5	2.5	3.5	4.5

¹ Excluding Spain up to 1973 and Portugal up to 1981.

² Average 1964-73.

TABLE 27: Exports of goods, volume
(percentage change on preceding year, 1961-95)*

	1961-73	1974-81	1982-91	1992	1993	1994	1995
B	10.2	2.2	4.4	0.2	-2.7	1.7	2.5
DK	6.8	4.7	4.7	5.5	-2.4	2.6	4.2
D	8.0	4.8	5.5	5.3	-6.2	2.6	3.7
D+	—	—	—	0.5	-9.3	2.9	4.4
GR	12.0	5.6	8.0	7.2	2.7	5.1	4.1
E	—	8.9	6.7	6.1	7.3	7.5	5.7
F	10.0	5.2	3.9	5.0	-5.0	3.5	5.5
IRL	8.1	7.9	9.2	14.4	3.9	4.5	5.0
I	11.5	6.5	4.0	4.3	8.2	5.6	4.4
L	5.3	-1.2	6.2	0.2	0.3	1.1	2.3
NL	10.3	2.8	4.8	2.2	-0.4	3.1	4.3
P	—	—	9.9	5.5	-2.5	4.2	11.2
UK	5.0	3.5	4.2	2.2	0.4	3.4	5.3
EUR ¹	8.8	4.8	4.9	4.2	-1.5	3.6	4.5
EUR+	—	—	—	2.9	-2.0	3.7	4.7
USA	6.7 ²	4.9	4.9	6.6	3.9	5.0	6.5
JAP	—	9.6	4.4	0.6	1.0	2.4	3.2

¹ Excluding Spain up to 1973 and Portugal up to 1981.

² Average 1964-73.

TABLE 28: Trade balances (fob-fob) EUR, USA and Japan*

	1990	1991	1992	1993	1994	1995
as a % of GDP						
EUR ¹	0.0	-0.6	-0.3	0.2	0.3	0.5
USA	-2.0	-1.3	-1.6	-1.9	-2.1	-2.0
Japan	2.2	3.1	3.6	3.4	3.2	3.0
in billions USD						
EUR ¹	-1.0	-34.5	-16.9	12.2	22.8	33.4
USA	-108.8	-73.4	-96.3	-124.2	-138.9	-142.5
Japan	63.6	103.1	132.3	144.5	149.0	146.8
in billions ECU						
EUR ¹	-0.8	-27.9	-13.0	10.3	20.0	29.3
USA	-85.6	-59.3	-74.3	-105.8	-121.4	-125.0
Japan	50.0	83.3	102.2	123.1	130.1	128.8

¹ Including unified Germany from 1991 onwards.

TABLE 29: World export prices¹
(percentage change on preceding year)*

	1990	1991	1992	1993	1994	1995
Fuels	29.5	-15.1	-3.3	-10.8	-4.0	3.9
Other primary commodities	0.6	-5.4	-0.5	-6.1	1.4	3.2
Manufactures	9.0	-0.5	1.3	-4.8	0.3	1.3

¹ In US dollars.

Source: United Nations and forecasts by Commission services.

TABLE 30: World GDP/GNP (at constant prices)*
(Percentage change on preceding year)

	1990	1991	1992	1993	1994	1995
EUR ¹	3.0	1.5	1.1	-0.4	1.3	2.1
USA	0.7	-1.3	2.6	2.7	2.6	2.4
Canada	-0.6	-1.8	1.3	2.8	3.0	2.5
Japan	5.2	4.4	1.4	-0.1	1.3	2.8
EFTA	2.0	-0.5	-0.3	-1.1	1.3	2.5
Total OECD	2.4	0.8	1.6	1.0	1.9	2.4
CCEE	—	-16.6	-15.4	-9.7	-2.8	1.3
OPEC	—	—	7.7	4.6	4.3	4.4
Other developing countries	3.7	3.4	4.9	5.0	5.0	5.3
— DAE's	7.4	7.5	5.9	6.3	6.5	6.7
— other Asia	4.9	4.6	7.7	7.4	6.8	6.9
— Latin America	-0.4	3.3	1.5	2.7	3.0	3.5
— Africa	0.3	0.5	-0.6	2.4	2.9	3.1
World	2.7	1.3	1.7	1.5	2.4	2.9
World excluding EUR	4.6	0.2	1.9	2.2	2.8	3.2

¹ Including unified Germany from 1992 onwards.

TABLE 31: World imports of goods (at constant prices)*
(Percentage change on preceding year)

	1990	1991	1992	1993	1994	1995
EUR ¹	6.1	4.9	3.4	-4.2	2.5	3.9
USA	2.2	0.7	10.4	9.5	7.0	5.8
Canada	-0.8	0.9	4.5	6.5	5.0	4.0
Japan	6.6	-4.5	-1.5	2.5	3.5	4.5
EFTA	3.0	-3.1	-2.3	-2.2	3.7	4.9
Total OECD	4.6	1.5	3.9	0.1	3.9	4.5
CCEE	—	—	-8.9	-3.8	7.6	4.4
OPEC	7.3	11.7	6.3	5.8	5.7	6.2
Other developing countries	7.4	12.2	11.1	11.6	10.8	11.1
— DAE's	12.6	14.1	10.3	13.8	12.7	13.2
— other Asia	-4.3	11.5	13.8	13.2	12.1	11.9
— Latin America	9.4	15.9	21.7	7.1	6.1	6.6
— Africa	4.1	-0.5	3.8	3.0	4.4	4.6
World	5.2	3.9	5.1	2.6	5.5	6.0
World excluding EUR	4.3	3.3	6.5	7.1	7.5	7.3

¹ Including unified Germany from 1991 onwards.

TABLE 32: World balances of current account
(in billions USD)*

	1990	1991	1992	1993	1994	1995
EUR ¹	-16.6	-61.4	-69.6	-25.5	-16.9	-10.1
USA ²	-90.5	-3.7	-62.5	-94.2	-103.9	-102.5
Canada	-22.0	-25.5	-23.7	-26.8	-29.6	-29.9
Japan	35.9	72.9	117.6	134.5	140.0	140.8
EFTA	-2.0	4.8	8.2	24.6	30.9	35.0
Total OECD	-114.1	-22.8	-41.9	-1.0	6.2	18.3
CCEE	—	-0.4	-4.4	-4.6	-11.2	-12.6
OPEC	17.0	-58.2	-22.7	-28.0	-33.6	-32.0
Other developing countries	9.5	-75.7	-64.6	-52.3	-57.2	-62.6
— DAE's	5.8	-1.7	-1.0	-8.0	-7.8	-8.0
— other Asia	1.9	4.7	-2.2	-3.3	-5.4	-7.9
— Latin America	-11.4	-18.3	-33.0	-35.0	-37.2	-39.0
— Africa	-3.8	-2.3	-5.6	-6.0	-6.9	-7.7
Errors and omissions	-104.6	-98.9	-110.9	-85.9	-95.9	-89.0

¹ Including unified Germany from 1991 onwards.

² The balance takes into account as public transfers to the USA the contributions of foreign governments to the cost of the Gulf war in 1991.

TABLE 33: World trade balances
(fob-fob, in billions USD)*

	1990	1991	1992	1993	1994	1995
EUR ¹	-1.0	-34.5	-16.9	12.2	22.8	33.4
USA	-108.8	-73.4	-96.3	-124.2	-138.9	-142.5
Canada	9.2	5.9	8.7	8.2	7.4	8.1
Japan	63.6	103.1	132.3	144.5	149.0	146.8
EFTA	-2.7	3.3	11.9	17.6	23.1	26.8
Total OECD	-48.0	2.6	26.3	44.6	49.2	56.9
CCEE	—	4.2	4.3	6.4	-0.0	-1.0
OPEC	73.0	39.3	35.7	27.0	24.4	29.0
Other developing countries	76.8	24.7	-5.9	-54.3	-61.0	-68.4
— DAE's	-0.0	-5.9	-4.5	-14.0	-14.8	-16.1
— other Asia	-6.2	-6.7	-15.3	-16.8	-20.0	-23.6
— Latin America	15.6	3.7	-11.4	-13.0	-14.8	-16.3
— Africa	-5.6	-5.8	-10.4	-10.5	-11.5	-12.4
Errors and omissions	92.3	31.6	24.7	23.8	12.5	16.5

¹ Including unified Germany from 1991 onwards.

* Notes: see page 19.

TABLE 34: Demand components at constant prices⁽¹⁾ and contributions to real GDP growth⁽²⁾, EUR countries and EUR, 1989-95*

	1989	1990	1991	1992	1993	1994	1995		1989	1990	1991	1992	1993	1994	1995
B⁵ Demand components								GR³ Demand components							
Private consumption	3.7	2.8	2.6	2.2	-0.8	0.4	0.9	Private consumption	4.3	2.0	1.2	1.3	-0.6	1.0	1.3
Government consumption	0.2	1.1	0.9	-0.8	1.5	0.7	-0.1	Government consumption	4.2	-0.1	-0.7	-0.4	0.4	0.5	0.6
Fixed capital formation	13.7	8.4	0.3	0.0	-6.0	1.2	2.1	Fixed capital formation	10.0	5.7	-2.0	1.1	0.8	2.2	3.1
— Construction	9.2	7.9	3.6	2.8	-4.5	1.1	1.8	— Construction	4.0	5.7	-6.5	-4.0	1.1	2.9	3.7
— Equipment	17.4	9.9	-2.5	-3.4	-8.0	1.2	2.5	— Equipment	18.1	5.7	3.3	7.0	0.5	1.5	2.5
Exports of goods and services	7.3	4.1	3.1	0.6	-2.4	1.7	2.5	Exports of goods and services	1.3	0.9	2.6	8.0	3.0	4.8	4.7
Imports of goods and services	8.8	4.2	2.7	1.6	-2.1	1.6	2.1	Imports of goods and services	10.8	12.0	3.6	5.7	1.2	4.2	4.8
GDP	3.8	3.4	1.9	0.5	-1.6	0.5	1.3	GDP	3.5	-0.1	1.8	1.3	-0.2	0.9	1.0
Contributions to growth								Contributions to growth							
Final domestic demand	4.9	3.7	1.9	1.4	-1.5	0.6	1.0	Final domestic demand	5.4	2.4	0.3	1.0	-0.2	1.2	1.5
Stockbuilding	0.1	-0.2	-0.3	0.1	0.2	-0.1	0.1	Stockbuilding	-1.4	-1.4	2.6	6.5	-0.4	0.1	0.1
Foreign balance	-1.3	-0.1	0.3	-1.0	-0.3	0.1	0.2	Foreign balance	-4.0	-5.0	-1.0	-0.5	0.4	-0.3	-0.6
DK⁴ Demand components								E⁶ Demand components							
Private consumption	-0.4	0.6	1.2	1.4	0.9	2.9	3.5	Private consumption	5.6	3.7	3.1	2.1	-1.9	-0.3	1.5
Government consumption	-0.6	-0.4	-0.2	1.2	2.0	1.8	0.6	Government consumption	8.3	5.7	4.2	3.8	1.6	-0.0	0.3
Fixed capital formation	1.0	-0.9	-4.2	-10.3	-3.8	3.1	3.5	Fixed capital formation	13.7	6.9	1.6	-3.9	-8.6	-0.1	2.9
— Construction	-6.0	-4.6	-10.9	-1.6	1.5	3.6	2.0	— Construction	15.1	10.8	9.7	-4.8	-5.5	1.0	3.4
— Equipment	9.7	2.7	3.1	-17.9	-9.5	2.5	5.2	— Equipment	12.9	1.4	1.4	-2.5	-13.6	-2.0	2.2
Exports of goods and services	4.2	8.5	7.9	4.0	-2.7	2.4	3.7	Exports of goods and services	3.0	3.2	6.6	6.7	6.9	7.0	5.6
Imports of goods and services	4.5	2.4	4.9	0.3	-2.5	2.7	4.0	Imports of goods and services	17.2	7.8	8.9	6.6	-3.2	2.2	3.9
GDP	0.6	2.0	1.2	1.2	0.0	2.6	2.8	GDP	4.7	3.7	2.3	0.8	-0.9	1.1	2.0
Contributions to growth								Contributions to growth							
Final domestic demand	-0.2	0.1	-0.2	-0.8	0.3	2.4	2.5	Final domestic demand	8.1	5.1	3.1	0.9	-3.0	-0.3	1.7
Stockbuilding	0.7	-0.6	-0.2	0.2	-0.0	0.1	0.1	Stockbuilding	0.0	0.0	0.2	-0.1	-0.3	0.3	0.1
Foreign balance	-0.0	2.6	1.6	1.8	-0.3	0.1	0.2	Foreign balance	-4.2	-1.8	-1.5	-0.8	2.4	1.0	0.3
D⁸ Demand components								F⁴ Demand components							
Private consumption	1.9	5.1	4.5	2.1	-1.1	-1.2	0.5	Private consumption	3.1	2.9	1.4	1.7	0.4	0.6	1.2
Government consumption	0.4	1.2	-2.2	1.8	-1.0	-0.0	-0.0	Government consumption	0.5	2.0	2.5	2.7	1.6	1.5	1.0
Fixed capital formation	6.3	8.5	6.1	1.1	-5.9	1.6	3.1	Fixed capital formation	7.9	2.9	-1.5	-2.1	-6.2	0.4	3.7
— Construction	4.4	4.9	4.1	5.5	-1.0	2.2	2.4	— Construction	5.4	2.4	1.2	1.0	-2.1	0.7	3.3
— Equipment	9.2	13.1	10.3	-3.9	-12.0	0.8	4.1	— Equipment	8.0	4.6	-4.7	-4.3	-9.4	0.1	4.0
Exports of goods and services	10.2	10.4	13.7	3.7	-6.5	2.2	3.3	Exports of goods and services	10.2	5.3	3.9	6.8	-4.3	3.0	4.9
Imports of goods and services	8.3	9.4	12.1	3.9	-7.2	1.9	3.2	Imports of goods and services	8.1	6.3	2.9	3.0	-5.3	2.3	4.0
GDP	3.6	5.7	4.5	1.6	-2.2	-0.0	1.2	GDP	4.3	2.5	0.7	1.4	-0.9	1.0	2.1
Contributions to growth								Contributions to growth							
Final domestic demand	2.5	5.1	3.9	1.8	-2.0	-0.3	0.9	Final domestic demand	3.6	2.8	1.0	1.1	-0.8	0.7	1.7
Stockbuilding	0.3	-0.1	-0.4	-0.3	0.1	0.1	0.0	Stockbuilding	0.3	0.1	-0.4	-0.6	-0.5	0.1	0.2
Foreign balance	0.7	0.5	0.9	0.0	-0.2	0.2	0.2	Foreign balance	0.3	-0.4	0.2	0.9	0.3	0.2	0.2
D+⁸ Demand components								IRL⁵ Demand components							
Private consumption	—	—	—	2.7	-0.7	-0.9	0.6	Private consumption	6.0	1.9	1.6	2.8	2.2	2.9	3.4
Government consumption	—	—	—	2.4	-0.8	-0.1	0.1	Government consumption	-1.0	5.7	2.4	2.2	2.5	2.4	2.0
Fixed capital formation	—	—	—	4.2	-3.4	2.9	4.3	Fixed capital formation	13.6	12.6	-7.3	-1.9	-1.6	3.4	4.7
— Construction	—	—	—	9.5	1.3	3.5	3.8	— Construction	11.6	19.7	-1.4	0.3	-1.5	3.8	5.0
— Equipment	—	—	—	-1.9	-9.5	2.0	5.0	— Equipment	23.3	1.8	-12.0	-4.4	-1.8	3.0	4.3
Exports of goods and services	—	—	—	0.1	-8.9	3.0	4.3	Exports of goods and services	10.3	8.9	5.2	12.9	3.8	4.6	5.1
Imports of goods and services	—	—	—	2.6	-7.2	1.9	3.2	Imports of goods and services	12.7	5.5	1.3	5.4	3.5	4.5	5.0
GDP	—	—	—	2.1	-1.6	0.5	1.6	GDP	6.2	9.0	2.6	4.8	2.0	3.3	3.7
Contributions to growth								Contributions to growth							
Final domestic demand	—	—	—	3.1	-1.4	0.2	1.4	Final domestic demand	5.8	4.2	-0.1	1.6	1.3	2.4	2.9
Stockbuilding	—	—	—	-0.3	0.1	0.1	0.0	Stockbuilding	1.2	2.1	-0.2	-2.6	-0.0	0.1	0.1
Foreign balance	—	—	—	-0.8	-0.4	0.2	0.2	Foreign balance	-0.8	2.7	2.8	6.0	0.8	0.8	0.8

	1989	1990	1991	1992	1993	1994	1995
I⁵ Demand components							
Private consumption	3.6	2.9	2.2	2.2	-1.8	0.5	1.7
Government consumption	0.8	1.2	1.4	1.0	0.4	0.0	0.0
Fixed capital formation	4.3	3.8	0.6	-1.4	-8.4	1.8	5.7
— Construction	3.6	3.5	1.4	-1.8	-5.3	-0.5	3.3
— Equipment	5.2	4.0	0.0	-1.1	-11.1	4.1	8.0
Exports of goods and services	7.8	8.7	-0.4	5.3	8.0	5.3	4.4
Imports of goods and services	7.2	10.6	1.8	5.8	-7.6	2.8	4.6
GDP	2.9	2.1	1.3	0.9	-0.3	1.6	2.3
Contributions to growth							
Final domestic demand	3.4	2.9	1.8	1.3	-2.9	0.7	2.2
Stockbuilding	-0.4	0.0	0.1	0.0	-1.5	0.3	0.2
Foreign balance	-0.0	-0.7	-0.6	-0.3	4.1	0.7	-0.0
L⁵ Demand components							
Private consumption	3.9	4.0	6.5	1.7	1.2	2.1	2.5
Government consumption	1.9	3.2	3.8	3.4	2.4	3.0	2.7
Fixed capital formation	8.9	2.5	9.8	-2.1	5.7	-3.6	2.0
— Construction	13.8	7.2	9.0	6.4	0.2	-0.8	2.1
— Equipment	4.4	-6.0	11.2	-11.9	13.5	-7.1	1.9
Exports of goods and services	6.9	2.6	3.6	1.3	0.5	1.2	2.3
Imports of goods and services	6.1	4.3	8.1	0.2	1.4	1.1	1.8
GDP	6.7	3.2	3.1	1.8	0.7	2.0	2.7
Contributions to growth							
Final domestic demand	4.9	3.4	6.9	0.9	2.6	0.7	2.4
Stockbuilding	0.8	1.7	1.2	-0.4	-0.9	1.4	-0.1
Foreign balance	0.9	-1.9	-5.1	1.3	-1.0	-0.0	0.4
NL⁷ Demand components							
Private consumption	3.5	4.2	3.0	2.1	0.3	0.5	1.3
Government consumption	1.5	1.6	1.3	1.3	-0.1	-0.6	-0.1
Fixed capital formation	4.9	1.6	0.4	1.1	-3.3	0.4	3.1
— Construction	2.2	2.1	-2.1	2.8	-2.8	-1.9	2.0
— Equipment	7.8	5.4	2.7	-0.9	-3.8	3.1	4.4
Exports of goods and services	6.7	5.3	5.5	2.4	-0.2	3.1	4.3
Imports of goods and services	6.7	4.2	4.6	2.6	-0.7	2.4	4.1
GDP	4.7	4.1	2.1	1.4	-0.3	0.9	1.8
Contributions to growth							
Final domestic demand	3.3	3.1	2.1	1.6	-0.5	0.3	1.4
Stockbuilding	1.0	0.2	-0.6	-0.3	-0.1	0.1	0.1
Foreign balance	0.2	1.0	0.8	0.1	0.2	0.5	0.4
P⁷ Demand components							
Private consumption	3.3	5.3	5.2	3.7	1.5	1.8	2.3
Government consumption	2.8	1.5	3.0	1.8	0.3	1.0	-0.5
Fixed capital formation	5.6	5.9	2.4	4.5	-0.4	2.7	5.4
— Construction	3.5	5.3	4.5	3.5	1.8	3.8	6.0
— Equipment	10.0	5.8	1.0	5.6	-2.7	1.5	4.7
Exports of goods and services	13.3	9.5	1.1	5.0	-2.2	4.0	10.3
Imports of goods and services	9.1	10.1	4.9	10.3	1.4	4.1	6.9
GDP	5.2	4.4	2.1	1.1	-0.5	1.4	3.0
Contributions to growth							
Final domestic demand	4.4	5.6	4.8	4.3	1.0	2.2	3.1
Stockbuilding	0.6	0.7	0.0	-0.4	-0.1	-0.0	0.1
Foreign balance	0.2	-1.9	-2.7	-4.5	-1.4	-0.8	-0.2

	1989	1990	1991	1992	1993	1994	1995
UK⁷ Demand components							
Private consumption	3.3	0.7	-2.1	-0.0	1.6	1.4	1.7
Government consumption	0.9	3.2	2.8	0.2	0.5	0.7	0.8
Fixed capital formation	7.2	-3.1	-9.9	-1.1	1.0	4.4	6.6
— Construction	5.4	-0.6	-8.3	0.8	0.1	4.0	6.1
— Equipment	11.6	-3.6	-11.5	-3.5	2.1	4.9	7.3
Exports of goods and services	3.8	4.9	0.3	2.6	0.6	3.4	5.3
Imports of goods and services	7.4	1.0	-3.1	5.7	0.8	3.2	4.3
GDP	2.1	0.5	-2.2	-0.5	1.9	2.5	2.7
Contributions to growth							
Final domestic demand	3.7	0.4	-2.8	-0.2	1.3	1.8	2.4
Stockbuilding	-0.3	-0.9	-0.6	0.5	0.7	0.7	0.2
Foreign balance	-1.3	1.1	1.1	-1.1	-0.1	-0.0	0.1
EUR⁵ Demand components							
Private consumption	3.2	3.1	1.9	1.7	-0.4	0.4	1.3
Government consumption	1.3	2.2	1.5	1.5	0.5	0.5	0.4
Fixed capital formation	7.3	3.8	-0.3	-1.0	-5.3	1.6	4.2
— Construction	5.7	3.8	1.2	0.9	-2.4	1.4	3.4
— Equipment	9.3	4.8	-0.0	-3.0	-8.4	1.8	5.1
Exports of goods and services	7.7	6.9	5.5	4.3	-1.3	3.4	4.3
Imports of goods and services	8.5	6.4	4.3	4.3	-3.8	2.5	3.9
GDP	3.5	3.0	1.5	1.0	-0.6	1.2	2.0
Contributions to growth							
Final domestic demand	3.8	3.1	1.4	1.1	-1.2	0.6	1.7
Stockbuilding	0.1	-0.2	-0.3	-0.1	-0.3	0.2	0.1
Foreign balance	-0.4	-0.0	0.3	-0.1	1.0	0.3	0.1
EUR +⁵ Demand components							
Private consumption	—	—	—	1.9	-0.3	0.4	1.3
Government consumption	—	—	—	1.6	0.5	0.5	0.4
Fixed capital formation	—	—	—	-0.0	-4.6	2.0	4.5
— Construction	—	—	—	2.2	-1.6	1.9	3.8
— Equipment	—	—	—	-2.6	-7.9	2.0	5.3
Exports of goods and services	—	—	—	3.5	-1.5	3.6	4.6
Imports of goods and services	—	—	—	4.0	-3.8	2.5	3.9
GDP	—	—	—	1.1	-0.4	1.3	2.1
Contributions to growth							
Final domestic demand	—	—	—	1.5	-1.1	0.7	1.8
Stockbuilding	—	—	—	-0.1	-0.2	0.2	0.1
Foreign balance	—	—	—	-0.2	0.9	0.3	0.1

¹ Percentage change on preceding year.

² Change as a percentage of GDP of preceding period.

³ 1970 prices.

⁴ 1980 prices.

⁵ 1985 prices.

⁶ 1986 prices.

⁷ 1990 prices.

⁸ 1991 prices.

* Notes: see below.

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 1992) is based on ESA national accounts (European System of Integrated Economic Accounts) which are published once a year by Eurostat. In the prospective part (1993 estimates, 1994 and 1995 forecasts) 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 labour 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:

- EFTA: Austria, Finland, Iceland, Norway, Sweden and Switzerland
- OECD: EC, EFTA, USA, Canada, Japan, Australia, New Zealand and Turkey
- Countries in Central and Eastern Europe (CEE): Bulgaria, Czech and Slovak Republics, 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.

Principal economic policy measures — September/October 1993

Community (EUR-12)

13.9 ECOFIN Council decided to release the second tranche (2 billion ECU's) of the 8 billion ECU community loan to Italy.

28.9 Social Dialogue Summit in Brussels discussed the contribution which the social partners could make to relaunch European construction.

25.10 ECOFIN council reached a political agreement on the main lines of the secondary legislation required for the entry into force of the second stage of EMU on 1 January 1994.

29.10 Extraordinary European Council, among other things, agreed that the second phase of EMU would start as planned on 1 January 1994 and that the European Monetary Institute would have its headquarters in Frankfurt.

Belgium (B)

12.9 The central bank reduces some of its interest rates, in two stages. The central rate is cut, as from 13 September, from 10,25 % to 10 %. That on advances within the ceiling is cut, with effect from 13 and 15 September, from 12,25 % to 11,75 %. The other rates remain unchanged.

20.9 The central bank cuts the central rate from 10 % to 9,75 %. In addition, it reduces the rate on advances within the ceiling by 0,25 of a percentage point to 11,50 %. The other official rates remain unchanged.

30.9 The central bank reduces its central rate from 9,75 % to 9,65 %. The other official rates remain unchanged.

21.10 With effect from 22 October, the central bank cuts its discount rate from 6,50 % to 6 %. The central rate also comes down from 9,65 % to 9,40 %, while the rate charged on advances in excess of the ceiling is lowered by 0,50 percentage point, to 13,25 %.

Denmark (DK)

None.

Germany (D)

21.10 With effect from 22 October, the Bundesbank cuts key interest rates; the discount rate comes down from 6,25 % to 5,75 %, and the Lombard rate from 7,25 % to 6,75 %.

Greece (GR)

1.9 The Government announces a revised schedule of rates for the special consumption tax applying to private cars, ranging from 13 % to 25 % depending on engine power. The measure is expected to lower car prices by between DR 2 thousand and DR 2 million.

1.10 The Bank of Greece announces an increase in the rediscount rate from 21 % to 22 % and in its own discount rate from 29 % to 32 %; the cost of borrowing against government paper also goes up from 24,50 % to 26,50 %. As a result of these moves, interest rates on commercial banks' transactions with the Bank of Greece have also risen.

Spain (E)

2.9 Long-term Treasury Bond rates are cut by 1,2 percentage points to a level below 9 %.

3.9 The Bank of Spain cuts the key interest rate by 0,5 of a percentage point, from 10,5 % to 10 %.

18.9 Signing of a stand-by ECU 5 billion loan agreement between the Treasury and a consortium of 31 financial entities.

25.9 The reserve requirement ratio is reduced by 1 percentage point to 2 %.

30.9 The budgetary law for 1994 is approved by the Government and sent to Parliament: the central government deficit is to decline from 6 % of GDP in 1993 to 5,2 % in 1994; the target for the general government deficit is set at 6,4 % of GDP in 1994 (compared to the expected 7,2 % in 1993).

5.10 A government draft law to be approved by Parliament removes two measures of State expenditure control in the 1993 budget.

14.10 The Bank of Spain cuts the key intervention rate by 0,5 percentage point, to 9,5 %.

15.10 The government approves a draft law on the independence of the Bank of Spain.

20.10 The one-year Treasury bond rate is cut by 0,4 percentage point, to 8,8 %.

22.10 The Bank of Spain cuts the key intervention rate by 0,25 percentage point, to 9,25 %. In the last twelve months the rate has fallen by 3,75 percentage points, from 13 % to 9,25 %.

France (F)

29.9 The increase in health expenditure is to be limited to 3,4 % in 1994 (compared with around 7 % in 1993).

22.10 The Banque de France lowers its intervention rates from 6,75 % to 6,45 % and from 7,75 % to 7,25 %.

23.10 Wage agreement in the state sector: wages are to go up by some 5 % in the period up to 1995.

Ireland (IRL)

8.10 The government presents its plan for the utilization of the funding available under the Community support framework to improve real economic convergence with the rest of the Community.

Italy (I)

9.9 The Italian Government approves the 1994 Finance Bill and the accompanying pieces of legislation defining the budgetary package for 1994. The targets are a primary surplus of LIT 31,8 trillion and an overall deficit of LIT 144,2 trillion (state sector definitions).

1.10 The Bank of Italy sets M2 target for 1994 at 5 %-7 %.

21.10 The Bank of Italy announces a reduction in the official discount rate from 8,5 % to 8 % and a corresponding reduction in the fixed-term advances or emergency funds rate to 9 %.

Luxembourg (L)

None.

Netherlands (NL)

9.9 The central bank reduces its key rates from 10 September: the central and discount rates are cut by 10 and 25 basis points to 6,40 % and 5,50 % respectively following the Bundesbank's easing of its key rates.

21.10 With effect from 22 October, the Nederlandsche Bank cuts its discount rate from 5,50 % to 5,25 % and its special rate on advances from 6,40 % to 6,10 %.

Portugal (P)

15.10 The government presents its draft budget for 1994. The projected deficit is 6,9 % of GDP, compared with an estimated 8,1 % of GDP in 1993. On the expenditure side, ministries will be asked to exercise great restraint with regard to their operating budgets. Against this, capital expenditure will increase by 15 % in real terms. The personal income tax thresholds are raised by significantly more than the anticipated rate of inflation, while some tax advantages have been withdrawn or reduced. The inflation target averages 4 %-5,5 % and the budget is based on projected GDP growth of 1 %-2 %.

21.10 The government abolishes the specific limits on the amount of capital foreigners may own in the capital of enterprises to be privatized. Nevertheless, prior authorization from the Minister for Finance will be required for purchases of more than 10 % of the capital of such enterprises and for major post-privatization changes in shareholder structure. This provision applies to domestic as well as foreign investors.

United Kingdom (UK)

None.

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