

EUROPEAN ECONOMY

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DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

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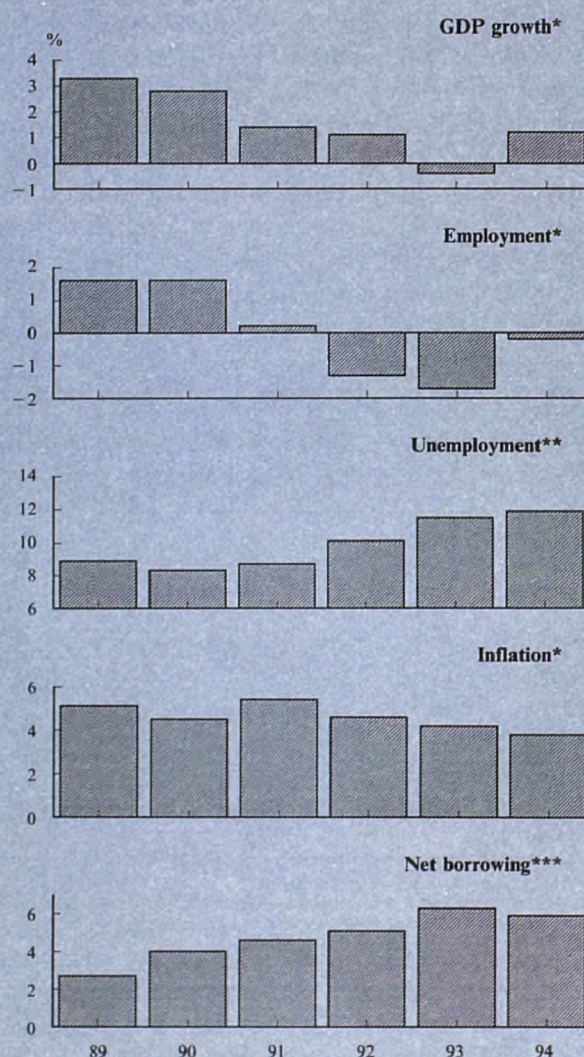
*In this number:
Economic Forecasts
for 1993-1994¹*

THE COMMUNITY ECONOMIC OUTLOOK: 1993-1994¹

The main features of the Commission services' Summer 1993 Economic Forecasts are as follows:

- *The Community economy is in the grip of recession. In 1993, Community GDP is expected to decline — for the first time since 1975 — by ½ a percent in real terms. With the balance of risks on the downside, a worse outcome cannot be excluded at present.*
- *No concrete signs of recovery are appearing on the horizon, but the combination of a further easing of monetary conditions in the Community, a gradually improving international environment and a rebound in consumer and business confidence may give rise to a moderate recovery led by exports and investment, resulting in GDP growth of about 1 ¼ percent in 1994.*
- *In 1993, employment is forecast to suffer the largest reduction in Community history, namely a fall of 1 ¾ percent. With prospects of only a moderate recovery in output growth, an additional fall of ¼ percent is projected for next year.*
- *As a result, unemployment is expected to increase rapidly, peaking at over 12 percent of the civilian labour force in mid-1994, before stabilising and commencing a gradual downward trend.*
- *Despite a certain moderation in wages, only modest progress is being made in reducing inflation as exceptional factors — higher import prices and indirect taxation — keep price increases high. Hence, inflation should still average 4 ¼ percent in 1993 and 3 ¾ percent next year.*
- *Recession as well as discretionary measures in some countries are swelling the Community's budget deficit to 6 ¼ percent of GDP, easily exceeding the previous highest figure of 5.2 percent in 1982. Only a slight improvement in the Community's precarious budgetary position is expected in 1994.*
- *In spite of the severity of the present downturn, the EC current account deficit is forecast to remain unchanged at about 1 percent of GDP over the forecasting period.*

GRAPH 1: EC economy: General outlook



¹ This is a summary of the results of the Commission services' Summer 1993 forecasting exercise, based on data up to 14 June 1993. The previous forecasts, focusing on 1992-94, were presented in Supplement A, n° 1/2 of January/February 1993.

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

OVERVIEW

The outlook for the Community economy has deteriorated significantly since the Winter 1992/93 forecasts. In the course of 1992, the previous period of slow growth gave way to a recession, with available evidence suggesting that the Community remained in the grip of recession during the first two quarters of this year. Unfortunately, the usual economic indicators do not point to an imminent turnaround in economic activity, so that any forecast for the onset of a recovery phase is once again filled with a large degree of uncertainty. The recovery which had been projected for the end of this year is now tentatively expected to take hold towards mid-1994. Overall GDP in the Community is forecasted to fall by half a percent in real terms in 1993 — the first fall since 1975 — and to expand by a modest 1¼ percent in 1994². While on the basis of the present forecasts, the decline in Community GDP in 1993 will not be as severe as that experienced in 1975, an equally adverse outcome cannot be excluded at present as significant downside risks are attached to this forecast. In addition, the recovery could prove to be a very slow process. Consequently, there is a risk that the current recession will combine the severity of that of 1974/75 with the slowness of the recovery experienced at the beginning of the 1980s. The bleak growth outlook has worrisome implications on two important fronts. First, employment is likely to fall by a dramatic 1¾ percent in 1993 and slightly further in 1994. As a result, the rate of unemployment is set to exceed 12 percent in mid-1994, before stabilising and gradually coming down thereafter. Secondly, the Community's overall budget deficit is also adversely affected and is expected to widen to 6¼ percent of GDP in 1993, a level which compares with 2.7 percent in 1989 and with the previous peak of 5.2 percent of GDP in 1982. On the other hand, notwithstanding the weakness of demand, only modest progress is being made in reducing inflation, still averaging 4¼ percent in 1993 and 3¾ percent next year. Conversely, the deficit on the EC current account is expected to remain unchanged at about 1 percent of GDP over the forecasting period.

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

	1988-90	1991	1992	1993	1994
GDP growth	3.4	1.4	1.1	-0.4	1.3
Investment	6.6	-0.2	0.1	-1.9	1.7
Employment	1.6	0.2	-1.3	-1.7	-0.2
Unemployment rate (b)	8.3	8.7	10.1	11.5	11.9
Inflation (c)	4.4	5.4	4.6	4.2	3.8
Net borrowing (d)	-3.5	-4.6	-5.1	-6.3	-5.9
Current account balance (% GDP)	-0.1	-1.0	-1.1	-1.1	-0.9

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

(a) EUR including the five new German Länder from 1992 onwards (see footnote 2).

(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; % GDP.

² In this summary text, all data up to 1990 refer to the Community excluding the five new German Länder; unless otherwise indicated, 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

1. Mild recession in 1993, followed by anaemic recovery in 1994

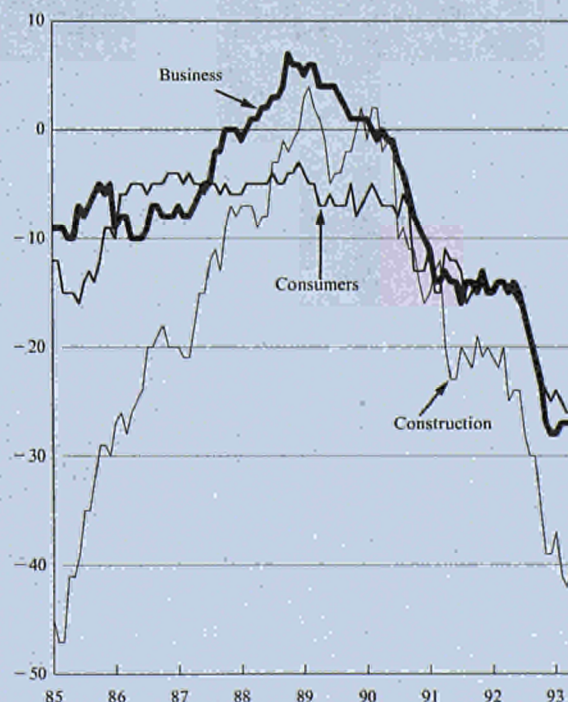
Recent developments — Information which has become available since the completion of the Winter 1992/93 Forecasts (January 1993) confirms that the Community economy slid into recession in the second half of last year. During that period, EC output fell at an annual rate of around a quarter of a percent which compares with expectations of positive growth of some three quarters of a percent. Overall, GDP growth in the EC is now estimated at 1.1 percent in 1992. Amongst the larger countries, growth performance in 1992 was weaker than expected in France and Italy. Conversely, in the UK the fall in output was somewhat more moderate.

'Hard' economic indicators (capacity utilisation, industrial production, retail sales, order books) point to continued very weak economic activity during the first quarter of this year. Preliminary quarterly national accounts data indicate a further drop of 1½ percent (quarter on quarter, annualised rate) in GDP in the first quarter in the Community as a whole. Evidence on developments during the second quarter is still very sparse but a further though possibly more moderate contraction is suggested. All in all, the fall in output during the first half of 1993 may be of the order of three quarters to one percent.

In general, the on-going deterioration in the Community's growth performance is not due to one single contributory factor but reflects a growing weakness in all components of demand, both domestic and external.

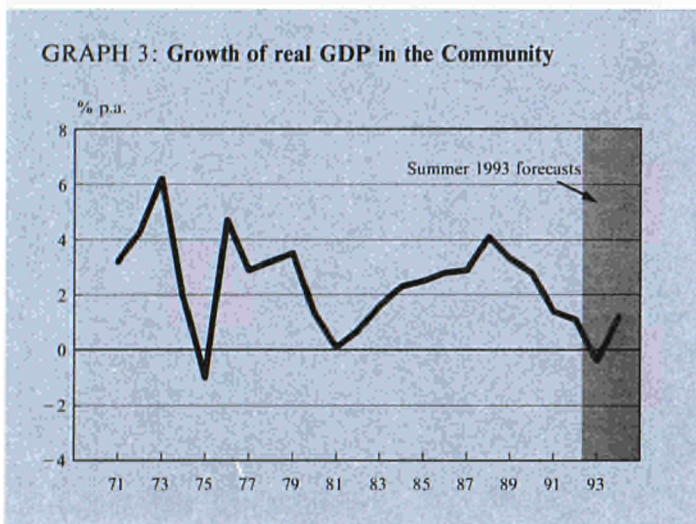
Short-term prospects — At present, there are no concrete signs of a recovery process emerging on the horizon. On the contrary, the latest survey results (May 1993) showed a persistent mood of pessimism among industrialists and consumers (see Graph 2).

GRAPH 2: Confidence indicators in the Community



However, during the last couple of months, both business and consumer confidence did not deteriorate further from the exceptionally low levels recorded in the first quarter. This fact may constitute a silver lining, but confirmation of this evolution is needed over the next months before drawing firm conclusions. Furthermore, the slope of the yield curve remains inverted, indicating a continuation of tight monetary conditions. Both these indicators suggest that a turnaround in economic activity is still a good way off. As a result, the present forecasts suggest that the decline in output would level off in the second half of 1993, after which output is likely to remain rather depressed during the first months of next year. Recovery of economic activity to more solid rates of growth is tentatively projected from the Spring of 1994 onwards. In view of the absence of firm indications that the turning point is imminent, even this profile may prove too optimistic, however.

The growth profile sketched above translates into the following annual rates of real GDP change in the Community; a contraction in GDP of ½ percent in 1993 followed by a frail pick-up in economic activity to 1¼ percent in 1994 (see Graph 3).



These growth forecasts broadly concur with the prevailing consensus. However, it should not be excluded that as regards 1993, the actual outcome may prove to be worse because important downside risks are attached to this growth outlook. Risks surrounding the growth projection for 1994 seem to be more equally balanced.

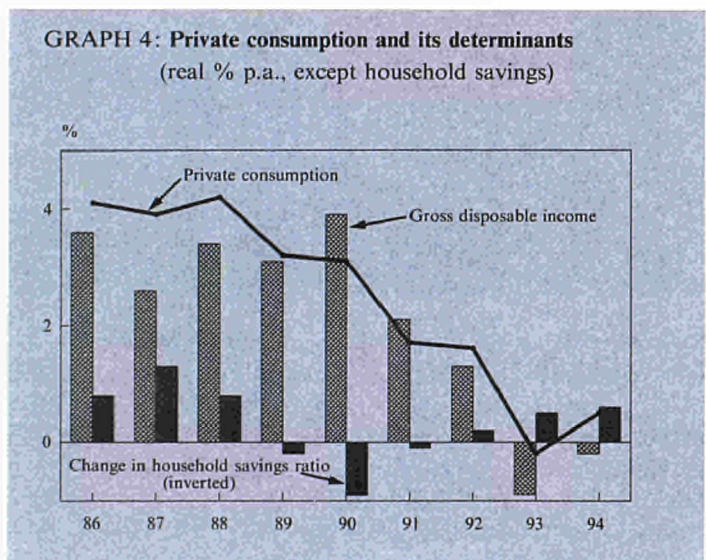
The uncertainties which surround the present forecast for 1994 are highlighted by the fact that the projection of a recovery from mid-year onwards depends on the emergence of four factors: (i) a further decline in interest rates, particularly short-term, in the Community; (ii) a gradual pick-up in world trade; (iii) an improvement in the competitive position of the EC as a whole and (iv) a rebound in consumer and business confidence.

In addition, it must be stressed that any recovery in 1994 is likely to be moderate as all components of GDP are subject to significant growth-depressing factors. External factors are unlikely to provide significant support given underlying assumptions of only moderate output and import growth in the Community's main trading partners and the absence of exchange rate movements which could improve the EC's competitive position. A strong rebound in domestic demand is also very unlikely. Virtual stagnation of real wages, sharply falling employment and the effects of fiscal consolidation

measures are likely to entail negative rates of growth of real disposable income in both 1993 and 1994. As a result, the projected modest recovery in private consumption is conditional on a further one point fall in the household saving ratio over the next two years. This picture contrasts markedly with the scenario embodied in previous forecasts which anticipated a consumption-led recovery. On the other hand, capacity utilisation is currently very low while both domestic and foreign demand is sluggish, precluding a speedy and substantial upswing of investment spending, particularly as regards investment in equipment. The outlook is less pessimistic for investment in construction, which is favourably influenced by the recent fall in long-term interest rates.

Nevertheless, a stronger pick-up in exports and investment is conceivable but it is not anticipated in the present forecasts given the assumptions of a relatively low dollar, no strong improvement in competitiveness and sluggish growth in the Community's main trading partners. In this context, it should be noted that, although a further strengthening is desirable, the profitability of investment is at present well above levels experienced during previous downturns. As a result, a pick-up in external demand together with further improvements in profitability and competitiveness and a relaxation of monetary conditions in the EC could trigger a sound recovery led by exports and investment.

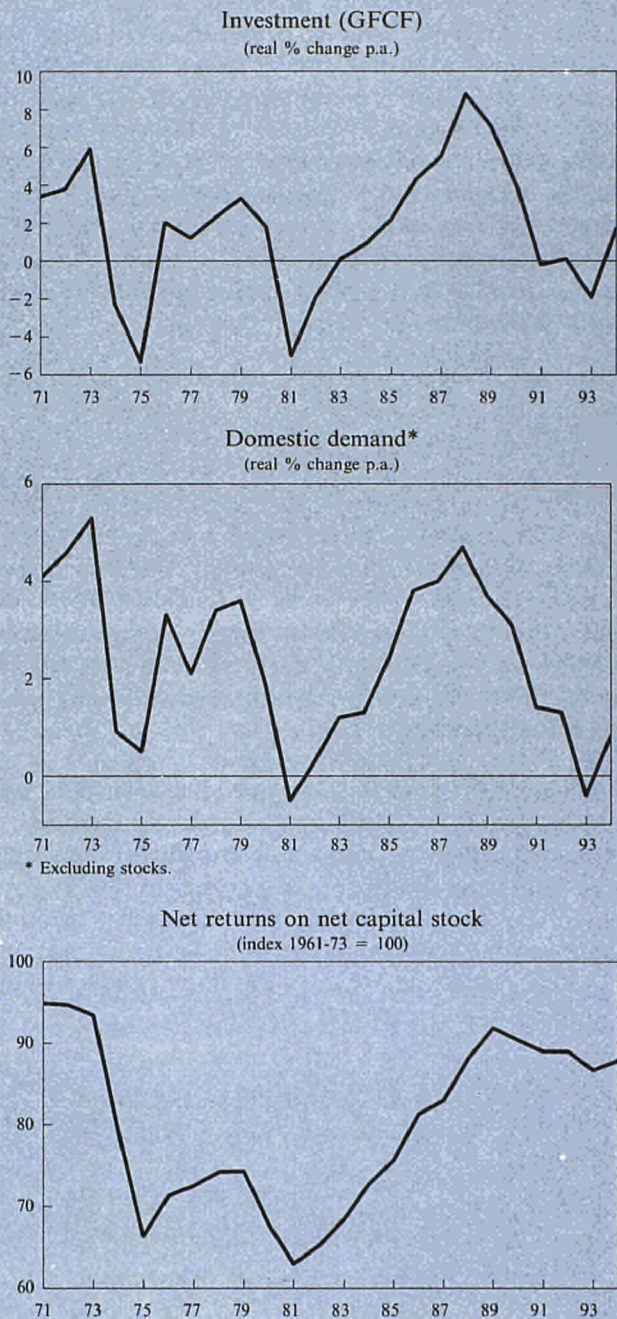
Composition of GDP growth — Domestic demand and its major components are expected to be very weak this year and next. In the Community, *domestic demand* may drop by half a percent in 1993 and recover only moderately to 1 percent in 1994 mostly as a result of the assumed loosening of monetary conditions. *Private consumption* which has been thus far rather resilient is likely to show a small fall in 1993 (see Graph 4), followed by a feeble pick-up to half a percent in 1994.



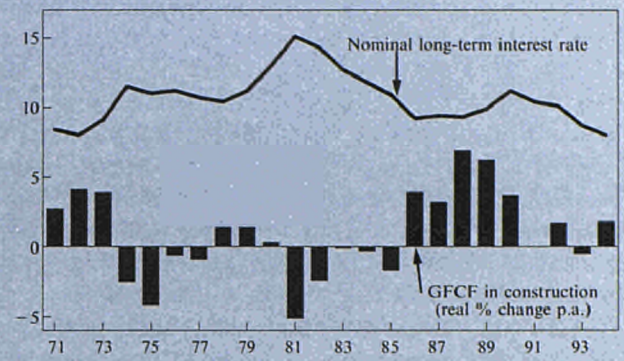
A stronger recovery in private consumption is unlikely given the assumption of a welcome further moderation of wages, continued falls in employment and increases in direct taxes and social security contributions in a number of countries. In addition, high and rising levels of unemployment will restrict any fall in the household savings ratio beyond the cumulative 1 percentage point drop this year and next which is embodied in the present forecast.

The growth of *public consumption* is forecast to decelerate further to some three quarters of a percent this year and next.

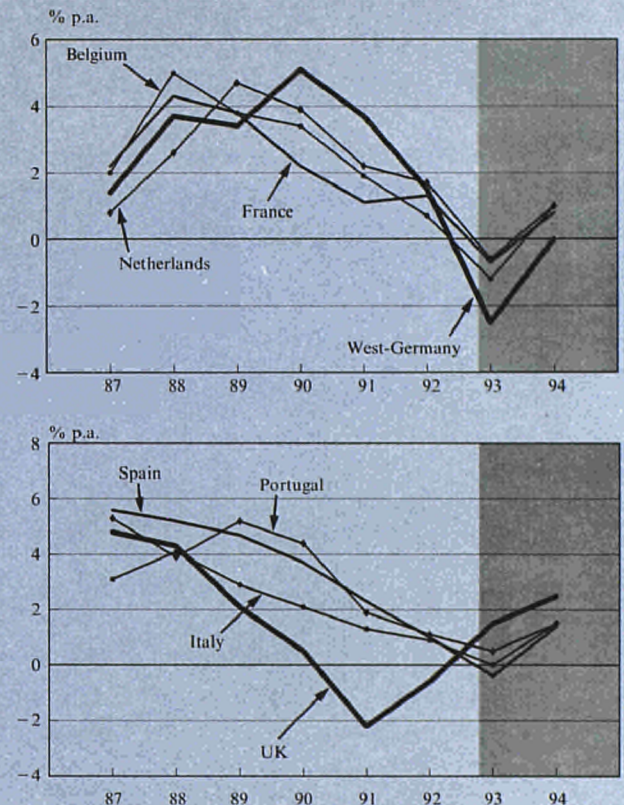
GRAPH 5: Investment and its determinants in the Community



GRAPH 6: Investment in construction and long-term interest rate - EUR



GRAPH 7: Growth of real GDP in Member States



Investment is the demand component most affected by the current downturn (see Graph 5). Following stagnation in 1992³, investment may decline by 2 percent in 1993. This is essentially a cyclical response to gloomy domestic and foreign demand prospects, the low degree of capacity utilisation and continuing high real long-term interest rates in many member countries. Nevertheless, the assumed extension of the downward trend in interest rates, gradually improving demand prospects (particularly in non-European countries) and further progressive strengthening of profitability should lead to an improved business climate, triggering a moderate recovery in investment to 1½ percent in 1994. What is true for investment in general, is particularly true for investment in equipment which may contract by 3½ percent in 1993 and show a moderate turnaround only in 1994. Investment in construction which held up better thus far, is also expected to fall slightly in 1993, showing a small expansion in 1994 (see Graph 6).

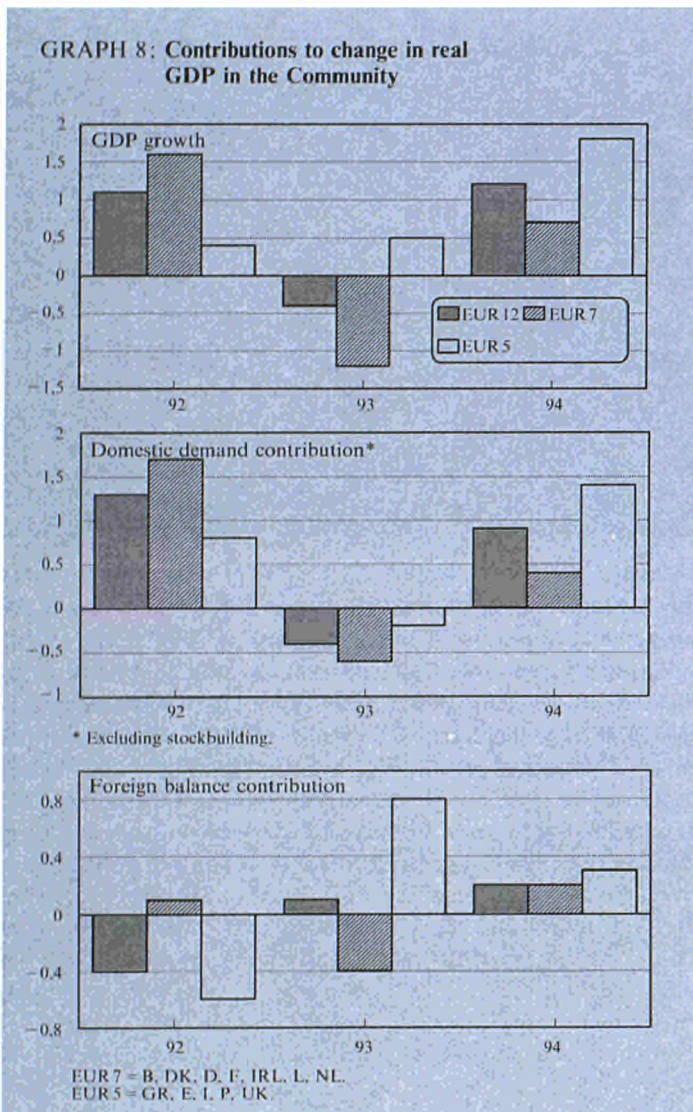
³ If the new German Länder are excluded, investment actually fell by 0.8 % in 1992.

The contribution of the foreign balance, which was moderately negative in 1992, is forecasted to turn marginally positive in 1993. It should be noted that this relative improvement is due to very weak import growth, outpacing the sharp deceleration in exports despite the assumed depreciation of EC currencies in nominal effective terms in 1993.

Intensifying divergences amongst member countries — According to the present forecasts, five Member States will experience a decline in GDP in 1993. At 2½ percent, the fall in output will be most severe in West Germany (unified Germany falling by 2 percent), but will also be considerable in Belgium, France, the Netherlands and Spain, in descending order of severity of the output contraction (see Graph 7). Economic activity is likely to stagnate in Italy and Denmark. Only in Ireland and the UK, are there expectations of positive growth in output (2¼ percent and 1½ percent respectively). All rates of GDP growth are expected to turn positive in 1994, but they will remain very subdued

(equal to or below 1 percent) in Germany, Belgium, France and the Netherlands. In the other member countries, GDP growth of around 1½ percent or higher is forecast. A rate of expansion close to potential (around 2½ percent) may be experienced only in Denmark, Ireland and the UK.

The exchange rate changes which have taken place since September of last year have had a strong influence on the relative performance of the individual EC economies. In the original narrow-band ERM countries, the contribution of the foreign balance is expected to deteriorate by three quarters of a percentage point relative to 1992, turning negative to the tune of a quarter of a percentage point of GDP (see Graph 8).

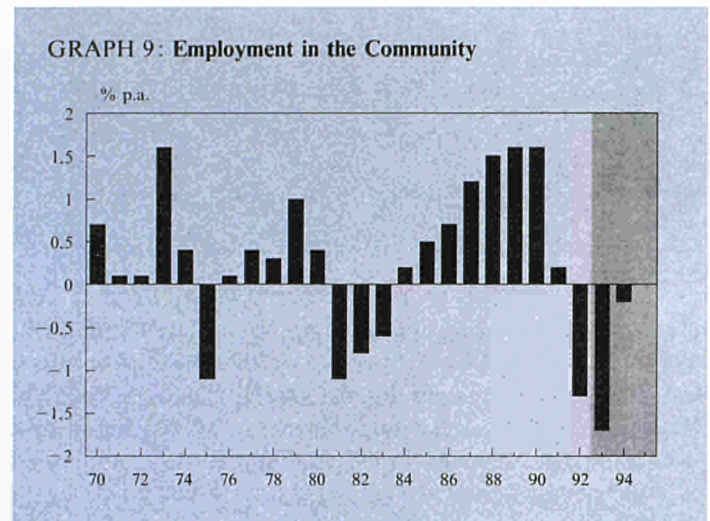


Conversely, due to the pronounced depreciation of their currencies in the wake of the Autumn foreign exchange turbulence, the contribution of net exports to GDP is expected to improve strikingly in the present non-ERM narrow-band countries. Nevertheless, given the sharp contraction in domestic demand, overall output could fall by half a percent in Spain and stagnate in Italy. The impact of currency movements on net exports is expected to significantly level off in 1994.

2. Marked deterioration in labour market conditions

The bleak growth outlook has very worrying implications for labour market conditions. Employment and unemployment normally follow changes in economic activity with a con-

siderable lag but in the current business cycle the labour market response seems somewhat quicker and stronger than is normally the case. Although the expected fall in output in 1993 is rather mild, *employment* is forecast to fall by 1¾ percent in the Community as a whole this year, the worst performance since the inception of the EC (see Graph 9). With only a moderate recovery in sight for 1994, current projections suggest that in 1994 employment could show an additional fall of ¼ percent. If these forecasts prove right, in 1991-1994 the Community would then have experienced an annual average decline in employment of about ¾ percent a year compared with an annual rate of employment creation of 1½ percent over the period 1987-90.



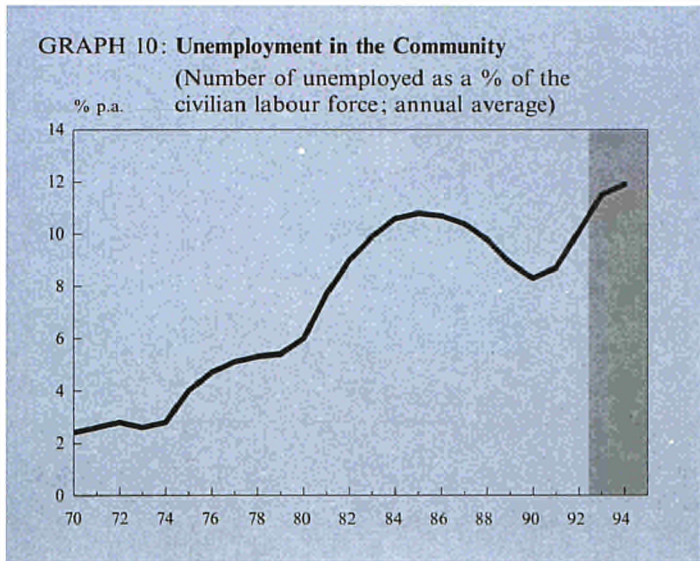
In Spain and Germany employment is expected to fall at a very strong pace in 1993. In all other countries too, employment is likely to fall substantially, exceptions being Greece and Ireland where employment is likely to show little change. In the UK, where the fall-off in the rate of job creation was very marked in 1991 and 1992, another but slower decline in employment appears unavoidable this year despite growing signs of a turnaround in labour market prospects. In 1994, employment is expected to show a further but markedly smaller decline in all countries, the exceptions being Denmark, Greece, Ireland and the UK, where there are expectations of moderate increases in employment.

The exceptionally strong fall in employment will lead to an ominous rise in *unemployment* in the Community (see Graph 10). The rate of unemployment may approach 12¼ percent of the civilian labour force in mid-1994, before stabilising and coming down very moderately thereafter. The latter figure compares with an unemployment rate of 8.2 percent in October 1990, i.e. the lowest level reached during the previous boom period. In annual terms, the jobless rate is expected to increase by 1½ percentage points to 11½ percent in 1993.

An additional half a percentage point increase is forecast for 1994. The worsening of the unemployment picture is somewhat mitigated by the slower-than-previously anticipated increase in the labour force (¼ percent against slightly above ½ percent previously). However, this development should not be judged positively as it lowers the EC participation rate which is already low compared with other industrial countries.

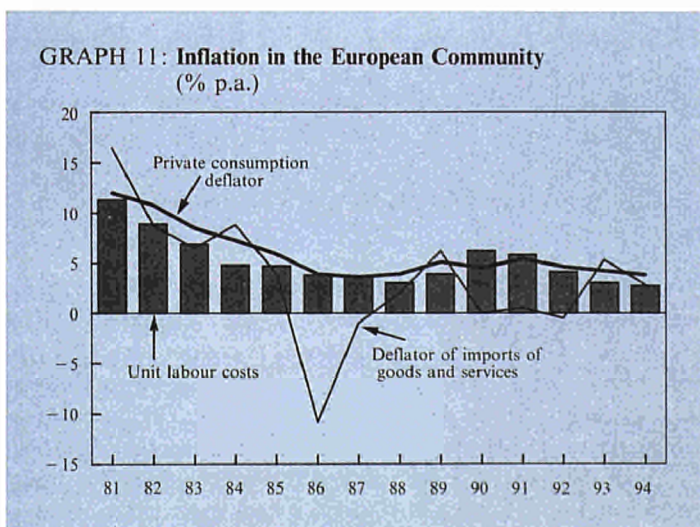
Apart from the UK and Luxemburg, the rate of unemployment is expected to rise significantly in all member countries throughout the forecasting period. While in the majority of

cases the cumulative rise in the unemployment rate is likely to range between 1 and 2½ percentage points, it will be higher in Germany (almost 3 points) and Spain (5 points).

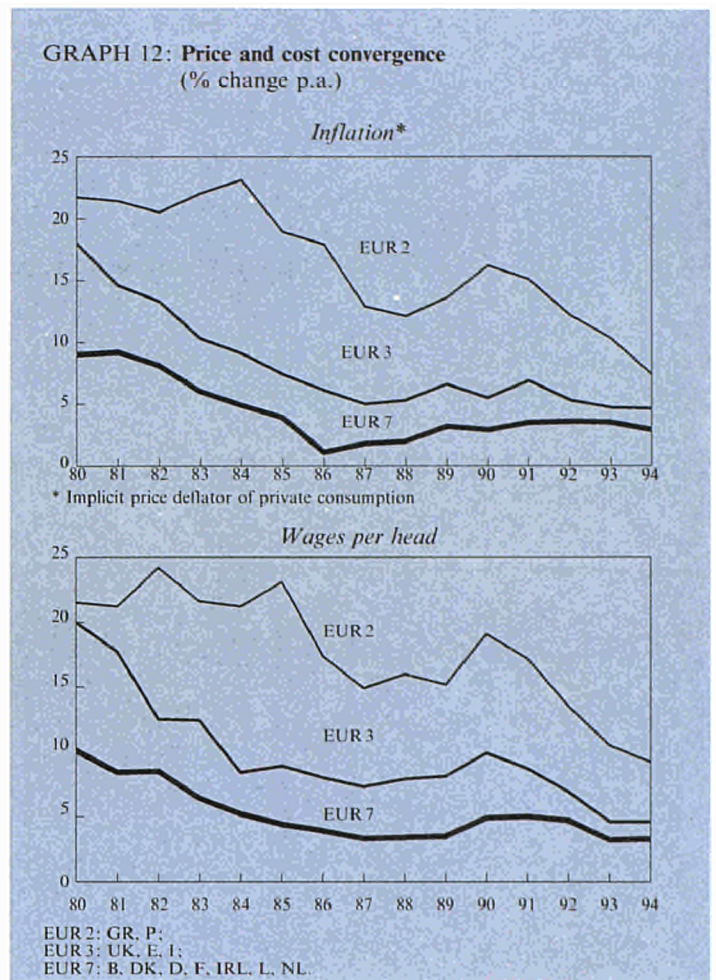


3. Continued slow edging down of inflation

Inflation (private consumption deflator) is forecasted to fall to 4¼ percent in 1993, decelerating further to 3¾ percent in 1994 (see Graph 11). Although the current figure for 1993 is a quarter of a percentage point down on the previous forecast, the inflation outlook is still disappointing. In addition, the 1994 figure is revised slightly upward, basically reflecting a more cautious view on inflationary pressures in the countries whose currencies depreciated in the wake of the Autumn turmoil of foreign exchange markets.



In these countries (apart from Ireland), because of sluggish or even negative demand growth and underlying disinflationary tendencies, the disinflation process is assumed to continue in 1993 (see Graph 12). However, expectations are that the pass-through of the hike in import prices into domestic prices will emerge increasingly over the short to medium term. As a result, inflation performance in these countries may at best remain broadly unchanged in 1994, the exception being Portugal where further progress towards price stability is anticipated.



An expected moderation in wages and unit labour costs is the single most important factor behind the gradual abatement of inflationary pressures. Indeed, slack economic conditions in virtually all member countries are expected to continue to bear down on wage increases. The growth rate of *nominal compensation of employees per head* is predicted to fall from just below 6 percent in 1992 to 4 percent in 1993 in the Community (excluding the five new German Länder). No further decline is expected in 1994. Wage pressures should abate significantly in West Germany (to the relatively low rate of 3¾ percent), Spain, Italy, Portugal and the United Kingdom. In the majority of countries the growth rate of nominal compensation per employee is forecasted to decline slightly further or to remain broadly unchanged in 1994. The exception is Italy where under the combined impact of improved growth prospects and catching-up wage claims an increase of three quarters of a percentage point to just below 5 percent is expected. Given an expected increase in *labour productivity* of about 1¼ percent in 1993 and 1994 — mainly due to labour shedding —, *unit labour costs* may decelerate to 3 percent this year and 2¾ percent next year, the lowest rate since the late 1960s.

On the other hand, a forecasted marked swing in *import prices of goods and services* — from a decline of 0.5 percent in 1992 to an increase of 5¼ percent in 1993 — precludes a more pronounced reduction in inflation this year. Given the assumed considerable fall in primary commodity prices, this swing is almost entirely due to exchange rate movements. The reversal in import prices is particularly large in the member countries whose currencies recently depreciated. In these countries, import price increases may range from about 5 percent in Ireland and Portugal to 14 percent in Italy. The rate of increase of import prices is expected to virtually halve to just below 3 percent in 1994.

Moreover, in several countries, more marked progress in reducing inflation, particularly in 1993, is also hindered by increases in indirect taxation aimed at containing the deterioration in their budgetary positions.

All in all, given the variety and strength of disinflationary influences in the Community economy, an overall rate of inflation of the order of 4¼ percent in 1993 does not represent a very good performance. Although a desirable objective, the forecasts do not anticipate a further edging down in internal cost factors in 1994 so that the projected further additional reduction in the rate of inflation is attributable to the assumption of unchanged exchange rates, resulting in a forecast of decelerating import price increases.

4. Swelling budget deficits, reaching a historical peak in 1993

The Community's budgetary position, already in a precarious state, is also likely to suffer badly from the difficult economic conditions. General government net borrowing in the Community as a whole is expected to widen to an amount equal to 6¼ percent of GDP in 1993 from 5.1 percent in 1992 (see Graph 13). The current level easily exceeds the previous highest figure recorded in the Community (5.2 percent in 1982). At the Community level, this deterioration is the net outcome of several, partially offsetting factors. A significant part of the increase is due to the adverse effects of the economic downturn on public finances. Attempts in several countries, particularly Denmark, France and the United Kingdom, to support economic activity through fiscal measures have also led to a deterioration in budget balances. Finally, in some countries, slippages in control over public expenditure are in part responsible for the increase in the budget deficit. On the other hand, fiscal consolidation efforts in a number of countries and lower interest rates are reducing the structural component of their budget deficits. The budgetary situation is expected to improve slightly in 1994 under the combined impact of moderately improved output growth and some fiscal consolidation measures, resulting in a budget deficit of 6 percent of GDP for the Community as a whole.

The worsening of the overall EC budgetary position in 1993 is almost entirely due to a strong increase in budget deficits in the four larger countries, Italy and the UK showing increases of about 1 and 1½ percentage points respectively, and Germany and France, each with a rise of 2 percentage points. Whereas in Italy and the UK a noticeable reversal of the upward trend is expected in 1994, in Germany and France net borrowing by general government is likely to remain virtually unchanged as a proportion of GDP. In Denmark, as a result of discretionary measures to boost growth and employment, the budget deficit is forecasted to double over the forecasting period, rising to just below 5 percent of GDP in 1994. On the other hand, in some countries facing worrisome budgetary imbalances, government intentions are to limit the increase in budget deficits and even to bring about a certain reduction, bleak growth prospects notwithstanding. Consequently, net borrowing of general government is forecast to narrow over this year and next by the equivalent of three quarters of a percentage point in Belgium and Portugal and of 3 points in Greece.

5. No improvement in external imbalances, despite prolonged phase of weak domestic growth

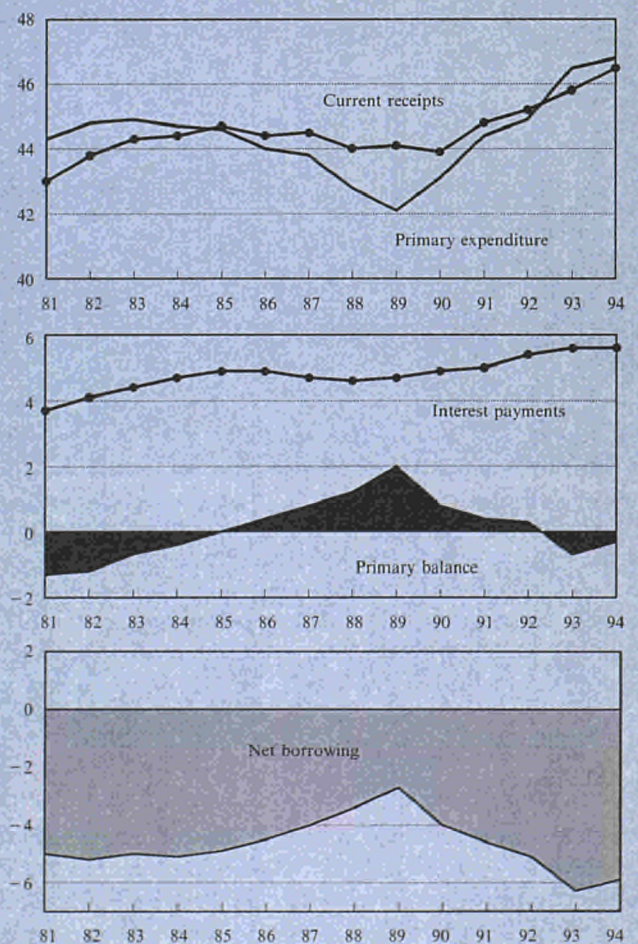
Generally, a downturn in economic activity is accompanied by some improvement in external positions. Unfortunately, notwithstanding the recessionary phase, the Community's trade

and current account balances are not expected to improve over the forecasting horizon. The trade deficit is forecast to remain at around ¼ percent of GDP with the current account deficit remaining at around 1 percent of GDP in both years. The fact that despite the recession the EC still faces external imbalances suggests that the EC has a competitiveness problem and that domestic absorption is too high.

This picture hides the impact of two opposing forces, particularly as regards 1993. The terms of trade are expected to deteriorate markedly as a result of recent exchange rate movements. Their adverse influence on external balances is, however, expected to be outweighed by the projected improvement in the export/import ratio in real terms, reflecting the conspicuous slack in domestic demand. Both effects are likely to level off in 1994.

At the country level no major changes in external balances are expected. Noteworthy however is the considerable narrowing of the current account deficits in Italy and Spain to an expected ½ percent and 3 percent of GDP respectively in 1994. Conversely, in Portugal, the current account deficit is forecasted to widen to just above 3 percent of GDP in 1994, while in the UK a small further deterioration is expected. Finally, in Germany, the sharp deterioration in trade and current account balances following unification seems to have come to an end, but no improvement is in sight yet.

GRAPH 13: Public finances – EUR
(General government, % of GDP)*

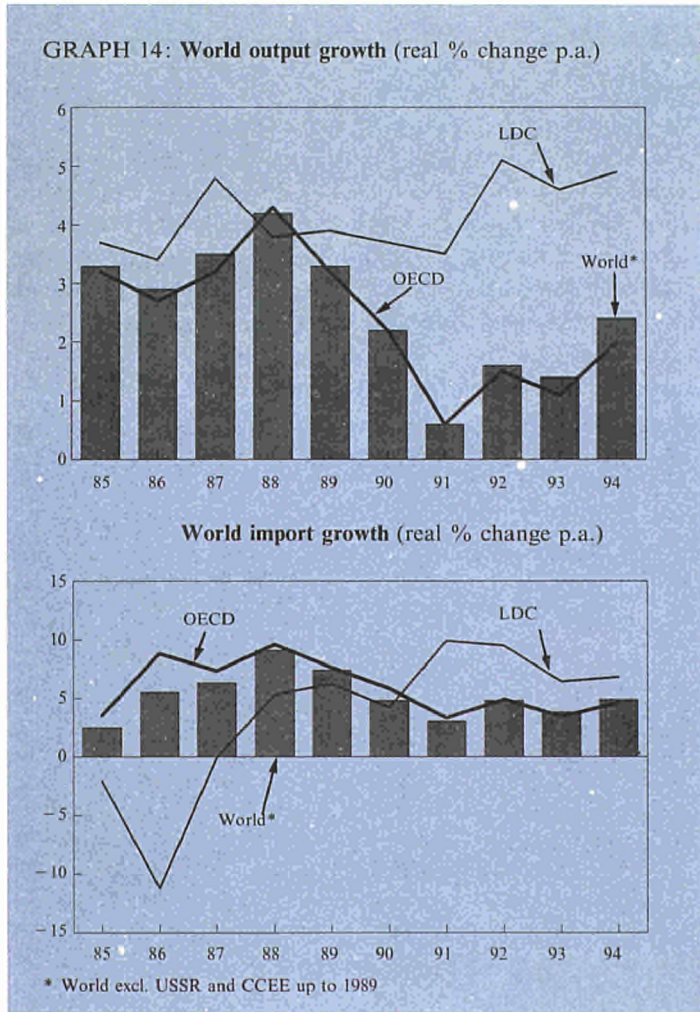


* From 1991: data include the new German Länder.

THE COMMUNITY'S EXTERNAL ENVIRONMENT

6. Moderate acceleration of world trade and output

The world economy is recovering slowly from virtual stagnation in 1991. In the current year, *global economic activity* is expected to grow slowly by around 1½ percent. This rate is similar to last year's one as the improved growth outlook in the US and the CCEE — where the pace of output contraction is expected to halve to some 8 percent — is offset by grim growth prospects in Europe and Japan. With more encouraging growth prospects in all major regions, an acceleration of world output growth to 2½ percent is expected in 1994 (see Graph 14).



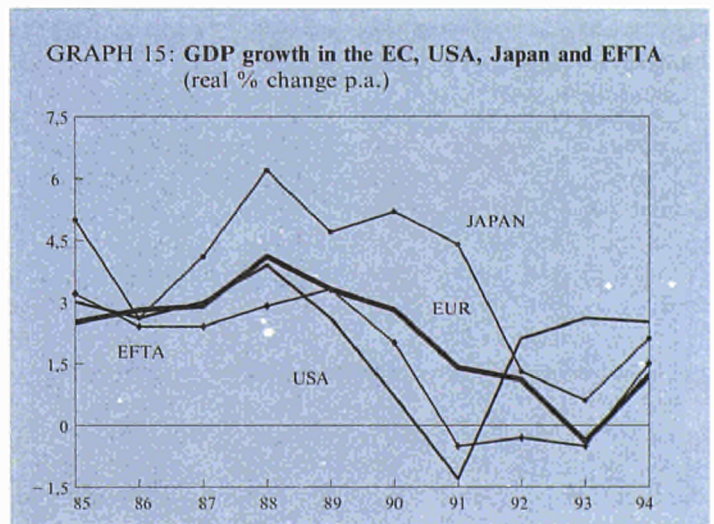
World trade (excluding the EC), measured by import volumes, is assumed to increase by 6 percent in 1993 — the same rate as last year — and is likely to gain strength in line with world output, possibly expanding at a rate slightly below 7 percent in 1994. It should be noted, however, that given the recession in the EC, *export market growth for goods* for the EC as a whole — including intra-EC trade — is forecasted to decelerate by 1½ percentage points to just below 2 percent in 1993. A bounce back to 3½ percent is expected in 1994.

Under the combined impact of relatively strong domestic demand growth in the US and weak domestic activity in Japan, on the one hand and J-curve effects of a sharply depreciating USD/yen exchange rate on the other, the *US current account deficit* is likely to widen to some \$100 bn in 1994 while the *surplus on the Japanese current account* may increase to close to \$160 bn.

7. United States: continued expansion at a pace close to potential

The moderate growth outlook embodied in the Winter 1992/93 forecasts has been vindicated by recent evidence. As a result, the new forecast is basically similar to the previous one. The major modification concerns public consumption where this time marked falls are projected. This mainly reflects deeper cuts in defence expenditure in accordance with the Clinton deficit reduction plan announced in February 1993. In addition, apart from the stimulus package which has been dropped, the forecast anticipates the adoption of the major features of the plan by the Congress. As a result, the forecast now shows a steady and marked reduction in net borrowing of general government this year and next. However, these fiscal consolidation measures do not significantly change the growth and inflation outlook.

Economic activity is expected to expand at a rate close to its potential in 1993 and 1994, namely in the range of 2½ to 2¾ percent (see Graph 15). It is becoming increasingly clear that the present business cycle is primarily driven by brisk business investment, translating into improved productivity growth. On the other hand, there is little scope for more than moderate growth in private consumption given the moderate rate of job creation, the continuing high level of outstanding debt and the existing low level of household savings. Bleak growth prospects in Europe and Japan imply less buoyant than previously expected export growth. On the other hand, import growth is expected to remain vigorous, in part reflecting the dominant role played by investment in equipment in the present upturn. As a result, the contribution of the external sector to GDP growth is forecast to be slightly negative in both 1993 and 1994. Inflation is expected to remain under control, with slight upward pressures stemming from higher growth in import prices and nominal compensation per head being offset by productivity increases.



8. Japan: bumping along the bottom until the end of this year; moderate recovery thereafter

Last Winter's forecast for Japan centred on a scenario of gradual recovery, starting in the fourth quarter of 1992. However, the outcome for the fourth quarter turned out to be negative. Last August's package of growth-enhancing measures is likely to have provided some support to housing and public works in the first quarter of this year, while the crown prince's wedding may have given a temporary boost to private

consumption in the second quarter. Nevertheless, overall growth prospects for 1993 remain bleak so that the GDP growth forecast has been revised down by one percentage point to ½ percent.

Strict wage moderation in combination with a restructuring of the labour force is bound to constrain private consumption. Investment is being adversely affected by poor medium-term demand prospects, falling profits and production relocation incentives, following the strong appreciation of the yen. The latter element is also negatively influencing exports which are expected to expand at a very moderate pace in both 1993 and 1994. Expectations for a very feeble, entirely demand-led upturn in economic activity in 1994 are essentially predicated on a moderate rebound in private investment, a more expansionary stance of fiscal policy and a slight acceleration in private consumption.

As regards the impact of the fiscal packages of August 1992 and April 1993, this forecast is at odds with the official Japanese position. According to the Commission services, the support to investment from these packages is likely to be largely offset by cuts in public consumption. All in all, the growth impact of the packages is estimated at ½ percent in 1993 and ¾ percent in 1994.

9. EFTA-countries: from recession to very modest recovery

In the EFTA countries, the period 1991-92 was characterised by on average a small fall in the level of GDP. This decline was due to several factors including the weakness in world trade whose impact on the EFTA economies was compounded by a loss in competitiveness and country-specific problems (financial crises in the Nordic countries and collapse of the former USSR export market in the case of Finland). Since the forces that brought the EFTA countries into recession are unlikely to dissipate rapidly and in view of the deteriorating outlook for the EC, a very slow recovery only, starting in 1994 is forecasted, with possible rates of GDP growth in the range of 1 to 2 percent. Conversely, with the exception of Norway, 1993 will see recession in all EFTA countries. Because of the discouraging growth outlook, import volume growth will remain weak throughout the forecasting period.

Economic performances differ, however, markedly across EFTA countries. In *Sweden and Finland*, the remaining structural imbalances from the 1980s are largely resulting in subdued domestic demand. In *Norway*, prospects are for a modest slowing down this year due primarily to weaker export growth, which is however expected to pick up in 1994. All Nordic countries are dependent on a more favourable external environment as subdued domestic demand related to problems in the financial sector delays the recovery. Output growth in *Austria* is expected to turn negative for the first time since 1981, as the severe recession in Germany is taking its toll on exports. Notwithstanding the strain put on competitiveness by the strong appreciation of the Austrian schilling, an export-led recovery is anticipated, though its pace will be more moderate than during previous upturns. Finally, *Switzerland* which was in recession during the last two years, may at best experience no further contraction in 1993. The positive impact of falling interest rates on the currently fragile financial situation of households and firms should lay the foundations for a gradual pick-up in domestic demand and output in 1994.

10. Countries in Central and Eastern Europe; gradually improving growth prospects

In the six main countries of Eastern Europe (Bulgaria, the Czech and Slovak republics, Hungary, Poland and Romania) the worst of the output contraction appears to be over. On aggregate, real GDP in these countries is projected to bottom out in 1993 (-1.8%), and to resume modest growth in 1994 (+0.9%). Aggregate imports had already started growing again in 1992, and will continue to increase at a pace of 5-6% over the forecast period, with the emphasis on investment goods.

Prospects for the Newly Independent States of the former Soviet Union are considerably less favourable, even though most of them will have less dramatic declines in output than in 1992 (-18%). Economic reform is less far advanced than in Eastern Europe, and the dislocation of the productive systems is generally very severe; GDP will probably continue to fall this year and next (-10% and -5% respectively). The collapse of imports that took place in 1992, forced by acute external financing difficulties, is likely to be halted; import demand is expected to grow moderately from a much reduced base.

MAIN ASSUMPTIONS AND RISKS

11. Assumptions

Oil prices— Future trends in oil prices will be determined by the relative strength of two opposing factors. In an attempt to stop the fall in oil prices, in February OPEC members established new production quotas. While there may be some leakages, broad adherence to the targets is generally expected, meaning stronger oil prices during the coming months. On the other hand, the over-production prior to the February agreement led to stocks trending above normal levels. Given lacklustre future demand, particularly in Europe, stock levels could continue to rise despite production cutbacks. On balance, expectations are that oil prices will remain pretty flat during the next two quarters and will rise slightly from the last quarter of 1993 onwards. This results in the technical assumption of \$18.8 per barrel in 1993 and \$19.3 per barrel in 1994, i.e. half a dollar below the Winter 1992/93 assumptions.

Non-oil commodity prices — Dollar prices of non-oil commodities are assumed to fall by 4½ percent in 1993. Because of the expected acceleration in world demand for these products, prices are assumed to increase by 3 percent in 1994.

Exchange rates — The forecasts are based on unchanged real exchange rates over the forecasting horizon between the ERM currencies (without the lira and sterling) on the one hand and the USD and the yen on the other. A USD/DM: rate of 1.65 was taken as a starting point, i.e. the rate prevailing in mid-March. This exchange rate assumption implies nominal effective depreciation of 7 percent and 1 percent in 1993 and 1994 respectively for the Community as a whole. Stability in nominal terms is assumed between ERM countries. For the lira and sterling, fixed real exchange rates are assumed. The Greek drachma is assumed to appreciate slightly in real terms over the forecast period.

Interest rates — As usual, monetary policy in the Community is assumed to be oriented towards achieving and maintaining price and exchange rate stability. Taking into account recent and prospective real and nominal developments, monetary conditions in the Community are expected to loosen throughout the forecasting period. It should be stressed that the set of interest rates underlying the projections are not formal forecasts but rather working hypotheses. In Germany short-term interest rates are assumed to continue their gradual declining trend which started in the Autumn of last year. In the other narrow-band ERM countries, short-term interest rates are set to follow German rates. Long-term rates are assumed to remain broadly unchanged at prevailing rates in Germany and to approach German levels by the end of 1993 in the other narrow-band countries.

In the member countries outside the narrow-band of the ERM, except the UK, short-term interest-rate differentials with the DM are expected to narrow considerably. In the UK the present negative short-term interest-rate differential with the DM is assumed to disappear gradually, turning positive in the course of 1994.

In the US and Japan, after the aggressive monetary easing during the last two years, short-term rates are expected to increase very slowly from the second half of 1993 onwards.

Economic policy — The assumption made is the traditional 'no policy' change. This means that both monetary and budgetary policy for 1993 and 1994 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.

12. Risks and uncertainties

A major uncertainty of the current forecasts concerns the *depth and length of the recession in West Germany*. The Commission services' central forecasts imply that the recessionary forces in the West German economy would progressively lose momentum in the course of this year, with the trough of the downturn tentatively situated in the fourth quarter. Following two quarters of quasi stagnation, a moderate pick-up in economic activity from mid-1994 is expected. However, both the pace and the duration of the downturn could be worse than anticipated, particularly if the two major premises on which this growth profile is based do not materialise. First, the assumed easing of monetary conditions may not happen. If inflationary pressures were to edge down less rapidly and/or if budgetary problems proved to be more difficult to resolve, the German monetary authorities could adopt a more cautious stance than the one embodied in the forecasts. In this context, it should be stressed that while not a sufficient condition, substantial cuts in interest rates are seen as a necessary prerequisite to change the course of events in Germany (and the Community). Secondly, the external environment could be less supportive for German (and Community) exports than expected. The gradual strengthening of world trade may not materialise. For instance, US import

demand may be less strong either due to a normalisation after last year's brisk rate of growth or to a faltering recovery, while expectations of CCEE import growth of the order of 6 percent may turn out to be on the optimistic side. On the other hand, the dollar may remain weak and well below the assumed 1.65 rate against the DM, thereby impeding an improvement in competitiveness. Obviously, both of these elements could also evolve more favourably than anticipated and as such considerably improve German and EC growth prospects. However, at present the probability of such upside factors is deemed to be rather low.

A second uncertainty constitutes the *degree to which Germany's neighbouring partner countries will be affected by the recession in Germany*. The present forecasts suggest that while the German recession is spreading to these countries their growth rates will outpace that of Germany in both 1993 and 1994. While it may be true that Germany is relatively more adversely affected by the prolonged weak international demand for investment goods, these countries are faced with a decline in their exports to Germany, their major export market, on top of weak demand at home. In Belgium and the Netherlands particularly, but to some extent in France also — despite the overall expansionary stance of fiscal policy in that country —, specific taxation and expenditure measures aimed at restoring healthier fiscal positions risk restraining domestic demand more than is currently anticipated. Finally, given the high degree of interdependence between these countries, the downturn in economic activity may be self-reinforcing.

Another source of uncertainty is the *inflation and growth outlook in those countries whose currencies depreciated* in the wake of the Autumn 1992 foreign exchange turbulence. The assumption underlying the forecasts is that the current levels of slack in these economies will impede a rapid and marked re-emergence of inflationary pressures. If this assumption were to turn out to be unrealistic, the recent gains in competitiveness could be eroded more quickly than anticipated while monetary policy could be tightened quicker.

Finally, an improvement in EC growth prospects crucially hinges upon a rebound in *consumer and business confidence*. Both are at a historically low level and may not bounce back before the economic climate perks up. In this respect, it should be noted that both consumers and businessmen could increasingly adopt a wait-and-see attitude. If this were the case, the response to any easing of monetary policy or to the functioning of the automatic stabilisers would be weaker and slower than expected. It may also imply that instead of a one percentage point fall over the forecasting period, the household savings ratio would actually increase in the Community. Conversely, initiatives currently being undertaken in the member countries and at the Community level to enhance growth and employment could bring about an abrupt surge in confidence. Moreover, under the impact of a long-awaited successful conclusion of the Uruguay Round and the dissipation of uncertainties regarding the fate of the Maastricht Treaty, the restoration of confidence could occur more quickly and strongly than expected, implying a faster pick-up in domestic demand and exports in the Community than forecast.

18 June 1993.

DETAILED SUMMER 1993 ECONOMIC FORECASTS

TABLE 1: Gross domestic product, volume (percentage change at constant prices on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	4.9	1.9	0.8	1.5	2.0	5.0	3.8	3.4	1.9	0.7	-1.2	1.0
DK	4.3	1.8	4.3	3.6	0.3	1.2	0.6	2.0	1.2	1.1	0.1	2.5
D	4.3	1.7	1.9	2.2	1.4	3.7	3.4	5.1	3.7	1.5	-2.5	-0.0
D+	—	—	—	—	—	—	—	—	—	2.0	-2.0	0.5
GR	7.7	2.5	3.1	1.6	-0.7	4.1	3.5	-0.1	1.8	1.3	0.8	1.6
E	7.2	1.7	2.3	3.2	5.6	5.2	4.7	3.7	2.3	1.0	-0.4	1.4
F	5.4	2.2	1.8	2.4	2.2	4.3	3.8	2.2	1.1	1.3	-0.7	0.8
IRL	4.4	3.8	3.1	-0.4	5.0	4.9	6.5	8.3	2.5	3.5	2.1	2.6
I	5.3	2.8	2.6	2.9	3.1	4.1	2.9	2.1	1.3	0.9	0.0	1.5
L	4.0	1.7	2.9	4.8	2.9	5.7	6.7	3.2	3.1	1.8	1.0	2.0
NL	4.8	1.7	2.6	2.0	0.8	2.6	4.7	3.9	2.2	1.7	-0.6	1.0
P	6.9	2.1	2.8	4.1	5.3	3.9	5.2	4.4	1.9	1.1	0.5	1.5
UK	3.2	1.2	3.7	4.1	4.8	4.3	2.1	0.5	-2.2	-0.6	1.5	2.5
EUR	4.8	1.9	2.5	2.8	2.9	4.1	3.3	2.8	1.4	0.9	-0.5	1.2
EUR+	—	—	—	—	—	—	—	—	—	1.1	-0.4	1.3
USA	4.0	2.2	3.0	2.6	3.0	3.9	2.6	0.7	-1.3	2.1	2.6	2.5
JAP	9.6	3.5	5.0	2.6	4.1	6.2	4.7	5.2	4.4	1.3	0.6	2.1

TABLE 2: Deflator of gross domestic product (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	4.1	6.8	6.1	3.8	2.4	1.8	4.7	2.7	2.7	4.2	3.1	3.1
DK	7.0	9.4	4.3	4.6	4.7	3.4	4.2	2.6	2.5	1.9	0.9	1.7
D	4.4	4.3	2.2	3.3	1.9	1.5	2.6	3.4	4.2	4.5	3.4	2.5
D+	—	—	—	—	—	—	—	—	—	5.4	4.2	3.2
GR	4.5	17.7	17.7	17.5	14.3	15.6	12.7	20.5	19.5	14.6	13.8	9.2
E	7.1	15.7	8.5	11.1	5.8	5.7	7.0	7.4	6.9	6.1	4.2	4.8
F	5.1	10.7	5.8	5.3	3.0	3.1	3.5	3.1	3.1	2.8	2.8	2.1
IRL	7.2	13.5	5.2	6.5	2.3	2.9	4.7	-1.6	1.2	2.4	3.5	3.4
I	5.5	16.8	8.9	7.9	6.0	6.6	6.2	7.6	7.4	4.7	4.2	4.8
L	4.4	7.0	3.0	3.8	-1.0	4.0	6.0	2.9	3.0	4.5	4.3	3.6
NL	6.0	5.9	1.8	0.5	-0.4	1.2	1.2	2.5	3.0	2.1	1.8	2.0
P	3.9	20.7	21.7	20.5	11.2	11.6	13.0	14.3	14.3	13.7	8.1	7.1
UK	5.1	13.0	5.7	3.5	5.0	6.6	7.1	6.3	6.7	4.4	3.0	4.1
EUR	5.2	11.1	6.0	5.6	4.1	4.5	5.0	5.3	5.5	4.5	3.5	3.5
EUR+	—	—	—	—	—	—	—	—	—	4.7	3.7	3.7
USA	3.6	7.5	3.6	2.7	3.2	3.9	4.5	4.3	4.0	2.6	2.6	2.9
JAP	6.0	5.6	1.6	1.8	0.0	0.4	1.9	2.1	1.9	1.9	1.7	1.5

TABLE 3: Final domestic demand, volume (percentage change at constant prices on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	4.8	1.3	0.5	2.8	3.8	4.5	5.1	3.5	1.6	1.6	-0.6	1.3
DK	4.6	0.9	5.4	6.1	-2.2	-1.2	0.5	-0.5	-0.4	-0.6	0.4	2.7
D	4.5	1.4	0.9	3.3	2.6	3.6	2.8	4.9	3.1	1.6	-2.1	-0.4
D+	—	—	—	—	—	—	—	—	—	2.8	-1.4	0.2
GR	8.1	1.5	5.4	-1.1	-1.5	6.7	3.8	0.9	2.7	1.1	0.8	1.7
E	7.6	1.0	2.9	5.4	8.1	7.0	7.8	4.7	3.1	1.4	-1.8	0.8
F	5.6	1.6	2.3	4.3	3.3	4.4	3.3	2.6	0.8	0.5	-0.4	0.6
IRL	5.1	2.3	1.1	1.1	-0.2	1.6	6.7	6.3	-0.7	-1.5	3.3	2.7
I	5.3	2.4	2.8	3.4	4.3	4.7	2.9	2.8	1.8	1.0	-1.5	0.8
L	4.1	1.6	0.1	8.0	4.2	6.8	5.7	5.1	8.0	0.5	1.9	1.5
NL	4.9	1.3	3.2	2.1	1.2	1.8	4.6	3.5	1.7	1.3	-0.3	0.7
P	7.3	1.2	0.9	8.3	10.4	7.4	4.3	5.4	4.1	3.6	2.5	3.0
UK	3.2	1.1	2.9	4.7	5.4	8.0	3.3	-0.5	-3.2	0.5	1.6	2.4
EUR	4.9	1.5	2.3	3.9	4.0	5.0	3.6	2.8	1.1	1.0	-0.7	0.9
EUR+	—	—	—	—	—	—	—	—	—	1.3	-0.5	1.0
USA	4.1	2.4	4.0	3.5	3.1	3.3	2.2	0.1	-2.1	2.5	2.9	2.6
JAP	9.8	2.7	4.1	3.7	5.1	7.6	5.8	5.4	3.0	0.6	0.6	2.1

TABLE 4: Gross national product at current market prices (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	9.2	8.6	6.7	5.6	4.7	6.8	9.0	5.7	5.3	4.8	2.1	4.1
DK	11.6	11.0	8.8	8.5	5.2	4.8	4.6	4.4	3.9	3.3	1.2	5.1
D	8.9	6.1	4.0	5.5	3.5	5.2	6.7	8.4	7.9	5.5	0.6	2.3
D+	—	—	—	—	—	—	—	—	—	6.9	2.0	3.5
GR	12.5	20.3	20.4	18.8	13.7	20.6	16.4	21.1	21.8	16.0	14.9	11.0
E	14.8	17.5	11.5	14.9	11.9	10.9	12.3	11.3	9.1	6.8	3.6	6.1
F	10.7	13.0	7.7	8.1	5.4	7.5	7.4	5.2	3.9	3.9	2.0	2.8
IRL	11.7	16.7	7.2	6.9	8.3	5.3	10.1	7.8	5.8	6.0	4.8	6.1
I	11.0	20.0	11.7	10.9	9.4	11.0	9.1	9.6	8.5	5.4	4.2	6.3
L	9.0	11.7	6.8	5.8	-0.3	10.2	12.7	8.1	5.8	4.5	4.4	4.8
NL	11.1	7.7	4.8	2.1	0.4	3.3	6.7	6.5	5.2	3.8	1.4	3.1
P	11.2	22.5	26.1	28.1	18.2	16.5	19.5	20.6	17.1	15.6	8.3	8.7
UK	8.5	14.3	9.5	7.8	9.5	11.0	9.3	6.5	4.4	4.5	0.6	4.3
EUR	10.1	11.1	7.3	6.2	5.4	8.4	8.9	7.3	6.6	5.2	3.0	4.6
EUR+	—	—	—	—	—	—	—	—	—	5.6	3.3	4.9
USA	7.7	9.7	6.5	5.2	6.2	8.0	7.4	5.1	2.6	4.8	5.2	5.5
JAP	16.2	9.4	6.8	4.4	4.4	6.6	6.8	7.4	6.4	3.2	2.4	3.7

* Notes: see page 19.

TABLE 5: Investment in construction, volume (percentage change on preceding year, 1974-94)*

	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	-2.7	-0.6	3.0	3.0	14.7	7.5	7.1	2.0	2.8	-2.5	2.2
DK	-4.5	8.9	18.0	1.1	-5.5	-5.7	-4.6	-10.9	-2.0	-1.4	4.0
D	-0.8	-5.6	2.7	-0.0	3.1	4.8	5.3	4.1	5.6	0.7	0.5
D+	—	—	—	—	—	—	—	—	9.1	2.9	2.0
GR	-3.7	3.1	-0.8	-5.0	9.2	4.0	2.2	-4.0	-4.0	4.6	4.5
E	-1.8	2.0	6.5	9.9	12.4	15.1	10.8	4.3	-4.0	-4.6	0.9
F	-1.1	-0.4	3.6	3.2	6.7	7.2	2.7	-1.0	0.8	-1.0	0.8
IRL	1.3	-7.1	-4.6	-7.6	1.9	15.1	11.7	-1.4	0.7	0.3	3.5
I	-1.4	-0.5	1.9	-0.7	2.3	3.9	2.5	1.4	-1.8	-2.2	0.3
L	-3.1	-2.1	5.7	8.9	8.8	4.6	8.0	8.1	1.0	2.9	0.6
NL	-2.0	-0.1	5.0	1.9	10.3	2.3	0.6	-3.6	2.1	-1.2	-0.0
P	—	-6.0	8.7	9.4	10.1	3.5	5.3	4.5	3.5	3.2	6.0
UK	-0.7	-2.4	6.1	11.0	13.4	5.4	-0.6	-8.3	-1.8	-2.1	4.4
EUR ¹	-1.2	-1.7	3.9	3.2	6.9	6.2	3.7	-0.0	0.6	-1.2	1.3
EUR+	—	—	—	—	—	—	—	—	1.7	-0.5	1.8

¹ EUR without Portugal up to 1984.

TABLE 6: Investment in equipment, volume (percentage change on preceding year, 1974-94)*

	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	3.4	2.3	5.3	7.1	15.9	21.2	10.9	-1.9	-3.4	-9.0	3.7
DK	2.4	16.2	16.6	-8.9	-8.6	5.7	3.7	2.5	-17.8	-7.6	2.4
D	1.4	9.9	4.3	5.0	6.7	10.0	13.3	9.1	-2.7	-8.0	-1.0
D+	—	—	—	—	—	—	—	—	-0.6	-5.4	0.7
GR	0.1	7.7	-12.6	-5.2	8.4	18.1	7.9	-4.7	7.0	1.0	2.8
E	-1.3	9.1	15.8	23.2	16.6	12.9	1.4	-2.6	-1.3	-6.5	0.8
F	0.3	10.0	4.3	6.7	10.8	6.4	4.1	-1.8	-4.5	-4.1	0.2
IRL	2.3	-7.4	1.5	0.9	0.1	19.6	7.2	-11.6	-3.9	-0.5	2.0
I	3.6	1.9	2.6	11.9	11.6	5.1	3.5	-0.1	-1.1	-4.8	1.7
L	-0.8	-20.5	87.2	18.7	16.1	-16.9	10.9	11.6	-5.8	9.4	-3.8
NL	1.3	15.5	10.1	1.9	5.0	5.3	7.6	4.4	1.0	-3.3	3.7
P	—	-4.5	14.2	26.8	23.2	10.0	5.8	1.0	5.6	2.5	4.3
UK	1.4	10.7	-0.9	8.7	13.0	11.6	-3.6	-11.5	0.6	4.7	4.8
EUR ¹	1.0	8.0	4.3	8.4	10.5	9.0	4.9	-0.2	-2.1	-4.1	1.3
EUR+	—	—	—	—	—	—	—	—	-1.6	-3.5	1.7

¹ EUR without Portugal up to 1984.

TABLE 7: Total investment, volume (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	5.1	-0.8	0.7	4.4	5.6	15.4	13.7	8.4	0.3	0.0	-5.3	2.8
DK	6.5	-2.0	12.6	17.1	-3.8	-6.6	1.0	-0.9	-4.2	-10.4	-4.4	3.2
D	4.0	-0.2	0.0	3.6	2.1	4.6	6.5	8.7	6.5	1.5	-3.4	-0.2
D+	—	—	—	—	—	—	—	—	—	4.6	-0.8	1.5
GR	10.0	-2.2	5.2	-6.2	-5.1	8.9	10.0	5.7	-2.0	1.1	2.8	3.7
E	10.4	-1.6	4.1	9.9	14.0	13.9	13.7	6.9	1.6	-3.0	-5.4	0.9
F	7.5	-0.5	3.4	4.6	5.0	9.6	6.8	3.1	-1.3	-2.3	-2.7	0.4
IRL	9.9	1.8	-7.7	-2.8	-3.2	1.5	15.1	10.2	-7.2	-1.4	-0.1	2.8
I	4.7	0.5	0.6	2.2	5.0	6.9	4.3	3.8	0.6	-1.4	-3.6	1.0
L	4.9	-2.1	-9.5	31.2	14.7	14.1	8.9	2.5	9.8	-2.1	5.8	-1.4
NL	5.3	-0.9	6.7	7.9	1.5	4.5	4.9	3.6	0.1	1.6	-2.2	1.7
P	7.9	-1.0	-3.5	10.9	15.1	15.0	5.6	5.9	2.8	4.5	2.9	5.2
UK	4.6	0.4	4.0	2.4	9.6	14.2	7.2	-3.1	-9.9	-0.6	1.3	4.6
EUR	5.7	-0.3	2.2	4.3	5.5	8.8	7.1	4.0	-0.2	-0.8	-2.6	1.3
EUR+	—	—	—	—	—	—	—	—	—	0.1	-1.9	1.7
USA	4.5	1.7	6.9	2.0	2.9	5.0	2.7	-2.8	-8.5	5.8	6.3	5.5
JAP	14.0	1.4	5.3	4.8	9.6	11.9	9.3	9.5	3.4	-0.8	-0.4	3.2

TABLE 8: Private consumption, volume (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	4.3	1.7	1.9	2.3	3.0	2.9	3.7	2.8	2.6	2.2	0.7	0.8
DK	3.8	1.2	5.0	5.7	-1.5	-1.0	-0.4	0.6	1.2	1.3	0.9	2.9
D	5.1	2.1	1.6	3.4	3.2	3.1	1.8	5.3	3.7	1.0	-2.0	-1.0
D+	—	—	—	—	—	—	—	—	—	1.6	-1.7	-0.7
GR	6.7	2.9	3.9	0.7	1.0	3.5	4.3	2.0	1.2	1.3	1.0	1.5
E	7.2	1.5	2.4	3.3	5.8	4.9	5.6	3.7	3.1	2.4	-0.9	0.6
F	5.3	2.3	2.2	3.7	2.7	3.0	3.1	2.7	1.5	1.7	0.0	0.3
IRL	3.8	2.1	4.6	2.0	3.4	4.6	3.8	3.0	0.3	3.7	2.8	3.0
I	6.0	3.1	3.1	4.4	4.5	4.6	3.6	2.9	2.2	1.8	-0.9	0.5
L	4.6	2.6	2.7	3.4	5.0	3.9	3.9	4.0	6.5	1.7	1.7	2.3
NL	5.6	2.0	2.4	3.2	4.0	0.8	3.5	4.1	3.3	1.6	0.3	0.6
P	6.0	1.4	0.7	5.6	5.4	6.6	3.3	5.3	4.5	3.7	2.8	2.8
UK	3.0	1.4	3.8	6.4	5.5	7.5	3.3	0.7	-2.1	0.2	1.7	1.6
EUR	5.0	2.1	2.6	4.1	3.9	4.2	3.2	3.1	1.7	1.4	-0.2	0.5
EUR+	—	—	—	—	—	—	—	—	—	1.6	-0.2	0.5
USA	4.2	2.7	4.7	4.1	2.8	3.7	2.0	1.1	-0.6	2.3	2.5	2.7
JAP	8.7	3.3	3.4	3.4	4.2	5.2	4.3	4.2	2.7	1.6	1.0	1.4

* Notes: see page 19.

TABLE 9: Real compensation of employees per head¹ (percentage change on preceding year 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	5.0	2.1	-1.3	4.1	-0.2	0.9	0.0	4.0	3.6	3.1	1.7	1.7
DK	3.8	0.5	0.4	1.5	3.1	1.0	-0.5	1.0	1.2	1.2	1.3	0.2
D	5.4	1.3	0.8	3.9	2.4	1.6	-0.2	2.0	1.8	1.3	-0.8	0.5
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	6.7	3.5	4.3	-7.6	-3.7	4.2	2.6	-0.0	-2.8	-2.8	-2.5	0.9
E	7.5	2.3	1.1	0.1	0.9	2.0	-0.2	2.2	1.5	2.7	1.6	0.9
F	4.8	2.3	0.6	1.7	0.4	1.4	1.0	1.8	1.0	1.4	0.5	0.6
IRL	4.7	2.5	3.7	0.7	2.4	3.5	2.4	2.6	1.1	3.7	2.1	1.2
I	6.3	2.0	1.0	1.3	2.8	2.9	1.5	5.6	1.7	0.2	-1.0	-0.2
L	4.2	1.8	0.2	2.4	3.1	0.5	3.0	3.2	1.4	1.7	2.1	2.0
NL	6.0	1.0	-0.8	1.4	2.4	0.3	-0.5	1.8	0.9	1.4	0.8	0.2
P	6.7	1.6	2.6	6.8	7.2	3.1	0.6	5.4	6.4	4.6	3.1	2.8
UK	3.3	1.6	2.2	3.4	2.4	2.5	2.2	3.9	1.5	1.9	-0.2	-0.1
EUR	5.0	1.6	0.8	2.1	1.6	1.7	0.6	2.8	1.5	1.4	-0.1	0.2
EUR+	—	—	—	—	—	—	—	—	—	—	—	—

¹ Deflated by the price deflator of private consumption.

TABLE 10: Public consumption, volume (percentage change on preceding year 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	5.5	2.1	2.4	1.7	0.3	-1.0	0.2	1.1	0.9	0.1	1.0	0.3
DK	5.8	3.1	2.5	0.5	2.5	0.9	-0.6	-0.4	-0.2	1.7	2.2	2.0
D	3.8	1.5	1.5	2.3	1.2	0.2	0.3	1.4	-1.9	2.5	0.0	0.0
D+	—	—	—	—	—	—	—	—	—	2.8	-0.2	0.1
GR	6.2	5.4	3.2	-0.8	0.9	4.7	4.2	-0.1	-0.7	-0.4	0.3	0.4
E	4.5	4.8	4.6	5.4	8.9	4.0	8.3	5.7	4.2	4.0	0.5	0.9
F	4.0	3.0	2.2	1.7	2.8	3.4	0.2	1.8	4.1	2.7	2.1	1.5
IRL	5.2	3.9	1.8	2.6	-4.3	-4.7	-1.1	5.2	1.3	1.9	1.0	1.3
I	4.0	2.6	3.4	2.6	3.5	2.8	0.8	1.2	1.4	1.1	0.1	0.8
L	3.4	2.4	2.0	3.1	2.7	3.8	1.9	3.2	3.8	3.4	2.5	2.7
NL	2.8	2.2	1.3	2.5	2.9	1.4	1.5	2.1	1.6	0.3	-0.2	-0.3
P	9.1	6.7	6.4	7.2	4.9	5.3	2.8	1.5	4.2	1.8	1.0	1.3
UK	2.5	1.5	0.0	1.8	1.2	0.6	0.9	3.2	2.8	-0.2	0.3	0.9
EUR	3.7	2.4	2.0	2.3	2.6	1.9	1.3	2.2	1.9	1.6	0.6	0.8
EUR+	—	—	—	—	—	—	—	—	—	1.8	0.5	0.8
USA	3.1	2.0	5.3	4.9	3.4	2.1	0.3	2.8	1.2	-1.5	-0.8	-1.5
JAP	5.8	4.1	1.7	4.5	0.4	2.1	2.0	1.9	3.4	2.4	1.3	2.6

TABLE 11: Price deflator of private consumption (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	3.7	7.6	5.9	0.7	1.9	1.6	3.5	3.1	2.9	2.4	2.8	2.8
DK	6.6	10.1	4.3	2.9	4.6	4.0	4.3	2.6	2.5	1.9	1.0	2.4
D	3.5	4.7	2.1	-0.3	0.8	1.4	3.1	2.7	3.9	4.1	4.0	2.9
D+	—	—	—	—	—	—	—	—	—	4.6	4.6	3.4
GR	3.5	17.4	18.3	22.1	15.7	14.3	15.2	19.7	18.4	14.9	13.8	9.4
E	6.6	16.1	8.2	9.4	5.7	5.0	6.6	6.4	6.2	6.2	5.0	5.0
F	4.8	11.2	6.0	2.9	3.3	2.9	3.6	3.2	3.2	2.4	2.5	2.4
IRL	6.3	14.5	5.0	4.6	2.9	2.5	3.7	1.7	3.2	2.6	3.5	3.2
I	4.9	16.6	9.0	6.2	5.3	5.7	7.2	5.2	6.9	5.4	5.2	5.1
L	3.0	7.7	4.3	1.3	1.7	2.7	3.6	3.6	2.9	2.8	3.7	3.4
NL	5.0	6.1	2.2	0.2	-0.9	0.5	1.2	2.3	3.3	3.3	2.3	2.5
P	3.9	22.5	19.4	13.8	10.0	10.0	12.1	12.6	11.9	9.7	6.8	5.4
UK	4.9	12.6	5.3	4.3	4.4	5.1	5.9	5.3	7.2	4.8	4.1	4.0
EUR	4.7	11.3	5.9	3.9	3.6	3.9	5.1	4.5	5.4	4.5	4.1	3.7
EUR+	—	—	—	—	—	—	—	—	—	4.6	4.2	3.8
USA	3.1	7.3	3.3	2.3	4.2	4.2	4.8	5.0	4.2	3.0	2.7	3.2
JAP	6.1	6.8	2.2	0.4	0.2	-0.1	1.8	2.6	2.6	2.0	1.3	1.8

TABLE 12: Compensation of employees per head (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	8.9	9.8	4.5	4.7	1.8	2.4	3.5	7.3	6.6	5.6	4.5	4.5
DK	10.7	10.6	4.7	4.4	7.9	5.0	3.8	3.6	3.8	3.1	2.4	2.6
D	9.1	6.1	2.9	3.6	3.2	3.0	2.9	4.7	5.8	5.4	3.2	3.4
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	10.4	21.5	23.4	12.8	11.4	19.1	18.1	19.7	15.1	11.7	10.9	10.4
E	14.6	18.8	9.4	9.5	6.7	7.1	6.4	8.8	7.9	9.0	6.7	6.0
F	9.9	13.8	6.6	4.6	3.7	4.4	4.7	5.0	4.2	3.8	3.0	3.0
IRL	11.3	17.4	8.9	5.3	5.3	6.1	6.2	4.4	4.4	6.4	5.7	4.4
I	11.5	19.0	10.1	7.5	8.2	8.8	8.8	11.0	8.7	5.7	4.2	4.9
L	7.4	9.7	4.5	3.7	4.9	3.2	6.7	6.9	4.4	4.5	5.9	5.5
NL	11.4	7.2	1.4	1.6	1.5	0.9	0.7	4.1	4.3	4.7	3.1	2.7
P	10.8	24.4	22.5	21.6	17.9	13.4	12.8	18.7	19.0	14.8	10.2	8.3
UK	8.3	14.4	7.6	7.8	6.9	7.8	8.3	9.5	8.9	6.9	4.0	3.9
EUR	9.9	13.0	6.8	6.0	5.3	5.6	5.7	7.5	7.0	5.9	4.0	4.0
EUR+	—	—	—	—	—	—	—	—	—	—	—	—

* Notes: see page 19.

TABLE 13: Real GDP per occupied person (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	4.3	2.3	0.2	0.8	1.6	3.5	2.2	2.0	1.7	1.2	0.1	1.2
DK	3.2	1.4	1.7	1.0	-0.6	1.8	1.1	2.6	2.2	1.2	1.3	1.7
D	4.0	2.0	1.1	0.8	0.7	2.9	1.9	2.0	1.1	0.7	-0.4	0.9
D+	—	—	—	—	—	—	—	—	—	3.7	0.4	1.4
GR	8.1	1.5	2.2	1.3	-0.6	2.4	3.0	-1.2	3.5	-0.8	0.8	1.0
E	6.5	3.2	3.7	1.8	0.5	2.3	1.3	0.5	1.8	3.0	4.4	2.7
F	4.7	2.2	2.1	2.3	1.9	3.4	2.6	1.2	0.7	1.8	0.7	1.2
IRL	4.3	3.5	5.4	-0.6	5.1	3.9	6.6	4.8	2.6	3.5	2.0	2.0
I	5.5	1.8	1.7	2.1	2.7	3.2	2.9	1.3	0.5	1.8	0.6	1.5
L	3.0	1.2	1.5	2.1	0.1	2.6	2.9	-1.1	-1.2	-0.1	0.2	1.2
NL	3.9	2.1	1.0	0.0	-0.6	1.0	2.7	1.5	0.9	0.9	-0.1	1.4
P	6.7	2.7	2.8	7.0	4.7	3.9	4.1	3.5	1.0	1.7	2.1	2.2
UK	2.9	1.5	2.5	4.0	2.7	1.0	-0.8	-0.2	0.9	2.2	2.7	1.5
EUR	4.4	2.0	1.9	2.1	1.6	2.5	1.8	1.2	1.2	1.7	1.1	1.4
EUR+	—	—	—	—	—	—	—	—	—	2.4	1.3	1.5
USA	2.0	0.4	0.5	0.8	-0.5	1.1	0.2	-0.5	0.3	1.5	1.1	0.4
JAP	8.1	2.8	4.4	1.8	3.2	4.5	2.7	3.0	2.5	0.2	0.8	1.8

TABLE 14: Unit labour costs, whole economy¹ (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	4.4	7.4	4.3	3.9	0.2	-1.0	1.3	5.2	4.8	4.3	4.4	3.3
DK	7.3	9.0	2.9	3.3	8.5	3.2	2.6	1.0	1.6	1.8	1.0	0.8
D	4.9	4.0	1.8	2.8	2.5	0.1	0.9	2.7	4.6	4.6	3.5	2.5
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	2.1	19.8	20.7	11.4	12.0	16.2	14.7	21.1	11.3	13.0	10.0	8.9
E	7.7	15.1	5.6	7.6	6.2	4.7	5.1	8.2	6.0	5.8	2.2	3.2
F	5.0	11.4	4.4	2.2	1.8	0.9	2.0	3.7	3.5	1.9	2.3	1.8
IRL	6.8	13.4	3.3	5.9	0.2	2.1	-0.4	-0.4	1.7	2.8	3.6	2.4
I	5.6	16.8	8.3	5.3	5.3	5.4	5.8	9.6	8.2	3.8	3.5	3.4
L	4.3	8.3	3.0	1.5	4.7	0.6	3.7	8.1	5.7	4.8	5.8	4.2
NL	7.1	5.0	0.4	1.6	2.1	-0.2	-1.9	2.6	3.3	3.8	3.1	1.2
P	3.9	21.2	19.1	13.6	12.6	9.1	8.3	14.7	17.8	12.9	8.0	6.0
UK	5.2	12.7	5.0	3.7	4.1	6.7	9.2	9.7	8.0	4.6	1.3	2.4
EUR	5.2	10.8	4.7	3.8	3.6	3.0	3.9	6.2	5.8	4.1	3.0	2.7
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, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	0.3	0.6	-1.7	0.1	-2.1	-2.7	-3.2	2.4	2.1	0.1	1.3	0.2
DK	0.2	-0.3	-1.3	-1.2	3.6	-0.2	-1.5	-1.5	-0.9	-0.1	0.1	-0.8
D	0.5	-0.3	-0.4	-0.5	0.5	-1.4	-1.7	-0.7	0.4	0.1	0.2	-0.0
D+	—	—	—	—	—	—	—	—	—	—	—	—
GR	-2.2	1.8	2.6	-5.2	-1.9	0.6	1.7	0.5	-6.9	-1.4	-3.3	-0.3
E	0.6	-0.5	-2.8	-3.2	0.3	-0.9	-1.8	0.8	-0.8	-0.2	-1.9	-1.6
F	-0.1	0.6	-1.4	-2.9	-1.2	-2.1	-1.4	0.6	0.4	-0.9	-0.5	-0.2
IRL	-0.4	-0.0	-1.8	-0.6	-2.1	-0.7	-4.8	1.2	0.5	0.4	0.1	-1.0
I	0.1	-0.0	-0.5	-2.4	-0.6	-1.2	-0.4	1.8	0.7	-0.8	-0.6	-1.3
L	-0.2	1.3	-0.0	-2.2	5.8	-3.3	-2.1	5.0	2.7	0.3	1.4	0.6
NL	1.0	-0.9	-1.4	1.1	2.5	-1.3	-3.1	0.0	0.3	1.7	1.3	-0.7
P	-0.0	0.4	-2.2	-5.7	1.3	-2.2	-4.1	0.4	3.0	-0.7	-0.2	-1.0
UK	0.1	-0.3	-0.6	0.2	-0.9	0.1	2.0	3.2	1.2	0.2	-1.6	-1.7
EUR	0.1	-0.3	-1.2	-1.7	-0.4	-1.4	-1.0	0.8	0.3	-0.3	-0.5	-0.8
EUR+	—	—	—	—	—	—	—	—	—	—	—	—
USA	-0.0	-0.1	-0.0	0.4	0.6	0.2	-1.2	1.1	0.7	-1.1	-0.4	0.2
JAP	-0.4	0.2	-2.9	-0.3	-0.1	-1.2	-0.0	0.1	-0.0	-0.2	-1.4	-2.1

¹ Nominal unit labour costs divided by GDP price deflator.

TABLE 16: Total employment (percentage change on preceding year, 1961-94)*

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	0.6	-0.4	0.6	0.6	0.5	1.5	1.6	1.4	0.1	-0.6	-1.3	-0.2
DK	1.1	0.4	2.5	2.6	0.9	-0.6	-0.6	-0.5	-0.9	-0.1	-1.2	0.7
D	0.3	-0.3	0.7	1.4	0.7	0.8	1.5	3.0	2.6	0.8	-2.1	-0.9
D+	—	—	—	—	—	—	—	—	—	-1.7	-2.4	-0.9
GR	-0.4	1.0	0.9	0.3	-0.1	1.6	0.4	1.1	-1.6	2.1	0.0	0.6
E	0.7	-1.4	-1.3	1.4	5.1	2.8	3.4	3.2	0.5	-1.9	-4.6	-1.3
F	0.7	0.0	-0.3	0.1	0.3	0.8	1.1	1.0	0.4	-0.5	-1.4	-0.4
IRL	0.1	0.3	-2.2	0.2	-0.1	1.0	-0.1	3.3	-0.1	0.0	0.1	0.6
I	-0.2	0.9	0.9	0.8	0.4	0.9	0.1	0.8	0.8	-0.9	-0.5	0.1
L	1.1	0.4	1.4	2.6	2.8	3.1	3.7	4.3	4.3	2.0	0.8	0.8
NL	0.9	-0.3	1.5	2.0	1.4	1.6	1.9	2.3	1.3	0.9	-0.5	-0.4
P	0.2	-0.5	-0.0	-2.7	0.5	0.1	1.0	0.9	0.9	-0.6	-1.5	-0.7
UK	0.3	-0.3	1.3	0.1	2.1	3.3	3.0	0.7	-3.1	-2.7	-1.1	1.0
EUR	0.3	-0.1	0.5	0.7	1.2	1.5	1.6	1.6	0.2	-0.7	-1.6	-0.2
EUR+	—	—	—	—	—	—	—	—	—	-1.3	-1.7	-0.2
USA	1.9	1.7	2.4	1.7	3.5	2.8	2.4	1.2	-1.6	0.6	1.5	2.1
JAP	1.3	0.7	0.6	0.9	0.9	1.7	2.0	2.1	1.9	1.1	-0.2	0.3

* Notes: see page 19.

TABLE 17: **Employment in manufacturing industries** (percentage change on preceding year, 1974-94)*

	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	-3.5	-1.7	-1.8	-2.5	-0.7	2.0	0.3	-1.6	-1.9	-4.1	-0.7
DK	-1.7	6.1	3.8	-1.3	-2.1	-1.0	0.6	-2.3	-1.4	-6.0	-1.1
D	-1.9	1.1	1.7	0.1	-0.2	1.4	2.8	1.7	-1.8	-4.8	-1.6
D+	—	—	—	—	—	—	—	—	—	—	—
GR	—	—	—	—	—	—	—	—	-3.0	-0.3	0.4
E	-2.3	-2.5	1.5	2.6	2.7	3.7	2.9	-3.0	-3.0	-6.0	-1.4
F	-1.4	-3.0	-2.0	-2.6	-1.7	0.3	0.9	-1.6	-2.8	-3.2	-1.5
IRL	-0.0	-3.8	4.0	-2.4	-0.5	4.5	0.9	1.0	0.1	0.1	0.7
I	-0.5	-1.4	-1.2	-0.4	1.2	0.4	0.1	-2.7	-3.5	-2.2	-1.0
L	-2.2	-0.1	1.8	-1.4	-3.3	-0.1	0.1	-1.4	-5.6	-0.8	-0.9
NL	-2.7	2.1	2.1	0.8	0.8	2.0	2.0	-0.2	-0.5	-0.6	-0.2
P	—	-1.1	-2.5	-1.7	-1.7	1.5	1.4	-0.1	-2.0	-2.4	-1.2
UK	-3.5	0.4	-2.5	0.6	0.8	-0.1	-0.7	-6.7	-4.2	-1.9	-0.7
EUR¹	-2.1 ¹	-0.5	-0.3	-0.3	0.1	1.0	1.2	-1.7	-2.7	-3.4	-1.2
EUR+	—	—	—	—	—	—	—	—	—	—	—

¹ EUR without Greece and Portugal.TABLE 18: **Number of unemployed** (as percentage of civilian labour force, 1964-94)¹*

	1964-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	2.0	7.7	11.8	11.7	11.3	10.2	8.6	7.6	7.5	8.2	9.9	10.6
DK	0.9	6.3	7.2	5.5	5.6	6.4	7.7	8.1	8.9	9.5	10.7	10.2
D	0.7	4.0	7.1	6.5	6.3	6.3	5.6	4.8	4.2	4.5	6.6	7.8
D+	—	—	—	—	—	—	—	—	—	7.5	9.3	10.3
GR	4.2	3.7	7.7	7.4	7.4	7.7	7.5	7.0	7.7	7.7	8.2	8.7
E	2.8	10.4	21.6	21.0	20.4	19.3	17.1	16.1	16.3	18.0	21.8	23.0
F	2.2	6.0	10.1	10.3	10.4	9.9	9.4	9.0	9.5	10.0	11.5	12.0
IRL	5.7	10.3	18.2	18.2	18.0	17.3	15.7	14.5	16.2	17.8	19.0	19.3
I	5.2	7.1	9.9	10.5	10.8	10.9	10.9	10.0	10.0	10.2	10.7	10.8
L	0.0	1.6	2.9	2.6	2.5	2.0	1.8	1.7	1.6	1.9	2.2	2.0
NL	1.3	7.5	10.5	10.3	10.0	9.3	8.4	7.5	7.0	6.7	8.0	9.0
P	2.5	6.8	8.8	8.3	6.9	5.7	5.0	4.6	4.1	4.8	6.1	6.7
UK	2.0	6.5	11.4	11.4	10.4	8.5	7.1	7.0	9.1	10.8	11.5	10.8
EUR	2.4	6.4	10.8	10.7	10.4	9.8	8.9	8.3	8.7	9.5	11.0	11.4
EUR+	—	—	—	—	—	—	—	—	—	10.1	11.5	11.9
USA²	4.6	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	7.3	6.8	6.1
JAP²	1.2	2.2	2.6	2.8	2.8	2.5	2.3	2.1	2.1	2.2	2.4	2.5

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, 1974-94)*

	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	51.1	61.8	60.7	59.0	56.6	54.9	54.6	55.5	56.3	57.5	56.9
DK	47.2	58.8	54.3	55.7	58.0	58.4	57.0	57.4	58.7	61.4	63.0
D	43.8	48.1	47.1	47.4	47.0	45.5	45.9	49.2	49.0	51.1	52.0
D+ ²	—	—	—	—	—	—	—	49.5	50.1	51.9	52.7
GR	—	44.1	47.2	47.7	47.9	49.4	52.5	51.2	53.1	51.5	50.1
E	28.1	39.6	41.9	40.8	41.0	42.3	43.4	45.0	46.3	48.0	48.7
F	41.9	52.5	52.2	51.7	50.8	49.9	50.5	51.2	52.3	54.4	55.6
IRL	44.2	53.1	53.7	51.5	48.1	41.3	42.0	42.5	42.8	43.8	44.0
I	37.5	49.4	50.7	50.2	50.3	51.3	53.2	53.6	53.2	55.9	55.2
L	47.3	53.6	51.3	55.2	51.8	47.9	50.0	51.5	50.5	50.8	50.4
NL	49.1	59.0	57.9	59.4	57.6	54.8	55.0	55.2	55.5	56.3	55.6
P	—	46.6	44.6	43.0	43.0	42.9	44.3	46.4	47.0	46.6	45.1
UK	39.4	45.3	42.6	40.8	38.1	37.8	40.0	40.2	42.6	43.9	43.5
EUR	41.3 ²	49.4	48.9	48.5	47.4	46.8	48.0	49.1	49.9	51.8	52.1
EUR+	—	—	—	—	—	—	—	49.2	50.2	52.0	52.3

¹ EUR without Greece and Portugal.² Including current transfers to East Germany from 1991 onwards.TABLE 20: **Total public receipts** (as percentage of GDP, 1974-94)*

	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	43.7	52.3	51.3	51.5	49.9	48.2	48.8	48.9	49.4	50.6	50.9
DK	44.7	54.7	57.7	58.1	58.6	57.9	55.6	55.2	56.3	57.0	58.1
D	41.1	46.2	45.8	45.5	44.8	45.6	43.9	45.6	46.6	47.0	48.3
D+	—	—	—	—	—	—	—	46.3	47.4	47.4	48.3
GR	27.0	34.2	35.1	36.0	34.1	31.7	33.9	34.9	39.3	38.4	39.1
E	26.0	34.2	35.9	37.7	37.7	39.5	39.5	40.0	41.8	43.3	44.1
F	40.6	49.8	49.4	49.8	49.2	48.6	49.0	49.1	48.4	48.5	49.7
IRL	34.2	43.3	42.6	42.6	43.3	39.5	39.5	40.2	40.5	40.5	40.1
I	29.3	37.7	39.1	39.2	39.6	41.4	42.2	43.3	43.7	45.6	46.1
L	48.4	56.4	55.6	57.5	56.0	53.9	50.1	50.2	48.9	48.8	48.7
NL	46.3	53.4	52.6	53.5	53.0	50.1	50.1	52.7	52.2	52.5	52.6
P	27.9	34.6	37.3	36.2	37.6	39.5	38.8	40.0	41.7	40.9	40.4
UK	36.1	41.4	40.2	39.5	39.1	38.7	38.7	37.4	36.4	36.2	36.6
EUR	37.9 ¹	44.4	44.4	44.5	44.0	44.1	43.9	44.5	44.8	45.5	46.3
EUR+	—	—	—	—	—	—	—	44.7	45.1	45.7	46.4

¹ EUR without Greece and Portugal.

* Notes: see page 19.

TABLE 21: General government lending (+) or borrowing (-) (as a percentage of GDP, 1974-94) *

	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	-7.4	-9.6	-9.4	-7.5	-6.8	-6.7	-5.8	-6.6	-6.9	-7.0	-6.1
DK	-2.5	-4.1	3.4	2.4	0.6	-0.5	-1.5	-2.2	-2.4	-4.4	-4.9
D	-2.7	-1.9	-1.3	-1.9	-2.2	0.1	-2.0	-3.6	-2.4	-4.1	-3.8
D+	—	—	—	—	—	—	—	-3.2	-2.8	-4.6	-4.4
GR	—	-9.8	-12.0	-11.6	-13.8	-17.7	-18.6	-16.3	-13.8	-13.1	-11.1
E	-1.9	-5.4	-6.0	-3.1	-3.3	-2.8	-3.9	-5.0	-4.5	-4.7	-4.6
F	-1.3	-2.8	-2.7	-1.9	-1.7	-1.3	-1.5	-2.1	-3.9	-5.9	-5.9
IRL	-10.0	-9.8	-11.1	-8.9	-4.8	-1.8	-2.5	-2.3	-2.4	-3.4	-3.9
I	-8.3	-11.6	-11.6	-11.0	-10.7	-9.9	-10.9	-10.2	-9.5	-10.4	-9.1
L	1.1	2.8	4.3	2.4	4.3	6.0	0.0	-1.3	-1.6	-2.0	-1.7
NL	-3.3	-6.1	-5.9	-5.9	-4.6	-4.7	-4.9	-2.5	-3.3	-3.8	-3.0
P	—	-12.0	-7.2	-6.8	-5.4	-3.4	-5.5	-6.4	-5.4	-5.7	-4.7
UK	-3.3	-3.9	-2.4	-1.3	1.0	0.9	-1.3	-2.8	-6.2	-7.7	-6.9
EUR	-3.5 ¹	-5.1	-4.5	-4.0	-3.4	-2.7	-4.0	-4.7	-5.1	-6.3	-5.8
EUR+	—	—	—	—	—	—	—	-4.6	-5.1	-6.3	-5.9
USA	-1.5	-2.9	-3.5	-2.5	-2.0	-1.5	-2.5	-3.4	-4.7	-3.9	-3.0
JAP	-3.2	-2.1	-0.9	0.5	1.5	2.5	2.9	2.9	2.6	1.5	0.8

¹ EUR without Greece and Portugal.

TABLE 22: Trade balance total (fob/cif) (in billions of ECU, 1961-94) *

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	-0.1	-3.5	-3.7	-0.2	-0.7	-2.9	-2.2	-5.6	-7.2	-1.1	-2.1	-2.7
DK	-0.7	-1.8	-1.5	-1.5	0.2	0.9	1.2	2.4	2.6	5.1	4.7	4.0
D	3.6	14.5	33.0	53.1	57.0	61.0	64.0	44.0	—	—	—	—
D+	—	—	—	—	—	—	—	—	9.2	16.3	13.6	19.9
GR	-0.9	-4.1	-7.4	-5.8	-5.6	-5.9	-7.8	-9.2	-10.4	-9.3	-10.1	-10.9
E	-1.9	-7.6	-5.6	-6.3	-8.7	-11.9	-19.3	-20.1	-21.3	-27.2	-24.4	-23.9
F	-0.8	-10.7	-13.5	-9.2	-12.6	-12.2	-14.9	-17.3	-15.4	-5.5	-6.2	-5.9
IRL	-0.4	-1.2	0.5	1.0	2.0	2.7	3.1	2.3	2.7	4.5	4.3	4.7
I	-1.3	-8.1	-16.0	-2.5	-7.5	-8.4	-11.2	-9.3	-10.4	-8.0	-4.0	2.3
L¹	—	—	—	—	—	—	—	—	—	—	—	—
NL	-1.0	0.6	3.9	4.6	1.1	1.2	3.5	0.3	-2.7	5.2	4.7	4.8
P	-0.5	-3.1	-2.7	-2.3	-3.7	-5.8	-5.6	-6.7	-7.9	-9.3	-10.6	-11.7
UK	-2.7	-7.3	-11.9	-19.9	-20.9	-42.6	-41.1	-31.9	-22.3	-23.9	-30.6	-32.2
EUR	-6.6	-32.4	-24.7	11.0	0.8	-23.9	-30.3	-51.0	—	—	—	—
EUR+	—	—	—	—	—	—	—	—	-83.1	-53.3	-60.6	-51.6

¹ Included in the figures for Belgium.

TABLE 23: Balance on current account (as a percentage of GDP, 1961-94) *

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	1.1	-1.6	0.3	2.1	1.3	1.7	1.7	0.9	1.7	1.8	1.4	1.2
DK	-2.0	-3.4	-4.6	-5.4	-2.9	-1.3	-1.5	0.5	1.4	2.9	2.6	2.4
D	0.7	0.7	2.4	4.3	4.1	4.3	4.8	3.5	1.2	0.3	-0.2	-0.2
D+	—	—	—	—	—	—	—	—	-0.9	-1.4	-1.6	-1.4
GR	-2.9	-2.5	-8.2	-5.3	-3.1	-2.0	-5.0	-6.1	-5.1	-4.4	-3.7	-3.6
E	-0.2	-1.6	1.4	1.6	0.1	-1.1	-3.2	-3.7	-3.8	-3.9	-3.3	-3.0
F	0.4	-0.3	0.1	0.5	-0.2	-0.3	-0.4	-0.8	-0.5	0.1	-0.1	-0.0
IRL	-2.5	-8.4	-3.9	-2.9	1.2	1.5	0.8	1.3	4.6	5.9	4.7	5.0
I	1.4	-0.6	-0.9	0.5	-0.2	-0.7	-1.3	-1.4	-1.8	-2.1	-1.4	-0.6
L¹	6.9	25.6	43.8	38.8	30.3	30.8	34.0	34.3	28.0	27.7	25.9	25.3
NL	0.5	1.6	4.0	2.6	1.9	2.8	3.5	4.0	3.9	3.4	3.0	3.0
P	0.4	-7.3	0.4	2.4	-0.4	-4.4	-2.3	-2.5	-3.5	-0.3	-2.9	-3.2
UK	-0.1	-0.1	0.5	-0.8	-2.0	-4.8	-5.4	-4.2	-1.8	-2.0	-2.5	-2.3
EUR	0.4	-0.2	0.7	1.3	0.8	0.1	-0.1	-0.3	-0.5	-0.6	-0.7	-0.5
EUR+	—	—	—	—	—	—	—	—	-1.0	-1.1	-1.1	-0.9
USA	0.5	-0.1	-2.9	-3.3	-3.4	-2.4	-1.7	-1.4	0.2	-1.1	-1.3	-1.5
JAP	0.6	0.6	3.6	4.3	3.6	2.8	2.0	1.3	2.5	3.2	3.6	3.6

¹ Included in the figures for Belgium.

TABLE 24: Rates of change of demand components, EUR (1989-94)¹ *

	Percentage change on preceding period at constant prices											
	1989	1990	1991	1992	1993	1994	1992-I	1992-II	1993-I	1993-II	1994-I	1994-II
Private consumption	3.2	3.1	1.7	1.6	-0.2	0.5	1.8	0.9	-0.8	-0.2	0.6	1.0
Government consumption	1.3	2.2	1.9	1.8	0.5	0.8	1.9	0.6	0.6	0.5	0.8	1.0
Fixed capital formation	7.1	4.0	-0.2	0.1	-1.9	1.7	0.2	-2.0	-2.5	-0.7	2.1	3.5
— Construction	6.2	3.7	-0.0	1.7	-0.5	1.8	1.9	0.1	-1.2	0.5	1.9	2.7
— Equipment	9.0	4.9	-0.2	-1.6	-3.5	1.7	-1.5	-4.1	-3.9	-2.1	2.2	4.4
Change in stocks as % of GDP	0.8	0.5	0.2	0.5	0.4	0.5	0.7	0.3	0.2	0.5	0.5	0.5
Domestic demand	3.6	2.8	1.1	1.3	-0.5	1.0	1.8	-0.5	-1.0	0.3	1.0	1.6
Exports of goods and services	7.7	6.9	5.2	3.0	1.2	3.5	3.7	0.9	1.3	1.3	4.1	4.5
Imports of goods and services	8.5	6.7	4.2	3.5	0.8	2.5	4.5	0.4	0.8	1.4	2.5	3.4
Gross domestic product	3.3	2.8	1.4	1.1	-0.4	1.3	1.3	-0.3	-0.8	0.3	1.4	2.0

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

* Notes: see page 19.

TABLE 25: Export markets and export performance
(percentage change on preceding year, 1992-94) *

	Export markets			Export performance ¹		
	1992	1993	1994	1992	1993	1994
B	3.0	1.3	3.0	-2.7	-1.9	-2.0
DK	3.1	1.6	3.2	1.9	-3.1	-0.9
D+	3.0	2.0	4.0	-2.5	-4.8	-1.7
GR	2.7	1.6	3.1	4.3	1.5	0.4
E	3.9	1.8	3.3	2.9	3.2	1.8
F	3.9	1.8	3.5	1.0	-3.1	-0.7
IRL	4.6	3.2	3.8	7.7	-0.7	0.2
I	3.1	1.9	3.6	1.1	4.3	2.1
L	—	—	—	—	—	—
L2	—	—	—	—	—	—
NL	3.5	1.2	2.6	-1.1	-1.1	0.3
P	3.2	0.8	2.8	2.2	-0.4	-0.4
UK	4.4	2.2	3.9	-1.6	4.1	1.4
EUR+	3.5	1.9	3.5	-0.5	-0.8	-0.1
USA	4.8	4.3	5.4	1.5	0.7	0.6
JAP	8.1	6.3	6.8	-7.0	-5.7	-4.0

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, 1961-94) *

	1961-73	1974-81	1982-90	1991	1992	1993	1994
B	9.3	1.8	4.6	1.9	1.0	0.0	1.4
DK	7.9	-0.2	3.3	5.6	-0.1	-1.3	2.9
D	8.7	4.1	5.3	12.4	3.2	-1.2	0.5
D+	—	—	—	—	1.9	-1.4	0.2
GR	12.8	0.4	9.5	13.0	4.7	3.2	5.1
E	—	1.7	9.3	9.5	5.3	-1.8	2.0
F	11.4	2.4	4.9	3.2	1.0	-0.1	1.9
IRL	9.2	4.5	5.1	1.0	5.1	3.8	4.0
I	10.2	2.6	4.9	4.4	3.6	-0.4	2.3
L	6.2	1.0	5.9	8.7	-0.5	1.2	1.0
NL	9.4	1.3	5.2	3.6	1.6	0.4	2.5
P	—	—	7.2	5.4	11.2	5.3	5.8
UK	5.2	0.4	7.2	-2.7	5.9	6.1	5.1
EUR¹	9.0	2.3	5.7	4.9	3.3	0.7	2.4
EUR+	—	—	—	—	3.0	0.7	2.4
USA	9.1 ²	3.0	7.2	0.7	11.0	7.5	7.0
JAP	—	7.3	7.7	-4.5	-1.9	1.9	3.0

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, 1961-94) *

	1961-73	1974-81	1982-90	1991	1992	1993	1994
B	10.2	2.2	4.6	2.4	0.2	-0.7	1.0
DK	6.8	4.7	4.6	5.9	5.1	-1.6	2.3
D	8.0	4.8	4.8	11.7	5.3	-1.5	2.3
D+	—	—	—	—	0.4	-2.9	2.2
GR	12.0	5.6	7.3	14.5	7.2	3.1	3.5
E	—	8.9	6.5	8.1	7.0	5.1	5.2
F	10.1	5.5	4.0	4.6	4.9	-1.3	2.7
IRL	8.1	7.9	9.7	5.0	12.6	2.5	4.0
I	11.5	6.5	4.3	1.6	4.3	6.3	5.7
L	5.3	-1.2	6.6	3.1	0.2	0.5	1.6
NL	10.3	2.8	5.0	5.1	2.4	0.1	2.9
P	—	—	10.9	-0.2	5.5	0.4	2.4
UK	5.0	3.5	4.5	1.7	2.8	6.4	5.3
EUR¹	8.8	4.8	4.8	5.8	4.3	1.2	3.4
EUR+	—	—	—	—	3.0	1.0	3.5
USA	6.7 ²	4.9	4.7	6.5	6.4	5.0	6.0
JAP	—	9.6	4.4	2.5	0.5	0.3	2.6

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 *

	1989	1990	1991	1992	1993	1994
as a % of GDP						
EUR¹	0.0	0.0	0.5	-0.3	-0.4	-0.2
USA	-2.2	-2.0	-1.3	-1.7	-1.8	-1.9
Japan	2.7	2.2	3.1	3.6	3.8	3.7
in billions USD						
EUR¹	3.2	-0.9	-33.2	-23.5	-29.1	-16.1
USA	-115.7	-108.8	-73.4	-99.3	-111.5	-126.4
Japan	76.9	63.6	103.1	132.3	157.0	162.7
in billions ECU						
EUR¹	2.9	-0.7	-26.8	-18.1	-24.6	-13.7
USA	-105.0	-85.6	-59.3	-76.7	-94.2	-107.4
Japan	69.8	50.0	83.3	102.2	132.7	138.3

¹ Including unified Germany from 1991 onwards.

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

	1989	1990	1991	1992	1993	1994
Fuels	19.9	29.5	-15.1	-3.3	-2.5	2.5
Other primary commodities	-0.8	0.6	-5.4	-0.5	-4.6	3.0
Manufactures	0.0	9.0	-0.5	1.3	-4.1	1.1

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)

	1989	1990	1991	1992	1993	1994
EUR	3.3	2.8	1.4	0.9	-0.5	1.2
USA	2.6	0.7	-1.3	2.1	2.6	2.5
Canada	2.3	-0.6	-1.8	1.0	3.0	3.5
Japan	4.7	5.2	4.4	1.3	0.6	2.1
EFTA	3.2	2.0	-0.5	-0.3	-0.5	1.5
Total OECD	3.2	2.2	0.6	1.5	1.1	2.0
CCEE	—	-3.4	-11.8	-15.1	-7.7	-2.5
OPEC	—	—	-0.4	6.9	5.4	5.3
Other developing countries	3.9	3.7	3.5	4.7	4.4	4.8
— DAE's	7.2	7.4	7.5	6.2	6.5	6.8
— other Asia	4.0	5.0	4.9	7.6	6.1	6.4
— Latin America	1.9	-0.7	3.1	2.5	2.0	2.7
— Africa	2.9	1.6	1.4	-0.0	1.9	2.9
World	3.3	2.5	0.6	1.6	1.4	2.4
World excluding EUR	5.6	2.0	0.3	1.8	2.1	2.9

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

	1989	1990	1991	1992	1993	1994
EUR¹	8.7	6.2	4.9	3.0	0.7	2.4
USA	4.4	2.2	0.7	11.0	7.5	7.0
Canada	4.5	-0.8	0.9	6.8	5.5	6.5
Japan	13.0	6.7	-4.5	-1.9	1.9	3.0
EFTA	6.8	4.2	-1.3	-0.6	-0.7	3.4
Total OECD	7.2	4.8	1.5	4.2	2.4	3.7
CCEE	—	—	-21.3	-14.2	6.0	5.7
OPEC	3.9	6.6	12.0	5.7	6.5	6.5
Other developing countries	8.3	8.6	13.1	10.5	8.5	9.0
— DAE's	11.2	14.5	17.1	9.9	10.2	10.5
— other Asia	5.4	-2.6	7.8	12.5	8.6	9.1
— Latin America	13.7	13.3	17.0	14.8	5.9	6.1
— Africa	3.2	2.4	0.4	2.4	2.6	4.3
World	7.4	5.6	3.0	4.8	3.8	4.9
World excluding EUR	7.3	4.9	2.0	6.1	6.0	6.7

¹ Including unified Germany from 1991 onwards.

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

	1989	1990	1991	1992	1993	1994
EUR¹	6.6	-14.0	-61.0	-74.6	-69.6	-57.9
USA²	-101.2	-90.5	-3.7	-66.4	-80.4	-98.1
Canada	-19.3	-22.0	-25.5	-23.6	-19.9	-14.0
Japan	57.0	35.9	72.9	116.7	147.1	157.8
EFTA	-0.8	-2.0	4.3	9.6	13.1	20.5
Total OECD	-75.5	-111.1	-22.7	-53.2	-26.3	-8.5
CCEE	—	-15.2	-9.0	-15.7	-23.9	-21.5
OPEC	0.1	17.0	-58.2	-31.4	-14.8	-16.8
Other developing countries	-3.2	9.6	-76.8	-39.8	-47.2	-57.3
— DAE's	21.6	5.8	-1.7	-3.9	-6.3	-11.6
— other Asia	-13.0	1.9	6.4	0.4	-2.7	-5.2
— Latin America	-6.9	-11.3	-21.1	-31.4	-30.9	-33.7
— Africa ⁶	-4.9	-3.8	-2.1	-4.9	-7.2	-6.9
Errors and omissions	-75.6	-116.7	-108.4	-140.0	-112.2	-104.0

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) *

	1989	1990	1991	1992	1993	1994
EUR¹	3.2	-0.9	-33.2	-23.5	-29.1	-16.1
USA	-115.7	-108.8	-73.4	-99.3	-111.5	-126.4
Canada	6.3	9.2	5.9	8.8	10.6	13.0
Japan	76.9	63.6	103.1	132.3	157.0	162.7
EFTA	-3.2	-2.3	1.0	8.3	10.6	15.6
Total OECD	-39.2	-47.5	1.6	22.3	32.8	43.6
CCEE	—	5.9	1.2	-3.5	-10.7	-12.5
OPEC	44.8	77.5	44.8	40.9	40.2	43.2
Other developing countries	62.2	81.6	32.5	-34.7	-39.2	-48.3
— DAE's	17.8	-0.0	-5.9	-10.2	-13.3	-19.6
— other Asia	-19.3	-6.0	-4.8	-11.8	-13.2	-15.7
— Latin America	22.4	15.9	4.3	-3.4	-3.4	-3.2
— Africa	-3.5	-5.7	-5.9	-9.3	-9.2	-9.9
Errors and omissions	19.6	39.9	35.3	25.0	23.1	26.1

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, 1988-94 *

	1988	1989	1990	1991	1992	1993	1994		1988	1989	1990	1991	1992	1993	1994
B⁵ Demand components								GR³ Demand components							
Private consumption	2.9	3.7	2.8	2.6	2.2	0.7	0.8	Private consumption	3.5	4.3	2.0	1.2	1.3	1.0	1.5
Government consumption	-1.0	0.2	1.1	0.9	0.1	1.0	0.3	Government consumption	4.7	4.2	-0.1	-0.7	-0.4	0.3	0.4
Fixed capital formation	15.4	13.7	8.4	0.3	0.0	-5.3	2.8	Fixed capital formation	8.9	10.0	5.7	-2.0	1.1	2.8	3.7
— Construction	14.7	7.5	7.1	2.0	2.8	-2.5	2.2	— Construction	9.2	4.0	2.2	-4.0	-4.0	4.6	4.5
— Equipment	15.9	21.2	10.9	-1.9	-3.4	-9.0	3.7	— Equipment	8.4	18.1	7.9	-4.7	7.0	1.0	2.8
Exports of goods and services	8.6	7.3	4.1	3.1	0.6	-0.5	1.0	Exports of goods and services	9.0	1.3	0.9	2.6	8.0	5.3	6.9
Imports of goods and services	8.0	8.8	4.2	2.7	1.6	0.1	1.4	Imports of goods and services	8.0	10.8	12.0	3.6	5.7	3.9	5.8
GDP	5.0	3.8	3.4	1.9	0.7	-1.2	1.0	GDP	4.1	3.5	-0.1	1.8	1.3	0.8	1.6
Contributions to growth								Contributions to growth							
Final domestic demand	4.3	4.9	3.7	1.9	1.5	-0.5	1.1	Final domestic demand	4.8	5.4	2.3	0.3	1.0	1.2	1.8
Stockbuilding	0.2	0.1	-0.2	-0.3	0.1	-0.2	0.2	Stockbuilding	2.2	-1.4	-1.4	2.6	0.2	-0.4	0.2
Foreign balance	0.5	-1.3	-0.1	0.3	-1.0	-0.5	-0.4	Foreign balance	-0.7	-4.0	-5.0	-1.0	0.0	-0.0	-0.3
DK⁴ Demand components								E⁶ Demand components							
Private consumption	-1.0	-0.4	0.6	1.2	1.3	0.9	2.9	Private consumption	4.9	5.6	3.7	3.1	2.4	-0.9	0.6
Government consumption	0.9	-0.6	-0.4	-0.2	0.7	2.2	2.0	Government consumption	4.0	8.3	5.7	4.2	4.0	0.5	0.9
Fixed capital formation	-6.6	1.0	-0.9	-4.2	-10.4	-4.4	3.2	Fixed capital formation	13.9	13.7	6.9	1.6	-3.0	-5.4	0.9
— Construction	-5.5	-5.7	-4.6	-10.9	-2.0	-1.4	4.0	— Construction	12.4	15.1	10.8	4.3	-4.0	-4.6	0.9
— Equipment	-8.6	5.7	3.7	2.5	-17.8	-7.6	2.4	— Equipment	16.6	12.9	1.4	-2.6	-1.3	-6.5	0.8
Exports of goods and services	7.8	4.2	8.5	7.9	3.8	-1.4	2.2	Exports of goods and services	5.1	3.0	3.2	6.6	6.4	5.1	5.2
Imports of goods and services	1.5	4.5	2.4	4.9	0.2	-1.0	2.8	Imports of goods and services	14.4	17.2	7.8	8.9	6.8	-1.3	2.2
GDP	1.2	0.6	2.0	1.2	1.1	0.1	2.5	GDP	5.2	4.7	3.7	2.3	1.0	-0.4	1.4
Contributions to growth								Contributions to growth							
Final domestic demand	-1.7	-0.2	0.1	-0.2	-0.7	0.3	2.5	Final domestic demand	6.8	8.1	5.1	3.1	1.4	-1.8	0.8
Stockbuilding	0.5	0.7	-0.6	-0.2	0.2	0.1	0.0	Stockbuilding	0.4	0.0	0.0	0.2	0.1	-0.1	0.0
Foreign balance	2.3	-0.0	2.6	1.6	1.7	-0.3	-0.0	Foreign balance	-2.6	-4.2	-1.8	-1.5	-0.5	1.5	0.6
D⁵ Demand components								F⁴ Demand components							
Private consumption	3.1	1.8	5.3	3.7	1.0	-2.0	-1.0	Private consumption	3.0	3.1	2.7	1.5	1.7	0.0	0.3
Government consumption	0.2	0.3	1.4	-1.9	2.5	0.0	0.0	Government consumption	3.4	0.2	1.8	4.1	2.7	2.1	1.5
Fixed capital formation	4.6	6.5	8.7	6.5	1.5	-3.4	-0.2	Fixed capital formation	9.6	6.8	3.1	-1.3	-2.3	-2.7	0.4
— Construction	3.1	4.8	5.3	4.1	5.6	0.7	0.5	— Construction	6.7	7.2	2.7	-1.0	0.8	-1.0	0.8
— Equipment	6.7	10.0	13.3	9.1	-2.7	-8.0	-1.0	— Equipment	10.8	6.4	4.1	-1.8	-4.5	-4.1	0.2
Exports of goods and services	5.5	10.1	10.4	12.8	3.2	-1.8	1.8	Exports of goods and services	8.2	10.3	5.4	4.1	6.5	-1.0	2.6
Imports of goods and services	5.1	8.5	10.2	11.7	3.5	-0.8	0.8	Imports of goods and services	8.5	8.0	6.4	2.9	3.0	0.1	1.9
GDP	3.7	3.4	5.1	3.7	1.5	-2.5	-0.0	GDP	4.3	3.8	2.2	1.1	1.3	-0.7	0.8
Contributions to growth								Contributions to growth							
Final domestic demand	3.0	2.5	5.4	3.5	1.3	-1.9	-0.6	Final domestic demand	4.5	3.4	2.7	1.4	1.0	-0.2	0.6
Stockbuilding	0.6	0.3	-0.6	-0.5	0.2	-0.2	0.2	Stockbuilding	0.0	0.0	-0.0	-0.5	-0.5	-0.2	0.0
Foreign balance	0.2	0.6	0.3	0.7	-0.0	-0.4	0.4	Foreign balance	-0.3	0.4	-0.4	0.3	0.8	-0.3	0.2
D+⁹ Demand components								IRL⁵ Demand components							
Private consumption	—	—	—	—	1.6	-1.7	-0.7	Private consumption	4.6	3.8	3.0	0.3	3.7	2.8	3.0
Government consumption	—	—	—	—	2.8	-0.2	0.1	Government consumption	-4.7	-1.1	5.2	1.3	1.9	1.0	1.3
Fixed capital formation	—	—	—	—	4.6	-0.8	1.5	Fixed capital formation	1.5	15.1	10.2	-7.2	-1.4	-0.1	2.8
— Construction	—	—	—	—	9.1	2.9	2.0	— Construction	1.9	15.1	11.7	-1.4	0.7	0.3	3.5
— Equipment	—	—	—	—	-0.6	-5.4	0.7	— Equipment	0.1	19.6	7.2	-11.6	-3.9	-0.5	2.0
Exports of goods and services	—	—	—	—	0.9	-3.1	2.1	Exports of goods and services	8.7	10.1	8.8	4.9	11.4	2.6	4.0
Imports of goods and services	—	—	—	—	1.9	-1.1	0.6	Imports of goods and services	3.9	10.9	6.0	0.7	5.8	4.3	4.4
GDP	—	—	—	—	2.0	-2.0	0.5	GDP	4.9	6.5	8.3	2.5	3.5	2.1	2.6
Contributions to growth								Contributions to growth							
Final domestic demand	—	—	—	—	2.5	-1.2	-0.0	Final domestic demand	2.2	4.6	4.4	-1.0	2.1	1.7	2.3
Stockbuilding	—	—	—	—	0.2	-0.2	0.2	Stockbuilding	-0.7	1.5	1.4	0.4	-3.5	1.1	-0.0
Foreign balance	—	—	—	—	-0.7	-0.4	0.3	Foreign balance	3.4	0.4	2.5	3.1	4.9	-0.7	0.3

	1988	1989	1990	1991	1992	1993	1994
I⁵ Demand components							
Private consumption	4.6	3.6	2.9	2.2	1.8	-0.9	0.5
Government consumption	2.8	0.8	1.2	1.4	1.1	0.1	0.8
Fixed capital formation	6.9	4.3	3.8	0.6	-1.4	-3.6	1.0
— Construction	2.3	3.9	2.5	1.4	-1.8	-2.2	0.3
— Equipment	11.6	5.1	3.5	-0.1	-1.1	-4.8	1.7
Exports of goods and services	4.8	7.8	8.7	-0.4	5.0	6.2	5.6
Imports of goods and services	7.3	7.2	10.6	1.8	4.6	-0.4	2.4
GDP	4.1	2.9	2.1	1.3	0.9	0.0	1.5
Contributions to growth							
Final domestic demand	4.8	3.4	2.9	1.8	1.0	-1.4	0.7
Stockbuilding	-0.0	-0.4	0.0	0.1	0.0	-0.2	0.1
Foreign balance	-0.7	-0.0	-0.7	-0.6	-0.1	1.6	0.8
L⁵ Demand components							
Private consumption	3.9	3.9	4.0	6.5	1.7	1.7	2.3
Government consumption	3.8	1.9	3.2	3.8	3.4	2.5	2.7
Fixed capital formation	14.1	8.9	2.5	9.8	-2.1	5.8	-1.4
— Construction	8.8	4.6	8.0	8.1	1.0	2.9	0.6
— Equipment	16.1	-16.9	10.9	11.6	-5.8	9.4	-3.8
Exports of goods and services	7.5	6.9	2.6	3.6	1.3	0.5	1.7
Imports of goods and services	8.5	6.1	4.3	8.1	0.2	1.4	1.3
GDP	5.7	6.7	3.2	3.1	1.8	1.0	2.0
Contributions to growth							
Final domestic demand	6.3	4.9	3.4	6.9	0.9	3.0	1.4
Stockbuilding	0.4	0.8	1.7	1.2	-0.3	-0.9	0.3
Foreign balance	-1.1	0.9	-1.9	-5.1	1.3	-1.0	0.4
NL⁷ Demand components							
Private consumption	0.8	3.5	4.1	3.3	1.6	0.3	0.6
Government consumption	1.4	1.5	2.1	1.6	0.3	-0.2	-0.3
Fixed capital formation	4.5	4.9	3.6	0.1	1.6	-2.2	1.7
— Construction	10.3	2.3	0.6	-3.6	2.1	-1.2	-0.0
— Equipment	5.0	5.3	7.6	4.4	1.0	-3.3	3.7
Exports of goods and services	9.0	6.7	5.5	4.6	2.6	0.1	2.9
Imports of goods and services	7.6	6.7	4.9	3.7	1.8	0.6	2.5
GDP	2.6	4.7	3.9	2.2	1.7	-0.6	1.0
Contributions to growth							
Final domestic demand	1.7	3.4	3.5	2.2	1.3	-0.3	0.6
Stockbuilding	0.1	1.1	-0.1	-0.6	-0.1	0.0	0.0
Foreign balance	1.1	0.3	0.7	0.8	0.5	-0.2	0.3
P⁸ Demand components							
Private consumption	6.6	3.3	5.3	4.5	3.7	2.8	2.8
Government consumption	5.3	2.8	1.5	4.2	1.8	1.0	1.3
Fixed capital formation	15.0	5.6	5.9	2.8	4.5	2.9	5.2
— Construction	10.1	3.5	5.3	4.5	3.5	3.2	6.0
— Equipment	23.2	10.0	5.8	1.0	5.6	2.5	4.3
Exports of goods and services	10.2	13.3	9.5	-0.6	5.0	0.4	2.4
Imports of goods and services	16.1	9.1	10.1	5.6	10.3	5.0	5.7
GDP	3.9	5.2	4.4	1.9	1.1	0.5	1.5
Contributions to growth							
Final domestic demand	9.2	4.4	5.6	4.6	4.1	2.9	3.7
Stockbuilding	-0.8	0.6	0.7	-0.5	0.1	0.0	-0.1
Foreign balance	-4.5	0.2	-1.9	-3.9	-3.1	-2.3	-2.2

	1988	1989	1990	1991	1992	1993	1994
UK⁵ Demand components							
Private consumption	7.5	3.3	0.7	-2.1	0.2	1.7	1.6
Government consumption	0.6	0.9	3.2	2.8	-0.2	0.3	0.9
Fixed capital formation	14.2	7.2	-3.1	-9.9	-0.6	1.3	4.6
— Construction	13.4	5.4	-0.6	-8.3	-1.8	-2.1	4.4
— Equipment	13.0	11.6	-3.6	-11.5	0.6	4.7	4.8
Exports of goods and services	-0.1	3.8	4.9	0.3	1.9	6.1	5.3
Imports of goods and services	12.5	7.4	1.0	-3.1	5.1	5.9	4.9
GDP	4.3	2.1	0.5	-2.2	-0.6	1.5	2.5
Contributions to growth							
Final domestic demand	7.3	3.7	0.4	-2.8	-0.0	1.4	2.1
Stockbuilding	0.7	-0.3	-0.9	-0.6	0.5	0.3	0.5
Foreign balance	-3.7	-1.3	1.1	1.1	-1.1	-0.2	-0.1
EUR⁵ Demand components							
Private consumption	4.2	3.2	3.1	1.7	1.4	-0.2	0.5
Government consumption	1.9	1.3	2.2	1.9	1.6	0.6	0.8
Fixed capital formation	8.8	7.1	4.0	-0.2	-0.8	-2.6	1.3
— Construction	6.9	6.2	3.7	-0.0	0.6	-1.2	1.3
— Equipment	10.5	9.0	4.9	-0.2	-2.1	-4.1	1.3
Exports of goods and services	5.6	7.7	6.9	5.2	3.9	1.3	3.3
Imports of goods and services	8.6	8.5	6.7	4.2	3.9	0.9	2.5
GDP	4.1	3.3	2.8	1.4	0.9	-0.5	1.2
Contributions to growth							
Final domestic demand	4.8	3.7	3.2	1.4	1.0	-0.6	0.7
Stockbuilding	0.3	0.0	-0.3	-0.3	0.0	-0.1	0.2
Foreign balance	-1.0	-0.4	-0.1	0.3	-0.1	0.1	0.2
EUR + ⁵ Demand components							
Private consumption	—	—	—	—	1.6	-0.2	0.5
Government consumption	—	—	—	—	1.8	0.5	0.8
Fixed capital formation	—	—	—	—	0.1	-1.9	1.7
— Construction	—	—	—	—	1.7	-0.5	1.8
— Equipment	—	—	—	—	-1.6	-3.5	1.7
Exports of goods and services	—	—	—	—	3.0	1.2	3.5
Imports of goods and services	—	—	—	—	3.5	0.8	2.5
GDP	—	—	—	—	1.1	0.4	1.3
Contributions to growth							
Final domestic demand	—	—	—	—	1.3	0.4	0.9
Stockbuilding	—	—	—	—	0.0	-0.1	0.2
Foreign balance	—	—	—	—	-0.4	0.1	0.2

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 1987 prices.

⁸ 1990 prices.

⁹ 1991 prices.

Source: Commission Services.

* 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 1991) is based on ESA national accounts (European System of Integrated Economic Accounts) which are published once a year by Eurostat. In the prospective part (1992 estimates, 1993 and 1994 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, 1985 PPS are 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 — May 1993

Community (EUR-12)

13.5 The bilateral central rates of the Spanish peseta and of the Portuguese escudo against the other currencies of the exchange rate mechanism were reduced by 8 % and 6.5 % respectively.

22.5 Informal ECOFIN Council reacts favourably to the recommendations of the Monetary Committee and the Committee of Governors reports on the Autumn 1992 exchange rate crisis. Ministers rejected the need for major ERM reform emphasizing instead the need to make more effective use of the available instruments.

26.5 Commission approves Communication to the 'Community strategy to encourage employment'.

Belgium (B)

7.5 With effect from 10 May, the central bank cuts its rate on advances by 0.10 percentage point to 7.40 % and lowers its rate on overnight money within the ceiling from 8.50 % to 8.40 %.

12.5 With effect from 13 May, the central bank cuts its discount rate from 6.75 % to 6.50 %. On the same date, the rate on advances is reduced from 7.40 % to 7.30 % and the rate on advances in excess of the ceiling is cut from 9.25 % to 9 %.

18.5 With effect from 1 July, the government increases taxes on energy products (petrol, gas oil for heating, electricity and natural gas). This measure, which affects only the consumer, should raise BFR 10 billion. Of this amount BFR 8.6 billion is intended to safeguard competitiveness by reducing employers' social security contributions in the sectors most exposed to international competition. This will be achieved by a flat-rate increase in the Maribel subsidy of BFR 17 500 a year for each manual worker in the sectors concerned. A special margin of at least BFR 1 billion is made available for specific employment initiatives. The effect on the consumer price index of the increase in taxes on energy products should be some 0.25 %.

19.5 With effect from 24 May, the central bank reduces its rate on advances from 7.30 % to 7.20 %.

27.5 With effect from 28 May, the central bank lowers its discount rate from 6.50 % to 6.25 %. It also decides to reduce its rate on advances by 0.20 percentage point to 7 %.

Denmark (DK)

19.5 The Government presents a fiscal growth package comprising a tax reform, a labour market reform, industrial policy measures and additional public investment.

Germany (D)

None.

Greece (GR)

None.

Spain (E)

13.5 The central rate of the peseta in the Exchange Rate Mechanism is devalued by 8 %, leading to a central rate against the German mark of 79.11, with a lower limit of 84 and an upper limit of 74.5.

13.5 After the announcement of the peseta devaluation, a 1.5 % cut in the key intervention rate is announced.

20.5 The Treasury reduces its one-year Treasury bill rate by 1.55 % from 12.53 % to 10.98 %.

25.5 Announcement of a 0.25 % cut in the key intervention rate which is lowered to 11.25 %.

25.5 Petrol price ceiling is raised by PTA 0.9 and the ceiling price of diesel by PTA 0.6. These rises reflect the recent devaluation of the peseta.

France (F)

5.5 Interest rates on subsidized loans (FDES) to enterprises are reduced from 9.75 % to 7.75 %.

13.5 The Banque de France cuts its key intervention rate from 8 % to 7.75 % and its five—to—ten day emergency lending rate from 9 % to 8.75 %.

24.5 The Banque de France cuts official rates by 0.25 point to 8.5 % and 7.5 %.

Ireland (IRL)

3.5 The government response to the 'Culliton Report' on 'Industrial Policy for the 1990s' — proposals announced for increased competition and lower energy and communications costs to industry and for reform of public agencies responsible for employment and export promotion. However, tax reform measures to foster employment creation have been deferred in view of current budgetary constraints.

31.5 The central bank reduces the short—term facility by 25 basis points to 8 %. This follows similar reductions on 10 and 24 May.

Italy (I)

21.5 The Bank of Italy announces that the official discount rate is cut from 11 % to 10.5 %. The fixed-term advance of emergency—fund rate was cut by the same amount to 11.5 %.

21.5 The Italian government announces a supplementary fiscal package amounting to LIT 12.4 trillion (0.8 % of GDP). The measures, contained in a decree—law with immediate effect, aim at achieving a primary surplus in the state sector account of LIT 37 trillion (2.4 % of GDP). Almost one half of the planned correction, or LIT 6 trillion, is expected from an increase in indirect tax receipts. The remainder of the fiscal package, or LIT 6.4 trillion, includes cuts in budgeted expenditure for this year (LIT 3 trillion), an increase in social security contributions payable by the self—employed, and a compulsory deposit with the Treasury of the cash surpluses of social security institutions.

Luxembourg (L)

None

Netherlands (NL)

7.5 With effect from 10 May, the Nederlandsche Bank cuts its special advances rate from 7.50 % to 7.40 %.

12.5 With effect from 13 May, the Nederlandsche Bank lowers its discount rate from 6.75 % to 6.50 %. On the same date it also cuts its special advances rate from 7.40 % to 7.30 %.

19.5 With effect from 24 May, the Nederlandsche Bank cuts its special advances rate from 7.30 % to 7.20 %.

27.5 With effect from 28 May, the Nederlandsche Bank lowers its discount rate from 6.50 % to 6.25 % and its special advances rate by 0.20 percentage point to 7 %.

Portugal (P)

13.5 The central rate of the escudo in the European Monetary System is devalued by 6.5 %.

31.5 Following budget difficulties and the escudo's devaluation since the adoption of the budget for 1993, the government increases fuel prices by 6 %.

United Kingdom (UK)

None.

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