EUROPEAN ECONOMY

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DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A
**Recent economic trends**
No 7 – July 1991

In this number:
Recent developments
and outlook

THE WORLD ECONOMY IN BRIEF

- *World growth will be no more than 1,5 % in 1991 whereas in 1988 it peaked at almost 4,5 %.*

- *Pronounced cyclical differences exist between the industrialized countries. In the countries which are going through a recession, the first signs of a recovery are already discernible. In others, such as Germany and Japan, the cyclical slowdown is still to come.*

- *The most probable scenario for the months ahead is that in the industrialized economies there will on average be a moderate upturn in growth and a narrowing of cyclical differences.*

- *The factors which will favour the recovery of the industrialized economies include the following: the greater strength and flexibility of the industrialized economies as a result of the structural policies pursued during the 1980s; the recovery of private sector confidence after the collapse caused by the Gulf war; the fall in commodity prices and the return of oil prices to their July 1990 level; the loosening of monetary policy in the United States.*

- *The scale of the recovery will be limited because of the persistence of domestic inflationary pressures, the necessity for financial consolidation in both the public and the private sector, the greater pressure being exerted on the international capital markets, preventing a significant fall in long-term interest rates, and the lack of decisive progress towards a further liberalization of international trade.*

- *The Central and East European countries are going through a severe recession caused chiefly by the dissolution of the CMEA, the collapse of the Soviet economy, and the implementation of stabilization programmes whereas the progress of structural reforms is slow.*

- *In the Soviet Union, the absence until now of clear and credible prospects of structural reforms has continued to exacerbate already major difficulties.*

- *Some acceleration in the average growth of the developing countries could take place in 1991 and 1992. The acceleration is chiefly attributable to the return to a positive growth rate of the Latin American economies which have just come through a recession. However, the fall in commodity prices and the burden of foreign debt are continuing to hold back the development of this group of countries.*

GRAPH 1a: **World growth**
(annual percentage change of GDP)

World	— OECD countries	— LDCs
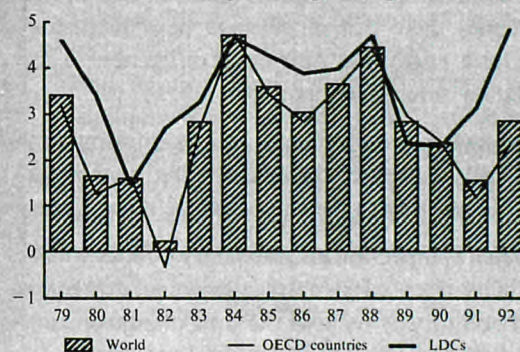
Excluding Central and East European countries and Soviet Union.
1991 and 1992: forecasts.

GRAPH 1b: **Growth of industrialized countries**
(annual percentage change of GDP)

— EC	— USA	··· Japan	OECD Countries (average)
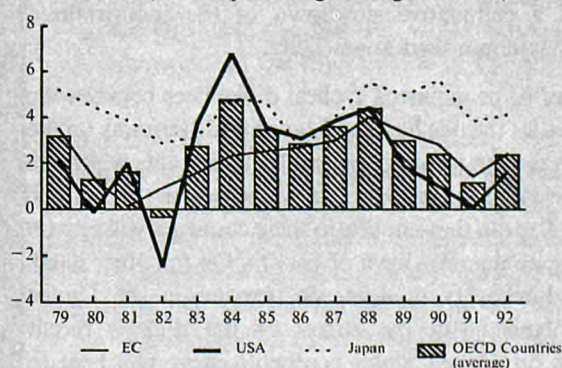
1991 and 1992: forecasts.

Deceleration of growth in the industrialized countries

In 1989-1990, an exceptionally long period of sustained economic expansion came to an end. Disenchantment became apparent after the euphoria which was still prevalent in the late 1980s. World growth will probably be 1,5 % in 1991 whereas in 1988 it peaked at almost 4,5 % (Graph 1).

The general collapse of consumer and investor confidence and the temporary rise in oil prices caused by the Gulf war certainly reinforced in the second half of 1990 and at the beginning of this year, a cyclical movement which had already begun. But, in the industrialized and newly industrializing countries of Asia, this movement originated primarily in the strains which built up at the end of the last decade on productive capacities and labour markets. These strains resulted in particular in an acceleration of price and cost inflation and/or a deterioration in the external accounts.
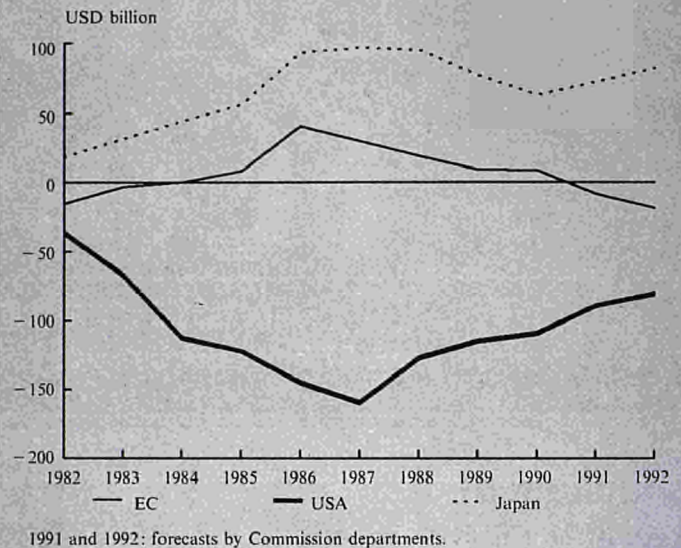
All the same, the slowdown is affecting countries at different times and in different ways. For example, the United States, Canada, the United Kingdom and the Community's immediate neighbours such as Sweden or Finland are going through a recession, and in those countries the first signs of a recovery are already discernible. However, in Germany, where the western part has benefited from a boom in demand due to unification, and in Japan growth has continued to be rapid and higher than the growth of productive potential during the last few quarters, and the cyclical slowdown is still to come.
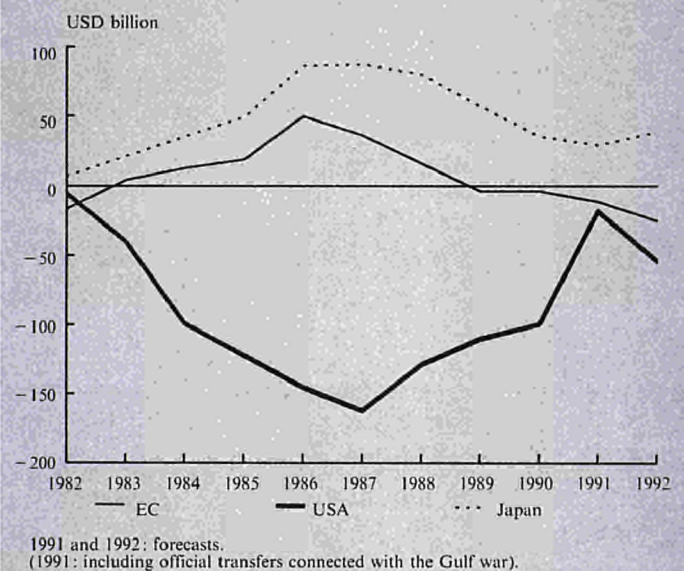
Factors making for a limited recovery ....

The most probable scenario for the months ahead is that in the industrialized economies there will on average be a moderate upturn in growth and a narrowing of cyclical differences. This scenario is borne out by several factors :

— The fundamental fact is that structural policies implemented during the last decade have given the industrialized economies greater flexibility in reacting to the shocks which affect them.

— Keener international competition and monetary policies which are generally stability-oriented have strengthened relative price mechanisms and accordingly reduced the scale of adjustments in terms of quantity and therefore of cyclical movement. In addition, the globalization and deregulation of financial markets is ensuring the better diffusion of local savings surpluses, thereby easing the constraint which may bear on sectors or regions temporarily short of liquidity. As a result, the risk of a cumulative slowdown of the industrialized economies has diminished appreciably.

— The existence of pronounced cyclical differences between the United States on the one hand and Japan and Germany on the other makes the upturn more probable. The strains which are still being exerted on productive capacities in Japan and Germany will mean that imports in these countries will remain buoyant despite the slowdown of growth. On the other hand, the expected recovery in domestic demand in the United States, combined with the effects of the dollar's recent appreciation on United States competitiveness, will help to accelerate that country's external demand.

GRAPH 2a: **Trade balance (fob-fob)**

USD billion

1991 and 1992: forecasts by Commission departments.

GRAPH 2b: **Balance of current transactions**

USD billion

1991 and 1992: forecasts.
(1991: including official transfers connected with the Gulf war).

— The trade and current account imbalances between the industrialized countries which peaked in 1986/87 and were one of the sources of instability on the international financial markets have continued to diminish in 1990 (Graph 2). This was greatly helped by the cyclical differences which opened up. However, the gradual diminution of the cyclical differences is now tending to slow down or even to reverse the process of moving back towards balance.

— A more rational management of stocks than even ten years or so ago has prevented an unwanted accumulation of unsold goods. As a result it is very probable that output will quickly react to a pick-up in demand in the economies now in recession.

— With the fall in commodity prices and the return of oil prices to their pre-Gulf war level, the industrialized economies are

GRAPH 3: Terms of trade
(Index 1 in 1989)

— Industrialized countries
— LDCs

1991 and 1992: forecasts.
*LDCs excluding OPEC countries and 6 dynamic countries of Asia.

effects which might have been expected on the upward movement of prices and costs. Admittedly, the effects of the temporary rise in oil prices in 1990 have now been absorbed. But, both in the United States and on average for the Community, although inflation is falling, it is bumping up against a barrier of between 4 % and 5 % (Graph 4). In Japan, growth - well above that of the productive potential over a long period - has been accompanied by a progressive rise in inflation.

* Long-term interest rates are staying high. In addition to the persistence of relatively strong inflationary pressures, many other factors are bearing on world credit and capital markets (Graph 5).

— The reconstruction of the Central and East European countries, including the eastern part of Germany, is creating a greater need for capital. This need has already translated into the disappearance of Germany's surplus of national savings and will become even greater as these countries establish the conditions which will attract foreign investment.

— In the United States, the slowdown of growth has contributed to a further deterioration in the Federal deficit. Moreover, the prospects of a significant reduction in the deficit remain uncertain, even after last autumn's budgetary agreement between the Congress and the Administration. Further, the phase of financial consolidation for enterprises and households will probably be longer than at the end of earlier recessions because of the particularly high indebtedness accumulated by these sectors during the 1980s. This is all the more relevant because the quality of the banking sector's assets has deteriorated in the last few years. The banks have therefore become more reluctant to lend, which makes cuts in short-term interest rates less effective. In fact, these cuts have scarcely worked through to the long-term market.

continuing to benefit from a stabilization, or even a slight improvement, in their terms of trade (Graph 3).

— The easing of monetary policy in the United States and more recently and more moderately in Japan may, at least in the short term, help growth to revive in the former country and curb its slowdown in the latter.

— The indicators of consumer and investor confidence which had collapsed during the Gulf war have rapidly started to recover.

... but also involving constraints and risks

Several factors will, however, limit the scale of the recovery and as such contain the risks of a setback.
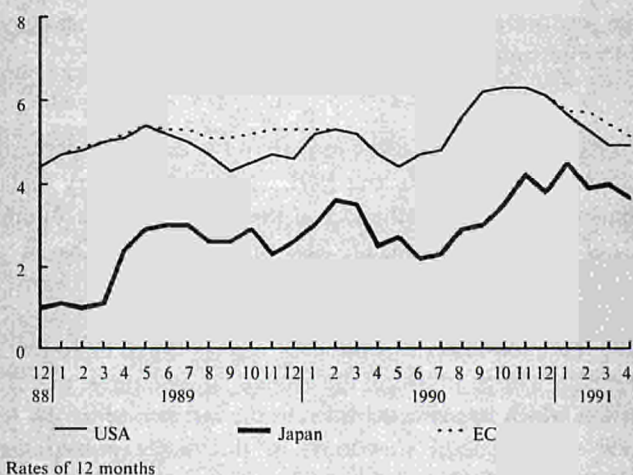
* Inflationary pressures are still strong. The slowdown in growth and some increase in unemployment have not produced the

— Although the Japanese banking sector is probably less fragile than that of the United States, it is also faced with a deterioration in the quality of its assets, often secured against equities which fell substantially in value in 1990 or against real estate the prices of which after having been affected by speculation at the end of the 1980s, are liable to undergo a further downward adjustment. More recently, the stock market recovery and the fact that the fall in property prices has been contained have eased the pressure on Japanese banks. Nevertheless, for simple prudential reasons, they will be more cautious in granting loans in the near future.

— The failure to complete the Uruguay Round, and more generally the persistence of protectionist tendencies, all the stronger because economic difficulties are increasing, make it less likely that world trade can benefit from a new positive structural shock, the effects of which would also be felt in an improvement in the expectations of the private sector.

GRAPH 4: Inflation rates
(Prices of private consumption)

— USA
— Japan
••• EC

Rates of 12 months

In this context, the scale of the recovery of the industrialized economies will hinge very substantially on three factors : the control of inflationary pressures by the pursuit of prudent monetary policies; the ability to release the savings necessary to meet the new needs and to reduce the financial imbalances which built up during the last decade as well as the continuation or credible resumption of the consolidation of public budgets; and fresh progress towards the liberalization of world trade.

GRAPH 5a: **Short-term interest rate**

14
12
10
8
6
4
2
0

12|1 2 3 4 5 6 7 8 9 1011121 2 3 4 5 6 7 8 9 1011121 2 3 4 5|
88| 1989 | 1990 | 1991 |

—— USA   —— Japan   · · · EC
(Three-month money market rate)
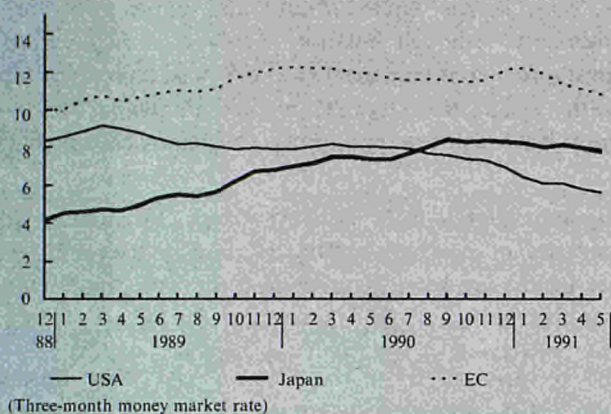
GRAPH 5b: **Long-term interest rates**

14
12
10
8
6
4
2
0

12|1 2 3 4 5 6 7 8 9 1011121 2 3 4 5 6 7 8 9 1011121 2 3 4 5|
88| 1989 | 1990 | 1991 |

—— USA   —— Japan   · · · EC
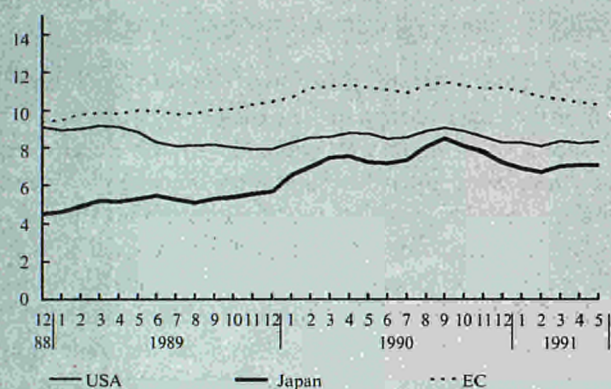
GRAPH 5c: **Interest rates**
(Difference between long and short-term)

3
2
1
0
−1
−2
−3

12|1 2 3 4 5 6 7 8 9 1011121 2 3 4 5 6 7 8 9 1011121 2 3 4 5|
88| 1989 | 1990 | 1991 |

—— USA   —— Japan   · · · EC
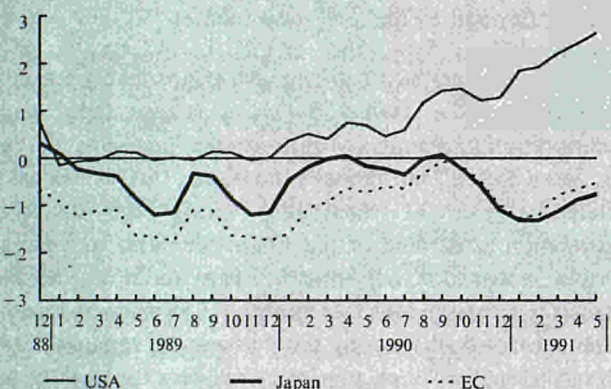
Structural adjustments and recession in the Central and East European countries

In all the Central and East European countries, there has been a marked fall in output, ranging from 5 % to 15 %. The causes of this major recession are the dissolution of the CMEA, the collapse of the Soviet market and the implementation of macroeconomic stabilization programmes in economies which are still relatively inflexible and ill-adapted to world markets.

Price liberalization, which is necessary to restore market forces, has exacerbated the already severe inflationary strains. There has been somme success in fighting inflation, particularly in Czechoslovakia, Hungary and Poland, but significant progress is still necessary in all these countries.

The length and cost of the transitional period which these countries are passing through will chiefly depend on the speed with which they can implement the structural reforms essential for their transformation. The process is now under way in all these countries but remains slow, particularly in Romania and Bulgaria. This slowness is partly due to the fact that implementation of such reforms is closely bound up with the search for a new balance of political power. The progress made nevertheless suggests that on average for these countries economic activity could pick up to some extent next year.

The Soviet Union's situation and economic outlook are far more uncertain. The breakdown of the State trading system without the parallel development of a market economy is exacerbating supply problems. The difficulties encountered by the central authorities in implementing a stabilization programme is also exacerbating the macroeconomic imbalances. Inflation is accelerating and the external accounts have deteriorated very appreciably. In the absence of clear and credible prospects of major structural reforms, the risk is that the Soviet Union's economic difficulties will go on getting worse.

Widely differing situations in the developing countries, but prospects of a slight recovery

The developing countries differ very widely in their performances and prospects, both between and within continents. These differences are generally linked to the scale of the structural reforms implemented to promote the market economy and national saving, to diversify production and open these economies to international trade. The implementation of such reforms is especially necessary since competition is increasing on the international capital markets whereas despite some progress the burden of external indebtedness is continuing to bear on these countries.

In 1990 the Gulf war affected the average performance of the developing countries in several respects. A number of them suffered an appreciable deterioration in their terms of trade as a result of the rise in oil prices combined with a fall in other commodity prices. Some of these economies, in the Gulf region and nearby, were also particularly hard hit by losses of income due to the repatriation of immigrant workers from Iraq and Kuwait and to interruptions in flows of trade and tourism.

Some recovery in the average growth of the developing countries could take place in 1991 and 1992. However, recovery remains dependent on the performances of the industrialized economies. Some of the factors directly linked with the Gulf war have already been reversed. In the Gulf, growth should benefit from the progressive recovery of economic activity in Kuwait and, possibly, in Iraq. In Latin America, countries such as Brazil or Argentina, which have a large weight in the average, should move out of the recession which has affected them in the last two years. In Asia, despite some cyclical slowdown in the newly industrializing countries, growth should remain buoyant and definitely higher than on the other continents.

Conclusion

On the whole the chances of a progressive recovery of the world economy are positive. The resolution of the Gulf crisis and the subsequent stabilization of oil prices have partly restored the consumer and investor confidence lost in the second half of last year. The first signs of a recovery in the industrialized economies now in recession are becoming evident. However, there are risks:

— the risk of financial instability which would pull the world economy down again if the monetary and fiscal policies of the industrialized countries failed to come up with appropriate responses to the current challenges;

— the risk that the transformations in the Central and East European countries do not succed or prove insufficient, giving rise to social, political and economic tensions in Europe;

— the risk of insufficient resistance to protectionist tendencies and of a lack of progress towards the liberalization of world trade.

15 July 1991

TABLE 1: GDP (at constant prices) (annual percentage change)

	1986	1987	1988	1989	1990	1991	1992
Industrialized countries	2.8	3.6	4.4	2.9	2.4	1.2	2.3
− CE	2.7	3.0	4.0	3.3	2.8	1.4	2.4
− USA	3.1	3.8	4.4	1.8	1.0	0.1	1.6
− Japan	2.6	4.0	5.5	4.9	5.6	3.8	4.1
− Canada	3.1	4.5	5.0	2.9	0.8	−0.3	2.2
− EFTA	2.6	2.6	2.9	3.5	1.9	1.0	1.8
− Other OECD	2.7	4.3	3.4	3.6	2.5	1.1	2.8
DEAs[1]	9.5	11.1	9.5	7.0	6.7	6.3	6.8
OPEC	−1.0	−0.5	2.3	−1.4	1.2	1.0	5.8
LDCs excluding OPEC and DEAs	4.6	4.1	4.4	2.5	1.5	2.9	4.0
− Latin America[2]	4.0	2.8	0.3	1.2	−1.6	1.5	3.2
− Asia[2]	5.7	5.9	8.4	3.7	4.1	4.4	5.0
− Africa[2]	3.2	1.9	2.7	2.1	1.1	1.5	2.5
World[3]	3.0	3.6	4.4	2.8	2.4	1.5	2.8

[1] 6 dynamic economies of Asia: Hong Kong, Korea, Malaysia, Singapore, Taiwan, Thailand.
[2] Excluding OPEC countries.
[3] Excluding Central and East European countries and the USSR.
1991 and 1992: Forecasts by Commission departments.

TABLE 3: Import volume (annual percentage change)

	1986	1987	1988	1989	1990	1991	1992
Industrialized countries	11.1	5.8	6.9	6.9	4.9	3.4	5.1
− EC	10.4	9.2	7.4	7.3	5.2	4.3	5.2
− USA	13.8	1.5	1.1	3.3	3.5	1.7	4.3
− Japan	9.8	8.0	18.8	13.1	9.9	7.5	7.8
− Canada	3.0	7.5	16.3	6.6	−0.6	−3.3	4.2
− EFTA	17.7	−1.6	4.5	5.4	4.1	2.3	3.9
− Other OECD	−2.7	5.3	8.1	18.2	7.3	1.4	4.4
DEAs[1]	6.6	17.6	22.7	12.7	9.9	7.5	8.1
OPEC	−24.8	−5.0	−1.1	8.5	4.6	7.5	5.6
LDCs excluding OPEC and DEAs	−4.3	−1.8	8.9	10.9	0.9	4.3	5.0
− Latin America[2]	−0.5	0.2	8.7	28.5	4.2	3.8	4.3
− Asia[2]	−6.5	−3.1	10.6	4.5	−1.3	5.6	6.5
− Africa[2]	−2.8	−1.0	5.4	7.8	1.7	1.8	2.6
World[3]	6.7	5.4	8.0	7.9	5.0	4.0	5.4

[1] 6 dynamic economies of Asia: Hong Kong, Korea, Malaysia, Singapore, Taiwan, Thailand.
[2] Excluding OPEC countries.
[3] Excluding Central and East European countries and the USSR.
1991 and 1992: Forecasts by Commission departments.

TABLE 2: Balance of current transactions (USD billion)

	1986	1987	1988	1989	1990	1991	1992
Industrialized countries	−30.7	−59.1	−52.6	−91.3	−91.3	−12.8	−47.0
− EC	49.7	35.8	15.9	−4.1	−3.7	−11.4	−25.1
− USA	−145.4	−162.2	−129.0	−110.0	−99.4	−18.3	−54.1
− Japan	85.8	87.0	79.6	57.0	35.1	29.1	38.4
− Canada	−7.7	−7.1	−8.3	−14.1	−7.5	−0.2	4.6
− EFTA	−0.4	−1.4	−1.6	−1.7	2.3	6.8	8.6
− Other OECD	−12.7	−11.3	−9.2	−18.4	−18.2	−18.8	−19.4
DEAs[1]	23.1	31.8	29.3	21.4	5.9	4.5	1.6
OPEC	−22.2	−10.6	−24.8	−0.5	23.8	−36.6	−2.6
LDCs excluding OPEC and DEAs	−35.8	−20.3	−25.8	−32.7	−31.2	−36.6	−39.8
− Latin America[2]	−13.5	−6.0	−2.6	−9.3	−9.0	−8.7	−7.9
− Asia[2]	−16.7	−9.2	−16.9	−17.1	−11.9	−17.3	−21.2
− Africa[2]	−5.7	−5.1	−6.3	−6.4	−10.3	−10.5	−10.7
World[3]	−65.5	−58.2	−73.9	−103.1	−92.8	−81.4	−87.8

[1] 6 dynamic economies of Asia: Hong Kong, Korea, Malaysia, Singapore, Taiwan, Thailand.
[2] Excluding OPEC countries.
[3] World statistical difference and Central and East European countries (including USSR).
1991 and 1992: Forecasts by Commission departments.

TABLE 4: Terms of trade (annual percentage change)

	1986	1987	1988	1989	1990	1991	1992
Industrialized countries	11.0	−0.2	1.2	−0.6	−0.4	0.3	0.3
− EC	9.7	1.9	0.4	0.0	0.7	0.4	−0.1
− USA	6.3	−7.2	0.9	−0.4	−1.9	0.8	1.7
− Japan	38.4	4.1	2.3	−4.7	−5.2	2.2	0.3
− Canada	−7.8	−0.7	7.1	−0.4	−0.4	−0.2	1.6
− EFTA	9.8	−2.1	−0.3	−0.3	1.2	0.1	−0.1
− Other OECD	1.7	1.1	8.1	3.6	−3.1	−2.0	−0.6
DEAs[1]	−0.5	−2.4	0.9	−0.2	−0.7	1.7	1.1
OPEC	−444	41	−17.2	9.0	14.3	−13.0	−3.2
LDCs excluding OPEC and DEAs	−9.8	−1.5	0.1	0.0	−1.9	−1.1	−0.1
− Latin America[2]	−8.0	−3.0	2.6	−2.2	−1.4	−2.1	−0.0
− Asia[2]	−13.0	0.1	−2.4	0.6	−1.3	−1.2	−0.1
− Africa[2]	−5.6	−2.4	2.1	1.4	−3.1	0.3	−0.1
World[3]	2.5	−0.3	0.1	−0.0	0.2	−0.5	0.1

[1] 6 dynamic economies of Asia: Hong Kong, Korea, Malaysia, Singapore, Taiwan, Thailand.
[2] Excluding OPEC countries.
[3] Excluding Central and East European countries and the USSR.
1991 and 1992: Forecasts by Commission departments.

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

	1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Oct.	Nov.	Dec.	1991 Jan.	Feb.	March	April	Change over 12 months (%)(b)
B	0,8	2,1	5,8	3,4	5,1	5,7	-1,2	-1,4	0,5	:	-2,2	1,5	-1,9	-1,4	:	:	:	-1,7
DK	6,5	-3,4	1,9	2,3	0,5	3,7	-5,8	1,8	0,6	0,4	6,7	1,2	-6,9	8,0	-2,6	-3,4	6,8	7,8
D	2,4	0,3	3,7	5,3	5,1	1,8	-0,1	2,2	1,7	0,8	2,1	-1,0	-0,6	2,4	-1,3	0,0	1,1	7,6
GR	-0,2	-1,7	5,7	1,6	-1,9	-0,7	-1,3	-3,9	4,7	:	18,3	-4,3	0,8	-2,0	-0,4	:	:	-4,9
E	3,1	4,6	3,1	4,5	0,0	2,9	-2,3	-0,7	-0,4	-1,5	0,2	2,5	-4,6	5,3	-3,0	-7,1	:	-10,6
F	0,9	1,9	4,6	4,1	1,3	-0,5	0,8	0,6	-1,0	0,3	0,7	-1,4	-1,0	3,0	-0,7	-3,1	1,8	-0,3
IRL	2,2	8,9	10,7	11,6	4,7	-0,1	-0,6	5,1	-1,2	1,6	-4,5	1,3	2,6	-0,1	1,3	-3,8	:	10,2
I	4,1	2,6	6,9	3,9	-0,8	-2,5	-0,5	0,4	-2,1	0,5	-3,1	-0,9	1,8	0,2	-1,1	0,4	-3,3	-5,3
L	2,1	-0,9	8,7	7,8	-0,5	-1,7	2,5	1,4	-4,1	:	-5,8	0,9	0,8	-3,0	:	:	:	-2,6
NL	0,2	0,9	0,2	5,0	2,6	-5,5	3,1	2,0	2,0	1,4	-3,7	1,2	5,1	-2,3	5,4	-10,1	:	1,8
P	7,2	4,4	3,8	6,7	9,0	1,9	2,7	2,8	1,0	:	0,1	0,9	-1,2	:	:	:	:	8,6
UK	2,4	3,3	3,6	0,4	-0,7	-0,3	1,9	-3,3	-1,6	-0,1	0,1	-1,7	-0,3	-0,5	1,6	0,1	-2,7	-5,0
EUR 12	2,4	2,0	4,3	3,8	1,7	-0,1	0,1	0,3	-0,2	(0,2)	0,1	-0,6	-0,3	(1,5)	(-0,4)	(-2,1)	(0,7)	(0,4)
USA	2,9	6,1	5,8	2,9	0,9	0,4	0,9	0,8	-1,9	-2,7	-0,4	-1,7	-1,3	-0,5	-0,9	-0,9	0,3	-4,0
JAP	-0,2	3,0	9,8	6,1	4,7	0,7	2,1	2,2	1,7	-0,1	2,7	-0,8	-0,5	1,4	-0,4	-2,1	0,3	3,7

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

	1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Nov.	Dec.	Jan.	1991 Feb.	March	April	May	Change over 12 months (%)(c)
B	11,6	11,4	10,0	8,5	8,1	8,1	8,0	8,2	8,3	8,4	8,3	8,3	8,3	8,5	8,4	8,5	8,5	0,5
DK	5,6	5,7	6,5	7,7	8,0	7,6	7,9	8,2	8,1	8,1	8,1	7,9	8,0	8,2	8,2	8,2	8,4	0,5
D	6,3	6,2	6,1	5,5	5,1	5,3	5,2	5,1	4,8	4,6	4,8	4,8	4,6	4,6	4,5	4,6	4,6	-0,6
GR	7,4	7,4	7,6	7,5	7,5	:	:	:	:	:	:	:	:	:	:	:	:	:
E	21,1	20,4	19,3	17,1	16,1	16,3	16,2	16,0	16,1	15,8	16,1	15,9	15,8	15,8	15,8	15,5	15,5	-,7
F	10,3	10,4	9,9	9,4	9,0	9,0	8,9	9,0	9,0	9,2	9,0	9,1	9,0	9,2	9,3	9,3	9,4	0,6
IRL	18,2	18,0	17,4	16,0	15,6	15,5	15,4	15,7	15,7	16,4	15,8	15,8	16,1	16,3	16,7	17,0	17,1	1,8
I	10,5	10,2	10,8	10,7	9,9	10,0	9,8	9,9	9,8	9,6	9,6	10,1	9,6	9,6	9,7	9,7	9,8	0,0
L	2,6	2,6	2,1	1,8	1,7	1,7	1,6	1,6	1,8	1,7	1,8	1,7	1,8	1,6	1,7	1,8	1,9	0,2
NL	10,2	10,0	9,3	8,7	8,1	8,3	8,2	:	:	:	:	:	:	:	:	:	:	-0,6
P	8,2	6,8	5,6	4,8	4,6	4,6	4,6	4,6	4,5	4,4	4,4	4,4	4,4	4,3	4,3	4,3	4,3	-0,3
UK	11,4	10,4	8,5	7,0	6,4	6,3	6,2	6,4	6,7	7,5	6,7	7,0	7,2	7,5	7,9	8,1	8,4	2,2
EUR 12	10,7	10,3	9,7	8,9	8,4	8,4	8,3	8,3	8,4	8,4	8,3	8,4	8,3	8,4	8,5	8,6	8,7	0,3
USA (g)	7,0	6,2	5,5	5,3	5,5	5,3	5,3	5,6	5,9	6,5	5,9	6,1	6,2	6,5	6,8	6,6	:	12,0
JAP (g)	2,8	2,8	2,5	2,3	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,0	2,0	2,2	2,1	:	0,0

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

	1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Nov.	Dec.	Jan.	1991 Feb.	March	April	May	Change over 12 months (%)(b)
B	1,3	1,6	1,2	3,1	3,4	0,8	0,7	1,1	1,2	0,6	-0,4	-0,1	0,8	0,3	-0,4	0,1	0,4	3,2
DK	3,7	4,0	4,5	4,8	2,6	-0,2	0,8	0,7	0,9	0,0	-0,1	-0,3	0,0	0,3	0,2	0,2	0,7	2,5
D	-0,1	0,2	1,3	2,8	2,7	1,1	0,5	0,4	0,9	0,8	-0,2	0,1	0,6	0,3	-0,1	0,5	0,4	3,0
GR	23,0	16,4	13,5	13,7	20,4	3,5	7,1	3,8	6,6	2,1	1,4	1,7	-0,2	0,1	1,8	3,4	0,4	18,4
E	8,8	5,3	4,8	6,8	6,7	1,8	0,8	2,2	1,8	1,3	-0,1	0,2	1,2	-0,1	0,3	0,2	0,3	6,2
F	2,7	3,1	2,7	3,6	3,4	0,6	0,9	1,0	1,0	0,5	-0,2	-0,1	0,4	0,2	0,1	0,3	0,3	3,3
IRL (h)	3,8	3,1	2,2	4,1	3,3	1,0	0,3	0,8	0,6	0,8	0,2	0,3	0,3	0,3	:	:	:	2,5
I	5,8	4,7	5,1	6,2	6,5	2,1	1,3	1,4	1,9	1,7	0,6	0,2	0,7	0,9	0,3	(0,4)	(0,4)	(6,4)
L	0,3	-0,1	1,4	3,4	3,7	1,3	0,3	0,6	2,0	0,3	0,4	0,0	0,1	0,1	0,2	-0,4	0,5	3,2
NL	0,2	-0,4	0,9	1,1	2,4	0,3	0,9	0,8	0,9	0,7	-0,1	-0,2	0,6	0,1	0,7	0,4	0,2	3,4
P	11,7	9,4	9,6	12,6	13,4	4,6	3,2	2,5	3,0	3,1	0,7	0,8	1,0	1,8	0,5	0,8	1,3	12,0
UK	3,4	4,1	4,9	7,8	9,5	1,8	4,7	1,6	1,6	0,6	-0,2	-0,1	0,2	0,5	0,4	1,3	0,3	5,8
EUR 12	3,5	3,2	3,6	5,2	5,6	1,4	1,7	1,2	1,4	1,0	0,0	0,1	0,6	0,4	0,2	(0,6)	(0,3)	(4,9)
USA	1,9	3,7	4,1	4,8	5,4	1,7	1,0	1,7	1,6	0,8	0,2	0,0	0,6	0,1	0,1	0,1	0,3	5,0
JAP	0,6	0,1	0,7	2,3	3,1	0,2	1,4	0,4	1,7	0,5	-0,4	-0,3	0,8	-0,3	0,5	0,5	0,3	3,2

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

	1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Oct.	Nov.	Dec.	1991 Jan.	Feb.	March	April	Change over 12 months (%)(d)
B/L	146	-580	-2543	-2108	-5654	-880	-1532	-1253	-1909	-1413	-733	-470	-705	-421	-514	-477	:	-66
DK	-1714	96	926	1226	1954	441	507	455	528	392	101	78	350	19	128	246	97	-126
D	53044	56960	60936	64056	44035	18267	13682	10134	3789	:	3214	479	96	211	:	:	:	-6333
GR	-5809	-5694	-5824	-7783	-9229	-2478	-2806	-2545	-1713	:	-584	-596	-533	-745	:	:	:	217
E	-6306	-8749	-11974	-19803	-19233	-5588	-5044	-4240	-4659	-4645	-1765	-1632	-1262	-2165	-1173	-1306	-1845	-141
F	-9699	-12473	-11856	-13987	-17275	-3862	-3786	-4839	-4824	-4667	-1485	-1409	-1930	-1867	-1505	-1295	-1077	177
IRL	983	2047	2740	3049	2505	901	730	420	486	:	102	98	285	213	:	:	:	-40
I	-2459	-7427	-8390	-11098	-9274	-3329	-1430	-1548	-2652	-1285	-1078	-2049	476	-1469	-283	467	-1380	-786
NL	4161	1088	1296	2893	-331	726	22	-435	-606	-276	-218	-348	-40	-20	-383	127	:	-320
P	-1297	-2955	-3474	-5035	-6240	-1434	-1527	-1482	-1825	-1749	-654	-595	-576	-617	-559	-573	:	-26
UK	-19868	-20890	-42385	-41827	-30905	-9377	-7950	-7350	-5654	-6318	-2077	-1498	-2079	-2045	-1831	-2441	-1410	1488
EUR 12 (i)	11161	1424	-20549	-30415	-49647	-6637	-8941	-12937	-18604	:	-5198	-7673	-5733	-8582	:	:	:	-6019
USA	-157829	-132116	-100208	-99420	-80004	-21726	-18080	-21347	-18850	-12588	-7319	-6906	-4626	-5434	-3977	-3178	-3948	2345
JAP	84010	69636	65441	58691	41167	12836	10964	11202	6164	13061	1870	2398	1897	3699	3664	5698	5224	2613

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

		1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Nov.	Dec.	Jan.	1991 Feb.	March	April	May	Change over 12 months (%)(e)
B	(M2)	12,7	10,2	7,6	13,1	4,0	2,8	-1,5	1,2	1,5	:	:	:	:	:	:	:	:	4,0
DK	(M2)	8,4	4,1	3,5	6,3	7,2	4,5	-0,3	3,9	-0,9	4,9	0,6	-1,7	5,0	0,0	0,0	1,0	:	7,6
D (k)	(M3)	7,2	6,4	7,0	4,5	5,3	1,0	0,8	1,6	1,8	1,0	0,4	0,4	-0,1	0,6	0,6	0,0	0,3	:
GR	(M3)	19,0	25,2	22,6	23,7	14,3	2,6	3,9	4,0	3,0	-1,5	0,7	2,4	-1,5	-0,5	(0,5)	(0,2)	(0,2)	(8,6)
E	(ALP)	12,1	14,6	12,1	10,4	11,7	1,5	4,0	2,1	3,3	4,0	1,0	1,6	1,1	1,3	1,5	0,6	:	13,3
F	(M3)	6,7	9,5	8,4	9,4	8,6	1,8	2,5	1,3	3,0	1,1	0,4	2,4	-0,2	0,4	0,9	-0,3	-0,3	7,1
IRL	(M3)	-1,0	10,9	6,3	5,0	15,4	4,9	0,7	7,5	2,1	0,0	1,3	0,5	1,3	-0,4	-0,9	1,3	:	13,7
I	(M2)	9,4	8,1	8,9	11,2	9,6	1,7	2,0	2,6	3,0	1,8	0,3	1,7	-0,3	1,2	0,9	0,3	:	8,9
NL	(M2)	5,1	3,9	13,7	14,2	8,0	2,1	2,1	1,8	1,4	:	0,5	0,9	:	:	:	:	:	7,7
P	(L-)	26,3	19,7	17,8	10,6	11,5	2,2	5,0	1,1	2,9	3,7	0,5	1,0	0,8	1,1	1,8	(1,5)	(1,1)	(12,4)
UK	(M4)	15,9	16,3	17,6	19,1	12,0	3,9	3,7	1,9	2,2	1,7	1,1	0,3	0,5	0,8	0,4	1,3	:	10,0
EUR 12 (l)		10,1	10,4	10,7	11,1	9,0	2,1	2,3	1,9	2,4	(1,7)	0,6	1,1	(0,2)	(0,7)	(0,7)	(0,4)	:	(8,4)
USA	(M2)	9,4	3,5	5,5	5,0	3,2	1,4	0,6	0,9	0,2	1,4	0,0	0,1	0,1	0,7	0,6	0,2	0,4	3,4
JAP	(M2)	9,2	10,8	10,2	12,0	7,4	3,1	2,3	3,5	-1,5	2,5	0,0	0,1	-0,5	0,2	2,9	:	:	6,9

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

	1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Nov.	Dec.	1991 Jan.	Feb.	March	April	May	Change over 12 months % (c)
B	8,1	7,1	6,7	8,7	9,8	10,3	9,4	9,0	10,1	9,4	9,0	10,1	9,8	9,3	9,4	9,2	9,0	−0,9
DK	9,1	9,9	8,3	9,4	10,8	11,8	10,8	10,2	9,9	10,0	9,6	9,9	9,9	10,1	10,0	9,8	9,6	−1,1
D	4,6	4,0	4,3	7,1	8,4	8,3	8,2	8,5	9,2	9,0	9,0	9,2	9,1	9,0	9,0	9,1	8,9	0,7
GR	19,8	14,9	15,9	18,7	19,6	17,1	22,2	19,1	23,3	21,2	16,7	23,3	28,5	26,7	21,2	:	:	4,1
E	11,7	15,8	11,6	15,0	15,2	15,3	15,0	15,1	15,3	13,0	15,0	15,3	15,0	14,4	13,0	13,5	12,4	−2,6
F	7,7	8,3	7,9	9,4	10,3	10,3	10,0	10,3	10,1	9,4	10,0	10,1	10,1	9,4	9,4	9,3	9,3	−0,5
IRL	12,4	11,1	8,1	9,8	11,4	12,3	10,3	11,0	11,5	10,7	10,8	11,5	11,2	11,1	10,7	10,2	10,2	−0,9
I	12,8	11,4	11,3	12,7	12,3	12,8	11,3	10,7	13,8	11,9	13,4	13,8	13,4	13,4	11,9	12,1	11,5	−0,9
NL	5,7	5,4	4,8	7,4	8,7	8,4	8,3	8,5	9,5	9,2	9,0	9,5	9,1	9,0	9,2	9,2	9,1	0,9
P	15,6	13,9	13,0	14,8	16,9	17,3	16,4	17,0	17,2	17,7	17,3	17,2	17,2	17,6	17,7	17,8	17,9	1,5
UK	10,9	9,7	10,3	13,9	14,8	15,2	14,9	14,9	14,1	12,4	13,6	14,1	13,9	12,8	12,4	11,7	11,4	−3,8
EUR 12 (n)	9,2	8,9	8,6	10,9	11,7	11,8	11,4	11,4	12,1	11,0	11,6	12,1	12,0	11,5	11,0	(10,9)	(10,6)	(−1,1)
USA	6,0	5,9	6,9	8,4	7,8	8,1	8,0	7,4	6,6	5,9	7,3	6,6	6,4	6,3	5,9	5,7	5,7	−2,3
JAP	5,0	3,9	4,0	5,4	7,7	7,6	7,5	8,5	8,2	7,9	8,4	8,2	8,2	8,1	7,9	8,0	7,7	0,4

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

	1986	1987	1988	1989	1990	1990 I	II	III	IV	1991 I	1990 Nov.	Dec.	1991 Jan.	Feb.	March	April	May	Change over 12 months % (c)
B	7,9	7,8	7,9	8,7	10,1	9,9	9,8	10,4	10,0	9,4	10,0	10,0	9,7	9,2	9,4	9,3	9,1	−0,8
DK	10,5	11,9	10,6	10,2	11,0	11,0	10,7	11,3	11,0	10,2	11,0	11,0	10,7	10,3	10,2	10,2	10,0	−0,8
D	5,9	5,8	6,1	7,0	8,9	8,9	9,0	9,1	9,0	8,5	9,0	9,0	9,1	8,6	8,5	8,5	8,5	−0,4
GR	15,8	17,4	16,6	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
E	11,4	12,8	11,8	13,8	14,7	14,9	14,5	15,1	14,5	13,2	14,6	14,5	14,5	14,3	13,2	12,5	11,9	−2,8
F	8,4	9,4	9,0	8,8	9,9	9,6	9,7	10,6	10,0	9,2	10,1	10,0	9,6	9,0	9,2	8,9	8,9	−0,8
IRL	11,1	11,3	9,4	9,0	10,1	10,4	9,7	10,5	9,7	9,1	10,1	9,7	9,7	9,2	9,1	9,1	9,1	−0,9
I	11,7	11,3	12,1	12,9	13,4	13,6	13,4	13,3	13,6	13,5	13,4	13,6	13,7	13,7	13,5	13,2	12,7	−0,8
L	8,7	8,0	7,1	7,7	8,6	8,5	8,6	8,6	8,5	8,1	8,6	8,5	8,4	8,3	8,1	8,0	:	−0,5
NL	6,4	6,4	6,3	7,2	9,0	9,0	9,0	9,4	9,3	8,8	9,3	9,3	9,4	8,9	8,8	8,8	:	−0,1
P	17,9	15,4	14,2	14,9	16,8	16,9	16,7	17,1	17,7	17,0	16,7	17,7	16,7	16,6	17,0	17,4	17,8	0,9
UK	9,8	9,5	9,3	9,6	11,1	11,6	10,9	11,4	10,6	10,5	10,5	10,6	10,0	10,0	10,0	10,1	10,2	−1,1
EUR 12 (n)	9,2	9,4	9,4	10,0	11,2	11,3	11,1	11,5	11,2	10,6	11,1	11,2	11,0	10,7	10,6	10,4	(10,3)	(−0,9)
USA	8,1	8,7	9,0	8,5	8,6	8,6	8,5	9,0	8,2	8,3	8,5	8,2	8,3	8,0	8,3	8,2	8,3	−0,5
JAP	5,2	4,7	4,7	5,2	7,5	7,5	7,2	8,4	7,2	7,0	7,8	7,2	6,9	6,7	7,0	7,1	7,1	−0,2

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

	1986	1987	1988	1989	1990	1990 II	III	IV	1991 I	II	1990 Dec.	1991 Jan.	Feb.	March	April	May	June	Change over 12 months % (b)
BFR/LFR	43,80	43,04	43,43	43,38	42,42	42,30	42,50	42,35	42,22	42,35	42,27	42,21	42,17	42,28	42,41	42,35	42,29	−0,1
DKR	7,94	7,88	7,95	8,05	7,86	7,82	7,89	7,87	7,88	7,90	7,87	7,89	7,88	7,88	7,89	7,88	7,92	1,0
DM	2,13	2,07	2,07	2,07	2,05	2,05	2,07	2,05	2,05	2,06	2,04	2,05	2,05	2,06	2,06	2,06	2,06	−0,2
DR	137,4	156,1	167,5	178,8	201,3	200,5	203,0	209,9	219,2	224,4	212,6	216,8	219,5	221,4	223,5	225,2	224,5	11,5
PTA	137,5	142,2	137,6	130,4	129,4	128,3	128,0	129,9	128,3	127,6	130,5	129,1	128,1	127,6	127,3	127,4	128,2	0,8
FF	6,80	6,93	7,04	7,02	6,91	6,90	6,93	6,92	6,97	6,97	6,94	6,96	6,97	6,99	6,97	6,98	6,97	0,6
IRL	0,733	0,775	0,776	0,777	0,768	0,765	0,770	0,768	0,769	0,769	0,767	0,768	0,770	0,770	0,771	0,769	0,768	0,0
LIT	1462	1495	1537	1511	1522	1506	1526	1542	1536	1528	1540	1540	1538	1531	1528	1528	1528	1,1
HFL	2,40	2,33	2,34	2,34	2,31	2,31	2,31	2,31	2,31	2,32	2,31	2,31	2,31	2,32	2,32	2,32	2,32	−0,1
ESC	146,9	162,5	170,1	173,4	181,1	181,0	182,5	181,2	180,6	179,3	181,1	182,5	180,2	179,1	179,0	179,0	179,9	−0,5
UKL	0,670	0,705	0,664	0,673	0,714	0,730	0,696	0,702	0,702	0,695	0,709	0,702	0,704	0,700	0,692	0,695	0,699	−2,3
USD	0,983	1,154	1,183	1,102	1,271	1,222	1,297	1,367	1,339	1,186	1,367	1,357	1,384	1,279	1,210	1,199	1,151	−5,9
YEN	165,0	166,5	151,5	151,8	183,6	189,8	188,1	178,7	179,0	164,2	182,7	181,4	180,4	175,4	165,9	165,6	161,0	−14,4
DTS	0,838	0,892	0,880	0,860	0,937	0,932	0,946	0,954	0,947	0,887	0,958	0,954	0,960	0,926	0,895	0,893	0,873	−6,2

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

	1986	1987	1988	1989	1990	1990 II	III	IV	1991 I	II	1990 Dec.	1991 Jan.	Feb.	March	April	May	June	Change over 12 months % (b)
B/L	5,5	4,1	−1,3	−0,9	5,3	1,1	0,2	0,7	0,2	−2,2	0,2	0,0	0,4	−1,3	−1,4	0,0	−0,5	−1,4
DK	6,3	4,2	−1,9	−2,7	7,6	1,4	−0,1	0,8	−0,5	−3,1	0,0	−0,5	0,4	−1,6	−1,7	0,0	−1,3	−3,2
D	10,7	6,9	−0,8	−1,3	5,7	−0,1	0,1	1,5	−0,2	−3,6	0,6	−0,6	0,5	−1,9	−2,2	0,0	−0,7	−2,0
GR	−21,3	−9,9	−7,2	−7,5	−8,0	−3,5	−0,4	−2,8	−4,5	−4,7	−1,1	−2,1	−0,9	−2,2	−2,2	−0,9	−0,5	−12,0
E	−1,5	0,2	3,1	4,1	5,1	3,3	1,2	−0,8	1,0	−2,3	−0,4	0,9	1,1	−1,2	−1,2	−0,3	−1,4	−2,9
F	4,5	1,1	−2,3	−1,3	6,1	0,9	0,4	0,8	−1,2	−2,8	−0,4	−0,6	0,1	−1,8	−1,3	−0,3	−0,7	−2,9
IRL	3,7	−2,1	−1,4	−1,3	5,8	1,0	−0,5	1,0	−0,5	−2,6	0,1	−0,4	0,1	−1,5	−1,6	0,2	−0,5	−2,2
I	3,7	1,1	−3,5	0,4	3,7	1,1	−0,5	−0,4	0,2	−2,5	0,3	−0,2	0,6	−1,2	−1,5	−0,2	−0,9	−3,4
NL	7,7	5,1	−0,4	−1,0	3,9	0,0	−0,3	1,0	0,0	−2,2	0,5	−0,4	0,3	−1,2	−1,4	0,1	−0,4	−1,3
P	−7,8	−7,1	−5,1	−3,2	−1,3	−0,3	−0,3	1,3	0,1	−1,4	−0,1	−1,0	1,6	−0,6	−1,1	−0,1	−1,1	−1,0
UK	−7,3	−1,0	5,7	−3,4	−0,8	0,6	6,5	0,0	−0,4	−2,9	−0,9	0,8	0,1	−1,6	−0,8	−0,7	−1,9	−0,5
EUR 12	9,6	7,0	−1,6	−3,0	11,5	1,7	2,5	1,4	−0,8	−7,4	0,2	−0,7	0,9	−4,1	−4,1	−0,5	−2,3	−6,0
USA	−19,1	−12,1	−6,1	4,9	−6,2	0,2	−5,3	−4,9	1,6	7,4	1,4	0,2	−1,6	5,7	2,8	0,6	2,5	0,4
JAP	27,2	8,2	10,4	−4,4	−10,2	−5,4	3,9	8,6	−1,3	1,9	−3,0	0,2	1,7	−1,5	2,4	−0,3	0,6	13,0

Sources: For Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.
(a) They do not include building. Data are adjusted for working days.
(b) % change over 12 months on the basis of the non-adjusted series for the most recent figure given.
(c) Change with respect to the corresponding month of the previous year.
(d) Change on corresponding month in previous year; seasonally adjusted.
(e) Change over 12 months in the s.a. figure for the most recent figure given for each country.
(f) Number of unemployed estimated on the basis of the results of Community labour force surveys; annual average and quarterly average.
(g) Number of registered unemployed according to national legislation, as % of total labour force.
(h) Monthly series calculated by linear interpolation.
(i) The deseasonalized series for EUR 12 is the result of a deseasonalization of the gross export and import figures of the Community.
(j) National sources for Belgium, Denmark, Germany, Spain, France, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.
(k) Before January 1991, the old West Germany.
(l) Average of monthly changes s.a. weighted by 1985 GDP prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.
(m) National sources, three-month interbank rate except: Belgium, up to January 1991, 3 month treasury certificates; Denmark, daily money market rate (monthly average); Greece, monthly average; Portugal, 3 month treasury (monthly average). Annual average, end quarter and end month.
(n) Average weighted by 1985 GDP prices and purchasing power parities.
(o) Yield on public sector bonds, annual average. Portugal, starting from 1990 before tax. Average of last month of quarter and monthly average for Germany, Spain, Italy, Luxembourg, the Netherlands and Portugal. End of quarter and end of month for other Member States.
(p) Weighting coefficients are calculated so as to allow not only for bilateral trade but also for competition on third markets and on the domestic market of the exporting country.

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

Principal economic policy measures — June 1991

Community (EUR 12)

21.6 Transport Council: First decisive step towards the liberalisation of the EC railway sector.

25.6 Ecofin Council: Political agreement is reached on the alignment of the indirect taxation systems of Member States.

25.6 Directive on insurance companies annual and consolidated accounts opens the way to a common market in insurance.

Belgium (B)

None.

Denmark (DK)

None.

Germany (D)

None.

Greece (GR)

4.6 The Bank of Greece decides to allow commercial banks to invest their liquid assets in bonds issued after 1.1.1991 by the investment and mortgage banks.

7.6 The Bank of Greece decides to allow investment banks to receive term deposits under one year and to issue working capital credits for the manufacturing, hotel, mining and construction sectors. The rate of compulsory deposits of the investment banks with the Bank of Greece has been set at 8%.

Spain (E)

None.

France (F)

12.6 From 1 July, the Government decides to increase employees' health insurance contributions by 0,9 percentage point, from 5,9% to 6,8%; the employers' share will remain unchanged.

28.6 The draft law on various financial provisions is approved by the National Assembly. The provisions include an increase in certain VAT rates (on horticulture and travel agents) from 1 August, the imposition of VAT on the electricity tax paid by consumers from 1 July, and a reform of the tax on furnished accomodation from 1 January 1992.

20.6 From 1 July, the minimum wage is uprated by 2,3%: this incorporate, in its entirety, the increase in purchasing power of the hourly wage rate, instead of half the increase as required by law.

27.6 With effect from 1 July, retirement pensions and family benefits are increased by 0,8% (on top of a 1,7% rise on 1 January), making a total increase of 2,5% for this year.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

None.

Portugal (P)

None.

United Kingdom (UK)

12.6 The two Scottish electricity utilities are privatised in a widely oversubscribed public share offering. The total value of the issue is UKL 2,9 billion.