

# EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES  
DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

**Supplement A**  
**Recent economic trends**  
No 5 – May 1991



*In this number:  
Economic forecasts  
for 1991 and 1992 <sup>(1)</sup>*

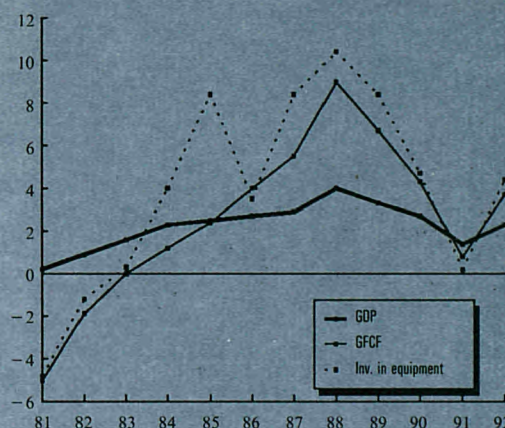
## THE 1991/92 ECONOMIC SITUATION IN BRIEF.

The main features of the Commission services' spring economic forecasts are as follows:

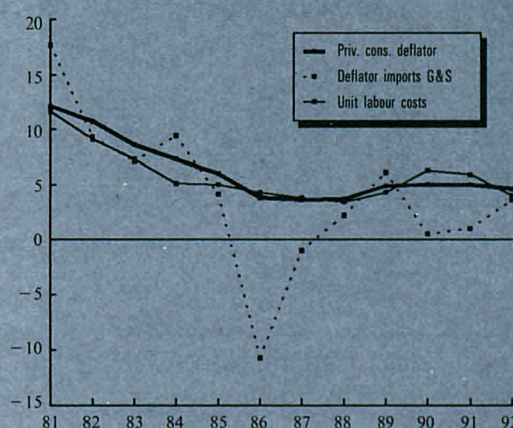
- Economic growth in the Community decelerates significantly from 3.3 % in 1989 to 2.7 % in 1990 and 1.4 % in 1991. A pick-up to 2.3 % is expected in 1992.
- Investment growth slows down dramatically in 1991 to a poor 0.8 % and private and government consumption become the fastest growing components of domestic demand. In 1992, investment is expected to recover, becoming again the engine of growth.
- Employment creation, which registered record growth rates of 1.6 % in the three years 1988-1990, will almost reach a standstill in both 1991 and 1992 (increase of 0.2 % p.a.). As a result, the continuous fall in the unemployment rate since 1986 will be reversed and the number of jobless will increase to 8.7 % and 9.2 % of the civilian labour force in 1991 and 1992 respectively.
- Inflation is expected to stabilize at a high rate of 5.0 % on average in 1991 in the Community, despite a significant improvement in the terms of trade, and to decelerate slightly in 1992 (4.6 %).
- Nominal compensation per head and unit labour costs in the Community continue to increase at relatively high rates in 1991 (7.1 % and 5.9 % respectively), but are expected to slow down somewhat in 1992.
- Net borrowing by general government in the Community as a whole is forecast to widen to 4.6 % of GDP in 1991 and to improve marginally in 1992.
- The Community's external balance continues to worsen in 1991 and 1992, but divergences among Member States are narrowing.

<sup>(1)</sup> This is a summary of the results of the Commission services' spring forecasting exercise, based on data up to 8 May 1991. The earlier forecasts for 1991-92 were summarized in Supplement A, n° 11/12, of November-December 1990.

GRAPH 1: GDP and investment growth in the EC  
(real % change p.a.)



GRAPH 2: Inflation in the EC  
(% change p.a.)



**OVERVIEW**

The economic outlook for the Community in the current year is much less favourable than it appeared at the time of the last forecasts (November 1990). The economic slowdown which was under way since the end of 1989 in most western economies, with the notable exceptions of Japan and Germany, has been exacerbated by developments in the Gulf. In the Community, GDP is expected to increase by only 1.4 % in 1991, half the rate recorded in 1990 (2.7 %). As a result, growth in employment is expected to slow down significantly to 0.2 %, leading to a renewed rise in the unemployment rate from 8.2 % in 1990 to 8.7 % in 1991. On the other hand, inflation is expected to remain broadly stable at around 5 %.

The Community economy has certainly suffered from the Gulf crisis. The increase in oil prices in the second half of 1990 and the erosion of business and consumer confidence that resulted from events in the Gulf have negatively affected economic performance. However, the adverse effects on growth and inflation seem to have been smaller than initially feared. It now appears that the sharp deterioration in the Community's economic performance expected for 1991 is only partly explained by events in the Gulf. Many member countries were already experiencing difficulties well before the Persian Gulf events unfolded. The roots of the slowdown may be more directly traced back to the combination of a necessary correction of internal disequilibria and a worsening of the international environment (the economic slump in the USA, strong deceleration of world trade and depreciation of the US dollar against the Community currencies in 1990). The relative weight of the various factors, however, in the slackening of economic activity in the Community is difficult to judge.

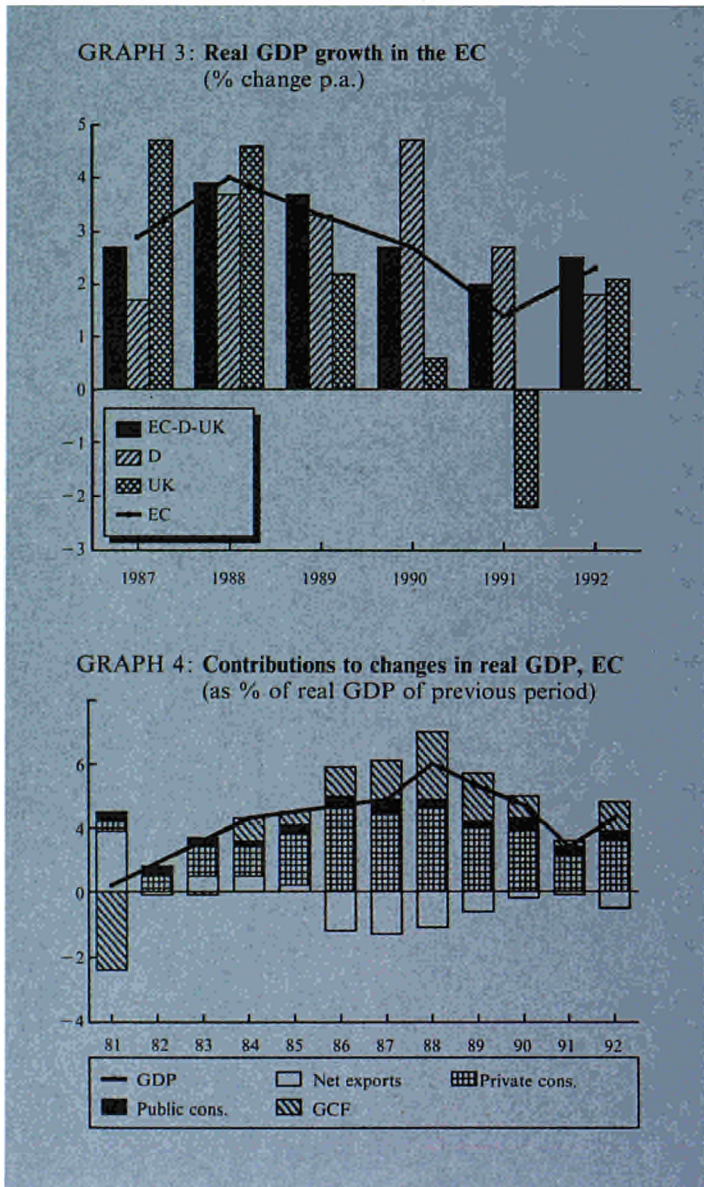
An improvement in the economic situation is expected in 1992, when Community GDP growth is forecast to reach 2.3 %. In the United Kingdom, after a real decrease of 2.2 % in 1991, growth should resume, while the downward trend in some other member countries should be reversed. On the other hand, the growth of the West German economy will taper off in 1992 as the stimulative demand push from the former GDR will phase out and both restrictive fiscal and monetary policies will take their toll on economic activity. Due to lag effects, employment in the Community is expected to increase by the same weak rate as in 1991 and the unemployment rate to rise further to 9.2 %. On the other hand, a better performance is expected in the main partners of the Community, especially in the United States, where the recession should bottom out in the first half of 1991. Consequently, the resumption in world trade should improve the prospects for Community exports and business investment.

A comparison with the Autumn 1990 forecast shows a substantial downward revision in the 1991 figures, but only limited differences for 1992. All major variables have been scaled down, but the revisions were most significant for investment and private consumption in 1991, (2.1 and 0.9 percentage points respectively), resulting in almost a full point lower forecast for GDP growth. Inflation, measured by the deflator of private consumption, has also been revised downwards in 1991, but only to 5.0 %, while the figure for 1992 was revised upwards to 4.6 %. The downward correction in 1991 is largely explained by a lower oil price assumption. The relatively high rates of inflation in 1991 and 1992, in spite of a significant improvement in the terms of trade, means that inflationary pressures of internal origin are not easing yet.

**THE OUTLOOK FOR THE COMMUNITY ECONOMY**

**A major slowdown in GDP growth in 1991 but a recovery in 1992.** — Growth of real GDP in 1991 in the Community is expected to be approximately 1 ¼ % point lower than in 1990 (1.4 %). However, the stronger than anticipated slowdown in economic activity is forecast to be relatively short-lived. The pace of Community GDP growth is likely to reach a low during the first half of 1991 (0.8 % at an annual rate) and to recover to 2.3% in the second half of 1991. The sharp deceleration of GDP growth in 1991 is in large part due to the unexpected strength of the recession in the United Kingdom after the rapid growth of 1985-88. In some other member countries too, particularly France and Italy, the slowdown of economic activity will be more pronounced than previously forecast. On the other hand, and in contrast to the rest of the Community, real GDP growth accelerated in Germany from 3.3 % in 1989 to 4.7 % in 1990. With the positive growth effects of unification waning, however, the rate of expansion of the West German economy is expected to decelerate to some 2.7 % in 1991, though still considerably above the Community average. In 1992, the overall situation is expected to improve. Germany, the Netherlands and Portugal are the only Member States where no acceleration of GDP growth is forecast.

**Domestic demand levels off significantly in 1991, but picks up in 1992.** — In 1991, the growth rate of real domestic demand in the Community is expected to fall sharply to 1.4 %, broadly in line with the forecast for GDP growth. Investment is the most affected component (see Graph 4), with a rate of expansion of only 0.8 %, the lowest since 1983. This contrasts sharply with increases of 4.3 % in 1990 and 9.0 % in 1988. Private consumption growth will slow down too (1.6 % this year against 2.9 % in 1990) as growth of real disposable income is slackening (1.7 % this year against 3.9 % in 1990) and is being negatively affected by tax increases in several member countries. Moreover, no fall in the household savings ratio (at around 13.5 % of gross disposable income) is assumed. Community exports of goods and services to the rest of the world should increase by about 3 ¼ % in volume terms, a substantial deceleration compared with rises of about 5 % in both 1989 and 1990. As extra-EC import volumes should witness a fairly similar deceleration, the foreign balance should, as in 1990, have no significant effect on growth. 1992 should see investment and private consumption returning to rates of growth slightly below those of 1990.



**TABLE 1: Gross domestic product, volume (percentage change at constant prices on preceding year, 1961-92)\***

|            | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | 4.9     | 2.0     | 0.4  | 2.1  | 0.8  | 1.5  | 2.2  | 4.6  | 3.9  | 3.7  | 2.3  | 2.6  |
| <b>DK</b>  | 4.3     | 1.4     | 2.5  | 4.4  | 4.3  | 3.6  | 0.3  | 0.5  | 1.2  | 1.6  | 1.4  | 2.3  |
| <b>D</b>   | 4.4     | 1.6     | 1.5  | 2.8  | 2.0  | 2.3  | 1.7  | 3.7  | 3.3  | 4.7  | 2.7  | 1.8  |
| <b>GR</b>  | 7.7     | 2.7     | 0.4  | 2.8  | 3.1  | 1.4  | -0.5 | 4.1  | 2.8  | 0.1  | 0.8  | 1.6  |
| <b>E</b>   | 7.2     | 1.7     | 1.8  | 1.8  | 2.3  | 3.2  | 5.6  | 5.2  | 4.8  | 3.7  | 3.0  | 3.5  |
| <b>F</b>   | 5.4     | 2.4     | 0.8  | 1.5  | 1.8  | 2.4  | 2.0  | 3.6  | 3.6  | 2.8  | 1.6  | 2.4  |
| <b>IRL</b> | 4.4     | 4.3     | -0.2 | 4.4  | 2.5  | -0.4 | 4.4  | 3.9  | 5.9  | 5.2  | 1.7  | 2.3  |
| <b>I</b>   | 5.3     | 3.1     | 1.1  | 3.0  | 2.6  | 2.5  | 3.0  | 4.2  | 3.2  | 2.0  | 1.7  | 2.4  |
| <b>L</b>   | 4.1     | 1.0     | 3.0  | 6.2  | 2.9  | 4.3  | 3.4  | 5.5  | 6.1  | 3.7  | 3.1  | 3.3  |
| <b>NL</b>  | 4.8     | 1.6     | 1.4  | 3.1  | 2.6  | 2.0  | 0.8  | 2.7  | 4.0  | 3.3  | 2.6  | 1.8  |
| <b>P</b>   | 6.9     | 2.8     | -0.2 | -1.9 | 2.8  | 4.1  | 5.3  | 3.9  | 5.4  | 4.0  | 2.8  | 2.7  |
| <b>UK</b>  | 3.2     | 0.8     | 3.7  | 2.1  | 3.6  | 3.9  | 4.7  | 4.6  | 2.2  | 0.6  | -2.2 | 2.1  |
| <b>EUR</b> | 4.8     | 1.9     | 1.6  | 2.3  | 2.5  | 2.7  | 2.9  | 4.0  | 3.3  | 2.7  | 1.4  | 2.3  |
| <b>USA</b> | 4.0     | 1.6     | 3.9  | 7.2  | 3.8  | 3.2  | 3.5  | 4.5  | 2.8  | 1.0  | 0.1  | 1.6  |
| <b>JAP</b> | 9.6     | 3.6     | 3.2  | 5.0  | 4.7  | 2.5  | 4.4  | 5.7  | 4.9  | 5.6  | 3.8  | 4.1  |

**TABLE 2: Deflator of gross domestic product (percentage change on preceding year, 1961-92)\***

|            | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | 4.1     | 7.1     | 5.6  | 5.2  | 6.1  | 3.7  | 2.3  | 1.7  | 4.6  | 3.1  | 3.4  | 3.6  |
| <b>DK</b>  | 7.0     | 10.0    | 7.6  | 5.7  | 4.3  | 4.6  | 4.7  | 4.5  | 4.3  | 2.7  | 2.5  | 2.2  |
| <b>D</b>   | 4.3     | 4.6     | 3.3  | 2.0  | 2.2  | 3.1  | 2.0  | 1.6  | 2.6  | 3.4  | 4.3  | 4.4  |
| <b>GR</b>  | 4.5     | 17.2    | 19.1 | 20.3 | 17.7 | 17.4 | 13.8 | 15.7 | 14.0 | 21.0 | 17.9 | 12.6 |
| <b>E</b>   | 7.1     | 16.7    | 11.6 | 10.9 | 8.5  | 11.1 | 5.9  | 5.6  | 6.9  | 7.3  | 6.7  | 5.8  |
| <b>F</b>   | 5.1     | 11.2    | 9.6  | 7.3  | 5.8  | 5.3  | 2.9  | 3.3  | 3.6  | 2.7  | 3.3  | 3.1  |
| <b>IRL</b> | 7.2     | 14.6    | 10.7 | 6.4  | 5.2  | 6.3  | 2.5  | 3.2  | 5.1  | 2.4  | 3.6  | 3.9  |
| <b>I</b>   | 5.5     | 17.6    | 14.9 | 11.4 | 8.9  | 7.7  | 5.9  | 6.2  | 6.3  | 7.5  | 6.9  | 5.8  |
| <b>L</b>   | 4.4     | 7.3     | 6.8  | 4.4  | 3.0  | 4.4  | -0.2 | 2.0  | 5.1  | 3.3  | 3.5  | 3.7  |
| <b>NL</b>  | 6.0     | 6.8     | 1.9  | 1.9  | 1.8  | 0.5  | -0.4 | 1.7  | 1.5  | 3.3  | 2.8  | 2.7  |
| <b>P</b>   | 3.9     | 19.8    | 24.6 | 24.7 | 21.7 | 20.5 | 11.2 | 11.6 | 12.8 | 15.0 | 14.2 | 11.8 |
| <b>UK</b>  | 5.1     | 14.9    | 5.2  | 4.6  | 5.7  | 3.6  | 5.0  | 6.7  | 6.9  | 7.7  | 6.9  | 5.0  |
| <b>EUR</b> | 5.2     | 12.0    | 8.5  | 6.8  | 6.1  | 5.6  | 4.1  | 4.6  | 5.1  | 5.6  | 5.5  | 4.8  |
| <b>USA</b> | 3.6     | 8.1     | 3.3  | 3.6  | 2.7  | 2.1  | 3.0  | 3.3  | 3.8  | 4.1  | 4.0  | 4.7  |
| <b>JAP</b> | 6.0     | 6.3     | 0.8  | 1.2  | 1.4  | 1.8  | -0.3 | 0.6  | 1.5  | 1.9  | 2.3  | 2.0  |

**TABLE 3: Final domestic demand, volume (percentage change at constant prices on preceding year, 1961-92)\***

|            | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | 4.8     | 1.6     | -2.5 | 2.3  | 0.5  | 2.8  | 3.9  | 4.1  | 4.9  | 3.6  | 2.1  | 2.5  |
| <b>DK</b>  | 4.6     | 0.4     | 1.4  | 5.1  | 5.4  | 6.1  | -2.2 | -1.7 | 0.3  | -0.8 | 0.3  | 1.6  |
| <b>D</b>   | 4.5     | 1.3     | 2.3  | 2.0  | 0.8  | 3.5  | 2.7  | 3.8  | 2.7  | 5.1  | 2.9  | 2.6  |
| <b>GR</b>  | 8.1     | 1.8     | 0.5  | 0.0  | 5.4  | -1.7 | -1.6 | 7.0  | 3.3  | 2.5  | 0.7  | 2.0  |
| <b>E</b>   | 7.6     | 1.4     | -0.1 | -0.7 | 2.9  | 6.0  | 8.1  | 7.1  | 7.8  | 4.6  | 3.5  | 4.1  |
| <b>F</b>   | 5.5     | 2.0     | -0.6 | 0.5  | 2.3  | 4.3  | 3.1  | 3.8  | 3.2  | 3.2  | 1.7  | 2.6  |
| <b>IRL</b> | 5.1     | 2.9     | -2.2 | 1.1  | 0.6  | 1.2  | -0.9 | 0.4  | 6.0  | 5.5  | 1.5  | 1.9  |
| <b>I</b>   | 5.3     | 2.4     | 0.1  | 4.1  | 2.9  | 3.2  | 4.9  | 5.0  | 3.6  | 1.9  | 2.0  | 2.9  |
| <b>L</b>   | 4.0     | 1.7     | -0.7 | 2.6  | -0.3 | 6.7  | 5.9  | 3.6  | 7.8  | 3.7  | 4.2  | 3.7  |
| <b>NL</b>  | 4.9     | 1.2     | 1.6  | 1.7  | 3.2  | 2.1  | 1.2  | 1.6  | 4.9  | 3.8  | 2.3  | 1.1  |
| <b>P</b>   | 7.3     | 2.9     | -5.7 | -6.7 | 0.9  | 8.3  | 10.4 | 7.4  | 4.0  | 5.8  | 5.1  | 4.6  |
| <b>UK</b>  | 3.2     | 0.5     | 4.9  | 2.5  | 2.8  | 4.6  | 5.3  | 8.0  | 3.1  | -0.1 | -2.9 | 2.4  |
| <b>EUR</b> | 4.9     | 1.5     | 1.1  | 1.8  | 2.3  | 3.9  | 4.1  | 5.0  | 3.7  | 2.8  | 1.4  | 2.7  |
| <b>USA</b> | 4.1     | 1.4     | 5.4  | 9.0  | 4.0  | 3.5  | 3.1  | 3.3  | 2.2  | 0.5  | -0.5 | 1.4  |
| <b>JAP</b> | 9.9     | 2.7     | 1.8  | 3.8  | 4.0  | 4.0  | 5.2  | 7.3  | 5.7  | 5.8  | 4.1  | 4.6  |

**TABLE 4: Gross national product at current market prices (percentage change on preceding year, 1961-92)\***

|            | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | 9.2     | 9.0     | 6.0  | 7.6  | 6.7  | 5.5  | 4.8  | 6.3  | 8.6  | 6.9  | 5.7  | 6.3  |
| <b>DK</b>  | 11.6    | 11.2    | 10.6 | 9.6  | 8.8  | 8.5  | 5.2  | 5.3  | 5.2  | 4.4  | 4.4  | 5.1  |
| <b>D</b>   | 8.9     | 6.3     | 5.2  | 5.3  | 4.2  | 5.5  | 3.6  | 5.3  | 6.5  | 8.0  | 6.7  | 6.2  |
| <b>GR</b>  | 12.5    | 20.3    | 18.1 | 22.4 | 20.4 | 18.5 | 13.5 | 20.8 | 17.0 | 21.4 | 18.9 | 14.5 |
| <b>E</b>   | 14.8    | 18.5    | 13.5 | 13.0 | 11.5 | 14.9 | 11.8 | 11.0 | 12.3 | 11.3 | 9.9  | 9.6  |
| <b>F</b>   | 10.7    | 13.8    | 10.1 | 8.6  | 7.7  | 8.1  | 5.1  | 7.0  | 7.4  | 5.6  | 4.9  | 5.6  |
| <b>IRL</b> | 11.7    | 18.4    | 9.2  | 8.6  | 6.5  | 6.7  | 7.8  | 4.7  | 10.2 | 8.9  | 5.3  | 6.3  |
| <b>I</b>   | 11.0    | 21.1    | 16.2 | 14.8 | 11.7 | 10.3 | 9.2  | 10.6 | 9.5  | 9.2  | 8.6  | 8.4  |
| <b>L</b>   | 9.0     | 11.8    | 12.7 | 9.4  | 6.9  | 5.8  | 1.4  | 7.7  | 11.5 | 5.6  | 5.4  | 5.8  |
| <b>NL</b>  | 11.1    | 8.5     | 3.6  | 4.8  | 4.8  | 2.1  | 0.4  | 4.2  | 5.7  | 6.6  | 5.4  | 4.4  |
| <b>P</b>   | 11.2    | 22.4    | 24.9 | 21.1 | 26.1 | 28.1 | 18.2 | 16.5 | 19.4 | 20.8 | 17.3 | 14.8 |
| <b>UK</b>  | 8.5     | 15.7    | 9.4  | 6.8  | 9.3  | 7.6  | 9.4  | 11.4 | 9.4  | 8.5  | 4.4  | 7.2  |
| <b>EUR</b> | 10.1    | 12.0    | 6.9  | 8.0  | 7.3  | 6.1  | 5.3  | 8.4  | 8.9  | 7.6  | 6.6  | 7.0  |
| <b>USA</b> | 7.7     | 9.8     | 7.3  | 10.8 | 6.3  | 5.2  | 6.4  | 8.0  | 6.7  | 5.1  | 4.2  | 6.4  |
| <b>JAP</b> | 16.2    | 10.2    | 4.0  | 6.4  | 6.4  | 4.4  | 4.3  | 6.3  | 6.5  | 7.6  | 6.2  | 6.2  |

\* Notes: see page 15.

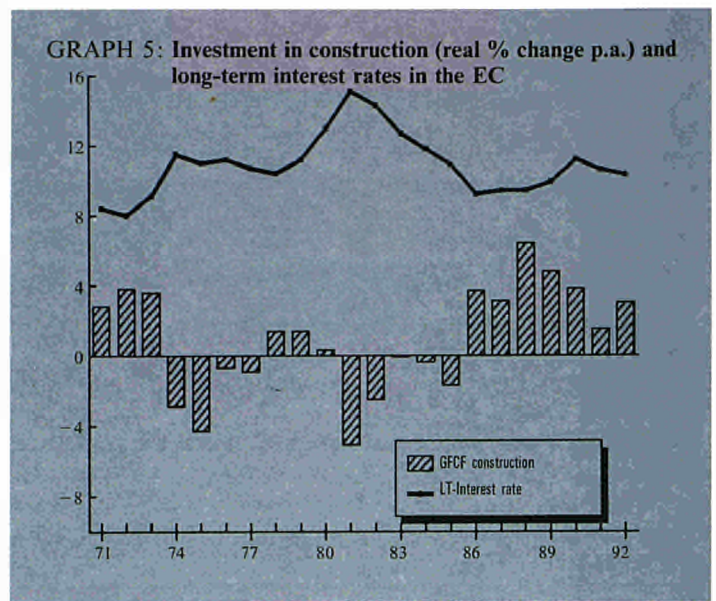
### Growth in consumption slows down in 1991 but accelerates in 1992.

— Growth in *private consumption* is expected to decelerate in 1991 to 1.6 %, following an increase of 2.9 % in 1990. This deceleration is common to most Member States, including Germany, and is especially pronounced in the United Kingdom, where a decrease in real terms of 1.6 % is forecast. In 1992, private consumption in the Community is expected to expand by 2.6 %, contributing 1.6 % points to the expected GDP growth.

Growth in *government consumption* is expected to decelerate from 2.2 % in 1990 to 1.5 % in 1991. The upward revision with respect to the Autumn 1990 forecast is primarily due to the stronger than previously anticipated growth of government consumption in Germany and, to a lesser extent, in Spain. In 1992, the rate of expansion should be slightly higher (increase of 1.7 %).

**Slump in investment in 1991, but renewed strength in 1992.** — Gross *fixed capital formation* is expected to increase in 1991 by only 0.8 % against 4.3 % in 1990. For the first time since 1986 the rate of expansion in investment should be lower than that of GDP. With the exception of Germany, Spain and Portugal, where investment should remain relatively strong, all the other Member States should experience a substantial slowdown in investment. In the United Kingdom, investment is forecast to contract in real terms by 10.4 %, which alone pulls down the Community rate by 2.1 points.

The fundamental determinants of investment have all deteriorated, explaining the marked deceleration in investment in 1991. After a continuous decline over the period 1982-1989, real unit labour costs in the Community have started rising again in 1990 (+0.6 %) and are expected to do so again in 1991 (+0.3 %). In addition, demand prospects have worsened over the last year and a half, both internally and externally. Private consumption in the Community has been dampened, partly due to high interest rates, while, since early 1990, the Community's external environment has become increasingly unfavourable (slowdown in world output and trade, Gulf crisis, loss of price competitiveness). Finally, after several years of buoyant investment growth, a certain normalization is inevitable, especially as the pull-effects of the internal market programme seem to be diminishing.



What is true for investment in general is particularly true for *investment in equipment*. After an exceptional annual rate of expansion of around 9 % in real terms over the period 1987-89, investment in equipment slowed down to 4.7 % in 1990 and is now expected to expand by a mere 0.2 % in 1991. Again, the UK significantly influences this result, with an expected real drop of 17.1 % in investment in equipment. *Investment in construction* is also very subdued and is expected to increase by 1.5 % in 1991, against almost 4 % in 1990. Growth in residential construction investment slows down to 0.2 %, a deterioration which may be related to interest rate levels (see Graph 5).

The situation should improve in 1992, when investment is expected to increase by 3.7 %, accounting for 0.8 points of GDP growth. Almost all Member States should register an improvement. Germany, which in recent years experienced very buoyant investment growth should register a certain deceleration, once the immediate impact of unification starts to weaken. The Netherlands are also forecast to register some slowdown, in line with a worsening of economic prospects in that country.

TABLE 5: Investment in construction, volume (percentage change on preceding year, 1974-92) \*

|                  | 1974-82 | 1983  | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------------|---------|-------|------|------|------|------|------|------|------|------|------|
| B                | -2.0    | -6.4  | -6.1 | -0.8 | 3.1  | 3.3  | 15.0 | 9.6  | 5.7  | -1.0 | 3.0  |
| DK               | -6.5    | 1.9   | 8.8  | 8.9  | 18.0 | -0.8 | -3.1 | -4.6 | -3.8 | -3.0 | 0.2  |
| D                | -1.3    | 1.7   | 1.6  | -5.6 | 2.7  | -0.3 | 4.7  | 5.1  | 5.2  | 3.2  | 2.1  |
| GR               | -4.3    | 5.3   | -6.9 | 3.1  | -0.7 | -8.0 | 7.6  | 2.1  | 0.7  | 0.0  | 4.0  |
| E                | -1.4    | -2.0  | -5.2 | 2.0  | 6.5  | 10.0 | 12.6 | 14.9 | 10.7 | 6.4  | 7.6  |
| F                | -0.6    | -3.4  | -2.9 | -0.4 | 3.1  | 3.7  | 6.2  | 6.6  | 2.3  | 1.3  | 2.3  |
| IRL              | 3.6     | -14.4 | -4.9 | -9.5 | -3.1 | -6.7 | -0.7 | 9.8  | 8.4  | 1.5  | 3.0  |
| I                | -1.9    | 1.5   | -1.0 | -0.5 | 1.1  | -0.4 | 3.7  | 3.9  | 2.5  | 0.8  | 2.5  |
| L                | -1.8    | -12.9 | -3.1 | 3.4  | 8.9  | -0.5 | 9.9  | 8.8  | 5.9  | 5.4  | 4.5  |
| NL               | -2.4    | -3.9  | 3.8  | -0.1 | 5.0  | 0.7  | 11.8 | 2.6  | 2.5  | -0.2 | 0.3  |
| P                | -       | -3.3  | -9.2 | -6.0 | 8.7  | 9.4  | 10.1 | 3.5  | 6.5  | 6.3  | 6.0  |
| UK               | -2.0    | 5.0   | 6.1  | -2.4 | 6.0  | 10.4 | 6.1  | -0.5 | 0.1  | -3.3 | 1.9  |
| EUR <sup>1</sup> | -1.6    | -0.1  | -0.4 | -1.7 | 3.7  | 3.1  | 6.4  | 5.3  | 3.8  | 1.5  | 3.0  |

<sup>1</sup> EUR without Portugal up to 1983.

TABLE 6: Investment in equipment, volume (percentage change on preceding year, 1974-92) \*

|                  | 1974-82 | 1983  | 1984  | 1985  | 1986  | 1987  | 1988 | 1989 | 1990 | 1991  | 1992 |
|------------------|---------|-------|-------|-------|-------|-------|------|------|------|-------|------|
| B                | 3.0     | -2.6  | 13.6  | 2.3   | 4.9   | 5.8   | 17.7 | 19.0 | 9.9  | 3.4   | 4.0  |
| DK               | 0.9     | 2.2   | 17.9  | 16.2  | 16.6  | -14.5 | -7.5 | 6.6  | 2.3  | -1.2  | 4.7  |
| D                | 1.1     | 5.6   | -0.2  | 9.9   | 4.3   | 5.6   | 7.7  | 9.8  | 12.9 | 8.8   | 5.8  |
| GR               | 1.6     | -8.5  | -4.2  | 7.7   | -12.6 | -7.7  | 10.8 | 17.3 | 10.4 | 6.0   | 10.0 |
| E                | -0.2    | -4.7  | -7.3  | 9.1   | 15.8  | 24.2  | 16.5 | 12.1 | 1.2  | 2.6   | 5.7  |
| F                | 0.8     | -3.1  | -0.6  | 10.0  | 2.8   | 4.1   | 8.9  | 8.1  | 5.3  | 1.0   | 2.6  |
| IRL              | 3.4     | -3.3  | 4.2   | -6.0  | -0.3  | 1.8   | 5.6  | 14.1 | 6.8  | 3.9   | 4.5  |
| I                | 3.6     | -3.2  | 12.0  | 4.0   | 1.6   | 14.6  | 6.4  | 5.2  | 3.5  | 1.3   | 5.3  |
| L                | -0.5    | -6.9  | 2.7   | -20.4 | 74.6  | 13.9  | -5.4 | 14.9 | 5.6  | 6.3   | 5.8  |
| NL               | -0.4    | 9.8   | 8.8   | 15.5  | 10.1  | 1.3   | 6.8  | 5.5  | 6.0  | 2.8   | 0.2  |
| P                | -       | -11.1 | -29.6 | -4.5  | 14.2  | 26.8  | 23.2 | 7.7  | 8.5  | 5.3   | 5.5  |
| UK               | 0.1     | 4.8   | 11.4  | 10.6  | -1.9  | 7.6   | 17.7 | 8.4  | -3.7 | -17.1 | 3.5  |
| EUR <sup>1</sup> | 1.2     | 0.3   | 4.0   | 8.4   | 3.5   | 8.4   | 10.4 | 8.6  | 4.7  | 0.2   | 4.4  |

<sup>1</sup> EUR without Portugal up to 1983.

\* Notes: see page 15.

TABLE 7: Total investment, volume (percentage change on preceding year, 1961-92)\*

|     | 1961-73 | 1974-82 | 1983  | 1984  | 1985  | 1986 | 1987 | 1988 | 1989 | 1990 | 1991  | 1992 |
|-----|---------|---------|-------|-------|-------|------|------|------|------|------|-------|------|
| B   | 5.1     | -0.7    | -4.4  | 1.7   | 0.7   | 4.4  | 5.8  | 13.5 | 13.6 | 7.6  | 1.0   | 3.5  |
| DK  | 6.5     | -4.0    | 1.9   | 12.9  | 12.6  | 17.1 | -3.8 | -6.6 | 0.2  | -1.0 | -2.1  | 2.4  |
| DK  | 4.0     | -0.5    | 3.2   | 0.8   | 0.1   | 3.3  | 2.2  | 5.1  | 7.1  | 8.8  | 5.9   | 3.9  |
| GR  | 10.0    | -1.9    | -1.3  | -5.7  | 5.2   | -6.2 | -8.7 | 8.8  | 8.6  | 5.2  | 2.9   | 7.0  |
| E   | 10.4    | -1.1    | -2.5  | -5.8  | 4.1   | 10.1 | 14.0 | 14.0 | 13.7 | 6.7  | 4.9   | 6.9  |
| F   | 7.5     | 0.0     | -3.3  | -2.6  | 3.4   | 4.6  | 4.2  | 8.5  | 5.8  | 4.0  | 1.1   | 2.5  |
| IRL | 9.9     | 3.6     | -9.3  | -2.5  | -7.4  | -2.3 | -2.5 | 4.6  | 11.3 | 7.5  | 2.7   | 3.8  |
| I   | 4.7     | 0.3     | -0.9  | 4.5   | 1.4   | 1.6  | 5.8  | 6.7  | 5.1  | 3.0  | 1.1   | 4.0  |
| L   | 4.9     | -1.2    | -11.5 | 0.5   | -10.0 | 31.5 | 15.0 | -5.5 | 13.4 | 5.8  | 5.8   | 5.1  |
| NL  | 5.3     | -1.8    | 1.9   | 5.2   | 6.7   | 7.9  | 1.5  | 9.4  | 3.0  | 4.1  | 1.2   | 0.3  |
| P   | 7.9     | 1.7     | -7.1  | -17.4 | -3.5  | 10.9 | 15.1 | 15.0 | 7.5  | 7.5  | 5.8   | 5.7  |
| UK  | 4.6     | -1.0    | 5.0   | 8.5   | 4.0   | 1.9  | 9.5  | 14.8 | 4.8  | -1.9 | -10.4 | 2.7  |
| EUR | 5.7     | -0.5    | 0.0   | 1.2   | 2.4   | 4.0  | 5.5  | 9.0  | 6.7  | 4.3  | 0.8   | 3.7  |
| USA | 4.5     | -0.6    | 8.8   | 15.9  | 6.9   | 2.0  | 2.9  | 5.0  | 2.7  | -0.1 | -3.1  | 5.7  |
| JAP | 14.1    | 1.4     | -0.3  | 4.9   | 5.8   | 5.8  | 10.4 | 12.6 | 11.0 | 10.8 | 5.1   | 6.4  |

TABLE 8: Private consumption, volume (percentage change on preceding year, 1961-92)\*

|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 4.3     | 2.2     | -1.7 | 1.2  | 2.0  | 2.4  | 3.0  | 2.8  | 3.7  | 3.9  | 2.7  | 2.5  |
| DK  | 3.8     | 0.8     | 2.6  | 3.4  | 5.0  | 5.7  | -1.5 | -0.8 | -0.8 | 0.8  | 1.0  | 1.9  |
| D   | 5.0     | 2.2     | 1.6  | 1.9  | 1.6  | 3.4  | 3.1  | 3.0  | 1.1  | 4.3  | 2.3  | 2.5  |
| GR  | 6.7     | 3.4     | 0.3  | 1.7  | 3.9  | 0.7  | 0.8  | 3.4  | 3.9  | 2.1  | 0.9  | 1.5  |
| E   | 7.2     | 1.8     | 0.3  | -0.4 | 2.4  | 4.1  | 5.8  | 4.7  | 5.5  | 3.7  | 2.9  | 3.3  |
| F   | 5.2     | 2.6     | 0.9  | 0.9  | 2.2  | 3.7  | 2.6  | 2.9  | 3.0  | 3.1  | 2.2  | 2.5  |
| IRL | 3.8     | 2.2     | 0.9  | 2.0  | 3.5  | 2.0  | 2.2  | 2.4  | 5.2  | 3.0  | 2.6  | 2.8  |
| I   | 6.0     | 3.4     | 0.5  | 2.3  | 3.2  | 4.5  | 4.5  | 4.5  | 4.2  | 2.7  | 2.3  | 2.9  |
| L   | 4.5     | 2.9     | 0.5  | 1.4  | 2.7  | 2.6  | 5.6  | 3.7  | 3.7  | 3.2  | 4.2  | 3.3  |
| NL  | 5.6     | 2.3     | 0.7  | 0.8  | 2.4  | 3.2  | 4.0  | 1.5  | 1.7  | 3.7  | 3.0  | 1.9  |
| P   | 6.0     | 2.3     | -1.4 | -2.9 | 0.7  | 5.6  | 5.4  | 6.6  | 3.1  | 4.9  | 4.9  | 4.5  |
| UK  | 3.0     | 1.0     | 4.6  | 1.6  | 3.5  | 6.3  | 5.3  | 7.2  | 3.9  | 1.0  | -1.6 | 2.0  |
| EUR | 4.9     | 2.2     | 1.4  | 1.4  | 2.6  | 4.2  | 3.9  | 4.1  | 3.2  | 2.9  | 1.6  | 2.6  |
| USA | 4.2     | 2.2     | 5.0  | 4.8  | 4.7  | 4.1  | 2.8  | 3.7  | 2.0  | 0.9  | 0.0  | 0.9  |
| JAP | 8.8     | 3.4     | 3.2  | 2.7  | 2.7  | 3.1  | 4.3  | 5.1  | 3.5  | 4.0  | 3.9  | 3.9  |

TABLE 9: Real compensation of employees per head<sup>1</sup> (percentage change on preceding year 1961-92)\*

|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 5.0     | 2.5     | -0.8 | 0.8  | -1.3 | 4.0  | 0.1  | 0.8  | 0.6  | 2.3  | 2.6  | 2.4  |
| DK  | 3.8     | 0.5     | 1.3  | -0.8 | 0.4  | 1.5  | 3.1  | -0.9 | -1.6 | 1.0  | 0.9  | 0.9  |
| D   | 5.3     | 1.3     | 0.2  | 0.9  | 0.9  | 3.7  | 2.2  | 1.7  | -0.2 | 1.5  | 2.8  | 1.2  |
| GR  | 6.4     | 3.9     | 2.9  | 2.2  | 4.1  | -7.9 | -5.1 | 3.7  | 4.1  | 0.6  | -2.0 | -0.2 |
| E   | 7.5     | 2.8     | 1.3  | -0.9 | 1.1  | 0.8  | 0.9  | 1.1  | -0.5 | 1.2  | 1.2  | 1.1  |
| F   | 4.8     | 2.8     | 0.4  | 0.4  | 0.6  | 1.7  | 0.3  | 1.2  | 1.2  | 1.8  | 1.4  | 1.0  |
| IRL | 4.7     | 2.4     | 3.2  | 3.2  | 2.7  | 0.3  | 2.4  | 2.9  | 2.2  | 3.0  | 3.3  | 2.6  |
| I   | 6.3     | 2.4     | 0.8  | -0.1 | 1.0  | 1.8  | 3.3  | 4.0  | 3.1  | 3.9  | 1.8  | 2.0  |
| L   | 4.0     | 2.3     | -1.2 | 0.5  | -0.7 | 4.0  | 2.3  | 0.5  | 3.0  | 1.8  | 2.5  | 2.4  |
| NL  | 6.0     | 1.5     | 0.2  | -1.9 | -0.8 | 1.4  | 2.4  | 1.1  | -2.4 | 1.6  | 2.1  | 1.7  |
| P   | 6.7     | 3.0     | -3.2 | -5.6 | 2.6  | 6.8  | 7.2  | 3.1  | 0.8  | 3.7  | 5.3  | 4.7  |
| UK  | 3.3     | 1.5     | 3.8  | 0.6  | 1.8  | 3.8  | 3.0  | 2.9  | 2.8  | 3.4  | 1.9  | 1.6  |
| EUR | 5.0     | 2.0     | 1.1  | 0.2  | 1.0  | 2.5  | 2.0  | 2.1  | 1.2  | 2.4  | 2.0  | 1.5  |

<sup>1</sup> Deflated by private consumption prices.

TABLE 10: Public consumption, volume (percentage change on preceding year 1961-92)\*

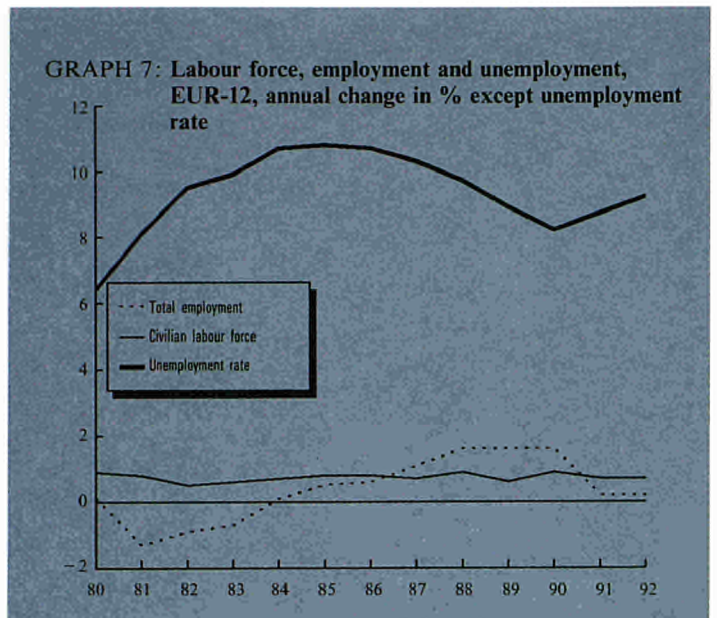
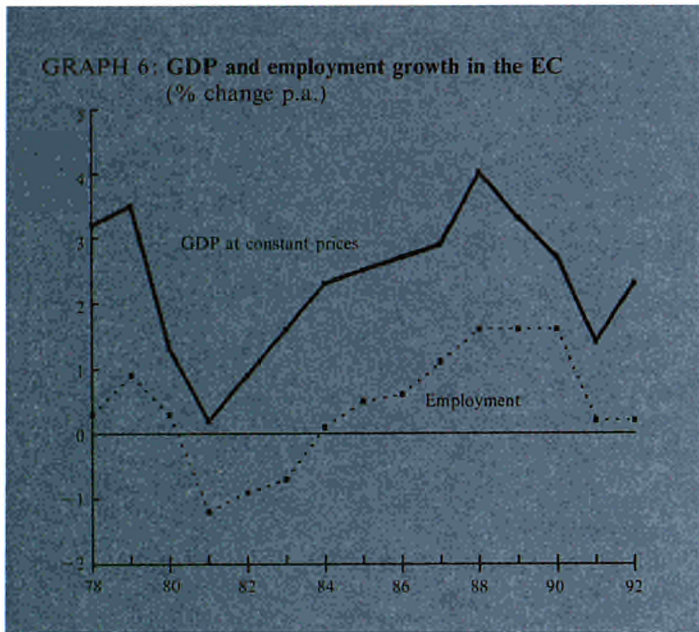
|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 5.5     | 2.5     | 0.1  | 0.2  | 2.4  | 1.6  | 0.7  | -1.1 | -1.2 | 0.5  | 1.3  | 1.2  |
| DK  | 5.8     | 3.8     | 0.0  | -0.4 | 2.5  | 0.5  | 2.5  | 0.2  | -1.3 | -0.7 | -0.8 | -0.6 |
| D   | 3.8     | 1.7     | 0.1  | 1.1  | 1.6  | 2.3  | 1.3  | 0.6  | 0.6  | 2.9  | 1.5  | 1.4  |
| GR  | 6.2     | 6.0     | 2.7  | 3.0  | 3.2  | -0.8 | 1.3  | 6.6  | 5.3  | 0.4  | -0.5 | -0.3 |
| E   | 4.5     | 5.1     | 3.9  | 2.9  | 4.6  | 5.8  | 8.9  | 4.0  | 7.6  | 4.4  | 3.5  | 3.0  |
| F   | 4.0     | 3.3     | 2.0  | 1.2  | 2.2  | 1.7  | 2.8  | 2.8  | 1.7  | 3.1  | 1.6  | 2.7  |
| IRL | 5.2     | 4.9     | -0.4 | -0.7 | 1.8  | 2.5  | -4.9 | -4.2 | -3.5 | 0.9  | 0.8  | 0.5  |
| I   | 4.0     | 2.7     | 2.9  | 2.5  | 3.5  | 2.9  | 3.7  | 2.8  | 0.5  | 1.0  | 1.4  | 1.4  |
| L   | 3.4     | 2.5     | 1.9  | 2.2  | 2.0  | 3.1  | 2.7  | 4.0  | 3.7  | 2.4  | 3.0  | 3.0  |
| NL  | 2.8     | 2.7     | 1.0  | -0.8 | 1.3  | 2.5  | 2.9  | 0.6  | -0.9 | 0.6  | -0.8 | -0.8 |
| P   | 9.1     | 7.7     | 3.7  | 0.1  | 0.1  | 7.2  | 4.9  | 5.3  | 2.0  | 3.3  | 2.8  | 1.5  |
| UK  | 2.5     | 1.6     | 2.0  | 0.9  | 0.0  | 1.9  | 1.3  | 0.5  | 0.8  | 1.7  | 1.7  | 1.6  |
| EUR | 3.7     | 2.7     | 1.8  | 1.3  | 2.0  | 2.4  | 2.7  | 1.8  | 1.4  | 2.2  | 1.5  | 1.7  |
| USA | 3.1     | 1.6     | 3.5  | 4.5  | 5.3  | 4.9  | 3.4  | 2.1  | 0.3  | 2.8  | 1.3  | -1.2 |
| JAP | 5.8     | 4.2     | 2.9  | 2.8  | 1.7  | 6.2  | -0.5 | 2.2  | 2.1  | 1.4  | 2.0  | 2.2  |

\* Notes: see page 15.

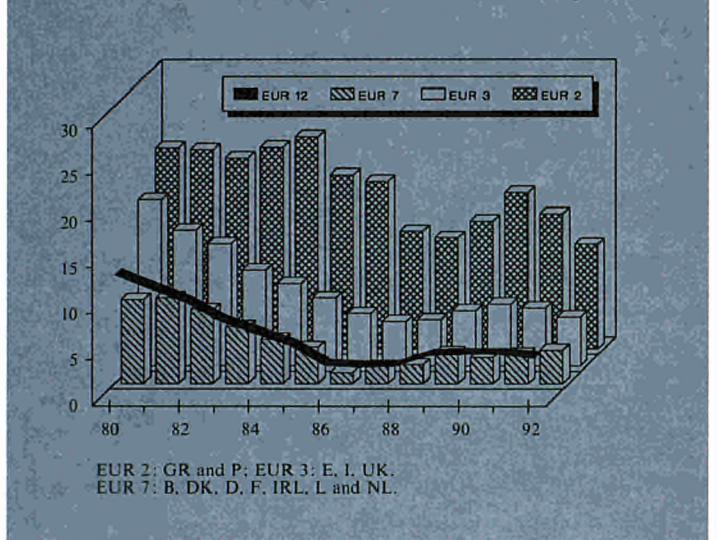
**Growth in employment reaches almost a standstill in 1991 and 1992.**

— Employment, which has been increasing at an annual rate of 1.6 % over the period 1988-90, is expected to decelerate to a worryingly low rate of 0.2 % in 1991. In 1992, due to a lag effect, growth in employment is forecast to be the same as in 1991, despite the expected recovery in GDP (see Graph 6).

This small increase in employment will be more than offset by the expected increase in the labour force of 0.6 % in both 1991 and 1992. Consequently, as is shown in Graph 7, the continuous fall in the unemployment rate since 1986 is expected to be reversed and the number of jobless should reach 8.7 % in 1991 and 9.2 % in 1992. However, as in the case of other aggregates, the increase in the average rate is significantly influenced by the UK results, where the unemployment rate is forecast to rise from 5.7 % in 1990 to 8.6 % in 1991 and 10.8 % in 1992.



**GRAPH 8: Inflation convergence in the EC (price deflator private consumption, % p.a.)**



**Inflationary pressures remain strong.** — Mainly due to a tightening of monetary policies, inflation has been relatively well contained since the start of the Gulf crisis. After having reached a peak in October 1990, inflationary pressures have been abating, while remaining strong. As a result, inflation, measured by the *deflator of private consumption*, remains unchanged in 1991, at 5%. Even allowing for the fact that it partly reflects increases in indirect taxation in several member countries, such a stable and high rate of inflation is disappointing given that demand growth is weakening and the terms of trade have improved. Particularly in Spain, Italy and the UK, countries whose currencies are part of the ERM, the pace of the disinflation process is unsatisfactory (see Graph 8). In Greece and Portugal, inflation rates are expected to come down substantially, although they will remain above double that of the Community. Nevertheless, inflation divergences within the Community are being reduced with the gap between the highest and the lowest rate coming down significantly. However, this improvement in nominal convergence is associated with a relatively high and increasing average rate of inflation in the core countries of the ERM.

The persistence of inflationary pressures is largely due to developments in *unit labour costs*, which are forecast to increase by 5.9 % (see Graph 2). This is explained by the increase in *compensation of employees per head* (7.1 %), together with a low increase in *labour productivity* (1.2 %). *Import prices* of goods and services are forecast to increase by only 1.0 %.

In 1992, the situation is expected to improve, with a rate of inflation of 4.6 %. However, this rate is still considerably higher than the rates achieved during the period 1986-88. *Import prices* are expected to increase by 3.6 % but *compensation of employees per head* is forecast to decelerate considerably to 6.2 %, *labour productivity* to increase by 2.1 % and, as a result, *unit labour costs* should increase by 4.0 %. *Real unit labour costs* are expected to

decline by 0.7 %, after two years of increase, allowing for a certain reconstitution of profit margins and a consequent pick-up in investment and GDP.

**Budgetary position deteriorates further in 1991 but improves marginally in 1992.** — *General government net borrowing*, as a percentage of GDP, is forecast to widen from 4.1 % in 1990 to 4.6 % in 1991. Most of this deterioration is due to the marked worsening of budgetary positions in Germany and the United Kingdom, while in several other Member States a slight improvement is expected, in spite of slackening economic activity.

|            | 1961-70 | 1975  | 1979  | 1981  | 1990  | 1991  | 1992  |
|------------|---------|-------|-------|-------|-------|-------|-------|
| <b>B</b>   | 87.5    | 96.8  | 98.8  | 100.6 | 88.4  | 88.4  | 88.3  |
| <b>DK</b>  | 98.3    | 102.7 | 98.4  | 98.8  | 89.4  | 88.6  | 87.9  |
| <b>D</b>   | 97.1    | 102.8 | 98.1  | 100.2 | 90.0  | 90.9  | 91.0  |
| <b>GR</b>  | 106.0   | 92.0  | 102.1 | 106.5 | 105.3 | 102.0 | 100.5 |
| <b>E</b>   | 95.7    | 100.8 | 101.7 | 100.5 | 84.3  | 83.5  | 82.6  |
| <b>F</b>   | 93.4    | 98.9  | 98.1  | 100.8 | 90.6  | 90.6  | 89.8  |
| <b>IRL</b> | 96.2    | 100.3 | 96.7  | 96.5  | 83.1  | 84.1  | 84.2  |
| <b>I</b>   | 97.1    | 105.8 | 101.1 | 102.4 | 98.5  | 98.5  | 98.4  |
| <b>L</b>   | 84.1    | 101.4 | 99.1  | 102.1 | 92.2  | 92.8  | 93.1  |
| <b>NL</b>  | 93.9    | 103.3 | 100.3 | 97.3  | 87.9  | 87.5  | 87.9  |
| <b>P</b>   | 86.3    | 120.6 | 101.0 | 102.3 | 82.1  | 82.4  | 82.6  |
| <b>UK</b>  | 98.5    | 109.0 | 97.9  | 99.7  | 100.9 | 102.1 | 99.7  |
| <b>EUR</b> | 97.1    | 103.8 | 99.2  | 100.6 | 92.9  | 93.2  | 92.5  |
| <b>USA</b> | 96.8    | 98.2  | 99.0  | 98.6  | 98.5  | 98.1  | 97.9  |
| <b>JAP</b> | 92.8    | 104.1 | 101.1 | 100.2 | 95.9  | 96.4  | 96.5  |

<sup>1</sup> Nominal unit labour costs divided by GDP deflator.  
\* Notes: see page 15.

TABLE 12: Deflator of private consumption (percentage change on preceding year, 1961-92)\*

|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 3.7     | 7.9     | 7.2  | 5.7  | 6.0  | 0.5  | 2.0  | 1.6  | 3.5  | 3.5  | 3.2  | 3.6  |
| DK  | 6.6     | 10.9    | 6.8  | 6.4  | 4.3  | 2.9  | 4.6  | 4.9  | 5.1  | 2.6  | 2.4  | 2.6  |
| D   | 3.6     | 5.0     | 3.2  | 2.5  | 2.1  | -0.2 | 0.8  | 1.3  | 3.1  | 2.5  | 3.5  | 4.2  |
| GR  | 3.5     | 17.3    | 18.1 | 17.9 | 18.3 | 22.1 | 15.5 | 14.2 | 14.7 | 20.5 | 18.0 | 13.0 |
| E   | 6.6     | 17.1    | 12.3 | 11.0 | 8.2  | 8.6  | 5.7  | 5.1  | 6.6  | 6.4  | 5.9  | 5.3  |
| F   | 4.8     | 11.7    | 9.7  | 7.9  | 6.0  | 2.9  | 3.3  | 2.9  | 3.5  | 3.0  | 3.1  | 3.2  |
| IRL | 6.3     | 15.9    | 9.2  | 7.3  | 5.0  | 4.3  | 3.2  | 2.5  | 3.9  | 2.6  | 3.0  | 3.0  |
| I   | 4.9     | 17.4    | 15.1 | 11.9 | 9.0  | 5.7  | 4.9  | 5.2  | 5.8  | 6.2  | 6.3  | 5.6  |
| L   | 3.2     | 7.8     | 8.3  | 6.5  | 4.3  | 1.1  | 1.6  | 2.8  | 3.4  | 3.8  | 3.5  | 3.5  |
| NL  | 5.0     | 6.8     | 2.9  | 2.2  | 2.2  | 0.2  | -0.9 | 0.4  | 2.9  | 2.6  | 2.8  | 2.9  |
| P   | 3.9     | 21.5    | 25.8 | 28.5 | 19.4 | 13.8 | 10.0 | 10.0 | 12.8 | 13.6 | 11.5 | 9.8  |
| UK  | 4.9     | 14.4    | 4.8  | 5.0  | 5.4  | 4.4  | 4.3  | 4.9  | 5.9  | 7.2  | 6.5  | 5.1  |
| EUR | 4.7     | 12.1    | 8.6  | 7.3  | 6.0  | 3.8  | 3.6  | 3.7  | 4.9  | 5.0  | 5.0  | 4.6  |
| USA | 3.1     | 8.2     | 3.5  | 3.9  | 3.1  | 2.0  | 4.4  | 4.0  | 4.5  | 5.0  | 4.5  | 4.9  |
| JAP | 6.1     | 7.8     | 1.9  | 2.1  | 2.2  | 0.6  | -0.2 | -0.1 | 1.7  | 2.4  | 2.8  | 2.5  |

TABLE 13: Compensation of employees per head (percentage change on preceding year, 1961-92)\*

|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 8.9     | 10.6    | 6.3  | 6.5  | 4.6  | 4.6  | 2.1  | 2.4  | 4.2  | 5.8  | 5.9  | 6.1  |
| DK  | 10.7    | 11.5    | 8.2  | 5.5  | 4.7  | 4.4  | 7.9  | 3.9  | 3.3  | 3.7  | 3.4  | 3.5  |
| D   | 9.1     | 6.3     | 3.4  | 3.3  | 3.0  | 3.5  | 3.0  | 3.0  | 2.8  | 4.1  | 6.4  | 5.5  |
| GR  | 10.1    | 21.8    | 21.5 | 20.5 | 23.2 | 12.4 | 9.7  | 18.5 | 19.5 | 21.3 | 15.6 | 12.8 |
| E   | 14.6    | 20.4    | 13.8 | 10.0 | 9.4  | 9.5  | 6.7  | 6.2  | 6.1  | 7.8  | 7.2  | 6.5  |
| F   | 9.9     | 14.8    | 10.1 | 8.2  | 6.6  | 4.6  | 3.7  | 4.1  | 4.8  | 4.8  | 4.6  | 4.3  |
| IRL | 11.3    | 18.7    | 12.8 | 10.7 | 7.8  | 4.7  | 5.6  | 5.5  | 6.2  | 5.6  | 6.4  | 5.7  |
| I   | 11.5    | 20.2    | 16.0 | 11.8 | 10.1 | 7.5  | 8.4  | 9.3  | 9.2  | 10.4 | 8.3  | 7.7  |
| L   | 7.4     | 10.3    | 6.9  | 7.1  | 3.5  | 5.2  | 3.9  | 3.3  | 6.5  | 5.6  | 6.1  | 5.9  |
| NL  | 11.4    | 8.4     | 3.2  | 0.2  | 1.4  | 1.6  | 1.5  | 1.5  | 0.5  | 4.2  | 5.0  | 4.6  |
| P   | 10.8    | 25.1    | 21.8 | 21.2 | 22.5 | 21.6 | 17.9 | 13.4 | 13.8 | 17.8 | 17.4 | 14.9 |
| UK  | 8.3     | 16.1    | 8.8  | 5.6  | 7.3  | 8.4  | 7.4  | 7.9  | 8.9  | 10.9 | 8.5  | 6.8  |
| EUR | 9.9     | 14.4    | 9.7  | 7.5  | 7.0  | 6.4  | 5.6  | 5.9  | 6.1  | 7.6  | 7.1  | 6.2  |

TABLE 14: Real GDP per occupied person (percentage change on preceding year, 1961-92)\*

|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 4.3     | 2.3     | 1.4  | 2.3  | 0.3  | 0.8  | 1.8  | 3.1  | 2.7  | 2.7  | 2.4  | 2.5  |
| DK  | 3.2     | 1.2     | 2.2  | 2.6  | 1.7  | 1.0  | -0.6 | 0.5  | 1.8  | 2.4  | 1.7  | 2.1  |
| D   | 4.1     | 1.8     | 3.0  | 2.7  | 1.2  | 0.9  | 1.0  | 2.9  | 1.9  | 1.9  | 1.0  | 1.0  |
| GR  | 8.1     | 1.6     | -0.7 | 2.4  | 2.1  | 1.0  | -0.4 | 2.4  | 1.3  | -0.3 | 1.2  | 1.7  |
| E   | 6.5     | 3.2     | 2.3  | 4.3  | 3.7  | 1.8  | 1.0  | 1.7  | 1.2  | 1.0  | 1.4  | 1.7  |
| F   | 4.6     | 2.2     | 1.2  | 2.4  | 2.1  | 2.3  | 1.7  | 2.8  | 2.4  | 1.6  | 1.2  | 2.0  |
| IRL | 4.3     | 3.4     | 1.9  | 6.3  | 5.1  | -0.7 | 3.7  | 3.5  | 6.0  | 3.1  | 1.4  | 1.7  |
| I   | 5.5     | 2.0     | 0.5  | 2.6  | 1.7  | 1.8  | 2.6  | 3.2  | 3.0  | 0.5  | 1.2  | 1.9  |
| L   | 3.0     | 0.5     | 3.3  | 5.6  | 1.5  | 1.6  | 0.7  | 2.4  | 2.0  | 1.3  | 1.8  | 1.8  |
| NL  | 3.9     | 1.8     | 3.3  | 3.2  | 1.0  | 0.0  | -0.6 | 1.3  | 2.3  | 1.4  | 1.6  | 1.4  |
| P   | 6.7     | 3.2     | 1.0  | -0.4 | 2.8  | 7.0  | 4.7  | 3.9  | 4.3  | 1.5  | 1.9  | 2.3  |
| UK  | 2.9     | 1.3     | 5.0  | 0.2  | 2.3  | 4.0  | 2.9  | 1.3  | -0.6 | -0.1 | 0.3  | 4.1  |
| EUR | 4.4     | 2.0     | 2.3  | 2.3  | 1.9  | 2.1  | 1.7  | 2.4  | 1.7  | 1.1  | 1.2  | 2.1  |
| USA | 2.0     | 0.1     | 2.9  | 2.2  | 1.3  | 1.4  | 0.6  | 1.6  | 0.5  | 0.6  | 1.0  | 0.7  |
| JAP | 8.2     | 3.0     | 1.5  | 4.5  | 4.0  | 1.6  | 3.4  | 4.0  | 2.9  | 3.5  | 2.3  | 2.5  |

TABLE 15: Unit labour costs, whole economy<sup>1</sup> (percentage change on preceding year, 1961-92)\*

|     | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-----|---------|---------|------|------|------|------|------|------|------|------|------|------|
| B   | 4.4     | 8.1     | 4.8  | 4.1  | 4.3  | 3.8  | 0.3  | -0.6 | 1.4  | 3.1  | 3.4  | 3.5  |
| DK  | 7.3     | 10.1    | 5.8  | 2.8  | 2.9  | 3.3  | 8.5  | 3.3  | 1.5  | 1.1  | 1.4  | 1.3  |
| D   | 4.8     | 4.4     | 0.5  | 0.7  | 1.7  | 2.5  | 2.1  | 0.1  | 0.9  | 2.2  | 5.4  | 4.5  |
| GR  | 1.8     | 19.9    | 22.3 | 17.7 | 20.6 | 11.3 | 10.1 | 15.7 | 17.9 | 22.2 | 14.2 | 10.9 |
| E   | 7.7     | 16.6    | 11.2 | 5.5  | 5.6  | 7.6  | 5.6  | 4.5  | 4.8  | 6.6  | 5.7  | 4.7  |
| F   | 5.0     | 12.3    | 8.8  | 5.7  | 4.4  | 2.2  | 1.9  | 1.2  | 2.3  | 3.3  | 3.3  | 2.2  |
| IRL | 6.8     | 14.8    | 10.7 | 4.1  | 2.6  | 5.4  | 1.9  | 1.9  | 0.2  | 2.5  | 4.9  | 3.9  |
| I   | 5.6     | 17.8    | 15.5 | 8.9  | 8.2  | 5.7  | 5.6  | 6.0  | 6.0  | 9.4  | 6.9  | 5.7  |
| L   | 4.2     | 9.7     | 3.5  | 1.5  | 2.0  | 3.5  | 3.2  | 0.9  | 4.5  | 4.9  | 2.8  | 3.5  |
| NL  | 7.1     | 6.5     | -0.2 | -2.9 | 0.4  | 1.6  | 2.1  | 0.2  | -1.8 | 2.8  | 3.4  | 3.2  |
| P   | 3.9     | 21.2    | 20.6 | 21.7 | 19.1 | 13.6 | 12.6 | 9.1  | 9.1  | 14.5 | 14.6 | 12.1 |
| UK  | 5.2     | 14.6    | 3.6  | 5.4  | 4.9  | 4.3  | 4.4  | 6.5  | 9.6  | 10.9 | 8.2  | 2.6  |
| EUR | 5.3     | 12.2    | 7.3  | 5.1  | 5.0  | 4.3  | 3.8  | 3.4  | 4.3  | 6.3  | 5.9  | 4.0  |

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

TABLE 16: Total employment (percentage change on preceding year, 1961-92)\*

|            | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | 0.6     | -0.3    | -1.0 | -0.2 | 0.6  | 0.6  | 0.5  | 1.5  | 1.1  | 1.0  | -0.1 | 0.1  |
| <b>DK</b>  | 1.1     | 0.2     | 0.3  | 1.7  | 2.5  | 2.6  | 0.9  | 0.0  | -0.6 | -0.7 | -0.3 | 0.2  |
| <b>D</b>   | 0.3     | -0.2    | -1.4 | 0.2  | 0.7  | 1.4  | 0.7  | 0.8  | 1.4  | 2.8  | 1.7  | 0.8  |
| <b>GR</b>  | -0.5    | 1.0     | 1.1  | 0.4  | 1.0  | 0.4  | -0.1 | 1.6  | 1.5  | 0.4  | -0.4 | -0.1 |
| <b>E</b>   | 0.7     | -1.4    | -0.5 | -2.4 | -1.3 | 1.4  | 4.5  | 3.5  | 3.6  | 2.6  | 1.5  | 1.8  |
| <b>F</b>   | 0.7     | 0.2     | -0.4 | -0.9 | -0.3 | 0.1  | 0.3  | 0.7  | 1.2  | 1.2  | 0.4  | 0.4  |
| <b>IRL</b> | 0.1     | 0.8     | -2.1 | -1.9 | -2.4 | 0.4  | 0.6  | 0.4  | -0.1 | 2.1  | 0.4  | 0.6  |
| <b>I</b>   | -0.2    | 1.0     | 0.6  | 0.4  | 0.9  | 0.8  | 0.4  | 0.9  | 0.2  | 1.4  | 0.4  | 0.5  |
| <b>L</b>   | 1.1     | 0.5     | -0.3 | 0.6  | 1.4  | 2.6  | 2.7  | 3.1  | 4.0  | 2.4  | 1.2  | 1.4  |
| <b>NL</b>  | 0.9     | -0.2    | -1.9 | -0.1 | 1.5  | 2.0  | 1.4  | 1.4  | 1.6  | 1.9  | 1.1  | 0.4  |
| <b>P</b>   | 0.2     | -0.4    | -1.1 | -1.5 | 0.0  | -2.7 | 0.5  | 0.1  | 1.0  | 2.5  | 0.9  | 0.4  |
| <b>UK</b>  | 0.3     | -0.5    | -1.2 | 1.9  | 1.2  | -0.1 | 1.8  | 3.3  | 2.8  | 0.6  | -2.5 | -1.9 |
| <b>EUR</b> | 0.3     | -0.1    | -0.7 | 0.1  | 0.5  | 0.6  | 1.1  | 1.6  | 1.6  | 1.6  | 0.2  | 0.2  |
| <b>USA</b> | 1.9     | 1.5     | 1.0  | 4.9  | 2.4  | 1.7  | 2.9  | 2.8  | 2.3  | 0.4  | -0.9 | 0.9  |
| <b>JAP</b> | 1.3     | 0.6     | 1.7  | 0.5  | 0.7  | 0.9  | 1.0  | 1.6  | 1.9  | 2.0  | 1.5  | 1.6  |

TABLE 17: Employment in manufacturing industries (percentage change on preceding year, 1974-92)\*

|            | 1974-82           | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|-------------------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | -3.5              | -2.0 | -1.1 | -1.6 | -1.8 | -2.3 | -0.7 | 1.6  | 1.2  | 0.0  | 0.1  |
| <b>DK</b>  | -2.1              | 0.2  | 5.1  | 5.6  | 3.6  | -2.4 | -2.9 | -0.2 | -0.5 | -0.2 | 1.3  |
| <b>D</b>   | -1.7              | -3.7 | -1.1 | 1.0  | 1.7  | 0.0  | -0.1 | 1.5  | 3.5  | 2.8  | 1.1  |
| <b>GR</b>  | -                 | -1.0 | -2.4 | -0.7 | 3.1  | -1.3 | 1.0  | 0.2  | -0.3 | -0.3 | 0.1  |
| <b>E</b>   | -                 | -2.1 | -2.4 | -2.8 | 1.7  | 5.0  | 2.6  | 3.3  | 2.8  | 0.6  | 1.1  |
| <b>F</b>   | -1.4              | -2.0 | -3.0 | -2.9 | -2.0 | -2.6 | -1.7 | 0.3  | 0.9  | -1.0 | -0.8 |
| <b>IRL</b> | 0.5               | -7.7 | -4.3 | -4.5 | 1.8  | -3.9 | -0.7 | 2.6  | 2.4  | 0.5  | 0.5  |
| <b>I</b>   | 0.2               | -3.9 | -4.5 | -1.4 | -0.5 | -1.0 | 1.5  | 0.5  | 0.3  | -0.2 | 0.1  |
| <b>L</b>   | -2.1              | -3.7 | -0.9 | 0.3  | 0.3  | -1.8 | -3.4 | 1.1  | 1.3  | 0.8  | 1.0  |
| <b>NL</b>  | -2.5              | -4.3 | -1.1 | 2.0  | 1.9  | 0.8  | 0.4  | 1.8  | 1.8  | 1.0  | 0.6  |
| <b>P</b>   | 1.7               | -0.9 | -4.1 | -1.2 | -2.4 | -1.7 | -1.7 | 2.1  | 1.2  | 0.4  | 0.3  |
| <b>UK</b>  | -3.1              | -6.4 | -2.6 | 1.3  | -2.3 | -0.4 | 1.5  | -0.2 | -1.1 | -5.1 | -3.4 |
| <b>EUR</b> | -1.6 <sup>1</sup> | -3.6 | -2.4 | -0.4 | -0.2 | -0.4 | 0.4  | 1.0  | 1.4  | -0.2 | -0.2 |

<sup>1</sup> EUR without Spain and Portugal.TABLE 18: Number of unemployed (as percentage of civilian labour force, 1961-92)\*<sup>1</sup>

|                         | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|-------------------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>                | 2.0     | 6.7     | 12.5 | 12.5 | 11.6 | 11.6 | 11.4 | 10.0 | 8.5  | 8.1  | 8.4  | 8.2  |
| <b>DK</b>               | 0.9     | 5.7     | 9.3  | 8.7  | 7.2  | 5.6  | 5.7  | 6.5  | 7.7  | 8.6  | 9.0  | 8.8  |
| <b>D</b>                | 0.7     | 3.3     | 6.9  | 7.1  | 7.1  | 6.3  | 6.2  | 6.1  | 5.5  | 5.1  | 4.5  | 4.7  |
| <b>GR</b>               | 4.2     | 2.7     | 7.8  | 8.1  | 7.8  | 7.4  | 7.4  | 7.6  | 7.5  | 7.5  | 8.7  | 9.3  |
| <b>E</b>                | 2.8     | 8.4     | 17.8 | 20.6 | 21.8 | 21.1 | 20.4 | 19.3 | 17.1 | 16.1 | 16.0 | 15.6 |
| <b>F</b>                | 2.2     | 5.4     | 8.2  | 9.8  | 10.2 | 10.3 | 10.4 | 9.9  | 9.4  | 9.0  | 9.2  | 9.4  |
| <b>IRL</b>              | 5.7     | 9.0     | 15.2 | 16.8 | 18.2 | 18.2 | 18.0 | 17.4 | 16.0 | 15.1 | 16.1 | 16.7 |
| <b>I</b>                | 5.2     | 6.6     | 8.8  | 9.5  | 9.4  | 10.5 | 10.2 | 10.8 | 10.7 | 9.8  | 9.8  | 9.6  |
| <b>L</b>                | 0.0     | 1.2     | 3.5  | 3.1  | 2.9  | 2.6  | 2.6  | 2.1  | 1.8  | 1.7  | 1.6  | 1.6  |
| <b>NL</b>               | 1.3     | 6.5     | 12.4 | 12.3 | 10.5 | 10.2 | 10.0 | 9.3  | 8.7  | 8.1  | 7.8  | 7.7  |
| <b>P</b>                | 2.5     | 6.4     | 8.0  | 8.7  | 8.8  | 8.2  | 6.8  | 5.6  | 4.8  | 4.6  | 4.8  | 5.2  |
| <b>UK</b>               | 2.0     | 5.5     | 11.1 | 11.3 | 11.4 | 11.4 | 10.4 | 8.5  | 7.0  | 5.7  | 8.6  | 10.8 |
| <b>EUR</b>              | 2.4     | 5.6     | 9.9  | 10.7 | 10.8 | 10.7 | 10.3 | 9.7  | 8.9  | 8.2  | 8.7  | 9.2  |
| <b>USA</b> <sup>2</sup> | 4.6     | 7.2     | 9.6  | 7.5  | 7.2  | 7.0  | 6.2  | 5.5  | 5.3  | 5.4  | 6.6  | 6.6  |
| <b>JAP</b> <sup>2</sup> | 1.2     | 2.0     | 2.7  | 2.7  | 2.6  | 2.8  | 2.8  | 2.5  | 2.3  | 2.1  | 2.2  | 2.2  |

<sup>1</sup> Series following SOEC definition based on the labour force survey.<sup>2</sup> In percentage of total labour force.

TABLE 19: General government lending (+) or borrowing (-) (as a percentage of GDP, 1974-92)\*

|                         | 1974-82           | 1983  | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  |
|-------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>B</b>                | -7.2              | -11.3 | -9.0  | -8.5  | -9.1  | -7.0  | -6.6  | -6.7  | -6.0  | -6.4  | -6.1  |
| <b>DK</b>               | -2.3              | -7.2  | -4.1  | -2.0  | 3.4   | 2.4   | 0.5   | -0.5  | -1.5  | -1.3  | -1.1  |
| <b>D</b> <sup>2</sup>   | -3.1              | -2.5  | -1.9  | -0.9  | -1.3  | -1.9  | -2.1  | 0.2   | -2.2  | -4.7  | -3.9  |
| <b>GR</b>               | -                 | -8.3  | -10.0 | -13.8 | -12.6 | -12.4 | -15.5 | -19.2 | -18.9 | -15.4 | -10.7 |
| <b>E</b>                | -1.8              | -4.7  | -5.4  | -6.9  | -6.0  | -3.2  | -3.3  | -2.7  | -3.7  | -2.7  | -2.0  |
| <b>F</b>                | -1.2              | -3.1  | -2.8  | -2.9  | -2.7  | -1.9  | -1.8  | -1.2  | -1.6  | -1.6  | -1.5  |
| <b>IRL</b>              | -10.9             | -11.8 | -9.8  | -11.2 | -11.2 | -9.1  | -5.2  | -3.5  | -3.4  | -3.8  | -3.5  |
| <b>I</b>                | -8.9              | -10.6 | -11.6 | -12.5 | -11.7 | -11.1 | -10.9 | -10.1 | -10.6 | -10.0 | -10.0 |
| <b>L</b>                | 1.4               | 2.0   | 3.3   | 5.3   | 3.3   | 1.2   | 2.1   | 3.3   | 4.2   | 1.7   | 1.6   |
| <b>NL</b>               | -3.4              | -6.4  | -6.3  | -4.8  | -6.0  | -6.6  | -5.2  | -5.0  | -5.7  | -4.8  | -4.9  |
| <b>P</b>                | -                 | -9.0  | -12.0 | -10.1 | -7.2  | -6.8  | -5.4  | -3.4  | -5.8  | -5.5  | -5.0  |
| <b>UK</b>               | -3.6              | -3.3  | -3.9  | -2.8  | -2.4  | -1.3  | 1.1   | 1.0   | -0.5  | -2.2  | -3.1  |
| <b>EUR</b> <sup>1</sup> | -3.9 <sup>1</sup> | -5.3  | -5.3  | -5.2  | -4.8  | -4.2  | -3.7  | -2.9  | -4.1  | -4.6  | -4.4  |
| <b>USA</b>              | -1.7              | -4.9  | -2.8  | -3.3  | -3.5  | -2.4  | -2.0  | -1.7  | -2.4  | -1.8  | -2.4  |
| <b>JAP</b>              | -3.6              | -3.7  | -2.1  | -0.8  | -1.0  | 0.7   | 2.1   | 1.8   | 2.2   | 1.7   | 2.0   |

<sup>1</sup> EUR without Greece and Portugal up to 1983.<sup>2</sup> Including current transfers to East Germany and the deficit of East German territorial authorities.

\* Notes: see page 15.



TABLE 20: World export prices<sup>1</sup>\*

|                           | Percentage change on preceding year |       |      |      |       |      |
|---------------------------|-------------------------------------|-------|------|------|-------|------|
|                           | 1987                                | 1988  | 1989 | 1990 | 1991  | 1992 |
| Fuels                     | 19.0                                | -15.6 | 16.9 | 27.3 | -11.9 | -1.3 |
| Other primary commodities | 7.0                                 | 20.0  | -0.2 | -0.6 | -2.1  | 2.1  |
| Manufactures              | 11.6                                | 5.7   | -0.2 | 8.3  | 3.3   | 3.0  |

<sup>1</sup> In US dollars.

Source: United Nations and forecasts by Commission services.

\* Notes: see page 15.

For 1992, a slight reversal is expected, with general government net borrowing being reduced to 4.4 % of GDP. The largest reduction will occur in Germany but all Member States are expected to register some improvement, with the notable exceptions of the Netherlands and Italy, where the budget deficit is expected to remain at the very high level of 10 % of GDP, and the UK where the budgetary slippage might become very sizeable (-3.1 % of GDP).

**The Community current account balance with the rest of the world becomes increasingly negative.** — The external position of the Community is expected to undergo a deterioration during the period of the forecast, with its *current balance*, as a percentage of GDP expected to change from -0.2 % in 1990 to -0.6 % in 1991 and to -0.8 % in 1992. This situation is entirely attributable to the worsening of the German current balance, which from a surplus of 3 % in 1990 becomes negative at -0.1 % and -0.3 % in 1991 and 1992. Spain and the UK, which in 1990 recorded high deficits, respectively of 3.5 and 2.3 % of GDP, are forecast to achieve a significant improvement in 1991, though they should lose some of these gains in 1992.

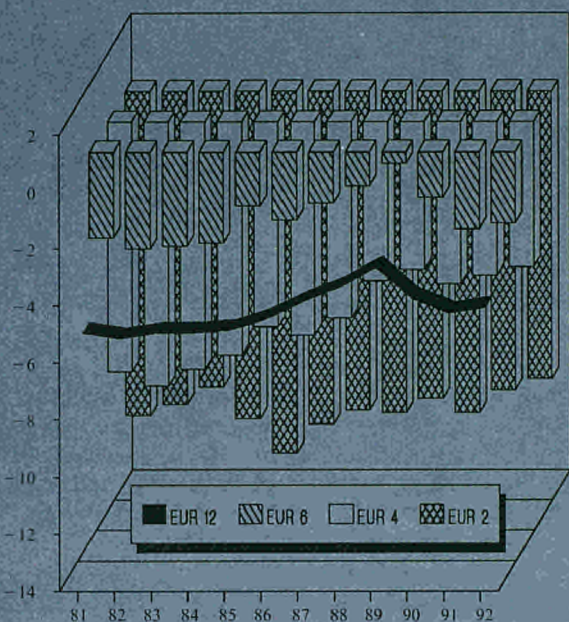
The *trade balance* should, however, remain positive and even register some improvement in 1991. As a percentage of GDP it is expected to be 0.6 % in 1991 and 0.4 % in 1992, compared with 0.3 % in 1990. In 1991, growth in exports and imports accelerate by approximately the same magnitude (both 0.3 point). However, given that the terms of trade of the Community are expected to improve by 1.3 %, in real terms the ratio exports/imports deteriorates.

#### THE COMMUNITY'S EXTERNAL ENVIRONMENT

**World growth and trade.** — The end of the Gulf war lifted strong uncertainties which affected the world economy, in the second half of 1990 and at the very beginning of 1991, through loss of confidence and oil price increases. Nevertheless, the Community's external environment, as far as growth is concerned, remains globally unfavourable in 1991 and could improve only progressively in 1992.

Indeed, the last quarters has seen not only the US economy go into recession, but also Canada, Australia and New-Zealand as well as some European neighbours of the Community, such as Sweden and Finland. Furthermore growth is expected to be more in line

GRAPH 9: Net borrowing of general government (% of GDP)



EUR 2: GR and I; EUR 4: B, IRL, NL and P;  
EUR 6: DK, D, E, F, L and UK.

TABLE 21: Total public expenditure (as percentage of GDP, 1974-92)\*

|                  | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------------|---------|------|------|------|------|------|------|------|------|------|------|
| B                | 51.6    | 58.3 | 57.2 | 56.8 | 56.6 | 54.8 | 53.1 | 51.6 | 50.0 | 50.0 | 49.5 |
| DK               | 52.4    | 61.6 | 60.3 | 59.3 | 55.7 | 57.3 | 59.0 | 58.7 | 57.6 | 57.3 | 57.1 |
| D <sup>2</sup>   | 48.0    | 48.4 | 48.0 | 47.5 | 46.9 | 47.1 | 46.6 | 45.2 | 46.2 | 50.8 | 50.7 |
| GR               | —       | 41.5 | 44.3 | 48.1 | 47.9 | 48.6 | 49.2 | 50.7 | 53.6 | 53.0 | 50.8 |
| E                | 29.6    | 38.9 | 39.4 | 42.1 | 41.7 | 40.6 | 40.5 | 41.7 | 42.1 | 42.3 | 42.2 |
| F                | 44.8    | 51.4 | 51.9 | 52.1 | 51.4 | 51.0 | 50.4 | 49.5 | 49.9 | 49.7 | 49.5 |
| IRL              | 47.2    | 54.2 | 52.3 | 53.6 | 53.4 | 51.7 | 48.8 | 43.1 | 42.2 | 42.6 | 41.9 |
| I                | 40.5    | 48.6 | 49.3 | 50.8 | 50.9 | 50.5 | 50.8 | 51.7 | 53.0 | 53.6 | 53.9 |
| L                | 50.9    | 55.1 | 51.8 | 51.7 | 51.0 | 54.2 | 53.0 | 49.2 | 50.7 | 50.8 | 50.6 |
| NL               | 54.7    | 62.0 | 60.7 | 59.6 | 59.7 | 61.4 | 59.7 | 56.8 | 56.8 | 56.4 | 56.4 |
| P                | —       | 46.1 | 46.6 | 43.5 | 44.6 | 43.0 | 43.0 | 42.9 | 44.1 | 44.6 | 43.9 |
| UK               | 43.1    | 44.8 | 45.3 | 44.2 | 42.8 | 41.1 | 38.2 | 37.7 | 39.2 | 40.4 | 40.3 |
| EUR <sup>1</sup> | 43.9    | 48.6 | 48.8 | 49.0 | 48.4 | 47.8 | 47.0 | 46.5 | 47.4 | 48.7 | 48.6 |

<sup>1</sup> EUR without Greece and Portugal up to 1983.<sup>2</sup> Including current transfers to East Germany and the deficit of East German territorial authorities.

TABLE 22: Total public receipts (as percentage of GDP, 1974-92)\*

|                  | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------------|---------|------|------|------|------|------|------|------|------|------|------|
| B                | 44.4    | 47.0 | 48.1 | 48.3 | 47.5 | 47.8 | 46.5 | 44.9 | 44.0 | 43.6 | 43.4 |
| DK               | 50.2    | 54.4 | 56.2 | 57.3 | 59.1 | 59.7 | 59.5 | 58.2 | 56.1 | 56.0 | 56.0 |
| D                | 45.0    | 45.8 | 46.1 | 46.4 | 45.6 | 45.2 | 44.5 | 45.4 | 44.1 | 46.1 | 46.8 |
| GR               | 29.3    | 33.2 | 34.2 | 34.2 | 35.3 | 36.2 | 33.7 | 31.5 | 34.7 | 37.6 | 40.1 |
| E                | 27.9    | 34.1 | 34.0 | 35.2 | 35.7 | 37.4 | 37.2 | 39.0 | 38.4 | 39.5 | 40.2 |
| F                | 43.7    | 48.2 | 49.2 | 49.3 | 48.6 | 49.1 | 48.7 | 48.3 | 48.2 | 48.1 | 48.0 |
| IRL              | 36.3    | 42.4 | 42.5 | 42.4 | 42.3 | 42.6 | 43.6 | 39.6 | 38.8 | 38.8 | 38.3 |
| I                | 31.5    | 37.9 | 37.7 | 38.2 | 39.2 | 39.5 | 39.9 | 41.6 | 42.4 | 43.5 | 43.8 |
| L                | 52.3    | 57.1 | 55.1 | 57.0 | 54.3 | 55.4 | 55.1 | 52.5 | 54.9 | 52.5 | 52.3 |
| NL               | 51.3    | 55.6 | 54.5 | 54.9 | 53.7 | 54.8 | 54.5 | 51.9 | 51.1 | 51.6 | 51.5 |
| P                | —       | 37.0 | 34.6 | 33.4 | 37.3 | 36.2 | 37.6 | 38.3 | 38.3 | 39.1 | 38.9 |
| UK               | 39.5    | 41.5 | 41.4 | 41.4 | 40.4 | 39.7 | 39.2 | 38.8 | 38.7 | 38.2 | 37.1 |
| EUR <sup>1</sup> | 40.0    | 43.3 | 43.5 | 43.8 | 43.6 | 43.6 | 43.3 | 43.6 | 43.3 | 44.1 | 44.1 |

<sup>1</sup> EUR without Greece and Portugal up to 1983.

\* Notes: see page 15.

**TABLE 23: Rates of change of demand components (EUR-12, 1990-92)<sup>1</sup>\***

|                               | Percentage change on preceding period at constant prices |      |      |      |       |      |       |
|-------------------------------|--|------|------|------|-------|------|-------|
|                               | 1990   | 1991 | 1992 | 91-I | 91-II | 92-I | 92-II |
| Private consumption           | 2.9  | 1.6  | 2.6  | 1.3  | 2.6   | 2.5  | 2.6   |
| Government consumption        | 2.2  | 1.5  | 1.7  | 1.7  | 1.3   | 1.7  | 1.8   |
| Fixed capital formation       | 4.3  | 0.8  | 3.7  | 0.3  | 2.0   | 4.1  | 4.7   |
| — Construction                | 3.8  | 1.5  | 3.0  | 1.3  | 1.7   | 3.3  | 3.7   |
| — Equipment                   | 4.7  | 0.2  | 4.4  | -0.7 | 2.3   | 4.8  | 5.7   |
| Change in stocks as % of GDP  | 0.7  | 0.7  | 0.8  | 0.6  | 0.7   | 0.8  | 0.8   |
| Domestic demand               | 2.8  | 1.4  | 2.7  | 0.8  | 2.4   | 2.8  | 2.9   |
| Exports of goods and services | 6.2  | 4.6  | 4.4  | 4.5  | 5.2   | 4.1  | 4.2   |
| Imports of goods and services | 6.4  | 4.6  | 5.4  | 4.4  | 5.3   | 5.4  | 5.7   |
| Gross domestic product        | 2.7  | 1.4  | 2.3  | 0.8  | 2.3   | 2.3  | 2.3   |

<sup>1</sup> Half-yearly figures at annual rates, seasonally adjusted (91-I = first half of 1991 etc.).

**TABLE 24: Export markets and export performance (percentage change on preceding year, 1990-92)\***

|                      | Export markets |      |      | Export performance <sup>1</sup> |      |      |
|----------------------|----------------|------|------|---------------------------------|------|------|
|                      | 1990           | 1991 | 1992 | 1990                            | 1991 | 1992 |
| <b>B</b>             | 5.7            | 4.0  | 4.9  | -0.9                            | -0.2 | -0.4 |
| <b>DK</b>            | 4.6            | 3.1  | 4.3  | 2.0                             | 1.0  | 0.3  |
| <b>D</b>             | 4.6            | 2.5  | 4.8  | -3.8                            | -5.2 | -0.7 |
| <b>GR</b>            | 3.6            | 3.0  | 4.3  | -6.3                            | 1.2  | 0.6  |
| <b>E</b>             | 5.3            | 3.8  | 5.0  | 2.8                             | 2.6  | 1.2  |
| <b>F</b>             | 4.9            | 3.8  | 5.0  | 0.5                             | 0.3  | -0.5 |
| <b>IRL</b>           | 4.2            | 2.3  | 4.7  | 1.1                             | 2.3  | 0.3  |
| <b>I</b>             | 5.5            | 3.6  | 4.9  | -1.2                            | -0.5 | -0.5 |
| <b>L<sup>2</sup></b> | —              | —    | —    | —                               | —    | —    |
| <b>NL</b>            | 5.0            | 3.7  | 4.5  | 0.5                             | 0.9  | -0.3 |
| <b>P</b>             | 5.0            | 3.6  | 5.1  | 6.7                             | 1.3  | 0.4  |
| <b>UK</b>            | 5.4            | 3.9  | 4.9  | 1.3                             | -1.9 | 0.4  |
| <b>EUR</b>           | 5.0            | 3.3  | 4.8  | -0.6                            | -1.2 | -0.2 |
| <b>USA</b>           | 4.3            | 2.6  | 5.2  | 4.0                             | 4.1  | 0.6  |
| <b>JAP</b>           | 4.9            | 3.7  | 5.5  | 1.8                             | 3.2  | 2.3  |

<sup>1</sup> Indices of export volume growth divided by indices of market growth (includes intra community trade).

<sup>2</sup> Included in the figures for Belgium.

**TABLE 25: Imports of goods, volume (percentage change on preceding year, 1961-92)\***

|                        | 1961-73          | 1974-81 | 1982-88 | 1989 | 1990 | 1991 | 1992 |
|------------------------|------------------|---------|---------|------|------|------|------|
| <b>B</b>               | 9.3              | 1.9     | 4.6     | 8.5  | 5.0  | 3.4  | 4.4  |
| <b>DK</b>              | 7.9              | -0.2    | 3.3     | 3.9  | 2.2  | 1.7  | 3.3  |
| <b>D</b>               | 8.8              | 4.0     | 4.1     | 9.5  | 11.1 | 10.8 | 6.1  |
| <b>GR</b>              | 12.7             | 0.4     | 8.9     | 10.6 | 9.5  | 3.0  | 5.0  |
| <b>E</b>               | —                | 1.7     | 8.7     | 17.7 | 7.4  | 6.5  | 7.5  |
| <b>F</b>               | 11.3             | 2.4     | 4.5     | 8.5  | 5.8  | 3.7  | 4.7  |
| <b>IRL</b>             | 9.2              | 4.5     | 3.9     | 14.5 | 6.9  | 4.7  | 4.8  |
| <b>I</b>               | 10.4             | 3.9     | 4.9     | 8.0  | 2.8  | 4.4  | 5.9  |
| <b>L</b>               | 6.1              | 1.1     | 5.9     | 6.2  | 2.4  | 3.8  | 4.5  |
| <b>NL</b>              | 9.4              | 1.3     | 5.0     | 7.0  | 6.7  | 3.9  | 3.4  |
| <b>P</b>               | —                | —       | —       | 7.7  | 13.0 | 8.7  | 8.0  |
| <b>UK</b>              | 5.2              | 0.3     | 7.9     | 8.7  | 1.4  | -2.0 | 5.2  |
| <b>EUR<sup>1</sup></b> | 9.0              | 2.3     | 4.7     | 9.3  | 6.0  | 4.6  | 5.5  |
| <b>USA</b>             | 9.4 <sup>2</sup> | 2.2     | 8.8     | 5.8  | 3.5  | 1.7  | 4.4  |
| <b>JAP</b>             | —                | —       | —       | 7.4  | 9.8  | 7.5  | 7.8  |

<sup>1</sup> Excluding Spain up to 1973 and Portugal up to 1986.

<sup>2</sup> USA: average 1964-73.

**TABLE 26: Exports of goods, volume (percentage change on preceding year, 1961-92)\***

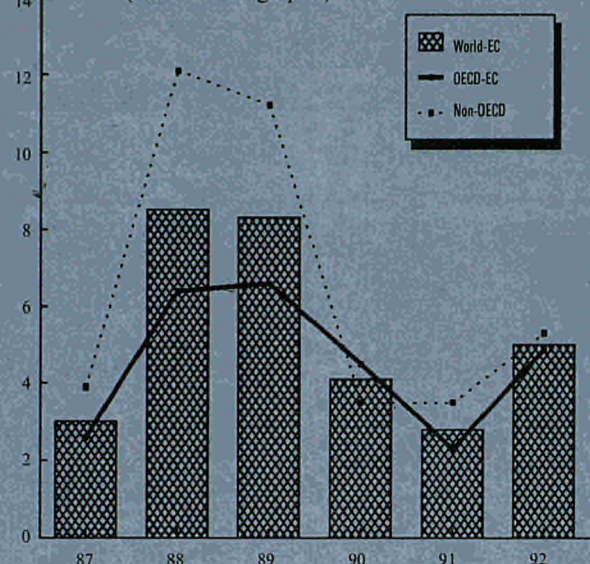
|                        | 1961-73          | 1974-81 | 1982-88 | 1989 | 1990 | 1991 | 1992 |
|------------------------|------------------|---------|---------|------|------|------|------|
| <b>B</b>               | 10.2             | 2.2     | 4.6     | 8.3  | 4.8  | 3.7  | 4.5  |
| <b>DK</b>              | 6.8              | 4.7     | 4.1     | 5.3  | 6.6  | 4.1  | 4.6  |
| <b>D</b>               | 8.0              | 4.7     | 3.6     | 13.1 | 7.1  | 7.3  | 3.9  |
| <b>GR</b>              | 11.9             | 5.5     | 9.9     | 3.8  | -2.9 | 4.2  | 4.9  |
| <b>E</b>               | —                | 8.9     | 6.3     | 6.4  | 8.3  | 6.4  | 6.2  |
| <b>F</b>               | 10.0             | 5.2     | 2.9     | 9.0  | 5.4  | 4.1  | 4.4  |
| <b>IRL</b>             | 8.1              | 7.9     | 9.9     | 13.0 | 5.4  | 4.6  | 5.0  |
| <b>I</b>               | 11.8             | 7.3     | 3.8     | 6.3  | 4.2  | 3.0  | 4.4  |
| <b>L</b>               | 5.5              | -0.8    | 7.7     | 7.0  | 2.0  | 2.5  | 4.0  |
| <b>NL</b>              | 10.3             | 2.7     | 4.5     | 6.4  | 5.5  | 4.6  | 4.2  |
| <b>P</b>               | —                | —       | —       | 15.4 | 12.0 | 4.9  | 5.5  |
| <b>UK</b>              | 5.0              | 3.5     | 4.1     | 5.7  | 6.8  | 1.9  | 5.3  |
| <b>EUR<sup>1</sup></b> | 8.9              | 4.8     | 4.2     | 8.7  | 6.0  | 4.6  | 4.5  |
| <b>USA</b>             | 6.7 <sup>2</sup> | 5.1     | 5.5     | 12.3 | 8.5  | 6.8  | 5.9  |
| <b>JAP</b>             | —                | —       | —       | 4.5  | 6.7  | 7.0  | 8.0  |

<sup>1</sup> Excluding Spain up to 1973 and Portugal up to 1986.

<sup>2</sup> USA: average 1964-73.

\* Notes: see page 15.

**GRAPH 10: World imports of goods\* (real % change p.a.)**



\* World excluding CCEE + USSR.

with the expansion of potential output in Japan, after having reached a record level in 1990. As a result, GDP would grow by only 1 % on average (OECD countries) outside the Community in 1991, meaning a reduction by more than 3.5 percentage points since 1988. In addition, output declines strongly in central and eastern European countries due to structural changes which these countries accomplish as well as in the USSR.

The Gulf war has certainly precipitated the recession in the concerned countries, but this evolution is mainly a reaction to increased external disequilibria and/or inflationary pressures which have been building up during the exceptionally long, preceding, expansionary period. The mix of cyclical factors and of the exceptional, now reversed, Gulf war effects makes it difficult to appreciate how fast and how strong the recessionary tendencies will be surmounted in these countries. A certain recovery, supported by the recent oil price decrease and the regain in confidence, can nevertheless be expected for the next quarters and real GDP could rise in the industrialised countries outside the EC by 2 % to 2.5 % in 1992.

**GRAPH 11: GDP/GNP growth in the EC, the USA and Japan (real % change p.a.)**

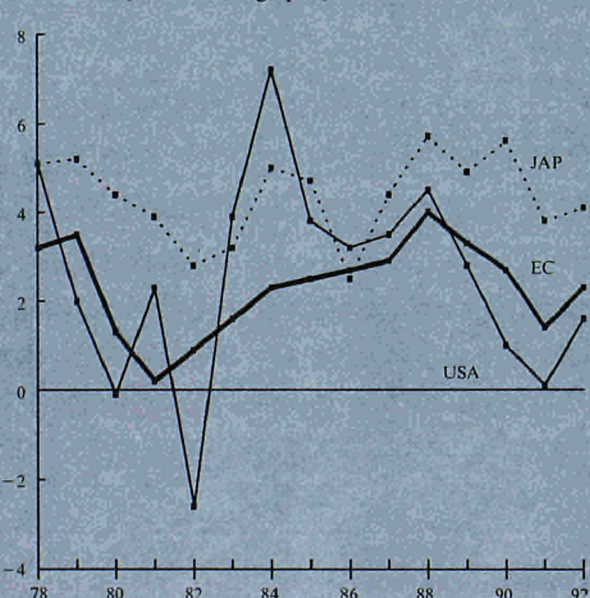


TABLE 27: Trade balance total (fob/cif) (in billions of ecus)\*

|                      | 1961-73 | 1974-82 | 1983  | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  |
|----------------------|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>B</b>             | -0.1    | -3.4    | -4.0  | -4.8  | -3.7  | -0.2  | -0.7  | -2.9  | -2.2  | -1.4  | -0.7  | -0.8  |
| <b>DK</b>            | -0.7    | -2.1    | -0.2  | -0.7  | -1.5  | -1.5  | 0.2   | 0.9   | 1.2   | 2.9   | 3.6   | 4.0   |
| <b>D</b>             | 3.6     | 13.0    | 18.5  | 24.1  | 33.0  | 53.1  | 57.0  | 61.0  | 64.0  | 44.9  | 17.1  | 15.5  |
| <b>GR</b>            | -0.9    | -3.6    | -5.8  | -6.1  | -7.4  | -5.8  | -5.6  | -5.9  | -7.8  | -8.0  | -8.3  | -9.2  |
| <b>E</b>             | -1.9    | -7.6    | -10.6 | -4.7  | -5.6  | -6.3  | -8.7  | -11.9 | -19.3 | -25.3 | -26.6 | -30.3 |
| <b>F</b>             | -0.8    | -9.9    | -15.5 | -13.1 | -13.5 | -9.2  | -12.6 | -12.2 | -14.9 | -14.3 | -12.7 | -14.2 |
| <b>IRL</b>           | -0.4    | -1.4    | -0.6  | 0.0   | 0.5   | 1.0   | 2.0   | 2.7   | 3.1   | 3.5   | 3.8   | 4.2   |
| <b>I</b>             | -1.3    | -7.5    | -8.5  | -13.9 | -16.0 | -2.5  | -7.5  | -8.4  | -11.2 | -9.3  | -8.6  | -11.2 |
| <b>L<sup>1</sup></b> |         |         |       |       |       |       |       |       |       |       |       |       |
| <b>NL</b>            | -1.0    | -0.3    | 4.5   | 4.3   | 3.9   | 4.6   | 1.1   | 1.2   | 3.5   | 4.4   | 6.3   | 6.4   |
| <b>P</b>             | -0.5    | -3.0    | -4.0  | -3.5  | -2.7  | -2.3  | -3.7  | -5.8  | -5.6  | -6.7  | -7.7  | -8.9  |
| <b>UK</b>            | -2.7    | -6.2    | -9.7  | -14.2 | -11.9 | -19.9 | -20.9 | -42.6 | -41.1 | -31.2 | -22.0 | -25.6 |
| <b>EUR</b>           | -6.6    | -32.0   | -35.8 | -32.6 | -24.7 | 11.0  | 0.8   | -23.9 | -30.3 | -40.5 | -55.9 | -70.1 |

<sup>1</sup> Included in the figures for Belgium.

TABLE 28: Trade balance intra-EC (fob/cif) (in billions of ecus)\*

|                      | 1961-73 | 1974-82 | 1983  | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  |
|----------------------|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>B</b>             | 0.5     | 0.8     | 0.6   | 0.1   | -1.4  | 1.9   | 1.0   | 0.9   | 2.7   | 0.5   | 1.4   | 1.8   |
| <b>DK</b>            | -0.3    | -1.1    | -0.2  | -1.2  | -2.1  | -2.2  | -1.0  | -0.4  | 0.2   | 1.3   | 1.8   | 2.1   |
| <b>D</b>             | 1.4     | 5.1     | 6.1   | 7.8   | 9.5   | 20.3  | 26.2  | 34.7  | 38.6  | 31.0  | 16.7  | 16.5  |
| <b>GR</b>            | -0.5    | -1.5    | -2.6  | -2.6  | -3.2  | -3.1  | -3.1  | -3.6  | -4.7  | -4.0  | -4.3  | -4.7  |
| <b>E</b>             | -0.7    | -0.6    | 0.3   | 3.2   | 2.6   | -0.6  | -3.5  | -5.3  | -8.9  | -10.7 | -11.2 | -12.9 |
| <b>F</b>             | -0.1    | -4.3    | -12.8 | -13.4 | -15.3 | -14.0 | -14.7 | -13.1 | -15.4 | -3.3  | -2.2  | -2.7  |
| <b>IRL</b>           | -0.2    | -0.9    | -0.7  | -0.2  | -0.1  | 0.6   | 1.8   | 2.4   | 3.0   | 4.5   | 4.8   | 5.4   |
| <b>I</b>             | 0.0     | -0.9    | -0.5  | -4.2  | -6.4  | -3.3  | -4.8  | -5.3  | -6.8  | -4.3  | -7.8  | -9.7  |
| <b>L<sup>1</sup></b> |         |         |       |       |       |       |       |       |       |       |       |       |
| <b>NL</b>            | 0.2     | 7.4     | 16.1  | 19.5  | 19.9  | 15.5  | 12.4  | 12.4  | 18.5  | 16.4  | 17.9  | 19.5  |
| <b>P</b>             | -0.3    | -1.1    | -0.9  | -0.3  | 0.0   | -0.7  | -1.7  | -3.5  | -3.4  | -4.1  | -5.0  | -5.7  |
| <b>UK</b>            | -0.4    | -1.3    | -3.8  | -4.5  | -3.6  | -12.7 | -13.0 | -20.2 | -22.5 | -15.2 | -7.8  | -9.2  |
| <b>EUR</b>           | -0.4    | 1.4     | 1.6   | 4.2   | -0.1  | 1.6   | -0.6  | -0.8  | 1.2   | 12.1  | 4.5   | 0.5   |

<sup>1</sup> Included in the figures for Belgium.

TABLE 29: Trade balance extra-EC (fob/cif) (in billions of ecus)\*

|                      | 1961-73 | 1974-82 | 1983  | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  |
|----------------------|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>B</b>             | -0.6    | -4.3    | -5.2  | -5.1  | -2.6  | -2.6  | -2.0  | -4.2  | -5.4  | -1.9  | -2.2  | -2.6  |
| <b>DK</b>            | -0.3    | -1.0    | 0.0   | 0.5   | 0.6   | 0.7   | 1.2   | 1.3   | 1.0   | 1.6   | 1.8   | 2.0   |
| <b>D</b>             | 2.2     | 7.7     | 11.9  | 15.8  | 22.9  | 32.5  | 30.5  | 26.0  | 25.0  | 13.8  | 0.4   | -1.0  |
| <b>GR</b>            | -0.4    | -2.1    | -3.2  | -3.6  | -4.2  | -2.7  | -2.6  | -2.3  | -3.2  | -4.0  | -4.1  | -4.5  |
| <b>E</b>             | -1.2    | -7.1    | -11.1 | -7.9  | -8.3  | -5.9  | -5.7  | -6.9  | -10.8 | -14.5 | -15.4 | -17.4 |
| <b>F</b>             | -0.7    | -5.7    | -2.7  | 0.3   | 1.9   | 5.0   | 2.4   | 1.1   | 0.9   | -11.0 | -10.6 | -11.5 |
| <b>IRL</b>           | -0.2    | -0.5    | 0.0   | 0.1   | 0.4   | 0.4   | 0.2   | 0.3   | 0.1   | -1.0  | -1.1  | -1.2  |
| <b>I</b>             | -1.3    | -6.9    | -8.8  | -10.3 | -10.2 | 0.6   | -3.0  | -3.3  | -4.4  | -5.0  | -0.8  | -1.5  |
| <b>L<sup>1</sup></b> |         |         |       |       |       |       |       |       |       |       |       |       |
| <b>NL</b>            | -1.2    | -8.1    | -13.0 | -16.6 | -17.4 | -11.7 | -11.9 | -11.9 | -15.7 | -12.0 | -11.6 | -13.1 |
| <b>P</b>             | -0.2    | -1.9    | -3.1  | -3.2  | -2.7  | -1.7  | -2.0  | -2.4  | -2.3  | -2.7  | -2.7  | -3.2  |
| <b>UK</b>            | -2.3    | -4.9    | -5.9  | -9.7  | -8.2  | -7.2  | -8.0  | -22.6 | -18.8 | -15.9 | -14.2 | -16.4 |
| <b>EUR</b>           | -6.3    | -34.5   | -41.1 | -39.8 | -27.8 | 7.4   | -0.7  | -25.0 | -33.7 | -52.6 | -60.4 | -70.5 |

<sup>1</sup> Included in the figures for Belgium.

TABLE 30: Balance on current account (as percentage of GDP, 1961-92)\*

|            | 1961-73 | 1974-82 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|------------|---------|---------|------|------|------|------|------|------|------|------|------|------|
| <b>B</b>   | 1.1     | -1.8    | -0.8 | -0.6 | 0.3  | 2.1  | 1.4  | 1.5  | 1.1  | 0.7  | 1.1  | 1.1  |
| <b>DK</b>  | -2.0    | -3.5    | -2.6 | -3.3 | -4.6 | -5.4 | -2.9 | -1.2 | -1.2 | 0.8  | 1.6  | 2.4  |
| <b>D</b>   | 0.7     | 0.6     | 0.7  | 1.3  | 2.6  | 4.4  | 4.2  | 4.2  | 4.7  | 3.0  | -0.1 | -0.3 |
| <b>GR</b>  | -2.9    | -2.0    | -5.0 | -4.0 | -8.2 | -5.3 | -3.1 | -2.0 | -4.8 | -5.7 | -5.0 | -3.9 |
| <b>E</b>   | -0.2    | -2.0    | -1.5 | 1.4  | 1.4  | 1.6  | 0.0  | -1.1 | -3.2 | -3.5 | -2.9 | -3.1 |
| <b>F</b>   | 0.4     | -0.3    | -0.8 | 0.0  | 0.1  | 0.5  | -0.1 | -0.3 | -0.1 | -1.0 | -0.9 | -1.0 |
| <b>IRL</b> | -2.5    | -8.8    | -6.9 | -5.8 | -4.0 | -2.9 | 1.3  | 1.7  | 1.3  | 2.7  | 2.2  | 1.9  |
| <b>I</b>   | 1.4     | -0.7    | 0.3  | -0.6 | -0.9 | 0.5  | -0.2 | -0.8 | -1.4 | -1.4 | -1.3 | -1.5 |
| <b>L</b>   | 6.8     | 22.2    | 39.3 | 38.9 | 44.1 | 39.4 | 31.8 | 33.5 | 34.4 | 29.3 | 26.4 | 24.7 |
| <b>NL</b>  | 0.5     | 1.2     | 3.1  | 4.2  | 4.1  | 2.7  | 1.4  | 2.5  | 3.3  | 3.8  | 3.6  | 3.5  |
| <b>P</b>   | 0.4     | -7.6    | -8.3 | -3.4 | 0.4  | 2.4  | -0.4 | -4.4 | -2.9 | -0.1 | -1.2 | -2.2 |
| <b>UK</b>  | -0.1    | -0.2    | 0.9  | -0.2 | 0.5  | -0.9 | -2.0 | -4.6 | -4.8 | -2.3 | -1.1 | -1.3 |
| <b>EUR</b> | 0.4     | -0.4    | 0.1  | 0.3  | 0.7  | 1.4  | 0.8  | 0.1  | -0.1 | -0.2 | -0.6 | -0.8 |
| <b>USA</b> | 0.5     | 0.3     | -1.0 | -2.4 | -2.9 | -3.3 | -3.5 | -2.5 | -1.9 | -1.8 | -0.3 | -0.9 |
| <b>JAP</b> | 0.6     | 0.2     | 1.8  | 2.8  | 3.7  | 4.3  | 3.7  | 2.8  | 2.1  | 1.2  | 0.9  | 1.0  |

\* Notes: see page 15.

TABLE 31: World GDP/GNP (at constant prices)\*

|                            | Percentage change on preceding year |      |      |      |      |      |
|----------------------------|-------------------------------------|------|------|------|------|------|
|                            | 1987                                | 1988 | 1989 | 1990 | 1991 | 1992 |
| EUR                        | 2.9                                 | 3.8  | 3.4  | 2.7  | 1.4  | 2.3  |
| USA                        | 3.7                                 | 4.6  | 3.0  | 1.0  | 0.1  | 1.6  |
| Canada                     | 4.4                                 | 5.0  | 2.9  | 0.8  | -0.3 | 2.2  |
| Japan                      | 4.2                                 | 5.7  | 4.8  | 5.6  | 3.8  | 4.1  |
| EFTA                       | 2.1                                 | 3.1  | 3.6  | 1.9  | 1.0  | 1.8  |
| Total OECD                 | 3.5                                 | 4.4  | 3.5  | 2.3  | 1.1  | 2.2  |
| CCEEs                      | 1.4                                 | 4.1  | 1.9  | -2.6 | -8.7 | -5.2 |
| OPEC                       | 2.3                                 | 3.3  | 4.5  | 1.2  | 1.0  | 5.8  |
| Other developing countries | 4.3                                 | 5.4  | 3.4  | 2.5  | 3.6  | 4.5  |
| — DAE's                    | 11.7                                | 9.4  | 6.9  | 6.7  | 6.3  | 6.8  |
| — other Asia               | 3.1                                 | 9.5  | 4.0  | 4.1  | 4.4  | 5.0  |
| — Latin America            | 3.2                                 | 0.0  | 1.0  | -1.6 | 1.5  | 3.2  |
| — Africa                   | 1.0                                 | 2.0  | 2.6  | 1.1  | 1.5  | 2.5  |
| World                      | 3.2                                 | 4.4  | 3.3  | 2.0  | 0.9  | 2.2  |

TABLE 32: World imports of goods (at constant prices)\*

|                            | Percentage change on preceding year |      |      |      |      |      |
|----------------------------|-------------------------------------|------|------|------|------|------|
|                            | 1987                                | 1988 | 1989 | 1990 | 1991 | 1992 |
| EUR                        | 8.8                                 | 9.2  | 8.7  | 5.5  | 4.0  | 5.2  |
| USA                        | 6.5                                 | 6.0  | 5.8  | 3.5  | 1.7  | 4.4  |
| Canada                     | 9.1                                 | 14.5 | 7.0  | -0.6 | -3.3 | 4.2  |
| Japan                      | 9.1                                 | 16.7 | 7.4  | 9.8  | 7.5  | 7.8  |
| EFTA                       | 6.1                                 | -3.7 | 6.0  | 4.1  | 2.2  | 3.8  |
| Total OECD                 | 7.9                                 | 8.2  | 7.8  | 5.1  | 3.2  | 5.0  |
| CCEEs                      | -2.7                                | 6.0  | 8.3  | -5.3 | -9.5 | -0.4 |
| OPEC                       | -2.0                                | 2.9  | 3.0  | 4.6  | 7.5  | 5.6  |
| Other developing countries | 8.8                                 | 13.3 | 9.2  | 5.4  | 5.9  | 6.5  |
| — DAE's                    | 22.3                                | 21.4 | 12.5 | 9.9  | 7.5  | 8.1  |
| — other Asia               | -3.4                                | 8.7  | 7.0  | -1.2 | 5.6  | 6.5  |
| — Latin America            | 3.2                                 | 2.5  | 6.0  | 4.2  | 3.8  | 4.3  |
| — Africa                   | 0.1                                 | 6.3  | 4.0  | 1.7  | 1.8  | 2.6  |
| World                      | 7.2                                 | 8.8  | 7.9  | 4.6  | 3.3  | 5.1  |
| World excluding EUR        | 6.4                                 | 8.6  | 7.4  | 4.1  | 2.8  | 5.0  |

TABLE 33: World balances of current account (in billions of US dollars)\*

|                            | 1987   | 1988   | 1989  | 1990   | 1991   | 1992   |
|----------------------------|--------|--------|-------|--------|--------|--------|
| EUR                        | 37.9   | 15.2   | 0.2   | -8.7   | -36.9  | -42.8  |
| USA <sup>1</sup>           | -150.9 | -117.5 | -96.1 | -99.4  | -18.3  | -54.1  |
| Canada                     | -7.7   | -8.8   | -16.2 | -7.5   | -0.2   | 4.6    |
| Japan                      | 87.1   | 79.7   | 57.0  | 35.1   | 29.1   | 38.4   |
| EFTA                       | -8.0   | -10.4  | 0.2   | 2.3    | 6.8    | 8.6    |
| Total OECD                 | -46.0  | -43.6  | -72.2 | -96.3  | -38.3  | -64.7  |
| CCEEs                      | 5.4    | 3.5    | -3.0  | -7.1   | -5.7   | -10.8  |
| OPEC                       | -8.0   | -17.1  | 4.3   | 23.8   | -36.6  | -2.6   |
| Other developing countries | 10.1   | 0.6    | -8.7  | -25.3  | -32.0  | -38.2  |
| — DAE's                    | 32.0   | 25.3   | 19.1  | 5.9    | 4.5    | 1.6    |
| — other Asia               | -6.2   | -7.5   | -12.5 | -11.9  | -17.3  | -21.2  |
| — Latin America            | -8.2   | -5.4   | -5.5  | -9.0   | -8.7   | -7.9   |
| — Africa                   | -7.5   | -11.8  | -9.9  | -10.3  | -10.5  | -10.7  |
| Errors and omissions       | -38.5  | -56.6  | -79.7 | -105.0 | -112.6 | -116.2 |

<sup>1</sup> The balance takes into account as public transfers to the USA the contributions of foreign governments to the cost of the Gulf War.

TABLE 34: World trade balances (fob-fob, in billions of US dollars)\*

|                            | 1987   | 1988   | 1989   | 1990   | 1991  | 1992  |
|----------------------------|--------|--------|--------|--------|-------|-------|
| EUR                        | 36.1   | 21.0   | 9.2    | 4.2    | -11.5 | -21.1 |
| USA                        | -157.4 | -127.1 | -111.3 | -109.3 | -90.9 | -82.5 |
| Canada                     | 9.1    | 8.8    | 4.0    | 12.5   | 19.8  | 24.6  |
| Japan                      | 96.4   | 95.0   | 77.1   | 63.1   | 72.4  | 82.2  |
| EFTA                       | -5.5   | -8.5   | -5.3   | -0.7   | 4.0   | 4.8   |
| Total OECD                 | -24.5  | -11.7  | -31.1  | -39.4  | -16.5 | -3.4  |
| CCEEs                      | 6.4    | 3.4    | -1.8   | -6.9   | -9.4  | -15.1 |
| OPEC                       | 35.0   | 24.9   | 46.3   | 78.8   | 48.4  | 47.4  |
| Other developing countries | 21.8   | 17.2   | 11.3   | 2.1    | -5.2  | -9.7  |
| — DAE's                    | 29.5   | 22.6   | 16.1   | 3.9    | 3.0   | 0.4   |
| — other Asia               | -22.3  | -24.0  | -25.5  | -14.5  | -19.5 | -23.2 |
| — Latin America            | 18.2   | 25.3   | 27.5   | 21.0   | 19.3  | 21.1  |
| — Africa                   | -3.6   | -6.7   | -6.9   | -8.3   | -8.0  | -8.0  |
| Errors and omissions       | 38.7   | 33.8   | 24.7   | 34.6   | 17.3  | 19.2  |

\* Notes: see page 15.

TABLE 35: Trade balances (fob-fob) EC, USA and Japan\*

|                           | 1987   | 1988   | 1989   | 1990   | 1991  | 1992  |
|---------------------------|--------|--------|--------|--------|-------|-------|
| as a % of GDP             |        |        |        |        |       |       |
| EUR                       | 0.6    | 0.3    | 0.1    | 0.1    | -0.2  | -0.3  |
| USA                       | -3.6   | -2.6   | -2.2   | -1.9   | -1.5  | -1.2  |
| Japan                     | 4.1    | 3.3    | 2.7    | 2.1    | 2.1   | 2.2   |
| in billions of US dollars |        |        |        |        |       |       |
| EUR                       | 36.1   | 21.0   | 9.2    | 4.2    | -11.5 | -21.1 |
| USA                       | -157.4 | -127.1 | -111.3 | -109.3 | -90.9 | -82.5 |
| Japan                     | 96.4   | 95.0   | 77.1   | 63.1   | 72.4  | 82.2  |
| in billions of ecus       |        |        |        |        |       |       |
| EUR                       | 31.5   | 17.8   | 8.4    | 3.3    | -8.9  | -16.5 |
| USA                       | -137.4 | -107.7 | -101.0 | -86.0  | -70.4 | -64.4 |
| Japan                     | 84.1   | 80.5   | 70.0   | 49.7   | 56.0  | 64.1  |

USA. — The first signs of recession appeared in this country before the Gulf crisis. Cyclical and, later, Gulf war factors were exacerbated by the crisis in the financial sector, particularly the failures of the Saving and Loan associations, with a consequent break down in residential investment, the historical high level of indebtedness ratios in the private sector, as well as the persistent pressures on the capital markets due to the federal budget deficit, which is again on an increasing path. Real GDP as a result declined sharply in the fourth quarter of 1990 and in the first quarter of this year (respectively by -1.6 % and -2.8 % at an annual rate).

Historical experience shows that the US economy has enough flexibility to come out fast and strongly from a recession. On the other hand, the lasting financial disequilibria suggest that growth could resume only slightly, even if in the very next quarters external and internal demand will be also positively influenced by the reversal of the Gulf war effects. Moreover, given the level of the budget deficit, budgetary policy will probably remain neutral or even restrictive and the effects of the now expansionary stance of monetary policy are probably limited by the need for the banking sector to impose a better control on the quality of its debtors. It can therefore be expected that growth in the USA will recover only moderately in 1992 (1.6 %) after having been near to 0 % in 1991.

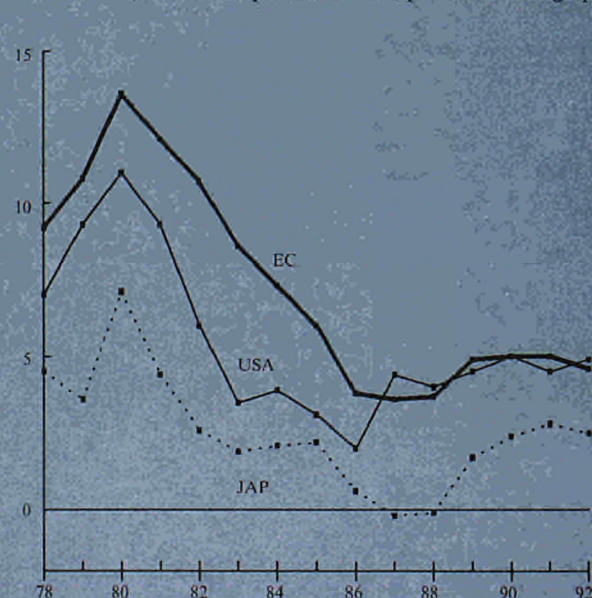
GRAPH 12: Inflation in the EC, the USA and Japan  
(deflator of private consumption, % change p.a.)

TABLE 36: Interest and exchange rates assumptions \*

|                              | 1987                                | 1988  | 1989 | 1990  | 1991 | 1992 |
|------------------------------|-------------------------------------|-------|------|-------|------|------|
|                              | Annual rates in percentage points   |       |      |       |      |      |
| Rates of interest (US)       |                                     |       |      |       |      |      |
| — Short-term <sup>1</sup>    | 5.9                                 | 6.9   | 8.4  | 7.8   | 5.5  | 6.5  |
| — Long-term <sup>2</sup>     | 8.7                                 | 9.0   | 8.5  | 8.6   | 8.4  | 8.5  |
|                              | Percentage change on preceding year |       |      |       |      |      |
| Exchange rate of USD         |                                     |       |      |       |      |      |
| — Vis-à-vis ECU <sup>3</sup> | -14.1                               | -2.9  | 7.2  | -13.3 | -1.6 | -0.8 |
| — Vis-à-vis YEN <sup>3</sup> | -13.2                               | -12.0 | 7.6  | 4.9   | -6.6 | -2.7 |

<sup>1</sup> 13-week US treasury bills.<sup>2</sup> US 10 year-bonds.<sup>3</sup> + (-) signifies an appreciation (depreciation) of the USD.

\* Notes: see page 15.

**Japan.** — The Japanese economy still enjoyed a strong rate of growth in 1990, with an annual increase of GNP of 5.6 %. However, some signs of deceleration were already apparent in the second half of the year, especially in private consumption and residential construction. This evolution seems to be the result of the tight monetary policy implemented, which led to a contraction of credit and an increase in short-term interest rates, as well as of the deterioration in the international environment and the consequent worsening of consumer confidence.

Private consumption should resume as well as investment. As a result, growth is expected to continue, though at a lower pace, more consistent with the price stability objective. GNP should increase by 3.8 % in 1991 and by 4.1 % in 1992.

## MAIN ASSUMPTIONS AND UNCERTAINTIES

**Assumptions.** — *Oil price* — The situation in the petroleum market has become much more stable since the beginning of the year, when the absence of damage to Gulf oil installations outside Kuwait and Iraq became clear. High oil stocks and slackening economic activity in the consuming industrialized countries and huge financing needs in the Gulf countries engaged in the war, all point to depressed oil prices, at least for the months ahead. For these reasons, and considering the mid-April price of \$19.2 per barrel, a price of \$20 per barrel is taken as the assumption for the period of the forecast.

*Non-oil commodities prices* — Dollar prices of non-oil commodities are assumed to decrease by 2.1 % in 1991 and to increase again moderately in 1992 thus reverting to their 1990 prices.

*Exchange rates* — As usual, the assumption made is of constant exchange rates throughout the forecast period. More precisely, the assumption is of stability in real terms at the levels of the average of March 1991 between the ERM currencies, the dollar and the yen. For the ERM currencies and the Portuguese escudo, stability in nominal terms is assumed. For the Greek drachma a nominal depreciation is assumed which will not fully offset the inflation differentials. This assumption results in the following exchange rates of the US dollar against the D mark: 1991 — DM 1.589; 1992 — DM 1.601.

*Interest rates* — Short-term interest rates for the dollar are assumed to be 5.5 % and 6.5 % for 1991 and 1992 respectively and the long-term interest rates 8.4 % and 8.5 %. For the DM, the short-term interest rates are 9.2 % and 9.0 % for 1991 and 1992 and the long-term interest rates, 9.0 % and 9.3 %.

*Policies* — The assumption made is the traditional 'no-policy-change'. This implies that both monetary and budgetary policies for 1991 and 1992 are assumed to be an extrapolation of present trends except where discretionary measures have already been decided or announced.

*German data* — Basically, the Spring 1991 Economic Forecasts deal with the economy of West Germany as did the Autumn forecasts. Since national accounts data for unified Germany are not yet available, forecasts for GNP, its components and of inflation, labour market developments, productivity etc. are for West Germany only. There is one basic exception to this rule, namely the forecasts for the general government account. Here the data include the budgetary transfers to East Germany as well as the deficit of the East German territories. This treatment is consistent with the method used for the Autumn forecast. On the other hand, and this is different from the Autumn Economic Forecasts, trade figures based on customs data cover exports and imports of goods of the unified Germany (this applies in particular to tables 24, 27, 28, 29, 32, 33, 34, 35). The treatment of Germany has hardly any repercussions for the Community aggregates. Since the aggregation has used data for West Germany, with the exception of trade data, there is no methodological break in the time series.

**Risks and uncertainties.** — The major risks that surrounded the Autumn 1990 forecasts are thought to have a considerably lesser bearing upon the Spring 1991 Economic Forecast.

1. The *Gulf crisis* has come to an end;
2. Oil market conditions are soft and are expected to remain so; the assumption of *oil prices* at \$20 per barrel over the forecasting period is therefore a very plausible one;
3. Although *German unification* is still significantly influencing economic developments in Germany and the Community, the degree of uncertainty surrounding its impact is substantially reduced.

The main source of uncertainty concerns the timing and the strength of the recovery, particularly in the USA and the UK, but also in member countries like France and Italy. Factors playing a crucial role are:

1. Consumer and business confidence; its restoration may take longer and be less steep than implicitly assumed in most country forecasts, implying that household and business expenditure may be less buoyant than anticipated;
2. *Wage behaviour*; the expected rebound in economic activity in 1992 depends heavily on a moderation in wage increases, a contraction of real unit labour costs and the subsequent restoration of profit margins;
3. *Real interest rates* — Tightened monetary policies in the wake of rising inflationary pressures would put renewed pressure on real interest rates;

Another major risk factor is the *behaviour of the dollar*. Given the high volatility of the dollar in the first months of 1991, the starting values of the traditional assumption of constant exchange rates throughout the forecast period were the averages of March 1991. A sustained firming of the dollar would add uncertainty over when and how strong the US economy may recover. On the other hand, for the Community a renewed appreciation of the dollar is likely to entail a beneficial impact on exports and economic activity but might hamper the fight against inflation.

TABLE 37: Demand components at constant prices<sup>(1)</sup> and contributions to real GDP growth<sup>(2)</sup>, EC Countries and EC, 1986-92 \*

|   | 1986  | 1987  | 1988 | 1989 | 1990 | 1991 | 1992 |  | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|-------|-------|------|------|------|------|------|--|------|------|------|------|------|------|------|
| <b>B<sup>5</sup> Demand components</b>  |       |       |      |      |      |      |      | <b>E<sup>6</sup> Demand components</b>   |      |      |      |      |      |      |      |
| Private consumption                     | 2.4   | 3.0   | 2.8  | 3.7  | 3.9  | 2.7  | 2.5  | Private consumption                      | 4.1  | 5.8  | 4.7  | 5.5  | 3.7  | 2.9  | 3.3  |
| Government consumption                  | 1.6   | 0.7   | -1.1 | -1.2 | 0.5  | 1.3  | 1.2  | Government consumption                   | 5.8  | 8.9  | 4.0  | 7.6  | 4.4  | 3.5  | 3.0  |
| Fixed capital formation                 | 4.4   | 5.8   | 13.5 | 13.6 | 7.6  | 1.0  | 3.5  | Fixed capital formation                  | 10.1 | 14.0 | 14.0 | 13.7 | 6.7  | 4.9  | 6.9  |
| — Construction                          | 3.1   | 3.3   | 15.0 | 9.6  | 5.7  | -1.0 | 3.0  | — Construction                           | 6.5  | 10.0 | 12.6 | 14.7 | 10.7 | 6.4  | 7.6  |
| — Equipment                             | 4.9   | 5.8   | 17.7 | 19.0 | 9.9  | 3.4  | 4.0  | — Equipment                              | 15.8 | 24.2 | 16.5 | 12.4 | 1.2  | 2.6  | 5.7  |
| Exports of goods and services           | 5.6   | 6.4   | 8.3  | 6.9  | 4.0  | 3.6  | 4.3  | Exports of goods and services            | 1.6  | 6.1  | 5.2  | 2.9  | 4.2  | 5.3  | 6.2  |
| Imports of goods and services           | 7.5   | 8.5   | 7.8  | 8.1  | 3.8  | 3.4  | 4.2  | Imports of goods and services            | 14.8 | 20.2 | 14.3 | 17.0 | 8.1  | 6.9  | 7.9  |
| GDP                                     | 1.5   | 2.2   | 4.6  | 3.9  | 3.7  | 2.3  | 2.6  | GDP                                      | 3.2  | 5.6  | 5.2  | 4.8  | 3.7  | 3.0  | 3.5  |
| <b>Contributions to growth</b>          |       |       |      |      |      |      |      | <b>Contributions to growth</b>           |      |      |      |      |      |      |      |
| Final domestic demand                   | 2.5   | 3.0   | 3.9  | 4.7  | 4.1  | 2.2  | 2.5  | Final domestic demand                    | 5.4  | 8.0  | 6.8  | 8.0  | 4.7  | 3.7  | 4.4  |
| Stockbuilding                           | 0.2   | 0.8   | 0.2  | 0.2  | -0.4 | 0.0  | 0.1  | Stockbuilding                            | 0.5  | 0.2  | 0.5  | 0.2  | 0.1  | 0.0  | 0.0  |
| Foreign balance                         | -1.3  | -1.6  | 0.4  | -1.0 | 0.1  | 0.1  | 0.0  | Foreign balance                          | -2.7 | -3.3 | -2.6 | -4.2 | -1.2 | -0.7 | -0.8 |
| <b>DK<sup>4</sup> Demand components</b> |       |       |      |      |      |      |      | <b>F<sup>4</sup> Demand components</b>   |      |      |      |      |      |      |      |
| Private consumption                     | 5.7   | -1.5  | -0.8 | -0.8 | 0.8  | 1.0  | 1.9  | Private consumption                      | 3.7  | 2.6  | 2.9  | 3.0  | 3.1  | 2.2  | 2.5  |
| Government consumption                  | 0.5   | 2.5   | 0.2  | -1.3 | -0.7 | -0.8 | -0.6 | Government consumption                   | 1.7  | 2.8  | 2.8  | 1.7  | 3.1  | 1.6  | 2.7  |
| Fixed capital formation                 | 17.1  | -3.8  | -6.6 | 0.2  | -1.0 | -2.1 | 2.4  | Fixed capital formation                  | 4.6  | 4.2  | 8.5  | 5.8  | 4.0  | 1.1  | 2.5  |
| — Construction                          | 18.0  | -0.8  | -3.1 | -4.6 | -3.8 | -3.0 | 0.2  | — Construction                           | 3.1  | 3.7  | 6.2  | 4.5  | 2.3  | 1.3  | 2.3  |
| — Equipment                             | 16.6  | -14.5 | -7.5 | 6.6  | 2.3  | -1.2 | 4.7  | — Equipment                              | 2.8  | 4.1  | 8.9  | 7.0  | 5.3  | 1.0  | 2.6  |
| Exports of goods and services           | 0.0   | 5.1   | 7.3  | 6.0  | 8.2  | 4.0  | 4.6  | Exports of goods and services            | -1.3 | 2.9  | 8.0  | 10.8 | 5.2  | 4.1  | 4.5  |
| Imports of goods and services           | 6.8   | -2.0  | 1.4  | 4.2  | 2.6  | 1.6  | 3.3  | Imports of goods and services            | 6.7  | 7.6  | 8.4  | 8.5  | 6.3  | 4.3  | 5.1  |
| GDP                                     | 3.6   | 0.3   | 0.5  | 1.2  | 1.6  | 1.4  | 2.3  | GDP                                      | 2.4  | 2.0  | 3.6  | 3.6  | 2.8  | 1.6  | 2.4  |
| <b>Contributions to growth</b>          |       |       |      |      |      |      |      | <b>Contributions to growth</b>           |      |      |      |      |      |      |      |
| Final domestic demand                   | 6.5   | -1.0  | -1.7 | -0.7 | 0.0  | -0.1 | 1.3  | Final domestic demand                    | 3.5  | 2.9  | 4.1  | 3.4  | 3.4  | 1.9  | 2.6  |
| Stockbuilding                           | -0.4  | -1.2  | 0.1  | 1.0  | -0.8 | 0.3  | 0.2  | Stockbuilding                            | 0.8  | 0.2  | -0.2 | -0.1 | -0.1 | -0.1 | 0.1  |
| Foreign balance                         | -2.4  | 2.5   | 2.2  | 0.8  | 2.4  | 1.2  | 0.8  | Foreign balance                          | -1.9 | -1.2 | -0.3 | 0.3  | -0.4 | -0.2 | -0.3 |
| <b>D<sup>5</sup> Demand components</b>  |       |       |      |      |      |      |      | <b>IRL<sup>5</sup> Demand components</b> |      |      |      |      |      |      |      |
| Private consumption                     | 3.4   | 3.1   | 3.0  | 1.1  | 4.3  | 2.3  | 2.5  | Private consumption                      | 2.0  | 2.2  | 2.4  | 5.2  | 3.0  | 2.6  | 2.8  |
| Government consumption                  | 2.3   | 1.3   | 0.6  | 0.6  | 2.9  | 1.5  | 1.4  | Government consumption                   | 2.5  | -4.9 | -4.2 | -3.5 | 0.9  | 0.8  | 0.5  |
| Fixed capital formation                 | 3.3   | 2.2   | 5.1  | 7.1  | 8.8  | 5.9  | 3.9  | Fixed capital formation                  | -2.3 | -2.5 | 4.6  | 11.3 | 7.5  | 2.7  | 3.8  |
| — Construction                          | 2.7   | -0.3  | 4.7  | 5.1  | 5.2  | 3.2  | 2.1  | — Construction                           | -3.1 | -6.7 | -0.7 | 9.8  | 8.4  | 1.5  | 3.0  |
| — Equipment                             | 4.3   | 5.6   | 7.7  | 9.8  | 12.9 | 8.8  | 5.8  | — Equipment                              | -0.3 | 1.8  | 5.6  | 14.1 | 6.8  | 3.9  | 4.5  |
| Exports of goods and services           | -0.5  | 0.7   | 5.1  | 10.0 | 8.9  | 8.5  | 3.4  | Exports of goods and services            | 2.9  | 13.4 | 8.7  | 10.1 | 5.9  | 4.6  | 5.0  |
| Imports of goods and services           | 3.1   | 4.3   | 5.8  | 8.6  | 10.2 | 9.4  | 5.6  | Imports of goods and services            | 5.6  | 5.0  | 3.9  | 10.9 | 6.4  | 4.7  | 4.8  |
| GDP                                     | 2.3   | 1.7   | 3.7  | 3.3  | 4.7  | 2.7  | 1.8  | GDP                                      | -0.4 | 4.4  | 3.9  | 5.9  | 5.2  | 1.7  | 2.3  |
| <b>Contributions to growth</b>          |       |       |      |      |      |      |      | <b>Contributions to growth</b>           |      |      |      |      |      |      |      |
| Final domestic demand                   | 3.1   | 2.6   | 3.0  | 2.3  | 4.8  | 2.9  | 2.6  | Final domestic demand                    | 1.2  | -0.1 | 1.5  | 4.5  | 3.3  | 2.1  | 2.4  |
| Stockbuilding                           | 0.3   | 0.1   | 0.7  | 0.3  | 0.1  | 0.0  | 0.0  | Stockbuilding                            | 0.0  | -0.9 | -1.1 | 1.1  | 1.8  | -0.7 | -0.7 |
| Foreign balance                         | -1.0  | -1.0  | -0.1 | 0.6  | -0.2 | -0.2 | -0.7 | Foreign balance                          | -1.6 | 5.3  | 3.5  | 0.4  | 0.2  | 0.3  | 0.6  |
| <b>GR<sup>3</sup> Demand components</b> |       |       |      |      |      |      |      | <b>I<sup>5</sup> Demand components</b>   |      |      |      |      |      |      |      |
| Private consumption                     | 0.7   | 0.8   | 3.4  | 3.9  | 2.1  | 0.9  | 1.5  | Private consumption                      | 4.5  | 4.5  | 4.5  | 4.2  | 2.7  | 2.3  | 2.9  |
| Government consumption                  | -0.8  | 1.3   | 6.6  | 5.3  | 0.4  | -0.5 | -0.3 | Government consumption                   | 2.9  | 3.7  | 2.8  | 0.5  | 1.0  | 1.4  | 1.4  |
| Fixed capital formation                 | -6.2  | -8.7  | 8.8  | 8.6  | 5.2  | 2.9  | 7.0  | Fixed capital formation                  | 1.6  | 5.8  | 6.7  | 5.1  | 3.0  | 1.1  | 4.0  |
| — Construction                          | -0.7  | -8.0  | 7.6  | 2.1  | 0.7  | 0.0  | 4.0  | — Construction                           | 1.1  | -0.4 | 3.7  | 3.9  | 2.5  | 0.8  | 2.5  |
| — Equipment                             | -12.6 | -7.7  | 10.8 | 17.3 | 10.4 | 6.0  | 10.0 | — Equipment                              | 1.6  | 14.6 | 6.4  | 5.2  | 3.5  | 1.3  | 5.3  |
| Exports of goods and services           | 14.0  | 16.0  | 9.0  | 2.1  | 0.3  | 4.6  | 4.9  | Exports of goods and services            | 2.4  | 3.2  | 4.2  | 9.2  | 7.5  | 3.5  | 4.6  |
| Imports of goods and services           | 3.8   | 16.6  | 8.0  | 9.9  | 8.1  | 2.8  | 5.0  | Imports of goods and services            | 5.0  | 10.6 | 7.4  | 9.9  | 6.7  | 4.5  | 6.1  |
| GDP                                     | 1.4   | -0.5  | 4.1  | 2.8  | 0.1  | 0.8  | 1.6  | GDP                                      | 2.5  | 3.0  | 4.2  | 3.2  | 2.0  | 1.7  | 2.4  |
| <b>Contributions to growth</b>          |       |       |      |      |      |      |      | <b>Contributions to growth</b>           |      |      |      |      |      |      |      |
| Final domestic demand                   | -0.9  | -0.7  | 5.0  | 5.1  | 2.4  | 1.1  | 2.2  | Final domestic demand                    | 3.6  | 4.6  | 4.7  | 3.8  | 2.5  | 1.9  | 3.0  |
| Stockbuilding                           | -0.9  | -1.0  | 2.2  | -1.6 | 0.3  | -0.3 | 0.0  | Stockbuilding                            | -0.4 | 0.3  | 0.4  | -0.2 | -0.6 | 0.1  | 0.0  |
| Foreign balance                         | 1.7   | -1.8  | -0.7 | -3.4 | -2.6 | 0.1  | -0.6 | Foreign balance                          | -0.6 | -1.8 | -0.9 | -0.5 | 0.0  | -0.4 | -0.6 |

|  | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--|------|------|------|------|------|------|------|
| <b>L<sup>5</sup> Demand components</b> |      |      |      |      |      |      |      |
| Private consumption                    | 2.6  | 5.6  | 3.7  | 3.7  | 3.2  | 4.2  | 3.3  |
| Government consumption                 | 3.1  | 2.7  | 4.0  | 3.7  | 2.4  | 3.0  | 3.0  |
| Fixed capital formation                | 31.5 | 15.0 | -5.5 | 13.4 | 5.8  | 5.8  | 5.1  |
| — Construction                         | 8.9  | -0.5 | 9.9  | 8.8  | 5.9  | 5.4  | 4.5  |
| — Equipment                            | 74.6 | 13.9 | -5.4 | 14.9 | 5.6  | 6.3  | 5.8  |
| Exports of goods and services          | 3.4  | 5.5  | 8.1  | 7.2  | 2.7  | 2.9  | 4.1  |
| Imports of goods and services          | 5.7  | 7.8  | 6.3  | 8.8  | 2.7  | 3.8  | 4.5  |
| GDP                                    | 4.3  | 3.4  | 5.5  | 6.1  | 3.7  | 3.1  | 3.3  |
| <b>Contributions to growth</b>         |      |      |      |      |      |      |      |
| Final domestic demand                  | 7.6  | 7.0  | 1.4  | 5.7  | 3.6  | 4.2  | 3.6  |
| Stockbuilding                          | -1.2 | -1.3 | 2.1  | 1.9  | 0.0  | -0.2 | 0.0  |
| Foreign balance                        | -2.1 | -2.3 | 2.0  | -1.5 | 0.2  | -0.9 | -0.3 |

|   | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|------|------|------|------|------|------|------|
| <b>NL<sup>4</sup> Demand components</b> |      |      |      |      |      |      |      |
| Private consumption                     | 3.2  | 4.0  | 1.5  | 1.7  | 3.7  | 3.0  | 1.9  |
| Government consumption                  | 2.5  | 2.9  | 0.6  | -0.9 | 0.6  | -0.8 | -0.8 |
| Fixed capital formation                 | 7.9  | 1.5  | 9.4  | 3.0  | 4.1  | 1.2  | 0.3  |
| — Construction                          | 5.0  | 0.7  | 11.8 | 2.6  | 2.5  | -0.2 | 0.3  |
| — Equipment                             | 10.1 | 1.3  | 6.8  | 5.5  | 6.0  | 2.8  | 0.2  |
| Exports of goods and services           | 3.4  | 4.0  | 8.1  | 4.6  | 5.2  | 4.2  | 4.2  |
| Imports of goods and services           | 3.6  | 4.9  | 6.8  | 5.9  | 6.1  | 3.7  | 3.3  |
| GDP                                     | 2.0  | 0.8  | 2.7  | 4.0  | 3.3  | 2.6  | 1.8  |
| <b>Contributions to growth</b>          |      |      |      |      |      |      |      |
| Final domestic demand                   | 3.8  | 3.2  | 2.9  | 1.5  | 3.2  | 1.9  | 1.0  |
| Stockbuilding                           | -1.8 | -2.0 | -1.4 | 3.1  | 0.5  | 0.3  | 0.0  |
| Foreign balance                         | 0.0  | -0.4 | 1.1  | -0.6 | -0.4 | 0.4  | 0.7  |

|  | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--|------|------|------|------|------|------|------|
| <b>P<sup>7</sup> Demand components</b> |      |      |      |      |      |      |      |
| Private consumption                    | 5.6  | 5.4  | 6.6  | 3.1  | 4.9  | 4.9  | 4.5  |
| Government consumption                 | 7.2  | 4.9  | 5.3  | 2.0  | 3.3  | 2.8  | 1.5  |
| Fixed capital formation                | 10.9 | 15.1 | 15.0 | 7.5  | 7.5  | 5.8  | 5.7  |
| — Construction                         | 8.7  | 9.4  | 10.1 | 3.5  | 6.5  | 6.3  | 6.0  |
| — Equipment                            | 14.2 | 26.8 | 23.2 | 7.7  | 8.5  | 5.3  | 5.5  |
| Exports of goods and services          | 6.8  | 8.6  | 10.2 | 16.5 | 10.9 | 5.2  | 5.6  |
| Imports of goods and services          | 16.9 | 20.0 | 16.1 | 10.5 | 13.6 | 9.7  | 8.9  |
| GDP                                    | 4.1  | 5.3  | 3.9  | 5.4  | 4.0  | 2.8  | 2.7  |
| <b>Contributions to growth</b>         |      |      |      |      |      |      |      |
| Final domestic demand                  | 7.3  | 8.0  | 9.2  | 4.6  | 5.7  | 5.2  | 4.8  |
| Stockbuilding                          | 1.3  | 3.2  | -0.8 | 0.1  | 0.6  | 0.5  | 0.4  |
| Foreign balance                        | -4.5 | -6.0 | -4.5 | 0.7  | -2.3 | 2.9  | -2.6 |

|   | 1986 | 1987 | 1988 | 1989 | 1990 | 1991  | 1992 |
|---|------|------|------|------|------|-------|------|
| <b>UK<sup>5</sup> Demand components</b> |      |      |      |      |      |       |      |
| Private consumption                     | 6.3  | 5.3  | 7.2  | 3.9  | 1.0  | -1.6  | 2.0  |
| Government consumption                  | 1.9  | 1.3  | 0.5  | 0.8  | 1.7  | 1.7   | 1.6  |
| Fixed capital formation                 | 1.9  | 9.5  | 14.8 | 4.8  | -1.9 | -10.4 | 2.7  |
| — Construction                          | 6.0  | 10.4 | 6.1  | -0.5 | 0.1  | -3.3  | 1.9  |
| — Equipment                             | -1.9 | 7.6  | 17.7 | 8.4  | -3.7 | -17.1 | 3.5  |
| Exports of goods and services           | 4.6  | 5.8  | 0.3  | 4.3  | 4.8  | 1.2   | 4.6  |
| Imports of goods and services           | 6.9  | 7.9  | 12.8 | 6.9  | 1.6  | -1.4  | 5.1  |
| GDP                                     | 3.9  | 4.7  | 4.6  | 2.2  | 0.6  | -2.2  | 2.1  |
| <b>Contributions to growth</b>          |      |      |      |      |      |       |      |
| Final domestic demand                   | 4.6  | 5.2  | 7.2  | 3.6  | 0.6  | -2.7  | 2.1  |
| Stockbuilding                           | 0.0  | 0.1  | 0.8  | -0.4 | -0.7 | 0.3   |      |
| Foreign balance                         | -0.6 | -0.6 | -3.7 | -1.0 | 0.9  | 0.8   | -0.3 |

|                                | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|--------------------------------|------|------|------|------|------|------|------|
| <b>EUR Demand components</b>   |      |      |      |      |      |      |      |
| Private consumption            | 4.2  | 3.9  | 4.1  | 3.2  | 2.9  | 1.6  | 2.6  |
| Government consumption         | 2.4  | 2.7  | 1.8  | 1.4  | 2.2  | 1.5  | 1.7  |
| Fixed capital formation        | 4.0  | 5.5  | 9.0  | 6.7  | 4.3  | 0.8  | 3.7  |
| — Construction                 | 3.7  | 3.1  | 6.4  | 5.3  | 3.8  | 1.5  | 3.0  |
| — Equipment                    | 3.5  | 8.4  | 10.4 | 8.6  | 4.7  | 0.2  | 4.4  |
| Exports of goods and services  | 2.1  | 4.1  | 5.4  | 7.7  | 6.2  | 4.6  | 4.4  |
| Imports of goods and services  | 6.1  | 8.3  | 8.7  | 8.9  | 6.4  | 4.6  | 5.4  |
| GDP                            | 2.7  | 2.9  | 4.0  | 3.3  | 2.7  | 1.4  | 2.3  |
| <b>Contributions to growth</b> |      |      |      |      |      |      |      |
| Final domestic demand          | 3.8  | 4.0  | 4.7  | 3.6  | 3.1  | 1.5  | 2.7  |
| Stockbuilding                  | 0.1  | 0.1  | 0.3  | 0.1  | -0.2 | -0.0 | 0.1  |
| Foreign balance                | -1.2 | -1.3 | -1.1 | -0.6 | -0.2 | -0.1 | -0.5 |

- 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 1988 prices.

\* Notes: see below.

### Notes on technicalities, concepts and sources

1. Directorate General II 'Economic and Financial Affairs' regularly produces, under its own responsibility, short-term economic forecasts. These forecasts cover the principle 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 1989) is based on ESA national accounts (European System of Integrated Economic Accounts) which are published once a year by Eurostat. In the prospective part (1990 estimates, 1991 and 1992 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 (CCEE): Bulgaria, Czechoslovakia, Hungary, Poland, Romania, 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 - April 1991

### Community (EUR 12)

8.4. EMU: Governors of Central Banks have finalized their draft statute for the European Bank.

24.4 EC/Research Council makes considerable progress in the implementation of the activities provided for by the third framework programme 1990-1994.

29.4 Industry Council: Ministers adopt conclusions on the electronics and information processing industry, stressing cooperation among enterprises and the need for a competitive world market.

### Belgium (B)

None.

### Denmark (DK)

None.

### Germany (D)

21.3. The Bundestag adopts a law which allows the adjustment of East German housing rents, frozen since 1936.

25.3 The Federal Republic releases the third instalment of a USD 6,5 billion unilateral transfer to the United States to defray costs of the Gulf crisis.

### Greece (GR)

29.3 The Treasury issues three series of ECU-linked bonds with a maturity of two, three and four years, and an interest rate of 10%, 10,15% and 10,25% p.a. respectively.

2.4 The Ministerial Committee on Prices and Revenues decides increases of between 11,5% and 15% in public utility charges from 1 April.

11.4 The Minister of Finance signs a new bond issue with seven credit institutions to finance the government's obligations stemming from state guarantees which have fallen due. The operation was carried out for an amount of DRA 625 billion. The new bond has a duration of 10 years, with an initial 3 year grace period, and bears an interest rate of 19% (the same as on 3 month Treasury bills). Within one year the new bonds can be introduced on the Stock Exchange.

13.4 The Treasury issues a series of ECU-linked bonds with a maturity of one year and an interest rate of 10% p.a.

23.4 The Bank of Greece allows companies which are financed by the banking system to extend credit to other companies for an unlimited period. Up to now such credits could only be granted for a period of up to 5 months.

### Spain (E)

17.4 The Ministry of Economic Affairs approves two laws extending the liberalization of capital movements in order to allow Spanish residents to hold foreign currency accounts with banks licensed in Spain and to enable banks to make peseta loans to non-residents up to an amount not exceeding that of their convertible peseta deposits.

### France (F)

5.4 A government decree will now allow private enterprises to take minority stakes of up to 49% in public enterprises on condition that they provide new capital for the state partner and form an industrial, commercial or financial cooperation accord.

### Ireland (IRL)

9.4 The Central Bank reduces its short-term facility (i.e. official interest rate) from 11% to 10,75%, the second reduction within a month.

### Italy (I)

None.

### Luxembourg (L)

None.

### Netherlands (NL)

None.

### Portugal (P)

None.

### United Kingdom (UK)

12.4 The authorities induce the banks to cut their base rates by a half-percentage point to 12%. Building societies and banks subsequently announce that their mortgage interest rates will drop by between 3/4% and 1%.

### Prices (excluding VAT) in Luxembourg

|  | Ecu   |  |
|--|-------|--|
| 'European Economy' (4 issues per year)                                 | 70    | The annual subscription runs from 1 January to 31 December of each year.<br><br>Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.<br><br>These are surface mail rates; for air subscription rates please apply to the agents. |
| <b>Supplements</b>   |       |  |
| Single copy  | 4     |  |
| Series A — 'Economic trends' (11 issues per year)                      | 28,50 |  |
| Series B — 'Business and consumer survey results' (11 issues per year) | 28,50 |  |
| Complete series of supplements   | 57    |  |
| Combined subscription — 'European Economy' and supplements             | 105   |  |
|  |       |  |
|  |       |  |
|  |       |  |



OFFICE FOR OFFICIAL PUBLICATIONS  
OF THE EUROPEAN COMMUNITIES

L-2985 — Luxembourg