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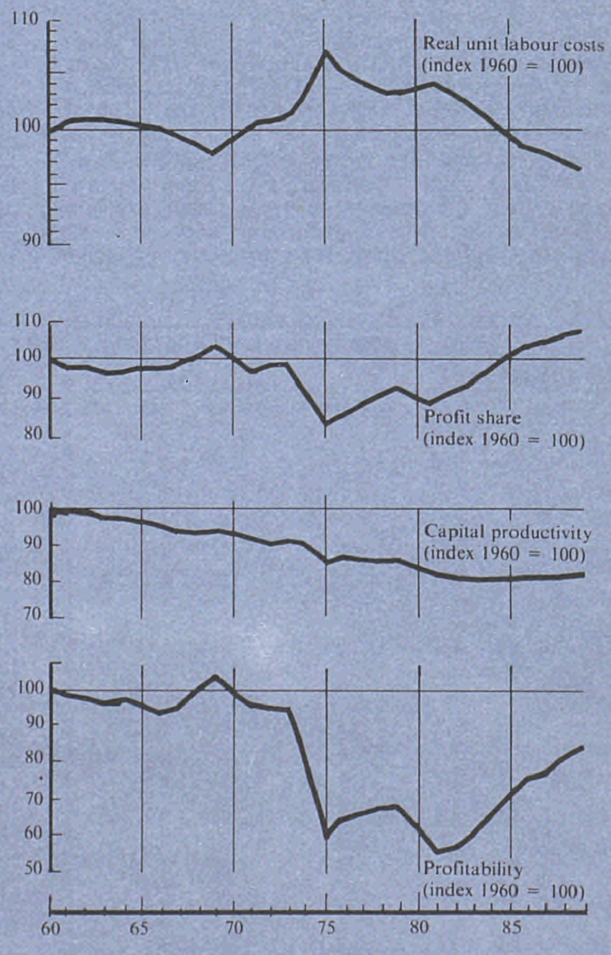
*Investment development in the Community*

## Recent economic trends

GRAPH 1: **Real unit labour costs, profit share, capital productivity and profitability of capital, EUR 12**




*Source:* Commission services.

### THE MAIN POINTS IN BRIEF

This issue contains a note on investment developments in the Community, in addition to the commentary on recent economic trends.

- Investment is now the most dynamic demand component in the Community with expected real annual rates of growth of more than 7 % in 1988. Several factors have contributed to the strong acceleration in investment. There have been steady improvements in supply-side conditions and especially profitability of capital has been rising steadily and rapidly from its low point in 1981. Demand in recent years has strengthened considerably and is expected to remain buoyant, while the rate of capacity utilization is reaching historically high levels. Finally, the gradual completion of the internal market seems to be having a positive effect on investment decisions in the business sector.
- In addition to the current growth dynamic of investment, there are further improvements in the trend of industrial production and in the rate of unemployment. On the other hand, there are some indications that inflation may have increased slightly. The growth of money supply seems to have slowed down somewhat while there is a slight easing of long-term interest rates in the Community.

## INVESTMENT DEVELOPMENTS IN THE COMMUNITY

**Investment-led growth in the Community in 1988 and 1989.** — The sources of economic expansion in the Community have considerably changed over the last few years (see graph 2 and table 1). Up to 1984, growth in the Community was primarily led by exports. From 1985 onwards, however, growth has been increasingly generated domestically. In 1986 the boost in domestic demand stemmed from strong private consumption brought about by an improvement in the terms of trade as a consequence of the fall in oil prices and the depreciation of the dollar and was also fuelled by an appreciable decline in the household saving ratio. Since 1987, and particularly in 1988, investment has undoubtedly become the most dynamic demand component. Investment in the Community is now rising faster than at any time over the last two decades. In the September-October forecasts of the Commission services, the real increase in investment in 1988 is estimated at 7,1 % for the Community as a whole. Although somewhat less buoyant than in 1988, investment growth is expected to remain strong in 1989 (5,2 %). This upturn in investment has been occurring in virtually all Member States, but is most pronounced in Greece, Spain, Portugal and the United Kingdom (table 2).

Table 2 also shows that the acceleration in investment is taking place both in equipment and construction, with real rates of growth in 1988 of 8,1 % and 6,2 % respectively. While the recovery in *investment in equipment* had already started in 1984, *investment in construction* remained subdued for a longer period. Stimulated by a sustained pick-up in business investment and probably also by an exceptionally mild winter, investment in construction has accelerated strongly in 1988.

The acceleration in investment is taking place almost completely outside the government sector. *Public investment* has just stabilized at a very low level (2,8 % of GDP against 4 % in 1970) and has thus far not contributed to the recent recovery in the share of total investment in Community GDP.

**Contributory factors to the current recovery in private investment.** — Given the current acceleration in investment and the need for maintaining and improving the conditions for investment, it is useful to enumerate the main factors contributing to a high private investment propensity. It is increasingly recognized that three major factors have played a primordial role in the current investment recovery: the improvement in the profitability of capital which has more than compensated for the fact that long-term interest rates adjusted for inflation are higher today than they were in the 1970s (graph 2), buoyant demand inside and outside the Community and business reaction to the gradual completion of the internal market.

The *profitability of capital* has been rising steadily since the low point reached in 1981 (see graph 1). Indeed, since then, the rate of return on fixed capital on average in the Community has risen by almost 40 % and has now climbed back to some 80 % of the rates reached during the quasi full-employment period 1960-73. This was basically due to several years of moderate real wage growth which induced a fall in real unit labour costs of nearly 7 % since 1981. The corollary of this adjustment in real wages is found in a steady and pronounced rise in the profit share. In addition to the rise in the profit share, the improvement in profitability has been assisted by a stepping up, be it slowly, of capital productivity. After having followed a downward trend for more than two decades, capital productivity since 1984 has stabilized and even improved slightly, largely due to a strong rise in capacity utilization (table 3).

In the first years of the economic recovery growth rates of investment were not as high as might have been expected. In 1986, and even in 1987 it was feared, therefore, that steady improvements in the profitability of capital and in supply-side conditions would not be accompanied by a strong increase in private investment. With the benefit of hindsight, several factors could be put forward to explain the apparent lag in private investment efforts. First, it is widely known that the business sector generally responds only with some delay to restored profitability. In addition, and this seems to be a crucial element, the switch in the composition of demand, namely from external to domestic demand, might have created some friction in the economy in 1985 and 1986. In those enterprises which are highly dependent on external demand, investment efforts in 1986 were probably set back pursuant to the sudden drop in export growth, while investment in the other sectors did not react immediately to the acceleration in domestic demand. Indeed, investment in equipment reacted strongly and quickly to improved profitability and strong external demand in 1984 and 1985, but despite a significant increase in domestic demand it fell abruptly in 1986, as the growth in exports slowed down markedly for the second consecutive year (see graph 2). Finally, in spite of a strong acceleration in the increase in investment in equipment, investment in the total economy was rather modest prior to 1986-87 because of the weakness of demand in the construction sector, which was due among other factors to high interest rates.

*Demand* in recent years has strenghtened and is expected to remain buoyant. This has resulted in a continually increasing rate of capacity utilization, now higher than the previous peak reached in 1979 (table 3). Notwithstanding the high rates of capacity utilization, the latest business survey results do reveal that on average no capacity constraints are expected in the near future, apparently reflecting further investment efforts at least in the short run. Moreover, the rise in investment in the recent period has expanded production frontiers, largely tending to reduce risks of renewed inflationary pressures in the Community. In some countries, however, developments in labour costs may contribute to a renewal of cost pressures. As such the present situation contrasts sharply with that of 1979, when capacity utilization was high, but profitability of capital was low. Hence investment propensity was very weak and the buoyancy of demand, in the absence of the creation of additional capacity, had the effect of curbing exports and triggering inflation rates. In the current situation, high degrees of capacity utilization are accompanied by a strong improvement in profitability of capital which, among other factors, stimulates capacity-increasing investment. Moreover, investment seems now relatively more designed to broaden productive capacity pursuant to the shift in relative factor prices, with labour becoming a relatively cheaper factor of production. In such a context of rising productive capacity, demand may grow strongly without exerting inflationary pressures.

Finally, it appears that rising expectations and anticipations in the business sector in relation to the *completion of the internal market* are beginning to have a positive influence on private investment. There has, in the course of 1988, emerged some signs of a '1992 effect' in merger and take-over activity in the Community, and there are some tendencies for multinational companies to redirect investment location strategies in favour of the Community.

The recent developments in investment and its contributory factors are fully in line with the policy guidelines of the Cooperative Growth Strategy for more Employment as put forward by the Commission since its Annual Economic Report of 1985/86. Basically, this strategy aims at securing a significant and sustained reduction in unemployment by more employment-creating investment brought about by maintaining a moderate increase in real wages, raising profitability of capital and maintaining demand at an appropriate level. A greater adaptability of all markets is also pursued. Indeed, the steady improvements in growth and investment in the 1980s have, since 1985, been accompanied by increasing annual rates of employment creation in the Community. In 1988, employment is expected to rise at a historically high rate of more than 1 % per annum. Behind the process of a greater employment content of growth other factors have also been contributing, such as reductions in average working time per person employed, especially by the increasing importance of part-time work, and the structural shift towards more employment in the service sector. As unemploy-

TABLE 1: **Demand determinants of GDP growth in the Community (at constant prices)**

| | 82 | 83 | 84 | 85 | 86 | 87 | 88* | 89* |
|---|---|---|---|---|---|---|---|---|
| GDP growth at constant prices | 0,8 | 1,4 | 2,4 | 2,5 | 2,6 | 2,9 | 3,5 | 2,8 |
| Contribution to growth of:(a) | | | | | | | | |
| — net exports | −0,1 | 0,5 | 0,5 | 0,1 | −1,2 | −1,2 | −0,9 | −0,4 |
| — domestic demand (incl. stocks) | 0,9 | 0,9 | 1,9 | 2,4 | 3,8 | 3,9 | 4,4 | 3,2 |
| Growth of total demand at constant prices | 0,9 | 1,4 | 3,2 | 2,9 | 3,3 | 3,9 | 4,3 | 3,7 |
| Contribution to total demand growth of:(b) | | | | | | | | |
| — exports(c) | 0,2 | 0,6 | 1,7 | 1,1 | 0,3 | 0,9 | 1,2 | 1,2 |
| — domestic demand | 0,7 | 0,8 | 1,5 | 1,8 | 3,0 | 3,0 | 3,1 | 2,5 |
| Exports of goods and services (annual % change) | 1,0 | 2,9 | 7,7 | 4,7 | 1,5 | 3,7 | 5,4 | 5,3 |
| Private consumption (annual % change) | 0,7 | 1,3 | 1,4 | 2,5 | 3,9 | 3,8 | 3,4 | 2,9 |
| Gross fixed capital formation (annual % change) | −2,0 | −0,1 | 1,3 | 2,1 | 3,1 | 4,6 | 7,1 | 5,2 |

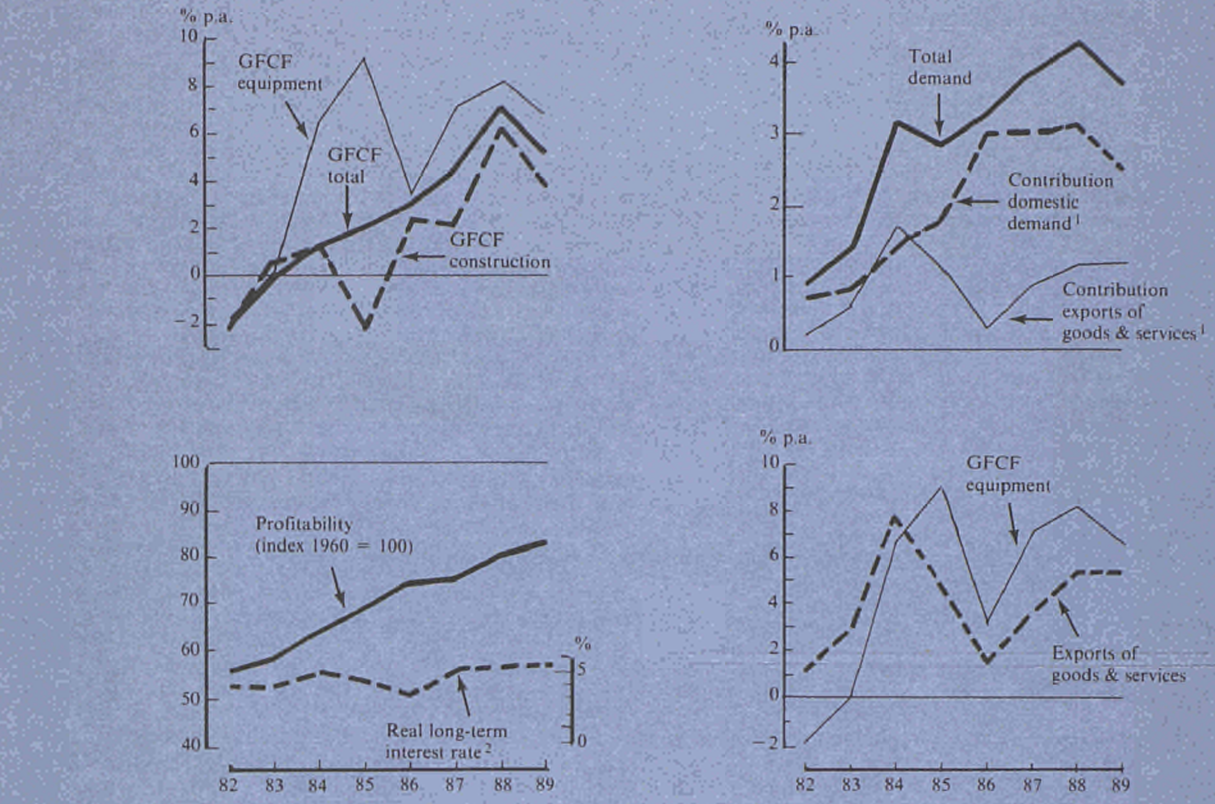
(*) September/October 1988 forecasts of the Commission services.
(a) Change as % of GDP of the preceeding year.
(b) Change as % of total demand of the previous year.
(c) Intra- and extra-Community exports.
*Source:* Commission services.

TABLE 2: Investment developments in the Community

| | B | DK | D | GR | E | F | IRL | I | L | NL | P | UK | EUR12(a) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **(1) Gross fixed capital formation: total economy (% change p.a. in real terms)** | | | | | | | | | | | | | |
| 1961-73 | 5,1 | 6,5 | 4,0 | 10,0 | 10,4 | 7,6 | 10,0 | 4,3 | 5,1 | 5,3 | 7,8 | 4,6 | 5,6 |
| 1974-81 | −0,6 | −5,3 | 0,1 | −1,9 | −1,3 | 0,8 | 4,6 | 0,5 | −1,1 | −1,6 | 1,4 | −1,8 | −0,3 |
| 1982 | −1,7 | 7,1 | −5,3 | −1,9 | 0,5 | −1,4 | −3,4 | −5,7 | 0,4 | −4,1 | 2,9 | 5,2 | −2,0 |
| 1983 | −4,2 | 1,9 | 3,2 | −1,3 | −2,5 | −3,6 | −9,3 | −1,6 | −10,9 | 2,1 | −7,5 | 5,2 | −0,1 |
| 1984 | 2,1 | 10,5 | 0,8 | −5,7 | −5,8 | −2,3 | −2,4 | 4,4 | −2,3 | 5,4 | −18,0 | 8,2 | 1,3 |
| 1985 | 1,0 | 11,9 | 0,1 | 5,1 | 3,8 | 1,1 | −4,4 | 3,3 | −3,7 | 5,2 | −3,0 | 3,1 | 2,1 |
| 1986 | 6,5 | 16,8 | 3,1 | −4,8 | 7,9 | 3,0 | −3,5 | 1,2 | 15,8 | 7,2 | 9,5 | 0,3 | 3,1 |
| 1987 | 5,2 | −9,0 | 1,8 | −3,2 | 13,8 | 3,4 | −1,0 | 5,2 | 16,4 | 1,6 | 19,6 | 5,5 | 4,6 |
| 1988(*) | 7,3 | −4,0 | 6,2 | 8,8 | 13,0 | 6,9 | 0,4 | 4,9 | −6,3 | 3,3 | 12,8 | 9,6 | 7,1 |
| 1989(*) | 2,7 | 0,1 | 3,7 | 8,0 | 10,0 | 5,4 | 3,6 | 3,8 | 1,7 | 2,9 | 11,0 | 6,3 | 5,2 |
| **(2) Gross fixed capital formation: construction (% change p.a. in real terms)** | | | | | | | | | | | | | |
| 1961-73 | : | : | : | : | : | : | : | : | : | : | : | : | : |
| 1974-81 | −1,6 | −7,2 | −0,9 | −3,1 | −1,6 | 0,1 | 3,9 | −0,4 | −1,6 | −2,0 | : | −3,3 | −1,3 |
| 1982 | −5,6 | −1,3 | −4,3 | −13,2 | 0,1 | −2,4 | −4,8 | −6,7 | −1,3 | −6,6 | : | 8,3 | −2,4 |
| 1983 | −6,3 | 1,9 | 1,8 | 5,4 | −2,0 | −3,6 | −12,2 | 0,9 | −12,9 | −3,4 | : | 5,3 | 0,6 |
| 1984 | −5,9 | 7,7 | 1,5 | −6,9 | −5,3 | −3,1 | −13,5 | 0,5 | −5,3 | 4,1 | : | 7,0 | 1,2 |
| 1985 | −0,3 | 7,7 | −5,7 | 2,9 | 2,0 | −0,9 | −7,5 | −0,4 | : | −3,5 | : | −2,9 | −2,4 |
| 1986 | 2,0 | 19,3 | 2,5 | −3,3 | 6,6 | 1,9 | −5,3 | −0,6 | 7,7 | 4,1 | : | 4,4 | 2,4 |
| 1987 | 3,0 | −1,0 | 0,2 | −5,0 | 10,5 | 2,2 | −6,5 | −1,3 | 4,6 | 2,9 | 10,5 | 4,2 | 2,2 |
| 1988(*) | 7,1 | −4,4 | 6,7 | 9,0 | 12,0 | 4,5 | −6,9 | 1,2 | 5,2 | 4,9 | 10,0 | 9,8 | 6,2 |
| 1989(*) | 0,8 | −3,1 | 2,6 | 8,0 | 8,6 | 3,4 | 1,0 | 1,7 | 1,9 | 0,3 | 10,0 | 5,8 | 3,8 |
| **(3) Gross fixed capital formation: equipment (% change p.a. in real terms)** | | | | | | | | | | | | | |
| 1961-73 | : | : | : | : | : | : | : | : | : | : | : | : | : |
| 1974-81 | 2,0 | −1,3 | 2,1 | 0,1 | −0,5 | 1,8 | 5,1 | 2,5 | −0,2 | −0,6 | : | −0,1 | 1,8 |
| 1982 | 6,0 | 19,8 | −7,0 | 14,1 | 2,2 | 1,5 | −5,8 | −6,8 | 0,6 | −0,1 | : | 1,5 | −1,9 |
| 1983 | −2,8 | 2,3 | 5,6 | −8,6 | −4,8 | −3,4 | −5,0 | −5,7 | −9,2 | 10,1 | : | 4,9 | 0,1 |
| 1984 | 13,4 | 14,3 | −0,2 | −4,1 | −7,3 | 0,2 | 9,2 | 15,1 | 0,8 | 9,4 | : | 9,6 | 6,6 |
| 1985 | −0,7 | 15,4 | 10,0 | 7,6 | 8,5 | 4,6 | 4,9 | 11,4 | 4,0 | 17,4 | : | 9,9 | 9,1 |
| 1986 | 10,8 | 14,8 | 4,3 | −6,5 | 10,4 | 3,8 | 0,3 | 5,0 | 7,9 | 9,8 | : | −3,9 | 3,3 |
| 1987 | 7,9 | −18,0 | 4,0 | −0,9 | 19,0 | 4,4 | 3,6 | 11,5 | 3,9 | 0,1 | 30,0 | 6,9 | 7,2 |
| 1988(*) | 7,6 | −3,4 | 5,5 | 8,5 | 14,5 | 8,8 | 6,0 | 8,0 | −1,4 | 1,4 | 15,5 | 9,3 | 8,1 |
| 1989(*) | 5,0 | 4,5 | 5,2 | 8,0 | 11,9 | 6,8 | 5,4 | 5,5 | 1,5 | 6,1 | 12,0 | 6,9 | 6,7 |
| **(4) Gross fixed capital formation: total economy (% of GDP, at current prices)** | | | | | | | | | | | | | |
| 1961-73 | 21,8 | 24,0 | 24,9 | 22,7 | 24,2 | 23,7 | 21,2 | 25,9 | 26,4 | 25,1 | 24,1 | 18,5 | 23,3 |
| 1974-81 | 21,3 | 20,9 | 21,2 | 22,9 | 23,9 | 23,2 | 26,7 | 24,4 | 25,4 | 20,8 | 27,2 | 18,8 | 22,1 |
| 1982 | 17,3 | 16,1 | 20,5 | 19,9 | 21,3 | 21,4 | 26,5 | 22,3 | 25,2 | 18,2 | 31,1 | 16,2 | 20,2 |
| 1983 | 16,3 | 16,0 | 20,5 | 20,3 | 20,6 | 20,2 | 23,3 | 21,3 | 21,6 | 18,2 | 29,2 | 16,2 | 19,7 |
| 1984 | 16,1 | 17,1 | 20,2 | 18,5 | 18,8 | 19,3 | 21,7 | 21,2 | 19,6 | 18,6 | 23,9 | 17,3 | 19,3 |
| 1985 | 15,7 | 18,5 | 19,7 | 19,1 | 18,9 | 19,0 | 20,4 | 21,2 | 18,1 | 19,0 | 21,7 | 17,2 | 19,2 |
| 1986 | 16,1 | 20,4 | 19,5 | 18,5 | 18,7 | 18,8 | 18,7 | 20,1 | 20,7 | 19,6 | 21,6 | 17,2 | 18,9 |
| 1987 | 16,6 | 18,5 | 19,3 | 17,6 | 20,1 | 19,0 | 17,5 | 20,0 | 23,8 | 19,8 | 24,3 | 17,4 | 19,1 |
| 1988(*) | 17,6 | 17,7 | 19,8 | 18,2 | 21,5 | 19,6 | 17,2 | 20,1 | 21,8 | 20,3 | 26,4 | 18,4 | 19,7 |
| 1989(*) | 17,8 | 17,3 | 20,0 | 19,2 | 22,7 | 20,1 | 17,4 | 20,1 | 21,8 | 20,4 | 28,2 | 19,1 | 20,1 |
| **(5) Gross fixed capital formation: general government (% of GDP, at current prices)** | | | | | | | | | | | | | |
| 1970 | 4,2 | 5,0 | 4,6 | : | 2,5 | 3,9 | 4,3 | 2,7 | 3,6 | 4,7 | : | 4,7 | 4,0(b) |
| 1976 | 3,8 | 3,7 | 3,5 | : | 2,3 | 3,4 | 4,7 | 3,0 | 6,2 | 3,8 | : | 4,3 | 3,5(b) |
| 1982 | 3,4 | 2,8 | 2,8 | 2,9 | 3,1 | 3,4 | 5,1 | 3,7 | 6,7 | 2,9 | 3,4 | 1,6 | 3,0 |
| 1983 | 3,0 | 2,3 | 2,5 | 3,3 | 2,8 | 3,3 | 4,5 | 3,7 | 6,0 | 2,7 | 3,1 | 2,0 | 2,9 |
| 1984 | 2,6 | 1,9 | 2,4 | 4,1 | 3,0 | 3,0 | 3,9 | 3,6 | 4,9 | 2,8 | 2,6 | 2,1 | 2,8 |
| 1985 | 2,2 | 2,2 | 2,3 | 4,4 | 3,7 | 3,2 | 4,0 | 3,8 | 4,7 | 2,6 | 2,5 | 2,0 | 2,9 |
| 1986 | 1,9 | 1,7 | 2,4 | 4,1 | 3,5 | 3,2 | 3,7 | 3,6 | 4,9 | 2,4 | 2,6 | 1,8 | 2,8 |
| 1987 | 1,9 | 2,1 | 2,4 | 3,4 | 3,6 | 3,4 | 2,9 | 3,5 | 5,0 | 2,3 | 2,7 | 1,5 | 2,7 |
| 1988(*) | 1,8 | 2,3 | 2,4 | 3,4 | 3,8 | 3,4 | 2,3 | 3,6 | 4,9 | 2,3 | 2,7 | 1,6 | 2,8 |
| 1989(*) | 1,7 | 1,9 | 2,4 | 3,5 | 3,9 | 3,4 | 1,9 | 3,6 | 5,0 | 2,2 | 2,9 | 1,6 | 2,8 |

(*) Economic Forecasts, September-October 1988.
(a) As regards investment in construction and investment in equipment, EUR12 excludes Spain and Portugal up to 1986.
(b) EUR12 excluding Greece and Portugal.
*Source:* Commission services.

GRAPH 2: **Developments in real investment, real demand and profitability of capital, EUR 12**




[1] Change as % of total demand of the previous year.
[2] Nominal long-term interest rate deflated by GDP deflator.
*Sources:* Commission services.

ment is only falling slowly, it is necessary to maintain and improve the current pace and job content of economic growth in the years ahead. Therefore, further efforts are required: the adaptability of all markets needs to be strenghtened further, demand should remain sufficiently dynamic, the increase in real wages should remain moderate and the profitability of employment-creating investment must increase further.

## RECENT ECONOMIC TRENDS

**Trend in industrial production continues to improve.** — Industrial production in the Community in August was 6,3 % higher than a year earlier. Positive changes were recorded in all Member States, ranging from 14 % in Italy to 1,1 % in the Netherlands. The seasonally adjusted Community index of industrial production improved somewhat in July and August but has not so far returned to its record June level. The trend of output, on the basis of the three-month moving average, continued to pick up in August, with a positive trend in Germany, France and the United Kingdom since May.

**Further but still insufficient improvement in unemployment.** — In September the seasonally adjusted unemployment rate for the Community fell to 11,3 % of the civilian labour force, which is the lowest monthly rate of unemployment since October 1984. This improvement in the September unemployment figure is mainly due to a sharp fall in the number of male registered unemployed coupled with a substantial decrease in female unemployment, but it is not yet clear whether this represents a break in the slow downward trend or an erratic low monthly figure for female unemployment. In September the seasonally adjusted rate of unemployment dropped to just 8 % in the United Kingdom, while the Spanish rate was for the first time in two years under 20 % (19,8 % in August and 19,5 % in September).

**Continuation of slow increase in rate of inflation in September.** — The index of consumer prices in the Community in September (unadjusted) rose by 0,4 % on the previous month, slightly lower than the 0,5 % monthly rate of increase in August. On a seasonally adjusted basis, the monthly rate of inflation was also 0,4 % as compared with 0,6 % a month earlier. In September prices rose at a slower pace in all the Member States except in Greece and Italy. The seasonally adjusted rate of inflation over six months at an annual rate, for the Community as a whole, rose to 4,9 % in September. The biggest increases in this rate occurred in Belgium, Greece, Spain, Italy, Portugal and the United Kingdom, suggesting that there is now a risk that the desired disinflation process in the latter five Member States has come to a halt or even has been reversed.

**Balance of trade.** — Statistics on visible trade up to August are only available for Denmark, Germany, Spain, France, Ireland and the United Kingdom. A further increase was recorded in the trade surplus, seasonally adjusted, of Germany (5407 million ecus in August), somewhat less than the high figure reached in June. A sharp improvement in the trade balance of the United Kingdom was recorded in August, as the trade deficit fell to 3162 million ecus from a particularly high level of 4466 million ecus in July. However, the August statistics suggest significant increases in the trade deficits of France and Spain, amounting to 1224 and 1247 million ecus respectively. In both Denmark and Ireland the trade surplus declined slightly in August. On a year-to-year basis trade balances were more favourable in Denmark, Germany, Ireland, Italy, the Netherlands and Portugal.

**Money supply growth lower in August.** — In August the rate of increase in the average Community money supply, seasonally adjusted, slowed to 0,4 % after the 1,3 % monthly rate of growth registered in July. Faster growth in the money stock was recorded in Germany, Greece and Spain while the other Member States experienced some slowing of monetary expansion. Preliminary data for Denmark, Germany and the United Kingdom suggest a further strong growth of money stock in September which is likely to lead to an increase of the Community average for that month. The increase in the Community's average money supply was 9,9 % for the year ending in August. In that period the greatest monetary expansion occurred in Greece (M3: 24,9 %) and the United Kingdom (£M3: 22,6 % to September), compared with increases in the ERM countries of between 4 % and 9 %. The slowest annual growth rates were recorded in France (M2: 4,8 %) and in Denmark (M2: 4,9 %).

**Slight easing of long-term interest rates.** — The average long-term interest rate in the Community showed a slight decrease to 9,3 % in September, but this easing of the monthly figure brought back the Community average for the third quarter to the same level as in the previous two quarters. The gradual downward move of long-term interest rates in late summer and early autumn reflected the attenuation of expectations with respect to inflation and exchange rate changes, brought about by a rise in official rates in several Member countries during the second quarter of 1988. In September a decline in the yield

TABLE 3 : **Capacity utilisation in manufacturing industry (%) (s.a.)**

| | Range[a] Peak 1973 | Range[a] Trough 1975 | Range[a] Peak 79/80 | Range[a] Trough 82/83 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987[b] | 1988[c] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **B** | 85,4 | 70,4 | 79,1 | 74,4 | 75,7 | 75,7 | 76,0 | 78,8 | 79,3 | 77,9 | 79,1 |
| **D** | 88,1 | 74,8 | 86,0 | 75,3 | 77,2 | 77,0 | 80,0 | 83,6 | 84,6 | 83,5 | 86,5 |
| **GR** | : | : | : | 74,4 | 76,0 | 75,7 | 76,2 | 75,5 | 77,0 | 76,2 | 77,3 |
| **F** | 87,8 | 76,6 | 85,3 | 81,1 | 81,6 | 81,6 | 81,9 | 82,8 | 83,3 | 83,5 | 86,4 |
| **IRL** | : | : | 68,1 | 56,8 | 59,1 | 58,1 | 61,5 | 67,3 | 72,7 | 71,5 | 76,5 |
| **I** | 78,8 | 68,0 | 77,3 | 69,1 | 71,9 | 70,1 | 72,0 | 73,0 | 75,1 | 76,7 | 79,0 |
| **L** | : | : | 83,0 | 66,5 | 78,0 | 70,7 | 78,0 | 80,5 | 84,0 | 79,2 | 83,7 |
| **NL** | 86,0 | 76,0 | 83,0 | 75,8 | 76,7 | 79,5 | 82,2 | 83,7 | 83,5 | 83,0 | 85,1 |
| **UK** | 90,6 | 75,5 | 87,6 | 73,0 | 74,2 | 76,7 | 82,6 | 85,8 | 85,1 | 87,5 | 93,9 |
| **EUR** | 86,4 | 75,0 | 83,9 | 76,4 | 76,9 | 77,2 | 79,0 | 81,5 | 82,1 | 82,5 | 85,9 |

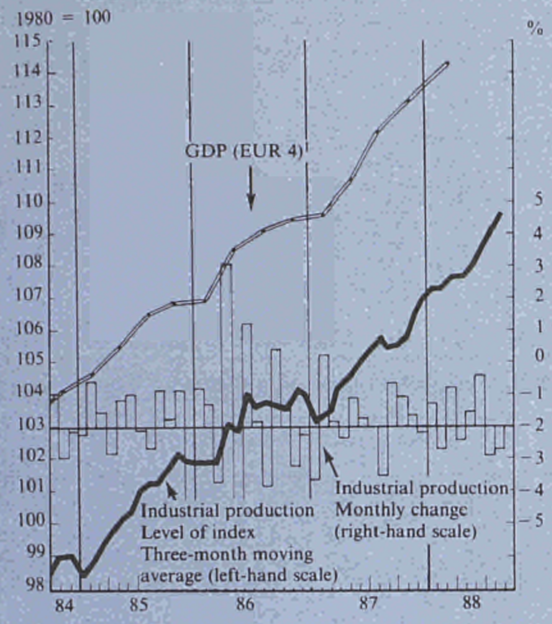
(a) These are the extreme (high and low) values of net balances of the different questions, reached in the periods 1973-75 and 1979-83 respectively.
(b) From 1987 on manufacturing industry includes food drink and tobacco.
(c) October 1988.
(d) Weighted figure of available country data.
*Source*: European Community business surveys.

of public sector bonds was recorded in Belgium, Denmark, Germany, France, Ireland and the United Kingdom while small increases in long-term rates were seen in the other Member States. The more pronounced movement in the rates of individual Member States during the month of September were the increase of 0,8 percentage points in Greece and the reduction of 0,6 percentage points in France. The Community average of short-term interest rates remained stable at 8,9 % in October for the third successive month. The 0,3 points decrease of short-term interest rates in the Netherlands in October is the largest monthly change. The 8,9 % Community average of short-term rates in October represents a small increase of 0,3 percentage points with regard to the average rate a year earlier.

**Small depreciation of the dollar against ecu.** — The strengthening of the dollar in terms of the ecu lasted until August. The September and October figures show that it has fallen back slightly since then. However, the value of the dollar still remains slightly higher against the ecu than a year earlier. In contrast, the appreciation of the yen against the ecu has been steady. In October the yen was 11 % stronger in ecu terms than twelve months previously. During the same period the pound sterling appreciated by 5,4 % against the ecu, while the drachma and the escudo depreciated by 6,1 % and 4,1 % respectively against the ecu. Within the ERM October saw little change in the relative position of the currencies.

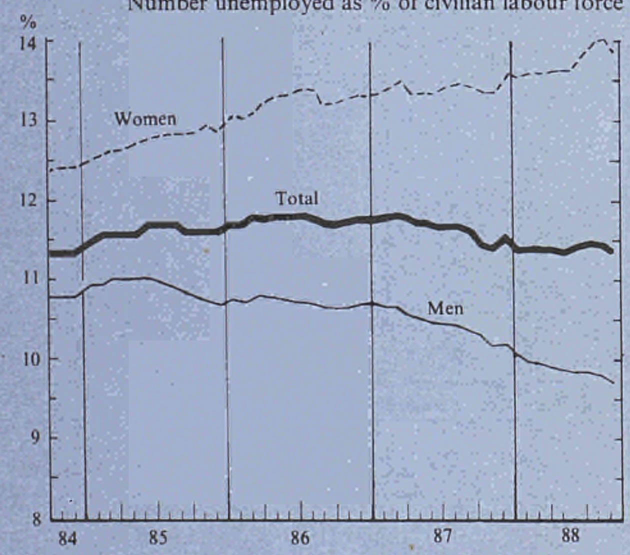
30 November 1988

GRAPH 3: **Industrial and gross domestic product (s.a.)— EUR total**




[1] France, Germany, Italy and UK: quarterly figures.

GRAPH 4: **Unemployment (s.a.) EUR 12**
Number unemployed as % of civilian labour force




GRAPH 5: **Consumer prices EUR 12**
Change expressed as annual rate

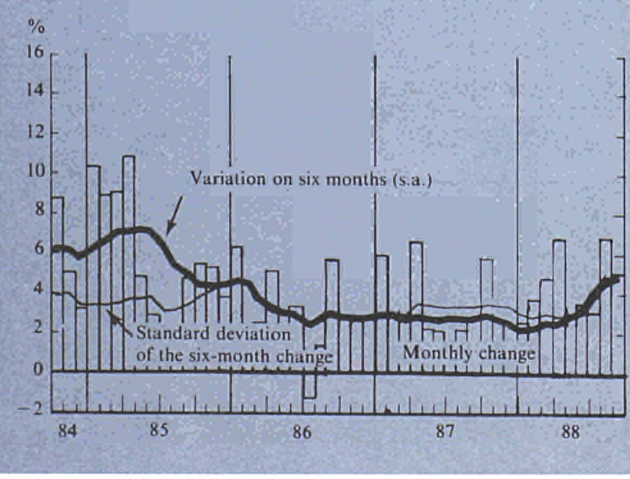


TABLE A.1: **Industrial production** (a) — Percentage change on preceding period (s.a.)

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 II | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 Feb. | March | April | May | June | July | Aug.. | Change over 12 months %(b) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B** | 2,0 | 2,5 | 2,5 | 0,8 | 2,1 | 2,6 | –0,6 | 1,2 | 1,2 | –0,7 | –6,9 | 1,2 | 1,5 | –1,9 | 2,0 | : | : | 2,4 |
| **DK** | 3,2 | 9,7 | 4,2 | 4,2 | –3,1 | –1,6 | 0,9 | 0,4 | 1,2 | 1,6 | 3,2 | 3,9 | –4,2 | 0,4 | 6,3 | –11,0 | 5,7 | 2,3 |
| **D** | 0,7 | 3,2 | 5,3 | 1,9 | 0,2 | 1,6 | 0,2 | 0,8 | 0,8 | 0,8 | 0,9 | 0,5 | –0,7 | 0,3 | 2,8 | –3,4 | 6,6 | 6,9 |
| **GR** | –0,1 | 1,6 | 3,4 | –0,2 | –1,7 | –1,3 | –0,3 | 2,4 | 5,4 | –0,7 | 1,8 | 0,5 | –4,1 | 3,5 | 0,9 | : | : | 9,8 |
| **E** | 2,7 | 0,8 | 2,0 | 3,1 | 4,6 | 2,7 | 2,2 | –0,2 | 0,6 | 0,9 | 5,6 | 3,4 | –4,9 | 2,7 | 0,6 | –1,4 | –3,5 | 1,8 |
| **F** | 0,0 | 2,0 | 1,0 | 1,0 | 2,0 | 2,3 | 0,6 | 1,0 | 0,6 | 0,9 | 0,0 | 0,0 | –0,9 | 1,9 | 1,9 | 0,9 | 0,0 | 8,7 |
| **IRL** | 7,9 | 9,9 | 3,5 | 3,2 | 9,7 | 8,8 | 0,4 | 4,1 | 2,8 | 0,8 | –4,5 | 0,6 | –1,2 | 2,7 | 4,0 | –3,9 | : | 9,7 |
| **I** | –3,2 | 3,4 | 1,2 | 2,8 | 3,9 | 1,8 | –0,8 | 2,2 | 2,4 | 0,1 | –2,6 | –1,1 | 4,3 | –4,0 | 0,9 | 2,8 | 1,5 | 14,0 |
| **L** | 5,4 | 13,3 | 6,9 | 2,8 | 0,8 | 3,8 | –2,1 | 5,7 | 2,9 | 2,7 | –1,6 | 0,5 | 2,6 | –0,6 | 2,2 | 1,2 | : | 12,4 |
| **NL** | 3,2 | 5,2 | 3,9 | 0,0 | 0,9 | –3,4 | 0,0 | 2,5 | –2,5 | –0,6 | –0,9 | 1,9 | 0,0 | 0,0 | 2,9 | 4,7 | –4,5 | 1,1 |
| **P** | 1,6 | –0,1 | 10,9 | 5,7 | 2,4 | 4,2 | 0,6 | –1,1 | 3,4 | 1,2 | –1,3 | –3,4 | 2,2 | 4,4 | –3,1 | : | : | 3,0 |
| **UK** | 3,7 | 0,2 | 5,4 | 2,3 | 3,8 | 1,3 | 1,8 | 1,2 | –0,4 | 1,7 | 1,9 | 1,5 | 0,8 | 0,5 | 0,5 | 0,0 | 1,3 | 3,5 |
| **EUR 12** | 1,0 | 2,1 | 3,4 | 2,0 | 2,2 | 1,6 | 0,1 | 1,4 | 0,7 | 0,9 | –0,7 | 1,2 | –0,5 | 0,5 | (1,6) | (–0,9) | (0,7) | (6,3) |
| **USA** | 7,8 | 12,3 | 2,1 | 2,1 | 4,4 | 1,2 | 1,9 | 1,8 | 1,2 | 1,3 | 0,1 | 0,4 | 0,5 | 0,8 | (0,2) | (0,9) | (0,2) | (5,5) |
| **JAP** | 3,0 | 9,4 | 3,7 | –0,2 | 3,0 | 0,0 | 3,6 | 3,5 | 3,2 | –0,2 | 2,4 | 0,5 | –0,9 | –2,3 | (3,3) | (–0,9) | (2,2) | (9,7) |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | 1988 March | April | May | June | July | Aug. | Sept. | Change over 12 months %(b) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B** (g) | 14,3 | 14,4 | 13,6 | 12,5 | 12,2 | 12,2 | 11,9 | 11,6 | 11,3 | 11,1 | 11,5 | 11,4 | 11,2 | 11,3 | 11,4 | 11,1 | 10,9 | –8,9 |
| **DK** | 10,1 | 9,9 | 8,7 | 7,5 | 7,5 | 7,5 | 7,5 | 7,7 | 8,3 | (8,5) | 8,0 | 8,0 | 8,3 | 8,5 | 8,5 | (8,5) | (8,6) | (15,9) |
| **D** | 8,4 | 8,4 | 8,4 | 8,1 | 8,1 | 8,1 | 8,1 | 8,0 | 8,2 | 8,1 | 8,1 | 8,2 | 8,2 | 8,2 | 8,2 | 8,1 | 8,1 | –0,3 |
| **GR** | 1,6 | 1,8 | 2,2 | 2,8 | 2,9 | 2,9 | 2,8 | 2,8 | 2,8 | 2,8 | 2,8 | 2,7 | 2,7 | 2,8 | 2,8 | 2,9 | 2,8 | 2,3 |
| **E** | 16,5 | 18,4 | 19,5 | 20,0 | 20,7 | 20,7 | 20,9 | 20,7 | 20,3 | 19,8 | 20,5 | 20,3 | 20,3 | 20,2 | 20,0 | 19,8 | 19,5 | –4,7 |
| **F** | 8,9 | 10,0 | 10,5 | 10,7 | 11,2 | 11,2 | 11,0 | 10,9 | 10,8 | 11,0 | 10,8 | 10,8 | 10,8 | 10,9 | 11,0 | 11,1 | 10,9 | –1,5 |
| **IRL** | 14,9 | 16,6 | 17,9 | 18,3 | 19,3 | 19,5 | 19,2 | 19,1 | 18,9 | 18,9 | 19,1 | 19,0 | 18,9 | 18,8 | 19,0 | 18,9 | 18,9 | –2,4 |
| **I** | 11,0 | 12,0 | 12,9 | 13,7 | 13,9 | 14,1 | 14,2 | 14,6 | 15,4 | 16,5 | 14,8 | 15,1 | 15,3 | 15,8 | 16,3 | 16,6 | 16,4 | 16,3 |
| **L** | 1,6 | 1,8 | 1,7 | 1,5 | 1,6 | 1,7 | 1,7 | 1,7 | 1,6 | 1,5 | 1,6 | 1,6 | 1,6 | 1,6 | 1,6 | 1,5 | 1,5 | –9,9 |
| **NL** (g) | (14,2) | 14,5 | 13,3 | 12,3 | 11,9 | 11,8 | 11,8 | 11,8 | 11,9 | 11,8 | 11,9 | 11,9 | 11,8 | 12,0 | 11,9 | 11,8 | 11,8 | 0,1 |
| **P** | 5,6 | 6,7 | 7,7 | 8,3 | 7,2 | 6,5 | 6,6 | 6,9 | 6,8 | 6,8 | 6,9 | 6,8 | 6,8 | 6,8 | 6,8 | 6,8 | 6,8 | 2,9 |
| **UK** | (11,4) | 11,6 | 11,8 | 12,0 | 10,6 | 10,5 | 9,8 | 9,3 | 8,8 | 8,2 | 9,1 | 8,9 | 8,7 | 8,6 | 8,4 | 8,2 | 8,0 | 19,5 |
| **EUR 12** | (10,5) | 11,2 | 11,6 | 11,7 | 11,6 | 11,6 | 11,4 | 11,4 | 11,4 | (11,4) | 11,4 | 11,4 | 11,4 | 11,4 | (11,5) | (11,5) | (11,3) | (–1,3) |
| **USA** | 9,6 | 7,5 | 7,2 | 7,0 | 6,2 | 6,0 | 5,9 | 5,7 | 5,4 | : | 5,6 | 5,4 | 5,6 | 5,3 | 5,4 | 5,6 | : | (–6,1) |
| **JAP** (h) | 2,7 | 2,7 | 2,6 | 2,8 | 2,8 | 2,8 | 2,7 | 2,7 | 2,5 | : | 2,6 | 2,6 | 2,5 | 2,4 | 2,5 | : | : | (–6,6) |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | March | April | May | June | July | Aug. | 1988 Sept. | Change over 12 months %(b) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B** | 7,7 | 6,3 | 4,9 | 1,3 | 1,6 | 0,6 | –0,3 | 0,0 | 0,7 | 0,6 | 0,0 | 0,4 | 0,1 | 0,2 | 0,3 | 0,2 | 0,1 | 1,2 |
| **DK** | 6,9 | 6,3 | 4,7 | 3,6 | 4,0 | 0,7 | 1,2 | 1,2 | 1,4 | 0,4 | 0,4 | 0,4 | 0,9 | –0,1 | –0,4 | 0,7 | 0,5 | 4,5 |
| **D** | 3,3 | 2,4 | 2,2 | –0,2 | 0,2 | 0,0 | 0,0 | 0,5 | 0,5 | 0,1 | 0,1 | 0,2 | 0,2 | 0,2 | –0,1 | 0,1 | 0,0 | 1,4 |
| **GR** | 20,2 | 18,4 | 19,3 | 23,0 | 16,4 | 0,4 | 5,4 | 1,6 | 4,5 | 1,9 | 3,0 | 2,0 | 0,3 | 1,3 | –0,3 | 0,3 | 3,0 | 14,8 |
| **E** | 12,2 | 11,2 | 7,8 | 8,8 | 5,3 | 1,3 | 1,2 | 1,2 | 0,3 | 2,5 | 0,7 | – 0,4 | – 0,1 | 0,4 | 1,3 | 1,0 | 1,0 | 5,7 |
| **F** | 9,6 | 7,3 | 5,9 | 2,7 | 3,1 | 0,6 | 0,5 | 0,5 | 1,0 | 0,9 | 0,3 | 0,5 | 0,2 | 0,3 | 0,3 | 0,3 | 0,2 | 3,0 |
| **IRL** (i) | 10,4 | 8,6 | 5,4 | 3,8 | 3,1 | 0,6 | 0,1 | 0,7 | 0,5 | 0,8 | 0,2 | 0,2 | 0,2 | (0,3) | (0,3) | (0,3) | : | 2,1 |
| **I** | 14,7 | 10,8 | 9,2 | 5,8 | 4,8 | 1,0 | 1,7 | 1,2 | 1,1 | 1,0 | 0,4 | 0,3 | 0,4 | 0,3 | 0,2 | (0,4) | (0,5) | (4,9) |
| **L** | 8,7 | 6,5 | 4,1 | 0,3 | –0,1 | 0,1 | 0,4 | 0,4 | 0,2 | 0,7 | 0,2 | 0,0 | 0,1 | 0,2 | 0,4 | 0,1 | 0,1 | 1,8 |
| **NL** | 2,7 | 3,2 | 2,3 | 0,3 | –0,2 | 0,2 | 0,8 | –0,8 | 0,8 | 0,5 | 0,4 | 0,4 | 0,1 | –0,1 | 0,2 | 0,3 | 0,3 | 1,1 |
| **P** | 25,1 | 28,9 | 19,6 | 11,8 | 9,3 | 1,0 | 2,5 | 3,1 | 1,7 | 2,6 | 0,7 | 0,3 | 0,3 | 0,5 | 0,8 | 1,4 | 1,1 | 11,0 |
| **UK** | 4,6 | 5,0 | 6,1 | 3,4 | 4,1 | 0,2 | 1,1 | 0,5 | 2,4 | 1,4 | 0,4 | 1,6 | 0,4 | 0,4 | 0,1 | 1,1 | 0,5 | 5,9 |
| **EUR 12** | 8,6 | 7,4 | 6,1 | 3,6 | 2,9 | 0,3 | 0,7 | 0,6 | (1,2) | (1,0) | 0,4 | 0,5 | 0,2 | (0,3) | (0,3) | (0,5) | (0,4) | (3,8) |
| **USA** | 3,2 | 4,3 | 3,6 | 1,9 | 3,7 | 1,1 | 0,8 | 0,6 | 1,3 | 1,3 | 0,4 | 0,5 | 0,3 | 0,4 | 0,4 | 0,4 | 0,7 | (4,2) |
| **JAP** | 1,8 | 2,4 | 2,0 | 0,7 | 0,0 | –0,2 | 0,2 | –0,5 | 0,8 | 0,2 | 0,4 | 0,5 | 0,1 | (–0,2) | (–0,2) | (0,3) | 0,9 | (0,7) |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 II | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 Feb. | March | April | May | June | July | Aug. | Change over 12 months (c) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B/L** | –2435 | –4897 | –3514 | 146 | –580 | 414 | –150 | –510 | (–396) | : | 41 | –194 | –82 | –339 | : | : | : | (–477) |
| **DK** | –740 | –1108 | –1538 | –1714 | 96 | 61 | 65 | 5 | (470) | (30) | 42 | 75 | (144) | (–48) | (–66) | (100) | (72) | (157) |
| **D** | 18501 | 24136 | 32986 | 53044 | 56960 | 13818 | 14132 | 14738 | 12908 | (15922) | 4083 | 3937 | (4589) | (4654) | (6678) | (5137) | (5407) | (1 309) |
| **GR** | –5800 | –6048 | –7266 | –5809 | –5694 | –1339 | –1169 | –1257 | : | : | : | : | : | : | : | : | : | – 333 |
| **E** | : | –4711 | –5582 | –6306 | –8749 | –2139 | –2324 | –2431 | –2347 | –2830 | –682 | –929 | –904 | –941 | –986 | –801 | –1247 | –519 |
| **F** | –15628 | –13130 | –13428 | –9699 | –12473 | –3567 | –3095 | –3232 | –2405 | –2969 | –999 | –955 | –943 | –1214 | –811 | –814 | (–1224) | (–468) |
| **IRL** | –621 | 81 | 430 | 983 | 2047 | 511 | 517 | 607 | 649 | 721 | 245 | 132 | (283) | 195 | 244 | (275) | 216 | 13 |
| **I** | –8516 | –13849 | –16130 | –2459 | –7427 | –2360 | –1643 | –1830 | –2804 | –757 | (–369) | (–1653) | (–273) | 41 | –525 | : | : | 951 |
| **NL** | 4499 | 4740 | 3874 | 4161 | 1088 | 140 | 313 | 697 | 62 | (–404) | (–284) | (102) | (–226) | –59 | (–120) | (174) | : | (205) |
| **P** | : | –3467 | –2735 | –1297 | –2955 | –810 | –764 | –705 | –734 | –829 | – 267 | –272 | –321 | –260 | –248 | : | : | 120 |
| **UK** | –9681 | –14005 | –11540 | –19868 | –20890 | –4911 | –5714 | –6618 | –8685 | – 9928 | –3122 | –2549 | –2901 | –3531 | –3496 | – 4466 | (–3162) | (–795) |
| **EUR 12** (j) | : | –32256 | –24653 | 11053 | 758 | –308 | –430 | –844 | (–4933) | (–3709) | (–1967) | (–2649) | (–1370) | (–2009) | (–329) | : | : | (644) |
| **USA** (k) | –77911 | –154992 | –194856 | –157829 | –147830 | –36845 | –38028 | –35521 | –30343 | –27411 | –11846 | –9481 | –8305 | –7947 | –11159 | –8403 | –11029 | 2 477 |
| **JAP** | 23072 | 42599 | 60497 | 84010 | 69636 | 16544 | 16184 | 15396 | 16861 | 13700 | 5325 | 5308 | 5136 | 4181 | 4383 | 5518 | 5002 | –294 |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | 1988 March | April | May | June | July | Aug. | Sept. | Change over 12 months %(d) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B** (M2) | 8,7 | 5,9 | 7,6 | 11,5 | 10,5 | 1,5 | 2,7 | 1,7 | 1,5 | : | : | : | : | : | : | : | : | 7,7 |
| **DK** (M2) | 25,5 | 17,8 | 15,8 | 8,4 | 4,4 | –0,6 | 2,1 | –2,5 | 3,0 | 2,4 | –0,6 | 1,2 | –0,1 | 1,9 | 1,7 | –1,2 | 1,8 | 4,9 |
| **D** (M3) | 5,3 | 4,7 | 5,1 | 6,8 | 6,0 | 1,1 | 1,4 | 2,0 | 1,9 | 1,5 | 0,3 | 0,7 | 0,7 | 0,4 | –0,1 | 0,6 | 0,9 | 6,9 |
| **GR** (M3) | 20,3 | 29,4 | 26,8 | 19,0 | 24,8 | 6,2 | 6,0 | 7,0 | 5,1 | : | 2,7 | 0,7 | 2,1 | 2,3 | 1,3 | 2,2 | : | 24,9 |
| **E** (ALP) | 15,9 | 13,2 | 12,8 | 11,4 | 14,0 | 3,3 | 3,8 | 2,6 | 2,8 | : | 0,9 | 1,2 | 0,9 | 0,7 | 0,5 | 0,6 | : | 12,1 |
| **F** (M2) | 13,7 | 9,8 | 6,0 | 4,1 | 4,3 | 0,6 | 1,2 | –0,9 | 2,2 | : | –0,6 | 1,1 | 0,4 | 0,7 | 2,4 | –0,4 | : | 4,8 |
| **IRL** (M3) | 5,6 | 10,1 | 5,3 | –1,0 | 10,9 | 2,9 | 1,6 | 2,3 | 1,8 | : | 1,5 | –0,8 | 2,0 | 0,6 | 0,9 | 0,3 | : | 7,5 |
| **I** (M2) | 13,3 | 12,1 | 10,8 | 9,4 | 8,3 | 1,4 | 1,8 | 0,6 | 3,0 | : | 0,6 | 0,9 | 0,7 | 1,4 | 1,3 | 0,5 | : | 8,6 |
| **NL** (M2) | (10,7) | (6,8) | (10,5) | 4,5 | 3,9 | 1,5 | 1,5 | 1,1 | 3,5 | : | 1,0 | 1,3 | 1,5 | 0,7 | 1,1 | : | : | 8,3 |
| **P** (L) | 16,8 | 24,6 | 28,9 | 25,9 | 16,8 | 5,6 | 1,9 | 4,9 | 2,1 | : | (1,5) | (0,4) | (2,5) | (–0,7) | : | : | : | 16,4 |
| **UK** (LM3) | 11,1 | 10,1 | 13,4 | 19,1 | 22,9 | 5,0 | 5,0 | 4,1 | 4,7 | 6,9 | 3,0 | 1,6 | 0,6 | 2,4 | 2,7 | 0,8 | 3,2 | 22,6 |
| **EUR 12** (m) | (11,4) | (9,8) | (9,6) | 9,7 | (10,1) | 2,1 | 2,4 | 1,6 | 2,8 | : | 0,8 | 1,0 | 0,7 | 1,1 | 1,3 | (0,4) | : | (9,9) |
| **USA** (M2) | 11,7 | 8,2 | 8,1 | 9,1 | 3,4 | 1,3 | 0,9 | 2,3 | 1,6 | 0,6 | 0,7 | 0,8 | 0,4 | 0,4 | 0,3 | 0,2 | : | 6,2 |
| **JAP** (M2) | 7,3 | 7,8 | 8,7 | 9,2 | 10,8 | 2,7 | 3,0 | 2,7 | 2,2 | : | 0,2 | 1,0 | 0,7 | 0,5 | 2,5 | : | : | 11,7 |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | 1988 April | May | June | July | Aug. | Sept. | Oct. | Change over 12 months % (c) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| B | 10,5 | 11,5 | 9,6 | 8,1 | 7,1 | 6,7 | 6,8 | 6,1 | 6,1 | 7,4 | 6,1 | 6,1 | 6,1 | 7,1 | 7,5 | 7,4 | 7,3 | 0,1 |
| DK | 12,0 | 11,5 | 10,0 | 9,1 | 9,9 | 9,4 | 9,3 | 8,7 | 8,4 | 7,8 | 8,9 | 8,8 | 8,4 | 8,2 | 7,9 | 7,8 | 7,8 | −1,7 |
| D | 5,8 | 6,0 | 5,4 | 4,6 | 4,0 | 4,0 | 3,5 | 3,4 | 4,4 | 4,9 | 3,4 | 3,5 | 4,4 | 5,1 | 5,3 | 4,9 | 4,8 | 0,7 |
| GR | 16,6 | 15,7 | 17,0 | 19,8 | 14,9 | 8,0 | 16,7 | 14,4 | 16,4 | 13,8 | 16,9 | 19,3 | 16,4 | 12,2 | 11,4 | 13,8 | : | 5,8 |
| E | 20,1 | 14,9 | 12,2 | 11,7 | 15,8 | 17,0 | 13,1 | 10,7 | 10,7 | 12,5 | 11,4 | 10,5 | 10,7 | 11,1 | 10,7 | 12,5 | 12,3 | −2,2 |
| F | 12,5 | 11,7 | 10,0 | 7,7 | 8,3 | 8,0 | 8,6 | 8,3 | 7,3 | 7,9 | 8,1 | 7,4 | 7,3 | 7,4 | 8,0 | 7,9 | 8,1 | −0,2 |
| IRL | 14,0 | 13,2 | 12,0 | 12,4 | 11,1 | 9,2 | 8,8 | 8,3 | 7,8 | 7,6 | 8,1 | 7,3 | 7,8 | 7,9 | 8,1 | 7,6 | 7,6 | −1,6 |
| I | 18,3 | 17,3 | 15,0 | 12,8 | 11,4 | 12,8 | 11,5 | 11,1 | 11,1 | 11,4 | 10,5 | 11,0 | 11,1 | 11,3 | 11,1 | 11,4 | 11,5 | −0,5 |
| NL | 5,7 | 6,1 | 6,3 | 5,7 | 5,4 | 5,6 | 4,6 | 4,0 | 4,4 | 5,6 | 4,1 | 4,1 | 4,4 | 5,3 | 5,4 | 5,6 | 5,3 | 0,1 |
| P | 20,9 | 22,5 | 21,0 | 15,6 | 13,9 | 14,8 | 14,0 | 13,0 | 12,7 | 12,8 | 13,0 | 0,0 | 12,7 | 12,9 | 13,0 | 12,8 | : | −2,1 |
| UK | 10,1 | 10,0 | 12,2 | 10,9 | 9,7 | 10,3 | 8,9 | 8,6 | 9,9 | 11,9 | 8,5 | 7,8 | 9,9 | 10,9 | 12,3 | 11,9 | 12,0 | 2,6 |
| EUR 12 (o) | 12,0 | 11,2 | 10,4 | 9,0 | 8,8 | 9,0 | 8,3 | 7,8 | 8,1 | 8,9 | 7,7 | 7,4 | 8,1 | 8,5 | 8,9 | 8,9 | 8,9 | 0,3 |
| USA | 8,7 | 9,5 | 7,5 | 6,0 | 5,9 | 6,8 | 5,9 | 5,9 | 6,8 | 7,5 | 6,1 | 6,7 | 6,8 | 7,2 | 7,5 | 7,5 | 7,6 | 2,2 |
| JAP | 6,5 | 6,3 | 6,5 | 5,0 | 3,9 | 3,9 | 3,9 | 3,9 | 4,0 | 4,3 | 3,9 | 3,9 | 4,0 | 4,1 | 4,1 | 4,3 | 4,3 | 0,3 |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | 1988 April | May | June | July | Aug. | Sept. | Oct. | Change over 12 months % (e) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| B | 11,8 | 12,0 | 10,6 | 7,9 | 7,8 | 8,3 | 8,0 | 7,7 | 7,8 | 8,1 | 7,6 | 7,9 | 7,8 | 8,0 | 8,3 | 8,1 | : | −0,2 |
| DK | 14,4 | 14,0 | 11,6 | 10,5 | 11,9 | 12,3 | 11,7 | 11,1 | 10,6 | 10,1 | 11,5 | 10,8 | 10,6 | 10,4 | 10,5 | 10,1 | 10,0 | −2,6 |
| D | 7,9 | 7,8 | 6,9 | 5,9 | 5,8 | 6,2 | 6,0 | 5,7 | 6,1 | 6,3 | 5,8 | 6,1 | 6,1 | 6,4 | 6,5 | 6,3 | : | 0,1 |
| GR | 18,2 | 18,5 | 15,8 | 15,8 | 17,3 | 17,1 | 19,1 | 19,1 | 15,2 | 14,9 | 19,0 | 16,9 | 15,2 | 15,6 | 14,1 | 14,9 | : | −3,0 |
| E | 16,9 | 16,5 | 13,4 | 11,4 | 12,8 | 14,3 | 13,1 | 11,8 | 11,3 | 11,4 | 11,4 | 11,6 | 11,3 | 11,1 | 11,1 | 11,4 | 12,1 | −2,1 |
| F | 13,6 | 12,5 | 10,9 | 8,4 | 9,4 | 10,5 | 10,0 | 9,4 | 8,8 | 8,8 | 9,3 | 9,1 | 8,8 | 9,1 | 9,4 | 8,8 | 8,6 | −1,5 |
| IRL | 13,9 | 14,6 | 12,7 | 11,1 | 11,3 | 11,3 | 10,5 | 10,1 | 9,6 | 8,9 | 9,7 | 9,8 | 9,6 | 9,7 | 9,2 | 8,9 | 8,2 | −2,9 |
| I | 18,0 | 15,0 | 14,3 | 11,7 | 11,3 | 12,3 | 12,5 | 12,1 | 12,1 | 12,3 | 12,1 | 12,0 | 12,1 | 12,1 | 12,1 | 12,3 | 12,1 | −0,3 |
| L | 9,8 | 10,3 | 9,5 | 8,7 | 8,0 | 8,1 | 7,0 | 7,7 | 6,5 | 7,5 | 7,3 | 6,4 | 6,5 | 6,8 | 7,3 | 7,5 | : | −0,6 |
| NL | 8,8 | 8,6 | 7,3 | 6,4 | 6,4 | 6,8 | 6,3 | 6,0 | 6,3 | 6,4 | 6,0 | 6,3 | 6,3 | 6,5 | 6,6 | 6,4 | 6,2 | −0,8 |
| P | 30,4 | 32,5 | 25,4 | 17,9 | 15,4 | 15,9 | 15,2 | 14,1 | 14,0 | 14,1 | 14,3 | 13,8 | 14,0 | 14,1 | 13,8 | 14,1 | : | −1,8 |
| UK | 10,8 | 10,7 | 10,6 | 9,8 | 9,5 | 10,0 | 9,5 | 9,0 | 9,6 | 9,4 | 9,2 | 9,3 | 9,6 | 9,5 | 9,7 | 9,4 | : | −0,6 |
| EUR 12 (o) | 12,7 | 11,8 | 10,9 | 9,2 | 9,4 | 10,1 | 9,8 | 9,3 | 9,3 | 9,3 | 9,3 | 9,3 | 9,3 | 9,4 | 9,5 | 9,3 | : | −0,8 |
| USA | 10,8 | 12,0 | 10,8 | 8,1 | 8,7 | 9,6 | 9,1 | 8,6 | 9,0 | 9,1 | 8,9 | 9,2 | 9,0 | 9,3 | 9,3 | 9,1 | 8,8 | −0,7 |
| JAP | 7,8 | 7,3 | 6,5 | 5,2 | 5,0 | 5,4 | 4,7 | 4,5 | 4,7 | 5,2 | 4,3 | 4,6 | 4,7 | 5,0 | 5,2 | 5,2 | 4,8 | −0,9 |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | 1988 April | May | June | July | Aug. | Sept. | Oct. | Change over 12 months %(b) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BFR/LFR | 45,43 | 45,44 | 44,91 | 43,80 | 43,04 | 43,07 | 43,19 | 43,23 | 43,44 | 43,54 | 43,44 | 43,44 | 43,45 | 43,52 | 43,63 | 43,48 | 43,46 | 0,6 |
| DKR | 8,13 | 8,15 | 8,02 | 7,94 | 7,88 | 7,94 | 7,96 | 7,92 | 7,94 | 7,94 | 7,97 | 7,97 | 7,90 | 7,90 | 7,96 | 7,96 | 7,99 | 0,2 |
| DM | 2,27 | 2,24 | 2,23 | 2,13 | 2,07 | 2,08 | 2,07 | 2,07 | 2,08 | 2,08 | 2,08 | 2,08 | 2,08 | 2,08 | 2,08 | 2,07 | 2,07 | −0,1 |
| DR | 78,1 | 88,4 | 104,8 | 137,4 | 156,1 | 157,4 | 161,9 | 165,2 | 166,4 | 167,2 | 166,3 | 166,7 | 166,2 | 166,5 | 167,1 | 168,1 | 169,6 | 6,1 |
| PTA | 127,4 | 126,5 | 129,0 | 137,5 | 142,2 | 140,5 | 138,4 | 139,4 | 137,5 | 137,5 | 137,5 | 137,6 | 137,4 | 137,7 | 136,9 | 138,0 | 137,0 | 0,3 |
| FF | 6,77 | 6,87 | 6,80 | 6,80 | 6,93 | 6,92 | 6,98 | 6,99 | 7,03 | 7,04 | 7,05 | 7,04 | 7,01 | 7,01 | 7,05 | 7,05 | 7,07 | 2,0 |
| IRL | 0,715 | 0,726 | 0,715 | 0,733 | 0,775 | 0,775 | 0,776 | 0,776 | 0,777 | 0,774 | 0,777 | 0,778 | 0,775 | 0,774 | 0,776 | 0,773 | 0,775 | 0,0 |
| LIT | 1349 | 1381 | 1447 | 1462 | 1495 | 1502 | 1514 | 1524 | 1543 | 1542 | 1542 | 1546 | 1542 | 1540 | 1541 | 1547 | 1545 | 3,0 |
| HFL | 2,54 | 2,52 | 2,51 | 2,40 | 2,33 | 2,34 | 2,33 | 2,32 | 2,33 | 2,34 | 2,33 | 2,33 | 2,34 | 2,35 | 2,35 | 2,34 | 2,34 | 0,1 |
| ESC | 98,2 | 115,6 | 130,0 | 146,9 | 162,5 | 162,8 | 166,6 | 169,1 | 169,7 | 169,7 | 169,7 | 169,8 | 169,6 | 169,1 | 169,4 | 170,8 | 171,1 | 4,1 |
| UKL | 0,587 | 0,591 | 0,589 | 0,670 | 0,705 | 0,698 | 0,692 | 0,687 | 0,661 | 0,657 | 0,661 | 0,657 | 0,665 | 0,661 | 0,650 | 0,659 | 0,656 | −5,4 |
| USD | 0,890 | 0,788 | 0,759 | 0,983 | 1,154 | 1,128 | 1,213 | 1,234 | 1,218 | 1,114 | 1,241 | 1,228 | 1,184 | 1,127 | 1,104 | 1,111 | 1,140 | −1,0 |
| YEN | 211,3 | 187,0 | 180,4 | 165,0 | 166,5 | 165,8 | 164,3 | 157,9 | 153,0 | 148,9 | 155,1 | 153,2 | 150,7 | 150,0 | 147,5 | 149,4 | 146,8 | −11,0 |
| DTS | 0,833 | 0,767 | 0,749 | 0,838 | 0,892 | 0,895 | 0,889 | 0,902 | 0,890 | 0,859 | 0,898 | 0,893 | 0,879 | 0,864 | 0,854 | 0,858 | 0,864 | −2,8 |

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

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1987 III | 1987 IV | 1988 I | 1988 II | 1988 III | 1988 April | May | June | July | Aug. | Sept. | Oct. | Change over 12 months %(b) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| B/L | −2,8 | −2,2 | 0,9 | 5,5 | 4,1 | −0,3 | 0,6 | −0,2 | −0,9 | −1,4 | −0,3 | −0,2 | −0,6 | −0,8 | −0,5 | 0,6 | 0,2 | −1,4 |
| DK | −0,6 | −3,7 | 1,2 | 6,3 | 4,2 | −1,9 | 1,1 | 0,3 | −1,3 | −1,8 | −0,8 | −0,4 | 0,0 | −1,0 | −1,2 | 0,3 | −0,2 | −1,9 |
| D | 4,0 | −1,6 | 0,3 | 10,7 | 6,9 | −0,3 | 1,8 | −0,1 | −1,3 | −2,0 | −0,4 | −0,5 | −0,8 | −1,1 | −0,7 | 0,8 | 0,3 | −1,2 |
| GR | −18,1 | −14,4 | −15,9 | −21,3 | −9,9 | −2,2 | −1,8 | −2,1 | −1,2 | −2,0 | −0,3 | −0,5 | −0,4 | −0,9 | −0,8 | −0,3 | −0,7 | −6,8 |
| E | −17,2 | −2,4 | −2,3 | −1,5 | 0,2 | 2,9 | 3,0 | −0,8 | 0,8 | −1,8 | 0,9 | −0,4 | −0,7 | −1,2 | 0,2 | −0,5 | 1,1 | −1,3 |
| F | −7,1 | −4,8 | 1,1 | 4,5 | 1,1 | −0,2 | 0,3 | −0,3 | −1,3 | −1,8 | −0,4 | −0,2 | −0,3 | −0,9 | −1,1 | 0,3 | −0,1 | −3,4 |
| IRL | −4,1 | −4,2 | 1,2 | 3,7 | −2,1 | −0,3 | 1,0 | −0,2 | −1,3 | −1,4 | −0,6 | −0,5 | −0,1 | −0,8 | −0,9 | 0,8 | 0,0 | −1,9 |
| I | −3,8 | −5,9 | −5,2 | 3,7 | 1,1 | −0,9 | 0,5 | −0,8 | −2,0 | −1,9 | −0,8 | −0,6 | −0,7 | −0,8 | −0,6 | −0,1 | 0,4 | −4,3 |
| NL | 2,0 | −1,6 | 0,3 | 7,7 | 5,1 | 0,0 | 1,3 | 0,1 | −0,9 | −1,8 | −0,2 | −0,3 | −0,8 | −1,0 | −0,6 | 0,7 | 0,2 | −1,0 |
| P | −21,1 | −17,4 | −11,5 | −7,8 | −7,1 | −1,3 | −1,4 | −1,5 | −1,1 | −1,4 | −0,3 | −0,3 | −0,4 | −0,4 | −0,6 | −0,5 | 0,0 | −4,9 |
| UK | −7,0 | −4,7 | −0,2 | −7,3 | −1,0 | −0,1 | 2,8 | 0,7 | 3,2 | −1,8 | 2,0 | 0,2 | −2,5 | −0,7 | 1,3 | −1,1 | 0,8 | 4,3 |
| EUR 12 | −8,5 | −9,3 | −1,9 | 9,6 | 7,0 | −0,6 | 3,3 | −0,5 | −1,6 | −4,7 | −0,1 | −0,9 | −2,3 | −2,3 | −1,1 | 0,5 | 0,7 | −3,8 |
| USA | 5,7 | 7,8 | 4,1 | −19,1 | −12,1 | 1,6 | −5,8 | −2,9 | −0,7 | 6,2 | −1,1 | 0,4 | 2,1 | 3,6 | 1,4 | 0,0 | −2,8 | −4,1 |
| JAP | 10,9 | 5,8 | 3,0 | 27,2 | 8,2 | −2,2 | 5,1 | 4,8 | 1,8 | −2,4 | 1,2 | 0,5 | −0,6 | −2,3 | 0,5 | −0,7 | 3,0 | 10,6 |

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

(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EUR index, adjusted by Eurostat and given in Table 1 may differ from the change in the EUR index obtained by aggregating national indices. Data are adjusted for working days. They do not include building.
(b) % change over 12 months on the basis of the non-adjusted nominal series of the most recent figure given.
(c) Change on corresponding month in previous year; seasonally adjusted.
(d) Change over 12 months in seasonally adjusted figures of the most recent figure given for each country.
(e) Difference in relation to the same month of the previous year.
(f) Number of registered unemployed according to national legislation. Annual average, quarterly average and end of month.
(g) Changes in the coverage of these series occurred in 1984 for the Netherlands and in 1985 for Belgium.
(h) As % of total labour force.
(i) Monthly series calculated by linear interpolation.
(j) The seasonally adjusted position for EUR 12 is obtained by seasonal adjustment of the sum of gross figures for the various countries' exports and imports.
(k) Unadjusted figures.
(l) National sources for Belgium, Denmark, Germany, Spain, France, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.
(m) Average of monthly changes, seasonally adjusted, weighted by GDP at 1980 prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.
(n) National sources; three-month interbank rate except: Belgium: yield on issue of four-month *Fonds des Rentes* certificates; Denmark: daily money market rate (monthly average); Portugal, 6 month deposits; from 8/85, 3 month Treasury Bills. Annual average, end quarter and end month.
(o) Average weighted by GDP at 1980 prices and purchasing power parities.
(p) Yield on public sector bonds. Annual average. Average for the last month of quarter and monthly average for Germany, Spain, Italy, Luxembourg, the Netherlands and Portugal. End quarter and end month for the other Member States.
(q) Weighting coefficients are calculated so as to allow not only for bilateral trade but also for competition on third markets and on the domestic market of the exporting country.

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

## Principal economic policy measures - October 1988

**Community (EUR 12)**

*19.10* The Commission approved the Annual Economic Report 1988-89 (COM(88)591). The title and main theme of this year's Annual Report which will be published in full in European Economy n° 38, is 'Preparing for 1992'.

**Belgium (B)**

*14.10* The Government approves a number of measures related to employment: these include the introduction of a system of subsidized contractual workers to be employed by certain public authorities and the temporary reduction of employers' social security contributions in order to encourage the recruitment of the long-term unemployed.

**Denmark (DK)**

None.

**Federal Republic of Germany (D)**

None.

**Greece (GR)**

*12.10* The partial tax exemption granted to firms prepared to reinvest their profits is extended for a further three years; however, the rate of exemption is reduced to 25 % for 1989, 1990 and 1991 (compared with 50 % in 1988). A 35 % rate of exemption is laid down for investment in advanced technology.

**Spain (E)**

*6.10* The three-year Treasury bill rate is raised by 1,03 percentage points to 11,68 % after short-term interest rates are increased as one of the measures to combat inflation.

*28.10* The Government approves a plan for the recruitment of young people between 16 and 25 years of age who have yet to find their first job or who have worked for less than three months. The plan envisages substantial reductions in social security contributions.

**France (F)**

*18.10* In order to defend the franc, the Bank of France intervention rate is raised by a quarter of a point, from 7 % to 7,25 %.

**Ireland (IRL)**

*20.10* The Irish Government announces its provisions for current and capital expenditure in 1989. A reduction in total Exchequer expenditure of IRL 224 million (− 3 1/2 % on 1988 provision) is envisaged and will be fairly evenly divided between the capital and current account. Capital expenditure (which has been severely cut since 1987) is to fall by IRL 106 million (− 14,6 % on 1988 provision) with the main savings attributable to lower housing grants. Savings under the social welfare and environment headings will provide most of the IRL 118 million savings in current expenditure (− 2,1 % on 1988 provision). The overall reduction in expenditure is less than anticipated but is considered in line with the budgetary target of stabilizing the public debt/GDP ratio by 1990.

**Italy (I)**

None.

**Luxembourg (L)**

*21.10* The Government takes a number of measures which will be applicable from 1 January 1989: private sector pensions are increased by 3,5 %, the minimum wage is up-rated by 3,5 %, the maximum amount of study grant goes up from LFR 130 000 to LFR 140 000 and the repayment period for such grants is lengthened.

**Netherlands (NL)**

*1.10* Parliament adopts a draft law to reduce company taxation from 42 % to 40 % for taxable amounts of up to HFL 250 million and to 35 % for greater amounts.

**Portugal (P)**

*18.10* The Government increases the wages and salaries of public sector employees by 1,5 % in order to compensate for inflation which is higher than the official forecast. This compensation may be interpreted as the application of the indexation provided for in the incomes policy agreements signed with the UGT, the trade union which is close to the government, and as the condition for a new agreement for 1989.

**United Kingdom (UK)**

*11.10* The Bank of England made its first auction of Treasury bills denominated in ECU.

*27.10* The Government announced that with effect from April 1989 the main social security benefits (pensions, etc.) are to be increased by 5,9 % (in line with the rise in the retail price index in the 12 months to September). No increase is being made in child benefit (a flat rate benefit of UKL 7,25 per week per child paid to all families), but additional increases are being made in the allowances for children in the main means-tested benefits (income support, family credit and housing benefit).

**Prices (excluding VAT) in Luxembourg**

| | ECU | |
|---|---|---|
| 'European Economy' (4 issues per year) | 58 | The annual subscription runs from 1 January to 31 December of each year. |
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