

EUROPEAN ECONOMY

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

Supplement A — No 5 — May 1988

Recent economic trends

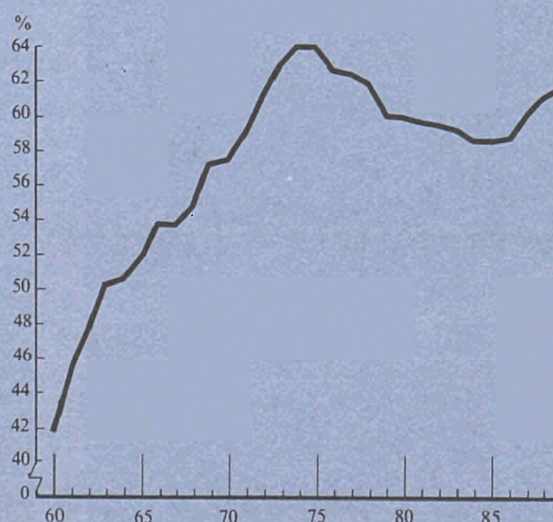
*In this number:
Real convergence
in the Community*

THE MAIN POINTS IN BRIEF

In addition to the commentary on recent economic trends, this issue contains a note on convergence of real GDP per capita in the Community.

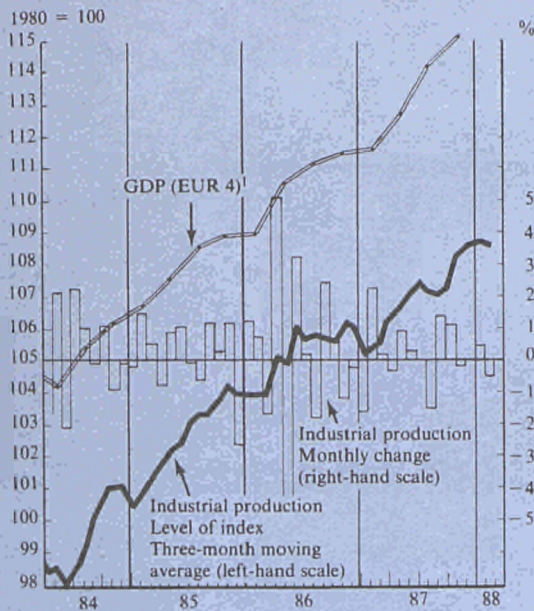
- The deterioration of the convergence process, which started after the first oil price hike, has recently been reversed, as two of the relatively less-favoured countries, Spain and Portugal, showed a welcome tendency to grow faster than the richer countries in terms of GDP per capita. Convergence of GDP per capita in the Community is expected to continue in 1988 and 1989. High and sustained economic growth in the Community as a whole, the creation of a favourable business environment in the less advanced Member States and a sustained support of the development process by Community resources are the prerequisites for achieving higher convergence of GDP per capita in the Community.
- The growth in industrial production in February was somewhat weaker than in recent months with an increase in output of 2 % over February 1987. Consumer prices indicate a small increase in the trend rate of inflation. The rate of growth in the money supply decelerates slightly. Both long and short-term interest rates remain stable.

GRAPH 1: Relationship between GDP¹ per person in the four poorest and four richest countries in the Community



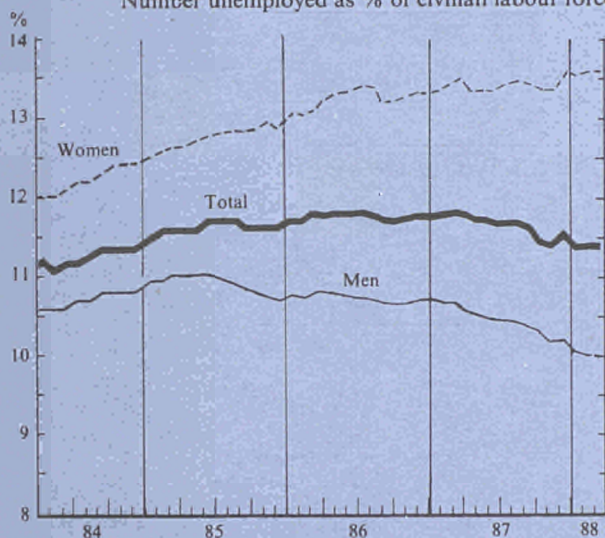
¹ GDP per person at current prices and purchasing power standards.
Source: Commission services.

GRAPH 2: Industrial and gross domestic product (s.a.) — EUR total

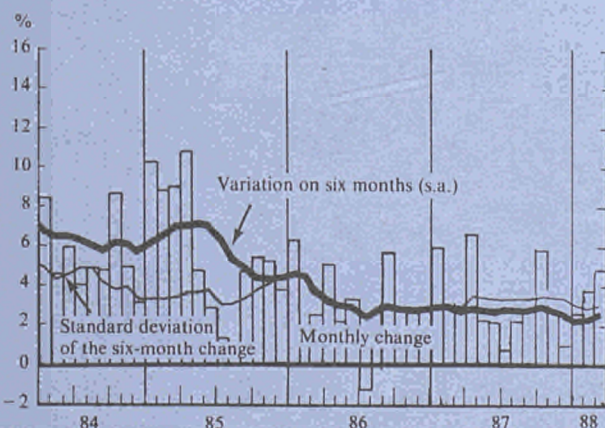


¹ France, Germany, Italy and UK: quarterly figures.

GRAPH 3: Unemployment (s.a.) EUR 12
Number unemployed as % of civilian labour force



GRAPH 4: Consumer prices EUR 12
Change expressed as annual rate



RECENT ECONOMIC TRENDS

Slower growth in industrial production. — Industrial production in the Community, seasonally adjusted, was 2,0 % higher in February 1988 than in the same month a year ago, indicating a somewhat smaller year-on-year increase than in recent months. This is confirmed by the trend statistics, measured by the seasonally adjusted three-month moving average which indicated a slight downturn in February (0,2 % in comparison with January). The position of the Member States differs somewhat with the trend in output still rising in Ireland, Italy and Greece but falling in the Netherlands, the United Kingdom and Spain.

No change in unemployment. — The seasonally adjusted rate of unemployment in the Community remained at 11,4 % in March indicating a slight improvement (–0,4 of a percentage point) on the rate a year earlier. In the United Kingdom, on the other hand, where the rate fell by more than two percentage points over the year, it is now estimated that the underlying monthly decline in the number of unemployed is 50 000. Portugal, Belgium and France have seen smaller reductions in their rates, but the fall in unemployment over the year in the other Community countries has been insignificant. In Italy there was a one percentage point increase. The statistics for March indicate small increases in Denmark, Italy and Germany, being offset by decreases in Spain, France and the United Kingdom.

Slight increase in inflation trend. — The trend in consumer prices, measured by the change in the seasonally adjusted figure over six months, suggests an increase in the annual Community inflation rate from 2,2 % in February to 2,5 % in March. This increase was mainly due to Greece, where the rate increased by 2,1 percentage points to 11,6 % and to Germany where the increase was from 0,3 % to 1,1 %. Smaller increases were also recorded in Belgium, France and Luxembourg. In Portugal, the trend figure indicated a fall of almost one percentage point in annual inflation in March, with smaller reductions in Spain and the United Kingdom. Compared with March 1987 consumer prices were 2,6 % higher in the Community as a whole, with Greece (13,2 %), Portugal (8,2 %) and Italy (5,2 %) showing the highest increases.

Balance of trade. — Statistics for February are only available for France, Ireland, Italy and the United Kingdom. In the case of France the seasonally adjusted deficit was 959 million ECU compared with the unusually low figure of 188 million ECU recorded in January. The deterioration in the United Kingdom deficit continued with the monthly figure approaching 3 000 million ECU. Ireland on the other hand continues to experience a significant surplus (252 million ECU) whereas Spain's deficit in February was 684 million ECU.

Decline in money supply growth. — The average growth in the Community's money supply in the year to February was 9,5 %, in comparison with an increase of 10,0 % in the year to January. The greatest expansion occurred in Greece (M3: 24,7 %), the United Kingdom (LM3: 20,4 % to March), Portugal (L⁻: 16,6 %) and Spain (ALP: 13,8 %), compared with increases in the EMS countries of between 5 % and 10 %. The money supply in the Community was 0,2 % higher in February than in January, ranging from a fall of 1,3 % in France (M2) to an increase of 2,3 % in Greece (M3). Figures for the United Kingdom in March indicate a significant expansion in LM3 (3,2 %) and a further tightening in Germany in comparison with recent months.

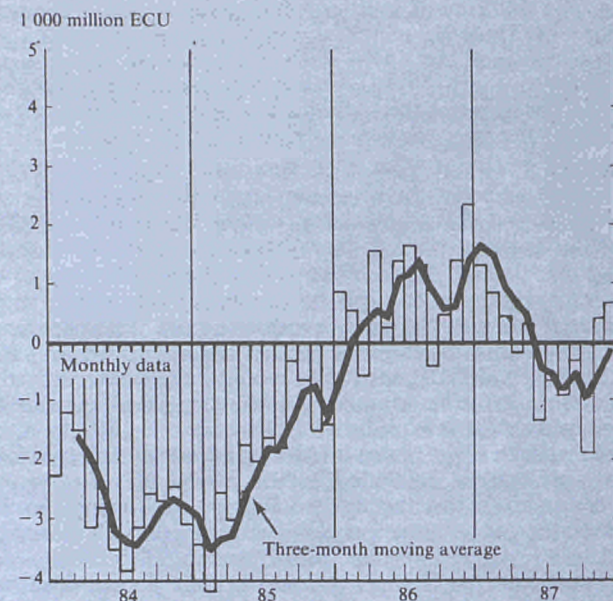
Interest rates stabilize. — The average long-term interest rate in the Community has remained stable over the three months to April at 9,3 % and the downward trend in evidence since September now appears to be flattening out. The decline, however, is continuing in Spain and Ireland where there were reductions of 0,5 and 0,4 points, respectively, during the month. In Denmark the long-term rate increased by a similar amount. Short-term rates remained stable in most Member States in April. In Italy, however, there was a reduction of 0,6 percentage points whereas in Spain short-term rates increased by 0,7 percentage points.

Stabilization of the dollar in May. — The dollar continued to depreciate against the ECU during April due to the announcement of a higher than expected February trade deficit. However, it recovered somewhat in May when the more favourable March trade statistics were published. The pound sterling was kept under upward pressure throughout April, increasing in value by 2 % against the ECU. The yen also continued its upward movement in evidence since November 1987 where the increase in value since then against the ECU has been 7 %. Within the EMS there was some downward pressure on the French franc and Danish krone in the latter half of the month resulting in higher interest rates in both these countries. Other EMS currencies remained relatively stable.

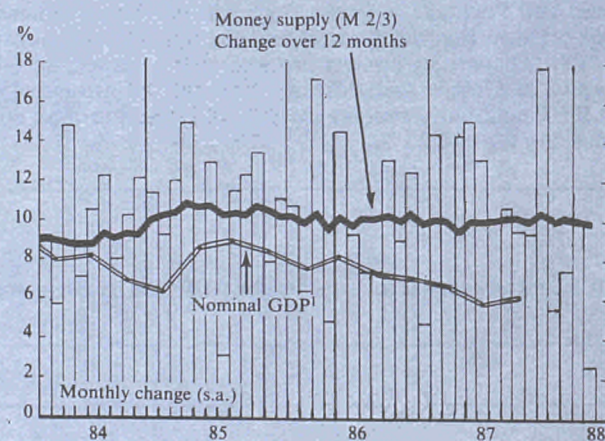
REAL CONVERGENCE IN THE COMMUNITY

After experiencing some years of sluggish economic activity, Spain (since 1986) and Portugal (since 1985) succeeded in growing more rapidly than the Community on average. In 1988 and 1989 also, economic growth in both countries is expected to be substantially higher than in the other Member States, giving rise to some further progress towards convergence of GDP per capita in the Community, as is depicted in graph 1. These favourable developments in two of the less-favoured Member States of the Community raise the issue of how much progress has recently been made in the process towards convergence of GDP per capita in the Community and what are the prerequisites for achieving it. The agreement at the Brussels European Council of 11th–12th February 1988 to double the budget commitments to structural Funds between 1987 and 1993, with its aim of accelerating the catching-up process of less-advanced regions, constitutes another timely reason for dealing with the problem of real convergence. Although the convergence of GDP per capita has been a major aim of Community policies since the very inception of the European Economic Community, the accessions in the 1980s of relatively less prosperous countries have enhanced the importance and the necessity of greater real convergence. Therefore, one of the main objectives of the Single European Act, as set out in Article 130 A, is the reduction of regional disparities in the Communities. Article 130 B stipulates that Member States should conduct and coordinate their economic policies in such a way as to attain this objective.

GRAPH 5: Trade balance (s.a.) EUR 12

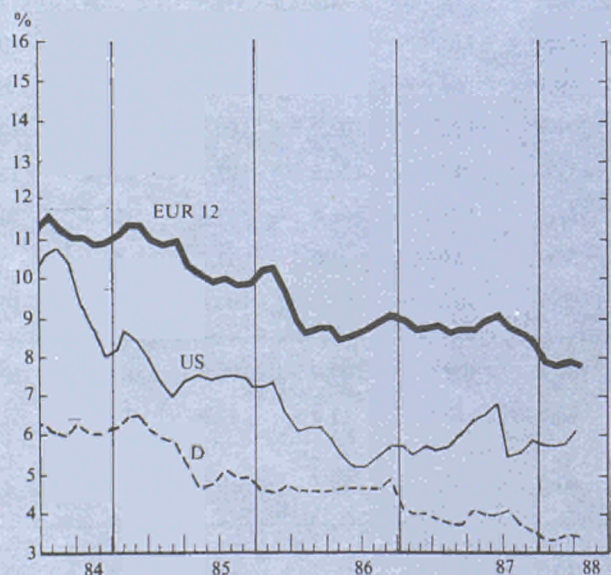


GRAPH 6: Money supply (EUR 12) and nominal GDP (EUR 4)

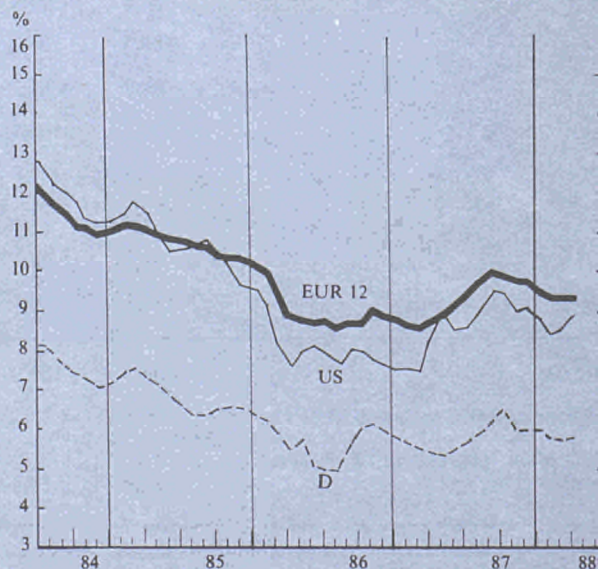


¹ Change over the same quarter of previous year.

GRAPH 7: Short-term interest rates



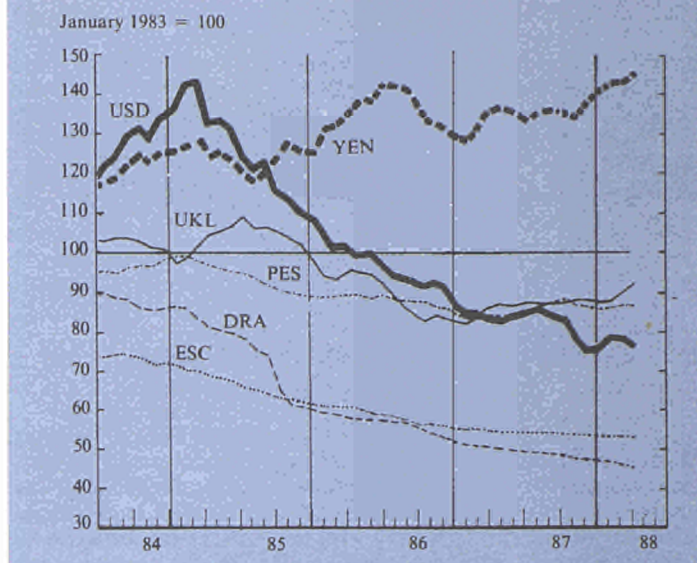
GRAPH 8: Long-term interest rates



GDP per head of total population, expressed in purchasing power standards, is the most universally accepted base for the calculation of an indicator for the relative position of GDP per capita. The standard of comparison is generally the Community average. In Table 1, which shows the development of real convergence since 1960, two statistical measures of the degree of convergence are likewise presented; namely the weighted standard deviation of the individual country performances and the ratio of the four poorest to the four richest Member States.

From Table 1 and Graph 1 it emerges that the period 1960–1989 may be broken down into three sub-periods. *Between 1960 and the middle of the 1970s* disparities of GDP per capita between the Member States narrowed significantly. During that period, the four relatively poorest countries of the Community managed to close the gap separating them from the four richest Member States by about one third. This experience shows that if this convergence process lasted another 15 years, disparities in real GDP per capita would largely be removed in the Community. The Member States' dispersion around the European average was reduced from 26 % in 1960 to about 15,5 % in 1975. This phase of rapid and steady improvement in real convergence coincided with a period of very dynamic real economic growth throughout Europe. Following the first oil shock the convergence process seems not only to have been halted but has even gone into reverse. Over the *period 1975–1985*, the GDP gap between the four poorest and four richest countries widened by about 5,5 points. The revealed divergence of GDP per capita in the Community was the combined effect of a deterioration in the relative position of Spain, in particular, and to a somewhat lesser extent of Greece, while growth in GDP per capita was relatively strong in Denmark, Germany and Luxembourg. The relatively strong performance of Spain and Portugal in recent years has narrowed somewhat the gap between the four poorest and the four richest countries *since 1986*. Disparities remain pronounced, however, as GDP per capita in Greece and Portugal will still be around 45 % below the Community average in 1988, in Ireland around 36 % and in Spain around 25 %.

GRAPH 9: Exchange rates
Values of USD, YEN and some EC currencies in ECU



Developments in the catching-up process over the period 1960–1989 suggest that there are at least three necessary conditions for achieving an improvement in real convergence in the Community. *Firstly*, it is important to have a favourable economic climate, characterized by sufficiently dynamic growth of the European economy as a whole. Against a background of high economic growth in the Community, these countries are able to outperform the other Member States without running

TABLE 1: Real convergence — per capita GDP¹ and its divergence in the Community

	1960	1970	1975	1980	1985	1986	1987 ²	1988 ²	1989 ²
B	95,6	98,9	102,5	104,3	101,8	101,8	101,2	100,8	100,3
DK	119,6	116,4	111,1	109,4	116,5	117,5	113,0	110,0	108,8
D	117,9	113,2	109,4	114,0	114,9	115,0	114,2	113,7	113,3
GR	38,7	51,6	57,1	58,4	57,0	56,2	54,4	53,7	53,1
E	59,6	73,9	80,7	73,6	72,3	72,7	74,4	75,4	76,4
F	101,5	106,2	110,7	112,0	110,9	110,3	109,2	108,8	108,6
IRL	61,9	61,2	62,9	64,7	64,1	62,5	64,0	63,7	63,7
I	91,2	100,3	97,5	101,9	102,7	102,9	103,5	104,2	104,7
L	136,9	123,0	120,0	117,2	126,5	126,5	125,7	124,6	124,3
NL	118,5	115,7	114,9	111,2	107,1	106,6	105,6	103,8	102,8
P	38,4	48,1	51,1	54,9	52,4	53,0	53,8	54,3	54,7
UK	128,3	108,1	105,8	100,9	103,5	103,8	104,8	105,3	105,3
EUR 12	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Weighted standard deviation EUR 12	26,0	17,5	15,4	16,7	17,4	17,4	17,0	16,7	16,6
Ratio of 4 poorest to 4 richest countries	41,8	57,5	64,0	60,0	58,5	58,7	60,1	61,0	61,7

¹ GDP per capita at current prices and purchasing power standards as a percentage of the Community average.

² Economic Forecasts, May-June 1988.

Source: Commission services.

into external disequilibrium. Experiences in for example Ireland and Portugal in the late seventies and early eighties demonstrate that a process of catching-up is not sustainable when it occurs at the price of serious external deficits. After some years of considerable current account deficits, those countries were forced into restrictive policies which restrained growth and stopped the catching-up process. *Secondly*, the creation in the poorer countries of better conditions for durable and stable economic expansion is equally necessary. This implies that through appropriate adjustment policies the profitability and efficiency of investment should be brought to a sufficiently high level in order to attract new investment needed to develop the structure of the economy in the direction of activities with higher value added per unit of input. The capital needed may partially be generated internally through increased domestic savings, but should be supplemented by spontaneous capital inflows from the richer countries. *Thirdly*, the process should be backed up by the Community through its structural Funds and financial instruments. The volume of Community resources available for regional and structural policy purposes appears relatively small when related to the Community as a whole. However, concentrated on the less-advanced regions and countries the macro-economic significance of these Funds is very substantial. For instance, it is estimated that for countries like Greece, Ireland and Portugal the resources available through structural Funds and financial instruments of the Community represented about 2–3 % of their GDP thus amounting to between 11 % and 15 % of gross fixed capital formation in 1986. From a macro-economic viewpoint, a doubling of these Community resources is, therefore, very important and can induce substantial modifi-

cations in the growth conditions of the disadvantaged regions and countries, if the two other conditions are likewise met.

However, the above-mentioned conditions are not fully met. Economic growth in the Community is not yet sufficiently dynamic and economic forecasts for 1988 and 1989 do not suggest a pick-up of growth rates in the years ahead. A sound and stimulative business environment is not currently present in all the less-favoured regions and countries. In those where the catching-up process is already resuming (Spain and Portugal), there is a persistent risk of growth being constrained by external factors unless economic growth in the Community as a whole increases in a sustained and durable way. The availability of Community resources has been guaranteed by the doubling of the budgetary resources of the structural Funds.

A perceptible and enduring resumption of the catching-up process is feasible in the years ahead, provided that the Community resources available are allocated in an efficient manner and that the other conditions are also met. In particular, the investment ratio in the disadvantaged regions and countries needs to increase in order to provide the basis for sustainable growth. While reinforcing the recent improvement in the relative position in Spain and, to a lesser extent, Portugal, this should extend the catching-up process to the other disadvantaged regions and countries. The achievement of greater real convergence between the regions and Member States will strengthen economic and social cohesion in the Community and facilitate the completion of the internal market, which in turn will contribute to more dynamic growth in the Community as a whole.

27 May 1988

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

	1986					1987					1987					1988		Change over 12 months % (b)
	1983	1984	1985	1986	1987	IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B	2.0	2.5	2.5	0.8	0.6	-2.2	0.3	2.6	-1.5	0.1	-3.3	1.5	3.2	-4.0	-0.6	:	:	0.0
DK	3.2	9.7	4.2	4.2	-3.5	0.9	-3.0	-1.6	0.9	-1.0	-2.5	2.0	-4.4	2.2	4.3	:	:	-0.8
D	0.7	3.2	5.3	1.9	0.2	-1.3	-0.5	1.3	0.3	0.7	2.5	-0.9	0.6	0.2	-0.3	-0.3	0.5	2.9
GR	-0.1	1.6	3.4	-0.2	-1.9	-0.9	-1.6	-1.0	-0.2	1.8	-2.0	3.6	-3.0	4.1	1.5	2.4	:	9.6
E	2.7	0.8	2.0	3.1	5.0	2.2	-0.6	2.6	2.3	0.6	-9.8	6.6	-1.2	3.1	-2.8	-4.5	5.3	4.0
F	0.0	2.0	1.0	1.0	1.0	-1.3	-0.3	2.3	0.6	1.0	0.0	1.0	0.0	0.0	1.0	0.0	-0.9	5.8
IRL	6.6	12.4	2.3	2.7	8.9	3.7	-0.6	8.2	0.7	2.8	6.8	-2.5	2.8	2.2	-5.6	9.4	:	23.9
I	-3.2	3.4	1.2	2.8	3.9	1.5	-0.4	1.8	-0.8	2.2	-1.6	1.2	2.5	-0.7	-0.5	5.0	-2.6	8.7
L	5.4	13.3	6.9	2.8	0.8	-0.6	-1.3	3.8	-2.1	5.7	-3.3	2.6	6.8	-6.0	7.4	:	:	16.1
NL	3.2	4.1	4.0	1.0	0.9	-0.9	3.5	-3.4	-0.6	2.5	0.0	-2.8	3.9	3.7	-5.4	0.0	0.0	-3.4
P	1.6	-0.1	10.9	5.7	2.4	0.1	-3.6	4.2	0.6	-1.3	-8.5	5.5	-3.8	2.0	1.9	:	:	0.1
UK	3.6	1.4	4.6	1.5	3.2	0.2	0.7	0.9	1.5	1.0	1.5	-1.1	0.9	0.3	0.4	-0.3	-2.6	-0.4
EUR 12	0.9	2.2	3.4	1.9	2.0	0.5	-0.6	1.4	0.3	(1.3)	-1.7	1.4	1.0	-0.1	0.0	(0.3)	(-0.9)	(2.0)
USA	7.8	12.3	2.1	2.1	4.3	0.9	0.9	1.2	1.9	1.7	0.2	-0.2	1.2	0.4	0.7	(0.2)	(0.1)	(5.7)
JAP	3.0	9.4	3.7	-0.2	3.0	-0.1	0.6	-0.2	3.6	3.8	-1.2	3.0	1.7	-0.5	2.0	(0.6)	(2.2)	(11.0)

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

TABLE A.2: Unemployment rate																			
						1987				1988				1988				Change	
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	over 12 months %(b)	
1983	1984	1985	1986	1987															
B (g)	14.3	14.4	13.6	12.5	12.2	12.4	12.4	12.2	11.9	11.6	12.0	12.0	11.9	11.8	11.7	11.6	11.5		-7.4
DK	10.1	9.9	8.7	7.4	7.5	7.5	7.5	7.5	7.5	(7.6)	7.6	7.3	7.5	7.6	(7.4)	(7.7)	(7.9)		(3.9)
D	8.4	8.4	8.4	8.1	8.1	8.0	8.0	8.1	8.1	8.1	8.1	8.1	8.1	8.2	8.0	8.0	8.2		1.1
GR	1.6	1.8	2.2	2.8	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.8	2.7	2.8	2.9		-0.1
E	16.5	18.4	19.5	20.0	20.9	20.7	20.8	20.9	21.1	20.9	20.9	21.0	21.0	21.1	21.1	20.9	20.7		0.6
F	8.9	10.0	10.5	10.7	11.2	11.3	11.3	11.3	11.1	11.0	11.2	11.1	11.0	11.1	11.1	11.1	10.9		-4.9
IRL	14.9	16.6	17.9	18.3	19.2	19.0	19.4	19.4	19.1	19.0	19.3	19.2	19.1	19.1	19.0	19.0	19.0		-0.9
I	11.0	12.0	12.9	13.7	14.0	13.9	13.6	14.2	14.2	14.7	14.3	14.1	14.1	14.4	14.5	14.7	14.9		8.6
L	1.6	1.8	1.7	1.5	1.7	1.6	1.7	1.7	1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.7		-5.4
NL (g)	(14.2)	14.5	13.3	12.4	11.9	12.0	11.9	11.9	11.9	11.9	11.9	12.0	11.9	12.0	11.9	11.9	12.0		-0.8
P	5.6	6.7	7.7	8.3	7.1	8.2	7.2	6.5	6.6	6.8	6.5	6.5	6.6	6.7	6.8	6.8	6.8		-10.6
UK	(11.6)	11.8	12.0	12.0	10.7	11.5	11.1	10.5	9.9	9.4	10.2	10.1	9.8	9.8	9.5	9.4	9.3		-17.5
EUR 12	(10.6)	11.2	11.6	11.7	11.6	11.8	11.6	11.6	11.5	(11.4)	11.6	11.5	11.4	11.5	(11.4)	(11.4)	(11.4)		(-2.5)
USA	9.6	7.5	7.2	7.0	6.2	6.6	6.2	6.0	5.9	5.7	5.9	6.0	5.9	5.8	5.8	5.7	5.6		-12.7
JAP (h)	2.7	2.7	2.6	2.8	2.8	2.9	3.0	2.8	2.7	:	2.8	2.7	2.7	2.6	2.7	2.7	:		-6.2

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

	Percentage change on preceding period																			Change over 12 months % (b)
						1987				1988	1987				1988					
	1983	1984	1985	1986	1987	I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March			
B	7.7	6.3	4.9	1.3	1.6	0.6	0.7	0.6	-0.3	0.0	-0.2	-0.1	-0.3	0.0	-0.1	0.3	0.0	1.0		
DK	6.9	6.3	4.7	3.6	4.0	0.5	1.6	0.7	1.2	1.2	0.6	0.4	0.3	0.1	0.4	0.8	(0.4)	(4.7)		
D	3.3	2.4	2.2	-0.2	0.2	0.6	0.4	0.0	0.0	0.5	-0.2	0.2	0.0	0.2	0.2	0.2	0.1	1.0		
GR	20.2	18.4	19.3	23.0	16.4	3.2	5.6	0.4	5.4	1.6	2.2	3.1	0.7	1.2	-0.2	-0.5	3.0	13.2		
E	12.2	11.2	7.8	8.8	5.3	1.4	0.7	1.3	1.2	1.2	0.9	0.6	-0.2	0.4	0.6	0.3	0.7	4.5		
F	9.6	7.3	5.9	2.7	3.1	1.2	0.9	0.6	0.5	0.5	0.1	0.2	0.1	0.1	0.2	0.2	0.3	2.5		
IRL (i)	10.4	8.6	5.4	3.8	3.1	1.8	0.6	0.6	0.1	0.7	0.0	0.0	0.0	0.2	0.2	0.2	:	2.0		
I	14.7	10.8	9.2	5.8	4.8	1.4	1.2	1.0	1.7	1.2	0.6	0.8	0.3	0.2	0.5	0.5	(0.4)	(5.2)		
L	8.7	6.5	4.1	0.3	-0.1	0.2	-0.3	0.1	0.4	0.4	0.1	0.0	0.2	0.2	0.1	0.1	0.2	0.8		
NL	2.7	3.2	2.3	0.3	-0.2	-1.3	0.6	0.2	0.8	-0.8	0.5	0.5	-0.1	-0.2	-0.9	0.2	(0.4)	(0.7)		
P	25.1	28.9	19.6	11.8	9.3	3.8	1.7	1.0	2.5	3.1	0.3	1.2	0.4	1.4	0.8	1.4	0.7	8.2		
UK	4.6	5.0	6.1	3.4	4.1	1.2	1.5	0.2	1.1	0.5	0.3	0.5	0.5	-0.1	0.0	0.4	0.4	3.5		
EUR 12	8.6	7.4	6.1	3.6	2.9	0.9	0.8	0.3	0.7	0.6	0.2	0.4	0.1	0.1	0.2	0.3	(0.4)	(2.6)		
USA	3.2	4.3	3.6	1.9	3.7	1.1	1.3	1.1	0.9	0.6	0.5	0.3	0.1	0.0	0.3	0.3	0.4	3.9		
JAP	1.8	2.4	2.0	0.7	0.0	-0.6	1.3	-0.2	0.2	-0.6	0.9	0.0	-0.5	-0.1	-0.3	-0.2	0.3	0.6		

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

	1983	1984	1985	1986	1987	1986	1987				1987					1988		Change over 12 months (c)
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B/L	-2435	-4897	-3514	146	-580	930	-108	414	-150	-510	-199	-124	-272	-89	-149	:	:	-232
DK	-740	-1108	-1538	-1714	96	-226	72	61	65	5	-85	80	58	-50	-3	:	:	46
D	18501	24136	32986	53044	56960	14502	14373	13818	14132	14738	4098	5189	4175	4979	5584	4951	:	472
GR	-5800	-6048	-7266	-5809	:	-1126	-1661	-1339	-1169	:	-311	-470	-584	:	:	:	:	91
E	:	-4711	-5582	-6306	-8749	-2014	-2013	-2139	-2324	-2431	-728	-762	-1198	-700	-533	-738	-684	122
F	-15628	-13130	-13428	-9699	-12473	-1819	-2588	-3567	-3095	-3232	-756	-1299	-1321	-911	-999	-188	-959	-268
IRL	-621	81	430	983	2047	262	338	511	517	670	203	168	232	246	192	282	252	141
I	-8516	-13849	-16130	-2459	-7427	473	-1117	-2360	-1643	-1830	-52	-889	-930	-225	-675	:	:	-1080
NL	4499	4740	3874	4161	1088	206	-470	140	289	664	173	147	430	163	71	:	:	157
P	:	-3467	-2735	-1297	-2955	-271	-716	-827	-781	-740	-302	-260	-297	-249	-194	:	:	-34
UK	-9681	-14005	-11540	-19868	-20890	-6180	-3705	-4911	-5714	-6618	-2366	-1613	-1976	-2303	-2340	-2661	-2907	-1799
EUR 12 ^(j)	:	-32258	-24444	11161	(-87)	4314	2832	-619	-1204	(-1096)	-765	-82	-1994	(212)	(686)	:	:	(-1635)
USA ^(k)	-77911	-154992	-194856	-169039	-148746	-41331	-34862	-37149	-41003	-35732	-14048	-12296	-15307	-10769	-9656	-9949	-11364	1349
JAP	23072	42599	60497	84010	69636	21839	21512	16544	16184	15396	5296	5393	5766	4287	5343	6228	5325	-1958

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

	1983	1984	1985	1986	1987	1987				1988				1987				1988				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
B	10.5	11.5	9.5	8.0	7.0	7.4	6.8	6.7	6.8	6.1	7.2	6.9	6.8	6.4	6.2	6.1	6.1	-1.2				
DK	12.0	11.5	10.0	9.1	9.9	10.7	9.6	9.4	9.3	8.7	9.5	9.3	9.3	8.9	8.6	8.7	8.9	-1.1				
D	5.8	6.0	5.4	4.6	4.0	4.0	3.8	4.0	3.5	3.4	4.1	3.7	3.5	3.3	3.3	3.4	3.4	-0.5				
GR	16.6	15.7	17.0	19.8	15.8	23.3	13.9	19.5	14.1	18.5	17.1	15.0	14.1	16.7	11.5	18.5	:	-4.8				
E	20.0	14.9	12.2	11.7	15.8	16.2	17.8	17.0	13.1	10.7	14.5	14.6	13.1	12.4	11.8	10.7	11.4	-9.3				
F	12.5	11.7	9.9	7.7	8.2	7.9	8.2	8.0	8.6	8.3	8.3	8.7	8.6	8.1	7.5	8.3	8.1	0.0				
IRL	14.0	13.2	12.0	12.4	11.0	13.3	10.4	9.2	8.8	8.3	9.2	9.2	8.8	8.6	8.9	8.3	8.1	-2.6				
I	18.3	17.3	15.0	12.8	11.4	10.6	11.3	12.8	11.5	11.1	12.0	11.6	11.5	10.8	11.1	11.1	10.5	0.2				
NL	5.7	6.1	6.3	5.7	5.4	5.5	5.2	5.6	4.6	4.0	5.2	4.7	4.6	4.1	4.0	4.0	4.1	-1.1				
P	20.9	22.5	21.0	15.6	13.9	13.2	15.0	14.8	14.0	13.0	13.8	13.9	14.0	13.9	13.1	13.0	:	-0.2				
UK	10.1	10.0	12.2	10.9	9.7	9.9	9.2	10.3	8.9	8.6	9.4	8.9	8.9	8.7	9.4	8.6	8.5	-0.7				
EUR 12 (o)	12.0	11.2	10.4	9.0	8.8	8.8	8.8	9.2	8.3	7.9	8.8	8.5	8.3	7.9	7.8	7.9	(7.8)	(-1.1)				
USA	8.7	9.4	7.5	6.0	5.9	5.8	6.0	6.8	5.9	5.9	5.4	5.5	5.9	5.8	5.8	5.9	6.1	0.4				
JAP	6.5	6.3	6.5	5.0	3.9	4.0	3.7	3.9	3.9	3.9	4.0	3.9	3.9	3.9	3.8	3.9	3.9	-0.1				

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

	1983	1984	1985	1986	1987	1987				1988				1987				1988				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
B	11.8	12.0	10.6	7.9	7.8	7.6	7.8	8.3	8.0	7.7	8.3	8.0	8.0	7.6	7.4	7.7	7.6	0.0				
DK	14.4	14.0	11.6	10.5	11.9	12.1	11.6	12.3	11.7	11.1	12.7	11.9	11.7	11.0	10.8	11.1	11.5	-0.4				
D	7.9	7.8	6.9	5.9	5.8	5.6	5.6	6.2	6.0	5.7	6.5	6.0	6.0	6.0	5.8	5.7	5.8	0.3				
GR	18.2	18.5	15.8	15.8	17.3	17.5	16.2	17.1	19.1	19.1	17.4	0.0	19.1	20.5	21.7	19.1	:	1.6				
E	16.9	16.5	13.4	11.4	12.8	11.0	13.2	14.3	13.1	11.8	14.2	13.4	13.1	12.5	11.9	11.8	11.3	-0.7				
F	13.6	12.5	10.9	8.4	9.4	8.5	9.4	10.5	10.0	9.4	10.0	9.9	10.0	9.5	9.1	9.4	9.3	0.6				
IRL	13.9	14.6	12.7	11.1	11.3	11.2	10.9	11.3	10.5	10.1	11.1	10.2	10.5	10.6	10.4	10.1	9.7	-0.7				
I	18.0	15.0	14.3	11.7	11.3	10.2	11.1	12.3	12.5	12.1	12.4	12.7	12.5	12.0	12.1	12.1	12.1	1.7				
L	9.8	10.3	9.5	8.7	8.0	8.2	8.2	8.1	7.0	7.7	8.0	7.5	7.0	7.5	7.8	7.7	:	-0.5				
NL	8.8	8.6	7.3	6.4	6.4	6.2	6.3	6.8	6.3	6.0	7.0	6.4	6.3	6.3	6.1	6.0	6.0	-0.1				
P	30.4	32.5	25.4	17.9	15.4	15.4	15.4	15.9	15.2	14.2	15.8	15.7	15.2	15.0	14.4	14.2	:	-1.2				
UK	10.8	10.7	10.6	9.8	9.5	9.1	9.1	10.0	9.5	9.0	9.3	9.3	9.5	9.3	9.2	9.0	9.2	0.3				
EUR 12 (o)	12.7	11.8	10.9	9.2	9.4	8.7	9.2	10.1	9.8	9.3	10.0	9.8	9.8	9.5	9.3	9.3	(9.3)	(0.5)				
USA	10.8	12.0	10.8	8.1	8.7	7.6	8.6	9.6	9.1	8.6	9.5	9.0	9.1	8.8	8.4	8.6	8.9	0.4				
JAP	7.8	7.3	6.5	5.2	5.0	4.4	4.6	7.0	5.1	4.4	5.4	5.2	5.1	4.2	4.3	4.4	:	0.0				

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

	1983	1984	1985	1986	1987	1987				1988				1987				1988				Change over 12 months % (b)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
BFR/LFR	45.43	45.44	44.91	43.80	43.04	42.86	43.04	43.07	43.19	43.23	43.21	43.17	43.18	43.18	43.20	43.32	43.44	0.9				
DKR	8.13	8.15	8.02	7.94	7.88	7.81	7.82	7.94	7.96	7.92	7.97	7.96	7.96	7.93	7.90	7.93	7.97	1.8				
DM	2.27	2.24	2.23	2.13	2.07	2.07	2.08	2.08	2.07	2.07	2.08	2.06	2.06	2.07	2.07	2.07	2.08	-0.1				
DR	78.1	88.4	104.8	137.4	156.1	151.1	154.4	157.4	161.9	165.2	159.8	162.3	163.5	164.6	165.0	165.8	166.3	8.7				
PTA	127.4	126.5	129.0	137.5	142.2	145.0	145.0	140.5	138.4	139.4	136.6	138.8	139.8	140.2	139.3	138.8	137.5	-5.6				
FF	6.77	6.87	6.80	6.80	6.93	6.89	6.93	6.92	6.98	6.92	6.93	7.01	7.00	6.97	6.98	7.03	7.05	1.8				
IRL	0.715	0.726	0.715	0.733	0.775	0.775	0.776	0.775	0.776	0.776	0.775	0.776	0.776	0.777	0.776	0.775	0.777	0.0				
LIT	1349	1381	1447	1462	1495	1469	1494	1502	1514	1524	1500	1520	1521	1519	1521	1532	1542	4.0				
HFL	2.54	2.52	2.51	2.40	2.33	2.33	2.34	2.34	2.33	2.32	2.34	2.32	2.32	2.32	2.32	2.33	2.33	-0.6				
ESC	98.2	115.6	130.0	146.9	162.5	159.4	161.4	162.8	166.6	169.1	164.4	166.9	168.5	168.8	168.8	169.5	169.7	5.6				
UKL	0.587	0.591	0.589	0.670	0.705	0.730	0.700	0.698	0.692	0.687	0.693	0.691	0.691	0.694	0.693	0.674	0.661	-6.0				
USD	0.890	0.788	0.759	0.983	1.154	1.124	1.150	1.128	1.213	1.234	1.152	1.227	1.264	1.250	1.217	1.234	1.241	8.2				
YEN	211.3	187.0	180.4	165.0	166.5	172.2	164.0	165.8	164.3	157.9	165.0	166.0	162.0	159.4	157.2	156.9	155.1	-5.3				
DTS	0.833	0.767	0.749	0.838	0.892	0.842	0.859	0.895	0.889	0.902	0.879	0.887	0.889	0.909	0.914	0.900	0.898	1.2				

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

	1987					1988				1987			1988				Change over 12 months % (b)	
	1983	1984	1985	1986	1987	Percentage change on preceding period				Oct.	Nov.	Dec.	Jan.	Feb.	March	April		
						I	II	III	IV									I
B/L	-2.8	-2.2	0.9	5.5	4.1	2.4	-0.6	-0.3	0.6	-0.2	-0.2	1.1	0.2	-0.3	-0.5	-0.1	-0.3	-0.4
DK	-0.6	-3.7	1.2	6.3	4.2	2.5	-0.6	-1.9	1.1	0.3	0.4	1.6	0.5	-0.1	-0.3	-0.4	-0.8	-1.4
D	4.0	-1.6	0.3	10.7	6.9	3.0	-0.7	-0.3	1.8	-0.1	0.1	2.2	0.3	-0.5	-0.7	0.0	-0.4	1.0
GR	-18.1	-14.4	-15.9	-21.3	-9.9	-3.5	-2.2	-2.2	-1.8	-2.1	-0.7	-0.4	-0.5	-1.0	-0.8	-0.3	-0.3	-7.4
E	-17.2	-2.4	-2.3	-1.5	0.2	-1.7	-0.1	2.9	3.0	-0.8	1.8	-0.2	-0.4	-0.7	0.1	0.6	0.9	7.1
F	-7.1	-4.8	1.1	4.5	1.1	0.9	-0.8	-0.2	0.3	-0.3	0.0	0.2	0.5	0.0	-0.7	-0.6	-0.4	-1.4
IRL	-4.1	-4.2	1.2	3.7	-2.1	0.4	-0.9	-0.3	1.0	-0.2	0.2	1.0	0.3	-0.4	-0.4	-0.1	-0.6	-0.3
I	-3.8	-5.9	-5.2	3.7	1.1	0.1	-2.0	-0.9	0.5	-0.8	0.1	0.1	0.3	-0.3	-0.8	-0.5	-0.8	-3.3
NL	2.0	-1.6	0.3	7.7	5.1	2.1	-0.4	0.0	1.3	0.1	0.1	1.5	0.2	-0.2	-0.4	-0.2	-0.2	1.1
P	-21.1	-17.4	-11.5	-7.8	-7.1	-1.9	-1.5	-1.3	-1.4	-1.5	-0.5	-0.4	-0.6	-0.5	-0.5	-0.4	-0.3	-5.2
UK	-7.0	-4.7	-0.2	-7.3	-1.0	2.1	4.4	-0.1	2.8	0.7	0.6	2.3	0.5	-0.9	-0.7	3.2	2.0	8.1
EUR 12	-8.5	-9.3	-1.9	9.6	7.0	4.2	-0.5	-0.6	3.3	-0.5	0.6	3.2	0.6	-1.1	-1.7	0.7	-0.1	2.1
USA	5.7	7.8	4.1	-19.1	-12.1	-5.8	-3.4	1.6	-5.8	-2.9	-0.4	-4.4	-3.0	0.1	1.5	-1.6	-0.1	-8.7
JAP	10.9	5.8	3.0	27.2	8.2	1.0	5.9	-2.2	5.1	4.8	-0.3	3.2	4.0	0.9	-0.2	0.8	1.2	9.6

Principal economic policy measures — April 1988

Community (EUR 12)

Italy (I)

None.

None.

Belgium (B)

Luxembourg (L)

30.4 The central bank decides to reduce by BFR 20 000 million the line for the indirect advances which it can grant the Treasury through the Securities Stabilization Fund (Fonds des Rentes). The upper limit for such assistance is lowered from BFR 180 000 million to BFR 160 000 million. Taking into account the BFR 37 000 million in direct advances, the margin of indebtedness which central government can have with the central bank now totals BFR 197 000 million.

None.

Netherlands (NL)

None.

Denmark (DK)

Portugal (P)

None.

Federal Republic of Germany (D)

12.4 The Government revises the rules governing unemployment benefits. The minimum contribution period in order to qualify for benefit is reduced and age will in future be taken into account in determining the period for which it is granted. At the same time, the qualifying age for an old-age pension is cut from 62 to 60 years.

None.

Greece (GR)

28.4 The Government adopts an important legislative reform of the financial markets and in particular of the stock markets. The conditions for admitting firms to the stock market are revised, as is the legislation on unit trusts and real property funds. Stockbroking and asset management companies are authorized and made subject to specific rules.

None.

Spain (E)

United Kingdom (UK)

None.

France (F)

8.4. The authorities prompt a 1/2 point cut in bank base rates, bringing them to 8 %, the lowest level since 1978.

None.

Ireland (IRL)

21.4 The Government decides to pay in full a range of wage increases for those categories of public service workers whose pay is subject to review by an official body. Most of these increases are at levels which can be met within existing expenditure plans for 1988/89. However, wage increases for nurses will cost an estimated UKL 3/4 billion over and above the provision for health service pay already made in the Government's expenditure plans for 1988/89 and will be met from the contingency reserve.

None.

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