

# EUROPEAN ECONOMY

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

Supplement A — No 8/9 — August/September 1986

Recent economic trends

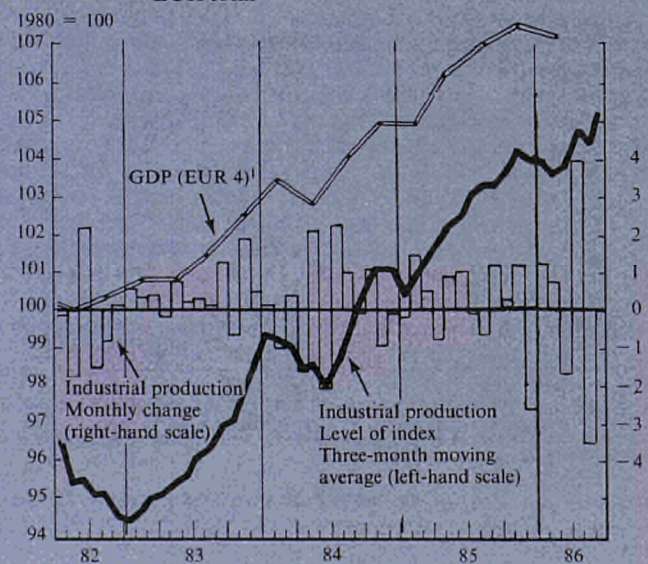
*In this number:  
The EMS realignment  
in August 1986*

**Some pick up in industrial activity after a weak first quarter.**— Industrial production in the Community rose by 2,6% s.a. in June after some weakness in May. Advance in output were recorded in all countries for which data are available in June, except for the United Kingdom where North Sea oil output continued to fall. The second quarter as a whole was 1,5% higher than a virtually unchanged first three months of the year. The most buoyant performance was registered in output of investment goods (up 2,4%), admittedly after considerable sluggishness in the earlier part of the year. Production of consumer goods industries accelerated (up 2,0% on the preceding quarter) from the slow progress made earlier in the year while the intermediate goods sector has been broadly level now for several quarters. The trend rate of growth of industrial production in the Community, indicated by a three-month moving average, continued to increase sharply (see Graph 1). In June the level of industrial output in the Community was 2,2% higher than a year earlier with the strongest increase in most recent data being recorded in Denmark and Germany (4,9%), Italy (4,1%) and Belgium (3,9%). Year to year falls were recorded in six Member States, the sharpest decline occurring in Ireland (down 5,5%).

Available data on quarterly GDP developments in the early part of the year confirm the pattern of a sluggish start to 1986 shown in the industrial output data, with a sharp recovery later in the year. Thus the dip in activity in the first quarter was steeper than initially thought. In Germany, GNP fell at a seasonally adjusted annual rate (s.a.a.r.) of 4,2% in the first quarter on the preceding period but picked up in the period April-June to grow by 14,3% (s.a.a.r.). In France, GDP was practically flat in the first quarter (+0,3% s.a.a.r.) but accelerated to 4,5% in the second quarter as domestic demand grew briskly (11,7%).

These partial indicators suggest that, after falling by 0,9% (s.a.a.r.) in the first quarter, Community GDP experienced a sharp recovery to 6% (s.a.a.r.) in the second quarter, with the level of output up some 2,5% over the second quarter of 1985.

GRAPH 1: Industrial production and gross domestic product (s.a.)  
— EUR total



(<sup>1</sup>) France, Germany, Italy and UK: quarterly figures.

TABLE 1: Major supply and demand components at constant prices  
(Percentage change on preceding, annual rates: seasonally adjusted)

	GIP (a)	Imports (b)	Exports (b)	Foreign balance (a)(b)	Domestic demand	Change in stock (c)	Final domestic demand	Gross fixed in- vestment	Government consumption	Private consumption
<b>EUR 4</b>										
1982 Q3	-2,7	-8,3	-8,4	0,0	-2,7	-2,9	0,2	-0,1	-0,7	0,6
Q4	2,2	-9,6	1,9	3,2	-0,9	-3,5	2,6	2,6	1,9	2,8
1983 Q1	2,6	12,3	4,3	-1,9	4,6	4,5	0,1	-4,1	2,8	0,7
Q2	1,5	2,6	6,6	1,0	0,5	-0,9	1,3	1,1	1,0	1,5
Q3	1,4	2,5	-2,4	-1,3	2,7	1,4	1,3	1,1	0,4	1,6
Q4	3,7	11,0	18,1	1,7	2,0	-1,9	3,9	9,1	3,1	2,6
1984 Q1	4,7	8,9	10,3	0,4	4,3	3,5	0,8	-0,4	-0,2	1,5
Q2	-2,7	-0,7	-7,7	-2,0	-0,7	-1,6	1,0	-0,9	3,7	0,7
Q3	4,8	9,3	19,1	2,4	2,4	0,6	1,8	6,5	3,0	-0,1
Q4	2,4	15,3	13,3	-0,4	2,8	0,3	2,5	6,3	2,1	1,5
1985 Q1	-0,2	4,0	2,1	-0,5	0,4	0,1	0,2	-3,4	-1,4	1,9
Q2	5,1	-1,4	6,6	2,3	2,7	0,2	2,5	-0,7	1,1	4,1
Q3	3,1	2,8	1,4	-0,4	3,6	-0,9	4,5	5,3	4,6	4,3
Q4	1,7	8,7	1,8	-1,8	3,6	1,5	2,1	2,3	2,1	2,0
1986 Q1	-0,9	-1,9	-6,9	-1,5	0,6	-0,6	1,2	-3,2	0,3	2,9
<b>Federal Republic of Germany</b>										
1983 Q3	-1,7	-4,8	-10,1	-1,9	0,2	0,9	-0,7	1,0	0,5	-1,7
Q4	5,5	20,4	21,3	0,8	4,8	0,6	4,1	10,0	3,2	2,3
1984 Q1	7,1	1,8	14,3	3,9	3,2	4,1	-1,0	-7,7	0,0	1,3
Q2	-5,1	2,6	-2,5	-1,6	-3,7	-2,5	-1,2	-13,9	6,5	1,1
Q3	7,3	-2,1	9,7	3,7	3,5	-0,5	4,1	19,2	1,6	0,0
Q4	3,5	8,9	21,4	4,1	-0,6	-2,5	2,0	8,3	4,7	-1,3
1985 Q1	-2,3	11,4	3,0	-2,1	-0,2	7,9	-8,0	-28,5	-6,0	0,0
Q2	7,3	-1,4	9,9	3,8	3,6	-4,0	8,1	21,4	5,8	4,6
Q3	6,9	3,5	3,5	0,2	7,0	-1,7	9,0	11,8	8,4	8,2
Q4	-2,7	4,2	-7,6	-3,8	1,3	1,2	-0,0	3,5	1,0	-1,6
1986 Q1	-4,2	-12,6	-10,7	0,1	-4,4	1,4	-5,9	-24,1	-6,8	2,0
Q2	14,3	45,0	26,9	-3,0	18,6	2,3	16,1	41,8	7,8	11,0
<b>France</b>										
1983 Q3	-1,4	-5,2	2,1	1,8	-3,2	-3,2	0,0	-1,0	0,2	0,3
Q4	2,8	15,2	11,1	-0,8	3,7	0,1	3,6	4,7	1,3	3,8
1984 Q1	3,9	3,9	13,0	2,1	1,7	1,8	0,0	-5,4	3,3	1,0
Q2	-1,5	4,0	-4,3	-2,1	0,6	1,2	-0,6	1,0	-1,3	-0,9
Q3	3,2	1,2	11,4	2,5	0,7	0,2	0,5	-4,0	2,7	1,5
Q4	-0,2	9,1	2,6	-1,5	1,4	0,3	1,1	5,0	-0,1	0,2
1985 Q1	-0,5	2,6	0,5	-0,5	0,1	-3,7	3,9	-1,5	1,9	6,0
Q2	3,2	2,3	5,8	0,9	2,2	0,6	1,7	7,3	0,6	0,2
Q3	3,8	19,7	-4,4	-5,7	10,0	4,2	5,6	13,2	3,4	3,8
Q4	2,1	-5,0	2,5	2,0	0,1	-3,5	3,7	1,0	2,9	4,7
1986 Q1	0,3	-0,6	-4,1	-0,9	1,2	-1,7	2,9	3,9	0,7	3,1
<b>Italy</b>										
1983 Q3	2,6	18,0	-4,0	-4,4	7,6	6,6	0,6	-2,2	0,6	1,3
Q4	3,8	-10,4	29,8	9,3	-5,3	-7,9	3,1	5,6	3,6	2,4
1984 Q1	3,8	42,7	3,8	-6,5	11,5	7,4	3,4	4,3	-0,7	4,2
Q2	-0,2	-26,3	-26,7	-1,2	1,1	-1,7	2,9	11,0	5,0	0,5
Q3	6,5	45,7	60,6	4,0	2,5	0,3	2,2	11,7	2,4	-0,2
Q4	0,9	22,6	6,1	-3,0	4,2	0,6	3,5	9,5	3,7	1,9
1985 Q1	0,1	9,2	0,4	-2,0	2,3	-0,8	3,2	6,0	1,2	2,9
Q2	5,8	-1,8	-1,7	0,0	6,0	2,7	3,2	7,9	1,1	2,5
Q3	1,0	-8,1	20,3	7,2	-6,0	-4,2	-1,8	-18,2	3,5	1,9
Q4	2,3	29,6	13,8	-2,5	5,1	3,0	1,9	-1,6	4,2	2,3
1986 Q1	-0,4	12,5	-3,3	-3,8	3,7	2,1	1,5	2,3	2,2	1,1
<b>United Kingdom (d)</b>										
1983 Q3	6,7	8,9	6,3	-0,6	7,3	2,7	4,5	7,5	-1,5	5,9
Q4	2,5	14,4	12,1	-0,5	3,0	-1,6	4,8	20,8	4,5	0,6
1984 Q1	4,3	-3,5	5,9	2,6	1,7	0,5	1,2	8,1	-3,0	0,7
Q2	-3,3	20,8	-0,9	-5,3	2,1	3,2	5,5	12,8	3,0	4,1
Q3	2,7	6,1	10,7	1,2	1,5	1,3	0,2	5,8	1,6	-2,0
Q4	6,0	22,0	21,0	-0,2	6,3	3,2	3,0	-2,0	0,5	5,4
1985 Q1	8,7	-8,8	2,6	3,5	5,1	-1,7	6,9	27,6	-1,2	3,8
Q2	1,3	-5,2	8,7	4,0	-2,6	2,1	-4,6	-30,5	2,4	2,7
Q3	0,6	-0,9	11,5	-3,2	4,0	-2,1	6,3	15,5	-1,6	6,5
Q4	0,6	13,8	10,5	-0,8	1,4	0,2	1,1	-6,1	0,3	3,7
1986 Q1	6,2	-3,5	-9,4	-1,8	8,2	2,7	5,4	19,3	1,9	2,7
Q2	-0,1	4,1	10,2	1,7	-1,7	-3,6	1,9	-12,7	-0,5	7,6

(a) F.R. of Germany: GNP.

(b) Goods and services including intra-Community Trade. F.R. of Germany: including factor incomes.

(c) Change on previous period as a percentage of previous period's GDP.

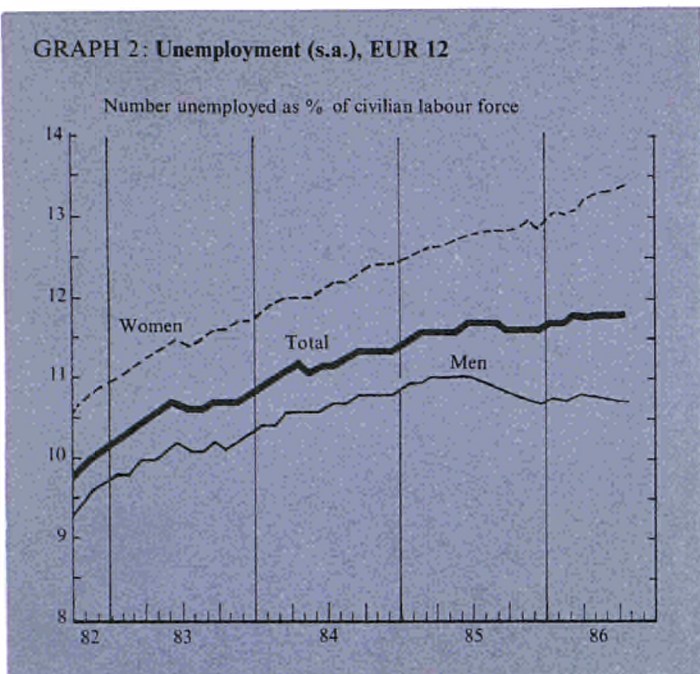
(d) The GDP series for the United Kingdom present the estimates from the expenditure side at market prices. The estimates from the expenditure, output and income sides at factor cost give, for the period considered, substantially different results:

GDP change estimated from the side of	1984				1985				1986	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
expenditure	3,5	-1,5	5,4	3,4	6,1	4,8	-0,4	0,7	4,4	0,7
Output	4,3	-4,5	3,5	5,4	9,3	2,2	-0,4	0,0	7,1	-0,7
Income	4,2	-0,4	8,9	1,1	1,8	9,1	-1,8	0,0	4,0	0,7
Average	2,7	0,0	4,2	3,8	6,1	4,1	0,7	2,9	2,2	2,2

Sources: Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISTAT), and United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.

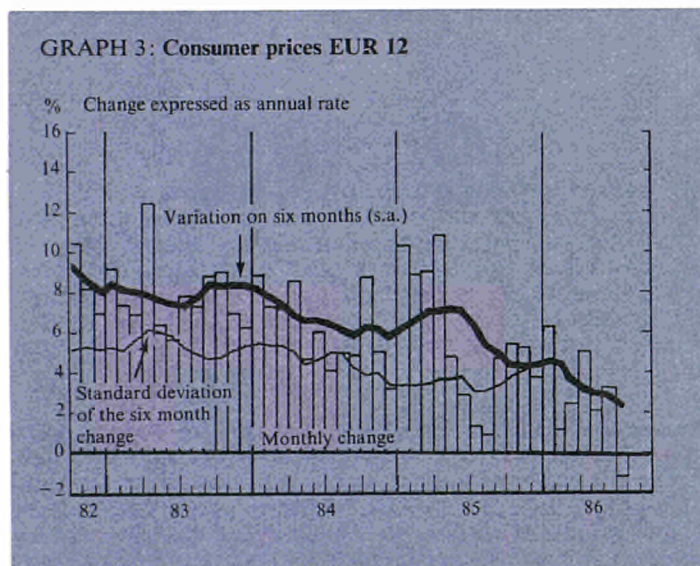


**GRAPH 2: Unemployment (s.a.), EUR 12**



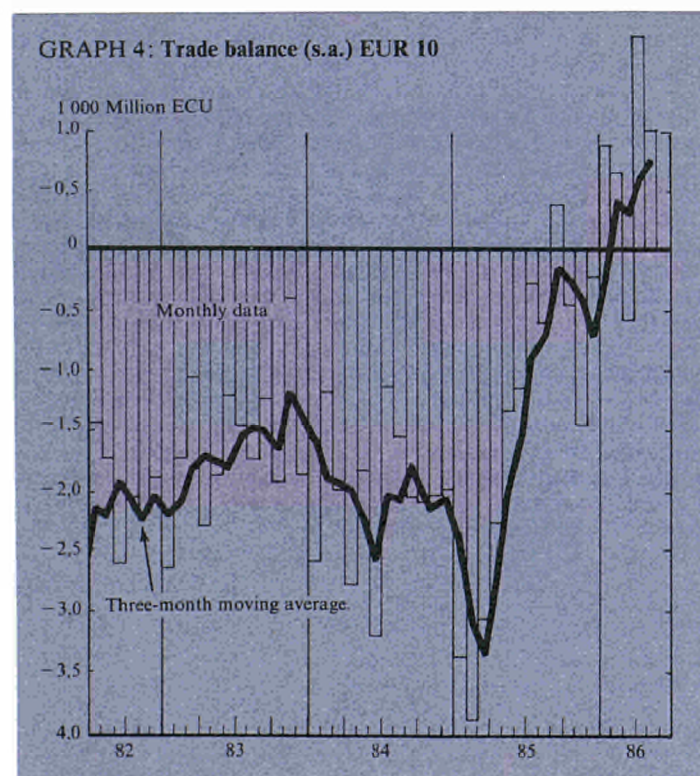
**Unemployment trends differ as between countries.** — In July the numbers out of work, seasonally adjusted, in the Community (EUR12) rose by 37 000 to 16,1 million (11,8% of the civilian labour force), slightly down on the increases recorded in the previous two months. Numbers unemployed fell in July in Belgium, Germany, Denmark, Luxembourg, Portugal and the United Kingdom while they rose in the remaining six Member States. On a quarterly basis clear downward trends are evident in Germany, Denmark, the Netherlands and Luxembourg with rates either rising or moving erratically elsewhere. Although year to year comparisons are subject to some distortion due to specific labour market measures and changes in definitions, unemployment rates were up to 15,5% lower than in July last year in the group comprising of the Benelux countries, Denmark and Germany while increases on a year earlier were most pronounced in Greece (38,5%), Italy (9,8%) and Portugal (6,2%). In the remaining Member States rises on the preceding year ranged up to 3%.

**GRAPH 3: Consumer prices EUR 12**



**Consumer prices fall in July.** — Consumer prices for the Community (EUR12) actually fell in July on a month to month basis for the first time since Community monthly aggregates have been available. The decrease in prices was generalised in the Community except in Spain where a rise of 1% was recorded due to an increase in food prices of 2,2%. In the Netherlands the fall of 1% in prices on the previous month was influenced by the six monthly reduction in natural gas prices on 1 July, which resulted in a fall of nearly 10% in the heating and lighting, category of the index. The general decrease in prices elsewhere was brought about by sharp falls in petrol prices and seasonal foods. Seasonally adjusted, the index in July did, however, increase marginally (0,1%), after a rise of 0,3% in June. The trend rate of inflation (seasonally adjusted annual rate over six months) continued to fall to 2,2%, trend rates being negative in Germany and the Benelux countries. The degree of divergence in price increases in the Community (measured as the weighted standard deviation of inflation trends in each country) narrowed again in July as inflationary pressures eased in Greece and Portugal. The index of consumer prices in the Community in May was 3,2% higher than a year earlier, ranging from a rise of 24,6% in Greece to falls of 0,6% in Luxembourg and the Netherlands and 0,5% in Germany. All annual rates in other Member States, except Portugal (11,2%) and Spain (9,3%), were 4,4% or below.

**GRAPH 4: Trade balance (s.a.) EUR 10**

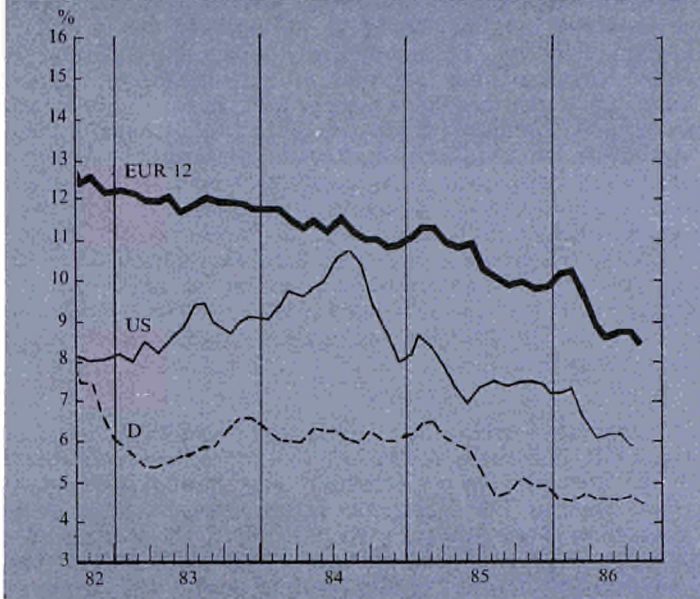


**Trade surpluses in April and May.** — After the small deficit recorded in March, the Community trade account (EUR10) moved back into the surplus position, which it had enjoyed since the beginning of the year, in April and May. A similar outturn is likely to be registered in June on the basis of figures already available. It should be noted, however, that a figure for the Community as a whole, which can not at present be calculated on a seasonally adjusted basis, would result in a lower surplus in April and May. For the second quarter as a whole preliminary figures suggest that a trade surplus of something over 5 000 million ECU is likely for EUR10 (or approximately 3 500 million when Spain and Portugal are included) in comparison with the surplus of 1 000 million in the first quarter and deficits previously. However, the Community trade surplus is heavily influenced by the terms of trade gain brought about by the oil price fall and the appreciation of the ECU against the dollar. The terms of trade gain for EUR4 (including intra-Community trade) already amounted to 8,7% (s.a.a.r.) in the first quarter of 1986. The most marked improvements in trade accounts have occurred in Italy, where a deficit of 4 000 million ECU in the first quarter of 1985 has been more or less wiped out by the second quarter of 1986, and in Germany, where the average monthly surplus of 8 240 million ECU in 1985 widened to 13 292 million in the second quarter of 1986. These movements are principally due to lower energy prices, a factor which has led to some widening in the deficit in the United Kingdom which was 488 million ECU higher than a year earlier.

**Monetary growth slower.** — In June, the pace of the increase in the volume of money in the Community slowed down marginally to 0,8% from 0,9% in May resulting in a somewhat lower growth in the second quarter (2,4%) than at the beginning of the year. Monetary growth continued to grow modestly in Denmark in July, but in Germany broadly defined money, after

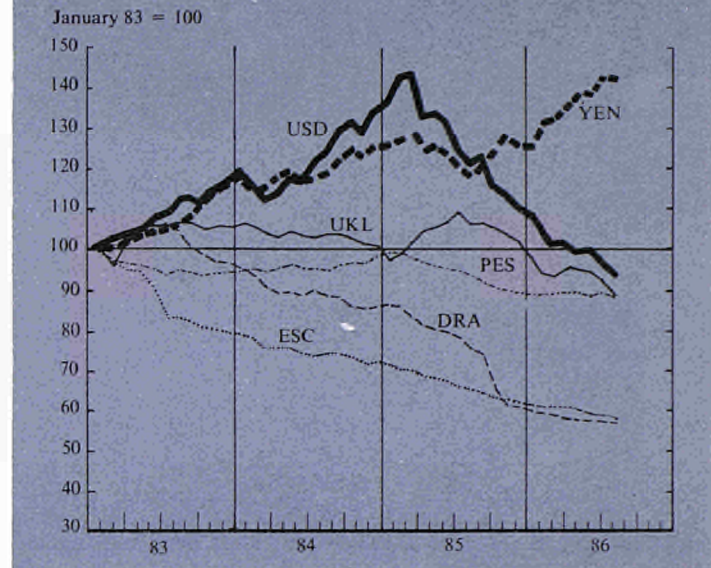


GRAPH 5: Short-term interest rates



GRAPH 6: Exchange rates

Value of USD, Yen and some EC currencies in ECU



accelerating in June (1.0%), continued to grow strongly in July (0.5%) with the expansion coming both from lending and from non-bank residents' external, and public sector cash, transactions. On the basis of preliminary figures, German central bank money registered a further sharp increase in August and was 7% above its average level in the fourth quarter of 1985, well above the year's target range of 3.5 to 5.5%. In Spain, liquid assets in the hands of the public (ALP) fell in July by 0.3% and a further fall is shown by first estimates for August, implying a yearly average growth rate of under 11%. The increase in  $M_3$  in France in July was 0.2%, bringing the annualised rate of increase down to 3.8%, well within the target range of 3 to 5% fixed for 1986. Some acceleration in  $M_3$  was witnessed in Ireland, reflecting a reversal of the downward trend in Irish-pound deposits, but the year on year growth was still only 0.4%. In the United Kingdom, sterling  $M_3$  rose marginally in July (0.1%) but its year on year increase (19.2%) nevertheless remained well above the target range of 11–15%.

**Short term interest rates continue to ease.** — Short term interest rates continued their downward movement in August after some hesitancy in July, the Community average falling to 8.4% from 8.7% in June and July. This decline brought the fall in the Community average for short term rates to 1.7 percentage points since the beginning of the year. Money market rates at the short end of the market were lower in August in all countries except Belgium where they were unchanged for the third consecutive month after the significant fall recorded earlier in the year. On a year to year basis the average yield on long term public securities was 1.3 percentage points lower in July than a year earlier. Since the realignment of April 1986, long term interest rates fell in particular in France and Italy, strongly supported by cuts in official short term rates, while an increase in long term interest rates was registered in Germany, the Netherlands and in particular in the United Kingdom, Denmark, Ireland and Greece. Despite the progress made in reducing inflation, real interest rates are still felt to be relatively high at present. This is partly attributable to high inflation expectations because of either judgements on the compatibility

of wage settlements and monetary policy (Spain, United Kingdom) or fears that the level of fiscal deficits are inconsistent with a low inflation environment (Belgium, Ireland, Italy). In other countries e.g. Germany, the Netherlands, the present inflation rate is below the underlying inflation rate because of the transitory effect of lower import prices. Therefore, adjusting nominal interest rates by current inflation gives a somewhat biased picture of the expected real interest rate level.

**Movements within the EMS before and after the August realignment.** The downward movement of the pound sterling, which depreciated against the Irish pound between April and the end of July by 9%, led to increased pressure on the Irish currency in the second half of July. On 2 August an adjustment of central rates within the EMS was decided upon (see next page for details of the realignment). Following the adjustment in parities, the Irish pound replaced the French franc at the top of the system, resulting in a market depreciation of approximately 6.5% vis-à-vis the DM. Some relatively minor intervention at the margin was required early in August, with the Central Bank of Ireland buying Danish kroner and then Belgian francs. The Irish currency remained at the head of the system, close to its upper limit, with the Italian lira in the upper part of its band. Towards the end of the month, the Irish pound was replaced by the mark with the guilder also firming. The Danish krone lost ground in the middle of the month and replaced the Belgian franc as the weakest currency in the system. Outside the exchange rate mechanism, the drachma and the peseta depreciated against the ECU by an average of 0.4% and 0.6% for the month, respectively. The escudo fell by 1.5% and the pound sterling weakened, to end 4.7% down on July, before strengthening in the first days of September on a more buoyant assessment of the OPEC agreement. On average for the month, the ECU continued to gain ground on the dollar, in particular early in August, and, although weakening somewhat against the yen on a month-to-month basis, the trend in the latter part of the month was towards an appreciation.

18 September 1986

## The realignment of 2 August within the European Monetary System

On 2 August 1986, the Ministers of Finance and Central Bank Governors of the EEC Member Countries, by mutual agreement, in a common procedure involving the Commission and on the basis of a proposal from the Monetary Committee, decided on an adjustment of central rates within the European Monetary System.

The agreed modification resulted in the actual percentage changes shown in Table 2.

	B LFR	DM	HFL	DKR	FF	LIT	IRL	UKL	DRA
B LFR	0,0	0,0	0,0	0,0	0,0	0,0	8,7	9,2	2,3
DM	0,0	0,0	0,0	0,0	0,0	0,0	8,7	9,2	2,3
HFL	0,0	0,0	0,0	0,0	0,0	0,0	8,7	9,2	2,3
DKR	0,0	0,0	0,0	0,0	0,0	0,0	8,7	9,2	2,3
FF	0,0	0,0	0,0	0,0	0,0	0,0	8,7	9,2	2,3
LIT	0,0	0,0	0,0	0,0	0,0	0,0	8,7	9,2	2,3
IRL	-8,0	-8,0	-8,0	-8,0	8,0	8,0	0,0	0,4	-5,8
UKL <sup>(a)</sup>	-8,4	-8,4	-8,4	-8,4	-8,4	-8,4	-0,4	0,0	-6,3
DRA <sup>(a)</sup>	-2,3	-2,3	-2,3	-2,3	-2,3	-2,3	6,2	6,7	0,0

(a) In accordance with the rules governing the European Monetary System the notional rates of sterling and the drachma, which do not participate in the exchange rate mechanism, were adjusted in addition to the Irish pound, aligning them on their market rates.

Each of the currencies may fluctuate by  $\pm 2,25\%$  around its bilateral central (to the intervention rate), except the Italian lira which may fluctuate by  $\pm 6\%$ . Table 3 below shows the new bilateral central rates and intervention rates.

		Amsterdam in HFL	Brussels Bruxelles in BFR LFR	Frankfurt in DM	Kobenhavn in DKR	Dublin in IRL	Paris in FF	Roma in LIT
100 HFL	+ 2,25 %		1854,05	90,770	336,16	32,8940	295,57	65941,0
	central rate	100	1812,78	88,7526	328,676	32,1644	288,991	62100,2
	- 2,25 %		1772,45	86,780	321,36	31,4465	282,56	58480,0
100 BFR LFR	+ 2,25 %	5,6420		5,007	18,543	1,81470	16,3045	3637,4
	central rate	5,51640	100	4,8959	18,1312	1,77431	15,9419	3425,7
	- 2,25 %	5,3935		4,787	17,727	1,73480	15,5870	3226,3
100 DM	+ 2,25 %	115,235	2089,00		378,76	37,0644	333,03	74295,0
	central rate	112,673	2042,52	100	370,332	36,2405	325,617	69970,6
	- 2,25 %	110,1675	1997,20		362,09	35,4358	318,37	65898,0
100 DKR	+ 2,25 %	31,1175	564,10	27,615		10,0087	89,925	20062,0
	central rate	30,4251	551,536	27,0028	100	9,78604	87,9257	18894,0
	- 2,25 %	29,7475	539,30	26,400		9,56830	85,97	17794,0
1 IRL	+ 2,25 %	3,180	57,6420	2,8220	10,4511		9,1890	2050,03
	central rate	3,10903	56,3598	2,75934	10,2186	1	8,9848	1930,71
	- 2,25 %	3,040	55,1060	2,6980	9,9913		8,785	1818,34
100 FF	+ 2,25 %	35,39	641,55	31,410	116,32	11,3830		22817,0
	central rate	34,6032	627,278	30,7109	113,732	11,1299	100	21488,6
	- 2,25 %	33,8325	613,35	30,030	111,20	10,8825		20238,0
1000 LIT	+ 6,00 %	1,710	31,0	1,5175	5,620	0,54995	4,9410	
	central rate	1,61030	29,1912	1,42917	5,29268	0,51794	4,65362	1000
	- 6,00 %	1,5165	27,490	1,3460	4,985	0,487799	4,3830	
1 ECU	central rate	2,37833	43,1139	2,11083	7,81701	0,764976	6,87316	1476,95

(a) The UKL and the DRA do not participate in the exchange rate mechanism. Their notional central rates in ECU are UKL 0,679256 and DRA 137,049 respectively.

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

	1981	1982	1983	1984	1985	1985			1986		1986						Change over 12 months % (b)	
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May		June
B	-2.7	0	2.0	2.5	2.3	0.9	0.7	1.9	1.0	:	-6.0	1.2	1.2	4.3	-3.3	0.5	:	3.9
DK	0	2.7	3.2	9.7	4.2	2.8	5.0	1.8	-1.9	:	-3.0	3.1	-2.5	-5.8	16.6	-6.9	:	4.9
D	-1.9	-2.9	0.6	3.0	5.7	1.0	1.9	0.7	-0.7	0.8	-5.2	3.2	0.1	-1.0	3.4	-3.7	2.6	4.9
GR	-0.6	-4.2	-0.7	3.5	2.6	1.3	5.7	-1.1	-2.9	:	0.4	-1.1	0.6	-5.5	10.3	-4.9	:	-1.2
E	-1.0	-1.1	2.7	0.8	2.2	-1.1	1.9	2.9	-3.1	:	-1.7	1.8	-0.7	-5.3	:	:	:	-2.4
F	-2.3	-1.5	0.8	2.3	0.8	0.5	1.8	0	-1.2	1.3	-3.6	0	0.8	0	3.8	-5.1	2.3	1.5
IRL	2.2	0.3	6.5	12.9	2.2	-1.4	-3.4	2.9	1.1	:	-3.4	-0.4	2.1	3.2	-0.9	-6.4	:	-5.5
I	-1.6	-3.0	-3.2	3.4	1.2	0.1	-0.6	-0.4	3.1	1.0	-3.7	1.5	2.8	3.1	1.5	-6.6	3.2	4.1
L	-5.7	0.9	5.4	13.3	6.9	2.5	-2.2	4.3	1.3	:	-0.4	1.3	-0.1	-1.5	:	:	:	1.7
NL	-2.0	-4.1	2.1	5.2	3.0	-2.8	-2.2	2.6	1.9	-3.1	-9.9	5.0	2.9	-1.9	0.9	-7.5	4.0	-2.0
P	0.5	4.6	1.6	-0.1	6.8	4.4	0.4	1.5	1.8	:	0.6	0.6	3.5	0.3	:	:	:	-1.2
UK	-3.4	1.9	3.6	1.3	4.7	2.1	-0.5	0	0.8	-0.7	-1.9	1.0	1.4	-0.4	0.7	-1.8	-1.2	-2.0
EUR 12	-2.1	-1.4	1.1	2.7	3.2	0.8	0.6	0.8	-0.3	(1.5)	-2.4	1.1	0.8	-1.7	(4.0)	(-3.6)	(2.6)	(2.2)
USA	2.1	-7.4	7.8	12.4	2.6	0.4	0.8	0.5	(0.5)	(-0.3)	0.5	0.6	-0.8	(-0.6)	(0.7)	(-0.2)	(-0.6)	(0.9)
JAP	1.0	0.3	3.6	11.1	4.6	2.2	-0.2	-0.9	0.2	(0.3)	0.2	0.2	0.2	-0.2	0	0.3	(0.5)	(0.3)

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

	1981	1982	1983	1984	1985	1985			1986		1986						Change over 12 months % (b)	
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
B (f)	11.1	13.0	14.3	14.4	13.6	13.9	13.2	12.9	12.7	12.7	12.8	12.7	12.7	12.7	12.6	12.7	12.5	:
DK	8.7	9.3	10.1	9.9	8.6	8.8	8.5	7.9	7.7	(7.4)	7.6	7.7	7.8	(7.3)	(7.5)	(7.4)	(7.4)	(-14.1)
D	4.8	6.9	8.4	8.4	8.5	8.5	8.5	8.4	8.4	8.2	8.4	8.4	8.4	8.2	8.3	8.2	8.1	-4.0
GR	1.2	1.4	1.6	1.8	2.2	2.1	2.2	2.4	2.7	2.8	2.8	2.7	2.7	2.8	2.8	2.8	2.9	38.5
E	12.1	14.3	16.6	18.6	19.8	19.9	19.7	20.1	20.3	20.3	20.3	20.2	20.4	20.4	20.3	20.3	20.3	3.0
F	7.7	8.7	8.8	9.9	10.3	10.4	10.4	10.2	10.2	10.4	10.3	10.2	10.3	10.4	10.4	10.4	10.5	2.5
IRL	10.2	12.2	14.9	16.5	17.6	17.5	18.0	17.7	17.6	17.7	17.6	17.5	17.7	17.6	17.7	17.8	17.9	1.7
I	8.0	9.7	10.9	11.9	12.8	12.7	12.9	13.2	13.4	13.8	13.3	13.5	13.5	13.6	13.7	13.9	14.0	9.8
L	1.0	1.3	1.6	1.8	1.6	1.7	1.6	1.5	1.5	1.4	1.5	1.5	1.4	1.4	1.5	1.4	1.4	-15.5
NL (f)	8.8	11.8	14.3	14.5	13.4	13.4	13.3	13.0	12.9	12.6	13.0	12.9	12.8	12.7	12.7	12.5	12.6	-6.2
P	5.8	5.7	5.6	6.7	7.7	7.6	7.9	8.0	8.1	8.3	8.1	8.1	8.2	8.3	8.3	8.4	8.3	6.9
UK	(9.2)	(10.6)	(11.6)	11.8	12.1	12.2	12.1	12.0	12.1	12.2	12.2	12.0	12.1	12.2	12.1	12.2	12.2	1.4
EUR 12	(7.8)	(9.4)	(10.6)	11.2	11.6	11.6	11.6	11.6	11.7	(11.7)	11.7	11.7	11.7	(11.7)	(11.7)	(11.8)	(11.8)	(2.0)
USA	7.6	9.7	9.6	7.5	7.2	7.3	7.1	7.0	7.1	:	6.7	7.3	7.2	7.1	7.3	:	:	1.8
JAP (g)	2.2	2.4	2.7	2.7	2.6	2.6	2.6	2.8	2.6	2.8	2.7	2.6	2.7	2.9	2.7	2.7	:	5.8

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

	1981	1982	1983	1984	1985	1985			1986		1986						Change over 12 months % (b)	
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
B	7.6	8.7	7.7	6.4	4.9	1.3	0.7	0.3	0.2	0.1	0.1	0.1	-0.2	0.3	-0.2	0.1	0	0.7
DK	11.7	10.1	6.9	6.3	4.7	1.5	-0.1	0.8	-0.1	3.3	-0.3	-0.1	0.4	2.6	0.7	-0.1	(-0.7)	(3.6)
D	6.3	5.3	3.3	2.4	2.2	0.6	-0.2	0.3	0	0.3	0.2	-0.2	-0.2	-0.1	0	0.2	-0.5	-0.5
GR	24.5	21.0	20.5	18.3	19.4	4.5	2.6	9.7	6.0	4.3	2.3	-0.7	3.2	1.5	0.5	1.7	-0.5	24.6
E	14.6	14.4	12.2	11.2	8.8	1.9	1.0	1.9	3.9	1.1	2.8	0.5	0.4	0.2	0.2	0.9	1.0	9.3
F	13.4	11.8	9.6	7.3	5.9	1.8	0.9	0.6	0.1	0.7	0.1	-0.2	0.2	0.4	0.2	0.3	0.1	2.0
IRL (h)	20.4	17.2	10.4	8.6	5.4	1.3	1.5	0.2	1.6	1.2	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)	:	:	4.4
I	17.8	16.5	14.7	10.8	9.2	2.4	1.2	2.2	1.6	1.1	0.5	0.4	0.5	0.3	0.4	0.4	(0)	(5.8)
L	8.1	9.4	8.7	5.6	4.2	1.6	0.5	0.9	-0.4	-0.6	-0.2	-0.4	-0.5	-0.1	0	-0.1	-0.2	-0.6
NL	6.7	5.7	2.7	3.2	2.3	1.1	-0.1	0.6	-0.4	0.4	-0.4	0.2	0.1	0.4	0	-0.4	-1.0	-0.6
P	20.0	22.7	25.1	28.9	19.6	3.4	1.1	3.0	4.9	2.3	1.9	1.3	1.2	1.3	-0.5	0.3	0	11.2
UK	11.9	8.6	4.6	5.0	6.1	3.4	0.3	0.5	0.7	1.3	0.2	0.4	0.1	1.0	0.2	-0.1	-0.3	2.4
EUR 12	12.1	10.7	8.6	7.4	6.1	1.9	0.6	1.1	1.0	0.8	0.5	0.1	0.2	0.4	0.2	0.3	(-0.1)	(3.2)
USA	10.3	6.2	3.2	4.3	3.6	1.2	0.7	0.9	0.2	-0.2	0.3	-0.3	-0.5	-0.2	0.3	0.5	0	1.6
JAP	4.9	2.7	1.9	2.2	2.1	0.9	0	1.0	-0.5	0.3	0.2	-0.4	-0.3	0.3	0.7	-0.5	-0.3	0.2

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

	1981	1982	1983	1984	1985	1985			1986		1986						Change over 12 months % (b)	
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May		June
B/L	-5418	-3082	-2435	-4897	-3514	-581	-714	-811	-304	:	-174	-405	68	33	196	-25	:	88
DK	-1475	-1866	-740	-1108	-1538	-306	-279	-473	-450	-576	-194	-176	-229	-46	-309	-136	-131	-200
D	11239	21599	18501	24136	32963	8631	8742	9403	10809	13292	3179	4003	3290	3516	4813	3609	4870	2071
GR	-3951	-5826	-5800	-6048	-7266	-2341	-1621	-1590	-1931	:	-520	-555	-724	-659	-628	-504	:	-480
E (i)	:	:	:	-6773	-5582	-1884	-1054	-1004	-993	:	-535	-377	-253	-363	-310	-496	:	-138
F	-17283	-24457	-15628	-13130	-13428	-3028	-3535	-3040	-2259	-3563	-1095	-403	-797	-1059	-1576	-1090	-897	-386
IRL	-2467	-1574	-621	81	430	56	138	28	318	134	-21	72	54	192	-14	158	-10	-146
I	-13554	-12513	-8516	-13849	-16130	-5911	-1589	-4105	-2849	-149	-1333	-1424	-661	-764	95	-196	-48	2054
NL	1320	3500	4499	4740	3874	1234	944	1085	1185	:	713	342	809	33	464	535	:	353
P (i)	:	:	:	-3465	-2585	-723	-600	-548	-344	:	-117	-221	-70	-54	-91	-174	:	211
UK	-445	-3295	-9681	-14005	-11540	-2272	-2493	-2493	-3385	-3864	-700	-371	-1151	-1863	-1121	-1295	-1448	-488
EUR 10 (j)	-32033	-27515	-20422	-24080	-16127	-4681	-509	-2078	1012	:	-205	904	704	-596	1901	1024	:	2350
USA	-35538	-43435	-77911	-154992	-194856	-52180	-48864	-47815	-47146	-42163	-17352	-18465	-13466	-15215	-12695	-14731	-14736	-3798
JAP	7832	7034	23072	42599	60497	14548	15243	17299	16828	:	6130	6350	4605	5873	6785	8133	6263	238

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

	1981	1982	1983	1984	1985	1985			1986		1986						Change over 12 months % (b)	
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June		July
B (M2)	5.8	5.7	8.7	5.7	7.9	1.1	0.8	2.6	2.5	:	:	:	:	:	:	:	:	7.2
DK (M2)	9.6	11.5	25.5	17.8														



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

	1981	1982	1983	1984	1985	1985			1986		1986							Change over 12 months % (e)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B	15.6	14.1	10.5	11.5	9.6	8.9	9.4	9.8	9.3	7.3	9.7	9.3	8.0	7.6	7.3	7.3	7.3	-2.3
DK	14.9	16.4	12.1	11.5	10.0	10.3	9.4	9.5	9.1	9.1	8.7	9.1	9.2	9.0	9.1	9.3	9.1	-0.8
D	12.3	8.8	5.8	6.0	5.4	5.7	4.7	4.8	4.6	4.6	4.5	4.6	4.6	4.6	4.6	4.7	4.5	-0.2
GR	16.8	20.2	19.4	15.7	17.1	16.6	16.5	17.9	21.8	22.1	20.5	21.8	21.8	21.9	22.1	21.4	17.4	5.5
E	16.2	16.3	20.1	14.9	12.2	14.2	11.5	10.5	11.6	12.1	10.7	11.6	12.3	11.6	12.1	12.5	.	-1.1
F	15.6	14.6	12.5	11.7	9.9	10.2	9.5	9.1	8.3	7.2	8.7	8.3	7.4	7.3	7.2	7.3	7.1	-2.7
IRL	16.6	17.5	14.1	13.3	11.9	11.6	10.1	11.7	14.5	9.0	16.1	14.5	11.3	10.3	9.0	10.8	10.6	-2.4
I	20.0	20.1	18.1	17.2	15.1	15.1	14.1	14.9	14.8	12.1	16.6	14.8	12.7	11.9	12.1	11.6	11.3	-3.3
NL	11.8	8.3	5.7	6.1	6.4	6.7	5.8	5.8	5.4	6.1	5.8	5.4	5.5	5.7	6.1	5.5	5.2	-0.5
P	16.0	16.8	20.9	22.5	21.0	21.4	22.2	18.6	16.9	15.2	18.5	16.9	15.0	15.8	15.2	15.1	15.1	-4.3
UK	14.2	12.2	10.1	10.1	12.3	12.6	11.5	11.9	11.4	9.8	12.3	11.4	10.4	9.9	9.8	10.0	9.8	-1.8
EUR 12 (n)	15.2	13.8	12.0	11.2	10.5	10.8	9.8	9.9	9.7	8.7	10.1	9.7	8.9	8.6	8.7	8.7	(8.4)	(-1.0)
USA	14.0	10.6	8.7	9.5	7.5	6.8	7.3	7.2	6.6	6.2	7.0	6.6	6.1	6.2	6.2	5.8	.	-1.5
JAP	7.4	6.8	6.5	6.3	6.5	6.3	6.3	7.4	5.5	4.6	6.0	5.5	4.9	4.6	4.6	4.6	4.6	-1.7

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

	1981	1982	1983	1984	1985	1985			1986		1986							Change over 12 months % (e)
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	13.8	13.5	11.8	12.0	10.6	10.3	10.4	9.6	8.4	7.9	9.6	9.4	8.4	7.5	7.9	7.9	7.5	-3.0
DK	19.3	20.5	14.4	14.0	11.6	11.8	11.1	9.9	9.5	10.2	10.3	9.6	9.5	9.2	10.1	10.2	11.0	-0.4
D	10.4	9.0	7.9	7.8	6.9	6.9	6.3	6.5	5.9	5.9	6.3	6.2	5.9	5.5	5.8	5.9	5.9	-0.8
GR	17.7	15.4	18.2	18.5	15.8	15.8	14.2	15.1	15.1	17.1	14.7	15.0	15.1	16.7	17.2	17.1	17.9	3.5
E	15.8	16.0	16.9	16.5	13.4	13.8	13.9	12.3	12.2	11.0	12.3	12.3	12.2	12.1	11.5	11.0	11.5	-2.8
F	16.3	16.0	14.4	13.4	11.9	12.1	12.0	11.3	9.3	8.7	10.8	10.1	9.3	8.6	8.6	8.7	8.5	-3.4
IRL	17.2	17.0	13.9	14.6	12.7	12.4	11.9	11.8	9.4	9.3	11.9	10.7	9.4	8.7	9.2	9.3	10.3	-0.9
I	20.6	20.9	18.0	14.9	13.0	13.3	13.0	13.1	12.4	9.7	12.9	12.9	12.4	11.9	10.3	9.7	9.8	-3.5
L	8.6	10.4	9.8	10.3	9.5	9.6	9.3	9.3	9.1	8.7	9.2	9.2	9.1	9.0	8.9	8.7	8.4	-1.0
NL	12.2	10.5	8.8	8.6	7.8	7.8	7.4	7.5	6.9	6.9	7.4	7.2	6.9	6.5	6.6	6.9	6.8	-0.9
P	22.6	25.3	30.4	32.5	25.4	32.5	25.1	22.1	20.3	19.4	20.9	20.9	20.3	19.3	19.8	19.4	16.4	-10.0
UK	14.8	12.7	10.8	10.7	10.6	10.7	10.3	10.5	8.9	9.3	10.8	10.0	8.9	8.8	9.2	9.3	9.5	-0.8
EUR 12 (n)	15.2	14.5	13.0	12.3	10.9	11.1	10.7	10.5	9.3	8.7	10.2	9.9	9.3	8.9	8.8	8.7	(8.8)	(-1.3)
USA	12.9	12.2	10.8	12.0	10.8	10.4	10.7	9.6	8.0	8.2	9.5	9.1	8.1	7.6	8.0	8.2	7.9	-2.7
JAP	8.4	8.3	7.8	7.3	6.5	6.6	5.8	5.8	4.7	5.1	5.6	5.3	4.7	4.8	5.6	5.1	5.0	-1.6

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

	1981	1982	1983	1984	1985	1985			1986		1986							Change over 12 months % (e)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
BFR/LFR	41.29	44.68	45.44	45.44	44.91	45.12	45.13	44.74	44.35	43.93	44.27	44.25	43.94	43.93	43.91	43.88	43.61	-3.2
DKR	7.92	8.15	8.13	8.15	8.02	8.05	8.07	7.99	7.98	7.96	7.98	7.98	7.95	7.96	7.96	7.97	7.93	-1.6
DM	2.51	2.38	2.27	2.24	2.23	2.24	2.23	2.20	2.17	2.15	2.16	2.16	2.16	2.15	2.15	2.13	2.11	-5.4
DR	61.62	65.30	78.09	88.44	105.7	98.47	104.5	127.7	133.2	135.0	132.9	134.4	134.8	134.7	135.3	137.1	137.7	31.3
PTA	102.7	107.6	127.5	126.6	129.1	126.4	131.0	135.8	136.2	136.9	136.2	136.0	136.6	136.8	137.4	136.2	137.0	4.6
FF	6.04	6.43	6.77	6.87	6.80	6.83	6.81	6.73	6.66	6.85	6.64	6.65	6.83	6.86	6.85	6.86	6.87	1.0
IRL	0.691	0.690	0.715	0.726	0.715	0.716	0.716	0.714	0.715	0.708	0.715	0.715	0.709	0.707	0.709	0.712	0.758	-6.1
LIT	1263	1324	1350	1381	1447	1430	1484	1494	1476	1476	1472	1470	1476	1476	1475	1464	1450	-2.8
HFL	2.78	2.62	2.54	2.52	2.51	2.53	2.51	2.48	2.45	2.42	2.44	2.44	2.43	2.42	2.42	2.40	2.37	-5.2
ESC	68.5	78.0	98.7	116.3	130.2	127.2	132.8	138.4	141.3	143.8	141.4	142.0	142.4	143.9	145.2	147.0	149.2	12.3
UKL	0.553	0.561	0.587	0.591	0.589	0.578	0.570	0.595	0.642	0.636	0.649	0.651	0.634	0.635	0.638	0.656	0.687	19.3
USD	1.116	0.981	0.890	0.789	0.762	0.726	0.785	0.853	0.924	0.959	0.928	0.954	0.951	0.964	0.962	0.990	1.021	28.0
YEN	245.4	243.5	211.4	187.0	180.5	182.0	187.0	176.8	173.3	162.8	171.0	170.4	166.1	161.0	161.3	157.1	157.4	-16.9
DTS	0.946	0.888	0.833	0.767	0.749	0.732	0.764	0.791	0.821	0.828	0.822	0.830	0.826	0.826	0.826	0.832	0.845	9.4

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

	1981	1982	1983	1984	1985	1985			1986		1986							Change over 12 months % (e)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B/L	-5.8	-9.2	-2.8	-2.1	0.7	0	1.0	1.6	1.8	1.3	0.8	0.4	0.7	0.1	0.1	0.3	1.0	5.7
DK	-7.5	-4.4	-0.6	-3.2	0.8	0	1.1	2.4	1.9	0.5	0.7	0.4	-0.1	0.2	0.2	0.4	1.5	6.4
D	-5.6	5.0	4.0	-1.3	-0.2	1.0	2.1	2.9	3.5	1.1	1.1	0.7	0	0.3	0.2	1.3	2.0	10.8
GR	-10.2	-8.0	-18.0	-14.0	-12.5	-4.9	-4.0	-17.2	-2.9	-1.1	0	-0.6	-0.7	0.1	-0.4	-0.9	0.2	-21.2
E	-9.6	-6.0	-17.2	-2.2	-0.6	-0.9	-1.8	-2.2	1.3	-0.3	0.5	0.7	-0.7	0	-0.4	1.4	0.2	-0.3
F	-8.8	-8.3	-7.2	-4.6	0.5	1.3	2.3	2.9	2.8	-3.0	1.1	0.4	-3.4	-0.3	0.1	0.2	0.6	2.7
IRL	-8.7	-1.1	-4.1	-4.0	0.6	-0.2	1.1	2.6	3.0	1.1	1.4	0.6	-0.1	0.5	-0.1	0.7	-4.5	2.1
I	-12.4	-6.9	-3.8	-5.4	-6.2	-1.9	-2.3	0.8	2.9	0.2	1.3	0.7	-0.8	0.1	0.2	1.2	1.7	7.4
NL	-4.3	5.1	2.1	-1.4	-0.2	0.7	1.9	2.3	2.8	1.1	1.3	1.1	0.1	0.4	0.2	1.1	1.8	8.9
P	-3.8	-12.9	-21.1	-17.1	-10.9	-2.6	-2.9	-2.7	-0.5	-1.5	-0.1	0.1	-0.7	-0.8	-0.8	-0.7	-0.7	-7.0
UK	0.2	-4.4	-6.9	-4.6	0.2	9.1	3.6	-2.7	-6.1	1.4	-3.3	0.3	2.4	0	-0.4	-2.4	-3.9	-12.9
ECU	-14.7	-5.8	-5.8	-8.0	-2.2	4.4	4.1	2.9	3.4	0.2	0.8	1.2	-1.0	0	0.2	0.9	1.5	8.5
USA	12.8	12.0	5.7	8.0	4.9	-3.4	-5.7	-6.8	-5.9	-4.2	-3.7	-2.3	-0.5	-1.7	0.7	-2.4	-2.4	-18.7
JAP	13.6	-5.0	10.8	6.2	1.4	0.4	1.1	11.0	6.7	8.3	6.5	1.9	2.1	4.0	0	4.7	1.8	39.0

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; data for France do not include food products and drinks.

(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) Changes in the coverage of these series occurred in 1984 for the Netherlands and in 1985 for Belgium.

(g) As % of total labour force.

(h) Monthly series calculated by linear interpolation.

(i) Unadjusted figures.

(j) The seasonally adjusted position for the Community does not correspond to the sum of other Member States; it is obtained by seasonal adjustment of the sum of gross figures for the various countries' exports and imports.

(k) National sources for Belgium, Denmark, Germany, Spain, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.

(l) 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.

(m) 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.

(n) Average weighted by GDP at 1980 prices and purchasing power parities.

(o) Yield on public sector bonds. Annual average. Average for the last month of quarter and monthly average for Germany, Italy, Luxembourg and the Netherlands. End quarter and end month for the other Member States.

(p) Weighting coefficients are calculated so as to allow not only for bilateral trade but also for competition on third markets and on the domestic market of the exporting country.

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

## Principal economic policy measures - July-August 1986

### Community (EUR)

2.8 Ministers and Central Bank Governors of the Member States decided on an adjustment of central rates within the European Monetary System (see box in this issue).

### Belgium (B)

4.8 The Cabinet approves a series of royal decrees implementing most of the measures provided for in the budget consolidation plan of 23 May, and an agreement relating to reductions in debt service charges, concluded by the Minister for Finance with the financial institutions. Under this agreement, the amount of interest on existing borrowings which exceeds 8 % (the current market rate) is to be converted into regularization borrowings ('Treasury bills') with an average life of a five and a half years.

### Denmark (DK)

15.8 The government publishes its 1987 budget to be retabled at the opening of the parliamentary session in October. Whereas the budget should be in approximate balance for 1986, after a deficit of 26.3 billions Dkr (4.3 % of GDP) in 1985, the outlook for 1987 points towards a further small improvement according to the implied economic hypotheses. Total revenue should grow by almost 2 % to 244.4 billions Dkr against a rise in total expenditure by some 4 % to 192.9 billions Dkr and a small decrease in interest payments on government debt by 3.4 billions Dkr to 50.7 billions Dkr. The consequent surplus on the current, investment and lending account will be of the order of 0.8 billion Dkr (0.1 % of GDP).

### Federal Republic of Germany (D)

None.

### Greece (GR)

None.

### Spain (E)

None.

### France (F)

30.7 Subsidies and aids to industry are reduced by FF 11 000 million (from FF 64 500 million to FF 53 500 million) and the Fonds Industriel de Modernisation (Industrial Modernization Fund) is abolished from 1 August. The reduction in subsidies will be compensated by a programme which reduces by roughly the equivalent amount the fiscal and financial charges for industry.

31.7 The draft privatization legislation was finally approved by Parliament. The ceiling on foreign ownership of shares is 20 %. Foreign holdings will be subject to special scrutiny in the case of enterprises or their subsidiaries whose principal activity is in the field of national defence or public health. In such cases the ceiling on foreign shareholdings will be 5 % of the capital of the enterprise or of one of its subsidiaries, unless the Minister for Economic Affairs authorizes a larger holding. Up to 10 % of shares in newly-privatized companies will be offered to employees and former employees, with special incentives of up to 20 %.

6.8 The Cabinet adopts the order on employment contracts, easing a number of rules. It will now be easier to take on workers under fixed-term contracts, and for temporary or part-time jobs. The main provisions of the order are to allow employment contracts offering 'intermittent' work and 'early retirement on a half-time basis', and to increase the length of fixed-term contracts from 12 to 24 months.

26.8 The Government decides to allocate FF 1 300 million for immediate assistance, plus a further FF 600 million to help farmers who are drought victims.

27.8 Under the draft finance law for 1987 the budget deficit will be cut by around FF 15 000 million, to between FF 129 000 million and FF 130 000 million, compared with FF 144 000 million in 1986. For the following two years, the Government also intends to contain the deficit at almost 2 % of GDP, which will require further cuts of FF 15 000 million a year to reduce the deficit to FF 100 000 million in 1989. Taxes would have to be cut by FF 27 000 million, with private individuals benefiting substantially. The budget will be based on a 2 % rise in consumer prices next year, compared with 2.3 % this year, and GDP growth of 2.8 % (2.5 % in 1986). The FF 15 000 million reduction in the budget deficit and the tax cuts mean that FF 40 000 million will have to be saved in the public sector.

### Ireland (IRL)

2.8 The Irish pound is devalued by 8 % within the EMS.

28.8 The authorities decide to provide a direct aid package worth IRL 10 million to farmers and others who suffered loss in the freak weather conditions in late August. In addition, a special loan of IRL 25 million is to be provided to the state-owned peat-producing utility because of the wet summer.

### Italy (I)

3.7 A voluntary restraint code concerning the right to strike in the transport industry is signed at the Ministry for Transport. It provides for longer strike notice and bans strikes

during the peak tourist seasons (the Christmas and Easter holidays, 10 August to 5 September, the week before and after elections, etc. — a total of some 100 days a year).

3.7 A ministerial decree brings into force the measures making it easier for training contracts to be concluded between firms and the Ministry for Labour so that young unemployed people between 18 and 20 years of age can be offered work. The planned number of contracts is 40 000, divided between the north and south of the country.

7.8 After its passage through the lower house, the new law passing urgent measures for local finances is approved by the Senate. The law stipulates:

- an obligation on the part of the local authorities to respect the principle of budget balance in both adopting and administering the budget;
- transfers from central government (up 8.8 % on average in 1986);
- the establishment of four funds through which central government finance will be transferred to the local authorities;
- a ban on borrowing from financial institutions other than the 'Cassa Depositi e Prestiti' — the principle of the control of local authority management.

9.8 The Minister for Foreign Trade signs three decrees modifying the rules relating to foreign currency transactions:

- the size of the non-interest-bearing deposit which had to be made for the purchase of foreign securities is reduced from 25 % to 15 %, after coming down from 50 % to 25 % on 16 October 1985; the similar deposit on purchases of units in foreign collective investment funds is reduced to 12.50 %;
- the convertibility of Italian banknotes, which had been suspended in 1972, is restored; banknotes can be sold by foreign banks directly to the Bank of Italy and by Italian banks to their foreign correspondent banks;
- banks will be able to initiate foreign borrowing by enterprises without obtaining prior authorization from the Ministry for Foreign Trade, up to a limit of LIT 1 000 million for funds borrowed for under one year and LIT 5 000 million for funds borrowed for more than eight years;
- procedures relating to temporary exportation will be more flexible and the funds will be transferred more rapidly to pay for operations by intermediaries in transactions between residents.

### Luxembourg (L)

2.7 Parliament adopts the law which in August will grant a special school allowance (ranging from LFR 1 706 to LFR 5 118 per child) to families with at least two school-age children.

16.7 Parliament votes the law which will introduce the guaranteed minimum income on 1 November.

17.7 Parliament adopts the law on the revision of civil service salaries which, it is estimated, will cost a total of LFR 1 500 million.

1.8 The Government adopts the draft central government budget for 1987. Ordinary revenue and expenditure are respectively 1.2 % and 5.2 % up on the definitive budget for 1986. Total gross expenditure will rise by only 1.8 % because of the decline in capital expenditure (down 18 %). Gross total expenditure will amount to LFR 76 600 million and revenue, including LFR 1 000 million in borrowed funds, to LFR 76 500 million. The draft provides for substantial tax cuts estimated at LFR 4 940 million in 1987 and at LFR 5 940 million in 1988 (i.e. 2.9 % and 3.3 % of GDP respectively).

### Netherlands (NL)

22.8 The Government adopts some new measures as part of its preparation of the central government budget for 1987:

- administrative measures to accelerate the payment of taxes by households and companies (a one-off effect estimated at HFL 650 million);
- no change in the rates of social security contributions;
- the across-the-board reduction of 2 % a year in civil service jobs, plus a further 1 % reduction in specific areas;
- the previously planned reduction in civil servants' working hours will be deferred;
- the decision to introduce a temporary excise duty on natural gas from 1 January 1987 is postponed and replaced by a smaller than planned reduction in gas prices (yielding HFL 300 million instead of the HFL 650 million estimated for excise duty);
- spending on public-sector housing is cut (HFL 530 million);
- the minimum wage and social security allowances are frozen.

### Portugal (P)

10.7 Parliament adopts an additional budget of ESC 7 100 million for the current year. The additional expenditure will go to the armed forces and early retirement from the civil service. It will be more than offset by the additional revenue produced by VAT.

### United Kingdom (UK)

None.

### Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
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