

EUROPEAN ECONOMY

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

Supplement A — No 5 — May 1986

Recent economic trends

*In this number:
Quarterly national accounts
fourth quarter 1985*

Output growth somewhat slower in fourth quarter¹. — According to estimates based on data for four of the Member States, the gross domestic product of the Community grew in the fourth quarter of 1985 by 1,9% in real terms — seasonally adjusted annual rate — on the previous quarter. The growth in GDP was lower than rates registered in the second (5%) and third quarters (3,2%) principally as a result of an emerging negative contribution of the foreign balance, with imports growing at an annual rate of 8,3% while exports remained sluggish. The main contributory factor to the rise in domestic demand, which increased by 3,6%, approximately the same rate as a quarter earlier, was stockbuilding which, after restraining growth in the third quarter, provided a substantial stimulus (2,4 percentage points). Other components of domestic demand were considerably more sluggish. The growth of private consumption slowed from over 4% to 1,7%, but this was nevertheless more buoyant than the rates of growth recorded in 1984, and gross fixed investment fell marginally after its strong rise a quarter earlier.

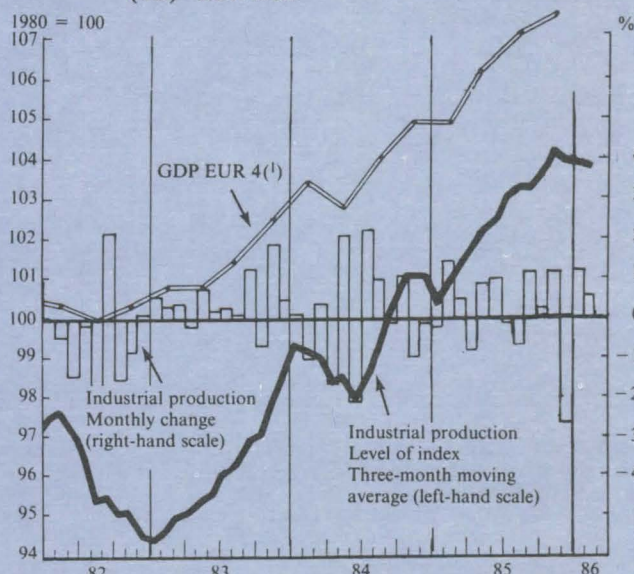
In the *Federal Republic of Germany* revisions to the quarterly national accounts data suggest that growth in the third quarter was somewhat less than previously reported (6,8% as against 9,2%). In the fourth quarter GNP fell by 0,2% as the decline in exports (7,3%) was not compensated for by domestic demand. With imports holding up, the foreign balance exerted a negative effect of over 3 percentage points on growth. Stock building was substantially positive in the fourth quarter as the run down in stocks, apparent in the preceding two quarters, ended. The rapid increase in gross fixed investment recorded earlier did not continue in the fourth quarter when growth was down to 3% and private consumption, after growing by 6,4 and 6,5% in the second and third quarters respectively, fell by 2,2%.

The growth of gross domestic product in *France* was on the other hand relatively sustained at 2,1% although somewhat down on the rates recorded in the two preceding periods. Here

the foreign balance in contrast exerted a positive effect, as imports slowed down markedly and exports recovered somewhat from their decline in the third quarter. Domestically a decline in stockbuilding and also in gross fixed investment, after the rapid rates of growth recorded in the two preceding quarters, was in evidence while on the other hand private consumption grew by 4,4%.

Beginning with this issue quarterly national accounts data for *Italy* are taken from the series produced by ISTAT (previously figures were based on ISCO data) with the result that there is

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



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

¹ In the quarterly national accounts commentary growth rates are expressed at an annual rate, seasonally adjusted.

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

		GDP (a)	Imports (b)	Exports (b)	Foreign balance (a)(b)	Domestic demand	Change in stock (c)	Final domestic demand	Gross fixed in- vestment	Govern- ment con- sumption	Private consump- tion
EUR 4											
1982	Q1	-0.9	13.9	-4.1	-4.4	3.7	3.0	0.6	-2.6	3.8	0.7
	Q2	0.7	0.7	-2.6	-0.9	1.6	0.8	0.8	4.7	-0.7	0.1
	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	-0.1	4.1	2.0	-0.6	0.5	0.1	0.4	-2.9	-1.3	2.0
	Q2	5.0	-1.5	6.4	2.2	2.7	0.2	2.5	-0.9	1.2	4.1
	Q3	3.2	2.7	1.3	-0.4	3.7	-0.9	4.7	5.6	5.1	4.2
	Q4	1.9	8.3	2.1	-1.6	3.6	2.4	1.2	-0.5	1.5	1.7
Federal Republic of Germany											
1983	Q1	2.6	2.8	-1.0	-1.1	3.9	1.6	2.1	-4.1	3.8	3.9
	Q2	6.4	17.4	5.6	-2.8	9.8	4.9	4.5	16.9	1.1	1.5
	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	-3.3	11.0	2.7	-2.1	-1.3	6.6	-7.9	-28.5	-5.5	0.2
	Q2	6.8	-0.3	9.3	3.3	3.6	-4.9	9.3	22.0	5.3	6.4
	Q3	6.8	3.1	4.1	0.5	6.6	-1.1	7.9	11.2	8.4	6.5
	Q4	-0.2	2.4	-7.3	-3.3	3.3	3.6	-0.4	3.0	1.0	-2.2
France											
1983	Q1	-0.1	5.6	-1.6	-1.7	1.6	2.8	-1.1	-3.2	3.6	-1.3
	Q2	1.8	-12.3	18.0	7.4	-5.2	-3.7	-1.7	-10.2	-1.6	1.1
	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	-0.6	3.3	0.7	-0.6	0.1	-3.7	4.0	-1.1	2.3	5.9
	Q2	3.1	2.4	5.9	0.9	2.2	0.7	1.5	6.5	0.5	0.2
	Q3	3.7	19.4	-4.6	-5.7	9.9	4.2	5.6	13.4	3.1	3.8
	Q4	2.1	-6.4	1.8	2.2	-0.1	-2.0	2.0	-4.6	0.5	4.4
Italy											
1983	Q1	0.2	36.1	24.3	-1.0	1.3	4.1	-2.8	-12.4	2.1	-1.4
	Q2	0.9	-7.2	6.3	3.1	-2.3	-4.1	2.0	4.9	5.5	0.4
	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
United Kingdom(d)											
1983	Q1	8.1	13.6	2.8	-2.4	11.0	8.9	1.7	3.1	1.5	1.3
	Q2	-4.4	10.1	-1.1	-2.7	-1.7	-1.9	0.2	-8.0	-0.2	3.0
	Q3	7.6	8.0	7.6	0.0	7.7	1.7	5.9	7.6	0.4	7.5
	Q4	2.5	15.9	10.6	-1.2	3.7	-1.0	4.8	17.1	4.0	1.6
1984	Q1	3.3	-2.2	7.9	2.7	0.6	-0.9	1.5	13.6	-2.9	-0.5
	Q2	-3.0	18.8	-0.5	-4.7	1.8	-1.6	3.4	6.4	3.5	2.5
	Q3	2.1	5.7	11.7	1.6	0.5	0.8	-0.3	-1.5	5.5	-1.9
	Q4	5.4	23.7	18.0	-1.3	6.8	2.9	3.8	2.4	-0.6	5.9
1985	Q1	4.6	-7.9	3.3	3.4	1.1	-3.3	4.6	31.9	-0.8	-1.2
	Q2	4.0	-6.2	9.3	4.5	-0.5	4.4	-4.7	-36.7	-3.1	7.7
	Q3	0.3	-2.1	-11.6	-3.0	3.4	-2.5	6.1	15.3	3.8	4.3
	Q4	4.1	13.5	8.1	-1.3	5.5	3.6	1.8	0.6	0.7	2.6

(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:

	1983		1984				1985			
GDP change estimated from the side of	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Expenditure	8.1	1.9	3.1	-3.7	2.7	4.6	5.4	4.5	-0.4	3.7
Output	6.8	4.3	2.7	0.0	4.2	3.4	4.5	4.5	0.7	3.3
Income	2.3	1.9	4.2	-1.5	9.8	2.2	0.4	9.5	-2.5	0.0
Average	6.0	2.7	3.1	-1.5	5.4	3.4	3.4	6.4	-0.7	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.

some difference in the historical series. For the fourth quarter the data show some acceleration in GDP growth to 2,3%. As in Germany the foreign balance exerted a strong negative effect (2,5 percentage points) as imports recovered strongly (29,6%) after falls in the preceding six months. All categories of domestic demand were sustained with the exception of investment which fell marginally after a steeper fall in the third quarter. Private consumption remained buoyant for the fifth consecutive quarter and there was a strong positive contribution from stockbuilding.

In the *United Kingdom* GDP growth (expenditure based measure) in the fourth quarter continued at a rapid pace (4,1%). The contribution of the foreign balance was negative (1,3 percentage points) as imports grew sharply (13,5%) after declines in the previous three quarters and exports recovered less rapidly. The main contribution to the rise in domestic demand came from stockbuilding and a continued buoyant performance of private consumption, while investment and government consumption were sluggish. The output-based measure of growth, considered by the authorities as the best indicator of short-term changes, showed a marginally smaller increase (3,3%), with growth being little changed in production industries, fairly uniform across the service sector but up substantially in construction.

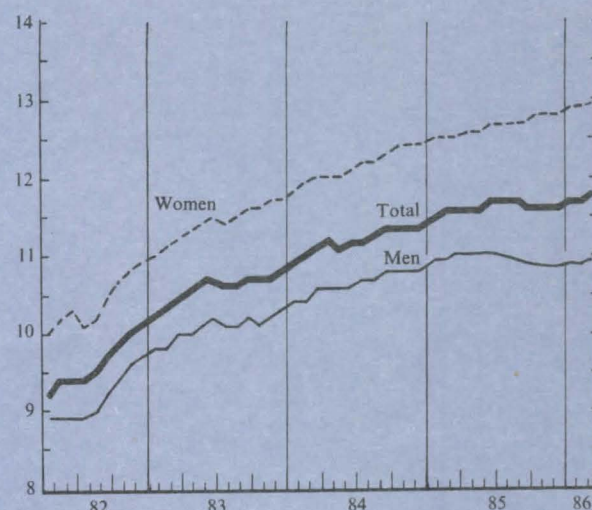
Industrial production recoups losses registered at the end of 1985.

— After rising by 1,1% in January the increase in industrial production in the Community was 0,8% in February. The rise was generalised in all Member States except Greece where a further fall was recorded and Denmark where monthly developments have been erratic but the level is still substantially (5,3%) up on year earlier. However as noted last month the three month moving average (see Graph 1) suggests some deceleration in the rate of growth of industrial output but it is too early as yet to judge if this is a break in the upward trend or is solely due to the poor December performance in most Member States. The composition of output growth suggests a fairly even pattern of developments at the Community level in the consumer and intermediate goods sectors. The growth in output of investment goods has been less dynamic in the three months to January than that of total industrial production but in February this position has been reversed. On a year-to-year basis industrial production grew by between 5,3 and 8,1% in Denmark, Belgium and Luxembourg, by 4,5% in Spain and Germany, between 2,2 and 3,9% in Greece, the Netherlands and the United Kingdom and by under 1% in the remaining Member States.

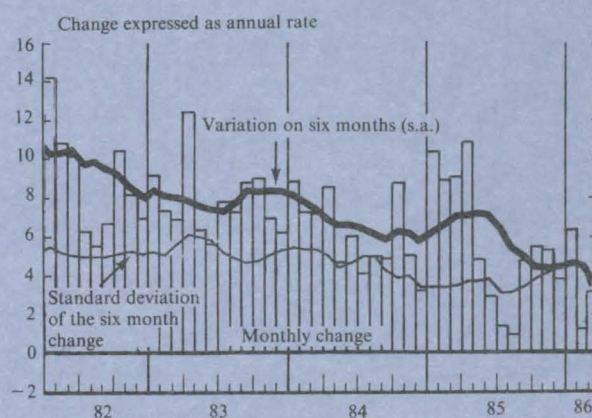
Unemployment results mixed. — In March the number out of work in the Community (s.a.) rose by 67 000 to 16 million (11,7% of the civilian labour force). However preliminary figures suggest that the increase in April was substantially smaller (7 000) but this will be enough to push the unemployment rate to 11,8%. The pattern of developments in unemployment in March was uneven as between Member States. Increases in the numbers unemployed (s.a.) were recorded in all countries except Belgium, where the rate has been falling since the beginning of the year, Denmark, Luxembourg and the Netherlands. Unemployment rates were lower in Denmark, France, Luxembourg, the Netherlands, Belgium and Germany than a year earlier. However, in the latter two countries changes in coverage of the series influenced the decline. Thus in Belgium changes in coverage occurred through the first half of 1985 and more recently in Germany a law aimed at facilitating workers aged 58 years to leave the labour force has been availed of by 18 400 employees who were no longer included in the registered unemployed in March. In addition as from February in the United Kingdom calculation of the unemployed takes place three weeks, rather than a week, after the reference date which has the effect of excluding claimants who have ceased to be unemployed in the interval. In many countries vocational and employment promotion schemes have also had an impact on the unemployment figures. One of the possible reasons for the failure of the unemployment rate to fall is suggested by the profiles in Graph 2. This shows a continued rise in female unemployment in the Community (up 3,3% in March on a year earlier) while male unemployment declined (0,8% year on year) indicating an increased supply of labour as women re-enter the labour force.

Further slackening in inflation. — The index of consumer prices (EUR12) increased by 0,2% in March after a 0,1% increase in

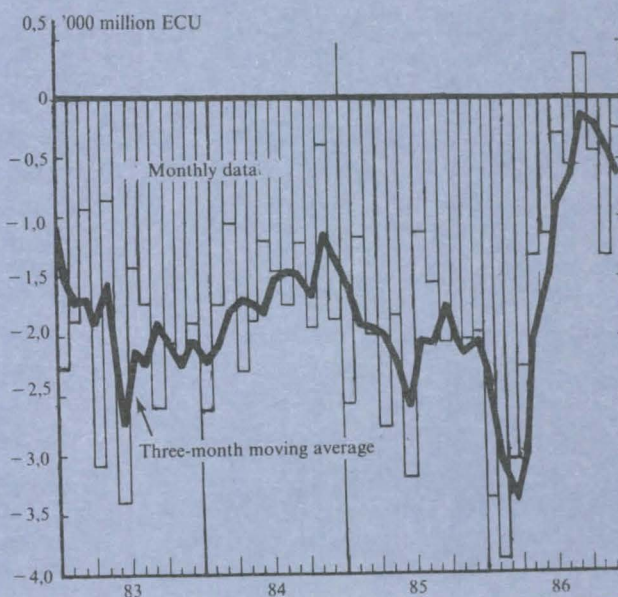
GRAPH 2: Unemployment (s.a.) EUR 12
Number unemployed as % of civilian labour force



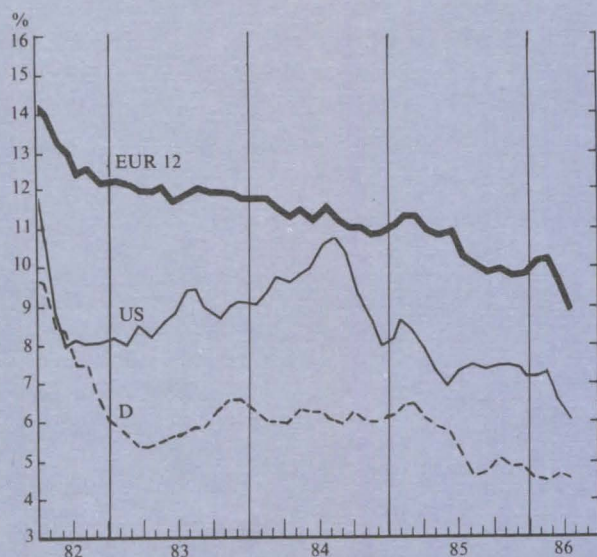
GRAPH 3: Consumer prices EUR 12



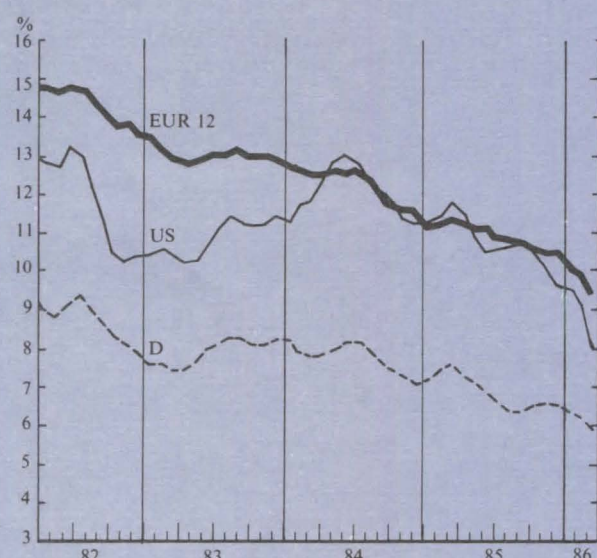
GRAPH 4: Trade balance (s.a.) EUR 10



GRAPH 5: Short-term interest rates

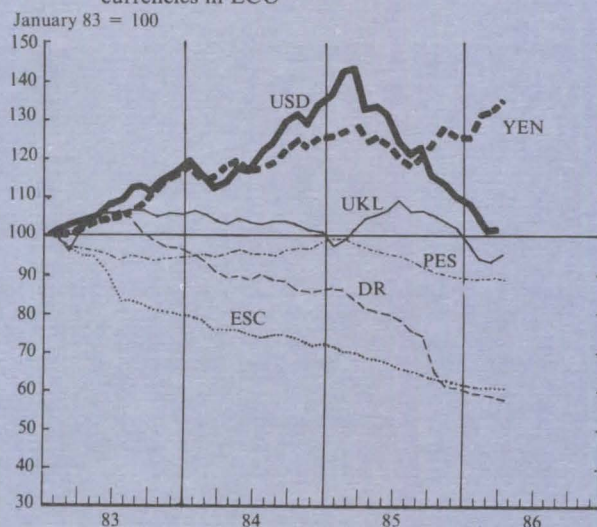


GRAPH 6: Long-term interest rates



GRAPH 7: Exchange rates

Value of USD, yen and some EC currencies in ECU



February. On a seasonally adjusted basis the increase was however identical in both months (0,2%) substantially below the average monthly increase of 0,5% recorded in 1985. The trend rate of inflation (seasonally adjusted annual rate over six months) continued to fall to 3,7% with reduction in prices appearing in Germany and the Netherlands. Elsewhere trend rates are below 3% except in Italy (6,9%), Spain (9,5%), Portugal (14,1%) and Greece (28,4%). The degree of divergence in price changes within the Community (measured as the weighted standard deviation of inflation trends in each country) has also narrowed since the beginning of the year as the inflation trend in Greece fell back from the high level and the Spanish trend eased back in March. The index of consumer prices in the Community in January was 4,1% higher than a year earlier with the change over twelve months ranging from 0,1% in Germany to 24,8% in Greece.

According to the quarterly national accounts data for four Member States the price deflator of GDP in the Community (see Table 2), the broadest indicator of internal inflation, rose at a seasonally adjusted annualised rate of 5,2% in the final quarter of 1985, well down on the 7,2% rise recorded in the third quarter. The improvement in the terms of trade was not as marked as in the third quarter and accordingly the deflator of final domestic demand only fell marginally. The components of domestic demand behaved unevenly; thus the private consumption deflator continued to decline to reach an annualised rate of 3,7% while the investment deflator continued its upward movement to reach 7,9%.

Surplus on trade account in January. — The Community (EUR10) trade balance (fob/cif) improved further in January to record a surplus of about 100 million ECU (s.a.) as compared with a deficit of 1 449 million in November 1985. This was primarily due to a further increase in the trade surplus of Germany to nearly 4 000 million ECU, as the oil bill continued to fall and the terms of trade improved by 2,2%, and a sharp move into surplus in January of the French trade account as the value of imports fell while exports continued to advance. In addition the trade position of the United Kingdom continued to improve, the deficit of 363 million ECU in January reflecting a record oil surplus of nearly 1 600 million ECU. Those figures available for February however suggest that a lower surplus will be recorded in this month. Thus the oil surplus in UK fell substantially bringing the deficit to 1 105 million ECU. In France, although a fall of 23% was recorded in the oil bill, the trade deficit still widened and in Germany some fall in the surplus was registered as terms of trade improvement was more than offset by a marked deterioration in the trade balance in real terms. On a year-to-year basis significant improvements in trade positions have been recorded in all Community countries except Italy and Denmark, with the most substantial changes being seen in Germany and France.

Average monetary growth moderates in January and February but picks up again in March. — Average monetary growth for the Community as a whole slowed down slightly at the start of the year, standing at 0,6% in January and 0,5% in February, compared with 0,7% in December. In two Member States, Germany and Italy, the rate of money creation slowed down over these two months; in the other Member States, the figures fluctuated, but the rates of increase were often lower than at the end of 1985. Over these two months Greece managed to moderate the growth of its monetary aggregates, in line with the objectives of its monetary programme for 1986. The first figures available for March indicate some increase in monetary growth: for example, in Denmark M_2 went up by 2,3% compared with 1,8% in February even though substantial special deposits were lodged with the central bank; in Germany the rate of increase of bank lending to the private sector increased significantly and in France M_3 grew by 1,1% in March compared with 0,2% in February, chiefly because of a sharp rise in notes and sight deposits. In the United Kingdom, the growth of sterling M_1 has accelerated since January, reaching 2,3% in March. The Bank of Spain, faced with a substantial increase in liquid assets held by the public (up 1,7% in February) on several occasions increased its rate for money market tenders, pushing up interbank rates as a result.

Interest rates go on falling. — In April, short-term interest rates went on falling in most of the Member States, taking the

TABLE 2: Principal price deflators of components of GDP
(Percentage change on previous period, annual rates; seasonally adjusted)

	GDP	Imports (¹)	Exports (¹)	Final Domestic demand (²)	Gross fixed investment	Government con- sumption	Private con- sumption
EUR 4							
1982 Q1	9,8	3,3	10,8	7,8	8,8	5,6	8,2
Q2	9,3	1,5	7,1	7,7	7,0	9,2	9,5
Q3	8,1	11,2	7,4	9,1	4,2	7,6	9,2
Q4	6,4	7,2	7,6	6,3	6,0	6,2	7,4
1983 Q1	9,6	-1,5	2,1	8,6	4,5	13,6	8,2
Q2	5,7	3,6	6,0	5,0	7,3	4,0	7,3
Q3	8,8	9,8	9,1	9,0	7,1	8,8	6,9
Q4	5,7	7,4	8,2	5,5	5,2	8,0	6,3
1984 Q1	6,1	11,3	8,6	6,8	4,2	5,6	6,2
Q2	3,9	4,6	4,4	3,9	3,4	4,7	5,7
Q3	4,5	7,8	4,8	5,3	6,5	3,6	4,5
Q4	4,3	9,4	8,4	4,6	3,9	8,1	5,1
1985 Q1	6,2	11,3	9,4	6,8	2,9	7,8	7,1
Q2	5,5	-2,0	2,8	4,0	3,9	3,3	4,5
Q3	7,2	-11,4	-2,2	4,3	5,8	2,1	4,2
Q4	5,2	-6,4	-2,8	4,2	7,9	2,3	3,7

(¹) Goods and services including intra Community Trade. F.R. Germany: including factor incomes.

(²) Including stock building.

Sources: Estimates by the Commission Services based on national accounts data for the Federal Republic Germany, France, the United Kingdom and Italy

Community average down from 9,6% at the end of March to 8,9% at the end of April. Several Member States lowered their key interest rates during the month: Belgium cut its discount rate from 9 $\frac{3}{4}$ % to 8 $\frac{3}{4}$ % in two stages, the Bank of France lowered its money market intervention rate from 8 $\frac{1}{4}$ % to 7 $\frac{1}{2}$ %, Ireland's central bank reduced its rate for short-term credit facilities by one and a quarter points to 12 $\frac{1}{2}$ %. Italy made a further one-point cut in its discount rate, taking it to 13%, and Portugal took one and a half points off its official interest rates. In the United Kingdom the banks twice cut their base rates by half a point, taking them from 11 $\frac{1}{2}$ % to 10 $\frac{1}{2}$ %. By contrast, short-term rates were virtually unchanged in Germany and the Netherlands and firmed in Denmark and Spain because of slightly more restrictive monetary policy. In Greece, the cost of short-term money stayed at the previous month's high level. Long-term interest rates continued to ease in March, with the Community average standing at 9,3% compared with 9,9% in February. The fall in long-term rates was general, except for Greece where the yield on long-term public securities rose slightly.

Stability within the EMS in April after the currency realignment at the start of the month. — The new relative exchange rate positions which were introduced as a result of the currency

realignment on 6 April were maintained throughout the month. The French franc stayed at its upper limit against the German mark and the Dutch guilder until 15 April and then, in the second half of the month against the guilder only, as the mark, partly benefiting from a movement of international capital out of the dollar, rose from its floor. The strains between the French franc and the guilder persisted throughout the month and the Bank of France intervened regularly to support the Dutch currency. The Italian lira and the Irish pound stayed in the upper part of their bands while the Danish krone and the Belgian franc, which had remained in the lower part of their bands after the realignment, first firmed for several days and then weakened to approach the bottom of their bands. Outside the exchange rate mechanism, sterling gained an average for the month of 2,6% against the ECU while the drachma, the peseta and the escudo weakened slightly. Over the month as a whole, the ECU lost 0,3% against the dollar but there was no clear pattern to the movement of the United States currency which in the first ten days of the month advanced against the European currencies before weakening appreciably thereafter. On average for April, the yen gained 2,5% in value against the ECU.

21 May 1986

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

						1984	1985					1985					1986		Change over
	1981	1982	1983	1984	1985	IV	I	II	III	IV	Aug	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	12 months % (b)	
B	-2.7	0	2.0	2.5	2.2	-0.5	0.1	1.0	-0.5	3.2	-2.1	5.5	-1.4	5.2	-4.9	0.9	:	6.0	
DK	0	2.7	3.2	9.7	4.2	5.1	-5.8	2.8	5.0	1.8	2.0	1.8	3.4	-3.6	-3.0	3.8	-1.9	5.3	
D	-1.9	-2.9	0.6	3.0	5.7	1.5	0.5	0.9	1.9	0.7	-2.7	0.4	2.9	0.2	-5.2	3.2	0.3	4.5	
GR	-0.6	-4.2	-0.7	3.5	2.6	0	-1.5	1.3	5.7	-1.1	-3.7	3.0	-0.6	-1.9	0.4	-2.0	-0.9	2.2	
E	-1.0	-1.1	2.7	0.8	2.2	-0.2	1.2	-1.1	1.9	2.9	-1.9	-0.5	7.7	-4.4	-1.7	:	:	4.5	
F	-2.3	-1.5	0.8	2.3	0.8	-2.0	-0.8	0.5	1.8	0	0	-1.5	0.8	2.2	-3.6	-0.8	1.5	0	
IRL	2.2	0.3	6.5	12.9	2.2	5.7	-0.3	-1.4	-3.4	2.9	0.8	1.3	0.2	4.0	-3.4	-0.4	:	0.8	
I	-1.6	-3.0	-3.2	3.4	1.2	-1.6	1.7	0.1	-0.6	-0.4	0.3	2.4	-3.3	3.7	-3.7	2.1	2.6	0.6	
L	-5.7	0.9	5.4	13.3	(6.5)	3.1	0.5	2.4	-2.5	:	-1.7	-1.0	4.1	3.0	:	:	:	8.1	
NL	-2.0	-4.1	2.1	5.2	3.0	-2.0	7.4	-2.8	-1.9	1.6	2.0	-2.0	1.0	7.8	-10.0	5.1	2.9	3.4	
P	0.5	4.6	1.6	-0.1	:	0.7	-1.5	4.4	0.4	:	1.0	3.5	1.1	-4.2	:	:	:	0.3	
UK	-3.4	1.9	3.6	1.3	4.6	0.9	2.7	1.9	0	0.2	0.4	1.2	-1.0	1.5	-2.1	0.7	1.7	3.9	
EUR 12	-2.1	-1.4	1.1	2.7	(3.1)	0.4	0.6	0.8	0.8	(0.7)	-0.5	0.7	0.8	0.6	(-2.3)	(1.1)	(0.8)	(3.0)	
USA	2.1	-7.4	7.8	12.4	2.6	0.1	0.3	0.4	0.8	(0.5)	1.0	-0.4	-0.3	0.9	(0.6)	(0.4)	(-0.8)	(-2.2)	
JAP	1.0	0.3	3.6	11.1	4.6	2.7	-0.7	2.7	-0.1	-0.7	-1.3	-1.1	1.0	-1.1	0.6	-0.6	0.1	(0.9)	

TABLE A.2: Unemployment rate — Number of Enemployment as percentage period (s.a.)

						1985				1986				1985				1986			Change over 12 months % (b)
	1981	1982	1983	1984	1985																
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March				
B (f)	11.1	13.0	14.3	14.4	13.4	14.4	13.7	13.0	12.7	12.5	12.9	12.8	12.6	12.7	12.6	12.5	12.5	:	:		
DK	8.9	9.5	10.2	9.8	(8.7)	9.4	8.8	8.6	(7.9)	(7.7)	8.3	8.1	7.9	(7.8)	(7.7)	(7.8)	(7.7)	(-14.1)	:		
D	4.8	6.9	8.4	8.4	8.5	8.5	8.5	8.5	8.4	8.4	8.5	8.5	8.4	8.3	8.4	8.4	8.4	-1.1	:		
GR	1.2	1.4	1.6	1.9	2.2	2.2	2.2	2.2	2.4	2.8	2.3	2.3	2.3	2.6	2.8	2.7	2.7	28.5	:		
E	12.1	14.3	16.6	18.6	19.9	19.6	20.0	19.9	20.3	20.5	19.9	20.0	20.6	20.2	20.5	20.4	20.6	4.6	:		
F	7.7	8.7	8.8	9.9	10.3	10.5	10.4	10.4	10.2	10.3	10.3	10.3	10.3	10.1	10.3	10.2	10.3	-1.0	:		
IRL	10.2	12.2	14.9	16.5	17.6	17.2	17.4	17.9	17.7	17.6	17.9	17.6	17.6	17.9	17.6	17.5	17.6	2.9	:		
I	8.0	9.7	10.9	11.9	12.9	12.4	12.8	13.0	13.2	13.5	13.0	13.2	13.2	13.3	13.3	13.5	13.6	9.0	:		
L	1.0	1.3	1.6	1.7	1.6	1.6	1.7	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.4	-13.3	:		
NL (f)	8.8	11.8	14.3	14.5	13.2	13.5	13.2	13.1	12.7	12.6	13.0	12.8	12.7	12.6	12.6	12.5	12.5	-6.3	:		
P	5.8	5.7	5.6	6.7	7.7	7.3	7.6	7.9	8.0	8.1	7.9	7.9	8.0	8.0	8.1	8.1	8.2	11.1	:		
UK	(9.2)	(10.6)	(11.6)	11.8	12.1	12.0	12.2	12.2	12.1	12.1	12.1	12.1	12.0	12.1	12.2	12.1	12.2	1.7	:		
EUR 12	(7.8)	(9.4)	(10.6)	11.2	(11.6)	11.6	11.6	11.7	(11.6)	(11.7)	11.6	11.6	11.6	(11.6)	(11.7)	(11.7)	(11.7)	(1.9)	:		
USA	7.6	9.7	9.6	7.5	7.2	7.3	7.3	7.1	7.0	:	7.1	7.1	7.0	6.9	6.7	7.3	:	1.6	:		
JAP (g)	2.2	2.4	2.7	2.7	2.6	2.5	2.6	2.6	2.8	2.6	2.7	2.8	2.8	2.9	2.7	2.6	2.7	5.2	:		

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

	1981	1982	1983	1984	1985	1985				1986		1985				1986			Change over 12 months % (b)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March.		
B	7.6	8.7	7.7	6.4	4.9	1.8	1.3	0.7	0.2	0.2	0.2	-0.1	0.2	0	0.1	0.1	-0.2	1.5	
DK	11.7	10.1	6.9	6.3	4.7	1.3	1.5	-0.1	0.8	-0.1	0.5	0.3	0.4	-0.1	-0.3	-0.1	(0.4)	(1.7)	
D	6.3	5.3	3.3	2.4	2.2	1.1	0.6	-0.2	0.3	0	0.2	0.2	0.2	0.1	0.2	-0.2	-0.2	0.1	
GR	24.5	21.0	20.5	18.3	19.4	4.5	4.5	2.6	9.7	6.0	5.0	3.3	2.5	3.3	2.3	-0.7	3.2	24.8	
E	14.6	14.4	12.2	11.3	8.8	3.2	1.9	1.0	1.9	3.8	1.1	0.4	0.8	0.4	2.8	0.5	0.4	8.7	
F	13.4	11.8	9.6	7.3	5.9	1.4	1.8	0.9	0.6	0.1	0.1	0.3	0.2	0.1	0.1	-0.2	0.3	3.0	
IRL (h)	20.4	17.2	10.4	8.6	5.4	1.9	1.3	1.5	0.2	1.6	(0.1)	(0.1)	(0.1)	(0.5)	(0.5)	(0.5)	...	4.6	
I	17.8	16.5	14.7	10.8	9.2	2.9	2.4	1.2	2.2	1.8	0.5	1.0	0.8	0.6	0.5	0.7	(0.4)	(7.2)	
L	8.1	9.4	8.7	5.6	4.2	1.0	1.6	0.5	0.9	-0.4	0	0.8	0.2	0.2	-0.2	-0.4	-0.5	1.5	
NL	6.7	5.7	2.7	3.2	2.3	0.2	1.0	0	0.6	-0.4	0.5	0.3	0	-0.2	-0.4	0.2	0.1	0.7	
P	20.0	22.7	25.1	28.9	19.6	8.0	3.4	1.1	3.0	4.9	0.1	1.0	1.6	1.7	1.9	1.3	1.2	12.2	
UK	11.9	8.6	4.6	5.0	6.1	1.3	3.4	0.3	0.5	0.7	-0.1	0.2	0.3	0.1	0.2	0.4	0.1	4.2	
EUR 12	12.1	10.7	8.6	7.4	6.1	1.8	1.9	0.6	1.1	(1.0)	0.4	0.4	0.4	0.3	0.5	0.1	(0.2)	(4.1)	
USA	10.3	6.2	3.2	4.3	3.6	0.7	1.2	0.7	0.9	0.2	0.3	0.3	0.3	0.2	0.3	-0.3	-0.5	2.3	
JAP	4.9	2.7	1.9	2.2	2.1	0.1	0.9	0	1.0	-0.5	1.0	1.4	-1.0	0.1	0.2	-0.4	-0.3	1.1	

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

	1984					1985					1985					1986		Change over 12 months % (c)
	1981	1982	1983	1984	1985	1984					1985					Jan.	Feb.	
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.			
B/L	-5418	-3082	-2435	-4897	-3514	-1306	-1501	-581	-714	-811	-247	-276	-375	-262	-174	.	.	88
DK	-1475	-1866	-740	-1108	-1538	-204	-494	-306	-279	-473	-106	-18	-218	-61	-194	(-182)	(-227)	(-103)
D	11239	21599	18501	24136	32963	8377	6589	8631	8742	9403	2421	3046	3246	2978	3179	(3987)	(3271)	(1115)
GR	-3951	-5826	-5800	-6048	-7266	-2073	-1727	-2341	-1621	-1590	-590	-565	-513	-558	-520	.	.	739
E	-10531	-11202	-10545	-6730	.	-1803	-2146	-2335	-1821	.	-698	-834	-434	.	.	.	.	251
F	-17283	-24457	-15628	-13130	-13428	-2736	-3810	-3028	-3535	-3040	-993	-1070	-1029	-916	-1095	(139)	(-773)	(837)
IRL	-2467	-1574	-621	81	430	-32	195	56	138	28	78	40	-46	96	-21	(76)	(57)	(-15)
I	-13554	-12513	-8516	-13849	-16130	-5148	-5505	-5911	-1589	-4105	-609	-241	-842	-1930	-1333	.	.	-211
NL	1320	3500	4499	4740	3874	1419	492	1234	944	1085	219	255	189	183	713	.	.	270
P	-5308	-5963	-4226	-3430	.	-806	-627	-718	-588	.	-204	-205	-105	.	.	.	.	62
UK	-445	-3295	-9681	-14005	-11540	-3930	-4514	-2272	-2493	-2493	-778	-772	-709	-1084	-700	(-363)	(-1105)	(384)
EUR 10 (j)	-32033	-27515	-20422	-24080	-16127	-6016	-10258	-4681	-509	-2078	-679	394	-425	-1449	-205	.	.	1176
USA	-35538	-43518	-77969	-156288	.	-38116	-47958	-52238	-45831	.	-12410	-19809	-13683	-16059	.	.	.	-2359
JAP	7832	7034	23072	42599	60497	15070	12902	14548	15243	17299	5222	4899	4823	6336	6130	6350	4605	922

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

	1981	1982	1983	1984	1985	1985				1986				1985					1
--	------	------	------	------	------	------	--	--	--	------	--	--	--	------	--	--	--	--	---

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

	1981	1982	1983	1984	1985	1985				1986				1985				1986				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.					
B	15.6	14.1	10.5	11.5	9.6	10.7	8.9	9.4	9.8	9.3	8.9	8.6	9.8	9.8	9.7	9.3	8.0	-1.8				
DK	14.9	16.4	12.1	11.5	10.0	12.0	10.3	9.4	9.5	9.1	10.0	9.3	9.5	9.0	8.7	9.1	9.2	-1.3				
D	12.3	8.8	5.8	6.0	5.4	6.3	5.7	4.7	4.8	4.7	5.0	4.8	4.8	4.6	4.5	4.7	4.6	-1.4				
GR	16.8	20.2	19.4	15.7	17.1	19.3	16.6	16.5	17.9	21.8	17.3	19.5	17.9	19.0	20.5	21.8	21.8	5.3				
E	16.2	16.3	20.1	14.9	12.2	12.1	14.2	11.5	10.5	11.6	10.4	10.5	10.5	10.6	10.6	11.6	12.4	-0.3				
F	15.6	14.6	12.5	11.7	9.9	10.7	10.2	9.5	9.1	8.3	9.3	8.8	9.1	8.9	8.7	8.3	7.4	-3.0				
IRL	16.6	17.5	14.1	13.3	11.9	13.9	11.6	10.1	11.7	14.5	10.1	10.4	11.7	15.1	16.1	14.5	11.3	-1.4				
I	20.0	20.1	18.1	17.2	15.1	15.6	15.1	14.1	14.9	14.7	14.8	14.6	14.9	15.7	16.5	14.7	12.7	-2.5				
NL	11.8	8.3	5.7	6.1	6.4	6.9	6.7	5.8	5.8	5.4	6.2	5.9	5.8	5.8	5.8	5.4	5.5	-1.6				
P	16.0	16.8	20.9	22.5	21.0	21.7	21.4	22.2	18.6	16.0	20.8	16.3	18.8	18.6	18.4	16.0	15.2					
UK	14.2	12.2	10.1	10.1	12.3	13.2	12.6	11.5	11.9	11.3	11.6	11.6	11.9	12.9	12.3	11.3	10.3	-2.4				
EUR 12 (n)	15.2	13.8	12.0	11.2	10.5	11.2	10.8	9.8	9.9	9.6	9.9	9.6	9.9	10.1	10.1	9.6	8.9	-2.0				
USA	14.0	10.6	8.7	9.5	7.0	8.2	6.8	7.3	7.2	6.6	7.4	7.4	7.3	7.0	7.0	6.6	6.1	-1.7				
JAP	7.4	6.8	6.5	6.3	6.5	6.3	6.3	6.3	7.4	5.5	6.5	7.3	7.4	6.6	6.0	5.5		-0.8				

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

	1981	1982	1983	1984	1985	1985				1986				1985				1986				Change over 12 months % (e)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March					
B	13.8	13.5	11.8	12.0	10.6	11.5	10.3	10.4	9.6	8.4	10.4	9.7	9.4	9.6	9.6	9.4	8.4	-3.1				
DK	19.3	20.5	14.4	14.0	11.6	13.0	11.8	11.1	9.9	9.5	11.1	10.7	10.5	9.9	10.3	9.6	9.5	-3.5				
D	10.4	9.0	7.9	7.8	6.9	7.6	6.9	6.3	6.5	5.9	6.3	6.5	6.6	6.5	6.3	6.2	5.9	-1.7				
GR	17.7	15.4	18.2	18.5	15.8	18.4	15.8	14.2	15.1	15.1	14.2	14.0	13.1	15.1	14.7	15.0	15.1	-3.3				
E	15.8	16.0	16.9	16.5	13.4	13.5	13.8	13.9	12.3	12.2	13.9	12.6	12.1	12.3	12.3	12.3	12.2	-1.3				
F	16.3	16.0	14.4	13.4	11.9	12.3	12.1	12.0	11.3	9.3	12.0	11.7	11.2	11.3	10.8	10.1	9.3	-3.0				
IRL	17.2	17.0	13.9	14.6	12.7	13.6	12.4	11.9	11.8	9.4	11.9	11.8	12.1	11.8	11.9	10.7	9.4	-4.2				
I	20.6	20.9	18.0	14.9	13.0	12.8	13.3	13.0	13.1	12.4	13.0	12.8	13.0	13.1	12.9	12.9	12.4	-0.4				
NL	8.6	10.4	9.8	10.3	9.5	9.7	9.6	9.3	9.3	9.1	9.3	9.3	9.3	9.2	9.2	9.2	9.1	-0.6				
P	12.2	10.5	8.8	8.6	7.8	8.6	7.8	7.4	7.5	6.9	7.4	7.7	7.6	7.5	7.4	7.2	6.9	-1.7				
UK	22.6	25.3	30.4	32.5	30.8	32.5	32.5	30.0	26.0	20.3	30.0	25.1	25.0	22.1	20.9	20.9	20.3					
EUR 12 (n)	14.8	12.7	10.8	10.7	10.6	10.7	10.7	10.3	10.5	8.9	10.3	10.3	10.3	10.5	10.8	10.0	8.9	-1.8				
USA	15.2	14.5	13.0	12.3	10.9	11.3	11.1	10.7	10.5	9.3	10.7	10.5	10.3	10.4	10.2	9.9	9.3	-2.0				
JAP	12.9	12.2	10.8	12.0	10.8	11.8	10.4	10.7	9.6	8.0	10.7	10.6	10.1	9.6	9.5	9.1	8.0	-3.8				
	8.4	8.3	7.8	7.3	6.5	6.8	6.6	5.8	5.8	4.7	5.8	6.6	6.4	5.8	5.8	5.2	4.7	-2.1				

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

	1981	1982	1983	1984	1985	1985				1986				1985				1986				Change over 12 months % (b)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.					
BFR/LFR	41.29	44.68	45.44	45.44	44.91	44.66	45.12	45.13	44.74	44.35	44.82	44.67	44.73	44.51	44.27	44.25	43.94	-2.4				
DKR	7.92	8.15	8.13	8.15	8.02	7.96	8.05	8.07	7.99	7.98	8.02	7.99	7.96	7.98	7.98	7.98	7.95	-1.0				
DM	2.51	2.38	2.27	2.24	2.23	2.23	2.24	2.23	2.20	2.17	2.21	2.21	2.19	2.18	2.16	2.16	2.16	-3.6				
DR	61.62	65.30	78.09	88.44	105.7	91.97	98.47	104.5	127.7	133.2	122.1	130.0	130.9	132.4	132.9	134.4	134.8	38.6				
PTA	102.7	107.6	127.5	126.6	129.1	123.1	126.4	131.0	135.8	136.2	135.2	135.9	136.2	136.3	136.2	136.0	136.6	9.4				
FF	6.04	6.43	6.77	6.87	6.80	6.81	6.83	6.81	6.73	6.66	6.74	6.73	6.71	6.68	6.64	6.65	6.83	0.1				
IRL	0.691	0.690	0.715	0.726	0.715	0.715	0.716	0.716	0.714	0.715	0.715	0.714	0.71	0.715	0.715	0.715	0.709	-0.8				
LIT	1263	1324	1350	1381	1447	1382	1430	1484	1494	1476	1493	1492	1490	1484	1472	1470	1476	3.4				
HFL	2.78	2.62	2.54	2.52	2.51	2.52	2.53	2.51	2.48	2.45	2.49	2.49	2.47	2.45	2.44	2.44	2.43	-3.9				
ESC	68.5	78.0	98.7	116.3	130.2	122.4	127.2	132.8	138.4	141.3	137.2	138.1	139.8	140.5	141.4	142.0	142.4	13.2				
UKL	0.553	0.561	0.587	0.591	0.589	0.614	0.578	0.570	0.595	0.642	0.588	0.592	0.60	0.626	0.649	0.651	0.634	8.6				
USD	1.116	0.981	0.890	0.789	0.762	0.684	0.726	0.785	0.853	0.924	0.837	0.852	0.87	0.891	0.928	0.954	0.951	31.2				
YEN	245.4	243.5	211.4	187.0	180.5	176.1	182.0	187.0	176.8	173.3	179.6	173.8	177.0	178.4	171.0	170.4	166.1	-8.8				
DTS	0.946	0.888	0.833	0.767	0.749	0.707	0.732	0.764	0.791	:	0.785	0.788	0.80	0.812	0.822	0.830		17.1				

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

	1985					1986				1985				1986				Change over 12 months % (b)
	1981	1982	1983	1984	1985	1985				1986								
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	
B/L	-5.8	-9.2	-2.8	-2.1	0.7	0.1	0	1.0	1.6	1.8	1.0	0.4	0.3	0.8	0.8	0.4	0.7	5.4
DK	-7.5	-4.4	-0.6	-3.2	0.8	0.3	0	1.1	2.4	1.9	1.6	0.5	1.1	0.4	0.7	0.4	-0.1	5.6
D	-5.6	5.0	4.0	-1.3	-0.2	-0.7	1.0	2.1	2.9	3.5	1.8	0.3	1.5	1.4	1.1	0.7	0	9.5
GR	-10.2	-8.0	-18.0	-14.0	-12.5	-1.5	-4.9	-4.0	-17.2	-2.9	-11.7	-6.0	0	-0.7	0	-0.6	-0.7	-24.5
E	-9.6	-6.0	-17.2	-2.2	-0.6	0.3	-0.9	-1.8	-2.2	1.3	-1.1	-0.3	0.5	0.5	0.5	0.7	-0.7	-4.0
F	-8.8	-8.3	-7.2	-4.6	0.5	-0.4	1.3	2.3	2.9	2.8	1.8	0.4	1.1	1.0	1.1	0.4	-3.4	5.0
IRL	-8.7	-1.1	-4.1	-4.0	0.6	0.1	-0.2	1.1	2.6	3.0	1.7	0.4	1.3	0.8	1.4	0.6	-0.1	7.2
I	-12.4	-6.9	-3.8	-5.4	-6.2	-1.1	-1.9	-2.3	0.8	2.9	1.1	0.3	0.4	1.4	1.3	0.7	-0.8	1.4
NL	-4.3	5.1	2.1	-1.4	-0.2	-0.8	0.7	1.9	2.3	2.8	1.2	0.4	1.3	1.1	0.8	0.6	0.1	7.9
P	-3.8	-12.9	-21.1	-17.1	-10.9	-2.9	-2.6	-2.9	-2.7	-0.5	-0.7	-0.5	-0.5	0.1	-0.1	0.1	-0.7	-7.6
UK	0.2	-4.4	-6.9	-4.6	0.2	-3.6	9.1	3.6	-2.7	-6.1	-1.0	-0.3	-1.3	-3.1	-3.3	0.3	2.4	-2.7
ECU	-14.7	-5.8	-5.8	-8.0	-2.2	-2.7	4.4	4.1	2.9	3.4	2.2	0.3	1.7	1.1	0.8	1.2	-1.0	11.0
USA	12.8	12.0	5.7	8.0	4.9	6.2	-3.4	-5.7	-6.8	-5.9	-5.4	-1.7	-1.3	-1.3	-3.7	-2.3	-0.5	-20.1
JAP	13.6	-5.0	10.8	6.2	1.4	-0.6	0.4	1.1	11.0	6.7	6.8	4.6	-0.4	0.4	6.5	1.9	2.1	26.5

Principal economic policy measures — April 1986

Community (EUR)

6.4 The Ministers for Economic and Financial Affairs and the Governors of the central banks of the Member States decide on a realignment of the central rates of the currencies participating in the EMS (see the April issue of Supplement A)

Belgium (B)

7.4 The central bank cuts the discount rate from 9.75% to 8.75% in two stages (on 7 and 10 April) and the rate for advances from 10.25% to 9%. The rate for one-, two- and three-month Treasury certificates is cut, also in several stages, from 9.75% to 8.25%.

Denmark (DK)

None.

Federal Republic of Germany (D)

None.

Greece (GR)

5.4 By decision of the Governor of the Bank of Greece, the interest rate on deposits which commercial banks lodge with the Bank of Greece to finance craft industries and which are not used is increased by 2.5 percentage points to 8.5% with effect from 1 January 1985.

9.4 In compliance with Community rules, a presidential decree brings to an end, from 18 March 1986, the low-rate employers' social security contribution for the production of goods intended for export.

Spain (E)

4.4 A royal decree creates a second securities market and amends the conditions for putting bonds into circulation.

France (F)

1.4 Entry into force of the new UNEDIC (unemployment fund) agreement which was signed by the employers' organizations and the unions on 19 November. Its purpose is to reduce the unemployment fund deficit and it provides for a reduction in benefits. As before, the basic benefit will consist of an element which is fixed and one which is earnings-related. The fixed element remains unchanged at FF 43.47 a day (FF 1 316.10 a month). The earnings-related element is cut from 42% to 40% of the former wage. The minimum benefit is set at FF 3 165 a month. For managerial staff, the minimum benefit is cut from 60% to 57% of the former salary. The period of eligibility for benefit is, however, extended by one to three months, depending on the case.

6.4 A number of measures are taken to accompany the devaluation of the French franc:

- liberalization of exchange controls: companies will be able to cover exchange risks forward; exporters will no longer be obliged to surrender their foreign currency within eight days; companies will be free to borrow and invest abroad; also, the restrictions on individuals are substantially relaxed: credit cards may now be used to withdraw three times as much cash abroad as formerly, and to pay for expenditure abroad;
- the ending of price controls: this will be introduced gradually and, in the immediate future, will apply only to industrial prices and small shops' profit margins; the price controls on services will be governed by a new competition code, to be drafted;
- austerity for public sector pay: public sector pay will be frozen in real terms in 1986, by maintaining 'overall' purchasing power only (based on the total civil service pay bill);
- budgetary austerity: the Government intends, through a supplementary budget, to save FF 15 000 million and eventually, within three years, to balance the budget, excluding debt interest. The FF 15 000 million will be saved on a number of items of central government expenditure and by reducing public service staffing levels through natural wastage;

— monetary austerity: the Government confirms the earlier decision to hold money supply growth to under 5%. Money creation by the Treasury will be cut by 50% starting in 1986, then ended altogether. The easing of interest rates will be cautious. Changes will be made in the very near future to taxation and customs rules in order to facilitate the repatriation of capital.

28.4 The Bank of France lowers its money market intervention rate from 7.75% to 7.5% after a half-point cut on 14 April.

Ireland (IRL)

None.

Italy (I)

14.4 The restrictive measures introduced on 16 January in order to defend the lira are withdrawn; the measures limited advance payments for imports and required exporters to finance 75% of exports in foreign currency. The new decision concerning foreign exchange include the following liberalization measures:

- The 'spot against forward' ceiling on sales and purchases of foreign currencies applying to banks is increased from LIT 1 800 000 million to LIT 2 200 000 million;
- the maximum maturity in forward contracts for banks is lengthened from 12 to 18 months;
- forward sales and purchases of foreign exchange are permitted for service transactions;
- to settle foreign documentary credits, forward purchases of foreign exchange can be made by residents from the date of the import contract, instead of the date when the domestic bank grants financing;
- in the case of the bank financing of exports, for maturities shorter than those of the settlement, residents are permitted to make forward purchases of foreign exchange;
- currency options can be bought by residents from authorized banks for all transactions concerning merchandise and services.

24.4 The discount rate is cut from 14% to 13%.

Luxembourg (L)

None.

Netherlands (NL)

22.4 Parliament adopts a change in the law on wage formation, limiting the powers of intervention of the Minister for Employment and Social Security. In future the Minister will be able to intervene only in a crisis situation, caused by an abrupt change in events instead of, as before, being able to intervene in the interests of the national economy. The Minister will have to inform Parliament of the content of his decision one week before it is implemented and must first consult with the two sides of industry. The validity of measures of this kind is limited to six months, renewable once.

Portugal (P)

4.4 Parliament adopts the budget and the broad lines of the plan for 1986. Central government expenditure is 25.5% up on the 1985 outturn, mainly because of mounting interest charges. Revenue is 38% up, chiefly as a result of the introduction of VAT and the replacement by taxation of much of the fall in the price of oil. The borrowing requirement will be 10.3% of GDP compared with 11.8% in 1985.

9.4 The central bank cuts all official interest rates by 1.5 percentage points. The discount rate is set at 17.5%.

United Kingdom (UK)

None.

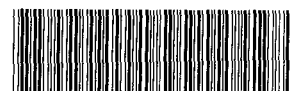
Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
'European Economy' (4 issues per year)	36.76	1 650	26.50	21.75	30	The annual subscription runs from 1 January to 31 December of each year.
Supplements						
Series A — 'Economic trends' (11 issues per year)	12.26	550	8.75	7.25	11	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
Series B — 'Business and consumer survey results' (11 issues per year)	16.71	750	12	10	14	
Complete series of supplements	27.85	1 250	20	16.50	23	These are surface mail rates; for air subscription rates please apply to the agents
Combined subscription — 'European Economy' and supplements	49.01	2 200	35	29	40	



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L-2985 — Luxembourg



CB-AS-86-005-EN-C