

EUROPEAN ECONOMY

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

Supplement A — No 2 — February 1987

Recent economic trends

*In this number:
Quarterly national accounts;
third quarter 1986*

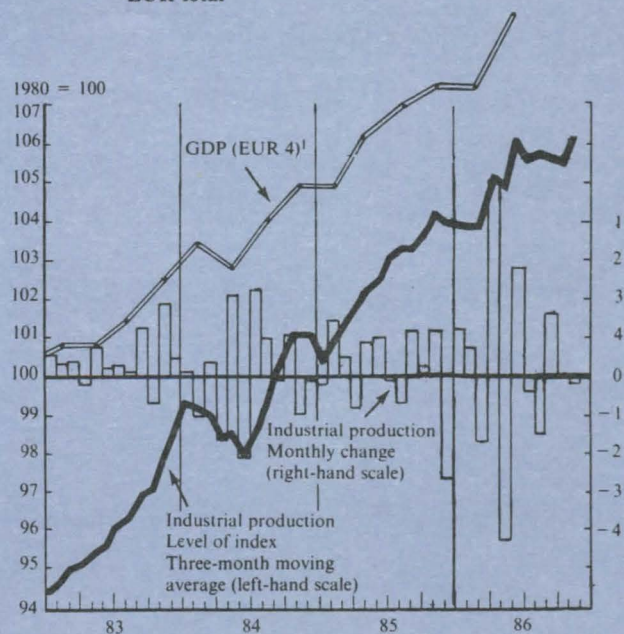
Output marks time in the third quarter. — Quarterly national accounts data for Germany, Italy and the United Kingdom for the third quarter show an increase of 1,9 % in real gross product on the previous quarter - seasonally adjusted annual rate for the weighted average of these three countries - after the strong expansion a quarter earlier (9,2 % for the three Member States in question)¹. Although the expansion of domestic demand did not match the boom of the second quarter, it still grew quite rapidly (4,5 % as compared with 7,9 % in the first quarter for the same three countries) with all components except stockbuilding, which exerted a marginally negative effect on output, expanding by over 4 %. However, the foreign balance turned sharply negative and had the effect of reducing growth by nearly two and a half percentage points.

In the *Federal Republic of Germany* the pace of GNP expansion slowed down to 2,9 % in the third quarter, after the catch up of a quarter earlier. However, it should be noted that the pattern of developments during 1986 are to some extent influenced by differences in the number of working days in the quarters². Private and public consumption continued to grow strongly but investment was weaker, despite a sharp increase in the construction component. In addition, a fall in stockbuilding dampened domestic demand (negative contribution of 3,7 percentage points) after its positive impact during the preceding quarter. The fall in inventories was, however, at the same time reflected in a sharp decline in imports, which fell faster than exports resulting in a positive contribution of 2,4 percentage points to GDP growth from the foreign balance.

The rate of growth of real GDP also slowed down in *Italy*, with the third quarter figure down to 1,6 % from the rapid surge in growth in the second quarter. Private consumption remained quite buoyant and although investment growth was substantially slower than in the preceding quarter, principally in equipment

(+0,8 %), its rate of growth still remained well above that recorded in 1985. Stockbuilding was particularly strong, contributing 5,7 percentage points to growth, but its negative counterpart can be found in the rapid rise in imports (28,1 %) which, taken together with a fall in exports, meant that the foreign balance depressed the overall rise in GDP.

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



¹ Due to a rebasing of the series, quarterly national accounts data are currently not available for France.

² Figures of German GNP, adjusted for calendar variations in 1986 (quarter to quarter, not annualised) were: QI -0,5 %, QII 2 %, QIII 1 %. These compare with unadjusted figures of QI -1,0 %, QII 3,5 %, QIII 0,5 %.

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 stocks (c) | Final domestic demand | Gross fixed in- vestment | Govern- ment con- sumption | Private consump- tion |
|------------------------------------|------------|----------------|----------------|------------------------------|--------------------|----------------------------|-----------------------------|--------------------------------|----------------------------------|-----------------------------|
| EUR 4 | | | | | | | | | | |
| 1982 Q4 | 2,3 | -8,4 | 3,1 | 3,1 | -0,8 | -3,4 | 2,6 | 3,0 | 1,9 | 2,7 |
| 1983 Q1 | 3,2 | 8,3 | 0,9 | -1,8 | 5,2 | 4,5 | 0,6 | -3,4 | 2,5 | 1,4 |
| Q2 | 1,6 | 4,9 | 8,4 | 0,9 | 0,7 | -0,8 | 1,5 | 0,8 | 1,7 | 1,7 |
| Q3 | 1,0 | 1,8 | 1,2 | -0,1 | 1,2 | 0,2 | 1,0 | 1,2 | 0,0 | 1,2 |
| Q4 | 3,7 | 10,8 | 12,7 | 0,5 | 3,2 | -0,9 | 4,1 | 10,0 | 3,2 | 2,5 |
| 1984 Q1 | 4,8 | 3,6 | 9,3 | 1,5 | 3,3 | 2,1 | 1,1 | -1,2 | 0,0 | 2,3 |
| Q2 | -2,4 | 9,6 | -2,3 | -3,1 | 0,7 | 0,5 | 1,3 | 0,0 | 3,4 | 1,1 |
| Q3 | 4,8 | 4,2 | 14,0 | 2,6 | 2,2 | 0,3 | 2,0 | 7,8 | 1,9 | 0,2 |
| Q4 | 2,2 | 15,3 | 13,5 | -0,4 | 2,6 | 0,4 | 2,3 | 5,1 | 2,4 | 1,3 |
| 1985 Q1 | 1,3 | 2,9 | 4,1 | 0,3 | 1,0 | 0,3 | 0,7 | 4,0 | -1,7 | 3,1 |
| Q2 | 4,5 | -2,2 | 6,0 | 2,3 | 2,1 | 0,1 | 2,1 | -0,3 | 2,9 | 2,6 |
| Q3 | 3,6 | 5,9 | -0,5 | -1,7 | 5,5 | -0,3 | 5,8 | 9,3 | 3,6 | 5,4 |
| Q4 | -0,2 | 8,4 | 2,1 | -1,7 | 1,6 | -0,1 | 1,7 | 0,4 | 2,2 | 2,0 |
| 1986 Q1 | -0,3 | -2,3 | -7,2 | -1,5 | 1,2 | 1,4 | -0,3 | -6,8 | -1,7 | 2,4 |
| Q2 | 7,7 | 16,8 | 15,6 | -0,3 | 8,0 | 0,4 | 7,7 | 15,1 | 3,4 | 6,7 |
| Federal Republic of Germany | | | | | | | | | | |
| 1984 Q1 | 6,7 | 4,1 | 16,6 | 3,9 | 2,9 | 2,4 | 0,3 | -7,7 | 0,5 | 3,5 |
| Q2 | -5,0 | 2,6 | -2,5 | -1,5 | -3,6 | -1,9 | -1,7 | -13,9 | 5,9 | 0,4 |
| Q3 | 7,5 | -2,1 | 10,0 | 3,8 | 3,6 | -1,2 | 4,9 | 19,2 | 1,6 | 1,3 |
| Q4 | 2,6 | 8,6 | 21,0 | 4,1 | -1,5 | -3,6 | 2,3 | 8,3 | 5,3 | -0,9 |
| 1985 Q1 | -2,3 | 11,4 | 3,0 | -2,1 | -0,2 | 7,9 | -8,0 | -28,5 | -6,0 | 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 | 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 |
| Q3 | 2,9 | -17,8 | -9,9 | 2,4 | 0,5 | -3,7 | 4,5 | -0,5 | 11,4 | 4,0 |
| France | | | | | | | | | | |
| 1983 Q4 | 2,7 | 15,6 | 11,3 | -0,9 | 3,6 | 0,1 | 3,6 | 4,6 | 1,5 | 3,7 |
| 1984 Q1 | 3,9 | 3,4 | 13,0 | 2,3 | 1,6 | 1,7 | -0,1 | -5,9 | 3,4 | 1,0 |
| Q2 | -1,5 | 4,0 | -4,4 | -2,1 | 0,6 | 1,0 | -0,4 | 1,7 | -1,3 | -0,9 |
| Q3 | 3,3 | 1,3 | 11,4 | 2,4 | 0,9 | 0,3 | 0,5 | -3,7 | 2,4 | 1,5 |
| Q4 | 0,1 | 9,6 | 2,6 | -1,6 | 1,8 | 0,9 | 0,9 | 4,5 | -0,7 | 0,1 |
| 1985 Q1 | -0,7 | 3,2 | 2,7 | -0,1 | -0,6 | -4,1 | 3,7 | -2,1 | 1,5 | 6,0 |
| Q2 | 3,5 | 1,2 | 3,1 | 0,5 | 3,0 | 1,2 | 1,8 | 7,9 | 0,9 | 0,2 |
| Q3 | 3,7 | 19,9 | -4,8 | -5,9 | 10,0 | 4,3 | 5,5 | 12,5 | 3,4 | 3,8 |
| Q4 | 2,6 | -5,0 | 2,9 | 2,1 | 0,5 | -3,9 | 4,6 | 4,7 | 4,1 | 4,7 |
| 1986 Q1 | -0,8 | -0,5 | -4,3 | -1,0 | 0,2 | -0,8 | 1,0 | -4,4 | -1,2 | 3,2 |
| Q2 | 4,3 | 31,6 | 1,9 | -6,7 | 11,5 | 5,1 | 6,2 | 15,5 | 2,3 | 4,3 |
| Italy | | | | | | | | | | |
| 1984 Q1 | 3,7 | 11,7 | -2,0 | -2,8 | 7,1 | 3,1 | 3,7 | 6,9 | -0,7 | 4,0 |
| Q2 | 1,5 | 15,2 | -1,4 | -3,4 | 5,2 | 2,1 | 3,0 | 8,1 | 5,0 | 1,2 |
| Q3 | 5,4 | 15,1 | 29,1 | 3,6 | 1,9 | 0,2 | 1,6 | 9,6 | 2,3 | -0,5 |
| Q4 | 0,2 | 24,5 | 4,4 | -3,8 | 4,3 | 1,3 | 3,0 | 8,9 | 3,8 | 1,2 |
| 1985 Q1 | 1,1 | 4,5 | 0,2 | 1,3 | -0,3 | -3,0 | 2,9 | 5,4 | 1,3 | 2,7 |
| Q2 | 5,0 | 2,8 | -2,1 | -1,2 | 6,5 | 4,3 | 2,0 | -0,8 | 0,8 | 3,1 |
| Q3 | 0,2 | 2,2 | 8,6 | 1,7 | -1,6 | -2,9 | 1,5 | -2,6 | 3,2 | 2,2 |
| Q4 | 1,6 | 23,3 | 10,3 | -2,3 | 4,2 | 2,8 | 1,3 | -3,6 | 4,1 | 1,9 |
| 1986 Q1 | -1,7 | 1,2 | -12,1 | -3,8 | 2,2 | 1,6 | 0,6 | -6,9 | 1,5 | 2,4 |
| Q2 | 11,1 | -13,1 | 16,6 | 7,9 | 3,0 | -1,9 | 5,1 | 15,9 | 2,9 | 3,0 |
| Q3 | 1,6 | 28,1 | -2,0 | -6,4 | 8,7 | 5,7 | 2,7 | 1,9 | 1,3 | 3,3 |
| United Kingdom (d) | | | | | | | | | | |
| 1984 Q1 | 3,3 | -3,5 | 6,0 | 2,6 | 0,7 | 0,5 | 0,2 | 8,2 | -3,5 | -0,8 |
| Q2 | -2,2 | 20,8 | -0,9 | -5,3 | 3,3 | -3,2 | 6,7 | 12,6 | 3,9 | 5,9 |
| Q3 | 2,3 | 6,1 | 10,7 | 1,2 | 1,1 | 1,3 | -0,3 | 5,7 | 1,8 | -2,8 |
| Q4 | 5,9 | 22,0 | 21,0 | -0,2 | 6,2 | 3,2 | 2,9 | -1,9 | -1,3 | 5,9 |
| 1985 Q1 | 9,3 | -8,7 | 2,1 | 3,3 | 5,8 | -1,7 | 7,6 | 28,0 | 0,7 | 4,2 |
| Q2 | 0,4 | -5,3 | 8,7 | 4,0 | -3,5 | 2,2 | -5,7 | -30,6 | 0,1 | 1,8 |
| Q3 | 1,3 | -1,3 | -11,6 | -3,2 | 4,7 | -2,2 | 7,1 | 15,6 | -2,6 | 8,0 |
| Q4 | -0,4 | 14,3 | 7,8 | -1,6 | 1,2 | 0,3 | 1,0 | -6,0 | 0,5 | 3,3 |
| 1986 Q1 | 7,0 | -4,6 | -8,5 | -1,2 | 8,4 | 2,9 | 5,3 | 15,3 | 4,1 | 2,9 |
| Q2 | 0,7 | 6,8 | 16,3 | 2,5 | -1,7 | -3,8 | 2,1 | -14,6 | 4,5 | 6,9 |
| Q3 | 0,7 | 24,7 | 5,0 | -4,9 | 5,8 | -0,8 | 6,6 | 14,2 | 0,5 | 6,5 |

(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 | | | |
|---------------------------------------|------|-----|-----|------|-----|------|------|-----|------|------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Expenditure | -3,0 | 2,7 | 5,4 | 10,1 | 1,1 | 0,4 | -1,1 | 8,3 | -0,4 | -0,4 |
| Output | 0,4 | 3,8 | 3,8 | 6,5 | 4,1 | 0 | 3,3 | 2,2 | 3,2 | 5,0 |
| Income | -0,4 | 8,5 | 1,9 | 0,7 | 9,5 | -1,8 | -2,1 | 5,9 | 1,1 | -0,7 |
| Average | -0,8 | 5,0 | 3,8 | 5,3 | 4,8 | -0,4 | 0 | 5,5 | 1,4 | 1,1 |

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.

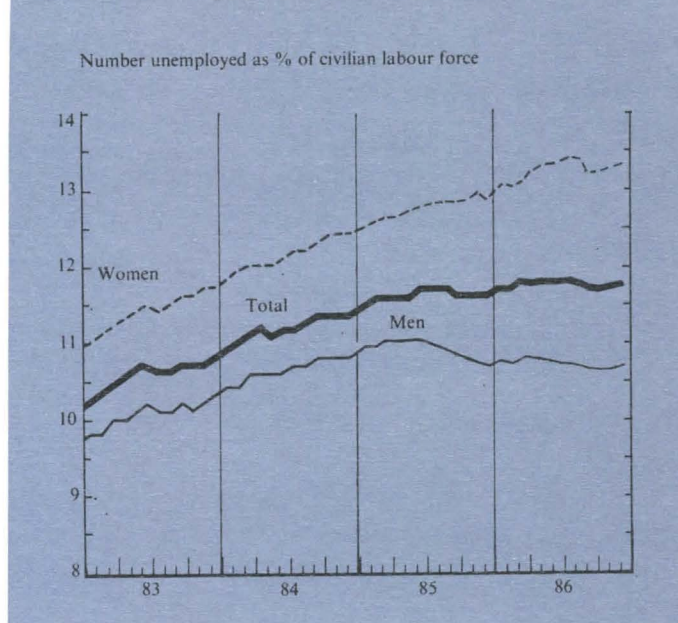
n the *United Kingdom*, the expenditure-based measure of GDP rose by 0,7 % in the third quarter, the same rate as in the second quarter. The level of GDP, however, was high, following the sharp rise at the beginning of the year. Private consumption expenditure continued to progress strongly and general government expenditure was almost unchanged. The uneven path of fixed investment over the past two years is to a large extent caused by a bunching of investment expenditure in the first quarters of both 1985 and 1986 in anticipation of the reduction in first year capital allowances in April. Accordingly the increase of 14,2 % in investment expenditure in the third quarter reflects a rebound from the artificially low second quarter figure. There was a small amount of destocking in the period under review (-0,8 percentage points contribution to GDP) and the foreign balance was strongly negative (depressing GDP by 4,9 percentage points), as exports slowed down and imports continued to pick up rapidly, growing by 24,7 %. The output-based measure of growth, considered by the authorities to be the best indicator of short-term changes, accelerated in the third quarter to grow at 5 %. Construction and distribution were particularly buoyant.

Industrial production remains weak. — Industrial production in the Community fell back marginally (-0,1 %) in November after stagnating in October. The Community index in November was thus 0,6 % below the level recorded in June 1986 and was just 0,3 % higher than a year earlier. Production of consumer goods industries slackened after some buoyancy earlier in the year. The intermediate goods sector remained depressed, but investment goods' output was somewhat more dynamic. The trend of output, on the basis of a three-month moving average of data (see Graph 1), did, however, pick up in November from the plateau which had been in evidence, with a positive trend in France, the Netherlands and the United Kingdom since June. The trend in German industrial production has, however, weakened somewhat over the four months to November. (Preliminary data suggest that German output fell 1 % in December, although the increased number of firms closed over the Christmas period may well overstate the slackening in activity.) The weakness in output of consumer goods was the main factor behind the fall in Danish production in November. In the United Kingdom industrial output progressed modestly after the fall in October resulting from a decline in North Sea oil extraction. In November manufacturing output continuing to edge upwards helped by strong consumer demand and exports. Gas extraction also influenced the pattern of developments in the Netherlands with the underlying trend in non-energy output remaining quite positive.

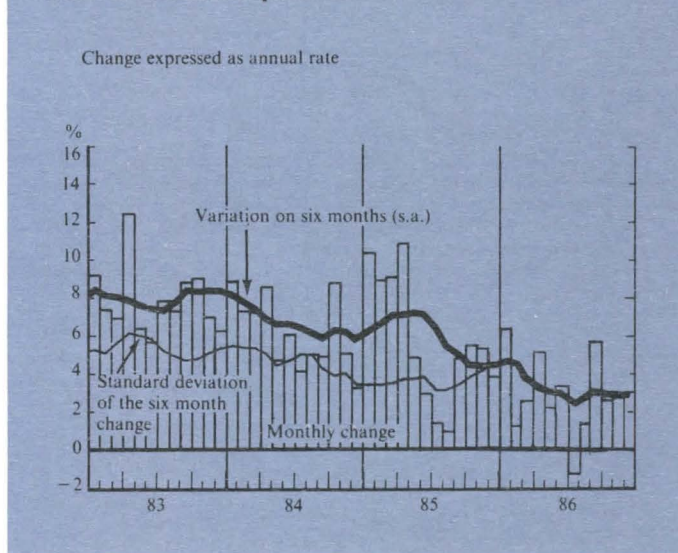
Unemployment up sharply in December. — In December the number of registered unemployed, seasonally adjusted, in the Community (EUR12) rose by 99 000 to 16,2 million (11,7 % of the civilian labour force). For 1986 as a whole, the average number of registered unemployed in the Community at 16,1 million was, accordingly, 1,6 % higher than in 1985, with female unemployment showing a rise of 5,2 % and male unemployment falling slightly (see Graph 2). In December, numbers out of work grew in all Member States except Italy and the Netherlands, but it is not clear whether this represents a break in the slow downward trend in a number of countries or an erratic high monthly figure. At the end of the year, unemployment rates were lower than December 1985 in the Netherlands (-5,9 %), in Germany (-5,5 %), Belgium (-1,7 %), the United Kingdom (-1,3 %) and Luxembourg (-0,8 %). In January an increase was registered in the seasonally adjusted number of unemployed in Germany for the second consecutive month and a smaller number of vacancies were notified and in the United Kingdom the number out of work was virtually unchanged.

Trend rate of inflation unchanged at 2,8 % in December. — The index of consumer prices in the Community in December rose by 0,2 % on a month earlier, the same increase as in November. On a seasonally adjusted basis, however, the monthly rate of increase was 0,3 % as compared with 0,2 % a month earlier. In December prices fell in the Netherlands, Luxembourg and Denmark but this was due to declines in prices of seasonal foods. Elsewhere increases were generally modest except in Portugal (1,7 %), where a rise in public service charges boosted the index, Greece (0,9 %), where, nonetheless, the seasonally adjusted series slowed down for the third successive month, and Spain (0,5 %) where food and clothing prices were particularly buoyant. The underlying trend rate of inflation, measured as the seasonally adjusted rate of change over six months at an annual rate, for the Community as a whole, was unchanged at 2,8 %, while the divergence in price trends among Member States narrowed sharply. Inflation rates in the Community over

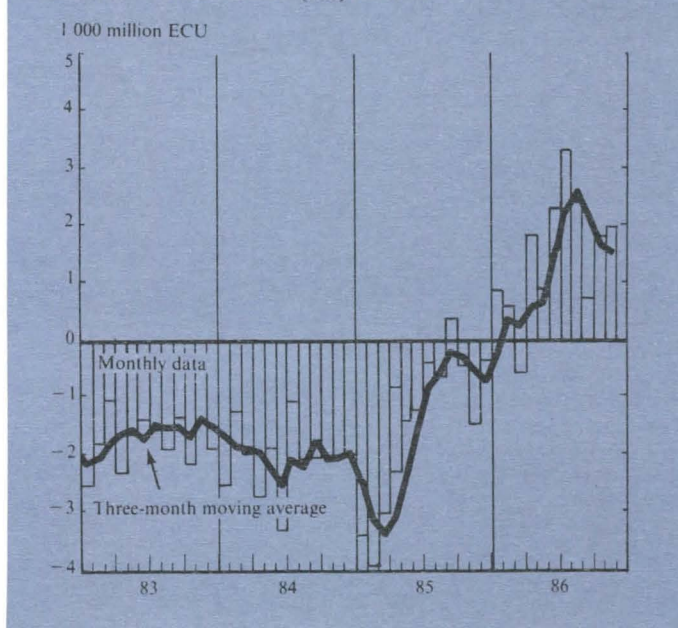
GRAPH 2: Unemployment (s.a.) EUR 12



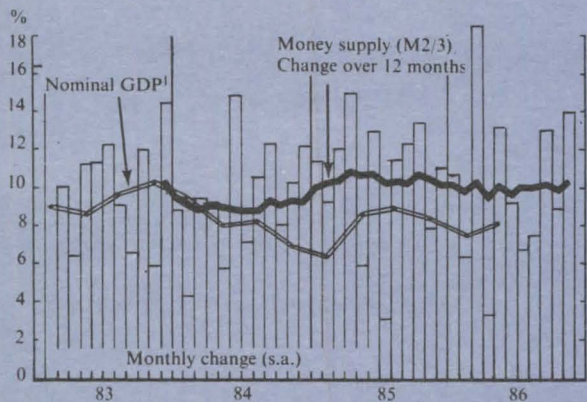
GRAPH 3: Consumer prices EUR 12



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

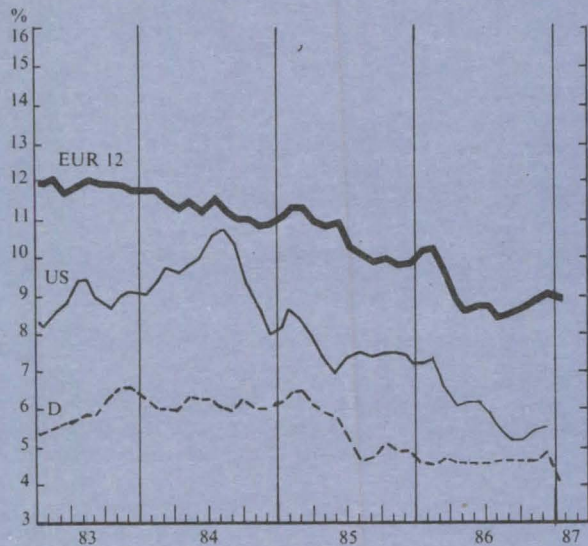


GRAPH 5: Money supply (EUR 10) and nominal GDP (EUR 4)

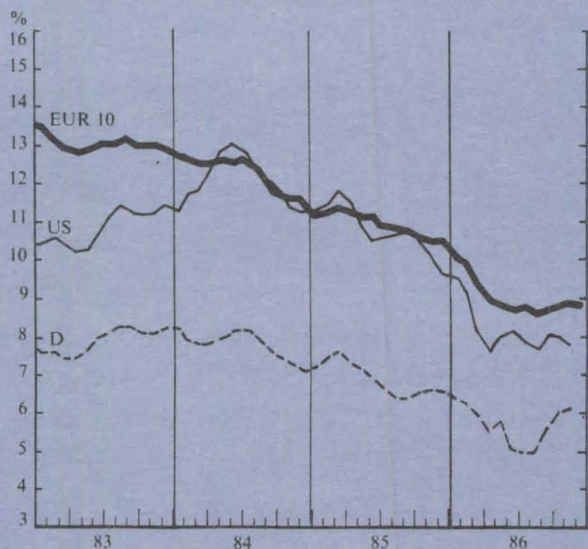


¹ Change over the same quarter of previous year.

GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



twelve months ranged from falls of 1,4 % and 1,1 % in Luxembourg and Germany respectively to an increase of 16,9 % in Greece. The annual average inflation rate for the Community as a whole in 1986 is provisionally estimated at 3,6 %.

Trade surplus edges up in November. — The Community's trade surplus (EUR10) rose slightly in November to 1 979 million ECU, but its level was still substantially below that recorded in the summer months. The trend, on the basis of a three-month moving average, fell progressively from 2 462 million ECU in August to 1 506 million ECU in November. Within the Community, the German surplus edged up again in November but this was more than compensated for by a rise in the UK deficit. Other countries registering deficits generally improved their positions. This was in particular the case in France, Spain and Italy, where improvements of the order of 300 million ECU were recorded in trade accounts. On a year-to-year basis deficits were lower or surpluses higher in all countries except the United Kingdom and the Netherlands, where energy prices were a major contributory factor, and Spain, while the trade position was almost unchanged in Denmark.

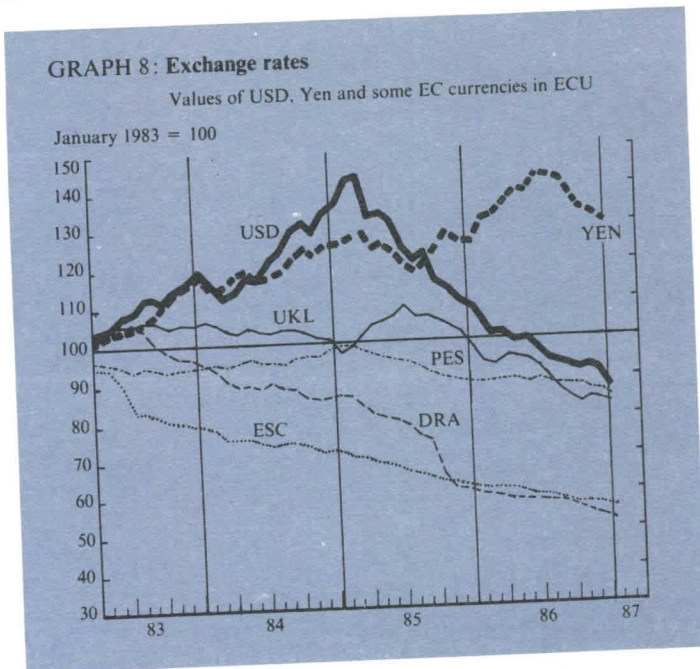
Money supply growth somewhat higher in November. — In November the rate of increase in the money supply for the Community as a whole (s.a.) rose to 1,1 % after the 0,7 % rise registered in October with sharp month to month increases in Germany, the United Kingdom, France and Italy. Preliminary figures for December, however, suggest some slowing down in monetary expansion in that month. For those countries for which December figures are available, it was only in Denmark, where bank lending is still growing rapidly and Ireland, after the monthly decline in November, where sharp upward movements were observed. In Germany, on the other hand, money supply was unchanged in December due to a low level of bank lending to the private sector and a marked increase in monetary capital formation which together neutralised the continued substantial inflow of external funds. In France M_3 fell by 0,6 % and the quarterly average centred on November thus grew by 4,6 % per annum as against 7 % in 1985. This result was, therefore, well within the range of 3 to 5 % set as an objective for 1986. On the basis of provisional figures, liquid assets held by the public (ALP) in Spain grew by 1,1 % as a result of a strong increase in government borrowing at the end of the year. The annual increase was, accordingly, 11,4 %, just above the central target, but well within the target band. In the United Kingdom Sterling M_3 rose by 18,7 % in the year to December, remaining well above its target range of 11 to 15 %, but the principal narrow measure of money M_0 , which grew by 5,2 %, was within its range of 2 to 6 %.

Interest rates ease after realignment. — Short-term interest rates eased slightly to 9 % in January. However, in a number of countries they have not yet come back to the level of the end of the year after increases in the first week of January, associated with exchange rate pressures. Thus in Denmark the increase of 4 3/4 percentage points in the Nationalbank money market intervention rate to 14 % in the week up to the realignment was still reflected in the January rate, which was nearly two percentage points higher than at end-December. In other countries, except Germany and the Netherlands, participating in the exchange rate mechanism of the EMS, rates were generally marginally higher than in December. The cut in the discount and lombard rates of one half a percentage point on 22 January by the German authorities and the lowering of rates on special advances in the Netherlands were reflected in pronounced falls in short term interest rates in these two countries.

ECU continues to appreciate against the dollar. — The appreciation of the ECU against the dollar following the publication of the November US trade deficit continued into January and by the end of the month the ECU had risen by 6,4 %. The dollar did, however, recover somewhat at the beginning of February following the publication of a number of more favourable US economic statistics including a smaller than expected trade gap in December, a downward revision of the November estimate, a strong increase in leading indicators and a widening of short-term interest rate differentials between the USD and the DM. The yen also appreciated against the dollar but not as strongly, with the result that it ended the month somewhat down on the ECU. Within the exchange rate mechanism of the EMS, the narrow band currencies were clustered closely around their central rates after the realignment on 12 January, with the revalued currencies generally placed lower in the band. However the weakness of the pound sterling just after the realignment exerted downward pressure on the Irish pound, which approached its floor, bringing about some reported intervention

by the Central Bank of Ireland. For most of January and into February, there was little change in relative currency positions in the narrow fluctuation band, with the Danish kroner at the top and the Irish pound in the bottom position. Early in February, the Italian lira weakened slightly, entering into the narrow band. Community currencies not participating in the exchange rate mechanism moved in the same direction as the dollar against the ECU, with the depreciation being between 2 and 2 1/2 % for the peseta, drachma and escudo. The fall in the pound sterling against the ECU was less pronounced.

23 February 1987



Principal economic policy measures - January 1987

Community (EUR)

12.1 Ministers and Central Bank Governors of EEC member countries by mutual agreement, in a common procedure involving the Commission and after consultation of the Monetary Committee, decided on an adjustment of central rates within the European Monetary System. The DM and HFL were revalued by 3 %, the B/LFR by 2 %, and the parities of the DKR, FF, LIT and IRL were not changed.

Belgium (B)

31.12.1986 The Government approves the Gheyselincx plan to restructure and reconvert the Limbourg coal mines, heavily in deficit. Under the plan, production will be halved over a ten-year period (1987 to 1996) and the labour force will be cut from 17 200 to 9 200 (in three years at the most).

7.1 The discount rate is raised from 8 % to 8.50 % as a result of strains within the EMS.

Denmark (DK)

29.1 The central bank agrees with the banking system's arrangements to modify the existing mechanism of marginal reserve requirements related to the increase in banks' liabilities by lowering the stipulated base rate of increase from 9 % to 7 % for the period February-June 1987. Banks whose customer deposits grow faster than the stipulated base rate will continue to make special deposits with the central bank corresponding to 20 % of the excess increase at a rate fixed by the central bank in relation to the money-market rate. The central bank furthermore asked private banks to limit their lending considerably during the next months.

Federal Republic of Germany (D)

22.1 The Central Bank Council reduced the discount rate and the lombard rate by 1/2 a point each to 3 % and 5 % respectively. In addition, it decided to reduce the rediscount quotas by DM 8 000 million as from 2 February and to increase minimum reserve requirements on domestic and foreign liabilities by 10 % as from 1 February.

Greece (GR)

7.1 1 April 1987 will see the introduction of a new method of calculating rents, resulting in moderate increases.

20.1 By a decision of the Minister for Economic Affairs, public limited liability companies will be entitled to buy shares for distribution, free of charge, to their employees in order to improve productivity provided that: (a) the nominal value of such shares is less than 10 % of their capital; (b) this purchase does not reduce their capital and reserves; (c) the shares are fully paid up.

20.1 The Minister for the National Economy decides that the basic wage indexation rate for the first four months of 1987 will be 4.1 %.

20.1 The Minister for Economic Affairs decides to raise the bottom slice of the wage indexation scale by DRA 10 000 from January 1987. The new thresholds are now DRA 60 000, DRA 70 000 and DRA 100 000.

26.1 The Minister for Trade announces his intention of concluding with industry representatives agreements adjusting the prices of goods and services for 1987 in two stages, the total percentage being under 10 %.

28.1 The Ministry for Industry decides to release two of the forty-three ailing companies from the State rescue programme. Their provisional managements, appointed by the company restructuring agency are withdrawn and their debts are no longer frozen but capitalized and taken over by credit or bodies and by the company restructuring agency which is the majority shareholder.

31.1 The Governor of the Bank of Greece decides to raise from 6 % to 6.5 % the rate payable on compulsory reserves for private deposits and from 4 % to 4.5 % the rate on special time deposit reserves.

Spain (E)

30.1 State pensions are increased by 5 %. Pensions in excess of PTA 187 500 a month will remain unchanged.

France (F)

1.1 The domestic tax on petroleum products is raised by 2.4 % and gas prices are lowered by 11 % for individual users, 12 % for collective users and 9 % to 12 % for industry.

1.1 Retirement pensions are raised by 1.8 % and supplementary retirement pensions by 1.58 %.

Ireland (IRL)

None.

Italy (I)

7.1 The public sector contract of employment is signed; in 1987 the new contract will cost central government an additional LIT 353 300 million, plus LIT 37 000 million which will go to the productivity fund. Monthly wages will increase by an average of LIT 114 000, spread over three years; the increase in the cost of labour is estimated at 7.5 %. The contract is valid for three years.

21.1 The Cabinet approves a draft law which will cut rates of tax on income in excess of LIT 11 million. This will reduce central government revenue by some LIT 4 600 000 million.

Luxembourg (L)

17.12.1986 Parliament adopts the central government budget for 1987. Total gross revenue is estimated at LFR 80 060 million, and authorized gross expenditure stands at LFR 80 210 million.

Netherlands (NL)

20.12.1986 The Government decides to reduce the number of public sector jobs by 28 000 between 1987 and 1990: 16 500 will go through job losses and the rest will be reduced through privatization and the creation of autonomous agencies.

23.12.1986 The central bank (DNB) and the private banks conclude an agreement limiting net money creation to between 11 % and 12 % for the period 1986-87. This is a prolongation of the agreement of February 1986, and should help to prevent an excessive rise in the liquidity ratio which went from 38 % to 44 % between 1982 and the end of 1985.

Portugal (P)

6.1 The Minister for Finance announces a cut of 0.5 of a percentage point in key interest rates.

United-Kingdom (UK)

14.1 The Government publishes its annual white paper on expenditure plans, covering the years 1987-88 to 1989-90. It sets out a detailed analysis of the broad plans announced in last year's Autumn Statement, which provided for planned real increases in total public spending. Compared with last year's white paper, extra funds are now allocated, inter alia, to education, health and social security, and law and order.

28.1 The Government announces an extension of special employment measures with a view to reducing long-term and youth unemployment and to promoting skill levels amongst job seekers. The Job Training Scheme, offering a six-month training scheme, is put on a nationwide basis; the scope of the Restart Programme, the Youth Training Scheme and the Enterprise Allowance Scheme is also enlarged.

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| | ECU | BFR | IRL | UKL | USD | |
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