

# EUROPEAN ECONOMY

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

Supplement A — No 3 — March 1987

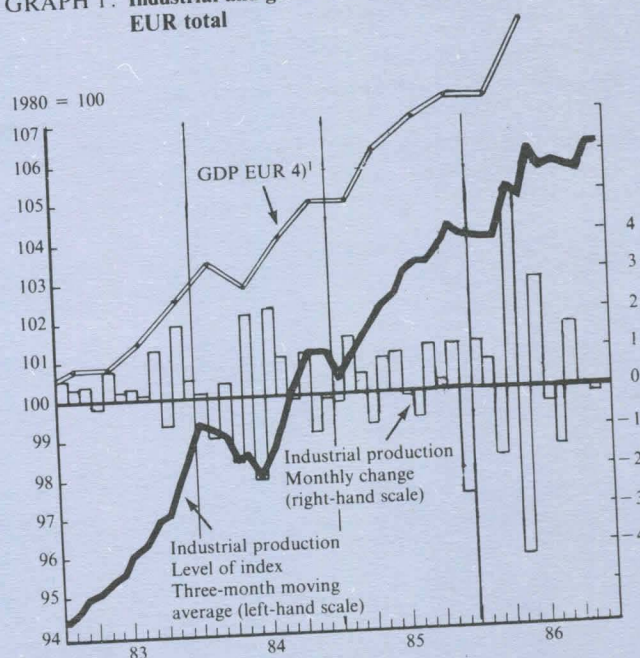
*In this number:  
The economic situation  
in the Community*

Recent economic trends

## THE MAIN POINTS IN BRIEF

- The Commission has updated its September/October forecast to take account of changes in the international environment including a more rapid depreciation of the dollar than foreseen and somewhat less dynamic world trade. With weaker exports and less buoyant investment, Community GDP is now expected to grow by 2,3 % in 1987 instead of 2,8 %.
- In its Communication to the Council of March, the Commission suggests that while the Louvre agreement has helped to stabilise international developments, the Community must rely on the major options of its cooperative strategy to improve internal conditions for growth in order to reduce unemployment from current unacceptable levels. It points out that the present weakening in activity suggests that the options of the strategy should be accentuated and applied with determination, not only those concerning supply conditions, but also those relating to demand.
- Short-term indicators at the turn of the year indicate a generally unchanged picture of weak activity, relatively stable prices, a positive trade position and an easing of monetary growth. There was some month to month fall in unemployment (s.a.) in January and interest rates have been easing since the beginning of the year.

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



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

### Updating of the short-term economic forecasts for the community

At the end of January, the Commission departments updated in part their October 1986 short-term economic forecasts for 1986 and 1987, on which the Annual Economic Report 1986–87<sup>1</sup> was based. The exercise concerned the main macro-economic variables in Member States (see Tables 1.a – 1.h).

In evaluating the revised forecasts, account should be taken of the fact that the rapidly changing *external environment is still a source of considerable uncertainty*. For instance, the current-account imbalances at international level have still not been rectified (Japan had a surplus of USD 89 000 million in 1986, or 4,5 % of GDP, while the US deficit stood at USD 143 000 million, or 3,4 % of GDP) and are seriously hampering moves to stabilise the international monetary system. The modest but steady growth anticipated in the US economy (1987: 2,4 %) will materialise only if US exports respond vigorously to improved competitiveness and if the Government's timetable for reducing the budget deficit is met. Lastly, as the case of Brazil has demonstrated in recent weeks, the difficulties of the highly indebted developing countries are threatening to come to a head. While realization of the intentions spelt out in the Louvre Communiqué<sup>2</sup> will probably have a favourable effect on international economic and monetary prospects, even the updated forecasts might still turn out to be too optimistic especially where world trade and the situation in some Member States are concerned.

The *outturn figures available for 1986* provide confirmation of the October expectations as regards average economic growth in the Community, which probably amounted to 2,5 % in real terms, with the result that the modest, but steady cyclical upturn discernible since 1982 continued at much the same pace as in 1984 (2,4 %). The underlying profile of demand components is, however, even more pronounced than had been expected in October. On the one hand, private consumption fulfilled its role in underpinning demand and notched up its highest rate of real growth since 1973 (3,8 %). On the other, the growth rates of investment in plant and machinery (4,3 %) and of exports (1,7 %) were probably a good deal lower in 1986 than had been forecast in October.

For 1987 too, expectations for exports and hence for investment in plant and machinery had to be revised downwards. Since, moreover, the expansion in private consumption is slackening and cannot, therefore, be expected to have any further offsetting effect, there is a danger that *real economic growth in the Community in 1987* will be weaker than last year. The updated forecasts suggest a real growth rate of only 2,3 %, compared with the further acceleration to 2,8 % still thought likely in October. The growth expectations for all Member States except the United Kingdom were revised downwards (see Table 1.a). Whereas in October growth had still been predicted to be faster in 1987 than in 1986 in most Member States (including the five largest), this is now thought possible only in Ireland, Italy and the United Kingdom.

The main reason for this deterioration in growth prospects is an adverse development in the *external environment*. The dollar has lost more ground against the European currencies than was

anticipated in October, and this is further damaging European firms' competitiveness vis-à-vis manufacturers in the dollar zone. Business profits are coming under stronger pressure not only on export markets but also on domestic markets. In addition, the expansion in world trade, which had, in October, been expected to quicken somewhat, is likely to slow down in 1987 compared with 1986. For both these reasons, the forecasts for the *real growth of Community exports* in 1987 was revised downwards, from just under 4 % to a possible 2,5 %-3 %.

For the rest, the *Community's current account* is once again expected to register a surplus (0,9 % of GDP in 1987 compared with 1,1 % of GDP in 1986) since the real terms of trade could show a further improvement, although this might be much less pronounced than in 1986.

The contraction in exports and the uncertainty surrounding future developments in the external environment are manifestly the main reasons why, taking the average for the Community, estimated growth in investment in *plant and machinery* also had to be revised downwards for 1987, with a figure much lower than that recorded in 1985 (around 8 %) now being predicted (some 5 %). After the distinctly more moderate increase in real wages in recent years, wage costs too are unlikely to produce any further substantial easing of the situation of firms: real wage costs per person employed in 1987 (see Table 1.f), when adjusted for inflation by the GDP price deflator, will probably climb significantly faster (1,3 %) than in 1986 (0,4 %). This would almost match the expected rise in productivity and, as a result, real unit wage costs would remain virtually unchanged (see Table 1.g).

The real growth in *private consumption* is levelling off (a forecast of 3,3 % for 1987 as against 3,8 % in 1986). However, compared with the average for the first half of the 1980s (an annual rate of 1,0 % for the period 1980-85), it will remain relatively stable. This owes something to the fact that, while wages and salaries per person employed will probably grow more slowly in 1987 than in 1986 (5,3 % compared with 6,2 %; see Table 1.e), continuing a trend towards steadier growth in nominal wages observed since 1981, this slowdown will not be quite as pronounced as had still been assumed in October. In addition, inflation (measured in terms of private consumer prices), which had still averaged 13,2 % in the Community in 1980, is expected to register a further dip in 1987 (to 3,2 %). Although inflation differentials between Member States are narrowing, they are still significant. As a result, the increase in the real purchasing power of wages and salaries will exceed expectations.

The deterioration in growth prospects for virtually all Member States will, of course, affect *employment*. Accordingly, the unemployment rate is forecast to remain unchanged from its 1985 and 1986 level, i.e. around 12 % for the Community of Twelve as a whole. In October, a sharper decline in unemployment had been hoped for (0,3 percentage points between 1985 and 1987). Only Spain, the Netherlands, the United Kingdom and, to a lesser extent, the Federal Republic of Germany can reckon on a more marked improvement on the unemployment front (see Table 1.h).

<sup>1</sup> See European Economy, No. 30, November 1986.

<sup>2</sup> Communiqué issued after the meeting in Paris on 22 February 1987 of the Ministers of Finance and Central Bank Governors of six major industrialized countries.

TABLE 1: Main economic indicators for the European Community, United States and Japan

TAB. 1.a: Gross domestic product (at constant prices, % change on preceding year, EC, USA, Japan, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	2.8	1.5	-0.1	1.4	1.5	2.2	1.3
DK	1.9	2.9	2.1	3.9	3.9	3.4	1.8
D	2.5	-0.6	1.2	2.6	2.6	2.5	3.2
GR	4.2	-0.2	0.3	2.6	2.1	0.4	-0.2
E	3.4	0.9	2.1	2.2	2.2	2.7	3.0
F	3.3	1.8	0.7	1.3	1.4	2.3	2.5
IRL	4.5	0.8	-0.0	4.4	2.0	1.2	3.1
I	2.9	-0.5	-0.4	2.6	2.3	2.7	3.6
L	2.5	0.8	2.8	4.9	2.2	2.4	2.6
NL	2.6	-1.4	0.9	1.7	1.7	1.9	1.8
P	4.4	3.5	-0.3	-1.7	3.6	4.2	3.5
UK	1.6	1.5	3.4	1.8	3.7	2.4	2.7
EUR	2.7	0.5	1.2	2.0	2.4	2.5	2.8
USA	3.0	-2.5	3.6	6.4	2.7	2.5	2.3
JAP	4.6	3.1	3.2	5.1	4.7	2.3	2.4

TAB. 1.b: Deflator of private consumption (% change on preceding year, EC, USA, Japan, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	7.2	7.4	7.5	5.9	4.8	1.3	1.5
DK	10.5	10.8	7.2	6.6	4.8	3.6	2.8
D	5.3	4.7	3.1	2.4	2.1	-0.5	1.1
GR	14.0	21.2	18.6	18.0	18.4	22.7	12.5
E	15.2	14.2	12.2	11.1	8.3	8.7	5.3
F	9.7	11.2	9.5	7.3	5.5	2.5	2.3
IRL	14.6	16.0	8.2	8.5	4.2	3.8	3.2
I	15.0	17.0	15.1	11.1	9.4	6.4	4.0
L	6.8	10.6	8.0	6.4	4.0	0.5	1.3
NL	7.4	5.3	2.8	2.6	2.6	-0.1	-1.0
P	16.9	22.5	25.5	29.3	19.3	11.7	9.0
UK	13.1	8.5	5.2	5.1	5.4	4.1	3.9
EUR	10.8	10.4	8.4	7.0	5.8	3.6	3.0
USA	7.1	5.7	3.9	3.8	3.1	2.1	3.4
JAP	8.2	2.6	1.9	2.1	2.2	0.7	0.2

TAB. 1.c: Balance on current account as % of GDP (EC, USA, Japan, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	-0.6	-3.3	-0.6	-0.4	0.4	2.6	2.8
DK	-2.9	-4.2	-2.2	-3.5	-4.6	-4.9	-3.6
D	0.6	0.5	0.7	1.0	2.2	3.9	2.1
GR	-2.0	-3.8	-4.7	-4.1	-8.4	-7.5	-3.7
E	-1.0	-2.3	—	1.3	1.6	2.1	3.7
F	-0.5	-3.0	-1.7	-0.9	-0.8	-0.2	0.4
IRL	-7.1	-10.7	-6.9	-5.5	-3.2	-1.0	-1.3
I	-0.4	-1.6	0.2	-0.8	-1.1	1.1	0.9
L	17.5	26.7	29.1	30.2	29.6	31.6	30.7
NL	1.3	2.8	2.9	4.1	4.3	3.6	2.8
P	—	-13.5	-7.2	-3.0	1.5	4.7	4.2
UK	-0.4	1.5	0.8	0.4	1.0	-0.1	-0.6
EUR	-0.1	-0.8	—	0.1	0.5	1.2	0.9
USA	0.0	-0.3	-1.4	-2.6	-2.9	-3.4	-3.3
JAP	0.6	0.7	1.8	3.0	3.7	4.3	3.5

National accounts definition

TAB. 1.e: Compensation of employees per head (at current prices, % change on preceding year, EC, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	11.4	8.1	6.4	6.8	4.5	2.5	2.2
DK	11.3	11.4	6.5	4.9	4.8	4.3	5.9
D	8.2	4.2	3.8	3.2	3.0	3.8	3.2
GR	18.8	27.8	20.3	24.2	20.4	13.0	9.6
E	20.4	13.6	13.3	13.0	9.0	10.2	6.3
F	13.8	13.7	10.7	7.8	6.7	4.6	3.0
IRL	18.6	14.6	10.5	9.9	7.3	6.8	6.0
I	18.8	17.2	16.5	12.0	10.0	7.6	6.1
L	10.5	7.2	7.6	6.8	4.5	4.0	5.6
NL	10.1	5.8	3.2	0.8	1.4	2.4	1.7
P	22.1	23.9	21.6	19.8	21.9	18.2	12.3
UK	15.7	9.1	9.2	5.5	7.4	7.5	6.6
EUR	12.6	10.9	9.9	7.6	6.8	6.2	4.8

TAB. 1.g: Compensation of employees per head, deflated by GDP prices, divided by labour productivity (% change on preceding year, EC, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	1.5	-1.9	-0.9	0.0	-1.7	-3.8	-1.5
DK	-0.1	-2.3	-3.1	-2.4	-1.0	-1.1	0.8
D	0.2	-1.2	-2.2	-1.2	-1.4	-0.7	-0.4
GR	0.3	1.3	-1.0	7.6	1.9	-7.0	-2.2
E	0.1	-2.1	-1.6	-4.7	-2.8	-1.1	-1.6
F	0.7	-0.7	-0.1	-1.8	-0.6	-1.6	-1.9
IRL	0.1	-1.8	-1.9	-2.5	-2.3	-1.4	-0.2
I	0.9	-0.0	1.8	-1.0	-0.5	-4.2	-1.3
L	2.5	-3.6	-3.4	-4.5	-2.0	-3.0	1.1
NL	-0.0	-1.3	-1.4	-3.9	-1.5	1.3	2.5
P	2.3	-0.6	-0.6	-1.9	-4.0	-5.3	-1.5
UK	-0.1	-1.7	-0.6	1.0	-1.1	2.0	1.4
EUR	-0.9	-1.3	-0.6	-0.6	-1.2	-1.3	-0.7

TAB. 1.d: General government lending or borrowing (-) as % of GDP (EC, USA, Japan, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	-5.7	-11.1	-11.7	-9.5	-8.4	-8.0	-6.2
DK	0.2	-9.1	-7.2	-4.2	-1.8	3.5	2.8
D	-2.2	-3.3	-2.5	-1.9	-1.1	-1.0	-0.7
GR	—	-9.1	-8.9	-10.1	-13.9	-10.3	-7.1
E	-0.8	-6.1	-5.6	-5.3	-6.5	-5.1	-4.4
F	-0.4	-2.7	-3.1	-2.9	-2.6	-2.9	-2.6
IRL	—	-13.8	-11.8	-9.8	-11.6	-10.9	-9.9
I	-8.6	-12.6	-11.7	-13.0	-14.0	-12.5	-11.0
L	1.8	-2.3	-0.6	1.5	4.1	3.7	2.6
NL	-2.2	-7.1	-6.5	-6.4	-5.2	-5.8	-6.6
P	—	-8.7	-7.1	-7.7	-11.1	-8.0	-7.5
UK	-3.0	-2.4	-3.7	-3.9	-2.8	-2.9	-2.5
EUR	—	-5.6	-5.5	-5.4	-5.2	-4.7	-4.1
USA	—	-3.5	-3.8	-2.9	-3.4	-3.2	-2.6
JAP	—	-3.6	-3.7	-2.2	-1.4	-1.5	-0.5

TAB. 1.f: Compensation of employees per head, deflated by GDP prices (% change on preceding year, EC, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	4.2	1.0	0.0	1.4	-0.6	-2.0	0.4
DK	1.4	0.1	-1.5	-0.9	-0.5	-0.1	2.1
D	2.9	-0.2	0.5	1.3	0.8	0.7	1.8
GR	4.0	2.5	0.3	3.6	2.8	-6.9	-2.4
E	4.7	-0.0	1.4	1.2	0.3	-0.7	0.2
F	3.7	1.0	1.1	0.5	0.9	0.5	0.3
IRL	3.8	-1.1	0.1	3.1	2.2	1.0	2.3
I	3.2	-0.4	1.2	1.1	1.1	-2.2	0.8
L	3.9	-2.5	-0.6	0.2	-0.8	-1.4	2.9
NL	2.5	-0.3	1.5	-1.7	-0.9	2.0	3.4
P	5.3	1.7	-2.0	-4.6	-0.1	-1.7	1.6
UK	1.7	1.5	4.0	1.1	1.2	3.8	2.3
EUR	1.6	0.3	1.5	0.9	0.8	0.4	1.3

TAB. 1.h: Number of unemployed as % of the civilian labour force (EC, USA, Japan, 1971-1987)

	1971-81	1982	1983	1984	1985	1986	1987 Forecast of X-86 1-87
B	6.0	13.0	14.3	14.4	13.7	12.9	13.4
DK	4.6	9.3	10.1	9.9	8.8	7.6	7.7
D	2.9	6.9	8.4	8.4	8.4	8.1	7.7
GR	—	—	7.8	8.1	7.8	7.6	8.3
E	—	—	17.8	20.6	22.1	21.5	21.5
F	4.2	8.7	8.8	9.9	10.3	10.7	10.7
IRL	7.6	12.3	14.9	16.6	17.7	18.3	18.0
I	5.9	9.7	10.9	11.9	13.0	13.6	12.8
L	0.4	1.3	1.6	1.8	1.6	1.3	1.2
NL	4.9	11.8	14.3	14.5	13.1	12.1	11.1
P	—	—	8.6	9.3	8.7	8.6	8.5
UK	4.5	10.6	11.6	11.8	12.0	11.9	12.0
EUR	—	—	11.0	11.7	12.0	12.0	11.7
USA	6.5	9.7	9.6	7.5	7.2	7.0	6.9
JAP	1.8	2.4	2.7	2.7	2.6	2.8	2.9

Soec definition: EUR 9: Registered unemployed; GR, L, P: Labour force sample survey.



## ECONOMIC SITUATION AND PRESENT ECONOMIC POLICY PROBLEMS IN THE COMMUNITY

(Excerpts from the Communication sent by the Commission to the Council pursuant to Article 2 of the Council Decision of 18 February 1974 on convergence.)

This Communication<sup>1</sup> is addressed to the Council pursuant to the Council Decision of 18 February 1974<sup>2</sup>, which provides for an examination of the economic situation in the Community in the first quarter of the year and a possible adjustment of the economic policy guidelines for the current year as required by economic developments.

(...)

### Summary and conclusions

The more rapid depreciation of the dollar than foreseen and the slowdown in world trade are restraining Community exports. Investment activity is also being affected. The favourable effect of the improvement in the terms of trade which has taken place in the past year is proving insufficient to achieve in 1987 the growth rate of 2.8 % foreseen in the last Annual Economic Report: according to present forecasts this is likely to be 2.3 % and even this forecast can be considered optimistic, with the international environment still the subject of major uncertainties. The Community is therefore likely to remain on a growth path at best sufficient to stabilize the rate of unemployment at an unacceptable level, close to 12 % of the labour force, without the reduction aimed at in the medium term emerging at all.

The Commission will carry out an intermediate review of the application of the cooperative strategy in its July Communication but it proposes that consideration be given now to the economic policy problems which exist at the international and internal levels.

As far as *international economic and monetary problems* are concerned, the 'Louvre Communiqué'<sup>3</sup> of 22 February 1987 indicates the manner in which governments and central banks of participating countries intend in their opinion to work in order to facilitate the international adjustment process, to reinforce growth within the context of price stability and to stabilize around their present levels exchange rates of the major international currencies. For the Community it is important that it can talk with one voice in the international meetings over the coming months. This is true not only for trade policy and the problems of indebtedness of developing countries but also in the area of economic and monetary cooperation between the main industrialized zones.

Payments imbalances between these zones are hanging heavily over the stability of the international monetary system and world trade. Correcting these imbalances necessitates that domestic adjustment policies be pursued with determination, which implies in particular that the United States' budget deficit be reduced at the rate foreseen by the government and that in Japan favourable conditions be established for domestic demand to take over rapidly from exports. The Community will have to play its part in reinforcing still further the internal determinants of its growth.

However, as long as the development of fundamentals has not produced its stabilizing effects on the foreign exchange markets, close cooperation between the monetary authorities of the major economic zones is necessary to stabilize the exchange rate of the dollar. Indeed this stabilization appears essential to permit modifications in exchange rates which have already taken place to produce their equilibrating effects and to reduce the risk of currency overshooting. The differential in interest rates between

Europe and the United States should play a more important part in this regard. But on both sides of the Atlantic, monetary authorities are confronted with a dilemma. The US authorities must take account of the consequences which a tightening in monetary policy would have on growth and on the situation of highly indebted countries. The European, and in particular German, authorities must, at the same time, take account of the short-term economic effects of the appreciation which has already taken place in their currencies, as well as the necessity of preserving the credibility of monetary policies aimed at price stability in the medium term. In this context, it is important that the Community can draw on the stability assured to it by the EMS which must be preserved and its cohesion reinforced. In this respect, careful attention will have to be given to interest rate differentials within the EMS.

To improve internal conditions for growth, the Community must rely on the major options of the Community cooperative strategy. A greater adaptability of markets is an important part of this strategy. In particular, the realization of the internal market will substantially reinforce the Community's productive potential. Rapid progress here would give the desirable signals. But the present weakening of total demand suggests that, as of now, the options of the strategy should be accentuated and applied with determination, not only those concerning supply conditions, but also those relating to demand.

In order to be lasting, the acceleration in growth necessary must rely on a favourable development in *business investment*. This is why the Commission invites the social partners to pursue their efforts to improve still further the profitability of firms and to increase significantly the propensity to invest. It repeats its invitation to governments and the social partners to engage in, or step up, *social dialogue* on all aspects of the cooperative strategy in order to make progress towards solving the unemployment problem.

Finally, the Commission invites the ECOFIN Council to study, in accordance with what is foreseen in the Annual Economic Report adopted in December, all the possibilities for 'a cooperative acceleration of budgetary actions to strengthen supply and sustain demand conditions'.

Available room for manoeuvre seems the greatest in the *Federal Republic of Germany*. Different means which could, should the occasion arise, mutually complement each other, are available to the Federal government to reinforce the determinants of growth. These measures would be the bringing forward<sup>4</sup> of the tax reform decided on for 1 January 1988, the implementation of tax or public investment measures under the 1967 'Stability Law', as well as the acceleration of the major tax reform foreseen for towards the end of the present legislature. The measures envisaged could have, as a consequence, a limited and temporary increase in the deficit of general government. It ought nevertheless to remain clear that this increase will not call into question the necessary control of public debt in the medium term. In two other large countries, *France and the United Kingdom*, important progress has been achieved in so far as the trend of public debt is concerned, but their budgetary situation is still less strong than in Germany and their external constraints still prescribe the need for a large measure of prudence. In the situation where cooperation at the European level enabled the growth of intra-Community trade to be reinforced, these two countries could none the less envisage some measures to improve their productive potential which could lead to a slowdown in the reduction of their budget deficits. In most other countries, public finance consolidation remains a priority which, in a more dynamic Community context, could be realized at a higher level of activity and employment.

<sup>1</sup> Com(87)77 final.

<sup>2</sup> Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community (74/120/EEC).

<sup>3</sup> Communiqué issued after the meeting in Paris on 22 February 1987 of the Ministers of Finance and Central Bank Governors of six major industrialized countries.

<sup>4</sup> The increase in the size of this reform in 1988, as announced in the 'Louvre Communiqué' of 22.2.87, would be a step in the right direction, but would not exert its effect in 1987, as would be desirable.

## Recent trends in the Community's economy

**Industrial production little changed.** — Industrial production in the Community was unchanged in December (seasonally adjusted) after a slight fall in November. The index has remained virtually flat since the middle of the year after the more buoyant performance in the second quarter. For the year as a whole industrial production was 2,1 % higher than in 1985, with consumer goods output growing by 3,8 % while investment (2,4 %) and, in particular, intermediate goods production (1 %) was less dynamic. For individual countries month to month increases were only recorded in Denmark, after the sharp fall in December, and in Italy, where increases have been in evidence in monthly data since the end of the summer. Elsewhere figures were down. In the United Kingdom industrial output fell, reflecting lower oil extraction: output of manufacturing, in fact, rose 0,4 % following an increase of 0,5 % in November. A fall in German industrial production of 0,6 % in December was followed by a further slackening in January (– 3 %) to a large extent influenced by a more marked seasonal weakening in construction activity than usual.

**Unemployment moderates somewhat at end of 1986.** — The number of registered unemployed, seasonally adjusted, in the Community (EUR12) in January fell by 25 000 to 16,2 million (11,8 % of the civilian labour force) after the substantial increase in December (169 000). On a year to year basis, Community unemployment in January was 1,2 % up, with decreases being recorded in Belgium, Denmark, Germany, Greece, Netherlands and the United Kingdom while other Member States registered increases ranging between 5 and 7 %.

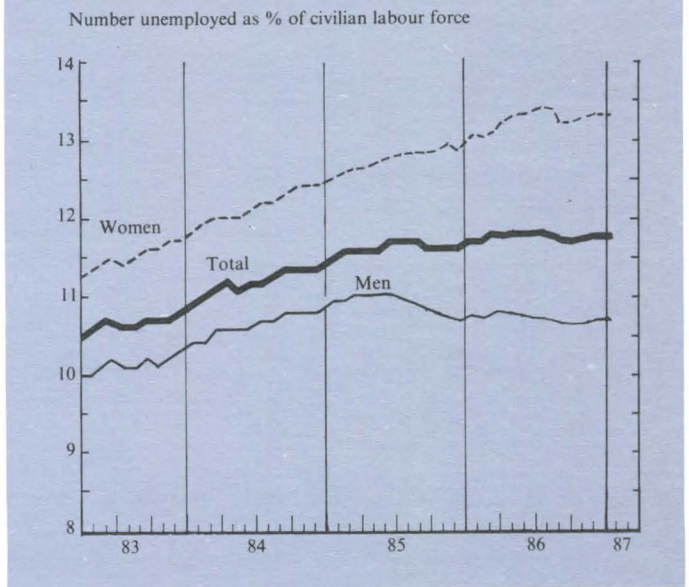
**Seasonal rise in prices.** — After an increase of 0,2 % in December, the consumer price index for the Community in January rose by 0,5 % but the acceleration was essentially due to seasonal factors: the seasonally adjusted increases amounted to 0,3 % in each of the two months. The month to month changes in January were, in general, influenced by somewhat higher prices for oil products. This was to some extent counteracted in Belgium and the Netherlands by downward revisions in gas prices. Increases in administered prices also played a part in boosting the index in Italy and Portugal, while in France price liberalisation measures are estimated to have increased prices by 0,2 percentage points. The underlying trend rate of inflation in the Community, measured as the seasonally adjusted rate of change over six months at an annual rate, rose slightly to 3,1 %, while divergence in price trends among Member States continued to narrow. Consumer prices in January were 2,8 % up on a year earlier with changes ranging from falls of between 0,8 and 1,1 % in Germany, the Netherlands and Luxembourg to increases of 9,8 % in Portugal and 15,5 % in Greece.

**Trade surplus up in December.** — The Community's trade surplus (EUR10) in December rose further to 3 417 million ECU, slightly higher than the record surplus registered in July. This result was due to a widening in the German surplus together with lower deficits in the United Kingdom, as imports fell back and exports strengthened further, and in France, where the deficit has been declining progressively now since October, and to a continued steady improvement in the Italian trade account. On a year to year basis, trade balances were more favourable in all Community countries except the United Kingdom and the Netherlands.

**Money supply growth eases in December.** — In December the rate of increase in the money supply for the Community as a whole (s.a.) slowed down to 0,4 % with rates of increase down in all countries except Denmark, Ireland and Spain. Provisional December data for Greece suggest that the growth in broad money declined to 19,4 % in 1986 from 26,8 % in 1985 thus meeting the authorities 20 % target. Preliminary data for Germany suggest some pick up at the beginning of the year with the acceleration resulting, in particular, from inflows of funds from abroad. Provisional figures also suggest a further strong growth of liquid assets held by the public in Spain in January mainly due to increased government borrowing needs. In Ireland on the other hand some drawdown of deposits to finance outflows prior to the EMS realignment undoubtedly depressed money supply growth in January. In the United Kingdom sterling M3 increased in January by 1 % and the annual increase was above the authorities target range of 11–15 %.

**Interest rates continue to ease.** — Short-term interest rates in the Community in February eased back to an average of 8,8 %

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



as the impact of the cut in German rates on 22 January fed through into lower rates in France and Italy in particular. In the other members of the exchange rate mechanism of the EMS short-term rates were approximately unchanged compared to the previous month. For the Community as a whole short-term rates in February were 1,3 points lower than a year earlier, down in all Member States except Denmark.

**Modest further appreciation in the ECU.** — The appreciation of the ECU against the dollar slowed down markedly in February as the markets anticipated, and then reached cautiously to, the Paris Agreement on 22 February of G6 countries. In the second half of the month, despite some mediocre indicators for the US economy, market exchange rates, in fact, showed little change. No tension was experienced within the exchange rate mechanism of the EMS during February. The Danish kroner remained at the top of the narrow fluctuation band while the Irish pound was for most of the month in bottom position. At the beginning of March it was replaced by the Belgian franc in this position as the upward movement in the pound sterling, which had been in evidence since the middle of February but is not apparent from the monthly averages, began to draw the Irish currency upwards. The three remaining currencies weakened by around 1 % in February on the preceding month.

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

	1982	1983	1984	1985	1986	1985				1986				1986				Change over 12 months % (b)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B	0	2.0	2.5	2.5	:	2.0	0.2	-1.5	2.0	:	1.1	3.9	-2.8	-1.7	2.1	0.9	:	-1.0
DK	2.7	3.2	9.7	4.2	3.9	1.8	-1.9	4.6	-3.4	0	0	-0.7	-2.4	3.9	2.3	-7.4	3.5	1.7
D	-2.9	0.6	3.0	5.7	2.0	0.8	-0.3	0.8	0.5	-0.7	2.8	0.8	-1.0	-0.8	0.7	-0.7	-1.3	2.9
GR	1.1	-0.1	1.6	3.4	:	2.3	-5.0	4.1	-2.4	:	5.4	4.0	-10.6	0.6	3.8	1.6	:	1.5
E	-1.1	2.7	0.8	2.2	:	2.9	-3.1	5.2	-1.7	:	5.1	0.9	-7.3	5.5	3.7	:	:	2.0
F	-1.5	0.8	2.3	0.8	1.5	0	-1.2	1.5	1.7	-0.7	4.6	0.7	0	0	0	0	-2.2	1.4
IRL	-0.9	6.6	12.4	2.3	:	3.3	1.1	-0.4	0	:	2.7	-4.6	6.9	1.3	1.8	-0.8	:	2.9
I	-3.0	-3.2	3.4	1.2	2.7	0.5	1.6	1.1	-0.5	1.6	2.2	-0.5	-1.6	0.6	1.4	0.1	0.7	4.5
L	0.9	5.4	13.3	6.9	:	4.4	1.8	-0.8	-2.0	:	-2.0	-0.9	-1.1	-0.5	-0.5	5.4	:	3.0
NL	-4.1	3.2	4.1	4.0	1.0	2.6	1.9	-2.8	2.9	-0.9	4.0	1.9	0	2.8	-3.7	2.9	-2.8	4.5
P	4.6	1.6	-0.1	10.9	:	1.3	-2.7	6.6	2.9	:	3.0	1.8	-2.9	4.3	-5.1	:	:	1.4
UK	1.9	3.6	1.3	4.7	1.4	0.1	0.6	0.2	1.2	-1.0	-1.4	2.3	0.8	-0.5	-0.7	0	-0.6	2.0
EUR 12	-1.3	1.1	2.6	3.3	(2.1)	0.8	-0.4	2.1	-0.5	(0.7)	3.2	-0.2	-2.3	2.1	0.2	(-0.2)	(0)	(2.9)
USA	-7.4	7.8	11.9	2.5	:	0.5	0.8	0	(0.8)	:	0.1	0.7	0.3	(0)	(0.1)	(0.7)	:	(2.1)
JAP	0.3	3.6	11.1	4.6	(-0.4)	-0.9	0.2	0.2	-0.5	(-0.9)	0.3	-0.2	-2.7	3.4	-1.9	-1.7	(2.9)	(-0.3)

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

	Number of unemployed as percentage of civilian labour force (a)																	Change over 12 months %(b)
	1985					1986					1986					1987		
	1982	1983	1984	1985	1986	IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.		Dec.	
B (f)	13.0	14.3	14.4	13.6	12.6	12.8	12.7	12.6	12.3	12.5	12.5	12.3	12.3	12.5	12.4	12.6	12.5	-1.8
DK	9.3	10.1	9.9	8.7	(7.6)	7.9	7.8	7.4	7.5	7.4	7.7	7.4	7.3	6.9	(7.4)	(7.5)	(7.3)	-3.2
D	6.9	8.4	8.4	8.4	8.1	8.4	8.4	8.2	8.0	7.8	8.1	8.0	8.0	7.9	7.8	7.8	7.9	-3.6
GR	1.4	1.6	1.8	2.2	2.8	2.3	2.7	2.8	2.8	2.7	2.9	2.8	2.8	2.7	2.7	2.8	2.7	-6.4
E	14.3	16.6	18.6	19.7	20.3	19.9	20.1	20.1	20.1	20.6	20.1	20.0	20.2	20.4	20.7	20.8	20.9	5.9
F	8.7	8.9	10.0	10.5	10.7	10.5	10.5	10.7	10.8	10.9	10.8	10.9	10.9	10.8	10.9	11.0	11.1	7.0
IRL	12.3	14.9	16.6	18.0	18.6	18.2	18.2	18.3	18.6	18.9	18.5	18.7	18.6	18.7	18.9	19.2	19.2	5.9
I	9.7	10.9	11.9	12.9	13.8	13.2	13.5	13.8	13.9	14.1	13.9	13.9	14.0	14.0	13.8	14.1	13.8	3.1
L	1.3	1.6	1.8	1.7	1.5	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.3	1.4	1.5	1.5	1.3
NL (f)	(11.8)	(14.3)	14.5	13.3	12.4	12.8	12.7	12.4	12.3	12.1	12.4	12.2	12.2	12.2	12.0	12.0	12.0	-6.3
P	5.7	5.6	6.8	7.7	8.3	8.0	8.2	8.3	8.3	8.3	8.4	8.2	8.3	8.4	8.1	8.3	8.5	5.0
UK	(10.6)	(11.6)	11.8	12.0	12.0	12.0	12.0	12.1	12.0	11.8	12.1	12.1	11.9	11.8	11.8	11.8	11.6	-3.2
EUR 12	(9.4)	(10.6)	11.2	11.6	(11.7)	11.6	11.7	11.7	11.7	(11.7)	11.7	11.7	11.7	11.7	(11.7)	(11.8)	(11.8)	(1.2)
USA	9.7	9.6	7.5	7.2	:	7.0	7.1	7.2	6.9	:	6.9	6.8	7.0	7.0	7.0	:	:	0.7
JAP (g)	2.4	2.7	2.7	2.6	:	2.8	2.6	2.8	2.9	:	2.9	2.9	2.8	2.8	2.8	:	:	(-1.2)

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

	1985					1986					1986					1987		Change over 12 months % (b)
	1982	1983	1984	1985	1986	IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
B	8.7	7.7	6.3	4.9	1.3	0.3	0.2	0.1	0.2	0.1	0	0.1	0.3	-0.1	-0.1	0.1	0.4	0.9
DK	10.1	6.9	6.3	4.7	(3.6)	0.8	-0.1	3.3	0.1	1.0	-0.7	0.5	0.8	0.2	0.3	-0.1	(0.2)	(4.9)
D	5.3	3.3	2.4	2.2	-0.2	0.3	0	0.3	-0.5	-0.3	-0.5	-0.2	0.2	-0.3	-0.1	0.2	0.4	-0.8
GR	21.0	20.5	18.3	19.4	23.1	9.7	6.0	4.3	2.0	5.9	-0.5	0	3.8	2.6	0.7	0.9	1.1	15.5
E	14.4	12.2	11.2	8.8	8.8	1.9	3.9	1.1	2.3	1.2	1.0	0.3	1.1	0.4	-0.2	0.5	0.7	6.1
F	11.8	9.6	7.3	5.9	2.5	0.6	0.1	0.7	0.6	0.7	0.1	0.1	0.4	0.2	0.1	0.1	0.9	3.0
IRL (h)	17.2	10.4	8.6	5.4	3.8	0.2	1.6	1.2	0.2	0.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	.	.	3.2
I	16.5	14.7	10.8	9.2	(5.8)	2.2	1.6	1.0	0.6	1.1	0	0.3	0.3	0.4	0.4	0.3	(0.6)	(4.1)
L	9.4	8.7	5.6	4.2	0.3	0.9	-0.4	-0.6	-0.3	0.2	-0.2	-0.3	0.3	0.1	0	-0.1	0.2	-1.1
NL	5.7	2.7	3.2	2.3	0.3	0.6	-0.4	0.4	-0.9	1.0	-0.9	0.2	0.4	0.7	0.1	-0.2	-1.4	-0.9
P	22.7	25.1	28.9	19.6	11.8	3.0	4.9	2.3	0.8	2.4	0	1.0	0.4	0.7	0.9	1.7	1.2	9.8
UK	8.6	4.6	5.0	6.1	3.4	0.5	0.7	1.3	0.1	1.3	-0.3	0.3	0.5	0.2	0.8	0.3	0.4	3.9
EUR 12	10.7	8.6	7.4	6.1	(3.6)	1.1	1.0	0.8	0.4	(0.8)	-0.1	0.1	0.5	0.2	0.2	0.2	(0.5)	(2.8)
USA	6.2	3.2	4.3	3.6	1.9	0.9	0.2	-0.2	0.7	0.6	0	0.2	0.5	0.1	0.1	0.1	0.8	1.6
JAP	2.9	1.8	2.4	2.0	0.7	0.4	0.1	0.2	-0.5	-0.1	-0.3	-0.3	0.5	0.1	-0.5	-0.2	-0.1	(-0.8)

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

	TABLE 11. Visible trade balance (100 per cent million US \$)																		Change over 12 months % (b)
	1985					1986					1986								
	1982	1983	1984	1985	1986	IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		
B/L	-3082	-2435	-4897	-3514	225	-811	-304	-312	52	995	-349	640	-297	-396	690	157	148	322	
DK	-1866	-740	-1108	-1538	-1714	-473	-450	-576	-579	-226	-131	-284	-130	-164	-109	-67	-49	144	
D	21599	18501	24136	32963	53018	9403	10809	13308	14718	14481	4886	5263	4679	4777	4506	4788	5187	2007	
GR	-5826	-5800	-6048	-7266	.	-1590	-1938	-1452	-1631	.	-321	-515	-553	-563	-675	-528	.	29	
E (i)	.	.	-6773	-5582	-6306	-1004	-993	-1503	-1783	-2027	-697	-568	464	751	-924	-601	-503	32	
F	-24457	-15628	-13130	-13428	-9699	-3040	-2259	-3563	-2583	-1819	-897	-838	-645	1100	-862	-621	-336	759	
IRL	-1574	-621	81	430	983	28	318	134	242	262	-10	36	173	34	29	148	86	107	
I	-12513	-8516	-13849	-16130	-2459	-4105	-2849	-149	502	473	-48	-284	1000	214	-120	188	405	1738	
NL	3500	4499	4740	3874	4161	1085	1185	1531	1554	206	532	658	483	413	228	63	-85	-799	
P (i)	.	.	-3465	-2585	.	-548	-344	-360	-278	.	-95	-63	-99	-116	-77	-49	.	195	
UK	-3295	-9681	-14005	-11540	-19868	-2493	-3385	-3904	-5756	-6180	-1488	-1445	-2268	-2043	-1908	-2211	-2061	-1361	
EUR 10 (j)	-27515	-20422	-24080	-16127	(18621)	-2078	1012	5028	6542	7139	2237	3273	2417	752	1789	1933	(3417)	(3623)	
USA (i)	-43435	-77911	-154992	-194856	-172534	-47815	-47146	-42163	-43476	-40469	-14736	-18216	-13042	12218	-11593	-18673	-10203	7149	
JAP	7034	23072	42599	60497	84010	17299	16828	20300	23688	21787	6244	7504	8241	7943	7141	7806	6840	710	



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

	1982	1983	1984	1985	1986	1985	1986				1986					1987		Change over 12 months (%)e
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B	14.1	10.5	11.5	9.6	8.0	9.8	9.3	7.3	7.3	7.5	7.3	7.3	7.4	7.4	7.5	7.8	7.7	-2.0
DK	16.4	12.1	11.5	10.0	9.1	9.5	9.1	9.1	9.2	9.2	9.1	9.2	9.2	9.2	9.2	11.0	11.0	2.3
D	8.8	5.8	6.0	5.4	4.6	4.8	4.6	4.6	4.6	4.8	4.5	4.6	4.7	4.7	4.8	4.1	4.0	-0.5
GR	20.2	19.4	15.7	17.1	19.9	17.9	21.8	22.1	15.8	18.9	17.4	15.8	17.0	20.8	18.9	14.4	19.4	-1.1
E	16.3	20.1	14.9	12.2	11.6	10.7	11.8	12.5	11.5	12.1	12.1	11.5	11.5	11.5	12.1	12.5	12.5	2.1
F	14.6	12.5	11.7	9.9	7.8	9.1	8.3	7.2	7.3	8.5	7.1	7.3	7.4	7.6	8.5	8.6	8.3	-0.4
IRL	17.5	14.1	13.3	11.9	12.6	11.7	14.5	9.0	11.0	13.9	10.6	11.0	13.9	14.4	13.9	14.1	14.3	-1.8
I	20.1	18.1	17.2	15.1	12.7	14.9	14.8	12.1	10.9	11.6	11.3	10.9	11.3	11.6	11.6	11.8	11.4	-5.2
NL	8.3	5.7	6.1	6.4	5.7	5.8	5.4	6.1	5.4	6.4	5.2	5.4	5.4	5.8	6.4	5.4	5.4	-0.4
P	16.8	20.9	22.5	21.0	15.4	18.8	16.0	13.7	14.9	13.5	15.4	14.9	14.2	13.3	13.5	14.1	13.4	-5.0
UK	12.2	10.1	10.1	12.3	10.9	11.9	11.4	9.8	10.9	11.2	9.8	10.9	11.2	11.4	11.2	11.1	10.8	-1.5
EUR 12 <sup>(n)</sup>	13.8	12.0	11.2	10.5	9.0	9.9	9.7	8.7	8.5	9.1	8.4	8.5	8.7	8.9	9.1	9.0	8.8	-1.3
USA	10.6	8.7	9.5	7.5	6.0	7.3	6.5	6.1	5.4	5.8	5.3	5.4	5.3	5.5	5.8	5.8	5.6	-1.7
JAP	6.8	6.5	6.3	6.5	5.0	7.7	5.3	4.7	4.8	4.3	4.7	4.8	4.8	4.3	4.3	4.3	3.8	-2.1

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

	1985																		1986																		1987																		Change over 12 months % (e)
	1985																		1986																		1987																		
	1982	1983	1984	1985	1986	IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.																																						
B	13.5	11.8	12.0	10.6	7.9	9.6	8.4	7.9	7.4	7.5	7.5	7.2	7.4	7.3	7.4	7.7	7.6	-2.0																																					
DK	20.5	14.4	14.0	11.6	10.6	9.9	9.5	10.2	11.1	11.6	11.0	11.4	11.1	11.0	11.7	11.6	11.3	1.0																																					
D	9.0	7.9	7.8	6.9	5.9	6.5	5.9	5.9	5.8	5.9	5.9	5.7	5.8	6.0	6.1	5.9	5.8	-0.5																																					
GR	15.4	18.2	18.5	15.8	15.8	15.1	15.1	17.1	13.6	14.7	17.9	18.2	13.6	14.5	14.7	14.7	17.7	3.0																																					
E	16.0	16.9	16.5	13.4	11.4	12.3	12.2	11.0	11.2	10.4	11.5	11.5	11.2	10.2	10.3	10.4	10.8	-1.5																																					
F	16.0	14.4	13.4	11.9	9.1	11.3	9.3	8.7	8.5	9.9	8.5	8.1	8.5	9.0	9.5	9.9	9.5	-1.3																																					
IRL	17.0	13.9	14.6	12.7	11.1	11.8	9.4	9.3	12.5	13.0	10.7	10.8	12.5	13.7	13.5	13.0	12.6	0.7																																					
I	20.9	18.0	14.9	13.0	10.5	13.1	12.4	9.7	9.3	8.9	9.8	9.9	9.3	9.2	9.1	8.9	8.8	-4.1																																					
L	10.4	9.8	10.3	9.5	8.7	9.3	9.1	8.7	8.5	8.1	8.4	8.1	8.5	8.5	8.5	8.1	8.1	-1.1																																					
NL	10.5	8.8	8.6	7.8	6.8	7.5	6.9	6.9	6.5	6.9	6.8	6.5	6.5	6.7	6.7	6.9	6.7	-0.7																																					
P	25.3	30.4	32.5	25.4	17.9	22.1	20.3	19.4	15.6	16.0	16.4	16.0	15.6	14.9	15.0	16.0	14.8	-11.2																																					
UK	12.7	10.8	10.7	10.6	9.8	10.5	8.9	9.3	10.6	10.3	9.4	9.4	10.6	10.6	10.8	10.3	10.0	-0.8																																					
EUR 12 (m)	14.5	13.0	12.3	10.9	9.1	10.5	9.3	8.7	8.7	8.9	8.8	8.6	8.7	8.8	9.0	8.9	8.8	-1.5																																					
USA	12.2	10.8	12.0	10.8	8.1	9.6	8.0	8.2	8.1	7.7	7.9	7.7	8.1	8.0	7.8	7.7	7.6	-1.9																																					
JAP	8.3	7.8	7.3	6.5	5.2	5.8	4.7	5.1	5.7	5.2	5.0	5.0	5.7	5.5	5.4	5.2	5.2	-0.6																																					

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

	Annual average exchange rates of national currencies of 1982																		Change over 12 months % (e)
	1985					1986					1986					1987			
	1982	1983	1984	1985	1986	IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		
<b>BFR/LFR</b>	44.68	45.44	45.44	44.91	43.78	44.74	44.35	43.93	43.65	43.27	43.61	43.45	43.25	43.33	43.28	42.87	42.73	-3.5	
<b>DKR</b>	8.15	8.13	8.15	8.02	7.94	7.99	7.98	7.96	7.94	7.86	7.93	7.93	7.85	7.87	7.86	7.83	7.79	-2.3	
<b>DM</b>	2.38	2.27	2.24	2.23	2.13	2.20	2.17	2.15	2.11	2.08	2.11	2.10	2.08	2.09	2.08	2.06	2.06	-4.6	
<b>DR</b>	65.30	78.09	88.44	105.7	137.4	127.7	133.2	135.0	137.9	143.4	137.7	138.9	140.7	143.3	146.6	149.8	151.3	13.9	
<b>PTA</b>	107.6	127.5	126.6	129.1	137.5	135.8	136.2	136.9	137.0	139.7	137.0	137.7	138.6	140.1	140.6	144.0	145.4	6.7	
<b>FF</b>	6.43	6.77	6.87	6.80	6.80	6.73	6.66	6.85	6.87	6.82	6.87	6.87	6.82	6.82	6.83	6.88	6.87	3.5	
<b>IRL</b>	0.690	0.715	0.726	0.715	0.734	0.714	0.715	0.708	0.745	0.765	0.758	0.763	0.765	0.765	0.765	0.772	0.775	8.4	
<b>LIT</b>	1324	1350	1381	1447	1462	1494	1476	1476	1454	1443	1450	1448	1442	1443	1443	1463	1468	-0.3	
<b>HFL</b>	2.62	2.54	2.52	2.51	2.40	2.48	2.45	2.42	2.38	2.35	2.37	2.37	2.35	2.36	2.35	2.33	2.33	-4.6	
<b>ESC</b>	78.0	98.7	116.3	130.2	147.1	138.4	141.3	143.8	149.0	153.9	149.2	150.8	152.8	153.8	155.2	158.5	160.0	13.1	
<b>UKL</b>	0.561	0.587	0.591	0.589	0.672	0.595	0.642	0.636	0.681	0.727	0.687	0.698	0.729	0.723	0.727	0.738	0.740	14.1	
<b>USD</b>	0.981	0.890	0.789	0.762	0.984	0.853	0.924	0.959	1.013	1.038	1.021	1.028	1.040	1.029	1.045	1.112	1.130	21.8	
<b>YEN</b>	243.5	211.4	187.0	180.5	165.0	176.8	173.3	162.8	157.8	166.4	157.4	159.0	162.5	167.7	169.5	171.9	173.4	1.4	
<b>DTS</b>	0.888	0.833	0.767	0.749	0.838	0.791	0.821	0.828	0.842	0.859	0.845	0.849	0.858	0.858	0.865	0.897	0.896	9.0	

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

	1985																	1986					1987					Change over 12 months % (e)
	1982	1983	1984	1985	1986	1985					1986					1987												
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.											
B/L	-9.2	-2.8	-2.2	0.9	6.4	1.9	2.0	1.3	1.5	1.7	1.2	0.6	0.9	-0.1	0.4	2.1	0.6	7.6										
DK	-4.4	-0.6	-3.7	1.2	7.5	2.7	2.3	0.6	0.6	2.7	1.6	0.3	1.9	-0.1	0.5	2.1	0.9	8.7										
D	5.0	4.0	-1.5	0.4	11.3	3.2	3.7	1.2	1.9	2.9	2.2	0.8	1.3	0	0.7	2.5	0.5	11.2										
GR	-8.0	-18.1	-14.2	-15.7	-20.4	-17.2	-3.1	-1.1	3.4	-3.1	0.1	-0.7	-0.9	-1.7	-1.9	-0.7	-0.6	-8.7										
E	-6.0	-17.2	-2.3	-2.2	-0.5	-1.9	1.5	-0.1	-1.4	-0.8	0.3	-0.2	-0.1	-1.0	0.1	-0.7	-0.5	-0.9										
F	-8.3	-7.1	-4.7	1.1	5.5	3.0	2.9	-2.9	0.7	1.9	0.7	0.2	1.4	0.2	0.2	0.9	0.6	1.1										
IRL	-1.1	-4.1	-4.2	1.1	4.8	2.5	2.7	1.2	-2.6	-0.7	-4.7	-0.2	1.0	-0.2	0.6	0.6	0	-1.4										
I	-6.9	-3.8	-5.7	-5.1	4.7	1.0	3.1	0.4	2.8	2.1	1.8	0.5	1.0	0	0.5	0.2	0.1	5.8										
NL	5.1	2.0	-1.5	0.3	8.2	2.2	2.6	1.1	2.5	1.9	1.6	0.4	0.9	0	0.5	2.0	0.2	8.3										
P	-12.9	-21.1	-17.3	-11.4	-6.7	-2.6	-0.4	-1.3	-2.1	-2.0	-0.6	-0.7	-0.7	-0.6	-0.5	-0.7	-0.6	-7.0										
UK	-4.4	-7.0	-4.7	-0.2	-6.7	-2.5	-6.0	1.6	-5.5	-5.6	-3.8	-1.4	-4.0	0.9	-0.1	0.4	0.1	-7.5										
EUR 12	-7.0	-8.5	-9.1	-1.8	10.8	2.8	3.4	0.4	2.0	2.0	1.3	0.4	0.8	0.3	0.9	3.2	0.8	9.6										
USA	12.0	5.7	7.8	4.0	-18.4	-6.9	-5.7	-4.6	-4.1	-0.3	-1.9	-0.2	0.2	1.6	-0.9	-4.4	-1.4	-13.5										
JAP	-5.0	10.9	5.5	3.0	28.8	11.7	7.3	8.7	7.6	-3.8	2.0	-0.6	-1.4	-3.7	-0.3	2.5	-0.1	11.8										

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

## Principal economic policy measures - February 1987

### Community (EUR)

18.2 The President, Mr Jacques Delors, presents the programme of the Commission for 1987 to the European Parliament.

25.2 The Commission publishes its Communication to the Council 'The economic situation and economic policy coordination problems in the Community' prepared in accordance with Article 2 of the Council Decision of 18 February 1974 on convergence (see elsewhere in this issue).

### Belgium (B)

6.2 The Government increases appropriations for subsidized contract workers taken on by the local authorities. In this way, it hopes to contribute to the creation (by the local authorities) of 5 000 additional jobs. The budgetary impact for the Treasury will be nil, since the appropriations are to be drawn from other items.

### Denmark (DK)

None.

### Federal Republic of Germany (D)

None.

### Greece (GR)

3.2 According to the 1987 monetary programme announced by the Minister for Economic Affairs and the Governor of the Bank of Greece, the money supply M3 is likely to increase by 15.4 % in 1987 as against 19.8 % in 1986. Lending to the private sector is expected to grow by 11 % compared with 15.2 % in 1986. A marked slowdown in lending to the public sector is anticipated in 1987 (13.6 % of GDP as against 20.5 % in 1986).

16.2 The Governor of the Bank of Greece decides to cut the bonus paid to exporters on the conversion of foreign currency into drachmas from 5 % to 3 % as from 1 April 1987. This bonus is dropped altogether from 1 January 1988.

### Spain (E)

27.2 The Government reduces the mandatory investment ratio from 23 % of banks' liabilities to 11 % with immediate effect. The reduction relates to the portion used to finance exports, housing and capital goods, which has been cut from 13 % to 1 % of liabilities.

27.2 The Cabinet decides to liberalize interest rates paid on current accounts and on savings deposits of less than six months or less than PTA 1 million.

### France (F)

None.

### Ireland (IRL)

None.

### Italy (I)

6.2 The Interministerial Committee on Credit and Savings (CICR) authorizes banks to engage in merchant banking activities. In accordance with rules yet to be established, the Bank of Italy will be able to authorize savings institutions and commercial banks to operate as 'financial intermediaries'. As such, they will be able to acquire equity stakes in companies on a purely temporary basis before rechanneling on to the market; they will not be able to participate in the management of those companies.

### Luxembourg (L)

None.

### Netherlands (NL)

22.2 The tax deductibility of fines is to be abolished as from 1988 in respect of both personal income tax and corporation tax.

23.2 As from 1988, the reduced rate of VAT is to be raised from 6 % to 7 %. This increase should compensate for the loss of revenue which will be caused by the decision to apply the reduced rate to the foodstuffs and medicines still left in the category attracting the standard rate of 20 %.

25.2 An agreement between the central bank and the banking sector limits anonymity in respect of bearer savings bonds. In future, the banks will have to indicate on the registration document the identity of customers and the amount and numbers of savings bonds issued.

27.2 The Government grants a premium to certain categories of civil servants (such as automation specialists, accountants and financial experts) which are in short supply on the labour market. This fidelity premium has been set at a maximum of HFL 20 000 per year and may be granted for not more than four years. The civil servants concerned qualify for payment of a single premium if they undertake to remain in the public service for a given number of years. These measures affect some 11 000 public servants.

### Portugal (P)

2.2 A forward exchange market is set up.

7.2 The Government sets up, under the authority of the Minister of Finance, a department responsible for analysing the financing of central government and public enterprises (GAFEPP), the main task of which will be to subordinate the financing methods and needs of public administration and public enterprises to the Government's macroeconomic policy.

### United-Kingdom (UK)

None.

### Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
'European Economy' (4 issues per year)	53,20	2 300	40,50	38	55,50	The annual subscription runs from 1 January to 31 December of each year.
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Complete series of supplements	33,60	1 450	25,60	24	35,50	These are surface mail rates; for air subscription rates please apply to the agents
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CB-AS-87-003-EN-C