

# EUROPEAN ECONOMY

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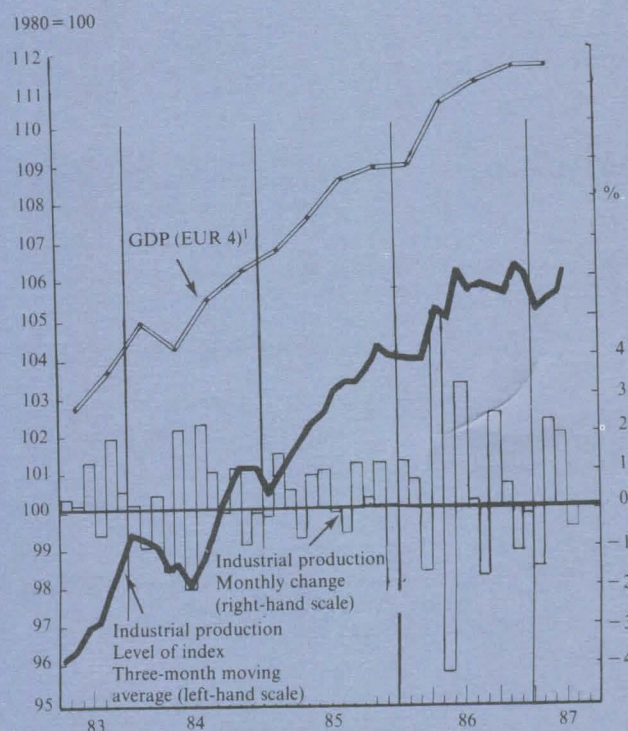
*In this number:  
The economic outlook  
for 1988*

## Recent economic trends

### THE MAIN POINTS IN BRIEF

- The Commission, in its July Communication to the Council;
- reports that the slowdown in growth noted in the March Communication is now confirmed with growth forecast at just over 2 % in 1987 and 1988;
- reviews the implementation of the Community cooperative strategy and finds that progress has been made in improving supply side conditions and the profitability of capital as well as reducing inflation but that the transition from externally supported growth to that based on internal forces has not yet been successfully achieved;
- finds that the Community must rely on its own efforts to strengthen growth, this stronger growth being necessary for both internal and external reasons;
- concludes that, while the scope for actively stimulating growth through monetary policy is largely exhausted, the policy-mix should rely more on budgetary policy in countries where the public deficit and debt position is more favourable; in this context Community interdependence and timing effects should be taken into consideration in order to attenuate external and public deficit constraints. In this way the continuation of moderate rises in real wages could be supplemented in countries where the public finance position is more favourable by tax reductions and profitable public investment projects. Such a policy would also increase room for manoeuvre in the other Community countries.
- The latest short-term indicators available suggest a continuing weak level of activity in the Community, subdued prices and approximate balance on the trade account. Unemployment has, however, fallen slightly. Money supply is still growing quite rapidly while interest rates remain sticky and the ECU was slightly weaker against the dollar in June.

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



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

## THE ECONOMIC OUTLOOK FOR 1988 AND BUDGETARY POLICY IN THE MEMBER STATES

(Excerpts from the Communication of the Commission  
to the Council in accordance with Article 3  
of the Council Decision of 18 February 1974 on convergence.)

The Commission presents this Communication<sup>1</sup> in accordance with Article 3 of the convergence decision<sup>2</sup>.

In accordance with the thoughts presented by the Commission in the second part of its Communication of 26 February 1987, the present document is more detailed than in the past. This should ease the burden on the Annual Economic Report and facilitate the work of European Parliament and the Economic and Social Committee in the context of the preparation of their opinions in the autumn. In addition, the Commission will enter into a debate with the social partners on the analysis of economic policy presented in this Communication. With a view to an effective coordination of economic and budgetary policy it is, moreover, crucial that the guidelines proposed here from the Community interest, as well as the possible conclusions of the Council, should be taken into account in national debates on economic and budgetary policy, as well as the preparation of national budgets for 1988.

As foreseen in the 1986/87 Annual Economic Report, this Communication includes an intermediate review of the application of the cooperative growth strategy for more employment. The discussion of this review could be the occasion for the Council (Economic and Financial Affairs) to reply to the invitation which was addressed to it in June 1986 by the Hague European Council.

### 1. Summary and conclusions

#### 1.1 Outlook and risks

The *slowdown in growth* in the Community is now confirmed. In 1987, and probably in 1988 too, gross domestic product in the Community is unlikely to increase by much more than 2 % p.a. Unemployment remains at around 12 %. Even if the growth rate were to pick up to 2 1/2 % a year, this would not improve the entirely unsatisfactory employment outlook. The slowdown is due primarily to a less favourable *international environment*. The dollar's depreciation has been greater and world trade is growing more weakly than expected last autumn. The marked weakening in exports since 1986 has quickly been reflected in an appreciable reduction in the rate of growth of *investment in equipment*. This unfavourable trend for growth potential and employment seems set to continue in 1987 and 1988. Under these circumstances, growth in the Community is being underpinned mainly by private consumption, although its high growth rate in 1986 will gradually diminish in 1987 and 1988.

The outlook for growth and employment, which is already not very favourable, could deteriorate significantly if there is an additional depreciation of the dollar combined with further interest-rate rises in the United States; in addition, there is the *risk* of an intensification in protectionist tendencies, the problems of the seriously indebted developing countries may increase and the expansion of world trade may decelerate further.

There is broad agreement at the international level on this analysis and on the risks which exist. The *international meetings* of the past months have developed a cooperative approach to face up to them. It is important that the Community contributes here according to its means. This is in its own interest so that the priority objective of a progressive reduction in unemployment can be pursued. The slowdown in growth does not call into question the Community strategy. Indeed, it is now a question of implementing it fully and resolutely, having due regard for the changed external conditions.

#### 1.2 Interim assessment of the cooperative growth strategy for more employment.

Considerable efforts have been made in all member countries to improve the adaptability of markets. A number of indicators show that *supply conditions have improved*. Compared with the 1960s and 1970s, growth has become markedly more employment-creating. The profitability of fixed capital increased sharply between 1982 and 1986. The main factors contributing to this improvement, which could however mark time in 1987 and 1988, have been the higher level of capacity utilization and the fact that real wage increases have lagged behind productivity growth for several years.

As a result of the rise in profitability, the relationship between the return on fixed capital and long-term real interest rates has shifted markedly in favour of productive investment, even though real interest rates still remain at a relatively high level.

*Monetary policy* has underpinned the stabilization process and has made available - particularly in recent years - sufficient liquidity to finance real growth. It has been supported in its stabilization task by coordination within the EMS, by the rapid adaptation of the nominal wage trend to falling inflation and by declining import prices. The Community has now achieved a degree of *price stability* which has not been seen for two decades. The *convergence of price trends* within the EMS has improved markedly.

Since 1985, exchange-rate movements have largely been responsible for a very substantial loss in the Community's *cost competitiveness* compared with its most important industrialized trading partners. This development increases the need for structural change, more especially since European industry has for years been losing market share, particularly in those sectors in which

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

world demand is growing most strongly. Full use of the potential arising from the creation of the European internal market, as well as greater efforts in the field of research and development, are increasingly necessary.

Faced with a high and increasing debt burden, *budgetary policy* in the Community has been directed in past years towards reducing public deficits. As a result of the - sometimes painful - efforts made, successes have been achieved, although they are still insufficient in a number of countries. Despite marked progress in a few countries, the efforts made to improve the conditions of supply and demand through public finance policy have also shown only limited progress on average in the Community: the burden of taxation is scarcely showing any reduction and the share of public investment in GDP remains at a low level.

The *social dialogue* at Community level has developed well. The basic principles of the Community strategy have been endorsed and agreement has been reached on many important aspects of the economic and social problems arising out of the introduction of new technologies. Joint opinions to that effect given by the social partners were confirmed in the presence of the Commission and Council presidents on 7 May 1987. While, at national level, a social dialogue takes place in one form or another in all member countries, it is too frequently restricted to specific points. In view of the increasingly difficult economic situation, it is even more important for the social dialogue to cover all major themes of the Community strategy.

The available data and forecasts up to 1988 still show no significant catching up by the less favoured countries and regions. If progress is to be made in the medium-term in this area which is important for *economic and social cohesion*, it is important that growth in the Community should become more dynamic, that the conditions for growth in the regions concerned should become markedly more favourable, and that the Community itself should resolutely make its own contribution by tailoring and by developing its common policies, its structural funds and other financing instruments.

### 1.3 Economic policy guidelines

In 1984 and 1985, *demand* growth in the Community was largely export-led. In 1986, domestic demand picked up sharply, mainly because of improved terms of trade. Such favourable external influences can no longer be expected.

Applying the Community strategy in these conditions means that efforts must continue to be made to improve the adaptability of markets and the profitability and competitiveness of firms; but at the same time, *greater priority* must be given to *strengthening internal demand*.

The guidelines worked out at the international meetings held in recent months and which were confirmed and made more explicit at Venice in June remain fully valid. The prime task is to stabilize the exchange rates of the major international reserve currencies at roughly their current levels. This is not only a task for monetary policy but one which must also be underpinned, at a sufficient level of world activity, by a *wider* growth differential between Europe and Japan on the one hand and the United States on the other. The new method of multilateral surveillance should reinforce this type of international coordination.

*However, the growth sought must be lasting.* This rules out an ill-considered stimulation of demand, which would undermine the progress made towards stabilization. The strengthening of internal demand must therefore be accompanied by a sharp growth in investment, which at one and the same time reinforces growth potential and constitutes an important component of internal demand. *The carrying out of major Community projects* can itself make an important contribution here. In this respect, the first point to be mentioned is the completion of the *internal market*, which should be accelerated. If the realization of the European internal market is regarded as irreversible, firms will quickly adjust to this in their investment plans. Further progress in this direction will be made by the carrying out of major infrastructure projects of European interest and a strengthened and targeted role for the Community's structural funds and other financing instruments.

However, these positive contributions of the Community dimension can only have their full effect if the *economic policies of the Member States* are adapted to the new conditions.

The scope for actively stimulating growth by *monetary policy* means must be regarded as largely exhausted. Already a number of central banks have had to tolerate large overruns of their money supply targets. An excessively sharp and uncontrolled expansion of liquidity could well create new inflationary expectations and dash hopes of any further fall in long-term interest rates. Furthermore, the last phase of the liberalization of capital movements, which is to begin shortly, constitutes a particular challenge for the EMS, the strengthening of which remains a further important task. In this context, increased surveillance of economic indicators could allow an improvement in economic and monetary policy coordination.

The *guidelines* set out for *budgetary policy* in the last Annual Economic Report remain broadly valid. In view of the deceleration in growth, however, they should be more speedily implemented, as provided for in point 3.3 of the last Annual Economic Report in such an eventuality. Under present circumstances, it is essential for the moderate rise in real wages, which is still necessary, to be supplemented by tax reductions and public investment (including wholly or partly privately financed infrastructure projects). It is only thus that the necessary combination of greater investment activity and an appropriate rise in private consumption will be achieved. The more dynamic growth, induced by domestic forces which would thereby come about, would also pave the way for further progress towards the medium-term consolidation of public finances, which remains necessary, but is made more difficult by weaker growth.

However obvious this approach may appear for the Community as a whole, it is difficult to implement it in practice in *individual member countries*. Admittedly, a number of countries have already taken steps in this direction on their own initiative or as a result of international meetings. However, there appears to be relatively little or no scope for additional measures if each Community country is analysed individually. If it were possible, however, to achieve stronger growth in the Community through closer cooperation on public finances in the framework of the Community strategy, the budgetary room for manoeuvre at national level would increase appreciably.

The public finance situation appears to be more favourable in five Community countries (Denmark, Germany, France, Luxembourg and the United Kingdom). In France and Germany, however, the deceleration in growth is already making the tax reductions planned in those countries more difficult. Further-

more, given the present forecasts for intra-Community trade, an acceleration in domestic demand in Denmark, France and the United Kingdom too would threaten their payments balances. However, if each of those five countries could, in the context of joint action, count on stronger growth in its partners, it would be possible for them to improve their own prospects for growth more quickly and thus contribute to a faster growth in Europe. Thus a continuation in the reduction of budget deficits which remains necessary in the other member countries would be facilitated. Of those countries, three (namely Spain, Italy and Portugal) are currently making a considerable contribution to Community growth. A more dynamic environment in the Community would reduce the danger that these countries will have to curb their growth in order to maintain external balance, which would in turn have negative consequences for their partner countries.

Given the improved consensus concerning the broad lines of economic policy both between member countries and between the social partners, the progress made towards price stability and improved supply conditions should make it possible in budgetary policy also to use the Community dimension to reinforce growth. If clear progress towards reducing unemployment is not made in the foreseeable future, there is a danger that the consensus reached concerning economic policy may again be called into question.

**TABLE 1: Main indicators of the economic situation in the Community (EUR12)**

	average 1973-80	average 1981-73	1982	1983	1984	1985	1986*	1987*	1988*
<i>a) Macroeconomic performance</i>									
GDP at constant prices (% change p.a.)	4.8	2.0	0.6	1.5	2.4	2.5	2.5	2.2	2.3
Unemployment rate	2.2 <sup>1</sup>	5.1 <sup>1</sup>	9.0 <sup>2</sup>	10.1 <sup>1</sup>	10.6 <sup>1</sup>	12.1	12.0	11.8	11.8
Rate of inflation (price deflator of private consumption % change p.a.)	4.6	12.2	10.5	8.5	7.0	5.9	3.7	3.2	3.3
Current account balance (% of GDP)	0.4	-0.5	-0.9	-0.1	0.1	0.6	1.3	0.8	0.5
<i>b) Indicators of demand<sup>3</sup> (percentage change on previous year)</i>									
Domestic demand									
Community performance	5.0	1.6	0.9	1.0	1.9	2.4	3.7	3.3	2.7
Deviation from average of other OECD member states	0.5	-0.6	0.9	-1.8	-3.4	-1.1	0.0	0.6	0.0
Private consumption	5.0	2.4	0.7	1.3	1.3	2.4	3.7	3.3	2.8
Gross fixed capital formation	5.5	0.1	1.8	0.2	1.6	2.3	3.6	4.1	3.7
Exports of goods and services	8.0	4.2	1.0	2.9	7.7	4.9	1.7	2.3	3.4
Extra-Community export market growth (goods) <sup>4</sup>	-	-	-3.0	5.5	11.5	2.0	-0.2	0.9	3.0
Extra-Community exports (goods)	-	-	2.0	1.2	7.5	4.4	-5.9	2.5	0.9
<i>c) Indicators of supply conditions</i>									
Employment (% change p.a.)	0.3	-0.1	0.9	-0.7	0.0	0.5	0.8	0.6	0.5
Productivity (% change p.a.)	4.5	2.1	1.5	2.0	2.3	1.8	1.8	1.6	1.8
Real unit labour costs (Index 1973 = 100)	98.9	103.0	101.5	100.8	99.3	98.2	97.1	97.0	96.7
Profitability <sup>5</sup> (Index 1973 = 100)	117.9	76.7	69.2	72.4	79.3	84.8	86.3	85.6	86.0
Investment in equipment (% change p.a.) <sup>6</sup>	-	1.7	-1.0	2.1	5.8	9.2	4.5	5.3	4.6
Investment in construction (% change p.a.) <sup>6</sup>	-	-1.4	-1.9	0.3	1.2	3.1	2.7	2.8	2.8
Competitiveness based on unit labour costs <sup>7</sup> (Index 1973 = 100)	94.6	101.3	92.1	86.9	80.4	79.7	88.9	96.6	97.3
<i>d) Economic policy indicators</i>									
Compensation per employee									
nominal	10.0	14.8	11.1	9.9	7.4	6.8	6.2	5.7	5.1
real (deflated by the private consumption deflator)	5.1	2.3	0.5	1.3	0.3	0.9	2.4	2.4	1.7
Monetary expansion (annual average)	11.4 <sup>8</sup>	13.7 <sup>8</sup>	11.3	11.2	9.5	8.5	10.3	8.7	7.5
General government borrowing (% of GDP)	-1.1 <sup>9</sup>	-4.1 <sup>9</sup>	-5.4	-5.2	-5.3	-5.1	-4.9	-4.6	-4.4
Gross debt of general government (% of GDP)	37.5	43.4	48.1	51.4	54.8	57.4	58.9	61.2	63.2

<sup>1</sup> EUR9 (without Greece, Spain and Portugal).

<sup>2</sup> All indicators at constant prices.

<sup>3</sup> Estimates for EUR4.

<sup>4</sup> Real effective exchange rates on the basis of unit labour costs: total economy.

<sup>5</sup> EUR9 (without Greece, Spain and Portugal): 1973 and 1981 respectively.

<sup>6</sup> EUR12 1981.

<sup>7</sup> Compensation per employee deflated by the GDP price deflator divided by real output per person in employment.

<sup>8</sup> To 1985 EUR10, from 1986 EUR12.

<sup>9</sup> Change in imports of third countries weighted by the Community's export structure.

\* Estimates and Economic Forecasts of Commission services (May 1987).

Source: Eurostat and Commission services.

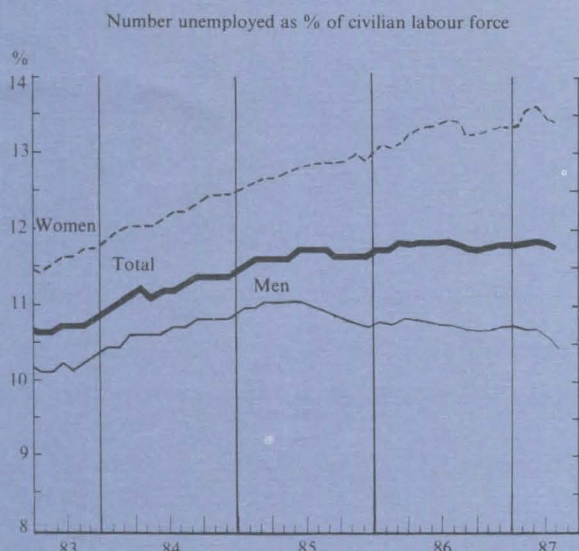
## Recent trends in the Community economy

**Industrial production relatively weak.** — Despite a sharp month-to-month increase in Germany, industrial production in the Community in April (seasonally adjusted) was somewhat weaker than initial returns suggested, falling by 0.5 % on March. Although all categories of output fell somewhat, the decline tended to be concentrated in the investment goods sector, where production was 2.1 % lower than March. Nevertheless, the trend in Community industrial output, measured as the three month moving average, did continue to pick up in April from the low point of January (see Graph 1), but its level was still 1.8 % below that of April 1986. Industrial output in Belgium, Luxembourg and Germany was upwards of 4 % below that of a year

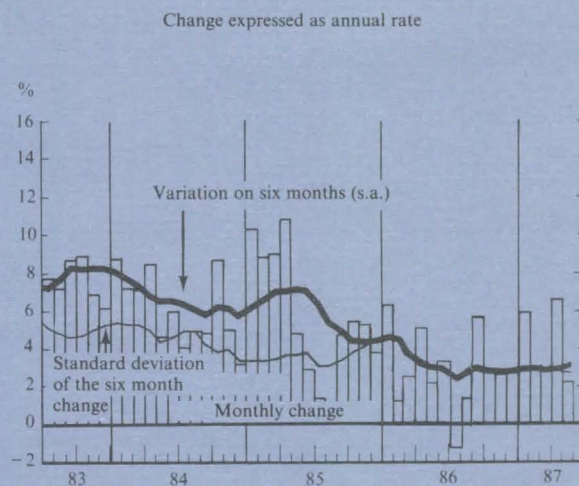
earlier in April, while in the United Kingdom it was 0.5 % lower than April 1986. Elsewhere in the Community, increases ranged from 0.7 % in Greece to 7.4 % in Denmark.

**Unemployment eases for the second successive month.** — In May the number of registered unemployed, seasonally adjusted, in the Community (EUR12) fell by nearly 60 000 to 16.1 million. This represented the second successive fall and the unemployment rate as a percentage of the civilian labour force declined from 11.8 % in March to 11.6 % in May. The decline was generalised with most Member States registering a fall in numbers out of work. Only in Spain, where numbers out of work have been rising since the end of last summer, and Italy, after the sharp reduction in March, did unemployment rise. On a

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



GRAPH 3: Consumer prices EUR 12



year-to-year basis, the unemployment rate was 0,6 % lower than in May 1987.

**Inflation remains subdued.** — The index of consumer prices in the Community in May increased by 0,2 % on a month earlier. On a seasonally adjusted basis, however, the month-to-month rise was 0,3 %, the same as in April. Among Member States, the sharp increase of 0,8 % in Denmark was principally due to the biannual adjustments in the index for rent and entertainment. On the other hand, in Portugal and Greece in particular, and in Spain to a lesser extent, the low rates of increase in the unadjusted figures can be partially attributed to seasonal food price declines, with the adjusted figures in the first two countries being slightly higher than 1 %. 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 marginally higher at 3,4 % but divergence in price trends fell further for the seventh successive month. Consumer prices in May were 3,2 % up on a year earlier with individual figures ranging from falls of 0,6 % in the Netherlands and 0,3 % in Luxembourg to an increase of 17,7 % in Greece.

**Trade surplus lower in April.** — The Community's trade surplus (EUR12) in April, at 395 million ECU, was the lowest recorded since September 1986, and the three month moving average has been falling since the peak level registered in January. The fall in the German surplus and higher deficits in the United Kingdom, the Netherlands and Italy were the main contributory factors to a Community trade position which is close to balance. On the basis of preliminary information for May, a higher German surplus and a fall in the Spanish deficit, to some extent compensated for by some increase in the French deficit, are likely to mean some increase in the overall Community surplus.

**Money supply growth still rapid.** — In April the rate of increase in money supply for the Community as a whole (s.a) was 1,1 %, the same rate as in March. Data available for May suggest a similar rate of increase in that month. While in Denmark the gradual slowdown in the year-to-year rise in money supply continued in May, money stock in Germany continued to accel-

erate as external transactions of non-banks, which had declined previously, registered a sharp increase. In France, while the growth in narrow money was moderate, the increase in M3 at 6,1 % (calculated at an annual rate on the average for the fourth quarter of 1986) moved further from the target range of 3 to 5 %. The recovery in the growth of wide money in Ireland, after its decline in 1986, continued in May. In the United Kingdom, while M3 continued to increase rapidly, the growth in narrow money was more subdued, remaining near the middle of its 2-6 % target range.

**Long term interest rates remain sticky.** — Despite the easing of short-term interest rates in the Community in May, long-term rates remained subject to upward pressure. Since December 1986, Community long-term rates have fallen by only 0,2 points compared to a fall of 1,25 points in Japan. In a number of Member States (Belgium, Denmark, Greece, Spain and Italy) rates were even higher in May than in December 1986. The fall in German rates was 0,5 points and at the beginning of June, there was even some firming in long-term rates, demonstrating the limited impact of reductions in short-term rates on the longer end of the market.

**ECU weaker in June.** — Although the dollar eased at the beginning of the month, a series of more encouraging statistics towards the middle of the month took it higher against the ECU, a gain which it held through the month. There was little tension during the month within the EMS fluctuation band, although the Danish kroner, which was at the top of the band, weakened significantly at the end of the month on the results of an opinion poll ahead of an expected general election. Although the DKR then stabilised, it was replaced at the beginning of July by the French franc at the head of the system. After appreciating at the beginning of the month before the general election, sterling then weakened somewhat on profit-taking but at the end of the month was somewhat stronger on reaction to the OPEC production agreement. The peseta continued to appreciate somewhat against the ECU, while the drachma and the escudo weakened marginally.

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

	1986					1987				1986				1987				Change over
	1982	1983	1984	1985	1986	I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	12 months % (b)
B	0	2.0	2.5	2.5	1.5	-0.1	-2.1	3.4	-2.0	-0.8	1.3	1.5	-3.4	1.0	0.6	-1.3	:	-4.2
DK	2.7	3.2	9.7	4.2	4.2	-1.9	4.6	-3.4	0.9	-3.3	2.3	-7.4	6.2	-8.8	4.8	4.2	:	7.4
D	-2.9	0.6	3.0	5.7	2.1	-0.1	0.7	0.6	-1.0	-1.2	-0.7	-1.0	-1.2	-1.5	2.1	-0.4	2.2	-4.2
GR	1.1	-0.1	1.6	3.4	-0.2	-5.2	4.6	-1.7	-0.9	-1.6	1.9	1.9	-1.3	-3.9	6.1	-4.0	:	0.7
E	-1.1	2.7	0.8	2.0	3.1	-3.1	5.5	-2.0	2.2	-1.0	3.8	-3.3	-1.2	-2.4	4.9	0.5	:	9.2
F	-0.5	0	2.0	1.0	1.0	-1.6	1.3	1.3	-1.3	-0.3	0	-1.9	0	-2.0	3.0	1.0	-1.0	-4.5
IRL	-0.9	6.6	12.4	2.3	2.7	1.1	-0.4	0	3.7	-0.6	1.8	-0.8	-2.0	-2.1	4.5	0.4	:	2.3
I	-3.0	-3.2	3.4	1.2	2.8	2.8	0.3	-0.1	1.6	-0.5	1.2	0.1	0.5	-0.9	-0.1	0.4	0.7	2.6
L	0.9	5.4	13.3	6.9	2.8	1.8	-0.8	-2.1	-0.6	-1.4	-0.5	5.3	-8.7	5.6	-2.5	-2.5	:	-5.8
NL	-4.1	3.2	4.1	4.0	1.0	1.9	-2.5	2.6	-1.6	3.2	-3.7	1.9	-2.8	4.8	-1.8	2.8	-6.4	-4.4
P	4.6	1.6	-0.1	10.9	4.7	-2.7	6.6	2.9	-2.1	:	-3.4	-1.1	0.9	-4.5	2.0	:	:	2.9
UK	1.9	3.6	1.3	4.7	1.9	0.6	0.2	1.6	-0.2	1.2	0	0.3	-0.7	0.6	1.6	-0.5	0.3	-0.5
EUR 12	-1.2	0.9	2.2	3.4	2.0	-0.3	1.9	-0.3	0.5	(-0.6)	0.6	-1.0	-0.1	-1.7	2.3	(0.2)	(-0.5)	(-1.8)
USA	-7.4	7.8	12.3	2.1	2.1	0.8	0	0.8	0.8	(0.9)	0.3	0.2	0.7	0	(0.7)	(-0.2)	(-0.4)	(1.8)
JAP	0.3	3.6	11.1	4.6	-0.3	0.2	0.3	-0.3	0	1.3	-1.3	-1.5	3.2	-0.4	-0.6	(1.7)	:	(0.9)

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

	1986					1987				1986		1987					Change over 12 months % (b)	
	1982	1983	1984	1985	1986	I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	Apr.		May
B <sup>(f)</sup>	13.0	14.3	14.4	13.6	12.6	12.7	12.6	12.3	12.5	12.4	12.3	12.6	12.5	12.3	12.4	12.4	12.4	-2.3
DK	9.3	10.1	9.9	8.7	(7.6)	7.8	7.4	7.5	7.3	7.7	7.5	7.5	(7.8)	(7.4)	(7.8)	(7.9)	(7.6)	(0.4)
D	6.9	8.4	8.4	8.4	8.1	8.4	8.2	8.0	7.8	8.0	7.8	7.8	7.9	7.9	8.1	8.0	8.0	-1.1
GR	1.4	1.6	1.8	2.2	2.8	2.7	2.8	2.8	2.7	2.9	2.7	2.8	2.8	3.0	2.8	2.9	2.9	6.2
E	14.3	16.6	18.6	19.7	20.2	20.1	20.1	20.0	20.5	20.9	20.6	20.7	20.8	20.9	21.0	21.0	21.1	6.7
F	8.7	8.9	10.0	10.5	10.7	10.5	10.6	10.8	10.9	11.3	10.9	11.0	11.2	11.3	11.4	11.3	11.3	5.7
IRL	12.3	14.9	16.6	18.0	18.6	18.2	18.4	18.7	19.0	19.3	18.9	19.2	19.2	19.3	19.3	19.7	19.7	6.8
I	9.7	10.9	11.9	12.9	13.6	13.4	13.6	13.8	13.8	13.9	13.6	13.9	13.8	14.0	13.9	13.3	13.5	-1.1
L	1.3	1.6	1.8	1.7	1.5	1.5	1.5	1.4	1.4	1.6	1.4	1.5	1.5	1.6	1.8	1.7	1.7	15.9
NL <sup>(f)</sup>	(11.8)	(14.3)	14.5	13.3	12.4	12.7	12.4	12.2	12.1	12.0	12.0	12.0	12.0	12.0	12.1	12.0	12.0	-4.7
P	5.7	5.6	6.8	7.7	8.3	8.2	8.3	8.3	8.3	8.3	8.1	8.3	8.5	8.3	8.0	7.7	7.3	-13.9
UK	(10.6)	(11.6)	11.8	12.0	11.9	12.0	12.1	12.0	11.8	11.5	11.7	11.8	11.6	11.5	11.4	11.3	11.0	-8.7
EUR 12	(9.4)	(10.6)	11.2	11.6	(11.7)	11.7	11.7	11.7	11.7	(11.8)	11.6	11.8	(11.8)	(11.8)	(11.8)	(11.7)	(11.6)	-0.6
USA	9.7	9.6	7.5	7.2	7.0	7.1	7.1	6.9	6.8	6.7	6.9	6.7	6.7	6.7	6.6	6.3	:	-10.0
JAP <sup>(g)</sup>	2.4	2.7	2.7	2.6	2.8	2.7	2.8	2.9	2.8	2.9	2.8	2.7	3.0	2.9	2.9	:	:	6.1

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

	1982	1983	1984	1985	1986	1986				1987				1986				1987				Change over 12 months % (b)
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	Apr.	May					
B	8.7	7.7	6.3	4.9	1.3	0.2	0.1	0.2	0.1	0.6	-0.1	0.1	0.4	0.2	0.1	0.5	0					1.7
DK	10.1	6.9	6.3	4.7	3.6	-0.1	3.3	0.1	1.0	0.5	0.3	-0.1	0.2	-0.1	0.9	(0.4)	(0.8)					(3.2)
D	5.3	3.3	2.4	2.2	-0.2	0	0.3	-0.5	-0.3	0.6	-0.1	0.2	0.4	0.1	0	0.2	0.1					0.2
GR	21.0	20.5	18.3	19.4	23.1	6.0	4.3	2.0	5.9	3.2	0.7	0.9	1.1	0.4	3.2	2.3	0.6					17.7
E	14.4	12.2	11.2	8.8	8.8	3.9	1.1	2.3	1.2	1.4	-0.2	0.5	0.7	0.4	0.6	0.2	-0.1					5.9
F	11.8	9.6	7.3	5.9	2.7	0.1	0.7	0.6	0.7	1.2	0.1	0.1	0.9	0.2	0.1	0.5	0.2					3.4
IRL (h)	17.2	10.4	8.6	5.4	3.8	1.6	1.2	0.2	0.2	1.8	(0.1)	(0.6)	(0.6)	(0.6)	0.2	0.2	0.2					2.8
I	16.5	14.7	10.8	9.2	5.8	1.6	1.0	0.6	1.2	1.4	0.5	0.3	0.6	0.5	0.3	(0.3)	(0.4)					(4.2)
L	9.4	8.7	5.6	4.2	0.3	-0.4	-0.6	-0.3	0.2	0.2	0	-0.1	0.2	0.2	0	-0.2	-0.1					-0.3
NL	5.7	2.7	3.2	2.3	0.3	-0.4	0.4	-0.9	1.0	-1.3	0.1	-0.2	-1.4	0.2	0.2	(0.3)	(0.1)					(-0.6)
P	22.7	25.1	28.9	19.6	11.8	4.9	2.3	0.8	2.4	3.8	0.9	1.7	1.2	1.0	1.4	0.5	0.1					9.5
UK	8.6	4.6	5.0	6.1	3.4	0.7	1.3	0.1	1.3	1.2	0.8	0.3	0.4	0.4	0.2	1.2	0.1					4.1
EUR 12	10.7	8.6	7.4	6.1	3.6	1.0	0.8	0.4	0.8	1.0	0.2	0.3	0.5	0.3	0.2	(0.6)	(0.2)					(3.2)
USA	6.2	3.2	4.3	3.6	1.9	0.2	-0.2	0.7	0.6	1.1	0.1	0.1	0.6	0.4	0.4	0.5	0.3					3.8
JAP	2.9	1.8	2.4	2.0	0.7	0.1	0.2	-0.5	-0.1	-0.6	-0.5	-0.2	-0.4	0	0.4	0.9	0.2					-0.1

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

	1986					1987				1986			1987				Change over 12 months % (b)	
	1982	1983	1984	1985	1986	I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March		Apr.
B/L	-3082	-2435	-4897	-3514	146	-304	-312	-52	930	-108	690	157	83	-8	-177	77	97	-99
DK	-1866	-740	-1108	-1538	-1378	-450	-544	-544	-212	75	-111	-60	-41	41	-18	52	.	98
D	21599	18501	24136	32963	53044	10809	13308	14718	14502	14373	4506	4788	5208	4479	5224	4669	4523	-290
GR	-5826	-5800	-6048	7266	-5809	-1938	-1452	-1631	-1126	.	675	-528	78	-317	-467	.	.	257
E	.	.	-4711	-5582	-6306	-1113	-1434	-1757	-2001	-2218	-777	-664	-560	-329	-878	-1011	.	543
F	-24457	-15628	-13130	-13428	-9699	-2259	-3563	-2583	-1819	-2588	-862	-621	-336	-744	-691	-1153	-1033	-492
IRL	1574	-621	81	430	983	318	134	242	262	338	29	148	86	178	111	49	164	178
I	-12513	-8516	-13849	-16130	-2459	-2849	149	502	473	-1117	-120	188	405	-291	-621	-206	-468	-563
NL	3500	4499	4740	3874	4161	1185	1531	1554	206	-470	228	63	-85	-158	-289	-24	-155	-619
P	.	.	-3467	-2735	-1297	-366	-334	-329	271	-716	-99	-11	-160	-166	-269	-281	-262	-161
UK	-3295	-9681	-14005	-11540	-19868	-3385	-3904	-5756	-6180	-3705	-1908	-2211	-2061	-1409	-1108	-1187	-1291	-170
EUR 12 (j)	.	.	-32258	-24444	11161	951	3202	2714	4293	4580	597	1384	2312	1361	798	(856)	(395)	(-1183)
USA (i)	-43435	-77911	-154992	-194856	-169039	-41188	-42412	-44291	-41331	-36411	-14143	-14998	-12189	-11035	-13333	-12043	-11610	3413
JAP	7034	23072	42599	60497	84010	16188	20300	23688	21839	21523	7141	7806	6892	8103	7283	6137	6270	-515

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

	1982	1983	1984	1985	1986	1986			1987		1986		1987					Change over 12 months % (b)
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May	June	
B	14.1	10.5	11.5	9.6	8.0	7.3	7.3	7.5	7.4	6.8	7.5	7.8	7.8	7.4	7.3	7.1	6.8	-0.5
DK	16.4	12.1	11.5	10.0	9.1	9.1	9.2	9.2	10.7	9.6	9.2	11.0	11.0	10.7	10.0	10.0	9.6	0.5
D	8.8	5.8	6.0	5.4	4.6	4.6	4.6	4.8	4.0	3.8	4.8	4.1	4.0	4.0	3.9	3.8	3.8	-0.8
GR	20.2	19.4	15.7	17.1	19.9	22.1	15.8	18.9	23.3	13.9	18.9	14.4	19.4	23.3	16.6	16.4	13.9	-8.2
E	16.3	20.1	14.9	12.2	11.6	12.5	11.5	12.1	16.2	17.8	12.1	12.5	12.5	16.2	20.6	17.9	17.8	5.3
F	14.6	12.5	11.7	9.9	7.8	7.2	7.3	8.5	7.9	8.2	8.5	8.6	8.3	7.9	8.1	8.2	8.2	1.0
IRL	17.5	14.1	13.3	11.9	12.6	9.0	11.0	13.9	13.3	10.4	13.9	14.1	14.3	13.3	10.7	11.1	10.4	1.4
I	20.1	18.1	17.2	15.1	12.7	12.1	10.9	11.6	10.6	11.3	11.6	11.8	11.4	10.6	10.3	10.8	11.3	-0.8
NL	8.3	5.7	6.1	6.4	5.7	6.1	5.4	6.4	5.5	5.2	6.4	5.4	5.4	5.5	5.2	5.2	5.2	-0.9
P	16.8	20.9	22.5	21.0	15.4	13.7	14.9	14.1	13.2	13.3	14.1	13.4	13.4	13.2	13.2	13.4	13.2	-0.4
UK	12.2	10.1	10.1	12.3	10.9	9.8	10.9	11.2	9.9	9.2	11.2	11.1	10.8	9.9	9.2	8.9	9.2	-0.6
EUR 12 (m)	13.8	12.0	11.2	10.5	9.0	8.7	8.5	9.1	8.8	8.7	9.1	8.9	8.8	8.8	8.9	8.7	8.7	0
USA	10.6	8.7	9.5	7.5	6.0	6.1	5.4	5.8	5.8	6.0	5.8	5.8	5.6	5.8	5.7	5.8	6.0	-0.1
JAP	6.8	6.5	6.3	6.5	5.0	4.7	4.8	4.3	4.0		4.3	4.3	3.8	4.0	4.0	3.7		-1.0

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

	1982	1983	1984	1985	1986	1986			1987		1986		1987					Change over 12 months % (b)
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	
B	13.5	11.8	12.0	10.6	7.9	8.4	7.9	7.4	7.5	7.7	7.4	7.7	7.6	7.6	7.6	7.7	7.8	-0.1
DK	20.5	14.4	14.0	11.6	10.6	9.5	10.2	11.1	11.6	12.1	11.7	11.6	11.3	12.4	12.1	11.9	19.9	1.6
D	9.0	7.9	7.8	6.9	5.9	5.9	5.9	5.8	5.9	5.6	6.1	5.9	5.8	5.7	5.6	5.5	5.4	-0.4
GR	15.4	18.2	18.5	15.8	15.8	15.1	17.1	13.6	14.7	17.5	14.7	14.7	17.7	17.2	17.5	17.8	18.1	0.9
E	16.0	16.9	16.5	13.4	11.4	12.2	11.0	11.1	10.4	11.0	10.3	10.4	10.7	10.6	11.0	12.0	13.4	1.9
F	15.6	13.6	12.5	10.9	8.4	8.4	8.0	7.8	8.9	8.5	8.7	8.9	8.9	8.8	8.5	8.7	8.9	0.8
IRL	17.0	13.9	14.6	12.7	11.1	9.4	9.3	12.5	13.0	11.2	13.5	13.0	12.6	12.4	11.2	(10.5)	(11.3)	2.1
I	20.9	18.0	14.9	13.0	10.5	12.4	9.7	9.3	8.9	8.7	9.1	8.9	8.8	8.7	8.7	8.8	9.2	-1.1
L	10.4	9.8	10.3	9.5	8.7	9.1	8.7	8.5	8.1	8.2	8.5	8.1	8.1	8.3	8.2	8.1		-0.9
NL	10.5	8.8	8.6	7.8	6.8	6.9	6.9	6.5	6.9	6.8	6.7	6.9	6.7	6.8	6.8	6.8	6.8	0.2
P	25.3	30.4	32.5	25.4	17.9	20.3	19.4	15.6	16.0	15.4	15.0	16.0	14.8	15.0	15.4	15.4	15.1	-4.7
UK	12.7	10.8	10.7	10.6	9.8	8.9	9.3	10.6	10.3	9.2	10.8	10.3	10.0	9.6	9.2	8.9	8.8	0.4
EUR 12 (n)	14.4	12.8	12.1	10.6	8.9	9.2	8.6	8.6	8.7	8.4	8.8	8.7	8.7	8.6	8.4	8.5	(8.5)	(-0.3)
USA	12.2	10.8	12.0	10.8	8.1	8.0	8.2	8.1	7.7	8.5	7.8	7.7	7.6	7.7	7.6	8.5	9.0	1.0
JAP	8.3	7.8	7.3	6.5	5.2	4.7	5.1	5.7	5.2	4.0	5.4	5.2	5.0	4.9	4.4	4.0		0.8

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

	1982	1983	1984	1985	1986	1986			1987		1986		1987					Change over 12 months % (b)
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May	June	
BFR/LFR	44.68	45.44	45.44	44.91	43.78	43.93	43.65	43.27	42.87	43.04	43.28	42.87	42.73	42.99	43.05	43.06	43.01	-2.0
DKR	8.15	8.13	8.15	8.02	7.94	7.96	7.94	7.86	7.81	7.82	7.86	7.83	7.79	7.81	7.83	7.81	7.81	-1.9
DM	2.38	2.27	2.24	2.23	2.13	2.15	2.11	2.08	2.07	2.08	2.08	2.06	2.06	2.08	2.08	2.08	2.07	-3.5
DR	65.30	78.09	88.44	105.7	137.4	135.0	137.9	143.4	151.1	154.4	146.6	149.8	151.3	152.1	152.9	154.8	155.4	14.8
PTA	107.6	127.5	126.6	129.1	137.5	136.9	137.0	139.7	145.0	145.0	140.6	144.0	145.4	145.7	145.6	145.4	144.1	4.8
FF	6.43	6.77	6.87	6.80	6.80	6.85	6.87	6.82	6.89	6.93	6.83	6.88	6.87	6.81	6.92	6.94	6.93	1.1
IRL	0.690	0.715	0.726	0.715	0.734	0.708	0.745	0.765	0.775	0.776	0.765	0.772	0.775	0.777	0.777	0.776	0.775	9.2
LIT	1324	1350	1381	1447	1462	1476	1454	1443	1469	1494	1443	1463	1468	1476	1482	1500	1501	1.8
HFL	2.62	2.54	2.52	2.51	2.40	2.42	2.38	2.35	2.33	2.34	2.35	2.33	2.33	2.34	2.34	2.34	2.34	-3.4
ESC	78.0	98.7	116.3	130.2	147.1	143.8	149.0	153.9	159.4	161.4	155.2	158.5	160.0	159.9	160.7	161.5	161.9	11.5
UKL	0.561	0.587	0.591	0.589	0.672	0.636	0.681	0.727	0.729	0.700	0.727	0.738	0.740	0.711	0.704	0.696	0.700	9.7
USD	0.981	0.890	0.789	0.762	0.984	0.959	1.013	1.038	1.125	1.150	1.045	1.112	1.130	1.132	1.147	1.162	1.141	18.6
YEN	243.5	211.4	187.0	180.5	165.0	162.8	157.8	166.4	172.2	164.0	169.5	171.9	173.4	171.3	163.9	163.1	164.9	2.2
SDR	0.888	0.833	0.767	0.749	0.838	0.828	0.842	0.859	0.895	0.889	0.865	0.897	0.896	0.892	0.888	0.891	0.887	7.4

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

	1982	1983	1984	1985	1986	1986			1987		1986		1987					Change over 12 months % (b)
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May	June	
B/L	-9.2	-2.8	-2.2	0.9	6.4	1.3	1.5	1.7	2.6	-0.6	0.4	2.1	0.6	-0.8	-0.3	0.1	-0.1	5.1
DK	-4.4	-0.6	-3.7	1.2	7.5	0.6	0.6	2.7	2.7	-0.6	0.5	2.1	0.9	-0.8	-0.5	0.4	-0.3	6.6
D	5.0	4.0	-1.5	0.4	11.3	1.2	1.9	2.9	3.1	-0.6	0.7	2.5	0.5	-0.9	-0.3	0.3	-0.2	8.6
GR	-8.0	-18.1	-14.2	-15.7	-20.4	-1.1	3.4	-3.1	-3.2	-2.1	-1.9	-0.7	-0.6	-0.7	-0.6	-0.9	-0.7	-9.9
E	-6.0	-17.2	-2.3	-2.2	-0.5	-0.1	-1.4	-0.8	-1.4	-0.1	0.1	-0.7	-0.5	-0.5	-0.1	0.5	0.6	-0.1
F	-8.3	-7.1	-4.7	1.1	5.5	-2.9	0.7	1.9	1.2	-0.8	0.2	0.9	0.6	-0.8	-0.4	0	-0.1	3.0
IRL	-1.1	-4.1	-4.2	1.1	4.8	1.2	-2.6	-0.7	0.6	-0.9	0.6	0.6	0	-1.1	-0.3	0.2	0	-3.7
I	6.9	-3.8	-5.7	-5.1	4.7	0.4	2.8	2.1	0.3	-1.9	0.5	0.2	0.1	-0.8	-0.6	1.0	0.5	2.5
NL	5.1	2.0	-1.5	0.3	8.2	1.1	2.5	1.9	2.2	-0.4	0.5	2.0	0.2	0.8	-0.1	0.3	-0.1	6.2
P	-12.9	-21.1	-17.3	-11.4	-6.7	1.3	-2.1	-2.0	1.7	-1.5	-0.5	-0.7	-0.6	0.3	-0.7	-0.4	-0.5	6.8
UK	-4.4	-7.0	-4.7	-0.2	-6.7	1.6	5.5	-5.6	2.2	4.5	-0.1	0.4	0.1	4.2	0.9	1.6	-1.1	-4.7
EUR 12	-7.0	8.5	-9.1	-1.8	10.8	0.4	2.0	2.0	4.4	-0.2	0.9	3.2	0.8	-0.2	-0.5	0.6	0.7	7.9
USA	12.0	5.7	7.8	4.0	-18.4	-4.6	-4.1	-0.3	-5.7	3.4	-0.9	-4.4	-1.4	-0.9	-2.3	0.8	1.6	-11.9
JAP	-5.0	10.9	5.5	3.0	28.8	8.7	7.6	-3.8	1.2	5.9	-0.3	2.5	-0.1	0.9	5.1	1.3	-2.2	8.4

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.

(b) % change over 12 months on the basis of the non-adjusted nominal series of the most recent figure given.

(c) Change on corresponding month in previous year, seasonally adjusted.

(d) Change over 12 months in seasonally adjusted figures of the most recent figure given for each country.

(e) Difference in relation to the same month of the previous year.

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

(g) As % of total labour force.

(h) Monthly series calculated by linear interpolation.

(i) Unadjusted figures.

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

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

(l) Average of monthly changes, seasonally adjusted, weighted by GDP at 1980 prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.

(m) National sources; three-month interbank rate except: Belgium: yield on issue of four-month *Fonds des Rentés* certificates; Denmark: daily money market rate (monthly average); Portugal: 6 month deposits; from 8 85, 3 month Treasury Bills. Annual average, end quarter and end month.

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

## Principal economic policy measures - June 1987

## Community (EUR)

1.7 The Commission adopts a communication to the Council 'The economic outlook for 1988 and budgetary policy in the Member States' (COM(87)297 final) which constitutes the basis for the second examination of the year by the Council of the economic situation in the Community, in accordance with Article 3 of the Council decision of 18 February 1974 on the convergence of economic policy (see elsewhere in this issue).

## Belgium (B)

1.7 Entry into force of the law of 17 March 1987, introducing new systems of work organization into companies. It relaxes certain legal provisions, in particular those relating to Sunday working and night work and to the number of hours worked. Management and unions will now be able to introduce new arrangements by means of collective agreements at industry or company level.

## Denmark (DK)

9.6 Nationalbanken lowers its money market intervention rate by 1.2 point to 9.1.2 % in response to growing foreign liquidity reserves and the apparent improvement of the foreign balance.

10.6 Taxation in counties for 1988 may not exceed the present tax base by more than 10 % given the existing tax rates. No ceiling was imposed for municipalities. Local expenditure for 1988 should not go beyond the average outcome for 1986 and 1987 according to the May 1986 agreement on local expenditure targets.

## Federal Republic of Germany (D)

5.6 The Bundestag approves a bill which extends the eligibility period for unemployment benefit as from 1 July as follows:

- unemployed aged 42 or 43 years - maximum 18 months
- unemployed aged between 44 and 48 years - maximum 22 months
- unemployed aged between 49 and 53 years - maximum 26 months
- unemployed aged 54 years and older - maximum 32 months

The bill also reduces the ratio between the duration of social security contributions and the eligibility period from 3:1 to 2:1. Thus, an unemployed person having worked and paid social security contributions for 1 year, will get unemployment benefit for 6 months instead of 4 months previously. In addition, up to 1989 the maximum payment period for short-time working benefit for employees in the steel industry will be extended from 2 to 3 years.

16.6 The Central Bank Council has authorized domestic agents to hold liabilities denominated in ECU. This mainly implies that German banks will be allowed to offer ECU accounts. Private utilization of the ECU will thus in future be possible to the same extent as the use of any foreign currency. ECU accounts will be liable to minimum reserve requirements.

26.6 The Bundestag passes a bill which provides for tax cuts amounting to 5.2 billion DM. They add to the 8.5 billion DM already decided in December 1984, so that the overall tax relief next year amounts to 13.7 billion DM. These tax cuts, originally planned for 1990, have been brought forward following the so-called 'Louvre-Agreement' of last February. The bill now has to pass through the Second Chamber (Bundesrat) before becoming binding legislation.

## Greece (GR)

5.6 As part of the export promotion policy, a presidential decree, of which the Minister for National Economy and the Minister for Finance are co-signatories, doubles the capital of the export credit guarantee fund to 40 000 million drachmas.

30.6 The Governor of the Bank of Greece takes the following decisions:

- the interest rates on three-month, six-month and twelve-month Treasury bills are increased by half a percentage point, to 17.5 %, 18 % and 19.5 % respectively;
- the banks and other institutions are authorized to issue certificates of deposit for periods of 3, 6, 12 and 18 months, at freely negotiated rates and for a minimum amount of 5 million drachmas;
- the upper limit of 20 % to 21.5 % on interest rates on the majority of commercial credits is replaced by a lower limit of 21 %; banks will be free to set rates above this limit in keeping with the market situation;
- banks are no longer required to allocate at least 15 % of their deposits to finance investment credit, but they are still required to allocate a proportion of deposits (10.5 % instead of the former 8 %) to finance public enterprises and agencies;
- short-term credits to agriculture are increased from 15 % to 16 % and medium-term credits to agriculture and the craft industries are increased from 16 % to 17 %;
- compulsory reserves on special time deposits are increased from 4.5 % to 6.5 %.

19.6 The Greek Committee for monetary affairs and financing decides to permit foreign banks specializing in the discounting of bills for the forward settlement of exports, to require the drawers (Greek exporters) to discharge them if the acceptors (importers) do not fulfil with their undertaking. If this should happen, the Bank of Greece is authorized to provide the foreign currency required for the discharge against an equivalent sum in drachmas paid by the exporter, who will have to repay to the State all assistance received, plus interest at the rate of 21.5 %.

## Spain

1.6 A Bank of Spain circular, developing the ministerial decree of 19 May, lays down rules for the 'entries on account' system for government securities. The chief characteristic of the new system is that it will be possible to effect these operations without the physical exchange of securities, and without intervention by approved intermediaries.

2.6 The Bank of Spain announces the first auction of part of its portfolio of public debt with an agreement to repurchase the securities before they mature. This auction will be limited to the financial institutions, making it a new instrument of monetary control.

12.6 The Official Gazette publishes a ministerial decree of 25 May which liberalizes the purchases abroad of immovable property by Spanish companies. The latter will be able to purchase buildings abroad worth up to 25 million pesetas or 30 % of their net worth their equity capital.

12.6 The Bank of Spain raises the interest rate on its loans to the financial institutions to 20.2 % (19.1 % at the last tenders).

25.6 The Treasury makes the first issue of 'Treasury letters' a new instrument intended to replace 'pagarés' (Treasury bills). The main difference concerns their tax treatment, since holders of 'pagarés' enjoy anonymity.

## France (F)

17.6 Family allowances are increased by 1 % from 1 July.

30.6 The SMIC (minimum wage) is increased by 1 % from 1 July (27.84 francs per hour instead of the previous 27.57 francs). On the basis of 169 hours per month, the gross SMIC will now be 4 704.96 francs instead of 4 659.33 francs. The upper limit for social security payments is raised by 2.18 % to 9 840 francs on 1 July.

## Ireland

None.

## Italy

26.6 The Cabinet approves the text of decrees implementing Law No. 599 of 26 September 1986 which amends the rules governing the movement of capital. The new decrees slightly modify the drafts already proposed by the previous government, chiefly as regards the circumstances which can give rise to the adoption of protective measures. According to the present texts, such measures can be taken only in the event of a temporary suspension of quotations on the foreign exchange market, unlike the first draft which allowed the Minister for the Treasury in conjunction with the Bank of Italy full discretion. The proposed measures include restrictions on bank operations, changes in the details of the rules, part-financing in foreign currencies, etc. They can be promulgated by ministerial decree, and their use is limited to the completion of the Community's internal market. In any other circumstances, protective measures must be initiated under the procedures laid down by Community Directives.

26.6 The Ministry for the Treasury, on the occasion of the issues at the end of June, decides to raise the yield on three- and five-year Treasury bills by over one percentage point and that on Treasury credit certificates (CCTs) by around half a point.

## Luxembourg (L)

5.6 The Government amends the draft law reforming the pension scheme, so as to enable more than 7 600 persons to benefit from the 7 % (retroactive) increase resulting from the adjustment of the cost of living allowance and the minimum guaranteed income which is due to enter into effect on 1 July. The calculation of widows' and invalids' pensions is amended; they may also be granted a special allowance to guarantee the maintenance of their income level.

1.7 The Government increases the contribution rate to the health insurance fund from 4.5 % to 4.6 % of income. Half of this charge will be borne by employers and the other half by workers.

## Netherlands

27.5 The Government increases the contribution rate to the health insurance fund from 9.8 % to 10.4 % of income in order to reduce its deficit by some 400 million guilders.

30.6 A draft law is tabled which grants a once-and-for-all allowance - the amount is still to be fixed - to persons receiving the minimum wage, in order to guarantee their purchasing power.

## Portugal

2.6 New, more restrictive rules on hire purchase sales. The repayment periods are cut and the down-payments increased.

2.6 Reductions of between 5 % and 10 % in the June and July credit limits which the central bank grants the banks.

## United Kingdom

None.

## Prices (excluding VAT) in Luxembourg

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