

EUROPEAN ECONOMY

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

Supplement A — No 8/9 — August/September 1987

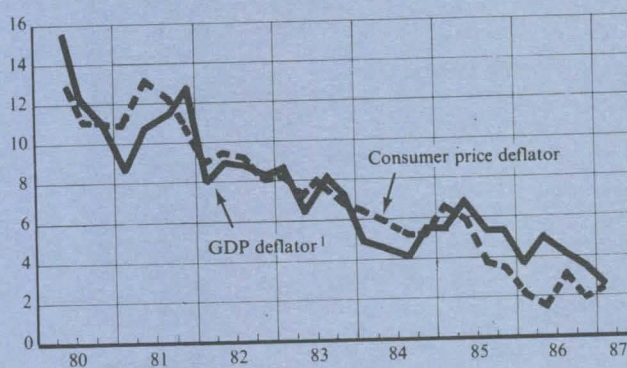
*In this number:
Price developments
in the Community*

Recent economic trends

THE MAIN POINTS IN BRIEF

- Price developments in the Community confirm the progress made in bringing down inflation. The underlying trend rate of inflation is now below 3,5 % for the Community as a whole, while divergence in inflation rates between Member States has narrowed. Moreover, since April 1987 the inflation rate in the Community, although not down to the Japanese level, has fallen below that in the United States. However, a worrying trend in recent short-term indicators is the continued strong rise in money supply in the Community, which in June was 1 % higher than a month earlier on a seasonally adjusted basis, while long-term interest rates edged up to reach 9,1 % in July. This took place against a picture of relatively weak activity and an unchanged unemployment rate for the Community. On the external side, the trade balance for the Community as a whole in June moved into deficit, bringing the cumulative surplus for the year down to 1,3 billion ECUs, while the ECU was weaker against the dollar up to early August but recovered later in the month.

GRAPH 1: Deflators



¹ Annual rates, seasonally adjusted.

Source: Estimates by the Commission services based on national accounts data for the four major EC Member States.

TABLE 1: Principal price deflators of components of GDP

(Percentage change on preceding period, annual rates: seasonally adjusted)

		GDP ¹	Imports ²	Exports ²	Total national uses ³	Gross fixed investment	Government consumption	Private consumption
EUR 4								
1983	Q3	8,4	9,8	8,4	8,7	8,1	9,5	7,5
	Q4	7,2	9,7	8,9	7,4	6,3	8,1	6,9
1984	Q1	4,9	10,0	8,6	5,2	3,7	6,3	6,5
	Q2	4,6	5,9	4,2	5,1	3,7	4,5	5,9
	Q3	4,2	7,5	5,7	4,7	7,1	4,4	5,3
	Q4	5,6	9,3	7,7	6,1	5,2	7,5	5,3
1985	Q1	5,5	12,8	11,0	6,0	4,7	6,5	6,6
	Q2	6,7	-1,2	3,3	5,4	3,9	3,3	5,8
	Q3	5,4	-10,8	-2,7	3,1	4,6	3,7	3,8
	Q4	5,4	-7,9	-3,0	4,1	4,7	2,8	3,6
1986	Q1	3,8	-10,4	-5,0	2,4	1,7	8,7	2,1
	Q2	5,0	-17,4	-7,3	2,1	3,1	5,2	1,5
	Q3	4,3	-13,1	-2,8	1,4	2,8	-0,1	3,1
	Q4	3,6	6,9	3,5	4,4	3,5	3,7	1,9
1987	Q1	2,5	-1,3	0,3	2,1	1,2	0,0	2,3
Federal Republic of Germany								
1984	Q3	2,0	3,2	3,7	1,7	3,7	0,5	0,8
	Q4	2,8	6,8	3,4	3,8	1,6	6,2	2,7
1985	Q1	2,1	6,8	3,4	3,4	2,0	2,4	3,3
	Q2	1,4	1,9	3,4	0,7	-1,0	0,8	2,9
	Q3	3,3	-7,7	1,5	0,3	2,4	0,5	-0,6
	Q4	3,0	-8,9	-3,0	1,2	1,7	0,2	0,7
1986	Q1	3,9	-10,2	-1,7	1,4	1,5	4,2	-1,7
	Q2	2,4	-19,7	-3,6	-3,0	0,5	5,5	-1,7
	Q3	3,0	-11,8	-0,1	0,0	2,0	-1,5	0,9
	Q4	2,9	-5,0	-2,6	2,1	1,2	-1,2	-0,8
1987	Q1	3,9	-6,6	-1,4	2,8	1,6	1,4	-0,4
France								
1984	Q3	5,8	7,2	7,3	5,6	5,3	2,4	7,2
	Q4	6,1	8,0	7,0	6,4	5,5	5,8	5,8
1985	Q1	4,2	10,7	9,5	4,5	4,3	2,7	5,5
	Q2	7,1	-5,0	1,9	5,2	3,6	3,6	6,3
	Q3	6,5	-12,0	-3,4	4,4	3,4	6,5	4,5
	Q4	4,6	-6,7	-3,7	3,9	5,0	5,0	2,4
1986	Q1	5,2	-17,6	-4,1	1,9	1,1	7,7	0,3
	Q2	4,4	-20,8	-3,7	-0,2	0,7	-4,3	3,2
	Q3	3,1	-9,9	-4,3	1,6	1,1	1,4	2,0
	Q4	0,8	11,3	1,4	3,3	6,8	1,1	2,4
1987	Q1	3,2	-1,5	-0,8	2,7	2,4	-2,6	4,6
Italy								
1984	Q3	5,0	9,8	9,2	5,3	9,0	5,2	9,3
	Q4	8,6	9,5	7,2	9,0	8,2	8,5	7,9
1985	Q1	11,2	12,9	15,7	10,7	8,4	15,4	10,7
	Q2	11,1	10,5	8,1	11,6	9,0	8,0	10,9
	Q3	6,8	-6,9	3,5	4,3	6,7	6,9	6,9
	Q4	5,2	-8,2	-3,9	4,0	4,6	-3,9	7,1
1986	Q1	8,8	-23,6	-10,4	4,4	3,2	12,1	6,2
	Q2	11,1	-26,8	-8,7	7,8	3,8	16,4	4,5
	Q3	6,6	-27,0	-5,2	0,2	3,1	0,6	5,3
	Q4	6,9	7,7	6,9	7,6	2,3	2,1	4,0
1987	Q1	1,1	4,2	-1,1	0,9	-0,5	0,8	0,8
United Kingdom (d)								
1984	Q3	4,5	11,8	4,1	6,7	11,3	10,1	4,4
	Q4	5,7	12,7	13,3	5,7	6,1	9,4	5,2
1985	Q1	5,3	20,7	18,0	5,9	6,2	7,0	7,5
	Q2	8,4	-11,6	-2,2	5,1	3,3	1,6	3,8
	Q3	5,3	-18,2	-12,9	3,8	7,0	2,1	5,0
	Q4	9,5	-6,4	-0,9	7,8	8,2	8,4	4,8
1986	Q1	-2,5	10,0	-8,1	2,3	2,7	10,8	4,2
	Q2	2,4	-8,4	-16,1	4,9	8,8	5,1	0,5
	Q3	4,7	-4,0	-3,9	4,1	5,8	-0,7	4,4
	Q4	3,9	12,2	10,3	4,9	4,2	12,7	2,3
1987	Q1	1,5	7,3	6,3	2,1	2,2	0,8	4,1

¹ F.R. of Germany: GNP.

² Goods and services including intra-Community trade. F.R. of Germany: including factor incomes.

³ Including change in stocks.

Sources: Estimates by the Commission Services based on national accounts data for the F.R. of Germany, France, Italy and the United Kingdom.

Inflation in the Community down to just under 3 1/2 %. — Year-to-year inflation rates for the Community have slowed down progressively through 1986 and now appear to have stabilised at in or about 3 1/2 %. This compares with a peak inflation rate of 14,6 % recorded in April 1980. Recent price developments in the Community on the basis of the quarterly national accounts and consumer price indices are reviewed below and situated within their international context.

Community's domestic cost inflation eases to 2,5 % in the first quarter of 1987. — According to estimates based on quarterly national accounts data for the four largest Member States, the price deflator of GDP in the Community, the broadest indicators of internal inflation, rose at a seasonally adjusted annualised rate of 2,5 % in the first quarter of 1987, substantially down on rates recorded through 1986. In Germany, and to a lesser extent in France, the terms of trade improved again, after the lull in the fourth quarter when the dollar's fall was less pronounced, thus continuing the trend observed since the second quarter of 1985. In Italy and the United Kingdom some deterioration in the terms of trade was recorded but this was less marked than in the fourth quarter of 1986. The rate of growth of the total national uses deflator (i.e. final domestic demand) was down to 2,1 % at an annual rate for the Community as a whole in the first quarter of 1987 with decreases in all countries except Germany where a further acceleration was recorded to 2,8 % continuing the upward movement registered since the third quarter of 1986. At the Community level, the price of components of domestic demand moved in different directions. Thus there was some slight acceleration in the price of private consumption to 2,3 %, reflecting sharper increases in France and the United Kingdom, while the investment deflator eased to 1,2 % as investment prices decelerated substantially in these two countries presumably reflecting the larger lags in investment prices to changes in import prices.

Underlying rise in consumer prices below 3 1/2 %. — The index of consumer prices in the Community in July increased by 0,1 % on the previous month. On a seasonally adjusted basis, however, the figure was somewhat higher at 0,3 %, a monthly increase identical to that recorded each month since December 1986 (except for March when it was 0,2 %). Among Member States, prices were relatively stable in July, except in Spain where the rise of 1 % over the previous month (0,7 % on a seasonally adjusted basis) reflected an erratic increase in food prices, which was corrected in August, and in Portugal, where the seasonally adjusted increase of 0,6 % was influenced by higher housing charges. 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 3,4 %, a similar rate to that recorded in the previous two months, and divergence in price trends between Member States narrowed. Consumer prices in July were 3,4 % up on a year earlier with individual country figures ranging from a fall of 0,3 % in Luxembourg to an increase of 16,9 % in Greece.

Community inflation in the international context. — The substantial progress achieved in bringing down Community inflation is shown in Table 2. From a situation in 1983 when the Community inflation rate was more than twice as high as that in the United States, a gradual narrowing of the differential was achieved

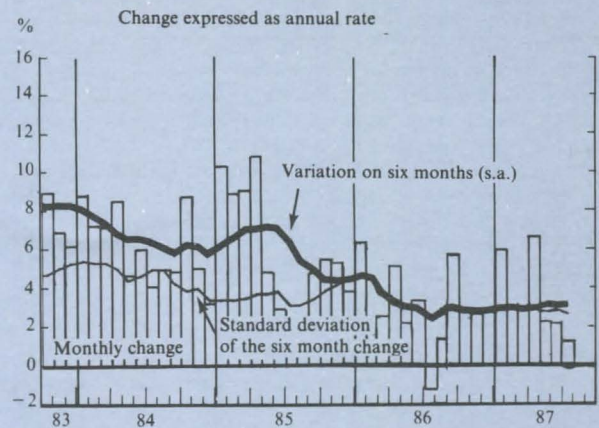
Table 2: Consumer price developments — Summary

	1983	1984	1985	1986	July 87/ July 86
EUR 12	8,6	7,4	6,1	3,6	3,4
USA	3,2	4,3	3,6	1,9	3,9
Japan	1,8	2,4	2,0	0,7	0

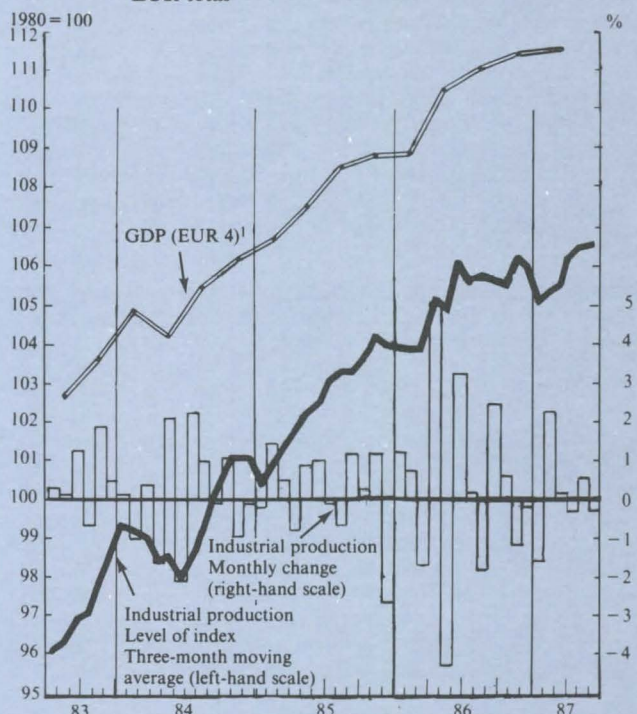
through 1984 and 1985. Progress accelerated in 1986 helped by the significant appreciation of the ECU with respect to the dollar. Accordingly, by April 1987, the Community year-to-year inflation rate had moved below that in the United States but was still some way from the absolute price stability existing in Japan.

Industrial production remains unchanged. — Since February, the index of industrial production (seasonally adjusted) shows only very minor changes in the general output of the Community. Although the second quarter was 1 % up on the first three months of the year, the month-to-month increase of 0,6 %

GRAPH 2: Consumer prices EUR 12

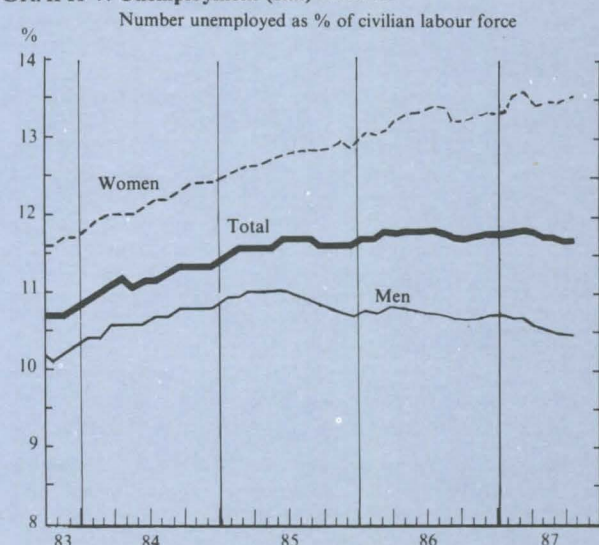


GRAPH 3: Industrial and gross domestic product (s.a.) — EUR total



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

GRAPH 4: Unemployment (s.a.) EUR 12



recorded in May was followed by a 0,2 % fall in June. This slight decline in June is mainly due to the weak performance of intermediate goods, where production was 1,1 % lower than in May. Despite a general climate of relatively weak activity in most Community countries, in France the June seasonally adjusted index for industrial production reached its peak since 1980 (+1,9 % on a monthly basis). The trend in Community's industrial production, measured by the seasonally adjusted three-month moving average, continued to increase at a moderate rate (see Graph 3). In June the level of industrial output in the Community was 0,6 % higher than a year earlier. Strong output increases with respect to the level of one year earlier were recorded in Ireland (17,6 %), Italy (8,2 %), Belgium (4,0 %) and the United Kingdom (3,1 %), while the decreases among Community countries ranged between 1,3 % for Luxembourg and 9,8 % for Denmark.

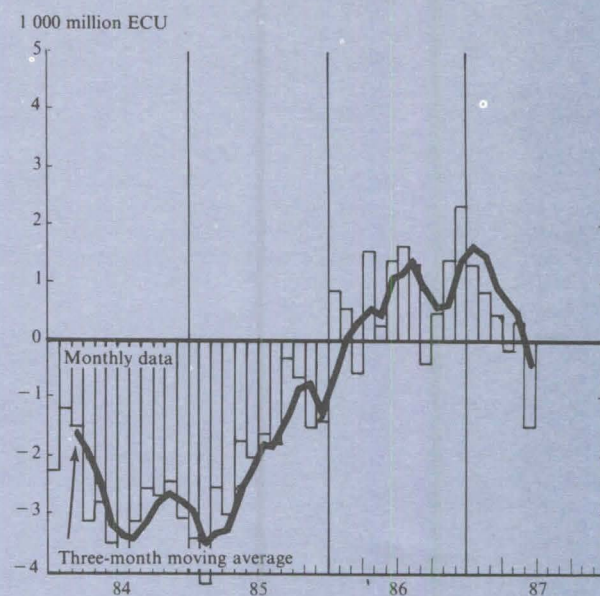
No clear trend in unemployment. — In July the number of people out of work, adjusted for seasonal fluctuations, rose by 24 000 in the Community, an amount corresponding to the fall recorded in June. Hence, the numbers out of work remained quasi-stable at 16,1 million for the fourth successive month and the rate of unemployment as a percentage of the civilian labour force was steady at 11,7 % for the Community. In the United Kingdom numbers unemployed continued to fall for the seventh month in a row bringing the unemployment rate in July to 10,7 %, the lowest since 1983. A downward trend was also in evidence in Portugal, where unemployment was brought down to 6,5 % in July on a seasonally adjusted basis. In Italy and Spain there are signs of rising trends in unemployment while erratic movements are recorded elsewhere in the Community. Compared to July 1986, the number of unemployed in the Community as a percentage of civilian labour force was down by 0,3 %, while the most pronounced changes on a year earlier were recorded in Portugal (–23,1 %), the United Kingdom (–11,4 %), Greece (+7,6 %) and Spain (+6,7 %).

Trade deficit opens up. — Provisional data for June show a deterioration in the trade balance of the Community. After the small deficit recorded in April (88 million ECUs) and the small improvement in May, the figures for June suggest a trade deficit, seasonally adjusted, which has not been experienced in the Community since November 1985. The fall in the surplus of Germany, coupled with the higher French and, in particular, Italian deficit, could not be counterbalanced by the improvements recorded in the trade balances of the Benelux countries and the United Kingdom. For the second quarter as a whole a deficit has also been recorded, reflecting a continued fall from the surplus of over 4 000 million ECU in the fourth quarter of 1986. On the basis of preliminary information, a rise in Germany's trade surplus in July is likely to result in an improvement of the Community's trade balance in that month. By the middle of the year, the cumulative surplus of the Community represented 1,3 billion ECUs which amounts to only 30 % of the surplus recorded for the first half of 1986.

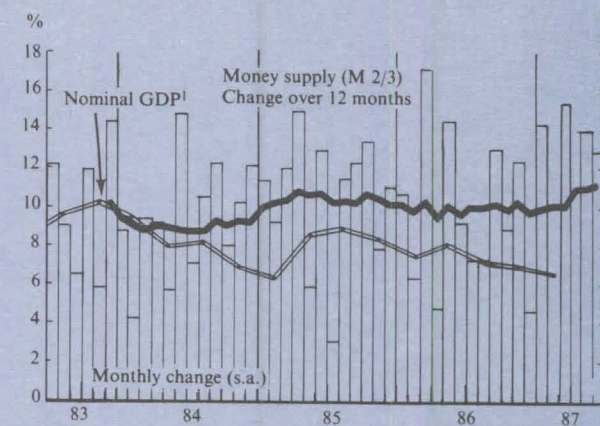
Money supply grows rapidly. — In June the money supply rose in the Community by 1,0 % on a seasonally adjusted basis. Thus, at the end of June the year-to-year rate of increase in the money supply for the Community was 11,2 %. The growth in money stock (M3) in Germany slowed in June due to a sharp drop in time deposits of less than four years and was further influenced in July by an outflow of funds in connection with non-bank external transactions. In Ireland M3 continued to slow down from the rapid rate registered between February and April. However, in France the money supply (M3) continued to accelerate at an average annual rate above 7 %, outside the 3 to 5 % target range for the year. In Denmark, while June data showed a rapid increase in M2, seasonally adjusted, more recent information available for July suggest a slowdown in the year-to-year rate of increase in the money stock. In the United Kingdom M3 continued to grow rapidly, and the growth in narrowly defined M0 rose towards the top of its 2 to 6 % target range. These developments show clearly that success in fighting inflation remains fragile, viewed against the latest developments of the monetary aggregates. Vigilance on the part of monetary authorities is required in order not to rekindle inflation.

Long-term interest rates firmer. — In July long-term interest rates reached their highest level since the beginning of the year, reflecting adverse movements in inflationary expectations linked to the continued rapid growth in monetary aggregates. For the Community they rose 0,3 percentage points to 9,1 % which is

GRAPH 5: Trade balance (s.a.) EUR 12

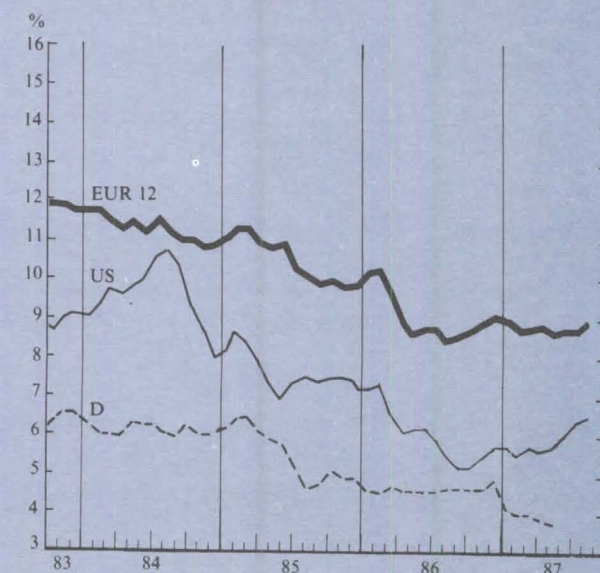


GRAPH 6: Money supply (EUR 12) and nominal GDP (EUR 4)

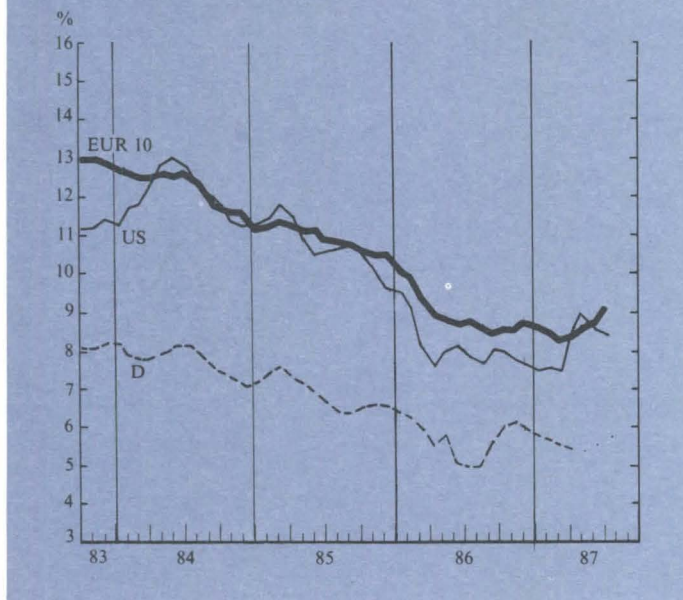


¹ Change over the same quarter of previous year.

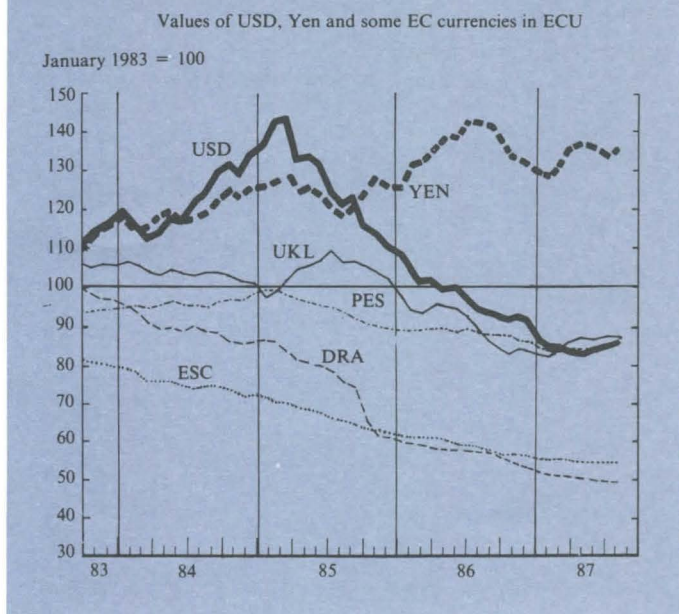
GRAPH 7: Short-term interest rates



GRAPH 8: Long-term interest rates



GRAPH 9: Exchange rates



0,7 points higher than US rates and 4 points higher than Japanese rates respectively. In most countries long-term interest rates firmed or remained at their previous levels (except in Belgium and Greece), with the strongest increases being recorded in Ireland and Italy. In Spain, in spite of easier short term rates, the upward pressure on rates at the longer end of the market continued during the summer months. In the United Kingdom short-term rates increased sharply in August, as the authorities pursued a more restrictive monetary policy to reduce the growth rate of monetary aggregates.

Some depreciation in the ECU. — The ECU eased with respect to the dollar during the summer and up to early August, as markets reacted to signs of steady growth and some correction in the budget deficit in the United States. The firmness of the dollar was further strengthened by the tensions in the Gulf and speculation about rising oil prices. However, in mid-August the

publication of a higher June US trade deficit than expected halted the dollar's appreciation. Within the EMS some signs of generalised tensions emerged during the summer. The Danish authorities permitted their currency to ease against the DM while Italian interest rates have moved up and intervention was reported in order to keep the LIT exchange rate steady within the narrow band where it has been since shortly after the January realignment. The pound sterling has remained relatively stable with respect to the ECU as a higher than expected trade deficit for May was counterbalanced by firm oil prices. While the escudo held steady, the peseta appreciated against the ECU, helped by high Spanish interest rates, while the drachma recorded a moderate fall.

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

	1982	1983	1984	1985	1986	1986			1987		1986		1987						Change over 12 months %(b)
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	Apr.	May.	June		
B	0	2.0	2.5	2.5	1.0	-2.1	2.1	-1.0	-0.8	:	-3.0	1.2	0.4	-1.4	4.1	:	:	4.0	
DK	2.7	3.2	9.7	4.2	4.2	4.6	-3.4	0.9	-3.0	:	6.2	-8.8	4.8	4.9	-4.2	:	:	-9.8	
D	-2.9	0.6	3.0	5.7	2.1	0.7	0.6	-1.0	-1.2	1.9	-1.2	-1.5	2.1	-0.4	2.1	0.5	-1.6	-0.9	
GR	1.1	-0.1	1.6	3.4	-0.2	4.6	-1.7	-0.9	-1.6	:	-1.3	-3.9	6.1	-4.0	0.9	-2.4	:	-2.1	
E	-1.1	2.7	0.8	2.0	3.1	5.5	-2.0	2.2	-1.0	:	-1.2	-2.4	4.9	0.5	-0.6	:	:	-2.8	
F	-0.5	0	2.0	1.0	1.0	1.3	1.3	-1.3	-0.3	2.0	0	-2.0	3.0	1.0	-1.0	1.0	1.9	2.9	
IRL	-0.9	6.6	12.4	2.3	2.7	-0.4	0	3.7	-0.6	:	-2.0	-2.1	4.5	0.4	4.3	4.2	:	17.6	
I	-3.0	-3.2	3.4	1.2	2.8	0.3	-0.1	1.6	-0.5	1.7	0.5	-0.9	-0.1	0.4	0.9	2.3	-2.9	8.2	
L	0.9	5.4	13.3	6.9	2.8	-0.8	-2.1	-0.6	-1.4	:	-8.7	5.6	-2.5	-2.5	2.7	:	:	-1.3	
NL	-4.1	3.2	4.1	4.0	1.0	-2.5	2.6	-1.6	3.2	-3.4	-2.8	4.8	-1.8	2.8	-5.5	1.9	-0.9	1.0	
P	4.6	1.6	-0.1	10.9	4.7	6.6	2.9	-2.1	-3.7	:	0.9	-4.5	3.1	-4.2	6.4	:	:	1.8	
UK	1.9	3.6	1.4	4.6	1.9	0.6	1.0	0	0.8	0.5	-0.7	0.3	1.6	0.1	-0.4	0.9	-1.1	3.1	
EUR 12	-1.2	0.9	2.2	3.3	2.0	1.9	-0.4	0.6	-0.6	(1.0)	-0.1	-1.8	2.4	(0.1)	(-0.2)	(0.6)	(-0.2)	(0.6)	
USA	-7.4	7.8	12.3	2.1	2.1	0	0.8	0.8	(1.1)	(0.7)	0.7	0	0.7	0.2	0	(0.3)	(0)	(3.5)	
JAP	0.3	3.6	11.1	4.6	-0.3	-0.3	-0.3	0	1.3	-0.2	3.2	-0.4	-0.6	1.7	-1.6	(-1.4)	(4.3)	(3.0)	

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

	1982	1983	1984	1985	1986	1986			1987		1986	1987							Change over 12 months % (b)
						II	III	IV	I	II		Jan.	Feb.	March	Apr.	May	June	July	
B (f)	13.0	14.3	14.4	13.6	12.6	12.6	12.3	12.5	12.4	12.4	12.5	12.3	12.4	12.4	12.4	12.5	12.5	12.5	-1.4
DK	9.3	10.1	9.9	8.7	(7.6)	7.4	7.5	7.3	7.7	7.6	7.8	7.4	7.8	(7.7)	(7.6)	(7.5)	(7.8)	(7.8)	(0.5)
D	6.9	8.4	8.4	8.4	8.1	8.2	8.0	7.8	8.0	8.0	7.9	7.9	8.1	8.0	8.0	8.1	8.1	8.1	2.1
GR	1.4	1.6	1.8	2.2	2.8	2.8	2.8	2.7	2.9	2.9	2.8	3.0	2.8	2.9	2.9	2.9	2.9	2.9	7.6
E	14.2	16.5	18.4	19.5	20.2	20.1	20.0	20.5	20.9	21.1	20.8	20.9	21.0	21.0	21.1	21.1	21.1	21.1	6.7
F	8.7	8.9	10.0	10.5	10.7	10.6	10.8	10.9	11.3	11.3	11.2	11.3	11.4	11.3	11.3	11.2	11.2	11.2	3.9
IRL	12.3	14.9	16.6	18.0	18.6	18.4	18.7	19.0	19.3	19.7	19.2	19.3	19.3	19.7	19.7	19.7	19.7	19.8	5.8
I	9.7	11.0	21.0	12.9	13.6	13.7	13.8	13.8	13.9	13.6	13.8	14.0	13.9	13.3	13.8	13.8	14.0	14.0	3.7
L	1.3	1.6	1.8	1.7	1.5	1.5	1.4	1.4	1.6	1.7	1.5	1.6	1.8	1.7	1.7	1.7	1.7	1.7	21.5
NL (f)	(11.8)	(14.2)	14.5	13.3	12.4	12.4	12.2	12.1	12.0	11.9	12.0	12.0	12.1	12.0	12.0	11.8	12.0	12.0	-3.1
P	5.7	5.6	6.7	7.7	8.3	8.3	8.3	8.4	8.3	7.3	8.5	8.3	8.0	7.7	7.3	6.9	6.5	6.5	-23.1
UK	(10.6)	(11.6)	11.8	12.0	11.9	12.1	12.0	11.8	11.5	11.1	11.6	11.5	11.4	11.3	11.0	10.9	10.7	10.7	-11.4
EUR 12	(9.4)	(10.6)	11.2	11.6	(11.7)	11.7	11.7	11.7	(11.8)	(11.7)	11.8	11.8	11.8	(11.7)	(11.7)	(11.7)	(11.7)	(11.7)	(-0.3)
USA	9.7	9.6	7.5	7.2	7.0	7.1	6.9	6.8	6.7	6.2	6.7	6.7	6.6	6.3	6.3	6.1	:	:	-12.8
JAP (g)	2.4	2.7	2.7	2.6	2.8	2.8	2.9	2.8	2.9	3.0	3.0	2.9	2.9	3.0	3.2	3.0	:	:	9.1

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)
						II	III	IV	I	II		Jan.	Feb.	March	Apr.	May	June	July	
B	8.7	7.7	6.3	4.9	1.3	0.1	0.2	0.1	0.6	0.7	0.4	0.2	0.1	0.5	0	0.1	0.4	0.4	2.0
DK	10.1	6.9	6.3	4.7	3.6	3.3	0.1	1.0	0.5	1.6	0.2	-0.1	0.9	0.4	(1.0)	-0.1	(0)	(0)	(4.1)
D	5.3	3.3	2.4	2.2	-0.2	0.3	-0.5	-0.3	0.6	0.4	0.4	0.1	0	0.2	0.1	0.2	0	0	0.7
GR	21.0	20.5	18.3	19.4	23.1	4.3	2.0	5.9	3.2	5.6	1.1	0.4	3.2	2.3	0.6	2.0	-1.5	16.9	16.9
E	14.4	12.2	11.2	8.8	8.8	1.1	2.3	1.2	1.4	0.7	0.7	0.4	0.6	0.2	-0.1	0	1.0	5.0	5.0
F	11.8	9.6	7.3	5.9	2.7	0.7	0.6	0.7	1.2	0.9	0.9	0.2	0.1	0.5	0.2	0.2	0.2	3.4	3.4
IRL (h)	17.2	10.4	8.6	5.4	3.8	1.2	0.2	0.2	1.8	0.6	(0.6)	(0.6)	0.2	0.2	0.2	:	:	2.8	2.8
I	16.5	14.7	10.8	9.2	5.8	1.0	0.6	1.2	1.4	1.2	0.6	0.5	0.3	0.4	(0.4)	0.4	(0.3)	(4.9)	(4.9)
L	9.4	8.7	5.6	4.2	0.3	-0.6	-0.3	0.2	0.2	-0.3	0.2	0.2	0	-0.2	-0.1	-0.1	-0.1	-0.3	-0.3
NL	5.7	2.7	3.2	2.3	0.3	0.4	-0.9	1.0	-1.3	0.6	-1.4	0.2	0.2	0.3	(0.1)	-0.2	(-0.1)	(0.4)	(0.4)
P	22.7	25.1	28.9	19.6	11.8	2.3	0.8	2.4	3.8	1.7	1.2	1.0	1.4	0.5	0.1	-0.3	0.3	9.2	9.2
UK	8.6	4.6	5.0	6.1	3.4	1.3	0.1	1.3	1.2	1.5	0.4	0.4	0.2	1.2	0.1	0	-0.1	4.4	4.4
EUR 12	10.7	8.6	7.4	6.1	3.6	0.8	0.4	0.8	1.0	1.0	0.5	0.3	0.2	(0.6)	(0.2)	(0.2)	(0.1)	(3.4)	(3.4)
USA	6.2	3.2	4.3	3.6	1.9	-0.2	0.7	0.6	1.1	1.3	0.6	0.4	0.4	0.5	0.3	0.4	:	3.7	3.7
JAP	2.9	1.8	2.4	2.0	0.7	0.2	-0.5	-0.1	-0.6	1.3	-0.4	0	0.4	0.9	0.3	-0.2	-0.6	0	0

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

	1982	1983	1984	1985	1986	1986			1987		1986	1987							Change over 12 months % (b)
						II	III	IV	I	II		Jan.	Feb.	March	Apr.	May	June	July	
B/L	-3082	-2435	-4897	-3514	146	-312	-52	930	108	:	83	-8	-177	77	67	134	:	:	294
DK	-1866	-740	-1108	-1538	-1714	-576	-579	-226	72	:	-49	32	-26	65	:	:	:	:	111
D	21599	18501	24136	32963	53044	13308	14718	14502	14373	13818	5208	4479	5224	4669	4542	4914	4362	-524	-524
GR	-5826	-5800	-6048	-7266	-5809	-1452	-1631	-1126	-1662	:	78	-316	-467	-879	:	:	:	:	-220
E	-24457	-15628	-13130	-13428	-9699	-3563	-2583	-1819	-2588	-3567	-336	-744	-691	-1153	-1033	-1247	-1288	-390	-390
F	-1574	-621	81	430	983	134	242	262	338	511	86	178	111	49	164	251	96	106	106
IRL	-12513	-8516	-13849	-16130	-2459	-149	502	473	-1117	-2360	405	-291	-621	-206	-468	-416	-1476	-1428	-1428
I	3500	4499	4740	3874	4161	1531	1554	206	-470	140	-85	-158	-289	-24	-155	-8	303	-229	-229
NL	-3295	-9681	-14005	-11540	-19868	-3904	-5756	-6180	-3705	-4891	-2061	-1409	-1108	-1187	-1357	-1844	-1691	-123	-123
P	-3295	-9681	-14005	-11540	-19868	-3904	-5756	-6180	-3705	-4891	-2061	-1409	-1108	-1187	-1357	-1844	-1691	-123	-123
UK	-3295	-9681	-14005	-11540	-19868	-3904	-5756	-6180	-3705	-4891	-2061	-1409	-1108	-1187	-1357	-1844	-1691	-123	-123
EUR 12 (j)	:	:	-32258	-24444	11161	3202	2714	4294	2549	-1268	2312	1361	798	(389)	(-88)	(305)	(-1485)	(-2893)	(-2893)
USA (i)	-43435	-77911	-154992	-194856	-169039	-42412	-44291	-41331	-34862	-37149	-12189	-10735	-12713	-11414	-11301	-12077	-13771	10	10
JAP	7034	23072	42599	60497	84010	20300	23688	21839	21512	16544	6892	8103	7283	6126	6177	5539	4828	-1416	-1416

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

		1986					1987					1987							Change over 12 months % (b)
		1982	1983	1984	1985	1986	II	III	IV	I	II	Jan.	Feb.	March	Apr.	May	June	July	
B	(M2)	5.8	8.7	5.9	7.6	11.5	2.4	3.0	3.6	3.1	.	.	.	.	.	.	.	.	12.6
DK	(M2)	11.5	25.5	17.8	15.8	8.4	1.6	0.1	3.4	-0.8	3.8	-3.7	-0.3	3.3	0.3	0.2	3.2	-0.8	5.3
D	(M3)	7.1	5.3	4.7	5.1	6.8	1.4	1.8	1.9	2.0	1.4	1.4	0.3	0.3	0.5	0.8	0.1	0.3	7.1
GR	(M3)	29.0	20.3	29.4	26.8	19.0	4.4	4.1	4.3	5.5	5.3	2.8	1.3	1.3	1.5	0.9	2.7	.	21.2
E	(ALP)	16.6	15.9	13.2	12.8	11.4	3.6	1.3	2.8	3.3	3.2	0.7	1.4	1.2	1.2	1.1	0.9	.	10.9
F	(M3)	11.4	11.5	9.4	5.0	4.3	0.1	1.3	0.4	3.0	2.9	2.1	-0.1	0.9	1.2	0.6	1.0	.	7.7
IRL	(M3)	13.0	5.6	10.1	5.3	-1.0	-1.5	1.4	0.1	2.2	4.4	-1.3	2.8	0.7	2.3	1.1	0.9	0	7.5
I	(M3)	16.9	13.3	12.1	10.8	9.4	1.9	2.2	3.0	2.8	3.5	0.8	1.0	0.9	1.3	1.3	0.9	.	12.3
NL	(M2)	(7.6)	(10.7)	(6.8)	(10.5)	4.5	2.1	1.1	2.2	-1.4	.	-1.0	-0.4	-0.1	.	.	.	.	3.6
UK	(L)	23.9	16.1	23.9	(28.8)	(26.6)	(4.9)	(7.5)	(5.8)	(5.3)	(4.1)	(1.5)	(2.4)	(1.3)	(0.7)	(1.3)	(1.3)	.	(24.6)
P	(LM3)	(8.9)	11.1	10.0	13.4	18.8	5.0	4.2	2.3	6.7	5.1	1.1	2.3	3.2	1.9	2.1	1.0	2.2	21.3
EUR 12	(b)	(11.5)	(10.8)	(9.7)	(9.8)	(9.9)	2.2	2.2	2.1	(3.2)	(3.1)	1.1	0.8	1.2	(1.1)	(1.1)	(1.0)	.	(11.2)
USA	(M2)	9.4	11.7	8.2	8.1	9.1	3.1	2.6	2.1	0.9	0.6	0.8	0	0.1	0.5	0	0.1	0.2	5.5
JAP	(M2)	7.9	7.3	7.8	8.7	9.2	1.8	1.4	3.5	1.9	0.3	0.5	0.8	0.5	1.3	2.2	-3.1	.	7.2

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months (e)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B	14.1	10.5	11.5	9.6	8.0	7.3	7.3	7.5	7.4	6.8	7.8	7.4	7.3	7.1	6.8	6.7	6.7	-0.6
DK	16.4	12.1	11.5	10.0	9.1	9.1	9.2	9.2	10.7	9.6	11.0	10.7	10.0	10.0	9.6	9.5	9.3	0.2
D	8.8	5.8	6.0	5.4	4.6	4.6	4.6	4.8	4.0	3.8	4.0	4.0	3.9	3.8	3.8	4.1	4.0	-0.5
GR	20.2	19.4	15.7	17.1	19.9	22.1	15.8	18.9	23.3	13.9	19.4	23.3	16.6	16.4	13.9	11.1	8.0	-9.4
E	16.3	20.1	14.9	12.2	11.6	12.5	11.5	12.1	16.2	17.8	12.5	16.2	20.6	17.9	17.8	17.4	16.7	4.6
F	14.6	12.5	11.7	9.9	7.8	7.2	7.3	8.5	7.9	8.2	8.3	7.9	8.1	8.2	8.2	7.9	7.9	0.8
IRL	17.5	14.1	13.3	11.9	12.6	9.0	11.0	13.9	13.3	10.4	14.3	13.3	10.7	11.1	10.4	9.8	10.0	-0.6
I	20.1	18.1	17.2	15.1	12.7	12.1	10.9	11.6	10.6	11.3	11.4	10.6	10.3	10.8	11.3	11.6	13.0	1.7
NL	8.3	5.7	6.1	6.4	5.7	6.1	5.4	6.4	5.5	5.2	5.4	5.5	5.2	5.2	5.2	5.3	5.3	0.1
P	16.8	20.9	22.5	21.0	15.4	13.7	14.9	14.1	13.2	15.0	13.4	13.2	13.3	13.2	15.0	15.0	15.0	-0.4
UK	12.2	10.1	10.1	12.3	10.9	9.8	10.9	11.2	9.9	9.2	10.8	9.9	9.2	8.9	9.2	9.4	10.4	0.6
EUR 12 (n)	13.8	12.0	11.2	10.5	9.0	8.7	8.5	9.1	8.8	8.7	8.8	8.8	8.9	8.7	8.8	8.8	9.0	0.6
USA	10.6	8.7	9.5	7.5	6.0	6.1	5.4	5.8	5.8	6.0	5.6	5.8	5.7	5.8	6.0	6.3	6.5	1.0
JAP	6.8	6.5	6.3	6.5	5.0	4.7	4.8	4.3	4.0	3.7	3.8	4.0	4.0	3.7	3.7	3.7	:	-0.9

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months (e)
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	13.5	11.8	12.0	10.6	7.9	7.9	7.4	7.5	7.7	7.8	7.6	7.6	7.6	7.7	7.8	7.8	7.6	0.1
DK	20.5	14.4	14.0	11.6	10.6	10.2	11.1	11.6	12.1	11.6	11.3	12.4	12.1	11.9	11.7	11.6	11.8	0.8
D	9.0	7.9	7.8	6.9	5.9	5.9	5.8	5.9	5.6	5.6	5.8	5.7	5.6	5.5	5.4	5.6	5.8	0.1
GR	15.4	18.2	18.5	15.8	15.8	17.1	13.6	14.7	17.5	16.2	17.7	17.2	17.5	17.8	18.1	16.2	:	-1.7
E	16.0	16.9	16.5	13.4	11.4	11.0	11.1	10.4	11.0	13.2	10.7	10.6	11.0	12.0	13.4	13.2	13.6	1.9
F	15.6	13.6	12.5	10.9	8.4	8.0	7.8	8.9	8.5	9.4	8.9	8.8	8.5	8.7	8.9	9.4	9.5	1.0
IRL	17.0	13.9	14.6	12.7	11.1	9.3	12.5	13.0	11.2	10.9	12.6	12.4	11.2	(10.5)	(11.3)	10.9	11.8	1.1
I	20.9	18.0	14.9	13.0	10.5	9.7	9.3	8.9	8.7	9.5	8.8	8.7	8.7	8.8	9.2	9.5	10.2	0.4
L	10.4	9.8	10.3	9.5	8.7	8.7	8.5	8.1	8.2	:	8.1	8.3	8.2	8.1	:	:	:	-0.9
NL	10.5	8.8	8.6	7.8	6.8	6.9	6.5	6.9	6.8	6.8	6.7	6.8	6.8	6.8	6.8	6.8	7.0	0.2
P	25.3	30.4	32.5	25.4	17.9	19.4	15.6	16.0	15.4	15.4	14.8	15.0	15.4	15.4	15.1	15.4	15.3	1.1
UK	12.7	10.8	10.7	10.6	9.8	9.3	10.6	10.3	9.2	8.8	10.0	9.6	9.2	8.9	8.8	8.8	8.8	0.7
EUR 12 (n)	14.4	12.8	12.1	10.6	8.9	8.6	8.6	8.7	8.4	(8.8)	8.7	8.6	8.4	8.5	(8.7)	(8.8)	(9.1)	(0.3)
USA	12.2	10.8	12.0	10.8	8.1	8.2	8.1	7.7	8.5	8.6	7.6	7.7	7.6	8.5	9.0	8.6	8.4	0.5
JAP	8.3	7.8	7.3	6.5	5.2	5.1	5.7	5.2	4.0	4.6	5.0	4.9	4.4	4.0	3.8	4.6	5.1	0.1

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months (b)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
BFR/LFR	44.68	45.44	45.44	44.91	43.78	43.93	43.65	43.27	42.87	43.04	42.73	42.99	43.05	43.06	43.01	43.05	43.06	-1.3
DKR	8.15	8.13	8.15	8.02	7.94	7.96	7.94	7.86	7.81	7.82	7.79	7.81	7.83	7.81	7.81	7.88	7.95	0.3
DM	2.38	2.27	2.24	2.23	2.13	2.15	2.11	2.08	2.07	2.08	2.06	2.08	2.08	2.08	2.07	2.08	2.07	-1.6
DR	65.30	78.09	88.44	105.7	137.4	135.0	137.9	143.4	151.1	154.4	151.3	152.1	152.9	154.8	155.4	156.4	157.2	14.1
PTA	107.6	127.5	126.6	129.1	137.5	136.9	137.0	139.7	145.0	145.0	145.4	145.7	145.6	145.4	144.1	142.6	140.2	2.3
FF	6.43	6.77	6.87	6.80	6.80	6.85	6.87	6.82	6.89	6.93	6.87	6.81	6.92	6.94	6.93	6.91	6.92	0.8
IRL	0.690	0.715	0.726	0.715	0.734	0.708	0.745	0.765	0.775	0.776	0.775	0.777	0.777	0.776	0.775	0.775	0.775	2.2
LIT	1324	1350	1381	1447	1462	1476	1454	1443	1469	1494	1468	1476	1482	1500	1501	1503	1502	3.6
HFL	2.62	2.54	2.52	2.51	2.40	2.42	2.38	2.35	2.33	2.34	2.33	2.34	2.34	2.34	2.34	2.34	2.34	-1.6
ESC	78.0	98.7	116.3	130.2	147.1	143.8	149.0	153.9	159.4	161.4	160.0	159.9	160.7	161.5	161.9	162.4	162.5	9.0
UKL	0.561	0.587	0.591	0.589	0.672	0.636	0.681	0.727	0.729	0.700	0.740	0.711	0.704	0.696	0.700	0.698	0.699	1.7
USD	0.981	0.890	0.789	0.762	0.984	0.959	1.013	1.038	1.125	1.150	1.130	1.132	1.147	1.162	1.141	1.123	1.116	9.3
YEN	243.5	211.4	187.0	180.5	165.0	162.8	157.8	166.4	172.2	164.0	173.4	173.3	163.9	163.1	164.9	168.9	164.7	4.7
SDR	0.888	0.833	0.767	0.749	0.838	0.828	0.842	0.859	0.895	0.889	0.896	0.892	0.888	0.891	0.887	0.885	0.879	4.0

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months (b)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B/L	-9.2	-2.8	-2.2	0.9	6.4	1.3	1.5	1.7	2.6	-0.6	0.6	-0.8	-0.3	0.1	-0.1	-0.2	-0.3	2.9
DK	-4.4	-0.6	-3.7	1.2	7.5	0.6	0.6	2.7	2.7	-0.6	0.9	-0.8	-0.5	0.4	-0.3	-1.0	-1.3	2.0
D	5.0	4.0	-1.5	0.4	11.3	1.2	1.9	2.9	3.1	-0.6	0.5	-0.9	-0.3	0.3	-0.2	-0.2	-0.2	4.3
GR	-8.0	-18.1	-14.2	-15.7	-20.4	-1.1	3.4	-3.1	-3.2	-2.1	-0.6	-0.7	-0.6	-0.9	-0.7	-0.8	-0.9	-10.6
E	-6.0	-17.2	-2.3	-2.2	-0.5	-0.1	-1.4	-0.8	-1.4	-0.1	-0.5	-0.5	-0.1	0.5	0.6	0.9	1.4	0.3
F	-8.3	-7.1	-4.7	1.1	5.5	-2.9	0.7	1.9	1.2	-0.8	0.6	-0.8	-0.4	0	-0.1	0.1	-0.6	1.6
IRL	-1.1	-4.1	-4.2	1.1	4.8	1.2	-2.6	-0.7	0.6	-0.9	0	-1.1	-0.3	0.2	0	-0.3	-0.3	-0.1
I	-6.9	-3.8	-5.7	-5.1	4.7	0.4	2.8	2.1	0.3	-1.9	0.1	-0.8	-0.6	-1.0	-0.5	-0.3	-0.4	-1.2
NL	5.1	2.0	-1.5	0.3	8.2	1.1	2.5	1.9	2.2	-0.4	0.2	-0.8	-0.1	0.3	-0.1	-0.1	-0.2	3.1
P	-12.9	-21.1	-17.3	-11.4	-6.7	-1.3	-2.1	-2.0	-1.7	-1.5	-0.6	-0.3	-0.7	-0.4	-0.5	-0.5	-0.4	-6.5
UK	-4.4	-7.0	-4.7	-0.2	-6.7	1.6	-5.5	-5.6	2.2	4.5	0.1	4.2	0.9	1.6	-1.1	0	-0.5	0.9
EUR 12	-7.0	-8.5	-9.1	-1.8	10.8	0.4	2.0	2.0	4.4	-0.2	0.8	-0.2	-0.5	0.6	-0.7	-0.2	-0.9	4.4
USA	12.0	5.7	7.8	4.0	-18.4	-4.6	-4.1	-0.3	-5.7	-3.4	-1.4	-0.9	-2.3	-0.8	1.6	1.6	-0.2	-6.5
JAP	-5.0	10.9	5.5	3.0	28.8	8.7	7.6	-3.8	1.2	5.9	-0.1	0.9	5.1	1.3	-2.2	-3.3	2.1	0

Sources: for Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.

(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EUR index, adjusted by Eurostat and given in Table 1 may differ from the change in the EUR index obtained by aggregating national indices. Data are adjusted for working days. They do not include building.

(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 Rentes* certificates; Denmark: daily money market rate (monthly average); Portugal, 6 month deposits; from 8/85, 3 month Treasury Bills. Annual average, end quarter and end month.

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Principal economic policy measures - July/August 1987

Community (EUR)

13.7 The Council (Economic and Financial Affairs) held its second-quarter examination of the economic situation in the Community, in accordance with Article 3 of the 1974 Convergence Decision, on the basis of the Commission Communication (COM(87)297). In conclusion, the Council endorsed the Commission's opinion that it was not necessary to modify the economic policy guidelines as adopted in the Annual Economic Report 1986/87 of last December.

Belgium (B)

10.8 The Government adopts the draft budget for 1988 and decides on the implementation, from 1989, of a programme of tax reform and reduction. The draft 1988 budget plans to reduce the borrowing requirement from BFR 420 000 million (8,1 % of GNP) in 1987 to BFR 405 000 million (7,4 % of GNP) in 1988. The planned reform of personal taxation involves a simplification and reduction of the taxation on earned income, to be phased in between 1990 and 1993. In particular the number of marginal tax rates will be reduced from 14 to 5, the top rate will be cut from 71,6 % to 50 % and the average tax burden on incomes will come down from 67,1 % to 50 %. In order to ensure that the tax reform remains compatible with the objective of reducing the budget deficit, the tax cuts will be partly offset by the reduction or ending of a range of tax-free allowances now available to individuals and companies.

Denmark (DK)

3.7 The Centralbank modifies its liquidity management from a system of deposit certificates sold to banks, on which they might borrow at the Centralbank, to a general borrowing access, albeit within individual ceilings, at a daily rate of interest fixed by the Centralbank. The aim is to increase the efficiency of liquidity management bestowing a bigger role on the money market in adjusting short-term liquidity requirements.

17.8 The Government publishes its draft budget for 1988 showing a deficit of DKR 1,6 billion (0,2 % of GDP) against an estimated deficit of DKR 4,0 billion (0,6 % of GDP) in 1987. Whereas total revenue (excluding interest payments) is expected to rise by DKR 12,3 billion in 1988 total expenditure might grow by only DKR 8,3 billion, partly as a result of unchanged real expenditure targets. Interest payments are expected to increase by DKR 1,6 billion.

Federal Republic of Germany (D)

None.

Greece (GR)

None.

Spain (E)

7.7 The Bank of Spain lowers the interest rates on its loans to financial institutions from 19,125 % to 18,5 %. This was the first reduction this year, and was followed by further cuts on 2, 5, 25 and 26 August, bringing the rate to 17,375 % on 27 August.

France (F)

8.7 The tourist allowance is abolished. Travellers will now be able to take abroad as much French or foreign currency as they choose.

15.7 In order to prepare the draft finance law for 1988, the Prime Minister sends his ministers letters indicating the upper limit on the appropriations available to each of them next year. Total expenditure is to increase by no more than some 2 %, in line with the forecast rise in prices. Three priorities have been chosen for 1988 by the Government: employment, research and cooperation. The global targets are reaffirmed: the deficit is to be held to FF 115 000 million and in total over FF 35 000 million is to be saved.

22.7 The Ministry for Industry budget is to be cut by 10 % for the second year in succession. The largest reduction in appropriations concerns aids to shipbuilding.

27.8 The Prime Minister announces that VAT on compact discs and audio cassettes is to be cut from 33 1/3 % to 18,6 % in the 1988 budget; the reduction will enter into force on 1 January 1988.

Ireland (IRL)

None.

Italy (I)

28.8 The central bank discount rate is increased from 11,50 % to 12 %. According to the Minister for the Treasury, this is in order to curb the excessive rise in the demand for credit and to control bank liquidity. In addition, the 6,25 % tax on the yields from government securities is increased to 12,50 % with effect from 1 September, one month earlier than had previously been decided.

27.8 The Government decides by decree on a series of economic measures with the object of curbing domestic demand, and making it easier to prepare the finance law for 1988. The measures include:

- an increase in the price of certain petroleum products (LIT 60 for premium grade petrol, LIT 20 for gas oil used for heating, and LIT 40 for liquid petroleum gas);
- an increase from 18 % to 22 % in the rate of VAT on motor vehicles, furniture, electrical household appliances, etc. until 31 December of this year;
- an increase of 2 % in the VAT on television sets, cinematic and optical equipment, radios, hi-fi, etc., also until 31 December;
- payment by 30 November 1987 of the advance instalments on the company taxes IRPEG and ILOR which are increased from 92 % to 100 %;
- payment in full, by the banks, by 31 October of the withholding tax on deposit interest.

Luxembourg (L)

3.7 The Government adopts the law on rents, which contains the following main provisions:

- current rents remain in force;
- rents will be adjusted every three years;
- tenant protection is increased.

The law does not apply to luxury accommodation or to subsidized housing.

9.7 Parliament adopts a draft law under which the system neutralizing notional foreign exchange profits (which formerly applied only to banks) will be extended to all credit institutions, insurance and reinsurance companies, and commercial companies. This law brings the system into line with international principles. With the ending of the taxation of notional profits, Luxembourg's competitiveness as a financial centre should be increased.

Netherlands (NL)

1.7 The Minister for Finance decides to increase the amount of interest not liable to tax from 1 January 1988. Under a draft law, soon to be submitted to Parliament, the amount will be increased from HFL 1 400 to HFL 2 000 for married persons. The allowance per child will be HFL 500. It is estimated that this increase will cost the Treasury HFL 200 million a year. In return, the banks will, from 1987, be required to report bank deposit interest and bond income to the tax authorities. This measure could produce HFL 100 million for the Treasury in 1988 and HFL 400 million when the system is fully operational. The Government decided on a flexible policy as regards fines for undeclared past interest.

Portugal (P)

1.7 The Bank of Portugal reduces the August credit limits communicated to each bank by between 4 % and 6 %.

17.8 The Bank of Portugal decides to accept interest-earning deposits from banks, subject to an upper limit. The interest rate for 180-day deposits is set at 15,9 %.

28.8 The new Government's programme is approved by the Parliament formed after the elections held on 19 July. The programme advocates controlled liberalization of the economy and the gradual privatization of the majority of public enterprises. The PCEDED (Programme for the structural correction of the external deficit and unemployment) is confirmed as the basis for the medium-term macroeconomic strategy.

United-Kingdom (UK)

6.8 The authorities prompt an increase in bank base rates by 1 % to 10 % thus reversing the two preceding cuts of 1/2 % each in April and May.

Prices (excluding VAT) in Luxembourg

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CB-AS-87-009-EN-C