

EUROPEAN ECONOMY

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

Supplement A — No 11 — November 1987

Recent economic trends

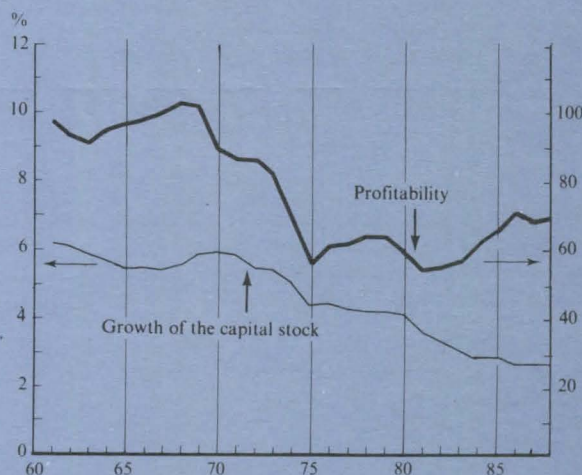
*In this number:
Profitability in the Community*

MAIN POINTS IN BRIEF

- In the light of recent financial upheavals, the forecasts presented in last month's Supplement obviously need to be revised. The size and nature of these revisions will strongly depend on when, and on what level, financial and exchange markets stabilize and on the policy measures which could be taken. It should be noted, therefore, that the indicators described in this Supplement generally refer to the period before these upheavals took place and that the uncertainties in the world economy and the Community could seriously affect the behaviour of investors and consumers. This makes it more necessary, as stated in the Preamble to the Annual Economic Report, that the Community and its Member States be ready to adapt their economic policies to necessities of the situation as it evolves.

- The latest short-term indicators available show the appreciation of the ECU with respect to the US dollar. The monthly trade deficit which the Community began registering in June continued to widen during the summer bringing the cumulative trade surplus for 1987 to only 205 million ECUs in August. There was a clear fall in the number of registered unemployed in the Community in September but industrial production remained weak and the monetary aggregates continued to rise rapidly.

GRAPH 1: Profitability¹ and growth of the capital² stock in the Community (EUR4)³



¹ Net operating surplus as a percentage of gross capital stock at replacement cost.

² Gross capital stock at constant prices (% changes p.a.).

³ D, F, I, UK.

Source: Commission services

- Data available on profitability on the basis of the September forecasts suggest a levelling out of the rate of return on fixed capital during the 1986-1988 period in the Community after the strong improvement since the early eighties. The higher level of profitability has not as yet resulted in a pick up in the growth of the capital stock (see Graph 1). This emphasises the importance placed in the Annual Economic Report on improving demand expectations at the same time as profitability in order to boost the share of investment in GDP and reinforce the growth potential of the Community economies.

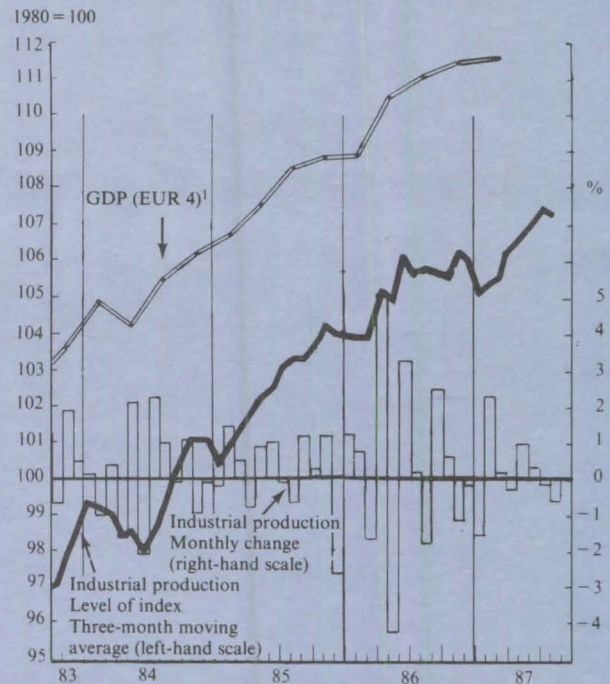
Industrial production eases during the summer — After a very slight fall in July (0,1 %) the Community month-to-month index of industrial production recorded a sharper fall in August of the order of 0,7 % on a seasonally adjusted basis. All sectors of industrial activity eased somewhat in August, while the weakest performance was recorded in the intermediate goods sector (1,2 % lower than in July). In Germany the August seasonally adjusted index of industrial production reached its peak (growing by 3,9 % on a monthly basis), although August figures are somewhat upward biased due to earlier holidays than usual. Provisional data for September suggest a considerable fall of the industrial output index for Germany, especially in the consumer goods industry (– 6,5 %). The trend rate of growth of industrial production in the Community as a whole, on the basis of the three-month moving average (see Graph 2), did fall slightly because of somewhat weak summer performance of industrial output. The level of industrial production in August was however 3,4 % higher than a year earlier, with output only lower than the previous year for the latest month available in Denmark (3,6 %), Greece (10,6 %) and the Netherlands (1,1 %), while increases ranged from 0,7 % in Luxembourg to 11,8 % in Ireland.

Unemployment falls sharply in September — In September the number of registered unemployed, seasonally adjusted, in the Community fell by 127 000 to 16 million which is equivalent to a decline of the unemployment rate as a percentage of the civilian labour force from 11,7 % in July to 11,6 % in September. The fall in the numbers out of work was stronger in the United Kingdom where the unemployment rate was brought down to 10,2 % in September from 11,9 % a year earlier. Preliminary figures for October suggest that the falling trend in unemployment brought the numbers out of work in the UK to just under 10 % of the civilian labour force. Also, in France after a sharp reduction in numbers out of work in September, the unemployment rate fell to its January level but still remains higher than a year earlier. Since May a rising trend in the number of registered unemployed was recorded in Germany, Spain and Italy. On a year-to-year basis the unemployment rate in the Community was 0,7 % lower than in September 1986.

Consumer price increases remain subdued — The index of consumer prices in the Community rose by 0,2 % in September on month-to-month basis, which corresponds to the seasonally adjusted monthly rate of increase for September. This seasonally adjusted figure is the lowest monthly rate recorded in the Community since the beginning of 1987, with monthly rates in general running at 0,3 % (except for March 1987). In individual Member States the fluctuations in the seasonally adjusted consumer price index ranged in September from a 0,2 % fall in Belgium, where travel, petroleum products and car insurance prices declined, and a similar fall in Germany, to a rise of 0,7 % in Portugal and in Spain. Some acceleration of the unadjusted consumer price index was recorded in Greece in September, where the index rose by 2,2 % on a monthly basis. However if corrected for seasonal variations, the September rate of increase of consumer prices was only 0,5 % which is the second lowest s.a. monthly increase of the past five years. The 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, eased marginally to 3,4 % but remained higher than the rates recorded since the second quarter of 1986. Consumer prices in September were 3,2 % higher than a year earlier, with rates ranging from 0,2 % in Luxembourg and 0,4 % in Germany to 14,7 % in Greece, where inflation continues to be considerably out of line with the Community average. In September, however, the divergence in consumer price trends between Member States diminished somewhat.

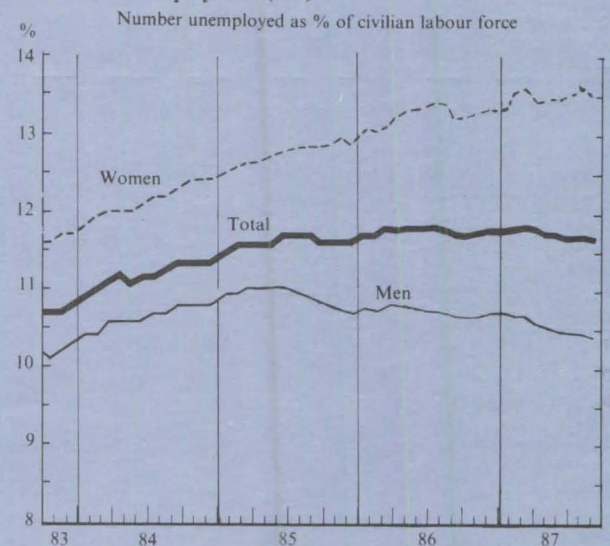
Trade deficit widens over the summer months — For the third successive month the Community's external trade was in deficit, recording a 3 152 million ECUs cumulative deficit in the June-August period. This adverse development is mainly due to a decline of the German surplus, on the one hand, and a sizeable increase of the United Kingdom trade deficit. In August the UK trade deficit reached a record 2 366 million ECUs reflecting strong imports and sluggish exports. Similarly, the German

GRAPH 2: Industrial and gross domestic product (s.a.) — EUR total

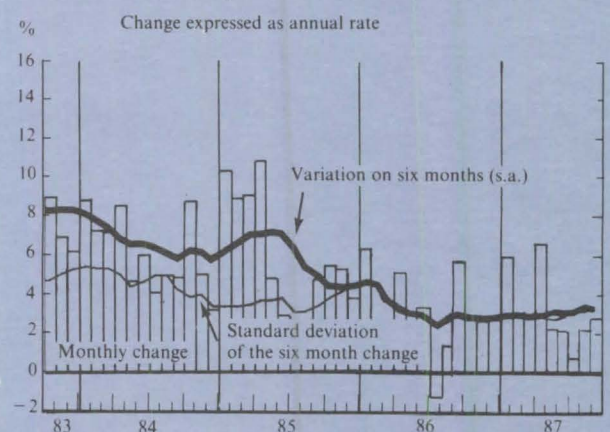


¹ France, Germany, Italy and UK: quarterly figures.

GRAPH 3: Unemployment (s.a.) EUR 12



GRAPH 4: Consumer prices EUR 12



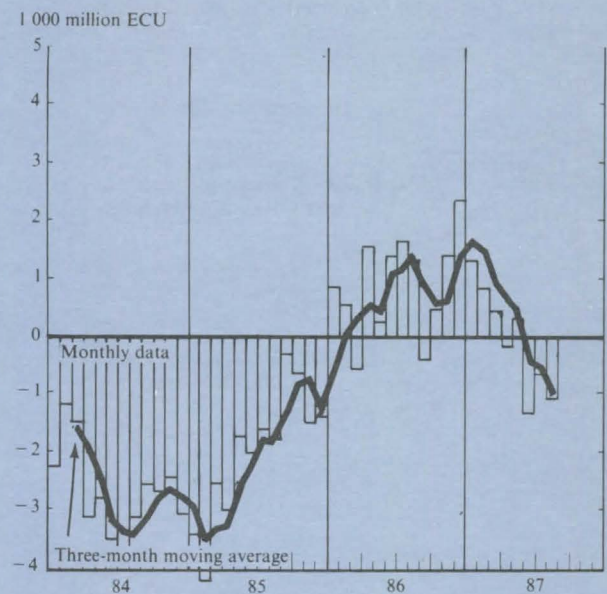
trade surplus was reduced to 4 098 million ECUs in August which is the lowest for the past year. However, preliminary data for September suggest an improvement of the trade account for both the United Kingdom and Germany. On a year to year basis, the Community as a whole recorded a fall of 2 451 million ECUs in its trade position with respect to August 1986, while trade balances were more unfavourable in all Member States except for Denmark, BLEU, Ireland and Greece. The three-month moving average of the trade position for the Community has continued to deteriorate since the high point reached in January.

Monetary growth picks up — In August the rate of increase in money supply for the Community was 0,9 %, on a seasonally adjusted basis, the same rate as in July. An acceleration of money supply growth was recorded in most Member States in August. The faster rates of increase were recorded in Greece (2,7 %), Ireland (1,9 %) and Spain (1,6 %), while some slowdown in monetary growth was registered only in the United Kingdom (1,5 %), Italy and France (0,4 %). In France, despite the slowdown in the pace of M3 reflecting the drop in sight deposits since July, the annualised rate of increase in M3 calculated with respect to the average of the fourth quarter of 1986 was running in September at 9,4 %, outside the target rate of 3 to 5 %. In Germany the growth of the money stock accelerated again in August after the more moderate expansion of June and July. In the last six months M3 rose at a seasonally adjusted annual rate of just over 5,5 % and at the end of August exceeded its year earlier level by 7 %. The main factor behind the accelerated growth in the German money supply was the high level of bank lending to the private sector. In the United Kingdom the increase in M3 was 22 % in the year to August while the narrowly defined M0 rose by 4,5 % over the same period, thus remaining well within its target range for the year.

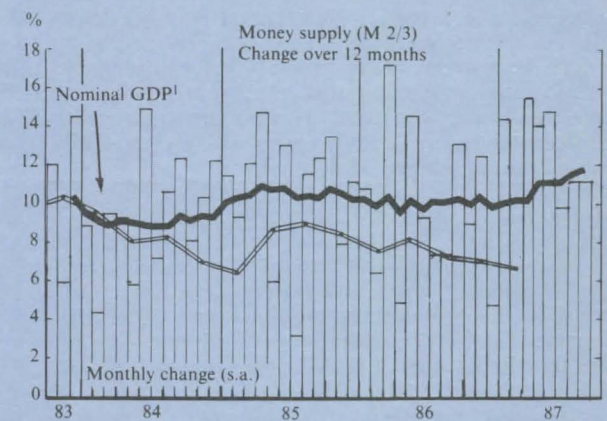
Interest rates somewhat easier — Short-term interest rates, after increasing in August and September, returned to the levels recorded in June and July. However, although the average of short-term interest rates for the Community fell back to 8,8 %, there was no clear downward tendency in the majority of Member States. Only in four Community countries, namely Spain, Italy, the Netherlands and the United Kingdom, were falls recorded in short-term interest rates in October. In Spain the 3-month interbank deposit rate dropped to 14,5 % at the end of October, after successive cuts in the marginal interest rate on overnight loan auctions were announced by the Bank of Spain in September and October. In the United Kingdom at the end of October, the interbank 3-month sterling deposit rate stood at 9,4 %, reflecting the sharp fall of share prices on the London Stock Exchange in mid-October. The effect of falling stock prices on short-term interest rates was even more pronounced in the United States, where they dropped from 6,8 % in September to 5,4 % in October. In Portugal, the official discount rate was reduced by 0,5 point to 14,5 % on the 15th October, while the interest rate on 3-month treasury bills also fell compared to the previous month. For the Community as a whole short-term interest rates in October were marginally higher (0,1 point) than the same month of the previous year. Conversely, September figures for long-term interest rates showed a clear upward trend, as interest rates on the average for the Community rose to 9,7 %, 1,1 point higher than a year earlier. Such an increase of long-term rates in a certain way also reflected the continued fast growth of monetary aggregates, which in its turn influences the level of inflationary expectations.

ECU stronger as dollar comes under pressure — The sharp fall of stock prices on the 19th October led to continued pressure on the dollar. The persistence of a high U.S. trade deficit and disagreements on a plan to reduce the U.S. budget deficit led to a further weakening in the US currency. The dollar recorded heavy losses, in particular against the DM and the yen, passing from 1,812 DM and 144,5 yen, on the 15th of October, to 1,733 DM and 138,1 yen at the end of the month, as financial markets remained highly volatile. The joint action by the German and French authorities succeeded in reducing the tensions within the EMS mechanism. Their simultaneous decision to decrease the Lombard rate from 5 % to 4,5 % on the one hand, and of the latter to increase the daily money market rate

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

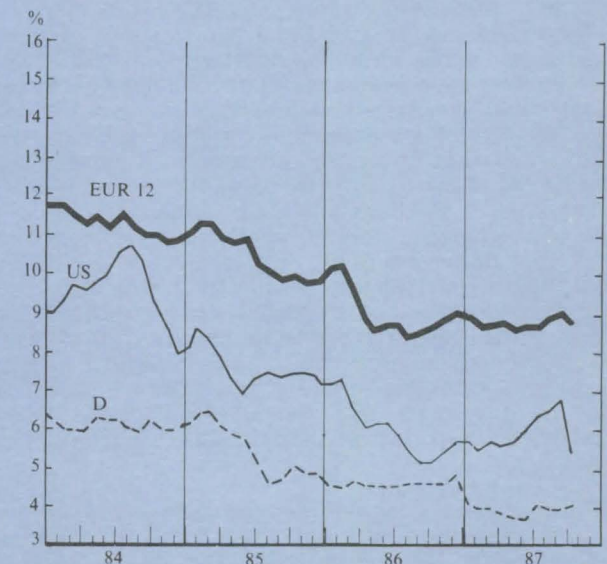


GRAPH 6: Money supply (EUR 12) and nominal GDP (EUR 4)

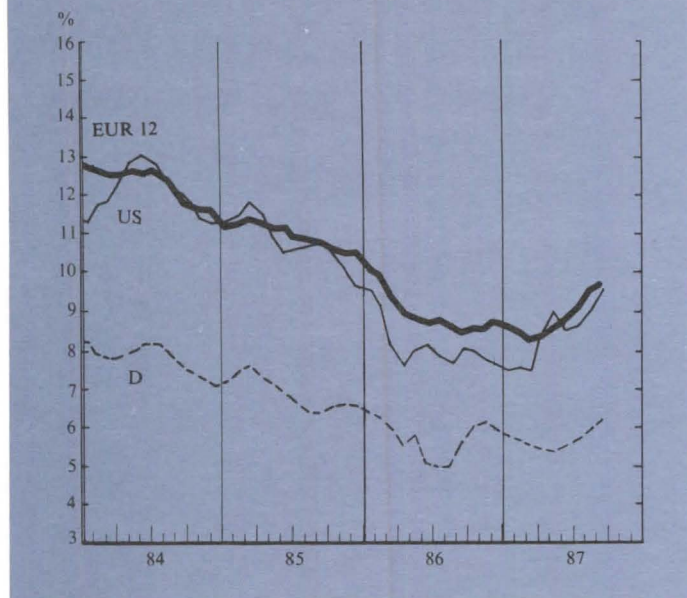


¹ Change over the same quarter of previous year.

GRAPH 7: Short-term interest rates



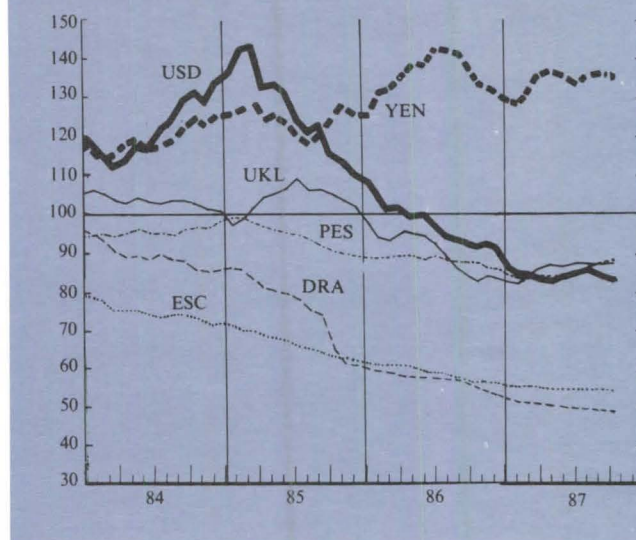
GRAPH 8: Long-term interest rates



GRAPH 9: Exchanges rates

Values of USD, Yen and some EC currencies in ECU

January 1983 = 100



from 7,5 % to 8,25 % expressed the commitment of Member States to increase monetary cooperation through concerted action in the money markets. Hence the French franc and the lira which were under heavy pressure before the joint Franco-German communiqué strengthened, so that the lira returned to the narrow fluctuation band. The pound sterling closely followed fluctuations in the DM. The peseta, escudo and drachma fluctuated during the period within narrow margins against the ECU.

Rates of return on physical capital in manufacturing and the broader economy. — A major factor in the industrial decision to invest is the level of the *expected* rate of return on this investment. This return depends on a number of expectational factors (demand, relative factor costs, prices, etc.) which are difficult to quantify. *Actual* rates of return, which are more readily available, are often used as indicators of expected profitability. These *ex post* rates of return for the largest Community countries are set out in Table 1. It should, however, be noted in interpreting these figures that all measures of the profitability of physical capital are subject to uncertainties, in particular in so far as the measurement of the capital stock is concerned. The capital stock is measured here at current replacement cost calculated by the perpetual inventory method with data for the period 1960 – 1985 coming from the EUROSTAT sectoral data base for Community countries and national sources for the US and Japan. More recent forecasts are consistent with the September Economic Forecasts of the Commission services. The two branches presented are manufacturing industry and a broader measure of the economy as a whole excluding agriculture, non-market services and the imputed income on housing, while the rates of return are those for the net operating surplus (i.e. gross profit less provisions for depreciation) of the branch considered as a proportion of gross capital stock (the current replacement cost of the physical stock of capital) and, secondly, the net operating surplus on the net capital stock (the current replacement cost of the physical capital stock which has not been written off for depreciation purposes). It should be stressed that estimates for the forecast period are often uncertain since the gross operating surplus of business tends to be quite volatile and subject to large swings particularly in tradeable goods branches in periods of substantial exchange rate fluctuations.

These qualifications being borne in mind, the September forecasts for profitability in the Community already suggest a leveling off during the 1986 – 1988 period. The risk exists that this development could even be aggravated by more recent events. Estimates for the net rate of return on the gross capital stock

do not show any major changes in the profitability for the Community, measured as the average of the broader measure of the economy in the four largest Member States. Profitability in the Community had been on a strong declining trend from 1969 which was aggravated by the first oil shock. The subsequent recovery was stifled by the second oil shock. The net rate of return on gross capital stock index did pick up after 1982 and continued to rise up until 1986 but without reaching levels recorded in years prior to 1973. The recovery of profitability after the first oil shock was, however, slower in the European countries than in the USA, where in 1986 the net rate of return on gross capital stock index approached its 1972 level. Moreover, profitability in the US picked up strongly after the 1983 turning point compared to the pace of its recovery registered in the Community. Among the large four Member States, German non-agricultural business has recorded the strongest rates of return in most years and also seems to have adjusted faster to the economic environment of higher oil prices after the 1973 shock.

In manufacturing industries, profitability, measured by the index of the net rate of return on gross capital stock, has recorded more pronounced changes over the past years. Hence, the upswing in profitability rates which started in 1983 has been much more vigorous in manufacturing than in the broader economy reflecting the greater sensitivity of conditions in sectors producing internationally tradeable goods to movements in relative costs. A considerable jump in profitability was recorded in 1986 because of the sharp fall in oil prices, which benefited more directly the manufacturing sector than the non-agricultural business sector. Moreover, in the UK profitability measures (manufacturing with respect to non-agricultural business) have moved in opposite directions in 1986, thus affecting the EUR4 index. Energy is included in the non-agricultural business sector but excluded from manufacturing, therefore the drop in oil prices has adversely affected the profitability of enterprises in the broader economy (as oil revenues decreased), while manufacturing industries saw their profits increasing. In Italy the net rate of return on gross capital stock in manufacturing has moved erratically. However, since 1983 Italian manufacturing industries have increased their rate of profitability substantially.

If profitability is measured as net profits on *net* capital stock similar developments are revealed as in the case of net profits on gross capital stock. Similarly, the year 1983 is the turning point for the upsurge of profitability after a period of depressed profits, due to the slow adjustment of enterprises to high oil prices and relatively slow growth rates.

TABLE 1: Indicators of profitability:

— Net rate of return on gross capital stock. Non-agricultural business (excl. housing); 1960-69 = 100

	D	F	I	UK	EUR4	USA	J
1960	126,3	84,8	113,6	107,5	106,5	85,6	71,9
1969	98,1	110,0	116,8	91,1	103,1	92,2	129,2
1975	59,2	77,8	30,0	43,9	56,0	61,0	54,4
1980	57,2	73,3	61,7	47,5	61,1	46,4	55,8
1981	53,6	65,0	45,4	48,0	55,3	46,1	47,4
1982	55,6	59,1	41,9	52,6	55,1	52,7	47,0
1983	63,5	61,4	25,5	59,3	57,2	64,1	43,7
1984	65,6	72,4	38,5	60,3	63,1	74,0	44,8
1985	69,7	75,8	46,3	61,9	67,0	76,1	43,0
1986	73,1	84,9	57,5	57,3	70,7	:	:
1987	70,2	85,8	58,3	55,6	69,5	:	:
1988	69,6	86,6	61,7	56,0	70,1	:	:

— Net rate of return on gross capital stock. Manufacturing; 1960-69 = 100

	D	F	I	UK	EUR4	USA	J
1960	140,9	89,4	129,4	126,3	121,6	84,3	79,6
1969	99,6	120,0	106,1	90,1	103,1	83,8	122,2
1975	43,6	72,8	25,2	24,2	42,0	52,3	41,4
1980	30,1	70,1	133,2	23,6	50,5	32,0	45,4
1981	23,8	58,3	90,9	20,0	39,4	34,7	39,0
1982	30,6	47,6	86,9	27,0	40,9	24,6	38,6
1983	40,0	52,6	70,1	33,9	45,1	32,4	35,5
1984	42,4	71,6	93,7	40,6	54,4	42,0	41,9
1985	39,5	80,5	98,5	48,0	57,9	40,5	41,7
1986	51,5	96,9	116,8	54,6	69,8	:	:
1987	47,3	99,9	133,1	54,1	70,5	:	:
1988	48,8	103,0	145,0	56,5	73,9	:	:

— Net rate of return on net capital stock. Non-agricultural business (excl. housing); 1960-69 = 100

	D	F	I	UK	EUR4	USA	J
1960	124,3	89,7	114,5	110,5	108,4	88,2	81,6
1969	100,5	104,7	117,2	89,2	102,1	89,0	119,2
1975	60,9	71,9	30,2	43,2	55,5	59,3	49,3
1980	59,4	69,0	63,8	47,4	61,5	46,0	53,6
1981	55,9	61,7	46,8	48,1	56,0	45,8	45,9
1982	58,1	57,2	43,4	53,1	56,2	52,8	45,9
1983	66,6	59,7	26,6	60,2	58,7	64,8	43,4
1984	69,0	70,2	39,8	60,9	64,4	75,0	45,4
1985	73,4	74,8	48,0	62,6	68,8	77,3	44,1
1986	77,3	84,8	59,8	58,0	72,7	:	:
1987	74,6	86,4	60,8	56,4	71,8	:	:
1988	74,1	88,1	64,5	56,9	72,4	:	:

— Net rate of return on net capital stock. Manufacturing; 1960-69 = 100

	D	F	I	UK	EUR4	USA	J
1960	136,9	96,0	126,7	126,6	121,8	85,8	90,0
1969	104,7	115,0	110,8	89,5	104,3	80,5	112,4
1975	48,8	68,8	26,6	24,8	43,9	51,5	37,4
1980	35,7	70,3	150,0	24,9	55,4	32,2	43,5
1981	28,4	59,2	102,4	21,4	43,7	35,1	37,7
1982	36,9	49,2	99,2	29,3	46,0	25,1	37,6
1983	48,7	55,2	82,4	37,3	51,5	33,7	35,1
1984	52,2	74,9	112,7	45,0	62,8	44,3	42,2
1985	48,8	85,0	119,8	53,7	67,2	43,0	42,6
1986	63,6	102,3	143,6	61,5	81,2	:	:
1987	58,4	105,3	164,4	61,3	82,3	:	:
1988	60,2	108,1	179,1	64,5	86,3	:	:

Source: Commission services

September forecast prepared before the recent financial upheavals

In spite of the relatively favourable profitability performance, European investment has been slow to react to this upturn with the result that the growth rate of the capital stock has continued to mark time (see Graph 1). This development highlights the importance of a second essential determinant of investment — an improvement in the outlook for demand — and the empha-

sis placed in the recent Annual Economic Report on the need for demand expectations and profitability to improve *simultaneously* in order to close the investment gap and alleviate today's lack of jobs.

30 November 1987

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

	1982	1983	1984	1985	1986	1986			1987		1987								Change over 12 months %(b)
						II	III	IV	I	II	Feb.	March	Apr.	May	June	July	Aug.		
B	0	2.0	2.5	2.5	0.9	-2.1	2.4	-1.8	-0.3	4.4	0.7	-1.9	4.3	2.8	-2.1	:	:	3.7	
DK	2.7	3.2	9.7	4.2	4.2	4.6	-3.4	0.9	-3.0	-1.4	4.8	4.9	-3.5	-4.6	2.2	:	:	-3.6	
D	-2.9	0.6	3.0	5.7	2.1	0.3	0.7	-0.8	-1.0	1.4	1.7	-0.1	1.1	0.9	-1.5	-0.8	-3.9	2.6	
GR	1.1	-0.1	1.6	3.4	-0.2	4.6	-1.7	-0.9	-1.6	-1.0	6.1	-4.0	0.9	-1.5	-0.7	0.5	:	-10.6	
E	-1.1	2.7	0.8	2.0	3.1	5.5	-2.0	2.2	-0.6	2.6	5.0	1.1	-2.2	1.5	4.2	2.1	:	7.7	
F	-0.5	0	2.0	1.0	1.0	1.3	1.3	-1.3	-0.3	2.0	3.0	1.0	-1.0	1.0	1.9	-1.0	0	4.5	
IRL	-0.9	6.6	12.4	2.3	2.7	-0.4	0	3.7	-0.6	8.2	4.5	0.4	4.3	4.2	-2.3	-2.6	:	11.8	
I	-3.0	-3.2	3.4	1.2	2.8	0.3	-0.1	1.5	-0.4	1.8	-0.1	0.4	0.9	2.3	-2.6	0.9	-1.8	3.4	
L	0.9	5.4	13.3	6.9	2.8	-0.8	-2.1	-0.6	-1.4	3.0	-2.5	-2.5	2.7	4.2	0.1	-1.5	:	0.7	
NL	-4.1	3.2	4.1	4.0	1.0	-2.5	2.2	-1.2	3.2	-3.7	-1.8	2.8	-6.4	2.9	-0.9	1.0	0	-1.1	
P	4.6	1.6	-0.1	10.9	4.7	6.6	2.9	-2.1	-3.7	6.7	3.1	-4.2	6.8	1.9	1.5	:	:	4.4	
UK	1.9	3.6	1.4	4.6	1.9	0.7	1.1	0.1	0.9	0.4	1.7	0.3	-0.5	0.8	-1.1	2.2	0.8	4.0	
EUR 12	-1.2	0.9	2.2	3.3	2.0	1.9	-0.4	0.6	-0.6	(1.4)	2.4	0.2	-0.3	1.0	0.3	(-0.1)	(-0.7)	(3.4)	
USA	-7.4	7.8	12.3	2.1	2.1	0	0.8	0.8	1.1	(1.1)	0.7	0.2	0.1	0.7	0.4	(0.9)	(0.2)	(4.7)	
JAP	0.3	3.6	11.1	4.6	-0.3	-0.3	-0.3	0	1.3	-0.2	-0.6	1.7	-1.6	-1.4	4.3	(1.0)	(-1.1)	(4.6)	

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months %(b)
						III	IV	I	II	III	March	Apr.	May	June	July	Aug.	Sept.	
B ^(f)	13.0	14.3	14.4	13.6	12.6	12.3	12.5	12.4	12.4	12.2	12.4	12.4	12.4	12.5	12.5	12.1	12.0	-3.2
DK	9.3	10.1	9.9	8.7	(7.6)	7.5	7.3	7.7	7.7	7.6	7.8	7.7	7.6	(7.7)	(7.6)	(7.5)	(7.5)	(1.2)
D	6.9	8.4	8.4	8.4	8.1	8.0	7.8	8.0	8.0	8.1	8.1	8.0	8.0	8.1	8.1	8.1	8.2	3.0
GR	1.4	1.6	1.8	2.2	2.8	2.8	2.7	2.9	2.9	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.7	5.0
E	14.2	16.5	18.4	19.5	20.2	20.0	20.5	20.9	21.1	21.1	21.0	21.0	21.1	21.1	21.1	21.1	21.2	6.2
F	8.7	8.9	10.0	10.5	10.7	10.8	10.9	11.3	11.3	11.2	11.4	11.3	11.3	11.2	11.2	11.4	11.2	1.9
IRL	12.3	14.9	16.6	17.9	18.6	18.7	19.0	19.3	19.7	19.7	19.3	19.7	19.7	19.7	19.8	19.7	19.6	4.0
I	9.7	11.0	12.0	12.9	13.6	13.8	13.8	13.9	13.6	14.2	13.9	13.3	13.8	13.8	14.0	14.3	14.3	5.4
L	1.3	1.6	1.8	1.7	1.5	1.4	1.4	1.6	1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.8	23.8
NL ^(f)	(11.8)	(14.2)	14.5	13.3	12.4	12.2	12.1	12.0	11.9	11.9	12.1	12.0	12.0	11.8	12.0	11.9	11.9	-2.4
P	5.7	5.6	6.7	7.7	8.3	8.3	8.4	8.3	7.3	6.5	8.0	7.7	7.3	6.9	6.5	6.5	6.5	-21.7
UK	(10.6)	(11.6)	11.8	12.0	11.9	12.0	11.8	11.5	11.1	10.5	11.4	11.3	11.0	10.9	10.7	10.6	10.2	-13.9
EUR 12	(9.4)	(10.6)	11.2	11.6	11.7	11.7	11.7	11.8	(11.7)	11.6	11.8	11.7	11.7	(11.7)	(11.7)	(11.7)	(11.6)	(-0.7)
USA	9.7	9.6	7.5	7.2	7.0	6.9	6.8	6.7	6.2	6.0	6.6	6.3	6.3	6.1	6.0	6.0	5.9	-14.4
JAP ^(g)	2.4	2.7	2.7	2.6	2.8	2.9	2.8	2.9	3.0	2.8	2.9	3.0	3.2	3.0	2.7	2.8	2.8	-0.6

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

	1982	1983	1984	1985	1986	1986		1987			1987								Change over 12 months %(b)
						III	IV	I	II	III	March	Apr.	May	June	July	Aug.	Sept.		
B	8.7	7.7	6.3	4.9	1.3	0.2	0.1	0.6	0.7	0.6	0.1	0.5	0	0.1	0.4	0.3	-0.2	1.7	
DK	10.1	6.9	6.3	4.7	3.6	0.1	1.0	0.5	1.6	0.7	0.9	0.4	1.0	-0.1	0	0.3	(0.6)	(3.7)	
D	5.3	3.3	2.4	2.2	-0.2	-0.5	-0.3	0.6	0.4	0	0	0.2	0.1	0.2	0	-0.1	-0.2	0.4	
GR	21.0	20.5	18.3	19.4	23.1	2.0	5.9	3.2	5.6	0.4	3.2	2.3	0.6	2.0	-1.5	-0.5	2.2	14.7	
E	14.4	12.2	11.2	8.8	8.8	2.3	1.2	1.4	0.7	1.2	0.6	0.2	-0.1	0	1.0	-0.1	0.9	4.4	
F	11.8	9.6	7.3	5.9	2.7	0.6	0.7	1.2	0.9	0.6	0.1	0.5	0.2	0.2	0.2	0.2	0.1	3.3	
IRL (h)	17.2	10.4	8.6	5.4	3.8	0.2	0.2	1.8	0.6	0.6	0.2	0.2	0.2	0.2	0.2	0.2	:	3.2	
I	16.5	14.7	10.8	9.2	5.8	0.6	1.2	1.4	1.2	1.0	0.3	0.4	0.4	0.4	0.2	0.3	(0.7)	(5.2)	
L	9.4	8.7	5.6	4.2	0.3	-0.3	0.2	0.2	-0.3	0	0	-0.2	-0.1	-0.1	-0.1	0.3	0.1	0.2	
NL	5.7	2.7	3.2	2.3	0.3	-0.9	1.0	-1.3	0.6	0.2	0.2	0.3	0.1	-0.2	-0.1	0.2	(0.5)	(0.6)	
P	22.7	25.1	28.9	19.6	11.8	0.8	2.4	3.8	1.7	1.0	1.4	0.5	0.1	-0.3	0.3	1.1	0.3	9.3	
UK	8.6	4.6	5.0	6.1	3.4	0.1	1.3	1.2	1.5	0.2	0.2	1.2	0.1	0	-0.1	0.3	0.3	4.2	
EUR 12	10.7	8.6	7.4	6.1	3.6	0.4	0.8	1.0	1.0	0.4	0.2	0.6	0.2	0.2	0.1	0.2	(0.2)	(3.2)	
USA	6.2	3.2	4.3	3.6	1.9	0.7	0.6	1.1	1.3	1.1	0.4	0.5	0.3	0.4	0.2	0.6	0.5	4.3	
JAP	2.9	1.8	2.4	2.0	0.7	-0.5	-0.1	-0.6	1.3	-0.2	0.4	0.9	0.3	-0.2	-0.5	0.1	0.8	0.7	

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

	1986																		1987																		Change over 12 months %(c)
	1982	1983	1984	1985	1986	1986			1987		1987																										
						II	III	IV	I	II	Feb.	March	Apr.	May	June	July	Aug.																				
B/L	-3082	-2435	-4897	-3514	146	-312	-52	930	-108	414	-177	77	67	138	208	173	-208	89																			
DK	-1866	-740	-1108	-1538	-1714	-576	-579	-226	72	:	-26	65	37	71	:	:	:	207																			
D	21599	18501	24136	32986	53044	13308	14718	14502	14373	13818	5224	4669	4542	4914	4362	4846	4098	-581																			
GR	-5826	-5800	-6048	-7266	-5809	-1452	-1631	-1126	-1661	:	-467	-879	-389	-495	:	:	:	9																			
E	:	:	-4711	-5582	-6306	-1437	-1750	-1981	-1934	-2181	-786	-892	-873	-611	-698	-870	-727	-214																			
F	-24457	-15628	-13130	-13428	-9699	-3563	-2583	-1819	-2588	-3567	-691	-1153	-1033	-1247	-1288	-1041	-756	-110																			
IRL	-1574	-621	81	430	983	134	242	262	338	511	111	49	164	251	96	147	203	30																			
I	-12513	-8516	-13849	-16130	-2459	-149	502	473	-1117	-2360	-621	-206	-468	-416	-1476	-702	-52	-1053																			
NL	3500	4499	4740	3874	4161	1531	1554	206	-470	140	-289	-24	-155	-8	303	-31	173	-310																			
P	:	:	-3467	-2735	-1297	-334	-329	-271	-716	-827	-269	-281	-262	-190	-376	-219	-302	-186																			
UK	-3295	-9681	-14005	-11540	-19868	-3904	-5756	-6180	-3705	-4911	-1108	-1187	-1357	-1844	-1710	-1735	-2366	-98																			
EUR 12 (i)	:	:	-32258	-24444	11161	3201	2722	4314	2832	-802	890	508	65	460	(-1327)	(-714)	(-1111)	(-2451)																			
USA (i)	-43435	-77911	-154992	-194856	-169039	-42412	-44291	-41331	-34862	-37149	-12713	-11414	-11301	-12077	-13771	-14659	-14048	-307																			
JAP	7034	23072	42599	60497	84010	20300	23688	21839	21512	16544	7283	6126	6177	5539	4828	5495	5296	-2945																			

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

1986																			1987		1987								Change over 12 months % (d)
1986																			1987		1987								Change over 12 months % (d)
1986																			1987		1987								Change over 12 months % (d)
1986																			1987		1987								Change over 12 months % (d)
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1986																			1987		1987								Change over 12 months % (d)
1986																			1987		1987								Change over 12 months % (d)
1986																			1987										

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months % (e)
						III	IV	I	II	III	Apr.	May	June	July	Aug.	Sept.	Okt.	
B	14.1	10.5	11.5	9.6	8.0	7.3	7.5	7.4	6.8	6.7	7.3	7.1	6.8	6.7	6.7	6.7	7.2	-0.2
DK	16.4	12.1	11.5	10.0	9.1	9.2	9.2	10.7	9.6	9.4	10.0	10.0	9.6	9.5	9.3	9.4	9.5	0.3
D	8.8	5.8	6.0	5.4	4.6	4.6	4.8	4.0	3.8	4.0	3.9	3.8	3.8	4.1	4.0	4.0	4.1	-0.6
GR	20.2	19.4	15.7	17.1	19.9	15.8	18.9	23.3	13.9	11.6	16.6	16.4	13.9	11.1	8.0	11.6	17.1	0.1
E	16.3	20.1	14.9	12.2	11.6	11.5	12.1	16.2	17.8	17.0	20.6	17.9	17.8	17.4	16.7	17.0	14.5	3.0
F	14.6	12.5	11.7	9.9	7.8	7.3	8.5	7.9	8.2	8.0	8.1	8.2	8.2	7.9	7.9	8.0	8.3	0.9
IRL	17.5	14.1	13.3	11.9	12.6	11.0	13.9	13.3	10.4	9.2	10.7	11.1	10.4	9.8	10.0	9.2	9.2	-4.7
I	20.1	18.1	17.2	15.1	12.7	10.9	11.6	10.6	11.3	12.8	10.3	10.8	11.3	11.6	13.0	12.8	12.0	0.7
NL	8.3	5.7	6.1	6.4	5.7	5.4	6.4	5.5	5.2	5.6	5.2	5.2	5.2	5.3	5.3	5.6	5.2	-0.2
P	16.8	20.9	22.5	21.0	15.4	14.9	14.1	13.2	15.0	14.8	13.3	13.2	15.0	15.0	14.8	14.8	14.8	0.6
UK	12.2	10.1	10.1	12.3	10.9	10.9	11.2	9.9	9.2	10.3	9.2	8.9	9.2	9.4	10.4	10.3	9.4	-1.8
EUR 12 (n)	13.8	12.0	11.2	10.5	9.0	8.5	9.1	8.8	8.8	9.1	8.9	8.7	8.8	8.8	9.0	9.1	8.8	0.1
USA	10.6	8.7	9.5	7.5	6.0	5.4	5.8	5.8	6.0	6.8	5.7	5.8	6.0	6.3	6.5	6.8	5.4	0.2
JAP	6.8	6.5	6.3	6.5	5.0	4.8	4.3	4.0	3.7	3.9	4.0	3.7	3.7	3.7	3.7	3.9	4.0	-0.7

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months % (e)
						III	IV	I	II	III	March	Apr.	May	June	July	Aug.	Sept.	
B	13.5	11.8	12.0	10.6	7.9	7.4	7.5	7.7	7.8	8.3	7.6	7.7	7.8	7.8	7.6	7.8	8.3	0.9
DK	20.5	14.4	14.0	11.6	10.6	11.1	11.6	12.1	11.6	12.3	12.1	11.9	11.7	11.6	11.8	11.5	12.3	1.2
D	9.0	7.9	7.8	6.9	5.9	5.8	5.9	5.6	5.6	6.2	5.6	5.5	5.4	5.6	5.8	6.0	6.2	0.4
GR	15.4	18.2	18.5	15.8	15.8	13.6	14.7	17.5	16.2	:	17.5	17.8	18.1	16.2	:	:	:	2.6
E	16.0	16.9	16.5	13.4	11.4	11.1	10.4	11.0	13.2	14.3	11.0	12.0	13.4	13.2	13.6	13.8	14.3	3.1
F	15.6	13.6	12.5	10.9	8.4	7.8	8.9	8.5	9.4	10.5	8.5	8.7	8.9	9.4	9.5	9.8	10.5	2.7
IRL	17.0	13.9	14.6	12.7	11.1	12.5	13.0	11.2	10.9	11.3	11.2	(10.5)	(11.3)	10.9	11.8	11.9	11.3	-1.2
I	20.9	18.0	14.9	13.0	10.5	9.3	8.9	8.7	9.5	10.6	8.7	8.8	9.2	9.5	10.2	10.6	10.6	1.3
L	10.4	9.8	10.3	9.5	8.7	8.5	8.1	8.2	8.2	8.1	8.2	8.1	8.1	8.2	8.1	8.0	8.1	-0.4
NL	10.5	8.8	8.6	7.8	6.8	6.5	6.9	6.8	6.8	7.2	6.8	6.8	6.8	6.8	7.0	7.1	7.2	0.7
P	25.3	30.4	32.5	25.4	17.9	15.6	16.0	15.4	15.4	15.9	15.4	15.4	15.1	15.4	15.3	15.3	15.9	0.3
UK	12.7	10.8	10.7	10.6	9.8	10.6	10.3	9.1	9.1	10.0	9.2	8.9	8.8	9.1	9.7	10.1	10.0	-0.6
EUR 12 (n)	14.4	12.8	12.1	10.6	8.9	8.6	8.7	8.4	8.9	9.7	8.4	8.5	8.7	8.9	9.2	9.5	(9.7)	1.1
USA	12.2	10.8	12.0	10.8	8.1	8.1	7.7	8.5	8.6	9.6	7.6	8.5	9.0	8.6	8.7	9.0	9.6	1.5
JAP	8.3	7.8	7.3	6.5	5.2	5.7	5.2	4.0	4.6	:	4.4	4.0	3.8	4.6	5.4	5.6	:	0.6

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)
						III	IV	I	II	III	Apr.	May	June	July	Aug.	Sept.	Okt.	
BFR/LFR	44.68	45.44	45.44	44.91	43.78	43.65	43.27	42.87	43.04	43.07	43.05	43.06	43.01	43.05	43.06	43.09	43.21	-0.1
DKR	8.15	8.13	8.15	8.02	7.94	7.94	7.86	7.81	7.82	7.94	7.83	7.81	7.81	7.88	7.95	7.99	7.97	1.6
D	2.38	2.27	2.24	2.23	2.13	2.11	2.08	2.07	2.08	2.07	2.08	2.08	2.07	2.08	2.07	2.07	2.08	-0.4
DR	65.30	78.09	88.44	105.7	137.4	137.9	143.4	151.1	154.4	157.4	152.9	154.8	155.4	156.4	157.2	158.5	159.8	13.6
PTA	107.6	127.5	126.6	129.1	137.5	137.0	139.7	145.0	145.0	140.6	145.6	145.4	144.1	142.6	140.2	138.9	136.6	-1.4
FF	6.43	6.77	6.87	6.80	6.80	6.87	6.82	6.89	6.93	6.92	6.92	6.94	6.93	6.91	6.92	6.93	6.93	1.7
IRL	0.690	0.715	0.726	0.715	0.734	0.745	0.765	0.775	0.776	0.775	0.777	0.776	0.775	0.775	0.775	0.776	0.775	1.3
LIT	1324	1350	1381	1447	1462	1454	1443	1469	1494	1502	1482	1500	1501	1503	1502	1500	1500	4.1
HFL	2.62	2.54	2.52	2.51	2.40	2.38	2.35	2.33	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.34	-0.8
ESC	78.0	98.7	116.3	130.2	147.1	149.0	153.9	159.4	161.4	162.8	160.7	161.5	161.9	162.4	162.5	163.5	164.4	7.6
UKL	0.561	0.587	0.591	0.589	0.672	0.681	0.727	0.729	0.700	0.698	0.704	0.696	0.700	0.698	0.699	0.696	0.693	-4.9
USD	0.981	0.890	0.789	0.762	0.984	1.013	1.038	1.125	1.150	1.128	1.147	1.162	1.141	1.123	1.116	1.145	1.152	10.7
YEN	243.5	211.4	187.0	180.5	165.0	157.8	166.4	172.2	164.0	165.9	163.9	163.1	164.9	168.9	164.7	163.9	165.0	1.6
DTS	0.888	0.833	0.767	0.749	0.838	0.842	0.859	0.895	0.889	0.884	0.888	0.891	0.887	0.885	0.879	0.887	0.889	3.6

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)
						III	IV	I	II	III	Apr.	May	June	July	Aug.	Sept.	Okt.	
B/L	-9.2	-2.8	-2.2	0.9	6.4	1.5	1.7	2.6	-0.6	-0.4	-0.3	0.1	-0.1	-0.2	-0.3	0.2	-0.2	1.5
DK	-4.4	-0.6	-3.7	1.2	7.5	1.9	2.7	2.7	-0.6	-1.9	-0.5	0.4	-0.3	-1.0	-1.3	-0.1	0.4	0.2
D	5.0	4.0	-1.5	0.4	11.3	3.4	2.9	3.1	-0.6	-0.3	-0.3	0.3	-0.2	-0.2	-0.2	0.4	0.1	2.7
GR	-8.0	-18.1	-14.2	-15.7	-20.4	-1.4	-3.1	-3.2	-2.1	-2.2	-0.6	-0.9	-0.7	-0.8	-0.9	-0.5	-0.7	-10.2
E	-6.0	-17.2	-2.3	-2.2	-0.5	1.4	-0.8	-1.4	-0.1	2.8	-0.1	0.5	0.6	0.9	1.4	1.5	1.9	3.9
F	-8.3	-7.1	-4.7	1.1	5.5	0.7	1.9	1.2	-0.8	-0.3	-0.4	0	-0.1	0.1	-0.6	0.3	0	0.4
IRL	-1.1	-4.1	-4.2	1.1	4.8	-2.6	-0.7	0.6	-0.9	-0.4	-0.3	0.2	0	-0.3	-0.3	0.2	0.2	-0.4
I	-6.9	-3.8	-5.7	-5.1	4.7	2.8	2.1	0.3	-1.9	-0.9	-0.6	-1.0	-0.5	-0.3	-0.4	0.6	0.1	-1.9
NL	5.1	2.0	-1.5	0.3	8.2	2.5	1.9	2.2	-0.4	-0.1	-0.1	0.3	-0.1	-0.1	-0.2	0.3	0.1	2.2
P	-12.9	-21.1	-17.3	-11.4	-6.7	-2.1	-2.0	-1.7	-1.5	-1.3	-0.7	-0.4	-0.5	-0.5	-0.4	-0.3	-0.5	-5.8
UK	-4.4	-7.0	-4.7	-0.2	-6.7	-5.5	-5.6	2.2	4.5	-0.2	0.9	1.6	-1.1	0	-0.5	1.0	0.6	8.4
EUR 12	-7.0	-8.5	-9.1	-1.8	10.8	2.0	2.0	4.4	-0.2	-0.7	-0.5	0.6	-0.7	-0.2	-0.9	1.2	0.6	5.2
USA	12.0	5.7	7.8	4.0	-18.4	-4.1	-0.3	-5.7	-3.4	1.5	-2.3	-0.8	1.6	1.6	-0.2	-2.3	-0.4	-8.6
JAP	-5.0	10.9	5.5	3.0	28.8	7.6	-3.8	1.2	5.9	-2.3	5.1	1.3	-2.2	-3.3	2.1	1.8	-0.3	3.7

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.

Principal economic policy measures - October 1987

Community (EUR)

12.9 At an informal Council meeting held at Nyborg the Ministers for Economic and Financial Affairs endorsed proposals made by the Monetary Committee and the Committee of Governors for improving the monitoring of economic and financial developments within the Community. In particular, the Nyborg agreement aims at a strengthening of mechanisms involved in the management and functioning of the EMS.

14.10 The Commission approved the Annual Economic Report 1987—1988 (COM(87)500) which it will submit to the Council for adoption after consulting the European Parliament and the Economic and Social Committee. The title and main theme of this year's Annual Report is 'Using the Community dimension to reinforce internal growth' and it will be published in full in European Economy No. 34.

Belgium (B)

None.

Denmark (DK)

6.10 At the opening of the parliamentary session the government retables its draft budget from August, slightly modified in view of revised forecasts for 1988. Whereas expenditure subject to ceilings remains unchanged in real terms total revenue should grow somewhat faster due to higher receipts from income taxes, which more than offset lower indirect tax yields. Central government accounts may consequently be in approximate balance in 1988 against a small deficit this year (- 0.1 % of GDP).

Federal Republic of Germany (D)

None.

Greece (GR)

22.9 Under a decision of the Governor of the Bank of Greece, the expansion of the Agricultural Bank's lending to the private sector is reduced by DRA 15 000 million from the figure forecast in the monetary programme. This amount is appropriated for the public sector.

8.10 The Governor of the Bank of Greece decides that, from 10 October, commercial banks shall make a compulsory deposit of 7.5 %, instead of 6.5 %, of their total private deposits with the Bank of Greece. The additional compulsory deposits carry no interest.

Spain (E)

8.10 The Government presents the social security budget for 1988. Expenditure will increase by 11 % to PTA 4 852 000 million. The increase will be financed by a rise in the proportion of social security contributions, for the first time in ten years; they will cover 69.6 % of the total, while the central government contribution will be 25.0 % (5.9 % in 1979).

20.10 The Bank of Spain increases the rate of cover for 'country risk' to 35 % of the loans granted to countries in difficulties.

20.10 The Bank of Spain revises upwards the monetary targets for 1987. The targeted growth of liquid assets in the hands of the public (L) will be 12 % (instead of 8 %) with a margin of variation of 1.5 % each side of the target.

26.10 The interest rate on the day-to-day loans which the Bank of Spain makes to the financial institutions is cut by 1.125 points to 14.875 %.

31.10 The Ministry for Finance initiates the faster reimbursement of VAT to exporters. The firms concerned will be able to obtain reimbursement of VAT within less than 15 days instead of one month, as previously, if they satisfy certain conditions (e.g. a certain figure for exports in the past).

France (F)

30.9 An agreement on increasing the allowance for short-time working (affecting some 130 000 persons) was signed by the CNPF (the employers' federation) and certain trade union organizations. The minimum allowance goes up from FF 23 to FF 24.24 an hour.

7.10 In order to improve the supply of building land which, because of its scarcity, is leading speculators to drive up prices, the government finalizes a number of tax measures affecting

the taxation of capital gains on the resale of land. The rules applying to long-term capital gains on building land will now be the same as those hitherto applying to buildings. As a result, liability to tax will lapse after land has been held for twenty years, instead of thirty-three years as previously.

Ireland (IRL)

9.10 The 'Programme for National Recovery' published by the Government is to extend over the period 1988—1990 and is the result of negotiations between the Government and the social partners, which began just after the March Budget. The programme covers five main areas—relations with the EEC, macro-economic policies, tax reform, social equity and employment. A major element of the programme is a centralized wage agreement which limits increases in wages in both private and public sector to 2 1/2 % per annum over the period of the programme.

13.10 The estimates of Government expenditure on supply services (excluding debt-servicing) for 1988 reveal another substantial reduction. As in 1987 a wide range of minor cuts has been made in all areas of expenditure on both the capital and current account. For the first time in 30 years public expenditure is to be reduced in nominal terms relative to the previous year and in terms of GDP a 2 % reduction in overall expenditure is expected. This follows a similar reduction of 2 % of GDP, which is now likely in 1987.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

13.10 An agreement is concluded between the Nederlandsche Bank and the Ministry for Finance concerning the constitution by the central bank of a portfolio of State bonds for an amount of some HFL 3 000 million intended for open market operations. The central bank will buy State bonds and will freeze the corresponding amount in a special account so that the Government will not be able to use it to finance its budget deficit. The central bank is also planning to amend the rules on the compulsory cash reserves to be held by the commercial banks. All banks will lodge a certain amount with the Nederlandsche Bank, even in periods of tension on the money market. In this case, part of the compulsory deposits will nevertheless earn interest.

Portugal (P)

15.10 The central bank cuts administratively fixed interest rates. The discount rate is lowered by 0.5 % to 14.5 %, the maximum interest rate on bank lending is reduced by 1 % to 18.5 % and the minimum interest rate for time deposits over 180 days and up to one year is cut by 0.5 % to 14.0 %. The exchange rate policy for 1988 is also announced: the target is a 3.5 % effective depreciation of the escudo for the period December 1987 to December 1988. The monthly rate of depreciation will be lowered from the current 0.5 % to 0.4 % during the first quarter of 1988.

United Kingdom (UK)

23.10 The Government publishes an Employment Bill intended, inter alia, to further tighten regulations affecting trade union procedures and industrial action, to enable the Manpower Services Commission to be reorganized so as to emphasize its training role and give employers a greater say, and, thirdly, to disqualify for unemployment benefit school-leavers who refuse unreasonably to enter training.

26.10 The authorities prompt a decrease in bank base rates by 1/2 % to 9 1/2 %.

27.10 As part of a review of policy on social welfare payments, the Government indicated that the per capita value of retirement pensions and other contributory benefits will be increased by 4.2 % from April 1988 in line with the rise in the retail price index in the twelve months to September, but child benefit payments are to be frozen at present levels. Supplementary benefits are to be replaced by an income support scheme.

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.
Supplements						
Series A — 'Economic trends' (11 issues per year)	20,80	900	16	15	21,50	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
Series B — 'Business and consumer survey results' (11 issues per year)	20,80	900	16	15	21,50	
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
Combined subscription — 'European Economy' and supplements	76,30	3 300	58	54,40	79,50	



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