ISSN 0379-2056

EUROPEAN ECONOMY

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

Supplement A — No 12 — December 1987

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Recent developments in Public Finance

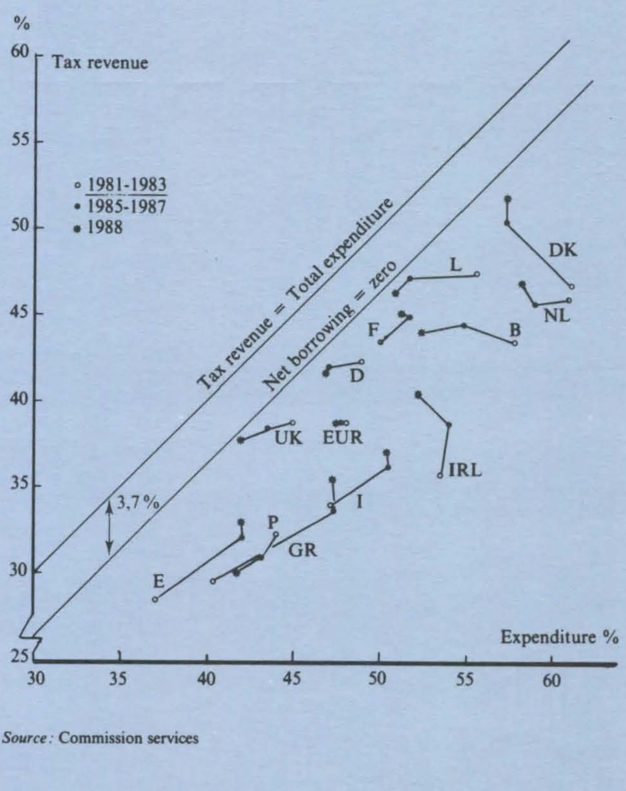
Recent economic trends

MAIN POINTS IN BRIEF

- The most recent short term indicators available are beginning to reflect the impact of the recent financial upheavals. Thus the concern of the authorities not to aggravate the financial shocks emanating from stock markets is seen in the action taken by monetary authorities to provide the market with adequate liquidity. Thus monetary growth picked up in the Community in October and interest rates generally moved sharply downwards. On foreign exchange markets the ECU appreciated strongly in November as the dollar remained under pressure. The latest data on industrial production relate to September and shows some compensating movement after weaker performance in the summer months. Unemployment in the Community fell below 16 million to 11,5 % while consumer prices were marginally higher in October.

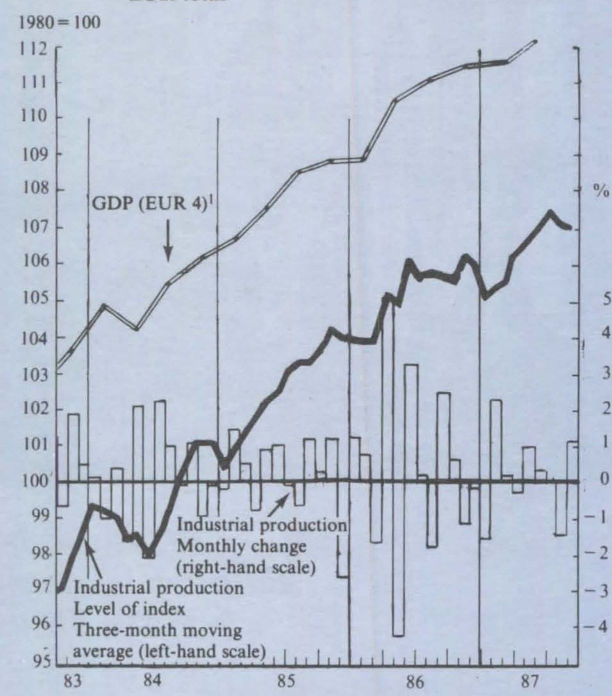
- Most recent data on the movement of public finance in the Member States show a continuation of gradual reduction in the scope and the deficit of general government in 1987 and 1988 for the Community. According to the September forecasts, current receipts should fall to 43,5 % of GDP and total expenditure to 47,8 % in 1988 and net borrowing should decline by one tenth of a percentage point to 4,3 % of GDP.

GRAPH 1: **Evolution of total tax revenue and total government expenditure in 1981-1983, 1985-1987, 1988 (as % of GDP)**



Source: Commission services

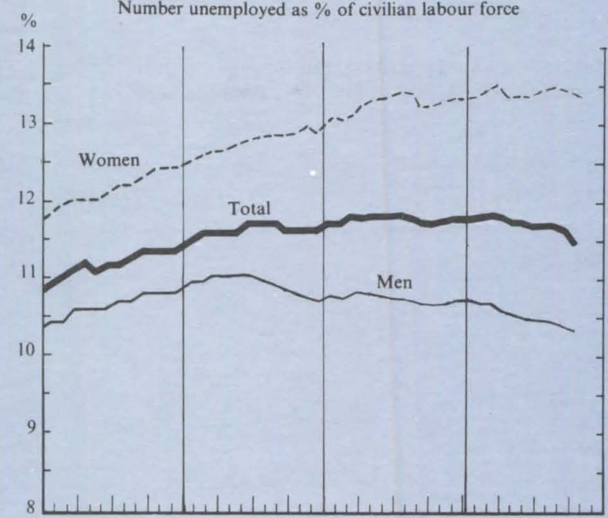
GRAPH 2: **Industrial and gross domestic product (s.a.) — EUR total**



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

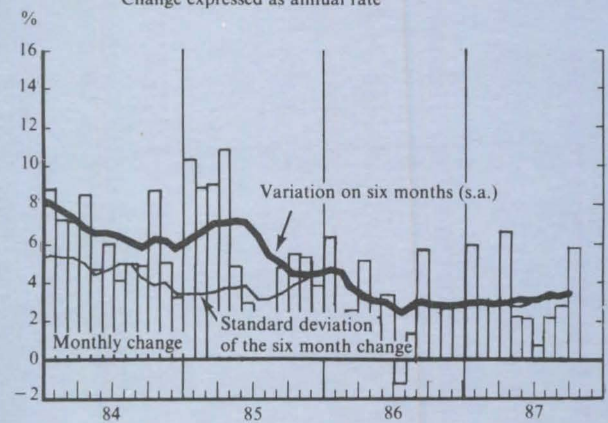
GRAPH 3: **Unemployment (s.a.) EUR 12**

Number unemployed as % of civilian labour force



GRAPH 4: **Consumer prices EUR 12**

Change expressed as annual rate



Industrial production picks up in September. — The sharp fall recorded in the Community month-to-month industrial production s.a. in August was compensated for by a strong recovery (1,2 %) in September. The investment goods sector registered the best performance increasing by 2,8 % on a monthly basis in September, while the smallest pick-up in industrial activity was in the intermediate goods sector (0,7 %). The seasonally adjusted index for the third quarter was on a par with the second quarter index for the Community as a whole. In Germany after the strong recovery in August, industrial production fell by 1,8 % (s.a.) in September. Despite this drop the third quarter index was slightly higher (0,4 %) than the average for the second quarter. On a quarterly basis the strongest performance in the third quarter was recorded in the United Kingdom, where industrial output was 1,6 % higher than a quarter earlier. The three-month moving average for the Community continued to drop in September for the third consecutive time, suggesting a weakening trend rate of growth of industrial production (see graph 2). On a year-to-year basis the level of industrial production in the Community was 1,6 % higher than in September 1986 with country figures ranging from a 15,4 % increase in Ireland to a 4,6 % decline in Denmark.

Unemployment falls below 16 million in October. — The number of registered unemployed s.a. fell in October to 15,9 million in the Community, which represented an unemployment rate of 11,5 % as a percentage of the civilian labour force. The decreasing trend in unemployment continued in all Member States except for Spain where unemployment reached a record of 21 % of the civilian labour force in October. Conversely, in the United Kingdom the decrease in the numbers out of work was vigorous in October, thus bringing the unemployment rate to 10 % for the first time in the last five years. The unemployment rate in the Community was 1,3 % lower than in October of last year.

Consumer prices pick up in October. — The seasonally adjusted consumer price index rose in the Community by 0,4 % in October on the previous month. This is the highest month-to-month increase for the year, with monthly increases being higher in all Member States except for Spain, Denmark, Luxembourg and the Netherlands. The underlying trend rate of inflation, measured as the seasonally adjusted rate of change over six months at an annual rate, was 3,5 % for the Community as a whole, slightly higher than the rate recorded in September. Moreover, a somewhat larger divergence in price trends between Member States was apparent in October than in the previous two months. Consumer prices in October were 3,4 % up on a year earlier in the Community with changes ranging from a 0,1 % rise in Luxembourg to an increase of 15,3 % in Greece.

Trade deficit narrows in September. — The estimated Community trade deficit was approximately 230 million ECUs in September, considerably lower than in any of the past three months. This improvement in the Community's trade position was mainly due to the strong performance of Germany which reached a record September surplus. Similarly, the substantial cut of the UK's trade deficit from 2 366 million ECUs in August to 1 613 million ECUs in September contributed to the overall improvement in the Community as a whole. In Italy and France on the other hand September's trade figures were significantly worse than in the previous month, a major factor being the build-up of stocks of petroleum products before the winter. On a year-to-year basis trade accounts improved in the UK, Germany, BLEU, Denmark and Ireland while for the rest of Member States the trade position in September 1987 was less favourable than a year earlier. The cumulative trade surplus for the first three quarters in the Community declined to 424 million ECUs.

Monetary growth picks up in October. — In September the rate of expansion of money supply in the Community slowed down marginally to 0,7 % from 0,8 % in August. In most countries a slower month-to-month increase was recorded, but in Italy and the Netherlands a faster expansion of money has followed the slow August rates of growth. In Germany after the acceleration in August, the growth of the money stock slowed down significantly in September. This was principally due to the contractionary impact of 'other factors' (fluctuations in banks' profit and loss accounts, intra-bank items in course of settlement, interbank claims and liabilities, etc.). In October, according to preliminary data, German Central Bank money stock recorded a seasonally adjusted annual growth rate of 8,2 %, compared with its average level in the fourth quarter of 1986, thus remaining outside this year's target range of 3 to 6 %. Month-to-month increases in other countries for which data are available in October also picked up substantially as authorities reacted to developments on the stock markets. In France M3 accelerated to grow at 1,7 % in October, while in the United Kingdom, the rate of growth of £M3 on the previous month was 3,5 %.

Interest rates ease further. — In November short-term interest rates dropped further to 8,6 % on average in the Community as they continued to be influenced by developments on the exchange markets. Short-term interest rates fell in almost all Member States, reaching annual lows in Denmark and Ireland. The exception was France, where there was a rise over the month. Tensions in the EMS gave rise to coordinated interest rate adjustments, prompting a number of changes in official rates. Early in November French official rates were increased by 3/4 point while in Germany the Lombard rate was cut by 1/2 point and the repo rate was lowered from 3,80 to 3,50 %. Later in the month, the Nederlandsche Bank reduced its discount rate by 1/4 point to 4 %, in Germany a new securities repurchase tender was announced at a fixed rate 1/4 point down at 3 1/4 % and the Banque de France cut its money market intervention rate and its seven-day repurchase rate by 1/4 point to 8 % and 8,5 % respectively. The Belgian authorities cut the three-month treasury certificate rate from 7,15 % to 6,85 %. Long-term interest rates fell almost everywhere in the Community, thus reversing part of the increase recorded in the preceding months. It should be noted that the long-term rates series used in table A.7 for the Netherlands and Italy have been replaced in this month's supplement by updated national series.

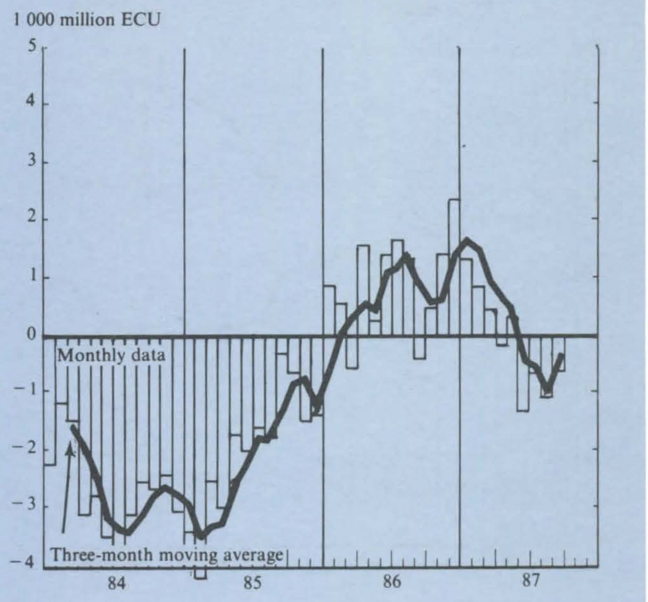
ECU appreciates strongly. —The ECU appreciated strongly in November, as the dollar continued to be under heavy pressure. From 1,152 USD at the end of October, the ECU was exchanged at 1,227 USD one month later. Stock markets continued to remain strained and pessimism was the key element in exchange markets with regard to the dollar. Despite a series of official announcements, aiming at restoring the lost confidence in the American currency, the tendency was towards a further depreciation of the dollar. Against the DM and the yen, the dollar was trading at the end of the month at between 1,63 and 1,67 DM, and 132 and 135 yen. The fluctuations of the dollar gave further momentum to tensions within the EMS exchange rate mechanism. In particular the exchange rate of the French Franc against the DM was under heavy pressure and fluctuated for a short while above the 3,40 level after the publication of the October French trade statistics. The Belgian Franc and the lira were also subject to pressure as the DM appreciated and some intervention from their respective monetary authorities was reported. The pound sterling continued to fluctuate within narrow margins against the DM (2,90-3,00). The peseta, the escudo and the drachma remained stable against the ECU.

RECENT DEVELOPMENTS IN PUBLIC FINANCE IN THE MEMBER STATES

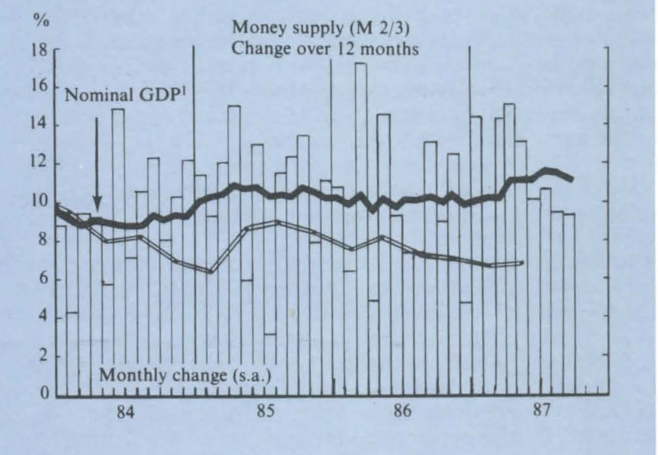
Fiscal policy responses to the second oil price crisis and the ensuing world-wide economic recession were in general similar to those which have been undertaken in the aftermath of the first oil crisis. Fiscal stance was orientated in a highly expansionary direction. As the results of detailed theoretical and empirical analyses highlighted the possible dangers from high levels of taxation and expenditure relative to GDP, proposals for tax reforms and spending cuts characterized the conduct of fiscal policy subsequently. Initially they apparently met with limited success as discretionary changes were more than counterbalanced by automatic stabilizers. In 1986, however, promising results began to appear. Although very gradual, the improvement of the fiscal balance and the reduction of the share of the public sector in the economy should continue in 1987 and 1988.

This aggregate result masks, however, a variety of individual Member States experiences, as is shown in graph 1. In Belgium,

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

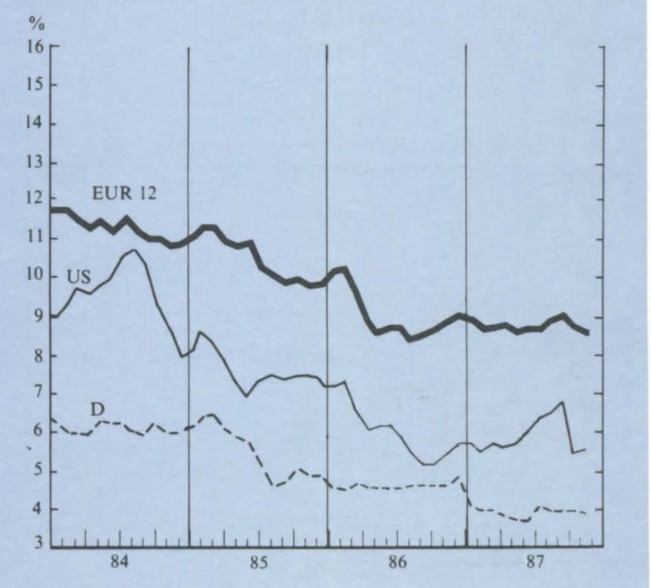


GRAPH 6: **Money supply (EUR 12) and nominal GDP (EUR 4)**

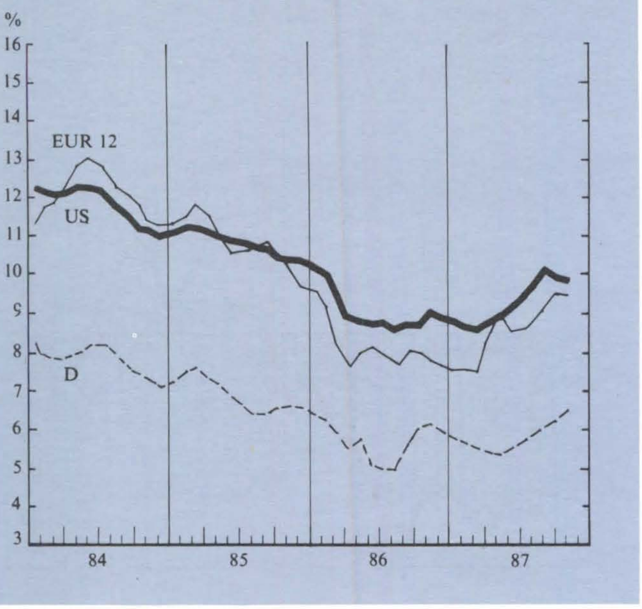


[1] Change over the same quarter of previous year.

GRAPH 7: **Short-term interest rates**

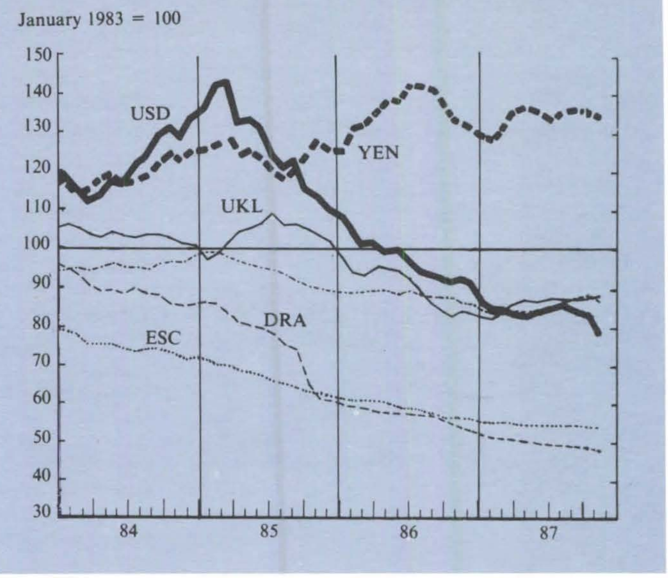


GRAPH 8: **Long-term interest rates**



GRAPH 9: **Exchange rates**

Values of USD, YEN and some EC currencies in ECU



Denmark, Luxembourg, the Netherlands and to a lesser extent in Germany, Portugal and the UK, considerable progress has been made in curbing the growth of public expenditure and bringing down budgetary deficits. In these countries the elasticity of government spending with respect to nominal GDP has fallen drastically over the period 1985-1987. This elasticity ranges at present between 0,6 and 0,8 against approximately 1,3 in the early eighties. On the contrary, in Greece, Spain, Italy, and to a lesser extent France, persistently strong expansion in relative government expenditure has prevailed until recently. A small reversal is, however, forecast for 1988.

The reduction in relative current government revenue has obviously been more moderate. Between 1981-1983 and 1985-1987 the elasticity of tax revenue with respect to GDP slowed down in all Member States, except in Denmark where it rose to nearly 1,2. However, only in Belgium, the Netherlands, Germany, Luxembourg, France, the UK and Portugal did nominal growth of GDP outstrip the growth of tax receipts, implying a reduction in the tax burden in those countries.

Less favourable growth prospects and international considerations may suggest that in a few countries some relaxation of the budgetary stance would become desirable in 1988. Such an approach, undertaken in a coordinated way, should avoid a slackening of growth, which goes hand in hand with revenue losses for the public sector and higher crisis-induced expenditure, eroding consolidation efforts accordingly. The benefits for the Community of this kind of cooperative action are twofold. Firstly, stronger growth would alleviate the budgetary situation in the other member countries, which in turn could also contribute to improve growth prospects in the Community[1]. Secondly, the induced progress towards more fiscal convergence would strengthen the cohesion in the EMS and hence facilitate the coordination of monetary policies.

15 December 1987

(1) Annual Economic Report, 1987-1988, COM(87)500 final, p. 31 and 69-70

TABLE 1 : **Member States' general government revenue and expenditure[1], as % of GDP, 1987-1988**

	Total current revenue			Indirect taxes			Direct taxes			Social security contributions received			Other current receipts		
	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]
B	46,0	46,5	46,3	12,0	11,3	11,2	18,6	18,4	18,3	12,9	14,7	14,6	2,5	2,1	2,1
DK	53,1	58,5	59,0	18,0	19,6	19,1	25,9	28,5	29,5	2,5	3,0	3,1	6,7	7,4	7,3
D	45,8	45,4	45,1	12,8	12,2	12,2	12,1	12,2	11,9	17,5	17,6	17,6	3,5	3,4	3,4
GR	31,4	37,0	37,4	14,1	17,1	16,8	5,4	6,1	6,4	10,1	11,7	12,3	1,8	2,1	1,9
E	32,5	37,2	37,2	7,9	10,8	10,7	7,3	9,7	9,7	13,5	12,7	12,6	3,9	4,0	4,2
F	47,5	48,7	48,9	14,5	14,5	14,4	8,8	9,3	9,3	20,2	21,1	21,4	4,0	3,8	3,8
IRL	40,3	44,1	44,9	16,9	17,4	17,6	13,3	16,4	16,7	5,4	5,8	6,1	4,7	4,5	4,5
I	36,1	39,7	39,9	8,7	9,4	9,6	11,7	13,7	13,7	13,5	13,8	13,8	2,2	2,8	2,8
L	55,1	54,2	54,2	14,1	15,1	15,0	18,4	17,5	17,8	15,0	13,7	13,7	7,5	7,9	7,7
NL	54,5	53,1	52,2	11,5	13,0	13,1	14,5	13,7	13,5	20,1	20,0	20,0	8,4	6,4	5,6
P	34,5	33,9	33,9	14,7	15,6	15,6	7,9	6,4	6,3	9,6	8,2	8,2	2,2	3,7	3,8
UK	42,0	40,6	39,7	16,7	16,6	16,4	14,4	13,8	13,3	6,6	7,0	7,0	4,4	3,2	3,0
EUR 12	42,7	43,7	43,5	12,7	13,1	13,1	11,8	12,4	12,3	14,4	14,6	14,6	3,8	3,6	3,5

	Total expenditure			Current transfers paid			Actual interest payments			Government consumption			Net capital transfers and gross capital formation		
	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]	Average 1981-83	1987[2]	1988[2]
B	57,8	53,1	52,4	26,2	23,4	23,0	8,8	10,9	11,0	18,7	16,6	16,3	4,4	2,2	2,2
DK	60,9	56,6	57,3	22,9	21,2	21,7	6,5	8,2	7,8	27,8	24,6	25,1	3,7	2,6	2,6
D	49,0	47,0	47,1	21,6	20,4	20,4	2,7	2,9	2,9	20,4	19,9	20,0	4,4	3,7	3,7
GR	40,4	47,6	47,3	15,2	17,1	16,8	3,2	6,5	6,9	18,4	19,9	19,7	3,6	4,1	3,8
E	37,3	42,2	42,1	18,2	18,9	18,7	1,0	3,7	3,7	10,1	14,3	14,4	4,6	5,4	5,3
F	50,1	51,5	51,3	25,1	26,1	25,9	2,2	2,8	2,8	19,2	19,4	19,5	3,6	3,2	3,2
IRL	53,3	54,1	52,3	19,1	20,9	19,7	8,6	10,3	10,7	19,7	19,3	18,7	6,0	3,7	3,2
I	47,3	50,1	50,3	20,1	21,1	21,1	7,0	7,7	7,9	16,0	16,5	16,4	4,1	4,8	4,9
L	56,6	51,4	51,2	30,6	28,0	27,9	0,9	1,3	1,1	16,6	15,8	15,9	8,4	6,3	6,3
NL	60,9	58,8	58,2	32,8	32,9	32,8	5,1	6,0	5,9	17,7	15,9	15,6	5,4	4,0	3,8
P	44,1	42,7	41,7	18,8	16,2	15,8	5,7	8,1	7,2	14,6	13,8	13,8	5,0	4,7	4,9
UK	44,9	42,6	41,7	15,8	15,4	14,9	4,9	4,3	4,1	21,9	20,9	20,8	2,3	1,9	1,9
EUR 12	48,0	48,1	47,8	21,2	21,1	21,0	4,1	4,8	4,8	18,9	18,6	18,5	3,9	3,6	3,6

[1] National Accounts definition
[2] forecasts

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 March	Apr.	May	June	July	Aug.	Sept.	Change over 12 months %(b)
B	0	2,0	2,5	2,5	0,8	2,4	−2,1	0,5	3,7	:	−2,1	3,7	2,2	−1,3	−0,3	:	:	1,2
DK	2,7	3,2	9,7	4,2	4,2	−3,4	0,9	−3,0	−1,6	:	4,9	−3,5	−4,6	1,5	2,6	−5,2	:	−4,6
D	−2,9	0,6	3,0	5,7	2,1	0,7	−0,8	−1,0	1,4	0,4	−0,1	1,1	0,9	−1,5	−0,8	3,9	−1,8	−0,4
GR	1,1	−0,1	1,6	3,4	−0,2	−1,7	−0,9	−1,6	−1,0	:	−4,0	0,9	−1,5	−0,7	0,9	−2,0	:	−0,4
E	−1,1	2,7	0,8	2,0	3,1	−2,0	2,2	−0,6	2,6	:	1,1	−2,2	1,5	4,2	2,6	−9,6	:	4,5
F	−0,5	0	2,0	1,0	1,0	1,3	−1,3	−0,3	2,0	1,3	1,0	−1,0	1,0	1,9	−1,0	0	1,9	1,9
IRL	−0,9	6,6	12,4	2,3	2,7	0	3,7	−0,6	8,2	:	0,4	4,3	4,2	−2,3	−2,6	6,8	:	15,4
I	−3,0	−3,2	3,4	1,2	2,8	−0,1	1,5	−0,4	1,8	−0,8	0,4	0,9	2,3	−2,6	0,9	−1,6	1,0	2,4
L	0,9	5,4	13,3	6,9	2,8	−2,1	−0,6	−1,4	3,0	:	−2,5	2,7	4,2	0,1	−1,5	−3,0	:	−3,9
NL	−4,1	3,2	4,1	4,0	1,0	2,2	−0,9	2,8	−3,4	−0,3	2,8	−5,5	1,9	−0,9	1,0	0	−3,8	−4,1
P	4,6	1,6	−0,1	10,9	4,7	2,9	−2,1	−3,7	6,5	:	−4,2	6,8	1,9	1,1	2,7	:	:	6,1
UK	1,9	3,6	1,4	4,6	1,9	1,1	0,2	0,7	0,5	1,6	0,2	−0,2	0,5	−1,1	2,1	0,7	−1,0	2,6
EUR 12	−1,2	0,9	2,2	3,4	2,0	−0,4	0,6	−0,6	1,4	(0)	0,2	−0,3	1,0	0,3	0	(−1,4)	(1,2)	(1,6)
USA	−7,4	7,8	12,3	2,1	2,1	0,5	0,9	0,9	1,2	2,0	0,7	0	0,6	0,6	1,1	(0,4)	(0,1)	(5,7)
JAP	0,3	3,6	11,1	4,6	−0,3	−0,3	0	1,3	−0,2	(3,4)	1,7	−1,6	−1,4	4,3	1,0	(−1,1)	(2,5)	(4,6)

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 Apr.	May	June	July	Aug.	Sept.	Oct.	Change over 12 months %(b)
B (f)	13,0	14,3	14,4	13,6	12,6	12,3	12,4	12,4	12,4	12,2	12,4	12,4	12,5	12,5	12,1	12,0	12,0	−5,4
DK	9,3	10,1	9,9	8,7	(7,6)	7,5	7,3	7,7	7,7	7,7	7,8	7,6	7,8	(7,7)	(7,7)	(7,7)	(7,4)	(4,2)
D	6,9	8,4	8,4	8,4	8,1	8,0	7,8	8,0	8,0	8,1	8,0	8,0	8,1	8,1	8,1	8,1	8,1	3,3
GR	1,4	1,6	1,8	2,2	2,8	2,9	2,8	2,9	2,9	2,9	2,9	2,9	2,9	2,9	2,9	2,8	2,7	2,3
E	14,2	16,5	18,4	19,5	20,0	19,8	20,3	20,7	20,8	20,9	20,8	20,8	20,8	20,9	20,8	20,9	21,0	6,0
F	8,7	8,9	10,0	10,5	10,7	10,8	10,9	11,3	11,3	11,3	11,3	11,3	11,2	11,2	11,4	11,2	11,1	1,1
IRL	12,3	14,9	16,6	17,9	18,3	18,4	18,7	19,0	19,4	19,4	19,4	19,4	19,4	19,4	19,4	19,3	19,2	2,3
I	9,7	11,0	12,0	12,9	13,5	13,8	13,8	13,9	13,6	14,2	13,3	13,7	13,8	14,0	14,3	14,3	14,1	3,4
L	1,3	1,6	1,8	1,7	1,5	1,4	1,4	1,6	1,7	1,7	1,7	1,7	1,7	1,7	1,7	1,8	1,7	22,6
NL (f)	(11,8)	(14,2)	14,5	13,3	12,4	12,2	12,0	12,0	11,9	11,9	12,0	11,9	11,8	12,0	11,9	11,9	12,0	−1,8
P	5,7	5,6	6,7	7,7	8,3	8,3	8,3	8,2	7,2	6,5	7,6	7,3	6,8	6,5	6,5	6,5	6,5	−20,8
UK	(10,6)	(11,6)	11,8	12,0	12,0	12,1	11,8	11,5	11,1	10,5	11,3	11,1	11,0	10,8	10,6	10,2	10,1	−15,0
EUR 12	(9,4)	(10,6)	11,2	11,6	11,7	11,7	11,7	11,8	(11,7)	11,6	11,7	11,7	11,6	(11,6)	(11,7)	(11,6)	(11,5)	(−1,3)
USA	9,7	9,6	7,5	7,2	7,0	6,9	6,8	6,7	6,2	6,0	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	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 III	1986 IV	1987 I	1987 II	1987 III	1987 Apr.	May	June	July	Aug.	Sept.	Oct.	Change over 12 months %(b)
B	8,7	7,7	6,3	4,9	1,3	0,2	0,1	0,6	0,7	0,6	0,5	0	0,1	0,4	0,3	−0,2	−0,1	1,7
DK	10,1	6,9	6,3	4,7	3,6	0,1	1,0	0,5	1,6	0,7	0,4	1,0	−0,1	0	0,3	0,6	(0,5)	(4,0)
D	5,3	3,3	2,4	2,2	−0,2	−0,5	−0,3	0,6	0,4	0	0,2	0,1	0,2	0	−0,1	−0,2	0,2	0,9
GR	21,0	20,5	18,3	19,4	23,1	2,0	5,9	3,2	5,6	0,4	2,3	0,6	2,0	−1,5	−0,5	2,2	3,1	15,3
E	14,4	12,2	11,2	8,8	8,8	2,3	1,2	1,4	0,7	1,3	0,2	−0,1	0	1,0	−0,1	0,9	0,6	4,6
F	11,8	9,6	7,3	5,9	2,7	0,6	0,7	1,2	0,9	0,6	0,5	0,2	0,2	0,2	0,2	0,1	0,2	3,1
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	:	:	3,2
I	16,5	14,7	10,8	9,2	5,8	0,6	1,2	1,4	1,2	1,0	0,4	0,4	0,4	0,2	0,3	0,7	(1,0)	(5,7)
L	9,4	8,7	5,6	4,2	0,3	−0,3	0,2	0,2	−0,3	0	−0,2	−0,1	−0,1	−0,1	0,3	0,1	0	0,1
NL	5,7	2,7	3,2	2,3	0,3	−0,9	1,0	−1,3	0,6	0,2	0,3	0,1	−0,2	−0,1	0,2	0,5	(0,5)	(0,3)
P	22,7	25,1	28,9	19,6	11,8	0,8	2,4	3,8	1,7	1,0	0,5	0,1	−0,3	0,3	1,1	0,3	1,2	9,8
UK	8,6	4,6	5,0	6,1	3,4	0,1	1,3	1,2	1,5	0,2	1,2	0,1	0	−0,1	0,3	0,3	0,5	4,5
EUR 12	10,7	8,6	7,4	6,1	3,6	0,4	0,8	1,0	1,0	0,4	0,6	0,2	0,2	0,1	0,2	0,2	(0,5)	(3,4)
USA	6,2	3,2	4,3	3,6	1,9	0,7	0,6	1,1	1,3	1,1	0,5	0,3	0,4	0,2	0,6	0,5	0,3	4,5
JAP	2,9	1,8	2,4	2,0	0,7	−0,5	−0,1	−0,6	1,3	−0,2	0,9	0,3	−0,2	−0,5	0,1	0,9	0,9	1,6

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 March	Apr.	May	June	July	Aug.	Sept.	Change over 12 months %(c)
B/L	−3082	−2435	−4897	−3514	146	−52	930	−108	414	−123	77	67	138	208	173	−199	97	298
DK	−1866	−740	−1108	−1538	−1714	−579	−226	72	:	:	65	37	71	:	:	:	:	207
D	21599	18501	24136	32986	53044	14718	14502	14373	13818	14132	4669	4542	4914	4362	4846	4098	5189	412
GR	−5826	−5800	−6048	−7266	−5809	−1631	−1126	−1661	−1339	:	−879	−389	−495	−455	:	:	:	−134
E	:	:	−4711	−5582	−6306	−1750	−1981	−1934	−2181	−2382	−892	−873	−611	−698	−870	−727	−785	−93
F	−24457	−15628	−13130	−13428	−9699	−2583	−1819	−2588	−3567	−3095	−1153	−1033	−1247	−1288	−1041	−756	−1299	−198
IRL	−1574	−621	81	430	983	242	262	338	511	517	49	164	251	96	147	203	168	134
I	−12513	−8516	−13849	−16130	−2459	502	473	−1117	−2360	−1643	−206	−468	−416	−1476	−702	−52	−889	−674
NL	3500	4499	4740	3874	4161	1554	206	−470	140	289	−24	−155	−8	303	−31	173	147	−266
P	:	:	−3467	−2735	−1297	−329	−271	−716	−827	−781	−281	−262	−190	−376	−219	−302	−260	−136
UK	−3295	−9681	−14005	−11540	−19868	−5756	−6180	−3705	−4911	−5714	−1187	−1357	−1844	−1710	−1735	−2366	−1613	429
EUR 12 (j)	:	:	−32258	−24444	11161	2722	4314	2832	−646	−1762	508	65	460	−1171	(−575)	(−956)	(−231)	(108)
USA (i)	−43435	−77911	−154992	−194856	−169039	−44291	−41331	−34862	−37149	−41003	−11414	−11301	−12077	−13771	−14659	−14048	−12296	2041
JAP	7034	23072	42599	60497	84010	23688	21839	21512	16544	16184	6126	6177	5539	4828	5495	5296	5393	−2550

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 Apr.	May	June	July	Aug.	Sept.	Oct.	Change over 12 months %(d)
B (M2)	5,8	8,7	5,9	7,6	11,5	3,0	3,6	3,1	3,6	:	:	:	:	:	:	:	:	14,0
DK (M2)	11,5	25,5	17,8	15,8	8,4	0,2	3,4	−0,7	3,7	−1,3	0,2	0,1	3,4	−0,7	0,2	−0,9	1,6	6,4
D (M3)	7,1	5,3	4,7	5,1	6,8	1,9	1,9	2,1	1,5	0,9	0,5	0,7	0,3	0,2	0,6	0,1	0,6	6,5
GR (M3)	29,0	20,3	29,4	26,8	19,0	4,1	4,3	5,5	5,2	6,6	1,5	0,9	2,6	2,0	2,4	2,0	:	24,0
E (ALP)	16,6	15,9	13,2	12,8	11,4	1,3	2,8	3,3	3,2	3,5	1,3	1,1	0,9	0,8	1,6	1,1	:	13,4
F (M3)	11,4	11,5	9,4	5,0	4,3	1,3	0,4	3,3	2,7	1,8	1,2	0,9	0,6	0,7	0,6	0,5	1,7	8,4
IRL (M3)	13,0	5,6	10,1	5,3	−1,0	1,4	0,1	2,2	4,4	3,0	2,3	1,1	0,9	0	1,9	1,0	0,1	8,9
I (M2)	16,9	13,3	12,1	10,8	9,4	2,1	3,1	2,7	3,4	1,6	1,3	1,3	0,8	0,4	0,4	0,8	:	10,9
NL (M2)	(7,6)	(10,7)	(6,8)	(10,5)	4,5	1,1	2,2	−1,4	1,7	1,7	0,5	1,1	0,2	1,0	−0,8	1,5	:	4,7
P (L)	23,9	16,1	23,9	(28,8)	(26,6)	(7,5)	(5,8)	(5,3)	(4,4)	(4,2)	(0,7)	(2,1)	(1,5)	(2,1)	(0,9)	(1,2)	:	(21,3)
UK (LM3)	(8,9)	11,1	10,0	13,4	18,8	(4,2)	(2,3)	5,9	5,1	5,0	2,2	1,4	1,4	2,2	1,4	1,3	3,5	22,7
EUR 12 (l)	(11,5)	(10,8)	(9,7)	(9,8)	(9,9)	2,2	2,1	3,1	3,1	2,4	1,2	1,0	0,8	(0,8)	(0,8)	(0,7)	:	(11,2)
USA (M2)	9,4	11,7	8,2	8,1	9,1	2,6	2,1	0,9	0,6	1,2	0,5	0	0	0,3	0,5	0,4	0,5	4,5
JAP (M2)	7,9	7,3	7,8	8,7	9,2	1,4	3,5	1,9	2,8	:	1,3	2,2	−0,6	1,8	0,6	:	:	9,7

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 May	June	July	Aug.	Sept.	Oct.	Nov.	Change over 12 months %(e)
B	14,1	10,5	11,5	9,6	8,0	7,3	7,5	7,4	6,8	6,7	7,1	6,8	6,7	6,7	6,7	7,2	6,9	-0,5
DK	16,4	12,1	11,5	10,0	9,1	9,2	9,2	10,7	9,6	9,4	10,0	9,6	9,5	9,3	9,4	9,5	9,3	0,1
D	8,8	5,8	6,0	5,4	4,6	4,6	4,8	4,0	3,8	4,0	3,8	3,8	4,1	4,0	4,0	4,1	3,7	-1,0
GR	20,2	19,4	15,7	17,1	19,9	15,8	18,9	23,3	13,9	11,6	16,4	13,9	11,1	8,0	19,5	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	17,9	17,8	17,4	16,7	17,0	14,5	14,6	3,1
F	14,6	12,5	11,7	9,9	7,8	7,3	8,5	7,9	8,2	8,0	8,2	8,2	7,9	7,9	8,0	8,3	8,7	1,1
IRL	17,5	14,1	13,3	11,9	12,6	11,0	13,9	13,3	10,4	9,2	11,1	10,4	9,8	10,0	9,2	9,2	9,2	-5,2
I	20,1	18,1	17,2	15,1	12,7	10,9	11,6	10,6	11,3	12,8	10,8	11,3	11,6	13,0	12,8	12,0	11,6	0
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	5,3	5,3	5,6	5,2	4,7	-1,1
P	16,8	20,9	22,5	21,0	15,4	14,9	14,1	13,2	15,0	(14,4)	13,2	15,0	15,0	(14,8)	(14,4)	13,8	13,9	0,6
UK	12,2	10,1	10,1	12,3	10,9	10,9	11,2	9,9	9,2	10,3	8,9	9,2	9,4	10,3	10,3	9,4	8,9	-2,5
EUR 12 (n)	13,8	12,0	11,2	10,5	9,0	8,5	9,1	8,8	8,8	9,1	8,7	8,8	8,8	9,0	9,1	8,8	8,6	-0,3
USA	10,6	8,7	9,5	7,5	6,0	5,4	5,8	5,8	6,0	6,8	5,8	6,0	6,3	6,5	6,8	5,4	5,5	0
JAP	6,8	6,5	6,3	6,5	5,0	4,8	4,3	4,0	3,7	3,9	3,7	3,7	3,7	3,7	3,9	4,0	3,9	-0,4

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 Apr.	May	June	July	Aug.	Sept.	Oct.	Change over 12 months %(e)
B	13,5	11,8	12,0	10,6	7,9	7,4	7,7	7,6	7,8	8,3	7,7	7,8	7,8	7,6	7,8	8,3	8,3	1,0
DK	20,5	14,4	14,0	11,6	10,6	11,1	11,6	12,1	11,6	12,3	11,9	11,7	11,6	11,8	11,5	12,3	12,7	1,7
D	9,0	7,9	7,8	6,9	5,9	5,8	5,9	5,6	5,6	6,2	5,5	5,4	5,6	5,8	6,0	6,2	6,5	0,5
GR	15,4	18,2	18,5	15,8	15,8	13,6	14,7	17,5	16,2	17,1	17,8	18,1	16,2	:	:	17,1	:	3,5
E	16,0	16,9	16,5	13,4	11,4	11,1	10,4	11,0	13,2	14,3	12,0	13,4	13,2	13,6	13,3	14,3	14,2	4,0
F	15,6	13,6	12,5	10,9	8,4	7,8	8,9	8,5	9,4	10,5	8,7	8,9	9,4	9,5	9,8	10,5	10,0	1,9
IRL	17,0	13,9	14,6	12,7	11,1	12,5	13,0	11,1	10,9	11,3	(10,5)	(11,3)	10,9	11,8	11,9	11,3	11,1	-2,6
I	(20,9)	(18,0)	(14,9)	14,3	11,7	10,6	10,2	10,2	11,1	12,3	10,4	10,8	11,1	11,5	12,0	12,3	12,4	2,1
L	10,5	9,8	10,3	9,5	8,7	8,5	8,1	8,2	8,2	8,1	8,1	8,1	8,2	8,1	8,0	8,1	:	-0,4
NL	(10,5)	(8,8)	(8,6)	7,3	6,4	6,0	6,4	6,2	6,3	6,8	6,1	6,1	6,3	6,4	6,6	6,8	7,1	0,8
P	25,3	30,4	32,5	25,4	17,9	15,6	16,0	15,4	15,4	15,9	15,4	15,1	15,4	15,3	15,3	15,9	15,8	0,5
UK	12,7	10,8	10,7	10,6	9,8	10,6	10,3	9,2	9,1	10,0	8,9	8,8	9,1	9,7	10,1	10,0	9,3	-1,3
EUR 12 (n)	(14,4)	(12,8)	(12,1)	10,8	9,1	8,8	8,9	8,7	9,2	10,0	8,7	8,9	9,2	9,4	9,7	10,0	9,9	1,1
USA	12,2	10,8	12,0	10,8	8,1	8,1	7,7	7,6	8,6	9,6	8,5	9,0	8,6	8,7	9,0	9,6	9,5	1,5
JAP	8,3	7,8	7,3	6,5	5,2	5,7	5,2	4,4	4,6	7,0	4,0	3,8	4,6	5,4	5,6	7,0	5,4	-0,1

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 May	June	July	Aug.	Sept.	Oct.	Nov.	Change over 12 months %(b)
BFR/LFR	44,68	45,44	45,44	44,91	43,78	43,65	43,27	42,87	43,04	43,07	43,06	43,01	43,05	43,06	43,09	43,21	43,17	-0,4
DKR	8,15	8,13	8,15	8,02	7,94	7,94	7,86	7,81	7,82	7,94	7,81	7,81	7,88	7,95	7,99	7,97	7,96	1,2
DM	2,38	2,27	2,24	2,23	2,13	2,11	2,08	2,07	2,08	2,07	2,08	2,07	2,08	2,07	2,07	2,08	2,06	-1,1
DR	65,30	78,09	88,44	105,7	137,4	137,9	143,4	151,1	154,4	157,4	154,8	155,4	156,4	157,2	158,5	159,8	162,3	13,3
PTA	107,6	127,5	126,6	129,1	137,5	137,0	139,7	145,0	145,0	140,6	145,4	144,1	142,6	140,2	138,9	136,6	138,8	-1,0
FF	6,43	6,77	6,87	6,80	6,80	6,87	6,82	6,89	6,93	6,92	6,94	6,93	6,91	6,92	6,93	6,93	7,01	2,7
IRL	0,690	0,715	0,726	0,715	0,734	0,745	0,765	0,775	0,776	0,775	0,776	0,775	0,775	0,775	0,776	0,775	0,776	1,4
LIT	1324	1350	1381	1447	1462	1454	1443	1469	1494	1502	1500	1501	1503	1502	1500	1500	1520	5,3
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	2,32	- 1,5
ESC	78,0	98,7	116,3	130,2	147,1	149,0	153,9	159,4	161,4	162,8	161,5	161,9	162,4	162,5	163,5	164,4	166,9	7,8
UKL	0,561	0,587	0,591	0,589	0,672	0,681	0,727	0,729	0,700	0,698	0,696	0,700	0,698	0,699	0,696	0,693	0,691	-4,5
USD	0,981	0,890	0,789	0,762	0,984	1,013	1,038	1,125	1,150	1,128	1,162	1,141	1,123	1,116	1,145	1,152	1,127	16,1
YEN	243,5	211,4	187,0	180,5	165,0	157,8	166,4	172,2	164,0	165,9	163,1	164,9	168,9	164,7	163,9	165,0	166,0	-1,0
DTS	0,888	0,833	0,767	0,749	0,838	0,842	0,859	0,895	0,889	0,884	0,891	0,887	0,885	0,879	0,887	0,889	0,909	5,6

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

	1982	1983	1984	1985	1986	1986 III	1986 IV	1987 I	1987 II	1987 III	1987 May	June	July	Aug.	Sept.	Oct.	Nov.	Change over 12 months %(b)
B/L	-9,2	-2,8	-2,2	0,9	5,5	1,2	1,6	2,4	-0,6	-0,3	0,1	-0,1	-0,2	-0,3	0,2	-0,2	1,1	2,5
DK	-4,4	-0,6	-3,7	1,2	6,3	1,5	2,6	2,5	-0,6	-1,9	0,4	-0,3	-0,9	-1,3	-0,2	0,4	1,6	1,6
D	5,0	4,0	-1,6	0,3	10,7	3,2	2,9	3,0	-0,7	-0,3	-0,3	-0,2	-0,2	-0,2	0,3	0,1	2,2	4,7
GR	-8,0	-18,1	-14,4	-15,9	-21,3	-1,6	-3,2	-3,5	-2,2	-2,2	-1,0	-0,6	-0,7	-0,8	-0,6	-0,7	-0,4	-9,4
E	-6,0	-17,2	-2,4	-2,3	-1,5	1,1	-0,9	-1,7	-0,1	2,9	0,4	0,7	0,9	1,4	1,4	1,8	-0,2	4,6
F	-8,3	-7,1	-4,8	1,1	4,5	0,5	1,9	0,9	-0,8	-0,2	-0,1	-0,1	0,2	-0,6	0,2	0,0	0,2	0,0
IRL	-1,1	-4,1	-4,2	1,2	3,7	-2,9	-0,8	0,4	-0,9	-0,3	0,2	0,0	-0,2	-0,3	0,2	0,2	1,0	0,6
I	-6,9	-3,8	-5,9	-5,2	3,7	2,6	2,0	0,1	-2,0	-0,9	-1,0	-0,4	-0,2	-0,3	0,6	0,1	0,1	-2,2
NL	5,1	2,0	-1,6	0,3	7,7	2,4	2,0	2,1	-0,4	0,0	0,3	0,0	-0,1	-0,2	0,3	0,1	1,5	3,5
P	-12,9	-21,1	-17,4	-11,5	-7,8	-2,5	-2,2	-1,9	-1,5	-1,3	-0,4	-0,5	-0,4	-0,4	-0,3	-0,5	-0,4	-5,9
UK	-4,4	-7,0	-4,7	-0,2	-7,3	-5,7	-5,6	2,1	4,4	-0,1	1,5	-1,0	0,1	-0,5	0,9	0,6	2,3	9,6
EUR 12	-7,0	-8,5	-9,3	-1,9	9,6	1,8	2,1	4,2	-0,5	-0,6	0,5	-0,6	-0,1	-0,9	1,0	0,6	3,2	7,5
USA	12,0	5,7	7,8	4,1	-19,1	-4,3	-0,3	-5,8	-3,4	1,6	-0,9	1,7	1,6	-0,2	- 2,3	-0,4	-4,4	-14,1
JAP	-5,0	10,9	5,8	3,0	27,2	7,1	-3,8	1,0	5,9	-2,2	1,2	-2,1	-3,2	2,1	1,8	-0,3	3,2	10,8

Sources: For Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.
(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EUR index, adjusted by Eurostat and given in Table 1 may differ from the change in the EUR index obtained by aggregating national indices. Data are adjusted for working days. They do not include building.
(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.
(n) Average weighted by GDP at 1980 prices and purchasing power parities.
(o) Yield on public sector bonds. Annual average. Average for the last month of quarter and monthly average for Germany, Spain, Italy, Luxembourg, the Netherlands and Portugal. End quarter and end month for the other Member States.
(p) Weighting coefficients are calculated so as to allow not only for bilateral trade but also for competition on third markets and on the domestic market of the exporting country.
Note: (s.a.) = seasonally adjusted : = data not available ( ) = estimated.

Principal economic policy measures - November 1987

Community (EUR)

26.11 The social partners agree on the economic policy to be followed in 1988 and support the general thrust of policy proposed by the Commission in its Annual Economic Report 1987-1988 (See European Economy, november 1987).

Belgium (B)

17.11 and 27.11 The central bank makes a two-stage cut of 0,30 of a percentage point in the interest rate on three-month Treasury certificates, bringing it to 6,85%. The rates on one- and two-month certificates remain unchanged.

Denmark (DK)

12.11 Excise duties on various oil products are reduced in order to offset price increases, which have occurred between April and October, as implied in the March of 1986 agreement on energy taxes.

Federal Republic of Germany (D)

5.11 The Central Bank Council of the Bundesbank decides to reduce the Lombard rate by 0,5 of a point to 4,5%; the discount rate remains unchanged at 3%. It is also announced that the next repurchase agreement will have the form of a volume tender and will be allocated at 3,5% (3,8%).

24.11 The Bundesbank decides to reduce the allocation rate for repurchase agreements from 3,5% to 3,25%.

Greece (GR)

12.11 By decision of the Governor of the Bank of Greece, movements of capital from third countries are liberalized.

23.11 As part of the moves to liberalize the banking system, the Governor of the Bank of Greece decides to allow the commercial banks to determine the interest rates on time deposits.

25.11 The Government tables before Parliament its budget for 1988. Revenue is to grow by 20,3%, i.e. by 7 percentage points more than the increase in nominal GDP. Expenditure will rise at a faster rate, 21,3%, chiefly because of appreciably higher transfers to the social security scheme and to public transport companies. As a result, the budget deficit will widen by almost 2 percentage points of GDP. The taxation of incomes is to be substantially revised by means of a new scale which comprises a smaller number of bands and a lower marginal rate. The system of reliefs is modified to achieve greater social justice and includes incentives to reduce the avoidance of indirect taxation. The taxation of undistributed company profits is cut by 3 to 4 points. The Government will also impose some increase in excise duties, an extraordinary levy on profits and, above all, it will take measures to reduce tax evasion and to collect arrears of tax. The middle rate of VAT is reduced from 18% to 16%. According to the authorities, the borrowing requirement of central government and of public enterprises and agencies will thus stand at 13% of GDP, roughly the same as in 1987.

25.11 The Prime Minister sets out the wages policy to be followed in 1988. Wage and salary earners will be paid compensation of 4,5%, equivalent to the losses incurred in 1987, on 1 January 1988, together with the indexation amount for the first four months of 1988. Subsequent payments will be made at the beginning of the following two four-month periods, also compensating for any differences between the rate of inflation used to calculate indexation and the recorded rate. Indexation rates will continue to be degressive but imported inflation will no longer be deducted from the first slice of wages on the indexation scale (up to DRA 60 000).

Spain (E)

1.11 Under the Export Promotion Plan, the Ministry for Finance begins to refund VAT to exporters within 15 days instead of one month as previously.

12.11 The Bank of Spain reduces the interest rate on its loans to financial institutions by 0,375 of a point to 14,5%.

France (F)

5.11 In order to defend the franc, the Bank of France decides to increase the rate for tenders from 7,5% to 8 1/4% and the rate for seven-day sale and repurchase agreements from 8% to 8 3/4%. This measure should also make it possible to preserve the foreign exchange reserves which have probably fallen sharply following the intervention which took place on the foreign exchange markets at the end of last week.

24.11 Under the policy of Franco-German monetary coordination the Bank of France reduces its intervention rate by one quarter of a percentage point from 8,25% to 8%. This measure accompanies the Bundesbank's reduction from 3,50% to 3,25% in its rate for repurchase agreements.

Ireland (IRL)

14.11 In anticipation of the liberalization of capital movements within the Community market, the Minister for Finance announces a number of changes in existing control regulations. Restrictions on personal travel allowances, investment in foreign stocks and shares, purchase of property abroad and assets taken out of the country when emigrating are to be eased considerably. Regulations relating to 'forward cover', i.e. the movement of capital by importers and exporters to protect themselves against exchange rate fluctuations, will also be relaxed. These changes are the first step in the phased elimination of exchange controls which have been retained by derogation from an EEC Directive since 1980. The Minister announced that an application is being made for an extension of the derogation, which expires on 19 December 1987.

Italy (I)

10.11 The Government presents to the Senate several amendments to the 1988 finance law with a view to reducing the Treasury deficit forecast in the September version by LIT 6 000 000 million and hence limiting it to LIT 103 500 000 million, equivalent to 9.9% of GDP. This outturn will be obtained primarily by savings in health expenditure, by reducing the budgetization of social security costs and above all by reduced rate loans to public enterprises. It also implies a shift in budgetary policy since the projected increase in VAT rates is abandoned, as is much of the reduction in the progressive nature of direct taxation (IRPEF).

Luxembourg (L)

None.

Netherlands (NL)

25.11 After cutting the discount rate and the rate for advances by 0,25 of a point on 4 November, the central bank makes a further cut of 0,25 of a point, bringing the said rates to 4% and 4,50% respectively.

Portugal (P)

5.11 Old age and disability pensions are raised with effect from 1 December 1987. Pensions paid out of the general social security system are increased by between 10% and 13% and non-contributory pensions (agricultural workers) are raised by 14,7%. The decision involves additional expenditure of ESC 34 000 000 (0,6% of GDP).

10.11 Portugal accedes to the European Monetary Co-operation Fund (EMCF).

16.11 The Government tables the central government draft budget for 1988. Expenditure will increase by 13,1% with public investment up 16,0%. It is estimated that total revenue will increase by 16,3%, as receipts from direct taxation should grow by 12,1% and revenue from indirect taxation by 17,1%; VAT basic rate is raised by 1% to 17%. The budget deficit should stand at 8,4% of GDP in 1988 (8,7% in 1987).

United Kingdom (UK)

3.11 In the Autumn Statement, the Chancellor of the Exchequer presents public expenditure plans for the financial years 1988/89 to 1990/91. The public expenditure planning totals set for 1988/89 (UKL 154 200 million) and 1989/90 (UKL 161 500 million) in the March 1987 Budget have been raised by UKL 3 300 million and UKL 5 400 million respectively. For 1990/91, the planning total is UKL 176 100 million. Expenditure is planned to rise in real terms by somewhat over 1% on average per year, but to continue declining as a proportion of GDP. Estimated proceeds from asset sales, treated as negative expenditure, remain as planned at UKL 5 000 million in each year. For the current financial year, the outturn for the public sector borrowing requirement was estimated at UKL 1 000 million (1/4% of GDP), compared with the UKL 4 000 million projected in the March 1987 Budget.

4.11 The authorities prompt a 1/2 point cut in bank base rates. This brings bank base rates back to 9%, the level they had reached before the 1 point rise in early August.

10.11 The Government announces that, subject to parliamentary approval, it is doubling to a maximum of 26 weeks the period for which the 'voluntary unemployed', i.e. persons who have left their previous jobs voluntarily, or been dismissed for misconduct, are disqualified from receiving unemployment benefit.

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OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L-2985 — Luxembourg

ISSN 0379-2056

Catalogue number: CB-AS-87-012-EN-C