

EUROPEAN ECONOMY

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*In this number:
The catching-up process
in Spain and Portugal*

Recent economic trends

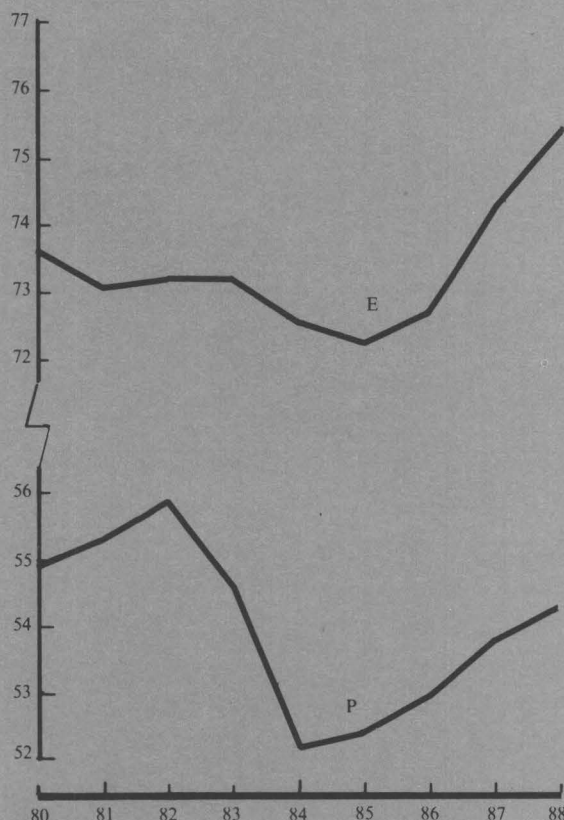
GRAPH 1: GDP per capita at current market prices and purchasing power standards; EUR 12 = 100

THE MAIN POINTS IN BRIEF

Accession to the Community continues to offer Spain and Portugal a historic opportunity to lay the foundations for a *fundamental adjustment* of their economies. In 1985, GDP per capita was only 72,3 % of the Community average in the case of Spain and 52,4 % in the case of Portugal.

The first two years after their accession saw the *beginning of a process in which real incomes started to catch up* again and there was an improvement in the conditions for a *more satisfactory convergence of prices and costs* towards the Community average.

However, *this trend will not continue automatically*. In particular it requires the countries in question to implement appropriate macro-economic and supply-side policies, bringing about an improvement in the productive base. The Community should favour this process by maintaining broad financial support to investment.



Source: Commission services.

Some salient macro-economic features of Spain and Portugal before accession

General background

Like the economy of the Community, the economies of Spain and Portugal suffered a *marked loss of dynamism after the first oil shock*. The deterioration in the macro-economic environment was even more pronounced than on average for the other Member States, in particular as regards investment, employment and the conditions governing external equilibrium (Tables 1 and 2). This has clearly illustrated the extent of the weaknesses of productive structures and public sector performance in these two countries. After 1983, however, the stabilization and adjustment policies implemented in the two countries permitted progress towards disinflation, a recovery in the external account and a slowdown in the process of destroying employment. Thus, *on the eve of their accession to the Community, Spain and Portugal were beginning to enjoy the first fruits of the efforts made in the preceding three years to restore order to the economy*.

Overall economic growth

After the onset of the recession in the mid-1970s, the *growth differential* between Spain and the other European countries became negative and narrowed appreciably in the case of Portugal. In 1961-74, the years of the 'economic miracle', real GDP had increased by

some 7 % per year in Spain and Portugal, compared with 4,6 % for the rest of the Community Member States on average (Table 1). This advance was made possible by substantial additional output in the new sectors and it was reflected in a closer convergence of real living standards (Tables 2 and 3). In the period 1974-82, *years of crisis for the 'traditional industries'* and of strong inflation pointing to an increasing need for adjustment, growth of real GDP fell to 1,3 % a year for Spain and to 3,3 % for Portugal, compared with 1,9 % for the Community as a whole. However, in this period, given the relatively rapid increase in its population, *real per capita GDP* increased by a mere 1/4 of one percent in Spain compared with the Community average of 1,6 %. Although the per capita results were more favourable for Portugal than for the Community (1,9 % per annum growth between 1974 and 1982), the differential was negligible for a country in which the *level of per capita GDP was the lowest of the twelve Member countries*. After the export-led recovery which began in *Spain* in 1982, the growth of total activity in this country reached the Community average. Between 1983 and 1985, the increase in real GDP averaged some 2,0 % a year compared with 2,1 % in the Community. For the period 1975-85 as a whole, the differential between Spain and the Community in levels of real per capita GDP tended to widen and the Spanish GDP per capita in 1985 was no more than 72,1 % of the Community level compared with 79,9 % in 1975 (Table 3). Contrary to the slow trend towards recovery in the Community, *Portugal* suffered a significant decline in domestic demand in 1983-84, as a result of the restrictive monetary and budgetary policies adopted as part of a 'short-term emergency programme' aimed at correcting the external disequilibrium and bringing down inflation. Despite the jump in exports, real GDP fell (-0,3 % in 1983 and -1,6 % in 1984).

TABLE 1: Spain/Portugal/Community — Indicators of macro-economic performance

	1961-74	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987(a)	1988(a)
Gross domestic product (1980 prices)(b)															
E	7,1	0,5	3,3	3,0	1,4	-0,1	1,2	-0,2	1,2	1,8	1,8	2,3	3,3	5,2	4,7
P	6,5	-4,3	5,6	5,6	3,4	6,1	4,8	1,3	2,4	-0,3	-1,6	3,3	4,3	4,6	4,0
EUR 12	4,6	-1,1	5,1	2,5	3,0	3,2	1,3	0,2	0,8	1,4	2,4	2,5	2,6	2,9	3,5
Employment (total)(b)															
E	0,8	-1,9	-1,6	-0,0	-1,7	-2,2	-3,2	-3,0	-1,0	-0,8	-3,0	-1,4	1,9	3,0	2,6
P	-0,6	-1,4	0,2	-0,1	-0,3	2,2	2,0	1,2	-0,4	4,3	-1,5	-0,3	0,0	2,7	1,7
EUR 12	0,3	-1,1	-0,2	0,3	0,3	0,8	0,2	-1,3	-0,8	-0,6	0,2	0,6	0,8	0,9	1,1
Unemployed as % of the civilian labour force															
E	(1,6)(c)	1,9	2,9	4,2	6,3	8,0	11,8	14,4	16,2	16,5	18,4	21,4	21,0	20,5	20,0
P	—	2,7	4,5	5,6	6,9	7,2	6,7	5,8	5,7	5,6	6,7	8,7	8,7	7,2	6,5
EUR 9(d)	2,2	4,3	4,8	5,0	5,2	5,2	5,8	7,7	9,3	10,6	11,2	11,8	11,9	11,6	11,3
GDP deflator(b)															
E	7,7	16,7	16,7	22,8	20,2	16,7	13,9	12,0	13,8	11,6	10,9	8,7	10,9	5,7	5,2
P	5,1	16,2	16,3	26,4	21,7	18,9	20,7	16,1	22,2	24,8	23,9	21,7	17,9	12,1	10,5
EUR 12	5,7	15,3	11,6	11,9	10,3	11,0	13,2	11,0	10,3	8,5	6,6	6,1	5,5	3,9	3,8
Current balance as % of GDP															
E	-0,7	-3,0	-3,5	-1,8	0,9	0,3	-2,4	-2,7	-2,5	-1,5	1,4	1,6	1,7	0,1	-0,8
P	-0,1	-5,5	-8,0	-9,4	-5,7	-1,7	-5,9	-11,8	-13,5	-8,3	-3,0	1,7	3,9	1,8	-0,1
EUR 12	0,3	-0,2	-0,6	-0,1	0,9	-0,2	-1,3	-0,8	-0,7	0,1	0,3	0,7	1,3	0,8	0,5
Net borrowing requirement of general government (as % of GDP)															
E	0,3	0,0	-0,3	-0,6	-1,8	-1,7	-2,6	-3,9	-5,6	-4,8	-5,5	-7,0	-5,7	-3,6	-3,0
P	—	—	—	—	—	—	—	-9,2	-10,4	-9,1	-12,0	-10,1	-7,8	-8,4	-8,1
EUR 8(d)	-0,5	-5,2	-4,0	-3,2	-4,1	-3,7	-3,8	-5,2	-5,5	-5,3	-5,3	-5,2	-4,8	-4,2	-3,8
Money supply(f)															
E	21,5(e)	19,3	19,0	18,6	19,7	18,3	16,9	17,0	16,6	15,9	13,1	12,8	12,6	13,6	11,0
P	17,6	13,1	16,4	21,8	26,0	31,0	28,6	23,8	24,6	16,3	24,5	29,8	26,5	16,8	13,0
EUR 12	15,9(e)	14,3	13,9	13,9	15,1	13,4	11,9	10,8	11,9	10,7	9,9	9,9	10,4	10,0	9,4
Effective exchange rate(g)															
1980 = 100															
Peseta	—	135,2	124,2	108,7	98,3	107,4	100,0	90,4	84,9	70,3	68,7	67,2	66,8	66,9	—
Escudo	—	213,9	195,4	153,1	121,9	103,3	100,0	96,2	83,8	66,1	54,7	48,4	45,1	41,9	—

(a) Commission services, Economic forecasts, September-October 1988.

(b) Annual % changes

(c) 1964-74.

(d) EUR 12 from 1982.

(e) 1970-74.

(f) M2/M3, end of year, % change.

(g) Against 19 countries.

Source: Eurostat and Commission services.

Following the progressive relaxation of the restrictive policy and the halt to the decline in households' purchasing power, economic growth resumed in 1985, its rate even reaching 3,3 % in volume terms. However, the level of real per capita GDP on the eve of accession was no more than 52,4 % of the Community level, compared with 54,9 % in 1980 and 51,2 % in 1975 (Table 3).

Investment and labour market performance

A common element of the two economies is the scale of the *decline in fixed investment in the years preceding accession*, whereas in the same years a progressive recovery took place in this aggregate for the Community as a whole. In Spain, the volume of gross fixed investment, after falling by over 14 % between 1974 and 1982, diminished by over 8 % in 1983-84, while in Portugal, where investment is traditionally hampered by stop-go policies necessitated by the persistent current account constraint, the volume of gross fixed capital formation suffered a cumulative decline of over 28 % in 1983-85. These trends affected both corporate investment and infrastructure investment. Thus, the *investment ratio* (ratio of investment to GDP) had fallen to about 18,9 % of GDP in Spain in 1984 and 21,6 % in Portugal in 1985. These figures reflect a fall appreciably larger than in the Community on average. In comparison with the peak levels reached in the early 1970s the investment ratio fell by some 7 1/2 points in Spain and almost 10 points in Portugal compared with 5 points for the Community as a whole (Table 4). Despite the absence of reliable data concerning the evolution of the capital stock in the two countries, it is impossible to rule out the assumption that the fall in fixed investment resulted, at least in industry, in a *stagnation* or even in a *decline in the capital stock* at

constant prices in the first half of the 1980s¹. By contrast, the capital stock went on increasing in the Community, although at a slower and slower pace (some 3 % in the mid-1980s compared with almost 6 % in the 1960s). The rise in unemployment was the inevitable corollary of the two countries' economic difficulties, compounded by the effects of the virtual halting of emigration and the relatively pronounced increase in the labour force. In the case of *Spain*, between 1974 and 1985, *2,3 million jobs were lost* (compared with a slight increase in the rest of the Community) and the unemployment rate reached 21,4 % in 1985. In *Portugal*, despite a better employment performance than in Spain, the recorded *unemployment rate* reached the *peak* of 8,7 % immediately before accession. However, the effective underutilization of the labour force was probably much higher than is suggested by this figure.

Assessment of poor performance before accession

Part of the evolution just described has its source in the weakening of the potential rate of growth in the two countries, but another part has a *cyclical* explanation. Although the similarity between the Spanish and the Portuguese cycle is not very close, both countries, in fact, experienced, before their accession, an adverse development in industrial output. For *Spain* a trough in industrial output was

¹ A slowing down in the rate of accumulation of total fixed capital was evident in Spain from the middle of the 1970s. This trend seems to have reached its lowest point in 1984.

TABLE 2: Spain/Portugal/Community — Use and supply of goods and services (constant 1980 prices, annual % change)

	1961-74	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987(a)	1988(a)
Private consumption															
E	7,0	2,4	4,7	2,5	1,3	1,2	1,3	-0,6	0,2	0,3	-0,4	2,2	3,5	5,2	4,6
P	6,7	-0,9	3,5	0,6	-2,0	-0,2	3,9	1,9	2,1	-1,0	-3,0	1,0	7,0	6,8	4,8
EUR 12	4,8	1,6	3,7	2,3	3,7	3,6	1,6	0,4	0,7	1,3	1,5	2,6	4,0	3,8	3,5
Gross fixed capital formation															
E	10,4	-3,9	-2,0	-0,2	-2,3	-4,5	1,3	-3,3	0,5	-2,5	-5,8	3,8	7,9	13,8	13,0
P	6,6	-11,3	0,8	12,0	7,1	-2,2	8,6	5,1	2,9	-7,5	-18,0	-3,0	9,5	19,6	12,8
EUR 12	5,0	-5,7	2,5	1,0	2,2	3,5	2,2	-4,7	-2,0	-0,1	1,3	2,1	3,1	4,6	7,1
Government consumption															
E	4,8	5,3	5,3	4,1	5,5	4,2	4,4	1,9	4,9	3,9	2,9	4,6	5,1	9,0	4,2
P	9,0	6,6	7,0	11,8	4,4	6,3	7,9	2,8	2,8	2,7	2,5	1,7	1,0	2,5	2,3
EUR 12	3,6	4,1	2,7	1,5	3,6	2,7	2,1	1,7	1,9	1,8	1,2	2,1	2,1	2,4	1,9
Domestic demand															
E	7,7	1,1	3,3	1,3	0,2	1,0	2,1	-2,3	1,1	-0,1	-0,7	2,9	5,9	8,0	6,2
P	7,7	-10,6	7,0	7,6	0,0	2,8	6,9	2,5	2,7	-7,4	-6,6	0,8	8,4	9,5	6,3
EUR 12	4,7	-1,6	5,3	1,6	3,1	4,2	1,5	-1,7	0,9	0,9	1,9	2,4	3,9	3,9	4,0
Exports of goods and services															
E	10,7	-1,4	10,1	8,5	10,7	6,4	0,6	8,4	4,8	10,1	11,1	2,7	1,5	7,3	6,4
P	7,6	-15,6	0,0	5,9	13,1	27,1	4,5	-3,0	6,0	16,7	14,2	11,6	7,0	10,6	6,3
EUR 12	7,9	-3,2	10,2	5,3	5,1	6,5	1,5	4,3	1,0	3,0	7,6	4,8	1,5	3,7	5,3
Imports of goods and services															
E	16,5	-1,1	10,1	-4,7	-0,7	11,5	3,8	-4,2	3,9	-0,6	-1,0	6,2	15,4	21,7	13,3
P	10,2	-25,2	3,4	12,0	-1,6	8,7	10,5	3,7	5,4	-8,7	-2,7	3,9	17,2	24,1	11,8
EUR 12	8,2	-5,7	11,5	2,2	5,1	10,2	2,6	-2,1	2,1	1,3	6,0	4,6	5,8	7,7	8,0
Gross domestic product at market prices															
E	7,1	0,5	3,3	3,0	1,4	-0,1	1,2	-0,2	1,2	1,8	1,8	2,3	3,3	5,2	4,7
P	6,5	-4,3	6,9	5,6	3,4	6,1	4,8	1,3	2,4	-0,3	-1,6	3,3	4,3	4,6	4,0
EUR 12	4,6	-1,1	5,1	2,5	3,0	3,2	1,3	0,2	0,8	1,4	2,4	2,5	2,6	2,9	3,5
Growth differentials (GDP)(b)															
E	2,5	1,6	-1,8	0,5	-1,6	-3,3	-0,1	-0,4	0,4	0,4	-0,6	-0,2	0,7	2,3	1,2
P	1,9	-3,2	1,8	3,1	0,4	2,9	3,5	1,1	1,6	-1,7	-4,0	0,8	1,7	1,7	0,5
Growth differentials (domestic demand)(b)															
E	3,0	2,7	-2,0	-0,3	-2,9	-3,2	0,6	-0,6	0,2	-1,0	-2,6	0,5	2,0	4,1	2,2
P	3,0	-9,0	1,7	6,0	-3,1	-1,4	5,4	4,2	1,8	-8,5	-8,5	-1,6	4,5	5,6	2,3

(a) Commission services, Economic Forecasts, September-October 1988.

(b) Growth rates of Spain and Portugal less EUR 12 growth rates.

Source: Eurostat and Commission services.

TABLE 3: Real convergence — per capita GDP^(a) and its divergence in the Community

	1960	1970	1975	1980	1985	1986	1987 ^(*)	1988 ^(b)
E	59,1	73,3	79,9	73,7	72,1	72,5	73,9	74,6
P	38,4	48,1	51,2	54,9	52,4	53,0	53,5	54,8
GR	38,7	51,7	57,1	58,4	57,0	56,2	53,8	52,8
IRL	61,9	61,2	62,9	64,7	64,2	62,6	62,9	62,4
EUR 12	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Weighted standard deviation EUR 12	26,0	17,5	15,4	16,7	17,4	17,4	17,0	16,7
Ratio of 4 poorest to 4 richest countries	41,5	57,2	63,5	60,0	58,4	58,6	59,8	60,5

(a) Commission services, Economic Forecasts, September-October 1988.

(b) GDP per capita at current prices and purchasing power standards as a percentage of the Community average.

Source: Eurostat and Commission services.

TABLE 4: Selected indicators of structural gap

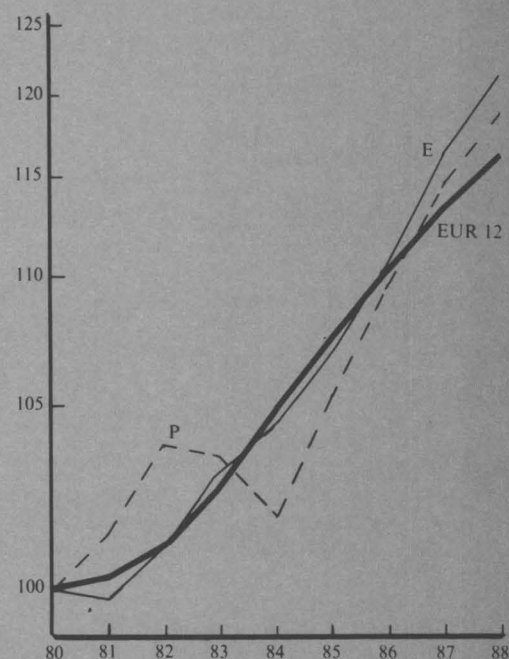
	1961-75	1976-80	1981-85	1986-87		
GDP per head (at constant prices, annual average changes in %)						
E	5,7	0,7	0,8	3,7		
P	5,4	4,3	1,4	4,0		
EUR 12	3,5	2,7	1,2	2,4		
Age distribution in the structure of imported equipment goods (1961-85 = 100)						
E	42,4	25,7	31,9	:		
P	43,1	25,7	31,2	:		
EUR 12	36,7	28,5	34,8	:		
OECD	36,5	27,5	36,1	:		
Current balances (as % of GDP)						
E	-0,4	-1,3	-0,7	0,9		
P	-0,6	-6,1	-5,9	2,8		
EUR 12	0,2	-0,3	-0,2	1,2		
	1970	1975	1980	1985	1986	1987
Gross fixed investment						
— as % of GDP (1980 prices)						
E	26,6	26,3	22,1	19,2	20,0	21,6
P	31,7	28,9	28,6	21,6	22,7	26,0
EUR 12	25,5	22,9	22,1	19,8	19,9	20,2
— EUR 12 = 100: E						
P	8,9	10,8	8,7	8,5	8,6	9,4
	1,3	1,7	2,1	1,8	1,8	2,1
R & D expenditures (as % of GDP)						
E	0,22	0,35	0,40	0,48(b)	:	:
P	0,35	0,30	0,33	0,40(b)	:	:
D	2,06	2,24	2,41	2,66	:	:
OECD	2,12	1,99	2,07	2,45	:	:
Total expenditure of general government (as % of GDP)						
E	21,7	24,6	32,9	42,1	42,2	41,5
P	:	:	24,7	43,5	45,3	43,4
EUR 12 (a)	36,8	44,5	46,3	49,0	48,4	48,0
Current receipts of general government (as % of GDP)						
E	22,5	24,8	30,2	35,1	36,5	37,9
P	:	:	30,8	33,4	37,5	35,0
EUR 12 (a)	37,8	39,3	40,9	43,8	43,6	43,7

(a) EUR 8 until 1980.

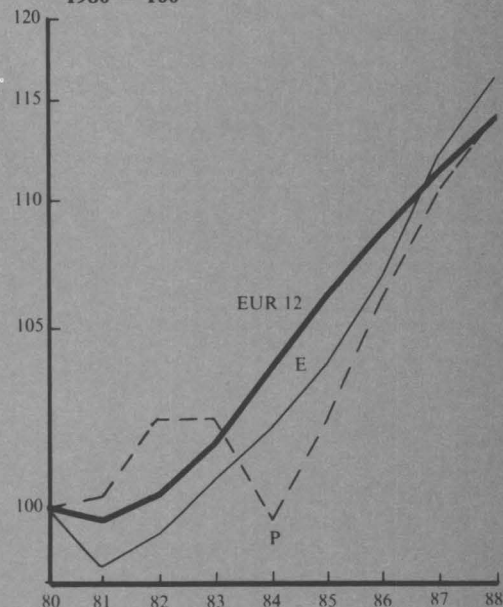
(b) 1984

Source: Eurostat, Commission services, UN-Economic Commission for Europe.

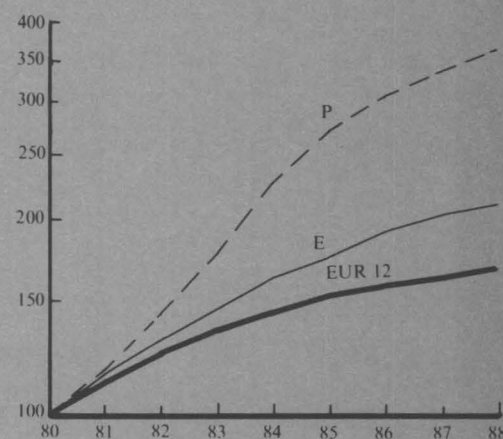
GRAPH 2: Gross domestic product: volume index 1980 = 100



GRAPH 3: Gross domestic product per head: volume index 1980 = 100



GRAPH 4: Deflator of private consumption: index 1980 = 100



recorded at the beginning of 1982 and the subsequent cyclical recovery was rather mild despite the devaluation of the peseta decided upon in the same year. Under the influence of the restrictive stance of policy, output stagnated from the first quarter of 1984 until the summer of 1985. This was perceived as a serious problem by the authorities who adopted a reflationary package in 1985, in particular allowing the full amortization of equipment investment by enterprises for the years 1985 and 1986. For *Portugal* the restrictive policy implemented from 1982 onwards influenced activity to such an extent that at the beginning of 1985 industrial output was clearly below the trend of potential output. This deviation was even sharper than that observed at the time of the more severe recession of 1975.

The shock of accession. A fillip to growth and convergence.

Overall economic activity

The process of 'closing the gap' which started after accession accentuated the rising trend in economic activity already gradually under way since 1985 under the influence of the cyclical revival and as a result of expectations associated with integration. In Spain the economic policy adopted in the early 1980s aiming at stimulating investment, moderating the growth rate in wage costs, modernizing economic structures and gradually dampening the rate of inflation began to bear fruits. In Portugal the policy followed after the 1985 elections and centred on a radical correction of the external deficit and unemployment and on improving the efficiency of resource allocation was formalized in 1987 by the adoption of a medium-term economic policy programme (PCEDED). Moreover, in most of the economic sectors of both countries *private agents' reactions* to the challenge associated with entry into the Community were positive and strengthened or brought forth both by the inflow of foreign capital and the Community's support to investment. In addition, the favourable consequences of the 1986 *reverse oil shock* have been relatively important for countries whose dependence on imported oil is among the highest in the Community (in 1985 the 'oil bill' was equivalent to 3,7 % of GDP in Spain and 9,3 % in Portugal, compared with 2,6 % for the Community as a whole). Finally, the depreciation of the dollar in 1987 allowed a further improvement in the terms of trade for both countries.

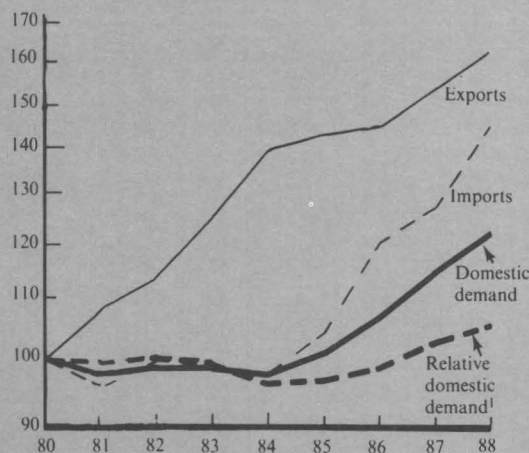
The *acceleration in economic growth* in Spain and Portugal since accession, thus,² contrasts with the stability of the growth rate observed for the Community as a whole in 1985-87 (some 2 1/2 % a year). In Spain the growth rate of real GDP rose from 2,3 % in 1985 to 3,3 % in 1986 and 5,2 % in 1987, while in Portugal the corresponding rates were 3,3 %, 4,3 % and 4,6 % respectively (Table 1, Graph 2).

The appreciable *positive growth differential* achieved relative to the other Member States in 1986-87 (1,6 % a year for Spain and 1,7 % a year for Portugal, Table 2) enabled the process of convergence of *real per capita GDP* to be resumed (Table 3 and Graph 1).

Components of economic growth

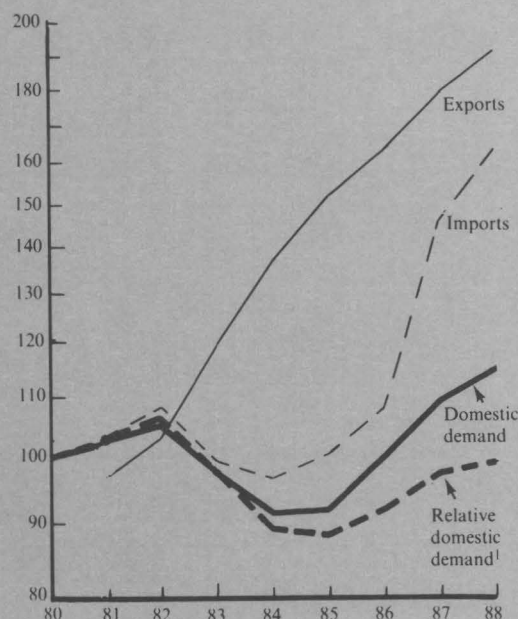
However, the GDP growth differential does not entirely reflect the increased *dynamism* which has characterized the economies of the two countries. For real *domestic demand* alone, which in the Community as a whole grew by 2,4 % in 1985, and on average by 3,9 % between 1985 and 1987, the growth differentials were markedly greater. This applies both to Spain where the differential widened

GRAPH 5: Spain; domestic demand, exports and imports, volume index 1980 = 100



¹ Relative position of domestic demand with respect to Community average.

GRAPH 6: Portugal; domestic demand, exports and imports, volume index 1980 = 100



¹ Relative position of domestic demand with respect to Community average.

from 0,5 % in 1985 to 3,0 % a year in 1986-87 and to Portugal where the corresponding figures were -1,6 % and 5,1 % respectively (Table 2, Graphs 5 and 6). Although not so exceptional in the light of the historical experience of the two countries this development has taken place in an environment of much better internal and external stability than in the past which bodes well for further gains in the coming years.

As far as individual elements of domestic demand are concerned, in Spain the average increase in *private consumption* at constant prices (4,3 % in 1986-87) was the fastest experienced for ten years, notably as a result of the pick-up in employment. In Portugal, where the stabilization necessitated by the external imbalances implied a 4 % cumulative decline in the volume of private consumption in 1983-84, the growth rate achieved in 1986-87 (6,9 % a year) had not been seen since the early 1970s.

² The entry into the Community has — through economies of scale and greater competition — brought about important 'dynamic effects' on the two countries' economic growth. However, the measurement of these effects raises a number of difficult theoretical and practical questions.

TABLE 5: Lending to Spain and Portugal by the Community structural funds and the financial instruments (mio Ecus)

	1986	1987
I. Structural Funds (commitments)		
Spain		
— Regional Fund	640,9(a)	660,7
— EAGGF Guidance sector	86,5	79,3
— Social Fund	355,9(a)	453,3
— Total	1 061,2	1 193,3
Portugal		
— Regional Fund	380,8(a)	389,0
— EAGGF Guidance sector	32,7(c)	62,1(b)
— Social Fund	223,7(a)	353,3
— Total	637,2(c)	804,4
II. Financial Instruments (loan agreements)		
Spain		
— EIB	340,0(a)	593,7
— NCI	69,2(a)	113,7
— Total	409,2	707,4
Portugal		
— EIB	160,4(a)	380,0
— NCI	29,9(a)	9,9
— Total	190,3	389,9
Total I + II		
Spain	1 470,4	1 900,7
Portugal	827,5	1 194,3
I + II in % of GDP		
Spain	0,6	0,8
Portugal	2,8	3,8
I + II in % of gross fixed capital formation		
Spain	3,3	3,8
Portugal	13,1	16,1

(a) Annual Report.

(b) Including 23,1 Mecus for the Pedap.

(c) Including 8,0 Mecus for EAGGF/Fisheries.

Source: Commission services.

Following a sharp improvement in enterprises' profitability and positive developments in both residential and public construction, the volume of *fixed investment* expanded even more markedly than the volume of consumption. The overall increase in Spain was almost 22 % in 1986-87 compared with an advance of 3,8 % in 1985 and a fall of some 23 % between 1974 and 1984. In Portugal, where the volume of fixed investment had plummeted by more than 28 % in 1983-85, the increase in 1986-87 was some 29 %, so that the recovery made up for the ground previously lost.

The role played by the external financial contribution in assisting investment can be roughly estimated by taking into account both Community transfers and financing operations and the inflow of foreign investment.

In the case of *Community transfers*, it is noteworthy that even before accession the two countries had received some financial support for

investment, in the form of EIB loans to Spain and Portugal and pre-accession aids to Portugal. In 1986, as Table 5 shows, assistance from the *structural funds and the financial instruments* totalled over ECU 1 470 million for Spain and ECU 827 million for Portugal. An appreciable increase occurred in 1987, a year for which the provisional estimates show a total of ECU 1 901 million for Spain and ECU 1 194 million for Portugal.

These are substantial sums with a particularly strong impact in the case of Portugal where the total amount of financial assistance of Community origin was equivalent to 13,1 % of fixed investment in 1986, rising to 16,1 % in 1987; the figures for Spain are 3,3 % and 3,8 % respectively in the two years. The Regional Fund provided the largest amount of Community assistance in 1986, but the increase estimated for 1987 is chiefly due to the expansion in aid from the Social Fund and in loans granted by the European Investment Bank.

The stimulus to foreign investment brought about by political stability and favourable relative cost levels has been reinforced by accession. Since 1985 the flow of *direct investment* from abroad, already substantial in the first half of the 1980s, has increased significantly in Spain (Table 6). Direct investment (including investment in buildings and dwellings) amounted to USD 3 461 million in 1986, i.e. 7,9 % of total fixed investment. Almost two-thirds of foreign investment in 1986 went to industry. In 1987, foreign investment increased further to USD 4 574 million. In Portugal the ratio of direct investment from abroad to total fixed investment fell from 4,9 % in 1985 — a year already affected by accession expectations — to 2,7 % in 1986, but increased again to 3,7 % in 1987. In both countries a growing share of this flow has come from Community countries (up to 50,4 % for Spain and 74,7 % for Portugal in 1986).

TABLE 6: Spain/Portugal — Foreign investment (millions of US dollars)

	1984	1985	1986	1987(a)
SPAIN				
Long-term capital imports	10 122,0	-390,6	-580,3	10 028,1
Direct investment(b)	2 260,8	1 968,5	3 461,2(c)	4 574,7(c)
Portfolio investment	326,0	489,7	1 689,0	3 414,3
Commercial credits	1 213,6	-156,5	-691,0	-397,0
Private sector borrowing	3 612,1	-2 437,6	-3 335,7	2 460,6
Public sector borrowing	2 709,5	-254,7	-1 703,8	-24,5
PORTUGAL				
Medium and long-term capital imports	3 398	3 663	2 216	4 027
Direct investment(d)	170	218	166	320
Public and private borrowing	3 124	3 282	1 882	3 009
Miscellaneous	104	163	168	698
Foreign direct investment as % of gross fixed capital formation				
Spain	7,1	6,4	7,9	7,7
Portugal	3,8	4,9	2,7	3,7

(a) Provisional.

(b) EC countries: 34.5% of the total in 1984, 35.7% in 1985, 50.4% in 1986. In addition, a growing share of direct investment has been due to firms with European capital participation.

(c) Of which 2 049 millions in enterprises and 1 364 millions in buildings and dwellings in 1986, 2 629 and 1 802 millions respectively in 1987. Net of Spain's investment abroad direct investment was 3 003 millions in 1986 and 3 824 millions in 1987.

(d) EC countries: 35.9% of the total in 1984, 53.6% in 1985, 74.7% in 1986.

Source: Commission services.

The opening of markets and the explosion in imports

Main features of trade before accession

Among the *structural features* of the Spanish and Portuguese trade relations before accession was the high level of protection of the domestic market and the heavy dependence on imported raw materials and oil as well as on foreign technologies especially for investment goods. On the export side, the performance of both countries has been mixed. Especially in Portugal, export growth was heavily concentrated on a relatively small number of traditional categories or products and was highly sensitive to the comparative price and cost advantages while in Spain exports were mostly in categories characterized by low potential demand or relatively weak technological content. Moreover, a trend towards an increasing EC share in foreign trade was already evident before the accession (Tables 7 and 8). In 1985 the share of total *exports* going to the Community was near to the Community average (54,9 %) for Spain and markedly higher for Portugal. However, for Portugal but more particularly for Spain, the share of *imports* coming from the Community was in 1985 well below the EC average (53,4 %). The trade deficit — much larger relative to GDP for Portugal than for Spain (Table 7) — has traditionally been compensated, at least in part, by a surplus from invisibles. Nevertheless, in the years 1975-1985 the weakness of the external position heavily constrained demand management policies: except for 1985, Portugal constantly showed a deficit on the current account, while Spain recorded an external deficit in 1975-77 and in 1980-83 (Table 1). Thus, foreign indebtedness increased markedly in Portugal, and only moderately in Spain: in 1985 the ratio of foreign debt to GDP was 80,6 % in Portugal and 17,4 % in Spain.

Imports

The wide differential in the growth of demand and output combined with the direct and indirect effects of the two countries' entry into the Community caused so great an increase in *imports* in 1986-87 (Table 7, Graphs 5 and 6) that the external sector, on average for the two years, exerted a *negative impact on real growth* of some 3,0 percentage points of GDP for Spain and 4 1/2 points for Portugal. Over the same period, the rise in the volume of merchandise imports reached about 42 % in Spain and 47 % in Portugal, with some tendency for the increase to accelerate. Purchases from other EC countries of food and beverages as well as of manufactured products particularly of investment goods, increased fastest (Table 9). Moreover imports of industrial goods from non-EC countries grew more quickly than total imports in Spain. The process of declining Spanish dependence on imports of machinery which was evident before accession has probably come to a temporary halt.

According to the partial estimates available, more than half of the surge in total imports in the first two years of Spain's accession might be explained by the *sharp upturn in domestic private demand*. For Portugal, demand growth probably played an even greater role than for Spain. The *entry effect* through its various channels — the progressive fall in customs tariffs vis-à-vis other member countries and the introduction of the common external tariff, the reduction of quantitative restrictions and the simplification of administrative measures — accounts for another substantial part (probably one-third) of the increase in imports (trade creation net of trade diversion effects). Finally, some effects on imports have been associated with the improved price competitiveness of foreign suppliers. A particularly noteworthy feature is a much larger than average increase in *intra-Iberian trade*, with entry into a wider market giving rise, for both Spain and Portugal, to a genuine 'discovery' of the neighbouring country's market. These developments, together with a fall in oil prices and some trade diversion (which is difficult to estimate satisfactorily), resulted in a *significant shift in the structure* of imports by area. The Community's share reached 54,6 % of the total in 1987 for Spain (compared with 36,8 % in 1985) and 63,4 % of the total for Portugal (compared with 53,4 % in 1985, see Table 8).

TABLE 7: Spain/Portugal — Foreign trade

		<i>(Annual percentage changes)</i>				
		1983	1984	1985	1986	1987
SPAIN						
Total trade (values)						
— Exports	26,8	31,7	10,0	-7,4	10,4	
— Imports	20,1	10,9	9,6	-3,6	23,3	
Total trade (volumes)						
— Exports	7,3	17,0	2,5	-4,3	6,9	
— Imports	-0,5	0,7	7,0	16,6	22,2	
Intra-EC trade (values)						
— Exports	29,8	36,9	10,5	6,9	16,7	
— Imports	24,8	15,4	18,0	31,6	33,9	
Extra-EC trade (values)						
— Exports	21,9	26,5	9,5	-23,1	0,9	
— Imports	18,5	8,7	5,2	-24,1	12,5	
Trade balance (billion pesetas)						
— Total	-1 342,1	-898,2	-969,1	-1 090,6	-1 834,2	
— Intra-EC	46,9	359,7	278,0	-163,8	-615,3	
— Extra-EC	-1 389,1	-1 257,9	-1 247,1	-926,8	-1 218,9	
Trade balance (as % of GDP)						
— Total	-6,0	-3,6	-3,5	-3,4	-5,2	
— Intra-EC	0,2	1,4	1,0	-0,5	-1,7	
— Extra-EC	-6,2	-5,0	-4,5	-2,9	-3,4	
Terms of trade	-2,1	2,2	4,8	16,9	2,3	
PORTUGAL						
Total trade (values)						
— Exports	52,4	49,6	27,8	10,7	19,2	
— Imports	19,3	29,1	14,2	6,5	31,1	
Total trade (volumes)						
— Exports	21,0	14,6	10,6	6,9	8,6	
— Imports	-7,5	-2,1	2,9	16,8	20,9	
Intra-EC trade (values)						
— Exports	57,5	47,8	29,1	20,6	24,3	
— Imports	14,2	23,6	22,1	36,2	41,2	
Extra-EC trade (values)						
— Exports	46,8	52,4	25,6	-5,7	8,4	
— Imports	23,7	33,5	8,4	-18,8	16,6	
Trade balance (billion escudos)						
— Total	-390,8	-400,1	-354,8	-360,2	-601,4	
— Intra-EC	-86,0	-29,1	-2,4	-112,7	-284,0	
— Extra-EC	-304,8	-371,0	-352,4	-247,5	-317,4	
Trade balance (as % of GDP)						
— Total	-17,0	-14,0	-9,9	-8,2	-11,9	
— Intra-EC	-3,7	1,9	-0,6	-2,2	-5,6	
— Extra-EC	-13,3	-15,9	-9,3	-6,0	-6,3	
Terms of trade	-1,7	-1,1	4,0	12,6	1,2	

Source: National Customs statistics. The data in volume differ somewhat from those of the Table 11 elaborated by Eurostat.

TABLE 8: Spain/Portugal — Shifts in the geographical structure of foreign trade

	1958	1965	1970	1975	1980	1985	1986	1987
Intra-Community share of total imports of goods (values)								
E	31,8	48,6	40,9	35,3	31,3	36,8	50,2	54,6
P	53,4	51,9	52,6	43,9	45,3	45,9	58,8	63,4
EUR 12	35,2	44,9	50,3	49,5	49,2	53,4	57,8	58,0
Intra-Community share of total exports of goods (values)								
E	46,8	53,6	49,6	48,1	52,2	52,3	60,4	63,8
P	38,9	44,0	43,8	53,8	58,6	62,5	68,0	70,9
EUR 12	37,2	49,6	53,4	52,4	55,7	54,9	57,2	58,1
Total export/import coverage (cif/fob)								
	1980-84		1985		1986		1987	
E	67,4		80,9		77,7		69,6	
P	50,3		73,3		75,0		68,2	
EC export/import coverage								
	1980-84		1985		1986		1987	
E	100,9		114,9		93,3		81,3	
P	77,2		99,6		87,2		76,3	

Source: Commission services.

Exports

Developments in merchandise *exports* since accession have been rather different for the two countries. The cumulative growth rate for Portugal in the two years under review reached 18 % in volume terms whereas Spanish exports just compensated in 1987 for the decline suffered in 1986 (Table 9), with trends being reflected in market gains for the former country and in market losses for the latter. In both cases the buoyancy of domestic demand probably had the effect of somewhat curbing exports; this effect was perhaps stronger in Spain, given its relatively 'modern' export structure and the relative importance of intra-industry trade. In addition, Spanish sales were affected in 1986 by a number of deliveries being made in advance towards the end of 1985 in anticipation of the abolition of export subsidies (DFE) and the reduction of export credit on accession. In general, the gradual reduction of customs duties on industrial products by the other member countries probably had marginal effects on trade creation (the average tariff being only 3,7 %) whereas exports of agricultural products to the Community were influenced by the application of a seven year transitional period. On the other hand, the favourable impact of larger markets and keener competition in a *relatively dynamic European area exerted a far more powerful attraction effect* at a time when imports by third markets (in particular those of OPEC, COMECON and the countries of Latin America) were generally in decline. Moreover the peseta has appreciated as from 1985 vis-à-vis third countries but has depreciated vis-à-vis other member countries, whilst the escudo's depreciation carried out in the context of a crawling-peg policy has been relatively large vis-à-vis other Community countries.

In these circumstances, intra-Community export volume has increased distinctly in Portugal (30 %) and to a lesser extent in Spain (15 %) (Table 9). In particular, the volume growth of sales of *industrial products* to the partner countries, relatively moderate for Spain (10 % between 1985 and 1987), was particularly strong for

Portugal (34 % in the same period). Moreover, a distinct fall has been recorded for the extra-EC sales of both countries (– 22 % for Spain and – 5,5 % for Portugal). The consequent sharp shifts in the geographical structure of exports since accession are summarized in Table 8. They are reflected in a remarkable *increase in the share of exports to the Community*, although one which is smaller than that observed for imports. Between 1985 and 1987, the Community share in Spanish exports increased from 52,3 % to 63,8 % and in Portuguese exports from 62,5 % to almost 71 %.

Trade balance

As a result of the sharp improvement in the terms of trade following the reverse oil shock, the *trade balance* of Spain and Portugal in 1986 showed a limited deterioration; a large reduction in the deficit against third countries was almost sufficient to offset the sharp deterioration in the balance with the member countries (the latter being some 1,5 % of GDP for Spain and 1,6 % for Portugal, Table 7). However, in 1987, the even stronger surge in the volume of imports gave rise, in both countries, to an increase in both the intra-Community and extra-Community deficits, with the deterioration relative to the other member countries equivalent to 1,2 % of GDP for Spain and 3,4 % for Portugal. Given the fact that the effective protection of the domestic market in Spain (estimated at 12,7 %) and, to a lesser extent, in Portugal, was larger than in the other member countries, the post accession pressure on Iberian imports was inevitably stronger than that on exports. Moreover, Spanish price and cost competitiveness has deteriorated somewhat since the accession whereas the pace of depreciation of the escudo's effective exchange rate slowed down markedly. Although the sharp increase in inflows in respect of services and in particular receipts from tourism enabled the two countries' *current account balances* still to show a surplus in 1987, this will probably no longer be the case in 1988 and perhaps in the following years, when the surge in imports is bound to continue and export prospects will generally remain subdued.

Assessment of trade performance in first years after accession and medium-term prospects

Summing up, among the main factors which are to blame, at least in the *short term*, for the deterioration of the external position of the acceding countries the following seem to be particularly relevant:

- a *cyclical factor*. Before accession, Spain and Portugal experienced a trough in industrial production and a fall in internal demand. Since the subsequent recovery was essentially led by strong domestic forces the income elasticity of imports was generally higher than 'normal' just after the accession whereas a number of potential exports were diverted to the domestic market;
- a *static factor* linked to the dismantling of the obstacles to foreign trade in countries where not only *protection* in its various forms but also *market rigidities* were more extreme than in the main trading partners³;
- a *dynamic factor* due to the *demonstration effect* of consumption and investment patterns prevailing in the older member countries with distinct pressure on the imports of the acceding countries. This effect has operated more quickly in raising aspirations than in increasing capacities.

Over the *medium term*, the present deterioration of the current account of Spain and Portugal poses the problem of whether economic growth can be sustained at a higher rate than in the other member countries. In particular the question arises of whether the external deficit will inevitably impose an effective *constraint* on the

³ Trade liberalization in 1961-1965 had a clear positive effect on Spanish imports; whereas the subsequent European movement of liberalization in the 1970s did not give rise to strong static effects on the trade of the two acceding countries.

process of real convergence towards the Community average by the two countries. Tentative medium-term projections by Commission departments and other sources suggest that if economic growth continues at a rate of more than 4 % for Spain and of some 3 1/2 % for Portugal between now and 1992, the current account deficit will widen substantially for the two countries. However, the projections may to some extent underestimate the effects which the present *investment boom* will have in expanding productive capacity and, thus, ultimately the supply of exportable products.

The emerging external imbalances should, therefore, by and large, be seen as '*manageable*' provided that certain conditions are fulfilled in response to the challenge of membership and especially to *the need to raise further the investment ratio, encourage saving and improve the competitive position* of the acceding countries. More particularly, the following requirements must be met:

- the maintenance of conditions favourable to the inflow of *private foreign investment* and in particular increased *adaptability of markets*, restoration of a *basically healthy public finance situation* and the continuation of *nominal convergence* with the Community average;
- an expansion of *financial transfers* from the Community and of EIB loans in line with the Community's decision to double the resources of the structural funds in real terms by 1993 and maximization of their economic effects by *sound national policies*;
- a *macro-economic policy* aimed at ensuring that domestic absorption is allowed to expand only within the limits compatible with a sustainable current external deficit.

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TABLE 9: Main trends in post-accession foreign trade, volume indices 1985 = 100

	Spain		Portugal	
	1986	1987	1986	1987
I. Total intra and extra-EC trade				
Total trade				
— Exports	96,3	99,3	107,6	118,0
— Imports	118,4	141,6	118,4	146,7
Intra-EC trade				
— Exports	107,3	114,9	115,2	130,1
— Imports	130,8	163,2	127,9	169,6
Extra-EC trade				
— Exports	82,0	78,3	93,1	94,5
— Imports	110,3	126,1	110,2	122,6
II. Intra and extra-EC trade by SITC sections				
Intra-EC Trade				
Intra-EC exports				
SITC 0+1 Food, beverages	121,0	138,7	105,6	108,8
2+4 Raw materials	89,3	112,3	104,6	117,3
3 Mineral fuels	135,4	117,0	168,5	109,8
5-8 Industrial products	103,5	110,1	115,7	134,3
Intra-EC imports				
SITC 0+1 Food, beverages	214,3	236,9	144,1	202,4
2+4 Raw materials	90,0	97,4	123,2	191,4
3 Mineral fuels	151,0	163,2	125,6	117,8
5-8 Industrial products	129,7	166,6	125,7	168,2
Extra-EC Trade				
Extra-EC Exports				
SITC 0+1 Food, beverages	94,6	92,0	104,5	101,8
2+4 Raw materials	78,5	101,9	71,7	70,0
3 Mineral fuels	153,0	139,8	42,3	29,8
5-8 Industrial products	76,7	71,7	96,3	99,2
Extra-EC Imports				
SITC 0+1 Food, beverages	88,4	97,4	95,9	95,5
2+4 Raw materials	105,4	119,4	96,1	95,7
3 Mineral fuels	101,9	112,0	113,5	111,0
5-8 Industrial products	127,7	152,0	109,1	146,7

Source: EUROSTAT-TREND

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

	1983	1984	1985	1986	1987	1987			1988		1988							Change over 12 months % (b)
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	2.0	2.5	2.5	0.8	1.6	2.6	-0.3	0.9	1.6	:	7.3	-7.0	1.8	1.2	-2.0	:	:	-1.9
DK	3.2	9.7	4.2	4.2	-3.1	-1.6	0.9	0.4	1.2	1.4	-6.1	3.2	3.9	-4.2	0.4	5.7	:	7.6
D	0.7	3.2	5.3	1.9	0.2	1.6	0.2	0.8	0.8	0.8	-0.1	0.9	0.5	-0.7	0.3	2.8	-1.8	1.0
GR	-0.1	1.6	3.4	-0.2	-1.7	-1.3	-0.3	2.4	5.4	-0.7	0.7	1.8	0.5	-4.1	3.5	0.9	:	9.8
E	2.7	0.8	2.0	3.1	4.6	2.7	2.2	-0.2	0.6	0.9	-3.5	5.6	3.4	-4.9	2.7	0.6	-1.4	-2.6
F	0.0	2.0	1.0	1.0	2.0	2.3	0.6	1.0	0.6	0.3	0.0	0.0	0.0	-0.9	1.0	1.9	:	(2.8)
IRL	7.9	9.9	3.5	3.2	9.7	8.8	0.4	4.1	2.8	0.8	9.0	-4.5	0.6	-1.2	2.7	4.0	:	12.0
I	-3.2	3.4	1.2	2.8	3.9	1.8	-0.8	2.2	2.4	0.1	5.1	-2.6	-1.1	4.3	-4.0	0.9	2.8	-0.2
L	5.4	13.3	6.9	2.8	0.8	3.8	-2.1	5.7	2.9	2.7	1.1	-1.6	0.5	2.6	-0.6	2.2	:	8.9
NL	3.2	5.2	3.9	0.0	0.9	-3.4	-0.6	2.5	-1.2	-1.6	1.9	-0.9	0.0	-2.8	1.0	2.9	4.7	5.7
P	1.6	-0.1	10.9	5.7	2.4	4.2	0.6	-1.1	3.4	:	3.7	-1.3	-3.4	2.2	4.4	:	:	7.7
UK	3.7	0.2	5.4	2.3	3.8	1.4	2.2	0.7	0.3	0.8	0.9	1.7	1.2	0.3	0.4	0.4	0.4	3.7
EUR 12	1.0	2.1	3.4	2.0	2.1	1.7	0.1	1.4	0.7	(0.7)	0.8	-0.6	1.1	-0.6	(0.5)	(1.5)	:	(4.3)
USA	7.8	12.3	2.1	2.1	4.4	1.2	1.9	1.8	1.2	1.3	0.3	0.1	0.4	0.5	(0.7)	(0.2)	(0.8)	(5.4)
JAP	3.0	9.4	3.7	-0.2	3.0	0.0	3.6	3.5	3.2	-0.2	0.6	2.4	0.5	-0.9	(-2.3)	(3.3)	(-0.9)	(9.7)

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

	1983	1984	1985	1986	1987	1987			1988		1988							Change over 12 months % (b)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B (g)	14.3	14.4	13.6	12.5	12.2	12.4	12.2	11.9	11.6	11.3	11.6	11.5	11.4	11.2	11.3	11.4	11.1	-7.2
DK	10.1	9.9	8.7	7.5	7.5	7.5	7.5	7.5	7.7	(8.3)	7.7	8.0	8.0	8.3	8.5	8.5	(8.4)	(13.6)
D	8.4	8.4	8.4	8.1	8.1	8.0	8.1	8.1	8.0	8.2	8.0	8.1	8.2	8.2	8.2	8.2	8.1	0.1
GR	1.6	1.8	2.2	2.8	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.8	2.8	2.9	0.2
E	16.5	18.4	19.5	20.0	20.7	20.7	20.7	20.9	20.7	20.3	20.7	20.5	20.3	20.3	20.2	20.0	19.8	-2.4
F	8.9	10.0	10.5	10.7	11.2	11.2	11.2	11.0	10.9	10.8	11.0	10.8	10.8	10.8	10.9	11.0	11.1	-0.9
IRL	14.9	16.6	17.9	18.3	19.3	19.4	19.5	19.2	19.1	18.9	19.1	19.1	19.0	18.9	18.8	19.0	18.9	-2.4
I	11.0	12.0	12.9	13.7	13.9	13.6	14.1	14.2	14.6	15.4	14.7	14.8	15.1	15.3	15.8	16.3	16.6	18.6
L	1.6	1.8	1.7	1.5	1.6	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5	-9.2
NL (g)	(14.2)	14.5	13.3	12.3	11.9	11.8	11.8	11.8	11.8	11.9	11.8	11.9	11.9	11.8	12.0	11.9	11.8	-0.3
P	5.6	6.7	7.7	8.3	7.2	7.3	6.5	6.6	6.9	6.8	6.9	6.9	6.8	6.8	6.8	6.8	6.8	2.7
UK	(11.4)	11.6	11.8	12.0	10.6	11.0	10.5	9.8	9.3	8.8	9.3	9.1	8.9	8.7	8.6	8.4	8.2	-20.1
EUR 12	(10.5)	11.2	11.6	11.7	11.6	11.6	11.6	11.4	11.4	(11.4)	11.4	11.4	(11.4)	(11.4)	(11.4)	(11.5)	(11.5)	(-0.4)
USA	9.6	7.5	7.2	7.0	6.2	6.2	6.0	5.9	5.7	5.4	5.7	5.6	5.4	5.6	5.3	5.4	5.6	-6.1
JAP (h)	2.7	2.7	2.6	2.8	2.8	3.0	2.8	2.7	2.7	2.5	2.7	2.6	2.6	2.5	2.4	2.5	:	-6.6

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

	1983	1984	1985	1986	1987	1987			1988		1988							Change over 12 months % (b)
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B	7.7	6.3	4.9	1.3	1.6	0.7	0.6	-0.3	0.0	0.7	0.3	0.0	0.4	0.1	0.2	0.3	0.2	0.9
DK	6.9	6.3	4.7	3.6	4.0	1.6	0.7	1.2	1.2	1.4	0.8	0.4	0.4	0.9	-0.1	-0.4	0.7	(4.5)
D	3.3	2.4	2.2	-0.2	0.2	0.4	0.0	0.0	0.5	0.5	0.2	0.1	0.2	0.2	0.2	-0.1	0.1	1.2
GR	20.2	18.4	19.3	23.0	16.4	5.6	0.4	5.4	1.6	4.5	-0.5	3.0	2.0	0.3	1.3	-0.3	0.3	14.0
E	12.2	11.2	7.8	8.8	5.3	0.7	1.3	1.2	1.2	0.3	0.3	0.7	-0.4	-0.1	0.4	1.3	1.0	5.7
F	9.6	7.3	5.9	2.7	3.1	0.9	0.6	0.5	0.5	1.0	0.2	0.3	0.5	0.2	0.3	0.3	0.3	2.8
IRL (i)	10.4	8.6	5.4	3.8	3.1	0.6	0.6	0.1	0.7	0.5	0.2	0.2	0.2	0.2	(0.3)	(0.3)	(0.3)	2.1
I	14.7	10.8	9.2	5.8	4.8	1.2	1.0	1.7	1.2	1.1	0.5	0.4	0.3	0.4	0.3	0.3	(0.4)	(5.2)
L	8.7	6.5	4.1	0.3	-0.1	-0.3	0.1	0.4	0.4	0.2	0.1	0.2	0.0	0.1	0.2	0.4	0.1	1.8
NL	2.7	3.2	2.3	0.3	-0.2	0.6	0.2	0.8	-0.8	0.8	0.2	0.4	0.4	0.1	-0.1	0.2	0.3	1.2
P	25.1	28.9	19.6	11.8	9.3	1.7	1.0	2.5	3.1	1.7	1.4	0.7	0.3	0.3	0.5	0.8	1.4	10.0
UK	4.6	5.0	6.1	3.4	4.1	1.5	0.2	1.1	0.5	2.4	0.4	0.4	1.6	0.4	0.4	0.1	1.1	5.7
EUR 12	8.6	7.4	6.1	3.6	2.9	0.8	0.3	0.7	0.6	(1.2)	0.3	0.4	0.5	0.2	(0.3)	(0.3)	(0.5)	(3.6)
USA	3.2	4.3	3.6	1.9	3.7	1.3	1.1	0.8	0.6	1.3	0.3	0.4	0.5	0.3	0.4	0.4	0.4	4.0
JAP	1.8	2.4	2.0	0.7	0.0	1.3	-0.2	0.2	-0.5	0.8	-0.2	0.4	0.5	0.1	(-0.2)	(-0.2)	(0.3)	(0.7)

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

	1983	1984	1985	1986	1987	1987			1988		1988							Change over 12 months (c)
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B/L	-2435	-4897	-3514	146	-580	414	-150	-510	(-29)	:	-244	194	(20)	:	:	:	:	(-57)
DK	-740	-1108	-1538	-1714	96	61	65	5	(470)	(30)	353	42	75	(144)	(-48)	(-66)	(100)	(29)
D	18501	24136	32986	53044	56960	13818	14132	14738	(13044)	(15941)	4889	4147	4008	(4596)	(4660)	(6685)	(5143)	(297)
GR	-5800	-6048	-7266	-5809	-5694	-1339	-1169	-1257	:	:	:	:	:	:	:	:	:	-333
E	:	-4711	-5582	-6306	-8749	-2139	-2324	-2431	-2347	-2830	-736	-682	-929	-904	-941	-986	-801	33
F	-15628	-13130	-13428	-9699	-12473	-3567	-3095	-3232	-2405	-2969	-450	-999	-955	-943	-1214	-811	-814	(-468)
IRL	-621	81	430	983	2047	524	519	680	649	487	268	244	137	276	-32	242	(285)	(-4)
I	-8516	-13849	-16130	-2459	-7427	-2360	-1643	-1830	(-2819)	:	-796	(-370)	(-1652)	(-271)	:	:	:	(198)
NL	4499	4740	3874	4161	1088	140	289	664	(357)	(-28)	344	(-221)	(234)	(-61)	(122)	(-90)	:	(-393)
P	:	-3467	-2735	-1297	-2955	-810	-764	-705	-734	:	-195	-267	-272	-321	-260	:	:	-72
UK	-9681	-14005	-11540	-19868	-20890	-4911	-5714	-6618	-8685	-9928	-3014	-3122	-2549	-2901	-3531	-3496	-4466	(-795)
EUR 12 (j)	:	-32256	-24653	11053	754	-308	-433	-846	(-4159)	:	(-331)	(-1593)	(-2235)	(-1359)	:	:	:	(-1485)
USA (k)	-77911	-154992	-194856	-157829	-147830	-36845	-38028	-35521	-30343	-27411	-9016	-11846	-9481	-8305	-7947	-11159	-8403	3946
JAP	23072	42599	60497	84010	69636	16544	16184	15396	16861	13700	6228	5325	5308	5136	4181	4383	5518	23

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

		1987							1988		1988							Change over 12 months % (d)	
		1983	1984	1985	1986	1987	II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B	(M2)	8.7	5.9	7.6	11.5	10.5	3.6	0.6	2.8	2.0	:	:	:	:	:	:	:	:	9.2
DK	(M2)	25.5	17.8	15.8	8.4	4.4	2.6	-0.5	1.9	-2.8	3.4	-0.9	-0.7	1.3	0.0	2.0	1.6	-1.2	2.1
D	(M3)	5.3	4.7	5.1	6.8	6.0	1.5	1.1	1.4	2.0	1.9	0.6	0.3	0.7	0.7	0.4	-0.1	0.6	6.1
GR	(M3)	20.3	29.4	26.8	19.0	24.8	5.2	6.2	6.0	7.0	5.1	2.7	2.7	0.7	2.1	2.3	1.3	:	24.8
E	(ALP)	15.9	13.2	12.8	11.4	14.0	3.2	3.3	3.8	2.6	2.8	0.6	0.9	1.2	0.9	0.7	0.5	0.6	12.1
F	(M2)	13.7	9.8	6.0	4.1	4.3	1.6	0.7	1.1	-0.6	2.0	-1.5	-0.5	1.0	0.3	0.7	2.2	:	5.2
IRL	(M3)	5.6	10.1	5.3	-1.0	10.9	4.3	2.9	1.6	2.3	1.8	1.1	1.5	-0.8	2.0	0.6	0.9	0.3	7.5
I	(M2)	13.3	12.1	10.8	9.4	8.3	3.3	1.4	1.8	0.6	1.6	0.3	0.6	0.9	0.7	1.3	1.2	:	8.3
NL	(M2)	(10.7)	(6.8)	(10.5)	4.5	3.9	1.8	1.5	1.5	1.1	3.5	-0.3	1.0	1.3	1.5	0.7	:	:	8.0
P	(L)	16.8	24.6	28.9	25.9	16.8	3.7	5.6	1.9	4.9	2.1	0.3	(1.5)	(0.4)	(2.5)	(-0.7)	:	:	16.4
UK	(LM3)	11.1	10.0	13.4	(18.8)	(22.8)	(5.1)	5.0	5.1	4.1	4.7	0.5	3.0	1.6	0.6	2.4	2.7	0.9	20.1
EUR 12	(M)	(11.4)	(9.8)	(9.6)	9.7	(10.1)	2.8	2.1	2.4	1.7	(2.6)	0.1	0.8	(1.0)	(0.7)	(1.1)	(1.3)	:	(10.1)
USA	(M2)	11.7	8.2	8.1	9.1	3.4	0.6	1.3	0.9	2.3	1.6	0.7	0.7	0.8	0.4	0.4	0.3	0.2	6.0
JAP	(M2)	7.3	7.8	8.7	9.2	10.8	2.6	2.7	3.0	2.7	2.2	-0.3	0.2	1.0	0.7	0.5	2.5	:	11.7

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

	1983	1984	1985	1986	1987	1987		1988			1988							Change over 12 months % (e)
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	10,5	11,5	9,6	8,1	7,1	6,7	6,8	6,1	6,1	7,4	6,1	6,1	6,1	6,1	7,1	7,5	7,4	0,7
DK	12,0	11,5	10,0	9,1	9,9	9,4	9,3	8,7	8,4	7,8	8,7	8,9	8,8	8,4	8,2	7,9	7,8	-1,6
D	5,8	6,0	5,4	4,6	4,0	4,0	3,5	3,4	4,4	4,9	3,4	3,4	3,5	4,4	5,1	5,3	4,9	0,9
GR	16,6	15,7	17,0	19,8	14,9	8,0	16,7	14,4	16,4	:	14,4	16,9	19,3	16,4	12,2	11,4	:	-4,3
E	20,1	14,9	12,2	11,7	15,8	17,0	13,1	10,7	10,7	12,5	10,7	11,4	10,5	10,7	11,1	10,7	12,5	-4,5
F	12,5	11,7	10,0	7,7	8,3	8,0	8,6	8,3	7,3	7,9	8,3	8,1	7,4	7,3	7,4	8,0	7,9	-0,1
IRL	14,0	13,2	12,0	12,4	11,1	9,2	8,8	8,3	7,8	7,6	8,3	8,1	7,3	7,8	7,9	8,1	7,6	-1,6
I	18,3	17,3	15,0	12,8	11,4	12,8	11,5	11,1	11,1	11,4	11,1	10,5	11,0	11,1	11,3	11,1	11,4	-1,4
NL	5,7	6,1	6,3	5,7	5,4	5,6	4,6	4,0	4,4	5,6	4,0	4,1	4,1	4,4	5,3	5,4	5,6	0,0
P	20,9	22,5	21,0	15,6	13,9	14,8	14,0	13,0	12,7	12,8	13,0	13,0	:	12,7	12,9	13,0	12,8	-2,1
UK	10,1	10,0	12,2	10,9	9,7	10,3	8,9	8,6	9,9	11,9	8,6	8,5	7,8	9,9	10,9	12,3	11,9	1,6
EUR 12 (o)	12,0	11,2	10,4	9,0	8,8	9,0	8,3	7,8	8,1	(8,9)	7,8	7,7	7,5	8,1	8,5	8,9	(8,9)	(-0,2)
USA	8,7	9,5	7,5	6,0	5,9	6,8	5,9	5,9	6,8	7,5	5,9	6,1	6,7	6,8	7,2	7,5	7,5	0,7
JAP	6,5	6,3	6,5	5,0	3,9	3,9	3,9	3,9	4,0	4,3	3,9	3,9	3,9	4,0	4,1	4,1	4,3	0,4

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

	1983	1984	1985	1986	1987	1987		1988			1988							Change over 12 months % (e)
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	11,8	12,0	10,6	7,9	7,8	8,3	8,0	7,7	7,8	8,1	7,7	7,6	7,9	7,8	8,0	8,3	8,1	-0,2
DK	14,4	14,0	11,6	10,5	11,9	12,3	11,7	11,1	10,6	10,1	11,1	11,5	10,8	10,6	10,4	10,5	10,1	-2,2
D	7,9	7,8	6,9	5,9	5,8	6,2	6,0	5,7	6,1	:	5,7	5,8	6,1	6,1	6,4	6,5	:	0,5
GR	18,2	18,5	15,8	15,8	17,3	17,1	19,1	19,1	15,2	:	19,1	19,0	16,9	15,2	15,6	:	:	-0,9
E	16,9	16,5	13,4	11,4	12,8	14,3	13,1	11,8	11,3	11,4	11,8	11,4	11,6	11,3	11,1	11,1	11,4	-2,8
F	13,6	12,5	10,9	8,4	9,4	10,5	10,0	9,4	8,8	8,8	9,4	9,3	9,1	8,8	9,1	9,4	8,8	-1,7
IRL	13,9	14,6	12,7	11,1	11,3	11,3	10,5	10,1	9,6	9,2	10,1	9,7	9,8	9,6	9,7	9,5	9,2	-2,2
I	18,0	15,0	14,3	11,7	11,3	12,3	12,5	12,1	12,1	12,3	12,1	12,1	12,0	12,1	12,1	12,1	12,3	0,0
L	9,8	10,3	9,5	8,7	8,0	8,1	7,0	7,7	6,5	:	7,7	7,3	6,4	6,5	6,8	7,3	:	-0,7
NL	8,8	8,6	7,3	6,4	6,4	6,8	6,3	6,0	6,3	6,4	6,0	6,0	6,3	6,3	6,5	6,6	6,4	-0,4
P	30,4	32,5	25,4	17,9	15,4	15,9	15,2	14,1	14,0	:	14,1	14,3	13,8	14,0	14,1	13,8	:	-1,5
UK	10,8	10,7	10,6	9,8	9,5	10,0	9,5	9,0	9,6	9,4	9,0	9,2	9,3	9,6	9,5	9,7	9,4	-0,6
EUR 12 (o)	12,7	11,8	10,9	9,2	9,4	10,1	9,8	9,3	9,3	:	9,3	9,3	9,3	9,3	9,4	(9,5)	:	(-0,7)
USA	10,8	12,0	10,8	8,1	8,7	9,6	9,1	8,6	9,0	9,0	8,6	8,9	9,2	9,0	9,3	9,3	9,0	-0,6
JAP	7,8	7,3	6,5	5,2	5,0	7,0	5,1	4,4	4,8	:	4,4	4,4	4,7	4,8	4,9	5,9	:	0,4

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

	1983	1984	1985	1986	1987	1987		1988			1988							Change over 12 months % (b)
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
BFR/LFR	45,43	45,44	44,91	43,80	43,04	43,07	43,19	43,23	43,44	43,54	43,32	43,44	43,44	43,45	43,52	43,63	43,48	0,9
DKR	8,13	8,15	8,02	7,94	7,88	7,94	7,96	7,92	7,94	7,94	7,93	7,97	7,97	7,90	7,90	7,96	7,96	-0,4
DM	2,27	2,24	2,23	2,13	2,07	2,08	2,07	2,07	2,08	2,08	2,07	2,08	2,08	2,08	2,08	2,08	2,07	-0,1
DR	78,1	88,4	104,8	137,4	156,1	157,4	161,9	165,2	166,4	167,2	165,8	166,3	166,7	166,2	166,5	167,1	168,1	6,1
PTA	127,4	126,5	129,0	137,5	142,2	140,5	138,4	139,4	137,5	137,5	138,8	137,5	137,6	137,4	137,7	136,9	138,0	-0,6
FF	6,77	6,87	6,80	6,80	6,93	6,92	6,98	6,99	7,03	7,04	7,03	7,05	7,04	7,01	7,01	7,05	7,05	1,8
IRL	0,715	0,726	0,715	0,733	0,775	0,775	0,776	0,776	0,777	0,774	0,775	0,777	0,778	0,775	0,774	0,776	0,773	-0,3
LIT	1349	1381	1447	1462	1495	1502	1514	1524	1543	1543	1532	1542	1546	1542	1540	1541	1547	3,1
HFL	2,54	2,52	2,51	2,40	2,33	2,34	2,33	2,32	2,33	2,35	2,33	2,33	2,33	2,34	2,35	2,35	2,34	0,2
ESC	98,2	115,6	130,0	146,9	162,5	162,8	166,6	169,1	169,7	169,8	169,5	169,7	169,8	169,6	169,1	169,4	170,8	4,4
UKL	0,587	0,591	0,589	0,670	0,705	0,698	0,692	0,687	0,661	0,657	0,674	0,661	0,657	0,665	0,661	0,650	0,659	-5,3
USD	0,890	0,788	0,759	0,983	1,154	1,128	1,213	1,234	1,218	1,114	1,234	1,241	1,228	1,184	1,127	1,104	1,111	-2,9
YEN	211,3	187,0	180,4	165,0	166,5	165,8	164,3	157,9	153,0	149,0	156,9	155,1	153,2	150,7	150,0	147,5	149,4	-8,9
DTS	0,833	0,767	0,749	0,838	0,892	0,895	0,889	0,902	0,890	0,859	0,900	0,898	0,893	0,879	0,864	0,854	0,858	-3,2

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

	1983	1984	1985	1986	1987	1987		1988			1988							Change over 12 months % (b)
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B/L	-2,8	-2,2	0,9	5,5	4,1	-0,3	0,6	-0,2	-0,9	-1,4	-0,1	-0,3	-0,2	-0,6	-0,8	-0,5	0,6	-1,8
DK	-0,6	-3,7	1,2	6,3	4,2	-1,9	1,1	0,3	-1,3	-1,8	-0,4	-0,8	-0,4	0,0	-1,0	-1,2	0,3	-1,3
D	4,0	-1,6	0,3	10,7	6,9	-0,3	1,8	-0,1	-1,3	-2,0	0,0	-0,4	-0,5	-0,8	-1,1	-0,7	0,8	-1,3
GR	-18,1	-14,4	-15,9	-21,3	-9,9	-2,2	-1,8	-2,1	-1,2	-2,0	-0,3	-0,3	-0,5	-0,4	-0,9	-0,8	-0,3	-6,7
E	-17,2	-2,4	-2,3	-1,5	0,2	2,9	3,0	-0,8	0,8	-1,8	0,6	0,9	-0,4	-0,7	-1,2	0,2	-0,5	-0,5
F	-7,1	-4,8	1,1	4,5	1,1	-0,2	0,3	-0,3	-1,3	-1,8	-0,6	-0,4	-0,2	-0,3	-0,9	-1,1	0,3	-3,2
IRL	-4,1	-4,2	1,2	3,7	-2,1	-0,3	1,0	-0,2	-1,3	-1,4	-0,1	-0,6	-0,5	-0,1	-0,8	-0,9	0,8	-1,7
I	-3,8	-5,9	-5,2	3,7	1,1	-0,9	0,5	-0,8	-2,0	-1,9	-0,5	-0,8	-0,6	-0,7	-0,8	-0,6	-0,1	-4,6
NL	2,0	-1,6	0,3	7,7	5,1	0,0	1,3	0,1	-0,9	-1,8	-0,2	-0,2	-0,3	-0,8	-1,0	-0,6	0,7	-1,1
P	-21,1	-17,4	-11,5	-7,8	-7,1	-1,3	-1,4	-1,5	-1,1	-1,3	-0,4	-0,3	-0,3	-0,4	-0,4	-0,6	-0,5	-5,3
UK	-7,0	-4,7	-0,2	-7,3	-1,0	-0,1	2,8	0,7	3,2	-1,8	3,2	2,0	0,2	-2,5	-0,7	1,3	-1,1	4,0
EUR 12	-8,5	-9,3	-1,9	9,6	7,0	-0,6	3,3	-0,5	-1,6	-4,7	0,7	-0,1	-0,9	-2,3	-2,3	-1,1	0,5	-3,9
USA	5,7	7,8	4,1	-19,1	-12,1	1,6	-5,8	-2,9	-0,7	6,2	-1,6	-1,1	0,4	2,1	3,6	1,4	0,0	-1,7
JAP	10,9	5,8	3,0	27,2	8,2	-2,2	5,1	4,8	1,8	-2,4	0,8	1,2	0,5	-0,6	-2,3	0,5	-0,7	7,1

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) Number of registered unemployed according to national legislation. Annual average, quarterly average and end of month.

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

(h) As % of total labour force.

(i) Monthly series calculated by linear interpolation.

(j) The seasonally adjusted position for EUR 12 is obtained by seasonal adjustment of the sum of gross figures for the various countries' exports and imports.

(k) Unadjusted figures.

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

(m) 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.

(n) 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.

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

(p) 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.

Principal economic policy measures - September 1988

Community (EUR 12)

None.

Belgium (B)

27.9 In two stages, the central bank cuts the rates for two- and three-month Treasury certificates by 0,10 and 0,15 of a percentage point respectively, taking them to 7,20 % and 7,35 %. The rate for one-month certificates remains unchanged at 7,15 %.

Denmark (DK)

12.9 The Nationalbank lowers the limit for banks' drawing on current account without the provision of collateral from 25 % to 15 % of a bank's capital base. The change will not have any immediate impact on the money market as banks are currently in a positive net position with the Nationalbank.

Federal Republic of Germany (D)

30.9 The supplement to the Federal budget for 1988 is adopted by Parliament. Total expenditure increases to DM 275,4 billion (or 13 % of GDP), while revenues amount to only DM 236,8 billion (instead of the expected 245,6 billion), due to higher transfers to the Community and the absence of the Bundesbank profit. For 1988 the net borrowing requirement rises to DM 38,6 billion, equivalent to 1,8 % of GDP (1987: DM 27 billion or 1,4 % of GDP).

Greece (GR)

16.9 The Minister for Economic Affairs sets the maximum rate of wage indexation at 6,5 %. This rate is based on an inflation forecast of 5,9 % during the third four-month period, and a rate of 0,6 % which corresponds to the difference between the inflation rate recorded in the second four-month period and the rate forecast under the indexation arrangements.

20.9 The Bank of Greece authorizes commercial firms and agricultural cooperatives to borrow in foreign currencies from national and foreign financial institutions, without prior authorization.

Spain (E)

8.9 The Treasury raises the interest rate on three-year Treasury bills by 0,20 of a percentage point to 10,65 %, taking them slightly higher than short-term bills.

23.9 The Government adopts various anti-inflationary measures as a result of the surge in prices observed during the summer. Customs duties vis-à-vis the Community (15 %) are reduced from 1 October, instead of 15 January 1989, and the import quotas for certain goods are increased. In addition, the Bank of Spain raises the interest rates on its loans to financial institutions by 1 point to 11,375 %.

30.9 The Government tables the draft central government budget for 1989 in Parliament. Expenditure, at PTA 9 904 900 million, will be 14,8 % up on the previous budget and revenue,

at PTA 8 736 600 million, will be 19,7 % up. The central government deficit is projected to fall from 3,0 % of GDP in 1988 to 2,8 % in 1989, and real growth from 4,7 % in 1988 to 4,0 % in 1989. Income tax scales will be adjusted downwards by 3 % in order to compensate for the effects of fiscal drag and reliefs on corporation tax will be reduced.

30.9 The Treasury raises the interest rate on one-year Treasury bills by one percentage point to 11,541 %. The money market rates are also adjusted upwards.

France (F)

14.9 In order to combat unemployment, the Government adopts a plan consisting of eighteen measures. Eleven of them are connected with marginal employment schemes. The eighteen measures can be divided between five major topics:

- encouraging recruitment by reducing costs;
- improving the financing of small businesses;
- promoting the spirit of enterprise;
- improving and expanding training;
- helping the development of local and regional initiatives.

21.9 In the context of the contracts provided for by the Plan linking central government and the regions, the government is to allocate FF 250 million to the establishment of a regionalized fund for aid to local employment initiatives (FRILE); it is hoped that the size of the Fund will be at least doubled as a result of the regions' commitment. The main objectives of the new Fund are to support the creation of small firms, to mobilize local savings and to support investment operations which contribute to local economic development and are carried out at intercommunal level.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

None.

Portugal (P)

15.9 The Minister for Finance liberalizes interest rates on bank loans, which are no longer subject to an upper limit of 17 %.

United Kingdom (UK)

None.

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