

EUROPEAN ECONOMY

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

Supplement A — No 1 — January 1988

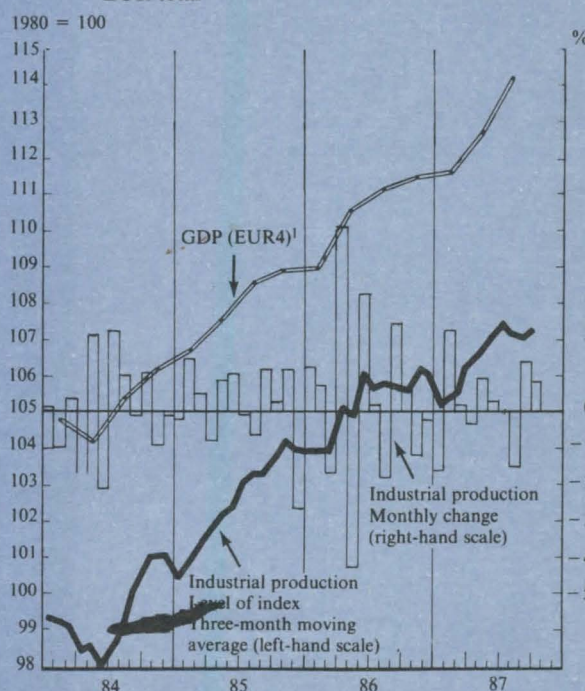
*In this number:
Quarterly national accounts;
second and third quarter 1987*

Recent economic trends

MAIN POINTS IN BRIEF

- As more economic indicators become available for the fourth quarter the initial possible impact of the financial turmoil of mid-October and subsequent events may be statistically assessed. Up to now no major signs of negative effects are revealed. Money supply picked up slightly in October, but seems to have dropped to previous rates thereafter. Interest rates, both short-term and long-term, and unemployment rates are continuously moving downwards since September 1987. Inflation also eased back to 0,2 % after picking up in October to 0,5 %. Industrial production was somewhat weaker in October, but on the surface no direct link with the financial upheavals is discernable. These preliminary observations are broadly in line with developments in business indicators, highlighting up to now no major shifts in industrial confidence following the perturbations on financial markets, while the consumer climate deteriorated somewhat.
- Meanwhile, recent national accounts data show that real gross domestic product in the Community developed favourably in the second (+3,7 %) and the third quarters (+5,5 %), after sluggish growth in the first. Economic activity during the second half of 1987 is, therefore, expected to have performed somewhat better than forecast in September.

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



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

TABLE 1: Major supply and demand components at constant prices
(Percentage change on preceding period, annual rates: seasonally adjusted)

		GDP (a)	Imports (b)	Exports (b)	Foreign balance (a)(b)	Domestic demand	Change in stocks (c)	Final domestic demand	Gross fixed in- vestment	Government consumption	Private consumption
EUR 4											
1984	Q1	6,3	8,9	11,2	0,7	5,7	3,0	2,6	4,8	0,3	2,6
	Q2	-3,3	6,6	-1,4	-2,0	-1,4	-1,6	0,2	-6,4	3,2	1,6
	Q3	5,3	3,8	12,8	2,3	2,9	1,4	1,5	6,6	1,7	-0,2
	Q4	2,4	14,0	13,6	0,1	2,4	0,2	2,2	2,7	3,3	1,6
1985	Q1	2,2	0,7	1,5	0,2	2,0	-0,7	2,7	1,9	0,4	3,7
	Q2	2,9	-1,3	4,3	1,6	1,4	0,2	1,3	-1,9	2,1	2,1
	Q3	4,4	4,5	-0,7	-1,4	5,9	-0,1	6,0	7,1	2,9	6,6
	Q4	0,0	8,3	2,3	-1,5	1,5	-0,3	1,9	-0,9	3,5	2,3
1986	Q1	1,3	-5,2	-7,3	-0,6	2,0	0,2	1,7	-3,0	0,1	3,9
	Q2	6,2	20,1	16,4	-0,8	7,1	0,3	6,8	10,0	3,3	7,0
	Q3	1,8	8,6	-1,8	-2,7	4,6	1,4	3,1	2,4	3,6	3,3
	Q4	2,0	-0,3	-2,2	-0,5	2,5	1,0	1,5	2,2	-0,9	2,0
1987	Q1	-0,2	-0,3	-3,3	-0,9	0,6	1,4	-0,7	-8,2	0,5	1,5
	Q2	3,7	13,8	3,6	-2,6	6,4	0,2	6,3	12,9	1,1	5,8
	Q3	5,5	10,9	15,9	1,1	4,3	0,2	4,1	1,3	4,7	4,9
Federal Republic of Germany											
1985	Q1	-2,9	12,2	5,2	-1,6	-1,4	4,5	-6,0	-21,0	-4,0	-0,6
	Q2	3,8	-2,4	7,3	3,3	0,5	-5,0	6,0	12,7	3,7	4,6
	Q3	8,2	7,1	5,9	-0,1	8,7	0,7	7,9	10,1	6,3	7,6
	Q4	-1,8	0,3	-11,0	-4,1	2,5	0,5	1,9	4,1	3,6	0,5
1986	Q1	-2,8	-10,8	-6,6	1,1	-3,9	-0,1	-3,8	-16,2	-4,4	1,3
	Q2	10,8	43,2	23,4	-3,7	15,5	0,0	15,5	29,1	6,7	14,1
	Q3	3,2	-15,4	-9,3	1,8	1,5	0,8	0,7	-4,8	7,1	0,5
	Q4	-1,1	13,7	-2,3	-4,5	3,7	2,6	0,9	9,7	-5,3	0,2
1987	Q1	-3,0	-6,6	-8,0	-0,8	-2,4	4,4	-6,9	-22,7	2,0	-3,6
	Q2	4,1	11,0	10,3	0,1	4,1	-7,0	12,0	22,1	1,0	12,8
	Q3	5,7	-0,3	3,3	1,2	4,6	-1,0	5,7	8,0	7,6	4,2
France											
1985	Q1	0,1	0,8	-3,7	-1,0	1,2	-4,0	5,3	-0,6	4,7	7,6
	Q2	3,6	2,1	7,3	1,2	2,4	1,2	1,2	7,0	3,1	-1,2
	Q3	4,3	15,2	-5,3	-4,4	9,1	2,6	6,3	11,2	3,3	5,7
	Q4	-0,2	5,1	4,3	-0,2	0,0	-1,5	1,5	-5,7	3,6	3,3
1986	Q1	0,6	-7,6	-6,6	0,2	0,4	-3,0	3,5	4,1	1,6	3,9
	Q2	4,6	36,4	1,7	-6,8	11,9	6,6	4,8	10,8	3,3	3,4
	Q3	1,8	9,2	4,2	-1,2	2,9	0,2	2,8	-0,5	2,7	3,9
	Q4	0,9	-16,6	-6,3	2,8	-1,9	-1,8	-0,1	-1,5	1,5	-0,2
1987	Q1	0,1	15,0	-3,0	-4,0	4,1	2,7	1,4	-3,2	2,4	2,7
	Q2	3,4	5,4	-0,6	-1,4	4,8	3,4	1,4	9,2	1,6	-1,1
	Q3	3,7	15,1	17,9	0,2	3,3	-3,2	6,7	6,6	2,0	8,4
Italy											
1985	Q1	3,3	-1,2	-0,2	0,3	2,9	-1,2	4,2	7,7	3,2	3,3
	Q2	2,6	1,0	-5,4	-1,5	4,1	1,1	3,0	0,7	2,4	4,0
	Q3	3,9	-4,1	5,1	2,1	1,7	-1,5	3,2	-0,7	3,8	4,5
	Q4	3,2	19,9	19,9	-0,4	3,5	1,1	2,5	2,5	3,7	2,2
1986	Q1	-1,5	8,3	-11,5	-4,7	3,2	1,3	2,0	-1,5	3,1	2,9
	Q2	8,8	-10,2	24,9	7,8	0,7	-2,9	3,7	6,8	3,1	2,7
	Q3	1,8	30,0	0,5	-6,5	8,4	5,7	2,6	1,3	1,2	3,4
	Q4	0,8	-18,3	-25,6	-1,4	2,2	-0,3	2,6	-3,7	2,3	5,0
1987	Q1	-0,2	29,1	4,5	-5,5	5,3	1,3	4,1	1,3	0,5	6,0
	Q2	7,6	14,9	9,0	-1,8	9,1	4,3	4,9	11,2	1,2	3,8
	Q3	2,3	6,6	39,6	5,8	-3,2	0,0	-3,4	-8,8	2,4	-2,9
United Kingdom (d)											
1985	Q1	9,7	-10,5	1,9	3,8	5,7	-3,1	9,0	35,4	-0,3	5,0
	Q2	1,6	-4,6	5,7	2,9	-1,4	4,3	-5,6	-27,4	-0,7	0,7
	Q3	0,4	0,7	-10,2	-3,3	3,8	-2,5	6,5	8,5	-1,9	8,9
	Q4	-0,8	11,5	8,7	-0,7	-0,1	-1,5	1,5	-6,0	3,1	3,2
1986	Q1	10,2	-7,7	-5,5	0,6	9,6	3,0	6,4	6,6	1,7	7,9
	Q2	0,2	12,4	12,7	0,2	0,0	-2,8	2,9	-8,8	-0,6	7,6
	Q3	0,0	26,0	2,9	-5,8	6,0	-1,0	7,0	18,3	-2,3	5,5
	Q4	8,2	16,5	24,9	2,0	6,0	3,4	2,6	4,3	-0,7	3,1
1987	Q1	2,9	-23,1	-2,6	6,9	-4,0	-3,5	-0,6	-4,1	-3,1	1,2
	Q2	-0,1	23,9	-5,4	-7,8	8,1	1,4	6,6	8,0	0,7	8,0
	Q3	10,4	26,3	15,4	-2,9	13,4	5,3	7,7	-0,2	6,1	10,6

(a) F.R. of Germany: GNP.

(b) Goods and services including intra-Community Trade. F.R. of Germany: including factor incomes.

(c) Change on previous period as a percentage of previous period's GDP.

(d) The GDP series for the United Kingdom present the estimates from the expenditure side at market prices. The estimates from the expenditure output and income sides at factor cost give, for the period considered, substantially different results:

GDP change estimated from the side of	1985			1986				1987		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Expenditure	1,8	-0,7	-1,1	11,4	-1,1	-1,1	8,8	3,5	-1,7	10,5
Output	5,2	-0,4	2,6	1,4	5,8	5,0	3,9	3,5	4,9	8,7
Income	7,2	0,0	-2,1	9,8	1,1	4,7	1,8	5,3	6,3	8,0
Average	4,8	-0,4	0,0	7,1	2,2	2,9	4,6	3,9	3,5	8,8

Sources: Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISTAT) and United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.

Output growth rebounds in second and third quarter. — According to estimates based on data for four of the Member States, the gross domestic product of the Community grew in the second and third quarter of 1987 by 3,7 % and 5,5 % respectively in real terms—seasonally adjusted annualised rate of growth on previous period. This represents a sharp recovery from the poor performance in the first quarter (-0,2 %). For the second quarter it reflects a marked increase in domestic demand, which was up by 6,4 %, while in the third quarter output growth was principally propelled by the foreign balance, which for the first time since the third quarter of 1985 exerted a positive effect on GDP (1,1 %), as increases in exports were more buoyant than in imports. The expansion of domestic demand in the third quarter was somewhat lower than in the second (4,1 % against 6,3 %) principally due to the sharp fall in investment from its highest quarterly rate of increase in the eighties of 12,9 % to 1,3 %, which was not totally offset by a rise in government consumption (to 4,7 % in the third quarter).

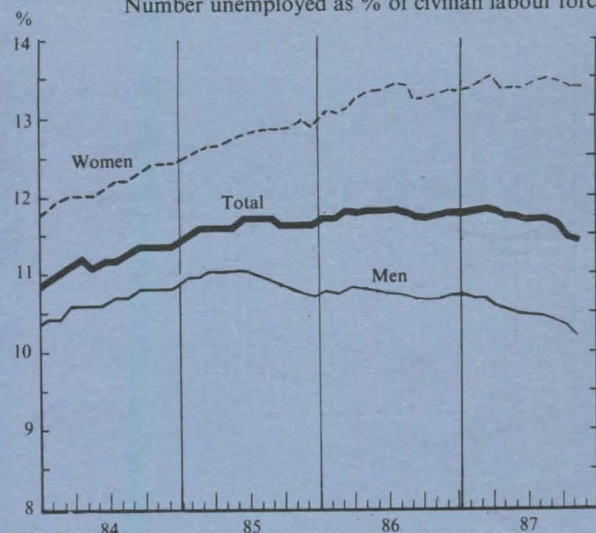
In the *Federal Republic of Germany* after falls in the previous two periods, the pace of GNP expansion recovered in the second (4,1 %) and third (5,7 %) quarter. Investment (22,1 %) and private consumption (12,8 %) boosted domestic demand in the second quarter, but they slowed down markedly in the third quarter (respectively 8 % and 4,2 %). Government consumption, on the other hand, after marking time in the second, was very buoyant in the third quarter, rising by 7,6 %, one of the highest quarterly rates of increase in the eighties. The remarkable fall in stockbuilding (-7 % seasonally-adjusted annual rate) dampened domestic demand in the second quarter, after its positive impact previously. The contribution of the foreign balance to GNP improved in both quarters in a similar way, although underlying trends in exports and imports move in opposite directions.

In *France* GDP rose by 3,4 % and 3,7 % respectively in the second and third quarter after two periods of sluggish growth. Contributory factors to these sustained growth rates were the considerable reduction in the negative impact of the foreign balance (which was even slightly positive in the third quarter, 0,2 %) and a strong performance in investment (9,2 % and 6,6 % respectively). Private consumption fell in the second quarter (-1,1 %) but recovered strongly in the third (8,4 %), while government consumption continued its moderate growth path (2,0 % in the third quarter).

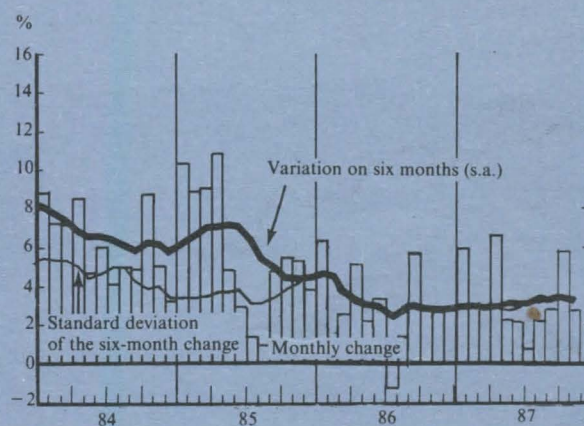
Italian GDP growth was very buoyant in the second quarter (7,6 %), but was considerably weaker in the third (2,3 %). This slowdown was recorded despite a marked recovery in the foreign balance (from -1,8 % to 5,8 % in the third quarter) due to a sharp rise in exports (39,6 %) and some weakening in imports (from 14,9 % to 6,8 %). Sluggish domestic demand (-3,2 % against 9,1 % in the second quarter), reflecting negative contributions of all components of domestic demand, except government consumption (2,4 %), depressed GDP growth in the third quarter.

Opposite developments were recorded in the *United Kingdom*. After a marginal decline in the second quarter (-0,1 %), GDP (expenditure-based measure) registered a strong rate of growth in the third quarter (10,4 %) the main features being buoyant private consumption and strong exports. Domestic demand, after falling in the first quarter, recovered strongly in the two subsequent periods (8,1 % and 13,4 % respectively), mainly due to stockbuilding and private consumption, which found their negative counterpart in high levels of import growth (26,3 % in the third quarter). Fixed investment, still characterized by erratic movements, stimulated growth considerably in the second quarter (8,0 %) but fell by 0,2 % in the next period. The fall in investment was, however, nearly completely compensated for by an increase in government consumption by 6,1 %. The foreign balance showed a sharp turnaround in the second quarter (from 6,9 % to -7,8 %) and continued to exert a negative effect in the third (-2,7 %). The smaller negative foreign impact is attributable to growth in exports (15,4 %) recovering from a decline in the first half of the year. The output-based measure of growth, considered by the authorities as the best indicator of short-term changes, grew by 4,9 % and 8,7 % in the second and third quarter.

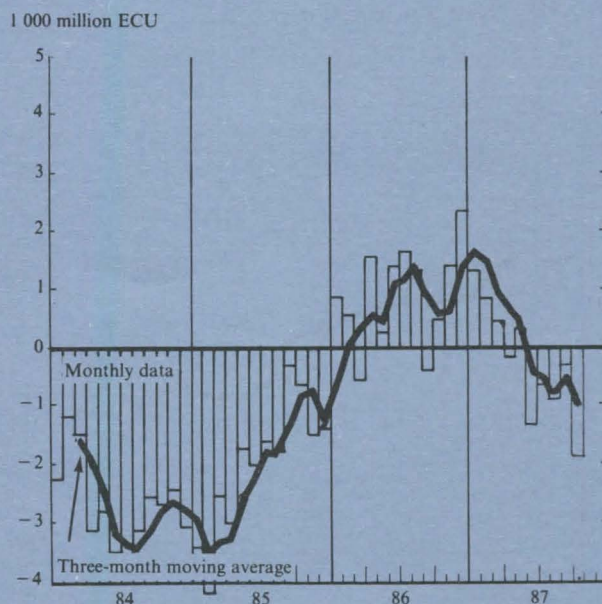
GRAPH 2: Unemployment (s.a.) EUR 12
Number unemployed as % of civilian labour force



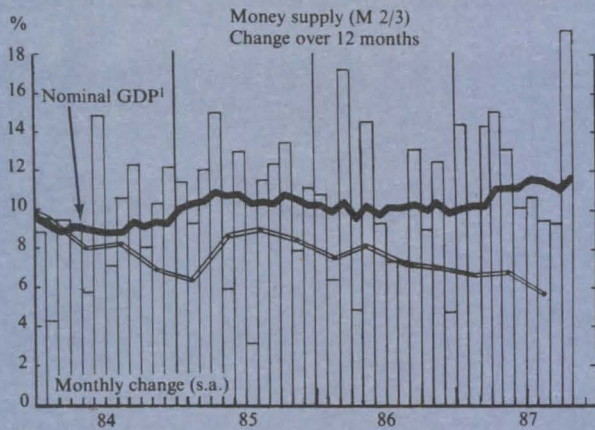
GRAPH 3: Consumer prices EUR 12
Change expressed as annual rate



GRAPH 4: Trade balance (s.a.) EUR 12

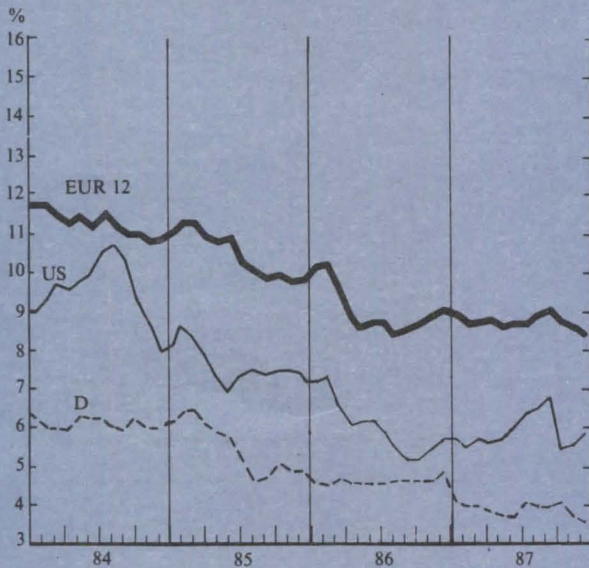


GRAPH 5: Money supply (EUR 12) and nominal GDP (EUR 4)

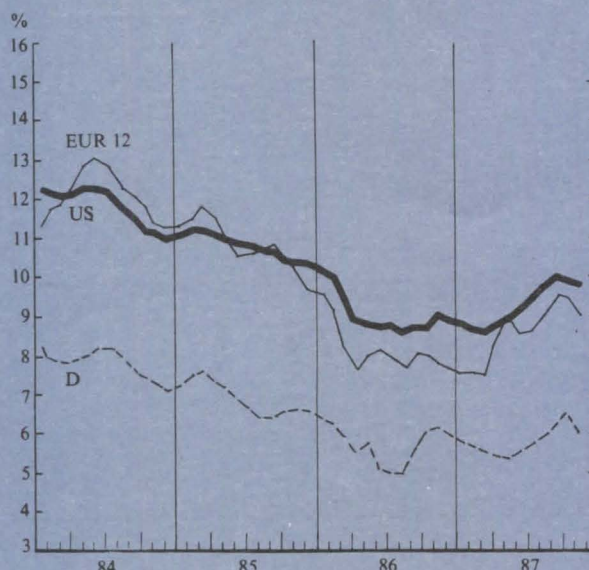


¹ Change over the same quarter of previous year.

GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



Industrial production continues to be weak in October. — The growth in the seasonally adjusted index of industrial production in the Community slowed down in October to 0,8 %, following a rise of 1,4 % in September, while the trend in Community industrial output, as reflected in the three-month moving average, was slightly upward (see graph 1). This pattern was revealed in all sectors, except in the intermediate goods sector where output growth remained unchanged, at 1 % on a monthly basis. Among Member States the situation differs, however, considerably. Industrial production recovered strongly in the Netherlands (4,9 %), doubled its growth rate in Italy (2,4 %) and rose by 0,9 % in the United Kingdom and 0,7 % in Germany, but fell in France (-1,0 %). While on a quarterly basis industrial production performance of the Member States converged in the third quarter, the level of industrial production performance on a year-to-year basis showed wide variations among member countries. In the Community, industrial production in October 1987 was 2,2 % higher than a year earlier, with strong yearly rates of growth in Ireland (8,5 %), Spain (6,5 %) and the United Kingdom (4,2 %), while slightly negative rates were recorded in France (-1,0 %) and Germany (-0,3 %) to a large extent due to weaker construction activity.

Unemployment continues at a high level. — The rate of unemployment in the Community (seasonally adjusted) diminished somewhat for the third consecutive month in November to stand at 11,4 %. The number of persons out of work at 15 869 000, was 219 000 down on a year earlier. Among the Member States declines in unemployment rates on the previous month were recorded in Belgium, where the fall has been in progress since July, France (since September), Ireland (since August), the Netherlands and the United Kingdom (since January). In the remaining countries of the Community unemployment rates remained unchanged except in Denmark and Portugal where the rate picked up to 7,9 % and 6,6 % respectively, but are still significantly below Community average. On a year-to-year basis the decline in the number of job-seekers in the Community amounted to 1,8 % and was most significant in Portugal and the United Kingdom (minus 18,5 % and 16,5 % respectively). However, rates were higher than a year earlier, in Denmark (4,4 %), Germany (3,2 %), Spain (4,6 %), Ireland (1,6 %), Italy (4,6 %) and Luxembourg (18,0 %).

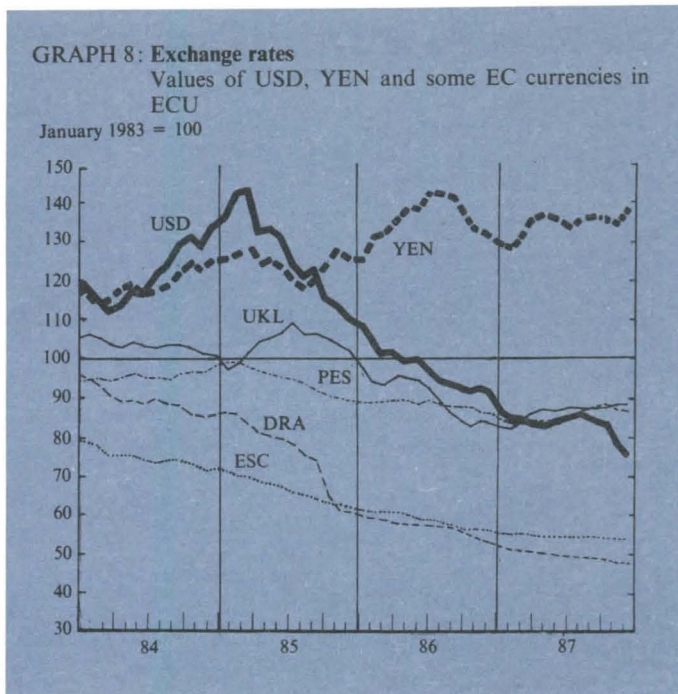
Inflation back at a low level. — The increase in the seasonally unadjusted consumer price index, after picking up in October to 0,5 % eased back to 0,2 %. This deceleration was not seasonal in nature, seasonally adjusted figures showing a slowdown from 0,4 % to 0,2 %. All Member States, except Luxembourg, where the month-to-month rate edged up to 0,2 % after being unchanged in October, contributed to the decline, with considerable improvements in Greece, Spain, Italy, the Netherlands and Portugal. The trend rate of inflation—measured as the seasonally adjusted rate of change over six months at an annual rate—was 3,3 % for the Community as a whole, 0,2 points lower than in the previous month. Due to favourable developments in the more inflation prone countries, a somewhat narrowed divergence in price changes within the Community was apparent in November. The index of consumer prices in the Community in November was 3,4 % higher than a year earlier, with annual inflation rates ranging from 0,2 % in the Netherlands to 15,3 % in Greece.

Trade deficit widens sharply in October. — The Community's deficit on visible trade (s.a.) widened sharply in October to 2 483 million ECU as exports fell more markedly than imports. This is the highest imbalance recorded since June 1985. This development is mainly due to a fall in the German surplus on the one hand and an important widening of the deficit in Spain and the United Kingdom. The trade surplus increased, however, in Ireland and the Netherlands, but not enough to compensate for the overall adverse trend. Preliminary figures for November indicate a higher surplus in Germany but this is likely to be counterbalanced by a widening in the United Kingdom deficit. The steady deterioration in the trend position of the trade balance, on the basis of a three-month moving average, since the peak reached in January 1987, being negative since June (see graph 4), appears to continue progressively. On a year-to-year basis deficits were higher and surpluses smaller in all Member States, except Ireland and the Netherlands, resulting in a wider trade imbalance for the Community as a whole.

Monetary growth sustained in October. — In October the rate of expansion of money supply in the Community doubled to 1,5 % compared with September, as monetary authorities accommodated developments in the stock and exchange markets. In this context, seasonally adjusted monthly growth rates increased from 0,1 % in September to 0,6 % in October in Germany, from 0,5 % to 1,7 % in France and from 1,4 % to 3,6 % in the United Kingdom. This implies sizeable annual growth rates of 5,9 %, 14,1 % and 21,9 % respectively, which remain outside this year's forecasts. Preliminary figures for November, however, suggest a stabilization of the rate of money creation in Germany (0,7 %) and a compensation for the previous month's expansion in the United Kingdom (0,0 %).

Interest rates continues to ease. — The downward movement of short-term interest rates noted since October for the Community as a whole, continued in December, with a fall to 8,3 %. The decline in the short-term cost of money was marginal in Belgium, Germany, France, Italy and the Netherlands, but more substantial in Greece, Spain and Ireland, and can be attributed to the concerted reduction in official rates in the first week of the month and a slowdown in inflation in the latter three countries. On a year-to-year basis short-term interest rates have fallen by -0,3 % for the Community in December, with country figures ranging from -5,1 % in Ireland to 1,0 % in Spain. Similar developments are revealed on a quarterly basis. With the drop in the fourth quarter reversing the pick-up in the third, short-term rates declined by 0,2 percentage points to 8,8 % over the year 1987. This presents the smallest absolute and relative reduction since 1982, which might indicate that short-term interest rates are progressively reaching their floor level, given monetary and financial uncertainties and conditions. Despite a slight easing in September and October, long-term interest rates for the Community as a whole remain on a higher yearly level in 1987 than in 1986, representing a steepening in the yield curve.

ECU continues to appreciate, while dollar hits post-war record low against the DM and the yen. — After having stabilized at around 1,66 DM and 132 yen in beginning of December, due to central banks' intervention, the dollar depreciated abruptly in the second week, following the announcement of a record US trade deficit for October. Central banks' intervention failed to halt the slide in the dollar in the second half of December. On January 4th the dollar was at a historical low against the DM and the yen, being traded at 1,5625 DM and 120,45 yen. Since then the dollar rebounded to around 1,67 DM, but remai-



ned under pressure in nervous markets. The more marked fall of the dollar against the yen than against the DM, was attributable to the fact that Japan did not join the concerted European interest rate moves in the first week of December, leading to a shift in speculative capital movements. The EMS was not markedly affected by the gyrations in the dollar during December, due perhaps to the concentration of the speculation on the yen/dollar rate and also to the widening of FF/DM interest rate differentials. Consequently, within the exchange-rate mechanism of the EMS there was little change in the relative position of the participating currencies. The pound sterling weakened very slightly against the dollar at the end of December after the publication of an increased trade deficit for November. The peseta, the escudo and the drachma continued to depreciate marginally against the ECU.

15 January 1988

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

	1982	1983	1984	1985	1986	1986		1987			1987					Change over 12 months % (b)			
						III	IV	I	II	III	Apr.	May	June	July	Aug.		Sept.	Oct.	
B	0	2.0	2.5	2.5	0.8	2.4	-2.2	1.1	3.0	.	3.7	2.2	-1.3	-0.4	-5.6	.	.	.	-6.3
DK	2.7	3.2	9.7	4.2	4.2	-3.4	0.9	-3.0	-1.6	0.9	-3.5	-4.6	1.5	2.6	-2.5	2.0	.	-2.8	
D	-2.9	0.6	3.0	5.7	2.1	0.7	-0.8	-1.0	1.4	0.4	1.1	0.9	-1.5	-0.8	3.9	-1.8	0.7	-0.3	
GR	1.1	-0.1	1.6	3.4	-0.2	-1.7	-0.9	-1.6	-1.0	-0.5	0.9	-1.5	-0.7	0.9	-2.0	2.8	.	1.5	
E	-1.1	2.7	0.8	2.0	3.1	-2.0	2.2	-0.6	2.6	2.3	-2.2	1.5	4.2	3.8	-9.8	6.6	.	6.5	
F	-0.5	0	2.0	1.0	1.0	1.3	-1.3	-0.3	2.3	0.6	-1.0	1.0	1.9	-1.0	0	1.0	-1.0	-0.9	
IRL	-0.9	6.6	12.4	2.3	2.7	0	3.7	-0.6	8.2	0.7	4.3	4.2	-2.3	-2.6	6.8	-2.5	.	8.5	
I	-3.0	-3.2	3.4	1.2	2.8	-0.1	1.5	-0.4	1.8	-0.8	0.9	2.3	-2.6	0.9	-1.6	1.2	2.4	1.7	
L	0.9	5.4	13.3	6.9	2.8	-2.1	-0.6	-1.4	3.0	-1.6	2.7	4.2	0.1	-1.5	-3.0	1.3	.	-0.3	
NL	-4.1	3.2	4.1	4.0	1.0	2.2	-0.9	2.8	-3.4	-0.3	-5.5	1.9	-0.9	1.0	0	-3.8	4.9	0.9	
P	4.6	1.6	-0.1	10.9	4.7	2.9	-2.1	-3.7	6.5	.	6.8	1.9	1.1	3.3	-9.7	.	.	-5.5	
UK	1.9	3.6	1.4	4.5	1.9	1.0	0.2	0.8	0.4	2.0	-0.2	0.5	-1.1	2.4	0.7	-0.7	0.9	4.2	
EUR 12	-1.2	0.9	2.3	3.4	2.0	-0.4	0.6	-0.6	1.4	0.1	-0.3	1.0	0.3	0.1	-1.6	(1.4)	(0.8)	(2.2)	
USA	-7.4	7.8	12.3	2.1	2.1	0.5	0.9	0.9	1.2	1.9	0	0.6	0.6	1.2	0.1	(0)	(0.8)	(5.5)	
JAP	0.3	3.6	11.1	4.6	-0.3	-0.3	0	1.3	-0.2	3.7	-1.6	-1.4	4.3	1.0	-1.1	(3.1)	(2.2)	(8.0)	

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

	1982	1983	1984	1985	1986	1986		1987			1987					Change over 12 months % (b)		
						III	IV	I	II	III	May	June	July	Aug.	Sept.		Oct.	Nov.
B (f)	13.0	14.3	14.4	13.6	12.5	12.3	12.4	12.4	12.4	12.2	12.4	12.5	12.5	12.1	12.0	12.0	11.9	-4.8
DK	9.3	10.1	9.9	8.7	(7.6)	7.5	7.3	7.7	7.7	7.7	7.6	7.8	7.7	(7.7)	(7.7)	(7.5)	(7.9)	(4.4)
D	6.9	8.4	8.4	8.4	8.1	8.0	7.8	8.0	8.0	8.1	8.0	8.1	8.1	8.1	8.1	8.1	8.1	3.2
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	2.8	2.7	2.7	-0.2
F	14.2	16.5	18.4	19.5	20.0	19.8	20.3	20.7	20.8	20.9	20.8	20.8	20.9	20.8	20.9	21.0	21.0	4.6
I	8.7	8.9	10.0	10.5	10.7	10.8	10.9	11.3	11.3	11.3	11.3	11.2	11.2	11.4	11.2	11.1	11.0	-0.1
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	19.3	19.2	19.1	1.6
L	9.7	11.0	12.0	12.9	13.5	13.8	13.8	13.9	13.6	14.2	13.7	13.8	14.0	14.3	14.3	14.1	14.1	4.6
NL (f)	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	1.8	1.7	1.7	1.7	18.0
P	(11.8)	(14.2)	14.5	13.3	12.4	12.2	12.0	12.0	11.9	11.9	11.9	11.8	12.0	11.9	11.9	12.0	11.9	-1.7
UK	5.7	5.6	6.7	7.7	8.3	8.3	8.3	8.2	7.2	6.5	7.3	6.8	6.5	6.5	6.5	6.5	6.6	-18.5
EUR 12	(9.4)	(10.6)	11.2	11.6	11.7	11.7	11.7	11.8	11.7	(11.6)	11.7	11.6	11.6	(11.7)	(11.6)	(11.5)	(11.4)	(-1.8)
USA	9.7	9.6	7.5	7.2	7.0	6.9	6.8	6.7	6.2	6.0	6.3	6.1	6.0	6.0	5.9	6.0	5.9	12.7
JAP (g)	2.4	2.7	2.7	2.6	2.8	2.9	2.8	2.9	3.0	2.8	3.2	3.0	2.7	2.8	2.8	2.7	2.7	-1.8

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

	1982	1983	1984	1985	1986	1986		1987			1987					Change over 12 months % (b)		
						III	IV	I	II	III	May	June	July	Aug.	Sept.		Oct.	Nov.
B	8.7	7.7	6.3	4.9	1.3	0.2	0.1	0.6	0.7	0.6	0	0.1	0.4	0.3	-0.2	-0.1	-0.3	1.5
DK	10.1	6.9	6.3	4.7	3.6	0.1	1.0	0.5	1.6	0.7	1.0	-0.1	0	0.3	0.6	0.4	(0.3)	(4.0)
D	5.3	3.3	2.4	2.2	-0.2	-0.5	-0.3	0.6	0.4	0	0.1	0.2	0	-0.1	-0.2	0.2	0	1.0
GR	21.0	20.5	18.3	19.4	23.1	2.0	5.9	3.2	5.6	0.4	0.6	2.0	-1.5	-0.5	2.2	3.1	0.7	15.3
E	14.4	12.2	11.2	8.8	8.8	2.3	1.2	1.4	0.7	1.3	-0.1	0	1.0	-0.1	0.9	0.6	-0.2	4.7
F	11.8	9.6	7.3	5.9	2.7	0.6	0.7	1.2	0.9	0.6	0.2	0.2	0.2	0.2	0.1	0.2	0.1	3.2
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	0	0	3.1
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	0.2	0.3	0.6	0.8	(0.3)	(5.3)
L	9.4	8.7	5.6	4.2	0.3	-0.3	0.2	0.2	-0.3	0	-0.1	-0.1	-0.1	0.3	0.1	0	-0.2	0.3
NL	5.7	2.7	3.2	2.3	0.3	-0.9	1.0	-1.3	0.6	0.2	0.1	-0.2	-0.1	0.2	0.5	0.5	(-0.1)	(0.2)
P	22.7	25.1	28.9	19.6	11.8	0.8	2.4	3.8	1.7	1.0	0.1	-0.3	0.3	1.1	0.3	1.2	0.4	9.3
UK	8.6	4.6	5.0	6.1	3.4	0.1	1.3	1.2	1.5	0.2	0.1	0	-0.1	0.3	0.3	0.5	0.5	4.1
EUR 12	10.7	8.6	7.4	6.1	3.6	0.4	0.8	1.0	1.0	0.4	0.2	0.2	0.1	0.2	0.2	0.5	(0.2)	(3.4)
USA	6.2	3.2	4.3	3.6	1.9	0.7	0.6	1.1	1.3	1.1	0.3	0.4	0.2	0.6	0.5	0.3	0.1	4.5
JAP	2.9	1.8	2.4	2.0	0.7	-0.5	-0.1	-0.6	1.3	-0.2	0.3	-0.2	-0.5	0.1	0.9	0	-0.4	0.8

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

	1982	1983	1984	1985	1986	1986		1987			1987					Change over 12 months % (c)		
						III	IV	I	II	III	Apr.	May	June	July	Aug.		Sept.	Oct.
B/L	-3082	-2435	-4897	-3514	146	-52	930	-108	414	-150	67	138	208	173	-199	-124	-283	-974
DK	-1866	-740	-1108	-1538	-1714	-579	-226	72	61	.	37	71	-47	.	.	.	.	84
D	21599	18501	24136	32986	53044	14718	14502	14373	13818	14132	4542	4914	4362	4846	4098	5189	4175	-330
GR	-5826	-5800	-6048	-7266	-5809	-1631	-1126	-1661	-1339	.	-389	-495	-455	-387	.	.	.	127
E	.	.	-4711	-5582	-6306	-1750	-1981	-1934	-2181	-2382	-873	-611	-698	-870	-727	-785	-1243	-471
F	-24457	-15628	-13130	-13428	-9699	-2583	-1819	-2588	-3567	-3095	-1033	-1247	-1288	-1041	-756	-1299	-1321	-459
IRL	-1574	-621	81	430	983	242	262	338	511	517	164	251	96	147	203	168	232	203
I	-12513	-8516	-13849	-16130	-2459	502	473	-1117	-2360	-1643	-468	-416	-1476	-702	-52	-889	-930	-810
NL	3500	4499	4740	3874	4161	1554	206	-470	140	289	-155	-8	303	-31	173	147	430	202
P	.	.	-3467	-2735	-1297	-329	-271	-716	-827	-781	-262	-190	-376	-219	-302	-260	-297	-198
UK	-3295	-9681	-14005	-11540	-19868	-5756	-6180	-3705	-4911	-5714	-1357	-1844	-1710	-1735	-2366	-1613	-1976	-68
EUR 12 (i)	.	.	-32258	-24444	11161	2722	4314	2832	-619	-1421	65	460	-1144	-352	(-885)	(-184)	(-1880)	(-2483)
USA (i)	-43435	-77911	-154992	-194856	-169039	-44291	-41331	-34862	-37149	-41003	-11301	-12077	-13771	-14659	-14048	-12296	-15307	-1164
JAP	7034	23072	42599	60497	84010	23688	21839	21512	16544	16184	6177	5539	4828	5495	5296	5393	5766	-1375

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

	1982	1983	1984	1985	1986	1986		1987			1987					Change over 12 months % (d)		
						III	IV	I	II	III	May	June	July	Aug.	Sept.		Oct.	Nov.
B (M2)	5.8	8.7	5.9	7.6	11.5	3.0	3.6	3.1	3.6	0.6	.	.	.	.	.	.	.	11.3
DK (M2)	11.5	25.5	17.8	15.8	8.4	0.4	3.3	-0.8	3.6	-1.1	0	3.4	-0.7	0.2	-0.6	1.0	-0.6	6.0
D (M3)	7.1	5.3	4.7	5.1	6.8	1.9	1.9	2.1	1.5	0.9	0.7	0.3	0.2	0.6	0.1	0.6	0.7	5.9
GR (M3)	29.0	20.3	29.4	26.8	19.0	4.1	4.3	5.5	5.2	6.7	0.9	2.6	2.0	2.5	2.0	1.4	.	23.9
E (ALP)	16.6	15.9	13.2	12.8	11.4	1.3	2.8	3.3	3.2	3.5	1.1	0.9	0.7	1.6	1.1	1.5	.	14.1
F (M3)	11.4	11.5	9.4	5.0	4.3	1.3	0.4	3.3	2.7	1.8	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	1.1	0.9	0	1.9	1.0	0.1	0.9	11.3
I (M2)	16.9	13.3	12.1	10.8	9.4	2.1	3.1	2.7	3.4	1.5	1.3	0.8	0.4	0.4	0.7	0.9	.	10.4
NL (M2)	(7.6)	(10.7)	(6.8)	(10.5)	4.5	1.1	2.2	-1.4	1.7	1.7	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)	(2.1)	(1.5)	(2.1)	(0.9)	(1.2)	.	.	

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

	1983	1984	1985	1986	1987	1987												Change over 12 months % (e)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B	10.5	11.5	9.5	8.0	7.0	7.5	7.4	6.8	6.7	6.8	6.8	6.7	6.7	6.7	7.2	6.9	6.8	-0.8
DK	12.0	11.5	10.0	9.1	9.9	9.2	10.7	9.6	9.4	9.3	9.6	9.5	9.3	9.4	9.5	9.3	9.3	0.1
D	5.8	6.0	5.4	4.6	4.0	4.8	4.0	3.8	4.0	3.5	3.8	4.1	4.0	4.0	4.1	3.7	3.5	-1.3
GR	16.6	15.7	17.0	19.8	15.8	18.9	23.3	13.9	19.5	14.1	13.9	11.1	8.0	19.5	17.1	15.0	14.1	-4.8
E	20.0	14.9	12.2	11.7	15.8	12.1	16.2	17.8	17.0	13.1	17.8	17.4	16.7	17.0	14.5	14.6	13.1	1.0
F	12.5	11.7	9.9	7.7	8.2	8.5	7.9	8.2	8.0	8.6	8.2	7.9	7.9	8.0	8.3	8.7	8.6	0.1
IRL	14.0	13.2	12.0	12.4	11.0	13.9	13.3	10.4	9.2	8.8	10.4	9.8	10.0	9.2	9.2	9.2	8.8	-5.1
I	18.3	17.3	15.0	12.8	11.4	11.6	10.6	11.3	12.8	11.5	11.3	11.6	13.0	12.8	12.0	11.6	11.5	-0.1
NL	5.7	6.1	6.3	5.7	5.4	6.4	5.5	5.2	5.6	4.6	5.2	5.3	5.3	5.6	5.2	4.7	4.6	-1.8
P	20.9	22.5	21.0	15.6	13.9	14.1	13.2	15.0	14.8	13.9	15.0	15.0	14.8	14.8	13.8	13.9	13.9	-0.2
UK	10.1	10.0	12.2	10.9	9.7	11.2	9.9	9.2	10.3	8.9	9.2	9.4	10.4	10.3	9.4	8.9	8.9	-2.3
EUR 12 (n)	12.0	11.2	10.4	9.0	8.8	9.1	8.8	8.8	9.2	8.3	8.8	8.8	9.0	9.2	8.8	8.5	8.3	-0.9
USA	8.7	9.4	7.5	6.0	5.9	5.8	5.8	6.0	6.8	5.9	6.0	6.3	6.5	6.8	5.4	5.5	5.9	0.1
JAP	6.5	6.3	6.5	5.0	3.9	4.3	4.0	3.7	3.9	3.9	3.7	3.7	3.7	3.9	4.0	3.9	3.9	-0.4

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

	1982	1983	1984	1985	1986	1987												Change over 12 months % (e)
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B	13.4	11.8	12.0	10.6	7.9	7.4	7.7	7.6	7.8	8.3	7.8	7.8	7.6	7.8	8.3	8.3	8.0	0.6
DK	20.5	14.4	14.0	11.6	10.5	11.1	11.6	12.1	11.6	12.3	11.7	11.6	11.8	11.5	12.3	12.6	11.9	0.2
D	8.9	7.9	7.8	6.9	5.9	5.8	5.9	5.6	5.6	6.2	5.4	5.6	5.8	6.0	6.2	6.5	6.0	-0.1
GR	15.4	18.2	18.5	15.8	15.8	13.6	14.7	17.5	16.2	17.1	18.1	16.2	:	:	17.1	:	:	3.5
E	16.0	16.9	16.5	13.4	11.4	11.1	10.4	10.9	13.2	14.3	13.4	13.2	13.6	13.7	14.3	14.2	13.4	3.1
F	15.6	13.6	12.5	10.9	8.4	7.8	8.9	8.5	9.4	10.5	8.9	9.4	9.5	9.8	10.5	10.0	9.9	1.2
IRL	17.0	13.9	14.6	12.7	11.1	12.5	13.0	11.2	10.9	11.3	11.2	10.9	11.8	11.9	11.3	11.0	10.2	-3.3
I	20.9	18.0	14.9	14.3	11.7	10.6	10.2	10.2	11.1	12.3	10.7	11.1	11.5	12.0	12.3	12.4	12.7	2.3
L	10.4	9.8	10.3	9.5	8.7	8.5	8.1	8.2	8.2	8.1	8.1	8.2	8.1	8.0	8.1	8.0	7.5	-1.0
NL	10.5	8.8	8.6	7.3	6.4	6.0	6.4	6.2	6.3	6.8	6.1	6.3	6.4	6.6	6.8	7.0	6.4	0.1
P	25.3	30.4	32.5	25.4	17.9	15.6	16.0	15.4	15.4	15.9	15.1	15.4	15.3	15.3	15.9	15.8	15.7	0.7
UK	12.7	10.8	10.7	10.6	9.8	10.6	10.3	9.1	9.1	10.0	8.8	9.1	9.7	10.1	10.0	9.3	9.3	-1.5
EUR 12 (n)	14.4	12.8	12.1	10.8	9.1	8.8	8.9	8.6	9.1	10.0	8.9	9.1	9.4	9.7	10.0	9.9	9.8	0.8
USA	12.2	10.8	12.0	10.8	8.1	8.1	7.7	7.6	8.6	9.6	9.0	8.6	8.7	9.0	9.6	9.5	9.0	1.2
JAP	8.3	7.8	7.3	6.5	5.2	5.7	5.2	4.4	4.6	7.0	3.7	4.6	5.3	5.6	7.0	5.4	5.2	-0.3

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

	1983	1984	1985	1986	1987	1987												Change over 12 months % (b)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
BFR/LFR	45.43	45.44	44.91	43.80	43.04	43.29	42.86	43.04	43.07	43.18	43.01	43.05	43.06	43.09	43.21	43.16	43.18	-0.2
DKR	8.13	8.14	8.02	7.94	7.88	7.86	7.81	7.82	7.94	7.96	7.81	7.88	7.95	7.99	7.97	7.96	7.95	1.2
DM	2.27	2.24	2.23	2.13	2.07	2.08	2.07	2.08	2.07	2.07	2.07	2.08	2.07	2.07	2.07	2.06	2.06	-0.8
DR	78.1	88.4	104.8	137.3	156.1	143.5	151.1	154.4	157.4	161.9	155.4	156.4	157.2	158.5	159.8	162.3	163.5	11.5
PTA	127.4	126.5	129.0	137.5	142.2	139.8	145.0	145.0	140.5	138.4	144.1	142.6	140.2	138.9	136.6	138.8	139.8	-0.6
FF	6.77	6.87	6.79	6.80	6.93	6.82	6.89	6.93	6.92	6.98	6.93	6.91	6.92	6.93	6.93	7.01	7.00	2.4
IRL	0.715	0.726	0.715	0.733	0.775	0.765	0.775	0.776	0.775	0.776	0.775	0.775	0.775	0.776	0.775	0.776	0.776	1.6
LIT	1349	1381	1447	1462	1495	1443	1469	1494	1502	1514	1501	1503	1502	1500	1500	1520	1521	5.4
HFL	2.54	2.52	2.51	2.40	2.33	2.35	2.33	2.34	2.34	2.33	2.34	2.34	2.34	2.33	2.33	2.32	2.32	-1.3
ESC	98.2	115.6	130.0	146.9	162.5	154.0	159.4	161.4	162.8	166.6	161.9	162.4	162.6	163.5	164.4	166.9	168.5	8.6
UKL	0.587	0.591	0.589	0.670	0.705	0.727	0.730	0.700	0.698	0.692	0.700	0.698	0.699	0.696	0.693	0.691	0.691	-5.0
USD	0.890	0.788	0.759	0.983	1.154	1.038	1.124	1.150	1.128	1.213	1.141	1.124	1.116	1.145	1.152	1.227	1.264	21.0
YEN	211.3	187.0	180.4	165.0	166.5	166.5	172.2	164.0	165.8	164.3	164.9	168.9	164.7	163.9	165.0	166.0	162.0	-4.4
DTS	0.833	0.767	0.749	0.838	0.892	0.842	0.859	0.895	0.889	0.884	0.887	0.885	0.879	0.887	0.889	0.909	0.914	5.6

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

	1983	1984	1985	1986	1987	1987												Change over 12 months % (b)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B/L	-2.8	-2.2	0.9	5.5	4.1	1.6	2.4	-0.6	-0.3	0.6	-0.1	-0.2	-0.3	0.2	-0.2	1.1	0.2	2.7
DK	-0.6	-3.7	1.2	6.3	4.2	2.6	2.5	-0.6	-1.9	1.1	-0.3	-0.9	-1.3	-0.2	0.4	1.6	0.5	2.0
D	4.0	-1.6	0.3	10.7	6.9	2.9	3.0	-0.7	-0.3	1.8	-0.2	-0.2	-0.2	0.3	0.1	2.2	0.3	5.1
GR	-18.1	-14.4	-15.9	-21.3	-9.9	-3.2	-3.5	-2.2	-2.2	-1.8	-0.6	-0.7	-0.8	-0.6	-0.7	-0.4	-0.5	-9.9
E	-17.2	-2.4	-2.3	-1.5	0.2	-0.9	-1.7	-0.1	2.9	3.0	0.7	0.9	1.4	1.4	1.8	-0.2	-0.4	4.1
F	-7.1	-4.8	1.1	4.5	1.1	1.9	0.9	-0.8	-0.2	0.3	-0.1	0.2	-0.6	0.2	0.0	0.2	0.5	0.5
IRL	-4.1	-4.2	1.2	3.7	-2.1	-0.8	0.4	-0.9	-0.3	1.0	0.0	-0.2	-0.3	0.2	0.2	1.0	0.3	0.8
I	-3.8	-5.9	-5.2	3.7	1.1	2.0	0.1	-2.0	-0.9	0.5	-0.4	-0.2	-0.3	0.6	0.1	0.1	0.3	-1.9
NL	2.0	-1.6	0.3	7.7	5.1	2.0	2.1	-0.4	0.0	1.3	0.0	-0.1	-0.2	0.3	0.1	1.5	0.2	3.7
P	-21.1	-17.4	-11.5	-7.8	-7.1	-2.2	-1.9	-1.5	-1.3	-1.4	-0.5	-0.4	-0.4	-0.3	-0.5	-0.4	-0.6	-6.5
UK	-7.0	-4.7	-0.2	-7.3	-1.0	-5.6	2.1	4.4	-0.1	2.8	-1.0	0.1	-0.5	0.9	0.6	2.3	0.5	10.1
EUR 12	-8.5	-9.3	-1.9	9.6	7.0	2.1	4.2	-0.5	-0.6	3.3	-0.6	-0.1	-0.9	1.0	0.6	3.2	0.6	8.2
USA	5.7	7.8	4.1	-19.1	-12.1	-0.3	-5.8	-3.4	1.6	-5.8	1.7	1.6	-0.2	-2.3	-0.4	-4.4	-3.0	-16.7
JAP	10.9	5.8	3.0	27.2	8.2	-3.8	1.0	5.9	-2.2	5.1	-2.1	-3.2	2.1	1.8	-0.3	3.2	4.0	15.3

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 I 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 — December 1987

Community (EUR)

7.12 The Council (Economic and Financial Affairs) approved the Annual Economic Report 1987-1988, which the Commission had drawn up in mid-October. Because of financial events which have arisen since then, a preamble has been added indicating that forecasts included in the report should be revised and stressing that Member states should adapt in the course of the first quarter of 1988 the economic policy guidelines defined in the report as necessitated by the economic trends.

Belgium (B)

8.12 The central bank cuts the interest rates on two- and three-month Treasury certificates to 6.75%.

Denmark (DK)

9.12 The Centralbank lowers its money market intervention rate by one and a half percentage point to 9%, but keeps the discount rate unchanged.

17.12 Parliament adopts a number of measures aimed at improving competitiveness and the level of employment.

- The reimbursement of VAT on exports will be brought forward and taxes on activities related to export promotion or research will be reduced.
- Employers' contributions to the unemployment scheme, prepension scheme, wage guarantee fund, labour market training scheme and apprentice reimbursement scheme will be discontinued. The costs amounting to DKR 5 838 per person employed full-time (totalling some DKR 12 billion on annual basis) will be partly offset by a 2 1/2% levy on the VAT base (yielding an estimated DKR 9 billion annually). Furthermore, employers will be paid the equivalent of DKR 5 000 per person employed full-time in the form of reduced contributions to the labour market pension scheme and employees' sickness scheme (i.e. shorter financial obligation during absence).
- As from 1 July 1988 old age pensions will be increased by approximately 5% and daily allowances related to unemployment, sickness or early retirement schemes by 10%.
- Other measures taken will increase subsidies for labour market training schemes, research, social construction. Labour market funds may increase their stake in corporate firms. The government and the social partners will monitor wage developments and prepare for an extension of pension schemes on the labour market in 1989.

17.12 The amended draft budget for 1988 is adopted by Parliament. Central government revenue is expected to grow by 2.3% to DKR 260.6 billion in 1988, while government expenditure could rise by 4.7% to DKR 209.0 billion. Net interest payments on the government debt could, however, attain DKR 54.1 billion and the balance consequently show a deficit of DKR 2.5 billion or 0.3% of GDP.

Federal Republic of Germany (D)

2.12 The Federal Government decides upon measures to stimulate public and private investment as follows:

- The Bank for Reconstruction (Kreditanstalt für Wiederaufbau — KW) is authorized to increase its loans by a total of DM 21 billion over the next three years for the purpose of investment by municipalities (15 billion) and investment in small and medium sized firms (6 billion).
- The Federal Government will provide DM 200 million annually for additional interest rate subsidies for the KW loans to the municipalities; the loans to SMEs will be made at the ordinary KW rates which are below market rates.
- Federal Postal Authority (Bundespost) is allowed to increase its investments in 1988 to DM 20 billion (instead of 18.5 billion).

3.12 The Central Bank Council of the Bundesbank decides to reduce the discount rate by 0.5 point to 2.5%. This is the lowest discount rate in the history of the Federal Republic.

Greece (GR)

27.11 The Governor of the Bank of Greece decides to allow the commercial banks to determine the interest rate on medium and long term investment loans.

10.12 The new Minister for Economic Affairs announces the following measures:

- The taxation of firms' export earnings in the financial year 1988 will be cut by 50%.
- Profits from the financial year 1987 which are ploughed back into firms in 1988 will be exempt from 50% of the tax on incomes.
- The tax allowance for dividend income is increased by 67%.
- Firms' land and buildings are revalued at market prices. The additional value will be taxed by only 5%.
- The system under which a 3% tax exemption is granted in respect of exporting firms' costs not supported by documentary evidence is extended to 31 December 1989.
- The arrangement under which tax relief is granted for company mergers, which was due to expire on 31 December 1987, is extended until 31 December 1991.
- Export earnings for the financial year 1986 will be exempt from the extraordinary levy on profits imposed under the 1988 budget.

Spain (E)

4.12 The Bank of Spain reduces the interest rate on its loans to financial institutions by half a percentage point to 14%. This rate was cut by a further half-point on 23 December.

14.12 The Cabinet adopts the regional aid regulation which provides for reductions of up to 50% in social security contributions for investment in backward areas, depending on the number of jobs created.

30.12 The Government reduces deductions at source for 1988. This measure will chiefly affect incomes of under PTA 2 million.

30.12 The Cabinet approves the 4.5% increase in the minimum wage for 1987.

France (F)

3.12 The Bank of France lowers its two key rates by a quarter of a point: the rate for tenders is cut from 8% to 7.75% and the rate for seven-day sale and repurchase agreements from 8.50% to 8.25%.

7.12 According to the amending Finance Law presented to Parliament, the budget deficit for 1987 stands at FF 129 200 million.

7.12 The Government tables an amendment to the amending Finance Law for 1987, relaxing the tax rules governing the setting-up of commercial operations in other countries. This reform, which will enter into force on 1 January 1988, introduces two different tax systems, depending on whether the investment will be made within the European Community or outside it.

9.12 The Government increases pensions for 1988 by 3.9%. With an increase of 2.6% on 1 January 1988 and of 1.3% on 1 July, pensioners should enjoy an increase in their purchasing power in 1988, unlike 1987 when pensions went up by 2.8% while inflation was around 3.3%.

10.12 The Minister for Economic Affairs and Finance decides on a package of measures to stimulate saving: the equity savings plan (compte d'épargne en actions) is extended by one year; the maximum amount individuals investing in the retirement savings plans (Plan d'épargne retraite) can claim against their income taxes is raised from FF 12 000 to FF 16 000 for couples and from FF 6 000 to FF 8 000 for single persons; and lastly members of the same family will be able to amalgamate their equity accounts into a single account without rights to the allocation of free shares being affected.

16.12 The Cabinet adopts a number of measures concerning the social security system. The new provisions include the decision to devote part of the health insurance budget to the creation of a National Fund for preventive medicine which will promote education and information on health matters. Secondly, the complete separation of the four budgets (health insurance, industrial accident, old age pensions and family allowances) is reaffirmed. Lastly, employers will no longer be allowed to dismiss employees who have reached retirement age, and those who wish will be able to go on working part-time while drawing part of their retirement pension.

18.12 Parliament adopts a change in the construction code reducing to 0.72% of the wage bill the employers' compulsory contribution to house-building. In 1986 this contribution was reduced from 1% to 0.77% of the wage bill.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

3.12 The Nederlandsche Bank lowers the discount rate and the rate for advances by 0.25 of a point. These rates had earlier been reduced by 0.25 of a point on 4 and 25 November 1987, and now stand at 3.75% and 4.25% respectively.

1.1.1988 The freeze on the level of the minimum wage and on social security allowances is extended for the fifth year in succession. However, family allowances are increased by an average of 6%.

Portugal (P)

4.12 The Government increases the 'administered' prices of certain goods and services by between 4% and 6%: urban transport, electricity, telephone, bread, etc.

11.12 The Government increases by between 11.3% and 14.7% the social security allowances for dependent children, marriage, birth, etc. Two and a half million persons benefit from this measure which will cost the budget an additional ESC 7 000 million.

22.12 The Government increases the minimum wage by 8% in industry, 10.7% in agriculture and 11.4% for domestic services. For young people of less than 18 years of age, the minimum wage is 75% of the basic minimum wage for the same occupation.

United Kingdom

4.12 As part of a concerted round of interest rate cuts by seven European countries, the United Kingdom authorities prompt a 0.5 point cut in bank rates to 8.5%

Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
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