

EUROPEAN ECONOMY

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

Supplement A — No 4 — April 1988

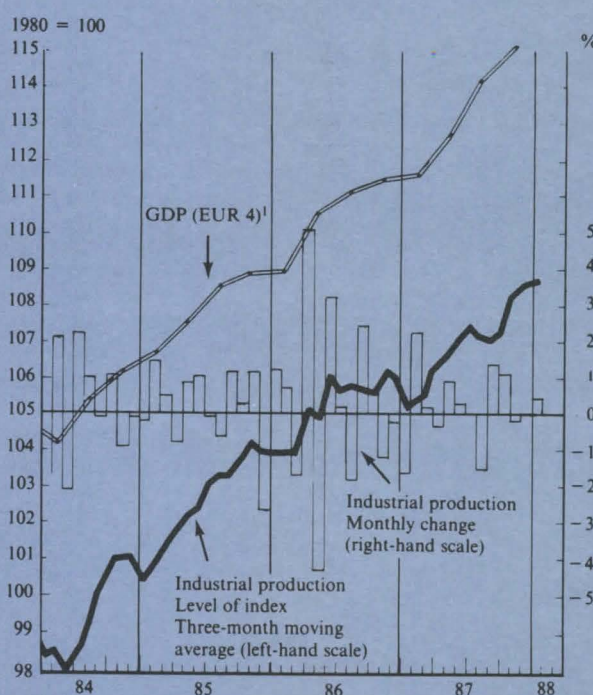
*In this number:
Quarterly national accounts:
fourth quarter 1987*

Recent economic trends

THE MAIN POINTS IN BRIEF

- Output growth in the second half of 1987 has turned out to be stronger than expected in the Community, mainly due to buoyant private consumption and investment. Compared with the high growth rates of the third quarter, output growth weakened in the fourth. The strongly negative contribution of the foreign balance accounted almost completely for the growth deceleration, while domestic demand continued to expand at a sustained level.
- The trend in industrial production which picked up towards the end of 1987 continued to show an expansion in output in January, equivalent to almost 5 % per annum. Recent statistics on consumer prices indicate a very small upturn in the trend in inflation from its current low level. Interest rates in the Community continued their downward trend since they peaked in September 1987.

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	Q2	-3.4	5.8	-1.9	-2.0	-1.5	-1.0	-0.5	-7.8	2.8	1.0
	Q3	4.0	4.0	12.5	2.1	1.8	0.1	1.7	7.1	1.2	0.0
	Q4	4.0	11.2	13.5	0.7	3.3	0.8	2.5	2.9	3.7	1.9
1985	Q1	2.1	2.6	2.2	-0.1	2.2	-0.7	3.0	2.3	0.3	4.1
	Q2	2.9	-3.3	3.2	1.7	1.1	0.3	0.8	-2.8	2.6	1.6
	Q3	3.7	4.5	-0.7	-1.3	5.2	-0.2	5.4	5.2	2.5	6.5
	Q4	0.4	6.9	1.7	-1.3	1.7	-0.5	2.2	-0.3	3.6	2.6
1986	Q1	1.5	-1.4	-5.4	-1.1	2.7	0.4	2.2	-2.6	0.2	4.5
	Q2	5.7	18.2	13.8	-0.9	6.8	0.0	6.7	10.5	3.9	6.4
	Q3	1.7	7.8	-0.8	-2.2	4.0	1.3	2.7	0.6	2.5	3.4
	Q4	3.3	-3.3	-2.5	0.2	3.1	0.7	2.5	4.5	1.2	2.2
1987	Q1	0.0	3.7	-1.6	-1.5	1.5	0.8	0.6	-4.4	0.9	2.3
	Q2	2.6	13.5	3.5	-2.5	5.1	-0.8	6.0	12.5	2.2	5.2
	Q3	5.8	11.3	15.7	1.0	4.8	0.1	4.7	2.5	3.4	5.8
	Q4	2.4	12.6	5.1	-2.0	4.4	0.9	3.6	5.4	2.0	3.4
Federal Republic of Germany											
1985	Q2	2.6	-5.1	3.3	2.6	-0.1	-4.2	4.4	10.9	4.7	2.1
	Q3	7.4	8.7	8.2	0.4	7.6	0.8	6.6	6.3	4.7	7.5
	Q4	-1.3	-3.1	-12.3	-3.6	2.5	0.3	2.1	3.0	4.1	1.1
1986	Q1	-1.3	-4.8	-2.4	0.6	-2.0	-0.8	-1.2	-10.1	-4.4	3.5
	Q2	9.3	38.6	15.1	-4.9	15.5	1.6	13.5	26.3	7.8	11.3
	Q3	2.4	-14.6	-5.1	3.0	-0.6	-0.1	-0.5	-8.4	5.6	0.4
	Q4	-0.3	9.0	-4.9	-4.1	4.2	2.5	1.4	8.7	-2.9	0.5
1987	Q1	-2.0	0.0	-4.1	-1.6	-0.7	2.9	-3.7	-15.9	0.5	-0.5
	Q2	2.8	9.9	7.1	-0.5	3.5	-6.1	10.3	21.8	1.5	9.7
	Q3	5.7	0.6	5.7	1.7	4.1	0.7	3.4	4.4	4.5	2.6
	Q4	2.9	19.6	9.9	-2.3	5.5	2.9	2.4	-1.9	0.0	4.9
France											
1985	Q2	3.5	2.1	7.3	1.2	2.3	1.2	1.1	6.3	3.1	-1.2
	Q3	4.1	15.2	-5.3	-4.4	8.9	2.7	6.0	9.9	3.2	5.7
	Q4	0.3	5.1	4.3	-0.2	0.4	-1.5	1.9	-3.9	3.7	3.3
1986	Q1	0.6	-7.6	-6.5	0.2	0.3	-2.7	3.1	1.9	1.7	3.9
	Q2	4.7	36.4	1.7	-6.8	11.9	6.5	5.0	11.9	3.1	3.4
	Q3	1.6	9.2	4.2	-1.2	2.8	0.3	2.5	-1.9	2.6	3.9
	Q4	1.2	-16.6	-6.3	2.8	-1.6	-2.1	0.4	1.3	1.6	-0.2
1987	Q1	-0.5	15.0	-3.0	-4.0	3.5	1.8	1.7	-2.1	2.4	2.8
	Q2	4.0	5.7	-0.4	-1.4	5.4	4.3	1.0	7.4	1.5	-1.1
	Q3	4.0	13.3	16.3	0.3	3.6	-3.3	7.1	8.5	2.2	8.2
	Q4	1.5	8.8	12.7	0.6	0.9	-2.2	3.1	5.0	1.8	2.9
Italy											
1985	Q2	3.1	0.2	-4.5	-1.1	4.1	1.0	3.2	-0.4	3.1	4.5
	Q3	2.2	-5.5	2.2	1.8	0.4	-2.0	2.4	-2.4	4.0	3.8
	Q4	3.5	20.8	21.9	-0.1	3.6	0.4	3.2	4.0	3.3	2.9
1986	Q1	-0.9	8.8	-11.7	-4.9	4.0	2.7	1.2	-5.3	3.8	2.9
	Q2	7.7	-10.4	26.7	8.1	-0.6	-5.5	5.0	11.9	3.1	3.2
	Q3	3.9	26.7	-1.2	-6.1	10.2	6.8	3.1	0.4	0.5	4.8
	Q4	1.4	-18.2	-21.2	-0.3	1.7	-2.6	4.3	2.2	3.8	5.2
1987	Q1	1.9	30.3	5.1	-5.5	7.3	1.9	5.5	7.4	4.8	5.0
	Q2	4.8	14.8	12.6	-1.0	5.6	-1.5	7.2	16.5	3.8	5.0
	Q3	3.9	5.9	36.4	5.6	-1.7	-1.9	0.1	-7.6	3.7	2.1
	Q4	0.8	18.9	-10.9	-7.3	8.1	6.1	2.0	4.8	0.6	1.5
United Kingdom (d)											
1985	Q2	2.4	-8.0	5.7	3.9	-1.6	4.0	-5.5	-27.5	-0.7	0.9
	Q3	0.6	-0.1	-10.7	-3.2	3.9	-2.5	6.6	8.4	-1.9	9.0
	Q4	-0.5	10.3	7.2	-0.7	0.3	-1.4	1.6	-5.4	3.1	3.3
1986	Q1	8.4	-0.3	-3.4	-0.9	9.5	3.0	6.2	6.4	1.7	7.7
	Q2	0.8	8.9	12.9	1.1	-0.3	-3.1	2.9	-10.7	0.7	7.8
	Q3	-1.1	24.2	1.9	-5.7	4.7	-1.3	6.1	17.9	0.6	4.8
	Q4	12.2	8.8	21.9	3.4	8.6	4.5	3.9	5.4	3.7	3.5
1987	Q1	1.2	-18.0	-1.8	5.2	-3.9	-3.8	-0.2	-4.3	-3.3	2.0
	Q2	-1.2	24.0	-4.4	-7.5	6.5	1.1	5.4	2.0	2.3	7.3
	Q3	9.8	28.7	14.5	-3.7	13.8	4.8	8.6	7.0	3.3	10.7
	Q4	4.2	3.1	6.4	0.9	3.2	-3.5	6.9	17.4	5.7	4.5

(a) FR of Germany: GNP.

(b) Goods and services including intra-Community trade. FR 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:

	1985				1986				1987			
GDP change estimated from the side of	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Expenditure	-0.7	-0.7	9.0	-0.4	-2.1	13.5	1.4	-2.7	8.6	4.9		
Output	-0.7	2.6	1.4	5.5	4.7	3.9	3.1	6.0	7.6	4.0		
Income	0.0	-0.7	9.4	1.4	3.9	3.5	6.7	6.3	6.5	0.0		
Average	-0.7	0.4	6.7	2.2	2.1	6.9	3.9	3.1	7.7	2.7		

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.

QUARTERLY NATIONAL ACCOUNTS

Output growth in second half of 1987 more buoyant than expected, it marks time in the fourth quarter.—As the preliminary figures for the fourth quarter of 1987 are available, an examination of the data for the four quarters indicates that output performance in the Community in 1987 was better than expected. The observation is based on quarterly national accounts data for the four major Member States, which together represent about 77 % of GDP in the Community. The unexpectedly favourable performance occurred mainly in the third quarter when Community output grew at 5,8 % in real terms — seasonally adjusted annualised rate of growth on previous quarter. In the fourth quarter output growth slowed down to 2,4 %. During the second half of 1987 output growth reached 4,1 % on an annual basis, which is markedly higher than previous forecasts, as is depicted below.

TABLE 2: Comparison of forecasts and outcomes of real growth of GDP in second half of 1987 (annualised rates)

	May 1987	September 1987	Actual outcome
F.R. Germany	2,9	3,0	4,3
France	3,5	2,1	3,4
Italy	3,4	3,6	3,3
United Kingdom	3,5	3,7	5,6
EUR 4	3,3	3,1	4,1

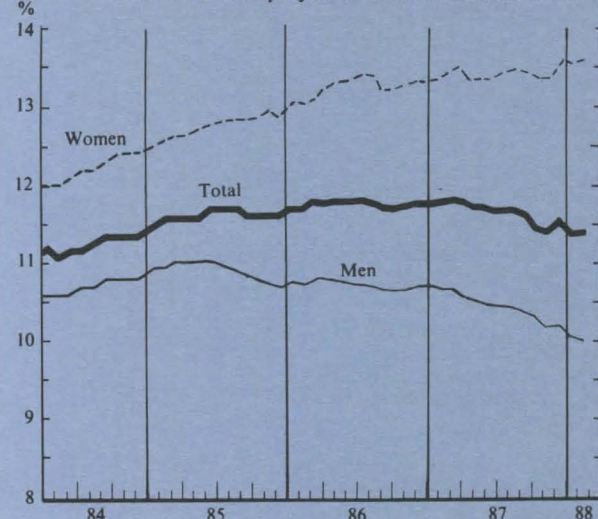
In both Germany and the United Kingdom, the forecasts significantly underestimated the eventual outcome — the growth rate of GDP in both countries was one and a half times the estimated figure. The September revision for France proved to be too pessimistic while in Italy, the expectations of buoyant growth have not been fully realized.

A detailed comparison of the forecasts with the actual figures indicates that in general the main causes lie in more buoyant growth than expected in private consumption and investment. The relative importance of the contributory factors differs, however, among the Member States. In the United Kingdom all components of domestic demand seemed to have fuelled the unexpectedly high output growth. On the other hand, the foreign balance made a larger than expected negative contribution to GDP, as the upsurge in domestic demand led to rapidly rising imports, which were not matched by increases in exports. Investment and private consumption accounted mainly for higher than expected output growth in France. In Germany the negative contribution of stockbuilding was considerably less important than expected, while the rate of increase in investment was buoyant but lower than forecast. The relatively disappointing growth performance in Italy mainly stemmed from an unexpected weakening in investment (which occurred in the third quarter) and depressed private consumption.

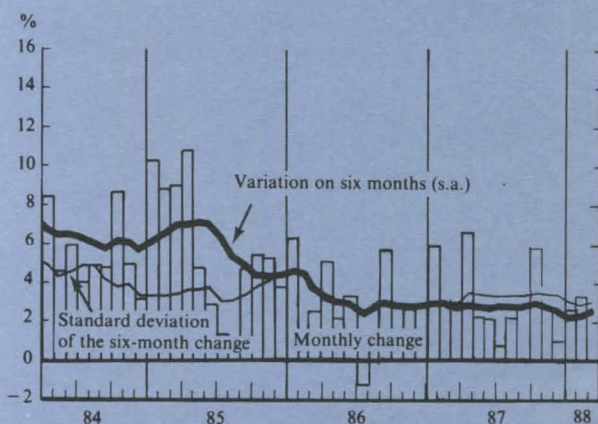
The slowdown in the pace of GDP expansion for the Community to 2,4 % in the fourth quarter was mainly attributable to a marked deceleration in the growth of exports (5,1 % against 5,7 % in the third quarter) giving rise to a substantial turnaround in the foreign balance (– 2 percentage points), as import growth remained high at 12,6 %. Domestic demand, on the other hand, still grew quite rapidly (4,4 %), with investment, in particular, accelerating to 5,4 %. Although the slowdown in GDP growth occurred in the four Member States, significant differences emerge in the relative importance of the contributory factors.

In the Federal Republic of Germany gross national product grew by 2,9 % after a 5,7 % increase in the third quarter. The weakening in output growth was completely due to developments in the foreign balance. Exports accelerated somewhat in the fourth quarter (9,9 %) but imports took off very rapidly (19,6 %). As a result, the contribution of the foreign balance to GNP turned substantially negative (– 2,3 percentage points). Domestic demand was the main source of growth. Stockbuilding and private consumption added markedly to the expansion. Whereas investment remained strong or accelerated in the other countries, it fell in Germany (– 1,9 %).

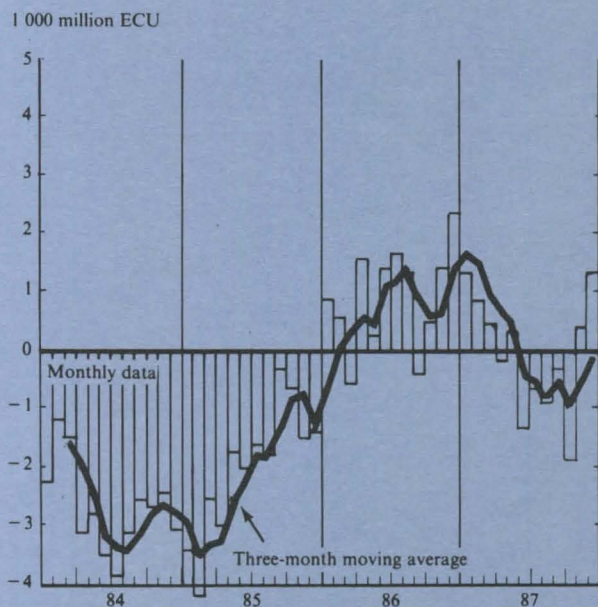
GRAPH 2: Unemployment (s.a.) EUR 12
Number unemployed as % of civilian labour force



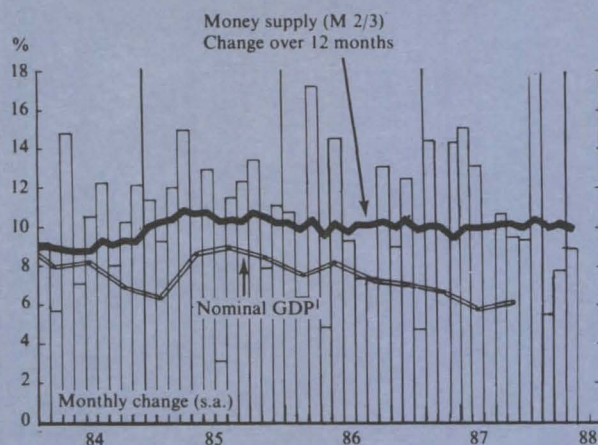
GRAPH 3: Consumer prices EUR 12
Change expressed as annual rate



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

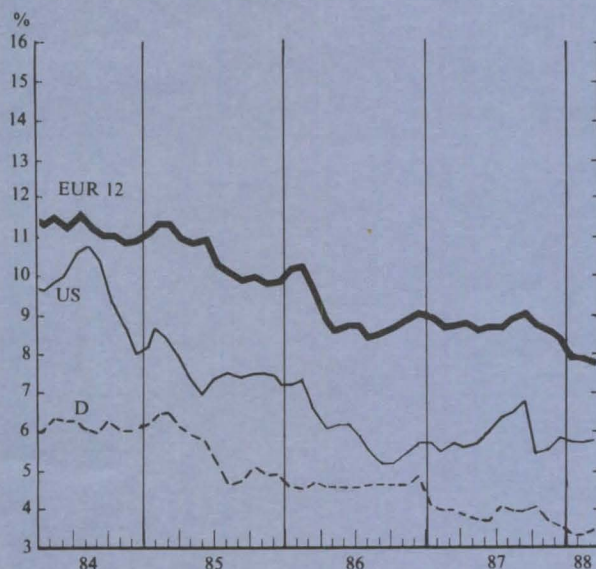


GRAPH 5: Money supply (EUR 12) and nominal GDP (EUR 4)

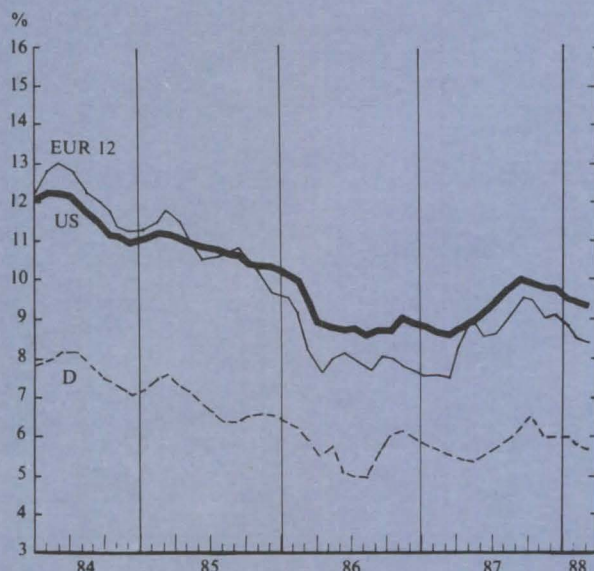


¹ Change over the same quarter of previous year.

GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



The rate of growth of real GDP also slowed down in France 1,5 % after sustained growth in the previous 6 months. While the contribution of the foreign balance to GDP continued to improve slightly, all components of final domestic demand recorded a substantial deceleration, in particular investment and private consumption. Withdrawals from stockbuilding continued to exert a negative influence on domestic demand (-1 percentage points).

In Italy output growth was marking time in the fourth quarter (0,8 %) despite a very strong recovery in domestic demand (8,1 %). Stockbuilding was particularly strong, contributing 6,1 percentage points to GDP, but its negative counterpart was to be found in the rapid rise in imports (18,9 %) which, taken together with a pronounced fall in exports (-10,9 %), meant that the foreign balance (-7,3 percentage points) depressed the overall rise in GDP.

In the United Kingdom buoyant growth of GDP (expenditure-based measure) in the third quarter (9,8 %) was more than halved in the fourth quarter, but remained strong (4,2 %). Imports decelerated significantly (3,1 %) after two quarters of strong increases, while exports slowed down less significantly (6,4 %) resulting in a small positive effect of the foreign balance (0,9 percentage points) on GDP, after two successive marked negative contributions in the second and third quarter. Notwithstanding the expansion of both gross fixed investment and government consumption in the fourth quarter (17,4 % and 5,7 % respectively), domestic demand slowed down because of a marked withdrawal from stocks (-3,5 %). The output-based measure of growth, considered by the authorities as the best indicator of short-term changes, also indicates a slowdown in output growth from 7,6 % in the third quarter to 4,0 % in the fourth.

RECENT ECONOMIC TRENDS

Trend in industrial production continues to improve.—The seasonally adjusted index of industrial production was 5,0 % higher in January 1988 than in the same month of 1987. Luxembourg recorded the largest increase (16,1 %), followed by Ireland (7,9 %) and Italy (7,2 %). The growth in output in Germany, Greece, Spain and the United Kingdom was somewhat weak and ranged from 2,1 % to 3,9 %. In Denmark and Portugal, on the other hand, output was marginally lower than in January 1987, -0,8 % and -0,1 %, respectively, while the decrease in production in the Netherlands was more substantial, -8,5 %. Seasonally adjusted output was 0,5 % higher in January than in December, while the seasonally adjusted three month moving average figure showed a further small improvement.

No change in unemployment.—The seasonally adjusted rate of unemployment in the Community remained at 11,4 % in February, 0,3 percentage points lower than the same month a year ago. The biggest declines over the year were achieved by the United Kingdom (-2,1 percentage points) and Portugal (-1 percentage points). Belgium also recorded a small improvement, whereas Italy's unemployment rate in February was 0,7 percentage points higher than twelve months previously.

Balance of trade.—Statistics up to the end of January have only been received for Germany, France, Ireland and the United Kingdom. The results indicate a substantial improvement in France where the seasonally adjusted deficit of almost 1 000 million ECU in December fell to just under 200 million ECU. The surplus in Germany declined somewhat in relation to December and the deficit in the United Kingdom continued to increase, reaching 2 661 million ECU.

Small increase in inflation.—Consumer prices in the Community, seasonally unadjusted, increased by 0,3 % in February. A small increase in the trend in inflation is now evidenced by an increase in the 'seasonally adjusted variation over six months' figure. On this basis, the largest increases in inflation rates have occurred in Greece and Germany, although from a very low level, whereas there were small decreases in Portugal, Italy, the Netherlands

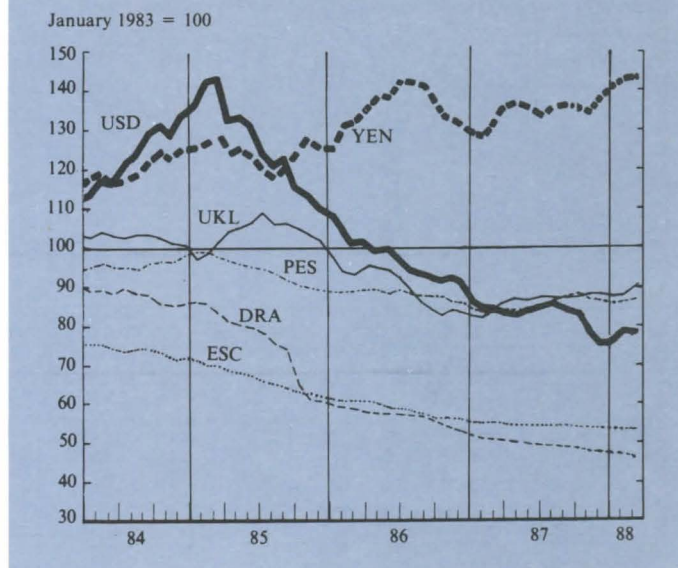
and the United Kingdom. On an annual basis consumer prices in the Community rose by 2,4 % to February, with Greece and Portugal continuing to experience the highest inflation rates, 3,4 % and 8,9 %, respectively.

Growth in money supply unchanged.—The average increase in the money supply for the year ending January 1988 for the Community remained at approximately 10 %. This rate compares with a nominal increase in GDP of about 6,5 %, indicating a continuation of the build up of excess liquidity. The fastest annual growth rates occurred in the non-EMS countries — Greece (M3: 23,4 % to Jan.), the United Kingdom (£M3: 10,4 % to Feb.), Portugal (L⁻: 18,4 % to Dec.) and Spain (ALP: 14,1 % to Jan.). This contrasts with increases of between 1 % and 8 % in France, Germany and Italy. The January increase in the Community, seasonally adjusted, was 0,7 % with reductions in Denmark, Italy and Ireland being more than offset by increases in Greece, France, Germany and Spain. However, the latest February figures show a fall of 1,3 % in France (M2) and a smaller increase (M3: 0,6 %) in Germany.

Slight downward trend in interest rates.—Long-term interest rates continued their downward trend from their 1987 peak of 10,1 %, recorded in September, and in March stood at 9,3 %. This decline follows a small but steady rise during the six months up to September; rates are now 0,6 percentage points higher than in March 1987. The year-on-year increases in rates were most significant in Italy, Spain and France, whereas in Ireland and Denmark long-term rates fell by about 1,0 percentage point over the same period. Short-term rates exhibited similar trends, however the March rate of 7,8 % showed a fall of 1,4 percentage points on that of September 1987, indicating a steepening of the yield curve. The decline in short-term rates was particularly strong in Spain, where the Central Bank has responded to large inflows from abroad by significantly easing money market conditions.

Dollar depreciates against ECU.—The dollar lost 1,4 % of its value against the ECU in March due to continuing doubts about the US economy. In contrast, the pound sterling surged ahead so that by the end of the month it was being traded at 3,12 DM

GRAPH 8: Exchange rates
Values of USD, YEN and some EC currencies in ECU



compared with 2,99 DM at the beginning. The pound's appreciation against the ECU during the month was 2,75 % and this upward movement seems to be continuing throughout April. Since December the yen has been appreciating slowly against the ECU and by the end of March was 8,4 % higher in value than a year previously. The EMS currencies remained relatively stable throughout the month.

25 April 1988

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

	1986					1987					1987					1988		Change over 12 months %(b)
	1983	1984	1985	1986	1987	IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
B	2.0	2.5	2.5	0.8	0.6	-2.2	0.3	2.6	-1.5	0.1	0.2	-3.3	1.5	3.2	-4.0	-0.6	:	0.0
DK	3.2	9.7	4.2	4.2	-3.5	0.9	-3.0	-1.6	0.9	-1.0	2.6	-2.5	2.0	-4.4	2.2	4.3	:	-0.8
D	0.6	3.0	5.7	1.9	0.2	-0.8	-1.0	1.4	0.4	0.8	-1.2	4.2	-1.8	0.4	0.1	0.4	0.5	3.4
GR	-0.1	1.6	3.4	-0.2	-1.9	-0.9	-1.6	-1.0	-0.2	1.8	0.9	-2.0	3.6	-3.0	4.1	1.5	:	2.7
E	2.7	0.8	2.0	3.1	5.0	2.2	-0.6	2.6	2.3	0.6	3.8	-9.8	6.6	-1.2	3.1	-2.8	-4.5	2.1
F	0.0	2.0	1.0	1.0	:	-1.3	-0.3	2.3	0.6	1.0	-1.0	0.0	1.0	0.0	0.0	1.0	0.0	5.8
IRL	6.6	12.4	2.3	2.7	8.9	3.7	-0.6	8.2	0.7	2.8	-2.6	6.8	-2.5	2.8	2.2	-5.6	:	7.9
I	-3.2	3.4	1.2	2.8	:	1.5	-0.4	1.8	-0.8	2.2	0.9	-1.6	1.2	2.5	-0.7	-0.5	5.0	7.2
L	5.4	13.3	6.9	2.8	0.8	-0.6	-1.3	3.8	-2.1	5.7	-2.0	-3.3	2.6	6.8	-6.0	7.4	:	16.1
NL	3.2	4.1	4.0	1.0	:	-0.9	3.5	-3.4	-0.6	2.5	0.0	0.0	-2.8	3.9	3.7	-5.4	-1.0	-8.5
P	1.6	-0.1	10.9	5.7	2.0	0.1	-3.6	4.2	0.6	:	3.5	-8.5	5.5	-3.8	1.3	:	:	-0.1
UK	3.6	1.4	4.6	1.5	3.1	0.2	0.7	0.8	1.6	1.0	0.6	1.5	-1.0	0.9	0.3	0.3	-0.6	3.9
EUR 12	0.9	2.2	3.4	1.9	(2.0)	0.5	-0.6	1.4	0.3	(1.3)	0.6	-1.7	1.4	1.1	-0.1	(0.1)	(0.5)	5.0
USA	7.8	12.3	2.1	2.1	4.3	0.9	0.9	1.2	1.9	1.6	1.2	0.2	-0.2	1.3	0.4	(0.2)	:	(5.2)
JAP	3.0	9.4	3.7	-0.2	3.0	-0.1	0.6	-0.2	3.6	3.8	1.1	-1.2	3.0	1.7	-0.5	(2.0)	(0.6)	(12.5)

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

						1986	1987				1987					1988		Change over 12 months %(b)
	1983	1984	1985	1986	1987	IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B (g)	14.3	14.4	13.6	12.5	12.2	12.4	12.4	12.4	12.2	11.9	12.1	12.0	12.0	11.9	11.8	11.7	11.6	-6.3
DK	10.1	9.9	8.7	7.4	7.5	7.2	7.5	7.5	7.5	(7.5)	7.5	7.6	7.3	(7.5)	(7.6)	(7.4)	(7.2)	(-1.4)
D	8.4	8.4	8.4	8.1	8.1	7.8	8.0	8.0	8.1	8.1	8.1	8.1	8.1	8.1	8.2	8.0	8.0	1.2
GR	1.6	1.8	2.2	2.8	2.9	2.8	2.9	2.9	2.9	2.8	2.9	2.8	2.7	2.7	2.8	2.7	2.8	-1.9
E	16.5	18.4	19.5	20.0	20.9	20.3	20.7	20.8	20.9	21.1	20.8	20.9	21.0	21.0	21.1	21.1	20.9	1.8
F	8.9	10.0	10.5	10.7	11.2	10.9	11.3	11.3	11.3	11.1	11.4	11.2	11.1	11.0	11.1	11.1	11.1	-2.4
IRL	14.9	16.6	17.9	18.3	19.2	18.7	19.0	19.4	19.4	19.1	19.4	19.3	19.2	19.1	19.1	19.0	19.0	-0.7
I	11.0	12.0	12.9	13.7	14.0	13.8	13.9	13.6	14.2	14.2	14.3	14.3	14.1	14.1	14.4	14.5	14.7	6.9
L	1.6	1.8	1.7	1.5	1.7	1.4	1.6	1.7	1.7	1.7	1.7	1.8	1.7	1.7	1.7	1.7	1.7	2.5
NL (g)	(14.2)	14.5	13.3	12.4	11.9	12.0	12.0	11.9	11.9	11.9	11.9	11.9	12.0	11.9	12.0	11.9	11.9	-1.1
P	5.6	6.7	7.7	8.3	7.1	8.3	8.2	7.2	6.5	6.6	6.5	6.5	6.5	6.6	6.7	6.8	6.8	-13.2
UK	(11.6)	11.8	12.0	12.0	10.7	11.8	11.5	11.1	10.5	9.9	10.6	10.2	10.1	9.8	9.8	9.5	9.4	-17.4
EUR 12	(10.6)	11.2	11.6	11.7	11.6	11.7	11.8	11.6	11.6	(11.5)	11.7	11.6	11.5	(11.4)	(11.5)	(11.4)	(11.4)	(-2.4)
USA	9.6	7.5	7.2	7.0	6.2	6.8	6.6	6.2	6.0	5.9	6.0	5.9	6.0	5.9	5.8	.	.	-12.5
JAP (h)	2.7	2.7	2.6	2.8	2.8	2.8	2.9	3.0	2.8	2.7	2.8	2.8	2.7	2.7	2.6	2.7	.	-7.3

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

	1986					1987					1987					1988		Change over 12 months % (b)
	1983	1984	1985	1986	1987	IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B	7.7	6.3	4.9	1.3	1.6	0.1	0.6	0.7	0.6	-0.3	0.3	-0.2	-0.1	-0.3	0.0	-0.1	0.3	1.0
DK	6.9	6.3	4.7	3.6	4.0	1.0	0.5	1.6	0.7	1.2	0.3	0.6	0.4	0.3	0.1	0.4	(0.8)	(5.2)
D	3.3	2.4	2.2	-0.2	0.2	-0.3	0.6	0.4	0.0	0.0	-0.1	-0.2	0.2	0.0	0.2	0.2	0.2	0.9
GR	20.2	18.4	19.3	23.0	16.4	5.9	3.2	5.6	0.4	5.4	-0.5	2.2	3.1	0.7	1.2	-0.2	-0.5	13.4
E	12.2	11.2	7.8	8.8	5.3	1.2	1.4	0.7	1.3	1.2	-0.1	0.9	0.6	-0.2	0.4	0.6	0.3	4.4
F	9.6	7.3	5.9	2.7	3.1	0.7	1.2	0.9	0.6	0.5	0.2	0.1	0.2	0.1	0.1	0.2	0.2	2.4
IRL (i)	10.4	8.6	5.4	3.8	3.1	0.2	1.8	0.6	0.6	0.1	0.2	0.0	0.0	0.0	0.2	0.2	0.2	1.9
I	14.7	10.8	9.2	5.8	4.8	1.2	1.4	1.2	1.0	1.7	0.3	0.6	0.8	0.3	0.2	0.5	(0.3)	(4.9)
L	8.7	6.5	4.1	0.3	-0.1	0.2	0.2	-0.3	0.1	0.4	0.3	0.1	0.0	0.2	0.2	0.1	0.1	0.6
NL	2.7	3.2	2.3	0.3	-0.2	1.0	-1.3	0.6	0.2	0.8	0.2	0.5	0.5	-0.1	-0.2	-0.9	(0.2)	(0.6)
P	25.1	28.9	19.6	11.8	9.3	2.4	3.8	1.7	1.0	2.5	1.1	0.3	1.2	0.4	1.4	0.8	1.4	8.9
UK	4.6	5.0	6.1	3.4	4.1	1.3	1.2	1.5	0.2	1.1	0.3	0.3	0.5	0.5	-0.1	0.0	0.4	3.3
EUR 12	8.6	7.4	6.1	3.6	2.9	0.8	0.9	0.8	0.3	0.7	0.1	0.2	0.4	0.1	0.1	0.2	(0.3)	(2.4)
USA	3.2	4.3	3.6	1.9	3.7	0.6	1.1	1.3	1.1	0.9	0.6	0.5	0.3	0.1	0.0	0.3	0.3	3.9
JAP	1.8	2.4	2.0	0.7	0.0	-0.1	-0.6	1.3	-0.2	0.2	0.1	0.9	0.0	-0.5	-0.1	-0.3	-0.1	0.9

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

	1986					1987				1987					1988		Change over 12 months (c)	
	1983	1984	1985	1986	1987	IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.		Jan.
B/L	-2435	-4897	-3514	146	-580	930	-108	414	-150	-510	173	-199	-124	-272	-89	-149	.	-232
DK	-740	-1108	-1538	-1714	96	-226	72	61	65	5	70	-85	80	58	-50	-3	.	46
D	18501	24136	32986	53044	56960	14502	14373	13818	14132	14738	4846	4098	5189	4175	4979	5584	4951	472
GR	-5800	-6048	-7266	-5809	.	-1126	-1661	-1339	-1169	.	-387	-311	-470	-584	.	.	.	91
E	.	-4711	-5582	-6306	-8749	-1981	-1934	-2181	-2382	-2542	-870	-727	-785	-1243	-743	-557	.	-5
F	-15628	-13130	-13428	-9699	-12473	-1819	-2588	-3567	-3095	-3232	-1041	-756	-1299	-1321	-911	-999	-188	556
IRL	-621	81	430	983	2047	262	338	511	517	670	147	203	168	232	246	192	282	104
I	-8516	-13849	-16130	-2459	-7427	473	-1117	-2360	-1643	-1830	-702	-52	-889	-930	-225	-675	.	-1080
NL	4499	4740	3874	4161	1088	206	-470	140	289	664	-31	173	147	430	163	71	.	157
P	.	-3467	-2735	-1297	-2955	-271	-716	-827	-781	-740	-219	-302	-260	-297	-249	-194	.	-34
UK	-9681	-14005	-11540	-19868	-20890	-6180	-3705	-4911	-5714	-6618	-1735	-2366	-1613	-1976	-2303	-2340	-2661	-1252
EUR 12 (j)	.	-32258	-24444	11161	(-87)	4314	2832	-619	-1204	(-1096)	-357	-765	-82	(-1994)	(212)	(1686)	.	(-1635)
USA (k)	-77911	-154992	-194856	-169039	-148746	-41331	-34862	-37149	-41003	-35732	-14659	-14048	-12296	-15307	-10769	-9656	-9949	786
JAP	23072	42599	60497	84010	69636	21839	21512	16544	16184	15396	5495	5296	5393	5766	4287	5343	6228	-1875

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

	1987																			1988				1987				1988				Change over 12 months %(e)
	1983	1984	1985	1986	1987	1987				1988				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March												
						I	II	III	IV	I	II	III	IV																			
B	10.5	11.5	9.5	8.0	7.0	7.4	6.8	6.7	6.8	6.1	6.7	7.2	6.9	6.8	6.4	6.2	6.1	-1.3														
DK	12.0	11.5	10.0	9.1	9.9	10.7	9.6	9.4	9.3	8.7	9.4	9.5	9.3	9.3	8.9	8.6	8.7	-2.0														
D	5.8	6.0	5.4	4.6	4.0	4.0	3.8	4.0	3.5	3.4	4.0	4.1	3.7	3.5	3.3	3.3	3.4	-0.6														
GR	16.6	15.7	17.0	19.8	15.8	23.3	13.9	19.5	14.1	:	19.5	17.1	15.0	14.1	16.7	:	:	2.3														
E	20.0	14.9	12.2	11.7	15.8	16.2	17.8	17.0	13.1	10.7	17.0	14.5	14.6	13.1	12.4	11.8	10.7	-5.5														
F	12.5	11.7	9.9	7.7	8.2	7.9	8.2	8.0	8.6	8.3	8.0	8.3	8.7	8.6	8.1	7.5	8.3	0.4														
IRL	14.0	13.2	12.0	12.4	11.0	13.3	10.4	9.2	8.8	8.3	9.2	9.2	9.2	8.8	8.6	8.9	8.3	-5.0														
I	18.3	17.3	15.0	12.8	11.4	10.6	11.3	12.8	11.5	11.1	12.8	12.0	11.6	11.5	10.8	11.1	11.1	0.5														
NL	5.7	6.1	6.3	5.7	5.4	5.5	5.2	5.6	4.6	4.0	5.6	5.2	4.7	4.6	4.1	4.0	4.0	-1.5														
P	20.9	22.5	21.0	15.6	13.9	13.2	15.0	14.8	14.0	:	14.8	13.8	13.9	14.0	13.9	13.1	:	-0.3														
UK	10.1	10.0	12.2	10.9	9.7	9.9	9.2	10.3	8.9	8.6	10.3	9.4	8.9	8.9	8.7	9.4	8.6	-1.3														
EUR 12 (o)	12.0	11.2	10.4	9.0	8.8	8.8	8.8	9.2	8.3	7.8	9.2	8.8	8.5	8.3	7.9	7.9	7.8	-1.0														
USA	8.7	9.4	7.5	6.0	5.9	5.8	6.0	6.8	5.9	5.9	6.8	5.4	5.5	5.9	5.8	5.8	5.9	0.1														
JAP	6.5	6.3	6.5	5.0	3.9	4.0	3.7	3.9	3.9	3.9	3.9	4.0	3.9	3.9	3.9	3.8	3.9	-0.1														

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

	1987																			1988				1987				1988				Change over 12 months % (e)
	1983	1984	1985	1986	1987	1987				1988				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March												
						I	II	III	IV	I	II	III	IV																			
B	11.8	12.0	10.6	7.9	7.8	7.6	7.8	8.3	8.0	7.7	8.3	8.3	8.0	8.0	7.6	7.4	7.7	0.0														
DK	14.4	14.0	11.6	10.5	11.9	12.1	11.6	12.3	11.7	11.2	12.3	12.7	11.9	11.7	11.0	10.8	11.2	-0.9														
D	7.9	7.8	6.9	5.9	5.8	5.6	5.6	6.2	6.0	5.7	6.2	6.5	6.0	6.0	6.0	5.8	5.7	0.1														
GR	18.2	18.5	15.8	15.8	(17.3)	17.5	16.2	17.1	:	:	17.1	17.4	:	:	:	:	:	2.9														
E	16.9	16.5	13.4	11.4	12.8	11.0	13.2	14.3	13.1	11.8	14.3	14.2	13.4	13.1	12.5	11.9	11.8	0.9														
F	13.6	12.5	10.9	8.4	9.4	8.5	9.4	10.5	10.0	:	10.5	10.0	9.9	10.0	9.5	:	:	0.6														
IRL	13.9	14.6	12.7	11.1	11.3	11.2	10.9	11.3	10.5	10.1	11.3	11.1	10.2	10.5	10.6	10.4	10.1	-1.0														
I	18.0	15.0	14.3	11.7	11.3	10.2	11.1	12.3	12.5	12.1	12.3	12.4	12.7	12.5	12.0	12.1	12.1	1.9														
L	9.8	10.3	9.5	8.7	8.0	8.2	8.2	8.1	7.0	:	8.1	8.0	7.5	7.0	7.5	7.8	:	-0.5														
NL	8.8	8.6	7.3	6.4	6.4	6.2	6.3	6.8	6.3	6.0	6.8	7.0	6.4	6.3	6.3	6.1	6.0	-0.2														
P	30.4	32.5	25.4	17.9	15.4	15.4	15.4	15.9	15.2	:	15.9	15.8	15.7	15.2	:	:	:	-0.8														
UK	10.8	10.7	10.6	9.8	9.5	9.1	9.1	10.0	9.5	9.0	10.0	9.3	9.3	9.5	9.3	9.2	9.0	-0.1														
EUR 12 (o)	12.8	12.1	10.8	9.1	9.3	8.7	9.2	10.1	9.8	9.3	10.1	10.0	9.8	9.8	9.5	9.4	9.3	0.6														
USA	10.8	12.0	10.8	8.1	8.7	7.6	8.6	9.6	9.0	8.3	9.6	9.5	9.0	9.0	8.8	8.4	8.3	0.7														
JAP	7.8	7.3	6.5	5.2	5.0	4.4	4.6	7.0	5.1	:	7.0	5.4	5.2	5.1	4.2	4.3	:	-0.7														

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

	1987					1988				1987				1988			Change over 12 months % (b)	
	1983	1984	1985	1986	1987	I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		March
BFR/LFR	45.43	45.44	44.91	43.80	43.04	42.86	43.04	43.07	43.19	43.23	43.09	43.21	43.17	43.18	43.18	43.20	43.32	0.8
DKR	8.13	8.15	8.02	7.94	7.88	7.81	7.82	7.94	7.96	7.92	7.99	7.97	7.96	7.96	7.93	7.90	7.93	1.5
DM	2.27	2.24	2.23	2.13	2.07	2.07	2.08	2.08	2.07	2.07	2.08	2.08	2.06	2.06	2.07	2.07	2.07	-0.2
DR	78.1	88.4	104.8	137.4	156.1	151.1	154.4	157.4	161.9	165.2	158.5	159.8	162.3	163.5	164.6	165.0	165.8	9.0
PTA	127.4	126.5	129.0	137.5	142.2	145.0	145.0	140.5	138.4	139.4	138.9	136.6	138.8	139.8	140.2	139.3	138.8	-4.7
FF	6.77	6.87	6.80	6.80	6.93	6.89	6.93	6.92	6.98	6.92	6.93	6.93	7.01	7.00	6.97	6.98	7.03	1.7
IRL	0.715	0.726	0.715	0.733	0.775	0.775	0.776	0.775	0.776	0.776	0.776	0.775	0.776	0.776	0.777	0.776	0.775	-0.2
LIT	1349	1381	1447	1462	1495	1469	1494	1502	1514	1524	1500	1500	1520	1521	1519	1521	1532	3.8
HFL	2.54	2.52	2.51	2.40	2.33	2.33	2.34	2.34	2.33	2.32	2.34	2.34	2.32	2.32	2.32	2.32	2.33	-0.8
ESC	98.2	115.6	130.0	146.9	162.5	159.4	161.4	162.8	166.6	169.1	163.5	164.4	166.9	168.5	168.8	168.8	169.5	6.1
UKL	0.587	0.591	0.589	0.670	0.705	0.730	0.700	0.698	0.692	0.687	0.696	0.693	0.691	0.691	0.694	0.693	0.674	-5.2
USD	0.890	0.788	0.759	0.983	1.154	1.124	1.150	1.128	1.213	1.234	1.145	1.152	1.227	1.264	1.250	1.217	1.234	9.1
YEN	211.3	187.0	180.4	165.0	166.5	172.2	164.0	165.8	164.3	157.9	163.9	165.0	166.0	162.0	159.4	157.2	156.9	-8.4
DTS	0.833	0.767	0.749	0.838	0.892	0.842	0.859	0.895	0.889	0.902	0.885	0.879	0.887	0.889	0.909	0.914	0.900	0.9

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

	1987					1988				1987				1988			Change over 12 months % (b)	
	1983	1984	1985	1986	1987	Percentage change on preceding period			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March			
						I	II	III								IV		
B/L	-2.8	-2.2	0.9	5.5	4.1	2.4	-0.6	-0.3	0.6	-0.2	0.2	-0.2	1.1	0.2	-0.3	-0.5	-0.1	-0.4
DK	-0.6	-3.7	1.2	6.3	4.2	2.5	-0.6	-1.9	1.1	0.3	-0.2	0.4	1.6	0.5	-0.1	-0.3	-0.4	-1.2
D	4.0	-1.6	0.3	10.7	6.9	3.0	-0.7	-0.3	1.8	-0.1	0.3	0.1	2.2	0.3	-0.5	-0.7	0.0	1.0
GR	-18.1	-14.4	-15.9	-21.3	-9.9	-3.5	-2.2	-2.2	-1.8	-2.1	-0.6	-0.7	-0.4	-0.5	-1.0	-0.8	-0.3	-7.7
E	-17.2	-2.4	-2.3	-1.5	0.2	-1.7	-0.1	2.9	3.0	-0.8	1.4	1.8	-0.2	-0.4	-0.7	0.1	0.6	6.1
F	-7.1	-4.8	1.1	4.5	1.1	0.9	-0.8	-0.2	0.3	-0.3	0.2	0.0	0.2	0.5	0.0	-0.7	-0.6	-1.4
IRL	-4.1	-4.2	1.2	3.7	-2.1	0.4	-0.9	-0.3	1.0	-0.2	0.2	0.2	1.0	0.3	-0.4	-0.4	-0.1	0.0
I	-3.8	-5.9	-5.2	3.7	1.1	0.1	-2.0	-0.9	0.5	-0.8	0.6	0.1	0.1	0.3	-0.3	-0.8	-0.5	-3.2
NL	2.0	-1.6	0.3	7.7	5.1	2.1	-0.4	0.0	1.3	0.1	0.3	0.1	1.5	0.2	-0.2	-0.4	-0.2	1.2
P	-21.1	-17.4	-11.5	-7.8	-7.1	-1.9	-1.5	-1.3	-1.4	-1.5	-0.3	-0.5	-0.4	-0.6	-0.5	-0.5	-0.4	-5.6
UK	-7.0	-4.7	-0.2	-7.3	-1.0	2.1	4.4	-0.1	2.8	0.7	0.9	0.6	2.3	0.5	-0.9	-0.7	3.2	6.9
EUR 12	-8.5	-9.3	-1.9	9.6	7.0	4.2	-0.5	-0.6	3.3	-0.5	1.0	0.6	3.2	0.6	-1.1	-1.7	0.7	1.5
USA	5.7	7.8	4.1	-19.1	-12.1	-5.8	-3.4	1.6	-5.8	-2.9	-2.3	-0.4	-4.4	-3.0	0.1	1.5	-1.6	-9.9
JAP	10.9	5.8	3.0	27.2	8.2	1.0	5.9	-2.2	5.1	4.8	1.8	-0.3	3.2	4.0	0.9	-0.2	0.8	13.8

Principal economic policy measures — March 1988

Community (EUR 12)

7.3 The Council (Economic and Financial Affairs) held its first-quarter examination of the economic situation in the Community on the basis of the Commission Communication (COM(88)54), entitled "Overcoming the Uncertainties". In conclusion, the Council endorsed the Commission's view that the effects of the stock market crisis will be more limited than was feared. The situation does not necessitate an adjustment of the economic policy guidelines as outlined in the last Annual Economic Report, but requires instead their full implementation.

Belgium (B)

30.3 The central bank decides to reduce from BFR 180 000 million to BFR 160 000 million the line for the indirect advances which it can grant the Treasury through the Securities Stabilization Fund (Fonds des Rentes).

Denmark (DK)

None.

Federal Republic of Germany (D)

None.

Greece (GR)

21.3 The Government decides to cut the interest rate on long-term loans to the craft industries by 1 percentage point, and to cover the additional cost by a budget subsidy. At the same time the limits on financing are raised and the eligibility criteria for firms are broadened.

Spain (E)

11.3 The Council of Ministers decrees that state pensions will increase by 4%. However, maximum pension benefits are to remain constant at PTA 188 000 a month.

23.3 The Bank of Spain reduces the interest rate on loans to financial institutions by half a point to 11.0%.

25.3 The Council of Ministers decrees that it will bring forward from next year to this year its announced plans to exempt taxpayers with incomes below PTA 840 000 from the obligation of presenting an income tax return. Previously, this level was set at PTA 500 000.

France (F)

None.

Ireland (IRL)

None.

Italy (I)

11.3 After Parliament's final approval of the Finance Law, the Government adopts a number of measures concerning the reorganization of the stock market in order to make it more transparent, the reduction of the Finance Law's scope with respect to revenue and expenditure and the establishment of an interministerial Committee for the planning of transport.

18.3 At the request of Parliament, the Government raises senior managers' pension contributions and the upper limit for their pensions. In addition, the daily unemployment allowance, set at LIT 800 since the last war, is increased to 8% of the average wage, pending a reorganization of the different schemes.

30.3 The Government approves a single text which will come into force on 1 January 1989, and which groups together all the measures taken since 1986 concerning the liberalization of capital movements. This decision will make it easier to understand the legislative provisions in this area.

Luxembourg (L)

7.3 Parliament approves a draft law concerning a new instrument for the management of personal wealth, which will make Luxembourg more competitive as a financial centre (post mortem power of attorney). Strict rules protect the rights of possible heirs.

Netherlands (NL)

None.

Portugal (P)

18.3 Parliament approves the plan presented by the Government to privatize public enterprises. For constitutional reasons, privatization is limited to 49% of the capital of public enterprises.

United Kingdom (UK)

15.3 The Chancellor of the Exchequer, Mr Lawson, presented to Parliament his Budget for financial year 1988/89. The main points are:

- A projected public sector surplus of UKL 3 billion (3/4% of GDP). The planned medium-term path for the public sector borrowing requirement is adjusted from 1% of GDP to zero.
- No clear statement of monetary policy beyond a general commitment to exchange rate stability.
- No change to the public expenditure plans announced in last November's Autumn Statement.
- Overall tax burden remains broadly constant as % of GDP, but:
 - Basic rate of income tax reduced from 27% to 25% (a general election commitment) with a new medium-term objective of 20%.
 - The five high rates ranging from 40% to 60% reduced to a single high rate of 40%.
 - Income tax allowances increased at double the rate of inflation.
 - From April 1990, wife's income no longer treated as part of husband's for income tax purposes.
 - Excise duties indexed for inflation but with higher increases for petrol.
 - A wide range of tax measures including simplification of capital gains tax, incentives for small firms and reduction of tax breaks.
- The official macro-economic forecast for 1988 is for real GDP growth of 3%, inflation 4%, current account deficit UKL 4 billion and unemployment continuing to fall but at a slower rate than in 1987.

15.3 The authorities have announced increases in medical prescription charges and in a range of other medical and dental fees to take effect in the new financial year beginning 1 April. The increases exceed the expected rate of increase in retail prices but are officially stated to be in line with the increased cost of health services and materials.

17.3 As upward pressure on sterling continued the authorities prompted a ½ point cut in bank base rates, from 9% to 8 ½%.

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