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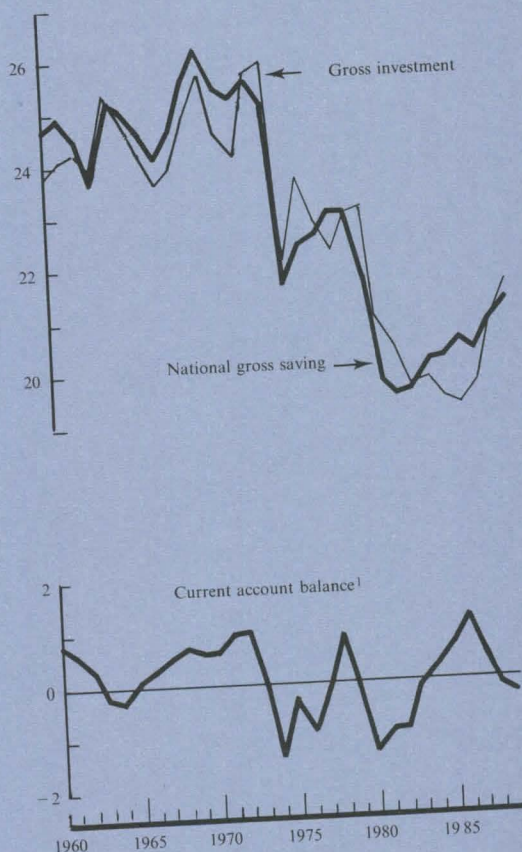


*In this number:
Trends in national saving
in the Community*

MAIN POINTS IN BRIEF

- After reaching a trough in 1982, the national saving rate in the Community as a whole picked up gradually to reach some 21 % of GDP in 1989. This was still almost 5 percentage points below the peak levels reached in the late 1960s and early 1970s.
- The dominant factor behind changes in national saving during the last two decades was government saving. Over the period 1970-82, the sharp fall in national saving in the Community was almost entirely due to a tendency towards low or even negative saving by government. On the other hand, budgetary consolidation efforts have contributed largely to the recovery in national saving since 1982. Private saving, on the contrary, showed a broadly stable long-term pattern overall. Within private saving, however, the sharp rebound in business saving in the 1980s, boosted by an improvement in profitability, was greatly offset by a decline in household saving.
- In view of the acceleration of investment in recent years and the prospects of sizeable investment needs in the years ahead, an increase in national saving is necessary. In this respect, the most direct option available to policy-makers is to increase government saving, especially in those countries still facing government dissaving and high budget deficits. As regards business saving, it will rise further in line with the required continuation in the recovery of profitability to boost investment and employment. Household saving could be raised by removing distortions and disincentives to save, particularly in the field of taxation.
- The link between national saving and real interest rates is very tenuous. However, the turnaround to a net capital import position for the industrial world in the 1980s, which was induced by the US budgetary and current account deterioration, may have contributed to the persistence of 'real' long-term interest rates at a high level.

GRAPH 1: National gross saving, gross investment and current account balance in the Community, 1960-1989 (as a % of GDP)



¹ Expressed in PPS in order to respect the identity between national saving, investment and current account balance.
Source: Commission services.

TRENDS IN NATIONAL SAVING IN THE COMMUNITY

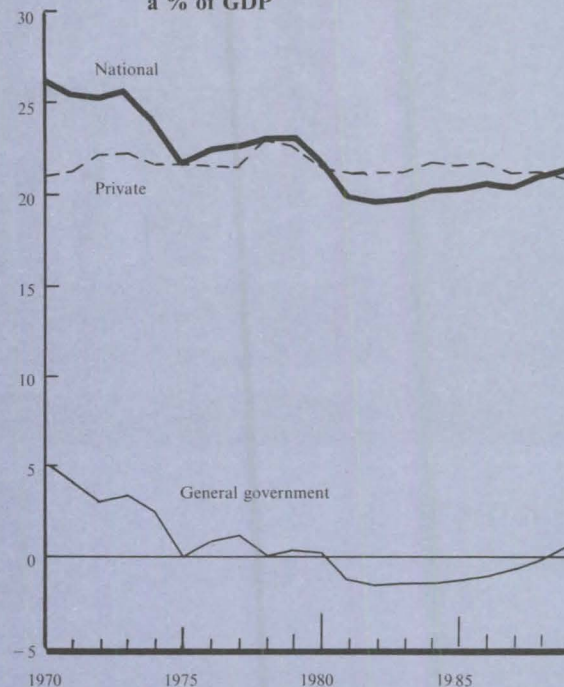
General background

The growing attention that is being given to the issue of national saving in the Community stems in a large part from the concern that insufficient resources will be available to finance the rates of investment required for strong growth to continue in the Community, on the one hand, and for restructuring and revitalizing the economies of Eastern Europe, on the other. The fear of investment being restrained by an inadequate saving propensity has been exacerbated by the observation that in the 1980s on average national saving was considerably below the rates experienced during the previous two decades and by the plunge in household saving in some member countries in the second half of the 1980s. In addition, the subject has gained further prominence by the simultaneous occurrence of historically high 'real' interest rates and renewed strong investment demands for saving in the Community.

National gross saving in a long-term perspective

Graph 1 shows for the Community as a whole the trend in *national gross saving as a percentage of GDP* over the period 1960-89. The evolution of national gross saving seems to have followed three distinct phases since 1960. During the sixties, the national gross saving rate remained broadly stable, fluctuating between 24 % and 26 % of GDP, before declining by several percentage points from 1970 through 1982. From the mid-1980s, the national gross saving rate started to recover slightly. In 1989, the national saving rate amounted to some 21,3 % of GDP in the Community as a whole, i.e. some 1,8 percentage point higher than the dip reached in 1982, but still almost 5 percentage points below the peak-level of 1970. Consequently, despite the recent slight recovery, national gross saving in the eighties was on average significantly below that achieved in the seventies. According to recent forecasts of the Commission services, the national gross saving rate is expected to remain unchanged in 1990 and to increase only moderately in 1991 to 21,6 %.

GRAPH 2: National, private and general government gross saving rates in the Community, 1970-1989, as a % of GDP



Source: Commission services.

The sharp fall during the seventies in the proportion of national income that is saved was experienced in all member countries of the Community, except in Luxembourg where national saving surged strongly (see Table 1). While for some member countries the decline marks the continuation of a trend already starting in the 1960s (Denmark, Italy and the Netherlands), for the other member countries the drop in national saving is a typical phenomenon of the seventies and the early eighties. Particularly large declines occurred in Belgium, Denmark, Germany, Spain, France and Portugal.

Since the early eighties, trends in national gross saving have been more divergent among the member countries. National gross saving continued to drop significantly in Greece and moderately in Italy and the United Kingdom. In Luxembourg, the national gross saving rate peaked in 1985 before falling sharply during the second half of the eighties. The other member countries experienced a reversal of the declining trend of the seventies. This was particularly the case in Belgium, Germany and Portugal.

In 1989, national gross saving was still considerably below the peak levels of the late sixties and early seventies in the majority of the member countries. Only in Germany, Ireland, the Netherlands and Portugal has the national gross saving rate reached a level close to that of two decades ago. Apart from Ireland and disregarding Luxembourg, these are the countries with the highest national saving ratio in the Community at present. National saving expressed in terms of GDP differed markedly among the member countries in 1989, ranging from around 15 % in Greece and the United Kingdom to some 57 % in Luxembourg, reflecting differing long-term experiences.

Evolution of sectoral gross saving rates

A sectoral breakdown of the national saving rates reveals that over the last two decades national gross saving moved in tandem

TABLE 1: Trends in national gross saving in the Community, 1960-1989, as a % of GDP

	1960	1970	1982	1989	Change		
					1960-70	1970-82	1982-89
B	19,4	27,1	13,7	21,2	7,7	-13,4	7,5
DK	24,9	21,8	12,1	16,1	-3,1	-9,7	4,0
D	28,9	28,1	20,3	26,4	-0,8	-7,8	6,1
GR	12,7	23,4	20,2	14,8	10,7	-3,2	-5,4
E	24,3	27,1	18,8	22,6	2,8	-8,3	3,8
F	25,3	27,6	19,7	20,6	2,3	-7,9	0,9
IRL	16,3	20,4	17,2	19,2	4,1	-3,2	2,0
I	29,4	28,2	21,9	20,6	-1,2	-6,3	-1,3
L	35,8	41,3	59,8	56,9	5,5	18,5	-2,9
NL	30,0	26,5	21,1	24,8	-3,5	-5,4	3,7
P	18,5	28,8	20,6	28,1	10,3	-8,2	7,5
UK	18,0	21,1	17,0	15,9	3,1	-4,1	-1,1
EC	24,7	26,2	19,5	21,3	1,5	-6,7	1,8

Source: Commission services.

with general government gross saving (i.e. current revenue minus current expenditure of general government) in the Community as a whole (see Graph 2). This graph illustrates that the drastic fall in general government gross saving was the main factor behind the sharp decline in national saving in the Community in the seventies. From Table 2 can be seen that between 1970 and 1982, when national gross saving dropped by almost 7 percentage points of GDP, general government gross saving fell by the same amount. For the Community as a whole, general government moved from a saver of around 5 % in 1970 to a dissaver of some 1,5 % of GDP in 1982. Since then, progress has been made in reversing this trend, so that government saving turned back into a small surplus in 1989 (0,6 % of GDP).

TABLE 2: Trends in sectoral gross saving in the Community, 1970-1989, as a % of GDP

	Private gross saving				General government gross saving			
	Level		Change		Level		Change	
	1970	1989	1970-82	1982-89	1970	1989	1970-82	1982-89
B	24,6	25,4	-4,0	4,8	2,4	-4,2	-9,4	2,7
DK	11,8	14,1	5,7	-3,4	10,0	2,0	-15,4	7,4
D	21,8	22,6	-2,7	3,5	6,3	3,7	-5,2	2,6
GR	19,0	28,3	5,9	3,4	4,4	-13,5	-9,1	-8,8
E	21,5	19,4	-2,0	-0,1	5,6	3,3	-6,3	4,0
F	22,6	18,4	-3,8	-0,4	5,1	2,2	-4,1	1,2
IRL	18,6	20,3	6,2	-4,5	1,8	-1,0	-9,4	6,6
I	27,7	26,2	1,3	-2,7	0,5	-5,7	-7,5	1,4
L	34,2	46,8	18,6	-6,0	7,1	10,1	-0,1	3,1
NL	22,1	25,6	0,8	2,8	4,4	-0,8	-6,2	1,0
P	:	28,7	:	3,0	:	-0,6	:	4,6
UK	13,1	13,2	4,3	-4,3	7,9	2,7	-8,3	3,1
EC	21,1*	20,7	0,0*	-0,4	5,1*	0,6	-6,7*	2,2

* EC excluding Portugal.

Source: Commission services.

The sharp fall in general government gross saving between 1970 and 1982 was a common feature in all member countries. In 1970, government saving contributed positively to national saving in all member countries. In countries like Denmark, the United Kingdom and Germany this contribution was very substantial, ranging between a half and a quarter of gross national saving. In 1982, government had become a dissaver in nine of the member countries. Over the period 1970-82, Denmark experienced the largest drop in government saving from 10 % of GDP to some -5,4 % of GDP, followed next by Belgium, Ireland and Greece where the government saving rate fell by more than 9 percentage points. In many member countries (Denmark, Greece, Ireland, Italy, the Netherlands and the United Kingdom), the reduction in government saving exceeded noticeably the fall in national saving over that period. Thanks to consolidation efforts initiated since the early 1980s in most member countries, government saving has increased throughout the Community, except in Greece, though by varying degrees and not enough to compensate for the ground lost during the seventies. In 1989, government dissaving was still a feature in six member countries, sizeably in Belgium, Greece and Italy and moderately in Ireland, the Netherlands and Portugal. In the other countries, government saving was again positive, but on average still almost 50 % below the levels reached in the early seventies.

With respect to *private saving*, by far the largest component of national saving, Graph 2 shows a relatively stable pattern over the period 1970-89 for the Community as a whole. The overall picture hides, however, diverging trends among the member countries (see Table 2). In Belgium, Germany, Spain and France, the private gross saving rate declined during the seventies, exacerbating the fall in national saving emanating from the government sector over that period, but recovered well in the subsequent period 1982-89 in Belgium and Germany. In other member countries (particularly Denmark, Ireland, Italy and the United Kingdom) the rate fell markedly in the eighties, having risen substantially in the seventies. As a result, apart from Greece and Luxembourg, private gross saving rates in 1989 were not very different from their levels in the early 1970s.

It is interesting to observe, however, that the fairly stable pattern of private saving conceals *some offsetting movements between business and household gross saving*. For instance, in those countries where detailed sectoral long-term series are available, there was evidence that the observed recovery in business saving since the early 1980s has been accompanied by a fall in household saving. This phenomenon was clearly discernible in Belgium, France, Italy, Portugal and the United Kingdom, though less marked in Germany, Spain and the Netherlands. In that respect, the argument was put forward that the propensity to save by households was particularly high during the seventies in response to high inflation rates and to uncertainty regarding future employment and income. On the other hand, the plunge in household saving in the second half of the eighties as experienced in countries like Belgium, France, Portugal and the United Kingdom might be explained by the disinflation process of the eighties and the reduced income uncertainty, together with higher personal sector wealth and the consequences of financial deregulation. With respect to business gross saving, differences across member countries ranged from around 10 % of GDP in Greece, France and Italy to some 16 % in the Netherlands in 1989 (see Table 3). Household gross saving rates, on the other hand, varied markedly more among member countries, the extremes being some 3 % of GDP in the United Kingdom and around 19 % in Greece in 1989.

National saving, domestic investment and current account balance

Saving plays a *crucial role in maintaining and strengthening sound economic growth while preserving a sustainable external position*. A country's saving is the difference between its gross income and its consumption expenditure. It represents thus the share of national income that can be used either for domestic investment or for investment abroad. For sustained high non-inflationary economic growth, high domestic investment is a prerequisite. Hence, to achieve strong and balanced economic growth, national saving must be kept in line with domestic investment. If not, external deficits or surpluses will emerge. Seen from this perspective, the interest in the level of national saving in the Community arises from the observation of a relative scarcity of productive capital, as revealed by the coexistence of persistently high unemployment and high degrees of capacity utilization.

Long-term developments in national saving and gross domestic investment are presented in Graph 1. It reveals that investment rates (as a percentage of GDP) in the Community as a whole were considerably lower during the eighties than in the 1960s and 1970s. Gross domestic investment amounted to some 20 % of GDP in the eighties while it exceeded 24 % in the sixties. It has to be noted, however, that in the Community investment

TABLE 3: Gross saving by sector, 1981-1990 (as a % of GDP)

		Households	Companies	Public	National ¹
B	1981	15,7	6,7	-8,2	14,1
	1989*	9,5	15,3	-4,1	21,2
	1990*	9,1	16,1	-4,0	21,7
DK²	1981	15,2		-2,7	12,4
	1989*	14,1		2,0	16,1
	1990*	14,3		1,9	16,1
D	1981	9,1	9,9	1,1	20,2
	1989*	7,6	15,0	3,7	26,4
	1990*	8,0	15,7	2,6	26,3
GR	1981	27,1		-6,8	20,3
	1989*	18,8	9,5**	-13,5	14,8
	1990*	15,8	13,0**	-13,9	14,9
E	1981	8,7	10,0	0,1	18,7
	1989*	7,8	11,5	3,2	22,6
	1990*	7,9	11,4	3,6	22,9
F	1981	13,3	6,1	1,7	21,1
	1989*	8,7	10,3	2,2	20,6
	1990*	8,9	10,7	2,3	20,9
IRL	1981	20,3		-6,7	13,6
	1989*	9,4	10,8**	-1,0	19,2
	1990*	8,9	11,3**	-0,7	19,5
I	1981	24,9**	4,6**	-7,0	22,5
	1989*	15,9	9,9	-5,7	20,6
	1990*	16,2	10,1	-5,8	20,7
L	1981	40,6		5,7	46,3
	1989*	10,2	36,6	10,1	56,9
	1990*	10,0	34,7	10,7	55,4
NL	1981	8,9	11,3	0,2	20,5
	1989*	9,3	16,3	-0,8	24,8
	1990*	9,8	16,3	-1,2	24,9
P	1981	27,4	-0,7**	-4,2	22,4
	1989*	16,9	11,8**	-0,6	28,1
	1990*	17,2	14,5**	-3,5	28,2
UK	1981	8,4	9,1	-0,5	17,1
	1989*	2,9	10,9	2,7	15,9
	1990*	3,5	9,3	2,7	15,0
EC	1981	13,3***	7,8***	-1,3	19,8
	1989*	9,1	11,6**	0,6	21,3
	1990*	9,3	11,7**	0,3	21,3

¹ Disregarding statistical discrepancies, the national saving ratio equals the sum of the sectoral saving ratios.

² According to the forecasts provided by the Danish Ministry of Economic Affairs, household saving would be in the order of 2.1 and 1.7 of GDP in 1989 and 1990, while business saving would be 12.0 and 12.4 of GDP, respectively. However, these figures are not directly comparable with the Commission's data.

* Economic Forecasts, April-May 1990.

** Approximate estimation.

*** EC excluding Denmark, Greece, Ireland and Luxembourg.

Source: Commission services.

rates have picked up since 1987, the resurgence in investment being related to the improvement in profitability and demand expectations.

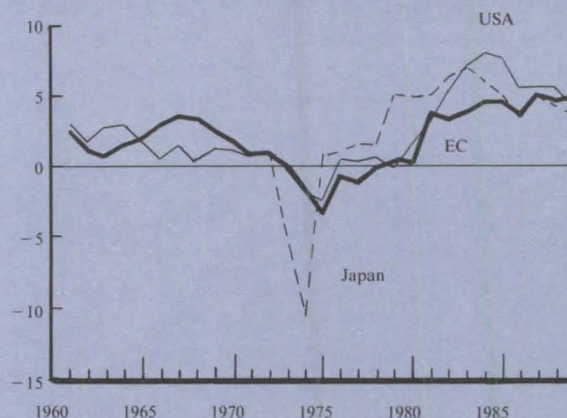
Up to now, in the Community on average, the rise in investment has been accompanied by a concomitant increase in national saving. Nevertheless, the proportion of national income that is saved will have to increase further in order to provide the resources for a lasting recovery in investment ratios of several percentage points of GDP in the Community as a whole. If this were to fail, significant negative saving/investment gaps would

arise, resulting in large current account deficits. In an environment characterized by strongly integrated international capital markets, the relevance of the relationship between national saving and domestic investment within a country is waning, however. Nevertheless, a continued foreign financing of saving/investment gaps has important interest rate and exchange rate implications. Eventually, the correction of the imbalance will require an increase in national saving, since the only other solution, i.e. a reduction in the investment propensity, would be undesirable.

Graph 1 illustrates developments since 1960 in the identity between national gross saving, domestic gross investment and the current account balance. It is shown that in the Community on average the gap between national saving rates and investment rates has generally been low and has never persisted for a long time. However, while in the period up to the first oil shock there was generally an excess of national saving over investment, this situation was reversed in the next decade because national saving declined at a faster and more pronounced overall rate than investment. From 1982 onwards, national saving again exceeded investment, but with the strong acceleration of investment since the mid-1980s, the gap has been closed rather quickly, giving rise to the emergence of a slight shortage of saving in relation to domestic investment in 1988 and thereafter in the Community as a whole (see Table 4).

National saving and 'real' long-term interest rates

Concern about the appropriateness of the size of national saving has also been voiced recently in connection with the pick-up in 'real' long-term interest rates at the end of 1989, from what was by historical standards an already high level. The evolution of 'real' long-term interest rates (as measured by the difference between the long nominal rate and the annual variation in the GDP price deflator) is shown in Graph 3. Current 'real' long-term interest rates in the Community, but also in the USA and Japan, are distinctly higher than in the 1970s when they were close to zero and even negative. Compared to the sixties, a better reference period for comparing monetary conditions, the current 'real' interest rate is only somewhat higher.

GRAPH 3: 'Real' long-term interest rate in the EC, USA and Japan¹

¹ Measured by the difference between the nominal long-term interest rate and the annual variation in the GDP price deflator.

Source: Commission services.

TABLE 4: Gross national saving, gross capital formation and current account balance (as a % of GDP)¹

	Gross capital formation				Current account balance	Statistical discrepancies	Gross national saving		
	Fixed capital		Variation of stocks	Total			Total	Private	Public
	Private	Public							
	B								
1970-74	17.8	4.3	1.4	23.4	2.2	0.0	25.6	23.8	1.8
1975-79	18.0	3.7	0.2	21.9	-1.0	0.0	20.9	22.5	-1.6
1980-84	14.3	3.4	0.1	17.8	-2.6	0.1	15.1	21.7	-6.6
1985-89	15.0	1.9	0.0	16.9	1.1	0.0	18.0	23.2	-5.1
1989*	18.0	1.7	0.5	20.1	1.0	-0.1	21.2	25.4	-4.2
1990*	18.6	1.6	0.5	20.6	1.0	-0.1	21.7	25.8	-4.1
	DK								
1970-74	20.1	4.3	0.9	25.3	-2.3	0.0	23.0	13.9	9.1
1975-79	18.1	3.7	0.4	22.1	-3.6	0.0	18.5	15.0	3.6
1980-84	14.0	2.7	0.2	16.9	-3.4	-0.1	13.6	16.1	-2.6
1985-89	16.6	2.2	0.1	19.0	-3.4	0.0	15.6	12.3	3.3
1989*	15.5	2.3	0.3	18.1	-1.8	0.0	16.1	14.1	2.0
1990*	15.3	1.9	0.4	17.7	-1.3	0.0	16.1	14.3	1.9
	D								
1970-74	20.3	4.2	1.0	25.5	1.1	0.0	26.6	20.9	5.7
1975-79	17.1	3.5	0.8	21.4	0.7	0.0	22.1	20.1	2.0
1980-84	18.2	2.9	-0.1	21.1	0.0	0.1	21.0	19.4	1.7
1985-89	17.5	2.4	0.4	20.3	3.9	0.0	24.2	21.8	2.4
1989*	18.3	2.4	1.1	21.8	4.5	0.0	26.4	22.6	3.7
1990*	18.9	2.4	0.8	22.0	4.3	0.0	26.3	23.7	2.6
	GR								
1970-74	:	:	4.8	30.1	-2.5	0.3	27.3	23.4	3.8
1975-79	:	:	4.5	27.5	-2.1	0.5	24.9	24.0	0.9
1980-84	:	:	2.4	23.4	-2.7	-0.4	21.1	25.4	-4.3
1985-89	14.5	3.5	1.0	19.0	-4.6	-1.5	15.9	25.6	-9.7
1989*	15.3	2.9	0.1	18.3	-4.9	-1.4	14.8	28.3	-13.5
1990*	15.6	2.8	0.1	18.5	-4.6	-1.1	14.9	28.8	-13.9
	E								
1970-74	23.2	2.6	1.1	27.0	0.2	0.0	27.2	22.1	5.1
1975-79	21.7	2.3	1.2	25.1	-1.4	0.0	23.7	20.5	3.3
1980-84	18.3	2.6	0.1	21.0	-1.5	0.1	19.4	19.6	-0.2
1985-89	17.2	3.8	0.9	21.9	-0.1	0.0	21.8	21.0	0.8
1989*	19.6	4.3	1.4	25.3	-2.9	-0.2	22.6	19.4	3.3
1990*	20.2	4.8	1.4	26.4	-3.6	-0.1	22.9	19.3	3.6
	F								
1970-74	21.3	3.6	2.0	26.9	0.4	0.0	27.3	22.7	4.7
1975-79	19.8	3.4	0.9	24.0	0.4	-0.1	24.5	21.9	2.5
1980-84	17.9	3.3	0.2	21.4	-0.9	0.0	20.5	19.0	1.5
1985-89	16.5	3.2	0.4	20.0	-0.1	0.0	19.9	18.6	1.3
1989*	17.0	3.4	0.7	21.1	-0.4	0.1	20.6	18.4	2.2
1990*	17.2	3.4	0.7	21.3	-0.3	0.1	20.9	18.7	2.2
	IRL								
1970-74	19.3	4.7	1.9	25.9	-4.7	0.0	21.2	20.2	1.0
1975-79	21.1	5.0	1.6	27.7	-6.5	-0.1	21.3	25.2	-4.0
1980-84	20.8	5.1	0.3	26.2	-10.0	-0.1	16.3	22.6	-6.3
1985-89	15.0	3.0	0.3	18.2	-0.4	0.1	17.7	22.1	-4.4
1989*	16.3	1.9	0.0	18.2	1.6	0.6	19.2	20.3	-1.0
1990*	16.9	1.9	0.0	18.8	1.2	0.5	19.5	20.2	-0.7

TABLE 4 (cont.): Gross national saving, gross capital formation and current account balance (as a % of GDP)¹

	Gross capital formation				Current account balance	Statistical discrepancies	Gross national saving		
	Fixed capital		Variation of stocks	Total			Total	Private	Public
	Private	Public							
	I								
1970-74	21,7	2,8	2,2	26,7	-0,4	0,0	26,3	28,6	-2,2
1975-79	20,6	3,0	1,3	24,9	0,7	0,0	25,6	30,2	-4,6
1980-84	19,0	3,6	1,4	24,0	-1,3	0,0	22,7	29,2	-6,5
1985-89	16,5	3,6	1,3	21,4	-0,5	0,0	20,9	27,3	-6,4
1989*	16,5	3,6	1,4	21,5	-1,3	-0,4	20,6	26,2	-5,7
1990*	16,6	3,5	1,4	21,5	-1,1	-0,3	20,7	26,5	-5,9
	L								
1970-74	21,4	4,8	0,6	26,9	14,7	0,0	41,6	33,1	8,5
1975-79	19,0	6,2	-2,1	23,1	19,9	0,1	42,9	33,3	9,6
1980-84	17,4	6,4	1,5	25,3	30,5	0,0	55,8	47,6	8,2
1985-89	17,3	5,7	0,4	23,4	36,2	0,1	59,5	49,8	9,7
1989*	18,5	6,0	0,3	24,7	32,1	-0,1	56,9	46,8	10,1
1990*	19,0	6,1	0,3	25,4	30,0	0,0	55,4	44,7	10,7
	NL								
1970-74	19,7	4,3	1,5	25,4	1,6	0,0	27,0	22,2	4,8
1975-79	17,3	3,5	0,5	21,3	0,8	0,0	22,1	20,1	1,9
1980-84	16,1	3,0	0,0	19,0	2,2	-0,1	21,3	21,7	-0,5
1985-89	18,1	2,4	-0,3	20,3	2,8	-0,2	23,3	23,8	-0,6
1989*	19,5	2,3	-0,3	21,6	3,2	0,0	24,8	25,6	-0,8
1990*	19,5	2,3	0,1	21,9	3,0	0,0	24,9	26,1	-1,2
	P								
1970-74	:	:	4,8	30,3	1,3	2,7	28,9	:	:
1975-79	:	:	1,3	27,7	-6,1	0,9	20,7	:	:
1980-84	25,2	3,5	1,8	30,4	-8,7	0,0	21,7	26,5	-4,8
1985-89	21,7	2,7	1,6	25,9	-0,6	0,1	25,2	28,4	-3,1
1989*	24,0	3,0	2,6	29,5	-1,2	0,3	28,1	28,7	-0,6
1990*	24,2	3,2	2,8	30,2	-1,2	0,8	28,2	31,7	-3,5
	UK								
1970-74	14,7	4,8	0,9	20,3	-0,7	0,1	19,5	15,2	4,3
1975-79	15,5	3,6	0,6	19,7	-0,7	0,8	18,2	18,2	0,0
1980-84	14,7	2,0	-0,4	16,3	1,2	0,2	17,3	18,0	-0,7
1985-89	16,5	1,6	0,5	18,6	-2,1	0,0	16,5	15,8	0,8
1989*	18,0	1,5	0,8	20,3	-4,1	0,4	15,9	13,2	2,7
1990*	17,2	1,7	-0,6	18,3	-3,0	0,3	15,0	12,2	2,8
	EC ²								
1970-74	19,7	3,8	1,5	25,0	0,2	0,0	25,2	21,5	3,7
1975-79	18,5	3,3	0,9	22,6	0,0	0,1	22,5	22,0	0,5
1980-84	17,4	2,9	0,2	20,6	-0,4	0,1	20,1	21,1	-1,0
1985-89	16,8	2,8	0,6	20,2	0,4	0,0	20,6	21,2	-0,6
1989*	17,8	2,8	1,0	21,6	-0,3	0,0	21,3	20,7	0,6
1990*	17,9	2,9	0,7	21,4	-0,1	0,0	21,3	21,0	0,3

¹ Disregarding statistical discrepancies, gross national saving minus gross capital formation equals the current account balance.

² EC excluding Greece and Portugal up to 1984.

* Economic Forecasts, April-May 1990.

Source: Commission services.

To what extent the persistence of high 'real' interest rates suggests an inadequacy of saving is difficult to gauge. In addition, in a world of financial capital moving freely between countries, the issue of the relationship between national saving and real interest rates has to be assessed in global terms. Table 5 shows aggregate data on the saving/investment equilibrium for the three largest industrial groups (EC, the USA and Japan). It clearly indicates a turnaround in the global saving/investment position of the industrial world from a saving surplus in the sixties to a capital import position in the eighties, which was above all induced by the fundamental deterioration of the US current account and went together with a lower US propensity to save during the last decade.

TABLE 5: Aggregate saving and investment in the EC, USA and Japan^{1, 2} (as a % of global GDP)

	Current account balance	Gross capital formation	Gross national saving	
			Total	Public
1961-70	0,5	22,3	22,8	3,0**
1971-82	0,1	22,9	22,9	1,2
1983-89	-0,3	21,0	20,7	-0,2
1989*	-0,3	21,8	21,8	1,3
1990*	-0,3	21,6	21,6	1,1

¹ Due to statistical discrepancies, the difference between gross national saving and gross capital formation does not equal the current account balance.

² Weighted by GDP at current exchange rates, based on data expressed in USD.

* Economic Forecasts, April-May 1990.

** 1970 only.

Source: Commission services.

The perception of a deficiency in saving in the industrial world coincided with growing expectations of large capital needs in the Eastern European countries and especially the GDR. The resulting outlook for excess demand for capital may have been anticipated by financial markets as is reflected in the recent rise of 'real' long-term interest rates. Obviously, the saving element is not the only factor to explain developments in 'real' interest rates in the eighties. The other is the perceived improvement in

the productivity of capital which went together with the liberalisation of capital markets and the prominence given to the interest rate weapon to steer monetary policy instead of credit rationing.

Implications for economic policy

A major task facing economic policy is to tackle effectively the increased demand for capital for investment purposes in the Community and in Eastern Europe; in the former to create jobs and reduce unemployment, in the latter to modernize and reconstruct the economy. Of the three possible policy options — strengthening saving, raising interest rates or curbing investment demands, the first is by far the most appropriate in the current circumstances.

To increase national saving, there are three channels through which government policy can operate. The most straightforward way is to improve public saving. In those countries where general government saving is still negative (Belgium, Greece, Ireland, Italy, the Netherlands and Portugal), higher government saving would appear to be particularly appropriate. This is all the more true with a view to EMU as it would contribute to the required progress in economic convergence in the Community. In the countries where public saving is already positive, it is still much below the level of the late 1960s or early 1970s, implying that in these countries as well additional efforts to increase public saving would be expedient. As for corporate saving, a further increase is required in line with the continuation of the improvement in profitability to support increased investment and employment. Wage increases should therefore remain moderate, while monetary policy must remain vigilant. With respect to household saving, measures aimed at removing distortions and disincentives, particularly in the field of taxation, seem warranted. Experience in most countries teaches that specific measures to stimulate household saving are not very effective. In addition, household saving is likely to recover somewhat in the years ahead as some of the negative factors (e.g. disinflation, demography, financial deregulation) will no longer be at work.

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

	1985	1986	1987	1988	1989	1989				1990				1989				1990				Change over 12 months (%) (b)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March					
B	2.5	0.8	2.1	5.8	3.7	1.8	-1.0	1.3	1.1	1.4	-0.9	1.6	2.4	1.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	7.2
DK	4.2	6.5	3.4	1.9	2.3	0.2	3.3	3.3	1.7	3.2	-3.2	1.9	3.6	-5.1	5.8	-1.9	3.4	3.4	3.4	3.4	3.4	8.3
D	5.0	2.2	0.2	3.7	5.2	1.0	0.8	2.4	0.4	0.7	-0.2	-0.1	0.0	1.3	1.0	-1.3	-0.8	-0.8	-0.8	-0.8	-0.8	6.3
GR	3.4	0.2	1.7	5.7	1.9	3.5	-0.3	-0.8	0.5	1.4	-1.4	2.5	-0.4	-2.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1
E	2.0	3.1	4.6	3.1	4.4	2.9	2.7	-1.1	-1.0	3.6	1.8	-1.8	2.6	-5.7	9.8	-5.6	3.2	3.2	3.2	3.2	3.2	4.6
F	1.0	0.5	2.3	4.6	3.6	0.4	2.2	0.4	-0.2	-0.3	-2.2	1.2	1.1	-1.7	1.4	-1.8	0.7	0.7	0.7	0.7	0.7	2.2
IRL	3.5	3.2	9.7	10.9	12.4	1.6	6.4	-5.1	6.9	3.9	2.8	5.0	-1.9	-0.2	-0.2	1.1	1.1	1.1	1.1	1.1	1.1	10.3
I	1.3	2.7	3.9	10.8	2.9	-0.7	-0.6	1.2	3.0	-1.7	-0.2	1.5	0.7	4.5	6.8	3.6	-0.7	-0.7	-0.7	-0.7	-0.7	3.1
L	6.8	2.1	-0.9	8.7	7.6	1.2	3.0	0.8	-2.9	2.2	-2.1	0.2	-0.6	-0.7	-0.7	1.1	1.1	1.1	1.1	1.1	1.1	-1.3
NL	3.1	0.0	1.0	0.0	5.0	-4.6	7.6	-0.7	4.2	-8.4	0.9	1.1	2.2	2.5	-5.3	-7.8	-1.2	-1.2	-1.2	-1.2	-1.2	-0.2
P	10.9	5.7	2.4	6.2	4.8	0.0	1.5	0.8	3.0	2.9	-0.3	1.6	-1.0	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	4.7
UK	5.4	2.3	3.3	3.8	0.5	-0.2	-0.4	1.1	0.0	-0.1	-0.2	0.0	-0.5	0.2	-0.2	-0.6	1.8	1.8	1.8	1.8	1.8	2.9
EUR 12	3.3	2.3	2.1	4.3	3.7	0.2	1.3	0.2	1.5	(0.0)	0.5	0.5	0.9	-0.1	(-0.1)	(-0.9)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(3.8)
USA	2.6	2.9	6.1	5.8	2.9	0.9	0.6	-0.3	-0.2	0.2	0.0	-0.6	0.4	-0.1	-0.8	1.1	0.3	0.3	0.3	0.3	0.3	1.3
JAP	3.7	-0.2	3.0	9.8	6.1	3.1	0.3	-0.1	0.8	0.8	-0.7	0.3	0.5	0.0	-0.1	0.3	1.7	1.7	1.7	1.7	1.7	0.7

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

	1985	1986	1987	1988	1989	1989				1990				1989				1990				Change over 12 months (c)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
B	11.6	11.6	11.4	10.0	8.5	8.8	8.4	8.5	8.2	8.1	8.3	8.2	8.2	8.1	8.1	8.0	8.0	8.0	8.0	8.0	8.0	-0.5
DK	7.2	5.6	5.7	6.2	6.7	6.5	6.7	7.0	6.7	6.5	6.8	6.7	6.6	6.5	6.6	6.5	6.7	6.7	6.7	6.7	6.7	0.2
D	7.1	6.3	6.2	6.1	5.5	5.6	5.6	5.5	5.5	5.3	5.4	5.6	5.5	5.4	5.3	5.2	5.3	5.3	5.3	5.3	5.3	-0.3
GR	7.7	7.4	7.4	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
E	21.8	21.0	20.4	19.3	17.0	17.8	17.1	16.7	16.5	16.2	16.7	16.5	16.4	16.2	16.2	16.1	15.9	15.9	15.9	15.9	15.9	-1.4
F	10.2	10.3	10.4	9.9	9.5	9.6	9.5	9.6	9.5	9.4	9.5	9.5	9.4	9.4	9.4	9.4	9.3	9.3	9.3	9.3	9.3	-0.2
IRL	18.2	18.2	18.1	17.6	17.0	17.3	17.1	16.9	16.7	16.6	16.8	16.7	16.7	16.7	16.7	16.3	16.4	16.4	16.4	16.4	16.4	-0.7
I	9.4	10.4	10.2	10.7	11.1	10.8	11.0	11.4	11.2	10.9	11.0	11.3	11.2	10.9	10.8	10.8	10.9	10.9	10.9	10.9	10.9	0.0
L	2.9	2.6	2.6	2.1	1.8	1.8	1.8	1.9	1.9	1.7	1.9	1.8	1.8	1.8	1.6	1.6	1.5	1.5	1.5	1.5	1.5	-0.2
NL	10.5	10.2	10.0	9.5	9.3	9.4	9.4	9.3	9.1	8.9	9.2	9.1	8.9	9.0	8.9	8.9	8.8	8.8	8.8	8.8	8.8	-0.5
P	8.8	8.2	6.8	5.6	5.0	5.1	5.0	5.0	4.9	5.0	4.9	4.9	5.0	5.0	5.0	5.1	5.2	5.2	5.2	5.2	5.2	0.2
UK	11.4	11.4	10.4	8.5	6.7	7.3	6.8	6.5	6.1	6.1	6.2	6.1	6.1	6.1	6.1	6.0	6.0	6.0	6.0	6.0	6.0	-0.9
EUR 12	10.8	10.7	10.3	9.7	9.0	9.2	9.0	8.9	8.8	8.6	8.8	8.8	8.7	8.6	8.6	8.6	(8.5)	(8.5)	(8.5)	(8.5)	(8.5)	(-0.5)
USA (g)	7.2	7.0	6.2	5.5	5.3	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.2	5.2	2.0
JAP (g)	2.6	2.8	2.8	2.5	2.3	2.3	2.3	2.2	2.2	2.1	2.3	2.2	2.1	2.2	2.1	2.0	2.1	2.1	2.1	2.1	2.1	-0.3

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

	1985	1986	1987	1988	1989	1989				1990				1989				1990				Change over 12 months (c)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
B	4.9	1.3	1.6	1.2	3.1	1.0	1.1	0.9	0.6	0.8	0.1	-0.1	0.4	0.4	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.2
DK	4.7	3.7	4.0	4.5	4.8	1.4	1.6	0.5	1.3	-0.2	0.6	0.5	0.0	-0.6	0.2	0.3	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(2.4)
D	2.2	-0.1	0.2	1.3	2.8	1.5	0.9	0.0	0.6	1.1	0.4	0.2	0.3	0.6	0.4	0.1	0.2	0.2	0.2	0.2	0.2	2.3
GR	19.3	23.0	16.4	13.5	13.7	1.3	4.1	2.4	5.8	3.5	2.0	0.9	1.8	0.7	0.1	3.8	1.7	1.7	1.7	1.7	1.7	17.9
E	7.8	8.8	5.3	4.8	6.8	1.9	1.1	2.5	1.4	1.8	0.4	0.2	0.4	0.9	0.6	0.4	0.2	0.2	0.2	0.2	0.2	6.9
F	5.9	2.7	3.1	2.7	3.6	0.8	1.2	0.7	0.8	0.6	0.4	0.2	0.1	0.3	0.2	0.3	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(3.2)
IRL (h)	5.4	3.8	3.1	2.2	4.1	1.4	1.0	1.5	0.7	1.0	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	0.4	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(4.2)
I	9.2	5.8	4.7	5.1	6.2	1.8	1.6	0.9	1.7	2.1	0.8	0.6	0.4	0.9	0.8	0.4	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(6.2)
L	4.1	0.3	-0.1	1.4	3.4	1.1	1.0	0.8	1.0	1.0	0.6	0.2	0.1	0.8	0.1	0.0	0.4	0.4	0.4	0.4	0.4	3.6
NL	2.3	0.2	0.4	0.9	1.1	-0.6	0.8	0.5	0.5	0.2	0.1	0.0	0.0	-0.2	0.4	0.4	0.5	0.5	0.5	0.5	0.5	2.1
P	19.3	11.7	9.4	9.6	12.6	3.9	2.5	2.8	2.3	4.6	0.5	1.0	1.1	1.7	2.3	0.6	1.2	1.2	1.2	1.2	1.2	12.9
UK	6.1	3.4	4.1	4.9	7.8	1.6	2.9	0.9	2.0	1.8	0.8	0.9	0.3	0.6	0.6	1.0	3.0	3.0	3.0	3.0	3.0	9.4
EUR 12	6.1	3.5	3.2	3.6	5.2	1.4	1.6	0.9	1.3	1.4	0.6	0.4	0.3	0.6	0.5	0.5	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(5.4)
USA	3.6	1.9	3.7	4.1	4.8	1.1	1.6	0.8	1.0	1.7	0.5	0.2	0.2	1.0	0.5	0.5	0.2	0.2	0.2	0.2	0.2	4.7
JAP	2.0	0.6	0.1	0.7	2.3	0.6	2.4	0.2	0.6	0.2	0.8	-1.0	0.1	0.2	0.3	0.4	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(2.4)

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

	1989																			1990																			Change over 12 months (%) (b)
	1985	1986	1987	1988	1989	1989				1990				1989				1990																					
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March																						
B/L	-3514	146	-580	-2543	-2108	126	-619	-744	-789	:	50	-229	193	-752	142	:	:	:	324																				
DK	1538	1714	96	926	1226	229	197	228	548	441	158	141	72	335	-31	240	232	290																					
D	32986	53044	56960	60936	64046	18119	16329	16920	13417	18417	5599	4528	4756	4133	6543	5502	6372	233																					
GR	-7266	-5809	-5694	-5824	:	1711	-1603	-2263	:	:	-614	-521	:	:	:	:	:	100																					
E	-5582	-6306	-8749	-11974	-19803	-4235	-6099	-5653	-4281	-5588	-2061	-1195	-1696	-1390	-1862	-1984	-1742	-20																					
F	13428	9699	12473	11856	13987	2995	-3497	-3421	4346	-3862	853	-1730	-1825	891	1609	-1164	-1089	56																					
IRL	430	983	2047	2740	3049	670	710	809	799	:	388	189	263	347	253	238	:	-6																					
I	16130	-2459	7427	-8390	-11098	-3956	-2529	-3195	-2116	-3329	-952	-697	-1200	-219	-1213	-798	-1318	102																					
NL	3874	4161	1088	1296	2893	749	-29	1084	996	:	627	145	320	531	171	157	:	-11																					
P	2735	1297	2955	3474	-5035	-1004	-1287	-1279	-1517	1434	-319	512	-519	-485	-560	-327	-547	-163																					
UK	-11540	-19868	-20890	-42385	-41827	-11627	-11644	-11523	-8289	-9377	-3587	-3249	-2872	-2169	-3359	-2738	-3280	-284																					
EUR 12 (i)	-24444	11161	1424	-20549	(-29553)	-5903	-10392	8429	(-6646)	:	-1652	-3067	(-2850)	(-729)	(-2290)	(-1594)	:	(-142)																					
USA	-194856	-157829	-132116	100252	-99052	23412	-24716	-25841	-25082	-19813	-7673	-9466	-9037	-6580	-7753	-5006	-7054	943																					
JAP	60497	84010	69636	65441	58691	19420	14288	13855	11128	12899	5184	3413	4198	3516	3314	4685	4900	14																					

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

	1985	1986	1987	1988	1989	1989				1990		1989			1990					Change over 12 months % (c)
						I	II	III	IV	I		Nov.	Dec.		Jan.	Feb.	March	April	May	
B	9.6	8.1	7.1	6.7	8.8	8.2	8.5	8.7	10.3	10.3		9.8	10.3		10.4	10.4	10.3	10.1	9.9	1.2
DK	10.0	9.1	9.9	8.3	9.4	8.0	9.0	9.5	12.1	11.8		11.3	12.1		12.1	12.0	11.8	11.5	10.7	2.2
D	5.4	4.6	4.0	4.3	7.1	6.5	7.0	7.5	8.1	8.3		8.1	8.1		8.0	8.4	8.3	8.3	8.2	0.9
GR	7.0	19.8	14.9	15.9	18.7	19.7	21.0	14.9	19.3	17.1		18.8	19.3		17.9	16.0	17.1	28.2	:	8.4
E	12.2	11.7	15.8	11.6	15.0	14.9	15.5	14.9	16.2	15.3		15.5	16.2		15.4	15.6	15.3	14.9	15.0	0.2
F	10.0	7.7	8.3	7.9	9.4	8.9	9.3	9.6	11.3	10.3		10.7	11.3		11.1	10.8	10.3	9.8	9.8	0.8
IRL	12.0	12.4	11.1	8.1	9.8	8.2	10.5	10.7	12.1	12.3		11.8	12.1		12.0	12.3	12.3	12.0	11.1	1.7
I	15.0	12.8	11.4	11.3	12.7	12.5	12.6	12.6	13.0	12.8		13.0	13.0		13.4	13.3	12.8	11.9	12.4	-0.3
NL	6.3	5.7	5.4	4.8	7.4	6.8	7.4	7.8	8.6	8.4		8.5	8.6		8.8	9.0	8.4	8.6	8.2	0.7
P	21.0	15.6	13.9	13.0	12.6	12.5	10.0	12.9	13.8	13.8		13.0	13.8		13.8	13.9	13.8	13.6	13.0	0.0
UK	12.2	10.9	9.7	10.3	13.9	13.0	14.2	14.3	15.1	15.2		15.2	15.1		15.1	15.2	15.2	15.2	15.2	1.1
EUR 12 (m)	10.6	9.2	8.9	8.6	10.9	10.4	10.9	11.1	12.1	11.7		11.8	12.1		12.0	12.0	11.7	11.7	(11.7)	(0.8)
USA	7.5	6.0	5.9	6.9	8.4	9.2	8.3	8.1	7.9	8.1		7.9	7.9		8.0	8.1	8.1	8.3	8.0	-1.0
JAP	6.5	5.0	3.9	4.0	5.4	4.7	5.4	5.7	7.0	7.6		6.7	7.0		7.0	7.3	7.6	7.5	7.4	2.2

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

	1985	1986	1987	1988	1989	1989				1990		1989			1990					Change over 12 months % (c)
						I	II	III	IV	I		Nov.	Dec.		Jan.	Feb.	March	April	May	
B	10.6	7.9	7.8	7.9	8.7	8.5	8.4	8.6	9.7	9.9		9.4	9.4		10.2	10.7	9.9	10.1	9.9	1.4
DK	11.6	10.5	11.9	10.6	10.2	10.0	10.1	10.3	10.8	11.0		10.8	10.8		11.0	11.7	11.0	10.9	10.8	0.6
D	6.9	5.9	5.8	6.1	7.0	6.9	6.9	7.1	7.6	8.9		7.6	7.6		7.9	8.7	8.9	8.9	9.9	2.8
GR	15.8	15.8	17.4	16.6	:	:	:	:	:	:		:	:		:	:	:	:	:	:
E	13.4	11.4	12.8	11.8	13.8	13.7	13.8	13.9	14.6	14.9		14.1	14.6		14.6	14.7	14.9	14.9	14.7	0.9
F	10.9	8.4	9.4	9.0	8.8	9.0	8.7	8.9	9.3	9.6		9.1	9.3		9.6	10.1	9.6	9.6	9.7	0.9
IRL	12.7	11.1	11.3	9.4	9.0	8.8	9.0	8.9	9.3	10.4		9.2	9.3		9.5	10.7	10.4	10.3	9.9	0.6
I	14.3	11.7	11.3	12.1	12.9	12.9	13.2	13.0	13.3	13.6		13.0	13.3		13.1	13.4	13.6	13.5	13.5	0.4
L	9.5	8.7	8.0	7.1	7.7	7.5	7.3	7.7	8.4	8.5		8.4	8.4		8.4	9.4	8.5	8.5	:	1.1
NL	7.3	6.4	6.4	6.3	7.2	7.1	7.2	7.2	7.8	9.0		7.7	7.8		8.2	8.8	9.0	8.9	9.0	1.6
P	25.4	17.9	15.4	14.2	14.9	14.4	15.1	15.0	15.7	15.2		15.5	15.7		15.4	15.3	15.2	15.4	15.3	0.6
UK	10.6	9.8	9.5	9.3	9.6	9.4	9.7	9.8	9.9	11.6		10.2	9.9		10.5	11.0	11.6	12.2	11.3	1.5
EUR 12 (m)	10.9	9.2	9.4	9.4	9.9	9.9	10.0	9.9	10.4	11.2		10.2	10.4		10.7	11.2	11.2	11.3	(11.2)	(1.2)
USA	10.8	8.1	8.7	9.0	8.5	9.2	8.3	8.1	7.9	8.6		7.9	7.9		8.3	8.5	8.6	8.8	8.7	-0.1
JAP	6.5	5.2	4.7	4.7	5.2	5.2	5.4	5.3	5.6	7.5		5.5	5.6		6.5	7.0	7.5	7.5	7.2	1.9

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

	1985	1986	1987	1988	1989	1989				1990		1989			1990					Change over 12 months % (c)
						I	II	III	IV	I		Nov.	Dec.		Jan.	Feb.	March	April	May	
BFR/LFR	44.91	43.80	43.04	43.43	43.38	43.64	43.50	43.41	42.96	42.55		42.97	42.72		42.63	42.65	42.37	42.29	42.29	-2.9
DKR	8.02	7.94	7.88	7.95	8.05	8.10	8.09	8.06	7.95	7.86		7.95	7.90		7.88	7.88	7.82	7.80	7.81	-3.7
DM	2.23	2.13	2.07	2.07	2.07	2.08	2.08	2.07	2.05	2.04		2.05	2.03		2.03	2.04	2.04	2.05	2.05	-1.6
DR	104.8	137.4	156.1	167.5	178.8	174.1	177.4	179.2	184.7	192.3		184.5	187.2		189.9	192.4	194.5	198.6	201.6	13.9
PTA	129.0	137.5	142.2	137.6	130.4	130.1	130.6	130.0	130.8	131.6		130.4	131.2		131.9	131.9	130.9	129.7	128.1	-1.6
FF	6.80	6.80	6.93	7.04	7.02	7.08	7.04	7.02	6.96	6.92		6.96	6.94		6.92	6.93	6.89	6.87	6.90	-2.0
IRL	0.715	0.733	0.775	0.776	0.777	0.780	0.778	0.777	0.772	0.768		0.773	0.771		0.769	0.770	0.766	0.763	0.764	-1.8
LIT	1447	1462	1495	1537	1511	1527	1514	1494	1507	1512		1504	1509		1517	1515	1505	1502	1505	-0.5
HFL	2.51	2.40	2.33	2.34	2.34	2.35	2.34	2.34	2.31	2.30		2.31	2.29		2.29	2.30	2.30	2.30	2.30	-1.8
ESC	130.0	146.9	162.5	170.1	173.4	171.2	172.3	173.7	176.6	179.8		176.3	178.1		179.3	179.9	180.2	181.0	181.1	5.3
UKL	0.589	0.670	0.705	0.664	0.673	0.644	0.661	0.675	0.712	0.728		0.712	0.731		0.728	0.718	0.737	0.740	0.733	11.7
USD	0.759	0.983	1.154	1.183	1.102	1.126	1.075	1.078	1.129	1.206		1.119	1.167		1.202	1.218	1.197	1.212	1.232	15.6
YEN	180.4	165.0	166.5	151.5	151.8	144.6	148.4	153.4	161.6	178.3		160.6	167.7		174.3	177.4	183.4	191.9	189.2	28.3
DTS	0.749	0.838	0.892	0.880	0.860	0.856	0.848	0.856	0.880	0.917		0.876	0.896		0.912	0.919	0.920	0.931	0.934	10.7

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

	1985	1986	1987	1988	1989	1989				1990		1989			1990					Change over 12 months % (c)
						I	II	III	IV	I		Nov.	Dec.		Jan.	Feb.	March	April	May	
B/L	0.9	5.5	4.1	-1.3	-0.9	-1.0	-0.1	0.4	2.0	2.4		0.9	1.4		0.8	0.3	0.6	0.6	0.1	6.4
DK	1.2	6.3	4.2	-1.9	-2.7	-2.2	-0.4	0.8	3.1	3.6		1.5	2.1		1.1	0.5	0.8	0.9	0.0	9.8
D	0.3	10.7	6.9	-0.8	-1.3	-1.5	-0.2	0.4	3.2	2.7		1.1	2.2		0.8	0.0	-0.1	0.3	-0.1	7.0
GR	-15.9	-21.3	-9.9	-7.2	-7.5	-2.3	-2.3	-0.9	-1.9	-2.2		-0.6	-0.5		-0.7	-0.9	-1.1	-1.6	-1.4	-8.8
E	-2.3	-1.5	0.2	3.1	4.1	3.6	-1.0	0.8	0.8	1.5		0.9	0.6		0.3	0.4	0.7	1.5	1.5	6.5
F	1.1	4.5	1.1	-2.3	-1.3	-1.0	0.3	0.5	2.3	2.9		0.8	1.5		1.2	0.3	0.7	0.8	-0.4	7.1
IRL	1.2	3.7	-2.1	-1.4	-1.3	-1.6	0.1	0.7	2.7	2.6		0.8	1.7		0.8	0.1	0.8	0.9	-0.2	7.8
I	-5.2	3.7	1.1	-3.5	0.4	-0.1	0.5	1.6	0.5	1.9		0.9	0.9		0.4	0.6	0.6	0.8	-0.1	5.6
NL	0.3	7.7	5.1	-0.4	-1.0	-1.1	0.1	0.3	2.2	1.9		0.8	1.5		0.6	0.0	0.1	0.2	0.0	5.0
P	-11.5	-7.8	-7.1	-5.1	-3.2	-0.6	-1.0	-0.6	-0.5	-0.3		-0.1	0.0		-0.1	-0.1	-0.2	-0.1	0.0	-1.6
UK	-0.2	-7.3	-1.0	5.7	-3.4	0.2	-3.6	-1.9	-3.9	0.5		-2.0	-1.4		1.7	2.1	-2.9	0.2	1.2	-5.7
EUR 12	-1.9	9.6	7.0	-1.6	-3.0	-1.8	-1.3	0.8	3.3	5.7		1.3	3.1		2.4	1.3	-0.3	1.5	0.2	12.5
USA	4.1	-19.1	-12.1	-6.1	4.9	2.3	4.8	0.5	-2.3	-2.2		-0.5	-2.1		-1.2	-0.2	2.0	-0.1	-1.6	-4.8
JAP	3.0	27.2	8.2	10.4	-4.4	-1.1	-4.7	-3.1	-2.5	-5.7		-1.7	-1.8		-2.1	-0.8	-4.2	-3.9	2.4	-15.2

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 series of the most recent figure given.

(c) Change with respect to the corresponding month of the previous year.

(d) Change on corresponding month in previous year; seasonally adjusted.

(e) Change over 12 months in the s.a. figure of the most recent figure given for each country.

Principal economic policy measures — April 1990

Community (EUR 12)

4.4 The Commission launched a bond on the financial markets to raise the ECU 350 million for the first part of the Community loan to Hungary.

19.4 The Commission adopted the list of regions eligible under the RECHAR programme supporting the economic restructuring of coal mining areas.

23.4 The ECOFIN Council approved the framework for multilateral surveillance during the first stage of EMU.

25.4 The Commission adopted a proposal for a directive establishing minimum capital requirements for securities firms.

25.4 The Commission adopted 13 special programmes under the third Community framework programme for research and development.

Belgium (B)

27.4 The central bank cuts the rates for Treasury certificates in three stages between the end of March and the end of April, with the rate for three-month certificates falling by 0.25 of a percentage point to 10.05 %.

Denmark (DK)

27.4. Against the background of the continuing inflow of foreign exchange and the krone's relatively strong position in the EMS, the rates of interest for the banks' borrowing from and deposits with the Nationalbank were lowered by 1/2 % to 11 % for drawings on current account and 10 % for deposits.

Federal Republic of Germany (D)

None.

Greece (GR)

2.4 The Treasury offers a new series of one-year, 11.5 % bonds index-linked to the ECU.

Spain (E)

5.4 The Government takes further steps to liberalize external financial operations and exchange regulations. As a result, the way is now clear for the following operations:

- payment of interest on convertible-peseta accounts containing more than PTA 10 million (prohibited since April 1987);
- Investments sale and repurchase operations ('repos') in government debt for non-residents (not liberalized in July 1987);
- loans and credits in pesetas granted to non-residents by Spanish credit institutions, subject to a ceiling of 50 % of their liabilities in convertible pesetas (ceiling of 25 % since July 1989);
- investments by Spanish residents in securities dealt in on foreign money markets (not liberalized in December 1985).

26.4 The Treasury increases the maximum yield on twelve-month Treasury certificates by 0.25 of a point to 14.517 %.

France (F)

26.4 For the second time in a month, the previous occasion being on 2 April, the Bank of France lowers its key rates by 1/4 of a point from 9.75 % to 9.50 % for its intervention rate and from 10.50 % to 10.25 % for sale and repurchase agreements.

Ireland (IRL)

None.

Italy (I)

27.4 With effect from 14 May 1990, a ministerial decree abolishes all remaining restrictions on the opening by residents of current accounts abroad or foreign currency accounts in Italy. It also removes any restrictions on transactions by resident banks on foreign exchange markets.

Luxembourg (L)

None.

Netherlands (NL)

25.4 In two stages between the end of March and the end of April, the Nederlandsche Bank lowers the rate for special advances from 9.2 % to 8.0 %.

27.4 The government increases excise duties on fuel by 5 cents a litre. The extra revenue, put at HFL 300 000 million, will permit the financing of additional investment in public transport.

Portugal (P)

6.4 The government reduces by ESC 40 000 million the public expenditure planned for this year. The restrictions will affect mainly public expenditure on consumption other than wages. The latter seem to have been underestimated in the 1990 budget and the restrictions announced are designed to forestall the need for a supplementary budget to be presented to Parliament.

12.4 The Government announces privatization of the following firms: Unicer and Centralcer (breweries), Banco Totto a Açores and Bando Portugues do Atlântico (banks), and Transinsular (maritime transport). The privatization will take place before the end of the year and, with a (temporary) exemption for the two banks, the firms concerned will be privatized in full (100 % of capital in the private sector).

18.4 As the first step in introducing indirect monetary controls, the Bank of Portugal notifies the banks that the (compulsory) credit ceiling will be scrapped. At the same time, in view of the sharp increase in net capital inflows, it recommends a 2.5 % contraction in credit for the first half of 1990 compared to the same period a year earlier.

United Kingdom (UK)

None.

Principal economic policy measures — May 1990

Community (EUR 12)

8.5 The EC and the GDR have signed an agreement concerning trade and economic cooperation.

29.5 The founding members have signed the agreement for the establishment of the EBRD (European Bank for the Reconstruction and Development of the countries of Central and Eastern Europe).

Belgium (B)

29.5 In two stages, the central bank reduces interest rates on two- and three-month Treasury certificates by 0.20 of a point. The rate on three-month certificates, the key rate for monetary policy, is now 9.85 %.

Denmark (DK)

None.

Federal Republic of Germany (D)

2.5 Announcement of the details of monetary union, which will take effect from 2 July 1990. Wages (at their level on 1 May) and pensions (after the FRG's pensions system has been adopted) are converted at the rate of DM 1 to M/1. Assets and debts are converted at the rate of DM 1 to M/2: however, in the case of the savings of GDR residents, conversion will be at the same rate as for wages and pensions up to a maximum amount of DM 2 000 for children aged between 0 and 14 years, DM 4 000 for adults aged between 15 and 60 years and DM 6 000 for adults of 60 years and over. For non-residents, the rate will be 1 to 3. With effect from 2 May, the official rate is DM 1 to M/2.

16.5 Under the Treaty establishing Economic, Monetary and Social Union, a 'Fund for Unity' is set up, with the purpose of covering two-thirds of East Germany's budget deficit (excluding the social security system) until the end of 1994. The proposed timetable is the following: DM 22 billion in 1990, DM 35 billion in 1991, DM 28 billion in 1992, DM 20 billion in 1993 and DM 10 billion in 1994, making a total of DM 115 billion. DM 20 billion will be levied on the Federal Government's receipts; half of the remaining DM 95 billion will be raised by Federal Government bond issues and half by Länder bond issues.

Greece (GR)

27.4 The emphasis of the new Greek government's first package of economic policy measures is on the stabilization of the economy by reducing the huge public deficits through a number of measures aiming at increasing tax revenue and a strict wage policy. The measures include increases in indirect taxes and excise duties, increases in prices of public enterprises, a 10 % duty on radio advertising and the imposition of an extraordinary levy of 7 % on incomes of self-employed, craftsmen and on business profits which are not reinvested.

15.5 The Treasury issues a new series of two-year, 11.25 % bonds, indexed to the Ecu.

Spain (E)

14.5 The Bank of Spain raises the short term intervention rate by 0.1 of a point to 14.6 %. This change coincides with the replacement, on the same day, of the traditional system of daily auctions on the money market by loans of approximately ten days.

France (F)

None.

Ireland (IRL)

None.

Italy (I)

10.5 Parliament approves a law extending to small firms (fewer than 16 employees) the 'just cause' principle as a limit to individual redundancies.

14.5 A ministerial decree abolishes all remaining restrictions on the opening by residents of current accounts abroad or foreign currency accounts in Italy. The decree also abolishes all limits previously imposed on resident banks in their transactions on the foreign exchange markets.

18.5 The Government adopts a number of measures intended to bring the budget deficit (state sector borrowing requirement) in line with the target for this year (LIT 135 600 billion). Revenue-enhancing measures, totalling LIT 5 050 billion, centre on indirect taxation, while expenditure-reducing measures (totalling LIT 6 700 billion) consist mainly of postponements and provisions of a financial nature.

Luxembourg (L)

None.

Netherlands (NL)

23.5 The Nederlandsche Bank reduces its secured loans rate from 8 % to 7.8 % in two stages.

Portugal (P)

29.5 As part of the revision of the programme for the structural correction of the external deficit and of unemployment, the Government temporarily suspends the criterion based capital-yield ratios for evaluating investment projects and uses with greater flexibility the criterion of the period for the recovery of foreign currency expenditure.

United Kingdom (UK)

None.

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