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In this number:
The implementation of the new convergence decision

SUMMARY

- On March 12, the Council of Ministers adopted the new decision on the attainment of progressive convergence of economic policies and performances during stage one of Economic and Monetary Union that begins on 1 July 1990.

- The new decision puts in place a framework for multilateral surveillance that should contribute to growing convergence of economic policies and performances.

- The new decision replaces the 1974 Council Decision on economic convergence (74/120/EEC) and its associated Directive on Stability, Growth and Employment that were ill-adapted to strengthen economic policy coordination on the basis of a surveillance process.

- The multilateral surveillance framework is intended to lead to a self enforced policy coordination to improve convergence

- Multilateral surveillance as prescribed by the new decision consists of three building blocks:
  — the Annual Economic Report
  — the Council sessions on surveillance
  — the country studies

- The actors involved in the surveillance process are:
  — the Commission
  — the enlarged Monetary Committee
  — the Council
  — the European Parliament
  — the Economic and Social Committee

IMPLEMENTATION OF THE NEW CONVERGENCE DECISION

The Council of Ministers adopted on March 12 1990, the new decision on the attainment of progressive convergence of economic policies and performances during stage one of Economic and Monetary Union that begins on 1 July 1990. This decision, reprinted in Annex, puts in place a new framework for multilateral surveillance that should contribute to growing convergence of economic policies and performance in the Community during stage one of Economic and Monetary Union.

The old decision had become inadequate

The new decision replaces the 1974 Council Decision on Economic Convergence (74/120/EEC) and its associated Directive on Stability, Growth and full employment (74/121/EEC). These two decisions have not worked very satisfactory because of an excessive reliance on a single strand of economic thought, mainly focussed on short term demand management, and due to an excessive emphasis on procedure and the lack of political will.

Moreover, both texts predated the creation of the EMS, the internal market programme and the Single European Act, and were therefore ill adapted to strengthen economic policy coordination on the basis of a surveillance process.

The objective of the new decision

The multilateral surveillance put in place by the new decision is intended to help achieve sustained, non-inflationary growth, a high level of employment and a degree of economic convergence necessary for the success of stage one of EMU. To achieve these objectives it is the intention that the surveillance process shall focus on economic conditions, prospects and policies in the Community, the compatibility of policies among Member States and the external economic environment and its interaction with the economy of the Community.

The process of policy coordination during stage one will be based on three main principles:

— the strengthening of a Community concensus on economic policy ;
— subsidiarity and a procedure for reciprocal commitments leading to self enforced policy coordination;
— a gradual strengthening of coordination throughout the first stage of EMU.

This process should increasingly result in agreed policy commitments by each Member States and in Community-wide recommendations aimed at achieving a high degree of economic convergence.

The building blocks of surveillance

Multilateral surveillance as prescribed by the new decision consists of three building blocks:

— the Annual Economic Report;
— the Council sessions on surveillance;
— the country studies

1. *The Annual Economic Report*

The Annual Economic Report will review the economic outlook, the underlying economic policy orientations, their implications over the medium term and their interactions among Community countries. The Annual Report is issued under the political responsibility of the Commission. It must also be approved by the ECOFIN Council in the light of the opinions of the European Parliament and the Economic and Social Committee and synthesizes the consensus on economic policy thinking in the Community. The development of this consensus is essential to facilitate coordination of economic policy.

It is scheduled that the Annual Report would be approved by the Commission in December and then transmitted for opinion to the European Parliament and the Economic and Social Committee. The Council of Ministers would finally approve the Annual Report during its March session in the light of these opinions.

2. *The Council Sessions on Surveillance*

The restricted council sessions on multilateral surveillance would be the core of the surveillance process and should lead to a self enforced policy coordination.

The discussion in the Council is prepared by the *enlarged Monetary Committee*, this is the Monetary Committee (MC) in its present form, enlarged with a representative of each Member State and of the Commission on the Economic Policy Committee (EPC). The Commission will submit the analysis that should cover all domains pertaining to multilateral surveillance as stated by articles 1 and 3 of the decision. This implies:

— an *assessment* of economic developments and perspectives as embodied in the economic forecasts. This part would provide the general economic background to the surveillance exercise;
— *indicators* of economic performance and policies that would serve to identify actual or potential problems;
— specific issues of *monetary policy, exchange rates and EMS* will be highlighted that would have been identified in the indicator analysis with possible policy recommendations;
— *budgetary developments and perspectives* will be analysed in view of the requested convergence.

In addition specific issues may be addressed as warranted by circumstances e.g. in the light of significant internal or external shocks.

In the restricted Council sessions on multilateral surveillance Member States should be induced to submit policy strategies to improve convergence. The adequacy of these strategies would be discussed, and accordingly adjusted. The surveillance discussion may then result in three types of conclusions:

- precise and appropriate commitments by Member States that are considered adequate by the other Member States;
- suggestions of the Council;
- recommendations of the Council upon a proposal of the Commission.

The implementation of the agreed policies should then contribute to achieve greater economic convergence.

At the moment, it is envisaged to hold two surveillance sessions per year, one in June and the other in December. Other sessions could be envisaged as warranted by circumstances.

3. *Country Reports*

The global surveillance cycle will also encompass country examinations that will allow a more in-depth analysis of country specific issues and problems.

The country reports will be discussed in the Monetary Committee and the Economic Policy Committee and would not go automatically to the Council of Ministers. The conclusion of the country examinations in the Committees will be transmitted to the Minister of Finance of the country concerned and notified to the ECOFIN Council, that could discuss these conclusions.

These country papers will be published in an adjusted form so as to inform a broad public on the underlying analysis, which is necessary in the process of building a consensus. These reports would be transmitted to the European Parliament and the Economic and Social Committee for consideration.

The Actors involved

1. *The Commission*

The basic documentation and analysis for the different building blocks of the multilateral surveillance will be provided by the Commission Services. The Commission has therefore a major role to play in building the necessary consensus on economic policy and in identifying the actual or potential problems that could undermine a growing convergence of policies and performances. The Commission will also have to propose policy recommendations to countries in the Council sessions on surveillance. The most important role will be however to stimulate active discussion of policies and performances and to organize the 'peer pressure' that should induce countries to make policy commitments.

2. *The Committees*

A novelty in the new decision is the establishment of the *enlarged Monetary Committee;* this is the Monetary Committee (MC) in its present form, enlarged with a representative of each Member State and of the Commission on the Economic Policy Committee (EPC). The enlarged MC, that would in fact act as an Economic and Monetary Policy Committee, will prepare the Council's work on multilateral surveillance.

Over and above this, the Monetary Committee and the EPC maintain their own respective areas of competence. The country examinations will be conducted so as to ensure that all countries could be examined within 2 years. The MC would concentrate its examination more on monetary and financial issues, while the EPC would focus its analysis more on the policy mix, medium term and structural issues.

As regards the *Committee of Governors of the Central Banks* of the member States of the European Community, its President would be invited to participate in the relevant Council meetings.

3. *The Council*

The convergence decision attributes to the Economic and Finance Council a new responsibility. In addition to the discharging of its normal legislative responsibility, the Council will have to review policy behaviour, examine individual members' policy commitments and agree on country specific or community wide suggestions or recommendations aimed at achieving a more effective economic convergence. This new modus operandi, the self-policing of economic policy, will gradually have to be strengthened. The success of stage one and its duration will largely depend on the Council's willingness to strengthen coordination of policies so as to achieve the degree of convergence required before transition to the next stage of EMU.

4. *The European Parliament*

The European Parliament will be closely associated to the multilateral surveillance. The European Parliament will be consulted on the Annual Report and will be informed about the multilateral surveillance in all its stages.

5. *The Economic and Social Committee*

The new decision prescribes, as under the old decision, the consultation of the ESC for the annual economic report. The Commission will keep the Economic and Social Committee informed on a regular basis on economic developments in the Community and on the surveillance exercises and eventual recommendations to Member States.

Annex

Council Decision on the attainment of progressive convergence of economic policies and performance during stage one of economic and monetary union

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular articles 103 and 145 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the European Council, at its meeting in Madrid in June 1989, restated 'its determination progressively to achieve economic and monetary union as provided for in the single Act'; whereas it decided that 'the first stage of the realization of economic and monetary union would begin on 1 July 1990'; whereas it stated that 'economic and monetary union must be seen in the perspective of the completion of the internal market and in the context of economic and social cohesion', and that 'its realization would have to take account of the parallelism between economic and monetary aspects, respect the principle of 'subsidiarity' and allow for the diversity of specific situations';

Whereas progress towards economic and monetary union requires a high degree of convergence of economic performances between Member States through greater compatibility and closer coordination of economic policies; whereas such strengthening of economic policy coordination also contributes to the achievement of Community objectives, in particular to convergence at a high level of economic performance in the framework of monetary stability;

Whereas the achievement of the goals of the Single European Act, more especially the completion of the internal market, will require more effective policy coordination to the extent that it will increase the degree of economic and financial integration and reinforce competition and structural change and thus amplify the cross-border effects of economic policies;

Whereas, pursuant to Article 102a of the Treaty, Member States are to take account of the experience acquired in cooperation within the framework of the European Monetary System and in developing the ecu, and shall respect existing powers in this field; whereas the first stage of economic and monetary union should provide a sound basis for successful further development and sustainability;

Whereas the strengthening of coordination should rely on the political will to develop further the consensus on the broad economic policy approach; whereas progress in this coordination process calls for flexibility, subsidiarity and precise and appropriate commitments in decision-making as well as for learning-by-doing;

Whereas Council Decision 74/120/EEC of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the member States of the European Economic Community (1) and Council Directive 74/121/EEC of 18 February 1974 on stability, growth and full employment in the Community (2) shall be repealed,

HAS ADOPTED THIS DECISION:

Article 1

In order to help to achieve sustained non-inflationary growth in the Community, together with a high level of employment and the degree of economic convergence necessary for the success of stage one of economic and monetary union, in the perspective of the completion of the internal market and in the context of the economic and social cohesion, the Council shall undertake multilateral surveillance. In this context it shall apply the following principles; price stability, sound public finances and monetary conditions, sound overall balances of payments and open, competitive markets. It shall examine at least twice a year:

- the economic conditions, prospects and policies in the Community and its member States,
- the compatibility of policies within Member States and in the Community at large,
- the external economic environment and its interaction with the economy of the Community.

Multilateral surveillance shall cover all aspects of economic policy in both the short-term and medium-term perspectives.

Article 2

The Council shall undertake multilateral surveillance in restricted sessions. It may authorize its President to make public the results of its deliberations.

Through learning-by-doing, multilateral surveillance should increasingly result in compatible policies, with precise and appropriate commitments by the member States. In this context, the Council may make economic policy suggestions and upon a proposal of the Commission, issue economic policy recommendations.

(1) OJ No L 63, 5. 3. 1974, p. 16
(2) OJ No L 63, 5. 3. 1974, p. 19

Article 3

Multilateral surveillance shall focus on macroeconomic, microeconomic and structural policies; this surveillance will be conducted by the Council on the basis of reports and analyses submitted by the Commission. These shall include:

— indicators of economic performance and economic policies including monetary and budgetary policies, such as supply and demand trends, price and cost developments, employment, regional development, financial markets, public finance, monetary aggregates, interest rates and external imbalances,
— regular reports on national economic conditions, prospects and policies,
— periodic assessments of the economic situation of the Community and an annual report to review the economic outlook, the underlying economic policy orientations in the medium-term and their interactions.

A review of budgetary policies will take place possibly ahead of national budgetary planning, and will focus particularly on the size and financing of budget deficits, as well as the medium-term orientation of budgetary policy, the aim being to reduce excessively high deficits and avoid monetary financing.

The Council's work on multilateral surveillance shall be prepared by the Monetary Committee, which for such purposes shall include, as experts, a representative of each Member State and of the Commission on the Economic Policy Committee. The chairmen of the Monetary Committee and the Economic Policy Committee shall attend the Council meetings at which surveillance is carried out.

Article 4

On a proposal from the Commission the annual economic report shall be adopted by the Council, after consulting the European Parliament and the Economic and Social Committee.

Article 5

When potential or actual economic developments in one or more Member States threaten the economic stability and cohesion of the Community, the Council shall undertake an examination of the economic situation. Such examination may result in the formulation of country-specific recommendations with a view to encouraging the necessary policy corrections.

Article 6

When events outside the Community threaten the economic stability and cohesion of the Community, consultation shall take place in the appropriate Community bodies to consider possible measures.

Article 7

In order to promote consistency between monetary and other economic policies, the chairman of the Committee of Governors of the central banks of the Member States of the European Community shall be invited to participate in the relevant Council meetings.

Article 8

The President of the Council and the Commission shall report regularly on the results of multilateral surveillance to the European Council and the European Parliament. In addition, the President of the Council may be invited to appear before the relevant Committee of the European Parliament when the Council has issued policy recommendations.

Governments shall bring the results of the multilateral surveillance to the attention of their national parliaments so that it can be taken into account in national policy making.

Article 9

On the basis of reports submitted by the Commission, and after consultation of the Monetary Committee, the Council shall periodically examine the progress made in multilateral surveillance through the application of this Decision. This report shall also be transmitted to the European Parliament.

Article 10

Decision 74/120/EEC and Directive 74/121/EEC shall be repealed.

Article 11

This Decision is addressed to the Member States.

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

	1985	1986	1987	1988	1989	1988 IV	1989 I	1989 II	1989 III	1989 IV	1989 July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Change over 12 months (%)(b)
B	2,5	0,8	2,1	5,8	3,7	0,8	1,8	-1,0	1,3	1,1	2,6	-2,1	1,4	-0,9	1,6	2,4	:	7,2
DK	4,2	6,5	-3,4	1,9	1,9	4,4	0,2	3,3	-3,3	0,4	-5,1	4,1	-3,2	1,9	2,8	-7,4	:	-4,7
D	4,9	2,2	0,3	3,6	5,2	0,8	1,0	0,8	2,4	0,4	1,1	0,3	-0,2	-0,1	0,0	1,3	0,3	5,2
GR	3,4	-0,2	-1,7	5,7	1,9	-1,1	3,5	-0,3	-0,8	0,5	0,7	0,7	-1,4	2,5	-0,4	-2,9	:	1,1
E	2,0	3,1	4,6	3,1	4,4	0,4	2,9	2,7	-1,1	-1,0	-3,9	-0,2	1,8	-1,8	2,6	-5,7	9,8	4,9
F	1,0	0,6	2,1	4,5	4,1	0,0	0,9	1,9	0,4	-0,1	1,2	-0,6	-2,1	1,3	1,0	-1,5	1,1	2,1
IRL	3,5	3,2	9,7	10,9	12,4	6,9	3,1	2,1	0,2	5,4	5,3	-11,4	3,9	2,8	5,0	2,4	:	13,5
I	1,3	2,7	3,9	10,8	2,9	4,2	0,5	0,1	2,9	0,6	0,3	3,2	-1,2	-0,3	0,2	1,5	-3,6	3,7
L	6,8	2,1	-0,9	8,7	7,6	3,5	1,2	3,0	0,8	-2,9	2,7	2,5	-2,2	-2,1	0,2	-0,6	:	-1,9
NL	3,1	0,0	1,0	0,0	5,0	1,0	-4,6	7,6	-0,7	3,4	1,1	0,3	0,9	0,4	2,3	2,0	:	5,9
P	10,9	5,7	2,4	6,2	-0,1	3,6	0,0	1,5	0,8	:	-3,0	1,9	2,9	-0,2	:	:	:	5,1
UK	5,4	2,1	3,6	3,6	0,7	-0,8	-0,2	-0,2	1,4	0,5	0,8	1,5	-0,6	0,8	0,0	-1,0	-0,7	-0,3
EUR 12	3,4	2,2	2,1	4,4	(3,7)	1,7	0,2	1,3	0,2	(1,5)	-0,8	0,4	0,5	0,5	(0,8)	(0,0)	(0,0)	(2,7)
USA	2,5	2,1	4,3	6,0	3,8	1,2	0,9	0,9	0,3	-0,3	-0,1	0,4	-0,3	-0,5	0,3	0,1	-0,9	-0,1
JAP	3,7	-0,2	3,0	9,8	6,1	1,8	3,1	0,0	0,2	0,7	-2,6	3,0	-2,0	0,4	0,9	0,0	0,2	2,0

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

	1985	1986	1987	1988	1989	1988 IV	1989 I	1989 II	1989 III	1989 IV	1989 Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Feb.	Change over 12 months (c)
B	11,6	11,6	11,4	10,3	9,5	9,9	9,7	9,4	9,5	9,2	9,6	9,4	9,3	9,3	9,2	9,1	9,1	-0,6
DK	7,2	5,6	5,7	6,2	6,7	6,6	6,5	6,8	7,0	6,7	7,0	6,9	6,9	6,7	6,6	6,5	6,6	0,1
D	7,1	6,3	6,2	6,1	5,5	5,9	5,6	5,6	5,5	5,5	5,5	5,5	5,5	5,6	5,5	5,4	5,3	-0,3
GR	7,7	7,4	7,4	7,7	7,8	:	:	:	:	:	:	:	:	:	:	:	:	:
E	21,8	21,0	20,4	19,4	16,9	18,5	17,9	17,1	16,3	16,2	16,5	15,9	16,4	16,1	16,0	15,9	15,9	-1,9
F	10,2	10,3	10,4	9,9	9,5	9,8	9,6	9,5	9,6	9,5	9,7	9,5	9,5	9,5	9,5	9,4	9,4	-0,2
IRL	18,2	18,2	18,1	17,6	17,0	17,5	17,3	17,1	16,9	16,7	17,0	16,9	16,7	16,7	16,7	16,7	16,7	-0,5
I	9,4	10,4	10,2	10,7	11,0	10,9	10,8	11,0	11,3	11,0	11,4	11,2	11,0	11,0	11,0	10,9	10,8	0,0
L	2,9	2,6	2,6	2,1	1,8	1,9	1,8	1,8	1,9	1,9	1,9	1,9	1,9	1,8	1,8	1,8	1,6	-0,1
NL	10,5	10,2	10,0	9,5	9,3	9,5	9,4	9,4	9,3	9,1	9,4	9,3	9,2	9,1	8,9	9,0	8,9	-0,5
P	8,6	8,2	6,8	5,6	5,0	5,3	5,1	5,0	5,0	4,9	5,0	4,9	4,9	4,9	5,0	5,0	5,0	-0,1
UK	11,4	11,4	10,4	8,5	6,7	7,8	7,3	6,8	6,5	6,1	6,5	6,3	6,2	6,1	6,1	6,1	6,1	-1,2
EUR 12	10,8	10,7	10,3	9,7	9,0	9,5	9,2	9,0	8,9	8,7	9,0	8,8	8,8	8,7	8,7	8,6	8,6	-0,6
USA (g)	7,2	7,0	6,2	5,5	5,3	5,3	5,2	5,3	5,3	5,3	5,3	5,3	5,3	5,3	5,3	5,3	:	-1,0
JAP (g)	2,6	2,8	2,8	2,5	2,3	2,4	2,3	2,3	2,2	2,2	2,3	2,2	2,3	2,2	2,1	2,2	:	-0,1

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

	1985	1986	1987	1988	1989	1988 IV	1989 I	1989 II	1989 III	1989 IV	1989 Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Feb.	Change over 12 months (c)
B	4,9	1,3	1,6	1,2	3,1	0,3	1,0	1,1	0,9	0,6	0,3	0,5	0,1	-0,1	0,4	0,4	0,2	3,4
DK	4,7	3,7	4,0	4,5	4,8	1,2	1,4	1,6	0,5	1,3	0,6	0,3	0,6	0,5	0,0	-0,6	0,2	3,2
D	2,2	-0,1	0,2	1,3	2,8	0,3	1,5	0,9	0,0	0,6	-0,1	0,1	0,4	0,2	0,3	0,6	0,4	2,7
GR	19,3	23,0	16,4	13,5	13,7	5,4	1,3	4,1	2,4	5,8	0,3	3,6	2,0	0,9	1,8	0,7	0,1	16,5
E	7,8	8,8	5,3	4,8	6,8	1,3	1,9	1,1	2,5	1,4	0,2	1,1	0,4	0,2	0,4	0,9	0,6	7,3
F	5,9	2,7	3,1	2,7	3,6	0,6	0,8	1,2	0,7	0,8	0,2	0,2	0,4	0,2	0,1	0,3	(0,2)	(3,4)
IRL (h)	5,4	3,8	3,1	2,2	4,1	0,6	1,4	1,0	1,5	0,7	(0,5)	(0,2)	(0,2)	(0,2)	(0,3)	(0,3)	(0,3)	(4,2)
I	9,2	5,8	4,7	5,1	6,2	1,9	1,8	1,6	0,9	1,7	0,2	0,5	0,8	0,6	0,4	(0,5)	(0,8)	(6,0)
L	4,1	0,3	-0,1	1,4	3,4	0,6	1,1	1,0	0,8	1,0	0,1	0,3	0,6	0,2	0,1	0,8	0,1	3,8
NL	2,3	0,2	-0,4	0,9	1,1	0,4	-0,6	0,8	0,5	0,5	0,3	0,5	0,1	0,0	0,0	-0,2	0,4	2,1
P	19,3	11,7	9,4	9,6	12,6	3,6	3,9	2,5	2,8	2,3	1,8	0,2	0,5	1,0	1,1	1,7	2,3	13,1
UK	6,1	3,4	4,1	4,9	7,8	2,1	1,6	2,9	0,9	2,0	0,3	0,7	0,8	0,9	0,3	0,6	0,6	7,5
EUR 12	6,1	3,5	3,2	3,6	5,2	1,2	1,4	1,6	0,9	1,3	0,2	0,5	0,6	0,4	0,3	0,5	(0,5)	(5,2)
USA	3,6	1,9	3,7	4,1	4,8	1,0	1,1	1,6	0,8	1,0	0,2	0,3	0,5	0,2	0,2	1,0	0,5	5,3
JAP	2,0	0,6	0,1	0,7	2,3	0,8	-0,6	2,4	0,2	0,6	-0,1	0,9	0,8	-1,0	0,1	0,2	(0,3)	(3,6)

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

	1985	1986	1987	1988	1989	1988 IV	1989 I	1989 II	1989 III	1989 IV	1989 July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Change over 12 months (%)(b)
B/L	-3514	146	-580	-2543	:	-605	126	-619	-744	:	-471	-322	50	-229	:	:	:	-163
DK	-1538	-1714	96	926	1226	349	229	197	228	548	23	47	158	141	72	335	-15	-89
D	32986	53044	56960	60936	64046	15870	18119	16329	16920	13417	5051	6270	5599	4528	4756	4133	6583	311
GR	-7266	-5809	-5694	-5824	:	-1283	-1711	-1603	-2269	:	-1000	-648	-621	:	:	:	:	-132
E	-5582	-6306	-8749	-11974	-19803	-3537	-4235	-6099	-5653	-4281	-1710	-1883	-2061	-1195	-1696	-1390	:	-54
F	-13428	-9699	-12473	-11856	-13987	-3470	-2995	-3497	-3421	-4346	-1072	-1496	-853	-1730	-1725	-891	-912	251
IRL	430	983	2047	2740	3049	684	670	710	809	799	266	155	388	189	263	347	254	34
I	-16130	-2459	-7427	-8390	-11098	-2165	-3956	-2529	-3195	-2116	-517	-1725	-952	-697	-1200	-219	:	510
NL	3874	4161	1088	1296	2893	1023	749	-29	1084	996	85	373	627	145	320	531	:	221
P	-2735	-1297	-2955	-3474	-5035	-1041	-1004	-1287	-1279	-1517	-535	-426	-319	-512	-519	-485	:	-122
UK	-11540	-19868	-20890	-42385	-41827	-13031	-11627	-11644	-11523	-8289	-3953	-3984	-3587	-3249	-2872	-2169	:	1580
EUR 12 (i)	-24444	11161	1424	-20549	(-30175)	-7037	-5903	-10392	-8436	(-7201)	-3664	-3113	-1659	(-3194)	(-3410)	(-597)	:	(744)
USA	-194856	-157829	-132116	-100252	-99052	-26553	-23412	-24716	-25841	-25082	-8728	-9441	-7673	-9466	-9037	-6580	-7697	-210
JAP	60497	84010	69636	65441	58691	18785	19420	14288	13855	11128	4614	4057	5184	3413	4198	3516	3314	-3346

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

	1985	1986	1987	1988	1989	1988 IV	1989 I	1989 II	1989 III	1989 IV	1989 Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Feb.	Change over 12 months (c)
B (M2)	7,2	12,7	10,1	6,6	11,6	1,0	3,2	1,5	3,5	2,9	:	:	:	:	:	:	:	11,6
DK (M2)	15,8	8,4	4,1	3,5	6,3	1,1	1,5	-0,1	2,5	2,3	0,3	1,7	0,0	2,0	0,3	2,1	2,1	10,6
D (M3)	5,2	7,2	6,4	7,0	4,5	1,8	1,3	0,8	1,1	1,3	0,6	0,2	0,4	0,1	0,8	0,4	0,4	4,5
GR (M3)	26,8	19,0	24,8	23,1	23,4	5,1	5,8	5,1	4,7	6,0	1,2	1,7	2,0	1,7	2,2	:	:	23,4
E (ALP)	13,3	11,8	14,0	11,0	11,9	3,4	2,8	3,5	4,1	1,7	1,2	1,0	0,6	0,4	0,7	:	:	12,6
F (M2)	6,0	4,1	4,4	3,7	3,7	1,7	0,2	1,8	1,9	-0,2	-0,3	0,7	0,5	0,2	-0,5	-0,1	:	3,3
IRL (M3)	5,3	-1,0	10,9	6,3	5,0	0,3	0,4	2,2	0,3	1,5	-0,6	1,5	-0,6	-0,6	2,7	-0,3	2,6	5,7
I (M2)	11,1	9,4	8,3	8,5	10,8	1,7	2,4	2,8	2,0	3,3	0,5	0,6	0,3	0,5	2,5	-0,3	:	10,6
NL (M2)	10,7	5,1	3,9	13,7	14,4	4,7	1,1	4,2	3,9	4,0	1,4	1,9	0,8	1,3	1,8	:	:	13,9
P (L)	29,0	25,9	16,8	14,9	:	1,0	4,6	2,2	0,7	:	0,9	-0,5	0,1	0,0	:	:	:	6,9
UK (LM3)	13,0	15,9	16,3	17,6	18,4	3,3	4,2	4,3	4,7	4,0	1,7	2,2	0,6	1,1	2,2	1,2	:	18,5
EUR 12 (k)	9,9	9,5	9,3	9,6	(9,8)	2,3	2,1	2,5	2,6	(2,2)	0,7	1,0	0,5	0,5	(1,2)	(0,4)	:	(9,8)
USA (M2)	8,5	9,5	3,5	5,5	5,0	1,1	0,3	0,3	2,1	2,2	0,6	0,6	0,6	0,7	0,8	0,3	:	5,4
JAP (M2)	8,7	9,2	10,8	10,2	12,0	1,8	2,8	2,3	2,8	3,7	0,9	1,2	0,5	1,2	2,0	:	:	12,1

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

	1985	1986	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1989 Sept.	1989 Oct	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 March	Change over 12 months % (c)
B	9,6	8,1	7,1	6,7	8,8	8,2	8,5	8,7	10,3	10,3	8,7	9,7	9,8	10,3	10,4	10,4	10,3	2,1
DK	10,0	9,1	9,9	8,3	9,4	8,0	9,0	9,5	12,1	11,8	9,5	11,3	11,3	12,1	12,1	12,0	11,8	3,8
D	5,4	4,6	4,0	4,3	7,1	6,5	7,0	7,5	8,1	8,3	7,5	8,1	8,1	8,1	8,0	8,3	8,3	1,8
GR	7,0	19,8	14,9	15,9	18,7	19,7	21,0	14,9	19,3	:	14,9	15,4	18,8	19,3	18,1	15,2	:	-4,8
E	12,2	11,7	15,8	11,6	15,0	14,9	15,5	14,9	16,2	15,3	14,9	15,0	15,5	16,2	15,4	15,6	15,3	0,4
F	10,0	7,7	8,3	7,9	9,4	8,9	9,3	9,6	11,3	10,3	9,6	10,3	10,7	11,3	11,1	10,8	10,3	1,4
IRL	12,0	12,4	11,1	8,1	9,8	8,2	10,5	10,7	12,1	12,3	10,7	11,8	11,8	12,1	12,0	12,3	12,3	4,1
I	15,0	12,8	11,4	11,3	12,7	12,5	12,6	12,6	13,0	12,8	12,6	13,0	13,0	13,0	13,4	13,5	12,8	0,3
NL	6,3	5,7	5,4	4,8	7,4	6,8	7,4	7,8	8,6	8,4	7,8	8,3	8,5	8,6	8,8	9,0	8,4	1,6
P	21,0	15,6	13,9	13,0	12,6	12,5	10,0	12,9	13,8	13,8	12,9	12,9	13,0	13,8	13,8	13,9	13,8	1,3
UK	12,2	10,9	9,7	10,3	13,9	13,0	14,2	14,3	15,1	15,2	14,3	15,3	15,2	15,1	15,1	15,1	15,2	2,2
EUR 12 (m)	10,6	9,2	8,9	8,6	10,9	10,4	10,9	11,1	12,1	(11,7)	11,1	11,7	11,8	12,1	12,0	12,0	(11,7)	(1,3)
USA	7,5	6,0	5,9	6,9	8,4	9,2	8,3	8,1	7,9	8,1	8,1	7,9	7,9	7,9	8,0	8,0	8,1	-1,2
JAP	6,5	5,0	3,9	4,0	5,4	4,7	5,4	5,7	7,0	7,6	5,7	6,5	6,7	7,0	7,0	7,3	7,6	2,9

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

	1985	1986	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1989 Sept.	1989 Oct	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 March	Change over 12 months % (c)
B	10,6	7,9	7,8	7,9	8,7	8,5	8,4	8,6	9,7	9,9	8,6	9,0	9,4	9,7	10,2	10,7	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	10,3	10,8	10,8	10,8	11,0	11,7	11,0	1,0
D	6,9	5,9	5,8	6,1	7,0	6,9	6,9	7,1	7,6	8,9	7,1	7,3	7,6	7,6	7,9	8,7	8,9	2,0
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	13,9	13,9	14,1	14,6	14,6	14,7	14,9	1,2
F	10,9	8,4	9,4	9,0	8,8	9,0	8,7	8,9	9,3	9,6	8,9	8,9	9,1	9,3	9,6	10,1	9,6	0,6
IRL	12,7	11,1	11,3	9,4	9,0	8,8	9,0	8,9	9,3	10,4	8,9	9,2	9,2	9,3	9,5	10,7	10,4	1,7
I	14,3	11,7	11,3	12,1	12,9	12,9	13,2	13,0	13,3	13,6	13,0	12,9	13,0	13,3	13,1	13,4	13,6	0,7
L	9,5	8,7	8,0	7,1	7,7	7,5	7,3	7,7	8,4	:	7,7	8,2	8,4	8,4	8,4	9,4	:	1,8
NL	7,3	6,4	6,4	6,3	7,2	7,1	7,2	7,2	7,8	9,0	7,2	7,4	7,7	7,8	8,2	8,8	9,0	1,9
P	25,4	17,9	15,4	14,2	14,9	14,4	15,1	15,0	15,7	15,2	15,0	14,8	15,5	15,7	15,4	15,3	15,2	0,7
UK	10,6	9,8	9,5	9,3	9,6	9,4	9,7	9,8	9,9	11,6	9,8	9,9	10,2	9,9	10,5	11,0	11,6	2,2
EUR 12 (m)	10,9	9,2	9,4	9,4	9,9	9,9	10,0	9,9	10,4	(11,2)	9,9	10,0	10,2	10,4	10,6	11,1	(11,2)	(1,4)
USA	10,8	8,1	8,7	9,0	8,5	9,2	8,3	8,1	7,9	8,6	8,1	8,0	7,9	7,9	8,3	8,5	8,6	-0,6
JAP	6,5	5,2	4,7	4,7	5,2	5,2	5,4	5,3	5,6	7,5	5,3	5,4	5,5	5,6	6,5	7,0	7,5	2,3

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

	1985	1986	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1989 Sept.	1989 Oct	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 March	Change over 12 months % (c)
BFR/LFR	44,91	43,80	43,04	43,43	43,38	43,64	43,50	43,41	42,96	42,55	43,43	43,19	42,97	42,72	42,63	42,65	42,37	-2,8
DKR	8,02	7,94	7,88	7,95	8,05	8,10	8,09	8,06	7,95	7,86	8,06	8,01	7,95	7,90	7,88	7,88	7,82	-3,7
DM	2,23	2,13	2,07	2,07	2,07	2,08	2,08	2,07	2,05	2,04	2,07	2,06	2,05	2,03	2,03	2,04	2,04	-1,9
DR	104,8	137,4	156,1	167,5	178,8	174,1	177,4	179,2	184,7	192,3	179,7	182,6	184,5	187,2	189,9	192,4	194,5	11,0
PTA	129,0	137,5	142,2	137,6	130,4	130,1	130,6	130,0	130,8	131,6	129,9	130,8	130,4	131,2	131,9	131,9	130,9	1,0
FF	6,80	6,80	6,93	7,04	7,02	7,08	7,04	7,02	6,96	6,92	7,00	6,98	6,96	6,94	6,92	6,93	6,89	-2,3
IRL	0,715	0,733	0,775	0,776	0,777	0,780	0,778	0,777	0,772	0,768	0,778	0,773	0,773	0,771	0,769	0,770	0,766	-1,8
LIT	1447	1462	1495	1537	1511	1527	1514	1494	1507	1512	1493	1508	1504	1509	1517	1515	1505	-1,5
HFL	2,51	2,40	2,33	2,34	2,34	2,35	2,34	2,34	2,31	2,30	2,34	2,32	2,31	2,29	2,29	2,30	2,30	-2,1
ESC	130,0	146,9	162,5	170,1	173,4	171,2	172,3	173,7	176,6	179,8	173,9	175,4	176,3	178,1	179,3	179,9	180,2	5,1
UKL	0,589	0,670	0,705	0,664	0,673	0,644	0,661	0,675	0,712	0,728	0,677	0,694	0,712	0,731	0,728	0,718	0,737	13,3
USD	0,759	0,983	1,154	1,183	1,102	1,126	1,075	1,078	1,129	1,206	1,063	1,103	1,119	1,167	1,202	1,218	1,197	7,4
YEN	180,4	165,0	166,5	151,5	151,8	144,6	148,4	153,4	161,6	178,3	154,2	156,6	160,6	167,7	174,3	177,4	183,4	26,2
DTS	0,749	0,838	0,892	0,880	0,860	0,870	0,856	0,848	0,856	0,880	0,861	0,854	0,852	0,867	0,876	0,896	0,919	0,5

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

	1985	1986	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1989 Sept.	1989 Oct	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 March	Change over 12 months % (c)
B/L	0,9	5,5	4,1	-1,3	-0,9	-1,0	-0,1	0,4	2,0	2,4	-0,1	1,1	0,9	1,4	0,8	0,3	0,6	5,2
DK	1,2	6,3	4,2	-1,9	2,7	-2,2	-0,4	0,8	3,1	3,6	0,1	1,6	1,5	2,1	1,1	0,5	0,8	8,3
D	0,3	10,7	6,9	-0,8	-1,3	-1,5	-0,2	0,4	3,2	2,7	-0,1	2,0	1,1	2,2	0,8	0,0	-0,1	6,1
GR	-15,9	-21,3	9,9	-7,2	-7,5	-2,3	-2,3	-0,9	-1,9	2,2	-0,5	-0,9	-0,6	-0,5	-0,7	-0,9	-1,1	-7,5
E	-2,3	-1,5	0,2	3,1	4,1	3,6	-1,0	0,8	0,8	1,5	-0,1	0,1	0,9	0,6	0,3	0,4	0,7	2,3
F	1,1	4,5	1,1	2,3	-1,3	-1,0	0,3	0,5	2,3	2,9	0,0	1,3	0,8	1,5	1,2	0,3	0,7	6,3
IRL	1,2	3,7	-2,1	-1,4	-1,3	-1,6	0,1	0,7	2,7	2,6	-0,1	1,8	0,8	1,7	0,8	0,1	0,8	6,7
I	-5,2	3,7	1,1	-3,5	0,4	-0,1	0,5	1,6	0,5	1,9	-0,3	-0,2	0,9	0,9	0,4	0,6	0,6	5,3
NL	0,3	7,7	5,1	-0,4	-1,0	-1,1	0,1	0,3	2,2	1,9	0,0	1,3	0,8	1,5	0,6	0,0	0,1	4,5
P	-11,5	-7,8	-7,1	-5,1	-3,2	-0,6	-1,0	-0,6	-0,5	-0,3	-0,3	-0,1	-0,1	0,0	-0,1	-0,1	-0,2	-2,3
UK	-0,2	-7,3	-1,0	5,7	-3,4	0,2	-3,6	-1,9	-3,9	0,5	-0,4	-1,7	-2,0	-1,4	1,7	2,1	-2,9	-8,8
EUR 12	-1,9	9,6	7,0	-1,6	3,0	-1,8	-1,3	0,8	3,3	5,7	-0,3	2,0	1,3	3,1	2,4	1,3	-0,3	9,0
USA	4,1	-19,1	-12,1	-6,1	4,9	2,3	4,8	0,5	-2,3	-2,2	1,5	-2,5	-0,5	-2,1	-1,2	-0,2	2,0	0,8
JAP	3,0	27,2	8,2	10,4	-4,4	-1,1	-4,7	-3,1	-2,5	-5,7	-2,1	0,6	-1,7	-1,8	-2,1	0,8	-4,2	-17,0

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.
(f) Number of unemployed estimated on the basis of the results of Community labour force surveys; annual average and quarterly average.
(g) Number of registered unemployed according to national legislation, as % of total labour force.
(h) Monthly series calculated by linear interpolation.
(i) The deseasonalized series for EUR 12 is the result of a deseasonalization of the gross export and import figures of the Community.
(j) National sources for Belgium, Denmark, Germany, Spain, France, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.
(k) Average of monthly changes s.a. weighted by 1985 GDP prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.
(l) 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); Greece, monthly average; Portugal, rate on 6 month deposits; from 8/85, 3 month Treasury Bills (months average). Annual average, end quarter and end month.
(m) Average weighted by 1985 GDP prices and purchasing power parities.
(n) Yield on public sector bonds, annual average. Average of last month of quarter and annual average for Germany, Spain, Italy, Luxembourg, the Netherlands and Portugal. End of quarter and end of month for other Member States.
(o) 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.

Notes: (s.a.) = seasonally adjusted   : = data not available   ( ) = estimated.

Principal economic policy measures — February 1990

Community (EUR 12)

5.2. The Council confirms its objective of concluding the trade and cooperation negotiations with East Germany, Bulgaria, Czechoslovakia and Romania during the first half of 1990.

5.2. The Council confirms the Community's intention of extending the aid measures co-ordinated by the group of 24 to other Central and East European countries.

14.2. The Parliament approves the proposals for a decision on economic convergence during the first stage of EMU and on the collaboration between central banks.

15.2. The Commission adopts a recommendation inviting the Community banks to respect a code of conduct for financial transaction between Member States.

19.2. The European Investment Bank decides to accord loans totalling 675 billion ecus to Italy. The loans are principally destined to finance investments in the Mezzogiorno.

21.2. The Irish presidency invokes the procedure, under article 236 of the EEC, to convene an intergovernmental conference with a view to elaborating a modification of the Treaty in view of the final stages of EMU.

28.2. The European Community and the Soviet Union complete the necessary procedures to conclude an agreement concerning economic and trade cooperation. The agreement will take effect from 1 April 1990.

Belgium (B)

None.

Denmark (DK)

None.

Federal Republic of Germany (D)

5.2. Supplement to the 1990 Federal budget presented, pushing up Federal expenditures by DM 7 billion and made necessary mainly by the changes in East Germany. Net additional expenditures related to changes in German-German relations and huge immigration are expected to reach DM 5,1 billion, those related to reforms in other East European countries amount to DM 1 billion. Another DM 800 million will be necessary to serve the new public sector wage agreement.

7.2. The Federal Government offers to replace the East German Mark by the West German Deutsche Mark, on condition that the Bundesbank will be the sole monetary policy authority and that East Germany switches its economy and its legal framework to a market-oriented economy.

13.2. Decision to set up a commission of experts to negotiate the terms of monetary union between the Federal Republic of Germany and the German Democratic Republic. Legal changes will be required in both countries, including the reform of the Bundesbank's Statutes, and the establishment in the GDR of a two-tier banking system and of minimum measures relating to pension schemes and unemployment insurance.

Greece (GR)

23.2. The Governor of the Bank of Greece presents the monetary programme for 1990. The basic assumptions are a 2 % growth of real GDP and an inflation rate of around 15 %. The programme provides for a 3 point slowdown on 1989 in the growth of M3 and of bank lending to the public sector (the target ranges for 1990 are 19 %-21 % for the former and 17.4 %-18.6 % for the latter, compared with an outturn of 24 % and 21.6 % respectively in 1989). The public sector borrowing requirement in excess of some DRA 1 400 billion is to be financed by placing Treasury securities with the public.

28.2. A new series of Treasury bills and bonds is launched. The interest rates on paper in this series are generally 1 point higher than for the preceding series and now range from 18 % (three months) to 22.5 % (three years).

Spain (E)

1.2. The Treasury decides that individuals participating in auctions for public securities will be able to open a financial account with the Bank of Spain.

8.2. The Treasury increases the maximum yield on three-year bonds by 0.3 of a point to 14.5 %, and the maximum yield on five-year bonds by 0.4 of a point to 14.1 %.

9.2. The government approves a 7 % increase in the statutory minimum wage.

15.2. The Treasury increases the maximum yield on its 12-month securities by 0.5 of a point to 14 %. On 1 February this rate had been raised by 0.4 of a point to 13.5 %.

22.2. The Bank of Spain cuts the compulsory reserve ratio for the banking system from 17 % to 5 %. In order to absorb the 12 % freed in this way, the Bank of Spain will make an issue of certificates of deposit which can be transferred only within the banking system; the interest rate will be 6 % and the certificates will mature at various times between 1993 and 2000.

23.2. The government approves the draft central government budget for 1990. Compared with the 1989 outturn, expenditure is projected to rise by 8.9 % and receipts by 10.7 %. The central government deficit will probably be 1.6 % of GDP (1.7 % in 1989). The main spending priorities will be public works and social security expenditure.

France (F)

9.2. The government and five trade union organizations sign an agreement on new civil service salary scales. The new text provides for greater career mobility, increases the lowest salaries, and introduces the concept of productivity.

9.2. The upper limit for permissible pay increases in the public sector is set at 2.5 %.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

22.2. An agreement in principle is reached between the government and the two sides of industry, increasing civil service salaries by 2.6 % with effect from 1 April 1990.

Portugal (P)

None.

United Kingdom (UK)

30.1. The public expenditure plans to 1992-93 announced in outline in November's 'Autumn Statement' are published in detail. Aggregate planning totals are unchanged from the autumn: as a percentage of GDP, general government expenditure is forecast to rise from 38 ¾ % in financial year 1989-90 to 39 % in financial year 1990-91 (starting March 1990) before declining slowly in subsequent years.

1.2. The government announces a staged introduction of pay awards covering 1,3 million public sector workers (teachers, doctors and nurses, the armed forces, judges and senior civil servants — nearly a quarter of total public sector employees). Independant pay review bodies recommended increases averaging almost 10 % from April, but the government decided to phase payment of any excess over 7 % only from January next year.

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