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Annual Economic Report 1988-89

Preparing for 1992

No 38 November 1988

European Economy appears four times a year, in March, May, July and November. It contains important reports and communications from the Commission to the Council and to the Parliament on the economic situation and developments, as well as on the borrowing and lending activities of the Community. In addition, *European Economy* presents reports and studies on problems concerning economic policy.

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— Series A—'Economic trends' appears monthly except in August and describes with the aid of tables and graphs the most recent trends of industrial production, consumer prices, unemployment, the balance of trade, exchange rates, and other indicators. This supplement also presents the Commission staff's macroeconomic forecasts and Commission communications to the Council on economic policy.

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Subscription terms are shown on the back and the addresses of the sales offices are shown on page 3 of the cover.

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(Proposal from the Commission)[1]

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[1] The Commission's proposed Annual Economic Report is submitted to Community institutions in accordance with the Council's 1974 Decision for attainment of a high degree of convergence of economic policies of Member States (Article 4 of Decision 74/120/EEC of 18 February 1974, amended by Decision 75/787/EEC of 18 December 1975 and by Decision 79/136/EEC of 6 February 1979). The Council is required in the fourth quarter of each year — on a proposal from the Commission and after consulting Parliament and the Economic and Social Committee — to adopt an annual report on the economic situation in the Community and to set economic policy guidelines to be followed by each Member State. As was the case in recent years, the Commission has consulted the representative organizations of employers and trade unions at the Community level.

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[1] 1988-89: Economic forecasts, September/October 1988.

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[1] 1988-89: Economic forecasts, September/October 1988.

Summary and conclusions

Favourable economic prospects for the Community and the world economy

1. The economic prospects for the Community have significantly improved in recent months. In 1988 the Community benefited from an unexpected dynamism of its own, in the whole OECD area and from world trade. In the Community, growth (1988: 3 ½ % on average) is likely to be the strongest since the end of the 1970s; the increase in investment (7 %) the highest for over two decades; the inflation rate (3 ½ %) should be about that of the 1960s. Despite a mild deterioration in the international environment, growth is likely to be strong in 1989 (about 2 ¾ %). The inflation trend should only increase slightly. The rate of unemployment has started to decrease but it is still at too high a level.

2. The international framework for the conduct of monetary policy in the Community has changed significantly. With an improvement in the US trade deficit early in the year and an increase in interest rates in spring the dollar had by autumn almost reached its level of January 1987, just before the Louvre accord. Partly to control the rise in the dollar and partly in response to the exigencies of internal stability, European central banks were led, to different degrees, to tighten conditions on their own money markets.

3. **International cooperation** allowed significant progress to be made towards greater stability in the world economy. But it needs to be pursued with determination because *important risks* remain: (i) in 1989, the reduction in balance-of-payments disequilibria is likely to loose some of its vigour at a time when the accumulation of United States foreign debt is continuing; (ii) the persistence of the disequilibria continues to create risks for the stability of the international monetary system; (iii) the situation in developing countries is not improving and is affected by the recent rise in interest rates.

Encouraging elements and some matters of concern

4. Three aspects of the economic situation are encouraging:

(i) The dynamism of the economies of Spain, Portugal, Italy and the United Kingdom is now spreading to their partners whose exports, and also investment, are more buoyant. Thus, for example, in France and the Federal Republic of Germany growth should be about 3 % in 1988 and should only dip slightly in 1989 (compared with 2 % in 1987).

(ii) Growth is more and more being led by investment. Many factors are contributing to this: greater profitability, a historically high level of capacity utilization, a favourable international environment and preparation by private firms for 1992.

(iii) The Community has achieved a degree of stability and convergence of inflation rates unequalled since the 1960s. However, progress is still necessary, especially in Portugal and Greece.

5. Despite these satisfactory trends there are four areas of concern: (i) the risk of renewed inflation; (ii) excessive budgetary deficits in some countries; (iii) an increase in the intra-Community disequilibria in external balances; (iv) an unemployment rate that is still on average in the Community more than 11 % of the active population.

6. The strengthening of potential growth must remain a priority for all Member States. However, the consolidation of the current good growth performances may require, over the coming months, different actions in different Member States. As growth in the more dynamic countries is expected to slow down as a result of inflationary pressures and/or a deterioration of external accounts, economic policies in the other countries should accentuate the shift to domestic growth by a strengthening of supply and demand conditions.

Realizing the medium-term objectives

7. Faster growth is now giving the Community the chance to realize in the best conditions its major objectives: **to benefit from the completion of the internal market, to strengthen economic and social cohesion and to reduce unemployment.**

8. **The irreversible character of the completion of the internal market in 1992** was confirmed by the Council of Hanover. Significant progress has already been realized. In recent months, public opinion and enterprises have become more and more aware of the opportunities offered by this project. It is essential that these hopes are not disappointed when the decisions implementing the important measures of the White Paper are taken during the coming years.

9. To produce its full effects, the completion of the internal market needs to be accompanied by structural policies, especially an effective competition policy, also necessary in their own right.

10. The success of the internal market will also have significant macroeconomic effects. Studies by the Commission services show that the completion of the internal market will, in the medium term, improve significantly growth, budgetary and external positions and will have favourable effects on inflation. So that the productivity gains which will be realized are rapidly transformed into higher growth and employment, it will be important to fully benefit from the alleviation of constraints by reducing domestic disequilibria and actively strengthening the conditions of supply and demand.

11. With the reform and the increase of the structural Funds, already under way, and the increased activity of the Community financial instruments, the Community has acquired the means to **strengthen economic and social cohesion.** A new model of 'partnership' between the Community and the beneficiary countries must be created. Not only is the efficient utilization and additionality of these resources at programme level essential but economic policies in the countries concerned must ensure that the overall supply conditions improve and especially that the efficiency and the share of productive investment relative to GDP are increased.

12. Even if the completion of the internal market in the last analysis results in significant gains in welfare and employment, the restructuring which it will imply during the transition phase gives rise to certain anxieties. The **social dimension** of the internal market needs to be given attention, in particular: (i) the implementation of policies to facilitate re-employment; (ii) the convergence towards the higher social standards, for instance, by minimum security and health regulations at the work place; (iii) the strengthening of the social dialogue at Community level.

13. **The reduction in unemployment** remains the priority task common to all Member States. Already employment is increasing at a historically high rate. This trend needs to be reinforced. In many countries there are signs of greater labour market adaptability, especially in the form of part-time work. The direction of the cooperative growth strategy for more employment remains valid: it involves, at the macroeconomic level further improvement in the profitability of capacity-increasing and employment-creating investment. An increase in wage costs, which should remain moderate, in conjunction with the new favourable demand prospects would contribute to this. It also involves concentrating attention on the elimination of unnecessary administrative obstacles which hinder employment creation and on greater mobility and skill improvements, particularly by sustained training efforts.

The narrow path towards a consolidation of growth

14. The potential for non-inflationary growth can be strengthened by making **European economies even more adaptable.** Greater flexibility of markets and their positive effect on the behaviour and initiative of entrepreneurs is in itself a source of progress. In a situation where, on the one hand, it is necessary to avoid excessive pressures on productive capacity and, on the other, to further improve employment performances, structural policies are still very important.

15. The stabilization, and then the appreciation of the dollar on the foreign exchanges, led the **monetary authorities** to give more attention to the objectives of domestic stability. The recent increase in money market interest rates in the Community has strengthened the credibility of monetary authorities. To the extent that longer-term expectations of inflation and/or depreciation of the currencies have been reduced, long-term interest rates could be stabilized or decrease on a sound basis; some evidence of this emerged in some countries in early autumn. In the countries participating in the exchange-rate mechanism, domestic inflationary pressures generally remain under control and further tightening of monetary policy does not seem necessary in the immediate future. Yet, the risk and main challenge to monetary policy could arise from renewed instability of the dollar.

16. For budgetary policies, medium-term objectives continue to be of primary importance. In the context of the achievement of the internal market discussions concerning the approximation of indirect taxes and taxation of capital income must be pursued so as to reach rapid agreement on these subjects. Other medium-term objectives include the convergence of general government balances, still excessive in some Member States, and the need to use budgetary policy to strengthen the conditions of supply and demand.

17. The increasing interdependence between Member States makes greater coordination of economic policy essential. Furthermore, an increasingly high degree of stability in exchange rates related to converging underlying economic fundamentals would improve the functioning of the internal market. The strengthening of monetary cohesion could be realized by an enlargement of the exchange-rate mechanism to those countries not yet participating, management of monetary policies in greater cooperation and strengthening of the role of the ecu. However, monetary cohesion in the Community cannot be permanently ensured unless Member States follow compatible policies in other areas, particularly budgetary policy. In this context it is important to strengthen

the consensus on the principal economic policy objectives: (i) stable prices and convergence of inflation rates; (ii) medium-term compatibility of payments balances and (iii) the contribution of internal and external stability to the growth and employment objectives of the Community and its Member States.

Table 1

Summary of main economic indicators by country, 1961-89

(a) Real GDP,[1]

(% change p.a.)

	1973 1961	1981 1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	4,9	2,0	1,5	0,1	2,1	1,4	2,3	1,8	3	2¼
DK	4,3	1,2	3,0	2,5	3,5	4,2	3,4	−1,0	0	1¾
D	4,4	1,9	−0,6	1,5	2,8	2,1	2,6	1,9	3¼	2½
GR	7,7	3,0	0,4	0,4	2,8	3,0	1,3	−0,4	2¾	2
E	7,2	1,8	1,2	1,8	1,8	2,3	3,3	5,2	4¾	4
F	5,6	2,6	2,5	0,7	1,4	1,7	2,1	2,3	3	2¾
IRL	4,4	4,3	2,3	−0,6	3,2	1,1	−0,3	4,1	3	3¼
I	5,3	2,6	0,2	0,5	3,5	2,7	2,7	3,1	4	3¼
L	4,2	1,2	1,5	3,0	6,5	3,8	2,9	2,4	2¾	2½
NL	4,8	2,0	−1,4	1,4	3,2	2,3	2,4	1,5	2¼	2¼
P	6,9	3,0	2,4	−0,3	−1,6	3,3	4,3	4,6	4	3½
UK	3,1	0,7	1,1	3,5	2,0	3,7	2,9	4,3	3¾	2½
EUR 12	4,8	2,0	0,8	1,4	2,4	2,5	2,6	2,9	3½	2¾
USA	4,0	2,3	−2,5	4,0	7,0	3,1	3,0	3,4	4	2¼
Japan	9,6	3,7	2,8	3,2	5,0	4,5	2,4	4,2	5½	3¾

(b) Real final domestic demand including stocks

(% change p.a.)

	1973 1961	1981 1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	4,8	1,7	0,9	−2,3	2,1	1,3	3,2	2,4	3	2¼
DK	4,6	0,0	3,5	1,4	4,1	5,7	5,7	−3,2	−1½	¾
D	4,5	1,7	−2,0	2,3	2,0	1,0	3,7	3,1	3½	2½
GR	8,2	2,1	3,5	0,8	−0,4	6,1	−0,5	0,2	3½	3
E	7,7	1,4	1,1	−0,1	−0,7	2,9	5,9	8,0	6¼	5¼
F	5,8	2,3	3,5	−0,7	0,5	2,2	3,7	3,3	3	2¾
IRL	5,4	3,5	−2,1	−2,9	0,2	−1,3	0,8	−1,5	−¼	1½
I	5,5	2,0	0,3	−0,5	4,5	3,2	3,6	4,6	4½	3½
L	4,2	1,8	0,7	0,3	4,1	0,7	−0,9	6,1	½	2½
NL	4,9	1,5	−0,9	1,5	1,7	2,5	3,9	2,2	1¾	2
P	7,5	2,8	2,7	−7,4	−6,6	0,8	8,4	9,5	6½	5½
UK	3,2	0,1	2,2	4,5	2,7	2,9	3,8	4,3	5¼	3½
EUR 12	5,0	1,6	0,9	0,9	1,9	2,4	3,9	3,9	4	3¼
USA	4,1	2,0	−1,9	5,5	8,9	3,5	3,8	3,0	2¾	2
Japan	9,9	2,7	2,8	1,8	3,8	3,8	4,0	5,1	7¼	4¼

(c) Deflator of private consumption

(% change p.a.)

	1973/1961	1981/1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	3,7	7,8	7,6	6,8	5,8	5,2	0,8	1,6	1¼	2½
DK	6,6	11,0	10,2	6,8	6,5	4,9	3,6	4,1	4¾	3¾
D	3,6	5,0	4,7	3,2	2,4	2,1	−0,2	0,5	1¼	2½
GR	3,5	16,9	21,2	18,2	18,3	18,7	22,2	15,8	13¼	12¾
E	6,6	17,5	14,5	12,3	11,0	8,3	8,7	5,3	4¾	4¼
F	4,7	11,2	11,5	9,7	7,5	5,7	2,5	3,2	2¾	2¾
IRL	6,0	16,6	15,3	8,6	9,4	4,5	3,6	3,1	2	2¾
I	4,8	17,6	15,9	14,8	11,4	9,3	6,1	4,8	5	4½
L	3,0	7,5	10,8	8,9	5,5	5,2	0,6	0,6	1½	2¼
NL	5,0	7,1	5,3	2,7	2,0	2,5	0,2	−0,4	¾	1¼
P	3,4	21,9	20,6	25,3	27,8	19,0	12,0	10,2	9½	7
UK	4,8	15,1	8,6	5,0	4,8	5,2	3,6	3,8	4½	4¾
EUR 12	4,6	12,3	10,5	8,5	7,1	5,9	3,6	3,3	3½	3¾
USA	3,1	8,4	6,0	3,5	3,9	3,1	2,1	4,5	4¼	5
Japan	6,2	8,4	2,6	1,9	2,1	2,1	0,6	−0,2	1	2

(d) Balance of current transactions with the rest of the world

(% change of GDP)[2]

	1973/1961	1981/1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	1,1	−1,6	−3,5	−0,5	−0,2	0,7	2,6	1,9	1¾	1¾
DK	−2,0	−3,5	−4,2	−2,6	−3,3	−4,7	−5,1	−3,0	−2½	−2¼
D	0,7	0,5	0,5	0,7	1,3	2,4	4,2	4,0	4	4¼
GR	−2,9	−1,7	−4,4	−5,0	−4,0	−8,2	−5,4	−3,4	−2¾	−3½
E	−0,2	−2,0	−2,5	−1,5	1,4	1,6	1,7	0,1	−¾	−2
F	0,2	−0,4	−2,1	−0,8	0,0	0,1	0,6	−0,3	0	¼
IRL	−2,5	−8,6	−10,6	−6,9	−6,0	−3,8	−2,4	1,3	2½	3½
I	1,5	−0,7	−1,6	0,3	−0,6	−0,9	0,8	−0,1	−½	−½
L	6,8	21,4	35,2	39,6	39,5	43,3	46,1	38,0	38½	36½
NL	0,5	1,0	3,2	3,1	4,2	4,3	2,8	1,7	1½	1¾
P	0,4	−6,8	−13,5	−8,3	−3,0	1,7	3,9	1,8	0	−1¾
UK	−0,1	−0,5	1,3	0,8	−0,3	0,5	−0,8	−0,6	−3	−3¾
EUR 12	0,4	−0,6	−0,9	−0,1	0,3	0,7	1,3	0,8	½	¼
USA	0,5	0,3	0,0	−1,0	−2,4	−2,9	−3,4	−3,6	−2¾	−2½
Japan	0,5	0,2	0,7	1,8	2,8	3,7	4,3	3,6	2¾	3

(e) Number of unemployed[3]

(as % of the civilian labour force)

	1973/1961	1981/1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	2,2	7,4	13,0	14,3	14,4	13,6	12,6	12,3	11½	11
DK	1,1	5,9	9,3	10,1	9,9	8,7	7,4	7,6	8½	9
D	0,8	3,7	6,9	8,4	8,4	8,4	8,1	8,1	8	8¼
GR	—	0,5	5,8	7,8	8,1	7,8	7,4	7,4	7½	7½
E	0,4	6,3	16,2	17,7	20,1	21,4	21,0	20,5	20	19½
F	1,1	5,1	8,7	8,9	10,0	10,5	10,7	10,8	10¾	10¾
IRL	4,8	8,4	12,3	14,9	16,6	17,9	18,2	19,2	18¾	18¼
I	5,2	6,2	9,7	11,0	12,0	12,9	13,7	14,0	15	14½
L	0,0	0,5	1,3	1,6	1,8	1,7	1,4	1,6	1½	1¼
NL	1,3	5,7	11,8	14,2	14,5	13,3	12,1	11,5	11¼	11
P	—	5,1	5,7	5,6	8,6	8,7	8,7	7,2	6½	6½
UK	2,1	5,1	10,6	11,6	11,8	12,0	12,0	10,6	8½	7¼
EUR 12	—	5,1	9,4	10,6	11,4	11,8	11,9	11,6	11¼	11
USA	4,9	6,9	9,7	9,6	7,5	7,2	7,0	6,2	5½	5½
Japan	1,3	2,0	2,4	2,7	2,7	2,6	2,8	2,8	2½	2½

(f) General government lending and borrowing[4]

(as % of GDP)

	1981/1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	−6,6	−10,9	−11,2	−9,3	−8,3	−8,9	−7,2	−7¼	−6½
DK	−1,4	−9,1	−7,2	−4,1	−2,0	3,1	2,1	1	1¼
D	−3,0	−3,3	−2,5	−1,9	−1,1	−1,3	−1,8	−2¼	−1¼
GR	—	−7,7	−8,3	−10,0	−13,6	−10,8	−9,5	−12	−13¼
E	−1,3	−5,6	−4,8	−5,5	−7,0	−5,7	−3,6	−3	−3
F	−1,0	−2,8	−3,2	−2,8	−2,8	−2,9	−2,5	−2	−1¾
IRL	−10,5	−13,7	−11,6	−9,6	−11,1	−11,0	−9,1	−6½	−6
I	−8,4	−11,3	−10,6	−11,5	−12,5	−11,4	−10,5	−10	−10
L	1,4	−1,2	1,6	2,9	5,8	6,0	5,2	5¼	6¼
NL	−2,9	−7,0	−6,3	−6,2	−4,7	−6,0	−6,3	−5¼	−4½
P	—	−10,4	−9,1	−12,0	−10,1	−7,8	−8,4	−8	−7¾
UK	−3,7	−2,5	−3,3	−3,9	−2,7	−2,4	−1,4	−¼	0
EUR 12	−3,7[5]	−5,5	−5,3	−5,3	−5,2	−4,8	−4,2	−3¾	−3½
USA	−1,4	−4,0	−4,9	−3,8	−4,3	−3,5	−2,3	−1¾	−1¾
Japan	−3,5	−3,6	−3,7	−2,1	−0,8	−1,5	−0,3	−¼	¼

(g) Total employment

(% change p.a.)

	1973/1961	1981/1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	0,6	−0,2	−1,3	−1,1	0,0	0,8	1,0	0,3	1¼	¾
DK	1,1	0,2	0,4	0,3	1,7	2,9	2,3	1,1	−¼	¼
D	0,2	−0,4	−1,7	−1,5	0,1	0,7	1,0	0,7	½	¾
GR	−0,5	1,3	−0,8	1,0	0,3	1,0	0,1	−0,1	1	¾
E	0,7	−1,5	−0,9	−0,5	−2,4	−1,4	1,9	3,0	2½	2
F	0,7	0,2	0,2	−0,4	−0,9	−0,4	0,3	0,1	½	½
IRL	0,1	0,9	0,0	−1,9	−1,9	−2,2	−0,4	−0,1	0	½
I	−0,4	0,7	0,6	0,5	0,8	1,4	0,8	−0,1	½	½
L	1,1	0,6	−0,3	−0,3	0,6	1,4	2,6	2,7	2	1½
NL	0,9	0,1	−2,5	−1,9	−0,1	1,3	1,8	1,2	¾	1
P	−0,5	0,4	−0,4	4,3	−1,5	−0,3	0,0	2,7	1¾	1
UK	0,3	−0,4	−1,8	−1,2	1,9	1,6	0,4	1,7	2	1
EUR 12	0,3	−0,1	−0,8	−0,5	0,1	0,6	0,8	0,9	1	1
USA	1,9	1,9	−1,6	1,0	4,9	2,4	1,7	2,6	2¼	1½
Japan	1,3	0,6	0,8	1,7	0,5	0,7	0,9	1,0	1½	¾

(h) Real compensation of employees per head[6]

(% change p.a.)

	1973/1961	1981/1974	1982	1983	1984	1985	1986	1987	1988[2]	1989[2]
B	5,1	3,0	0,3	−0,8	0,3	−0,4	3,0	1,6	1	1¼
DK	3,8	0,4	1,5	1,3	−1,3	−0,3	1,0	4,0	−½	−1
D	5,4	2,0	−0,5	0,5	1,0	0,9	4,1	2,4	1¾	0
GR	6,5	3,7	5,4	2,6	3,4	3,3	−5,4	−2,9	3¼	1
E	7,5	3,2	−0,7	1,3	−0,9	1,7	−0,4	2,1	1¾	1¾
F	5,1	3,2	2,3	0,4	1,0	0,9	1,5	0,1	1	1
IRL	5,0	2,3	−0,8	3,2	2,1	1,8	1,5	1,9	1¼	1
I	6,5	2,5	0,2	1,0	0,0	0,8	1,5	3,8	2	2¾
L	4,2	2,9	−3,5	−1,9	1,5	−1,4	4,3	3,3	2	2¾
NL	6,0	1,6	0,5	0,4	−1,7	−1,1	1,4	1,6	1	−¼
P	8,3	2,2	−0,6	−5,2	−7,0	2,8	4,5	3,3	1½	2¾
UK	3,3	1,7	−0,2	3,5	0,5	1,4	3,6	3,0	3	3
EUR 12	5,1	2,3	0,4	1,1	0,3	0,9	2,3	2,1	1¾	1½
USA	2,5	0,1	1,6	1,6	0,2	1,1	1,6	−0,4	1	−¼
Japan	7,4	2,4	1,6	0,8	2,1	1,3	3,1	3,3	3¼	2½

1 GNP for USA and Japan from 1987 onwards.
2 Economic forecasts, September/October 1988.
3 EUR 9: registered unemployed; GR, E, P: Labour force sample survey.
4 ESA definition of general government which includes social security funds.
5 EUR 12 without Greece and Portugal.
6 Deflated by the price deflator of private consumption.
Source: Eurostat and Commission services.

A. The economic situation and outlook

A.1. The external environment

The international economic environment and the economic situation in the European Community are characterized by a buoyancy in production activity and trade, coupled with low recorded inflation rates that have not been seen for a long time. The years of structural adjustments in most industrial economies have made them more resilient. Despite the October 1987 stock-market crash and continuing concern about the international payments imbalances, growth in industrial countries is strong (3,9 % in 1988). The delayed favourable effects of the oil price fall in 1986 and the rapid growth of monetary liquidity in 1987 (first through foreign exchange intervention and later in the year to assist financial institutions after October 1987) are all reflected in a growth performance which is better than that expected at the beginning of the year and is even accompanied by evidence of overheating in some countries. Despite some moderation, GDP growth in the OECD area should still be close to 3 % in 1989, the seventh year of continuing expansion in activity.

This favourable development has been common to all major industrialized countries. The American economy has been growing very strongly — though unevenly — since 1983. Capacity limits are now being reached in some industries and the unemployment rate is only slightly higher than during the 1960s. Yet, despite this and the massive dollar devaluation for over three years (March 1985 to March 1988: 38 % in effective terms), the rate of inflation in 1988 has remained at about 4 ½ %. Monetary policy was tightened in early summer, following the first signs of overheating of the economy. Some slowing down is likely to occur in 1989, given the somewhat less pronounced growth of both domestic demand and exports.

In Japan, domestic demand growth during the past 12 months has averaged almost 7 ½ % in real terms. At the same time, the Japanese economy seems to have adjusted to the considerable yen appreciation (March 1985 to March 1988: 60 % in effective terms) of the last three years and export prospects have improved. Thus, despite an expected deceleration of domestic demand growth in 1989, the Japanese economic performance will remain very strong.

Economic growth in the developing countries is likely on average to be in the range of 3,5 to 4 % in both 1988 and 1989. However, this average conceals great diversity. The Asian newly industrialized economies (NIEs), major exporters of manufactured products, continue to enjoy growth rates of GNP exceeding 7 %. Oil-exporting countries are only now recovering from the loss in export revenues in the wake of the oil price collapse of 1986. GDP growth of exporters of raw materials does not seem to have accelerated very markedly, despite the strength of activity in industrial countries and the substantial rise in non-oil commodity prices, which increased at an annual rate of 17 % in the last six months of 1987 and 27 % in the first six months of 1988. This has brought a welcome improvement in the terms of trade of these countries.

For the European Community, the vigorous performance of the world economy represents a welcome stimulus to its own exports, which is reinforcing its own domestic-demand-led economic growth. In fact, world imports (excluding the Community) are likely to rise by more than 7 % in real terms in 1988, which implies a considerable growth of the Community's export markets. Because of a faster expansion in imports net external trade will, however, continue to contribute negatively to GDP growth in the Community (for the third year in a row). Thus, the international adjustment process will continue to take place at a relatively high level of growth in both trade and GDP.

The above developments have important consequences for the conduct of economic policy, particularly monetary policy. From 1985 up to early 1988, monetary authorities in the main industrial countries had attached a high priority to external goals in support of the international adjustment process. Exchange-rate considerations therefore played a major role in the management of interest rates and of foreign exchange reserves. The climate changed in mid-1988. The dollar exchange rate stabilized when it became clear that the world economy had robustly resisted the impact of the stock-market crash and the international adjustment process was finally reducing the nominal US trade deficit. (During the first eight months of 1988, the deficit ran at approximately USD 18 billion less than in the same period of 1987.) Markets eventually revised their appreciation of the economic climate, showing concern about higher price pressures. As the danger of a revival of inflation became apparent, domestic goals gained importance and monetary policy was somewhat tightened, at first in the USA. The restructuring of financial portfolios together with higher interest rates eventually triggered a recovery of the dollar in the second quarter of 1988.

By late September, the dollar exchange rate was more than 10 % higher than at the end of last year in effective terms (18 % higher with respect to the German mark and 10 % higher in relation to the yen), a little lower than the rate prevailing on average in the second and third quarters of 1987. In fact, the dollar exchange rate *vis-à-vis* the main European currencies was at the beginning of autumn close

Table 2

Real GDP, domestic demand and world trade

(annual % change)

	I-1987	II-1987	I-1988	1987	1988[1]	1989[1]
		(a) GDP				
EUR 12	2,5	3,5	3,8	**2,9**	3,5	2,8
USA	3,9	5,0	4,0	**3,4**	3,9	2,3
Japan	3,7	6,0	6,4	**4,2**	5,6	3,8
OPEC				**0,0**	1,1	2,6
Asian NIEs				**11,8**	8,5	7,5
Other NIEs				**2,8**	1,3	3,4
Other LDCs				**4,0**	5,0	4,6
		(b) Domestic demand				
EUR 12	3,6	4,3	4,1	**3,8**	4,0	3,2
USA	2,8	4,8	2,5	**3,0**	2,8	2,0
Japan	3,9	7,7	8,9	**5,1**	7,4	4,2
		(c) World trade				
World imports (excl. EC)	0,6	11,6	7,0	**5,0**	7,6	5,7
EUR 12 — Export markets				6,2	8,2	6,1

[1] September/October 1988 forecasts of the Commission services.
Source: Commission services.

to that prevailing at the time of the Louvre agreement of February 1987.

Central banks have reacted to the change of market sentiment about the US dollar and the more restrictive US monetary policy by selling dollars on the foreign exchanges and by raising short-term interest rates. In the context of faster than expected growth as well as a perceptible deterioration in the terms of trade, authorities in the Federal Republic of Germany and the United Kingdom considered this desirable for domestic reasons. But, in other EC countries, fears have been manifested that the induced rise in interest rates could have a negative impact on growth (see Section C.2).

Table 3

Nominal short-term interest rates

(three-month money market rates)

	End January 1988	End April 1988	End September 1988
EMS average	**5,7**	5,7	6,8
D	**3,3**	3,4	5,3
UK	**8,7**	8,5	12,3
USA	**5,8**	6,1	7,5
Japan	**3,9**	3,9	4,1

Table 4

Current account balances

	1985	1986	1987	1988[1]	1989[1]
		(a) in billion USD			
EUR 12	18,4	50,4	42,4	24	16
USA	−116,4	−141,4	−154,0	−135	−131
Japan	49,2	85,8	87,1	79	86
OPEC	3,7	−26,4	−9,5	−21	−22
Asian NIEs	10,1	22,8	29,1	34	33
Other LDCs	−34,5	−32,4	−22,9	−27	−32
		(b) as % of GDP[2]			
EUR 12	0,7	1,3	0,8	½	¼
USA	−2,9	−3,4	−3,4	−2¾	−2½
Japan	3,7	4,3	3,6	2¾	3

[1] September/October 1988 forecasts of the Commission services.
[2] GNP in the USA and Japan.
Source: Commission services.

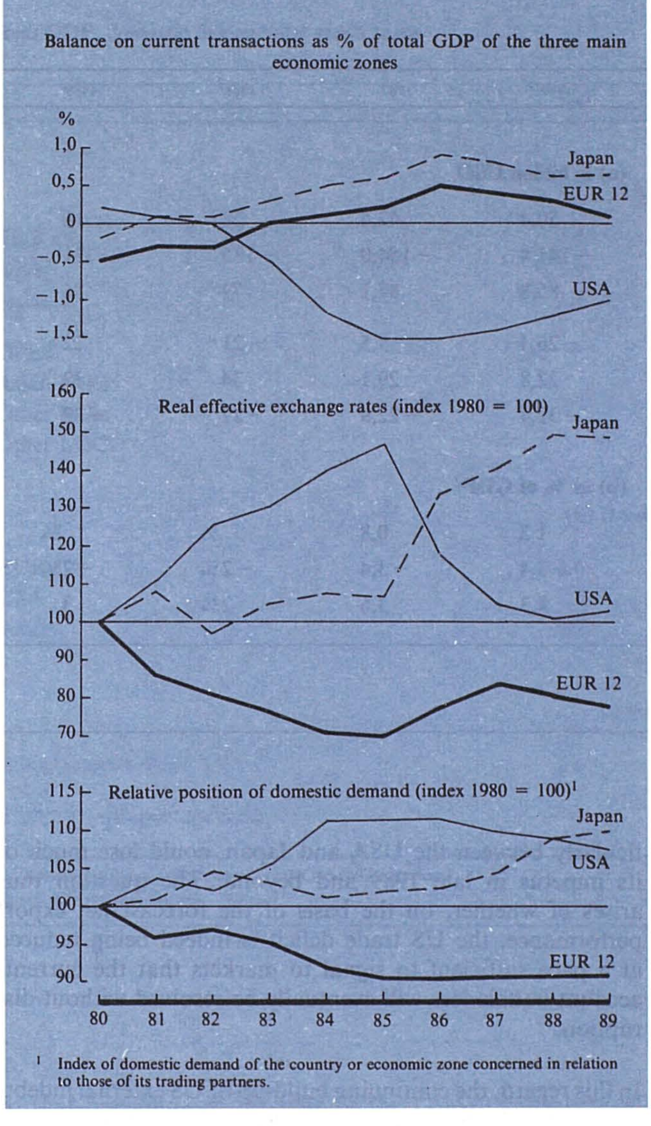
The reduction of international current-account imbalances is making progress, not only in real but also in nominal terms. Trade flows are adjusting to the new configuration of exchange rates and the resulting recovery in US competitiveness. But the pace of the adjustment is slow. Moreover, up to now the geographical counterpart of the improvement in the US deficit has largely not been located in the main surplus countries (Japan, FR of Germany, and the Asian NIEs) but in other OECD or LDC countries. Certainly, the bilateral positions of the first group of countries *vis-à-vis* the USA are deteriorating. But this is being compensated by an improvement of the trade balances in relation to their other trading partners as a whole. In the Community, in particular, the reduction in the overall surplus with the rest of the world therefore reflects rapidly deteriorating current-account positions by member countries other than the Federal Republic of Germany, particularly those with faster domestic demand growth than the EC average.

Furthermore, on the assumption of current or forecast output trends, current policy and current real exchange rates, the adjustment process in the industrialized countries, particularly between the USA and Japan, could lose much of its impetus in late 1989 and beyond. The question thus arises of whether, on the basis of the forecast net export performance, the US trade deficit is indeed being reduced at a pace sufficient to signal to markets that the current-account imbalances will eventually be resolved without disruption.

In this regard, the continuing build-up of US external indebtedness is of particular concern, as a significant debt servicing cost will be added to the required US payments adjustment. The longer the current account imbalance is maintained, the larger will be the improvement needed in the merchandise trade balance to compensate for the deterioration in the invisible account.

Economic policy in all major countries is therefore facing the well-known twin goals. The speed of international adjustment has to be sufficient to preserve confidence in the final outcome and thus maintain stability in foreign exchange and securities markets. From an international standpoint as well as from the Community's point of view a period of stability for the dollar at prevailing rates would be desirable. A

GRAPH 1: **Current balances and determinants**



[1] Index of domestic demand of the country or economic zone concerned in relation to those of its trading partners.

renewed depreciation of the dollar will prevent the adjustment of real trade flows, which is currently under way, being reflected fully in a further reduction of the nominal US trade deficit because of higher import prices (J-curve effect). Furthermore, this would increase the inflationary risk in the USA which could also result in higher interest rates. On the other hand, a further appreciation of the dollar would increase inflationary pressures in the economies of the trading partners of the USA and would threaten the continuation of the real adjustment process of the world economy. In order to support the adjustment process, the reduction in the US current-account deficit should go hand in hand with a reduction in the federal budget deficit. At the same time, monetary policy can no longer give exclusive priority to the international adjustment process, since, in the United States and several other countries, anxieties concerning inflation are gaining ground.

Furthermore, adjustment policies have to be accompanied by determined efforts to resist protectionist pressures and to promote world trade. The Uruguay Round of Multilateral Trade Negotiations provides the opportunity for such efforts. The Ministerial Meeting in Montreal in December must give political impetus to the negotiating process so that the Uruguay Round can achieve effective liberalization of trade in goods and services. At the same time, all participants must continue to respect the standstill commitments entered into at the launching of the Round; recent US trade legislation causes concern in this respect.

With respect to the second major imbalance facing the world economy - the debt problem of the developing countries - the debt service/export ratio will probably increase in 1988, particularly due to the recent rise in interest rates. Furthermore, the situation of the highly indebted Latin-American and of some middle-income African countries as well as the poorest African countries is still difficult and is likely to remain so, even in the medium term. These countries therefore continue to be vulnerable.

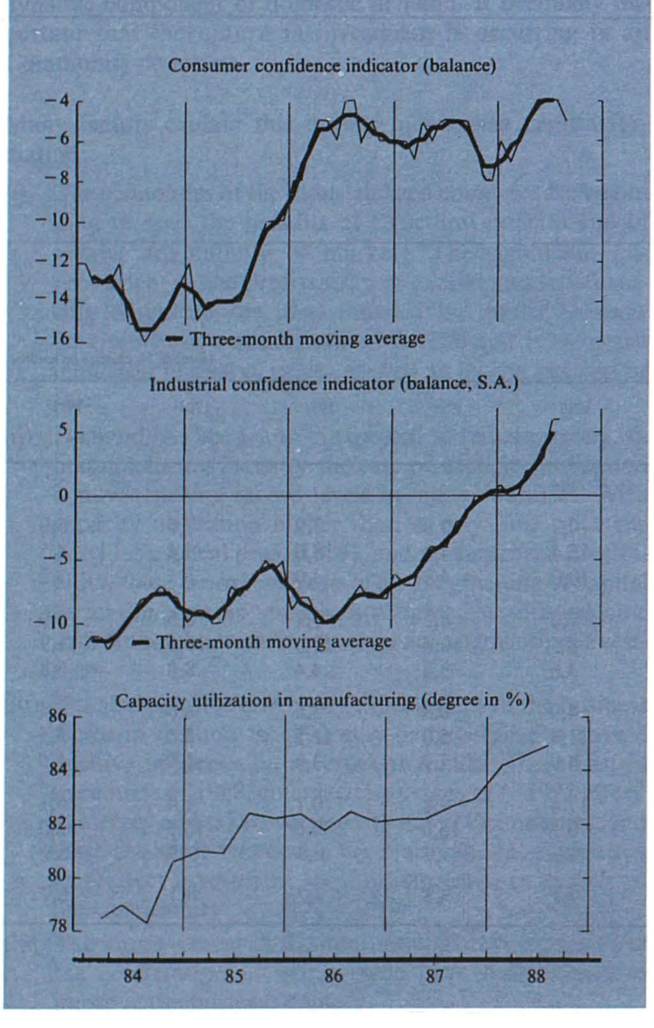
A medium-term solution to the debt problem of middle-income countries continues to require adequate adjustment policies in the debtor countries, sufficient external financing as a complement to domestic resources, a continued favourable international growth environment and forms of debt reduction on a voluntary basis. For some of the poorest developing countries, the implementation of the Toronto Summit's decision within the framework of the Paris Club and, as a complement, the conversion of official development assistance loans into grants, as well as the result of the annual meeting of the IMF and World Bank in Berlin, are encouraging.

A.2. The Community economy in 1988 and 1989

Like other major industrial countries, the economy of the European Community has shown a remarkable dynamism since the second half of 1987. This dynamism has been fuelled by a significant acceleration in investment. In 1988, average growth will be almost 3 ½ %, the best performance since 1978-79: yet, at that time, inflation was on average three times today's level. One has to go back more than two decades to find a combination of output growth and low recorded inflation as desirable as today. This performance is all the more remarkable in that it is following a steady and exceptionally long, though moderate, expansionary phase. Since 1981, average growth of real output in the Community has continued to accelerate and, since 1984, it has equalled or been above 2,5 %.

Prospects for 1989, on the whole, remain favourable. Growth could slow down slightly (from 3 ½ % to 2 ¾ %), as the exceptionally favourable factors, particularly the mild winter of 1987/88, cannot be expected to recur. Furthermore, the international environment is expected to be somewhat less favourable; private consumption could increase less rapidly due to a deterioration in the terms of trade; in some countries, monetary policy and/or budgetary policy will have moderating effects. Yet the improvement in supply conditions and demand prospects will once again favour investment. Growth could slow down in countries like Spain, Italy and the United Kingdom, who, up to now, have been the

GRAPH 2: **Principal results of Community business and consumer surveys, EUR 12**



GRAPH 3: **Growth of real GDP and domestic demand**

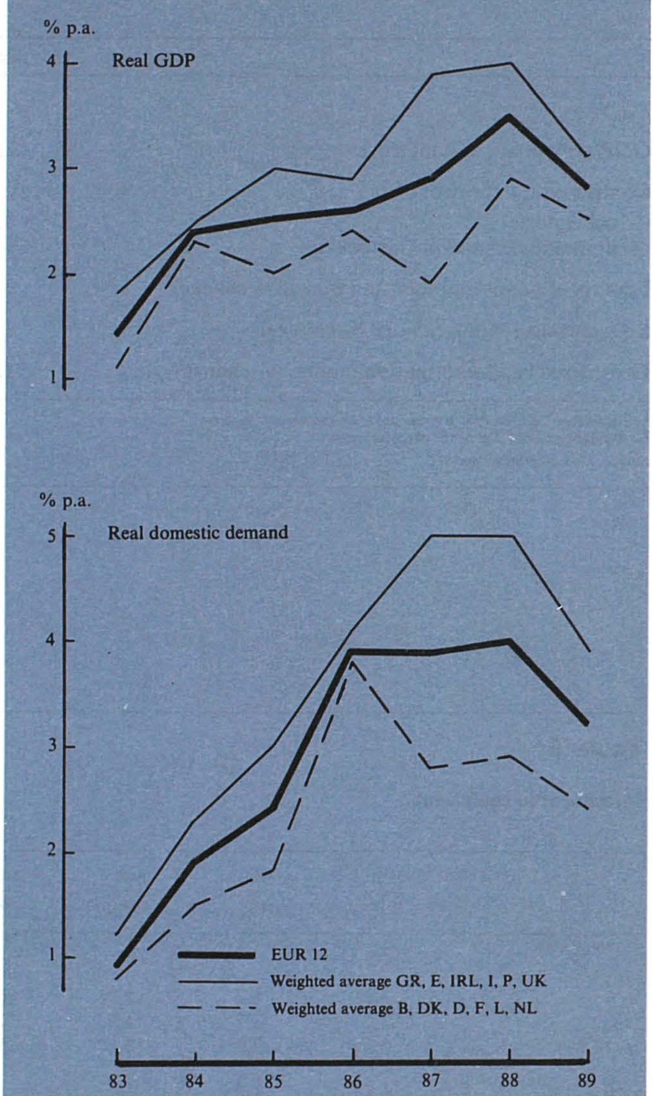


Table 5

Determinants of GDP growth in the Community of 12

(at constant prices)

	1984	1985	1986	1987	1988[1]	1989[1]
GDP growth at constant prices	2,4	2,5	2,6	2,9	3½	2¾
Contribution to growth of:[2]						
— net exports	+0,5	+0,1	−1,2	−1,2	−1	−½
— domestic demand (incl. stocks)	+1,9	+2,4	+3,8	+3,9	+4	+3¼
Exports of goods and services (annual % change)	7,7	4,7	1,5	3,7	5¼	5¼
Private consumption (annual % change)	1,4	2,5	3,9	3,8	3½	3
Gross fixed capital formation (annual % change)	1,3	2,1	3,1	4,6	7	5¼

[1] September/October 1988 forecasts of the Commission services.
[2] Change as % of GDP of the preceding year.
Source: Commission services.

Table 6

Investment in equipment

(annual % change in volume)

	1973/1970	1979/1973	1984/1979	1989/1984	1985	1986	1987	1988[1]	1989[1]
B	3,2	1,2	5,0	6,1	−0,7	10,8	7,9	7,6	5,0
DK	3,7	2,7	1,5	1,9	15,4	14,8	−18,0	−3,4	4,5
D	0,3	2,9	−0,5	5,8	10,0	4,3	4,0	5,5	5,2
GR	11,8	1,4	−1,5	3,2	7,6	−6,5	−0,9	8,5	8,0
E	10,9	−0,7	−2,0	12,8	8,5	10,4	19,0	14,5	11,9
F	9,0	1,7	0,4	5,7	4,6	3,8	4,4	8,8	6,8
IRL	13,8	6,8	−0,4	4,0	4,9	0,3	3,6	6,0	5,4
I	5,9	0,6	3,6	8,2	11,4	5,0	11,5	8,0	5,5
L	5,4	−1,4	−0,2	4,2	4,0	7,9	3,9	−1,4	1,5
NL	2,2	2,0	0,4	6,8	17,4	9,8	0,1	1,4	6,1
P	—	—	—	14,2	−0,5	16,0	30,0	15,5	12,0
UK	3,4	2,6	−0,2	5,7	9,9	−3,9	6,9	9,3	6,9
EUR 12	5,4[2]	1,7[2]	0,8[2]	6,9	9,1	3,3	7,2	8,1	6,7

[1] September/October 1988 forecasts.
[2] EUR 12 excluding Portugal.
Source: Commission services.

driving force of intra-Community trade. This should result in an alleviation of balance-of-payments and inflationary pressures. The impetus which these countries have given to economic activity is benefiting their EC partners, who are now picking up some momentum. In these circumstances, it should be possible to avoid a cyclical downturn, which would put a brake on investment, and an acceleration in inflation, equally prejudicial to the maintenance of sustained growth.

The structure of demand has changed over the recent past. In 1984 and 1985, growth was primarily led by exports. In 1986, this momentum came from an increase in private consumption following the improvement in the terms of trade as a consequence of (i) the fall in oil prices, and (ii) the appreciation of European currencies with respect to the US dollar. Since 1987, and to a greater extent in 1988, investment, whose rate of growth up to now in the recovery has been relatively moderate, is tending to be the most dynamic component of domestic demand. It is equally important that the upturn in investment is occurring in all Community countries.

Many factors explain this upturn in business capital formation:

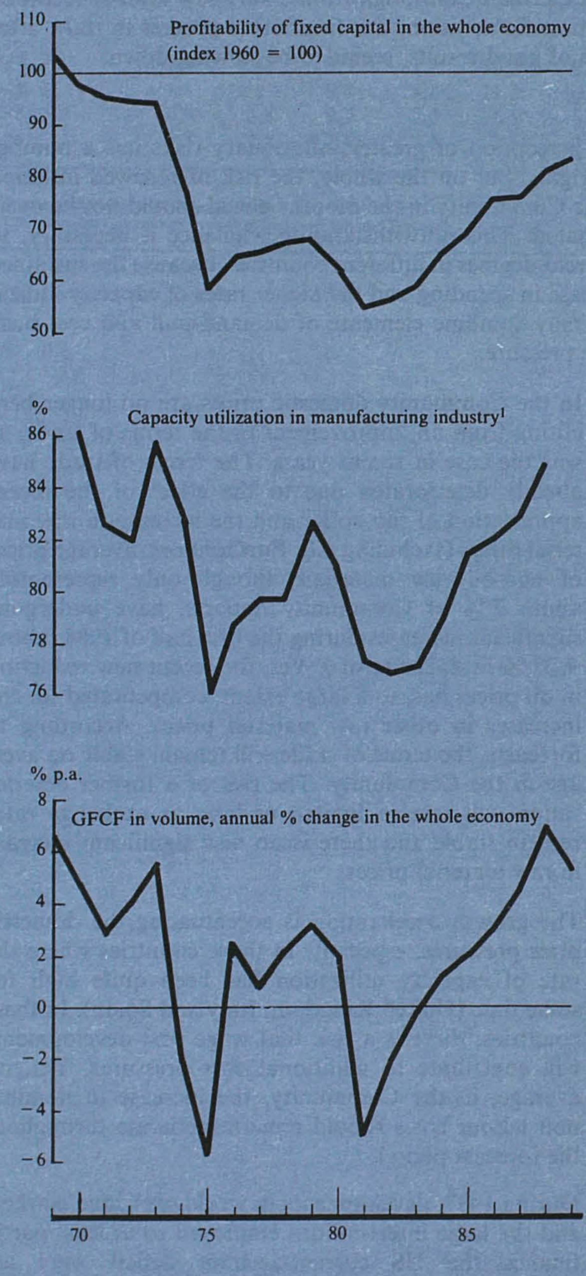
(i) The economies of the industrialized countries are beginning to reap the benefits of structural policies and of greater adaptability of markets. The significant improvement in the profitability of capital and self-financing of enterprises, first induced by moderate wage developments, was accelerated in 1986 and 1987 by the reduction in energy prices as well as by the pick-up of sales.

(ii) Demand has been, and is expected to remain strong. In manufacturing industry the rate of capacity utilization is now reaching record levels in many countries. With capacity utilization higher than at any time since the previous cyclical peak (1979), and the improved profitability, there is now evidence of a strengthening of capital formation and apparently a progressive and welcome shift from labour-saving to capacity-augmenting investment.

(iii) It is also possible that rising expectations in the business sector in relation to 1992 may be beginning to have a positive influence on investment trends. There has, in the course of 1988, emerged clear signs of a '1992 effect' in merger and take-over activity in the Community, and there are some tendencies for multinational companies to redirect investment location strategies in favour of the Community.

(iv) The improvement in the international environment and the acceleration in world trade have both helped to improve the business climate.

GRAPH 4: **Profitability, capacity utilization and investment, EUR 12**



[1] Business surveys.

In general, **inflation** in the Community remains under control (+3 ½ % in 1987 and 1988). It did, however, undergo an acceleration, partly due to exceptional or technical factors in some countries in recent months, notably the United Kingdom and Spain. Some pick-up of inflationary expectations was noticed by the authorities in the Federal Republic of Germany, although from a very low level of recorded inflation. In addition, the disinflation process in Italy, after years of good results, seems to be slowing down.

The perception of greater inflationary risks has a number of origins, but on the whole, the risk of renewed inflation in the Community in the months ahead should not be overestimated. This notwithstanding, vigilance is necessary, to different degrees in different countries, because the sustained increase in spending and the higher rates of capacity utilization may combine elements of demand-pull and cost-push price pressure.

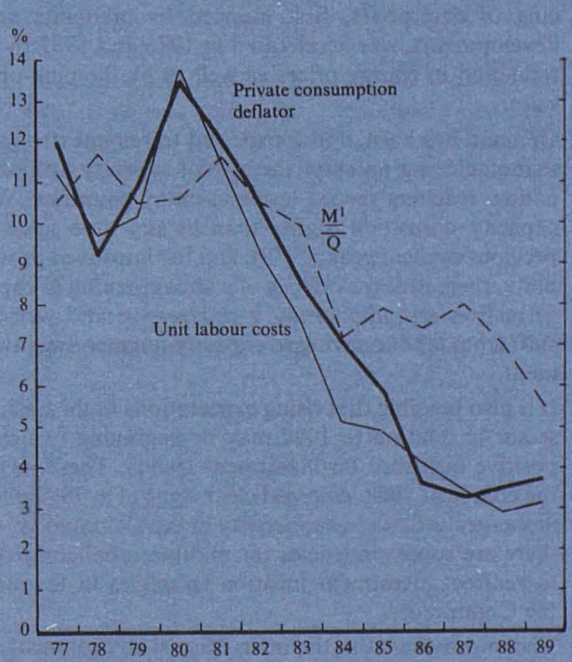
(i) In the Community domestic prices are no longer benefiting from an improvement in the terms of trade, as was the case in recent years. The terms of trade have already deteriorated due to the effect of the recent appreciation of the dollar and the increase in raw material prices (excluding oil). Furthermore, average prices of non-oil raw materials, though only representing about 7 % of Community imports, have undergone significant increases during the first half of 1988 (about +27 % in dollar terms). Yet, the recent new reduction in oil prices has, to a large extent, compensated for the increases in other raw material prices. According to forecasts, the terms of trade will remain stable on average in the Community. The risk of a further deterioration will remain limited as long as exchange rates remain stable and there is no new significant increase in raw material prices.

(ii) The growth acceleration is accentuating the domestic price pressures, especially in those countries where the rate of capacity utilization has been quite high for some time (United Kingdom, Italy and Spain). In these countries, there is a risk that wage cost developments will contribute to additional cost pressures. Yet, on average, in the Community, the increase in nominal unit labour costs should remain moderate throughout the forecast period.

(iii) During 1987, developments in world exchange markets and the large interventions employed to at least partly finance the US current-account deficit were accompanied by strong monetary expansion in Europe and Japan, while monetary growth in the USA was very restrained. This move towards a more expansionary stance in Europe and Japan helped stabilize exchange rates and, after the October 1987 crash, the financial markets; to a certain extent, it responded to an increase in desired liquidity holdings in a period of financial innovation, deregulation and decelerating inflation, and it helped maintain growth. This effectiveness of the monetary policy measures was in no small part due to the credibility that the monetary authorities had built up over a number of years. The recent increases in short-term rates should, moreover, allow this credibility to improve further and show the determination of the monetary authorities to preserve their stability achievements. In addition, these increases should bring a deceleration in the growth of the monetary aggregates.

The unemployment rate, which has fallen slightly since the middle of the decade, still remains around 11 % of the active population. The faster rate of job creation has thus not been

GRAPH 5: **Private consumption deflator, unit labour costs and growth of money stock per unit of output, EUR 12 (Weighted average % change)**



[1] Broad money supply (M2/3) divided by real GDP.

fully reflected in a reduction in unemployment.[1] This is for several reasons — firstly, the jobs created are not always suitable for the registered unemployed and, secondly, since 1986, the participation rate has increased. Due to both these circumstances, despite more favourable employment performances, the share of the long-term unemployed in the total number of unemployed continues to increase, while youth unemployment still remains too high. Overall, despite the better growth dynamics in the Community, unemployment remains the major problem confronting the European economy.

[1] See Section B.3.

Table 7

Unemployment rate

	1973	1979	1982	1985	1988[1]	1989[1]
EUR 9[2]	2,4	5,2	9,3	11,1	10,5	10,1
EUR 12	:	:	9,4	11,8	11,3	10,9
USA	4,9	5,8	9,7	7,2	5,5	5,5
Japan	1,3	2,1	2,4	2,6	2,5	2,6

[1] September/October 1988 forecasts of the Commission services.
[2] The European Community excluding Greece, Spain and Portugal.

Table 8

Main economic aggregates 1961-89[1]

EUR 12

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— at current prices	10,2	14,4	11,2	10,1	9,1	8,7	8,3	6,9	7,4	6,7
— at constant prices	4,8	2,0	0,8	1,4	2,4	2,5	2,6	2,9	3,5	2,8
— price deflator	5,1	12,1	10,3	8,5	6,6	6,1	5,5	3,9	3,8	3,7
2. Gross fixed capital formation[2]										
— total	5,6	−0,3	−2,0	−0,1	1,3	2,1	3,1	4,6	7,1	5,2
— construction[3]	:	−1,2	−2,4	0,6	1,2	−2,4	2,4	2,2	6,2	3,8
— equipment[3]	:	1,8	−1,9	0,1	6,6	9,1	3,3	7,2	8,1	6,7
3. Share of gross fixed capital formation in GDP[4]										
— total	23,3	22,1	20,2	19,7	19,3	19,2	18,9	19,1	19,7	20,1
— general government	:	3,3	3,0	2,9	2,8	2,9	2,8	2,7	2,8	2,8
— other sectors	:	18,8	17,3	16,8	16,5	16,3	16,1	16,3	16,9	17,3
4. Final national uses incl. stocks[2]										
— EUR 12	4,9	1,6	0,8	1,1	1,9	2,3	3,8	3,8	4,1	3,0
— EUR 12 against 9 other OECD countries	−0,5	−0,7	1,0	−2,0	−3,4	−1,4	−0,1	−0,2	0,0	0,3
5. Inflation (price deflator private consumption)	4,6	12,3	10,5	8,5	7,1	5,9	3,6	3,3	3,5	3,7
6. Compensation per employee										
— nominal	10,0	14,9	11,0	9,7	7,4	6,9	6,1	5,5	5,3	5,2
— real, deflator private consumption	5,1	2,3	0,4	1,1	0,3	0,9	2,3	2,1	1,8	1,5
— real, deflator GDP	4,6	2,4	0,6	1,1	0,8	0,8	0,5	1,6	1,4	1,4
7. Productivity[5]	4,5	2,1	1,6	2,0	2,3	1,8	1,8	2,0	2,4	2,0
8. Real unit labour costs[6]										
— index: 1961-73 = 100	100,0	104,3	103,1	102,2	100,7	99,7	98,4	98,0	97,2	96,7
— annual percentage change	0,1	0,4	−1,0	−0,9	−1,4	−1,0	−1,3	−0,3	−0,9	−0,5
9. Profitability (index: 1961-73 = 100)	100,0	65,7	59,0	61,1	68,2	72,5	77,6	78,7	82,1	83,0
10. Relative unit labour costs in common currency against 9 other OECD countries										
— index: 1961-73 = 100	100,0	107,6	98,2	92,8	85,9	85,4	93,8	100,8	98,0	:
— annual percentage change	1,0	−0,2	−6,1	−5,6	−7,4	−0,6	9,7	7,5	−2,8	:
11. Employment	0,3	−0,1	−0,8	−0,5	0,1	0,6	0,8	0,9	1,1	0,9
12. Unemployment rate[7]	2,2	5,1	9,4	10,6	11,4	11,8	11,9	11,6	11,3	10,9
13. Current balance[8]	0,4	−0,6	−0,9	−0,1	0,3	0,7	1,3	0,8	0,3	0,1
14. Net lending of general government[8,9]	:	−3,7	−5,5	−5,3	−5,3	−5,2	−4,8	−4,2	−3,8	−3,5
15. Gross debt of general government[8,9]	:	39,4	47,6	50,8	54,0	56,6	57,8	59,2	60,0	60,7
16. Interest payments by general government[8,9]	:	2,8	4,1	4,4	4,7	5,0	5,1	4,9	4,8	4,8
17. Money supply (end of year)[10]	11,9	13,4	11,9	10,7	9,9	9,9	10,4	11,0	:	:
18. Long-term interest rate[11]	7,1	11,7	14,3	12,7	11,8	10,9	9,2	9,3	9,3	:

1 1961-86: Eurostat and Commission services.
1987-89: economic forecasts September/October 1988.
2 At constant prices.
3 Until 1986: EUR 12, without Spain and Portugal.
4 At current prices.
5 GDP at constant market prices per person employed.
6 Deflator GDP.
7 Percentage of civilian labour force.
1961-73: EUR 12 without Greece, Spain and Portugal.
8 Percentage of GDP.
9 1974-81: EUR 12 without Greece and Portugal.
10 Broad money supply M2 or M3 according to country.
1961-73: EUR 12 without Spain and Portugal.
11 Levels: 1988: January-August average.

A.3. Convergence, stability and growth

The average Community increase in growth since the beginning of this decade has been accompanied by greater convergence towards lower inflation rates. But significant divergences are persisting with respect to budgetary positions. New ones are developing in the field of external balances of member countries.

As expected, the convergence of inflation rates of those countries participating in the EMS exchange-rate mechanism is particularly significant. No country participating in the exchange-rate mechanism has an inflation rate above 5 %. This is also true for Spain and the United Kingdom, so that the major gap between the participating and non-participating countries has closed significantly. Portugal and Greece, however, continue to experience inflation rates sharply in excess of the Community average.

This convergence of inflation rates has allowed monetary cohesion in the Community to strengthen. Bilateral parity adjustments in the EMS have become less frequent. No realignment has taken place since January 1987. The greater convergence first created a solid base for the strengthening of the EMS mechanism with the Basle/Nyborg accords; since then, the agreement itself has strengthened the EMS. This makes new advances in the monetary area possible; it also makes an enlargement of the number of countries participating in the exchange-rate mechanism possible and desirable.

Up to 1985, this convergence was achieved in spite of the strong revaluation of the dollar. Since 1986, it was assisted by the oil price fall and the devaluation of the dollar. This development has been rapidly internalized in a slower increase in internal costs. However, the downward convergence in inflation fundamentally reflects the greater consensus in the European economies regarding the objective of stability. The concentration on this objective has made monetary policies more and more compatible with each other. In addition, nominal wage developments have supported the disinflation process. Even if the convergence of budget deficits remains insufficient, their increasingly non-monetary financing has largely contributed to the process of disinflation. However, this has been achieved at the price of a rapid increase in public debt and very high interest rates in high deficit countries.

The downward convergence of inflation rates has not been fully reflected in a downward convergence of nominal interest rates. Among the countries participating in the exchange-rate mechanism, for example, the average money market rate in the Federal Republic of Germany for the first nine months of 1988 was 2,6 points lower than in Belgium, 4 points lower than in France and 7,3 points lower than in Italy, even though the rates of inflation in Belgium and France are almost equal to that of the Federal Republic of Germany, and in Italy it is only about 2,5 points above. Similar differences exist with respect to the long-term interest rates in the different countries.

This can have several origins: (i) a more or less longstanding tradition of stability which goes hand in hand with a more or less rapid reduction of medium-term inflationary expectations; (ii) a differential evolution of fundamentals, notably budget and external balances, which nourish expectations of inflation or exchange-rate changes.

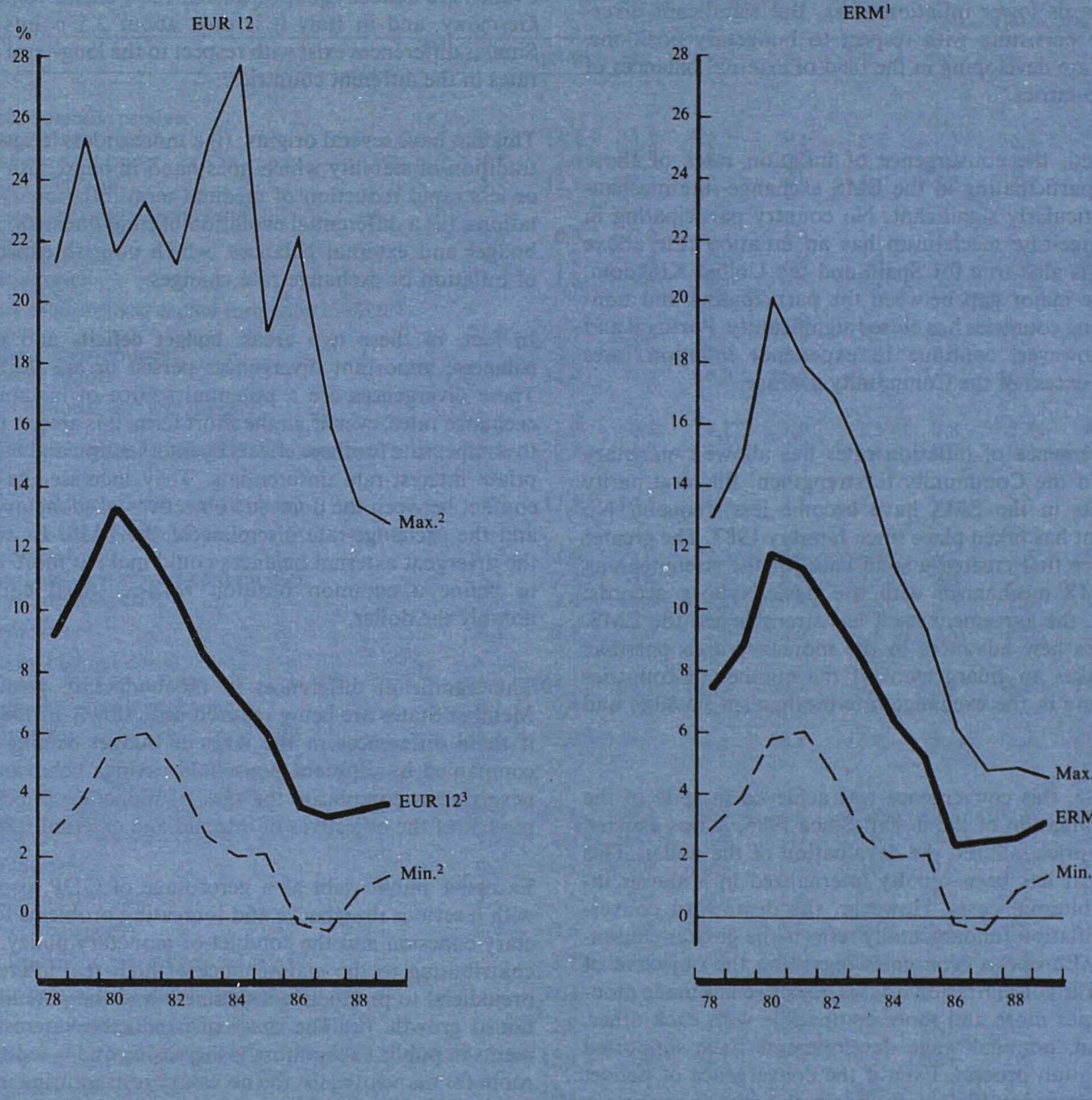
In fact, in these two areas, **budget deficits** and **external balances,** important divergences persist or are developing. These divergences are a potential source of instability for exchange rates, even if, in the short term, it is always possible to compensate for these effects by intervention and by appropriate interest-rate differentials. They increase the risk of conflict between the domestic objectives of monetary policy and the exchange-rate discipline of the EMS. In addition, the divergent external balances could make it more difficult to define a common position *vis-à-vis* third currencies, notably the dollar.

The significant differences in the budgetary positions of Member States are being reduced only slowly in 1988. Even if these differences in the level of budget deficits are accompanied by different household savings behaviour, they nevertheless complicate the task of monetary policy in the pursuit of the objectives of internal and external stability.

Excessive public debt as a percentage of GDP also carries with it serious drawbacks and is creating problems for monetary cohesion and the conduct of monetary policy. (i) It is contributing to the maintenance of high real interest rates prejudicial to productive investment and the pursuit of sustained growth. (ii) The share of irreducible interest repayments in public expenditure is increasing and is reducing the room for manœuvre for the necessary restructuring in favour of productive expenditure and a reduction in direct tax rates. (iii) The credibility of stabilization policies may eventually be affected; this is also increasing the risk premium on long-term interest rates. It is therefore essential for those countries where the budget deficit is still excessive that they follow medium-term strategies to allow them to regain sustainable budgetary positions.

The evolution of external balances presents both a positive and a disquieting aspect. All of those countries, with the

GRAPH 6: **Convergence of inflation rates in the Community and in the ERM countries[1] (private consumption deflator)**



[1] Countries participating in the exchange rate mechanism of the EMS.
[2] Maximum/minimum rate of inflation in the Community/ERM countries.
[3] Weighted average rate of inflation in the Community/ERM countries.

Table 9

Convergence of price developments

(private consumption deflator, annual % change)

	1969/1960	1977/1969	1981/1977	1980	1984	1985	1986	1987	1988[1]	1989[1]
B	3,2	7,4	5,6	6,4	5,8	5,2	0,8	1,6	1,3	2,4
DK	5,7	10,0	10,6	10,7	6,5	4,9	3,6	4,1	4,8	3,7
D	2,7	5,5	4,7	5,8	2,4	2,1	−0,2	0,5	1,3	2,5
GR	2,4	10,5	18,5	21,6	18,3	18,7	22,2	15,8	13,3	12,8
E	5,9	13,2	16,6	16,5	11,0	8,3	8,7	5,3	4,7	4,3
F	4,2	8,3	11,5	13,3	7,5	5,7	2,5	3,2	2,7	2,7
IRL	4,5	13,8	15,2	18,6	9,4	4,5	3,6	3,1	2,1	2,8
I	3,7	12,9	16,5	20,2	11,4	9,3	6,1	4,8	4,9	4,6
L	2,3	6,8	6,2	7,5	5,5	5,2	0,6	0,6	1,4	2,2
NL	4,0	8,0	5,5	6,9	2,0	2,5	0,2	−0,4	0,9	1,4
P	2,6	13,1	22,4	21,4	27,8	19,0	12,0	10,2	9,4	7,0
UK	3,7	12,4	12,6	16,2	4,8	5,2	3,6	3,8	4,4	4,7
				Weighted average						
EUR 12	3,7	9,9	11,4	13,5	7,1	5,9	3,6	3,3	3,5	3,7
ERM[2]	3,6	8,6	10,0	12,0	6,5	5,2	2,4	2,5	2,7	3,1
Non-ERM[2]	4,1	12,6	14,7	17,0	8,5	7,5	6,6	5,2	5,2	5,1
				Maximum and minimum inflation rate within the ERM[2]						
Maximum	5,7	13,8	16,5	20,2	11,4	9,3	6,1	4,8	4,9	4,6
Minimum	2,7	5,5	4,7	5,8	2,0	2,1	−0,2	−0,4	0,9	1,3
Difference	3,0	8,3	11,8	14,4	9,4	7,2	6,3	5,2	4,0	3,3
				Measures of dispersion related to lowest rate[3]						
EUR 12	0,9	2,5	4,8	5,3	4,9	3,6	4,1	3,0	2,7	1,9
ERM[2]	0,8	2,2	4,0	4,9	2,4	1,4	1,8	1,6	1,4	0,8
				Measures of dispersion related to lowest rate[3]						
EUR 12	1,4	4,7	7,5	8,0	7,4	5,5	5,5	4,8	3,4	2,9
ERM[2]	1,5	3,6	4,8	5,4	4,3	2,8	2,4	2,6	1,5	1,4

[1] September/October 1988 forecasts of the Commission services.
[2] Countries participating/not participating in the exchange-rate mechanism of the EMS.
[3] The dispersion index is an unweighted arithmetic mean of each country's absolute deviation from the respective reference value (e.g. weighted average or lowest rate).
Source: Eurostat and Commission services.

Table 10

Nominal unit labour costs

(annual % change)

	1969/1960	1977/1969	1981/1977	1980	1984	1985	1986	1987	1988[1]	1989[1]
B	3,4	9,5	5,0	5,0	3,9	4,1	2,5	1,7	0,5	2,3
DK	6,7	10,2	8,6	10,0	3,4	3,3	3,6	10,6	4,1	1,0
D	3,3	6,8	4,3	6,6	0,7	1,6	2,3	1,7	0,3	0,7
GR	0,8	11,3	19,6	15,6	19,4	20,2	14,2	12,8	15,0	12,5
E	7,1	14,0	15,7	12,3	5,5	6,1	6,8	5,2	4,4	4,1
F	4,2	9,6	11,2	13,5	6,1	4,5	2,1	1,0	1,3	1,4
IRL	4,6	13,6	15,3	18,6	6,2	2,9	5,0	0,9	0,6	1,1
I	3,7	14,8	16,8	18,9	8,5	8,7	5,7	5,4	3,5	4,7
L	2,4	11,2	5,8	8,5	1,2	1,4	4,7	4,3	2,5	4,1
NL	6,4	8,9	4,5	5,3	−2,9	0,4	1,0	1,0	0,6	−0,3
P	2,2	17,4	16,7	18,8	19,0	18,1	12,2	11,9	8,6	7,1
UK	3,7	13,1	14,3	21,9	5,2	4,5	4,7	4,2	5,6	6,1
Weighted average										
EUR 12	3,9	11,1	11,3	13,8	5,1	5,0	4,2	3,5	2,9	3,2
ERM[2]	3,9	10,0	9,7	11,8	4,2	4,3	3,1	2,6	1,5	1,9
Non-ERM[2]	3,9	13,3	15,0	18,4	6,9	6,5	6,7	5,5	5,9	5,9
Maximum and minimum inflation rate within the ERM[2]										
Maximum	6,7	14,8	16,8	18,9	8,5	8,7	5,7	10,6	4,1	4,7
Minimum	2,4	6,8	4,3	5,0	−2,9	0,4	1,0	1,0	0,3	−0,3
Difference	4,3	8,0	12,5	13,9	11,4	8,3	4,7	9,6	3,8	5,0
Measures of dispersion related to weighted average[3]										
EUR 12	1,4	2,4	4,9	5,0	4,5	4,2	2,8	3,4	3,0	2,7
ERM[2]	1,1	1,9	4,3	4,9	2,9	2,1	1,4	2,4	1,2	1,4
Measures of dispersion related to lowest rate[3]										
EUR 12	1,9	4,9	7,2	7,9	9,3	5,9	4,4	4,2	3,6	4,0
ERM[2]	1,9	3,8	4,6	5,8	6,3	3,0	2,4	2,3	1,4	2,2

[1] September/October 1988 forecasts of the Commission services.
[2] Countries participating/not participating in the exchange-rate mechanism of the EMS.
[3] The dispersion index is an unweighted arithmetic mean of each country's absolute deviation from the respective reference value (e.g. weighted average or lowest rate).
Source: Eurostat and Commission services.

Table 11

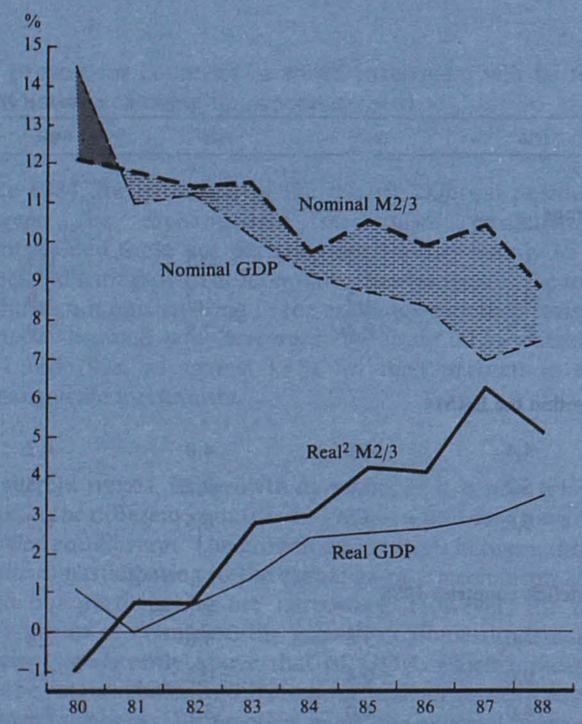
Convergence of net general government borrowing (−) or lending (+)

(as % of GDP)

	1980	1984	1986	1987	1988[1]	1989[1]
		(a) Weighted average				
EUR 12	—	−5,3	−4,8	−4,2	−3,8	−3,4
ERM[2]	−4,0	−5,4	−5,0	−4,8	−4,5	−4,1
Non-ERM[2]	—	−5,1	−4,1	−2,9	−2,1	−2,1
		(b) Maximum and minimum within the ERM				
Maximum	−8,5	−11,5	−11,4	−10,5	−10,0	−10,0
Minimum	−0,8	−1,9	+3,1	+2,1	+0,9	+1,4
Difference	+7,7	+9,6	+14,5	12,6	10,9	11,4

[1] September/October 1988 forecasts of the Commission services.
[2] Countries participating/not participating in the exchange-rate mechanism of the EMS.
Source: Commission services.

GRAPH 7: **Growth of money supply[1] M2/3 and GDP, EUR 12 (average annual % change)**



[1] EUR 12 average of broad money supply M2/3, weighted by GDP.
[2] Nominal money supply (M2/3) adjusted by the GDP deflator.

Change in liquidity ratio.

exception of Greece, who in recent years had worrying external positions, as at the beginning of this decade did Belgium, Ireland, Portugal and, more recently Denmark, have experienced a significant improvement.

But a significant divergence between the external balances of the countries participating in the EMS exchange-rate mechanism and the others is developing; furthermore, within the EMS, the gap between the surplus and deficit countries is growing particularly as the German surplus is not yet declining. Simultaneously, intra-Community trade imbalances are widening. In particular, between 1985 and 1987, the intra-Community trade surplus (excluding energy) of the Federal Republic of Germany increased by about 10 billion ECU and the intra-Community trade deficit of France deteriorated by about 3,8 billion ECU.

The existence of such imbalances in the medium term is partly the corollary of the catching-up process of the poorest countries, where the need for and the capacity of investment are relatively stronger. Deficits in these countries are sustainable in the medium term on condition that the deterioration of the current balance corresponds on the domestic plane to a strengthening of productive investment and goes hand in hand with sound external financing. This, for example, is the case in Spain and Portugal where the deterioration in current transactions has accompanied a strong uptake in productive investment financed by private capital inflows. Hence, the level of deficits in these two countries remains sustainable. Furthermore, it is normal and even desirable that countries with a higher level of development experience surpluses on their current accounts and export capital to the

Table 12

Gross household saving and net borrowing (−) or lending (+) of general government in 1987

(as % of GDP)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Saving	9,8	11,1	7,8	12,9	8,0	8,3	13,6	20,1	9,0	9,0	22,8	3,5
Net borrowing of general government	−7,2	+2,1	−1,8	−9,5	−3,6	−2,5	−9,1	−10,5	+5,2	−6,3	−8,4	−1,4
Difference	2,6	13,2	6,0	3,4	4,4	5,8	4,5	9,6	14,2	2,7	14,4	2,1

Source: Commission services.

Table 13

Convergence of external balances of current transactions

(as % of GDP)

	1980	1984	1986	1987	1988[1]	1989[1]
		(a) Weighted average				
EUR 12	−1,2	0,3	**1,3**	**0,8**	**0,5**	**0,3**
ERM[2]	−1,7	0,5	**2,0**	**1,5**	**1,5**	**1,6**
Non-ERM[2]	0,2	−0,2	−0,2	−0,4	**−2,3**	**−3,0**
		(b) Maximum and minimum within the ERM[2]				
Maximum	−1,3	4,2	**4,4**	4,0	**4,0**	**4,2**
Minimum	−11,8	−6,0	−5,2	−3,0	**−2,5**	**−2,3**
Difference	10,5	10,2	**9,6**	**7,0**	**6,5**	**6,5**
		(c) Average of ERM[2] surplus and deficit countries 1988				
Surplus countries[3]	—	—	**4,0**	**3,6**	**3,6**	**3,8**
Deficit countries[3]	—	—	**0,0**	−0,4	**−0,3**	**−0,4**
Difference	—	—	4,0	4,0	3,9	4,2

[1] September/October 1988 forecasts of the Commission services.
[2] Countries participating/not participating in the exchange-rate mechanism of the EMS.
[3] Surplus countries: B, D, IRL, L, NL; deficit countries: F, I, DK.
Source: Commission services.

Table 14

Growth in GDP and domestic demand

	1985	1986	1987	1988[1]	1989[1]
		(a) GDP growth			
EUR 12	2,5	2,6	2,9	3½	2¾
ERM[2]	2,2	2,5	2,2	3¼	2¾
Non-ERM[2]	3,2	3,0	4,3	4	3
		(b) Growth in domestic demand			
EUR 12	2,3	3,8	3,8	4	3¼
ERM[2]	2,1	3,7	3,3	3¼	2¾
Non-ERM[2]	3,0	4,3	5,8	6½	4

[1] September/October 1988 forecasts of the Commission services.
[2] Countries participating/not participating in the exchange-rate mechanism of the EMS.
Source: Commission services.

less prosperous countries in which investment will be fostered and the catching-up process assisted.

Since 1984, the evolution of the relative external positions between the exchange-rate mechanism participating countries and those not participating appears mainly to be associated with growth differentials. On average, for the four countries not participating in the exchange-rate mechanism, domestic demand will have risen by about 21 % between 1984 and 1988, as against 13 % for their partners in the exchange-rate mechanism.

On current trends, the growth dynamic, as it is now taking shape in the different countries in 1989, is a first step towards renewed equilibrium. The growth differentials between those countries participating in the exchange-rate mechanism and those not participating are narrowing. However, for the latter group of countries, the growth of domestic demand remains significantly above that of GDP, which indicates that the external balance will continue to deteriorate in terms of constant prices. On the other hand, the external balances (in constant prices) of those countries participating in the exchange-rate mechanism, with the exception of Italy, will scarcely deteriorate or may slightly improve. Two factors help to explain this contrasting evolution: (i) The EMS countries are continuing to benefit from a sustained expansion of imports of their partners where domestic supply is beginning to be constrained by a relatively higher rate of capacity utilization. (ii) The acceleration in productive investment throughout the Community and the world is particularly profitable for countries like the Federal Republic of Germany who are traditional exporters of equipment goods.

Between the countries participating in the exchange-rate mechanism, the evolution of domestic demand generally played a less important role. The increase in domestic demand in four countries — Belgium, France, Germany and the Netherlands — between 1984 and 1988 was between 10,5 and 13 %. It was stronger in Italy (about 17 %). In Ireland and Denmark, domestic demand needed to be controlled in order to improve the serious external position. During this period, the evolution of real effective exchange rates of the different countries *vis-à-vis* their EMS partners remained more or less stable, or, in particular with the effective appreciation in the exchange rate of the German mark, they played a role in the direction of re-establishing equilibrium in external positions.

Despite the marked differences in current account positions of ERM countries, the EMS exchange-rate mechanism has

Table 15

Nominal effective exchange rates[1]

(1980 = 100)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	Japan
1960	82,6	104,1	52,8	192,6	150,4	117,1	149,7	196,9	74,8	214,5	158,6	98,4	125,0	71,8
1961	81,7	103,1	54,7	191,1	149,6	116,1	149,4	195,2	77,1	213,4	157,8	99,9	125,3	71,4
1962	81,7	103,1	54,9	190,9	150,0	116,1	149,8	195,0	77,6	213,8	158,3	100,5	126,3	71,5
1963	81,5	103,2	55,2	191,0	150,1	116,2	149,7	194,8	77,7	213,4	158,0	100,6	126,6	71,5
1964	81,7	103,0	55,3	191,0	150,1	116,2	149,5	193,9	77,5	212,9	157,5	100,5	126,7	71,4
1965	82,0	103,1	55,1	191,2	150,2	116,2	149,6	193,9	77,7	213,1	157,8	100,4	126,7	71,5
1966	81,9	103,3	55,1	191,4	150,2	116,1	149,6	194,3	77,4	213,3	157,8	100,3	126,8	71,4
1967	82,1	102,6	55,4	191,8	147,9	116,2	148,6	194,8	77,9	214,1	155,3	100,1	127,2	71,6
1968	82,9	99,0	56,4	195,1	132,2	117,9	139,5	198,7	79,1	222,8	137,1	96,5	130,0	73,1
1969	83,1	98,6	57,9	195,4	132,3	112,1	139,6	198,3	79,2	224,6	137,2	96,2	130,2	73,7
1970	83,2	97,8	62,8	192,6	131,8	103,1	139,4	196,1	78,0	223,4	136,7	97,5	128,5	73,3
1971	83,1	96,9	64,7	188,2	130,2	100,8	139,5	194,3	78,7	222,0	136,7	98,3	125,1	74,5
1972	85,5	97,6	66,4	176,2	132,6	103,2	136,7	193,0	79,8	219,6	131,8	100,3	116,7	82,8
1973	86,7	103,6	73,4	162,2	134,7	106,7	127,3	173,3	82,4	223,5	118,0	103,0	107,4	87,4
1974	87,9	104,0	77,4	162,6	138,7	99,5	124,1	156,4	86,7	220,5	113,9	101,1	109,6	81,6
1975	89,2	107,6	78,6	146,7	135,2	109,3	117,0	149,9	88,8	213,9	104,8	102,5	108,7	79,3
1976	91,3	110,0	83,1	138,7	124,2	105,2	105,1	124,3	91,2	195,4	89,7	92,8	114,4	83,3
1977	96,5	109,4	89,7	134,7	108,7	100,2	101,5	114,4	96,0	153,1	85,5	91,9	113,6	92,4
1978	99,3	109,4	95,0	122,4	98,3	98,9	102,0	107,3	98,3	121,9	85,7	92,4	103,1	112,5
1979	100,5	108,5	99,6	115,5	107,4	99,6	102,2	103,7	99,8	103,3	90,9	98,4	100,2	104,2
1980	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1981	94,2	92,5	94,4	89,8	90,4	91,2	91,3	87,6	95,7	96,2	100,2	83,9	112,8	113,6
1982	85,5	88,4	99,1	82,7	84,9	83,6	90,3	81,6	100,5	83,8	95,8	78,0	126,3	107,9
1983	83,1	87,9	103,1	67,7	70,3	77,6	86,6	78,5	102,6	66,1	89,1	71,4	133,6	119,7
1984	81,3	84,7	101,4	58,0	68,6	73,9	82,9	73,9	101,0	54,6	84,9	64,8	144,0	126,6
1985	82,0	85,7	101,7	48,8	67,1	74,7	83,9	70,1	101,2	48,3	84,8	63,5	149,9	130,5
1986	86,5	91,1	112,6	38,4	66,0	78,0	87,0	72,7	109,0	44,6	78,6	69,7	121,3	166,0
1987	90,0	95,0	120,4	34,6	66,2	78,9	85,2	73,5	114,6	41,4	77,8	74,5	106,7	179,7
1988	88,7	93,3	119,1	32,1	68,0	77,1	84,0	70,8	113,8	39,4	81,7	72,9	101,2	196,9

[1] The nominal effective exchange rate is the weighted average (double export weights) of the exchange rate of a currency with respect to the main 9 (EUR 12) or 19 competing countries.
Source: Commission services.

Table 16

Real effective exchange rates[1]

(1980 = 100)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	Japan
1960	93,8	77,4	81,9	168,5	65,7	105,1	94,3	104,8	65,4	120,3	97,1	76,3	167,3	69,7
1961	88,5	79,8	88,4	152,7	64,0	106,2	93,7	100,6	68,9	116,7	98,6	79,8	162,8	68,1
1962	88,0	81,8	89,0	152,0	65,6	106,9	95,1	102,2	69,8	111,7	99,5	81,3	159,6	71,8
1963	87,7	83,3	88,3	141,3	70,8	109,8	94,1	110,2	71,9	110,4	96,7	82,8	155,0	73,2
1964	88,2	83,3	86,4	141,4	73,9	109,9	100,0	115,8	76,2	108,4	96,0	83,9	151,9	71,4
1965	89,9	88,6	86,0	138,2	77,7	107,5	98,4	114,0	78,5	107,9	97,5	84,6	146,6	74,8
1966	91,0	91,4	85,9	139,5	82,8	104,2	100,7	109,6	81,8	109,2	98,3	84,6	147,6	72,8
1967	91,4	94,0	83,3	139,2	87,7	103,6	99,3	109,2	83,1	111,8	94,8	82,2	149,1	72,7
1968	91,0	93,6	82,8	139,9	77,8	109,2	92,6	108,5	84,5	106,3	83,3	78,1	156,8	73,3
1969	89,5	94,2	84,1	133,2	76,8	104,9	94,6	105,2	87,7	109,4	84,3	77,6	160,5	72,8
1970	85,0	95,2	95,5	122,3	74,9	94,5	97,1	106,0	85,8	117,1	85,8	81,0	157,6	72,6
1971	85,6	95,6	99,7	112,1	75,3	90,5	100,3	108,6	87,9	117,6	85,8	82,9	147,1	77,4
1972	89,7	94,5	101,0	103,4	79,0	91,0	99,5	108,1	90,9	116,7	86,2	85,4	135,0	86,0
1973	90,2	102,3	110,2	97,1	82,8	93,5	98,5	100,6	95,3	115,0	76,0	87,4	120,6	96,2
1974	92,9	107,0	110,5	106,3	86,1	87,5	94,8	94,9	98,0	131,3	77,0	85,9	115,9	100,3
1975	96,9	108,3	102,2	96,3	87,9	98,3	92,5	101,3	99,2	153,1	82,5	91,3	107,5	97,6
1976	101,1	109,0	100,4	99,0	88,6	96,8	89,9	90,5	100,3	150,3	71,8	82,6	110,9	102,1
1977	107,0	108,9	102,7	106,6	88,0	93,7	86,4	93,3	104,2	127,7	69,6	83,8	108,5	111,1
1978	107,4	110,4	104,0	105,0	89,7	94,5	89,0	93,5	105,3	106,8	72,0	85,9	99,7	130,4
1979	105,7	109,2	103,6	110,4	106,3	96,8	97,1	95,7	104,5	96,6	81,6	93,9	99,6	112,8
1980	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1981	92,2	92,5	89,7	105,4	93,3	94,0	95,0	98,5	90,4	105,7	102,6	86,2	110,4	108,2
1982	81,7	90,2	89,6	114,2	90,4	89,5	98,1	99,9	92,9	99,9	95,9	81,0	125,6	97,0
1983	79,7	91,1	88,8	108,9	79,4	86,7	100,0	107,5	90,5	93,4	88,7	76,5	130,7	105,1
1984	78,5	87,9	84,9	107,9	79,0	85,0	98,5	106,7	83,6	89,0	86,4	70,8	140,3	107,7
1985	79,5	88,6	83,2	105,3	78,9	86,5	98,8	106,5	81,1	89,7	87,1	70,4	146,9	106,4
1986	83,5	93,9	90,8	91,7	80,3	89,0	104,0	113,2	85,3	89,7	81,9	77,3	118,1	134,0
1987	86,2	105,1	95,9	90,8	82,4	88,2	99,8	117,7	88,1	90,6	82,3	83,1	105,0	140,4
1988	83,6	104,7	92,5	94,9	86,1	85,2	96,1	114,6	86,1	91,4	89,3	80,8	100,8	149,7

[1] The index of the real effective exchange rate is derived by multiplying the index of the nominal effective exchange rate by a similarly calculated index of the relative change in unit labour costs in the total economy.

Source: Commission services.

remained relatively stable due to capital flows and better monetary policy coordination, but this could change depending on market expectations and reactions to increasing imbalances. But, in order to maintain the current growth dynamic in the Community and at the same time reduce these imbalances, it is necessary that the growth process in the EMS surplus countries and, particularly, in the Federal Republic of Germany remains or becomes increasingly led by domestic demand. Recent economic developments in the Federal Republic of Germany suggest that this is already under way. In addition to contributing to a reduction in payments imbalances, it would also assist the growth and investment process in these countries and increase stability within the EMS. Furthermore, it would allow the Community to make a greater contribution to the international adjustment process.

B. Problems, opportunities and challenges in the Community economy

The economic situation has improved considerably. This situation, the most favourable for a long time, is giving the Community the chance to realize to a greater extent and more quickly its fundamental objectives: preparing for 1992, strengthening economic and social cohesion and reducing unemployment.

The internal market programme will, in itself, give or is even already giving a strong impetus to productivity and growth. But as enterprises prepare themselves to face new realities, output patterns, geographical location and the utilization of factors of production will change. Therefore, while the ultimate benefits of 1992 in terms of growth and employment have been estimated to be significantly positive, there is some concern, especially about the transition towards the completion of the internal market. These uncertainties will be better overcome the more the achievement of the internal market is accompanied by policies resolutely oriented towards growth and employment as well as towards a reinforcement of economic and social cohesion in the Community.

B.1. Exploiting the potential of the internal market

In the course of the last year, the programme to complete the internal market by 1992 made considerable progress in relation to (i) the understanding of the size and nature of the potential economic gains that it offers, as well as to (ii) the legislative actions needed for its implementation. Both are reflected in the heightened awareness and expectations of the private sector.

The legislative actions have been numerous. In the area of finance, the Council has agreed on a timetable and procedure for eliminating capital controls in all Member States. Agreements were also reached on opening the non-life insurance market for larger risks. Commission proposals for the banking sector have been tabled and proposals for securities markets are under preparation. Progress has been made in the areas of public procurement, transport services and technical norms. Measures for the approximation of indirect taxes are under discussion.

Completion of the large internal market is first and foremost a huge programme for improving supply-side conditions, the success of which will be effected by markets and firms, that is at the microeconomic level. Studies completed in the last few months show that the realization of the internal market will result in considerable gains for the Community in terms of potential GDP growth.[1] These gains will arise from a number of sources: reduced production costs following the abolition of barriers affecting trade; better exploitation of economies of scale due to the increased market size which will also facilitate the development of larger and therefore more competitive European firms; greater efficiency within firms; reduced monopoly power and more dynamic investment and innovations as a result of increased competition and budgetary savings resulting from the opening of public markets.

These potential benefits can only accrue if a rigorous *competition policy* is implemented to ensure (i) that the positive effects of greater competition are not diminished by State aids and subsidies, and (ii) that the free movement of goods and services is not impeded by individual firms in a dominant market position or by groups of firms acting in concert to restrict such competition.

Due to their size, the microeconomic gains will have significant macroeconomic consequences, which depend, in particular, on the reaction of firms and consumers. For example, faced with cheaper inputs and factor productivity gains, firms could reduce prices to their customers (consumers, firms or public administrations) or increase wages. They could use their additional profits to reduce their indebtedness more quickly or to self-finance their investments. Consumers could react to a higher level of real income by raising the savings ratio or by increasing consumption.

The studies mentioned above confirm that the reactions of the private sector to the completion of the internal market, notably by an increase in investment, will, in the medium term, allow the achievement of a significantly higher level of GDP and employment and lower inflation. But much depends on the way in which the public authorities react to the easing of the macroeconomic constraints, notably the reduction of the budget deficit, the improvement in the external position and a slowdown in inflation. It seems essential in this respect that the budgetary room for manœuvre created by the internal market will be used (i) in those countries where the budgetary situation remains difficult, to reduce more rapidly the budget deficit, and (ii) in the other countries it should be actively used to improve the conditions of supply and demand by reducing the tax burden and increasing economically profitable public investment.

[1] Notably 'The costs of non-Europe', research published in *European Economy*, No 35, March 1988, under the title 'The economics of 1992'.

In this way, the productivity gains resulting from the completion of the internal market, at the macroeconomic level, can be accompanied by an even greater acceleration in GDP growth so that a favourable development in employment can take place. In such a context, the increase in total demand can remain sufficiently dynamic and profitability of investment sufficiently high. Better macroeconomic conditions for growth and the completion of the internal market will thus reinforce each other.

It would not, however, be opportune to wait for the 1992 deadline to strengthen the consensus on the macroeconomic policies required for the European economies to increase potential output and sustain growth. In fact:

(i) Firms are already incorporating the 'internal market' factor into their strategies. The more they can rely on macroeconomic policies being defined in clear and credible terms, the more energetic they will be in doing so.

(ii) Restructuring at firm, sectoral and market level, already under way, is necessary if the productivity gains expected from the internal market are to be achieved. In the context of slow growth, it is possible that this could lead to job losses initially. This risk could be avoided and new jobs could more than compensate for the job losses due to restructuring by maintaining the Community economy on a sufficiently dynamic growth path. The inertia and opposition to the necessary restructuring will be easier to overcome the more the realization of the 1992 objective results in an increase in employment and a reduction in unemployment. The acceleration of growth and employment observed in 1988 puts this problem in a favourable light - a growth dynamic that needs to be maintained and strengthened over the medium term.

These various movements in the public and private sectors confirm that the 1992 programme has achieved, in the words of the European Council of Hanover, the stage of irreversibility. The rising awareness of the private sector still, however, must continue to be translated into even stronger growth of investment and, thence, the capacity for faster non-inflationary growth. It may be expected that this will follow, on condition that the public authorities ratify these expectations with (i) further agreements in the next 12 months on several important outstanding proposals in the 1992 programme, (ii) complementary actions in several associated domains, such as structural, social and external trade policies, and (iii) support for a consistent, growth-oriented macroeconomic policy.

B.2. Towards greater economic and social cohesion

The strengthening of economic and social cohesion in the Community as well as the improvement in living and working conditions of the workforce are objectives of the Community as confirmed by the Single European Act (Articles 130a and 117). This is why particular attention should be accorded to the regional and social dimension in the face of the changes which will occur in the European economies in the coming years.

B.2.1. Narrowing income gaps within the Community

The income gap between citizens from the various countries and regions of the Community is a complex and pressing issue. This catching-up process is, in its own right, one of the more fundamental economic and social objectives of the EC. Historical experience shows that it is possible to reduce in a significant way the per capita GDP disparities, measured in purchasing power standards (PPS), which exist between the different regions and countries. For example, between 1960 and 1973, the gap between the four poorest countries of the current Community of Twelve and the four richest narrowed by about one third. It widened again following the first oil shock. But since mid-1980, this gap has again tended to narrow, in particular because of good growth performances in Spain and Portugal. Moreover, the disparities in per capita GDP between the different regions within countries are very large. Such disparities exist in all countries. For example in Italy, the per capita GDP is almost equal to the Community average, but that of the southern regions is 30 % below while that of the north-western regions is 30 % above. In these conditions, the strengthening of economic and social cohesion of the Community also necessitates a convergence towards the higher levels of per capita GDP between regions within countries.

The trend differences in GDP and population growth imply that, in the period immediately ahead, no more than a small reduction in the disparity of average per capita incomes can be envisaged. An extrapolation of the trends of recent years, not taking into account the effect of the doubling of the structural Funds, suggests that in 1992, average per capita GDP in the four poorest countries will still represent only some 65 % of average per capita GDP in the four richest countries (against 60 % in 1987).

Table 17

Per capita GDP at current market prices and purchasing power standards

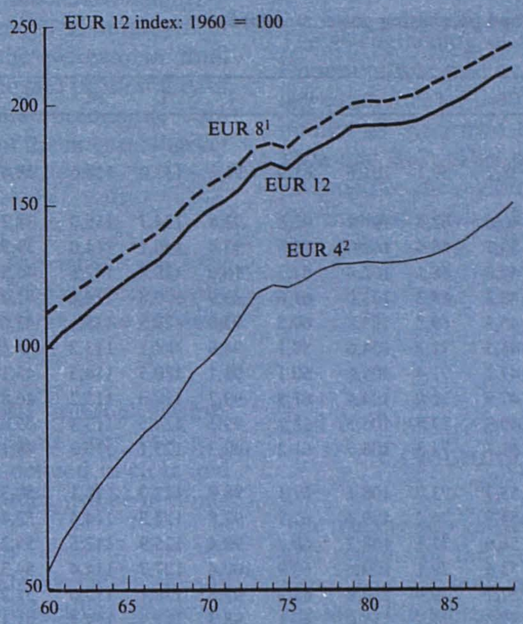
(EUR 12 = 100)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 4[1]	EUR 8[2]	EUR 12	WMAD[3]	Ratio[4]
1960	95,6	119,6	117,9	38,7	59,1	101,6	61,9	91,3	137,0	118,6	38,4	128,3	52,4	110,4	100,0	20,4	41,5
1961	95,5	120,9	116,4	40,8	62,6	101,4	62,3	93,8	134,7	115,3	38,7	125,7	55,0	109,8	100,0	18,6	45,4
1962	96,4	122,3	116,3	39,7	65,4	102,5	62,0	95,4	130,1	114,0	39,9	121,5	56,7	109,4	100,0	17,2	47,7
1963	96,4	117,8	114,2	42,0	68,1	102,4	62,3	96,6	128,6	112,5	40,5	121,4	58,9	108,9	100,0	16,0	50,0
1964	97,5	121,9	115,0	43,3	68,3	103,0	61,6	93,9	130,8	114,6	41,0	121,0	59,3	108,8	100,0	16,7	50,2
1965	96,8	122,3	116,1	45,5	69,5	103,4	60,5	93,0	127,5	115,1	42,6	119,0	60,7	108,5	100,0	16,6	51,5
1966	96,2	120,8	114,8	46,5	71,3	104,6	59,1	94,9	124,1	113,2	43,1	116,9	62,0	108,2	100,0	15,5	53,4
1967	96,6	120,3	111,2	47,1	71,4	105,6	60,1	98,1	120,5	114,5	45,1	116,2	62,6	108,1	100,0	14,4	53,8
1968	95,8	118,8	111,7	47,9	72,0	104,4	61,8	99,2	119,6	115,2	46,8	115,0	63,5	108,0	100,0	13,6	55,0
1969	97,0	119,7	113,1	49,9	73,9	105,5	62,1	99,6	124,5	115,3	45,6	110,3	64,9	107,6	100,0	12,8	56,9
1970	99,0	116,5	113,3	51,7	73,3	106,3	61,2	100,3	123,1	115,8	48,1	108,2	65,2	107,6	100,0	12,4	57,2
1971	99,5	115,7	112,4	53,7	73,9	108,1	61,1	98,9	122,0	116,1	50,3	107,7	66,3	107,3	100,0	12,3	58,5
1972	100,6	116,7	112,2	55,9	76,2	109,4	61,7	97,8	123,8	114,4	52,4	105,7	68,5	106,8	100,0	11,9	60,7
1973	100,6	113,8	110,7	56,6	77,1	108,2	60,2	98,4	125,9	112,5	55,2	107,5	69,5	106,6	100,0	11,3	62,5
1974	102,9	110,7	109,2	53,6	79,1	109,4	60,9	100,4	127,7	114,4	54,3	105,0	70,2	106,5	100,0	10,5	63,5
1975	102,6	111,2	109,5	57,1	79,9	110,8	63,0	97,6	120,1	115,0	51,2	105,9	70,9	106,5	100,0	11,3	63,5
1976	103,4	113,0	110,9	57,3	77,9	111,0	60,1	98,3	117,1	114,7	51,1	105,1	69,4	106,9	100,0	11,6	62,1
1977	101,8	112,2	112,2	57,2	77,9	111,6	62,9	97,8	116,7	114,3	52,3	104,1	69,8	106,9	100,0	11,8	62,0
1978	101,8	110,6	112,5	58,7	76,4	111,9	64,9	97,5	117,9	113,4	52,3	105,1	69,2	107,1	100,0	12,3	61,6
1979	101,0	111,1	113,9	58,5	73,8	111,8	64,0	99,1	117,4	112,1	53,5	104,2	67,6	107,5	100,0	12,4	59,9
1980	104,3	109,4	114,0	58,4	73,7	112,0	64,7	101,9	117,2	111,2	54,9	100,9	67,8	107,5	100,0	12,1	60,0
1981	103,0	108,7	114,2	58,0	72,9	112,9	66,2	103,1	116,9	109,8	55,3	99,8	67,4	107,6	100,0	12,3	59,5
1982	104,0	111,5	113,0	57,6	73,0	114,6	66,6	102,6	118,0	107,2	55,9	100,5	67,5	107,6	100,0	12,3	59,4
1983	102,9	113,0	113,7	56,8	73,0	113,4	64,9	101,5	120,0	107,0	54,7	102,7	67,1	107,8	100,0	12,9	59,1
1984	102,8	114,4	114,8	56,8	72,4	112,1	65,1	102,5	125,0	107,6	52,2	102,3	66,3	108,0	100,0	12,8	58,4
1985	101,9	116,5	114,9	57,0	72,1	111,0	64,2	102,7	126,5	107,2	52,4	103,5	66,1	108,0	100,0	12,9	58,4
1986	101,8	117,6	115,1	56,2	72,5	110,3	62,6	102,9	126,6	106,6	53,0	103,8	66,2	108,0	100,0	12,9	58,6
1987	100,8	112,7	114,1	53,8	73,9	108,9	62,9	103,4	125,6	105,4	53,5	106,2	66,8	107,9	100,0	12,6	59,8
1988[5]	99,9	109,1	113,8	52,8	74,6	108,4	62,4	103,2	124,6	103,6	54,8	107,5	67,3	107,8	100,0	12,3	60,5
1989[5]	100,3	107,1	113,5	51,1	75,6	108,4	63,1	102,7	124,9	102,6	55,5	108,2	67,8	107,7	100,0	12,2	61,1

[1] EUR 4: GR, E, IRL, P.
[2] EUR 8: B, DK, D, F, I, L, NL, UK.
[3] WMAD = Weighted mean absolute deviation.
[4] Relationship between per capita GDP in the four poorest countries and the four richest countries in the Community.
[5] 1987-89: Economic forecasts, September/October 1988.

Source: Eurostat and Commission services.

GRAPH 8: **Per capita GDP at constant prices and PPS**



[1] EUR 8: Weighted average of B, DK, D, F, I, L, NL, UK.
[2] EUR 4: Weighted average of GR, E, IRL, P.

The average per capita GDP is not the only criterion by which the degree of economic and social cohesion can be measured, even if it is the main one. In the area of unemployment, significant disparities exist not only between Community countries but also between regions. In Spain and Ireland, for example, unemployment stands at around 20 % of the active population compared to a Community average of 11 %. Furthermore, certain regions in southern Italy as well as in central and northern Europe are particularly affected by unemployment. It is also clear that high levels of underemployment of the workforce are often related to, if not the cause, of lower per capita GDP. The catching-up process should therefore be accompanied by a downward convergence of unemployment rates.

The less favoured countries, in particular Spain, Portugal and Ireland, have, in recent years, made major strides in adjustment and consolidation, a fact which, in itself, should accelerate the narrowing of the gap. In Greece also, some favourable developments have taken place but to a lesser extent. Inflation in Ireland (2 % in 1988), for example, is now less than the Community average and in Spain (4 ½ %) it is just one percentage point above. Taking the four countries together: the inflation rate has declined by 11 percentage points since 1981; the balance of current transactions is now close to equilibrium (– ½ % of GDP) after having been well in deficit (–4,3 % of GDP) in 1981; the adjustment of real unit labour costs has been particularly large, falling by about 12 % since 1981 compared to some 6 % on average in the Community.

The decision of the European Council, held in Brussels on 11 and 12 February 1988, to double the budgetary commitments of the structural Funds between 1987 and 1993 shows the Community's determination to make an active contribution to the catching-up process of the less-favoured countries and regions. The subsequent adoption by the Council of a framework regulation on the tasks of the Funds and their effectiveness and coordination with the operations of the European Investment Bank establishes the main operating principles (Regulation No 2052/88 of 24 June 1988). This regulation sets out, in particular, a new model for the 'partnership' between the Community and Member States intended to ensure that the Funds contribute effectively to the objectives of economic and social cohesion.

The Community resources, together with appropriate structural and macroeconomic policies, can make an important contribution to the acceleration of the catching-up process. In fact, the increased structural Funds and financial instruments could represent in Greece, Portugal and Ireland 4 to 5 % or even more of GDP. In Spain and Italy, they would represent a smaller percentage of national GDP, but, concentrated on the poorest regions, they will represent a similar percentage of the GDP of these regions. This opportunity must be seized by the beneficiary countries. In this regard, paying due attention to the effective use and additionality at programme level in the allocation of these resources to priority development needs is necessary but insufficient.

At the macroeconomic level the Community support alleviates the balance-of-payments constraint of the recipient countries. The overall influence on medium-term economic growth essentially depends on the capacity of the recipient countries to attract private capital by credible management of economic policy and greater returns on investment and on the domestic counterpart to the easing of the external constraint. If this counterpart is found in an increase in the share of consumption in GDP in the countries concerned, the overall effect will be limited and the chance to fully exploit the opportunities offered will be missed. If, on the other hand, the macroeconomic counterpart of the increase in these Community resources is an equivalent increase in the investment share and an improvement in the efficiency of investment, the doubling of the structural Funds will deliver its full benefits. In reality, micro and macroeconomic behaviours are interdependent. There is no incentive for firms to invest more, unless profitability (and therefore also productivity) is high; otherwise, the increased transfers would mainly lead to a substitution of sources of finance. Similarly, a dynamic environment broadens the range of

Table 18

Macroeconomic adjustment indicators in the poorest countries

	Inflation rate (Private consumption)		Balance of current transactions with the rest of the world as % of GDP		Real unit labour costs (Index)	
	1981	1988[1]	1981	1988[1]	1981	1988[1]
GR	23,4	13¼	−0,7	−2¾	100	100,0
E	14,3	4¾	−2,7	−¾	100	86,0
IRL	19,6	2	−14,7	2½	100	90,5
P	23,3	9½	−12,2	0	100	83,8
EUR 4	16,8	6¼	−4,3	−¾	100	88,0
EUR 8	11,4	3	−0,4	½	100	94,0
EUR 12	12,1	3½	−0,7	½	100	93,2

[1] September/October 1988 forecasts of the Commission services.

Table 19

Gross fixed investment as % of GDP

(as % of GDP)

	Selected periods								
	1960-73	1974-79	1980-84	1985-89	1979	1986	1987	1988[1]	1989[1]
B	21,6	21,9	17,7	16,8	20,7	16,1	16,6	17,6	17,8
DK	23,8	22,1	16,7	18,5	20,9	20,4	18,5	17,7	17,3
D	24,9	20,8	21,1	19,6	21,8	19,5	19,3	19,8	20,0
GR	22,4	22,8	21,0	18,5	25,8	18,5	17,6	18,2	19,2
E	24,0	24,6	20,9	20,4	21,6	18,7	20,1	21,5	22,7
F	23,5	23,4	21,2	19,3	22,4	18,8	19,0	19,6	20,1
IRL	20,7	25,9	26,0	18,2	30,5	18,7	17,5	17,2	17,4
I	26,0	24,6	22,6	20,3	23,1	20,1	20,0	20,1	20,1
L	26,0	25,1	23,8	21,2	24,4	20,7	23,8	21,8	21,8
NL	25,0	21,0	19,0	19,8	21,0	19,6	19,8	20,3	20,4
P	24,0	26,3	28,7	24,4	26,6	21,6	24,3	26,4	28,2
UK	18,3	19,3	16,8	17,9	18,8	17,2	17,4	18,4	19,1
EUR 12	23,2	22,2	20,5	19,4	21,7	18,9	19,1	19,7	20,1
USA	18,2	18,7	18,0	17,5	20,4	17,8	17,3	17,2	17,2
Japan	32,7	31,8	29,6	29,2	31,7	27,8	29,4	30,5	30,8

[1] September/October 1988 forecasts.
Source: Commission services.

opportunities available for more productive investment and better returns.

By easing the resource constraint both internal and external, the doubling of the structural Funds creates the initial condition for a sustainable resumption of the catching-up process. It is therefore necessary that the less-favoured countries continue with and strengthen the implementation of bold adjustment policies, so as to gain the maximum benefit from the resources assigned to them to reduce economic disparities.

B.2.2. The social dimension of the internal market

Catching-up in economic terms must go hand in hand with catching-up in social terms, while maintaining basic social standards in the more advanced countries. Thus, apart from its regional aspects, the social dimension of the internal market is essential. Three elements are important in this respect: (i) the social effects of the completion of the internal market; (ii) the convergence in the improvement of living and working conditions of the workforce (Article 117 of the EEC Treaty); (iii) social dialogue.

The productivity gains which will flow from completion of the internal market will also entail structural changes in markets and firms. Policies must be implemented which take account of the social effects of this restructuring. In this respect, investment in the best resource available to the Community, its people, is essential. A greater emphasis on vocational and in-service training will make it easier for the employed to meet these changes and for the unemployed to re-enter working life.

The completion of the internal market will intensify competition between firms of countries with quite different working and social conditions. These differences largely correspond to levels of productivity and capital efficiency which vary just as widely. In these circumstances, it is essential first to create economic conditions which will engender an upward convergence of social standards. The lower real wage levels and less onerous social regulations in the less advanced countries are comparative advantages which enable them to make progress in the catching-up process. In addition, minimum health and safety standards at work and the pursuit by Member States, according to Article 118a of the EEC Treaty, of the objective of harmonizing conditions in this area, while maintaining the improvements already made, will contribute to better working and living conditions as well as to the avoidance of distortions in competition between the firms of different Member States. In this context, greater job mobility with maintenance of benefits when changing jobs, as well as other guaranteed rights, should also be sought.

Strengthening the social contract at the enterprise level implies rights for workers to be involved in the running of their companies and in sharing the benefits arising from higher productivity, broader-based management and a better climate at the work place. In this regard, particular attention should be given to the advantages that can arise from the adoption by firms on a voluntary basis of the European company statute, allowing companies to operate across the frontiers without violating existing corporate laws and which foresees the implementation of worker participation schemes in the countries concerned.

In the framework of the social dialogue at Community level, the social partners have, on several occasions in the last few years, expressed their support for the general thrust of economic policy of the Community. This agreement represents a precious achievement. This consensus must now be strengthened if the remaining tasks are to be accomplished successfully. It must also be extended or deepened at the national level according to the arrangements[1] prevailing in the Member States. The contribution of the social partners in the area for which they are competent is vital to the shaping of the social dimension of the internal market. For its part, the Commission will continue to contribute to the development of Community-level dialogue between management and labour which, according to Article 118b of the EEC Treaty, as amended by the Single European Act, could lead to relations based on agreement, if the two sides consider it desirable. In this respect, the development of closer cooperation between the social partners of different Member States in bordering regions could be an encouraging first step towards an awareness of the European dimension in industrial relations.

B.3. Towards more employment creation

Unemployment remains the major challenge for the Community. It more than doubled during the 1970s, from 2,8 million in 1973 to 7,1 million in 1979 (from 2,4 % of the labour force to 5,7 %). It has doubled once again since the beginning of the 1980s, now extending to about 15,4 million people or 11,3 % of the labour force (see Table 6 in Section A.2). Furthermore, long-term unemployment continues to grow and already exceeds 50 % of total unemployment. On average, the rate of youth unemployment in the Community is still over 20 %.

Thanks to the stronger net supply of jobs, the trend of unemployment which has been rising for over two decades gradually started to be reversed in 1987. This is a significant change of direction in Europe's labour market.

Since 1985, the annual rate of employment creation in the Community on a per capita basis reached a historically high level (close to 1 %). The volume of employment has increased less, however, since much of the increase has taken the form of part-time employment. In 1988, employment creation remains above the Community average in countries such as Spain (2,6 %), the United Kingdom (1,9 %), Luxembourg (1,7 %) and Portugal (1,7 %). Longer-lasting and more sustainable growth (than that experienced in the 1970s) is thus also becoming even more employment-creating.

This performance is none the less still unsatisfactory in at least two respects: (i) when compared with that of other industrialized countries, and (ii) when compared to Europe's

[1] Article 3, Council Directive of 18 February 1974 on stability, growth and full employment in the Community (74/121/EEC).

own post-war history. For example, in the United States and Japan, the rate of job-creation has been adequate to restore or to maintain an unemployment rate very close to the one prevailing a decade ago, before the second oil shock. Therefore, by international standards, Europe has a long way to go.

While other industrialized countries are approaching full employment, a mechanical extrapolation of the growth trend of the years prior to 1988 suggests that the unemployment rate in 1992 in the Community would not be much below one tenth of the labour force. Unemployment represents an underutilization of the labour resource. This resource must be transformed into a basis for growth, as it was in the post-war period. About 15 to 18 million people engaged in agriculture with low marginal productivity and low incomes moved into industry and services, where pay was better. Thanks to the realized rapid growth of income and to the strong development of trade and innovation, the resulting capital accumulation turned into jobs, demand and even faster growth.

The development of unemployment has been affected by changes in demography and participation rates. These two factors have moved in opposite directions. The annual increase in the population of working age (15-64) in the Community, on the one hand, has certainly slowed down from 1 % at the beginning of the 1980s to ¼ % today, but it will still contribute to a growing labour supply in the near future.

Overall **participation rates** of the population of working age in the Community, on the other hand, declined between 1975 and 1985 from 64,4 % to 63,3 %, due to a marked decline in male participation from 87,5 % to 80,8 %, which outweighed the steady increase in female participation from 45,3 % to 49,0 %. Thus, the overall decline in participation has somewhat slowed down the increase in unemployment. In recent years, however, male participation appears to have stabilized while female participation seems to continue its upward trend. Therefore, overall participation is now recovering. This is a positive phenomenon, but it renders the reduction of unemployment in the Community more difficult.

Table 20

Economic growth and employment

(annual average rates of change, in %)

	1973/1960	1975/1973	1979/1975	1984/1979	1985	1986	1987	1988[1]	1989[1]
EUR 12									
GDP	4,8	0,4	3,4	1,2	2,5	2,6	2,9	3,4	2,8
Employment	0,3	−0,4	0,3	−0,5	0,6	0,8	0,9	1,1	0,9
USA									
GDP	4,0	−0,9	4,1	2,4	3,1	3,0	3,4	3,9	2,3
Employment	1,9	−0,5	3,6	1,3	2,4	1,7	2,6	2,3	1,6
Japan									
GDP	9,6	0,7	5,1	3,9	4,5	2,4	4,2	5,6	3,8
Employment	1,3	−0,1	1,0	0,9	0,7	0,9	1,0	1,0	0,8

[1] September/October 1988 forecasts of the Commission services.

Differences between participation rates in Member States are vast; they range from 53 % in the Netherlands to more than 83 % in Denmark. This is to a large extent due to wide discrepancies in female participation, where Spain with only 34 % and Denmark with more than 78 % (in 1986) provide the extreme cases. Furthermore, the estimated overall Community participation rate of 64 ¼ % in 1988 is significantly lower than in other industrialized countries (e.g. 72 ½ % in Japan, 76 % in the USA, 82 ¼ % in Sweden and 70¼ % in the OECD average[1]).

All this indicates that with regard to labour supply there is a significant potential for stronger and sustained economic growth in the Community. The increase in employment in general and in particular the growing willingness of women to seek employment could also provide a broader basis for the sharing of the burdens of taxation and social security, which will become more and more important in the medium and longer term to compensate for the ageing of the Community's population. To take full advantage of this potential, employment creation must be centre stage in the Community's economic policy.

In order to appreciate recent developments in the Community's labour market three points deserve particular attention.

[1] OECD, Economic outlook, June 1988.

First, the process of sectoral change continues. Employment in agriculture is declining further; it now provides only 8 % of total Community employment. Industry has also continuously shed employment for more than a decade. Today, with higher overall growth rates, this seems to have come to an end. The current expansion of net employment is, however, still provided virtually by the service sector alone.

Second, **part-time work** has increased considerably and continues to do so. On average, for the Community, part-time employment as a proportion of total employment has increased to about 14 %. In the past few years three quarters of the net employment created in the Community have been part-time. Recent information concerning Spain confirms that an even higher proportion of new jobs created since early 1987 have been part-time in nature. The increase in part-time employment, to the extent that it is voluntary, is a sign of a healthy labour market. To the extent, however, that it is involuntary (13 % of all part-time employed, according to the 1986 Community labour force survey), it indicates a degree of under-employment.

Third, an indicator of progress made in the Community towards achieving healthier labour markets is the relative evolution of **real per capita labour costs and productivity** (real unit labour costs). On average, this ratio has fallen in the Community, by over 6 % since 1981. This fall has been

Table 21

Employment creation by sector in the Community

	1974[1] / 1958	1986 / 1974	1987	1988[2]	1989[2]	Shares in total employment in		
						1958	1974	1986
Agriculture	−4,4	−3,0	−2,0	:	:	22,8	11,5	8,1
Industry	0,5	−1,7	−0,0	0,2	0,2	39,1	39,5	32,5
Services	1,7	1,6	2,1	:	:	38,1	49,0	59,4
Total	0,2	−0,1	0,9	1,1	0,9	100	100	100

[1] EUR 5 (B, D, F, IRL, I).
[2] September/October 1988 forecasts of the Commission services.

particularly large in the poorest countries (except for Greece; see Section B.2.1).

Table 22

Real unit labour costs[1]

(1981 = 100)

	1960	1973	1981	1988[2]	1989[2]
EUR 12	96,0	97,0	100	93,2	92,8
EUR 4[3]	92,5	94,3	100	88,0	87,7
EUR 8[3]	95,5	97,1	100	94,0	93,5

[1] Real per capita labour costs divided by productivity (GDP over total employment).
[2] September/October 1988 forecasts of the Commission services.
[3] EUR 4: Greece, Spain, Ireland, Portugal; EUR 8: other EC countries.

This trend in real unit labour costs is favourable for a variety of reasons. **First,** it helps to boost **profitability** of fixed capital and hence to set an important precondition for a higher propensity to invest. The decline in real unit labour costs indicated in Table 22 also implies that the share of profits in value added has developed very favourably which does, however, not represent a proportionate increase in profitability. Because, today, a larger amount of capital is required per person employed, profitability of capital has not yet regained the level of the 1960s, a period of almost full employment in the Community.

Secondly, the income of capital relative to that of labour is moving in a direction which slows down the tendency for labour to be substituted by means of capital-deepening investment. Whereas, for example, between 1960 and 1974 an annual average growth of the capital stock of more than 5 % accompanied a rate of net employment creation of 0,3 %, this ratio was 3 % to -0,3 % between 1974 and 1983 and 2,3 % to 0,7 % after 1983. The moderate real wage growth of the 1980s thus shows significant effects. In order to further accelerate employment creation, it has to be continued to an extent which may differ between Member States.

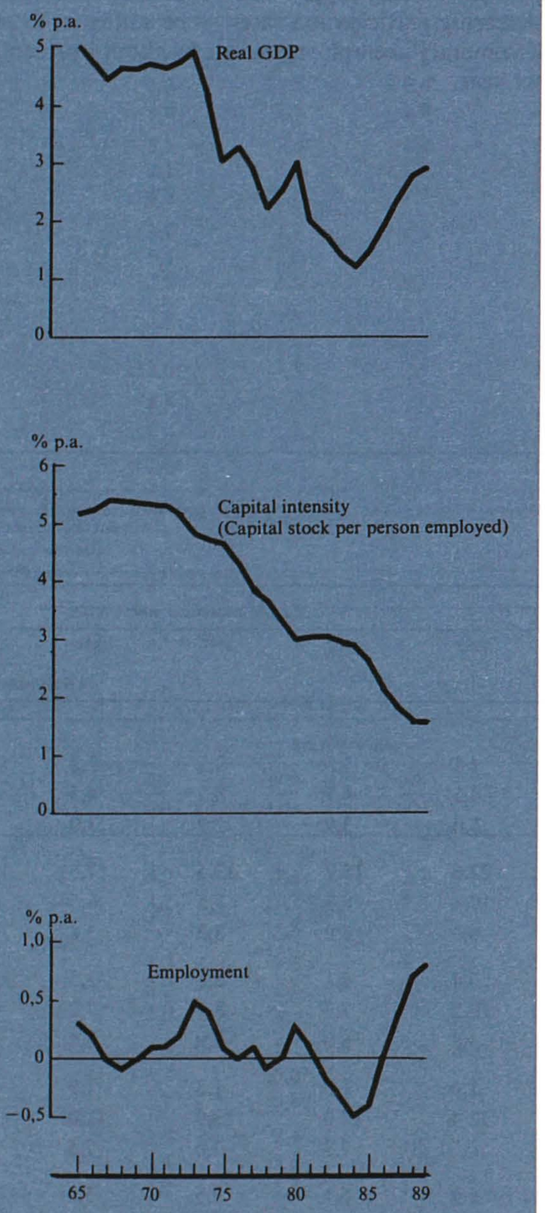
The employment content of investment could also be improved by broader efforts to stimulate higher capital productivity along with lower capital/labour ratios. Higher capital productivity would help to avoid capacity constraints in sectors where demand is already strong. It would also improve the competitiveness of European firms and thus create additional demand. In sectors and enterprises where demand is particularly strong this could, for example, be achieved by **longer operating hours of equipment,** which would allow the employment of more labour per unit of capital. Today's restrictions on operating and opening hours both by law and collective agreements should give way to a more flexible approach. The appropriate implementation would have to be determined by pragmatic decentralized negotiations between the social partners. The cost reductions resulting from longer operating hours of equipment could in part be used to compensate employees for less attractive working hours with **additional reductions of individual working time,** which would then still be neutral to the level of total costs. This would further increase the employment content of economic growth.

The basic direction of policy to successfully tackle the Community's large-scale unemployment remains uncontroversial. At present, the more favourable economic performance provides a good opportunity for the adjustment necessary to sustain the higher growth path and to make it more resistent to possible shocks. But the conditions for more employment-creating growth and investment have to be further improved along the lines of the Community's cooperative growth strategy for more employment.[1]

At the **macroeconomic level,** the conditions for a further rise in profitability and sustained trend of job-creating investment must continue to be strengthened. In this connection, moderate increases in real wages coupled with the now more favourable outlook for demand remains indispensable. At the **microeconomic level,** structural policies have an essential role to play in increasing the adaptability of the markets in goods, services, capital and labour, in encouraging entrepreneurial initiative and thus in improving the efficiency of the Community economies. The lifting of unnecessary administrative barriers, notably where these stand in the way of a major improvement in the employment situation, has a high priority. In order not to call into question fundamental rights in the fields of social security, of social protec-

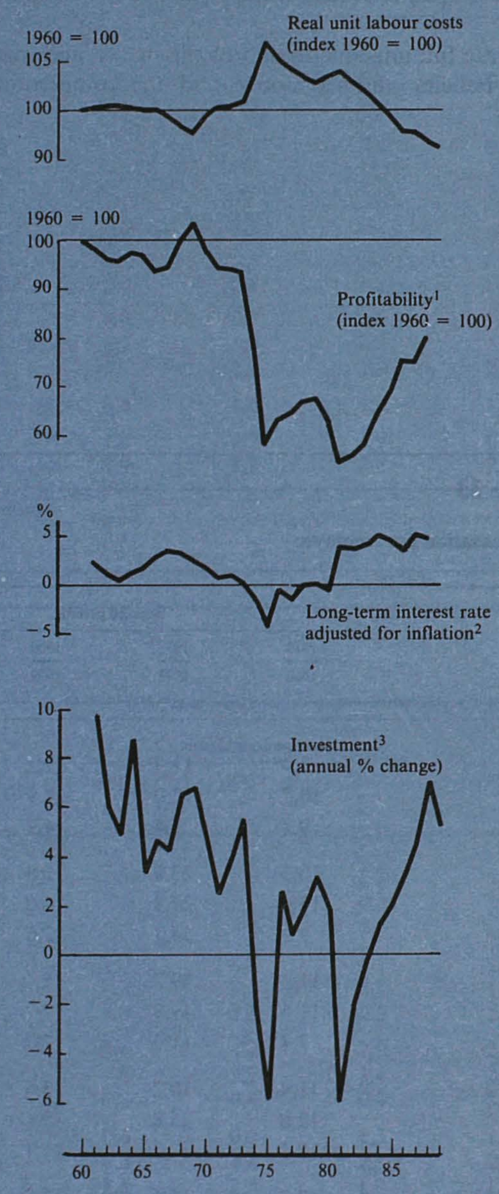
[1] See 'Annual Economic Reports 1985/86, 1986/87 and 1987/88', in *European Economy*, Nos 26, 30 and 34.

GRAPH 9: Real GDP, capital intensity and employment, EUR 12 (five-year, moving average of annual growth rates)[1]



[1] Five-year period ending in indicated year.

GRAPH 10: Real unit labour costs, profitability, real long-term interest rate and investment, EUR 12



[1] Compact data bank.
[2] Long-term interest rates deflated by GDP deflator.
[3] Gross fixed capital formation at constant 1980 prices.

tion and of working conditions, appropriate regard must be given to the social dimension, and the process of structural adjustment must be accompanied by a wide social dialogue (see Section B.2.2). Furthermore, with some parts of the unemployed in danger of losing contact with the labour market and with structural change continuing, a special need has developed to focus on **employability** (see Section C.1).

With the full implementation of the macro and microeconomic policies outlined above and the completion of the internal market, the Community would have the chance to transform its 1988 growth rate of about 3 ½ % into a lasting medium-term growth path of this order of magnitude or even better. If this could be realized, employment could expand at a rate of about 1 ½ % per year in the Community. Such an increase in employment would — in spite of a still growing labour supply due to demographic factors and increasing participation rates — be sufficient to reduce the Community unemployment rate by about 1 percentage point per year.

Table 23

Compensation per employee

(annual % change)

	Selected periods				Change on previous year				
	1973/1960	1979/1973	1984/1979	1989/1984	1985	1986	1987	1988[1]	1989[1]
B	8,9	11,9	7,2	3,6	4,8	3,8	3,3	2,2	3,8
DK	10,7	12,0	8,9	4,9	4,5	4,7	8,2	4,5	2,5
D	9,2	7,4	4,7	3,1	3,0	3,9	2,9	3,0	2,5
GR	10,2	22,0	21,8	16,3	22,6	15,7	12,5	17,0	14,0
E	14,6	22,9	14,0	7,7	10,1	8,3	7,5	6,5	6,1
F	9,9	14,7	12,5	4,3	6,6	4,0	3,3	3,8	3,8
IRL	11,3	19,2	15,4	4,8	6,4	5,1	5,1	3,5	3,9
I	11,6	19,9	17,7	8,2	10,2	7,7	8,7	7,0	7,5
L	7,4	11,3	7,7	4,2	3,8	5,0	3,9	3,4	5,0
NL	11,4	10,2	3,6	1,4	1,4	1,6	1,3	1,9	1,0
P	12,0	25,8	19,8	14,8	22,4	17,0	13,9	11,0	10,0
UK	8,3	17,2	11,1	7,3	6,7	7,3	7,0	7,5	7,8
EUR 12	10,0	15,1	11,2	5,8	6,9	6,1	5,5	5,3	5,2
USA	5,7	8,2	7,2	4,4	4,3	3,7	4,1	5,3	4,8
Japan	14,0	12,6	4,8	3,9	3,4	3,7	3,1	4,4	4,7

[1] September/October 1988 forecasts.
Source: Commission services.

Table 24

Real compensation per employee[1]

(annual % change)

	Selected periods				Change on previous year				
	1973/1960	1979/1973	1984/1979	1989/1984	1985	1986	1987	1988[2]	1989[2]
B	4,6	3,6	1,8	0,5	−0,7	0,2	1,6	0,6	0,9
DK	3,4	1,6	0,4	0,3	−0,7	−0,2	3,0	0,1	−0,5
D	4,6	2,5	1,0	0,8	0,8	0,8	0,9	1,2	0,2
GR	5,5	5,6	1,2	0,5	4,1	−2,8	−1,6	2,4	0,9
E	7,1	3,9	1,3	0,7	1,3	−2,3	1,7	1,2	1,7
F	4,8	3,8	1,9	0,6	0,8	−0,7	0,7	1,0	1,3
IRL	3,9	4,2	2,1	1,0	1,3	−0,5	2,6	1,1	0,8
I	5,9	2,4	1,3	1,9	1,3	−0,3	3,1	2,2	3,2
L	2,9	4,5	0,2	1,8	0,3	2,4	2,8	1,2	2,2
NL	5,0	2,6	−0,5	0,8	−0,3	0,8	2,3	1,6	−0,4
P	7,7	5,1	−1,4	0,7	0,6	−0,7	1,6	0,5	1,8
UK	3,0	1,0	1,5	2,0	0,7	3,7	2,0	1,9	2,0
EUR 12	4,6	2,6	1,3	1,2	0,8	0,5	1,6	1,4	1,4
USA	2,0	0,2	1,1	1,0	1,1	1,0	0,7	1,9	0,2
Japan	7,6	4,2	2,6	2,5	1,9	1,9	2,9	3,5	2,3

[1] From the point of view of costs: compensation of employees per wage and salary earner deflated by the GDP deflator.
[2] September/October 1988 forecasts.
Source: Commission services.

Table 25

Labour productivity

(GDP at constant prices per person employed, annual % change)

	Selected periods				Change on previous year				
	1973/1960	1979/1973	1984/1979	1989/1984	1985	1986	1987	1988[1]	1989[1]
B	4,3	2,1	2,2	1,3	0,6	1,3	1,6	1,7	1,4
DK	3,2	1,3	1,4	0,4	1,2	1,0	−2,2	0,3	1,5
D	4,1	2,9	1,6	1,7	1,4	1,6	1,2	2,7	1,7
GR	8,2	3,0	−0,3	1,2	1,9	1,3	−0,3	1,7	1,3
E	6,5	3,2	3,1	2,2	3,7	1,4	2,2	2,1	1,8
F	4,9	2,7	1,8	2,2	2,1	1,8	2,2	2,5	2,3
IRL	4,3	3,4	3,0	2,6	3,3	0,1	4,2	2,9	2,8
I	5,7	1,8	1,3	2,5	1,3	1,9	3,2	3,4	2,6
L	3,1	0,8	2,2	0,8	2,4	0,3	−0,4	0,9	0,9
NL	3,9	2,4	1,7	0,9	1,0	0,6	0,3	1,3	1,4
P	7,4	3,1	0,2	2,9	3,6	4,3	1,8	2,3	2,7
UK	2,9	1,3	1,7	2,1	2,1	2,5	2,6	1,9	1,6
EUR 12	4,5	2,3	1,7	2,0	1,8	1,8	2,0	2,4	2,0
USA	2,0	0,1	1,3	1,0	0,7	1,2	0,6	1,8	0,9
Japan	8,2	3,0	2,9	3,1	3,8	1,6	3,2	4,0	3,0

[1] September/October 1988 forecasts.
Source: Commission services.

Table 26

Real unit labour costs[1]

(1961-69 = 100)

	1961-69	1975	1979	1981	1985	1986	1987	1988[2]	1989[2]
B	100,0	110,4	112,7	115,4	109,0	107,8	107,9	106,7	106,2
DK	100,0	104,6	100,2	100,6	93,6	92,5	97,4	97,2	95,3
D	100,0	107,0	102,5	104,5	98,8	98,0	97,7	96,3	94,8
GR	100,0	87,2	96,7	101,0	106,0	101,7	100,4	101,0	100,6
E	100,0	105,5	106,7	105,6	95,5	92,0	91,5	90,8	90,7
F	100,0	105,6	105,4	108,3	104,6	102,1	100,6	99,1	98,2
IRL	100,0	104,3	100,5	100,3	94,3	93,7	92,3	90,7	88,9
I	100,0	111,7	107,5	108,2	107,4	105,1	105,0	103,8	104,5
L	100,0	119,7	117,0	120,5	104,3	106,5	109,9	110,3	111,8
NL	100,0	110,5	107,3	104,1	94,7	95,0	96,9	97,2	95,5
P	100,0	143,3	119,9	119,7	107,6	102,4	102,2	100,4	99,6
UK	100,0	110,2	100,1	101,3	97,4	98,5	97,9	97,8	98,2
EUR 12	100,0	107,3	103,1	104,4	99,9	98,6	98,2	97,3	96,8
USA	100,0	101,7	102,5	102,2	101,8	101,7	101,8	102,0	101,3
Japan	100,0	110,6	107,5	106,5	103,8	104,1	103,8	103,3	102,5

[1] Compensation of employees per wage and salary earner deflated by the GDP deflator and divided by real GDP per person employed.
[2] September/October 1988 forecasts.
Source: Eurostat and Commission services.

C. Policy for growth and greater confidence

The renewed investment, which is under way, increases the chances of realizing the objective of sustained, durable and non-inflationary employment-creating growth. The current favourable trend needs to be reinforced over the coming months. However, some aspects of the problem are different in the various countries. In some countries external demand has outstripped domestic supply, giving rise to inflationary pressures and/or a deterioration in the external account. In these circumstances, it is important that growth is restored to more sustainable rates. The running should now be taken up by those countries where growth has been slower and weaker and who now have better conditions for internal growth. This will also contribute to a renewed equilibrium in the external accounts of the different countries.

C.1. Structural and labour market policies

Structural policies are required in their own right to improve the adaptability and efficiency of the Community economies and thus to make a non-inflationary rise in output and employment sustainable, while simultaneously pursuing the Community's social and environmental objectives. The objective behind efforts to increase flexibility is not to destroy social achievements but to create even more employment. Furthermore, structural policies must accompany the completion of the internal market in order to ensure that its full benefits are actually forthcoming.

Competition policy must be stringently enforced by rigorous application of the legislation, by the introduction of a control of concentration with a Community dimension and by strict control of State aids. Moreover, the public and private sectors should be treated in a non-discriminatory manner. In this context it is desirable that complete transparency is assured in the relations between public enterprises and the State.

Emphasis must continue to be placed on research and development and on improving the technological competitiveness of European firms. Here the Community has a particular role to play as it encourages and coordinates national research efforts and develops a genuine European approach to research and technology by supporting Community-wide collaboration projects in a variety of sectors, *inter alia* information and communication technology (Esprit II and RACE). It aims, in particular, at a strengthening of the technological foundation of the internal market. In this respect, the framework programme for research (1987-91) adopted in September 1987 is a success. One year after the adoption of this programme, it is clear that a new impetus has been given to Community research and technological development. In financial terms more than 90 % of the specific implementing programmes have already been submitted to the Council and more than 50 % have been adopted.

The Commission also intends to pursue its policy in favour of small and medium-sized enterprises (SMEs), as defined in its action programme, approved by the Council in November 1986. To further improve the information for SMEs on European affairs (regulation, norms, tender offers, research projects), the Commission, together with the Member States, is preparing an extension of the successful project of 'EC infocentres'. A computerized information network (BCNet) to support cross-border cooperation between SMEs has been installed.

With the completion of the internal market, a significant increase of demand for transport services is to be expected. The exchange of goods must not be impeded by lack of transport and communication facilities within the Community. In addition, the links between the peripheral regions and the centre of the Community have to be improved. The Commission is therefore focusing its efforts to support the medium-term improvement of Community infrastructure[1] on projects which are of particular importance to the process of the completion of the internal market and has submitted a draft regulation to the Council on an 'Action programme in the field of transport infrastructure with a view to the completion of an integrated transport market in 1992'.[2] The draft regulation suggests the introduction of a 'declaration of Community interest' for transport infrastructure programmes. This would give priority to these programmes with regard to the Community's financial instruments and would facilitate the attraction of private capital.

The 'declaration of Community interest' is also a major element of the Commission proposals for the development of new financing instruments. In order to help major European infrastructure projects to become a reality and to do this by stimulating the markets to offer the required finance, it has submitted a revised proposal for a 'Decision on financing major Community infrastructure projects',[3] which has been

[1] Basic principles have been put forward in the communication 'Medium-term transport infrastructure programme' (COM(86) 340).
[2] COM(88) 340 of 15 June 1988.
[3] COM(87) 724.

given approval by the European Parliament and the Economic and Social Committee and is now under further discussion by the Council.

These intentions are complemented by an increased willingness of the European Investment Bank (EIB) to use its means to the full to encourage major European infrastructure investment. A striking example was the agreement of the EIB in September 1987 to make loans of some 1,4 billion ECU for the Channel-tunnel project.

In the longer run the hope for Europe lies in the intellectual and technical potential of its population and notably the younger generation. Investment in human capital in general and in education and training in particular must, therefore, be high on the agenda of all Member States. Training for work is one of the sources of strength of the German economy; the United Kingdom and France have committed themselves to important efforts in this field. It is essential that in all other Member States as well substantial efforts be deployed in this field in the next few years, to the largest possible extent with the assistance of the Community.

The very special attention which labour markets have received in a number of member countries in the 1980s, together with the improved overall economic climate, have borne fruit. Labour markets throughout Europe are generally showing signs of greater adaptability (see Section B.3). Yet unemployment persists, with continuing increases in the average period of unemployment. Hence the need to improve the integration and reintegration into working life of the unemployed by a full range of measures, encompassing counselling and guidance, job search assistance, recruitment assistance and appropriate vocational training. All Member States have followed various specific labour market policies to address this problem, in particular for the young and long-term unemployed. A comprehensive overview of these policies is regularly provided by the Commission in its semi-annual follow-up on the Council Resolution of 22 December 1986.[1] The necessity of the measures designed in the Commission's 'Memorandum on action to combat long-term unemployment'[2] and the special priority for the use of the growing Community structural Funds to combat long-term unemployment are underlined by these developments in the labour market. Based on the Council conclusions on 'Action to combat long-term unemployment',[3] the Commission has started an 'Action programme to assist the long-term unemployed' in summer 1988.

C.2. Monetary policy

The framework for conducting monetary policies in the Community in 1988 has continued to be strongly influenced by international monetary developments:

(i) In 1987 monetary policies in Europe were geared to preventing an undershooting of the dollar, involving official financing of the US external deficit and implying reduced interest rates and fast growth of the monetary aggregates in Europe.

(ii) The appreciation of the dollar during 1988 alleviated this external constraint and allowed the European authorities to give greater weight to domestic objectives.

The greater freedom for manœuvre in monetary policy, most evident in recent months, has been directed at damping or reversing the upturn in inflation expectations that appeared to have occurred during the summer as a result of a number of factors:

(i) higher import costs, in dollar terms, in the first half of the year, aggravated by the dollar's appreciation;

(ii) fears of overheating in some Community countries and stronger-than-expected growth in the context of high capacity utilization in all of them;

(iii) continuing concern in some countries about above-target growth of the monetary aggregates and their possible detrimental effect on future wage and price-setting behaviour.

[1] 'An action programme on employment growth'.
[2] COM(87) 231.
[3] 87/C 335/01 of 1 December 1987.

The combination of these factors, weighted in different ways in different Member States, thus led the monetary authorities, notably in the Federal Republic of Germany and the United Kingdom, to increase short-term interest rates. The actions taken appear to have had the desired effect of damping longer-term inflation expectations, as evidenced by the considerable flattening of yield curves since the summer. To the extent that longer-term expectations of inflation and/or depreciation of the currencies have been reduced, long-term interest rates could be stabilized or decrease on a sound basis; some evidence of this emerged in some countries in early autumn.

Among ERM participants, short-term interest rates have risen most in the Federal Republic of Germany. The rise started on the money market during the second quarter of 1988 and since June the Bundesbank has on several occasions raised its key rates. These movements initially marked a reversal of previous tendencies essentially imposed by external constraints but later reflected a fear that further DM weakness could increase inflationary expectations via rising import prices, as well as a desire to rein back above-target growth of money supply. Some deceleration of M3 in the Federal Republic of Germany is already in evidence: the latest figures show growth only just above the top of the 3 to 6 % target range.

In other countries belonging to the exchange-rate mechanism the increases in short-term interest rates have been somewhat smaller than in the Federal Republic of Germany. In these countries, the compatibility of domestic economic policies with final objectives has important repercussions for the conduct of monetary policy. In Italy, the budget situation is a serious problem for monetary policy: high short-term interest rates, which are required to stabilize the lira exchange rate, affect the fiscal budget consolidation via higher debt-servicing costs. Without significant progress in the budgetary field the difficulties of the policy-mix could become even more obvious, further complicating the task of

Table 27

Nominal short-term interest rates[1]

	1961-69	1970-77	1978-81	1982	1983	1984	1985	1986	1987	1988[2]
B	4,9	7,4	12,0	14,1	10,5	11,5	9,5	8,1	7,0	6,4
DK	6,6	9,1	14,9	16,4	12,0	11,5	10,0	9,1	9,9	8,6
D	4,5	7,2	8,1	8,8	5,8	6,0	5,4	4,6	4,0	3,9
GR	—	—	4,2	18,9	16,6	15,7	17,0	19,8	15,6	16,5
E	—	1,9	16,5	16,3	20,1	14,9	12,2	11,7	15,8	11,2
F	5,0	8,4	11,2	14,6	12,5	11,7	9,9	7,7	8,3	7,8
IRL	—	8,9	14,7	17,5	14,0	13,2	12,0	12,4	11,0	8,2
I	3,5	9,8	14,9	19,9	18,3	17,3	15,0	12,8	11,4	11,1
NL	3,6	6,1	9,7	8,2	5,7	6,1	6,3	5,7	5,4	4,5
P	1,4	6,1	16,0	16,8	20,9	22,5	21,0	15,6	13,9	13,1
UK	6,1	9,6	13,6	12,2	10,1	10,0	12,2	10,9	9,7	9,3
EUR 12	4,8	8,5	12,2	13,8	12,1	11,3	10,6	9,1	8,9	8,2
USA	4,1	5,7	10,8	10,6	8,7	9,5	7,5	6,0	5,9	6,3
Japan	—	7,3	7,3	6,8	6,5	6,3	6,5	5,0	3,9	3,8

[1] Three-month interbank rate, except: Belgium: yield on issue of four-month 'Fonds des rentes' certificates; Denmark: daily money market rate (annual average); Portugal: six-month deposits; from 1986, three-month Treasury Bills.
[2] January-August average.
Source: Commission services.

Table 28

Nominal long-term interest rates[1]

	1961-69	1970-77	1978-81	1982	1983	1984	1985	1986	1987	1988[2]
B	6,1	8,1	11,0	13,4	11,8	12,0	10,6	7,9	7,8	7,8
DK	7,9	13,2	17,9	20,5	14,4	14,0	11,6	10,5	11,9	10,8
D	6,6	8,3	8,0	9,0	7,9	7,8	6,9	5,9	5,8	6,0
GR	—	6,1	14,0	15,4	18,2	18,5	15,8	15,8	17,2	17,8
E	—	—	11,3	16,0	16,9	16,5	13,4	11,4	12,8	11,6
F	6,2	9,6	12,6	15,6	13,6	12,5	10,9	8,4	9,4	9,2
IRL	—	10,6	15,1	17,0	13,9	14,6	12,7	11,1	11,3	9,9
I	6,5	10,2	16,1	20,9	18,0	15,0	14,3	11,7	11,3	12,1
NL	5,3	8,3	10,1	10,5	8,8	8,6	7,3	6,4	6,4	6,3
P	—	—	—	—	—	—	25,4	17,9	15,4	14,3
UK	6,7	11,8	13,6	12,7	10,8	10,7	10,6	9,8	9,5	9,3
EUR 12	6,5	9,8	12,4	14,3	12,7	11,8	10,9	9,2	9,3	9,4
USA	4,6	6,5	10,1	12,2	10,8	12,0	10,8	8,1	8,7	8,9
Japan	—	5,8	8,0	8,3	7,8	7,3	6,5	5,2	5,0	4,6

[1] Yield on public sector bonds.
[2] January-August average.
Source: Commission services.

monetary policy. Other countries with budgetary problems might be faced with a similar, although probably less acute, dilemma.

In the United Kingdom, the authorities have reacted to ensure that the downward pressure on inflation is maintained by increasing rates on several occasions. The recent monetary tightening is consistent with the need to cool the very rapid growth of domestic demand.

Internally-generated inflationary pressures, at least in the countries participating in the exchange-rate mechanism of the EMS, seem at the moment to be contained: monetary growth is under control; the composition of overall growth has favoured investment, holding out the prospect of an increase in supply capacity; and unit labour costs are increasing only slightly. Moreover, non-oil commodity prices have stabilized since the summer and oil prices have slumped. Further, the tightening of monetary policies in these countries in recent months has already dampened expectations of inflation.

The risk to the outlook and the potential challenge to monetary policy could come from a renewed instability of the dollar. In such circumstances, the monetary authorities will have to coordinate their efforts. Active foreign exchange intervention has recently proved its effectiveness in calming wilder oscillations in market expectations of the dollar's exchange-rate, and the importance of this monetary tool may need to be put further to the test should major exchange-rate pressures develop. The exchange-rate mechanism of the EMS has well withstood recent dollar gyrations, mainly because of the coordination of interventions and the active management of interest-rate differentials following from the Basle/Nyborg agreement.

C.3. Budgetary policies

For budgetary policies, the medium-term objectives remain paramount. Their realization should allow expectations to stabilize and the efficiency of public finances to improve, so as to contain the growth in public debt.

The first set of objectives is connected with the actual attainment of the large internal market. The approximation of indirect taxation is a precondition for the full abolition of barriers to the free movement of goods and services. But, in some countries, this approximation is seen by the authorities as conflicting with the domestic priorities of budgetary policies. It is important that the current discussions on this topic advance rapidly in order to confirm once more the irreversible nature of the completion of the internal market.

In addition, in a situation of complete freedom, tax considerations could have a greater influence on capital movements. When the new directive liberalizing capital movements was adopted, it was thus agreed that the period adopted for its implementation should be put to good use in order to define, within the Council, measures intended to abolish or reduce the risks of distortion, evasion and tax fraud related to the diversity of national systems concerning the taxation of savings and the control of their application.

Another medium-term objective assigned to budgetary policies, essential for a strengthening of the economic and monetary cohesion of the Community, is the increased convergence of budget balances taking into account the need for better equilibrium between investment and domestic saving. In this respect, the progress which could be made in 1988 seems too small or non-existent. In two countries, Italy and Greece, the budget deficit should remain at or above 10 % of GDP, which represents a difference of over 6 percentage points with the Community average. In these two countries, as well as in Belgium, Ireland, the Netherlands and Portugal, the already high level of public debt and the high burden of interest payments require persistent efforts to reduce budget deficits.

Table 29

General government borrowing requirement

(as % of GDP)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1987	−7,2	2,1	−1,8	−9,5	−3,6	−2,5	−9,1	−10,5	5,2	−6,3	−8,4	−1,4	−4,2
1988[1]	−7¼	1	−2¼	−12	−3	−2	−6½	−10	5¼	−5¼	−8¼	− ¼	−3¾
1989[1]	−6½	1¼	−1¼	−13¼	−3	−1¾	−6	−10	6¼	−4½	−7¾	0	−3½

[1] September/October 1988 forecasts of the Commission services.

Table 30

Public debt[1]

(as % of GDP)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1980	75,7	33,5	32,7	28,8	18,2	24,6	76,8	58,5	13,8	46,0	46,4[2]	52,2	42,6[3]
1984	110,7	67,0	41,4	53,2	41,2	31,8	102,1	77,1	14,8	66,1	61,4	58,4	54,0
1988[2]	127,4	57,8	45,0	69,4	48,0	37,2	123,3	96,6	14,7	79,4	78,8	49,3	60,0

[1] General government; for Belgium and the Netherlands, excluding social security funds; for Greece and Ireland, central government only.
[2] September/October 1988 forecasts of the Commission services.
[3] 1981.

Table 31

Interest payments on public debt

(as % of GDP)

	1973	1981	1983	1985	1986	1987	1988[1]	1989[1]
B	3,3	7,9	9,4	10,5	11,0	10,6	10,5	10,8
DK	1,3	5,3	8,1	9,8	8,8	8,3	7,9	7,4
D	1,1	2,3	3,0	3,0	3,0	2,9	2,8	2,7
GR	1,0	3,2	3,7	5,4	5,7	7,3	8,1	9,3
E	0,6	0,8	1,3	3,2	3,9	3,6	3,5	3,3
F	0,8	2,0	2,6	2,9	2,9	2,8	2,9	2,9
IRL	3,6	7,4	9,3	10,4	9,8	9,9	9,7	9,4
I	2,2	6,1	7,5	8,0	8,5	8,2	8,4	8,9
L	0,9	0,9	1,1	1,3	1,3	1,4	1,2	1,1
NL	2,8	4,4	5,7	6,3	6,4	6,4	6,6	6,5
P	:	5,1	6,4	7,9	9,3	8,0	8,2	7,9
UK	3,6	5,0	4,7	4,9	4,6	4,3	3,9	3,6
EUR 12	1,9[2]	3,7	4,4	5,0	5,1	4,9	4,8	4,8

[1] September/October 1988 forecasts.
[2] EUR 12 excluding Portugal.
Source: Commission services.

Table 32

Interest payments on public debt

(as % of total government expenditure)

	1973	1981	1983	1985	1986	1987	1988[1]	1989[1]
B	8,0	13,7	16,4	18,9	20,1	19,9	20,0	20,9
DK	3,0	8,8	13,1	16,6	15,8	14,4	13,3	12,5
D	2,7	4,7	6,2	6,4	6,3	6,2	6,0	5,9
GR	:	8,0	8,9	11,1	12,4	15,5	16,7	18,7
E	2,7	2,2	3,4	7,7	9,2	8,6	8,4	7,9
F	2,2	4,1	5,0	5,5	5,6	5,4	5,6	5,7
IRL	9,7	14,3	17,3	19,5	18,5	19,2	20,0	20,4
I	6,7	13,5	15,4	15,9	16,8	16,3	16,6	17,5
L	2,6	1,5	1,9	2,6	2,6	2,7	2,4	2,1
NL	6,0	7,5	9,2	10,5	10,8	10,4	11,0	11,3
P	:	12,3	13,9	18,1	20,5	18,4	18,9	18,6
UK	9,5	11,3	10,4	11,1	10,6	10,3	9,7	9,1
EUR 12	5,1[2]	7,9	9,1	10,2	10,4	10,2	10,2	10,3

[1] September/October 1988 forecasts.
[2] EUR 12 excluding Greece and Portugal.
Source: Commission services.

The developments in budget deficits forecast for 1989 give rise to some concerns of another nature: on current trends, budgetary policies do not appear to be contributing to a reduction in the divergent external balances.

Among the surplus countries the budget deficit in the Federal Republic of Germany should decrease by ½ to 1 percentage point in 1989. In a medium-term perspective German management of public finances should continue to contribute to a strengthening of supply and demand conditions, but domestic demand should continue to rise faster than potential output, so as to achieve a further shift to domestic-demand-led growth. In these conditions, the implementation of the final stage of the tax reform in January 1990 is welcome for its impact on business motivations as well as for its effect on demand.

Table 33

Net borrowing of general government in ERM countries

(as % of GDP)

	1986	1987	1988[1]	1989[1]
ERM countries	−5,0	−4,8	−4½	−4
Above average current balance[2]	−2,8	−3,0	−3¼	−2¼
Below average current balance[3]	−6,3	−5,7	−5¼	−5¼

[1] September/October 1988 forecasts of the Commission services.
[2] B, D, NL, IRL, L.
[3] DK, F, I.

Table 34

Indicators of budgetary policy,[1] EUR 12

(as % of GDP)

	1983	1986	1987	1988[2]	1989[2]
Taxes	24,8	25,2	25,6	25,8	25,8
Social security receipts	14,7	14,5	14,6	14,5	14,4
Other receipts	3,8	3,8	3,5	3,4	3,4
Total receipts	*43,3*	*43,6*	*43,7*	*43,6*	*43,6*
Current expenditure	44,9	44,7	44,4	43,9	43,5
of which: Government consumption	18,9	18,4	18,5	18,3	18,1
Transfers to households	17,7	17,3	17,1	17,1	17,0
Interest payments	4,4	5,1	4,9	4,8	4,8
Other[3]	3,9	3,9	3,9	3,7	3,6
Gross capital formation	2,9	2,8	2,7	2,8	2,8
Other capital expenditure	0,9	0,9	0,8	0,8	0,8
Total expenditure	48,6	48,4	47,9	47,4	47,1
Net borrowing requirement of general government	−5,3	−4,8	−4,2	−3,8	−3,5

[1] General government: ESA definition which includes social security funds.
[2] September/October 1988 forecasts of the Commission services.
[3] Sum of transfers to enterprises, transfers to the rest of the world and other transfers.

A further objective of budgetary policies is the simultaneous strengthening of the conditions governing supply and demand. This is not only a question of the level of budget deficits but also of the efforts still necessary in several Member States to reorientate public expenditures to the benefit of a strengthening of the productive system by profitable public investment and reductions in taxation and parafiscal charges. The faster-than-expected growth and the room for manœuvre created by unexpectedly higher revenue should be put to good use by bold action in this area.

Especially, in practically all Member States, the system of subsidies will need to be thoroughly reconsidered, not least with a view to minimizing tensions with respect to competition policy as the Community proceeds towards the completion of the internal market. The re-examination of subsidies and tax exemptions for housing and of rent controls that has started in several Member States should be generalized.

The current public expenditures as a percentage of GDP should only diminish slightly in 1988 and 1989 on average in the Community. In some countries, notably in Greece, Italy and Portugal and to some extent in Belgium and the Netherlands, the control of the spontaneous rise of public expenditures remains a problem.

Rationalization of tax systems and lowering of rates of direct taxation have been high on the agenda in many Member States and important results have already been achieved. Despite these efforts tax and parafiscal receipts as a percentage of GDP are not expected to diminish on average in the Community. The United Kingdom has moved ahead of other Member States in the area of tax reductions and important reforms have also been implemented or will be implemented in the near future in Belgium, Denmark, the Federal Republic of Germany, Italy and the Netherlands. A lowering of income taxes was introduced in France in 1987 and 1988 and the system of taxes on economic activity has been simplified. Some Member States, moreover, have taken steps to change indirect taxes and taxes on capital income in ways which should facilitate fiscal harmonization in the Community, although much remains to be done in this area. In addition, several member countries, notably Greece and Italy, appear to be in need of a modernization of the system of tax collection to counter tax evasion and broaden the base of taxation of non-wage incomes. Where tax reforms are undertaken in countries with serious budgetary positions, efforts must be deployed to ensure that the systemic changes do not lead to a shortfall of tax receipts; Belgium is a case in point here.

Table 35

Total government expenditure[1]

(as % of GDP)

	1973	1981	1983	1985	1986	1987	1988[2]	1989[2]
B	41,5	57,7	57,2	55,6	54,8	53,4	52,7	51,6
DK	42,1	59,8	61,6	58,9	55,8	57,8	59,9	59,8
D	41,7	49,2	48,4	47,5	46,9	46,9	46,7	46,5
GR	:	39,9	41,5	48,1	46,1	47,1	48,4	49,8
E	22,7	35,6	38,8	42,1	42,2	41,5	41,6	41,9
F	38,5	48,6	51,4	52,1	51,7	51,8	50,8	50,4
IRL	36,8	51,8	53,7	53,0	53,0	51,4	48,8	46,2
I	32,8	45,4	48,5	50,6	50,5	50,1	50,4	50,7
L	36,1	58,5	55,6	49,8	49,7	50,8	50,6	50,1
NL	45,7	59,2	62,0	59,6	59,6	60,8	59,6	57,4
P	:	41,5	46,1	43,5	45,3	43,4	43,3	42,7
UK	38,1	44,3	44,9	44,3	43,0	41,3	39,8	39,0
EUR 12	37,2[3]	47,1	48,6	49,0	48,4	47,9	47,4	47,1

[1] ESA definition of general government, which includes social security funds.
[2] September/October 1988 forecasts.
[3] EUR 12 excluding Greece and Portugal.
Source: Commission services.

Table 36

Total government receipts[1]

(as % of GDP)

	1973	1981	1983	1985	1986	1987	1988[2]	1989[2]
B	38,2	45,0	46,1	47,3	46,0	46,2	45,5	45,1
DK	47,3	52,9	54,4	56,9	58,9	59,9	60,8	61,1
D	42,9	45,6	45,8	46,4	45,6	45,1	44,5	45,2
GR	25,1	28,9	33,2	34,5	35,3	37,6	36,3	36,5
E	23,8	31,7	34,0	35,1	36,5	37,9	38,6	39,0
F	39,4	46,7	48,2	49,3	48,8	49,3	48,9	48,6
IRL	32,2	38,4	42,0	41,9	42,1	42,3	42,1	40,0
I	26,7	34,1	37,9	38,1	39,0	39,6	40,5	40,7
L	39,3	55,0	57,2	55,6	55,7	56,0	55,9	56,2
NL	46,4	53,8	55,7	54,9	53,6	54,6	54,5	52,9
P	:	32,3	37,0	33,4	37,5	35,0	35,1	35,0
UK	35,4	41,7	41,5	41,6	40,6	39,8	39,5	38,8
EUR 12	35,9[3]	41,8	43,3	43,8	43,6	43,7	43,6	43,6

[1] ESA definition of general government, which includes social security funds.
[2] September/October 1988 forecasts.
[3] EUR 12 excluding Portugal.
Source: Commission services.

The currently more favourable performances should not mask the fact that, in the budgetary area, major structural problems persist. The solution which will be found for them will determine the Community's capacity to attain stronger growth and better employment performances and to derive all the benefits from the completion of the internal market.

Table 37

Net government lending (+) or borrowing (−)[1]

(as % of GDP)

	1973	1981	1983	1985	1986	1987	1988[2]	1989[2]
B	−3,3	−12,7	−11,2	−8,3	−8,9	−7,2	−7,1	−6,5
DK	5,2	−6,9	−7,2	−2,0	3,1	2,1	0,9	1,4
D	1,2	−3,7	−2,5	−1,1	−1,3	−1,8	−2,3	−1,3
GR	:	−11,0	−8,3	−13,6	−10,8	−9,5	−12,1	−13,3
E	1,1	−3,9	−4,8	−7,0	−5,7	−3,6	−3,0	−2,9
F	0,9	−1,9	−3,2	−2,8	−2,9	−2,5	−1,9	−1,8
IRL	−4,6	−13,4	−11,6	−11,1	−11,0	−9,1	−6,5	−6,1
I	−6,1	−11,3	−10,6	−12,5	−11,4	−10,5	−10,0	−10,0
L	3,3	−3,6	1,6	5,8	6,0	5,2	5,3	6,1
NL	0,8	−5,4	−6,3	−4,7	−6,0	−6,3	−5,2	−4,6
P	:	−9,2	−9,1	−10,1	−7,8	−8,4	−8,1	−7,8
UK	−2,7	−2,6	−3,3	−2,7	−2,4	−1,4	−0,3	−0,1
EUR 12	−1,1[3]	−5,3	−5,3	−5,2	−4,8	−4,2	−3,8	−3,5

[1] ESA definition of general government, which includes social security funds.
[2] September/October 1988 forecasts.
[3] EUR 12 excluding Greece and Portugal.
Source: Commission services.

Table 38

Gross public debt[1] in Community countries

(as % of GDP)

	1973	1981	1983	1985	1986	1987	1988[2]	1989[2]
B	63,2	87,7	105,0	117,2	120,1	125,0	127,4	129,8
DK	5,0	43,7	62,6	65,3	59,8	58,4	57,8	56,4
D	18,6	36,3	40,9	42,5	42,7	43,9	45,0	45,3
GR	19,5	34,3	44,3	62,6	64,6	66,7	69,4	73,9
E	12,8	22,7	34,5	46,4	47,4	48,1	48,0	48,7
F	22,7	23,9	29,5	33,8	35,1	36,7	37,2	37,8
IRL	54,7	81,7	97,3	105,0	116,5	119,8	123,3	124,9
I	54,2	60,5	71,9	83,7	87,9	92,6	96,6	101,4
L	20,4	14,4	14,8	14,4	14,7	14,9	14,7	13,0
NL	43,4	50,4	62,0	69,6	71,1	75,0	79,4	82,2
P	:	46,4	56,0	60,7	63,6	67,6	78,8	83,5
UK	63,2	50,7	57,1	57,2	56,1	53,2	49,3	46,1
EUR 12	36,9[3]	42,6	50,8	56,6	57,8	59,2	60,0	60,7

[1] General government; for Belgium and the Netherlands: excludes social security funds; for Greece and Ireland: central government only.
[2] September/October 1988 forecasts of the Commission services.
[3] Excluding Portugal.
Source: Commission services.

C.4. The need for increased policy coordination

The need for coordination within the Community stems from the existence of several centres of major economic policy decision-making and from its already very high degree of economic interdependence. Today, nearly 60 % of total visible Community trade is conducted between Member States. This interdependence will be further increased by the completion of the internal market and the integration of the financial markets of the Community. In addition, the strengthening of the social and economic cohesion of the Community will also put specific demands on the conduct of economic policies of the Member States as required by Article 130b.

Coordination is not only necessary to make progress towards the achievement of the internal goals of the Community. This is also necessary so that it can throw its considerable weight behind international cooperation, in order to contribute to the necessary adjustments in the world economy. The Community is, in fact, the largest economic area in the industrialized world with a population of over 320 million, but it also provides roughly one quarter of world production (as compared to just over one fifth by the United States of America and one tenth by Japan). It also has a greater share of world trade than any other economy in the world.

An increasingly high degree of stability in exchange rates between Member States would improve the functioning of the internal market. Uncertain developments in exchange rates, unrelated to changes in underlying economic fundamentals, which distort competitive conditions, can affect trade and the regional allocation of investment. The current monetary framework of the Community is characterized by an exchange-rate mechanism which — even if it has to date succeeded in ensuring a satisfactory level of stability in exchange rates — only includes eight of the 12 European currencies. A further strengthening of monetary cohesion could be realized by an enlargement of the exchange-rate mechanism to countries not yet participating and, as a corollary, by the participation of all currencies in the definition of the ecu. The strengthening of the role of the ecu will also make a welcome contribution to monetary cohesion in the Community. (i) An increasing role for the ecu as a reserve currency would help to stabilize exchange rates within the Community and, in particular, the countries participating in the exchange-rate mechanism. It would lead to a more even distribution between Community currencies of capital movements to and from the rest of the world. (ii) An increased role for the ecu in intra-Community trade would reduce transaction costs, as does the abolition of other barriers, and thus contribute to the realization of the single market. (iii) Greater ecu borrowing by Member States and Community institutions would add to the breadth and depth of the market.

Close monetary cooperation is essential to ensure that realignments are less frequent and correspond to the changes in economic fundamentals. For the most part, such coordination already exists between the countries participating in the EMS exchange-rate mechanism. In recent years, significant progress has been made. There is a stronger consensus between Member States on the objective of domestic stability. The convergence of inflation rates between EMS countries is high by historical standards. In addition, the Basle/Nyborg agreements have improved the mechanisms of the system. They also represent a step towards a more cooperative conception of the management of monetary and exchange-rate policies.

Such cooperative management is necessary. Certainly, each country participating in the exchange-rate mechanism is benefiting from external stability. But this participation involves a certain loss of autonomy in the conduct of monetary policy. The success of the EMS creates the conditions in which further progress can be made towards integration and at the same time poses the challenge of closer coordination. The Community cannot ignore this movement without undermining the whole of the edifice which is already standing. The full liberalization of capital movements within the Community[1] between now and 1 July 1990, to which they have committed themselves, will further reduce the autonomy and increase the need for discipline in the conduct of monetary policy. Therefore, greater cooperation is necessary. This could manifest itself in two ways: (i) by further strengthening the convergence of monetary policies taking account of the interests of all participants. In this context, the implementation of a coherent exchange-rate policy *vis-à-vis* the rest of the world is also necessary; (ii) an approach towards setting medium-term economic objectives based on internal and external stability.

Greater discipline and better convergence in other domains of economic policy, especially in the domain of public finance, is also necessary to attenuate the risk of conflict between exchange-rate stability and the domestic goals of monetary policy. As long as the health of public sector finances remains as disparate as at present (with deficits and surpluses ranging from -13 to +1 % and gross public debt between 15 and 140 % of GDP), the market will still worry that the convergence towards price stability, towards more stable exchange rates and towards a constellation of sustainable interest rates can be reversed. The risk premiums they will charge on the financial activities of the poorly performing countries will eventually create tension and undermine the stability which has been recorded of late in the Community.

For coordination to be efficient and credible, it is not only a question of procedure but also of a consensus on the main objectives:

(i) price stability and the convergence of inflation rates. Achievements in this area represent a precious asset which must not be squandered as they provide a prerequisite for the other economic objectives;

(ii) the medium-term compatibility of balances of payments. In this area, the problems are more complex. It is normal for countries which have a greater need to catch up and/or greater investment opportunities to be in deficit with the rest of the world over a longer period.

    But it is essential for the Community's medium-term cohesion that these countries' deficits be financed by private capital movements, attracted by adequate remuneration and supplemented, where appropriate, by Community resources. In addition, the conditions must be created which enable the external debt to be serviced thereafter by additional exports. If these conditions are not met, exchange-rate and monetary policy will be to the forefront in ensuring exchange-rate stability. And if tensions persist, they cannot do this for long without the risk, in the surplus countries, of conflicting with the objective of domestic stability or, in the deficit countries, of imposing an excessive level of interest rates.

Hence, a stronger consensus is also necessary on the broad lines of all economic policies, so as to ensure that domestic and external monetary stability contributes fully to the objectives of growth and employment in the Community and the Member States. The Annual Economic Report and the Community economic policy strategy developed here should be seen as an attempt to foster this general economic policy consensus.

[1] Except for Spain, Ireland, Portugal and Greece, which between now and the end of 1992 will be covered by transitional arrangements, and Belgium and Luxembourg, which until that date will be allowed to retain the dual exchange market.

Table 38

Gross public debt in Community countries

L	20.4	14.4	[illegible]		
UK	63.2	50.7			
[illegible]	105.0	116.5	119.8	123.3	124.9

1.4. The need for increased policy coordination

... strengthening of the social and economic cohesion of the Community will also put specific demands on the conduct ...

... ute to the necessary adjustments in the world economy. The ...

Community is, in fact, the largest economic area in the industrialized world with a population of over 320 million, but it also provides roughly one quarter of world production (as compared to just over one fifth by the United States of America ...) ... It also has a greater share of world trade than any other economy in the world.

... succeeded in ensuring a satisfactory level of stability in exchange rates — only includes eight of the 12 European currencies ...

... mechanism to countries not yet participating ...

D. Country situations, prospects and policies

Belgium

Financial imbalances are being reduced but further progress is needed

The restoration of financial balance in the Belgian economy has proceeded, albeit gradually, in recent years. Between 1981 and 1987, the general government borrowing requirement has been reduced substantially and the external balance has shifted from a large deficit to a comfortable surplus. Despite the lowering of the nominal budget deficit, the rise in public debt as a proportion of GDP has nevertheless remained strong while, at the same time, the rise in debt servicing has substantially reduced the scope for an increase in non-interest expenditure. The government has succeeded in keeping the evolution of the deficit broadly on track in 1988, partly due to higher-than-expected fiscal receipts.

A significant feature of economic policy, in recent years, has been a series of measures aimed at keeping the level of wage costs constant relative to that of competitors and thereby stimulating employment in the private sector. The flexibility of the labour market has been improved through the use of measures to amend the generous system of unemployment allowances and through various schemes for training etc., while the adaptation of working hours has facilitated growth in employment.

The revival of economic activity at world level in 1988 has been particularly beneficial to Belgium: the growth of output this year is likely to be the highest recorded since 1980 and unemployment should show a strong decline. As in other Member States, the cyclical upturn has been broadly based, as illustrated by a significant improvement in the investment climate.

The upturn in activity is, on present trends and prospects, likely to continue well into 1989, with a further expansion of output and employment and a lowering of unemployment. Inflation should rise somewhat but remain below the EC average and the surplus on the current external account is unlikely to fall.

Stabilization of the public debt/GDP ratio will require further strong budgetary consolidation

Even though growth prospects appear favourable, any reduction in the government budget deficit in 1989 will require that a careful watch be kept on expenditure especially in view of a rising trend in interest rates in recent months. A further significant rise in the public debt/GDP ratio is to be envisaged. In order to stabilize this ratio in subsequent years, a further substantial reduction of the general government borrowing requirement will be needed. In this regard, the objectives announced in the government's declaration for the period after 1989, i.e. no increase of non-interest expenditure in real terms and no increase in the deficit in nominal absolute terms, should progressively restrain the spiralling costs of debt servicing.

Hence, the stance of budgetary policy must remain restrictive for some time and the fiscal reform to be introduced should on no account lead to an increase in the budget deficit. The rate of economic growth, therefore, will be determined principally by the vitality of the private sector and, notably, by its readiness to increase productive capacity and employment. The Council's decisions to proceed with the completion of the internal market has clearly opened new favourable prospects for the Belgian business environment.

In order to fully benefit from the new opportunities, structural adjustment, greater flexibility and mobility in the labour market, training and education should have a high place on the political agenda for the coming years.

Table D1

Main economic aggregates 1961-89[1]

Belgium

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	9,2	9,3	8,8	6,0	7,3	7,0	6,0	3,5	4,6	5,0
— At constant prices	4,9	2,0	1,5	0,1	2,1	1,4	2,3	1,8	2,9	2,2
— Price deflator	4,1	7,1	7,1	5,9	5,0	5,5	3,7	1,6	1,6	2,8
2. Gross fixed capital formation[2]										
— Total	5,1	−0,6	−1,7	−4,2	2,1	1,0	6,5	5,2	7,3	2,7
— Construction	:	−1,2	−5,6	−6,3	−5,9	−0,3	2,0	3,0	7,1	0,8
— Equipment	:	2,1	6,0	−2,8	13,4	−0,7	10,8	7,9	7,6	5,0
3. Share of gross fixed capital formation in GDP[3]										
— Total	21,8	21,3	17,3	16,3	16,1	15,7	16,1	16,6	17,6	17,8
— General government	:	3,7	3,4	3,0	2,6	2,2	1,9	1,9	1,8	1,7
— Other sectors	:	17,6	13,9	13,3	13,5	13,5	14,1	14,7	15,8	16,1
4. Final national uses incl. stocks										
— At constant prices	4,8	1,7	0,9	−2,3	2,1	1,3	3,2	2,4	3,1	2,1
— Relative against 19 competitors	−0,1	−0,1	0,6	−4,0	−0,7	−1,3	−0,7	−0,9	−0,7	−0,5
— Relative against other member countries	0,0	0,1	0,3	−3,6	0,3	−0,9	−0,7	−0,9	−0,7	−0,6
5. Inflation (Price deflator private consumption)	3,7	7,8	7,6	6,8	5,8	5,2	0,8	1,6	1,3	2,4
6. Compensation per employee										
— Nominal	8,9	11,0	7,9	6,0	6,1	4,8	3,8	3,3	2,2	3,8
— Real, deflator private consumption	5,1	3,0	0,3	−0,8	0,3	−0,4	3,0	1,6	0,9	1,3
— Real, deflator GDP	4,6	3,6	0,8	0,1	1,0	−0,7	0,2	1,6	0,6	0,9
7. Productivity[4]	4,3	2,2	2,9	1,2	2,1	0,6	1,3	1,6	1,7	1,4
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	111,5	112,5	111,2	110,0	108,6	107,3	107,4	106,2	105,8
— Annual % change	0,3	1,4	−2,1	−1,1	−1,1	−1,3	−1,1	0,1	−1,1	−0,5
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	112,9	91,9	89,6	88,3	89,5	93,9	97,0	94,0	:
— Annual % change	−0,3	0,3	−11,4	−2,5	−1,5	1,3	4,9	3,3	−3,1	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	109,8	91,6	90,6	91,2	92,7	94,9	96,3	93,9	:
— Annual % change	−0,7	0,3	−9,9	−1,0	0,7	1,6	2,4	1,4	−2,4	:
11. Employment	0,6	−0,2	−1,3	−1,1	0,0	0,8	1,0	0,3	1,2	0,7
12. Unemployment rate[6]	2,2	7,4	13,0	14,3	14,4	13,6	12,6	12,3	11,5	11,0
13. Current balance[7]	1,1	−1,6	−3,5	−0,5	−0,2	0,7	2,6	1,9	1,8	1,9
14. Net lending of general government[7]	:	−6,6	−10,9	−11,2	−9,3	−8,3	−8,9	−7,2	−7,1	−6,5
15. Gross debt general government[7]	:	67,5	95,3	105,0	110,7	117,2	120,1	125,0	127,4	129,8
16. Interest payments by general government[7]	:	4,8	9,2	9,4	9,9	10,5	11,0	10,6	10,5	10,8
17. Money supply (end of year)[8]	10,1	11,1	7,5	7,1	6,2	6,7	10,7	9,9	:	:
18. Long-term interest rate[9]	6,5	9,9	13,4	11,8	12,0	10,6	7,9	7,8	7,9	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M2N.
[9] Levels.

Denmark

Gradual return to more stable conditions but at the cost of a large loss of output

After a phase of serious deterioration in the external balance which reached its worst point in 1986, the Danish economy in 1987 and 1988 has moved gradually back towards a more sustainable position. Thanks to a considerable discretionary tightening of budgetary policy and of measures to boost household saving, real domestic demand fell strongly both in 1987 and 1988 and the current external deficit was reduced from 5,2 % of GDP in 1986 to some 2,4 % in 1988.

The adjustment process was rendered more difficult, however, by the 1987 wage settlements which not only provided for large increases in hourly wage costs but also for cuts in working hours which added to the cost push and led to a significant deterioration in the competitiveness of Danish enterprises. Cost-reducing fiscal measures subsequently adopted have compensated exporters, to some extent, for the rise in wage costs but the capacity of the Danish economy to pursue the employment-creating growth seen in the period 1982-85 clearly suffered, and unemployment is again on the rise.

Against this background the external constraint will again necessitate a tight control on the growth of domestic demand in 1989. Although the external balance may improve somewhat further, both in volume and in value terms, GDP is unlikely to grow by more than some 1 ½ %. The number of persons employed may rise only little, mainly as a result of shorter working hours. The rate of unemployment is, therefore, likely to show a further rise.

The diminishing scope for using macroeconomic policy in demand management: a policy dilemma

Although the general government budget balance has deteriorated somewhat since 1986, it is still (despite the fact that GDP in real terms will be no higher than three years earlier) likely to show a surplus of some 1 % of GDP in 1989. Thus, the external deficit is the counterpart of a savings deficit in the private sector, notably the low level of household savings. While strict limits on public expenditure will remain necessary, it is politically and economically difficult to raise the budget surplus much further and it would, therefore, be desirable to rely on other policy instruments: monetary policy and microeconomic policies to bring about a reduction of the external deficit to a sustainable level. The scope for using monetary policy in stabilization policy is, however, restricted by the EMS commitments and the large scope for off-setting capital movements. Interest-rate increases (aimed at stimulating domestic saving) could (and would most probably) trigger capital imports and upward pressure on the Danish krone.

Given the limited scope for using monetary and budgetary policy for balance-of-payments purposes (which is indeed a normal consequence of the ongoing monetary integration), the labour market, to an increasing extent, will have to take the brunt of the adjustment. The need to keep wage settlements at a level compatible with external balance and a continued rise in employment is, therefore, larger than ever before.

Given this change in the general macroeconomic framework, microeconomic policies appear to have an increasing role to play. Therefore, further steps to remove the incentives to take up debt, to stimulate saving of wage incomes (for example, through some version of profit-sharing), to render wage settlements more responsive to regional and corporate conditions and to stimulate labour market flexibility in general, appear even more urgent in Denmark than in many other Member States.

Table D2

Main economic aggregates 1961-89[1]

Denmark

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	11,7	11,3	13,9	10,4	9,4	9,7	8,4	3,9	4,3	4,8
— At constant prices	4,3	1,2	3,0	2,5	3,5	4,2	3,4	−1,0	0,0	1,7
— Price deflator	7,0	10,0	10,6	7,6	5,7	5,3	4,9	5,0	4,3	3,1
2. Gross fixed capital formation[2]										
— Total	6,5	−5,3	7,1	1,9	10,5	11,9	16,8	−8,9	−4,1	0,1
— Construction	:	−6,6	−1,3	1,9	7,7	7,7	19,3	−1,0	−4,4	−3,1
— Equipment	:	−0,6	19,8	2,3	14,3	15,4	14,8	−18,0	−3,4	4,5
3. Share of gross fixed capital formation in GDP[3]										
— Total	24,0	20,9	16,1	16,0	17,1	18,5	20,4	18,5	17,7	17,3
— General government	:	3,6	2,8	2,3	1,9	2,2	1,7	2,1	2,3	1,9
— Other sectors	:	17,3	13,2	13,7	15,2	16,3	18,7	16,4	15,3	15,4
4. Final national uses incl. stocks										
— At constant prices	4,6	0,0	3,5	1,4	4,1	5,7	5,7	−3,2	−1,4	0,7
— Relative against 19 competitors	0,1	−1,7	3,2	−0,6	0,5	2,9	1,8	−6,5	−5,1	−1,9
— Relative against other member countries	0,2	−1,4	3,1	−0,1	2,0	3,6	1,9	−6,7	−5,2	−2,1
5. Inflation (Price deflator private consumption)	6,6	11,0	10,2	6,8	6,5	4,9	3,6	4,1	4,8	3,7
6. Compensation per employee										
— Nominal	10,7	11,4	11,9	8,2	5,1	4,5	4,7	8,2	4,5	2,5
— Real, deflator private consumption	3,8	0,4	1,5	1,3	−1,3	−0,3	1,0	4,0	−0,4	−1,1
— Real, deflator GDP	3,4	1,3	1,2	0,5	−0,6	−0,7	−0,2	3,0	0,1	−0,5
7. Productivity[4]	3,2	1,1	2,6	2,2	1,7	1,2	1,0	−2,2	0,3	1,5
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	101,9	99,2	97,5	95,3	93,5	92,4	97,3	97,1	95,1
— Annual % change	0,2	0,3	−1,3	−1,7	−2,3	−1,9	−1,2	5,3	−0,2	−2,0
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	116,7	99,6	100,6	97,0	97,8	103,7	116,0	115,6	:
— Annual % change	2,2	−1,2	−2,5	1,0	−3,5	0,8	6,1	11,9	−0,4	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	113,1	98,6	100,9	100,7	102,0	104,5	113,8	114,8	:
— Annual % change	1,7	−1,2	−0,9	2,3	−0,2	1,3	2,4	9,0	0,9	:
11. Employment	1,1	0,2	0,4	0,3	1,7	2,9	2,3	1,1	−0,3	0,2
12. Unemployment[6]	1,1	5,9	9,3	10,1	9,9	8,7	7,4	7,6	8,5	9,0
13. Current balance[7]	−2,0	−3,5	−4,2	−2,6	−3,3	−4,7	−5,1	−3,0	−2,5	−2,3
14. Net lending of general government[7]	:	−1,4	−9,1	−7,2	−4,1	−2,0	3,1	2,1	0,9	1,4
15. Gross debt of general government[7]	:	22,3	53,1	62,6	67,0	65,3	59,8	58,4	57,8	56,4
16. Interest payments by general government[7]	:	2,6	6,0	8,1	9,6	9,8	8,8	8,3	7,9	7,4
17. Money supply (end of year)[8]	10,6	11,4	11,4	25,4	17,8	15,8	8,4	4,4	:	:
18. Long-term interest rate[9]	9,0	16,4	20,5	14,4	14,0	11,6	10,5	11,9	10,8	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M2.
[9] Levels.

Federal Republic of Germany

After adjustment to a lower dollar the German economy has entered a new phase of faster growth in output and employment

After a difficult period of adjustment to the effects of the steep decline in the dollar with, notably, a 24-month-long stagnation of the volume of exports, the German economy at the beginning of 1988 entered a **phase of strong recovery in activity** and in the business climate. In fact, some strengthening had occurred already in the course of 1987, but investment remained hesitant up to the end of the year, influenced in part by the stock-market crash and the rapid decline of the dollar rate. In the first half of 1988, however, all leading indicators turned sharply upwards.

The strengthening of activity in 1988 is attributable both to **domestic demand** as supported by economic policy (tax cuts implemented at the beginning of the year, the special multi-year investment credit programme for municipalities and a relatively accommodating monetary policy) and to a marked increase in **orders from abroad** supported by a more favourable investment climate in other countries. In turn, this has entailed a considerable strengthening of private investment and of imports. For the year 1988 as a whole, GDP is now estimated to show a rise of some 3 ¼ %, about 1 point more than forecast only six months ago and about 1 1/4 points faster than in 1987.

On the whole, the prospects for continuation of the present investment-led upturn in the Federal Republic of Germany appear to be favourable: the growth of gross fixed capital formation **is likely to be boosted by the rise in capacity utilization** and by a further improvement in profitability. Moreover, growth is now becoming more employment-intensive as the share of the rationalization motive has been reduced and as the need for expansion of productive capacity is becoming larger. The growth of private consumption will, on the other hand, be hampered somewhat by the increases of indirect taxes to be implemented from 1 January 1989. Nevertheless, the rate of expansion of output appears likely to slow down by only about ¾ of a point from 1988 to 1989. Although the growth of employment in 1989 may be quite fast, the rate of unemployment may not decline much as the growth of the labour force will be boosted both by a rise in the activity rate and by immigration from Eastern Europe.

Given that the present recovery has been induced by foreign demand to a considerable extent (in particular, by the growth of investment in other EC Member States), the German trade surplus, albeit reduced in real terms, has remained high in nominal terms in 1988 and is unlikely to fall in 1989. However, the German external surplus, to a large extent, serves to finance investment abroad and, therefore, as long as the capital outflow can be maintained, does not cause an immediate concern for the international adjustment process. On the other hand, while the overall current external account of the EC is likely to show a small deficit for 1989 as a whole, surpluses and deficits will be unevenly spread among Member States. This pattern is unlikely to be sustainable in the longer run as some Member States will aim at limiting the increase in their external liabilities. A major task for German economic policy in a medium-term perspective will, therefore, be to prepare for a return to a more sustainable external balance by maintaining the momentum of growth in the domestic economy in the face of a potential slowdown of the growth of foreign demand.

Economic policy issues: prepare for the medium term by strengthening the domestic growth factors

Although exports have been a driving force behind the 1988 upturn, net exports can hardly be counted upon to provide a positive contribution to growth in 1990 and beyond. Most likely, therefore, the degree of buoyancy of **domestic demand** will be decisive for the growth of GDP and for the capacity of the German economy to continue the favourable employment performance seen in the last couple of years.

The objective of the **German tax reform** is to strengthen the market forces in the economy by improving the tax structure and by bringing down the tax burden in terms of GNP. It now appears that the tax reduction in 1990, the next phase of the reform, is also a welcome measure ensuring continued momentum of domestic demand at a point in time where the present upturn in exports may have passed its peak. In total, it involves tax cuts amounting to some 1 % of GDP and may result in an increase in the general government borrowing requirement of some 0,7 point or to about 2 ¼ % of GDP. This level would be broadly compatible with stability of the ratio of public debt to GDP, particularly since a lowering of this level is envisaged for the following years.

The stance of monetary policy, which had been adapted to the relatively weak business climate (implying, notably, a considerable widening of the spread between long-term and short-term interest rates), was tightened significantly from June to August of 1988 in response to the strengthening of the dollar in exchange markets. The development of monetary policy over the last few years clearly reveals a certain flexibility in the face of, notably, turbulences in the exchange markets without endangering its medium-term credibility. Pending unforeseen turbulences in the exchange markets, monetary policy should now be in a position to focus more than in 1986 and 1987 on the stabilization of the macro-economic conditions in the German economy and reaffirm its role as the anchor of the EMS.

For the time being, the budgetary and monetary policy stance in 1989-90 appears to be broadly set to **ensure a continued stable, non-inflationary growth** in the German economy. However, a considerable growth potential still remains to be exploited, notably in view of the fact that the demographically determined fall in the labour force envisaged for the years after 1990 seems likely, for some time ahead, to be compensated through immigration. This will require a continuation of the strong growth of investment, further improvement of profitability and moderate growth of real wages. In addition, the scope for measures aimed at improving the adaptability of the economy, including, notably, a lowering of subsidies, remains considerable. With the external aspects in mind, it would not appear inappropriate for the Federal Republic of Germany to take an early lead in the process of reducing subsidies and streamlining regulations, notably in the perspective of the completion of the internal market.

Table D3

Main economic aggregates 1961-89[1]

Federal Republic of Germany

(Annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	8,9	6,7	3,7	4,8	4,8	4,3	5,7	4,0	5,1	4,8
— At constant prices	4,4	1,9	−0,6	1,5	2,8	2,1	2,6	1,9	3,2	2,5
— Price deflator	4,3	4,7	4,4	3,3	2,0	2,2	3,1	2,0	1,8	2,3
2. Gross fixed capital formation[2]										
— Total	4,0	0,1	−5,3	3,2	0,8	0,1	3,1	1,8	6,2	3,7
— Construction	:	−0,8	−4,3	1,8	1,5	−5,7	2,5	0,2	6,7	2,6
— Equipment	:	2,3	−7,0	5,6	−0,2	10,0	4,3	4,0	5,5	5,2
3. Share of gross fixed capital formation in GDP[3]										
— Total	24,9	21,2	20,5	20,5	20,2	19,7	19,5	19,3	19,8	20,0
— General government	:	3,5	2,8	2,5	2,4	2,3	2,4	2,4	2,4	2,4
— Other sectors	:	17,6	17,6	18,0	17,8	17,4	17,0	16,9	17,4	17,6
4. Final national uses incl. stocks										
— At constant prices	4,5	1,7	−2,0	2,3	2,0	1,0	3,7	3,1	3,5	2,4
— Relative against 19 competitors	−0,5	−0,2	−2,7	0,7	−1,5	−1,9	−0,2	−0,5	−0,2	−0,2
— Relative against other member countries	−0,4	0,1	−3,5	1,7	0,0	−1,6	−0,1	−0,5	−0,4	−0,5
5. Inflation (Price deflator private consumption)	3,6	5,0	4,7	3,2	2,4	2,1	−0,2	0,5	1,3	2,5
6. Compensation per employee										
— Nominal	9,2	7,1	4,2	3,7	3,5	3,0	3,9	2,9	3,0	2,5
— Real, deflator private consumption	5,4	2,0	−0,5	0,5	1,0	0,9	4,1	2,4	1,7	0,0
— Real, deflator GDP	4,6	2,3	−0,2	0,4	1,5	0,8	0,8	0,9	1,2	0,2
7. Productivity[4]	4,1	2,3	1,1	3,1	2,7	1,4	1,6	1,2	2,7	1,7
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	103,7	102,2	99,6	98,4	97,8	97,1	96,7	95,3	93,9
— Annual % change	0,5	0,0	−1,2	−2,5	−1,2	−0,6	−0,8	−0,3	−1,5	−1,5
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	111,9	98,6	97,8	93,5	91,6	100,0	105,6	101,8	:
— Annual % change	2,3	−2,5	−0,1	−0,8	−4,5	−2,0	9,2	5,6	−3,5	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	110,6	99,6	101,1	99,4	97,4	103,2	106,2	103,1	:
— Annual % change	2,2	−2,8	2,8	1,5	−1,6	−2,0	6,0	2,9	−2,9	:
11. Employment	0,2	−0,4	−1,7	−1,5	0,1	0,7	1,0	0,7	0,5	0,8
12. Unemployment rate[6]	0,8	3,7	6,9	8,4	8,4	8,4	8,1	8,1	8,1	8,2
13. Current balance[7]	0,7	0,5	0,5	0,7	1,3	2,4	4,2	4,0	4,0	4,2
14. Net lending of general government[7]	:	−3,0	−3,3	−2,5	−1,9	−1,1	−1,3	−1,8	−2,5	−1,3
15. Gross debt general government[7]	:	28,8	39,3	40,9	41,8	42,5	42,7	43,9	45,0	45,3
16. Interest payments by general government[7]	:	1,7	2,8	3,0	3,0	3,0	3,0	2,9	2,8	2,7
17. Money supply (end of year)[8]	10,9	8,1	7,1	5,3	4,7	5,0	6,6	5,9	:	:
18. Long-term interest rate[9]	7,2	8,1	9,0	7,9	7,8	6,9	5,9	5,8	6,3	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M3.
[9] Levels.

Greece

Resumption of growth as incomes and investment recover

During the two-year stabilization programme applied in Greece from the end of 1985, a strict incomes policy led to substantial real wage reductions which depressed domestic demand and helped to achieve a slowing in the inflation rate and an improvement in the current account of the balance of payments. In 1988, domestic demand has been strengthened by a more flexible wage policy and a revival in private investment. Despite some deterioration in the real foreign balance, real GDP growth is expected to be over 2 ½ % this year and could continue at a similar pace in 1989. Faster wage increases this year have meant relatively small further gains in inflation, with the average annual rate falling to about 13 % from 16 % in 1987 and 22 % in 1986. Despite some widening of the trade deficit, strong invisible receipts have maintained the improvement in the current account where all of the deficit is being covered by private capital inflows.

Weak economic performance since entry into the Community, but progress since 1985

From the point of view of convergence with Community partners, Greek economic performance during the 1980s has been weak. On the real side, the ratio of per capita GDP to the Community average has fallen back since 1980. The Greek inflation rate, despite the slowing since 1986, is still a matter of concern and makes necessary a continuous gradual depreciation of the drachma. Although there was some improvement in 1986 and 1987, insufficient progress has been made so far in correcting the imbalance in the public finances, and the general government deficit is still substantial.

None the less, important advances have been made since the end of 1985 both from the point of view of structures and of stabilization. Labour cost increases have been moderated and, combined with the deregulation of goods markets, this has allowed a substantial recovery in profits, leading to a strengthening of business investment. Progress has also been made towards the rationalization and simplification of the financial system by unifying interest rates and turning them positive in real terms; moreover, a large part of the PSBR has been financed through sales of debt to the non-bank private sector, thus facilitating monetary control. These positive developments have, however, made the servicing of the public debt more expensive and the reduction of the fiscal deficit even more difficult.

Need for further structural change and the continued pursuit of stability

Faster development and greater stability in the Greek economy will depend on tackling structural problems with an appropriate involvement of both the private and the public sectors. The start made in deregulating markets needs to be continued, with further emphasis on competition in financial and goods markets. The productive base needs to be strengthened through further encouragement of private investment, so as to improve competitiveness and trade performance. Priority must be given to reducing the public finance deficits, which pre-empt so much of the saving in the Greek economy. It is particularly the current budget deficit which must be limited, through restraint on government consumption and transfers and through spreading the tax burden more widely and fairly. Room must thus be created for both private investment and public infrastructure investment, notably in the context of the considerable expansion of Community interventions through the structural Funds and lending. For the desired effects to be achieved, this must not be allowed to have a harmful effect on costs and prices. A phased reduction in the PSBR of at least 6 % of GDP is desirable over the next 4-5 years, and the government has announced its intention to implement the policies required to reach such an objective and, notably, to reduce the budget deficit by 2 % of GDP already in 1989. Further progress on disinflation will also involve keeping a tight rein on wage developments, with real wage increases kept below productivity growth, and the maintenance of a tight monetary policy.

Table D4

Main economic aggregates 1961-89[1]

Greece

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	12,5	19,8	25,6	19,5	23,6	21,3	20,6	13,8	17,4	15,4
— At constant prices	7,7	3,0	0,4	0,4	2,8	3,0	1,3	−0,4	2,8	2,1
— Price deflator	4,5	16,3	25,1	19,1	20,3	17,8	19,0	14,3	14,3	13,0
2. Gross fixed capital formation[2]										
— Total	10,0	−1,9	−1,9	−1,3	−5,7	5,1	−4,8	−3,2	8,8	8,0
— Construction	:	−2,0	−13,2	5,4	−6,9	2,9	−3,3	−5,0	9,0	8,0
— Equipment	:	0,5	14,1	−8,6	−4,1	7,6	−6,5	−0,9	8,5	8,0
3. Share of gross fixed capital formation in GDP[3]										
— Total	22,7	22,9	19,9	20,3	18,5	19,1	18,5	17,6	18,2	19,2
— General government	:	0,5	2,9	3,3	4,1	4,4	4,1	3,4	3,4	3,5
— Other sectors	:	22,4	17,0	16,9	14,3	14,7	14,4	14,2	14,8	15,7
4. Final national uses incl. stocks										
— At constant prices	8,2	2,1	3,5	0,8	−0,4	6,1	−0,5	0,2	3,5	3,0
— Relative against 19 competitors	3,1	0,2	3,6	−1,0	−3,8	3,3	−4,1	−3,1	0,0	0,5
— Relative against other member countries	3,3	0,4	3,2	−0,3	−2,6	3,8	−4,1	−3,1	0,0	0,4
5. Inflation (Price deflator private consumption)	3,5	16,9	21,2	18,2	18,3	18,7	22,2	15,8	13,3	12,8
6. Compensation per employee										
— Nominal	10,2	21,2	27,8	21,3	22,3	22,6	15,7	12,5	17,0	14,0
— Real, deflator private consumption	6,5	3,7	5,4	2,6	3,4	3,3	−5,4	−2,9	3,2	1,1
— Real, deflator GDP	5,5	4,2	2,2	1,9	1,7	4,1	−2,8	−1,6	2,4	0,9
7. Productivity[4]	8,2	1,7	1,2	−0,6	2,4	1,9	1,3	−0,3	1,7	1,3
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	96,3	105,8	108,5	107,7	109,9	105,5	104,1	104,7	104,3
— Annual % change	−2,5	2,5	1,0	2,5	−0,7	2,1	−4,1	−1,3	0,6	−0,4
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	78,7	86,7	82,7	81,9	80,0	69,6	68,9	72,0	:
— Annual % change	−4,2	1,0	8,3	−4,7	−0,9	−2,3	−12,9	−1,0	4,5	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	75,9	87,3	84,8	86,4	84,5	71,4	69,1	72,8	:
— Annual % change	−4,6	1,2	11,2	−2,9	1,8	−2,1	−15,5	−3,2	5,4	:
11. Employment	−0,5	1,3	−0,8	1,0	0,3	1,0	0,1	−0,1	1,0	0,7
12. Unemployment rate[6]	0,0	0,5	5,8	7,8	8,1	7,8	7,4	7,4	7,4	7,6
13. Current balance[7]	−2,9	−1,7	−4,4	−5,0	−4,0	−8,2	−5,4	−3,4	−2,8	−3,7
14. Net lending of general government[7]	:	−1,4	−7,7	−8,3	−10,0	−13,6	−10,8	−9,5	−12,1	−13,3
15. Gross debt of general government[7]	:	26,8	38,7	44,3	53,2	62,6	64,6	66,7	69,4	73,9
16. Interest payments by general government[7]	:	1,9	2,6	3,7	4,6	5,4	5,7	7,3	8,1	9,3
17. Money supply (end of year)[8]	18,2	25,1	29,0	20,3	29,4	26,8	19,0	24,8	:	:
18. Long-term interest rate[9]	0,7	11,9	15,4	18,2	18,5	15,8	15,8	17,2	18,0	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M3.
[9] Levels.

Spain

Vigorous growth continues, but inflation and competitiveness outlook is uncertain

Following the 1975-85 recession, during which investment marked time and unemployment rose by 20 percentage points (from 2 % to 22 %), Spain has been enjoying **vigorous growth** over the last three years. This renewed buoyancy is largely attributable to the beneficial effects of **Community membership** on the economic climate. None the less, other factors have made a major contribution, namely the decline in oil prices, the slower rate of increase in wage costs, and budgetary consolidation.

The progressive stabilization of the economy has produced a substantial fall in inflation, with the rise in the private consumption deflator slowing from some 15 % on annual average for the period 1975-85 to 5 % in 1987. The growth rate of GDP is estimated to have been one of the highest in the Community and the prospects for continuing expansion in 1989 are favourable.

Domestic demand is expected to continue to expand rapidly, mainly in response to the buoyancy of investment. However, a large proportion of demand is spilling over into imports, which will probably show a further brisk rise. Since exports are now expanding at a more modest rate, the real external balance is once again likely to deteriorate. As a result, the growth rate of GDP is expected to be much lower than that of domestic demand but, even so, it will probably be around 4 %. The growth in output should permit a further rapid rise (some 2 %) in the employed population. Nevertheless, since the labour force is expected to expand almost in step with employment, the **unemployment rate** will probably decline only marginally (from 20.1 % in 1988 to 19.8 % in 1989).

The **current account,** which dipped slightly into the red in 1988, is set to deteriorate further, with the deficit possibly widening to 2 % of GDP in 1989. A deficit of this magnitude would just about be covered by long-term capital inflows with the result that, given buoyant investment, it would constitute neither a problem nor a constraint for economic policy. With the introduction of tight budgetary controls and the rapid increase in tax revenue, the Spanish Government has, in recent years, carried through an almost exemplary policy of **budget consolidation,** including a substantial reduction in net borrowing by general government. In 1989, the deficit will probably be roughly the same as in 1988 (equivalent to some 3 % of GDP).

Main economic policy tasks: closer convergence and further integration of Spain into the Community

The government has set as its priority target rapid integration of the Spanish economy into the monetary cooperation arrangements within the EMS and participation at the earliest possible opportunity in the process of liberalizing capital movements. It is particularly important, therefore, to keep the Spanish economy on the path leading to convergence with the Community and, at the same time, to press ahead with efforts to narrow the gap between per capita GDP in Spain and the Community average. This necessitates the maintenance of a favourable climate for investment. A continuing process of disinflation, containment of wage costs, and competitiveness are key aspects of this strategy and, if they are to be achieved, the increase in nominal per capita wages must be severely curbed. This is all the more important in that the peseta's appreciation in recent years has already led to a substantial deterioration in the cost competitiveness of Spanish firms.

Growth in productive investment is a necessary condition for rapid, non-inflationary and job-creating growth in the years ahead. It will require the mobilization of substantial financial resources, and so the expansion of the structural Funds and EIB lending answers a genuine need in the Spanish economy. The fact remains though that the objective of stepping up Community support for the Spanish economy can be achieved only if the extra resources available are reflected in a higher share of investment in GDP and do not cause costs and prices to rise. Macroeconomic policy will, therefore, have a prime role to play in guaranteeing successful implementation of the decisions taken by the Brussels European Council. This is because, with the availability of Community resources, continuation of the budgetary consolidation process would be welcome and feasible. A further reduction in the budget deficit would make it possible for monetary policy to contribute further to stabilizing the macroeconomic framework, notably through a reduction in monetary financing.

Table D5

Main economic aggregates 1961-89[1]

Spain

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	14,8	19,1	15,2	13,6	12,9	11,2	14,6	11,3	10,2	8,4
— At constant prices	7,2	1,8	1,2	1,8	1,8	2,3	3,3	5,2	4,7	3,9
— Price deflator	7,1	17,0	13,8	11,6	10,9	8,7	10,9	5,7	5,2	4,3
2. Gross fixed capital formation[2]										
— Total	10,4	−1,3	0,5	−2,5	−5,8	3,8	7,9	13,8	13,0	10,0
— Construction	:	−1,5	0,1	−2,0	−5,3	2,0	6,6	10,5	12,0	8,6
— Equipment	:	−0,4	2,2	−4,8	−7,3	8,5	10,4	19,0	14,5	11,9
3. Share of gross fixed capital formation in GDP[3]										
— Total	24,2	23,9	21,3	20,6	18,8	18,9	18,7	20,1	21,5	22,7
— General government	:	2,2	3,1	2,8	3,0	3,7	3,5	3,6	3,8	3,9
— Other sectors	:	21,7	18,2	17,7	15,7	15,1	15,2	16,5	17,8	18,8
4. Final national uses incl. stocks										
— At constant prices	7,7	1,4	1,1	−0,1	−0,7	2,9	5,9	8,0	6,3	5,2
— Relative against 19 competitors	2,7	−0,5	0,7	−1,9	−3,9	0,2	2,0	4,3	2,4	2,4
— Relative against other member countries	2,9	−0,3	0,2	−1,1	−2,5	0,7	2,0	4,4	2,4	2,3
5. Inflation (Price deflator private consumption)	6,6	17,5	14,5	12,3	11,0	8,3	8,7	5,3	4,7	4,3
6. Compensation per employee										
— Nominal	14,6	21,2	13,7	13,8	10,0	10,1	8,3	7,5	6,5	6,1
— Real, deflator private consumption	7,5	3,2	−0,7	1,3	−0,9	1,7	−0,4	2,1	1,7	1,7
— Real, deflator GDP	7,1	3,6	−0,1	1,9	−0,9	1,3	−2,3	1,7	1,2	1,7
7. Productivity[4]	6,5	3,3	2,2	2,3	4,3	3,7	1,4	2,2	2,1	1,8
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	104,9	102,4	102,1	97,1	94,8	91,3	90,9	90,2	90,0
— Annual % change	0,6	0,3	−2,2	−0,3	−4,9	−2,4	−3,7	−0,5	−0,8	−0,1
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	121,6	118,9	104,4	103,9	103,7	105,6	108,2	113,2	:
— Annual % change	1,8	1,5	−3,1	−12,2	−0,5	−0,1	1,8	2,5	4,6	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	115,3	117,6	105,7	108,5	108,8	106,5	106,2	112,1	:
— Annual % change	1,3	1,5	−0,4	−10,2	2,7	0,2	−2,1	−0,3	5,5	:
11. Employment	0,7	−1,5	−0,9	−0,5	−2,4	−1,4	1,9	3,0	2,6	2,1
12. Unemployment rate[6]	0,4	6,3	16,2	17,7	20,1	21,4	21,0	20,5	20,0	19,6
13. Current balance[7]	−0,2	−2,0	−2,5	−1,5	1,4	1,6	1,7	0,1	−0,8	−2,1
14. Net lending of general government[7]	:	−1,3	−5,6	−4,8	−5,5	−7,0	−5,7	−3,6	−3,0	−2,9
15. Gross debt of general government[7]	:	15,5	27,9	34,5	41,2	46,4	47,4	48,1	48,0	48,7
16. Interest payments by general government[7]	:	0,6	1,0	1,3	2,0	3,2	3,9	3,6	3,5	3,3
17. Money supply (end of year)[8]	6,8	18,6	16,6	15,9	13,1	12,8	12,6	13,9	:	:
18. Long-term interest rate[9]	0,0	5,6	16,0	16,9	16,5	13,4	11,4	12,8	12,0	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] ALP.
[9] Levels.

France

Following a period of adjustment in the productive system, the French economy is showing signs of increased dynamism

Since 1983, the French economy has been experiencing **a difficult period of adjustment in the structures of the productive system** and in the behaviour of economic agents. During this time, markets have become more flexible and freer (especially under the impact of price deregulation). The financial position of firms has recovered and the **return on investment** has improved. Moreover, a budgetary and monetary policy geared essentially to currency stability and budget consolidation has made a major contribution to curbing inflation and to significantly dampening inflationary expectations.

As expected, the effects of this gradual improvement in the basic conditions for balanced, non-inflationary growth have taken some time to work through. However, since the beginning of the year, **the economic climate has picked up appreciably;** the share of investment designed to increase productive capacity is rising sharply and the net loss of jobs is giving way to some increase in the number of those gainfully employed. On the back of buoyant growth in investment and exports, GDP rose by over 3 % in 1988. Unlike in 1982, the revival in activity has taken place without jeopardizing either economic stability or the improvement in international competitiveness, as witnessed by the slight improvement in the current external balance and by the continuing slowdown in price increases.

All in all, the conditions for continuing, fairly rapid growth in 1989 are favourable. Higher investment will probably lead to an expansion in productive capacity and be accompanied by a gradual improvement in the situation on the labour market. The buoyancy of exports will probably make it possible to accommodate the fairly rapid increase in imports (notably capital goods) without any deterioration in the external balance. With activity picking up in the course of 1988, net borrowing by general government now seems likely to fall significantly between 1987 and 1988 and is expected to show a further, slight decline in 1989, as certain additional expenditure will be financed largely through higher tax revenue accruing from the new wealth tax in particular.

Main economic policy objective: to establish the basic conditions for stronger growth in the medium term

Even if the economic out-turn in 1988 and in 1989 is much better than anticipated at the beginning of 1988, **unemployment will continue to pose an acute problem** and one of the main tasks of economic policy will be to reduce it. Given the prospect of a continuing, relatively rapid expansion in the labour force (due largely to the higher female participation rate), even growth of 3 % a year would be insufficient to permit a reduction in unemployment, **unless employment responded more than in the past to the growth in output.** It is essential, therefore, that new resources should be mobilized in support of investment aimed at creating extra capacity and harnessing new technologies. An increase in the share of investment in GDP will doubtlessly also be necessary if France is to exploit fully the extra growth potential created by completion of the internal market. Continuing wage restraint and a higher return on investment would seem, therefore, to be key elements of the medium-term economic strategy.

The continuing recovery in investment would be even more stimulated if the government managed to bring long-term interest rates in France more closely into line with those in the Federal Republic of Germany. The differential that exists at the moment reflects in part expectations that exchange rates may be adjusted. It can, therefore, be eliminated only if financial markets and economic agents are more confident that **the commitment to maintain a stable link between the franc and the mark is definitive and irrevocable.**

Such greater confidence in the stability of the macroeconomic framework **cannot be brought about by monetary policy alone.** The thrust and implementation of budgetary policy, the functioning of the labour market and wage formation will all have a prime role to play in this respect. For its part, budgetary policy will need to take account of the general financial equilibrium and, more particularly, **of the personal savings ratio,** the decline of which in recent years may have helped to keep real interest rates high. If this ratio continued to fall at the rate observed over the last few years, this would, of course, contribute to the resurgence in domestic demand but would create a more precarious balance-of-payments situation and would bolster the arguments in favour of a cautious budgetary policy.

The budget strategy being pursued by the government, even though it involves a different set of priorities for expenditure and tax cuts, follows on from previous governments' strategies regarding reduction of the deficit as a proportion of

GDP and the trend of public debt. Since this strategy of budget consolidation is based on the assumption of buoyant business growth, **its credibility would be enhanced if the policy on the structural adjustment of the economy were continued and strengthened.** The lifting of the remaining restrictions on capital movements, decided recently by the Council, further accentuates the need for a budgetary policy and an adjustment policy that could facilitate the tasks of monetary policy.

Table D6

Main economic aggregates 1961-89[1]

France

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	10,7	13,7	14,6	10,5	8,9	7,5	6,9	4,9	5,9	5,3
— At constant prices	5,6	2,6	2,5	0,7	1,4	1,7	2,1	2,3	3,1	2,8
— Price deflator	4,9	10,8	11,7	9,7	7,5	5,7	4,7	2,5	2,7	2,5
2. Gross fixed capital formation[2]										
— Total	7,6	0,8	−1,4	−3,6	−2,3	1,1	3,0	3,4	6,9	5,4
— Construction	:	0,1	−2,4	−3,6	−3,1	−0,9	1,9	2,2	4,5	3,4
— Equipment	:	1,9	1,5	−3,4	0,2	4,6	3,8	4,4	8,8	6,8
3. Share of gross fixed capital formation in GDP[3]										
— Total	23,7	23,2	21,4	20,2	19,3	19,0	18,8	19,0	19,6	20,1
— General government	:	3,4	3,4	3,3	3,0	3,2	3,2	3,4	3,4	3,4
— Other sectors	:	19,8	17,9	17,0	16,3	15,8	15,6	15,6	16,2	16,7
4. Final national uses incl. stocks										
— At constant prices	5,8	2,3	3,5	−0,7	0,5	2,2	3,7	3,3	3,0	2,7
— Relative against 19 competitors	0,9	0,5	3,8	−2,6	−3,1	−0,5	−0,1	−0,4	−1,0	−0,1
— Relative against other member countries	1,1	0,8	3,5	−2,0	−1,8	0,1	−0,1	−0,3	−1,0	−0,2
5. Inflation (Price deflator private consumption)	4,7	11,2	11,5	9,7	7,5	5,7	2,5	3,2	2,7	2,7
6. Compensation per employee										
— Nominal	9,9	14,8	14,1	10,1	8,6	6,6	4,0	3,3	3,8	3,8
— Real, deflator private consumption	5,1	3,2	2,3	0,4	1,0	0,9	1,5	0,1	1,0	1,0
— Real, deflator GDP	4,8	3,6	2,1	0,4	1,1	0,8	−0,7	0,7	1,0	1,3
7. Productivity[4]	4,9	2,4	2,4	1,1	2,3	2,1	1,8	2,2	2,5	2,3
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	106,2	108,3	107,5	106,2	104,9	102,3	100,9	99,4	98,4
— Annual % change	0,0	1,1	−0,3	−0,7	−1,2	−1,2	−2,5	−1,5	−1,4	−1,0
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	92,9	87,4	84,6	83,0	84,4	86,9	86,1	83,2	:
— Annual % change	−0,9	0,1	−4,8	−3,2	−2,0	1,8	2,9	−0,9	−3,4	:
• Relative against other member countries										
— Index: 1961-73 = 100	100,0	90,4	88,4	87,5	88,5	90,4	89,9	86,6	84,2	:
— Annual % change	−1,3	0,2	−2,4	−1,0	1,1	2,2	−0,6	−3,7	−2,7	:
11. Employment	0,7	0,2	0,2	−0,4	−0,9	−0,4	0,3	0,1	0,6	0,5
12. Unemployment rate[6]	1,1	5,1	8,7	8,9	10,0	10,5	10,7	10,8	10,7	10,8
13. Current balance[7]	0,2	−0,4	−2,1	−0,8	0,0	0,1	0,6	−0,3	0,1	0,1
14. Net lending of general government[7]	:	−1,0	−2,8	−3,2	−2,8	−2,8	−2,9	−2,5	−1,9	−1,8
15. Gross debt of general government[7]	:	23,6	27,9	29,5	31,8	33,8	35,1	36,7	37,2	37,8
16. Interest payments by general government[7]	:	1,3	2,0	2,6	2,7	2,9	2,9	2,8	2,9	2,9
17. Money supply (end of year)[8]	13,7	13,4	11,4	11,5	9,5	6,8	6,3	7,3	:	:
18. Long-term interest rate[9]	6,9	11,7	15,6	13,6	12,5	10,9	8,4	9,4	9,2	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M3R.
[9] Levels.

Ireland

Great strides towards sustainability, but growth is not yet sufficiently employment-creating

The Irish economy, which in the early 1980s had one of the highest inflation rates in the Community, a huge external deficit and spiralling public debt, has, in the course of the last few years, made great strides towards stability. In 1987, consumer price inflation was close to the EC average and the current external account was in surplus for the first time since 1967. Moreover, strong measures were initiated, backed by a broad political consensus, to rein in public expenditure and reduce the government budget deficit. Domestic demand declined in 1987 and has stagnated in 1988, in part reflecting the necessary stabilization policies. However, helped by the buoyancy of world trade and improvements in Irish competitiveness, export growth has been exceptionally strong, leading to GDP growth of 4 % in 1987 and near 3 % in 1988. The pattern of growth in 1989 is likely to be more broadly based and could lead to a first small increase in employment, but, despite high emigration, the very high unemployment rate is likely to decline only marginally.

Achieving faster and more employment-creating growth remains a major challenge for the Irish economy

The medium-term challenge for the authorities is to further restore the conditions necessary to sustain a high rate of economic growth while maximizing the employment potential of such growth. Given the need to pursue the policy of fiscal consolidation for some time ahead, growth and employment will rely even more than in most other Member States on a supply-side response to a more favourable economic environment. The recent substantial decline in nominal interest rates is an important first condition for such a response but other measures influencing the supply-side performance of the economy would seem appropriate. The efficient operation of markets is crucial to prospects for sustained growth and job creation. It is of even greater importance in the context of the completion of the internal market, where flexibility in response to increased competition and changing market conditions will be essential. In the labour market, the provision of higher quality training, the encouragement of more flexible working patterns and some limited deregulation would help to convert improvements in output into higher employment. Deregulation should not, however, be confined to the labour market.

Consolidation of budgetary achievements: the priority for 1989

Although the prospects for growth are brighter than for some years, the process of budgetary adjustment must continue to take precedence over other considerations to meet the government's target of stabilizing the national debt/GDP ratio by 1990 (at about 120 % still one of the highest levels in the Community). A continuing reduction in the Exchequer borrowing requirement in terms of GDP is, therefore, desirable. This should once again be achieved by cuts in public expenditure, but with greater emphasis on restraining current rather than capital expenditure. The restructuring of taxation continues to be desirable and must be financed within the constraint of the necessary budgetary adjustment. Restraints on current expenditure will be all the more necessary, over the next few years, in view of the need to step up infrastructural investment in the context of the large increase in interventions through the Community's structural Funds.

Table D7

Main economic aggregates 1961-89[1]

Ireland

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	11,8	19,7	17,8	9,7	11,1	6,1	5,3	6,6	5,2	6,5
— At constant prices	4,4	4,3	2,3	−0,6	3,2	1,1	−0,3	4,1	2,9	3,2
— Price deflator	7,1	14,8	15,2	10,4	7,7	5,0	5,6	2,5	2,3	3,2
2. Gross fixed capital formation[2]										
— Total	10,0	4,6	−3,4	−9,3	−2,4	−4,4	−3,5	−1,0	0,4	3,6
— Construction	:	4,3	−4,8	−12,2	−13,5	−7,5	−5,3	−6,5	−6,9	1,0
— Equipment	:	5,6	−5,8	−5,0	9,2	4,9	0,3	3,6	6,0	5,4
3. Share of gross fixed capital formation in GDP[3]										
— Total	21,2	26,7	26,5	23,3	21,7	20,4	18,7	17,5	17,2	17,4
— General government	:	5,3	5,1	4,5	3,9	4,0	3,7	2,9	2,3	1,9
— Other sectors	:	21,4	21,4	18,7	17,8	16,4	15,0	14,6	14,9	15,5
4. Final national uses incl. stocks										
— At constant prices	5,4	3,5	−2,1	−2,9	0,2	−1,3	0,8	−1,5	−0,2	1,5
— Relative against 19 competitors	1,4	2,1	−2,6	−5,2	−3,1	−4,0	−2,9	−5,1	−4,2	−1,2
— Relative against other member countries	1,5	2,4	−3,0	−4,7	−1,9	−3,6	−2,9	−5,1	−4,3	−1,4
5. Inflation (Price deflator private consumption)	6,0	16,6	15,3	8,6	9,4	4,5	3,6	3,1	2,1	2,8
6. Compensation per employee										
— Nominal	11,3	19,3	14,4	12,0	11,7	6,4	5,1	5,1	3,5	3,9
— Real, deflator private consumption	5,0	2,3	−0,8	3,2	2,1	1,8	1,5	1,9	1,3	1,1
— Real, deflator GDP	3,9	3,9	−0,7	1,5	3,8	1,3	−0,5	2,6	1,1	0,8
7. Productivity[4]	4,3	3,3	2,3	1,3	5,2	3,3	0,1	4,2	2,9	2,8
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	101,4	98,0	98,1	96,8	94,9	94,4	92,9	91,3	89,5
— Annual % change	−0,4	0,6	−2,9	0,2	−1,3	−1,9	−0,6	−1,5	−1,7	−2,0
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	95,8	100,9	102,9	101,3	101,7	107,0	102,6	98,9	:
— Annual % change	0,3	−0,5	3,3	1,9	−1,5	0,4	5,2	−4,0	−3,7	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	93,0	100,5	104,4	105,5	106,2	108,2	101,3	98,1	:
— Annual % change	0,1	−0,6	5,7	3,9	1,1	0,6	1,9	−6,3	−3,2	:
11. Employment	0,1	0,9	0,0	−1,9	−1,9	−2,2	−0,4	−0,1	0,0	0,4
12. Unemployment rate[6]	4,8	8,4	12,3	14,9	16,6	17,9	18,2	19,2	18,7	18,2
13. Current balance[7]	−2,5	−8,6	−10,6	−6,9	−6,0	−3,8	−2,4	1,3	2,6	3,5
14. Net lending of general government[7]	:	−10,5	−13,7	−11,6	−9,6	−11,1	−11,0	−9,1	−6,5	−6,1
15. Gross debt of general government[7]	:	70,9	87,2	97,3	102,1	105,0	116,5	119,8	123,3	124,9
16. Interest payments by general government[7]	:	5,6	9,0	9,3	9,4	10,4	9,8	9,9	9,7	9,4
17. Money supply (end of year)[8]	12,1	19,2	13,0	5,6	10,1	5,3	−1,0	10,9	:	:
18. Long-term interest rate[9]	2,2	14,6	17,0	13,9	14,6	12,7	11,1	11,3	9,7	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M3.
[9] Levels.

Italy

Strong growth supported by productivity gains but difficult to sustain

Economic activity has expanded more rapidly in the past five years as a strict stance has been maintained on monetary policy and applied since 1983 on wages. In 1988, there has been a sharp acceleration in growth mainly because of the generalized recovery in economic activity within the Community. Real GDP could increase by nearly 4 %, which would be the highest growth rate since 1979. So far, this development has had only a limited impact on employment as firms have been protecting their export competitiveness and preparing for the 1992 internal market by rationalizing their workforce. Consequently, demographic factors have continued to push up the unemployment rate.

The success in reducing inflation after the 1986 counter oil shock has gone no further in 1988, with the inflation rate stabilizing at 5 % from the end of 1987. Recently, substantial wage increases in some parts of the public sector have shown up the absolute necessity of keeping unit labour costs to the Community average and of finding an appropriate solution to the problem of the public-sector deficit, which is among the highest in the Community. The pressure placed on the capital market by renewal of public debt increases the vulnerability of the economy to external influences, despite a very good export performance which should keep the external deficit within reasonable limits in 1988 (0,4 % of GDP) and in 1989 (0,6 %). However, the outlook is highly dependent upon the effective implementation of the medium-term plan to stabilize the public finances, which will probably imply a slight slowdown in activity in 1989.

A need to improve structural and financial balance

Recent economic performance has only slightly diminished the scale of the adjustments which are still necessary in both private and public sectors.

In 1987, the marked slowing in the price of capital goods helped to stimulate demand; this shift in relative prices has intensified the process of factor substitution. Thus, any strengthening of employment demand has been delayed and import penetration has increased as production of certain highly specialized capital goods has been abandoned where importing has become more attractive. Moreover, the prospect of the internal market and the competitive imbalances at international level reflecting real exchange-rate differentials have intensified innovation and reorganization within the enterprise sector, which are now bringing some benefits but which, in the absence of a stricter wage policy, could lead in due course to a narrowing of the productive base.

Moreover, the public debt (which exceeded 90 % of GDP in 1987) represents an element of instability because of its size and composition. Indeed, the average maturity of the debt is among the shortest in the Community, with renewal dates concentrated into the next two years; debt servicing will reach 8 % of GDP this year out of a borrowing requirement which can probably be limited to 11 % of GDP. So far, this situation has not proved totally unsustainable due essentially to the high savings rate of households, the rise in real interest rates and certain administrative controls on movements of capital abroad.

Wage restraint and budgetary control necessary to lower interest rates

The medium-term outlook would suggest that all efforts should be made such that the rapidly approaching deadlines can be faced under less tight monetary conditions. Such an easing can only occur if there is stricter control of inflation and public-sector borrowing. Against the background of a much wider opening of markets for goods and capital, it will be essential to keep nominal wages in line with those elsewhere in the Community, and future wage negotiations must take this into account. Indeed, relative production costs will prove a decisive factor in the distribution of the benefits offered by the 1992 internal market.

A good performance in a unified internal market will largely depend on budgetary policy and on the effective implementation of the medium-term stabilization plan which the government presented to parliament at the end of May. The effort to control the level of public debt must be accompanied by a parallel improvement in the quality of public services, which determine the efficiency and competitiveness of the entire economic system. It is evident that countries which continue having pronounced structural disequilibria in a unified internal market will be forced to adjust very quickly and at a high cost. The government's programme and the 1989 Finance Law clearly aim at avoiding such difficulties. The action under way is of particular importance in order to ensure that the completion of the internal market provides room for manœuvre that can be fully used for the development of productive capacity and employment.

Table D8

Main economic aggregates 1961-89[1]

Italy

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	11,0	20,8	16,5	15,9	14,1	11,8	11,0	8,7	8,7	7,5
— At constant prices	5,3	2,6	0,2	0,5	3,5	2,7	2,7	3,1	3,9	3,2
— Price deflator	5,4	17,7	16,2	15,3	10,2	8,8	8,0	5,4	4,6	4,1
2. Gross fixed capital formation[2]										
— Total	4,3	0,5	−5,7	−1,6	4,4	3,3	1,2	5,2	4,9	3,8
— Construction	:	−0,3	−6,7	0,9	0,5	−0,4	−0,6	−1,3	1,2	1,7
— Equipment	:	3,0	−6,8	−5,7	15,1	11,4	5,0	11,5	8,0	5,5
3. Share of gross fixed capital formation in GDP[3]										
— Total	25,9	24,4	22,3	21,3	21,2	21,2	20,1	20,0	20,1	20,1
— General government	:	3,0	3,7	3,7	3,6	3,8	3,6	3,5	3,6	3,6
— Other sectors	:	21,4	18,6	17,5	17,6	17,4	16,6	16,5	16,5	16,5
4. Final national uses incl. stocks										
— At constant prices	5,5	2,0	0,3	−0,5	4,5	3,2	3,6	4,6	4,4	3,5
— Relative against 19 competitors	0,6	0,2	0,1	−2,5	1,2	0,5	−0,2	1,2	0,7	0,8
— Relative against other member countries	0,7	0,5	−0,4	−1,8	2,9	1,1	−0,2	1,3	0,7	0,7
5. Inflation (Price deflator private consumption)	4,8	17,6	15,9	14,8	11,4	9,3	6,1	4,8	4,9	4,6
6. Compensation per employee										
— Nominal	11,6	20,5	16,2	16,0	11,4	10,2	7,7	8,7	7,0	7,5
— Real, deflator private consumption	6,5	2,5	0,2	1,0	0,0	0,8	1,5	3,8	1,9	2,7
— Real, deflator GDP	5,9	2,4	0,0	0,6	1,1	1,3	−0,3	3,1	2,2	3,2
7. Productivity[4]	5,7	1,9	−0,3	0,0	2,7	1,3	1,9	3,2	3,4	2,6
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	107,5	107,8	108,5	106,8	106,7	104,3	104,3	103,1	103,7
— Annual % change	0,2	0,5	0,3	0,6	−1,6	−0,1	−2,2	−0,1	−1,1	0,6
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	89,2	92,8	99,9	99,2	99,0	105,2	109,4	106,5	:
— Annual % change	−0,3	−0,3	1,4	7,6	−0,7	−0,2	6,3	3,9	−2,6	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	85,8	93,6	103,6	106,4	106,6	109,0	110,0	108,0	:
— Annual % change	−0,8	−0,2	4,4	10,7	2,7	0,1	2,3	0,9	−1,8	:
11. Employment	−0,4	0,7	0,6	0,5	0,8	1,4	0,8	−0,1	0,5	0,6
12. Unemployment rate[6]	5,2	6,2	9,7	11,0	12,0	12,9	13,7	14,0	15,0	14,5
13. Current balance[7]	1,5	−0,7	−1,6	0,3	−0,6	−0,9	0,8	−0,1	−0,4	−0,6
14. Net lending of general government[7]	:	−8,4	−11,3	−10,6	−11,5	−12,5	−11,4	−10,5	−10,0	−10,0
15. Gross debt of general government[7]	:	58,7	66,3	71,9	77,1	83,7	87,9	92,6	96,6	101,4
16. Interest payments by general government[7]	:	4,5	7,1	7,5	8,0	8,0	8,5	8,2	8,4	8,9
17. Money supply (end of year)[8]	15,4	18,5	18,0	12,3	12,1	11,1	9,4	8,3	:	:
18. Long-term interest rate[9]	7,0	14,2	20,9	18,0	15,0	14,3	11,7	11,3	12,1	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M2N.
[9] Levels.

Luxembourg

The restructuring of the Luxembourg economy has slightly reduced its dependence on international market conditions for steel, but nevertheless economic policy still has limited room for manœuvre

The restructuring of the Luxembourg economy which began some 10 years ago has reduced the steel industry's relative importance; it has permitted the diversification of the economic structure by means of the more rapid establishment of foreign firms and the development of financial and other services.

The increase in economic activity, underpinned by the buoyancy of exports, remained in 1988 close to the Community average, despite a certain slowdown in domestic demand. The pace of growth of GDP should decline only marginally in 1989: the increase of exports, in particular of steel, should slow down, but private consumption, sustained by a significant rise in wages will probably be rather buoyant.

The absence of a domestic market of any size makes the Luxembourg economy heavily dependent on developments in the international environment. Overall growth and the increase in employment will therefore hinge on the way in which activity develops in the neighbouring countries. The pursuit of a prudent economic policy, with the aim of diversifying structures and safeguarding the competitiveness, should enable Luxembourg to maintain a growth rate close to that of the Community as a whole without disturbing existing equilibria.

A continuing policy of diversification of economic structures should also prevent the replacement of the steel industry by the financial sector as the dominant one. Because of the importance of small and medium-sized enterprises, it is difficult to intensify scientific research activities on an individual basis; this is why a development of centres of technology, as provided for by a recent law, is very important. The introduction of new technologies as part of the restructuring process will require increased efforts to improve skills and vocational training.

Table D9

Main economic aggregates 1961-89[1]

Luxembourg

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	**8,7**	8,0	12,1	10,0	12,5	7,3	5,5	3,5	5,1	5,2
— At constant prices	**4,2**	1,2	1,5	3,0	6,5	3,8	2,9	2,4	2,9	2,4
— Price deflator	**4,3**	6,7	10,4	6,9	5,6	3,4	2,6	1,1	2,2	2,7
2. Gross fixed capital formation[2]										
— Total	5,1	−1,1	0,4	−10,9	−2,3	−3,7	15,8	16,4	−6,3	1,7
— Construction	:	−1,4	−1,3	−12,9	−5,3	0,0	7,7	4,6	5,2	1,9
— Equipment	:	1,3	0,6	−9,2	0,8	4,0	7,9	3,9	−1,4	1,5
3. Share of gross fixed capital formation in GDP ([3])										
— Total	26,4	25,4	25,2	21,6	19,6	18,1	20,7	23,8	21,8	21,8
— General government	:	6,4	6,7	6,0	4,9	4,7	4,9	5,0	4,9	5,0
— Other sectors	:	19,0	18,5	15,6	14,7	13,4	15,8	18,9	16,9	16,8
4. Final national uses										
— At constant prices	**4,2**	1,8	0,7	0,3	4,1	0,7	−0,9	6,1	0,6	2,5
— Relative against 19 competitors	:	:	:	:	:	:	:	:	:	:
— Relative against other member countries	:	:	:	:	:	:	:	:	:	:
5. Inflation (Price deflator private consumption)	**3,0**	7,5	10,8	8,9	5,5	5,2	0,6	0,6	1,4	2,2
6. Compensation per employee										
— Nominal	7,4	10,7	6,9	6,9	7,1	3,8	5,0	3,9	3,4	5,0
— Real, deflator private consumption	**4,2**	2,9	−3,5	−1,9	1,5	−1,4	4,3	3,3	1,9	2,8
— Real, deflator GDP	**2,9**	3,7	−3,1	0,1	1,4	0,3	2,4	2,8	1,2	2,2
7. Productivity[4]	**3,1**	0,6	1,8	3,3	5,9	2,4	0,3	−0,4	0,9	0,9
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	117,4	115,7	112,1	107,4	105,2	107,5	110,9	111,2	112,7
— Annual % change	−0,2	3,1	−4,8	−3,1	−4,2	−2,0	2,1	3,2	0,3	1,3
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
— Against 19 competitors	:	:	:	:	:	:	:	:	:	:
— Against other member countries	:	:	:	:	:	:	:	:	:	:
11. Employment	1,1	0,6	−0,3	−0,3	0,6	1,4	2,6	2,7	1,9	1,6
12. Unemployment rate[6]	0,0	0,5	1,3	1,6	1,8	1,7	1,4	1,6	1,4	1,3
13. Current balance[7]	6,8	21,4	35,2	39,6	39,5	43,3	46,1	38,0	38,6	36,4
14. Net lending of general government[7]	:	1,4	−1,2	1,6	2,9	5,8	6,0	5,2	5,3	6,2
15. Gross debt of general government[7]	:	15,7	14,5	14,8	14,8	14,4	14,7	14,9	14,7	13,0
16. Interest payments by general government[7]	:	0,9	1,0	1,1	1,2	1,3	1,3	1,4	1,2	1,1
17. Money supply (end of year)	:	:	:	:	:	:	:	:	:	:
18. Long-term interest rate[8]	0,5	7,2	10,3	9,8	10,3	9,5	8,7	8,0	0,0	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] Levels.

The Netherlands

The adjustment of economic structures is continuing and growth is again approaching the Community average

As a result of the shift in economic policy since the autumn of 1982, a number of imbalances (including the imbalance in the public finance situation) have gradually been reduced, the level of investment and employment has been raised and the GDP growth rate is again approaching that of the Community partner countries.

During 1988 and 1989, the Dutch economy is continuing the restructuring process while taking full advantage of the renewed buoyancy of the world economy in general and of intra-Community trade in particular. In 1988, the acceleration of export demand and the large increase in investment are compensating for a slowdown in private consumption, which is partly due to the effects of a more moderate growth of real disposable income. The GDP growth rate could exceed 2 % in real terms, and should accelerate slightly in 1989.

The central government budget deficit is being reduced in line with the forecasts of the government programme and the borrowing requirement will fall to 6,7 % of NNI (net national income) in 1988 and to 6,0 % in 1989.[1] Due to higher-than-expected tax revenues, the government is able to reduce tax rates in 1988 and 1989 despite the fact that the level of expenditure forecast in the multiannual programme will somewhat overshoot. The target set in the government declaration with respect to the overall tax burden is, therefore, likely to be achieved. However, the progress made on the unemployment rate is distinctly less rapid than forecast, despite sustained employment growth.

[1] 6,1 % and 5,4 % of GDP respectively.

The emphasis on consolidation should continue beyond 1989 in order to guarantee balanced growth in the medium term

Efforts to reduce rigidities in the operation of the labour market and to make the system of production more flexible will have to be continued beyond 1989, in order to make it easier to adjust to the new conditions of competition in the context of the single European market. This presupposes, *inter alia*, that the budget deficit will be further reduced, a condition necessary to stop the growth of the public debt as a proportion of GDP, and that tax rates will be brought more into line with those of other EEC countries.

Better control of budget expenditure by limiting government intervention and its cost should open the way to tax reform which, from 1990, should considerably simplify the taxation system. In the meantime, care must be taken to ensure that the higher-than-expected tax revenues now being recorded do not give rise to excessive overshooting of the expenditure forecast in the multiannual programme. In this respect, the reduction of VAT rates, whose purpose it is to maintain purchasing power and to contribute to the harmonization of taxation envisaged in connection with the establishment of the internal market at the end of 1992, can be seen as a positive measure. Certain other measures are also positive, in particular those which aim to reduce public authority spending on sickness and invalidity insurance and the housing market.

So far, only modest gains have been made in reducing unemployment: the fight against unemployment will have to be continued chiefly by raising the investment rate, maintaining wage moderation and by selective measures to bring certain categories of unemployed persons back into the productive process more quickly.

Table D10

Main economic aggregates 1961-89[1]

The Netherlands

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	11,2	9,1	4,5	3,3	5,0	4,1	3,1	0,4	2,4	3,8
— At constant prices	4,8	2,0	-1,4	1,4	3,2	2,3	2,4	1,5	2,2	2,3
— Price deflator	6,0	6,9	6,0	1,9	1,8	1,7	0,7	-1,0	0,3	1,5
2. Gross fixed capital formation[2]										
— Total	5,3	-1,6	-4,1	2,1	5,4	5,2	7,2	1,6	3,3	2,9
— Construction	:	-1,9	-6,6	-3,4	4,1	-3,5	4,1	2,9	4,9	0,3
— Equipment	:	-0,2	-0,1	10,1	9,4	17,4	9,8	0,1	1,4	6,1
3. Share of gross fixed capital formation in GDP[3]										
— Total	25,1	20,8	18,2	18,2	18,6	19,0	19,6	19,8	20,3	20,4
— General government	:	3,4	2,9	2,7	2,8	2,6	2,4	2,3	2,3	2,2
— Other sectors	:	17,3	15,3	15,6	15,8	16,3	17,2	17,4	18,0	18,2
4. Final national uses incl. stocks										
— At constant prices	4,9	1,5	-0,9	1,5	1,7	2,5	3,9	2,2	1,9	1,9
— Relative against 19 competitors	0,1	-0,2	-1,0	0,0	-1,2	0,1	0,2	-1,3	-1,9	-0,7
— Relative against other member countries	0,2	-0,1	-1,3	0,4	-0,3	0,5	0,2	-1,3	-1,9	-0,8
5. Inflation (Price deflator private consumption)	5,0	7,1	5,3	2,7	2,0	2,5	0,2	-0,4	0,9	1,4
6. Compensation per employee										
— Nominal	11,4	8,7	5,8	3,2	0,2	1,4	1,6	1,3	1,9	1,0
— Real, deflator private consumption	6,0	1,6	0,5	0,4	-1,7	-1,1	1,4	1,6	1,0	-0,3
— Real, deflator GDP	5,0	1,7	-0,3	1,3	-1,6	-0,3	0,8	2,3	1,6	-0,4
7. Productivity[4]	3,9	1,9	1,1	3,4	3,2	1,0	0,6	0,3	1,3	1,4
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	105,4	101,1	99,1	94,5	93,3	93,5	95,4	95,7	94,0
— Annual % change	1,0	-0,2	-1,3	-2,0	-4,6	-1,3	0,2	2,0	0,3	-1,8
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	122,7	113,7	110,7	102,3	99,3	104,4	107,8	105,4	:
— Annual % change	2,9	-0,7	2,8	-2,6	-7,6	-3,0	5,2	3,2	-2,2	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	120,5	114,4	112,8	106,2	103,3	106,1	107,6	105,9	:
— Annual % change	2,7	-0,6	4,5	-1,4	-5,8	-2,8	2,7	1,4	-1,6	:
11. Employment	0,9	0,1	-2,5	-1,9	-0,1	1,3	1,8	1,2	0,9	0,9
12. Unemployment rate[6]	1,3	5,7	11,8	14,2	14,5	13,3	12,1	11,5	11,3	10,9
13. Current balance[7]	0,5	1,0	3,2	3,1	4,2	4,3	2,8	1,7	1,6	1,8
14. Net lending of general government[7]	:	-2,9	-7,0	-6,3	-6,2	-4,7	-6,0	-6,3	-5,2	-4,6
15. Gross debt of general government[7]	:	42,8	55,6	62,0	66,1	69,6	71,1	75,0	79,4	82,2
16. Interest payments by general government[7]	:	3,3	5,2	5,7	6,0	6,3	6,4	6,4	6,6	6,5
17. Money supply (end of year)[8]	10,3	9,1	7,6	10,4	7,6	11,1	5,1	5,4	:	:
18. Long-term interest rate[9]	5,9	9,7	10,5	8,8	8,6	7,3	6,4	6,4	6,5	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M2N.
[9] Levels.

Portugal

Strong improvement in the macroeconomic performance but insufficient budgetary consolidation

After the phase of strong adjustment from 1982 to 1985 (during which the current external account shifted from a huge deficit to a surplus), the Portuguese economy has been expanding at a faster rate than recorded by other Member States. The growth of real per capita income has resumed, not least due to the substantial terms-of-trade gains resulting from the oil price decline, and business investment has staged a strong recovery, stimulated by the improvement of business sentiment and economic prospects following adhesion to the Community and a more stability-oriented economic policy. Moreover, the rate of increase in consumer prices which, as late as 1984, reached almost 30 % has been brought into single digit figures. However, the consolidation of the public finances has been insufficient to halt the rise in the public debt/GDP ratio, and the further slowdown of inflation, aimed at by the authorities, has proved difficult to achieve.

The expansion of activity would seem likely to slow down by only a little in 1989: domestic demand is set to grow at a fast rate and while imports will rise strongly in response, the increase in domestic output is expected to remain high. There may be a further rise in employment but hardly more than necessary to absorb the rise in the labour force. Unemployment may show a small decline. The current external account is expected to fall into deficit to the tune of some 1 ½ % of GDP.

The main task: further budget consolidation and disinflation

The current rate of increase in consumer prices is considerably above the EC average and a pronounced slowdown during the remainder of 1988 and 1989 is a high priority target of the government. Such a slowdown is all the more important since a significant reduction of the inflation differential is to be seen as the main condition for a successful completion of the integration of Portugal into the Community and notably its eventual participation in the EMS.

For the rate of inflation to slow down in line with official intentions, a deceleration of the still excessively high increases in per capita wages is clearly necessary. It would, however, also seem essential that budgetary and monetary policy be used more actively to fight against inflation. A significant reduction of the general government borrowing requirement would, in fact, serve not only to dampen the rise in public debt, but also to reduce the level of monetary financing thereby helping to keep real interest rates down. A resumption of the process of budget consolidation is also required to make room for the rise in budgetary resources needed to match the substantial increase in transfers from the Community's structural Funds over the next few years. In this way, the additional financial resources would not cause new inflationary pressures in the economy.

However, the acceleration of the catching-up process will also depend strongly upon the ability of the Portuguese economy to adapt its structures and institutions to the changing conditions within the internal market. This will require not only further progress with respect to privatization and implementation of the already approved tax reform, but also strong measures to improve the quality, skills and education of the labour force and to increase the flexibility of the labour market.

Table D11

Main economic aggregates 1961-89[1]

Portugal

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	11,1	23,2	23,3	24,4	21,9	25,7	23,0	17,3	15,0	11,8
— At constant prices	6,9	3,0	2,4	−0,3	−1,6	3,3	4,3	4,6	4,0	3,6
— Price deflator	4,0	19,6	20,4	24,8	23,9	21,7	17,9	12,1	10,5	8,0
2. Gross fixed capital formation[2]										
— Total	7,8	1,4	2,9	−7,5	−18,0	−3,0	9,5	19,6	12,8	11,0
— Construction	:	0,0	0,0	0,0	0,0	0,0	0,0	10,5	10,0	10,0
— Equipment	:	0,0	0,0	0,0	0,0	0,0	16,0	30,0	15,5	12,0
3. Share of gross fixed capital formation in GDP[3]										
— Total	24,1	27,2	31,1	29,2	23,9	21,7	21,6	24,3	26,4	28,2
— General government	:	1,0	3,4	3,1	2,6	2,5	2,6	2,7	2,7	2,9
— Other sectors	:	26,1	27,7	26,1	21,3	19,3	19,0	21,6	23,6	25,2
4. Final national uses incl. stocks										
— At constant prices	7,5	2,8	2,7	−7,4	−6,6	0,8	8,4	9,5	6,3	5,5
— Relative against 19 competitors	2,7	1,1	2,3	−9,1	−9,5	−1,9	4,3	6,9	2,9	3,1
— Relative against other member countries	2,9	1,4	2,0	−8,6	−8,4	−1,4	4,4	6,9	2,9	3,0
5. Inflation (Price deflator private consumption)	3,4	21,9	20,6	25,3	27,8	19,0	12,0	10,2	9,4	7,0
6. Compensation per employee										
— Nominal	12,0	24,5	19,8	18,7	18,9	22,4	17,0	13,9	11,0	10,0
— Real, deflator private consumption	8,3	2,2	−0,6	−5,2	−7,0	2,8	4,5	3,3	1,5	2,8
— Real, deflator GDP	7,7	4,1	−0,5	−4,8	−4,0	0,6	−0,7	1,6	0,5	1,8
7. Productivity[4]	7,4	2,7	2,8	−4,4	−0,1	3,6	4,3	1,8	2,3	2,7
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	123,9	112,6	112,0	107,7	104,5	99,5	99,3	97,5	96,7
— Annual % change	0,3	1,4	−3,2	−0,5	−3,9	−2,9	−4,8	−0,2	−1,8	−0,8
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	108,3	,1	83,3	79,3	80,0	80,0	80,8	81,4	:
— Annual % change	−0,3	−1,1	−5,5	−6,5	−4,8	0,9	0,0	1,0	0,8	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	104,9	88,1	83,6	81,7	82,7	80,4	79,5	80,7	:
— Annual % change	−0,8	−1,1	−3,6	−5,1	−2,4	1,3	−2,8	−1,0	1,5	:
11. Employment	−0,5	0,4	−0,4	4,3	−1,5	−0,3	0,0	2,7	1,7	0,9
12. Unemployment rate[6]	0,0	5,1	5,7	5,6	8,6	8,7	8,7	7,2	6,5	6,4
13. Current balance[7]	0,4	−6,8	−13,5	−8,3	−3,0	1,7	3,9	1,8	−0,1	−1,7
14. Net lending of general government[7]	:	−0,4	−10,4	−9,1	−12,0	−10,1	−7,8	−8,4	−8,1	−7,8
15. Gross debt of general government[7]	:	10,4	50,0	56,0	61,4	60,7	63,6	67,6	78,5	83,5
16. Interest payments by general government[7]	:	1,0	5,5	6,4	7,1	7,9	9,3	8,0	8,2	7,9
17. Money supply (end of year)[8]	9,9	21,6	24,6	16,3	24,5	29,8	25,8	16,8	:	:
18. Long-term interest rate[9]	0,0	0,0	0,0	0,0	0,0	25,4	17,9	15,4	14,0	:

1 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
2 At constant prices.
3 At current prices.
4 GDP at constant market prices per person employed.
5 GDP deflator.
6 Percentage of civilian labour force.
7 Percentage of GDP.
8 L·.
9 Levels.

United Kingdom

Continued strong growth but signs of overheating

The United Kingdom economy has been growing at an annual rate of over 3 % for seven consecutive years. Its recent performance has exceeded expectations, with real GDP growth of almost 4 % likely this year. Unemployment, now at a rate close to 8 ½ %, has declined continuously since mid-1986 and labour market conditions have tightened appreciably. The construction sector is booming. Business investment has picked up sharply, in a lagged response to the steep increase in profitability.

However, the pace of growth has caused fears of overheating. Capacity utilization has reached a high level. The fast rate of growth reflects the coincidence of an investment surge with continuing buoyancy of private consumption, which has been fuelled by strong growth in real earnings, a rapid expansion in credit and cuts in personal income tax. The 12-month rate of increase in the retail price index has edged upwards from its 3-4 % range in 1987 towards 6 % in the latter part of 1988. Demand has outstripped the economy's immediate capacity to respond and has increasingly spilled over into imports, the growth of exports has slowed this year and the deficit on the current account of the balance of payments has widened rapidly.

An improving supply-side performance, but little progress on disinflation

Although growth has been unsustainably fast over the past year or so, the underlying economic performance of the United Kingdom in many respects now compares favourably both with earlier experience and with other member countries. That structural adjustment policies have progressed much further in the UK is evident not only in the rapid catching-up in manufacturing productivity towards best Community levels, but also in the job-creating capacity of the economy. Since 1983, employment has increased by over 1 ½ % per year, though appreciable regional disparities still persist. Corporate profitability has steadily improved. Moreover, through effective control of expenditure the public accounts have moved into surplus and a good deal of progress has been made in the field of tax reform. In particular, there has been a considerable simplification of the personal income tax system, with now only two much-reduced tax rates of 25 and 40 %.

The fast growth of demand has meant that progress on curbing inflation has been disappointing during the last five years. Annual growth in average earnings, having remained stubbornly close to 7 ½ % since 1983, accelerated to 9 % by mid-1988 (explained partly by more overtime working, bonus payments and a catching-up in public-sector wages). Productivity gains have so far offset the effects of earnings growth, especially in manufacturing; but these gains are partly cyclically related and will thus taper off when output growth slows, so that unless wage increases slow correspondingly they will increasingly spill over into costs and prices. The rigidity of the wage formation process, with its implications for inflation and competitiveness, remains one of the key problems for the UK economy.

Will the present policy mix put sufficient downward pressure on inflation?

Over the medium term, some of the imbalances in the economy will be self-righting. The sharp pick-up in business investment implies a considerable increase in the supply potential of the economy. As corporate profits rise less quickly, firms may no longer be prepared to concede such high wage increases. In addition, personal saving can be expected to recover as higher interest rates and a cooling in financial and real asset markets lessen the willingness to take on additional debt. Nevertheless, it remains to be seen how strong an effect these factors will have on inflation and the current-account deficit.

This raises the question of how best to use the margin available for fiscal manœuvre. In particular, caution is desirable in phasing in the further reductions in the basic rate of income tax to which the government is committed. To avoid too rapid an expansion of private consumption and to contain inflationary pressures it may be necessary to continue a public-sector surplus for several years. Part of the fiscal margin could be used in ways which would further improve supply-side potential but with less direct impact on private consumption and imports, for example by reducing the cost to employers of taking on additional labour and increasing the post-tax return on investment.

Although there was some overall tightening of monetary policy in the early part of 1988, interest rates were reduced as sterling was subject to strong upward pressure, partly speculative. Since June, interest rates have risen by 4 ½ percentage points in total, marking a further substantial tightening of policy. This will help keep inflationary pressures in check. The recent rises in interest rates have been accompanied by relative stability in sterling, though at higher rates against other European currencies than at the beginning of the year. Over the medium term, a tight fiscal policy stance should enable monetary growth to be restrained without the use of very high interest rates, the persistence of which could damage investment. Monetary policy should also be consistent with the aim of greater exchange-rate stability.

Table D12

Main economic aggregates 1961-89[1]

United Kingdom

(annual % change unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989
1. Gross domestic product										
— At current prices	8,4	16,7	8,7	8,9	6,4	9,9	6,6	9,4	9,7	8,4
— At constant prices	3,1	0,7	1,1	3,5	2,0	3,7	2,9	4,3	3,8	2,6
— Price deflator	5,1	15,9	7,6	5,2	4,2	6,0	3,5	4,9	5,6	5,7
2. Gross fixed capital formation[2]										
— Total	4,6	−1,8	5,2	5,2	8,2	3,1	0,3	5,5	9,6	6,3
— Construction	:	−3,2	8,3	5,3	7,0	−2,9	4,4	4,2	9,8	5,8
— Equipment	:	0,1	1,5	4,9	9,6	9,9	−3,9	6,9	9,3	6,9
3. Share of gross fixed capital formation in GDP[3]										
— Total	18,5	18,8	16,2	16,2	17,3	17,2	17,2	17,4	18,4	19,1
— General government	:	3,4	1,6	2,0	2,1	2,0	1,8	1,5	1,6	1,6
— Other sectors	:	15,4	14,6	14,2	15,2	15,3	15,4	15,9	16,8	17,5
4. Final national uses incl. stocks										
— At constant prices	3,2	0,1	2,2	4,5	2,7	2,9	3,8	4,3	5,3	3,5
— Relative against 19 competitors	−2,0	−1,9	2,4	2,7	−0,9	0,2	0,0	1,5	3,0	0,9
— Relative against other member countries	−1,9	−1,7	2,0	4,1	0,9	0,9	0,0	1,7	3,3	0,8
5. Inflation										
(Price deflator private consumption)	4,8	15,1	8,6	5,0	4,8	5,2	3,6	3,8	4,4	4,7
6. Compensation per employee										
— Nominal	8,3	17,1	8,4	8,7	5,3	6,7	7,3	7,0	7,5	7,8
— Real, deflator private consumption	3,3	1,7	−0,2	3,5	0,5	1,4	3,6	3,0	3,0	2,9
— Real, deflator GDP	3,0	1,0	0,8	3,3	1,1	0,7	3,7	2,0	1,9	2,0
7. Productivity[4]	2,9	1,1	2,9	4,8	0,1	2,1	2,5	2,6	1,9	1,6
8. Real unit labour costs[5]										
— Index: 1961-73 = 100	100,0	103,0	99,0	97,6	98,5	97,1	98,2	97,6	97,6	98,0
— Annual % change	0,2	−0,1	−2,1	−1,4	0,9	−1,4	1,1	−0,6	0,0	0,4
9. Profitability (Index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in common currency										
• Against 19 competitors										
— Index: 1961-73 = 100	100,0	90,3	105,5	97,5	95,0	95,7	90,0	90,5	98,1	:
— Annual % change	−1,9	3,8	−6,5	−7,6	−2,6	0,8	−6,0	0,5	8,5	:
• Against other member countries										
— Index: 1961-73 = 100	100,0	83,7	105,3	99,3	100,7	102,0	,8	86,6	95,8	:
— Annual % change	−2,9	4,3	−3,6	−5,7	1,4	1,3	−12,0	−3,6	10,7	:
11. Employment	0,3	−0,4	−1,8	−1,2	1,9	1,6	0,4	1,7	1,9	1,0
12. Unemployment rate[6]	2,1	5,1	10,6	11,6	11,8	12,0	12,0	10,6	8,6	7,2
13. Current balance[7]	−0,1	−0,5	1,3	0,8	−0,3	0,5	−0,8	−0,6	−3,1	−3,3
14. Net lending of general government[7]	:	−3,7	−2,5	−3,3	−3,9	−2,7	−2,4	−1,4	−0,3	−0,1
15. Gross debt of general government[7]	:	55,8	57,4	57,1	58,4	57,2	56,1	53,2	49,3	46,1
16. Interest payments by general government[7]	:	4,4	5,0	4,7	4,9	4,9	4,6	4,3	3,9	3,6
17. Money supply (end of year)[8]	9,5	12,1	8,9	10,4	10,0	13,4	18,9	22,5	:	:
18. Long-term interest rate[9]	7,6	13,9	12,7	10,8	10,7	10,6	9,8	9,5	9,5	:

[1] 1961-86: Eurostat and Commission services.
1987-89: Economic forecasts, September/October 1988.
[2] At constant prices.
[3] At current prices.
[4] GDP at constant market prices per person employed.
[5] GDP deflator.
[6] Percentage of civilian labour force.
[7] Percentage of GDP.
[8] M3.
[9] Levels.

The social dialogue in the Community

Report on the meeting of the working group 'Macroeconomics' of 6 December 1988

Report on the meeting of the working group 'Macroeconomics' of the social dialogue at Community level, 6 December 1988

In its last meeting of the year, the working group 'Macroeconomics' had decided to discuss three topics: the Commission's Annual Economic Report for 1988-89, the determinants of investment, and wage differentials in the Community.

After a summary of key elements of the Annual Economic Report by Commissioner Peter Schmidhuber, representatives of the ETUC (European Trade Union Confederation), the Unice (Union of Industrial and Employers' Confederations of Europe) and the CEEP (European Centre of Public Enterprises) engaged in a wide-ranging exchange of views on the Annual Economic Report. The three organizations expressed their general agreement with the analysis of the economic situation in the Community and with the broad thrust of the Commission's economic policy as they were presented in the Report. In particular the three medium-term objectives of the economic policy of the Community, the complete success of the internal market, the strengthening of economic and social cohesion and the significant and lasting reduction of unemployment by the determined implementation of the cooperative growth strategy for more employment were endorsed by both sides. These three objectives must and can be attained simultaneously provided that the appropriate economic policies are implemented to consolidate present trends and to improve them further. The three organizations agreed that the joint opinions of the last two years had contributed to the adoption and implementation of the cooperative growth strategy for more employment. This year however they could not form a joint opinion, principally due to a disagreement on some points concerning the social dimension of the internal market.

ETUC speakers emphasized that whereas today the rate of growth in the Community was of the order of magnitude suggested by the cooperative growth strategy for more employment, the rates to be expected in the future were still below this level. This required additional action by the governments, especially in the area of public investment where so far no improvements have been forthcoming. In addition, the social dimension of the internal market would have to be strengthened; in this context they called for social dialogue at the sectoral level and within European firms and referred to the ETUC declaration of Madrid, which, among other things, calls for a legally-backed charter of social rights, a European right to educational leave, the development of economic democracy and a strengthening and adoption of the Commission's draft directives on safety, health and hygiene at the workplace. Speakers from the employers' organizations emphasized that the cooperative strategy was beginning to bear fruit, notably in terms of employment creation. It should, therefore, be pursued. In this context, the employers stressed the key role of the competitiveness of European firms in world markets. They underlined the importance of a policy of continued wage moderation and a reduction of average charges as preconditions for productive investment and improved competitiveness. They agreed that within the framework of sound public finances a restructuring of public expenditure towards economically profitable public investment should be encouraged. They insisted on the need to use the greater margin for budgetary manoeuvre which exists in certain countries to reduce taxation and other charges on businesses which handicap their international competitiveness. In addition, they called for further adaptability of markets and emphasized the need to strengthen cooperation between enterprises to promote common research and development efforts.

In the light of increasing shortages of skilled labour, the employers' organizations stressed the importance of professional training and retraining suited to the requirements of technological development. Such training would facilitate employment while, at the same time, reducing inflationary pressures and in the context of improved mobility should help to deal with the structural changes which are likely to be accelerated by the completion of the internal market. ETUC agreed with this but pointed out the difficulties concerning the practical implementation of such training measures. Furthermore, structural adjustment should be accompanied by a broadly-based social dialogue. The inertia and opposition to the necessary restructuring will be easier to overcome if growth is dynamic enough to produce an increase in employment and a decline in unemployment.

Both sides discussed the role of the Annual Economic Report with regard to a better coordination of economic policies of the Member States and encouraged the Commission in the future to make explicit recommendations to individual Member States regarding policies which conform to Community objectives, thereby exerting pressure on them to achieve a better convergence of economic performance. They expressed their worries about the current account imbalances both worldwide and within the Community, which particularly required continued strong or even stronger growth of domestic demand in the surplus countries, and called for efforts to improve exchange-rate stability inside and outside the Community.

The discussion on investment in the Community was based on a working paper prepared by the Commission services. There was general satisfaction with the recent strengthening of private investment in the Community. Both sides agreed that the steady improvement of profitability of capital, basically due to several years of moderate real wage growth and stronger demand were the major causes of this strengthening. It was encouraging to note that investment was being undertaken increasingly to extend capacity and that this had a positive impact on employment creation. In order for job-creating investment to continue it has to be underpinned by even more favourable and lasting prospects for demand and profitability. The social partners underlined the need for additional public investment. Areas mentioned were transport infrastructure (in particular rail links), environment, research and development and human capital (i.e. education and training). The employers underlined the importance of carrying it out within the framework of sound public finances.

There was a strong consensus on the need for infrastructure investment of Community interest. The employers stressed that Community intervention should be confined to facilitating (e.g. by carrying out feasibility studies) major transnational projects with a real economic impact on the Community's production system. The methods of their financing should not place a further burden on Member States. The ETUC asked the Commission to step up its efforts to facilitate the creation and the financing of such investment. The ETUC suggested that an 'infrastructure fund' of the Community should be created and that the current Community budget savings should be used for additional infrastructure investment.

The topic of wage differentials and their role in the internal market was discussed on the basis of another working paper of the Commission services. There was general agreement that differences in labour costs (including social security charges and other indirect wage costs) between Member States have to be seen together with differences in productivity levels and that there was no general problem of a distortion of competition. There are more factors than wage costs and productivity determining the location of enterprises, e.g. product quality, service, training of the workforce and the availability and quality of infrastructure. The convergence of these factors will form part of the catching-up process of the poorest regions and countries in the Community. Nevertheless, worries remained for the ETUC that due to the completion of the internal market the social systems might be used as instruments of competition and that the employers would pit the workforce in one Member State against the workforces of other Member States. Employers take the view that European enterprises should not compete against each other on grounds of health and safety of workers. They therefore support the Commission in setting up a framework of Community legislation to guarantee minimum health and safety provisions at the workplace as stipulated in Article 118a of the EEC Treaty, which was added by the Single European Act. The employers, however, do not believe that all other conditions of work and employment such as, for example, working time, pay or social benefits should be harmonized at Community level. Such elements are important factors affecting the competitiveness of firms both within and outside the Community.

In general the social partners agreed that their contribution to the success of major Community projects is essential. They for their part will each continue to contribute to the effectiveness of the social dialogue at Community level which, moreover, since the adoption of the Single European Act, is enshrined in Article 118b of the EEC Treaty. They welcomed the initiative of the President of the Commission in convening a plenary meeting of the social dialogue at Community level on 12 January 1989, which might give an opportunity to review for the future the tasks and working methods of the social dialogue at Community level.

Ad hoc studies on Community economic issues[1]

[1] These studies have been prepared under the sole responsibility of the Commission services.

Study A :

The labour market in the Community

Contents

Tables and graphs for the ad hoc study:
The labour market in the Community

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The labour market in the Community

Summary and conclusions

Unemployment remains the major challenge facing the Community. Since 1973, the Community has seen its unemployment rate more than quadruple and, in spite of some small recent improvements, it is still a long way from pre-recession unemployment levels. This is in marked contrast with the rest of the industrialized world. The favourable demographic developments of the 1970s ('baby-boom generation') were not accompanied by an expansion of employment in the Community. In the medium-term the proportion of the population which is not of working age is going to increase. This makes an expansion of employment to find a sustainable base to share the burden of taxation and social security in the Community an even higher priority. The 'employment gap' of nearly 16 million unemployed and many million potentially active people has to be closed. Employment creation in the Community has considerably improved (on *a per capita basis*). It is nevertheless far from sufficient to absorb the actual and potential labour supply. Employment creation also lags significantly behind the performance of other industrialized countries. Between 1983 and 1986 net employment creation was dominated by female part-time employment in the service sector. The Community is thus continuing its transformation into a 'service economy' with service-sector employment reaching 60 %. The completion of the internal market is likely to have a major impact on this process as it removes existing significant barriers to trade in many service activities. In combination with all the efforts to improve supply conditions and demand perspectives in the Community, as they are developed in its Annual Economic Report, an expansion of operating hours of equipment combined with a further reduction of individual working time, which is neutral to the level of costs, would make available the significant employment reserves of the existing capital stock, would induce additional growth and make growth more employment creating. Social partners and governments have an important role to play to facilitate the reorganization involved.

1. Unemployment

Unemployment remains the major economic challenge facing the Community. In 1986, unemployment reached 11,9 % of the (civilian) labour force (16,1 million unemployed), a record level in the history of the European Community (see Table 1). Since then it has declined somewhat and may reach 11 % on an annual average in 1989. This would still represent twice the level of 1979 and more than four times the level of 1973. Medium-term projections which

Table A1

Unemployment rates in the Community

(number of unemployed[1] as % of civilian labour force, annual averages)

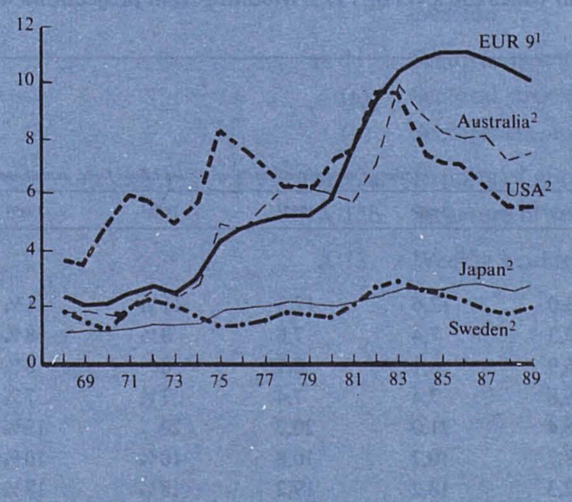
	1973	1975	1979	1982	1986	1987[2]	1988[2]	1989[2]
B	2,8	5,1	8,4	13,0	12,6	12,3	11½	11¼
DK	0,8	5,0	5,8	9,3	7,4	7,6	8½	8¼
D	1,1	4,1	3,3	6,9	8,1	8,1	8	8¼
GR	:	:	:	5,8	7,4	7,4	7½	7½
E	2,6	4,1	8,6	16,4	21,0	20,5	20	19¾
F	1,8	3,9	6,0	8,7	10,7	10,8	10¾	10¾
IRL	5,5	8,4	7,4	12,3	18,2	19,2	18¾	18¼
I	4,9	5,3	6,7	9,7	13,7	14,0	15	14½
L	0,0	0,2	0,7	1,3	1,4	1,6	1½	1¼
NL	3,1	5,3	5,5	11,8	12,1	11,5	11¼	11
P	:	:	:	:	8,7	7,2	6½	6½
UK	2,2	3,6	4,7	10,6	12,0	10,6	8½	7¼
EUR 9	2,4	4,3	5,2	9,3	11,1	10,8	10½	10¼
EUR 12	:	:	:	:	11,9	11,6	11¼	11

[1] Definition: for EUR 9 registered unemployed, SOEC definition; for GR, E, P labour force surveys.
[2] Estimates and forecasts of the Commission services, September/October 1988.
Sources: SOEC and Commission services; for Spain, 'Homogenized series', Ministry of Finance.

extrapolate mechanically the growth trend of the years prior to 1988 suggest that the unemployment rate in 1992, 10 years after the end of the last recession, will not be much below one tenth of the Community labour force. Thus even over a long period a serious reduction in large-scale unemployment in the Community appears difficult to achieve.

In this respect, a marked contrast has developed between the unemployment performance of the Community and the other industrialized countries (see Graph 1). Whereas all industrialized countries were affected by the two global recessions of 1973-75 and 1979-82, their economic structures and economic policies led to three quite different patterns in the development of unemployment:

GRAPH A 1: **Unemployment rates in OECD countries (as % of labour force)**



[1] EUR 9: registered unemployed as % of civilian labour force, SOEC definition; for 1988 and 1989: forecasts September/October 1988.
[2] Others: 'commonly used definitions', OECD, *Economic outlook*, June 1988.

(i) A first group of industrialized countries succeeded in keeping unemployment consistently at very low levels in spite of the recessions (in Graph 1 this group is illustrated by Japan and Sweden; other countries in this category are Austria, Norway and Switzerland).

(ii) A second group saw its unemployment rise strongly during the recessions but was able to bounce back sufficiently to restore unemployment to pre-recession levels within a few years (this is the case of the USA and, after 1983, of Australia, see Graph 1; Canada and Finland present similar patterns).

(iii) The European Community has shown neither. Unable to keep its unemployment from rising strongly during recessions, it has found no way to reduce it quickly afterwards.

Within the Community, most Member States share this experience (see Table 1). Only Luxembourg steadily kept its unemployment at a very low level. After the first oil shock, between 1975 and 1979, only the Federal Republic of Germany and Ireland achieved any reduction in their unemployment rates. Since 1982, half of the Member States (Denmark, Portugal, the United Kingdom and, to a lesser extent, Belgium, Spain and the Netherlands) have succeeded in reducing unemployment from its peak levels, but even in these Member States unemployment remains far above the 1979 and even higher than the 1973 levels.

Although overall unemployment in the Community is changing very slowly, there are significant developments in individual segments of the labour market (see Table 2). Thus, for example, the relative position of women remains difficult. On the one hand, their unemployment rate, already higher than the male counterpart, continues to increase whereas male unemployment has started to decline. Female employment, on the other hand, is growing faster than male employment. The reason for these contradictory developments is the strong and continuous increase in female participation, which exceeds the speed by which the Community economy is providing additional employment.

Youth unemployment is decreasing quite rapidly due to changing demographic trends and specific labour market policies targeted at the young unemployed. Still the youth unemployment rate remains at nearly three times the unemployment rate for those 25 years of age and above: more than one fifth of the Community labour force below 25 years of age (nearly 6 million young European citizens) is unemployed.

The alarming increase in long-term unemployment, which has already been indicated in last year's Annual Economic Report (*European Economy*, No 34, pp. 33-34), has continued. According to the 1986 EC labour force survey, nearly 53 % of all unemployed in the Community have been con-

Table A2

Structure of unemployment

(EUR 12)

	1983	1984	1985	1986	1987[1]
Specific unemployment[2] rates (annual averages in %)					
Total	10,0	10,8	10,9	10,8	10,6
Men	8,8	9,5	9,5	9,3	8,8
Women	11,9	12,9	13,0	13,1	13,4
Under 25 years	23,1	24,1	23,3	22,6	21,7
Men	21,7	22,5	21,7	20,9	19,4
Women	24,8	26,1	25,2	24,7	24,4
Over 25 years	6,7	7,4	7,8	7,9	7,9
Men	6,1	6,7	7,0	6,9	6,7
Women	7,8	8,7	9,2	9,6	10,0

[1] Estimate.
[2] Unemployment data from the harmonized Community labour force survey. Therefore, rates differ from those based on registered unemployed (see Table A1).
Source: SOEC, 'Unemployment in the Community', August 1988.

tinuously out of work for one year or more (see Table 3a), with shares in the Member States differing between nearly 70 % in Belgium and 30 % in Denmark. As the probability of leaving unemployment is reduced as the duration of unemployment increases, there is a risk that the Community pool of unemployed structurally hardens the longer the spell of very high unemployment lasts. This is confirmed by the fact that the share of the very long-term unemployed (those who have been continuously out of work for two years or more) is growing strongly, reaching one third of the Community's total unemployed (see Table 3b). It would thus seem that an increasing proportion of the unemployed no longer forms part of the normal labour market turnover. This problem will require special strategies and resources targeted to it. The urgency of the measures designed in the Community's 'Memorandum on long-term unemployment' (COM(87) 231) and the special priority for the use of the growing Community structural Funds to combat long-term unemployment are underlined by these developments. Based on the Council conclusions of 1 December 1987 (87/C 335/01) on 'Action to combat long-term unemployment', the Community has started an 'Action programme to assist the long-term unemployed' in the autumn of 1988.

Table A3a

Long-term unemployment[1]

(as % of total unemployment)

	1983	1984	1985	1986
B	64,1	67,1	68,2	69,2
DK	32,2	30,9	32,0	26,5
D	38,4	43,4	46,9	47,6
GR	32,3	37,1	43,4	41,8
E	52,5	53,4	56,3	58,4
F	39,6	39,1	43,8	44,7
IRL	35,2	44,5	62,2[2]	62,9[2]
I	54,6	60,5	63,6	65,6
L	32,7	29,3	36,8	29,0
NL	46,9	:	56,4	:
P	45,2	43,5	48,4	53,4
UK	44,8	45,5	48,7	46,3
EUR 12	46,3	48,3[3]	52,1	52,7[3]

Table A3b

Very long-term unemployment[4]

(as % of total unemployment)

	1983	1984	1985	1986
B	41,8	44,7	51,5	53,5
DK	12,3	10,4	13,3	9,6
D	14,9	20,2	26,7	29,4
GR	11,7	14,3	19,5	17,6
E	:	:	:	37,3
F	17,7	19,3	21,8	24,0
IRL	19,7	:	41,1[2]	42,6[2]
I	28,0	34,6	38,1	41,3
L	14,4	15,9	13,8	13,0
NL	22,3	:	35,7	:
P	:	:	:	32,7
UK	24,8	29,2	33,2	31,7
EUR 12	22,3[5]	26,0[6]	30,9[5]	33,2[3]

[1] Continuously unemployed for one year or more.
[2] The change of format of the question in 1985 appears to have affected the response.
[3] Estimate.
[4] Continuously unemployed for two years or more.
[5] EUR 10, excluding Spain and Portugal.
[6] EUR 9, excluding Spain, Portugal and the Netherlands.
Sources: COM(87) 231 final and SOEC, on the basis of the EC labour force survey; Spain and Portugal 1983-85: national surveys.

An examination of the previous labour market status of the unemployed, provided by the EC labour force survey, indicates that, in 1986, 28 % had been inactive in the period immediately prior to unemployment (see Table 4), a share which has been growing in recent years. Whereas women are more strongly represented in this group than men, it also reflects a growing number of formerly discouraged males once again taking up their search for employment. 25 % of the Community's unemployed are looking for a first job, a share which differs widely, for example between Denmark (3 %) and Italy (62 %), with high shares also recorded in Greece (44 %), Spain (41 %) and Portugal (31 %). Thus more than half of the Community's unemployed are new entrants or re-entrants to the labour market. These shares reflect the extent to which labour markets are structured in such a way as to protect those already in the employment system as compared to new entrants.

Table A4

Categories of unemployed — 1986

(% of total unemployed)

	Lost job	Left job	Seeking first job	After inactivity	Total unemployed
B	26	38	17	19	100
DK	51	20	3	26	100
D	34	32	9	25	100
GR	30	12	44	14	100
E	:	:	41	:	100
F	41	19	15	25	100
IRL	33	29	19	19	100
I	8	3	62	27	100
L	27	22	29	22	100
NL[1]	29	29	24	18	100
P	19	12	31	38	100
UK	24	28	12	36	100
EUR	26[2]	21[2]	25[3]	28[2]	100

[1] 1985.
[2] Estimate for EUR 11, excluding Spain.
[3] Estimate for EUR 12.
Source: EC labour force survey, 1986.

2. Actual and potential labour supply

Between 1973 and 1988, the total population of the Community grew by nearly 5 % (from 309 to 324 million), a population growth much smaller than in Japan (13 %) or in the United States (16 %).

At the same time, the composition of total population also changed (see Graph 2):

(a) In 1973, 63 % of total population were of working age (between 15 and 64), by 1988 this share had increased to 67 %; with the 'baby-boom' generations entering the labour market and the comparatively small 'war generations' moving into retirement, the population of working age (15-64) has grown by 12 % since 1973 (Japan 14 %, USA 22 %), which is more than twice the expansion of total population.

(b) During the same period, however, participation rates decreased. In 1988, 23 % of the total population were not economically active even though they were of working age, compared to 21 % in 1973.

(c) Less than 1 % of the total population was unemployed in 1973. This 'employment gap' widened to 5 % by 1988.

(d) The share of those employed and creating income in the Community has, however, remained virtually unchanged (41 % in 1973 compared to 40 % of total population in 1988).

Thus, in 1988, for every person employed there are 1,5 persons who are either not of working age or inactive or unemployed (a dependency ratio of 1,5). It is particularly discomforting that the dependency ratio has not been reduced in a period of quite favourable development in the demographic structure of the Community. The temporary availability of strong young age-groups has not coincided with a broadening of the employment base in the Community: only inactivity and unemployment have expanded. The high rate of youth unemployment indicates that a considerable part of the young generation has so far not found access to the Community labour market.

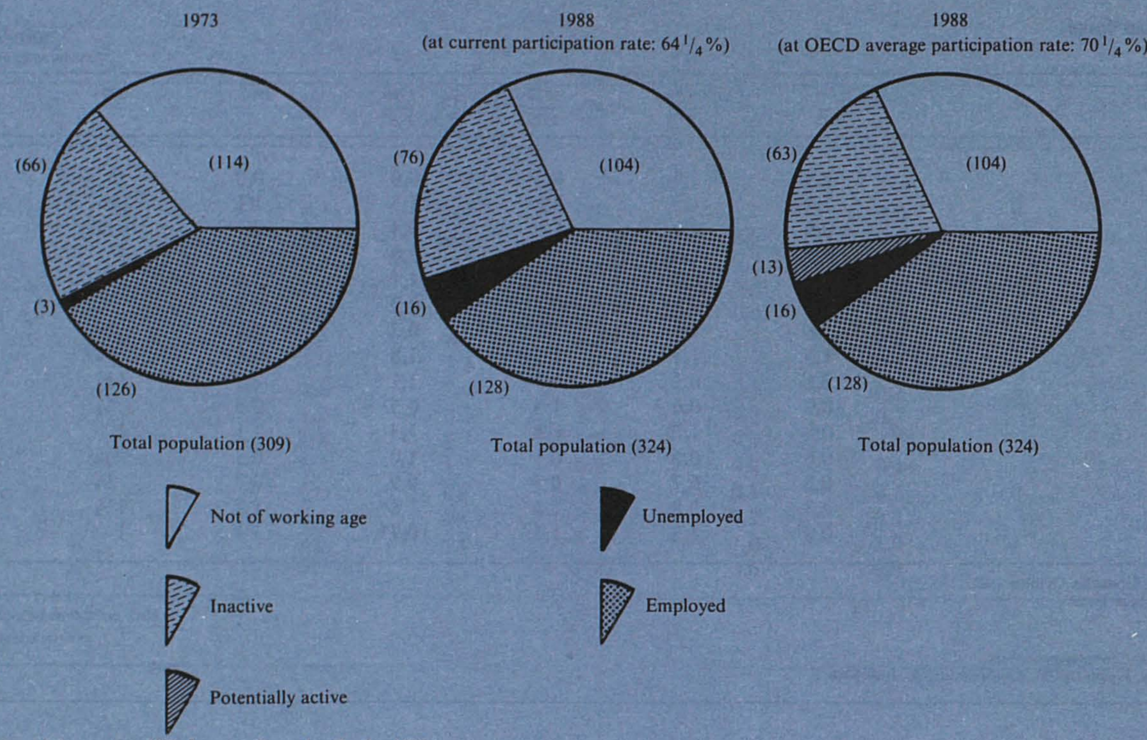
These changes in the size and composition of the Community's population have important implications for the actual (and potential) labour supply in the Community.

Between 1973 and 1988, actual labour supply in the Community has grown significantly. The labour force (employed and unemployed) increased by 11 %, i.e. nearly 15 million, between 1973 and 1988 (see Table 5). In Japan over the same period, the labour force grew by 14 % and by as much as 34 % in the USA.

There are two main elements in the determination of the labour supply:

(i) demography and migration, which determine the size of total population and the share of those at the right age to be economically active ('population of working age');

GRAPH A 2: The 'employment gap' in the Community (in Mio)



Source: Commission services; 1988: forecasts, September/October 1988.

(ii) the willingness of those in the population of working age to actually seek employment, which is measured by the participation rate.

Graph 3 illustrates the changing role of the two elements in the past. In the 1970s and early 1980s, a declining participation rate provided some counterbalance to the strong increase in the population of working age. Today, growing participation contributes to the growth in the labour force. As the population of working age can be expected to stagnate soon or even decline, the development of participation rates will increasingly determine labour supply perspectives.

Examining these elements in more detail, it should first be noticed that population growth in the Community is gradually coming to a halt (see Table 6). In five Member States, the population is no longer growing or is even slightly decreasing while in the others population growth is significantly lower today than it was in the 1970s.

The evolution of the population of working age (see Table 7) during the 1970s and 1980s reflects considerable demographic fluctuations. Its annual growth rate reached 1,0 % between 1979 and 1982. Since then it has dramatically slowed down to 1/4 % per year in the Community.

Therefore, attention has to turn to the other determinant of the labour supply. In the Community, the total participation rate declined until 1984, in particular during the 1973-75 and 1979-82 recessions; it has somewhat recovered since then but has not yet regained its 1973 level.

Table A5

Total labour force

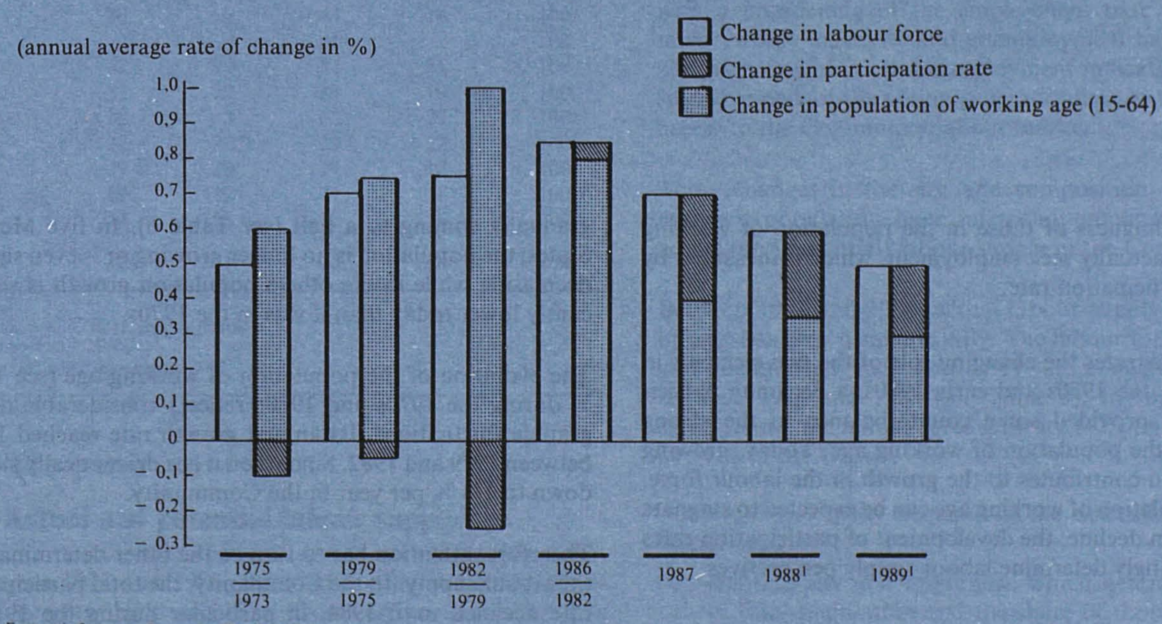
(annual rates of change, in %)

	1975/1973	1979/1975	1982/1979	1986/1982	1987	1988[1]	1989[1]
B	1,2	1,0	0,5	0,0	0,0	0	0
DK	1,4	1,5	0,9	1,3	1,1	¾	¾
D	−0,6	0,0	0,8	0,4	0,7	½	¾
GR	0,3	1,0	1,9	1,0	−0,1	1	1
E	0,1	0,2	0,0	1,1	2,4	2	1½
F	1,0	1,0	0,8	0,2	0,3	½	½
IRL	1,8	1,4	1,8	0,2	0,2	− ½	− ¼
I	1,0	1,1	1,4	1,8	0,9[2]	¾[2]	½[2]
L	2,1	0,1	0,5	1,1	2,9	1¾	1½
NL	0,9	0,6	1,4	0,5	0,6	½	½
P	0,0	1,7	0,4	1,3	1,1	1	¾
UK	0,6	0,6	0,1	1,0	0,3	− ¼	− ½
EUR 12	0,5	0,7	0,7	0,9	0,7	½	½
USA	2,3	2,8	1,6[3]	1,8[4]	1,7	1½	1½
Japan	0,0	1,3	1,3[3]	0,7[4]	1,1	1	1

[1] Forecasts, September/October 1988.
[2] Civilian labour force.
[3] 1983/79.
[4] 1986/83.

Sources: EUR: Commission services.
USA, Japan: OECD, *Economic outlook*, June 1988.

GRAPH A 3: **Contributions to the changes in the Community labour force (EUR 12)**



[1] Economic forecasts, September/October 1988.
Source: Commission services.

Table A6

Total population

(annual rates of change, in %)

	1975/1973	1979/1975	1982/1979	1986/1982	1987	1988[1]	1989[1]
B	0,3	0,1	0,1	0,0	0,0	0	0
DK	0,4	0,3	0,0	0,0	0,2	0	0
D	−0,1	−0,2	0,2	−0,2	0,2	½	½
GR	0,7	1,4	0,8	0,5	0,3	½	¼
E	1,0	1,1	0,7	0,4	0,4	½	½
F	0,6	0,4	0,5	0,4	0,4	½	½
IRL	1,7	1,5	1,1	0,4	−0,1	0	0
I	0,6	0,4	0,2	0,3	0,2	0	0
L	1,2	0,3	0,2	0,2	0,7	¼	¼
NL	0,8	0,7	0,7	0,4	0,7	½	½
P	2,2	1,3	0,9	0,7	0,4	¼	¼
UK	0,0	0,0	0,1	0,2	0,2	0	0
EUR 12	0,4	0,4	0,3	0,2	0,3	¼	¼
USA	1,0	1,0	1,1	1,0	1,0	1	1
Japan	0,2	1,0	0,7	0,6	0,5	½	½

[1] Forecasts, September/October 1988.
Source: Commission services.

Table A7

Population of working age (15-64)

(annual rates of change, in %)

	1975/1973	1979/1975	1982/1979	1986/1982	1987	1988[1]	1989[1]
B	0,8	0,7	0,4	0,4	−0,2	0	0
DK	0,2	0,4	0,6	0,4	0,6	½	½
D	0,1	0,4	1,4	0,5	−0,2	0	0
GR	0,7	1,3	1,3	1,0	0,5	½	½
E	1,0	1,3	1,1	1,2	0,9	¾	¾
F	0,7	0,7	1,3	0,8	0,5	½	¼
IRL	1,9	1,7	1,3	0,7	−0,1	0	0
I	0,7	0,6	0,8	1,2	0,4	¼	¼
L	1,9	0,5	0,6	0,7	−0,1	0	0
NL	1,4	1,4	1,3	1,1	0,9	¾	½
P	2,8	1,2	0,9	1,1	3,9	1	¾
UK	0,1	0,6	0,5	0,5	0,5	½	¼
EUR 12	0,6	0,7	1,0	0,8	0,4	¼	¼
USA	1,7	1,7	1,3	1,0	1,0	1	1
Japan	0,1	0,8	0,8	1,0	0,9	1	1

[1] Forecasts, September/October 1988.
Source: Commission services.

There are two different factors underlying the changes in participation. Firstly, poor labour market conditions have discouraged many in the past but this phenomenon should gradually disappear in the future as economic conditions improve. Secondly there is a continuing trend towards a higher level of economic activity by women. Whereas between 1983 and 1986 the participation rate of males continued to decline by nearly 1 %, the female participation rate increased by 4 %.

Differences between total participation rates in Member States remain vast; they range from 53 1/2 % in the Netherlands to more than 83 % in Denmark. Furthermore, the estimated Community participation rate of 64 1/4 % in 1988 is significantly lower than in other industrialized countries (e.g. 72 1/2 % in Japan, 76 % in the USA, 82 1/4 % in Sweden and 70 1/4 % in the OECD average[1]). If the Community today had a participation rate equal to the average of the industrialized countries, its labour force would be about 13 million larger (see Graph 2, 'potentially active' segment of total population in 1988).

A further potential for labour supply can be seen in the underemployment of more than two million part-time employees (in 1986), who indicate in the EC labour force survey that they are in fact seeking full-time employment (see Chapter 3.1.).

These potentials are a mixed blessing: on the one hand, they indicate the possibility of a gradual expansion of the labour supply by more than 10 %, on the other hand they threaten a widening of the 'employment gap' to nearly double its present size.

Employment creation therefore must be centre stage in the Community's economic policy.

[1] OECD, *Economic outlook*, June 1988.

Table A8a

Total participation rates

(total labour force as % of population of working age (15-64)

	1973	1975	1979	1982	1986	1987	1988[1]	1989[1]
B	63,6	63,9	64,2	64,2	63,0	63,1	63	63 ¼
DK	75,8	76,3	79,7	81,9	82,9	83,4	83 ½	83 ¾
D	68,8	67,9	66,8	65,6	65,4	66,0	66 ½	67
GR	59,5	59,4	58,5	61,6	61,8	61,4	61 ¾	62
E	58,5[2]	57,5[2]	57,5	56,6	57,0	57,9	58 ½	59
F	67,8	67,7	68,5	67,3	65,9	65,7	65 ¾	66
IRL	63,6	62,6	62,4	62,9	62,0[2]	62,2[2]	61 ¾[2]	61 ¾[2]
I	59,4	59,6	60,9	61,2	63,9[2]	64,5[2]	65[2]	65[2]
L	65,4[2]	65,6[2]	64,3[2]	64,1[2]	67,0	69,0	70 ¼	71 ¼
NL	57,8	57,2	56,7	58,8	53,7	53,7	53 ½	53 ½
P	71,6[2]	68,8	69,8	69,1	67,4	65,6	65 ½	65 ½
UK	73,2	73,8	74,1	73,1	74,7	74,6	74	73 ½
EUR 12[2]	64,5	64,4	64,2	63,7	63,8	64,0	64 ¼	64 ¼
USA	68,4	:	72,1	73,1[3]	74,8	75,6	76	76
Japan	71,7	:	71,8	73,0[3]	72,4	72,5	72 ½	72 ½

[1] Forecasts, September/October 1988.
[2] Estimate.
[3] 1983.

Sources: EUR: SOEC, own calculations;
USA, Japan: OECD, labour force statistics and *Economic outlook*, June 1988.

Table A8b

Female participation rates

(female labour force as % of female population of working age (15-64))

	1970	1975	1979	1982	1985	1986
B	40,2	44,1	47,4	49,4	50,5	51,3
DK	57,9	62,8	70,2	73,6	76,4	78,2
D	48,1	49,6	49,6	50,0	50,3	51,1
GR	:	:	32,7	36,4	41,8	:
E	:	32,4	32,3	32,3	33,1	34,0
F	48,5	51,0	54,5	54,7	54,9	55,3
IRL	34,1 [1]	34,7	35,0	36,9	36,8	36,8
I	34,0	35,4	39,2	40,7	41,8	43,0
L	33,7	37,9	39,9	:	:	:
NL	30,5	32,0	34,4	39,4	40,9	41,1
P	:	48,9	52,8	55,6	55,7	54,5
UK	50,8	55,3	57,9	57,0	60,3	61,0
EUR 12	:	45,3 [1]	47,0	47,8 [1]	49,0 [1]	50,0 [1]
USA	:	51,1 [2]	58,9	61,8 [3]	63,8	64,9
Japan	:	54,0 [2]	54,7	57,2 [3]	57,2	57,4

Table A8c

Male participation rates

(male labour force as % of male population of working age (15-64))

	1970	1975	1979	1982	1985	1986
B	85,9	83,7	80,8	78,9	76,1	75,2
DK	91,9	89,8	89,1	90,1	90,3	91,4
D	92,5	87,0	84,5	81,4	80,0	79,8
GR	:	:	90,0	87,6	83,4	:
E	:	92,5	83,0	81,3	78,6	78,1
F	86,9	84,2	82,3	79,9	76,7	76,3
IRL	95,4 [1]	89,9	88,9	88,2	86,0	85,0
I	86,5	84,5	83,4	82,3	79,9	79,8
L	88,9	85,4	83,6	:	:	:
NL	86,7	81,9	83,1	77,7	75,8	75,2
P	:	91,6	93,5	83,4	83,2	82,9
UK	94,3	92,2	92,6	89,1	88,5	88,0
EUR 12	:	87,5 [1]	84,7	82,8 [1]	80,8 [1]	80,4 [1]
USA	:	86,2 [2]	85,7	84,6 [3]	84,6	85,0
Japan	:	90,1 [2]	89,2	89,1 [3]	87,8	87,6

[1] Estimate.
[2] 1973.
[3] 1983.

Sources: SOEC, own calculations; OECD, *Employment outlook*, September 1988.

3. Employment creation

3.1. The employment performance in the Community

Since 1984, allied to the economic upturn, net employment creation in per capita terms in the Community has recovered (see Table 9). By 1988 the growth in employment has more than compensated for the 1980-83 recession losses. Total employment is even beginning to exceed the previous peak levels of 1974. With an annual net employment creation of around 1 % — which implies a net expansion of Community employment by more than 1 million jobs per year — employment is now growing at more than double the average rate of previous recoveries.

On the other hand total employment creation in the Community since 1983 has been less than half of the average of the industrialized countries. While experiencing a strong employment performance in historical terms the Community is thus getting far less new employment out of the current recovery than the other industrialized areas. Furthermore, as working-time reductions continue and employment creation is predominantly part-time, it is evident that the volume of labour employed (in annual hours) is growing much less — if at all — than employment in per capita terms.

In the Member States, employment performance varies considerably. Whereas in the early part of the recovery it was in Denmark where employment expanded particularly strongly, it is now Spain, the United Kingdom, Luxembourg and Portugal, where — along with an economic growth which has been above the Community average for several years — employment creation significantly exceeds 1 % per year. In half the Member States (Denmark, Greece, Italy, Luxembourg, Portugal, United Kingdom), employment has climbed back to or exceeds previous record levels.

The improving employment performance coincided with remarkable shifts in the structure of Community employment. Between 1983 and 1986 employment creation in the Community was dominated by additional female part-time employment in the service sector:

(i) 80 % of all net additional employment was female;

(ii) three out of four new jobs created were part-time;

Table A9

Total employment in the Community

	1973/1960	1975/1973	1979/1975	1982/1979	1986/1982	1987	1988[1]	1989[1]
B	0,6	0,0	0,1	−1,1	0,2	0,3	1¼	¾
DK	1,1	−0,8	1,2	−0,4	1,8	1,1	−¼	¼
D	0,2	−2,1	0,2	−0,4	0,0	0,7	½	¾
GR	−0,5	0,1	1,0	1,8	0,6	−0,1	1	¾
E	0,8	−0,3	−1,4	−2,4	−0,7	3,0	2½	2
F	0,7	0,0	0,5	−0,1	−0,4	0,1	½	½
IRL	0,1	0,3	1,6	0,0	−1,6	−0,1	0	½
I	−0,4	0,8	0,8	0,5	0,9	−0,1	½	½
L	1,1	2,0	−0,1	0,3	1,1	2,7	2	1½
NL	0,9	−0,2	0,5	−1,1	0,3	1,2	1	1
P	−0,5	−1,1	0,5	0,9	0,6	2,7	1¾	1
UK	0,3	−0,0	0,3	−2,0	0,7	1,7	2	1
EUR 12	0,3	−0,4	0,3	−0,7	0,2	0,9	1	1
USA	1,9	−0,5	3,6	0,2	2,4	2,6	2¼	1½
Japan	1,3	−0,1	1,0	0,8	0,9	1,0	1	¾

[1] Forecasts, September/October 1988.
Source: Commission services.

(iii) only service-sector employment increased whereas employment in manufacturing was still declining.

Part-time employment grew more strongly than full-time employment; in fact, the Community labour force survey indicates that three out of four additional jobs in the Community were part-time (between 1983 and 1986; see Table 10b). The contribution of part-time employment to employment creation was particularly strong in Italy and in the United Kingdom; in France only part-time employment increased while full-time employment continued to fall. The share of part-time employment in total Community employment reached 13,3 % in 1986 (see Table 10a), with shares in the Member States now ranging from 5,0 % in Italy to 23,7 % in Denmark.

Part-time employment exists for various reasons. The economic and social situation of the part-time employed and their behaviour differ considerably. In particular the 'involuntary' part-time employed are likely to seek full-time employment when opportunities arise. The Community labour force survey therefore asks the part-time employed whether their part-time status is because:

(a) they are currently pursuing an education,

(b) they are ill or handicapped,

(c) they could not find full-time employment, or because

(d) they did not want full-time employment.

According to the 1986 survey results, 13 % of the Community part-time employed were working part-time because

Table A10a

Share of part-time employment in the Community — 1986

(as % of total employment)

B	DK	D	GR	F	IRL	I	L	NL[1]	UK	EUR 10[2]
9,4	23,7	12,9	5,8	11,8	6,2	5,0	6,6	21,0	21,6	13,3

[1] Employees only.
[2] Estimate.
Source: EC labour force survey.

Table A10b

Contribution of part-time employment to total employment creation

	B	DK	D	GR	F	IRL	I	L	NL	UK	EUR 10
Percentage change in employment, 1983-86 (%)											
Total	1,8	7,2	1,7	1,4	−1,1	−4,4	3,0	4,6	3,1	3,9	2,0
Contribution to the change in total employment (% points)											
Full-time employment	0,9	5,5	1,2	1,7	−2,4	−4,3	0,6	4,6	2,4	0,9	0,5
Part-time employment	0,9	1,7	0,5	−0,3	1,3	−0,1	2,4	0,0	0,7	3,0	1,5

Source: EC labour force survey, own calculations.

they could not find full-time employment (this represents 1,8 % of total Community employment or roughly 2,3 million). The share of these 'involuntary' part-time employed in total employment has grown since 1983, when it was 10,3 %; from the increase in part-time employment between 1983 and 1986 more than 26 % were in this category. The incidence of 'involuntary' part-time employment is higher for male part-time employed (25,5 % of total part-time employment) than for female (10,5 %). The 'involuntary' part-time employed would represent an additional labour supply potential of nearly 1 % of Community employment (or about 1,1 million full-time jobs) if they currently worked on an average half the hours of the full-time employed.

The biggest share of part-time employed is, however, comprised of those who indicate that they, at least for the moment, do not want full-time employment: 53 % of all part-time employed. This is due to the particularly high share of 'voluntary' female part-time employment (59 %). For male part-time employed, however, the share of 'voluntary' part-time employed (22%) is smaller than that of 'involuntary' part-time employed (25,5%). Part-time employment for educational reasons also explains a considerable element of male part-time employment (19%).

3.2. Policies to accelerate employment creation

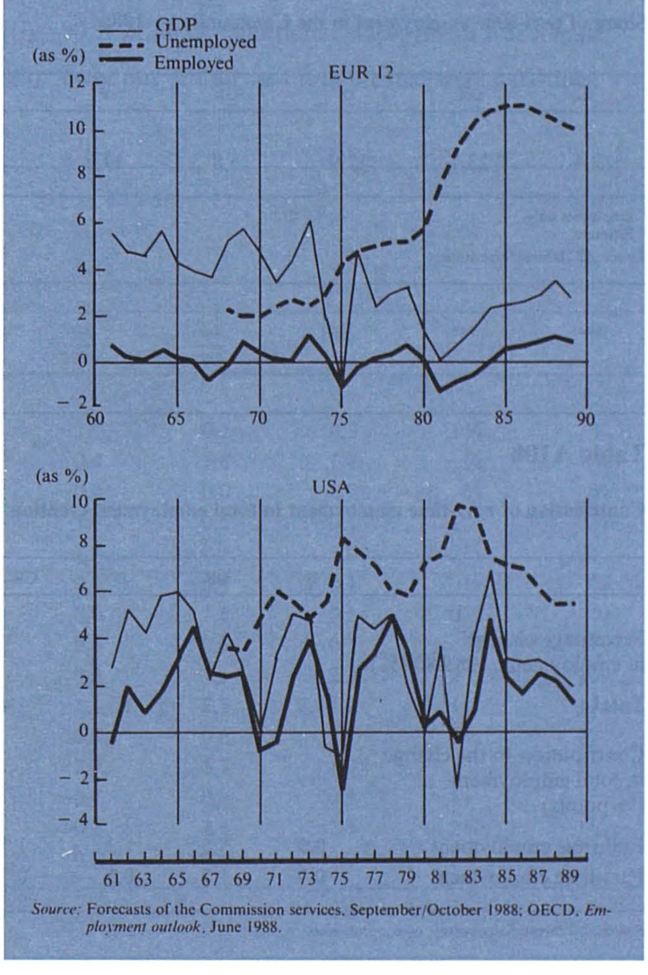
The employment performance of the Community has thus improved, but has to be carried further. If participation in the Community gradually expands to the levels observed today in other industrialized countries, it should more than compensate for the gradual decrease of the population of working age: the labour force is therefore likely to expand further even in the medium term. To provide employment for these future labour market entrants, to significantly reduce the current high level of unemployment and to gradually absorb the potential labour supply, net employment creation in the Community will have to clearly exceed 1 % per year for many years to come.

Economic growth therefore needs to be accelerated and the employment content of growth increased even further.

In the short term, employment creation follows economic growth quite closely (see Graph 4). An acceleration of economic growth is therefore likely to have an immediate beneficial effect on employment growth. The major economic undertakings of the Community, the completion of the internal market, the catching-up process of the less-favoured regions and countries and the full implementation of the cooperative growth strategy for more employment, will be required to achieve faster economic growth in the short and in the medium term.

Some of the steps taken in this process, e.g. the restructuring of the production process in the context of the completion of the internal market or the improvements in the efficiency of investment in the less-favoured regions, are likely to increase labour productivity. To reap the full employment benefits of these efforts, however, other developments and policies have to make sure that the employment content of growth continues to improve. Today about 2 % of economic

GRAPH A 4: **GDP growth, employment growth and unemployment in the Community and in the USA**



Source: Forecasts of the Commission services, September/October 1988; OECD, *Employment outlook*, June 1988.

growth is required for employment to increase (see Graph 5); this is already less than half the growth required in the 1960s.

In principle there are several economic processes which improve the employment content of growth (without impeding technical progress):

(i) a slowdown in capital-labour substitution;

(ii) a reduction in average working time per person employed (by increasing part-time employment or reducing individual working time);

(iii) an acceleration of the trends of change in the sectoral composition of the economy; and

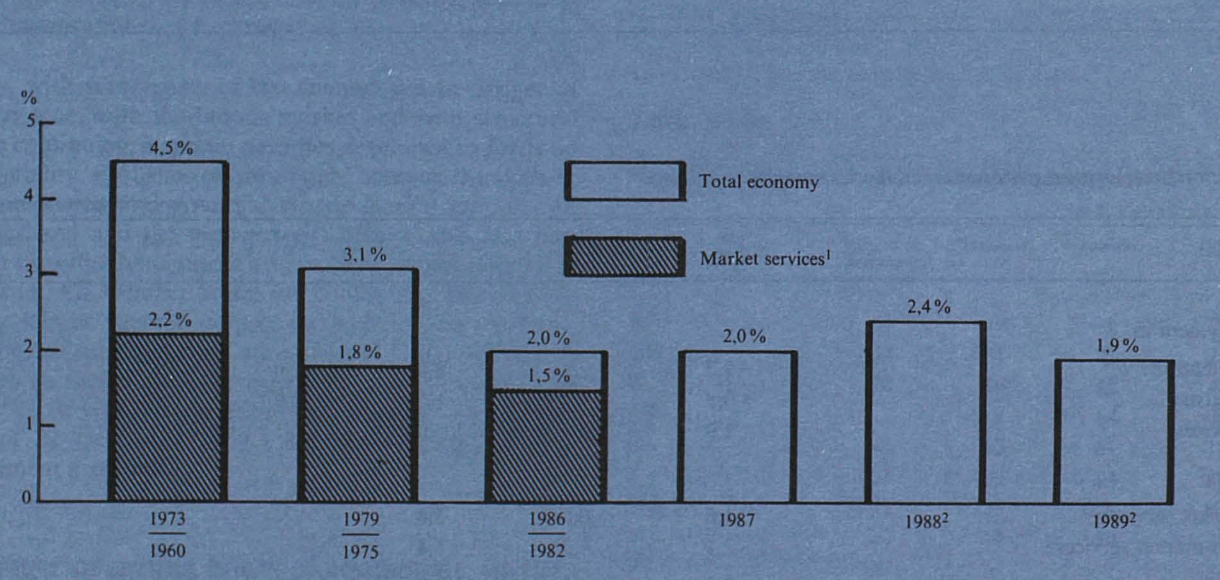
(iv) an improved employability of the unemployed and the potential labour supply.

The employment content of growth increases for example if activities and sectors with an inherently lower rate of labour productivity growth expand their weight in the economy. Such activities exist in all sectors. One typical example is the services sector. The labour productivity growth of market services in the Community has been significantly lower than in the total economy (see Graph 5): since 1982 for example 1,5 % of growth of real output in the market service sector was sufficient to create additional employment (as compared to about 2 % in the economy as a whole).

The relative expansion of the service sector is therefore a key element of Community employment performance. The recovery of employment after 1983 has indeed been due exclusively to employment creation in the service sector, whereas employment in industry continued to decline (see Table 11b). While non-market services (i.e. mainly public employment) are still expanding, it is market services in particular which displayed remarkable dynamism and grew at an annual rate of 2,4 % between 1983 and 1986.

The Community is thus well on its way to becoming a 'service economy'. Nearly 60 % of total employment is now provided by the service sector as compared to 46 % in 1970 (see Table 11a). The share of service-sector employment in the Community is of the same order as in Japan, but still significantly smaller than in the USA, where it has already reached 70 %. The trend towards the service economy is evident throughout the Member States: in Belgium, Den-

GRAPH A 5: **Real output per person employed in the Community (annual average rate of change, in %)**



[1] EUR 7 (DK, B, D, F, I, NL, UK).
[2] Forecasts, September/October 1988.
Source: Commission services.

Table A11

Sectoral aspects of Community employment

(a) Sectoral shares in total employment

(in %)

	Agriculture		Industry		Services	
	1970	1986	1970	1986	1970	1986
B	4,7	**2,8**	41,6	**28,6**	53,7	**68,6**
DK	11,3	**6,1**	37,1	**26,5**	51,7	**67,4**
D	8,5	**5,2**	48,4	**40,1**	43,1	**54,7**
GR	38,8	**27,2**	23,8	**26,8**	37,4	**46,0**
E	28,5	**15,6**	36,0	**31,0**	35,5	**53,4**
F	13,2	**7,1**	38,1	**30,5**	48,7	**62,3**
IRL	26,9	**15,6**	29,6	**28,0**	43,5	**56,4**
I	19,6	**10,6**	38,4	**32,1**	42,0	**57,3**
L	9,3	**3,9**	44,1	**32,8**	46,6	**63,2**
NL	6,1	**4,7**	38,1	**26,3**	55,7	**69,0**
P	32,8[1]	**21,5**	32,7[1]	**33,5**	34,5[1]	**45,0**
UK	3,2	**2,5**	44,1	**30,7**	52,7	**66,8**
EUR 12	13,7[2]	**8,1**	40,8[2]	**32,5**	45,6[2]	**59,4**
USA	4,4	**3,0**	33,0	**27,1**	62,6	**69,9**
Japan	17,4	**8,5**	35,7	**34,5**	46,9	**57,1**

[1] 1975.
[2] Estimate.
Source: SOEC.

(b) Sectoral employment performance in the Community

(annual average rate of change, in %)

	1980/1970	1983/1980	1986/1983	1987	1988[1]	1989[1]
Employment in						
— agriculture	**−3,2**	−2,4	−3,0	−2,0	:	:
— industry	**−0,8**	−3,3	−1,4	−0,0	¼	**¼**
— services	**1,9**	0,9	2,0	2,1	:	:
of which						
— market services[2]	**1,6**	**0,6**	**2,4**	:	:	:
— non-market services[2]	**2,1**	1,2	1,4	:	:	:
Total	0,3	−0,6	0,5	0,9	1	1

[1] Forecasts, September/October 1988.
[2] EUR 7 (DK, B, D, F, I, NL, UK).
Source: Eurostat and Commission services.

mark, the Netherlands and the United Kingdom the service sector already provides more than two thirds of total employment; only in Greece and Portugal is its share still below 50 %. In the Federal Republic of Germany service-sector employment is comparatively low while its share of industrial employment remains the highest in the Community.

These differences among Member States in the importance of the service sector reflect in part the differing strength in the exports of services. In the Netherlands, the United Kingdom and Belgium, exports of services contribute between 16 and 35 % to GDP (see Table 12a) as compared to 5 % in Italy and 8 % in the Federal Republic of Germany. The composition of service exports also differs considerably between Member States (see Table 12b): in the United Kingdom and Belgium/Luxembourg financial services dominate service exports; for Denmark and the Netherlands exports of transport services are of particular importance; in Spain, Portugal and Greece revenues from tourism contribute strongly to GDP; whereas in Germany business-related services (e.g. insurance, licence fees, advertisements) have a major role to play.

The changes in the sectoral composition of the Community economy may be facilitated by policies which encourage mobility and market adaptability. The Community programme for the completion of the internal market is likely to have a particularly pronounced effect on services as serious barriers to trade, which have remained for many service activities (e.g. transport, financial services, insurance, telecommunications), are removed.

Finally, with some parts of the unemployed in danger of losing contact with the labour market and with structural change continuing, a special need has developed to focus on employability. Problems of 'mismatch' between the skills of the unemployed and potential labour market entrants on the one hand and the requirements of available and new jobs on the other hand might otherwise impede employment expansion. All Member States are continuing with various specific labour market policies to address this problem, in particular for the young unemployed. A comprehensive overview on these policies is regularly provided by the Commission in its semi-annual follow-up on the Council Resolution of 22 December 1986 ('An action programme on employment growth').

4. Longer operating hours of equipment, further reductions in individual working time

The implementation of the economic strategy developed in the Annual Economic Report will further improve supply-side conditions and demand prospects in the Community. An expansion of operating hours of equipment combined with further reductions in individual working time, neutral to the level of costs, would complement these efforts. It would make available additional employment reserves of the existing capital stock, accelerate growth and, at the same time, increase the employment content of growth.

Table A12a

Exports of goods and services from the Community — 1986

(as % of GDP)

	Total	Goods only	Services only[1]
B/L	88,4	53,1	35,3
DK	36,1	25,8	10,3
D	33,8	26,2	7,6
GR	22,7	14,2	8,5
E	20,9	12,3	8,6
F	26,9	17,2	9,7
IRL	59,6	50,3	9,3
I	21,4	16,2	5,2
NL	61,6	45,3	16,3
P	36,1	26,5	9,6
UK	38,8	19,4	19,4
EUR 12	33,7	22,6	11,1

[1] Including returns on investment.

Table A12b

Structure of service exports from the Community — 1986

(as % of total service exports)

	Returns on investment	Transport	Tourism	Other
B/L	56	9	6	29
DK	24	31	21	24
D	30	16	12	42
GR	2	8	54	36
E	8	19	61	14
F	33	20	14	33
IRL	33	25	28	14
I	17	17	32	34
NL	37	30	7	26
P	8	20	56	16
UK	66	8	7	19

Source: IMF: International financial statistics and balance-of-payments statistics.

After six years of moderate growth many firms and sectors in a number of regions in the Community are now at full capacity utilization and find it difficult to react quickly to improving demand prospects. Other firms find their output constrained by a lack of price competitiveness. In both cases an expansion of the operating hours of the capital stock could contribute to overcome these obstacles to output growth.

Today, plant operating hours are still to a large extent determined by the regular working time of full-time employees. After a decoupling of individual working time from plant operating hours, however, operating hours could become a strategic variable of the economic process. An expansion of operating hours could on the one hand enhance the employment elasticity of the capital stock, particularly for those firms who observe rising demand but hesitate to expand their production facilities due to, for example, the insecurity of the demand prospects. This would be of particular importance in making the improvement in demand — expected by the completion of the internal market — immediately employment effective. By easing capacity constraints, longer operating hours would also reduce the inflationary risk of faster economic expansion. On the other hand, longer operating hours provide an instrument for cost and price reductions by which Community firms could expand their market shares and thus induce additional demand.

The key economic advantage of such a strategy rests in the fact that an extension of operating hours of the existing and new capital stock increases capital productivity and reduces total unit production costs. The size of the cost reductions varies from firm to firm: it is particularly significant in capital intensive production and depends on the magnitude of the extension of operating hours (see box for quantitative illustrations).

The cost reduction provides a potential which can be used in different ways:

(i) to further improve profitability, which should in the medium term encourage additional investment;

(ii) to reduce prices, which improves competitiveness and would be likely to induce additional demand both on domestic and international markets in many sectors; the expanding production should then also spill over to other sectors in the Community which find their output at the moment particularly restrained by lack of demand;

(iii) to compensate existing and new employees for less attractive working hours. This compensation could take the form of individual working-time reductions (at given annual remuneration), which would increase the employment effect even further.

Individual working-time reductions are in general an incentive to make growth more employment-creating. At the moment, individual weekly working hours in the Community follow a slow downward trend (see Table 13). New reductions in weekly working hours have been negotiated in some Member States in 1987/88 (e.g. in the Federal Republic of Germany in the metalworking and printing industries to 37 hours by 1989, in the steel industry to 36 1/2 hours by November, in Portugal in the civil service to 35 hours by 1988).

A policy of just reducing individual working time to further increase employment in the Community is, however, confronted with severe problems. One of the most important ones is the need for further improvement in the profitability of investment and the capital stock. If, in addition, (annual) wages are to be at least moderately increased in real terms and productivity growth per employee continues to slow down, the room for further reductions of individual working time, which are neutral to the level of costs, becomes very limited. Longer operating hours could, however, provide the cost reductions required to compensate for the costs of additional individual working-time reductions without affecting wages.

An extension of operating hours combined with additional reductions in individual working time could thus contribute to a strategy for an expansion of employment by developing additional potential for growth as well as by improving the employment content of growth. At the same time — as a beneficial side-effect — important constraints for macroeconomic policy (the threat of inflation, external and budgetary imbalances) would be reduced. In the medium term, the faster use of existing capital stock would also accelerate modernization and overall productivity growth.

A decoupling of individual working time and operating hours can be achieved in a variety of ways, from the introduction of two, three or four shift systems to systems by which different employees take turns to use one and the same working place (for two illustrative examples, see box). The most appropriate organization and repartition of the productivity gains will differ among firms and employees. The social dialogue on plant level therefore also has an important role to play.

At a national level, governments and social partners could encourage and facilitate such a strategy by organizing an exchange of information on particularly successful model

Table A13

Weekly working hours per employee

(during a reference week)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR[1]
1975	39,3	36,2	39,4	:	:	40,3	40,6	39,8	39,7	37,7	:	38,1	39,2
1983	37,0	35,8	38,7	38,7	:	38,2	39,1	38,5	38,6	36,1	:	35,7	37,6
1986	36,7	33,8	38,8	38,4	38,4	37,9	39,5	38,1	38,6	35,5[2]	40	35,5	37,4

(1) EUR 9, excluding Greece, Spain and Portugal.
(2) 1985.
Source: EC labour force survey.

cases, by reviewing legal and contractual barriers against an expansion of operating hours and by adjusting the taxation and social security systems in order to encourage the hiring of new employees. In some Member States (e.g. Belgium, the Netherlands) reorganization efforts which combined working-time reductions with the hiring of new employees were supported by public funds. Education and training as well as policies to facilitate labour mobility would prevent opportunities from being missed due to lack of qualified personnel in some sectors or regions of the Community. Additional individual working-time reductions may also be accumulated over several years on individual 'time accounts' to make longer mid-career breaks or extensive retraining periods possible.

Box: Practical examples of a reorganization and reduction of working time

Example 1

Maintenance and repair department of an electrical appliance manufacturer in the Federal Republic of Germany

In order to extend the time of production to meet growing demand while at the same time implementing the contractually agreed reduction in the weekly working hours from 40 to 38,5 hours, it was decided to extend the daily working time and to include Saturdays in the standard working time.

At the same time, the individual four-day working week was introduced with 10 hours of work on three working days and 8,5 hours on the fourth. Days off were allocated as single free days after two days of work (it would also have been technically feasible to accumulate days off until they formed complete weeks off). Three workers now take turns to man two work places.

In this case, weekly operating hours of the department were increased by 44 %. Total employment could be expanded by 50 %, while individual weekly working time was reduced by 3,75 %. Monthly wages remained unchanged.

Example 2

Production sector of a food producer in France

To meet additional demand without having to set up new production facilities, the firm decided to introduce a two-shift system. While previously operating time and individual working time had been identical at 39 hours per week (8.00 to 17.00 with a one-hour lunch break, 8.00 to 16.00 on Fridays), two shifts now operate from 6.00 to 12.30 in the morning and from 12.30 to 19.00 in the evening. Individual weekly working time was thus reduced to 32 1/2 hours (by 17 %) with unchanged wages. Plant operating hours expanded by 2/3 to 65 hours per week. Employment increased by 30 %.

Box: Illustrations of the quantitative aspects of a reorganization and reduction of working time

On a firm level, the quantitative effects of a reorganization and reduction of working time depend basically on the capital intensity of production and on the extent of the expansion of operating hours and differ therefore from one case to another. Individual case studies indicate e.g., in the German textile industry,[1] a potential reduction of unit production costs by 6 to 8 % after an expansion of operating hours of 17 % or for a German car manufacturer[2] a reduction of 12 % after an expansion of operating hours by 35 %. Weidinger/Hoff[3] calculate potential reductions of total unit costs of between 2 and 5 % following an extension of operating hours by 50 % (e.g. from 40 to 60 weekly hours) across different sectors of the German investment and consumer goods industry.

Macroeconomically the effects depend on the distribution of the productivity gains as well as on the price elasticity of demand. In an illustrative calculation for the case of France it has been shown that a reduction of working time by 1 %, accompanied by a significant expansion of operating hours, could increase employment by up to 3 %.[4] Simulations based on the Insee macroeconometric model for the French manufacturing sector indicate that employment could expand by 290 000 to 370 000 within five years by decoupling operating hours and individual working time (expanding the former by 2,3 hours and, at the same time, reducing the latter by 1 hour per week).[5]

Commission services, in cooperation with D. Taddei, are preparing extensive simulations to estimate the effect of a significant reduction and reorganization of working time in several Member States making use of the Commission's model Hermes. The case under consideration is an expansion of weekly operating hours from 39 to 54 hours; at the same time, individual weekly working time is reduced from 39 to 36 hours, keeping salaries unchanged. In practice, this could be achieved by different forms of organization: e.g. the addition of a half-time evening shift to the traditional five working days or by the introduction of three shifts, each operating 9 hours per day for four days but rotating to cover six working days including Saturday. The simulations assume that such schemes might cover 5 % of all industrial enterprises per year over a five-year period. With budgetary policies unchanged and monetary policies keeping real interest rates unchanged, preliminary results indicate the possibility of total medium-term gains in real GDP of 1 to 2 1/2 % and of 1 to 1 1/2 % additional employment in the Member States, i.e. nearly 1 1/2 million new jobs in the Community. At the same time, budgetary and external balances could be significantly improved. Detailed results are to be published in the near future.

[1] Neundörfer, K. and Staher, E.-H. (eds). *Sonntagsarbeit in Europa*, Frankfurt, 1988.
[2] Hermani, U.. 'Arbeitszeitflexibilisierung als unternehmerische Herausforderung', in: Furmaniak/Weike (ed.). *Flexibilisierung der Arbeitszeit*, Munich, 1986.
[3] Weidinger/Hoff. 'Tendenzen der Betriebszeit- und Arbeitszeitentwicklung', in: Henchel, D. (ed.). *Arbeitszeit, Betriebszeit, Freizeit*, Stuttgart, 1988.
[4] Catinat, M., Cette, G. and Taddei, D. 'Durée d'utilisation des équipements et réduction du temps de travail, approche macroéconomique', in: *Revue d'économie politique*, 96 (1986) 2, pp. 147-176.
[5] Taddei, D. *Le temps de l'emploi*, Paris, 1988.

Study B:

Some macroeconomic considerations on opportunities and conditions for the catching-up process of the poorer countries of the Community

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Summary and conclusions

The convergence of GDP per capita has been a major aim of Community policies since the very inception of the European Economic Community. The accession in the 1980s of relatively less-prosperous countries has enhanced the importance and the necessity of greater real convergence. Therefore, one of the main objectives of the Single European Act is the reduction of regional disparities within the Community. The decision at the Brussels European Council of 11 and 12 February 1988 to double the budget commitments to the structural Funds between 1987 and 1993 demonstrates the Community's aim of contributing to a resumption of the catching-up process of the less-advanced regions and countries in the Community. In this note, some tentative calculations are presented which indicate that a perceptible and enduring resumption of the catching-up process is feasible in the years ahead. It is however also shown that the full effects of the Community's financial support do not only depend on a correct microeconomic utilization of these resources, but — and that is essential — that their use must be accompanied by the appropriate macroeconomic and structural policies within the countries under consideration. A high and sustained economic growth in the Community as a whole would undoubtedly accelerate this process. It would, indeed, further alleviate the external constraint on domestically engineered faster growth in the less-advanced countries. On the other hand, progress towards more convergence would also contribute to higher economic growth in the Community as a whole.

Introduction

In 1987, GDP per capita, measured in current prices and purchasing power standards (PPS), was around 46 % below the Community average in Greece and Portugal, 37 % below in Ireland and 26 % in Spain. GDP per capita of the richest Member State is currently about 2,3 times that of the poorest Member State. On a regional level, disparities within the Community were even more pronounced with the ratio of GDP per capita between the five richest and the five poorest regions in 1986[1] estimated at about 1 to 6.

These figures clearly show that one of the more fundamental economic and social objectives of the EC, namely, the narrowing of the prosperity gap between citizens from the various countries and regions, remains an important and difficult task.[2] Admittedly, between the original six Member States of the Community and even within EUR 9, excluding Ireland, the dispersion of GDP per capita has fallen substantially and is now at an acceptable level on a country basis. The accession in the 1980s of relatively less-prosperous countries has, however, widened the regional disparities within the Community. Therefore, one of the main objectives of the Single European Act, as set out in Article 130a, is to strengthen economic and social cohesion and to reduce regional disparities in the Community. Article 130b is quite explicit in stipulating that 'Member States should conduct and coordinate their economic policies in such a way as to attain these objectives'. Moreover, Article 130b requires that common Community policies, internal market actions, the structural Funds, the European Investment Bank and the other existing financial instruments should all work together towards the achievement of the given objectives.

With the agreement at the Brussels European Council of 11 and 12 February 1988 to double the budget commitments to the structural Funds between 1987 and 1993, the Community has demonstrated that it is seriously aiming at contributing to a durable resumption of the catching-up process of its less-advanced regions and countries.

The Community institutions as well as the richer and the recipient countries are now committed to the implementation of economic policies which are likely to promote real

1 This figure, based on Commission estimates for the year 1986, points out that regional inequalities of GDP per capita in the Community are more pronounced than highlighted by the country figures. It is not surprising that differences between regions are more important. A more detailed analysis runs up, however, against the paucity of adequate regional statistics. In this note the catching-up process will be examined from a very synthetic, macroeconomic point of view, based on country figures.

2 In its preamble, the Treaty of Rome states that the major aim of the contracting parties is to ensure 'a harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions'. Convergence of economic performance is also one of the objectives of the European Monetary System and is at the same time a basic precondition for its successfull operation, as was stressed in the final report on the EMS, presented by the Monetary Committee to the Council and the Commission on 7 November 1978.

economic convergence in an economic climate of overall growth of Community prosperity. Indeed, a significant narrowing of regional inequalities of income per capita will contribute to a strengthening of economic and social cohesion in the Community. Such a development would facilitate the completion of the internal market by overcoming the possible fears that it might aggravate regional disparities.

1. Real convergence over 1960-87 and medium-term projections to 1992

1.1. The historical record, 1960-87

Economic or real convergence is defined here in rather general but nevertheless, in principle, very operational terms as the reduction of existing disparities in GDP levels per capita between Community countries and regions.

From a long-term analysis of the development of GDP per capita in the Member States[1] (see Table 1) two distinct periods clearly emerge: the period 1960-73 and the period 1974-85. Between 1960 and 1973,[2] economic convergence between the Member States improved fairly steadily with the cross-country deviation of GDP per capita falling substantially. Indeed, during that period the four poorest countries of the Community (Greece, Spain, Ireland and Portugal) on average managed to reduce the gap separating them from the four richest Member States by about one third. However, in 1973 their average GDP per capita was still almost 37 % below that of the four richest countries. During the 1960s and early 1970s, annual growth of GDP per capita in the four less-advanced countries exceeded that of the Community by around 2,3 percentage points. The deviation around the Community average was reduced from 20,4 in 1960 to 11,3 in 1973. This dramatic catching-up process was noticeable and fairly similar in three of the four less-advanced countries. Only the relative position of Ireland did not improve.

In the period after the first oil shock, the convergence process seems not only to have been halted but has even gone into reverse. The period 1974-85, in fact witnessed a worsening of the convergence performance. The gap between the four poorest and four richest Member States widened by 5,1 points and the deviation increased slightly to 12,9. The four poorest countries together have fallen short of the aggregate European growth of GDP per capita by almost 0,5 percentage point a year. The bulk of the deterioration took place in the second half of the 1970s, with convergence being at a virtual standstill during the first half of the 1980s. A noteworthy feature of the period 1974-85 is the slight improvement in the relative position of Ireland in its first decade after joining the European Community. The relative buoyancy of the Irish economy resulted, however, in a marked deterioration of its current account, which impeded the process from continuing.

From 1985/86 onwards, the catching-up process has resumed somewhat as growth of GDP per capita in Spain and Portugal has outpaced that of the Community as a whole. The latest Commission forecasts for 1988 and 1989 indicate for those two Member States some further progress towards greater convergence. However, a less rosy outlook emerges for Greece and Ireland. No further progress towards convergence is expected in Ireland, while a steady widening of the gap with the Community average is expected for Greece in the next two years.

This brief historical perspective clearly shows that a substantial improvement in real convergence in a relative short time-span (about 15 years) has taken place in the past. This is encouraging, although the conditions of the 1960s are no longer present. Therefore, what matters now is to create supply-and-demand conditions enabling a development similar to that of the 1960s.

[1] For the purpose of simplicity, the data cover for the whole period the 12 current Member States independently of the date of effective accession.

[2] In 1974 and 1975, there was still some further improvement in real convergence. This occured, however, at the price of rapidly deteriorating external balances, indicating that this stage the catching-up process had become unsustainable.

Table B1

Gross domestic product per capita at current market prices and purchasing power standards (EUR 12 = 100)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 4[1]	EUR 8[2]	EUR 12	WMAD[3]	Ratio[4]
1960	95,6	119,6	117,9	38,7	59,1	101,6	61,9	91,3	137,0	118,6	38,4	128,3	52,4	110,4	100,0	20,4	41,5
1961	95,5	120,9	116,4	40,8	62,6	101,4	62,3	93,8	134,7	115,3	38,7	125,7	55,0	109,8	100,0	18,6	45,4
1962	96,4	122,3	116,3	39,7	65,4	102,5	62,0	95,4	130,1	114,0	39,9	121,5	56,7	109,4	100,0	17,2	47,7
1963	96,4	117,8	114,2	42,0	68,1	102,4	62,3	96,6	128,6	112,5	40,5	121,4	58,9	108,9	100,0	16,0	50,0
1964	97,5	121,9	115,0	43,3	68,3	103,0	61,6	93,9	130,8	114,6	41,0	121,0	59,3	108,8	100,0	16,7	50,2
1965	96,8	122,3	116,1	45,5	69,5	103,4	60,5	93,0	127,5	115,1	42,6	119,0	60,7	108,5	100,0	16,6	51,5
1966	96,2	120,8	114,8	46,5	71,3	104,6	59,1	94,9	124,1	113,2	43,1	116,9	62,0	108,2	100,0	15,5	53,4
1967	96,6	120,3	111,2	47,1	71,4	105,6	60,1	98,1	120,5	114,5	45,1	116,2	62,6	108,1	100,0	14,4	53,8
1968	95,8	118,8	111,7	47,9	72,0	104,4	61,8	99,2	119,6	115,2	46,8	115,0	63,5	108,0	100,0	13,6	55,0
1969	97,0	119,7	113,1	49,9	73,9	105,5	62,1	99,6	124,5	115,3	45,6	110,3	64,9	107,6	100,0	12,8	56,9
1970	99,0	116,5	113,3	51,7	73,3	106,3	61,2	100,3	123,1	115,8	48,1	108,2	65,2	107,6	100,0	12,4	57,2
1971	99,5	115,7	112,4	53,7	73,9	108,1	61,1	98,9	122,0	116,1	50,3	107,7	66,3	107,3	100,0	12,3	58,5
1972	100,6	116,7	112,2	55,9	76,2	109,4	61,7	97,8	123,8	114,4	52,4	105,7	68,5	106,8	100,0	11,9	60,7
1973	100,6	113,8	110,7	56,6	77,1	108,2	60,2	98,4	125,9	112,5	55,2	107,5	69,5	106,6	100,0	11,3	62,5
1974	102,9	110,7	109,2	53,6	79,1	109,4	60,9	100,4	127,7	114,4	54,3	105,0	70,2	106,5	100,0	10,5	63,5
1975	102,6	111,2	109,5	57,1	79,9	110,8	63,0	97,6	120,1	115,0	51,2	105,9	70,9	106,5	100,0	11,3	63,5
1976	103,4	113,0	110,9	57,3	77,9	111,0	60,1	98,3	117,1	114,7	51,1	105,1	69,4	106,9	100,0	11,6	62,1
1977	101,8	112,2	112,2	57,2	77,9	111,6	62,9	97,8	116,7	114,3	52,3	104,1	69,8	106,9	100,0	11,8	62,0
1978	101,8	110,6	112,5	58,7	76,4	111,9	64,9	97,5	117,9	113,4	52,3	105,1	69,2	107,1	100,0	12,3	61,6
1979	101,0	111,1	113,9	58,5	73,8	111,8	64,0	99,1	117,4	112,1	53,5	104,2	67,6	107,5	100,0	12,4	59,9
1980	104,3	109,4	114,0	58,4	73,7	112,0	64,7	101,9	117,2	111,2	54,9	100,9	67,8	107,5	100,0	12,1	60,0
1981	103,0	108,7	114,2	58,0	72,9	112,9	66,2	103,1	116,9	109,8	55,3	99,8	67,4	107,6	100,0	12,3	59,5
1982	104,0	111,5	113,0	57,6	73,0	114,6	66,6	102,6	118,0	107,2	55,9	100,5	67,5	107,6	100,0	12,3	59,4
1983	102,9	113,0	113,7	56,8	73,0	113,4	64,9	101,5	120,0	107,0	54,7	102,7	67,1	107,8	100,0	12,9	59,1
1984	102,8	114,4	114,8	56,8	72,4	112,1	65,1	102,5	125,0	107,6	52,2	102,3	66,3	108,0	100,0	12,8	58,4
1985	101,9	116,5	114,9	57,0	72,1	111,0	64,2	102,7	126,5	107,2	52,4	103,5	66,1	108,0	100,0	12,9	58,4
1986	101,8	117,6	115,1	56,2	72,5	110,3	62,6	102,9	126,6	106,6	53,0	103,8	66,2	108,0	100,0	12,9	58,6
1987	100,8	112,7	114,1	53,8	73,9	108,9	62,9	103,4	125,6	105,4	53,5	106,2	66,8	107,9	100,0	12,6	59,8
1988 (5)	99,9	109,1	113,8	52,8	74,6	108,4	62,4	103,2	124,6	103,6	54,8	107,5	67,3	107,8	100,0	12,3	60,5
1989 (5)	100,3	107,1	113,5	51,1	75,6	108,4	63,1	102,7	124,9	102,6	55,5	108,2	67,8	107,7	100,0	12,2	61,1
1990 (5)	99,1	106,8	114,5	50,9	76,5	107,4	62,7	103,6	124,6	101,2	56,4	107,3	68,4	107,5	100,0	12,2	61,9
1991 (5)	98,8	106,0	114,6	50,4	77,8	107,3	62,6	103,7	124,3	100,3	56,8	106,9	69,2	107,4	100,0	12,0	62,7
1992 (5)	98,6	105,3	114,6	50,0	79,2	107,3	62,3	103,7	124,0	99,4	57,4	106,3	70,1	107,2	100,0	11,7	63,5

1 EUR 4: GR, E, IRL, P.
2 EUR 8: B, DK,D, F, I, L, NL, UK.
3 WMAD = Weighted mean absolute deviation.
4 Relationship between GDP per capita in the four poorest countries and the four richest countries in the Community.
5 1987 – 89: Economic forecascts, September/October 1988.
1990 – 92: Medium-term projections 1988 – 92, October 1988. See also footnote 1 on this page.

Source: Eurostat and Commission services.

1.2. Medium-term outlook

According to the medium-term projections to 1992,[5] expected growth of GDP per capita in the four less-advanced countries is not sufficient to trigger a catching-up process similar to that of the 1960s. Indeed, on average, they are projected to expand annually only 1,0 percentage points more than the average of the Twelve. A simple extrapolation of this growth differential shows that at this pace it would take about 30 years to close the prosperity gap. If the objective is to shorten the period, say to 15 years, to narrow significantly the gap between the poorer countries and the

1 The medium-term projections are made by the Commission services and have been discussed in the national experts' group on medium-term developments. These base-line projections illustrate a possible economic development in the member countries on the assumption of no change in policies and economic behaviour. It should be stressed that the projections do not take account of the progressive implementation of the internal market nor of the doubling of the structural Funds. They also take no account of the improvement in supply conditions in the member countries which might be brought about by microeconomic and structural policies. On the basis of these assumptions, the projections are unlikely to trace the most probable development. In the present note, they are used points of reference for discussion.

average of the Community, a growth differential of a higher order is in fact required.

This is illustrated in Table 2 which indicates for different periods of time what the size of the growth differential should be in order to attain a satisfactory outcome for the catching-up process. Merely for illustrative purposes, the catching-up process is considered here to be successful when the four less-advanced countries succeed in reducing the gap to 10 % of the Community average. Although arbitrarily fixed, it should be noted that the figure of 90 % corresponds to the degree of convergence achieved since the late 1960s among the six original Member States. As can be seen in Table 2, the growth differential required to achieve this objective over 15 years is of the same order of magnitude as the difference in growth experienced during the 1960s between the poorer countries and the Community average.

Table B2

Growth differential with EUR 12 [1]

	GR	E	IRL	P	EUR 4[2]
	(1) Historical record				
1961-73	3,1	2,1	−0,2	2,9	2,3
1974-79	0,6	−0,9	1,0	−0,5	−0,6
1980-87	−1,0	0,0	0,0	0,0	−0,1
1988-92[3]	−1,0	1,4	0,3	0,7	1,0
(2) Growth differential required for reducing the prosperity gap to 90 %[4]					
1992	10,6	3,9	7,1	10,8	5,6
1997	5,2	1,9	3,5	5,3	2,8
2002	3,4	1,3	2,3	3,5	1,8
2007	2,5	1,0	1,7	2,6	1,4

[1] Measured as percentage point difference with EUR 12 of annual growth of GDP per capita.
[2] EUR 4: GR, E, IRL, P.
[3] Based on medium-term projections 1988-92, October 1988.
[4] In order to obtain some orders of magnitude of the differential required, the real convergence objective is fixed at 90 % of the average of EUR 12. This perspective is only put forward as a numerical example and is in no case to be considered as a policy standard.
Source: Commission services.

2. Factors determining convergence of GDP per capita

Convergence of real GDP per capita is a very complex process involving both structural changes and macroeconomic policy actions. The present examination attempts to provide some reflections on some major macroeconomic relationships underlying the catching-up process. In doing so, it is fully recognized that a very stylized and simplified picture of a complex reality is presented.

2.1. Size and efficiency of investment

According to economic theory, per capita economic growth over the medium to longer term is largely determined by the size and efficiency of capital. Observed international and intertemporal differences in growth rates can, therefore, to an important extent be explained by persistent and substantial differences in both variables.

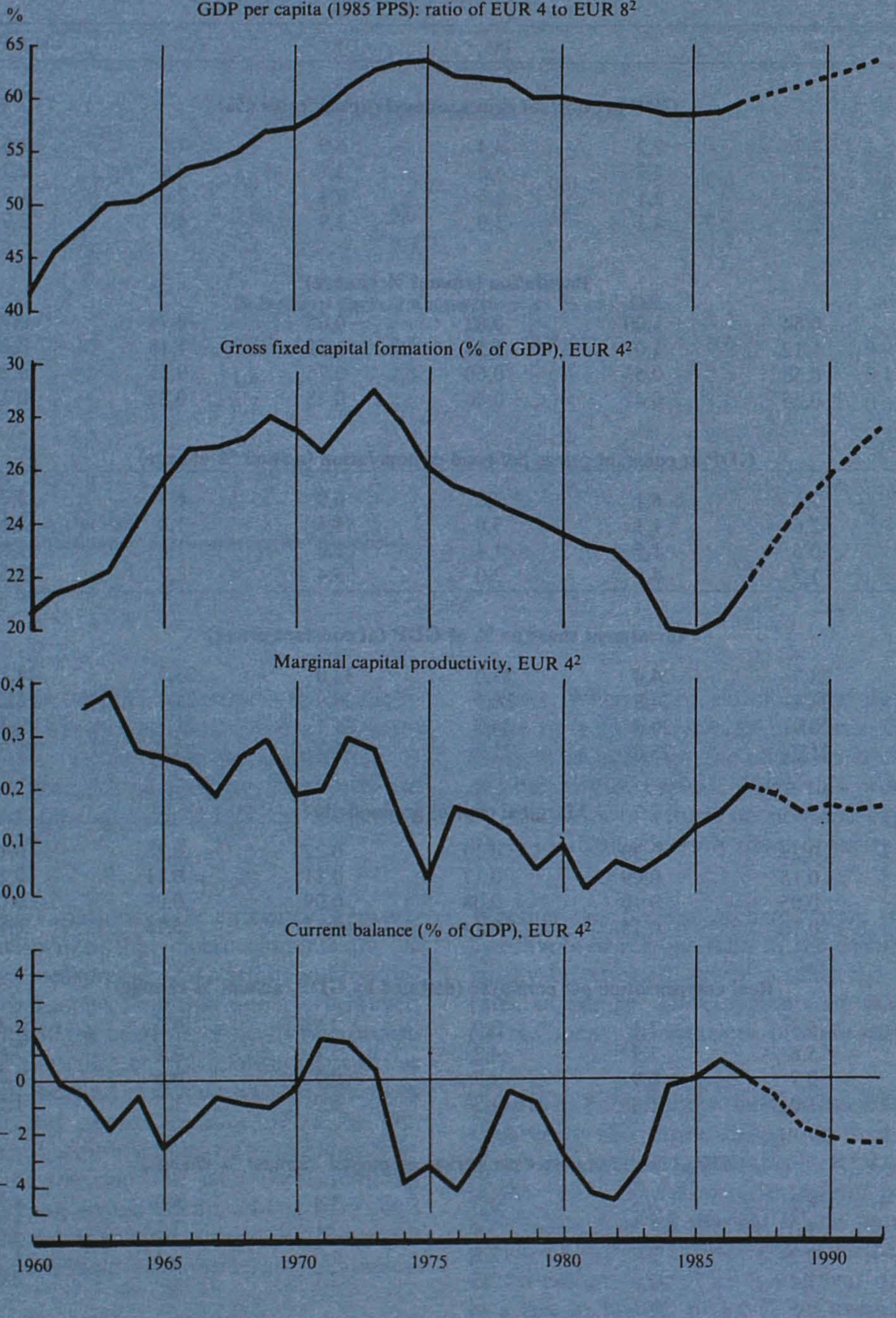
As can be seen from Graph 1 of the statistical annex, phases of convergence and divergence are closely matched by developments in **investment shares.** On average, in the four less-favoured countries, fixed capital formation as percentage of real GDP increased steadily over the period 1960-73 to reach a maximum level of 29 % in 1973. In the wake of the first oil shock, the investment ratio followed a downward trend and reached a low point of 19,8 % in 1985, whereupon a recovery has clearly taken place (to a level of 21,8 % in 1987).

The catching-up process of the 1960s in the least favoured countries, and particularly in Spain and Greece, was favoured by high and above-average **efficiency of investment,** defined in macroeconomic terms as the ratio of the absolute change in real GDP and the level of investment (see Graph 1 and Table 3). Inversely, the widening of regional disparities in GDP per capita after 1973 coincided with a sharp fall in the efficiency of investment (sometimes even below the Community average). The observed resumption of the catching-up process since 1986 has again been accompanied by a rise in allocative efficiency.

When the efficiency of investment is low, a country can, by raising substantially its rate of investment, temporarily succeed in growing relatively faster than its partners. However, when the marginal productivitiy of capital is low, a high saving ratio in the country concerned is required. Otherwise, external deficits will quickly emerge, entailing restrictive policies and lower investment ratios. The end result is a reversal of the catching-up process. Something like this appears to have been happening in Ireland in the late 1970s and early 1980s.

Graph 1 and the figures in Table 3 suggest that the fall in efficiency in investment in the four less-developed countries

GRAPH B 1: **Real convergence, investment shares, marginal capital productivity and current balances**[1]



[1] 1987-89: Economic forecasts, September/October 1988.
1990-92: Medium-term projections to 1992. See also footnote 1 on page 119.

[2] EUR 4: GR, E, IRL, P.
EUR 8: B, DK, D, F, I, L, NL, UK.

Sources: Eurostat and Commission services.

Table B3

The catching-up process in the Community: development and some explanatory factors

	GR	E	IRL	P	EUR 4[1]	EUR 8[2]	EUR 12
GDP at constant prices, annual growth rates (%)							
1961-73	7,7	7,2	4,4	6,9	7,1	4,5	4,8
1974-79	3,7	2,2	4,6	3,1	2,6	2,3	2,4
1980-87	1,1	2,1	2,0	2,3	2,0	1,7	1,8
1988-92[3]	2,1	4,5	3,0	3,9	4,1	2,7	2,9
Population (annual % change)							
1961-73	0,54	1,00	0,63	−0,05	0,74	0,78	0,77
1974-79	1,12	1,07	1,54	1,57	1,18	0,21	0,39
1980-87	0,58	0,53	0,60	0,75	0,57	0,20	0,27
1988-92[3]	0,35	0,41	−0,06	0,48	0,39	0,15	0,21
GDP at constant prices per head of population (annual % change)							
1961-73	7,1	6,1	3,8	6,9	6,3	3,7	4,0
1974-79	2,6	1,1	3,0	1,5	1,4	2,1	2,0
1980-87	0,6	1,5	1,4	1,6	1,4	1,5	1,5
1988-92[3]	1,7	4,1	3,0	3,4	3,7	2,5	2,7
Investment share as % of GDP (at constant prices)							
1961-73	28,7	24,4	23,0	32,0	25,7	24,7	24,8
1974-79	25,1	24,8	26,5	28,9	25,4	22,2	22,6
1980-87	20,9	20,6	25,7	26,1	21,7	20,3	20,4
1988-92[3]	21,2	25,6	21,3	31,7	25,6	21,2	21,8
Marginal capital productivity[4]							
1961-73	0,27	0,30	0,19	0,22	0,28	0,18	0,19
1974-79	0,15	0,09	0,17	0,11	0,11	0,11	0,11
1980-87	0,05	0,10	0,08	0,09	0,09	0,08	0,08
1988-92[3]	0,10	0,18	0,14	0,12	0,16	0,13	0,13
Real compensation per employee (deflated by GDP, annual % change)							
1961-73	5,5	7,1	3,9	7,7	7,0	4,4	4,6
1974-79	5,6	3,9	4,2	5,1	4,1	2,4	2,6
1980-87	0,7	0,9	1,7	−0,7	0,6	1,2	1,1
1988-92[3]	1,0	1,8	1,2	1,7	1,7	1,6	1,6
GDP at constant prices per person employed (annual % change)							
1961-73	8,2	6,5	4,3	7,4	6,8	4,3	4,5
1974-79	3,0	3,2	3,4	3,1	3,1	2,2	2,3
1980-87	0,2	2,9	2,8	1,3	2,1	1,7	1,8
1988-92[3]	1,4	2,3	2,7	2,7	2,3	2,0	2,1
Real unit labour costs (deflated by GDP, annual % change)							
1961-73	−2,5	0,6	−0,4	0,3	0,1	0,1	0,1
1974-79	2,6	0,6	0,8	1,9	1,0	0,2	0,3
1980-87	0,5	−1,9	−1,1	−2,0	−1,5	−0,5	−0,6
1988-92[3]	−0,3	−0,4	−1,4	−1,0	−0,5	−0,4	−0,4

Table B3 *(continued)*

The catching-up process in the Community: development and some explanatory factors

	GR	E	IRL	P	EUR 4[1]	EUR 8[2]	EUR 12
			Total employment (annual % change)				
1961-73	−0,5	**0,7**	0,1	−0,5	0,2	0,3	**0,3**
1974-79	**0,7**	**−1,0**	1,2	0,0	−0,4	0,2	**0,1**
1980-87	**1,0**	**−0,8**	−0,8	1,0	−0,1	0,0	**0,0**
1988-92[3]	**0,8**	**2,2**	0,3	1,1	1,7	0,7	**0,9**
			Balance of current transactions as % of GDP				
1961-73	−2,9	**0,2**	−2,5	0,4	−0,6	0,5	**0,4**
1974-79	−2,2	**−1,8**	−7,0	−6,1	−2,6	−0,1	**−0,4**
1980-87	−3,8	**−0,5**	−6,9	−4,5	−1,8	0,3	**0,0**
1988-92[3]	−4,1	**−2,1**	3,9	−1,8	−2,0	0,2	**0,0**

[1] EUR 4: GR, E, IRL, P.
[2] EUR 8: B, DK, D, F, I, L, NL, UK.
[3] Medium-term projections 1988-92, October 1988.
[4] Measured as the absolute increase in GDP divided by investment over the various periods.
Source: Commission services.

was more substantial than the fall in investment ratios implying that the first factor has probably contributed more to the decline in per capita growth than the second one. A closer look at the determinants of efficiency of investment might, therefore, shed some additional light on the nature of the catching-up process.

In trying to understand variations in the efficiency of investment, it is important to note that macroeconomically the concept is a summary measurement of various microeconomic issues. Within the framework of this note it is, however, not feasible to deal with all the possible, basically microeconomic determinants of the efficiency of investment, such as technological progress, the kind of investment, the efficiency of resource allocation, the rate of capacity utilization, etc. However, a more general, simplified and therefore unpretentious understanding of the question may be reached by reviewing and interpreting developments and relationships between some relevant macroeconomic variables. Even this approach is rendered difficult by considerable statistical deficiencies.

Macroeconomic theory on investment and marginal productivity of capital assigns an important role to developments in relative factor prices and the changing capital/labour mix. The main relationships may be summarized as follows. When a process of capital deepening is given impetus by a faster increase in labour costs than in capital costs, it is likely to give rise to a decline in the marginal productivity of capital. When this process is accompanied by low rates of return on invested capital, this in turn is likely to affect adversely the propensity to invest.

Whether this process occurred more predominantly in the less-favoured regions than in the other Member States can hardly be assessed, given notably the lack of statistics on rates of return. Developments in real unit labour costs (RULC) may, nevertheless, provide some indications.

Figures in Table 3 show that the four less-advanced countries apparently had more difficulties than the other Member States in containing increases in RULC in the second half of the 1970s. The increase in output per person employed (3,1 % per year on average in the four countries over the period 1974-79) did not keep up with the rise in real compensation per employee (4,1 % per year on average), resulting in a rise in RULC of 1,0 % on average, against a rise of 0,3 % for the Community as a whole. During that period, the profitability of fixed capital in these countries is likely to have fallen more sharply than in EUR 12. Developments in the 1980s with respect to RULC represent a significant break with trends since the first oil shock: RULC declined annually by 1,5 % in the four countries concerned against only 0,6 % in EUR 12. Besides, it is reasonably assumed that wide swings in RULC are likely to raise uncertainties and affect negatively the propensity to invest. Now, there is evidence that RULC fluctuated more erratically in the less-favoured countries than in the Community as a whole. An initial tentative conclusion to be drawn from the above considerations is that over the period 1974-85 profitability of fixed capital deteriorated more in the four less-advanced countries than in the Community on average. This should at least partly explain the larger fall in marginal productivity of capital and investment shares in those countries.

While the recent improvements in profitability and expected output are certainly instrumental in triggering higher investment ratios, a substantial and sustainable rise in the efficiency of investment is greatly needed. This goal should primarily be pursued by adequate microeconomic policies. From a macroeconomic point of view a crucial role seems to be reserved for wage developments. A continuation of recent developments in RULC appears to be desirable to assert the recovery in investment and the efficiency of investment. The prescription of a moderation of RULC is only seemingly in contradiction with the objective of raising living standards per capita in the less-prosperous countries. If rates of growth in output and labour productivity are sufficiently high, it would enable an acceptable real rate of increase of compensation per employee which is compatible with a stabilization or a further decline, if necessitated, in RULC. If for instance the less-advanced countries could manage to reproduce their growth and labour productivity performance of the 1960s, there would be sufficient room to allow real compensation per employee to increase markedly faster than in the Community on average, with RULC remaining unchanged or declining somewhat further.

Finally, the possible role played in the decline in efficiency of investment by the emergence of negative interest rates adjusted for inflation in the years following the oil price hike of 1973 should be examined. Such a situation of negative long-term interest rates, extended over several years, is likely to stimulate investment in less-efficient projects. When this occurs, it implies a rise in the capital-output ratio but a decline in the efficiency of capital. The data available in this context show that real interest rates became generally more negative in the less-advanced countries (particularly in Greece and Ireland) than in the Community on average, suggesting that this phenomenon contributed to the decline in the marginal productivity of capital in these countries.

2.2. Savings and investment

Another factor that warrants close monitoring is the financing of investment. On average, the four less-advantaged countries experienced national savings ratios slightly above the Community average, but below their total domestic investment shares. As the national saving-investment balance worsened after 1973, it implies that a considerable and increasing part of capital formation in these countries had to be financed by capital inflows. In principle, given the development needs of these countries, this reflects a sound situation. It is clear, however, that the foreign-financed expansion of productive capacity should be able to generate sufficient export receipts at some, not too remote, stage in the future. Otherwise a vicious circle of external debt accumulation may emerge.

With a given savings ratio, it is possible to raise the investment share and to finance it through foreign capital inflows, provided that the profitability of fixed capital is sufficiently high. When the profitability of fixed investment is not sufficiently attractive, the inflow of foreign capital will slow down and the propensity of investment will decline.

Developments in savings and investment, as depicted in Table 4, and the presumed fall in profitability of capital suggest that the decline in investment shares in the less-favoured countries, particularly over 1980-87, is to some extent attributable to a shortage of national savings (partly due to growing public deficits) and lower foreign capital inflows.

The opening-up of national financial markets, provided for in the recent adoption by the Council of the Directive on the liberalization of capital movements in the Community, will make the process of channelling savings into investment more efficient. It may facilitate the provision of financial needs of the less-prosperous regions and Member States. However, complete liberalization of capital movements inevitably carries risks and the creation of a sound internal business climate in these countries is, therefore, crucially important. More particularly, a sufficiently high return on invested capital is not only a prerequisite for attracting foreign capital to finance their investment needs, but should also remove the motives for exporting capital from the economically weaker regions and Member States to the richer ones.

Table B4

Savings and investment in the four less-advanced Member States

	GR	E	IRL	P	EUR 4[1]	EUR 8[2]	EUR 12
				Gross national savings (at current prices, in % of GDP)			
1961-73	22,4	26,1	19,9	25,3	25,2	24,6	24,7
1974-79	25,0	24,2	20,9	21,0	23,8	22,4	22,6
1980-87	20,7	20,7	16,9	23,5	20,9	20,3	20,4
				Total domestic investment (at current prices, in % of GDP)			
1961-73	25,3	26,3	22,4	25,1	25,8	24,1	24,3
1974-79	27,2	26,0	27,9	27,1	26,4	22,5	23,0
1980-87	24,5	21,2	23,8	28,0	22,7	20,0	20,4
				Net lending (+) or net borrowing (−) of the nation (in % of GDP)			
1961-73	−2,9	−0,2	−2,5	0,4	−0,6	0,5	0,4
1974-79	−2,2	−1,8	−7,0	−6,1	−2,6	−0,1	−0,4
1980-87	−3,8	−0,5	−6,9	−4,5	−1,8	0,3	0,0

[1] EUR 4: GR, E, IRL, P.
[2] EUR 8: B, DK, D, F, I, L, NL, UK.
Source: Commission services.

In the financing of the investment needs, the Community plays an important role. The volume of Community resources available through the structural Funds, the EIB and other financial instruments appears relatively small when related to the Community as a whole. However, concentrated on the less-advanced regions and countries the macroeconomic significance of these resources is very substantial (see Table 5). For instance, it is estimated that for countries like Greece, Ireland and Portugal the means available through the Community represented between 2 and 4 % of their GDP, thus amounting to between 12 and 16 % of gross fixed capital formation in 1987. Moreover, the external constraint faced by these countries (except by Ireland in recent years) is alleviated considerably by the inflow of Community resources. The probable macroeconomic impact of a doubling of these Community resources may, therefore, be very considerable.

2.3. Economic growth in the Community as a whole

Looking at some other possible economic explanations of the catching-up process and its break in 1973, **it is very striking that economic developments in the relatively poorer countries seem to be affected by the aggregate rate of economic growth in the Community.** It can be observed that the period of rapid and steady convergence coincided with a period of high and sustainable growth of the European economy as a whole, while the widening of the prosperity gap occurred at a time when the Community as a whole experienced a sizeable reduction in its growth rate. This indicates that high rates of economic growth are helpful to the least favoured regions, whilst conversely the latter would tend to be hardest hit in periods of sluggish economic growth.

In the absence of a favourable economic climate, characterized by sufficiently dynamic growth in the Community as a whole, it is found more difficult for growth in the less-favoured regions and countries to outpace durably that of the Community in a substantial way. In several cases, their faster growth performance generated current account deficits, necessitating a more restrictive stance of economic policy and hence the abandonment of the domestically engineered favourable growth performance. Experiences in for example Ireland and Portugal in the late 1970s and early 1980s provide a good illustration of this argument. During that period, both countries witnessed annual growth rates that were twice the Community average. The growth differential was, however, rapidly translated into a surge in imports, resulting in unsustainable current-account deficits. Finally, domestic demand was curbed and a vicious circle was triggered off.

Table B5

Resources allocated through the Community's structural Funds and financial instruments in 1987 and 1992/93

	Structural Funds[1]	Financial instruments[2]	Total
	1987 (in million ECU)		
GR	589,4	164,8	754,2
E	1 193,3	713,4	1 906,7
IRL	467,4	178,6	646,7
P	804,4	389,9	1 194,3
EUR 4[3]	3 054,5	1 446,7	4 501,2
EUR 8[3]	4 566,8	7 158,2	11 725,0
EUR 12	7 621,3	8 604,9	16 226,2
	1987 (in % of GDP)		
GR	1,46	0,41	1,87
E	0,48	0,29	0,76
IRL	1,86	0,71	2,57
P	2,56	1,24	3,80
EUR 4[3]	0,88	0,42	1,30
EUR 8[3]	0,14	0,21	0,35
EUR 12	0,21	0,23	0,44
	1992/93[4] (in % of GDP)		
GR	2,63	0,72	3,36
E	0,77	0,46	1,22
IRL	3,22	1,22	4,44
P	4,23	2,05	6,28
EUR 4[3]	1,44	0,69	2,13
EUR 8[3]	0,17	0,27	0,43
EUR 12	0,36	0,33	0,69

1 Regional Fund, Social Fund; EAGGF, Guidance Section: Commitments, provisional figures.
2 EIB, NIC: Loan agreements; Euratom, ECKC: loans paid out; provisional figures.
3 EUR 4: GR, E, IRL, P.
EUR 8: B, DK, D, F, I, L, NL, UK.
4 Figures are based on the following, very tentative, assumptions for 1992/93.
(i) Grants under the stuctural Funds are doubled in real terms for the four less-advanced countries and Italy, and held constant for other countries, as % of real GDP.
(ii) Loans under the financial instruments are up by 100 % in real terms for the four less-advanced countries and Italy, and held constant for other countries, as % of real GDP.
The figures for 1992/93 should by no means be interpreted as forecasts: they are only points of reference for discussion

Source: Commission services.

However, experiences in the past show that **the perils of relatively faster growth are not ineluctable.**The most striking examples in this context are undoubtedly given by Germany in the 1950s and by Japan (virtually throughout the postwar era). During these respective periods, the German and Japanese economies succeeded in growing markedly faster than the rest of the OECD countries, while recording current-account surpluses. In fact, both countries benefited from high national savings which were used to finance investment in productive capacity that was largely directed towards exports. More recently, economic developments in Spain seem to reflect to some extent a similar virtuous circle phenomenon. Since 1986 (this development is expected to continue at least up to 1992) the Spanish economy has been experiencing growth rates almost twice as large as the Community average. The rapid expansion of domestic demand is here, however, reflected in a gradual worsening of the external balance. The expected current account deficit of 2,1 % of GDP over the period 1988-92 is, nevertheless, deemed to be sustainable, given foreign investors' willingness to finance the deficit, as highlighted by the considerable long-term capital inflows in most recent years. In addition, the growth in imports reflects purchases of new plant and equipment, required for economic restructuring and expansion of productive capacity. In this sense, the present trend of external deficits will in part be self-correcting as the new production capacity comes on stream.

2.4. Demographic developments

Given that real convergence is measured in per capita terms, demographic changes affect the catching-up process. **Now, it is very striking that the increase in rates of population growth in the less-advanced Member States coincided, unfortunately, with the deterioriation of their economic performance, exacerbating in this way the break in the catching-up process.**

Whilst the demographic development in the less-advanced countries and regions over the period 1960-73 corresponded to that of the Community average with an annual increase of 0,75 % in the rate of population growth, this diverged markedly in the subsequent period. From 1974 to 1979, total population in the four less-favoured countries increased on average by 1,2 % per annum, which is three times faster than the Community average which halved during that period (0,4 %). The rate of population growth in the four Member States slowed down to 0,6 % per annum in the 1980s, however, still twice the population increase in the Community on average. In order to outweigh divergent demographic developments, the growth in GDP in the less-advanced countries should have exceeded the Community average by 0,8 points in the second half of the 1970s and by 0,3 points in the 1980s. Actually, the growth differential amounted only to some 0,2 points in both periods.

3. Some macroeconomic reflections on the opportunities and conditions for greater real convergence in the Community

3.1. Main conditions

Achieving greater convergence of GDP per capita in the Community implies that the less-favoured regions and Member States succeed in producing higher growth rates per head than the Community on average. From the analysis given above, it emerges that the prior condition for bringing about and sustaining a perceptible catching-up process is undoubtedly a **substantial improvement in the internal growth conditions in the less-favoured regions and countries.** Particularly, a substantial increase in the rate of return on fixed capital, stronger gross fixed capital formation and higher efficiency of investment are required to generate growth rates of economic activity similar to those prevailing in the 1960s. The realization of a dynamic business environment through appropriate adjustment policies is the responsibility of national and regional authorities. Moreover,the efforts of the authorities in the disadvantaged regions and Member States would be assisted by a sustained and effective financial support by Community resources and by higher and sustained economic growth in the Community as a whole.

The economic effects of the Community's financial support may be viewed as being of three types:

(i) microeconomic effects. At this level, the transfers are aimed at a specific resource-allocation effect, through financing specific projects or programmes;

(ii) mesoeconomic effects. Here the transfers relate to funds that contribute to regional or sectoral programmes that have a broader objective; here can be mentioned the transitional measures which should cushion the possible negative redistributive effects for the poorer regions of the completion of the internal market. The developing regions will be given the means of overcoming their current structural handicaps of a lack of basic infrastructures;

(iii) macroeconomic effects. Both the amounts received as transfers from the Community's structural Funds as well as the loans received via its financial instruments relieve the balance-of-payments constraint of the recipient countries. In this connection, the important macroeconomic difference between the two kinds of resources is that structural Funds, being unilateral transfers, allow higher imports of goods and services without deteriorating the current account, while the financial instruments, being loans, allow the sound financing of a higher current-account deficit.

The overall influence on economic activity of the Community support passes through the macroeconomic counterpart of the easing of the external constraint. This is not directly linked to the use of the financial support on a microeconomic level, which obviously should be efficient. Instead, how the macroeconomic counterpart is effectively used will depend largely on the macroeconomic strategy of the country under consideration. If the additional margin of manœuvre which results from the inflow of Community resources goes exclusively into consumption expenditures, the global effect of the financial support will be limited to the transfer effect. It would mean that the Community support enabled an increase in final demand by alleviating the external constraint. Through the workings of the multiplier and accelerator mechanisms this would induce a certain improvement in the growth performance of the country under consideration but would not represent a full utilization of the opportunities offered.

Beyond this pure transfer effect goes, however, the aim of transforming the deployment of Community resources into a higher share of investment in GDP and higher efficiency of investment in the recipient countries. In order to achieve this, internal structural and macroeconomic policies should be geared towards increasing the profitability of fixed capital and in general towards the creation of improved supply and demand conditions. Paying due attention to the micro- and meso-effects should also enhance the efficiency of investment. Only in this way, the doubling of the structural Funds and financial instruments can deliver its full benefits in terms of higher and sustained rates of economic activity.

3.2. Possible effects of doubling of the Community financial support

The figures presented in Table 5 — based on some rough working hypotheses — indicate orders of magnitude of the future evolution of the Community's financial support for the poorer regions. The amounts of the grants in 1992[1] are effectively decided, but for the loans the amounts are reasonable assumptions. It is assumed that both grants and loans to the less-favoured Member States double in real terms by 1992. The figures presented in Table 5 are not intended to be — indeed cannot at present be — a serious forecast: Table 5 only yields points of reference for discussion.

In order to quantify the possible impact of the substantial increase of the structural Funds and the financial instruments, some additional **hypotheses** must be made. Firstly, it is supposed that the increase in the resources is equally spread over the next five years, to attain its full amount only by 1992. Furthermore it is assumed that economic policies succeed in raising the investment to GDP-ratio in the poorer countries by the full amount of the additional Community financial support.

Table 6 presents the results of a very simple, mechanical calculation to illustrate the possible effect on these countries' growth performances. It is clear that the results of these calculations can only serve as a first indication. As a first step, it is assumed that — with regard to the base-line projections — the marginal capital productivity is not changed as a result of the increased investment performance. The implications for the growth rates of the four countries are shown in Table 6.

As can be seen in Table 6, the result is only a minor increase of the GDP growth-rate of the poorer countries. The basic hypothesis is, however, likely to be too pessimistic. Past experiences (see also Graph 1) suggest that an increase in the investment to GDP-ratio is usually accompanied by an increase in the marginal productivity of capital. In order to illustrate in a quantitative manner the potential impact of the doubling of the Community support, it is assumed that the marginal productivity of capital gradually increases up to the level it reached in the period 1961-73, which corresponds to the first successful catching-up process. This is an optimistic hypothesis, the realization of which necessitates important efforts in the field of macro- as well as microeconomic policies in the countries concerned. The implications of this mechanical calculation for the growth performance of the poorer countries are shown in Table 6.

The results argue in favour of the feasibility of a renewal of the catching-up process over the next 10 to 15 years. For the period 1988-92, the revealed rates of growth of GDP per capita are broadly speaking of the same order of magnitude as those recorded during the 1960s in the four poorer Member States. A comparison of these results with the estimated medium-term developments of EUR 12 (see Table 2) indicates that the differential in growth of GDP per capita between the four poorer countries and EUR 12 could amount to some 3,0 percentage points, against 2,3 percentage points over the first catching-up period (1961-73).

The average rate of growth of GDP over the period 1988-92 does not fully reflect the impact of the doubling of the Community resources, because of the assumed gradual increase of the financial support, which implies that the total effect will only be reached by 1992/93. Hence, GDP rates of growth for 1992 are expected to be higher than the period averages. The 1992 figures give an idea of a possible long-term growth path of the less-advanced countries provided that the size of the Community financial support remains unchanged and that economic policies preserve favourable growth conditions.

A prudent but evident policy conclusion to be drawn from these results is that the stimulus which might be provided by the doubling of the Community financial support will, however, only be able to exert its full effects if it is part of a dynamic macroeconomic process, which comprises a significantly faster increase in the share of investment in GDP and in the efficiency of investment. Therefore, it remains essential to pursue structural policies aimed at a greater adaptability of the markets and a further improvement of profitability of fixed capital. In this connection the recommendations for supply-side policies contained in the most recent Annual Economic Reports remain entirely valid.

4. Conclusions

The decision at the Brussels European Council of 11 and 12 February 1988 to double the budget commitments to the structural Funds between 1987 and 1993 demonstrates the Community's aims of contributing to a resumption of the catching-up process of the less-advanced regions and countries in the Community.

[1] The Council decision stipulates a doubling of the structural Funds by 1993. However, as the end-year of the medium-term projections is 1992, all estimates are made for the period 1988-92.

Table B6

Tentative indications about the possible effects of the doubling of the Community's financial support

	Investment share of GDP (in %) (a)		Marginal productivity of capital[1] (b)		GDP growth rate (c) = (a) × (b)		GDP per capita growth rate (d)	
	1988-92	1992	1988-92	1992	1988-92	1992	1988-92	1992
			(1) Base-line projections[2]					
GR	21,2	22,5	0,10	0,09	2,1	2,1	1,7	1,8
E	25,6	27,6	0,18	0,17	4,5	4,8	4,1	4,4
IRL	21,3	21,7	0,14	0,14	3,0	3,0	3,0	3,0
P	31,7	34,8	0,12	0,12	3,9	4,2	3,4	3,6
EUR 4	25,6	27,5	0,16	0,16	4,1	4,3	3,7	3,9
	(2) Doubling of Community support is fully reflected in an increase of the investment to GDP ratio[3]							
GR	22,0	24,0	0,10	0,09	2,2	2,2	1,8	1,8
E	25,9	28,1	0,18	0,17	4,7	4,8	4,2	4,4
IRL	22,4	23,6	0,14	0,14	3,1	3,3	3,2	3,3
P	33,2	37,3	0,12	0,12	4,0	4,5	3,5	3,9
EUR 4	26,6	28,3	0,16	0,16	4,3	4,5	3,9	4,1
	(3) Doubling of Community support is fully reflected in an increase of the investment to GDP ratio and the marginal capital productivity increases progressively until its 1961 – 73 level[3]							
GR	22,0	24,0	0,19	0,27	4,2	6,5	3,8	6,1
E	25,9	28,1	0,25	0,30	6,5	8,4	6,0	8,0
IRL	22,4	23,6	0,15	0,19	3,4	4,5	3,4	4,5
P	33,2	37,3	0,18	0,22	6,0	8,2	5,5	7,6
EUR 4	26,6	28,3	0,23	0,28	6,1	7,9	5,7	7,5

[1] Measured as the absolute increase in GDP divided by investment.
[2] Medium-term projections 1988-92, October 1988. See also footnote 1 on page 119.
[3] It is supposed that the doubling of the Community's financial support is equally spread over the next five years, as shown in Table 5.
Source: Commission services.

In the absence of supplementary Community financial support, growth of GDP per capita in the four less-advanced countries is expected to grow somewhat faster than in the Community on average over the medium term to 1992. However, the expected growth differential would not be sufficient to narrow the prosperity gap significantly. Instead, the doubling of the Community financial supports provides a chance for success in a resumption of the catching-up process.

Although the Community resources appear to be an important support for a durable resumption of the catching-up process, their availability in itself is not sufficient for that purpose. The resources should generate higher shares of investment in GDP and enhance efficiency. If the resources are purely used for increasing consumption in the less-advanced countries, an important opportunity will be missed and the policy objective will not be met.

The reinforcing of the Community's structural Funds as well as the further development of financial instruments would enable the Community to contribute more actively to achieving the aim of greater economic cohesion alongside the efforts undertaken by the Member States themselves. The rough indications presented in this note clearly show, however, that the full effects of the Community's financial support not only depend on a correct microeconomic utilization of these resources, but — and that is really essential — their use must be accompanied by the appropriate macro-economic and structural policies within the countries under consideration.

High and sustained economic growth in the Community would undoubtedly be instrumental in accelerating this process. It would, indeed, further alleviate the external constraint on domestically engineered faster growth in the less-advanced countries. On the other hand, progress towards more convergence would also contribute to higher economic growth in the Community as a whole.

Study C:

The European financial area: situation and outlook

Contents

The European financial area: situation and outlook

Introduction

To achieve an integrated financial area, which forms part of a much larger whole of completing the internal market and strengthening economic and monetary cooperation, there must be free movement of capital, a sufficiently homogeneous network of institutions and financial services and an increasingly high degree of stability in exchange relations between Member States. Progress has been made in strengthening the EMS through the Basle and Nyborg agreements which, in addition to technical measures, introduced a new more cooperative concept as to how the EMS should be managed. This advance enabled the Commission to present proposals to progress in the area of capital liberalization. A new Directive was adopted in June 1988 which extends liberalization to all capital movements (including short-term transactions). The new Directive is to be fully implemented by 1 July 1990 with four Member States authorized to maintain certain restrictions until the end of 1992. Advance on a common approach to the exercise of the freedom to provide financial services has still to be accomplished. A number of proposals based on the mutual recognition of national rules and 'home-country control' are being examined by the Council and proposals on the approximation of taxes on savings are being formulated. The logic of the large market points to further stabilization of exchange-rate relations and ultimately to economic and monetary union. A high-level Committee has the task of studying and proposing concrete steps here which will be examined by the Madrid European Council in June 1989.

1. The objective of an integrated financial area in the Community[1]

With the adoption of the Single European Act, the Community has set itself the objective of completing its large internal market by 1992. The market must assume its full financial dimension. This necessity is clearly affirmed in the Single Act, since the objective of free movement also applies to capital and financial services; it is inherent in the economic logic behind the establishment of the single market which is to ensure the more efficient mobilization and allocation of resources; it forms part of the world financial system's rapid advance towards internationalization, globalization and innovation which the Community cannot ignore but must exploit for the benefit of its economic development.

If a genuinely integrated financial area is to be achieved in the Community, three conditions must be met.

1.1. The free movement of capital

First, it is essential that the free movement of capital — i.e. of the goods exchanged on financial markets — is assured. Unlike the other freedoms laid down in the Treaty, the freedom of capital movements is not directly applicable: it is up to the Council, acting by a qualified majority, to determine the pace of liberalization and the procedures involved by issuing Directives adopted on the basis of proposals from the Commission. The Directive adopted in June 1988, which establishes the principle of the full liberalization of capital movement and lays down the timetable and detailed procedures for implementing it, marks the completion of a legislative process which had long been at a standstill and the Commission's conclusion, within the brief timescale which it had set itself, of the programme laid down in May 1986.[2]

The freedom of capital movements gives a resident of a Member State unrestricted access to the financial system of another Member State in order to effect any investment, lending or borrowing operation in accordance with the techniques and the instruments available in that system. Apart from this essential aspect of broadening and diversifying financial choices, the establishment of the full convertibility of the European currencies with one another means the abolition of authorization procedures for the purpose of verifying the nature and genuineness of transactions: these procedures still inhibit liberalized operations, including current-account operations, so long as restrictions remain on

[1] *European Economy*, No 36, May 1988, dealt with this subject.

[2] Communication from the Commission to the Council, 'Programme for the liberalization of capital movements in the Community', COM(86) 292 final.

certain capital movements; convertibility therefore permits the substantial simplification of payments in the Community, which is another necessary condition if the single market is to function.

1.2. A homogeneous network of institutions and financial services

Second, it must be possible for the freedom of capital movements to exist throughout the Community, with no break in continuity, by means of a sufficiently homogeneous network of institutions and financial services. While the freedom of establishment and the freedom to provide services are already established in the Community, it is therefore necessary, for a sector of activity which is generally closely supervised by the public authorities, that a more homogeneous regulatory and prudential framework is established which at the same time ensures a satisfactory level of protection for savers, a high degree of transparency and information for investors, the solvency of financial intermediaries and equal conditions of competition on the financial markets.

There can be no genuine financial integration so long as there is a danger that investments made in a Member State other than that of residence may be subject to double taxation or tax discrimination; so long as a company has to comply with different rules and formalities, for example when it issues securities simultaneously in several Member States; so long as a saver is not sure if a financial institution of another Member State provides the same minimum guarantees as those which he expects from a national institution.

1.3. A high degree of stability in exchange-rate relations

Lastly, the proper functioning and the viability of the internal market demand that an increasingly high degree of stability be sought in exchange relations between Member States. Otherwise, the benefits expected, in terms of the better allocation of resources, from the free movement of persons, goods, services and capital, would be seriously compromised by the volatility and the overshooting of exchange rates. The greater potential mobility of capital would not be accompanied by the greater substitutability of financial assets, because of the existence of high exchange risk premiums. In a situation of freedom of trade, in which in particular the use of permanent and systematic exchange controls will no longer be possible, exchange-rate discipline must be based on price stability, closer convergence of economic performance and strengthened cooperation in the definition and the conduct of economic and monetary policies.

The process of financial integration set in train by the Community is therefore far more ambitious than the creation of a mere financial free-trade area. It forms part of a much larger whole which concerns both the completion of the internal market and the strengthening of economic and monetary cooperation between the Member States.

2. The progress which has been made

2.1. The strengthening of the European Monetary System

At the end of 1986, the dollar's decline and inadequate coordination of the European central banks' intervention and interest-rate policies, in response to the severe strains which had become apparent within the EMS, resulted in the January 1987 realignment which took place in a atmosphere of political acrimony. The Council was aware of the imperfect control of external and internal factors which had led to this event, and assigned to the Committee of Governors and the Monetary Committee the task of examining measures to strengthen the operating mechanism of the EMS. The objective was, first, to prevent tensions of the type which occurred in 1986 from regularly resulting in realignment, because of insufficient coordination and, second, to strengthen the EMS in the context of the liberalization of capital flows. At its informal meeting in Nyborg in September 1987, the Council took note of the agreement reached within the Committee of Governors on these matters and agreed on certain measures to strengthen convergence.

Taken as a whole, the Basle and Nyborg Agreements consist of two sets of measures:

(i) the existing rules on three areas are amended. First, the duration of very short-term financing (VSTF), intended for interventions at the margin, was extended by a month, taking the maximum from two and a half to three and a half months and the ceiling for automatic renewal was doubled (200 % of the debtor quota laid down in the short-term monetary support mechanism); second, it was agreed that there would be a presumption that very short-term financing would be available for intra-marginal intervention on certain conditions; third, the acceptance limit on ecu for the repayment of a VSTF debt, until then limited to 50 % of the amount of that debt, was increased *de facto* to 100 %;

(ii) improved surveillance of economic and monetary variables, both and medium term. The purpose of medium-term surveillance on the basis of *ad hoc* indicators, compatible with those developed by the Group of Seven, is both to avoid inconsistencies in the definition of each Member State's policies and incompatibilities between the different national policies. It would also detect the emergence of situations which might create the risk of conflict.

Short-term surveillance has more to do with the day-to-day management of the system since it is intended to withstand short-term pressures by means of the coordinated and rapid deployment of all the monetary instruments available to the central banks. These are, in particular, a closer coordination of interest rates and policies governing intervention on the foreign exchange markets, and a more flexible management of exchange rates within the fluctuation bands.

In addition to these technical details, the Basle and Nyborg Agreements introduce a new, more cooperative, concept as to how the EMS should be managed.

The stock-market crisis at the end of 1987 provided the opportunity for putting this new concept into practice more rapidly than had been foreseen and for demonstrating its effectiveness. For, whereas in the third quarter inflationary strains and the dollar's recovery had led to generalized interest-rate rises, the sudden drop in share prices led to an easing of United States and Japanese monetary policies. The combination of these two events generated a monetary crisis which resulted in the dollar falling 9 % against the ecu between 15 October and 23 December, with monetary and capital flows leading to severe strains within the EMS, particularly between the German mark and the French franc.

At the beginning of November, the Bundesbank and the Bank of France jointly decided to adjust interest rates in opposite directions: the Bundesbank lowered its securities repurchase rate by three-tenths of a percentage point; the Bank of France raised its intervention rates by three-quarters of a percentage point. These changes had been preceded by a quarter point fall in the Nederlandsche Bank's discount rate. At the same time the new Community mechanism for financing intra-marginal interventions was brought into operation while the Bank of France allowed the franc to slide against the German mark. The guilder followed the mark whereas the Belgian franc and the lira shadowed the franc. As a result of all these measures it was possible not only to defuse speculation immediately, but to defeat expectations of a realignment and gradually to return to the pre-crisis situation. At the beginning of 1988, interest rates were back to their original level and the French franc had strengthened against the German mark.

During 1988, several factors influenced the behaviour of currencies and made it easier for the currencies participating in the EMS exchange rate mechanism to stabilize.

The stock-market crisis at the end of 1987 did not, as had been feared, result in an economic slowdown, and so made it easier to strengthen international monetary cooperation by means of the Group of Seven decisions of December 1987 (Second Louvre Agreement) and April 1988. The dollar's recovery since the beginning of the year, against the background of a gradually diminishing United States trade deficit, later on made it possible to reduce any strains which might have arisen between currencies of the EMS exchange-rate mechanism. The management of the dollar's recovery resulted in numerous coordinated intervention operations and in the various currencies moving within the fluctuation bands as dictated by necessity.

The Bundesbank's determination to check the rise of the dollar created the problem of how to manage the repercussions of such a policy in the EMS. This was reflected in July and August by coordinated interventions on the foreign-exchange markets, and since 25 August, by a concerted rise in interest rates in the Federal Republic of Germany, France, Belgium, Italy and the Netherlands. At the same time, the relative positions of the currencies have altered within the fluctuation bands. In the context of strict control of monetary policies in Europe, the recent turnaround in the movement of the dollar only created mild tensions within the EMS which were manageable according to the principles outlined above.

2.2. The establishment of a regime for the full liberalization of capital movements

The measures to strengthen the EMS adopted in Basle and Nyborg meant that in November 1987 the Commission was able to present proposals designed to promote the creation of a European financial area. On the basis of these proposals the Council adopted two texts in June 1988:

(i) a Directive fully liberalizing capital movements;

(ii) a Regulation establishing a single facility providing medium-term financial support for Member States' balances of payments.

2.2.1. The new Directive liberalizing capital movements

The Directive which has been adopted provides for abolition of all restrictions on the movement of capital taking place between persons resident in Member States.

As Community law stands at present, the only capital movements which are unconditionally liberalized are those linked to the other basic freedoms (the right of establishment, and the free movement of goods, services and persons) and medium- and long-term financial operations (the acquisition and issue of shares and bonds). The new Directive extends liberalization to monetary or quasi-monetary operations (financial loans and credits, current- and deposit-account operations and operations in securities and other instruments normally dealt in on the money market).

The new Directive is to be implemented within two years (1 July 1990). However three Member States (the Federal Republic of Germany, the Netherlands and the United Kingdom) are already applying the provisions of the Directive. Four other Member States (Spain, Greece, Ireland and Portugal) will be covered by transitional arrangements authorizing them to maintain certain restrictions until the end of 1992. Also, Belgium and Luxembourg will be able to maintain their dual exchange market until that date, provided that the exchange rates on the two markets show no appreciable and lasting differences between each other. Between now and 1990, Denmark, France and Italy are therefore the countries which will have to extend their rules on the liberalization of capital movements so as to comply with the new Directive. The four Member States covered by transitional arrangements will have to use this period to phase out the restrictions they maintain (by observing the time-limits laid down in the Act of Accession or in the safeguard clauses authorizing certain of these restrictions) and to adapt their financial system to conditions of openness to the outside world.

The enacting terms of the new Directive contain a specific safeguard clause permitting a Member State to reintroduce restrictions on short-term capital movements for a maximum period of six months, where that Member State is experiencing disturbances to its monetary or exchange-rate policy. These measures must, in all circumstances, be authorized by the Commission, but the Member State may, on grounds of urgency, introduce them as a precaution.

This new procedure is a useful addition to those laid down in the Treaty which are designed to meet different circumstances: balance-of-payments difficulties in the case of Articles 108 and 109; disturbances in the functioning of the capital market in the case of Article 73.

The Directive also authorizes Member States, within certain limits and under Community supervision, to adopt or maintain monetary policy measures which are necessary to regulate bank liquidity and which may have an effect on capital movements carried out by banks.

The new Directive contains certain provisions covering relations with third countries where capital movements are concerned. The principle of liberalization *erga omnes* is recorded in the enacting terms. The Member States must endeavour to achieve, in their relations with third countries, the same degree of liberalization as that attained within the Community. This provision demonstrates the desire to open up the Community financial area but nevertheless does not prejudice the application of other provisions which exist or may be adopted in related areas (right of establishment, supply of financial services and admission of foreign securities to domestic capital markets) and which in particular require third-country reciprocity.

The Directive also envisages the possibility of the Community acting in concert in response to external monetary or financial shocks. Consultations will take place within the Monetary Committee and the Committee of Governors of the central banks on the initiative of the Commission or of any Member State. They relate to any measures which could be taken to resolve the difficulties encountered. These would chiefly be coordinated monetary and exchange-rate policy measures. However if these were to prove insufficient, the possibility of the concerted regulation of short-term capital movements to or from third countries is not ruled out.

These provisions taken together, reflect the gradual establishment of the Community's financial and monetary identity *vis-à-vis* the rest of the world.

2.2.2. The renewed medium-term financial support facility (MTFS)

The Regulation which has been adopted amalgamates the two existing instruments providing medium-term balance of payments support: medium-term financial assistance and the Community loan mechanism.

The purpose of the facility is to enable medium-term loans to be granted to a Member State in difficulties or seriously threatened with difficulties as regards its balance of payments. Financial support can also be granted in order to make it easier for a Member State to implement a programme of capital liberalization despite a fragile balance-of-payments situation.

The Council, acting by a qualified majority on a proposal from the Commission, will decide whether to grant the loan, the amount of the loan, its duration and the economic policy conditions attaching to it. The Commission, in collaboration with the Monetary Committee, will monitor the economic conditions laid down. The principle adopted is for the loan to be paid in successive instalments.

The ceiling for loans which can be granted under this facility has been set at ECU 16 000 million; as a rule, funds of up to a maximum of ECU 14 000 million would be provided by Community borrowings on the capital markets. If borrowing on the market were to prove difficult or if the maximum of ECU 14 000 million set for this method of financing had been reached, Member States would be called upon to contribute within the limits of the ceilings for credits previously established for medium-term financial assistance (a total of 13 925 000 million).

3. The tasks still to be accomplished

3.1. Completion of the free movement of financial services

The mobility of capital made possible by the lifting of exchange controls requires the support of a homogeneous, efficient and safe network of financial services on a Community scale. For the most part, the movement of capital operates via financial intermediation or via markets, which are run by professional intermediaries or to which they provide access.

The freedom of establishment and the freedom to provide services are applicable *de jure* in the Community by virtue of the Treaty. Nevertheless, in a tightly regulated industry such as the financial services industry, the exercise of these freedoms is in practice limited by differences between national provisions governing this type of activity. The creation of an integrated financial area makes it necessary to do away with this compartmentalization and endeavour to make the Community's financial system more competitive as a result of keener competition between intermediaries and economies of scale and the wider range of services offered by a larger market. The users of financial services will be the first to benefit from the resultant productivity gains because of the lower intermediation costs[1] and the better quality of the services provided. Negotiations have begun under the auspices of GATT to achieve greater freedom of trade in this area, but it is also important for the Community, which is the world's leading exporter of financial services, far ahead of Japan and the United States, to consolidate its position and to maintain the dynamism of this sector.

The approach adopted by the Commission is that of mutual recognition of national rules on the basis of minimum harmonization, together with the principle of 'home-country control' of the provision of financial services. It should, however, be stressed that minimum harmonization does not mean systematic alignment on the most flexible rules.

[1] On this subject see *European Economy*, No 35, March 1988, 'The economics of 1992', pp. 87-94.

Admittedly, the opening-up of national financial systems to the outside world makes a measure of deregulation inevitable. An entire body of rules becomes more difficult to apply, because they are easier to circumvent. These include regulations covering the segmentation of financing channels, the specialization of financial institutions, the standardization of financial techniques, credit controls, and administrative price-fixing for financial services. The Community must encourage this trend in its concern to guarantee the competitiveness of European institutions and financial markets. Unless it is willing to accept the beginning of a dangerous process of 'competitive deregulation' leading to the surrender of control, the Community must guarantee the stability and reputation of its financial area. The deregulation which sweeps aside obsolete rules must therefore be matched by a re-regulation which takes account of the new risks emanating from the international environment.

Important measures have already been taken along these lines and will have to be added to by stages until the 1992 deadline. Thus, a common approach to banking supervision at Community level is being developed, consisting of the first Directive on banking coordination and Directives relating to surveillance on a consolidated basis and to the consolidated accounts of banks; proposals presented to the Council for Directives on mortgage credit, own funds, the winding up of credit institutions, and the publication of accounting documents of foreign branches; Commission recommendations on the trentment of large exposures, and deposit guarantee schemes.

A proposal for a second Directive on banking coordination was also presented to the Council in February. It represents the centre piece of Commission proposals relating to the banking sector in the light of the completion of the internal market by 1992. In parallel with the liberalization of capital movements and the other supporting instruments in the banking field mentioned above, its objective is to create a genuine internal market in banking by removing the last obstacles to freedom of establishment in the banking sector and by permitting complete freedom to provide financial services, on the basis of a single authorization valid throughout the Community.

Work deriving from the same approach has also been concluded or is continuing in respect of securities markets, undertakings for collective investment in transferable securities, and the insurance industry.

3.2. The approximation of schemes concerning tax on savings

In a situation of full liberalization, capital movements could be influenced to a greater extent by tax considerations. When the new Directive liberalizing capital movements was adopted, it was agreed that the period laid down for applying the Directive must be put to advantage to define within the Council, taking into account in particular the Member States' budget and tax constraints, the measures to eliminate or attenuate the risk of tax distortions, evasion and avoidance linked with the diversity of the national schemes concerning tax on savings and monitoring of their application. The enacting terms of the new Directive provide that the Commission will submit proposals on this matter by 31 December 1988 and that the Council will decide by 30 June 1989 at the latest.

3.2.1. The risk of tax evasion

By giving residents the right to hold accounts abroad, and to use these accounts to manage their assets without having to repatriate claims and incomes acquired abroad, the full liberalization of capital movements involves a greater risk of tax evasion. Each Member State could provide a tax haven for the residents of other Member States to the extent that the system of taxation applicable to non-residents' operations was, in fact or in law, less strict than the system applied to operations by residents.

The Member States which still maintain exchange restrictions and tax savings at a relatively high level while imposing strict controls fear the losses of tax revenue which could arise from this situation for evident budgetary reasons and for reasons of equity in apportioning the tax burden. A second though less acute concern is that financial intermediation will move to markets where taxation is less heavy or less strictly applied to non-residents, with national intermediaries being instrumental in bringing about this move through their establishments abroad. Although this could well lead to financing channels being diverted through foreign centres, this type of tax avoidance should not, however, have a major effect on the final allocation of saving which would still be governed by economic considerations of yield in relation to risk, according to the type of investment and the place where the investment is made.

In preparing the proposals which the Commission will have to present in this area, three types of solution, not mutually exclusive, could be examined: a closer cooperation between tax authorities, a requirement on banks to declare to the tax authorities the income which they distribute, and the generalization and harmonization of withholding taxes on income from capital.

3.2.2. The elimination of discriminatory treatment and tax distortion

The free movement of capital means the abolition of actual restrictions on capital movements but also of discriminatory treatment, in particular tax treatment, based on the nationality or the place of residence of the parties or on the place where capital is invested. It is therefore important to identify the tax measures which, because of their discriminatory nature, perpetuate the divisions between national financial markets and to arrange for them to be gradually dismantled in cooperation with the Member States.

More generally, the growing interpenetration between national financial areas should lead to a *de facto* approximation of tax systems. The creation of a European financial area should provide the opportunity for joint consideration of the principal options for modernizing the systems of taxation applying to companies, savings and capital.

4. The debate on economic and monetary union and the single internal market

The debate on economic and monetary union initiated with the Single Act has been given new impetus by the improvement in convergence between the Community countries, the continuation of the process, throughout the world and in the Community, of deregulating capital markets and of its corollary, the increase in the volume and the volatility of capital flows, and the challenge of completing the enlarged international market by 1992.

When the Single Act was being negotiated, it became apparent that monetary cooperation was an important stumbling block in the internal market project. As a result, the objective of economic and monetary union, already envisaged during the preceding decade was inserted into the preamble to the amended Treaty, and a new Article 102a was introduced which states that the strengthening of monetary cooperation must take account of the experience acquired within the framework of the EMS and in developing the ecu and shall respect existing powers in this field. Studies on the economic and monetary consequences of the single internal market pinpointed the problems of compatibility between establishing the free movement of goods, services, persons and capital, retaining national autonomy in the implementation of economic and monetary policies, and a system of stable exchange rates. In this trio of options, the choice of two of them rules out the third.

The decisions with regard to the free movement of capital have been taken. The measures still to be taken with regard to the freedom to provide financial services will complete the process ensuring that the movement of capital will be completely free within the Community by 1992. Capital flows will, *inter alia*, be determined by any differences which exist or are anticipated in the matter of remuneration because of monetary, tax or legal factors, allowing for the anticipated exchange risk. So, the free movement of capital creates additional economic policy constraints, with any divergence from the partner countries provoking capital flows which, depending on the case, will result in tensions either on exchange rates or on monetary policies.

One of the aspects of the single internal market is to improve the economic environment in which European firms operate, and in particular the conditions of competition. Any change in exchange rates resulting from speculative capital flows will produce distortions in relative prices and, as a result, in the conditions of competition. Harmonization of the competitive conditions of European firms is therefore an argument in favour of the reinforced stabilization of exchange rates in parallel with the implementation of the single market, whatever the merits and the performance of the EMS with its present characteristics.

The logic of the single market thus points towards economic and monetary union, against a background which is radically different from the one which existed at the time of the Werner Report, when this subject was first approached, and the credibility which now attaches to completing the internal market requires that the Community has a clear vision of the objective to be attained and the means of doing so.

This is why the Hanover European Council decided to entrust to a Committee, chaired by Mr Jacques Delors, President of the Commission, the task of studying and proposing concrete stages leading towards economic and monetary union. This Committee consists of Governors of the central banks, another member of the Commission, and three independent experts.

The proceedings of the Committee are to be completed in time for them to be examined by the Madrid European Council in June 1989.

Box: Position of the Community in the market for international bond issues and banking transactions

The purpose of the four figures below is to give an idea of the importance of banking and finance in the Community and of the extent to which certain borrowers use the financing capacity of the Community.

Figures 1a and 1b compare the capital markets outside the Community to those within. The capital market is here defined as the total of medium- and long-term private and public issues of international and foreign bonds. The Community capital markets are then identified as those international bonds issued in one of the currencies (including the ecu) of the Member States and foreign bonds issued in the domestic market of one of the Member States. Similarly, the non-EEC markets are represented as those international bonds denominated in a non-Community currency, the dollar and the yen being the most important, and foreign bonds not issued in a Member State, Switzerland being the main country of issue.

In 1987, the volume of bonds issued outside the Community market amounted to USD 134,1 billion, compared to USD 46,7 billion in the Community capital market (Figure 1a).

Residents of the Community are important borrowers on the international bond markets. Figure 1b indicates the 12 Member States as the most important destination of funds. In 1987, residents of the Community borrowed USD 59,6 billion, 48 % of which on their own market. The Community preference of the residents increased considerably in recent years. In 1985, only 27 % of the financing needs in terms of international and foreign bonds were satisfied by the Community's own capital market. The attractiveness of the Community for Japanese and American borrowers remains low: between 5 and 12 % of their total external financing needs in international and foreign bonds is covered by the Community.

Similar observations can be made for the banking market: resident banks of the Community occupy an important place in the world (Figure 2a). The total of their external assets *vis-à-vis* the banking and non-banking sector amounted to USD 1 921,6 billion in December 1987 against USD 2 276,5 billion for the other banks reporting to the Bank for International Settlements. It is worthwhile noting that about 75 % of the external assets of the banks are *vis-à-vis* the banking sector.

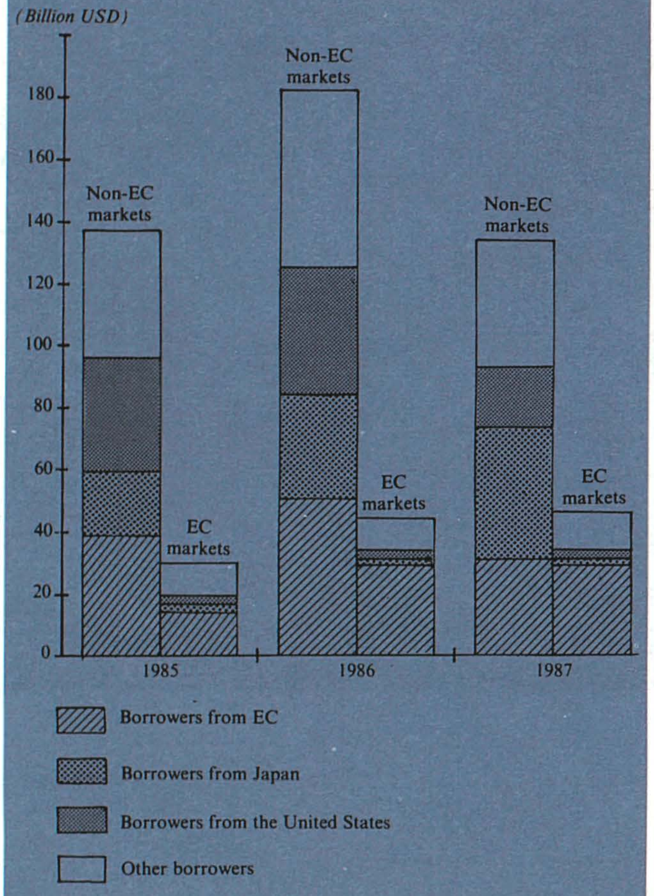
Concerning the use of the Community banking system by residents of the banking and non-banking sector of the Member States, Figure 2b indicates that almost 60 % of their external financing needs are covered by banks in the Community. Banks, firms and households of Japan and the United States use the banking system of the Community proportionally less: in 1987, about 40 % of their external bank borrowing was supplied by banks in the Community.

Nevertheless, the use of the Community banking system by Japanese and American operators is still relatively large and can be explained by the presence of numerous banks of both countries in the Community and the ease with which European banks can use the dollar to accommodate their overseas clients. More than half of the external assets of the banks are denominated in dollars. This means additionally that a large part of the external assets of the Community banks *vis-à-vis* clients of Member States are denominated in a third currency.

Summarizing, we can say that the financing possibilities offered by the capital markets and by the banks of the Community are considerable and that resident borrowers of the Community express a growing preference for using them, especially in the bond market. The international use of the Community banking system is already high, although the dollar largely dominates banking relations.

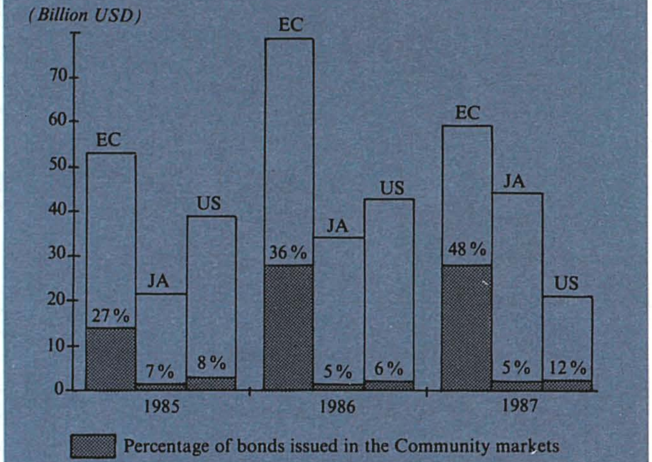
List of figures

FIGURE 1a: **The volume of international and foreign bonds issued in the Community markets and outside**



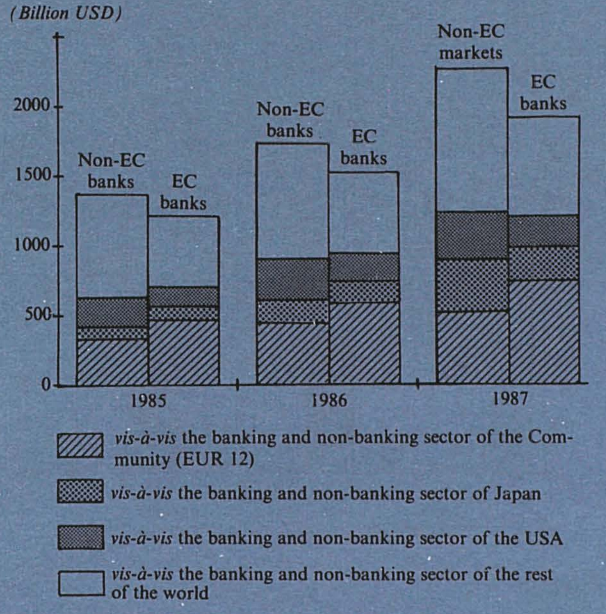
Source: OECD.

FIGURE 1b: **The use of the Community markets by borrowers of the Community (EUR 12), Japan and the United States for their issues of international and foreign bonds**



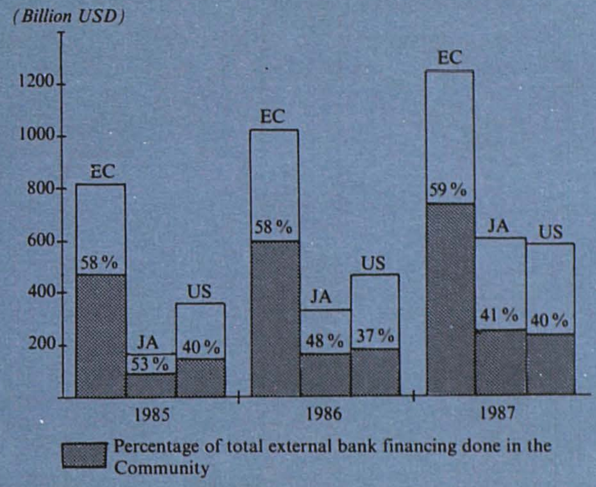
Source: OECD.

FIGURE 2a: **External assets in domestic and foreign currency of banks in the Community[1] and other banks reporting to the Bank for International Settlements**



[1] Member State banks reporting to the BIS: B, DK, D, E, F, I, IRL, L, NL, UK.
Source: BIS.

FIGURE 2b: **The use of the banking system of the Community[1] by borrowers of the banking and non-banking sector of the Community (EUR 12), Japan and the United States for their external bank financing**



[1] Member State banks reporting to the BIS: B, DK, D, E, F, I, IRL, L, NL, UK.
Source: BIS.

Statistical annex

Notes on the statistical annex

General remarks

This edition of *European Economy* gives in its statistical annex updated time series of annual data.

Unless otherwise specified, aggregates up to 1986 are defined for member countries as in the ESA (European system of economic accounts), and for the USA and Japan as in the SNA (UN-OECD system of national accounts). National accounts figures for 1987, 1988 and 1989 are estimates and forecasts made by Commission staff using the definitions and latest figures available from national sources, and so they are not fully comparable with the corresponding figures for earlier years. However, in Tables 1, 2, 4 to 10, 12 to 21, 23 to 35, 38 and 39 discontinuities have been eliminated.

Community totals for national accounts data are aggregated using purchasing power parities, except in Tables 5, 8, 12, 15, 36, 37 and 40 to 44, where current exchange rates have been used.

List of tables

Table 1

Population; total

1 000

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	9 119	4 581	55 433	8 327	30 583	45 684	2 832	50 200	314.0	11 483	8 426	52 373	279 354	180 671	94 118
1961	9 166	4 610	56 185	8 398	30 904	46 163	2 818	50 536	316.9	11 637	8 420	52 807	281 961	183 691	94 965
1962	9 218	4 647	56 837	8 448	31 158	46 998	2 830	50 880	320.8	11 801	8 410	53 292	284 839	186 538	95 853
1963	9 283	4 684	57 389	8 480	31 430	47 836	2 850	51 252	324.1	11 964	8 466	53 625	287 583	189 242	96 772
1964	9 367	4 720	57 971	8 510	31 741	48 330	2 864	51 675	327.8	12 125	8 505	53 991	290 127	191 889	97 791
1965	9 448	4 758	58 619	8 551	32 085	48 778	2 876	52 112	331.5	12 293	8 511	54 350	292 712	194 303	98 851
1966	9 508	4 798	59 148	8 614	32 453	49 184	2 884	52 519	333.9	12 455	8 492	54 643	295 031	196 560	99 769
1967	9 557	4 839	59 286	8 716	32 850	49 568	2 900	52 901	335.0	12 597	8 486	54 959	296 993	198 712	100 839
1968	9 590	4 867	59 500	8 741	33 240	49 915	2 913	53 236	335.9	12 726	8 496	55 214	298 773	200 706	101 999
1969	9 613	4 891	60 067	8 773	33 566	50 318	2 926	53 538	337.5	12 873	8 482	55 461	300 844	202 677	103 261
1970	9 638	4 929	60 651	8 793	33 876	50 772	2 950	53 822	339.2	13 032	8 432	55 632	302 866	205 052	104 674
1971	9 673	4 963	61 284	8 831	34 190	51 251	2 978	54 074	342.4	13 194	8 382	55 907	305 069	207 661	105 713
1972	9 709	4 992	61 672	8 889	34 498	51 701	3 024	54 381	346.6	13 330	8 364	56 079	306 986	209 896	107 156
1973	9 738	5 022	61 976	8 929	34 810	52 118	3 073	54 751	350.5	13 438	8 368	56 210	308 784	211 909	108 660
1974	9 768	5 045	62 054	8 962	35 147	52 460	3 124	55 111	355.1	13 543	8 482	56 224	310 276	213 854	110 160
1975	9 795	5 060	61 829	9 046	35 515	52 699	3 177	55 441	359.0	13 660	8 737	56 215	311 533	215 973	111 520
1976	9 811	5 073	61 531	9 167	35 937	52 909	3 228	55 718	360.7	13 773	8 942	56 206	312 655	218 035	112 770
1977	9 822	5 088	61 400	9 309	36 367	53 145	3 272	55 955	361.3	13 856	9 044	56 179	313 799	220 239	113 880
1978	9 830	5 104	61 327	9 430	36 778	53 376	3 314	56 155	362.0	13 939	9 105	56 167	314 888	222 585	114 920
1979	9 837	5 117	61 359	9 548	37 108	53 606	3 368	56 318	362.9	14 034	9 189	56 227	316 074	225 055	115 880
1980	9 847	5 123	61 566	9 642	37 386	53 880	3 401	56 434	364.2	14 148	9 289	56 314	317 394	227 757	116 800
1981	9 852	5 122	61 682	9 730	37 751	54 182	3 443	56 508	365.3	14 247	9 358	56 379	318 619	230 138	117 650
1982	9 856	5 118	61 638	9 790	37 961	54 480	3 480	56 640	365.6	14 312	9 429	56 335	319 405	232 520	118 450
1983	9 856	5 114	61 423	9 847	38 180	54 728	3 504	56 836	365.6	14 368	9 502	56 377	320 100	234 799	119 260
1984	9 855	5 112	61 175	9 900	38 342	54 947	3 529	57 005	365.9	14 423	9 577	56 488	320 718	237 011	120 020
1985	9 858	5 114	61 024	9 934	38 505	55 170	3 540	57 141	366.7	14 488	9 640	56 617	321 399	239 283	120 750
1986	9 862	5 121	61 066	9 968	38 668	55 392	3 537	57 247	368.4	14 567	9 715	56 762	322 274	241 596	121 490
1987	9 862	5 129	61 200	10 001	38 832	55 630	3 532	57 335	370.7	14 666	9 754	56 886	323 199	243 909	122 230
1988	9 862	5 135	61 553	10 051	38 996	55 853	3 527	57 337	371.4	14 750	9 784	56 959	324 177	246 222	122 970
1989	9 862	5 140	61 887	10 086	39 159	56 076	3 522	57 342	372.2	14 840	9 813	57 016	325 116	248 535	123 710

Table 2

Employment; total economy

Annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	0,8	1,5	1,4	1,1	0,2	0,1	−0,2	0,2	1,1	1,5	−0,3	1,2	0,7	−0,4	1,4
1962	1,6	1,5	0,3	−1,7	0,9	0,2	0,6	−1,1	0,3	2,0	−0,3	0,7	0,2	2,1	1,3
1963	0,7	1,2	0,2	−1,4	0,5	1,0	0,7	−1,5	−0,4	1,4	−0,3	0,1	0,1	0,9	0,9
1964	1,3	2,1	0,1	−1,3	0,5	1,1	0,5	−0,6	1,7	1,8	−0,3	1,1	0,5	1,8	1,3
1965	0,2	1,8	0,6	−0,7	0,5	0,4	−0,2	−1,7	0,9	0,9	−0,3	0,9	0,2	3,3	1,6
1966	0,5	0,5	−0,3	−0,9	0,5	0,8	−0,3	−1,5	0,5	0,8	−0,6	0,6	0,0	4,5	2,1
1967	−0,3	−0,6	−3,3	−1,2	0,8	0,3	−0,6	1,1	−1,1	−0,3	−0,6	−1,5	−0,8	2,5	1,9
1968	−0,1	0,8	0,1	−1,2	0,8	−0,3	0,3	0,0	−0,4	0,9	−0,6	−0,7	−0,1	2,4	1,7
1969	1,7	1,2	1,6	−0,3	0,9	1,5	0,3	0,5	1,4	1,7	−0,6	0,1	0,9	2,5	0,8
1970	−0,5	0,7	1,3	−0,1	0,7	1,4	−1,2	0,0	2,0	1,1	−0,7	−0,5	0,5	−0,8	1,1
1961-70	0,6	1,1	0,2	−0,8	0,6	0,6	0,0	−0,5	0,6	1,2	−0,5	0,2	0,2	1,9	1,4
1971	1,0	0,6	0,6	0,3	0,5	0,5	−0,4	−0,1	3,2	0,5	−0,3	−1,0	0,1	−0,4	0,7
1972	−0,1	2,1	−0,2	0,5	1,3	0,6	0,3	−1,1	2,7	−0,9	−0,6	−0,2	−0,1	2,5	0,5
1973	1,3	1,3	0,7	1,0	2,0	1,4	1,4	0,8	1,9	0,1	−0,8	2,3	1,2	4,3	2,3
1974	1,4	−0,3	−1,3	0,1	0,7	0,9	1,4	1,5	2,8	0,2	−0,8	0,3	0,3	1,6	−0,4
1975	−1,4	−1,3	−2,8	0,1	−1,6	−0,8	−0,8	0,2	1,2	−0,7	−1,4	−0,4	−1,1	−2,1	−0,2
1976	−0,6	1,8	−0,8	2,3	−1,1	0,7	−0,8	0,8	−0,1	0,0	0,2	−0,8	−0,1	2,8	0,8
1977	−0,2	0,8	−0,2	0,8	−0,5	0,8	1,8	0,6	−0,1	0,2	−0,1	0,1	0,2	3,5	1,2
1978	0,0	1,0	0,6	0,4	−1,7	0,4	2,5	0,6	−0,6	0,7	−0,3	0,6	0,3	5,0	1,0
1979	1,2	1,2	1,4	0,6	−1,7	0,1	3,2	1,0	0,5	1,3	2,2	1,5	0,8	3,2	1,0
1980	0,0	−0,5	1,1	1,3	−3,0	0,1	1,0	0,9	0,7	0,7	2,0	−0,3	0,2	0,2	0,7
1971-80	0,3	0,7	−0,1	0,7	−0,6	0,5	0,9	0,5	1,2	0,2	0,0	0,2	0,2	2,0	0,7
1981	−2,0	−1,3	−0,7	4,9	−2,6	−0,6	−0,9	0,0	0,3	−1,5	1,2	−3,9	−1,2	0,9	0,8
1982	−1,3	0,4	−1,7	−0,8	−0,9	0,2	0,0	0,6	−0,3	−2,5	−0,4	−1,8	−0,8	−1,6	0,8
1983	−1,1	0,3	−1,5	1,0	−0,5	−0,4	−1,9	0,5	−0,3	−1,9	4,3	−1,2	−0,5	1,0	1,7
1984	0,0	1,7	0,1	0,3	−2,4	−0,9	−1,9	0,8	0,6	−0,1	−1,5	1,9	0,1	4,9	0,5
1985	0,8	2,9	0,7	1,0	−1,4	−0,4	−2,2	1,4	1,4	1,3	−0,3	1,6	0,6	2,4	0,7
1986	1,0	2,3	1,0	0,1	1,9	0,3	−0,4	0,8	2,6	1,8	0,0	0,4	0,8	1,7	0,9
1987	0,3	1,1	0,7	−0,1	3,0	0,1	−0,1	−0,1	2,7	1,2	2,7	1,7	0,9	2,9	1,0
1988	1,2	−0,3	0,5	1,0	2,6	0,6	0,0	0,5	1,9	0,9	1,7	1,9	1,1	2,3	1,5
1989	0,7	0,2	0,8	0,7	2,1	0,5	0,4	0,6	1,6	0,9	0,9	1,0	0,9	1,6	0,8

Table 3

Unemployment

Percentage of civilian labour force

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9	EUR 12	USA	J
1960	3,1	1,6	1,0	:	:	0,7	4,7	7,2	0,1	0,7	:	1,6	2,5	:	5,5	1,7
1961	2,5	1,2	0,7	:	:	0,6	4,3	6,6	0,1	0,5	:	1,4	2,2	:	6,7	1,5
1962	2,0	1,1	0,6	:	:	0,7	4,2	5,5	0,1	0,5	:	1,9	2,0	:	5,5	1,3
1963	1,5	1,5	0,7	:	:	0,7	4,5	5,1	0,2	0,6	:	2,3	2,1	:	5,7	1,3
1964	1,5	0,9	0,6	:	:	0,6	4,3	5,2	0,0	0,5	:	1,6	1,9	:	5,2	1,1
1965	1,8	0,7	0,6	:	:	0,7	4,5	5,7	0,0	0,6	:	1,4	1,9	:	4,5	1,2
1966	2,0	0,8	0,6	:	:	0,7	4,3	5,5	0,0	0,8	:	1,4	1,9	:	3,8	1,3
1967	2,6	1,0	1,8	:	:	1,0	4,5	5,0	0,1	1,7	:	2,2	2,4	:	3,8	1,3
1968	3,1	1,7	1,2	:	:	1,3	4,8	4,7	0,1	1,5	:	2,3	2,3	:	3,6	1,2
1969	2,3	1,4	0,7	:	:	1,1	4,6	4,4	0,0	1,1	:	2,3	2,0	:	3,5	1,1
1970	2,1	1,1	0,6	:	1,2	1,3	5,3	4,4	0,0	1,3	:	2,5	2,0	:	4,9	1,1
1961-70	2,1	1,1	0,8	:	:	0,9	4,5	5,2	0,1	0,9	:	1,9	2,1	:	4,7	1,2
1971	2,1	1,3	0,7	:	1,5	1,6	5,2	5,1	0,0	1,8	:	2,9	2,4	:	5,9	1,2
1972	2,7	1,3	0,9	:	1,5	1,8	6,0	5,2	0,0	3,0	:	3,2	2,7	:	5,6	1,4
1973	2,8	0,8	1,1	:	1,1	1,8	5,5	4,9	0,0	3,1	:	2,2	2,4	:	4,9	1,3
1974	3,1	2,1	2,3	:	1,1	2,3	5,9	4,9	0,0	3,7	1,0	2,2	2,9	2,6	5,6	1,4
1975	5,1	5,0	4,1	:	1,9	3,9	8,4	5,3	0,2	5,3	2,7	3,6	4,3	3,9	8,5	1,9
1976	6,5	5,2	4,0	:	2,9	4,2	9,3	5,6	0,3	5,6	4,5	4,9	4,8	4,5	7,7	2,0
1977	7,5	6,3	4,0	:	4,2	4,8	9,1	5,4	0,5	5,4	5,6	5,3	5,0	4,8	7,1	2,0
1978	8,1	7,1	3,8	:	6,3	5,2	8,3	6,1	0,8	5,4	6,9	5,1	5,2	5,3	6,0	2,3
1979	8,4	5,8	3,3	:	8,0	6,0	7,4	6,7	0,7	5,5	7,2	4,7	5,2	5,5	5,8	2,1
1980	9,1	6,7	3,4	:	11,8	6,4	8,2	7,2	0,7	6,2	6,7	6,0	5,8	6,1	7,1	2,0
1971-80	5,5	4,2	2,8	:	4,0	3,8	7,3	5,6	0,3	4,5	:	4,0	4,1	:	6,4	1,8
1981	11,1	8,7	4,8	4,2	14,4	7,7	10,2	8,1	1,0	8,8	5,8	9,1	7,7	7,8	7,6	2,2
1982	13,0	9,3	6,9	5,8	16,2	8,7	12,3	9,7	1,3	11,8	5,7	10,6	9,3	9,4	9,7	2,4
1983	14,3	10,1	8,4	7,8	17,7	8,9	14,9	11,0	1,6	14,2	5,6	11,6	10,4	10,6	9,6	2,7
1984	14,4	9,9	8,4	8,1	20,1	10,0	16,6	12,0	1,8	14,5	8,6	11,8	10,9	11,4	7,5	2,7
1985	13,6	8,7	8,4	7,8	21,4	10,5	17,9	12,9	1,7	13,3	8,7	12,0	11,1	11,8	7,2	2,6
1986	12,6	7,4	8,1	7,4	21,0	10,7	18,2	13,7	1,4	12,1	8,7	12,0	11,1	11,9	7,0	2,8
1987	12,3	7,6	8,1	7,4	20,5	10,8	19,2	14,0	1,6	11,5	7,2	10,6	10,8	11,6	6,2	2,8
1988	11,5	8,5	8,1	7,4	20,0	10,7	18,7	15,0	1,4	11,3	6,5	8,6	10,5	11,3	5,5	2,5
1989	11,0	9,0	8,2	7,6	19,6	10,8	18,2	14,5	1,3	10,9	6,4	7,2	10,1	10,9	5,5	2,6

Table 4

Gross domestic product at current market prices

National currency; Mrd

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	557,0	41,15	302,7	105,2	698	301,7	0,631	26 748	26,11	44,42	71,4	25,74	270,9	513,6	15 865
1961	592,4	45,66	331,7	118,6	795	329,2	0,680	29 748	26,12	46,90	76,9	27,47	295,5	532,0	19 609
1962	633,7	51,45	360,8	126,0	919	367,5	0,736	33 423	27,50	50,49	81,8	28,78	322,9	572,4	21 748
1963	681,3	54,77	382,4	140,7	1 085	412,0	0,791	38 283	29,34	54,77	88,7	30,59	354,2	604,1	25 115
1964	762,5	62,60	420,2	158,0	1 225	457,1	0,901	41 908	33,50	64,45	96,3	33,33	391,6	646,7	29 691
1965	830,0	70,32	459,2	179,8	1 425	492,0	0,959	45 094	35,10	71,98	107,5	35,79	427,0	701,7	32 800
1966	892,1	77,18	488,2	200,0	1 648	532,6	1,010	48 859	36,88	78,38	117,8	38,18	461,6	768,6	38 085
1967	955,4	84,81	494,4	216,1	1 852	575,4	1,104	53 820	37,12	85,99	131,6	40,38	493,0	812,7	44 629
1968	1 022,3	94,36	533,3	234,5	2 075	625,3	1,245	58 337	40,61	95,35	145,7	43,81	536,6	888,1	52 923
1969	1 134,2	107,32	597,0	266,5	2 360	713,0	1,438	64 402	47,02	107,99	159,8	46,79	596,5	958,8	62 259
1970	1 262,1	118,63	675,3	298,9	2 624	796,4	1,620	72 478	55,04	121,18	177,8	51,35	666,5	1 009,2	73 345
1971	1 382,0	131,12	750,6	330,3	2 962	887,8	1,853	78 964	56,05	136,53	199,1	57,70	741,2	1 095,4	80 701
1972	1 545,4	150,73	823,7	377,7	3 476	998,4	2,238	86 587	63,21	154,26	231,8	63,89	827,3	1 203,7	92 395
1973	1 755,0	172,86	917,3	484,2	4 190	1 133,8	2,701	103 440	76,82	176,04	282,2	73,67	955,3	1 345,0	112 497
1974	2 056,8	193,63	984,6	564,2	5 131	1 300,8	2,988	127 614	93,64	199,78	339,3	83,84	1 100,0	1 456,4	134 244
1975	2 271,1	216,26	1 026,9	672,2	6 023	1 477,9	3,792	144 510	86,74	219,96	377,2	105,95	1 254,7	1 583,9	148 328
1976	2 578,7	251,22	1 121,7	824,9	7 248	1 707,5	4,653	180 561	99,60	251,93	468,9	126,40	1 469,8	1 764,8	166 573
1977	2 785,0	279,31	1 197,8	963,7	9 195	1 917,8	5,703	219 088	102,56	274,93	625,8	145,54	1 685,0	1 967,5	185 622
1978	2 987,2	311,38	1 285,3	1 161,4	11 251	2 182,6	6,757	256 168	112,22	297,01	787,3	167,87	1 916,9	2 218,9	204 405
1979	3 188,6	346,89	1 392,3	1 428,8	13 158	2 481,1	7,917	311 428	122,15	315,96	993,3	196,33	2 195,3	2 464,8	221 546
1980	3 450,9	373,79	1 478,9	1 710,9	15 209	2 808,3	9,361	390 432	132,93	336,74	1 256,1	230,09	2 514,0	2 688,5	240 177
1981	3 571,8	407,79	1 540,9	2 050,1	16 989	3 164,8	11,359	468 049	141,69	352,85	1 501,1	253,47	2 793,3	3 009,5	257 364
1982	3 884,4	464,47	1 597,9	2 574,7	19 567	3 626,0	13,381	545 124	158,79	368,86	1 850,4	275,63	3 106,2	3 121,4	269 628
1983	4 117,4	512,54	1 674,8	3 077,8	22 235	4 006,5	14,683	631 575	174,74	381,02	2 301,7	300,06	3 420,1	3 353,5	280 256
1984	4 416,8	560,74	1 755,8	3 804,7	25 111	4 364,9	16,320	720 682	196,51	400,25	2 805,5	319,13	3 731,8	3 722,3	297 947
1985	4 725,8	615,23	1 831,9	4 614,2	27 913	4 692,5	17,316	805 754	210,91	416,59	3 526,3	350,71	4 056,9	3 959,6	316 114
1986	5 011,2	667,19	1 937,0	5 564,7	31 981	5 015,9	18,239	894 362	222,55	429,57	4 336,8	373,71	4 393,4	4 185,5	329 565
1987	5 186,0	693,09	2 015,1	6 335,4	35 586	5 259,3	19,451	971 965	230,28	431,47	5 086,2	408,93	4 694,8	4 475,9	344 094
1988	5 422,6	722,99	2 117,2	7 437,7	39 205	5 570,1	20,470	1 056 802	241,98	441,96	5 847,4	448,39	5 043,2	4 815,2	366 633
1989	5 694,8	757,60	2 219,7	8 582,4	42 494	5 868,0	21 792	1 135 990	254,57	458,55	6 540,0	486,27	5 380,3	5 161,6	389 699

Table 5

Gross domestic product at current market prices

ECU; Mrd

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	10,5	5,6	68,2	3,3	11,0	57,9	1,7	40,5	0,5	11,1	2,4	68,2	281,0	486,2	41,7
1961	11,1	6,2	77,0	3,7	12,4	62.5	1,8	44,6	0,5	12,0	2,5	72,1	306,4	498,4	51,0
1962	11,8	7,0	84,3	3,9	14,3	69,6	1,9	50,0	0,5	13,0	2,7	75,3	334,4	535,1	56,5
1963	12,7	7,4	89,4	4,4	16,9	78,0	2,1	57,3	0,5	14,1	2,9	80,1	365,8	564,7	65,2
1964	14,3	8,5	98,2	4,9	19,1	86,5	2,4	62,7	0,6	16,6	3,1	87,2	404,2	604,5	77,1
1965	15,5	9,5	107,3	5,6	22,2	93,2	2,5	67,4	0,7	18,6	3,5	93,7	439,7	655,9	85,2
1966	16,7	10,4	114,1	6,2	25,7	100,8	2,6	73,1	0,7	20,2	3,8	99,9	474,4	718,5	98,9
1967	17,9	11,4	116,1	6,8	28,4	109,4	2,8	80,9	0,7	22,3	4,3	104,2	505,3	763,3	116,4
1968	19,9	12,2	129,6	7,6	28,8	123,1	2,9	90,7	0,8	25,6	4,9	102,2	548,3	863,1	142,9
1969	22,2	14,0	148,3	8,7	33,0	134,8	3,4	100,8	0,9	29,2	5,4	109,9	610,5	938,0	169,2
1970	24,7	15,5	180,5	9,7	36,8	140,3	3,8	113,4	1,1	32,7	6,1	120,6	685,1	987,3	199,3
1971	27,2	16,9	205,9	10,5	40,8	153,8	4,3	122,0	1,1	37,3	6,7	134,6	761,2	1 045,5	221,8
1972	31,3	19,4	230,3	11,2	48,3	176,5	5,0	132,3	1,3	42,9	7,6	142,3	848,3	1 073,0	272,0
1973	36,7	23,3	280,0	13,1	58,4	207,4	5,4	144,4	1,6	51,3	9,3	146,7	977,5	1 091,9	337,7
1974	44,3	26,7	319,3	15,8	74,6	226,9	5,9	164,5	2,0	62,4	11,2	164,5	1 117,9	1 221,1	386,3
1975	49,8	30,4	336,8	16,8	84,6	277,8	6,8	178,5	1,9	70,2	12,0	189,2	1 254,8	1 276,6	403,4
1976	59,7	37,2	398,4	20,2	97,0	319,5	7,5	194,1	2,3	85,3	13,9	203,3	1 438,4	1 578,5	502,9
1977	68,1	40,7	452,3	22,9	105,9	342,1	8,7	217,6	2,5	98,2	14,4	222,6	1 596,1	1 724,2	607,0
1978	74,6	44,4	502,9	24,8	115,5	380,3	10,2	237,1	2,8	107,8	14,1	252,8	1 767,2	1 741,6	765,3
1979	79,4	48,1	554,5	28,1	143,1	425,6	11,8	273,5	3,0	115,0	14,8	303,7	2 000,7	1 798,3	737,3
1980	85,0	47,8	585,9	28,8	152,5	478,5	13,8	328,3	3,3	122,0	18,1	384,5	2 248,5	1 930,9	762,4
1981	86,5	51,5	613,0	33,3	165,5	524,0	16,4	370,5	3,4	127,1	21,9	458,3	2 471,4	2 695,6	1 048,8
1982	86,9	56,9	672,5	39,4	181,9	563,8	19,4	411,8	3,6	141,1	23,7	491,8	2 692,9	3 186,0	1 107,1
1983	90,6	63,0	737,6	39,4	174,4	591,7	20,5	467,9	3,8	150,2	23,3	511,2	2 873,7	3 767,0	1 326,0
1984	97,2	68,8	784,5	43,1	198,4	635,2	22,5	521,7	4,3	158,6	24,3	540,3	3 098,9	4 717,6	1 592,5
1985	105,2	76,7	822,8	43,6	216,1	690,6	24,2	556,5	4,7	165,9	27,1	595,5	3 328,9	5 188,9	1 750,8
1986	114,4	84,1	910,1	40,5	232,7	737,7	24,9	611,8	5,1	178,9	29,5	556,5	3 526,1	4 252,8	1 997,4
1987	120,4	87,9	972,4	40,8	250,4	759,9	25,1	652,0	5,3	184,7	31,4	578,8	3 709,2	3 906,1	2 062,8
1988	124,8	91,3	1 020,1	44,7	284,8	795,0	26,5	689,7	5,6	189,1	34,7	670,8	3 977,1	4 149,3	2 414,0
1989	131,0	95,7	1 069,7	47,4	310,7	838,0	28,3	741,2	5,9	195,7	38,3	730,4	4 232,2	4 607,9	2 656,7

Table 6

Gross domestic product at current market prices

PPS EUR 12; Mrd

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	8,5	5,3	63,4	3,1	17,5	45,0	1,7	44,4	0,4	13,2	3,1	65,2	270,9	328,4	50,9
1961	9,2	5,8	68,5	3,6	20,3	49,1	1,8	49,7	0,4	14,1	3,4	69,6	295,5	348,4	60,2
1962	10,1	6,4	74,9	3,8	23,1	54,6	2,0	55,1	0,5	15,3	3,8	73,4	322,9	382,8	67,3
1963	11,0	6,8	80,7	4,4	26,4	60,3	2,2	61,0	0,5	16,6	4,2	80,2	354,2	418,6	77,9
1964	12,3	7,8	90,0	5,0	29,3	67,2	2,4	65,5	0,6	18,8	4,7	88,2	391,6	463,3	92,3
1965	13,3	8,5	99,3	5,7	32,5	73,6	2,5	70,7	0,6	20,6	5,3	94,3	427,0	513,0	101,4
1966	14,3	9,1	106,3	6,3	36,2	80,5	2,7	78,0	0,6	22,1	5,7	99,9	461,6	560,8	116,5
1967	15,3	9,7	109,4	6,8	38,9	86,9	2,9	86,1	0,7	23,9	6,3	106,0	493,0	591,0	132,5
1968	16,5	10,4	119,3	7,5	43,0	93,6	3,2	94,8	0,7	26,3	7,1	114,1	536,6	636,3	154,1
1969	18,5	11,6	134,8	8,7	49,2	105,2	3,6	105,7	0,8	29,4	7,7	121,3	596,5	687,8	181,6
1970	21,0	12,6	151,2	10,0	54,6	118,7	4,0	118,8	0,9	33,2	8,9	132,4	666,5	733,5	212,0
1971	23,4	14,0	167,3	11,5	61,4	134,6	4,4	129,9	1,0	37,2	10,2	146,2	741,2	814,8	237,6
1972	26,3	15,7	186,4	13,4	70,9	152,4	5,0	143,3	1,2	41,1	11,8	159,8	827,3	915,6	275,3
1973	30,3	17,7	212,2	15,6	83,1	174,5	5,7	166,7	1,4	46,8	14,3	187,0	955,3	1 043,2	322,9
1974	35,6	19,8	240,3	17,0	98,6	203,5	6,7	196,2	1,6	54,9	16,3	209,3	1 100,0	1 169,9	360,3
1975	40,5	22,7	272,7	20,8	114,3	235,1	8,1	217,9	1,7	63,3	18,0	239,7	1 254,7	1 335,4	426,2
1976	47,7	26,9	320,8	24,7	131,6	276,0	9,1	257,6	2,0	74,3	21,5	277,6	1 469,8	1 563,7	498,5
1977	53,7	30,7	369,8	28,6	152,2	318,4	11,1	293,8	2,3	85,1	25,4	314,1	1 685,0	1 829,1	587,6
1978	60,9	34,4	420,1	33,7	171,0	363,4	13,1	333,2	2,6	96,2	29,0	359,2	1 916,9	2 124,0	682,0
1979	69,0	39,5	485,5	38,8	190,2	416,3	15,0	387,8	3,0	109,3	34,1	406,9	2 195,3	2 404,3	795,9
1980	81,3	44,4	556,1	44,6	218,1	478,1	17,4	455,4	3,4	124,6	40,4	450,2	2 514,0	2 717,0	939,4
1981	89,0	48,8	617,7	49,5	241,3	536,4	20,0	510,8	3,7	137,2	45,4	493,5	2 793,3	3 125,3	1 082,1
1982	99,7	55,5	677,2	54,8	269,5	607,0	22,5	564,9	4,2	149,2	51,3	550,5	3 106,2	3 363,3	1 227,8
1983	108,3	61,7	746,0	59,7	297,8	663,3	24,3	616,1	4,7	164,3	55,5	618,4	3 420,1	3 797,7	1 374,6
1984	117,9	68,1	817,5	65,4	323,1	716,8	26,7	679,7	5,3	180,6	58,2	672,5	3 731,8	4 330,8	1 538,5
1985	126,8	75,2	885,1	71,4	350,6	772,9	28,7	740,8	5,9	196,0	63;8	739,8	4 056,9	4 737,0	1 705,2
1986	136,9	82,1	958,1	76,4	382,1	832,9	30,2	803,2	6,4	211,7	70,2	803,4	4 393,4	5 147,6	1 843,2
1987	144,4	84,0	1 014,2	78,2	416,7	879,6	32,3	861,1	6,8	224,6	75,7	877,2	4 694,8	5 554,3	2 004,7
1988	153,3	87,2	1 090,1	82,6	452,7	941,9	34,3	920,3	7,2	237,7	83,3	952,6	5 043,2	6 011,0	2 197,7
1989	163,7	91,1	1 162,3	85,3	490,1	1 006,2	36,8	974,1	7,7	252,0	90,2	1 020,9	5 380,3	6 394,7	2 379,9

Table 7

Gross domestic product at current market prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	6,4	11,0	9,6	12,8	13,9	9,1	7,7	11,2	0,0	5,6	7,6	6,7	9,1	3,6	23,6
1962	7,0	12,7	8,8	6,2	15,6	11,7	8,3	12,4	5,3	7,7	6,4	4,8	9,3	7,6	10,9
1963	7,5	6,4	6,0	11,7	18,0	12,1	7,5	14,5	6,7	8,5	8,5	6,3	9,7	5,5	15,5
1964	11,9	14,3	9,9	12,3	12,9	10,9	13,8	9,5	14,2	17,7	8,5	9,0	10,6	7,0	18,2
1965	8,8	12,3	9,3	13,8	16,4	7,6	6,5	7,6	4,8	11,7	11,7	7,4	9,0	8,5	10,5
1966	7,5	9,8	6,3	11,2	15,7	8,3	5,4	8,4	5,1	8,9	9,6	6,7	8,1	9,5	16,1
1967	7,1	9,9	1,3	8,1	12,3	8,0	9,2	10,2	0,6	9,7	11,8	5,8	6,8	5,7	17,2
1968	7,0	11,3	7,9	8,5	12,1	8,7	12,8	8,4	9,4	10,9	10,7	8,5	8,8	9,3	18,6
1969	10,9	13,7	11,9	13,6	13,7	14,0	15,5	10,4	15,8	13,3	9,7	6,8	11,2	8,0	17,6
1970	11,3	10,5	13,1	12,2	11,2	11,7	12,6	12,5	17,1	12,2	11,3	9,7	11,7	5,3	17,8
1961-70	8,5	11,2	8,4	11,0	14,2	10,2	9,9	10,5	7,7	10,6	9,5	7,1	9,4	7,0	16,5
1971	9,5	10,5	11,1	10,5	12,9	11,5	14,4	8,9	1,8	12,7	12,0	12,4	11,2	8,5	10,0
1972	11,8	15,0	9,8	14,4	17,3	12,5	20,7	9,7	12,8	13,0	16,4	10,7	11,6	9,9	14,5
1973	13,6	14,7	11,4	28,2	20,6	13,6	20,7	19,5	21,5	14,1	21,7	15,3	15,5	11,7	21,8
1974	17,2	12,0	7,3	16,5	22,5	14,7	10,6	23,4	21,9	13,5	20,2	13,8	15,2	8,3	19,3
1975	10,4	11,7	4,3	19,1	17,4	13,6	26,9	13,2	−7,4	10,1	11,2	26,4	14,1	8,8	10,5
1976	13,5	16,2	9,2	22,7	20,3	15,5	22,7	24,9	14,8	14,5	24,3	19,3	17,1	11,4	12,3
1977	8,0	11,2	6,8	16,8	26,9	12,3	22,6	21,3	3,0	9,1	33,5	15,1	14,6	11,5	11,4
1978	7,3	11,5	7,3	20,5	22,4	13,8	18,5	16,9	9,4	8,0	25,8	15,3	13,8	12,8	10,1
1979	6,7	11,4	8,3	23,0	17,0	13,7	17,2	21,6	8,8	6,4	26,2	17,0	14,5	11,1	8,4
1980	8,2	7,8	6,2	19,7	15,6	13,2	18,2	25,4	8,8	6,6	26,5	17,2	14,5	9,1	8,4
1971-80	10,6	12,2	8,2	19,1	19,2	13,4	19,2	18,3	9,2	10,8	21,6	16,2	14,2	10,3	12,6
1981	3,5	9,1	4,2	19,8	11,7	12,7	21,3	19,9	6,6	4,8	19,5	10,2	11,1	11,9	7,2
1982	8,8	13,9	3,7	25,6	15,2	14,6	17,8	16,5	12,1	4,5	23,3	8,7	11,2	3,7	4,8
1983	6,0	10,4	4,8	19,5	13,6	10,5	9,7	15,9	10,0	3,3	24,4	8,9	10,1	7,4	3,9
1984	7,3	9,4	4,8	23,6	12,9	8,9	11,1	14,1	12,5	5,0	21,9	6,4	9,1	11,0	6,3
1985	7,0	9,7	4,3	21,3	11,2	7,5	6,1	11,8	7,3	4,1	25,7	9,9	8,7	6,4	6,1
1986	6,0	8,4	5,7	20,6	14,6	6,9	5,3	11,0	5,5	3,1	23,0	6,6	8,3	5,7	4,3
1987	3,5	3,9	4,0	13,8	11,3	4,9	6,6	8,7	3,5	0,4	17,3	9,4	6,9	6,9	4,4
1988	4,6	4,3	5,1	17,4	10,2	5,9	5,2	8,7	5,1	2,4	15,0	9,7	7,4	7,6	6,6
1989	5,0	4,8	4,8	15,4	8,4	5,3	6,5	7,5	5,2	3,8	11,8	8,4	6,7	7,2	6,3

Table 8

Gross domestic product at current market prices per head of population

ECU; EUR 12 = 100

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	115,0	122,4	122,4	39,6	35,8	125,9	58,8	80,2	156,5	95,8	27,8	129,6	100,0	267,6	44,1
1961	111,5	123,7	126,1	40,6	37,0	124,5	58,2	81,2	142,1	95,1	27,4	125,6	100,0	249,7	49,5
1962	109,5	127,6	126,3	39,6	39,2	126,1	58,0	83,7	136,5	94,1	26,9	120,4	100,0	244,3	50,2
1963	107,9	124,4	122,4	40,6	42,3	128,2	57,1	87,8	133,1	92,9	26,8	117,4	100,0	234,6	53,0
1964	109,3	128,8	121,6	41,5	43,2	128,5	59,1	87,1	137,2	98,5	26,4	116,0	100,0	226,1	56,6
1965	109,3	133,2	121,9	43,6	46,1	127,1	58,1	86,2	131,8	100,7	27,3	114,8	100,0	224,7	57,4
1966	109,1	135,4	120,0	45,0	49,3	127,5	57,0	86,5	128,4	101,1	28,0	113,7	100,0	227,3	61,6
1967	110,4	138,8	115,1	45,6	50,9	129,8	57,7	89,9	122,3	104,1	29,8	111,4	100,0	225,8	67,9
1968	112,9	136,9	118,7	47,4	47,2	134,4	54,3	92,9	128,1	109,6	31,6	100,8	100,0	234,3	76,3
1969	113,8	141,0	121,6	48,8	48,4	132,0	56,9	92,8	134,3	111,7	31,6	97,6	100,0	228,1	80,7
1970	113,3	138,8	131,6	49,0	48,0	122,1	57,0	93,2	140,4	111,1	31,7	95,8	100,0	212,8	84,2
1971	112,6	136,6	134,6	47,7	47,8	120,3	58,2	90,4	129,0	113,4	32,1	96,5	100,0	201,8	84,1
1972	116,7	140,3	135,1	45,7	50,6	123,5	59,6	88,1	133,7	116,3	32,9	91,8	100,0	185,0	91,8
1973	119,1	146,6	142,7	46,4	53,0	125,7	55,3	83,3	144,9	120,7	35,2	82,4	100,0	162,8	98,2
1974	126,0	146,7	142,8	48,8	58,9	120,0	52,1	82,8	157,8	127,9	36,7	81,2	100,0	158,5	97,3
1975	126,3	149,0	135,2	46,1	59,2	130,9	52,9	79,9	131,7	127,5	34,0	83,6	100,0	146,8	89,8
1976	132,4	159,2	140,7	47,8	58,7	131,2	50,4	75,7	139,1	134,5	33,9	78,6	100,0	157,4	96,9
1977	136,4	157,4	144,8	48,4	57,2	126,6	52,4	76,5	136,5	139,3	31,2	77,9	100,0	153,9	104,8
1978	135,2	154,9	146,1	46,9	55,9	126,9	54,7	75,2	137,9	137,9	27,6	80,2	100,0	139,4	118,7
1979	127,5	148,6	142,8	46,6	60,9	125,4	55,5	76,7	132,4	129,4	25,5	85,3	100,0	126,2	100,5
1980	121,9	131,6	134,3	42,2	57,6	125,4	57,5	82,1	126,9	121,7	27,4	96,4	100,0	119,7	92,1
1981	113,2	129,6	128,1	44,1	56,5	124,7	61,5	84,5	121,1	115,1	30,2	104,8	100,0	151,0	114,9
1982	104,5	132,0	129,4	47,7	56,8	122,8	66,1	86,2	115,2	116,9	29,8	103,5	100,0	162,5	110,9
1983	102,4	137,3	133,8	44,6	50,9	120,4	65,3	91,7	117,2	116,4	27,3	101,0	100,0	178,7	123,8
1984	102,1	139,4	132,7	45,0	53,6	119,6	65,9	94,7	122,3	113,8	26,2	99,0	100,0	206,0	137,3
1985	103,0	144,9	130,2	42,4	54,2	120,9	66,0	94,0	123,6	110,6	27,1	101,5	100,0	209,4	140,0
1986	106,0	150,1	136,2	37,1	55,0	121,7	64,2	97,7	126,1	112,3	27,7	89,6	100,0	160,9	150,3
1987	106,4	149,4	138,5	35,5	56,2	119,0	61,9	99,1	125,7	109,8	28,0	88,7	100,0	139,5	147,0
1988	103,2	144,9	135,1	36,3	59,5	116,0	61,1	98,0	122,2	104,5	28,9	96,0	100,0	137,4	160,0
1989	102,0	143,1	132,8	36,1	60,9	114,8	61,7	99,3	120,8	101,3	30,0	98,4	100,0	142,5	165,0

Table 9

Gross domestic product at current market prices per head of population

PPS EUR 12; EUR 12 = 100

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	95,6	119,6	117,9	38,7	59,1	101,6	61,9	91,3	137,0	118,6	38,4	128,3	100,0	187,4	55,7
1961	95,5	120,9	116,4	40,8	62,6	101,4	62,3	93,8	134,7	115,3	38,7	125,7	100,0	181,0	60,5
1962	96,4	122,3	116,3	39,7	65,4	102,5	62,0	95,4	130,1	114,0	39,9	121,5	100,0	181,0	61,9
1963	96,4	117,8	114,2	42,0	68,1	102,4	62,3	96,6	128,6	112,5	40,5	121,4	100,0	179,6	65,4
1964	97,5	121,9	115,0	43,3	68,3	103,0	61,6	93,9	130,8	114,6	41,0	121,0	100,0	178,9	69,9
1965	96,8	122,3	116,1	45,5	69,5	103,4	60,5	93,0	127,5	115,1	42,6	119,0	100,0	181,0	70,3
1966	96,2	120,8	114,8	46,5	71,3	104,6	59,1	94,9	124,1	113,2	43,1	116,9	100,0	182,3	74,6
1967	96,6	120,3	111,2	47,1	71,4	105,6	60,1	98,1	120,5	114,5	45,1	116,2	100,0	179,2	79,2
1968	95,8	118,8	111,7	47,9	72,0	104,4	61,8	99,2	119,6	115,2	46,8	115,0	100,0	176,5	84,2
1969	97,0	119,7	113,1	49,9	73,9	105,5	62,1	99,6	124,5	115,3	45,6	110,3	100,0	171,2	88,7
1970	99,0	116,5	113,3	51,7	73,3	106,3	61,2	100,3	123,1	115,8	48,1	108,2	100,0	162,6	92,0
1971	99,5	115,7	112,4	53,7	73,9	108,1	61,1	98,9	122,0	116,1	50,3	107,7	100,0	161,5	92,5
1972	100,6	116,7	112,2	55,9	76,2	109,4	61,7	97,8	123,8	114,4	52,4	105,7	100,0	161,9	95,3
1973	100,6	113,8	110,7	56,6	77,1	108,2	60,2	98,4	125,9	112,5	55,2	107,5	100,0	159,1	96,0
1974	102,9	110,7	109,2	53,6	79,1	109,4	60,9	100,4	127,7	114,4	54,3	105,0	100,0	154,3	92,3
1975	102,6	111,2	109,5	57,1	79,9	110,8	63,0	97,6	120,1	115,0	51,2	105,9	100,0	153,5	94,9
1976	103,4	113,0	110,9	57,3	77,9	111,0	60,1	98,3	117,1	114,7	51,1	105,1	100,0	152,6	94,0
1977	101,8	112,2	112,2	57,2	77,9	111,6	62,9	97,8	116,7	114,3	52,3	104,1	100,0	154,7	96,1
1978	101,8	110,6	112,5	58,7	76,4	111,9	64,9	97,5	117,9	113,4	52,3	105,1	100,0	156,8	97,5
1979	101,0	111,1	113,9	58,5	73,8	111,8	64,0	99,1	117,4	112,1	53,5	104,2	100,0	153,8	98,9
1980	104,3	109,4	114,0	58,4	73,7	112,0	64,7	101,9	117,2	111,2	54,9	100,9	100,0	150,6	101,5
1981	103,0	108,7	114,2	58,0	72,9	112,9	66,2	103,1	116,9	109,8	55,3	99,8	100,0	154,9	104,9
1982	104,0	111,5	113,0	57,6	73,0	114,6	66,6	102,6	118,0	107,2	55,9	100,5	100,0	148,7	106,6
1983	102,9	113,0	113,7	56,8	73,0	113,4	64,9	101,5	120,0	107,0	54,7	102,7	100,0	151,4	107,9
1984	102,8	114,4	114,8	56,8	72,4	112,1	65,1	102,5	125,0	107,6	52,2	102,3	100,0	157,0	110,2
1985	101,9	116,5	114,9	57,0	72,1	111,0	64,2	102,7	126,5	107,2	52,4	103,5	100,0	156,8	111,9
1986	101,8	117,6	115,1	56,2	72,5	110,3	62,6	102,9	126,6	106,6	53,0	103,8	100,0	156,3	111,3
1987	100,8	112,7	114,1	53,8	73,9	108,9	62,9	103,4	125,6	105,4	53,5	106,2	100,0	156,8	112,9
1988	99,9	109,1	113,8	52,8	74,6	108,4	62,4	103,2	124,6	103,6	54,8	107,5	100,0	156,9	114,9
1989	100,3	107,1	113,5	51,1	75,6	108,4	63,1	102,7	124,9	102,6	55,5	108,2	100,0	155,5	116,2

Table 10

Gross domestic product at constant market prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	5,0	6,4	4,6	11,1	11,8	5,5	4,7	8,2	3,8	3,1	5,5	3,3	5,6	2,7	14,6
1962	5,2	5,7	4,7	1,5	9,3	6,7	3,7	6,2	1,4	4,0	6,7	1,1	4,7	5,3	7,1
1963	4,4	0,6	2,8	10,1	8,8	5,3	4,8	5,6	3,4	3,6	5,9	4,1	4,6	4,3	10,5
1964	7,0	9,3	6,7	8,3	6,2	6,5	4,2	2,8	7,9	8,3	6,6	5,2	5,7	5,9	13,2
1965	3,6	4,6	5,5	9,4	6,3	4,8	2,0	3,3	1,9	5,2	7,5	2,4	4,3	5,9	5,1
1966	3,2	2,7	2,9	6,1	7,1	5,2	1,0	6,0	1,1	2,7	4,1	1,9	4,0	5,1	10,5
1967	3,9	3,4	−0,1	5,5	4,3	4,7	5,1	7,2	0,2	5,3	7,5	2,9	3,6	2,2	10,4
1968	4,2	4,0	5,6	6,7	6,8	4,3	8,1	6,5	4,2	6,4	8,9	4,1	5,3	4,2	12,6
1969	6,6	6,3	7,5	9,9	8,9	7,0	6,1	6,1	10,0	6,4	2,1	1,2	5,8	2,9	12,1
1970	6,4	2,0	5,1	8,0	4,1	5,7	3,5	5,3	3,3	5,7	9,1	2,3	4,7	−0,1	9,4
1961-70	4,9	4,5	4,5	7,6	7,3	5,6	4,3	5,7	3,7	5,1	6,4	2,8	4,8	3,8	10,5
1971	3,6	2,7	2,9	7,1	4,6	5,4	3,4	1,6	2,8	4,2	6,6	2,7	3,4	3,3	4,2
1972	5,3	5,3	4,2	8,9	8,0	5,9	6,4	3,2	6,5	3,3	8,0	2,2	4,4	5,1	8,4
1973	5,9	3,6	4,7	7,3	7,7	5,4	4,7	7,0	8,6	4,7	11,2	7,7	6,2	4,8	7,9
1974	4,1	−0,9	0,3	−3,6	5,3	3,2	4,3	4,1	4,2	4,0	1,1	−0,9	2,0	−0,7	−1,2
1975	−1,5	−0,7	−1,6	6,1	0,5	0,2	3,7	−3,6	−6,2	−0,1	−4,3	−0,7	−1,1	−1,0	2,6
1976	5,6	6,5	5,4	6,4	3,3	5,2	1,4	5,9	2,4	5,1	6,9	3,8	5,0	4,9	4,8
1977	0,5	1,6	3,0	3,4	3,0	3,1	8,2	1,9	1,9	2,3	5,6	1,0	2,4	4,5	5,3
1978	2,7	1,5	2,9	6,7	1,4	3,4	7,2	2,7	3,9	2,5	3,4	3,6	3,0	5,2	5,1
1979	2,1	3,5	4,2	3,7	−0,1	3,2	3,1	4,9	2,7	2,4	6,1	2,1	3,2	2,0	5,2
1980	4,3	−0,4	1,4	1,8	1,2	1,6	3,1	3,9	1,2	0,9	4,8	−2,1	1,3	0,0	4,4
1971-80	3,2	2,2	2,7	4,7	3,5	3,6	4,5	3,1	2,7	2,9	4,9	1,9	3,0	2,8	4,6
1981	−1,4	−0,9	0,2	0,1	−0,2	1,2	3,3	1,1	−0,2	−0,7	1,3	−1,2	0,2	3,7	3,9
1982	1,5	3,0	−0,6	0,4	1,2	2,5	2,3	0,2	1,5	−1,4	2,4	1,1	0,8	−2,5	2,8
1983	0,1	2,5	1,5	0,4	1,8	0,7	−0,6	0,5	3,0	1,4	−0,3	3,5	1,4	4,0	3,2
1984	2,1	3,5	2,8	2,8	1,8	1,4	3,2	3,5	6,5	3,2	−1,6	2,0	2,4	7,0	5,0
1985	1,4	4,2	2,1	3,0	2,3	1,7	1,1	2,7	3,8	2,3	3,3	3,7	2,5	3,1	4,5
1986	2,3	3,4	2,6	1,3	3,3	2,1	−0,3	2,7	2,9	2,4	4,3	2,9	2,6	3,0	2,4
1987	1,8	−1,1	2,0	−0,4	5,2	2,3	4,1	3,1	2,4	1,5	4,6	4,3	2,9	3,5	4,2
1988	2,9	0,0	3,2	2,8	4,7	3,1	2,9	3,9	2,9	2,2	4,0	3,8	3,5	4,1	5,6
1989	2,2	1,7	2,5	2,1	3,9	2,8	3,2	3,2	2,4	2,3	3,6	2,6	2,8	2,5	3,8

Table 11

Industrial production

Annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	6,8	8,7	11,7	:	:	8,9	6,9	15,7	9,0	10,0	:	6,8	:	2,2	24,4
1961	6,2	5,1	6,1	:	:	5,5	8,6	10,8	2,9	3,6	:	0,0	:	0,7	19,4
1962	5,7	8,9	9,1	:	10,1	5,1	7,1	9,6	−4,2	3,5	:	1,1	:	8,3	8,4
1963	7,4	1,3	3,5	10,4	11,9	7,1	5,8	8,9	1,0	5,1	:	4,0	:	6,0	11,3
1964	6,5	11,7	7,7	10,9	11,2	6,1	7,7	1,2	9,2	9,7	:	7,9	:	6,8	15,9
1965	2,5	6,6	5,3	8,5	14,3	1,9	4,2	4,6	0,8	4,4	:	3,3	:	10,0	3,7
1966	2,0	2,9	1,3	16,0	15,2	5,4	3,0	11,4	−3,2	4,2	:	1,4	:	8,8	13,3
1967	1,8	3,9	−2,5	4,6	5,9	2,5	8,1	8,3	−0,6	2,7	:	0,2	:	2,3	19,3
1968	5,5	7,4	9,7	7,8	7,4	3,5	10,4	6,4	6,0	9,2	:	6,7	:	6,3	15,4
1969	9,7	12,4	12,7	11,8	15,8	10,4	7,1	3,7	12,8	10,8	8,0	3,3	8,9	4,5	16,0
1970	3,1	2,5	6,1	10,5	10,0	5,3	4,4	6,5	0,5	7,8	6,3	0,5	5,3	−3,0	13,7
1961-70	5,0	6,2	5,8	:	:	5,3	6,6	7,1	2,4	6,1	:	2,8	:	5,0	13,5
1971	1,7	2,4	1,4	11,3	3,2	4,8	3,7	−0,6	−1,1	5,5	7,8	−0,2	1,9	1,7	2,6
1972	7,5	4,4	4,2	14,1	15,9	6,7	4,3	4,9	4,2	5,1	13,0	2,2	5,8	9,2	7,2
1973	6,2	3,4	7,2	15,3	15,2	6,7	9,8	9,7	11,9	7,7	11,8	8,7	8,6	8,4	15,0
1974	4,0	−0,8	−1,1	−1,5	9,2	2,3	3,0	4,0	3,5	4,7	2,8	−2,4	1,5	−0,3	−4,0
1975	−9,8	−6,0	−6,2	4,3	−6,5	−7,5	−6,1	−8,9	−21,9	−5,1	−4,9	−4,7	−6,6	−9,4	−10,7
1976	7,8	9,6	7,4	10,6	5,1	8,7	8,7	11,6	3,8	7,7	3,4	2,7	7,3	9,2	11,0
1977	0,5	0,8	2,1	1,5	5,3	1,9	8,0	0,0	0,5	0,5	13,1	4,7	2,5	7,9	4,1
1978	2,4	2,3	2,6	7,5	2,3	2,4	7,9	2,1	3,2	0,8	6,9	3,8	2,7	6,5	6,4
1979	4,5	3,6	4,9	6,0	0,8	4,1	7,7	6,7	3,4	3,1	7,2	3,9	4,5	3,9	7,1
1980	−1,3	0,2	0,6	0,9	1,2	−0,5	−0,8	5,0	−3,3	−0,1	5,4	−6,7	−0,2	−1,9	4,6
1971-80	2,2	1,9	2,2	6,9	5,0	2,9	4,5	3,3	0,0	2,9	6,5	1,1	2,7	3,4	4,1
1981	−2,7	0,0	−1,8	0,8	−1,0	−1,4	5,4	−2,2	−5,7	−2,1	0,5	−3,4	−1,9	2,2	1,0
1982	0,0	2,7	−2,9	1,1	−1,1	−0,2	−0,7	−3,1	0,9	−3,7	4,6	1,8	−1,2	−7,1	0,4
1983	2,0	3,2	0,7	−0,1	2,7	−0,1	7,9	−2,4	5,4	2,9	1,6	3,6	0,9	5,9	3,6
1984	2,5	9,7	3,2	1,6	0,8	0,4	9,9	3,3	13,3	4,5	−0,1	1,3	2,3	11,2	10,9
1985	2,5	4,2	5,3	3,4	2,0	0,9	3,5	1,4	6,9	3,9	10,9	4,6	3,3	2,0	4,5
1986	0,8	4,2	1,9	−0,2	3,1	0,6	3,2	3,2	2,8	0,3	5,7	1,4	1,9	1,0	−0,2
1987	1,6	−3,1	0,2	−1,7	4,6	2,1	9,7	2,7	0,8	1,0	2,4	3,2	2,0	3,8	3,4
1988	2,3	1,7	3,0	3,0	5,1	3,5	8,5	4,8	5,8	3,2	:	3,7	3,6	:	:
1989	1,9	3,0	2,5	3,2	4,0	3,3	6,8	3,5	3,6	3,1	:	2,5	3,0	:	:

Table 12

Private consumption at current prices

ECU; Mrd

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	7,3	3,5	40,5	2,7	7,5	33,5	1,3	25,4	0,3	6,5	1,7	45,2	175,4	310,7	24,6
1961	7,5	3,8	45,8	2,8	8,4	36,3	1,3	27,4	0,3	7,2	1,8	47,1	189,9	317,4	27,9
1962	7,9	4,3	50,2	3,0	9,6	40,5	1,4	30,9	0,3	7,9	1,9	49,8	207,6	336,3	32,3
1963	8,6	4,6	53,2	3,3	11,6	45,8	1,5	36,1	0,3	8,7	2,0	53,0	228,6	354,7	37,9
1964	9,1	5,1	57,4	3,6	12,9	50,0	1,7	39,2	0,4	9,9	2,1	56,5	247,9	380,6	44,1
1965	10,0	5,6	63,5	4,1	15,1	53,3	1,8	41,9	0,4	11,0	2,4	60,2	269,3	409,8	49,8
1966	10,7	6,2	68,1	4,5	17,3	57,7	1,9	46,2	0,4	12,0	2,6	63,7	291,3	443,7	57,3
1967	11,3	6,8	70,6	4,9	19,2	62,7	2,0	51,4	0,4	13,1	2,8	66,0	311,2	470,3	66,0
1968	12,7	7,2	77,8	5,5	19,3	70,9	2,1	56,8	0,5	14,8	3,4	64,2	335,0	534,3	78,1
1969	13,8	8,0	87,7	6,0	21,5	77,2	2,4	62,7	0,5	17,1	3,8	68,5	369,1	581,6	90,6
1970	14,8	8,9	105,3	6,7	23,9	78,8	2,6	70,8	0,5	19,1	4,0	74,5	410,1	622,0	104,2
1971	16,4	9,4	120,9	7,1	26,6	87,2	2,9	75,9	0,6	21,6	4,6	83,0	456,3	657,0	118,8
1972	18,8	10,3	136,7	7,4	31,3	99,8	3,2	82,7	0,7	24,6	4,9	89,6	509,9	672,6	146,9
1973	22,2	12,7	164,6	8,3	37,6	116,7	3,5	89,9	0,8	29,1	6,0	91,2	582,7	676,9	181,0
1974	26,5	14,5	190,4	10,7	48,6	129,9	4,0	103,1	0,9	35,4	8,1	103,7	675,8	764,4	209,8
1975	30,5	16,8	212,3	11,4	55,2	161,1	4,3	114,4	1,1	41,1	9,2	116,1	773,6	810,6	230,5
1976	36,4	21,0	248,9	13,3	64,6	185,9	4,8	121,6	1,3	50,1	10,5	121,3	879,7	1 004,3	289,2
1977	42,2	23,2	285,0	15,1	69,9	199,3	5,6	134,7	1,5	58,7	10,3	131,9	977,3	1 095,4	350,1
1978	45,9	24,9	315,4	16,2	74,8	220,2	6,5	145,6	1,6	65,1	9,6	149,7	1 075,6	1 093,1	441,5
1979	49,8	27,2	345,8	17,8	93,5	247,4	7,7	166,8	1,8	70,0	10,0	182,2	1 220,0	1 134,3	432,9
1980	53,5	26,7	369,3	18,4	101,1	281,7	9,1	201,3	1,9	74,6	12,2	228,5	1 378,2	1 236,2	448,6
1981	56,3	28,9	392,6	22,1	111,6	315,8	10,8	226,8	2,1	76,8	15,3	275,1	1 534,2	1 710,5	608,8
1982	56,9	31,3	429,1	26,0	122,2	342,2	11,6	253,4	2,1	84,9	16,5	297,2	1 673,4	2 088,7	655,3
1983	59,0	34,4	470,8	26,0	116,1	359,7	12,2	286,0	2,3	90,6	16,2	309,8	1 783,1	2 497,9	794,0
1984	63,3	37,6	498,6	27,5	129,3	385,0	13,0	319,0	2,5	93,8	17,1	329,5	1 916,3	3 069,8	940,6
1985	68,7	42,2	521,4	28,4	140,3	421,5	14,0	342,1	2,7	98,5	18,3	360,3	2 058,2	3 422,6	1 021,4
1986	72,8	46,0	566,6	26,9	148,4	446,1	14,4	373,5	2,9	106,3	19,4	346,3	2 169,5	2 823,1	1 154,6
1987	77,1	47,7	605,6	27,7	159,0	462,7	14,1	400,3	3,0	112,1	20,7	359,2	2 289,3	2 601,4	1 184,2
1988	79,5	49,2	630,9	29,9	179,9	479,5	14,6	424,2	3,1	114,8	22,8	417,9	2 446,3	2 744,8	1 384,6
1989	83,5	51,4	661,6	31,6	196,7	503,2	15,3	460,2	3,3	118,3	25,0	455,1	2 605,2	3 044,9	1 529,7

Table 13

Private consumption at current prices

PPS EUR 12; Mrd

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	5,8	3,3	37,6	2,5	12,1	26,1	1,3	27,8	0,2	7,7	2,3	43,1	169,8	209,5	29,9
1961	6,2	3,6	40,7	2,8	13,9	28,5	1,4	30,5	0,3	8,4	2,5	45,4	184,1	221,6	32,8
1962	6,7	4,0	44,5	2,9	15,7	31,7	1,5	34,0	0,3	9,2	2,6	48,4	201,5	240,3	38,4
1963	7,4	4,2	48,0	3,3	18,2	35,3	1,6	38,4	0,3	10,2	2,9	52,9	222,8	262,6	45,2
1964	7,9	4,7	52,6	3,7	19,9	38,8	1,7	40,9	0,3	11,1	3,2	57,1	241,8	291,3	52,7
1965	8,6	5,0	58,7	4,1	22,3	42,1	1,8	43,9	0,4	12,2	3,6	60,5	263,2	320,2	59,2
1966	9,1	5,4	63,4	4,5	24,6	46,0	1,9	49,2	0,4	13,1	3,9	63,6	285,2	345,9	67,4
1967	9,6	5,8	66,4	4,9	26,4	49,8	2,0	54,7	0,4	14,0	4,1	67,1	305,4	363,8	75,1
1968	10,5	6,1	71,6	5,4	29,0	53,8	2,3	59,3	0,4	15,2	4,9	71,5	330,1	393,5	84,2
1969	11,5	6,7	79,6	6,0	32,2	60,2	2,5	65,7	0,4	17,2	5,3	75,6	362,9	426,0	97,1
1970	12,5	7,2	88,2	6,9	35,8	66,7	2,7	74,1	0,5	19,4	5,9	81,8	401,7	461,7	110,7
1971	14,1	7,8	98,2	7,8	40,4	76,2	3,0	80,8	0,6	21,5	7,0	90,1	447,4	511,5	127,2
1972	15,8	8,4	110,5	8,8	46,3	86,1	3,3	89,4	0,6	23,5	7,6	100,5	500,8	573,4	148,5
1973	18,4	9,6	124,6	9,9	54,0	98,1	3,7	103,8	0,7	26,5	9,3	116,2	574,7	646,1	172,9
1974	21,3	10,7	143,1	11,5	64,9	116,5	4,6	122,8	0,7	31,2	11,8	131,8	671,0	731,6	195,5
1975	24,8	12,6	171,7	14,0	75,3	136,2	5,2	139,5	1,0	37,1	13,9	146,9	778,1	847,2	243,3
1976	29,0	15,2	200,2	16,2	88,7	160,4	5,9	161,2	1,1	43,6	16,1	165,5	903,2	993,9	286,3
1977	33,2	17,4	232,9	18,8	101,3	185,4	7,1	181,7	1,3	50,8	18,3	185,9	1 034,2	1 161,3	338,7
1978	37,5	19,3	263,5	22,0	111,5	210,4	8,3	204,5	1,5	58,0	19,7	212,7	1 168,8	1 332,7	393,3
1979	43,3	22,3	302,7	24,6	124,7	242,0	9,8	236,5	1,7	66,6	23,0	244,1	1 341,2	1 516,6	467,3
1980	51,2	24,8	350,6	28,5	144,6	281,5	11,5	279,2	2,0	76,2	27,2	267,6	1 544,9	1 739,9	552,9
1981	58,0	27,4	395,8	32,9	162,8	323,4	13,2	312,7	2,3	82,9	31,6	296,3	1 739,2	1 983,6	628,2
1982	65,3	30,5	432,1	36,2	181,1	368,5	13,5	347,7	2,5	89,8	35,7	332,7	1 935,7	2 205,4	727,0
1983	70,5	33,7	476,3	39,4	198,4	403,3	14,4	376,7	2,8	99,1	38,5	374,9	2 128,0	2 518,9	823,3
1984	76,8	37,2	519,7	41,9	210,7	434,6	15,5	415,7	3,0	106,8	41,1	410,2	2 313,1	2 818,8	908,9
1985	82,8	41,4	561,1	46,4	227,6	471,8	16,5	455,6	3,3	116,4	43,0	447,8	2 513,6	3 125,3	995,1
1986	87,1	44,9	596,7	50,7	243,8	503,8	17,5	490,4	3,6	125,8	46,1	500,1	2 710,4	3 417,9	1 065,7
1987	92,7	45,8	632,1	53,8	265,3	538,9	18,3	528,1	3,8	135,5	50,3	540,5	2 905,0	3 688,0	1 145,6
1988	98,6	47,2	672,7	56,4	287,0	571,3	19,2	570,8	4,1	143,6	54,2	585,0	3 110,0	3 959,9	1 255,1
1989	104,6	49,6	715,3	59,5	310,1	606,8	20,2	616,9	4,4	151,8	57,7	623,0	3 320,0	4 204,2	1 356,5

Table 14

Private consumption at current prices

Percentage of GDP at market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	69,2	62,0	59,4	80,3	68,4	58,0	76,6	62,6	54,0	58,5	73,1	66,3	62,7	63,9	58,9
1961	67,9	62,1	59,5	76,8	67,9	58,2	75,0	61,5	56,9	59,7	73,6	65,3	62,3	63,7	54,6
1962	66,6	61,9	59,5	76,4	67,3	58,2	74,7	61,8	56,9	60,3	69,7	66,1	62,4	62,9	57,2
1963	67,1	61,4	59,6	74,3	68,5	58,7	74,1	63,1	57,5	61,8	69,4	66,1	62,9	62,8	58,1
1964	64,1	60,3	58,4	73,6	67,5	57,8	72,6	62,5	56,7	59,4	68,2	64,8	61,8	63,0	57,2
1965	64,3	58,9	59,2	72,8	68,0	57,2	71,7	62,1	58,2	59,4	67,9	64,3	61,6	62,5	58,5
1966	63,9	59,6	59,7	72,3	67,5	57,2	71,8	63,2	58,2	59,3	67,9	63,7	61,8	61,7	57,9
1967	62,9	59,9	60,8	72,4	67,3	57,3	70,1	63,6	59,1	58,7	65,4	63,3	61,9	61,6	56,7
1968	63,7	58,8	60,1	71,9	66,9	57,6	71,0	62,6	57,7	57,9	68,5	62,8	61,5	61,9	54,6
1969	62,2	57,5	59,1	69,2	65,1	57,3	69,8	62,2	53,4	58,5	69,1	62,4	60,9	62,0	53,5
1970	59,8	57,4	58,4	69,2	65,0	56,2	68,9	62,4	50,5	58,4	65,9	61,8	60,3	63,0	52,3
1961-70	64,3	59,8	59,4	72,9	67,1	57,6	72,0	62,5	56,5	59,3	68,6	64,1	61,8	62,5	56,1
1971	60,3	55,8	58,7	68,0	65,2	56,7	68,0	62,3	54,8	57,8	68,3	61,7	60,4	62,8	53,6
1972	60,2	53,4	59,3	65,7	64,7	56,6	65,0	62,5	53,6	57,3	64,2	63,0	60,5	62,7	54,0
1973	60,6	54,5	58,8	63,4	64,5	56,3	64,4	62,3	48,9	56,7	64,8	62,2	60,2	62,0	53,6
1974	59,8	54,3	59,6	67,7	65,1	57,3	68,4	62,7	46,1	56,8	72,7	63,0	61,0	62,6	54,3
1975	61,2	55,5	63,0	67,5	65,2	58,0	64,1	64,1	57,8	58,6	77,1	61,3	62,0	63,5	57,1
1976	60,9	56,6	62,5	65,8	66,7	58,2	64,5	62,7	56,7	58,7	75,0	59,7	61,4	63,6	57,5
1977	61,9	56,9	63,0	65,9	66,0	58,2	64,1	61,9	59,6	59,8	72,0	59,2	61,4	63,5	57,7
1978	61,5	56,2	62,7	65,2	64,8	57,9	63,8	61,4	57,9	60,3	68,0	59,2	61,0	62,8	57,7
1979	62,8	56,4	62,4	63,3	65,4	58,1	65,3	61,0	57,8	60,9	67,5	60,0	61,1	63,1	58,7
1980	62,9	55,9	63,0	63,9	66,3	58,9	65,8	61,3	58,7	61,1	67,3	59,4	61,4	64,0	58,8
1971-80	61,2	55,5	61,3	65,6	65,4	57,6	65,3	62,2	55,2	58,8	69,7	60,9	61,0	63,1	56,3
1981	65,1	56,0	64,1	66,4	67,4	60,3	65,9	61,2	60,9	60,4	69,6	60,0	62,2	63,5	58,0
1982	65,5	55,0	63,8	66,0	67,2	60,7	60,0	61,5	60,3	60,1	69,6	60,4	62,3	65,6	59,2
1983	65,1	54,6	63,8	65,9	66,6	60,8	59,3	61,1	59,6	60,3	69,3	60,6	62,2	66,3	59,9
1984	65,2	54,6	63,6	64,0	65,2	60,6	57,9	61,1	57,3	59,2	70,5	61,0	62,0	65,1	59,1
1985	65,3	55,0	63,4	65,0	64,9	61,0	57,6	61,5	57,1	59,3	67,5	60,5	61,9	66,0	58,3
1986	63,6	54,7	62,3	66,4	63,8	60,5	57,9	61,0	56,3	59,4	65,7	62,2	61,7	66,4	57,8
1987	64,0	54,3	62,3	68,1	63,5	60,9	56,0	61,4	56,7	60,7	66,0	62,1	61,9	66,6	57,4
1988	63,7	53,8	61,8	66,9	63,2	60,3	55,1	61,5	56,5	60,7	65,8	62,3	61,7	66,1	57,4
1989	63,8	53,7	61,8	66,6	63,3	60,1	54,2	62,1	56,7	60,4	65,3	62,3	61,7	66,1	57,6

Table 15

Private consumption at current prices per head of population

ECU; EUR 12 = 100

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	127,4	121,5	116,5	51,0	39,3	116,9	72,1	80,4	135,5	89,7	32,5	137,5	100,0	273,9	41,6
1961	122,0	123,8	121,0	50,3	40,5	116,9	70,5	80,6	130,6	91,6	32,5	132,3	100,0	256,5	43,6
1962	117,5	127,2	121,1	48,7	42,5	118,2	69,7	83,3	125,1	91,4	30,2	128,1	100,0	247,3	46,2
1963	115,9	122,3	116,7	48,3	46,3	120,3	67,7	88,7	122,5	91,9	29,8	124,2	100,0	235,7	49,2
1964	114,2	126,6	115,9	49,8	47,5	121,1	69,9	88,7	126,8	95,4	29,4	122,5	100,0	232,1	52,8
1965	114,7	128,0	117,7	51,8	51,2	118,9	68,0	87,4	125,2	97,7	30,3	120,4	100,0	229,3	54,7
1966	113,5	131,3	116,6	52,9	54,1	118,8	66,7	89,1	121,6	97,7	31,0	118,0	100,0	228,6	58,1
1967	112,8	135,1	113,6	53,6	55,6	120,8	65,7	92,8	117,4	99,3	31,6	114,6	100,0	225,9	62,5
1968	117,8	131,8	116,7	55,7	51,8	126,6	63,1	95,1	121,0	103,9	35,4	103,6	100,0	237,5	68,3
1969	117,1	134,1	118,9	55,8	52,1	125,1	65,6	95,4	118,7	108,1	36,1	100,7	100,0	233,9	71,5
1970	113,2	133,1	128,3	56,6	52,1	114,7	65,6	97,2	118,5	108,5	34,9	98,9	100,0	224,0	73,5
1971	113,2	127,1	131,9	54,1	52,0	113,8	66,0	93,9	118,0	109,4	36,6	99,3	100,0	211,5	75,1
1972	116,8	124,5	133,4	49,9	54,5	116,2	64,5	91,5	119,2	111,0	35,1	96,2	100,0	192,9	82,5
1973	121,1	134,0	140,7	49,3	57,3	118,6	59,7	87,1	118,8	114,8	38,3	86,0	100,0	169,3	88,3
1974	124,6	131,9	140,9	54,7	63,4	113,7	58,9	85,9	120,4	120,0	44,1	84,6	100,0	164,1	87,5
1975	125,4	134,0	138,3	50,5	62,6	123,1	55,0	83,1	123,4	121,3	42,6	83,1	100,0	151,1	83,2
1976	131,9	147,3	143,8	51,4	63,9	124,9	53,2	77,6	129,0	129,2	41,6	76,7	100,0	163,7	91,1
1977	137,9	146,3	149,1	52,1	61,7	120,4	54,9	77,3	132,8	136,0	36,7	75,4	100,0	159,7	98,7
1978	136,7	142,9	150,6	50,2	59,6	120,8	57,3	75,9	131,3	136,6	30,8	78,1	100,0	143,8	112,5
1979	131,3	137,5	146,0	48,4	65,3	119,6	59,4	76,7	125,6	129,2	28,2	83,9	100,0	130,6	96,8
1980	125,1	119,9	138,2	44,0	62,3	120,4	61,7	82,1	121,6	121,4	30,1	93,4	100,0	125,0	88,4
1981	118,7	117,0	132,2	47,1	61,4	121,0	65,4	83,4	118,8	112,0	33,9	101,3	100,0	154,4	107,5
1982	110,2	116,9	132,9	50,7	61,4	119,9	63,8	85,4	111,8	113,2	33,4	100,7	100,0	171,5	105,6
1983	107,4	120,8	137,6	47,4	54,6	118,0	62,4	90,3	112,6	113,2	30,6	98,7	100,0	191,0	119,5
1984	107,6	123,1	136,4	46,6	56,5	117,3	61,7	93,6	113,3	108,9	29,9	97,6	100,0	216,8	131,2
1985	108,8	128,8	133,4	44,6	56,9	119,3	61,6	93,5	114,3	106,1	29,6	99,4	100,0	223,4	132,1
1986	109,6	133,4	137,8	40,0	57,0	119,6	60,4	96,9	115,4	108,4	29,6	90,6	100,0	173,6	141,2
1987	110,4	131,4	139,7	39,2	57,8	117,4	56,2	98,6	115,5	107,9	30,0	89,1	100,0	150,6	136,8
1988	106,8	126,9	135,8	39,5	61,1	113,8	54,8	98,1	112,2	103,1	30,9	97,2	100,0	147,7	149,2
1989	105,7	124,8	133,4	39,0	62,7	112,0	54,3	100,1	111,3	99,5	31,8	99,6	100,0	152,9	154,3

Table 16

Private consumption at current prices per head of population

PPS EUR 12; EUR 12 = 100

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	105,4	118,1	111,6	49,5	65,0	93,8	75,5	91,0	117,9	110,4	44,7	135,5	100,0	190,7	52,3
1961	103,9	120,3	111,0	50,2	68,7	94,6	74,9	92,5	123,0	110,2	45,7	131,6	100,0	184,8	53,0
1962	102,8	121,1	110,7	48,5	71,1	95,5	74,1	94,4	118,5	110,1	44,5	128,5	100,0	182,1	56,7
1963	102,7	114,9	108,0	49,6	74,6	95,3	73,3	96,8	117,4	110,3	44,7	127,4	100,0	179,1	60,3
1964	101,1	118,8	108,8	51,5	75,2	96,2	72,4	95,0	120,0	110,1	45,3	126,8	100,0	182,2	64,7
1965	100,8	116,6	111,3	53,7	77,3	95,9	70,4	93,7	120,3	110,8	46,9	123,9	100,0	183,3	66,6
1966	99,4	116,4	110,9	54,4	78,5	96,8	68,6	97,0	116,8	108,6	47,3	120,5	100,0	182,1	69,9
1967	98,0	116,3	109,0	55,0	78,2	97,6	67,9	100,6	114,8	108,4	47,6	118,7	100,0	178,1	72,4
1968	99,2	113,5	109,0	55,8	78,9	97,6	71,2	100,8	112,1	108,3	52,1	117,3	100,0	177,5	74,7
1969	99,1	112,9	109,8	56,6	79,6	99,2	71,1	101,7	109,2	110,8	51,7	113,0	100,0	174,2	77,9
1970	98,2	110,8	109,6	59,2	79,6	99,0	69,9	103,8	103,1	112,2	52,6	110,9	100,0	169,8	79,7
1971	99,3	106,9	109,2	60,4	80,5	101,4	68,8	101,9	110,8	111,1	56,8	109,9	100,0	168,0	82,0
1972	99,9	102,8	109,8	60,6	82,3	102,1	66,2	100,8	109,4	108,3	55,5	109,9	100,0	167,4	85,0
1973	101,3	103,0	108,0	59,6	83,3	101,2	64,4	101,8	102,2	106,0	59,4	111,1	100,0	163,8	85,5
1974	100,8	98,5	106,7	59,4	85,3	102,7	68,2	103,0	96,4	106,4	64,6	108,4	100,0	158,2	82,1
1975	101,2	99,4	111,2	62,2	84,9	103,5	65,1	100,8	111,8	108,6	63,6	104,6	100,0	157,0	87,3
1976	102,5	103,9	112,6	61,3	85,4	105,0	63,1	100,2	107,9	109,5	62,3	101,9	100,0	157,8	87,9
1977	102,6	103,9	115,1	61,4	84,5	105,8	65,7	98,6	113,2	111,2	61,3	100,4	100,0	160,0	90,3
1978	102,7	101,8	115,7	62,7	81,7	106,2	67,8	98,1	112,0	112,2	58,3	102,0	100,0	161,3	92,2
1979	103,8	102,6	116,3	60,6	79,2	106,4	68,4	99,0	111,1	111,8	59,1	102,3	100,0	158,8	95,0
1980	106,8	99,5	117,0	60,8	79,5	107,3	69,3	101,6	112,1	110,6	60,2	97,6	100,0	156,9	97,3
1981	107,8	97,9	117,6	61,9	79,0	109,3	70,1	101,4	114,3	106,6	61,9	96,3	100,0	157,9	97,8
1982	109,3	98,5	115,7	61,0	78,7	111,6	64,1	101,3	114,2	103,5	62,4	97,5	100,0	156,5	101,3
1983	107,6	99,2	116,6	60,2	78,2	110,9	61,9	99,7	115,0	103,8	60,9	100,0	100,0	161,4	103,8
1984	108,1	100,9	117,8	58,6	76,2	109,7	60,9	101,1	115,5	102,7	59,4	100,7	100,0	164,9	105,0
1985	107,4	103,4	117,6	59,8	75,6	109,4	59,7	101,9	116,7	102,7	57,1	101,1	100,0	167,0	105,4
1986	105,0	104,3	116,2	60,5	75,0	108,1	58,7	101,9	115,5	102,7	56,5	104,8	100,0	168,2	104,3
1987	104,6	99,3	114,9	59,8	76,0	107,8	57,6	102,5	115,0	102,8	57,4	105,7	100,0	168,2	104,3
1988	104,2	95,8	113,9	58,5	76,7	106,6	56,7	103,8	114,4	101,5	57,7	107,1	100,0	167,6	106,4
1989	103,8	94,5	113,2	57,7	77,6	106,0	56,3	105,4	114,5	100,2	57,6	107,0	100,0	165,7	107,4

Table 17

Private consumption at constant prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	1,6	7,3	5,8	6,8	11,0	5,9	2,8	7,5	5,0	5,2	6,7	2,2	5,4	2,0	8,4
1962	3,9	5,9	5,5	4,3	8,8	7,1	3,6	7,1	4,4	6,1	2,1	2,2	5,4	4,4	9,5
1963	4,4	0,0	3,0	5,1	11,3	6,9	4,1	9,3	4,6	7,0	6,7	4,6	6,0	3,7	9,6
1964	2,6	7,8	5,3	8,8	4,3	5,6	4,3	3,3	9,2	5,9	−1,4	3,0	4,3	5,7	11,6
1965	4,3	3,4	7,0	7,7	7,0	4,0	0,4	3,3	4,0	7,5	4,5	1,5	4,4	5,7	5,6
1966	2,7	4,3	3,7	6,8	6,9	4,8	1,7	7,2	1,6	3,2	0,9	1,7	4,2	5,0	9,7
1967	2,8	2,9	1,4	6,2	6,0	5,1	3,4	7,4	0,0	5,4	4,9	2,4	4,1	2,9	9,4
1968	5,3	1,9	4,9	6,9	6,0	4,0	8,5	5,2	4,3	6,6	26,6	2,8	4,8	5,1	8,3
1969	5,4	6,3	7,6	6,2	7,0	6,0	5,7	6,6	5,2	7,9	4,4	0,6	5,5	3,6	10,1
1970	4,4	3,5	7,3	8,8	4,2	4,3	2,9	7,6	6,4	7,4	2,6	2,7	5,4	2,4	6,9
1961-70	3,7	4,3	5,1	6,7	7,2	5,4	3,7	6,4	4,4	6,2	5,6	2,4	4,9	4,0	8,9
1971	4,7	−0,8	5,5	5,6	5,1	6,6	3,2	2,9	5,6	3,3	12,7	3,1	4,5	3,3	5,6
1972	6,0	1,7	4,9	7,0	8,3	6,1	5,1	3,4	4,7	3,5	4,0	6,1	5,3	6,5	9,3
1973	7,8	4,8	3,5	7,6	7,8	5,8	7,2	5,9	5,7	4,0	12,0	5,2	5,5	4,2	9,2
1974	2,6	−2,9	1,3	0,7	5,1	2,9	1,6	2,6	4,5	3,7	9,7	−1,5	1,9	−1,1	−0,3
1975	0,6	3,7	3,8	5,5	1,8	3,4	−2,7	−1,6	5,3	3,3	−0,9	−0,6	1,5	2,1	4,4
1976	4,8	7,9	3,9	5,3	5,6	5,6	2,8	3,4	3,0	5,3	3,5	0,3	3,8	5,5	3,5
1977	2,4	1,1	3,9	4,6	1,5	3,1	6,8	1,4	2,1	4,6	0,6	−0,5	2,2	4,5	4,2
1978	2,3	0,7	3,9	5,7	0,9	3,7	9,1	2,7	2,9	4,3	−2,0	5,6	3,5	4,1	5,4
1979	4,8	1,4	3,5	2,6	1,3	3,0	4,4	4,9	3,3	3,0	−0,2	4,2	3,5	2,2	6,4
1980	2,0	−3,7	1,5	−0,6	0,6	1,2	0,4	4,8	2,8	0,0	3,9	0,0	1,5	−0,3	1,4
1971-80	3,8	1,3	3,6	4,4	3,7	4,1	3,8	3,0	4,0	3,5	4,2	2,2	3,3	3,1	4,9
1981	−0,7	−2,3	−0,1	0,9	−0,6	2,1	1,7	1,5	1,6	−2,5	1,9	−0,1	0,4	1,6	1,3
1982	1,7	1,4	−1,3	3,1	0,2	3,5	−7,1	1,0	0,2	−1,2	2,1	0,8	0,7	1,1	4,1
1983	−1,4	2,6	1,6	0,9	0,3	0,9	−0,1	0,2	−0,1	0,9	−1,0	4,0	1,3	5,0	3,2
1984	1,5	2,8	1,9	1,4	−0,4	1,0	−0,8	2,4	2,4	1,0	−3,0	2,1	1,5	4,8	2,7
1985	1,8	5,3	1,9	3,8	2,2	2,4	1,1	2,9	1,7	1,9	1,0	3,7	2,6	4,6	2,6
1986	2,5	4,2	4,1	0,8	3,5	3,4	2,1	3,9	3,3	3,1	7,0	5,8	4,0	4,2	2,7
1987	2,5	−1,0	3,5	0,8	5,2	2,3	0,1	4,3	3,6	3,0	6,8	5,1	3,7	2,7	3,9
1988	2,7	−1,3	3,0	1,9	4,6	2,1	1,4	3,8	3,2	1,5	4,8	5,4	3,4	2,4	5,3
1989	2,6	0,8	2,3	1,8	4,1	2,1	1,9	3,7	3,4	2,0	3,7	3,6	2,9	1,9	4,4

Table 18

Public consumption at current prices

Percentage of GDP at market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	12,4	13,3	10,7	11,7	7,9	15,2	12,5	11,3	9,8	12,6	10,5	16,5	13,0	16,6	7,9
1961	11,9	14,4	11,1	11,3	7,8	15,3	12,4	11,3	9,9	13,1	12,5	16,7	13,1	17,5	7,5
1962	12,3	15,2	11,9	11,6	7,7	15,5	12,5	11,6	10,9	13,7	12,9	17,0	13,5	17,8	7,8
1963	13,0	15,4	12,6	11,3	8,0	15,7	12,7	12,4	12,3	14,4	12,3	16,9	13,8	17,5	8,0
1964	12,5	15,6	11,9	11,7	7,8	15,5	13,3	12,7	10,8	14,6	12,3	16,4	13,6	17,2	7,8
1965	12,8	16,3	12,1	11,7	8,0	15,3	13,6	13,4	10,9	14,6	12,0	16,8	13,8	16,7	8,2
1966	13,1	17,1	12,1	11,8	8,3	15,1	13,6	13,2	11,4	14,9	12,1	17,1	13,9	17,7	8,0
1967	13,5	17,8	12,6	13,0	9,0	15,1	13,4	12,8	12,1	15,3	13,1	17,9	14,2	18,9	7,6
1968	13,6	18,6	11,8	12,9	8,8	15,8	13,4	12,9	12,1	14,9	13,1	17,5	14,0	18,8	7,4
1969	13,6	18,9	11,9	12,7	8,9	15,6	13,5	12,6	11,0	15,0	12,9	17,1	13,9	18,4	7,3
1970	13,4	20,0	12,0	12,6	9,1	15,7	14,6	12,2	10,5	15,4	13,8	17,6	14,0	18,8	7,4
1961-70	13,0	16,9	12,0	12,1	8,3	15,5	13,3	12,5	11,2	14,6	12,7	17,1	13,8	17,9	7,7
1971	14,1	21,3	12,7	12,5	9,3	15,7	15,2	13,8	11,7	16,0	13,5	17,9	14,6	18,1	8,0
1972	14,5	21,3	12,7	12,2	9,2	15,3	15,3	14,3	11,8	15,8	13,4	18,4	14,6	18,0	8,2
1973	14,5	21,3	13,0	11,5	9,2	15,4	15,7	13,8	11,3	15,6	12,8	18,2	14,6	17,4	8,3
1974	14,7	23,4	13,9	13,8	9,5	15,9	17,2	13,4	11,5	16,2	14,1	19,9	15,3	18,1	9,1
1975	16,4	24,6	14,4	15,2	10,1	16,8	18,6	13,7	14,9	17,4	15,0	21,8	16,2	18,6	10,0
1976	16,4	24,1	13,7	15,1	10,9	17,0	18,0	13,1	14,8	17,3	13,7	21,4	15,9	18,1	9,9
1977	16,8	23,9	13,6	16,0	11,1	17,2	17,1	13,6	15,9	17,4	14,0	20,3	15,8	17,6	9,8
1978	17,4	24,5	13,7	15,9	11,5	17,6	17,1	14,1	15,6	17,7	13,9	19,9	16,0	17,0	9,7
1979	17,6	25,0	13,7	16,3	12,0	17,6	18,1	14,4	16,0	18,1	13,9	19,8	16,2	17,0	9,7
1980	17,8	26,7	13,9	16,4	12,7	18,1	19,9	14,6	16,7	17,9	14,5	21,3	16,7	17,6	9,8
1971-80	16,0	23,6	13,5	14,5	10,5	16,7	17,2	13,9	14,0	16,9	13,9	19,9	15,6	17,7	9,2
1981	18,8	27,8	14,2	18,0	13,2	18,8	19,9	15,8	17,4	17,8	15,0	21,9	17,3	17,5	9,9
1982	18,2	28,2	14,1	18,3	13,4	19,3	19,6	16,0	16,4	17,7	14,9	22,0	17,5	18,4	9,9
1983	17,6	27,4	13,8	18,8	13,9	19,5	19,6	16,3	16,2	17,5	15,1	22,0	17,6	18,4	10,0
1984	17,3	26,0	13,5	19,5	13,7	19,6	18,9	16,3	15,3	16,6	14,5	21,9	17,4	18,0	9,9
1985	17,2	25,3	13,5	20,3	14,0	19,6	18,7	16,4	15,2	16,2	14,2	21,1	17,2	18,4	9,7
1986	16,7	23,7	13,3	19,4	14,9	19,4	19,3	16,1	15,9	15,9	14,0	21,3	17,1	18,6	9,9
1987	16,2	25,0	13,3	19,8	14,4	19,3	18,7	16,7	16,5	16,1	13,8	20,9	17,2	18,7	:
1988	15,7	25,6	13,1	20,6	14,3	18,9	17,8	16,7	16,4	15,7	13,6	20,7	17,0	18,2	:
1989	15,4	25,5	12,9	21,0	14,4	18,7	17,2	16,8	16,5	15,1	13,5	20,6	16,8	18,0	:

Table 19

Public consumption at constant prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	1,9	5,3	6,6	4,4	5,6	4,8	2,9	4,4	1,3	2,8	26,7	3,5	4,7	7,5	6,1
1962	8,6	9,9	10,4	6,7	6,7	4,7	2,9	3,9	2,4	3,3	8,5	3,1	5,5	5,3	8,4
1963	11,6	2,9	6,3	4,2	9,7	3,4	4,2	4,3	5,8	4,7	3,0	1,8	4,3	2,5	8,7
1964	4,2	7,3	0,8	9,3	1,3	4,2	3,0	4,2	−0,8	1,7	6,8	1,6	2,6	4,9	6,0
1965	5,5	3,4	4,0	9,0	3,7	3,2	3,6	4,0	2,5	1,5	7,4	2,6	3,4	3,1	6,3
1966	4,7	5,8	1,0	6,3	1,7	2,7	1,1	4,0	5,8	1,7	5,3	2,7	2,6	7,5	5,8
1967	5,7	7,6	3,0	8,5	2,4	4,3	5,3	4,4	4,2	2,4	10,7	5,7	4,4	5,3	4,7
1968	3,5	4,7	−1,4	1,3	1,8	5,6	4,9	5,2	5,6	2,2	8,5	0,4	2,3	3,5	5,7
1969	6,3	6,8	4,6	7,7	4,2	4,1	6,7	2,8	3,3	4,5	3,5	−1,9	2,6	2,3	5,1
1970	3,1	6,9	4,3	5,9	5,2	4,2	7,5	2,6	11,2	6,0	7,0	1,7	3,6	0,4	5,7
1961-70	5,5	6,0	3,9	6,3	4,2	4,1	4,2	4,0	4,1	3,1	8,6	2,1	3,6	4,2	6,2
1971	5,5	5,5	3,8	4,9	4,3	3,5	8,7	5,7	3,0	4,4	6,4	3,0	4,1	−0,3	5,5
1972	5,9	5,7	2,3	5,7	5,2	2,7	7,5	5,3	4,2	0,8	8,6	4,2	3,7	−0,9	5,6
1973	5,3	4,0	3,7	6,8	6,4	3,2	6,8	2,4	3,4	0,8	7,8	4,3	3,7	0,1	5,4
1974	3,4	3,5	2,4	12,1	9,3	1,2	7,6	2,8	3,8	2,2	17,3	1,9	2,8	2,3	3,1
1975	4,5	2,0	1,5	11,9	5,2	4,7	6,5	3,2	3,3	4,1	6,6	5,6	4,1	0,3	6,7
1976	3,7	4,5	−0,2	5,1	6,9	6,2	2,6	2,2	2,8	4,1	7,0	1,2	2,9	1,9	4,7
1977	2,3	2,4	1,7	6,5	3,9	1,4	2,1	2,8	2,9	3,4	11,8	−1,7	1,5	1,2	4,4
1978	6,0	6,2	3,7	3,5	5,4	5,2	7,9	2,3	1,8	3,9	4,4	2,3	3,7	2,5	5,2
1979	2,5	5,9	3,6	5,8	4,2	3,0	4,6	1,6	2,2	2,8	6,3	2,2	2,9	2,2	4,4
1980	1,5	4,3	2,1	0,2	4,2	2,5	7,1	2,1	3,1	0,6	7,9	1,6	2,3	1,7	2,8
1971-80	4,1	4,4	2,5	6,2	5,5	3,3	6,1	3,0	3,0	2,7	8,4	2,4	3,2	1,1	4,8
1981	1,2	2,6	1,2	6,8	1,9	3,1	0,3	2,7	1,4	2,0	2,8	0,2	1,9	9,5	4,8
1982	−1,4	3,1	−0,7	2,3	4,9	3,8	3,2	2,9	1,5	0,7	2,8	1,0	1,9	2,6	1,9
1983	0,0	0,0	0,1	2,7	3,9	2,1	0,7	2,8	1,9	1,2	2,7	1,9	1,8	4,2	2,9
1984	0,4	−1,0	1,1	3,0	2,9	1,2	−0,1	1,9	1,7	−0,6	2,5	0,8	1,2	3,9	2,8
1985	1,9	2,5	1,7	2,8	4,6	3,2	−0,3	3,4	1,3	1,3	1,7	−0,1	2,1	4,9	2,0
1986	0,7	−0,7	2,1	0,0	5,1	2,7	3,2	2,8	1,8	1,8	1,0	0,9	2,1	4,3	6,6
1987	−0,7	1,7	1,6	1,3	9,0	3,0	−3,3	3,4	2,0	1,1	2,5	0,9	2,5	4,2	−0,6
1988	0,2	0,4	1,7	6,0	4,2	2,0	−4,0	3,3	1,5	0,2	2,3	0,8	1,9	0,8	2,3
1989	−0,1	−0,5	1,2	3,4	4,7	2,0	−3,3	3,1	1,5	−0,2	1,0	1,2	1,9	1,9	2,8

Table 20

Gross fixed capital formation at current prices; total economy

Percentage of GDP at market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	19,3	21,6	24,3	19,0	20,1	20,6	14,4	27,7	20,9	24,1	23,2	16,4	21,7	18,0	29,5
1961	20,7	23,2	25,2	18,2	21,1	21,8	16,3	28,5	24,2	24,8	23,2	17,3	22,7	17,6	32,5
1962	21,3	23,1	25,7	20,1	21,6	22,0	17,9	29,0	25,9	24,5	22,4	17,0	23,0	17,6	32,9
1963	20,7	22,0	25,6	19,2	21,8	22,7	19,5	29,5	30,1	23,8	23,7	16,8	23,1	18,0	31,5
1964	22,4	24,5	26,6	21,0	23,3	23,5	20,5	27,3	33,7	25,5	22,8	18,4	23,7	18,1	31,7
1965	22,4	24,1	26,1	21,6	24,5	24,0	21,4	23,6	28,0	25,2	22,8	18,5	23,2	18,8	29,8
1966	22,9	24,1	25,4	21,7	24,7	24,4	19,8	23,1	26,6	26,3	25,1	18,5	23,1	18,5	30,4
1967	22,9	24,2	23,1	20,3	25,1	24,5	20,1	23,9	23,9	26,4	26,6	19,1	22,9	17,9	32,0
1968	21,5	23,4	22,4	23,2	25,7	24,0	20,9	24,9	22,1	26,9	22,2	19,4	23,0	18,1	33,2
1969	21,3	24,6	23,3	24,6	26,2	24,1	23,3	25,8	22,2	24,6	22,6	18,9	23,2	18,3	34,4
1970	22,7	24,7	25,5	23,6	26,1	24,0	22,7	26,2	23,1	25,9	23,2	19,0	23,9	17,7	35,5
1961-70	21,9	23,8	24,9	21,4	24,0	23,5	20,2	26,2	26,0	25,4	23,4	18,3	23,2	18,0	32,4
1971	22,1	24,2	26,1	25,2	23,8	24,3	23,6	25,0	28,4	25,4	24,7	18,9	23,7	18,2	34,2
1972	21,3	24,6	25,4	27,8	25,0	24,3	23,7	24,2	27,8	23,6	27,1	18,7	23,5	18,9	34,1
1973	21,4	24,8	23,9	28,0	26,4	24,5	25,3	25,5	27,3	23,1	26,8	20,0	23,8	19,1	36,4
1974	22,7	24,0	21,6	22,2	28,0	25,0	24,6	27,5	24,6	21,9	26,0	20,9	23,9	18,6	34,8
1975	22,5	21,1	20,4	20,8	26,4	23,9	22,7	25,2	27,7	21,1	25,9	19,9	22,6	17,2	32,5
1976	22,1	23,0	20,1	21,2	24,9	23,9	25,0	24,6	25,0	19,4	25,1	19,4	22,1	17,5	31,2
1977	21,7	22,1	20,2	23,0	23,9	22,9	24,8	24,0	25,1	21,1	26,5	18,6	21,7	18,8	30,2
1978	21,7	21,7	20,7	23,9	22,7	22,4	27,7	22,9	24,1	21,3	27,9	18,5	21,5	20,1	30,4
1979	20,7	20,9	21,8	25,8	21,6	22,4	30,5	23,1	24,4	21,0	26,6	18,8	21,7	20,4	31,7
1980	21,1	18,8	22,7	24,2	22,1	23,0	28,6	24,3	27,0	21,0	28,6	18,1	22,1	19,1	31,6
1971-80	21,7	22,5	22,3	24,2	24,5	23,7	25,6	24,6	26,1	21,9	26,5	19,2	22,7	18,8	32,7
1981	18,0	15,6	21,8	22,3	21,8	22,1	29,7	23,8	25,5	19,2	30,8	16,3	21,1	18,6	30,7
1982	17,3	16,1	20,5	19,9	21,3	21,4	26,5	22,3	25,2	18,2	31,1	16,2	20,2	17,2	29,7
1983	16,3	16,0	20,5	20,3	20,6	20,2	23,3	21,3	21,6	18,2	29,2	16,2	19,7	17,2	28,3
1984	16,1	17,1	20,2	18,5	18,8	19,3	21,7	21,2	19,6	18,6	23,9	17,3	19,3	18,0	27,9
1985	15,7	18,5	19,7	19,1	18,9	19,0	20,4	21,2	18,1	19,0	21,7	17,2	19,2	18,1	27,7
1986	16,1	20,4	19,5	18,5	18,7	18,8	18,7	20,1	20,7	19,6	21,6	17,2	18,9	17,8	27,8
1987	16,6	18,5	19,3	17,6	20,1	19,0	17,5	20,0	23,8	19,8	24,3	17,4	19,1	17,3	:
1988	17,6	17,7	19,8	18,2	21,5	19,6	17,2	20,1	21,8	20,3	26,4	18,4	19,7	17,2	:
1989	17,8	17,3	20,0	19,2	22,7	20,1	17,4	20,1	21,8	20,4	28,2	19,1	20,1	17,2	:

Table 21

Gross fixed capital formation at constant prices; total economy

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	12,4	13,9	6,7	8,1	17,9	10,9	15,9	11,6	9,0	6,0	6,0	9,8	9,8	1,4	27,8
1962	5,9	6,7	4,0	8,4	11,4	8,5	14,8	9,8	7,8	3,4	1,1	0,7	6,0	6,7	11,3
1963	0,1	−2,4	1,4	5,5	11,4	8,8	12,0	8,1	14,2	1,1	14,6	1,4	4,9	7,3	10,4
1964	14,7	23,5	11,4	20,7	15,0	10,5	11,6	−5,8	22,1	19,2	4,5	16,6	8,8	6,6	16,7
1965	4,1	4,7	4,7	12,8	16,6	7,0	10,0	−8,4	−13,9	5,3	10,5	5,2	3,4	9,3	3,2
1966	6,8	4,3	1,2	3,2	12,7	7,3	−3,0	4,3	−5,1	8,0	17,4	2,5	4,7	4,0	13,4
1967	2,9	5,4	−6,9	−1,6	6,0	6,0	6,5	11,7	−7,9	8,5	5,8	8,8	4,3	−1,0	17,7
1968	−1,3	1,9	3,6	21,4	9,4	5,5	13,1	10,8	−4,2	11,2	−9,3	6,1	6,6	6,4	19,9
1969	5,3	11,8	9,8	18,6	9,8	9,2	18,3	7,8	10,5	−2,2	9,0	−0,5	6,8	1,8	18,5
1970	8,4	2,2	9,4	−1,4	3,0	4,6	0,3	3,0	10,2	7,5	11,5	2,5	5,0	−3,7	16,9
1961-70	5,8	7,0	4,4	9,3	11,2	7,8	9,8	5,1	3,7	6,7	6,9	5,2	6,0	3,8	15,4
1971	−1,9	1,9	6,1	14,0	−3,0	7,1	8,8	−3,2	10,8	1,5	9,8	1,9	2,5	5,8	4,1
1972	3,4	9,3	2,7	15,4	14,2	7,2	7,4	0,9	6,9	−2,3	13,5	−0,3	4,0	8,7	10,0
1973	7,0	3,5	−0,3	7,7	13,0	6,1	16,2	7,7	12,3	4,2	9,5	6,5	5,6	6,2	12,6
1974	6,9	−8,9	−9,6	−25,6	6,2	0,9	−11,6	3,3	−6,1	−4,0	−7,0	−2,5	−2,0	−6,0	−9,5
1975	−1,9	−12,4	−5,3	0,2	−4,5	−3,2	−2,6	−12,7	−6,9	−4,4	−11,3	−1,7	−5,8	−10,7	−1,2
1976	4,0	17,1	3,6	6,8	−0,8	3,7	13,6	2,3	−3,8	−2,2	0,8	1,6	2,6	6,9	2,7
1977	0,0	−2,4	3,6	7,8	−0,9	−0,8	4,1	−0,4	−1,1	9,7	12,0	−1,8	0,9	11,4	4,0
1978	2,8	1,1	4,7	6,0	−2,7	2,1	18,9	−0,1	1,3	2,5	7,1	3,1	2,2	9,5	8,5
1979	−2,7	−0,4	7,2	8,8	−4,4	3,1	13,6	5,8	4,1	−1,7	−2,2	2,8	3,3	2,4	5,3
1980	4,6	−12,6	2,8	−6,5	0,7	2,6	−4,7	9,4	11,4	−0,9	8,6	−5,4	2,0	−6,8	0,0
1971-80	2,2	−0,8	1,4	2,8	1,6	2,8	5,9	1,1	2,7	0,2	3,8	0,4	1,5	2,5	3,5
1981	−16,4	−19,2	−4,8	−7,5	−3,3	−1,9	9,5	−2,3	−6,3	−10,4	5,1	−9,6	−4,9	−0,1	3,1
1982	−1,7	7,1	−5,3	−1,9	0,5	−1,4	−3,4	−5,7	0,4	−4,1	2,9	5,2	−2,0	−8,7	0,8
1983	−4,2	1,9	3,2	−1,3	−2,5	−3,6	−9,3	−1,6	−10,9	2,1	−7,5	5,2	−0,1	8,8	−0,3
1984	2,1	10,5	0,8	−5,7	−5,8	−2,3	−2,4	4,4	−2,3	5,4	−18,0	8,2	1,3	15,3	4,9
1985	1,0	11,9	0,1	5,1	3,8	1,1	−4,4	3,3	−3,7	5,2	−3,0	3,1	2,1	5,8	5,6
1986	6,5	16,8	3,1	−4,8	7,9	3,0	−3,5	1,2	15,8	7,2	9,5	0,3	3,1	2,5	6,6
1987	5,2	−8,9	1,8	−3,2	13,8	3,4	−1,0	5,2	16,4	1,6	19,6	5,5	4,6	2,2	10,1
1988	7,3	−4,1	6,2	8,8	13,0	6,9	0,4	4,9	−6,3	3,3	12,8	9,6	7,1	6,3	12,1
1989	2,7	0,1	3,7	8,0	10,0	5,4	3,6	3,8	1,7	2,9	11,0	6,3	5,2	4,0	4,4

Table 22

Net stockbuilding at current prices

Percentage of GDP at current prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	−0,1	4,4	2,9	−0,4	−0,5	3,0	2,0	2,1	2,4	3,3	1,4	2,2	2,3	0,7	3,6
1961	0,5	1,9	1,9	1,8	1,7	1,7	1,4	2,3	2,2	2,7	3,9	1,0	1,7	0,4	7,2
1962	0,0	2,9	1,7	1,1	3,6	2,3	1,6	1,7	5,6	1,5	1,8	0,0	1,5	1,1	2,2
1963	0,4	0,8	0,5	2,1	3,4	1,5	0,9	1,0	−0,1	1,1	2,0	0,5	1,1	0,9	3,6
1964	1,5	1,7	1,4	4,7	2,6	2,4	1,2	0,5	−1,2	3,0	3,3	2,1	1,8	0,7	3,7
1965	0,8	2,3	2,3	4,7	3,0	1,6	2,3	0,7	2,1	1,9	4,4	1,3	1,7	1,3	2,1
1966	1,0	0,8	1,0	0,6	2,9	2,0	0,8	0,8	1,7	1,3	1,8	0,8	1,3	1,5	2,1
1967	0,4	0,0	−0,1	2,0	1,4	1,8	−0,4	1,1	−3,0	0,9	0,6	0,7	0,8	1,2	3,4
1968	0,9	0,6	2,1	−0,1	0,8	1,8	1,1	0,0	−1,9	0,6	3,1	1,0	1,2	1,0	3,6
1969	1,9	1,3	2,9	1,3	2,5	2,6	2,4	0,7	−1,2	2,1	1,8	1,1	1,9	1,1	3,1
1970	1,6	1,0	2,0	4,5	0,8	2,7	1,7	1,7	3,1	2,0	5,9	0,7	1,8	0,1	3,5
1961-70	0,9	1,3	1,6	2,3	2,3	2,0	1,3	1,1	0,7	1,7	2,9	0,9	1,5	0,9	3,5
1971	1,4	0,6	0,6	2,7	0,9	1,5	0,3	0,6	1,6	1,1	3,2	0,2	0,8	0,7	1,5
1972	0,5	0,2	0,6	1,8	0,9	1,9	1,4	0,6	1,0	0,5	3,6	0,0	0,8	0,7	1,4
1973	1,3	1,3	1,3	7,8	0,8	2,4	1,6	3,4	0,1	1,4	5,9	2,1	2,2	1,2	1,7
1974	2,2	1,2	0,2	7,1	2,2	2,4	4,4	4,2	−3,1	2,3	5,2	1,2	2,1	0,9	2,5
1975	−0,6	−0,2	−0,7	6,2	2,1	−0,3	0,6	−0,3	−4,5	−0,4	−3,3	−1,3	−0,3	−0,3	0,3
1976	0,2	1,0	1,4	5,1	2,0	1,2	0,4	3,6	−2,0	1,2	1,8	0,7	1,7	1,0	0,7
1977	0,3	0,8	0,7	3,5	1,1	1,5	3,2	1,8	−4,3	0,6	2,5	1,3	1,3	1,3	0,7
1978	0,2	−0,2	0,5	3,7	0,2	0,8	1,4	1,3	1,2	0,6	2,6	1,1	0,9	1,4	0,5
1979	0,8	0,5	1,7	4,3	0,8	1,3	2,5	2,4	−2,1	0,5	2,9	1,1	1,5	0,5	0,8
1980	0,7	−0,3	0,8	4,4	1,2	1,2	−0,8	2,5	−1,3	0,5	4,2	−1,1	0,9	−0,2	0,7
1971-80	0,7	0,5	0,7	4,6	1,2	1,4	1,5	2,0	−1,3	0,8	2,9	0,5	1,2	0,7	1,1
1981	−0,2	−0,2	−0,8	3,1	−0,3	−0,2	−1,3	1,0	−0,6	−0,9	3,7	−1,1	−0,2	1,1	0,5
1982	0,1	0,2	−0,7	2,0	−0,1	0,5	1,3	1,2	0,0	−0,3	3,0	−0,5	0,2	−0,4	0,4
1983	−0,8	0,0	−0,1	0,9	−0,5	−0,4	0,7	0,5	2,6	0,1	−0,9	0,2	0,0	−0,3	0,1
1984	−0,2	1,0	0,3	1,9	0,0	−0,2	1,8	1,6	5,8	0,5	−0,7	0,0	0,4	1,8	0,4
1985	−0,5	1,0	−0,1	2,1	0,0	−0,2	1,0	1,4	4,1	0,6	0,1	0,1	0,3	0,6	0,8
1986	−0,2	1,3	−0,2	2,2	1,3	0,2	0,7	1,0	−1,0	1,1	1,0	0,1	0,5	0,5	0,5
1987	−0,1	−0,3	0,5	2,6	1,2	0,6	−0,1	0,9	1,9	−0,1	1,1	0,1	0,6	0,8	:
1988	−0,1	−0,3	0,6	2,6	1,1	0,5	−0,3	1,1	2,0	0,1	1,1	0,2	0,6	0,9	:
1989	−0,1	0,0	0,6	2,5	0,8	0,5	−0,2	0,9	1,9	0,2	1,5	0,2	0,6	0,7	:

Table 23

Price deflator of gross domestic product at market prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	1,3	4,3	4,7	1,5	1,8	3,4	2,8	2,8	−3,7	2,4	2,0	3,3	3,3	0,9	7,9
1962	1,7	6,6	3,8	4,6	5,7	4,7	4,4	5,8	3,9	3,5	−0,2	3,6	4,3	2,2	3,6
1963	3,0	5,8	3,1	1,4	8,5	6,4	2,6	8,5	3,1	4,7	2,4	2,1	4,8	1,2	4,5
1964	4,6	4,6	3,0	3,7	6,3	4,1	9,2	6,5	5,8	8,7	1,8	3,6	4,6	1,1	4,4
1965	5,1	7,4	3,6	4,0	9,4	2,7	4,4	4,2	2,8	6,1	3,9	4,9	4,5	2,4	5,1
1966	4,2	6,8	3,3	4,9	8,1	2,9	4,3	2,2	3,9	6,0	5,3	4,7	4,0	4,2	5,1
1967	3,1	6,3	1,4	2,4	7,7	3,2	3,9	2,8	0,4	4,2	3,9	2,8	3,1	3,4	6,2
1968	2,7	7,0	2,2	1,7	5,0	4,2	4,4	1,7	5,0	4,2	1,7	4,2	3,3	4,9	5,3
1969	4,0	7,0	4,2	3,4	4,4	6,6	8,9	4,1	5,3	6,4	7,4	5,5	5,1	5,0	5,0
1970	4,6	8,3	7,6	3,9	6,8	5,6	8,9	6,9	13,3	6,2	2,0	7,3	6,7	5,3	7,7
1961-70	3,4	6,4	3,7	3,1	6,4	4,4	5,4	4,5	3,9	5,2	3,0	4,2	4,4	3,0	5,5
1971	5,7	7,7	8,0	3,2	7,9	5,8	10,6	7,2	−0,9	8,1	5,0	9,5	7,5	5,1	5,6
1972	6,2	9,2	5,3	5,0	8,6	6,2	13,5	6,3	5,9	9,4	7,8	8,3	6,9	4,5	5,6
1973	7,2	10,7	6,4	19,4	12,0	7,8	15,3	11,6	11,9	9,0	9,5	7,1	8,7	6,6	12,9
1974	12,6	13,1	7,0	20,9	16,3	11,1	6,1	18,5	17,0	9,2	18,9	14,9	12,9	9,1	20,8
1975	12,1	12,4	6,0	12,3	16,8	13,4	22,4	17,5	−1,2	10,2	16,2	27,2	15,3	9,8	7,7
1976	7,5	9,1	3,6	15,4	16,5	9,9	21,0	18,0	12,2	9,0	16,3	15,0	11,6	6,2	7,2
1977	7,5	9,4	3,7	13,0	23,2	9,0	13,3	19,1	1,1	6,7	26,4	14,0	12,0	6,7	5,8
1978	4,4	9,9	4,3	12,9	20,6	10,1	10,5	13,9	5,3	5,4	21,7	11,4	10,5	7,2	4,8
1979	4,5	7,6	4,0	18,6	17,1	10,1	13,7	15,9	6,0	3,9	18,9	14,5	11,0	8,9	3,0
1980	3,8	8,2	4,8	17,7	14,2	11,4	14,7	20,6	7,6	5,7	20,7	19,7	13,0	9,1	3,8
1971-80	7,1	9,7	5,3	13,7	15,2	9,4	14,0	14,8	6,3	7,6	16,0	14,0	10,9	7,3	7,6
1981	4,9	10,1	4,0	19,8	12,0	11,4	17,4	18,5	6,8	5,5	18,0	11,5	10,9	7,9	3,2
1982	7,1	10,6	4,4	25,1	13,8	11,7	15,2	16,2	10,4	6,0	20,4	7,6	10,3	6,3	1,9
1983	5,9	7,6	3,3	19,1	11,6	9,7	10,4	15,3	6,9	1,9	24,8	5,2	8,5	3,3	0,8
1984	5,0	5,7	2,0	20,3	10,9	7,5	7,7	10,2	5,6	1,8	23,9	4,2	6,6	3,7	1,2
1985	5,5	5,3	2,2	17,8	8,7	5,7	5,0	8,8	3,4	1,7	21,7	6,0	6,1	3,1	1,5
1986	3,7	4,9	3,1	19,0	10,9	4,7	5,6	8,0	2,6	0,7	17,9	3,5	5,5	2,6	1,8
1987	1,6	5,0	2,0	14,3	5,7	2,5	2,5	5,4	1,1	−1,0	12,1	4,9	3,9	3,3	0,2
1988	1,6	4,3	1,8	14,3	5,2	2,7	2,3	4,6	2,2	0,3	10,5	5,6	3,8	3,3	0,9
1989	2,8	3,1	2,3	13,0	4,3	2,5	3,2	4,1	2,7	1,5	8,0	5,7	3,7	4,6	2,4

Table 24

Price deflator of private consumption

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	2,7	3,5	3,6	1,1	1,8	3,3	2,6	1,7	0,5	2,4	1,6	2,9	2,8	1,2	5,6
1962	1,1	6,2	3,2	1,3	5,3	4,4	4,0	5,3	0,8	2,6	−1,4	3,7	3,9	1,8	6,1
1963	3,7	5,6	3,1	3,4	7,8	5,7	2,5	7,0	3,1	3,8	1,2	1,7	4,3	1,7	6,9
1964	4,2	4,0	2,3	2,2	6,7	3,4	6,9	4,9	3,0	6,8	8,1	3,6	4,0	1,5	4,4
1965	4,6	6,1	3,4	4,6	9,7	2,6	4,8	3,6	3,4	4,0	6,2	4,9	4,3	1,9	6,8
1966	4,1	6,5	3,5	3,5	7,3	3,2	3,8	2,9	3,4	5,4	8,7	4,0	3,9	3,1	4,9
1967	2,5	7,4	1,6	1,9	5,8	3,0	3,1	3,2	2,3	3,0	2,6	2,6	2,9	2,5	4,8
1968	2,9	7,1	1,6	0,7	5,1	5,0	5,2	1,5	2,5	2,6	−8,5	4,7	3,1	4,4	5,6
1969	2,8	4,6	2,3	3,0	3,4	7,1	7,4	2,9	1,9	6,1	5,9	5,5	4,3	4,4	4,7
1970	2,5	6,6	4,0	3,1	6,6	5,0	8,1	5,0	4,0	4,4	3,4	5,9	5,0	4,4	7,6
1961-70	3,1	5,8	2,9	2,5	5,9	4,3	4,8	3,8	2,5	4,1	2,7	4,0	3,8	2,7	5,7
1971	5,4	8,3	6,0	2,9	7,8	5,5	9,4	5,5	4,7	7,9	2,9	8,7	6,5	4,8	6,8
1972	5,4	8,2	5,7	3,3	7,6	5,8	9,7	6,4	5,2	8,3	5,2	6,5	6,3	2,9	5,6
1973	6,1	11,7	6,6	15,0	11,4	6,8	11,6	12,5	4,9	8,5	9,8	8,3	8,8	6,0	10,7
1974	12,8	15,0	7,4	23,5	17,8	13,5	15,7	20,9	10,1	9,5	22,8	17,1	14,6	10,6	21,2
1975	12,3	9,9	6,2	12,7	15,5	11,3	22,3	17,7	10,2	10,1	19,1	23,7	14,2	8,0	11,3
1976	7,8	9,9	4,2	13,4	16,5	9,8	20,0	18,1	9,5	9,0	16,8	15,7	11,8	5,8	9,2
1977	7,2	10,6	3,7	11,9	23,7	9,0	14,1	18,2	5,9	6,1	27,3	14,9	12,0	6,6	7,2
1978	4,2	9,2	2,8	12,8	19,0	9,1	7,9	12,9	3,5	4,5	21,3	9,2	9,2	7,0	4,5
1979	3,9	10,4	4,0	16,5	16,5	10,7	14,9	15,1	5,1	4,3	25,4	13,6	10,9	9,3	3,6
1980	6,4	10,7	5,8	21,6	16,5	13,3	18,6	20,2	7,5	6,9	21,4	16,2	13,5	11,0	7,1
1971-80	7,1	10,4	5,2	13,2	15,1	9,4	14,3	14,6	6,6	7,5	16,9	13,3	10,7	7,2	8,6
1981	7,8	12,0	6,0	23,3	14,3	13,0	19,6	17,9	8,7	6,3	21,3	11,4	12,1	9,3	4,4
1982	7,6	10,2	4,7	21,2	14,5	11,5	15,3	15,9	10,8	5,3	20,6	8,6	10,5	6,0	2,6
1983	6,8	6,8	3,2	18,2	12,3	9,7	8,6	14,8	8,9	2,7	25,3	5,0	8,5	3,5	1,9
1984	5,8	6,5	2,4	18,3	11,0	7,5	9,4	11,4	5,5	2,0	27,8	4,8	7,1	3,9	2,1
1985	5,2	4,9	2,1	18,7	8,3	5,7	4,5	9,3	5,2	2,5	19,0	5,2	5,9	3,1	2,1
1986	0,8	3,6	−0,2	22,2	8,7	2,5	3,6	6,1	0,6	0,2	12,0	3,6	3,6	2,1	0,6
1987	1,6	4,1	0,5	15,8	5,3	3,2	3,1	4,8	0,6	−0,4	10,2	3,8	3,3	4,5	−0,2
1988	1,3	4,8	1,3	13,3	4,7	2,7	2,1	4,9	1,4	0,9	9,4	4,4	3,5	4,3	1,1
1989	2,4	3,7	2,5	12,8	4,3	2,7	2,8	4,6	2,2	1,4	7,0	4,7	3,7	5,0	2,2

Table 25

Price deflator of exports of goods and services

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	0,6	−1,2	0,3	0,2	2,0	0,3	−0,1	−0,8	−3,0	−1,7	3,5	1,3	0,4	1,4	−2,1
1962	1,0	2,5	0,5	1,1	4,8	1,2	1,5	0,8	−1,7	−0,1	2,1	0,8	1,2	0,1	−1,3
1963	2,1	2,8	0,9	8,0	6,3	2,8	2,0	3,3	0,0	2,6	9,6	1,1	2,8	0,0	2,2
1964	4,2	3,4	2,5	0,9	2,8	4,4	4,9	4,1	2,2	2,5	−8,4	2,4	2,7	0,8	2,0
1965	1,4	2,2	2,5	−1,1	5,6	1,1	1,8	0,0	1,4	2,3	5,2	1,9	1,8	4,0	0,5
1966	3,7	3,0	2,5	3,9	5,7	2,0	1,8	0,2	0,8	0,7	−4,8	4,0	2,2	3,5	1,2
1967	0,5	1,2	0,2	−2,7	7,9	−0,4	0,7	1,1	0,4	0,0	8,5	1,9	1,2	3,0	1,2
1968	0,2	3,0	−0,1	−1,3	9,1	−0,4	6,5	0,3	1,3	−0,5	5,4	8,4	2,5	6,8	0,7
1969	4,6	6,7	4,1	0,5	1,6	4,8	6,1	2,7	6,5	2,2	4,0	2,5	3,5	3,5	2,5
1970	5,7	6,5	4,4	3,0	5,0	7,8	6,8	6,1	17,3	5,8	12,9	8,7	6,7	5,1	3,5
1961-70	2,4	3,0	1,8	1,2	5,1	2,3	3,2	1,8	2,4	1,3	3,6	3,3	2,5	2,8	1,0
1971	2,1	3,5	4,0	1,7	6,0	4,8	7,3	4,3	−4,0	3,2	4,8	4,7	4,1	5,4	2,8
1972	1,7	6,9	2,0	5,7	6,3	0,7	11,5	2,8	0,7	1,8	6,7	4,6	2,8	−2,4	−0,7
1973	8,3	12,0	6,3	26,1	9,4	7,4	19,7	15,2	14,7	7,2	14,7	12,5	10,2	12,9	9,1
1974	24,5	20,5	15,1	31,6	22,4	22,7	23,0	34,9	26,6	26,0	43,4	25,1	24,5	22,7	30,7
1975	5,5	7,7	4,2	12,9	10,7	4,7	18,8	11,3	−1,0	5,1	0,0	20,4	9,8	10,8	3,1
1976	5,8	7,0	3,6	10,0	16,4	7,8	23,0	20,4	8,2	6,6	6,2	19,6	11,9	3,5	1,7
1977	3,7	6,7	1,9	9,9	19,4	9,0	14,8	19,2	−2,4	3,6	33,2	15,5	11,2	4,6	−3,6
1978	1,2	6,3	1,5	8,2	15,8	7,1	6,6	8,2	1,9	−1,3	21,4	7,5	6,4	6,6	−5,6
1979	9,0	8,2	4,8	14,5	9,3	10,1	9,6	15,6	7,9	8,3	33,5	11,4	10,8	13,0	9,1
1980	9,3	14,6	6,1	34,0	19,3	11,7	10,8	18,2	6,9	12,3	22,5	14,7	13,7	10,3	9,2
1971-80	6,9	9,2	4,9	15,0	13,4	8,5	14,4	14,7	5,6	7,1	17,8	13,4	10,4	8,6	5,2
1981	9,5	12,7	5,5	25,5	17,9	14,0	16,4	19,5	8,3	14,0	16,8	8,2	12,8	7,6	1,1
1982	13,0	10,6	4,0	20,7	13,8	12,5	10,8	16,2	14,2	3,9	18,3	6,8	10,4	0,9	2,7
1983	7,3	5,2	1,9	19,3	16,8	9,9	9,1	9,2	6,2	−0,1	26,5	7,8	8,0	−0,1	−6,8
1984	8,0	7,7	3,3	15,7	12,6	9,3	8,3	10,4	5,7	5,3	23,9	7,0	8,4	1,1	−2,5
1985	2,8	4,2	2,7	17,0	6,8	4,5	3,0	7,8	4,3	1,6	16,2	5,1	5,2	−3,2	−1,6
1986	−8,5	−5,8	−1,4	10,7	−2,5	−3,3	−6,3	−3,4	−2,8	−13,4	4,0	−7,1	−4,2	−2,5	−12,4
1987	−4,5	−1,9	−1,0	8,8	1,4	1,0	0,5	1,5	−2,7	−6,6	9,6	3,4	0,5	−0,6	−6,0
1988	3,0	1,1	2,1	12,5	2,4	3,4	2,6	4,1	3,5	−0,3	7,6	0,5	2,8	2,3	−3,5
1989	3,8	2,3	2,9	14,5	2,4	3,0	3,6	4,1	3,3	3,5	6,6	4,6	4,0	3,2	2,0

Table 26

Price deflator of imports of goods and services

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	2,6	0,1	−2,4	−1,7	2,0	0,1	0,9	−2,2	1,4	−1,9	1,1	0,0	−0,6	−1,4	0,6
1962	0,8	−0,1	−0,1	−0,7	2,0	2,7	0,5	0,4	0,8	−0,9	−1,2	−0,2	0,8	−1,2	−2,6
1963	4,0	1,9	2,4	3,0	2,0	1,1	1,8	1,5	1,2	1,4	2,0	2,7	2,6	3,0	3,1
1964	3,2	1,3	1,7	3,0	2,4	0,9	1,3	3,4	2,1	2,4	5,3	2,5	2,4	2,2	1,3
1965	0,2	1,6	2,9	0,3	0,2	1,4	2,5	0,6	1,7	0,5	7,2	1,6	1,6	2,6	−2,1
1966	3,2	1,6	2,0	3,3	0,2	3,2	0,2	1,9	1,4	0,7	−0,3	1,6	1,4	4,4	2,1
1967	0,5	2,5	−1,4	−3,0	2,8	−1,3	−0,3	0,7	−0,7	−0,9	13,1	1,3	0,1	2,4	−1,5
1968	0,6	5,0	0,4	0,2	10,7	−1,1	7,9	0,7	0,0	−2,9	−16,0	11,1	2,6	2,3	2,0
1969	3,2	2,9	2,4	0,0	3,0	4,9	4,2	1,4	3,1	3,3	−2,1	2,8	2,4	2,6	3,8
1970	5,1	5,6	−0,2	4,0	5,1	9,7	6,9	3,7	6,9	6,6	19,2	7,2	5,2	6,1	3,0
1961-70	2,3	2,2	0,7	0,8	3,0	2,1	2,6	1,2	1,8	0,8	2,4	3,0	1,8	2,3	0,9
1971	3,4	6,1	1,0	2,9	5,4	3,7	5,4	5,3	6,5	4,3	1,5	3,8	3,5	5,0	−1,9
1972	0,4	2,0	2,1	7,7	1,5	−1,8	5,8	3,9	−0,2	−0,4	3,4	2,9	1,5	5,4	−4,4
1973	7,5	16,8	8,1	21,9	10,4	6,8	13,9	26,1	9,6	7,5	14,1	23,2	14,3	11,4	18,5
1974	27,5	32,7	22,9	41,6	41,9	42,0	44,4	56,2	22,4	32,7	43,5	41,9	38,2	44,5	63,5
1975	6,7	4,9	3,2	17,4	7,0	−0,2	20,5	6,4	9,8	4,3	15,5	13,7	6,7	7,4	9,1
1976	6,4	8,5	5,0	11,2	14,9	8,6	19,0	24,1	6,6	6,4	13,2	21,8	13,0	3,1	5,9
1977	3,1	7,7	2,2	5,8	22,1	10,7	16,8	17,1	1,7	3,2	29,3	14,1	10,7	7,7	−3,7
1978	1,1	2,7	−2,1	9,7	7,6	3,5	4,7	4,7	2,8	−1,6	24,3	3,0	3,2	9,8	−14,7
1979	8,9	13,7	8,0	17,7	7,2	11,7	13,7	17,4	7,0	10,9	35,1	8,7	12,1	17,7	28,7
1980	13,6	21,7	12,3	35,2	37,9	21,7	18,0	21,9	8,4	14,5	27,0	9,6	18,1	26,4	38,8
1971-80	7,6	11,3	6,1	16,5	14,9	10,1	15,7	17,4	7,3	7,8	20,0	13,7	11,7	13,3	11,9
1981	13,7	17,7	11,6	19,5	29,8	19,1	18,6	27,8	9,8	14,3	23,9	7,7	17,4	5,2	0,8
1982	13,1	10,1	2,9	24,1	13,0	12,5	7,5	12,4	13,6	1,3	16,4	6,9	9,1	−2,8	3,5
1983	7,0	3,7	0,6	17,6	21,5	8,5	5,2	4,8	7,2	0,4	33,5	7,6	7,1	−3,4	−5,7
1984	8,1	8,2	4,7	22,8	11,5	9,8	9,4	10,8	6,0	5,7	26,5	8,8	9,1	−1,0	−3,0
1985	2,1	2,7	2,1	17,8	3,8	2,2	2,5	6,7	3,7	1,8	11,0	3,6	3,9	−2,8	−3,2
1986	−12,2	−10,2	−11,6	8,4	−16,3	−12,0	−10,1	−15,7	−2,3	−15,4	−7,3	−3,6	−10,5	−3,4	−32,0
1987	−4,7	−2,5	−4,6	6,0	0,1	0,2	1,1	−0,9	−2,1	−5,4	6,2	2,7	−0,9	5,7	−7,6
1988	3,0	2,7	1,2	10,4	0,9	2,5	2,7	4,0	3,1	0,7	6,9	0,8	2,3	2,7	−3,0
1989	3,9	3,8	3,1	14,0	3,9	3,3	3,7	4,8	3,5	3,1	6,1	3,5	3,9	2,7	4,0

Table 27

Terms of trade; goods and services

National currency; 1980 = 100

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	USA	J
1960	106,0	112,1	100,7	109,8	93,8	113,8	106,2	120,1	110,7	101,9	106,8	100,1	145,1	184,5
1961	103,9	110,7	103,5	111,9	93,8	114,0	105,1	121,8	105,9	102,1	109,4	101,4	149,1	179,5
1962	104,1	113,5	104,2	114,0	96,4	112,2	106,2	122,4	103,3	102,9	113,1	102,4	151,1	182,0
1963	102,2	114,5	102,7	119,6	100,5	114,1	106,4	124,5	102,0	104,1	121,4	100,8	146,8	180,3
1964	103,2	116,9	103,5	117,1	100,9	118,0	110,2	125,3	102,1	104,2	105,7	100,8	144,8	181,6
1965	104,4	117,5	103,2	115,5	106,3	117,6	109,4	124,5	101,8	106,0	103,8	101,1	146,8	186,5
1966	105,0	119,1	103,8	116,1	112,1	116,3	111,2	122,5	101,2	106,0	99,1	103,4	145,6	184,7
1967	105,0	117,6	105,5	116,5	117,5	117,4	112,4	123,0	102,3	106,9	95,0	104,1	146,5	189,7
1968	104,5	115,4	105,0	114,7	115,9	118,1	110,8	122,5	103,6	109,4	119,2	101,5	152,8	187,4
1969	106,0	119,7	106,8	115,2	114,4	118,0	112,8	124,1	107,1	108,2	126,7	101,3	154,2	185,1
1970	106,6	120,7	111,8	114,2	114,3	115,9	112,8	126,9	117,5	107,3	120,1	102,7	152,8	186,0
1971	105,3	117,8	115,0	112,8	114,2	117,1	114,8	125,7	105,8	106,2	123,9	103,6	153,3	194,9
1972	106,7	123,5	115,0	110,7	120,2	120,0	121,1	124,4	106,8	108,6	127,8	105,3	141,9	202,5
1973	107,5	118,5	113,1	114,5	119,1	120,7	127,2	113,6	111,7	108,2	128,4	96,2	143,9	186,4
1974	104,9	107,6	105,9	106,4	102,7	104,3	108,4	98,1	115,5	102,8	128,3	84,8	122,2	149,0
1975	103,8	110,4	106,9	102,3	106,3	109,4	106,9	102,7	104,1	103,6	111,1	89,8	126,1	140,9
1976	103,2	108,9	105,5	101,2	107,7	108,5	110,5	99,6	105,7	103,7	104,3	88,2	126,6	135,3
1977	103,8	107,8	105,2	105,2	105,4	106,9	108,5	101,4	101,5	104,1	107,4	89,3	123,0	135,4
1978	103,8	111,5	109,1	103,7	113,4	110,6	110,5	104,8	100,6	104,4	105,0	93,2	119,3	149,9
1979	103,9	106,2	105,8	100,9	115,6	109,0	106,5	103,1	101,4	101,9	103,7	95,5	114,6	127,1
1980	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1981	96,3	95,7	94,5	105,0	90,8	95,7	98,1	93,5	98,6	99,7	94,2	100,5	102,2	100,3
1982	96,3	96,1	95,5	102,2	91,5	95,8	101,1	96,7	99,2	102,3	95,8	100,5	106,1	99,6
1983	96,5	97,5	96,8	103,7	88,0	97,0	104,8	100,7	98,2	101,8	90,7	100,6	109,7	98,4
1984	96,4	97,0	95,5	97,6	88,9	96,5	103,7	100,3	98,0	101,4	88,9	98,9	112,0	98,9
1985	97,2	98,5	96,1	97,0	91,4	98,8	104,2	101,3	98,5	101,1	93,1	100,3	111,6	100,6
1986	101,3	103,3	107,1	99,0	106,5	108,5	108,6	116,1	98,0	103,5	104,4	96,7	112,7	129,7
1987	101,5	104,0	111,1	101,6	107,8	109,3	107,9	118,9	97,4	102,1	107,7	97,3	106,0	131,9
1988	101,5	102,4	112,0	103,5	109,5	110,2	107,7	119,0	97,8	101,1	108,3	97,1	105,6	131,2
1988	101,4	100,9	111,9	104,0	108,0	109,8	107,6	118,2	97,6	101,5	108,8	98,1	106,1	128,7

Table 28

Compensation per employee; total economy

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	3,2	12,9	10,2	3,7	12,9	10,6	8,3	8,2	2,9	7,4	6,4	6,8	8,7	3,2	13,4
1962	7,2	11,1	9,1	7,1	15,2	11,6	8,5	13,5	4,8	6,8	6,2	4,7	9,1	4,3	14,0
1963	8,0	4,6	6,1	7,5	21,1	11,4	5,2	19,7	8,0	9,3	8,9	5,0	9,9	4,0	14,2
1964	9,7	10,7	8,2	13,1	13,7	9,2	13,7	12,3	13,3	16,5	8,5	7,1	9,7	5,1	11,9
1965	9,5	13,8	9,5	12,0	15,6	6,5	5,3	7,7	4,2	11,7	11,7	6,8	8,7	3,7	11,5
1966	8,6	10,2	7,6	12,4	18,1	6,0	8,5	7,9	5,0	11,1	10,6	6,4	8,0	5,1	9,9
1967	7,4	10,9	3,3	9,3	14,7	6,9	8,0	8,4	2,8	9,3	13,8	6,2	6,9	4,3	12,1
1968	6,3	10,0	6,7	9,7	8,8	11,3	10,6	7,4	5,9	8,6	3,6	7,8	8,1	7,4	13,7
1969	8,4	11,0	9,5	9,4	11,8	11,1	13,9	7,6	5,6	13,2	10,0	7,1	9,3	7,4	15,8
1970	9,4	11,0	16,0	9,0	9,4	10,5	16,8	15,7	15,1	12,4	27,4	13,0	13,3	7,6	16,7
1961-70	7,8	10,6	8,6	9,3	14,1	9,5	9,8	10,8	6,7	10,6	10,6	7,1	9,2	5,2	13,3
1971	11,7	11,6	11,6	8,3	13,6	11,5	14,8	13,1	7,8	13,8	16,3	11,4	12,0	7,2	14,6
1972	14,0	8,0	9,9	13,4	17,7	10,2	15,8	11,1	9,7	12,8	16,4	13,1	11,8	7,4	14,2
1973	13,0	13,1	12,1	18,0	18,3	12,7	18,8	19,6	11,4	15,4	18,0	13,2	14,7	7,0	21,0
1974	18,2	18,4	11,5	20,0	21,3	17,5	18,0	22,1	22,9	15,7	35,5	18,8	17,9	8,1	25,7
1975	16,5	13,9	7,2	21,1	22,5	18,3	28,9	21,0	12,3	13,3	35,2	31,2	19,0	9,0	16,2
1976	16,0	11,7	7,9	21,3	23,4	14,7	19,6	20,9	11,1	10,8	24,0	14,8	15,1	8,2	11,1
1977	8,7	9,7	6,6	22,8	26,9	12,6	14,9	21,4	9,9	8,5	24,3	10,7	13,6	7,5	10,1
1978	7,2	9,2	5,6	23,3	24,8	12,6	15,5	16,2	5,9	7,2	17,2	13,4	12,6	7,6	7,5
1979	5,5	9,4	5,9	23,4	19,0	13,0	18,9	17,9	6,7	6,0	19,7	15,3	12,8	8,8	6,0
1980	9,6	10,0	6,9	16,1	17,3	15,3	21,1	22,5	9,0	5,5	22,1	19,7	15,1	10,0	6,5
1971-80	12,0	11,5	8,5	18,7	20,4	13,8	18,6	18,5	10,6	10,8	22,7	16,0	14,4	8,1	13,1
1981	6,8	9,2	5,2	21,5	15,3	14,3	18,1	22,6	8,5	3,5	19,7	13,9	13,1	9,4	6,6
1982	7,9	11,9	4,2	27,8	13,7	14,1	14,4	16,2	6,9	5,8	19,8	8,4	11,0	7,7	4,3
1983	6,0	8,2	3,7	21,3	13,8	10,1	12,0	16,0	6,9	3,2	18,7	8,7	9,7	5,1	2,7
1984	6,1	5,1	3,5	22,3	10,0	8,6	11,7	11,4	7,1	0,2	18,9	5,3	7,4	4,1	4,2
1985	4,8	4,5	3,0	22,6	10,1	6,6	6,4	10,2	3,8	1,4	22,4	6,7	6,9	4,3	3,4
1986	3,8	4,7	3,9	15,7	8,3	4,0	5,1	7,7	5,0	1,6	17,0	7,3	6,1	3,7	3,7
1987	3,3	8,2	2,9	12,5	7,5	3,3	5,1	8,7	3,9	1,3	13,9	7,0	5,5	4,1	3,1
1988	2,2	4,5	3,0	17,0	6,5	3,8	3,5	7,0	3,4	1,9	11,0	7,5	5,3	5,3	4,4
1989	3,8	2,5	2,5	14,0	6,1	3,8	3,9	7,5	5,0	1,0	10,0	7,8	5,2	4,8	4,7

Table 29

Real compensation per employee, deflator GDP; total economy

Annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	1,9	8,2	5,2	2,2	10,9	6,9	5,3	5,3	6,8	4,9	4,3	3,4	5,2	2,3	5,1
1962	5,5	4,2	5,0	2,4	8,9	6,6	3,9	7,3	0,9	3,2	6,5	1,0	4,5	2,1	10,0
1963	4,8	−1,1	2,9	6,0	11,6	4,7	2,5	10,4	4,7	4,4	6,3	2,8	4,8	2,8	9,3
1964	4,8	5,8	5,0	9,1	6,9	4,8	4,1	5,5	7,1	7,2	6,6	3,3	4,9	3,9	7,1
1965	4,2	5,9	5,7	7,7	5,6	3,7	0,9	3,4	1,3	5,2	7,5	1,8	3,9	1,2	6,1
1966	4,3	3,1	4,2	7,2	9,3	3,0	4,0	5,5	1,0	4,8	5,1	1,6	3,9	0,8	4,6
1967	4,1	4,4	1,9	6,7	6,5	3,6	3,9	5,5	2,3	4,8	9,5	3,3	3,7	0,9	5,5
1968	3,5	2,8	4,4	7,8	3,7	6,8	6,0	5,5	0,8	4,2	1,9	3,5	4,6	2,4	7,9
1969	4,2	3,7	5,1	5,9	7,1	4,2	4,6	3,4	0,3	6,3	2,5	1,5	4,0	2,3	10,3
1970	4,6	2,4	7,8	4,9	2,4	4,6	7,3	8,2	1,5	5,9	25,0	5,3	6,2	2,2	8,4
1961-70	4,2	3,9	4,7	6,0	7,3	4,9	4,2	6,0	2,6	5,1	7,3	2,8	4,6	2,1	7,4
1971	5,7	3,7	3,3	4,9	5,3	5,4	3,8	5,5	8,8	5,3	10,7	1,8	4,1	2,0	8,6
1972	7,3	−1,1	4,4	8,0	8,4	3,8	2,0	4,5	3,7	3,2	8,0	4,5	4,6	2,8	8,1
1973	5,4	2,2	5,4	−1,2	5,7	4,6	3,1	7,1	−0,4	5,8	7,8	5,7	5,5	0,4	7,2
1974	5,0	4,7	4,2	−0,7	4,3	5,7	11,2	3,1	5,1	6,0	14,0	3,4	4,4	−0,9	4,0
1975	4,0	1,3	1,2	7,8	4,9	4,3	5,3	2,9	13,7	2,8	16,3	3,1	3,2	−0,8	7,9
1976	7,8	2,3	4,1	5,1	5,9	4,4	−1,2	2,4	−0,9	1,7	6,6	−0,2	3,1	1,8	3,7
1977	1,2	0,3	2,8	8,7	3,0	3,3	1,4	1,9	8,8	1,7	−1,7	−2,9	1,4	0,7	4,0
1978	2,7	−0,6	1,2	9,2	3,5	2,3	4,5	2,1	0,5	1,6	−3,7	1,8	1,9	0,3	2,6
1979	1,0	1,7	1,8	4,0	1,6	2,6	4,6	1,7	0,6	2,0	0,7	0,7	1,7	−0,1	2,9
1980	5,6	1,7	2,0	−1,3	2,7	3,5	5,6	1,5	1,3	−0,2	1,2	0,0	1,8	0,8	2,6
1971-80	4,5	1,6	3,0	4,4	4,5	4,0	4,0	3,3	4,0	3,0	5,8	1,8	3,2	0,7	5,1
1981	1,7	−0,8	1,1	1,4	3,0	2,6	0,6	3,4	1,6	−1,9	1,4	2,2	2,0	1,4	3,3
1982	0,8	1,2	−0,2	2,2	−0,1	2,1	−0,7	0,0	−3,1	−0,3	−0,5	0,8	0,6	1,3	2,3
1983	0,1	0,5	0,4	1,9	1,9	0,4	1,5	0,6	0,1	1,3	−4,8	3,3	1,1	1,8	1,9
1984	1,0	−0,6	1,5	1,7	−0,9	1,1	3,8	1,1	1,4	−1,6	−4,0	1,1	0,8	0,4	2,9
1985	−0,7	−0,7	0,8	4,1	1,3	0,8	1,3	1,3	0,3	−0,3	0,6	0,7	0,8	1,1	1,9
1986	0,2	−0,2	0,8	−2,8	−2,3	−0,7	−0,5	−0,3	2,4	0,8	−0,7	3,7	0,5	1,0	1,9
1987	1,6	3,0	0,9	−1,6	1,7	0,7	2,6	3,1	2,8	2,3	1,6	2,0	1,6	0,7	2,9
1988	0,6	0,1	1,2	2,4	1,2	1,0	1,1	2,2	1,2	1,6	0,5	1,9	1,4	1,9	3,5
1989	0,9	−0,5	0,2	0,9	1,7	1,3	0,8	3,2	2,2	−0,4	1,8	2,0	1,4	0,2	2,3

Table 30

Real compensation per employee, deflator private consumption; total economy

Annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	0,6	9,0	6,4	2,6	10,9	7,0	5,5	6,4	2,4	4,9	4,8	3,7	5,7	2,0	7,4
1962	6,1	4,7	5,7	5,8	9,3	7,0	4,3	7,8	4,0	4,1	7,7	0,9	5,0	2,5	7,4
1963	4,2	−0,9	2,9	4,0	12,4	5,4	2,6	11,8	4,7	5,3	7,5	3,2	5,3	2,3	6,8
1964	5,3	6,4	5,7	10,6	6,6	5,6	6,3	7,1	10,0	9,1	0,4	3,3	5,5	3,5	7,2
1965	4,7	7,3	5,9	7,1	5,4	3,9	0,5	4,0	0,8	7,4	5,1	1,8	4,2	1,8	4,4
1966	4,3	3,4	4,0	8,6	10,0	2,8	4,6	4,8	1,6	5,4	1,7	2,3	3,9	2,0	4,8
1967	4,7	3,2	1,6	7,3	8,4	3,7	4,7	5,1	0,5	6,1	10,9	3,5	3,9	1,7	6,9
1968	3,3	2,7	5,0	8,9	3,5	6,0	5,1	5,8	3,3	5,9	13,3	3,1	4,8	2,8	7,7
1969	5,4	6,1	7,0	6,2	8,2	3,7	6,1	4,5	3,7	6,7	3,9	1,6	4,8	2,8	10,6
1970	6,7	4,1	11,5	5,7	2,7	5,2	8,1	10,1	10,6	7,7	23,2	6,7	7,9	3,1	8,4
1961-70	4,5	4,6	5,5	6,7	7,7	5,0	4,8	6,7	4,1	6,3	7,7	3,0	5,1	2,4	7,1
1971	6,0	3,1	5,3	5,3	5,4	5,7	4,9	7,2	2,9	5,4	13,0	2,5	5,1	2,3	7,3
1972	8,2	−0,2	4,0	9,8	9,4	4,2	5,6	4,4	4,3	4,2	10,7	6,2	5,1	4,3	8,2
1973	6,5	1,3	5,2	2,6	6,2	5,6	6,5	6,3	6,2	6,3	7,4	4,6	5,4	1,0	9,3
1974	4,9	3,0	3,8	−2,8	3,0	3,5	1,9	1,0	11,7	5,6	10,4	1,5	2,9	−2,2	3,7
1975	3,8	3,6	0,9	7,4	6,0	6,4	5,4	2,8	1,9	2,9	13,5	6,1	4,2	0,9	4,4
1976	7,6	1,6	3,6	6,9	5,9	4,5	−0,4	2,4	1,5	1,7	6,2	−0,8	2,9	2,2	1,8
1977	1,5	−0,8	2,8	9,7	2,6	3,3	0,6	2,7	3,8	2,2	−2,4	−3,7	1,4	0,9	2,7
1978	2,9	−0,1	2,7	9,3	4,8	3,2	7,0	2,9	2,3	2,5	−3,4	3,8	3,1	0,5	2,9
1979	1,6	−0,9	1,8	5,9	2,1	2,0	3,5	2,4	1,4	1,6	−4,6	1,5	1,8	−0,5	2,3
1980	3,0	−0,6	1,0	−4,5	0,6	1,8	2,1	1,9	1,4	−1,3	0,6	3,0	1,4	−0,9	−0,6
1971-80	4,6	1,0	3,1	4,9	4,6	4,0	3,7	3,4	3,7	3,1	4,9	2,4	3,3	0,8	4,1
1981	−1,0	−2,5	−0,8	−1,5	0,9	1,1	−1,3	3,9	−0,2	−2,7	−1,4	2,3	0,9	0,2	2,1
1982	0,3	1,5	−0,5	5,4	−0,7	2,3	−0,8	0,2	−3,5	0,5	−0,6	−0,2	0,4	1,6	1,6
1983	−0,8	1,3	0,5	2,6	1,3	0,4	3,2	1,0	−1,9	0,4	−5,2	3,5	1,1	1,6	0,8
1984	0,3	−1,3	1,0	3,4	−0,9	1,0	2,1	0,0	1,5	−1,7	−7,0	0,5	0,3	0,2	2,1
1985	−0,4	−0,3	0,9	3,3	1,7	0,9	1,8	0,8	−1,4	−1,1	2,8	1,4	0,9	1,1	1,2
1986	3,0	1,0	4,1	−5,4	−0,4	1,5	1,5	1,5	4,3	1,4	4,5	3,6	2,3	1,6	3,1
1987	1,6	4,0	2,4	−2,9	2,1	0,1	1,9	3,8	3,3	1,6	3,3	3,0	2,1	−0,4	3,3
1988	0,9	−0,4	1,7	3,2	1,7	1,0	1,3	1,9	1,9	1,0	1,5	3,0	1,8	1,0	3,3
1989	1,3	−1,1	0,0	1,1	1,7	1,0	1,1	2,7	2,8	−0,3	2,8	2,9	1,5	−0,2	2,5

Table 31

Adjusted wage share; total economy

Percentage of GDP at factor cost

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	69,2	71,4	70,6	98,8	70,6	72,7	87,4	70,9	66,1	63,7	70,9	71,5	73,4	72,5	82,2
1961	68,3	72,4	72,1	92,1	70,0	73,6	87,0	69,4	68,9	65,9	70,2	72,2	73,7	72,0	76,3
1962	69,6	73,0	72,5	91,8	70,2	73,6	87,4	69,1	68,3	66,8	70,2	72,9	73,7	71,3	79,1
1963	70,4	73,4	72,6	87,4	72,4	74,1	86,6	71,0	68,7	68,3	70,1	72,0	73,8	70,9	78,7
1964	69,9	72,6	71,4	86,9	73,4	74,0	87,4	72,3	68,9	68,7	70,3	71,9	73,7	70,8	75,1
1965	70,1	75,4	71,6	84,9	73,5	73,3	86,5	71,1	69,4	69,4	70,1	72,6	73,5	69,8	76,9
1966	71,8	76,6	72,2	85,4	75,6	72,3	89,9	69,6	69,5	71,6	70,5	73,2	73,6	69,6	74,1
1967	72,2	77,4	71,5	85,6	77,8	71,4	87,9	69,6	70,3	71,2	71,9	72,5	73,2	70,5	72,1
1968	71,3	78,0	70,0	86,3	75,8	72,1	86,4	68,5	67,8	70,8	66,9	72,0	72,3	71,2	70,1
1969	70,7	77,1	70,5	83,3	75,6	71,7	86,2	66,8	62,9	71,3	67,1	73,5	72,2	72,7	69,4
1970	68,9	78,1	72,1	80,5	74,8	71,4	88,6	68,7	63,3	72,6	76,8	75,2	73,2	74,0	69,4
1961-70	70,3	75,4	71,6	86,4	73,9	72,8	87,4	69,6	67,8	69,7	70,4	72,8	73,3	71,3	74,1
1971	70,8	79,4	72,8	78,4	75,3	71,6	88,7	70,8	69,9	74,2	79,1	72,8	73,5	72,9	73,0
1972	71,3	76,0	72,8	77,8	75,9	70,7	84,9	70,2	70,4	73,5	78,5	73,6	73,2	72,8	73,1
1973	71,5	75,2	73,6	71,5	76,3	70,9	84,4	70,8	65,5	73,9	75,3	73,2	73,3	72,6	74,4
1974	73,3	78,0	75,1	72,5	75,3	73,0	90,0	71,2	67,1	74,9	83,3	75,2	74,7	73,7	77.5
1975	75,9	78,9	74,9	75,2	76,7	75,1	88,2	74,8	83,6	76,8	100,3	77,7	76,7	72,3	81,1
1976	77,1	77,6	73,4	75,9	77,8	75,3	87,7	73,6	80,1	74,2	100,7	74,4	75,5	71,9	81,0
1977	77,5	77,9	73,2	81,0	77,4	75,4	80,5	74,5	85,4	74,5	93,4	72,6	75,2	71,6	81,3
1978	77,6	77,9	72,5	83,3	76,8	75,2	78,5	74,2	82,8	74,5	85,2	71,8	74,6	71,3	80,0
1979	77,4	78,3	72,0	84,5	77,0	75,3	81,7	72,2	81,0	74,8	82,5	73,1	74,4	71,9	79,5
1980	78,5	79,3	73,3	81,2	75,8	76,8	86,6	71,7	82,7	74,6	82,5	74,9	75,1	72,8	78,6
1971-80	75,1	77,9	73,4	78,1	76,4	73,9	85,1	72,4	76,9	74,6	86,1	73,9	74,6	72,4	78,0
1981	79,4	78,3	73,5	84,7	76,8	77,1	85,3	73,0	83,7	72,5	83,6	75,2	75,6	72,1	78,9
1982	77,9	76,4	72,4	86,5	75,1	77,3	83,7	73,3	80,3	71,1	82,5	74,1	74,9	73,6	79,2
1983	77,0	75,2	70,7	89,7	75,4	76,6	84,2	74,4	78,9	69,7	83,0	72,6	74,4	72,7	79,4
1984	75,9	73,9	69,7	89,5	71,8	75,8	82,5	73,2	75,9	66,4	75,7	73,0	73,2	71,5	78,6
1985	74,9	72,8	69,1	90,1	70,7	74,8	79,9	73,2	74,7	65,6	75,3	72,0	72,5	71,8	77,4
1986	73,7	72,9	68,2	87,4	69,4	72,9	79,7	71,7	75,2	66,1	76,1	73,5	71,8	71,6	78,0
1987	74,2	76,5	68,0	88,9	69,4	71,9	78,7	72,4	77,8	67,6	75,1	73,2	71,8	71,5	77,7
1988	73,5	76,3	66,9	89,2	69,2	71,0	77,9	72,0	77,9	67,8	74,5	73,2	71,2	71,3	77,3
1989	73,5	74,8	66,1	89,5	69,2	70,5	76,3	72,8	79,4	66,7	74,0	73,6	71,1	71,1	76,8

Table 32

Real unit labour costs; total economy

1980 = 100

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	86,9	94,3	94,1	121,2	91,1	92,5	96,8	95,7	81,4	86,5	87,4	97,9	96,6	98,5	102,2
1961	85,1	97,3	96,0	112,7	90,5	93,9	97,1	93,4	84,6	89,3	86,2	99,1	96,9	97,7	95,1
1962	86,6	97,4	96,6	111,8	91,0	94,0	97,9	93,3	84,5	90,4	85,8	99,6	97,0	96,8	99,0
1963	87,7	96,9	96,9	106,1	93,9	94,4	96,3	96,1	85,2	92,3	85,8	98,5	97,2	96,2	98,7
1964	87,1	95,7	95,5	105,5	95,0	93,9	96,7	98,0	86,0	92,9	85,7	97,9	96,9	96,1	94,7
1965	87,8	98,8	96,2	103,2	94,8	93,2	95,4	96,4	86,2	93,7	85,4	98,3	96,7	94,9	97,1
1966	89,2	99,7	97,1	103,3	97,3	92,0	98,0	94,5	86,6	96,4	85,7	98,7	96,6	95,2	93,8
1967	89,1	100,0	95,8	103,2	100,1	91,3	96,4	94,1	87,5	95,7	86,7	97,6	96,0	96,2	91,5
1968	88,4	99,6	94,9	103,1	98,0	93,2	94,7	93,2	84,4	94,6	80,6	96,4	95,2	96,8	89,1
1969	87,8	98,4	94,3	99,0	97,1	92,1	93,7	91,2	78,0	96,1	80,4	96,8	94,4	98,7	88,4
1970	85,9	99,5	97,9	96,1	96,2	92,4	96,0	93,7	78,2	97,3	91,5	99,2	96,2	100,2	88,5
1971	88,4	101,1	98,9	94,4	97,4	92,9	95,9	97,2	85,5	98,8	94,7	97,4	97,0	98,6	92,9
1972	90,1	96,9	98,8	94,0	98,0	91,6	92,3	97,4	85,4	97,7	94,1	99,4	97,0	98,7	93,1
1973	90,8	96,8	100,2	87,4	98,1	92,2	92,1	98,2	79,8	98,9	90,5	99,8	97,6	98,6	94,6
1974	92,9	102,0	102,7	90,2	97,9	95,2	99,6	98,6	82,7	101,0	101,2	104,5	100,2	100,1	99,2
1975	96,8	102,7	102,6	91,7	100,4	98,3	100,3	105,5	101,4	103,3	121,3	108,1	103,4	98,2	104,1
1976	98,2	100,5	100,5	92,7	101,9	98,3	96,9	102,9	98,0	99,9	121,3	103,2	101,4	98,0	103,8
1977	98,7	100,0	100,2	98,2	101,4	99,3	92,5	103,6	104,6	99,5	112,8	99,2	100,7	97,8	103,8
1978	98,7	98,9	99,2	100,9	101,6	98,6	92,4	103,6	100,6	99,5	104,7	98,1	100,0	97,9	102,3
1979	98,8	98,4	98,3	101,8	101,7	98,1	96,7	101,5	99,1	100,3	101,6	98,2	99,3	99,0	101,1
1980	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1981	101,0	98,8	100,3	106,3	100,5	100,8	96,5	102,2	102,1	97,3	101,4	99,4	100,6	98,6	100,2
1982	99,0	97,5	99,0	107,4	98,3	100,6	93,7	102,5	97,2	96,0	98,1	97,3	99,5	100,7	100,6
1983	97,9	95,9	96,5	110,1	98,0	99,8	93,8	103,2	94,1	94,1	97,6	96,0	98,6	99,6	101,0
1984	96,8	93,7	95,3	109,3	93,1	98,6	92,5	101,6	90,2	89,7	93,8	96,9	97,2	97,9	99,5
1985	95,5	91,9	94,8	111,6	90,9	97,4	90,7	101,5	88,4	88,5	91,1	95,5	96,2	98,3	97,6
1986	94,4	90,8	94,0	107,1	87,6	95,0	90,2	99,3	90,3	88,7	86,7	96,6	95,0	98,1	97,9
1987	94,5	95,6	93,7	105,7	87,2	93,6	88,8	99,2	93,1	90,5	86,5	96,0	94,6	98,2	97,7
1988	93,5	95,4	92,3	106,3	86,5	92,3	87,3	98,1	93,4	90,8	85,0	96,0	93,8	98,4	97,2
1989	93,1	93,5	91,0	105,9	86,4	91,4	85,5	98,7	94,7	89,2	84,3	96,4	93,3	97,7	96,4

Table 33

Relative unit labour costs; total economy
Performance against 19 industrial countries; double export weights

USD: 1980 = 100

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	J
1960	93,8	77,4	81,9	168,5	65,7	105,1	94,3	104,8	65,4	120,3	97,1	76,3	167,3	69,7
1961	88,5	79,8	88,4	152,7	64,0	106,2	93,7	100,6	68,9	116,7	98,6	79,8	162,8	68,1
1962	88,0	81,8	89,0	152,0	65,6	106,9	95,1	102,2	69,8	111,7	99,5	81,3	159,6	71,8
1963	87,7	83,3	88,3	141,3	70,8	109,8	94,1	110,2	71,9	110,4	96,7	82,8	155,0	73,2
1964	88,2	83,3	86,4	141,4	73,9	109,9	100,0	115,8	76,2	108,4	96,0	83,9	151,9	71,4
1965	89,9	88,6	86,0	138,2	77,7	107,5	98,4	114,0	78,5	107,9	97,5	84,6	146,6	74,8
1966	91,0	91,4	85,9	139,5	82,8	104,2	100,7	109,6	81,8	109,2	98,3	84,6	147,6	72,8
1967	91,4	94,0	83,3	139,2	87,7	103,6	99,3	109,2	83,1	111,8	94,8	82,2	149,1	72,7
1968	91,0	93,6	82,8	139,9	77,8	109,2	92,6	108,5	84,5	106,3	83,3	78,1	156,8	73,3
1969	89,5	94,2	84,1	133,2	76,8	104,9	94,6	105,2	87,7	109,4	84,3	77,6	160,5	72,8
1970	85,0	95,2	95,5	122,3	74,9	94,5	97,1	106,0	85,8	117,1	85,8	81,0	157,6	72,6
1971	85,6	95,6	99,7	112,1	75,3	90,5	100,3	108,6	87,9	117,6	85,8	82,9	147,1	77,4
1972	89,7	94,5	101,0	103,4	79,0	91,0	99,5	108,1	90,9	116,7	86,2	85,4	135,0	86,0
1973	90,2	102,3	110,2	97,1	82,8	93,5	98,5	100,6	95,3	115,0	76,0	87,4	120,6	96,2
1974	92,9	107,0	110,5	106,3	86,1	87,5	94,8	94,9	98,0	131,3	77,0	85,9	115,9	100,3
1975	96,9	108,3	102,2	96,3	87,9	98,3	92,5	101,3	99,2	153,1	82,5	91,3	107,5	97,6
1976	101,1	109,0	100,4	99,0	88,6	96,8	89,9	90,5	100,3	150,3	71,8	82,6	110,9	102,1
1977	107,0	108,9	102,7	106,6	88,0	93,7	86,4	93,3	104,2	127,7	69,6	83,8	108,5	111,1
1978	107,4	110,4	104,0	105,0	89,7	94,5	89,0	93,5	105,3	106,8	72,0	85,9	99,7	130,4
1979	105,7	109,2	103,6	110,4	106,3	96,8	97,1	95,7	104,5	96,6	81,6	93,9	99,6	112,8
1980	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1981	92,2	92,5	89,7	105,4	93,3	94,0	95,0	98,5	90,4	105,7	102,6	86,2	110,4	108,2
1982	81,7	90,2	89,6	114,2	90,4	89,5	98,1	99,9	92,9	99,9	95,9	81,0	125,6	97,0
1983	79,7	91,1	88,8	108,9	79,4	86,7	100,0	107,5	90,5	93,4	88,7	76,5	130,7	105,1
1984	78,5	87,9	84,9	107,9	79,0	85,0	98,5	106,7	83,6	89,0	86,4	70,8	140,3	107,7
1985	79,5	88,6	83,2	105,3	78,9	86,5	98,8	106,5	81,1	89,7	87,1	70,4	146,9	106,4
1986	83,5	93,9	90,8	91,7	80,3	89,0	104,0	113,2	85,3	89,7	81,9	77,3	118,1	134,0
1987	86,2	105,1	95,9	90,8	82,4	88,2	99,8	117,7	88,1	90,6	82,3	83,1	105,0	140,4
1988	83,6	104,7	92,5	94,9	86,1	85,2	96,1	114,6	86,1	91,4	89,3	80,8	100,8	149,7

Table 34

Exports of goods and services at current prices

Percentage of GDP at market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	38,4	32,2	18,8	9,1	10,2	14,4	31,8	12,2	86,7	47,7	17,5	21,1	19,3	5,2	10,8
1961	39,6	29,9	17,9	9,3	9,8	13,9	34,6	12,5	86,9	45,5	16,4	20,6	18,7	5,1	9,2
1962	41,2	28,5	17,2	9,7	10,1	12,8	32,3	12,4	79,9	44,8	18,7	20,2	18,2	5,0	9,5
1963	42,4	30,3	17,7	10,0	9,4	12,6	33,6	11,9	77,7	44,9	19,1	20,0	18,1	5,1	9,0
1964	43,2	29,7	17,9	9,2	10,8	12,6	33,4	12,5	78,8	43,5	25,6	19,4	18,3	5,4	9,4
1965	42,6	29,2	17,9	9,0	10,4	13,2	34,8	14,0	80,7	42,9	26,8	19,3	18,6	5,2	10,5
1966	44,3	28,4	19,0	11,3	11,0	13,3	37,2	14,4	77,2	41,7	27,1	19,5	18,9	5,3	10,6
1967	43,4	27,2	20,3	10,7	10,1	13,1	37,8	14,1	78,5	40,5	27,2	19,1	18,9	5,3	9,7
1968	45,5	27,5	21,2	9,6	11,6	13,2	38,8	14,9	80,5	41,0	25,0	21,4	19,9	5,3	10,1
1969	49,5	27,4	21,6	9,7	12,0	14,0	37,3	15,5	84,3	42,5	24,4	22,4	20,6	5,4	10,5
1970	51,9	27,9	21,1	10,0	13,3	15,7	37,0	15,4	88,8	44,8	24,4	23,2	21,2	5,9	10,8
1961-70	44,4	28,6	19,2	9,8	10,8	13,5	35,7	13,8	81,3	43,2	23,5	20,5	19,1	5,3	9,9
1971	50,6	27,6	20,9	10,3	14,2	16,4	36,1	15,8	88,1	45,4	25,1	23,2	21,5	5,7	11,7
1972	51,1	27,1	20,8	11,7	14,6	16,6	34,6	16,4	82,9	45,0	27,2	22,0	21,4	5,8	10,6
1973	55,6	28,5	22,0	14,2	14,6	17,5	38,0	16,3	89,3	47,4	26,7	23,9	22,5	7,0	10,0
1974	61,3	31,8	26,4	16,1	14,4	20,7	42,6	19,4	102,6	53,9	26,9	28,1	26,0	8,5	13,6
1975	53,7	30,1	24,5	16,9	13,5	18,8	42,7	19,8	92,5	49,9	20,4	26,0	24,2	8,6	12,8
1976	56,5	28,8	25,6	17,6	13,8	19,4	46,3	21,4	88,3	51,0	17,4	28,4	25,5	8,3	13,6
1977	55,4	28,8	25,3	16,8	14,5	20,5	49,4	22,8	86,9	47,6	18,4	30,2	26,0	7,9	13,1
1978	53,5	27,8	24,8	17,6	15,2	20,4	49,9	23,3	83,8	44,9	20,1	28,6	25,6	8,2	11,1
1979	58,5	29,2	24,9	17,5	15,0	21,2	49,7	24,2	90,9	49,1	27,1	28,4	26,4	9,1	11,6
1980	60,5	32,7	26,2	20,9	15,8	21,5	49,6	21,8	88,2	52,5	27,4	27,7	26,6	10,2	13,7
1971-80	55,7	29,2	24,1	16,0	14,6	19,3	43,9	20,1	89,4	48,7	23,7	26,6	24,6	7,9	12,2
1981	65,9	36,5	28,6	20,6	18,1	22,6	48,5	23,2	86,5	58,0	25,9	27,0	28,1	9,7	14,8
1982	69,8	36,4	29,6	18,4	18,8	21,8	48,1	23,0	88,9	57,6	26,4	26,7	28,1	8,7	14,6
1983	72,9	36,4	28,5	19,8	21,3	22,5	52,8	22,3	90,1	57,7	31,3	27,0	28,4	7,9	14,0
1984	77,6	37,0	30,3	21,7	23,7	24,1	59,9	23,0	99,9	62,1	36,4	29,0	30,4	7,6	15,1
1985	75,4	36,6	32,1	21,2	23,4	24,0	62,0	23,0	106,0	63,9	37,3	29,3	30,8	7,1	14,6
1986	68,7	31,9	29,7	22,2	20,2	21,5	56,7	20,3	101,7	54,0	33,8	26,3	27,6	6,9	11,7
1987	66,3	31,6	28,4	23,1	19,7	21,1	60,5	19,6	98,0	52,4	34,9	26,3	27,0	7,4	10,9
1988	69,2	31,7	29,1	23,1	19,5	22,1	64,5	20,1	102,6	53,8	34,7	24,5	27,2	8,5	10,5
1989	72,3	32,3	30,0	23,8	19,6	22,9	67,4	20,7	104,8	56,1	35,2	24,7	27,9	8,9	10,7

Table 35

Exports of goods and services at constant prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	9,2	4,3	3,7	14,5	7,9	5,1	17,2	14,8	3,5	2,3	−2,6	3,1	5,3	0,6	6,9
1962	10,1	4,9	4,1	10,0	12,8	1,8	−0,7	10,4	−1,6	6,2	19,1	1,8	5,0	5,2	16,8
1963	8,2	10,0	8,0	6,7	3,8	7,1	9,7	6,5	3,8	6,0	0,9	4,3	6,3	7,0	7,3
1964	9,4	8,5	8,5	1,7	25,5	6,7	7,9	10,8	13,3	11,3	58,7	3,2	8,9	11,8	21,0
1965	6,1	7,9	6,6	12,7	6,9	11,5	9,0	20,0	5,8	7,6	11,1	4,5	8,4	1,9	22,6
1966	7,7	3,9	10,1	34,4	15,2	6,6	10,7	11,2	−0,2	5,2	16,3	3,7	7,9	6,4	15,5
1967	4,3	4,0	7,7	5,1	−4,7	7,3	10,2	7,2	1,9	6,6	3,6	1,8	5,1	3,1	5,7
1968	12,2	9,3	13,0	−1,0	18,4	9,4	8,8	13,9	10,7	12,8	−3,4	12,0	11,9	3,2	23,1
1969	15,3	6,2	9,3	14,6	15,5	15,7	4,6	11,8	13,8	14,9	2,9	8,9	11,3	4,8	19,6
1970	10,2	5,6	5,8	12,4	17,4	16,1	4,4	5,8	5,2	11,9	−1,6	4,9	8,1	9,5	16,8
1961-70	9,2	6,4	7,6	10,7	11,6	8,6	8,1	11,1	5,5	8,4	9,3	4,8	7,8	5,3	15,4
1971	4,5	5,6	6,3	11,9	14,2	11,0	4,1	7,0	5,3	10,7	9,9	7,0	7,9	0,0	16,1
1972	11,1	5,6	7,1	22,9	13,4	12,9	3,6	10,6	5,3	10,0	18,5	0,4	8,1	15,2	4,2
1973	14,2	7,8	10,7	23,4	10,0	11,8	10,9	3,3	14,2	12,1	4,2	11,6	10,3	18,7	5,8
1974	3,8	3,5	11,7	0,1	−1,0	10,4	0,7	8,5	10,6	2,6	−15,7	6,8	6,9	7,9	23,7
1975	−8,2	−1,8	−7,2	10,6	−0,4	−1,5	7,2	3,8	−15,6	−3,1	−15,6	−2,8	−3,1	−0,9	0,8
1976	12,9	4,1	10,2	16,4	5,0	10,6	8,1	12,4	1,3	9,9	0,0	8,7	9,9	3,8	16,9
1977	2,2	4,1	3,8	1,8	12,1	9,0	14,0	8,5	3,8	−1,8	5,9	6,2	5,5	1,6	11,7
1978	2,3	1,2	3,3	16,4	10,7	5,9	12,3	10,2	3,5	3,3	13,1	1,7	5,0	9,7	−1,0
1979	7,0	8,4	4,1	6,7	5,6	7,5	6,5	9,5	9,5	7,4	27,1	4,0	6,5	8,7	3,3
1980	2,5	5,2	5,1	6,9	2,3	2,7	6,4	−4,6	−1,2	1,5	4,5	−0,3	1,5	10,8	17,5
1971-80	5,0	4,3	5,4	11,4	7,0	7,9	7,3	6,8	3,4	5,1	4,4	4,2	5,8	7,4	9,6
1981	3,0	8,2	7,7	−5,9	8,4	3,7	2,0	7,0	−3,6	1,5	−3,0	−0,8	4,0	−0,4	14,2
1982	1,9	2,5	3,3	−7,2	4,8	−1,7	5,5	−0,7	0,8	0,0	6,0	0,7	1,0	−8,3	1,0
1983	3,1	4,9	−0,9	8,0	10,1	3,7	10,5	2,6	5,1	3,5	16,7	2,1	2,9	−2,4	7,0
1984	5,8	3,4	7,9	16,9	11,7	7,1	16,4	6,8	18,0	7,4	14,2	6,9	7,7	6,1	17,6
1985	1,1	4,2	7,6	1,3	2,7	2,1	6,7	3,7	9,2	5,4	11,0	5,5	4,7	2,5	4,4
1986	5,7	0,2	−0,7	14,1	1,5	−0,6	2,7	1,4	4,2	0,7	7,0	3,2	1,5	5,9	−4,8
1987	4,4	4,9	0,4	9,1	7,3	1,8	13,3	3,6	2,4	4,3	10,6	5,5	3,7	14,8	3,8
1988	6,0	3,6	5,5	4,3	6,4	7,2	9,4	6,7	6,3	5,6	6,3	1,9	5,4	20,1	5,9
1989	5,6	4,2	4,9	3,5	6,0	6,2	7,5	6.5	4,1	4,4	6,3	4,2	5,3	9,0	5,8

Table 36

Intra-Community exports of goods at current prices

Percentage of GDP at market prices

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	20,8	15,0	6,7	2,7	3,9	4,6	20,4	3,6	22,2	5,2	3,5	6,3
1961	21.5	13,6	7,0	2,4	3,4	5,0	22,8	4,0	22,3	5,2	3,9	6,6
1962	23,1	12,8	7,1	3,1	2,9	4,9	20,6	4,2	22,7	5,6	4,2	6,7
1963	25,6	13,7	7,8	2,8	2,5	5,0	21,1	4,0	23,7	5,8	4,5	7,0
1964	26,7	13,1	7,9	2,9	2,9	5,2	21,8	4,6	24,2	7,1	4,5	7,3
1965	27,9	12,5	7,8	2,7	2,3	5,6	20,7	5,5	23,8	7,3	4,3	7,5
1966	27,9	11,6	8,4	2,9	2,4	5,7	21,3	5,7	22,8	7,1	4,4	7,6
1967	26,9	10,6	8,9	3,4	2,3	5,5	23,3	5,3	22,2	7,0	4,1	7,5
1968	28,2	9,9	9,2	3,3	2,4	5,5	22,4	5,6	22,7	6,6	4,5	7,9
1969	32,6	9,5	9,8	3,3	2,6	6,3	20,9	5,9	24,4	7,0	5,0	8,7
1970	33,8	9,4	9,4	3,5	3,2	7,3	21,9	6,0	26,1	6,8	5,2	9,0
1961-70	27,4	11,7	8,3	3,0	2,7	5,6	21,7	5,1	23,5	6,5	4,5	7,6
1971	32,3	8,9	9,5	3,4	3,5	7,5	22,3	6,3	27,0	7,0	5,2	9,2
1972	33,5	9,0	9,1	3,8	3,4	7,9	22,9	6,9	26,7	7,5	5,2	9,3
1973	35,7	10,4	9,9	5,0	3,7	8,4	24,8	6,9	28,5	8,3	6,1	10,2
1974	36,9	10,9	11,3	5,7	4,1	9,8	28,6	7,8	32,5	8,6	7,2	11,6
1975	32,6	10,8	10,1	5,7	3,5	8,0	30,6	7,8	29,7	7,0	6,6	10,4
1976	35,8	10,3	11,2	5,8	4,0	8,5	30,7	8,9	31,4	6,4	7,8	11,6
1977	34,1	9,9	11,0	5,1	4,2	8,9	34,4	9,2	28,3	6,7	8,9	11,6
1978	33,3	10,2	10,8	5,5	4,4	8,9	34,5	9,6	26,6	7,9	9,0	11,5
1979	37,1	11,3	11,6	5,0	4,7	9,6	35,0	10,3	30,2	10,6	9,7	12,4
1980	38,5	13,2	12,1	6,4	5,1	9,3	33,6	8,8	32,1	10,8	9,6	12,3
1971-80	35,0	10,5	10,7	5,1	4,1	8,7	29,7	8,2	29,3	8,1	7,5	11,0
1981	39,6	13,5	12,6	5,1	5,1	9,1	30,4	8,4	35,1	9,7	9,0	12,2
1982	42,6	13,9	13,5	5,3	5,5	8,8	30,6	8,8	35,3	10,9	9,0	12,6
1983	44,1	14,3	13,0	6,8	6,4	9,2	33,3	8,5	36,0	13,8	9,4	12,8
1984	45,4	13,4	13,9	7,8	7,6	9,9	38,1	8,5	39,9	16,7	10,4	13,6
1985	45,1	13,3	14,6	7,4	7,6	10,0	38,8	9,0	42,4	17,2	10,8	14,0
1986	42,8	12,3	13,8	9,0	7,1	9,5	37,0	8,7	36,3	16,9	9,3	13,1
1989	42,5	12,5	13,8	9,2	7,4	9,8	40.2	8,6	34,1	18,0	9,7	13,1

Table 37

Extra-Community exports of goods at current prices

Percentage of GDP at market prices

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	13,5	11,3	10,0	3,5	2,6	7,3	4,8	5,4	14,1	8,4	11,7	9,1
1961	12,4	10,9	9,5	3,6	2,2	6,6	5,2	5,4	13,6	7,9	11,1	8,6
1962	11,8	10,6	8,7	3,3	2,2	5,6	5,1	5,1	12,5	8,1	10,4	7,9
1963	10,8	11,6	8,5	3,8	1,9	5,3	5,1	4,8	11,5	8,6	10,3	7,5
1964	10,8	11,4	8,6	3,3	2,1	5,2	4,1	4,9	10,8	9,6	10,2	7,5
1965	11,5	11,5	8,9	3,1	2,0	5,2	4,0	5,2	10,6	9,2	10,3	7,6
1966	11,3	11,5	9,2	3,6	2,5	5,1	5,0	5,3	10,6	9,2	10,3	7,7
1967	10,9	11,1	9,8	3,8	2,6	4,9	7,5	5,4	10,5	9,3	9,6	7,6
1968	11,2	11,3	10,0	2,8	3,1	4,8	7,7	5,6	9,9	9,0	10,5	7,8
1969	10,9	11,6	9,8	3,0	3,1	4,7	7,6	5,7	9,7	8,8	10,9	7,8
1970	11,2	11,8	9,5	3,1	3,3	5,3	7,6	5,6	9,8	8,7	10,8	7,9
1961-70	11,3	11,3	9,2	3,3	2,5	5,3	5,9	5,3	10,9	8,8	10,4	7,8
1971	10,7	11,2	9,5	2,6	3,4	5,2	7,0	5,5	9,1	8,2	10,7	7,8
1972	10,7	11,0	8,9	3,2	3,6	5,2	6,0	5,7	8,4	7,7	10,1	7,5
1973	11,8	11,4	9,6	3,8	3,5	5,5	7,2	5,6	9,6	7,9	10,8	8,0
1974	14,3	13,3	12,1	5,0	3,9	7,2	8,7	7,8	12,0	8,4	12,5	9,9
1975	12,3	12,3	11,4	5,3	3,8	7,1	7,0	8,0	11,0	6,0	12,1	9,4
1976	11,6	11,6	11,7	5,6	4,0	7,1	8,6	8,3	11,0	5,4	12,6	9,6
1977	12,5	11,8	11,9	5,4	4,3	7,4	9,4	9,0	10,7	5,7	13,7	10,1
1978	12,2	10,5	11,4	5,1	4,5	6,9	9,0	9,0	9,9	5,6	13,2	9,7
1979	12,7	11,0	11,0	5,1	4,5	7,2	9,0	9,0	10,2	7,2	12,1	9,5
1980	13,7	12,3	11,5	6,8	4,6	7,4	10,1	8,0	10,6	7,3	11,7	9,6
1971-80	12,2	11,6	10,9	4,8	4,0	6,6	8,2	7,6	10,2	6,9	11,9	9,1
1981	15,4	14,7	13,0	6,5	5,8	8,3	11,7	9,8	12,2	7,0	11,7	10,7
1982	16,0	14,0	13,1	5,8	5,7	7,9	11,3	9,2	11,7	6,6	11,8	10,5
1983	17,2	14,7	12,7	6,0	6,2	8,1	13,3	8,8	12,0	7,9	11,0	10,5
1984	19,0	16,6	13,8	6,4	6,9	8,8	15,6	9,2	13,5	9,9	11,8	11,3
1985	18,7	16,4	14,7	6,2	6,6	8,6	16,9	9,4	13,5	10,0	11,3	11,4
1986	15,4	14,0	13,3	5,1	4,4	6,9	14,0	7,5	11,2	7,7	10,0	9,7
1987	14,3	13,2	12,4	4,4	5,0	6,4	14,0	6,7	10,8	7,2	9,9	9,2

Table 38

Imports of goods and services at current prices

Percentage of GDP at market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	39,3	33,4	16,2	16,7	7,4	12,1	37,3	12,5	73,7	45,9	23,7	22,4	18,6	4,4	10,3
1961	40,6	31,5	15,5	16,4	9,3	11,9	39,8	12,5	80,2	45,4	27,7	20,9	18,2	4,2	10,7
1962	41,4	31,6	16,0	16,9	11,0	11,7	38,9	12,8	79,2	44,5	23,5	20,3	18,1	4,3	9,3
1963	43,5	30,0	16,0	18,0	11,7	12,0	40,8	13,9	77,5	45,6	24,3	20,4	18,5	4,3	9,8
1964	43,7	31,8	16,3	19,0	12,0	12,6	41,0	12,3	78,8	45,6	29,9	21,1	18,8	4,3	9,6
1965	42,9	30,7	17,6	20,3	13,8	12,1	43,9	11,8	79,9	43,6	31,5	20,1	18,7	4,4	9,1
1966	45,2	30,0	17,3	18,8	14,2	12,8	43,2	12,6	75,1	43,1	31,0	19,6	18,7	4,8	9,0
1967	43,1	29,2	16,6	18,0	12,6	12,7	40,9	13,1	70,6	41,4	29,5	20,1	18,4	4,9	9,4
1968	45,3	28,9	17,6	18,4	13,4	13,0	45,2	12,9	70,4	41,0	29,8	22,1	19,2	5,2	9,0
1969	48,6	29,6	18,8	18,7	14,1	14,3	46,3	14,1	69,7	42,7	28,6	21,9	20,1	5,2	8,9
1970	49,4	30,9	19,0	18,4	14,2	14,9	45,0	15,1	76,0	46,6	30,9	22,4	20,8	5,5	9,5
1961-70	44,4	30,4	17,1	18,3	12,6	12,8	42,5	13,1	75,7	43,9	28,7	20,9	19,0	4,7	9,5
1971	48,4	29,4	19,1	18,4	13,4	15,2	43,4	14,9	84,7	45,7	32,1	21,8	20,6	5,6	9,0
1972	47,6	26,5	18,8	20,0	14,4	15,3	39,9	15,7	77,0	42,2	31,9	22,0	20,5	6,1	8,3
1973	53,4	30,4	19,1	25,2	15,4	16,6	44,8	18,3	76,9	44,2	33,7	26,4	22,7	6,7	10,0
1974	60,7	34,7	21,7	25,6	19,2	21,6	57,2	23,4	81,7	51,2	42,2	33,2	27,6	8,6	14,3
1975	53,3	31,0	21,6	26,9	17,4	17,8	48,8	19,9	88,4	46,5	32,8	27,8	24,3	7,6	12,8
1976	56,1	33,5	23,2	25,8	18,2	20,1	54,2	22,6	82,7	47,6	30,9	29,5	26,2	8,4	12,8
1977	56,1	32,5	23,0	25,2	16,6	20,4	58,5	21,8	83,0	46,3	33,5	29,5	25,8	9,1	11,5
1978	54,3	29,9	22,3	24,6	14,4	19,1	59,8	21,2	82,6	44,9	32,5	27,3	24,5	9,4	9,4
1979	60,3	32,1	24,4	25,3	14,7	20,6	66,1	23,2	87,0	49,6	37,9	28,1	26,4	10,1	12,5
1980	63,0	33,8	26,7	26,2	18,1	22,7	63,0	24,5	89,4	53,0	42,0	25,4	27,7	10,7	14,6
1971-80	55,3	31,4	22,0	24,3	16,2	18,9	53,6	20,6	83,3	47,1	34,9	27,1	24,6	8,2	11,5
1981	67,6	35,8	27,8	27,1	20,2	23,5	62,7	25,1	89,6	54,5	45,2	24,1	28,5	10,3	14,0
1982	70,9	35,9	27,2	28,7	20,6	23,7	55,4	24,1	90,7	53,4	45,0	24,9	28,4	9,5	13,8
1983	71,1	34,4	26,6	30,1	21,9	22,6	55,6	21,5	90,1	53,9	44,1	26,0	27,9	9,5	12,2
1984	75,9	35,7	28,0	29,9	21,4	23,5	60,2	23,2	98,0	56,9	44,5	29,2	29,6	10,5	12,4
1985	73,0	36,3	28,6	32,8	21,2	23,4	59,8	23,4	100,6	59,0	40,8	28,3	29,5	10,1	11,2
1986	64,9	32,0	24,6	30,6	17,9	20,5	53,2	18,6	93,6	50,0	36,1	27,2	25,8	10,3	7,7
1987	63,0	29,6	23,5	31,1	19,6	20,9	52,9	18,7	94,0	49,7	40,6	27,4	25,8	10,8	7,4
1988	66,0	29,2	24,1	31,3	20,3	21,5	54,6	19,4	96,2	51,4	42,2	28,0	26,5	10,8	7,9
1989	69,1	29,4	24,8	32,9	21,6	22,3	56,2	20,2	98,6	53,1	44,1	28,5	27,4	10,8	8,4

Table 39

Imports of goods and services at constant prices

National currency; annual percentage change

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	7,2	4,4	7,8	12,7	40,1	6,9	13,9	13,7	7,3	6,4	24,7	−0,6	6,8	0,7	27,2
1962	8,2	13,4	12,6	10,1	34,4	6,7	5,4	14,9	3,2	6,5	−8,7	2,1	8,3	11.5	−0,7
1963	8,6	−1,1	3,2	15,4	23,5	14,1	10,7	22,5	3,1	9,8	9,9	3,7	9,1	1,6	18,0
1964	8,9	19,6	9,8	15,3	13,0	15,1	12,9	−6,1	13,6	14,9	27,0	10,5	9,5	5,2	14,1
1965	6,6	6,9	14,8	21,2	33,1	2,2	11,1	2,0	4,5	6,1	9,6	0,7	7,0	9,4	7,1
1966	9,9	5,4	2,4	−0,5	19,0	10,6	3,5	14,0	−2,5	7,0	8,4	2,1	6,7	12,6	12,4
1967	1,6	4,5	−1,0	7,1	−3,3	8,3	3,8	13,5	−4,8	6,3	−6,0	7,4	4,9	5,1	24,5
1968	11,7	4,9	13,5	10,3	8,1	12,9	15,6	5,9	9,1	13,0	33,0	7,4	10,6	14,0	10,8
1969	15,5	13,1	17,0	15,5	15,8	19,5	13,4	19,3	11,2	14,1	7,6	2,7	13,4	5,8	12,7
1970	7,6	9,3	14,4	6,2	7,0	6,3	2,3	16,0	19,4	14,7	0,9	4,6	9,9	4,1	21,8
1961-70	8,5	7,9	9,3	11,2	18,4	10,2	9,2	11,3	6,2	9,8	9,9	4,0	8,6	6,9	14,5
1971	3,6	−0,7	10,8	7,6	0,7	9,1	4,7	2,6	6,5	6,1	14,5	5,3	6,3	6,5	5,9
1972	9,6	1,5	5,9	15,4	24,3	16,0	5,1	11,0	2,8	4,8	12,0	9,0	9,8	13,0	10,3
1973	18,5	12,8	4,3	32,2	16,7	15,2	19,0	10,3	10,6	11,0	12,7	11,9	11,7	10,4	24,3
1974	4,4	−3,8	−0,7	−16,3	8,0	5,2	−2,3	1,2	5,8	−0,8	4,8	1,0	1,4	−3,9	4,6
1975	−9,0	−4,8	0,9	6,3	−0,9	−6,6	−10,2	−9,7	−8,7	−4,1	−25,2	−7,0	−5,6	−10,5	−9,9
1976	12,2	15,6	11,6	6,1	9,8	20,3	14,7	14,7	0,8	10,1	3,4	4,2	11,5	19,4	6,0
1977	4,8	0,0	3,3	8,0	−5,5	2,9	13,3	0,0	1,6	2,9	12,0	0,9	2,2	12,0	3,9
1978	2,6	0,1	6,5	7,2	−1,0	3,0	15,7	8,1	5,9	6,3	−1,6	3,7	4,7	5,9	5,7
1979	9,0	5,0	9,7	7,2	11,4	10,1	13,9	13,5	7,1	6,0	8,7	10,4	10,0	1,3	12,0
1980	−0,4	−6,8	3,5	−8,0	3,3	2,5	−4,5	8,4	3,1	−0,4	10,5	−3,4	1,8	−8,2	−8,7
1971-80	5,3	1,7	5,5	5,9	6,3	7,5	6,5	5,8	3,5	4,1	4,5	3,5	5,2	4,2	5,0
1981	−2,3	−1,7	−2,9	3,6	−4,2	−2,1	1,7	−3,6	−2,8	−5,9	3,7	−2,7	−2,8	2,4	1,7
1982	0,9	3,8	−1,3	7,0	3,9	2,6	−3,1	−0,6	−0,1	1,1	5,4	5,0	1,5	-2,2	0,4
1983	−0,7	1,8	1,8	6,6	−0,6	−2,7	4,7	−1,4	1,9	3,9	−8,7	5,8	1,0	12,2	−2,7
1984	6,0	5,1	5,4	0,2	−1,0	2,8	9,9	11,3	15,4	5,0	−2,7	9,6	6,1	23,0	10,9
1985	0,8	8,6	4,6	12,8	6,2	4,7	2,8	5,4	6,2	5,9	3,9	2,7	4,5	5,7	−0,4
1986	7,3	6,5	2,7	3,6	15,4	6,6	4,3	4,9	0,5	3,2	17,2	6,2	5,8	11,2	4,7
1987	5,3	−1,4	4,2	9,2	21,7	6,4	4,9	10,0	6,1	5,6	24,1	7,3	7,7	6,6	9,2
1988	6,4	−0,1	6,7	7,1	13,3	6,5	5,7	8,5	4,3	5,2	11,8	11,2	8,0	5,1	17,6
1989	5,7	1,7	4,8	6,3	10,9	5,6	5,7	7,0	4,3	3,9	10,2	6,9	6,2	3,9	8,0

Table 40

Intra-Community imports of goods at current prices

Percentage of GDP at market prices

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	20,4	17,5	5,9	9,6	2,3	3,8	23,8	4,3	22,1	11,8	4,2	6,3
1961	21,6	16,5	5,8	9,7	3,1	4,1	26,8	4,4	24,7	14,8	4,1	6,5
1962	22,2	16,0	6,1	10,3	4,5	4,4	27,1	4,9	24,2	11,6	4,0	6,7
1963	23,8	14,8	6,2	9,8	5,2	4,9	27,9	5,6	25,6	11,4	4,1	7,1
1964	24,8	15,5	6,6	9,9	5,6	5,3	27,7	4,7	25,8	12,4	4,5	7,4
1965	25,0	14,8	7,6	10,6	6,6	5,1	28,2	4,2	24,8	13,7	4,4	7,6
1966	26,7	14,2	7,4	10,4	6,8	5,7	26,9	4,6	24,5	14,1	4,5	7,8
1967	24,9	13,1	7,1	9,7	5,7	5,8	26,0	5,0	23,1	13,1	4,9	7,6
1968	25,8	12,7	7,6	10,0	5,3	6,2	28,7	4,9	22,7	12,5	5,3	8,0
1969	28,6	13,2	8,6	9,7	5,5	7,3	29,4	5,6	24,1	12,9	5,1	8,8
1970	29,2	13,8	8,5	10,3	5,2	7,6	30,0	6,3	25,9	13,6	5,3	9,1
1961-70	25,3	14,5	7,1	10,0	5,3	5,6	27,9	5,0	24,5	13,0	4,6	7,7
1971	31,0	12,0	9,0	9,9	4,9	7,6	27,8	6,1	24,4	13,8	5,5	9,2
1972	30,6	11,1	8,7	10,4	5,4	7,9	26,5	6,6	22,9	13,3	6,0	9,4
1973	33,6	12,9	8,6	10,9	5,8	8,4	30,6	7,9	24,1	13,4	7,7	10,3
1974	36,3	14,7	9,1	10,4	6,3	9,8	37,6	9,2	26,2	16,7	8,9	11,5
1975	32,9	13,0	9,3	11,5	5,4	8,2	31,5	7,8	23,5	11,5	7,9	10,4
1976	35,2	14,5	10,0	11,1	5,3	9,5	35,3	9,2	23,8	12,9	8,4	11,4
1977	34,6	14,0	10,1	11,7	5,0	9,5	37,6	8,7	22,9	14,7	10,1	11,6
1978	34,6	13,2	10,0	11,3	4,4	9,3	39,1	8,8	22,7	15,0	9,8	11,4
1979	35,0	14,7	10,9	11,3	4,7	10,2	46,4	9,7	24,7	16,2	10,7	12,2
1980	36,0	14,9	11,4	10,9	5,0	10,6	43,7	10,1	24,8	17,1	9,1	12,2
1971-80	34,0	13,5	9,7	10,9	5,2	9,1	35,6	8,4	24,0	14,5	8,4	11,0
1981	37,4	15,1	11,9	12,3	5,1	10,6	43,8	9,3	25,0	18,2	8,7	12,1
1982	40,6	15,3	12,0	12,3	5,6	11,4	38,1	9,3	25,1	19,1	9,3	12,5
1983	43,5	14,7	12,2	13,5	6,2	11,4	36,9	8,6	25,3	17,6	10,2	12,7
1984	45,3	15,1	12,9	13,8	6,0	12,0	38,8	9,3	27,6	17,7	11,3	13,5
1985	46,4	16,0	13,4	14,7	6,4	12,2	39,0	10,1	30,4	17,3	11,4	14,0
1986	41,2	14,9	11,6	16,6	7,3	11,4	34,7	9,2	27,7	19,1	11,5	13,0
1986	41,7	13,7	11,1	16,6	8,8	11,8	33,2	9,4	27,5	23,5	12,0	13,2

Table 41

Extra-Community imports of goods at current prices

Percentage of GDP at market prices

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	15,6	14,6	8,9	11,7	4,2	7,1	13,4	7,4	18,7	11,0	14,5	10,3
1961	14,7	13,6	8,4	9,6	5,7	6,6	13,9	7,3	17,9	11,5	13,0	9,6
1962	14,6	14,3	8,5	7,7	6,4	6,4	13,2	7,3	16,9	10,1	12,7	9,4
1963	14,6	13,9	8,4	8,5	6,3	6,3	13,1	7,7	16,8	11,2	12,7	9,4
1964	15,0	15,2	8,3	8,2	6,1	6,4	13,1	6,8	16,7	12,6	13,8	9,5
1965	14,3	14,8	8,6	9,7	7,0	5,9	13,4	6,8	15,4	12,7	12,8	9,3
1966	14,5	14,6	8,4	9,3	7,1	6,1	13,2	7,1	15,2	12,8	12,1	9,1
1967	13,7	14,4	7,9	7,7	6,4	5,6	14,7	7,1	14,3	11,5	12,1	8,7
1968	14,5	13,8	7,9	8,3	6,8	5,2	14,0	6,5	13,6	11,5	13,3	8,7
1969	14,7	13,9	8,2	8,6	7,2	5,4	13,9	6,8	13,6	11,1	13,0	8,9
1970	14,8	14,5	8,0	9,9	7,6	5,9	12,8	6,9	15,0	12,3	12,7	9,0
1961-70	14,5	14,3	8,3	8,7	6,7	6,0	13,5	7,0	15,5	11,7	12,8	9,2
1971	12,7	13,7	7,7	9,1	6,7	5,6	13,2	6,4	14,8	12,6	11,5	8,5
1972	11,8	12,2	6,8	8,2	7,1	5,6	11,0	6,4	13,1	12,9	11,5	8,0
1973	13,2	14,3	7,1	10,3	7,5	6,1	11,3	7,7	14,5	13,1	13,9	8,9
1974	17,7	16,5	9,0	13,0	10,9	9,7	15,9	11,7	18,4	18,0	18,6	12,3
1975	15,1	14,5	8,6	14,1	9,9	7,6	12,8	9,7	16,9	14,8	14,8	10,6
1976	15,9	15,3	9,8	15,8	10,6	8,6	14,2	11,2	18,2	15,1	16,2	11,7
1977	15,7	14,6	9,6	14,5	9,6	8,5	16,0	10,6	17,8	15,6	14,8	11,3
1978	14,7	12,6	9,0	13,5	8,2	7,6	15,6	9,9	15,9	14,2	14,6	10,5
1979	18,4	13,7	10,1	13,7	8,2	8,1	14,3	11,1	17,9	17,2	14,0	11,3
1980	22,4	14,7	11,7	15,7	11,0	9,7	14,0	11,8	20,5	20,6	13,1	12,6
1971-80	15,8	14,2	8,9	12,8	9,0	7,7	13,8	9,6	16,8	15,4	14,3	10,6
1981	24,5	15,8	12,0	11,8	12,2	10,0	13,7	12,8	21,7	22,0	12,2	12,9
1982	24,7	15,3	11,6	13,6	11,9	9,5	12,5	12,0	20,2	21,4	12,2	12,5
1983	22,6	14,7	11,1	14,1	12,6	8,6	13,1	10,7	20,7	21,3	12,1	11,9
1984	24,1	15,9	11,8	14,6	10,9	8,7	15,4	11,2	23,9	23,1	13,6	12,6
1985	21,0	15,6	11,9	15,9	10,4	8,3	15,0	11,3	24,0	20,0	12,7	12,2
1986	17,6	13,2	9,8	11,9	7,0	6,2	12,5	7,4	17,7	13,3	11,3	9,5
1987	15,9	11,8	9,2	10,6	7,2	6,1	13,1	7,2	17,2	13,5	11,3	9,2

Table 42

Surplus or deficit of the nation on current transactions

Percentage of GDP at market prices

	B	B/L	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	0,1	0,7	−1,1	1,7	−2,9	3,8	1,5	−0,1	0,8	12,5	3,0	−4,0	−1,0	0,8	0,6	0,3
1961	−0,1	0,2	−1,7	1,1	−2,2	1,9	1,1	0,2	1,2	6,5	1,4	−10,0	0,0	0,7	0,8	−1,8
1962	0,6	0,6	−3,2	−0,2	−1,6	−0,1	1,0	−1,8	0,6	0,6	1,0	−3,4	0,4	0,3	0,7	−0,1
1963	−0,5	−0,5	0,1	0,4	−2,2	−1,5	0,3	−2,8	−1,4	0,2	0,7	−3,3	0,3	−0,1	0,8	−1,1
1964	0,2	0,1	−2,2	0,3	−4,3	0,1	−0,3	−3,5	1,1	−0,1	−1,1	0,0	−1,3	−0,3	1,2	−0,6
1965	0,6	0,6	−1,8	−1,2	−5,8	−2,1	0,8	−4,4	3,6	0,7	0,1	−0,4	−0,4	0,1	0,9	1,1
1966	−0,3	−0,2	−1,9	0,3	−2,0	−2,1	0,1	−1,6	3,2	1,7	−1,0	0,8	0,1	0,4	0,5	1,3
1967	0,8	1,1	−2,4	2,2	−2,2	−1,5	0,0	1,4	2,2	7,4	−0,3	3,7	−0,9	0,6	0,4	0,0
1968	0,9	1,2	−1,7	2,3	−3,6	−0,8	−0,5	−1,3	3,3	9,7	0,3	1,5	−0,8	0,8	0,2	0,8
1969	1,2	1,7	−2,8	1,4	−4,0	−1,1	−1,1	−4,8	2,7	14,0	0,2	3,6	0,6	0,6	0,2	1,3
1970	2,8	3,3	−3,9	0,6	−3,1	0,2	0,1	−4,0	1,2	15,1	−1,4	1,9	1,2	0,5	0,4	1,0
1961-70	0,6	0,8	−2,1	0,7	−3,1	−0,7	0,2	−2,3	1,8	5,6	0,0	−0,6	−0,1	0,3	0,6	0,2
1971	2,1	2,3	−2,4	0,4	−1,5	2,2	0,6	−3,8	1,8	6,2	−0,3	2,5	1,7	0,9	0,0	2,5
1972	3,6	3,9	−0,4	0,4	−1,2	1,5	0,5	−2,2	1,6	10,1	2,8	5,5	0,1	0,9	−0,3	2,2
1973	2,0	2,6	−1,7	1,3	−3,8	0,8	−0,2	−3,5	−1,7	16,1	3,8	3,0	−2,0	0,1	0,7	0,0
1974	0,4	1,5	−3,1	3,1	−2,8	−3,5	−2,3	−9,9	−4,6	26,1	3,1	−6,2	−4,6	−1,2	0,5	−1,0
1975	−0,1	0,5	−1,5	1,2	−3,7	−2,9	0,0	−1,5	−0,2	16,5	2,5	−5,5	−2,1	−0,2	1,4	−0,1
1976	0,3	1,1	−4,9	1,1	−1,9	−3,9	−1,5	−5,3	−1,5	21,3	2,9	−8,0	−1,7	−0,8	0,5	0,7
1977	−1,1	−0,3	−4,0	0,9	−1,9	−1,7	−0,1	−5,4	1,2	21,7	0,8	−9,4	−0,1	0,0	−0,4	1,5
1978	−1,3	−0,5	−2,7	1,4	−1,3	1,0	1,4	−6,8	2,4	20,0	−0,9	−5,7	0,4	0,9	−0,5	1,7
1979	−2,9	−1,9	−4,7	−0,8	−1,9	0,5	0,9	−13,4	1,7	22,6	−1,2	−1,7	0,0	−0,1	0,1	−0,9
1980	−4,3	−3,4	−3,7	−1,7	0,5	−2,4	−0,6	−11,8	−2,2	19,9	−1,5	−5,9	1,5	−1,2	0,4	−1,0
1971-80	−0,1	0,6	−2,9	0,7	−1,9	−0,8	−0,1	−6,3	−0,2	18,1	1,2	−3,1	−0,7	−0,1	0,2	0,6
1981	−3,9	−2,9	−3,0	−0,7	−0,7	−2,7	−0,8	−14,7	−2,2	23,1	2,2	−12,2	2,3	−0,7	0,3	0,5
1982	−3,5	−2,0	−4,2	0,5	−4,4	−2,5	−2,1	−10,6	−1,6	35,2	3,2	−13,5	1,3	−0,7	0,0	0,7
1983	−0,5	1,1	−2,6	0,7	−5,0	−1,5	−0,8	−6,9	0,3	39,6	3,1	−8,3	0,8	0,1	−1,0	1,8
1984	−0,2	1,5	−3,3	1,3	−4,0	1,4	0,0	−6,0	−0,6	39,5	4,2	−3,0	−0,3	0,3	−2,4	2,8
1985	0,7	2,6	−4,7	2,4	−8,2	1,6	0,1	−3,8	−0,9	43,3	4,3	1,7	0,5	0,7	−2,9	3,7
1986	2,6	4,4	−5,1	4,2	−5,4	1,7	0,6	−2,4	0,8	46,1	2,8	3,9	−0,8	1,5	−3,4	4,3
1987	1,9	3,5	−3,0	4,0	−3,4	0,1	−0,3	1,3	−0,1	38,0	1,7	1,8	−0,6	1,0	−3,6	3,6
1988	1,8	3,4	−2,5	4,0	−2,8	−0,8	0,1	2,6	−0,4	38,6	1,6	−0,1	−3,1	0,5	−2,8	2,8
1989	1,9	3,3	−2,3	4,2	−3,7	−2,1	0,1	3,5	−0,6	36,4	1,8	−1,7	−3,3	0,4	−2,5	2,9

Table 43

Structure of EC exports by country and region, 1958 and 1987

Percentage of total exports

Export of	B/L		DK		D		GR		E		F		IRL		I		NL		P		UK		EUR 12	
to	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987
B/L	—	—	1,2	2,1	6,6	7,4	1,0	2,8	2,1	2,8	6,3	9,3	0,8	4,8	2,2	3,4	15,0	14,9	3,7	3,0	1,9	4,8	4,8	6,5
DK	1,6	1,1	—	—	3,0	2,1	0,2	1,0	1,7	0,7	0,7	0,9	0,1	0,9	0,8	0,9	2,6	1,5	1,2	2,5	2,4	1,5	2,0	1,4
D	11,6	19,9	20,0	17,0	—	—	20,5	24,3	10,2	11,2	10,4	16,6	2,2	11,2	14,1	18,6	19,0	27,9	7,7	15,3	4,2	11,7	7,6	12,3
GR	0,8	0,5	0,3	0,7	1,3	0,9	—	—	0,1	0,6	0,6	0,8	0,1	0,4	1,9	1,5	0,6	0,9	0,6	0,2	0,7	0,6	0,8	0,8
E	0,7	1,9	0,8	1,3	1,2	2,8	0,2	1,4	—	—	1,6	5,3	0,8	1,5	0,7	3,5	0,8	1,6	0,7	9,0	0,8	2,7	1,0	2,9
F	10,6	20,4	3,0	5,7	7,6	12,1	12,8	8,6	10,1	17,5	—	—	0,8	9,3	5,3	16,3	4,9	10,7	6,6	15,9	2,4	9,7	4,7	11,0
IRL	0,3	0,3	0,3	0,5	0,3	0,4	0,4	0,2	0,3	0,4	0,2	0,4	—	—	0,1	0,3	0,4	0,5	0,3	0,4	3,5	4,8	1,1	1,0
I	2,3	6,4	5,3	4,7	5,0	8,7	6,0	16,1	2,7	8,3	3,4	12,1	0,4	3,7	—	—	2,7	6,5	4,3	3,9	2,1	5,2	3,1	7,1
NL	20,7	15,0	2,2	4,3	8,1	8,7	2,0	3,8	3,2	4,8	2,0	5,1	0,5	7,3	2,0	3,1	—	—	2,5	6,5	3,2	7,4	5,3	6,6
P	1,1	0,5	0,3	0,5	0,9	0,7	0,3	0,3	0,4	4,2	0,8	1,1	0,1	0,3	0,7	1,1	0,4	0,5	—	—	0,4	0,9	0,8	0,9
UK	5,7	8,4	25,9	11,7	3,9	8,8	7,6	8,2	15,9	8,6	4,9	8,8	76,8	34,2	6,8	7,4	11,9	10,2	11,3	14,0	—	—	5,9	8,1
Total intra-Community trade	55,4	74,3	59,3	48,5	37,9	52,7	50,9	66,8	46,8	59,0	30,9	60,4	82,4	73,5	34,5	56,0	58,3	75,4	38,9	70,9	21,7	49,2	37,2	58,7
Other European OECD countries	8,7	6,8	16,6	26,7	22,7	18,9	10,3	7,7	12,4	5,5	9,0	8,6	0,9	6,1	18,9	12,3	11,9	7,3	5,1	11,9	9,1	9,4	13,7	12,4
USA	9,4	5,2	9,3	7,2	7,3	9,5	13,6	6,8	10,1	7,6	5,9	7,3	5,7	7,8	9,9	9,6	5,6	4,3	8,3	6,4	8,8	14,0	7,9	8,7
Canada	1,1	0,5	0,7	0,8	1,2	0,9	0,3	0,7	1,3	1,6	0,8	1,0	0,7	1,0	1,2	1,2	0,8	0,6	1,1	0,8	5,8	2,4	2,3	1,1
Japan	0,6	1,0	0,2	3,7	0,9	2,0	1,4	0,9	1,7	0,8	0,3	1,5	0	1,7	0,3	1,6	0,4	0,8	0,5	0,7	0,6	1,9	0,6	1,6
Australia	0,5	0,3	0,3	0,5	1,0	0,7	0,1	0,6	0,3	0,3	0,5	0,4	0,1	0,9	0,8	0,8	0,7	0,4	0,6	0,3	7,2	1,5	2,4	0,7
Developing countries	18,0	9,2	9,3	9,7	20,9	10,0	7,2	10,9	18,4	21,3	46,9	17,3	1,6	6,9	26,2	13,5	17,6	8,5	42,3	6,8	33,6	17,2	27,4	12,6
of which:																								
OPEC	3,3	1,8	2,3	2,1	4,8	2,7	0,9	4,2	2,6	4,1	21,3	4,3	0,2	2,6	7,5	5,1	4,5	2,4	2,0	1,4	7,0	5,8	7,6	3,6
Other developing countries	14,7	7,4	7,0	7,6	16,1	7,3	6,3	6,7	15,8	16,7	25,6	13,0	1,4	4,3	18,7	8,4	13,1	6,1	40,3	5,4	26,6	11,4	19,8	9,0
Centrally-planned economies	4,3	1,6	3,9	2,3	5,5	4,4	16,2	4,6	4,6	2,7	4,9	2,8	0,2	0,7	5,3	4,1	2,2	1,6	1,9	1,2	3,4	2,0	4,3	3,1
Rest of the world and unspecified	2,0	1,1	0,4	0,7	2,6	0,9	0	1,0	4,4	1,2	0,8	0,7	8,4	1,4	2,9	0,9	2,5	1,1	1,3	1,0	9,8	2,4	4,3	1,1
World (excl. EC)	44,6	25,7	40,7	51,5	62,1	47,3	40,1	33,2	53,2	41,0	69,1	39,6	17,6	26,5	65,5	44,0	41,7	24,6	61,1	29,1	78,3	50,8	62,8	41,3
World (incl. EC)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 44

Structure of EC imports by country and region, 1958 and 1987

Percentage of total imports

Imports of	B/L		DK		D		GR		E		F		IRL		I		NL		P		UK		EUR 12	
from	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987	1958	1987
B/L	—	—	3,8	3,6	4,5	7,7	3,3	3,4	1,8	3,2	5,4	11,7	1,8	2,3	2,0	5,0	17,8	13,8	7,3	3,2	1,6	4,4	4,4	6,9
DK	0,5	0,6	—	—	3,4	1,9	0,7	1,2	1,3	0,7	0,6	0,9	0,7	0,9	2,2	1,0	0,7	1,1	0,8	1,0	3,1	2,0	2,0	1,3
D	17,2	23,9	19,9	24,4	—	—	20,3	22,2	8,7	16,3	11,6	20,4	4,0	8,9	12,0	21,1	19,5	25,5	17,6	14,7	3,6	16,5	8,7	15,5
GR	0,1	0,2	0,0	0,3	0,7	0,8	—	—	0,2	0,3	0,6	0,4	0,2	0,1	0,4	1,0	0,2	0,3	0,1	0,3	0,2	0,4	0,4	0,5
E	0,5	1,2	0,7	0,9	1,6	1,9	0,1	1,4	—	—	1,2	4,3	0,4	1,2	0,4	2,2	0,4	1,4	0,4	11,8	1,0	2,2	0,9	2,3
F	11,6	15,5	3,4	5,2	7,6	11,6	5,4	7,8	6,8	13,3	—	—	1,6	4,2	4,8	14,6	2,8	7,0	7,7	11,2	2,7	8,8	4,4	9,3
IRL	0,1	0,7	0,0	0,5	0,1	0,9	0,0	0,5	0,6	0,6	0,0	1,0	—	—	0,0	0,5	0,0	0,9	0,1	0,4	2,9	3,7	0,9	1,2
I	2,1	4,2	1,7	3,7	5,5	9,5	8,8	12,3	1,8	8,9	2,4	11,8	0,8	2,0	—	—	1,8	3,6	3,7	8,7	2,1	5,5	2,7	6,7
NL	15,7	18,1	7,3	6,4	8,1	12,5	4,8	7,0	2,6	3,1	2,5	6,8	2,9	4,8	2,6	5,6	—	—	2,9	4,1	4,2	6,9	5,2	8,1
P	0,4	0,3	0,3	0,9	0,4	0,7	0,3	0,2	0,3	1,7	0,4	1,0	0,2	0,3	0,4	0,3	0,2	0,6	—	—	0,4	0,9	0,3	0,7
UK	7,4	7,5	22,8	7,7	4,3	7,1	9,9	4,9	7,8	6,9	3,5	7,3	56,3	46,5	5,5	5,3	7,4	7,5	12,9	8,1	—	—	5,4	6,4
Total intra-Community trade	55,5	72,3	60,0	53,5	36,3	54,6	53,7	60,9	31,8	54,9	28,3	65,6	68,9	71,2	30,2	56,5	50,7	61,5	53,4	63,4	21,8	51,2	35,2	58,8
Other European OECD countries	7,7	6,0	18,6	25,1	15,2	15,8	11,5	7,7	8,4	5,7	6,7	7,6	3,4	4,0	13,1	11,5	7,2	7,4	8,6	7,8	8,7	13,2	10,1	11,2
USA	9,9	5,1	9,1	5,0	13,6	5,8	13,7	2,8	21,6	8,3	10,0	5,7	7,0	14,5	16,4	5,3	11,3	7,4	7,0	4,9	9,4	10,7	11,4	6,8
Canada	1,4	0,7	0,2	0,4	3,1	0,8	0,8	0,3	0,5	0,5	1,0	0,7	3,0	0,8	1,5	0,7	1,4	0,6	0,5	1,1	8,2	1,6	3,6	0,8
Japan	0,6	2,9	1,5	3,6	0,6	5,8	2,0	4,2	0,7	4,1	0,2	3,0	1,1	3,3	0,4	2,1	0,8	3,7	0,0	4,0	0,9	6,0	0,7	4,2
Australia	1,7	0,3	0,0	0,5	1,2	0,4	0,3	0,1	0,8	0,5	2,4	0,6	1,2	0,0	3,0	0,5	0,2	0,5	0,9	0,2	5,4	0,8	2,6	0,5
Developing countries	19,2	8,7	5,9	7,9	23,9	11,5	9,6	17,5	32,0	22,2	45,6	12,8	9,3	3,8	29,4	16,6	24,4	15,2	27,6	16,7	34,7	12,1	29,5	13,1
of which:																								
OPEC	5,7	1,9	0,3	1,5	6,7	2,6	1,7	9,2	17,7	9,5	19,7	4,3	0,7	0,2	13,9	8,2	11,5	5,9	6,3	6,1	11,3	2,1	10,8	4,2
Other developing countries	13,5	6,8	5,6	6,4	17,2	8,9	7,9	8,3	14,3	12,7	25,9	8,5	8,6	3,6	15,5	8,4	12,9	9,3	21,3	10,6	23,4	10,0	18,7	8,9
Centrally-planned economies	2,2	2,6	4,6	3,7	4,5	4,6	8,1	5,6	4,0	3,0	4,2	3,3	1,8	1,4	3,7	5,0	3,1	3,4	0,7	1,1	3,7	2,6	3,8	3,6
Rest of the world and unspecified	1,8	1,4	0,1	0,3	1,6	0,7	0,3	0,9	0,2	0,8	1,6	0,7	4,3	1,0	2,3	1,8	0,9	0,3	1,3	0,8	7,2	1,8	3,1	1,0
World (excl. EC)	44,5	27,7	40,0	46,5	63,7	45,4	46,3	39,1	68,2	45,1	71,7	34,4	31,1	28,8	69,8	43,5	49,3	38,5	46,6	36,6	78,2	49,8	64,8	41,2
World (incl. EC)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 45

Money supply (M2/M3)

End year; annual percentage change

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 10	EUR 12	USA	J
1960	4,3	8,0	11,1	20,2	:	16,7	5,5	19,6	7,0	:	0,9	10,5	:	4,9	20,1
1961	9,9	9,8	12,9	17,0	:	17,2	7,3	14,9	5,4	:	2,3	10,7	:	7,4	20,2
1962	7,4	8,5	10,4	21,5	:	18,7	9,6	17,0	6,6	:	2,6	10,9	:	8,1	20,3
1963	10,3	12,5	9,9	21,4	:	14,1	5,8	13,5	9,8	:	7,8	11,0	:	8,4	24,0
1964	7,6	11,1	9,4	16,1	:	9,8	9,4	12,7	10,4	:	5,8	9,3	:	8,0	18,7
1965	9,6	9,7	10,6	12,9	:	10,9	6,7	15,2	6,2	:	7,6	10,5	:	8,1	18,0
1966	8,2	12,8	8,3	18,2	:	10,6	10,6	13,0	5,9	:	3,4	8,5	:	4,5	16,3
1967	7,1	9,8	12,0	16,1	:	13,1	12,7	13,7	10,9	11,7	9,6	11,7	:	9,2	15,5
1968	8,6	14,5	11,8	17,8	:	11,6	16,9	13,1	14,8	14,1	7,3	11,2	:	8,0	14,8
1969	7,0	10,2	9,4	16,2	:	6,1	11,2	12,5	10,2	17,8	2,0	7,7	:	4,1	18,5
1970	10,0	3,3	9,1	19,3	15,4	15,3	14,0	15,9	11,0	12,4	9,6	12,0	12,2	6,6	16,9
1961-70	8,6	10,2	10,4	17,6	:	12,7	10,4	14,1	9,1	:	5,8	10,3	:	7,2	18,3
1971	12,9	8,5	13,5	22,4	24,3	18,0	12,9	17,2	9,0	21,0	14,1	15,0	15,8	13,5	24,3
1972	17,0	15,0	14,4	23,6	23,1	18,8	14,2	19,0	11,9	23,4	24,6	18,5	19,0	13,0	24,7
1973	15,4	12,6	10,1	14,5	25,0	14,7	26,0	23,1	21,9	28,9	27,0	18,2	19,0	6,9	16,8
1974	14,0	8,9	8,5	20,9	19,9	15,6	20,6	15,7	20,0	12,1	10,7	13,0	13,6	5,5	11,5
1975	15,1	25,1	8,6	26,5	19,3	18,1	18,9	23,7	5,7	13,1	6,3	13,8	14,3	12,6	16,5
1976	14,3	10,9	8,4	26,7	19,0	12,3	14,5	20,8	22,7	16,4	9,7	13,4	13,9	13,7	15,4
1977	10,3	9,9	11,2	22,7	18,6	14,2	17,1	21,7	3,6	21,8	9,4	13,3	13,9	10,6	13,4
1978	10,2	8,7	11,0	26,0	19,7	12,4	29,0	22,6	4,2	26,0	15,3	14,4	15,1	8,0	14,0
1979	8,2	10,8	6,0	18,4	18,3	14,0	18,7	20,8	6,9	31,0	13,2	12,7	13,4	7,8	10,8
1980	6,5	8,1	6,2	24,7	16,9	9,7	17,7	12,7	4,4	28,6	18,5	11,2	11,9	8,9	9,5
1971-80	12,4	11,8	9,8	22,6	20,4	14,8	19,0	19,7	11,0	22,2	14,9	14,3	15,0	10,1	15,7
1981	10,0	9,1	5,0	34,7	17,0	11,0	17,4	10,0	5,3	23,8	13,7	10,0	10,8	10,0	11,0
1982	7,5	11,4	7,1	29,0	16,6	11,4	13,0	18,0	7,6	24,6	8,9	11,2	11,9	8,9	7,9
1983	7,1	25,4	5,3	20,3	15,9	11,5	5,6	12,3	10,4	16,3	10,4	10,1	10,7	12,0	7,3
1984	6,2	17,8	4,7	29,4	13,1	9,5	10,1	12,1	7,6	24,5	10,0	9,3	9,9	8,4	7,8
1985	6,7	15,8	5,0	26,8	12,8	6,8	5,3	11,1	11,1	29,8	13,4	9,3	9,9	8,2	8,7
1986	10,7	8,4	6,6	19,0	12,6	6,3	−1,0	9,4	5,1	25,8	18,9	9,9	10,4	9,1	9,2
1987	9,9	4,4	5,9	24,8	13,9	7,3	10,9	8,3	5,4	16,8	22,5	10,6	11,0	3,7	10,8

Table 46

Short-term interest rates

%

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 10	USA	J
1960	:	:	5,1	:	:	4,1	:	3,5	2,1	:	:	:	:	:
1961	4,6	6,3	3,6	:	:	3,6	:	3,5	1,1	:	5,2	4,0	2,4	:
1962	3,4	6,5	3,4	:	:	3,6	:	3,5	1,9	:	4,1	3,6	2,8	:
1963	3,6	6,1	4,0	:	:	4,0	:	3,5	2,0	:	3,7	3,7	3,2	:
1964	4,9	6,2	4,1	:	:	4,7	:	3,5	3,5	:	5,0	4,4	3,6	:
1965	5,0	6,5	5,1	:	:	4,2	:	3,5	4,0	:	6,8	5,1	4,0	:
1966	5,5	6,5	6,6	:	:	4,8	:	3,5	4,9	3,0	7,0	5,6	4,9	:
1967	5,5	6,6	4,3	:	:	4,8	:	3,5	4,7	3,1	6,3	4,8	4,3	:
1968	4,5	6,6	3,8	:	:	6,2	:	3,5	4,6	3,4	7,9	5,3	5,4	:
1969	7,3	8,2	5,8	:	:	9,3	:	3,7	5,7	3,4	9,2	7,0	6,7	:
1970	8,1	9,0	9,3	:	:	8,6	:	5,3	6,2	4,0	8,1	7,8	6,3	:
1961-70	5,2	6,8	5,0	:	:	5,4	:	3,7	3,8	:	6,3	5,1	4,3	:
1971	5,3	7,6	7,1	:	:	6,0	6,6	5,7	4,5	4,3	6,2	6,1	4,3	6.5
1972	4,2	7,3	5,7	:	:	5,3	7,1	5,2	2,7	4,4	6,8	5,5	4,2	5,2
1973	6,6	7,6	12,2	:	:	9,2	12,2	7,0	7,5	4,4	11,8	9,8	7,2	8,3
1974	10,6	10,0	9,8	:	:	13,0	14,5	14,9	10,4	5,3	13,4	12,3	7,9	14,7
1975	7,0	8,0	4,9	:	:	7,6	10,9	10,4	5,3	6,8	10,6	8,1	5,8	10,1
1976	10,1	8,9	4,3	:	:	8,7	11,7	16,0	7,4	8,4	11,5	9,6	5,0	7,3
1977	7,3	14,5	4,3	:	15,5	9,1	8,4	14,0	4,8	11,1	8,0	9,1	5,3	6,4
1978	7,3	15,4	3,7	:	17,6	7,8	9,9	11,5	7,0	15,5	9,4	8,9	7,4	5,1
1979	10,9	12,5	6,9	:	15,5	9,7	16,0	12,0	9,6	16,1	13,9	11,0	10,1	5,8
1980	14,2	16,9	9,5	:	16,5	12,0	16,2	16,9	10,6	16,3	16,8	13,8	11,6	10,7
1971-80	8,4	10,9	6,8	:	:	8,8	11,4	11,3	7,0	9,3	10,8	9,4	6,9	8,0
1981	15,6	14,8	12,3	16,8	16,2	15,3	16,7	19,3	11,8	16,0	14,1	15,1	14,0	7,4
1982	14,1	16,4	8,8	18,9	16,3	14,6	17,5	19,9	8,2	16,8	12,2	13,8	10,6	6,8
1983	10,5	12,0	5,8	16,6	20,1	12,5	14,0	18,3	5,7	20,9	10,1	12,1	8,7	6,5
1984	11,5	11,5	6,0	15,7	14,9	11,7	13,2	17,3	6,1	22,5	10,0	11,3	9,5	6,3
1985	9,5	10,0	5,4	17,0	12,2	9,9	12,0	15,0	6,3	21,0	12,2	10,6	7,5	6,5
1986	8,1	9,1	4,6	19,8	11,7	7,7	12,4	12,8	5,7	15,6	10,9	9,1	6,0	5,0
1987	7,0	9,9	4,0	15,6	15,8	8,3	11,0	11,4	5,4	13,9	9,7	8,9	5,9	3,9
1988	6,7	8,3	4,3	15,2	11,5	7,9	8,1	11,2	4,8	13,0	10,2	8,5	6,8	4,0

Table 47

Long-term interest rates

%

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	:	:	6,3	:	:	5,7	:	5,3	:	4,2	:	5,4	:	:	:
1961	5,9	6,6	5,9	:	:	5,5	:	5,2	:	3,9	:	6,3	5,7	3,9	:
1962	5,2	6,6	5,9	:	:	5,4	:	5,8	:	4,2	:	5,9	5,7	3,9	:
1963	5,0	6,5	6,1	:	:	5,3	:	6,1	:	4,2	:	5,4	5,6	4,0	:
1964	5,6	7,1	6,2	:	:	5,4	:	7,4	:	4,9	:	6,0	6,1	4,1	:
1965	6,4	8,6	7,1	:	:	6,2	:	6,9	:	5,2	:	6,6	6,6	4,2	:
1966	6,7	8,7	8,1	:	:	6,6	:	6,5	:	6,2	:	6,9	7,1	4,7	:
1967	6,7	9,1	7,0	:	:	6,7	:	6,6	:	6,0	:	6,8	6,8	4,9	:
1968	6,5	8,7	6,5	:	:	7,0	:	6,7	:	6,2	:	7,6	6,9	5,3	:
1969	7,3	9,7	6,8	:	:	7,9	:	6,9	:	7,0	:	9,1	7,7	6,2	:
1970	7,8	11,1	8,3	:	:	8,6	:	9,0	:	7,8	:	9,3	8,7	6,6	:
1961-70	6,3	8,3	6,8	:	:	6,5	:	6,7	:	5,6	:	7,0	6,7	4,8	:
1971	7,3	11,0	8,0	:	:	8,4	9,2	8,3	:	7,0	:	8,9	8,4	5,7	:
1972	7,0	11,0	7,9	:	:	8,0	9,1	7,5	:	6,7	:	9,0	8,0	5,6	6,9
1973	7,5	12,6	9,3	9,3	:	9,0	10,7	7,4	6,8	7,3	:	10,8	9,1	6,3	7,0
1974	8,8	15,9	10,4	10,5	:	11,0	14,6	9,9	7,3	10,7	:	15,0	11,5	7,0	8,1
1975	8,5	12,7	8,5	9,4	:	10,3	14,0	11,5	6,7	9,1	:	14,5	11,0	7,0	8,4
1976	9,1	14,9	7,8	10,2	:	10,5	14,6	13,1	7,2	9,2	:	14,6	11,2	6,8	8,2
1977	8,8	16,2	6,2	9,5	:	11,0	12,9	14,6	7,0	8,5	:	12,5	10,7	7,1	7,4
1978	8,5	16,8	5,7	10,0	:	10,6	12,8	13,7	6,6	8,1	:	12,6	10,4	7,9	6,3
1979	9,7	16,7	7,4	11,2	13,3	10,9	15,1	14,1	6,8	9,2	:	13,0	11,2	8,7	8,3
1980	12,2	18,7	8,5	17,1	16,0	13,1	15,4	16,1	7,4	10,7	:	13,9	13,0	10,8	8,9
1971-80	8,7	14,6	8,0	:	2,9	10,3	12,8	11,6	:	8,7	:	12,5	10,4	7,3	:
1981	13,8	19,3	10,4	17,6	15,8	15,8	17,3	20,6	8,7	12,2	:	14,8	15,1	12,9	8,4
1982	13,4	20,5	9,0	15,4	16,0	15,6	17,0	20,9	10,3	10,5	:	12,7	14,3	12,2	8,3
1983	11,8	14,4	7,9	18,2	16,9	13,6	13,9	18,0	9,8	8,8	:	10,8	12,7	10,8	7,8
1984	12,0	14,0	7,8	18,5	16,5	12,5	14,6	15,0	10,3	8,6	:	10,7	11,8	12,0	7,3
1985	10,6	11,6	6,9	15,8	13,4	10,9	12,7	14,3	9,5	7,3	25,4	10,6	10,9	10,8	6,5
1986	7,9	10,5	5,9	15,8	11,4	8,4	11,1	11,7	8,7	6,4	17,9	9,8	9,2	8,1	5,2
1987	7,8	11,9	5,8	17,2	12,8	9,4	11,3	11,3	8,0	6,4	15,4	9,5	9,3	8,7	5,0
1988	7,9	10,6	6,1	16,6	11,8	9,0	9,5	12,1	8,1	6,3	14,1	9,4	9,3	9,1	4,8

Table 48

Gross official reserves

End year, Mrd ECU

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	1,438	0,271	6,671	0,228	0,513	2,166	0,305	3,097	1,776	0,607	3,548	20,620
1961	1,692	0,264	6,681	0,249	0,827	3,140	0,318	3,545	1,826	0,515	3,096	22,153
1962	1,635	0,239	6,485	0,267	0,974	3,775	0,334	3,792	1,813	0,634	3,085	23,033
1963	1,838	0,438	7,133	0,272	1,070	4,577	0,378	3,375	1,959	0,683	2,936	24,659
1964	2,076	0,601	7,359	0,262	1,413	5,346	0,416	3,570	2,192	0,813	2,164	26,212
1965	2,182	0,548	6,943	0,234	1,329	5,930	0,381	4,484	2,256	0,877	2,808	27,972
1966	2,205	0,559	7,529	0,256	1,176	6,322	0,462	4,604	2,298	1,010	2,908	29,329
1967	2,516	0,519	7,920	0,278	1,069	6,803	0,425	5,304	2,547	1,199	2,617	31,197
1968	2,420	0,459	10,553	0,340	1,269	4,832	0,546	5,759	2,724	1,491	2,640	33,033
1969	2,347	0,437	7,008	0,311	1,260	3,775	0,677	4,960	2,488	1,421	2,484	27,168
1970	2,874	0,476	13,537	0,310	1,806	5,071	0,681	5,410	3,279	1,526	2,847	37,817
1971	3,366	0,662	17,468	0,484	3,029	7,976	0,903	6,589	3,711	1,892	8,101	54,181
1972	4,562	0,820	24,443	1,022	4,896	11,544	1,034	7,530	5,663	2,754	5,637	69,905
1973	6,819	1,228	35,066	1,094	6,580	13,206	0,894	10,341	8,766	4,038	6,730	94,762
1974	9,097	0,953	39,322	1,160	6,809	18,627	1,062	14,988	11,777	5,068	7,946	116,805
1975	8,579	0,908	36,703	1,265	6,451	19,431	1,354	11,139	10,745	3,683	6,486	106,744
1976	8,121	0,961	40,608	1,215	5,867	17,026	1,664	12,761	11,065	3,456	5,497	108,241
1977	8,950	1,558	44,286	1,359	6,826	18,494	1,984	17,790	12,050	3,547	19,422	136,268
1978	9,886	2,601	54,763	1,570	9,743	23,515	2,015	21,745	12,706	4,272	15,410	158,228
1979	10,406	2,592	57,593	1,466	12,283	29,443	1,617	26,692	14,516	5,324	17,394	179,326
1980	20,536	3,277	76,565	2,494	15,257	57,097	2,245	45,935	27,502	10,025	23,689	284,622
1981	18,281	3,014	79,810	2,191	15,842	52,522	2,594	45,476	26,260	9,405	22,134	277,529
1982	16,239	2,938	82,135	2,309	13,268	46,296	2,841	39,018	26,524	8,573	19,713	259,854
1983	20,941	5,167	98,195	2,949	15,917	63,694	3,333	56,310	33,245	10,207	23,168	333,126
1984	21,973	4,994	100,903	3,212	23,505	66,181	3,030	59,666	32,886	9,953	22,513	348,816
1985	19,022	6,775	88,940	2,625	19,619	62,530	3,454	44,240	29,545	9,742	21,023	307,515
1986	17,704	4,788	84,315	2,638	17,973	59,706	3,160	43,349	26,522	8,690	23,436	292,281
1987	20,554	8,301	96,134	3,381	28,307	57,529	3,833	49,446	29,441	10,274	37,636	344,836

Table 49

Exchange rates

National currency units per ECU, annual average

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	USA	J
1960	52,810	7,2954	4,4361	31,69	63,37	5,2145	0,37722	660,1	4,0136	30,37	0,37722	1,0562	380,23
1961	53,367	7,3722	4,3074	32,02	64,04	5,2695	0,38119	667,1	3,8985	30,69	0,38119	1,0673	384,24
1962	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1963	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1964	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1965	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1966	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1967	53,240	7,4229	4,2592	31,94	65,11	5,2570	0,38765	665,5	3,8546	30,61	0,38765	1,0648	383,33
1968	51,444	7,7166	4,1155	30,87	72,02	5,0797	0,42870	643,1	3,7246	29,58	0,42870	1,0289	370,40
1969	51,109	7,6664	4,0262	30,67	71,55	5,2903	0,42591	638,9	3,7003	29,39	0,42591	1,0222	367,99
1970	51,112	7,6668	3,7414	30,67	71,36	5,6777	0,42593	638,9	3,7005	29,38	0,42593	1,0222	368,00
1971	50,866	7,7526	3,6457	31,43	72,57	5,7721	0,42858	647,4	3,6575	29,64	0,42858	1,0478	363,83
1972	49,361	7,7891	3,5768	33,65	72,00	5,6572	0,44894	654,3	3,5999	30,48	0,44894	1,1218	339,72
1973	47,801	7,4160	3,2764	36,95	71,81	5,4678	0,50232	716,5	3,4285	30,27	0,50232	1,2317	333,17
1974	46,399	7,2593	3,0835	35,78	68,82	5,7339	0,50980	775,7	3,2022	30,25	0,50980	1,1927	347,47
1975	45,569	7,1227	3,0494	39,99	71,16	5,3192	0,56003	809,5	3,1349	31,50	0,56003	1,2408	367,68
1976	43,165	6,7618	2,8155	40,88	74,74	5,3449	0,62158	930,1	2,9552	33,62	0,62158	1,1181	331,21
1977	40,883	6,8557	2,6483	42,04	86,85	5,6061	0,65370	1 006,8	2,8001	43,59	0,65370	1,1411	305,81
1978	40,061	7,0195	2,5561	46,78	97,43	5,7398	0,66389	1 080,2	2,7541	55,86	0,66391	1,2741	267,08
1979	40,165	7,2091	2,5109	50,77	91,97	5,8295	0,66948	1 138,5	2,7486	67,04	0,64639	1,3706	300,47
1980	40,598	7,8274	2,5242	59,32	99,70	5,8690	0,67600	1 189,2	2,7603	69,55	0,59849	1,3923	315,04
1981	41,295	7,9226	2,5139	61,62	102,68	6,0399	0,69102	1 263,2	2,7751	68,50	0,55311	1,1164	245,38
1982	44,712	8,1569	2,3760	65,34	107,56	6,4312	0,68961	1 323,8	2,6139	78,01	0,56045	0,9797	243,55
1983	45,438	8,1319	2,2705	78,09	127,50	6,7708	0,71496	1 349,9	2,5372	98,69	0,58701	0,8902	211,35
1984	45,442	8,1465	2,2381	88,34	126,57	6,8717	0,72594	1 381,4	2,5233	115,68	0,59063	0,7890	187,09
1985	44,914	8,0188	2,2263	105,74	129,17	6,7950	0,71517	1 448,0	2,5110	130,25	0,58898	0,7631	180,56
1986	43,798	7,9357	2,1282	137,43	137,46	6,7998	0,73353	1 461,9	2,4009	147,09	0,67154	0,9842	165,00
1987	43,058	7,8814	2,0722	155,45	142,12	6,9214	0,77462	1 490,7	2,3355	162,00	0,70653	1,1459	166,81
1988	43,442	7,9195	2,0755	166,33	137,65	7,0066	0,77381	1 532,3	2,3366	168,71	0,66840	1,1605	151,88

Table 50

Central rates against the ECU

National currency units per ECU

Date	B/L	DK	D	GR	F	IRL	I	NL	UK
13.3.1979	39,4582	7,08592	2,51064	:	5,79831	0,662638	1 148,15	2,72077	(0,663247)
24.9.1979	39,8456	7,36594	2,48557	:	5,85522	0,669141	1 159,42	2,74748	(0,649821)
30.11.1979	39,7897	7,72336	2,48208	:	5,84700	0,668201	1 157,79	2,74362	(0,648910)
23.3.1981	40,7985	7,91917	2,54502	:	5,99526	0,685145	1 262,92	2,81318	(0,542122)
5.10.1981	40,7572	7,91117	2,40989	:	6,17443	0,684452	1 300,67	2,66382	(0,601048)
22.2.1982	44,6963	8,18382	2,41815	:	6,19564	0,686799	1 305,13	2,67296	(0,557037)
14.6.1982	44,9704	8,2340	2,33379	:	6,61387	0,691011	1 350,27	2,57971	(0,560453)
21.3.1983	44,3662	8,04412	2,21515	:	6,79271	0,717050	1 386,78	2,49587	(0,629848)
18.5.1983	44,9008	8,14104	2,24184	:	6,87456	0,725690	1 403,49	2,52595	(0,587087)
17.9.1984	44,9008	8,14104	2,24184	87,4813	6,87456	0,725690	1 403,49	2,52595	(0,585992)
22.7.1985	44,832	8,12857	2,2384	100,719	6,86402	0,724578	1 520,6	2,52208	(0,555312)
7.4.1986	43,6761	7,91896	2,13834	135,659	6,9628	0,712956	1 496,21	2,40935	(0,630317)
4.8.1986	43,1139	7,81701	2,11083	137,049	6,87316	0,764976	1 476,95	2,37833	(0,679256)
12.1.1987	42,4582	7,85212	2,05853	150,792	6,90403	0,768411	1 483,58	2,31943	(0,739615)

Table 51

Bilateral central rates since 12 January 1987

		BFR/LFR (Bruxelles)	DKR (København)	DM (Frankfurt)	FF (Paris)	IRL (Dublin)	LIT (Roma)	HFL (Amsterdam)
BFR/LFR 100	±2,25	100	18,4938	4,84837	16,2608	1,80981	3 494,21	5,46286
DKR 100	±2,25	540,723	100	26,2162	87,9257	9,78604	18 894,0	29,5389
DM 100	±2,25	2 062,55	381,443	100	335,386	37,3281	72 069,9	112,673
FF 100	±2,25	614,977	113,732	29,8164	100	11,1299	21 488,6	33,5953
IRL 100	±2,25	55,2545	10,2186	2,67894	8,98480	1	1 930,71	3,01848
LIT 1 000	±6,00	28,6187	5,29268	1,38754	4,65362	0,517943	1 000	1,56340
HFL 100	±2,25	1 830,54	338,537	88,7526	297,661	33,1293	63 936,1	100

Table 52

Nominal effective exchange rates
Performance against 19 industrial countries; double export weights

1980 = 100

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	J
1960	82,6	104,1	52,8	192,6	150,4	117,1	149,7	196,9	74,8	214,5	158,6	98,4	125,0	71,8
1961	81,7	103,1	54,7	191,1	149,6	116,1	149,4	195,2	77,1	213,4	157,8	99,9	125,3	71,4
1962	81,7	103,1	54,9	190,9	150,0	116,1	149,8	195,0	77,6	213,8	158,3	100,5	126,3	71,5
1963	81,5	103,2	55,2	191,0	150,1	116,2	149,7	194,8	77,7	213,4	158,0	100,6	126,6	71,5
1964	81,7	103,0	55,3	191,0	150,1	116,2	149,5	193,9	77,5	212,9	157,5	100,5	126,7	71,4
1965	82,0	103,1	55,1	191,2	150,2	116,2	149,6	193,9	77,7	213,1	157,8	100,4	126.7	71,5
1966	81,9	103,3	55,1	191,4	150,2	116,1	149,6	194,3	77,4	213,3	157,8	100,3	126,8	71,4
1967	82,1	102,6	55,4	191,8	147,9	116,2	148,6	194,8	77,9	214,1	155,3	100,1	127,2	71,6
1968	82,9	99,0	56,4	195,1	132,2	117,9	139,5	198,7	79,1	222,8	137,1	96,5	130,0	73,1
1969	83,1	98,6	57,9	195,4	132,3	112,1	139,6	198,3	79,2	224,6	137,2	96,2	130,2	73,7
1970	83,2	97,8	62,8	192,6	131,8	103,1	139,4	196,1	78,0	223,4	136,7	97,5	128,5	73,3
1971	83,1	96,9	64,7	188,2	130,2	100,8	139,5	194,3	78,7	222,0	136,7	98,3	125,1	74,5
1972	85,5	97,6	66,4	176,2	132,6	103,2	136,7	193,0	79,8	219,6	131,8	100,3	116,7	82,8
1973	86,7	103,6	73,4	162,2	134,7	106,7	127,3	173,3	82,4	223,5	118,0	103,0	107,4	87,4
1974	87,9	104,0	77,4	162,6	138,7	99,5	124,1	156,4	86,7	220,5	113,9	101,1	109,6	81,6
1975	89,2	107,6	78,6	146,7	135,2	109,3	117,0	149,9	88,8	213,9	104,8	102,5	108,7	79,3
1976	91,3	110,0	83,1	138,7	124,2	105,2	105,1	124,3	91,2	195,4	89,7	92,8	114,4	83,3
1977	96,5	109,4	89,7	134,7	108,7	100,2	101,5	114,4	96.0	153,1	85,5	91,9	113,6	92,4
1978	99,3	109,4	95,0	122,4	98,3	98,9	102,0	107,3	98,3	121,9	85,7	92,4	103,1	112,5
1979	100,5	108,5	99,6	115,5	107,4	99,6	102,2	103,7	99,8	103,3	90,9	98,4	100,2	104,2
1980	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1981	94,2	92,5	94,4	89,8	90,4	91,2	91,3	87,6	95,7	96,2	100,2	83,9	112,8	113,6
1982	85,5	88,4	99,1	82,7	84,9	83,6	90,3	81,6	100,5	83,8	95,8	78,0	126,3	107,9
1983	83,1	87,9	103,1	67,7	70,3	77,6	86,6	78,5	102,6	66,1	89,1	71,4	133,6	119,7
1984	81,3	84,7	101,4	58,0	68,6	73,9	82,9	73,9	101,0	54,6	84,9	64,8	144,0	126,6
1985	82,0	85,7	101,7	48,8	67,1	74,7	83,9	70,1	101,2	48,3	84,8	63,5	149,9	130,5
1986	86,5	91,1	112,6	38,4	66,0	78,0	87,0	72,7	109,0	44,6	78,6	69,7	121,3	166,0
1987	90,0	95,0	120,4	34,6	66,2	78,9	85,2	73,5	114,6	41,4	77,8	74,5	106,7	179,7
1988	88,7	93,3	119,1	32,1	68,0	77,1	84,0	70,8	113,8	39,4	81,7	72,9	101,2	196,9

Table 53

Current receipts; general government

Percentage of GDP at current market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9	EUR 12
1960	27,5	27,3	35,1	21,1	:	34,9	24,8	28,8	32,5	33,9	:	30,1	32,1	:
1961	28,4	26,6	36,3	22,0	:	36,2	25,7	28,2	34,1	34,9	:	31,3	32,9	:
1962	29,2	28,2	36,6	23,2	:	36,3	25,2	29,1	33,5	34,4	:	32,9	33,7	:
1963	29,4	29,9	36,9	23,2	:	37,1	26,1	29,5	33,6	35,6	:	31,5	33,7	:
1964	30,0	29,7	36,4	24,0	:	38,0	26,9	30,6	33,5	35,7	:	31,5	34,0	:
1965	30,7	31,2	35,7	23,7	:	38,4	27,9	30,1	35,2	37,3	:	33,2	34,4	:
1966	32,4	33,5	36,2	25,3	:	38,4	30,0	30,1	35,8	39,2	:	34,4	35,1	:
1967	33,2	34,1	36,9	26,2	:	38,2	30,6	31,0	35,7	40,6	:	36,3	35,9	:
1968	33,8	36,9	38,0	27,3	:	38,8	31,0	31,6	34,5	42,4	:	37,7	36,9	:
1969	34,3	37,2	39,4	27,2	:	39,8	31,6	30,7	34,3	43,2	:	39,6	37,9	:
1970	35,2	41,7	38,3	26,8	:	39,0	35,3	30,4	35,0	44,5	:	40,5	37,8	:
1961-70	31,7	32,9	37,1	24,9	:	38,0	29,0	30,1	34,5	38,8	:	34,9	35,2	:
1970	36,5	46,2	38,9	26,5	22,5	39,8	33,2	26,7	35,8	41,1	:	39,8	37,0	:
1971	37,1	46,9	40,0	26,3	22,7	39,1	34,1	27,3	39,1	43,5	:	37,8	37,0	:
1972	37,6	46,5	40,4	26,3	23,1	39,0	32,9	27,1	39,2	44,6	:	36,2	36,8	:
1973	38,2	47,3	42,9	25,1	23,8	39,4	32,2	26,7	39,3	46,4	:	35,4	37,3	:
1974	39,2	49,1	43,4	26,7	23,1	40,3	34,3	26,8	40,4	47,1	:	39,0	38,5	:
1975	42,0	46,8	43,4	27,1	24,8	41,2	33,7	27,4	49,5	49,4	:	39,6	39,2	:
1976	41,8	47,6	44,6	29,2	25,6	43,5	36,9	28,8	50,7	49,8	:	38,8	40,2	:
1977	43,4	48,3	45,7	29,6	26,8	42,8	35,5	30,0	54,9	50,6	:	38,5	40,6	:
1978	44,0	50,3	45,4	29,9	27,5	42,5	34,3	31,5	56,3	51,1	:	37,0	40,5	:
1979	44,7	51,5	45,1	30,4	28,8	44,1	35,0	31,2	53,1	52,1	:	37,9	41,0	:
1980	44,2	52,9	45,4	30,2	30,2	46,1	37,7	33,1	54,3	53,5	30,8	39,7	42,4	40,9
1971-80	41,2	48,7	43,6	28,1	25,6	41,8	34,7	29,0	47,7	48,8	:	38,0	39,4	:
1981	45,0	52,9	45,6	28,9	31,7	46,7	38,4	34,1	55,0	53,8	32,3	41,7	43,2	41,8
1982	46,7	52,0	46,1	32,0	31,9	47,6	40,3	36,1	54,6	54,3	33,4	42,3	44,2	42,7
1983	46,1	54,4	45,8	33,2	34,0	48,2	42,0	37,9	57,2	55,7	37,0	41,5	44,6	43,3
1984	47,1	56,2	46,1	34,2	33,8	49,2	42,0	37,6	54,3	54,5	34,6	41,6	44,8	43,5
1985	47,3	56,9	46,4	34,5	35,1	49,3	41,9	38,1	55,6	54,9	33,4	41,6	45,0	43,8
1986	46,0	58,9	45,6	35,3	36,5	48,8	42,1	39,0	55,7	53,6	37,5	40,7	44,6	43,6
1987	46,2	59,9	45,1	37,6	37,9	49,3	42,3	39,6	56,0	54,7	35,0	39,9	44,6	43,7
1988	45,5	60,8	44,5	36,3	38,6	48,9	42,1	40,5	55,9	54,5	35,1	39,6	44,4	43,6
1989	45,1	61,1	45,2	36,5	39,0	48,6	40,0	40,7	56,2	53,0	35,0	38,9	44,3	43,6

Table 54

Total expenditure; general government

Percentage of GDP at current market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9	EUR 12
1960	30,3	24,8	32,5	:	:	34,6	28,0	30,1	30,5	33,7	:	32,4	32,2	:
1961	29,8	27,1	33,8	:	:	35,7	29,7	29,4	30,3	35,4	:	33,1	33,0	:
1962	30,5	28,1	35,6	:	:	37,0	29,5	30,5	32,2	35,6	:	34,0	34,2	:
1963	31,5	28,6	36,4	:	:	37,8	30,5	31,1	32,1	37,6	:	35,4	35,2	:
1964	30,8	28,4	36,1	:	:	38,0	31,8	31,8	32,3	37,8	:	33,7	34,8	:
1965	32,3	29,9	36,7	:	:	38,4	33,1	34,3	33,3	38,7	:	36,2	36,3	:
1966	33,5	31,7	36,9	:	:	38,5	33,6	34,3	35,0	40,7	:	35,4	36,3	:
1967	34,5	34,3	38,8	:	:	39,0	34,8	33,7	37,5	42,5	:	38,3	37,7	:
1968	36,3	36,3	39,2	:	:	40,3	35,2	34,7	37,3	43,9	:	39,3	38,7	:
1969	36,1	36,3	38,8	:	:	39,6	36,6	34,2	34,1	44,4	:	41,3	38,8	:
1970	36,5	40,2	38,6	:	:	38,9	39,6	34,2	33,1	46,0	:	39,2	38,4	:
1961-70	33,2	32,1	37,1	:	:	38,3	33,5	32,8	33,7	40,3	:	36,6	36,3	:
1970	38,6	42,1	38,7	:	21,7	38,9	37,5	29,7	33,1	42,3	:	36,8	36,8	:
1971	40,3	43,0	40,2	:	23,2	38,3	38,3	31,7	36,8	44,5	:	36,5	37,6	:
1972	41,3	42,6	40,9	:	22,8	38,3	37,0	33,5	37,2	45,0	:	37,5	38,4	:
1973	41,5	42,1	41,7	:	22,7	38,5	36,8	32,8	36,1	45,7	:	38,1	38,6	:
1974	41,8	45,9	44,7	:	22,9	39,7	42,5	32,9	35,6	47,4	:	42,8	40,9	:
1975	46,7	48,2	49,0	:	24,6	43,5	46,3	37,5	48,6	52,2	:	44,1	44,6	:
1976	47,2	47,8	48,0	:	25,9	44,0	45,5	36,6	49,2	52,4	:	43,7	44,2	:
1977	48,9	48,8	48,1	:	27,4	43,6	43,1	36,9	52,0	52,4	:	41,7	43,8	:
1978	50,0	50,6	47,8	:	29,2	44,6	44,0	40,0	51,3	53,8	:	41,4	44,7	:
1979	51,8	53,2	47,7	:	30,5	45,0	46,4	39,4	52,5	55,8	:	41,1	44,8	:
1980	53,2	56,2	48,3	:	32,9	46,1	50,4	41,6	54,8	57,5	:	43,0	46,3	:
1971-80	46,3	47,8	45,6	:	26,2	42,1	43,0	36,3	45,4	50,7	:	41,0	42,4	:
1981	57,8	59,8	49,2	39,9	35,6	48,6	51,8	45,4	58,5	59,2	41,5	44,3	48,4	47,1
1982	57,7	61,2	49,4	39,7	37,5	50,3	54,0	47,4	55,8	61,3	43,8	44,8	49,5	48,2
1983	57,2	61,6	48,4	41,5	38,8	51,4	53,7	48,5	55,6	62,0	46,1	44,9	49,7	48,6
1984	56,4	60,3	48,0	44,3	39,3	52,0	51,7	49,2	51,4	60,7	46,6	45,5	49,9	48,8
1985	55,6	58,9	47,5	48,1	42,1	52,1	53,0	50,6	49,8	59,6	43,5	44,3	49,7	49,0
1986	54,8	55,8	46,9	46,1	42,2	51,7	53,0	50,5	49,7	59,6	45,3	43,1	49,1	48,4
1987	53,4	57,8	46,9	47,1	41,5	51,8	51,4	50,1	50,8	61,0	43,4	41,4	48,7	48,0
1988	52,7	59,9	46,7	48,4	41,6	50,8	48,8	50,5	50,5	59,7	43,3	39,9	48,1	47,4
1989	51,6	59,8	46,5	49,8	41,9	50,4	46,2	50,7	50,1	57,6	42,7	39,1	47,7	47,1

Table 55

Net lending(+) or net borrowing(−); general government

Percentage of GDP at current market prices

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9	EUR 12
1960	−2,8	3,1	3,0	:	:	0,9	−2,4	−0,9	3,1	0,8	:	−1,0	0,6	:
1961	−1,3	0,1	2,8	:	:	1,0	−3,2	−0,8	4,8	0,1	:	−0,7	0,5	:
1962	−1,3	0,6	1,4	:	:	−0,1	−3,6	−1,0	2,3	−0,6	:	0,0	0,1	:
1963	−2,1	1,9	0,9	:	:	−0,1	−3,6	−1,2	2,6	−1,3	:	−2,8	−0,8	:
1964	−0,8	1,8	0,7	:	:	0,7	−4,1	−0,8	2,2	−1,5	:	−1,1	−0,2	:
1965	−1,6	1,8	−0,6	:	:	0,7	−4,3	−3,8	2,9	−0,8	:	−2,0	−1,2	:
1966	−1,0	2,3	−0,2	:	:	0,6	−2,8	−3,8	1,9	−0,9	:	0,0	−0,6	:
1967	−1,3	0,4	−1,4	:	:	0,0	−3,3	−2,2	−0,7	−1,3	:	−1,0	−1,1	:
1968	−2,5	1,1	−0,8	:	:	−0,8	−3,3	−2,8	−1,7	−0,9	:	−0,5	−1,1	:
1969	−1,8	1,4	1,1	:	:	0,9	−4,2	−3,1	1,2	−0,5	:	−0,6	−0,3	:
1970	−1,3	2,1	0,2	:	:	0,9	−3,7	−3,5	2,8	−0,8	:	2,5	0,1	:
1961-70	−1,5	1,3	0,4	:	:	0,4	−3,6	−2,3	1,8	−0,8	:	−0,6	−0,5	:
1970	−2,2	4,1	0,2	:	0,7	0,9	−4,3	−3,1	2,7	−1,2	:	3,0	0,2	:
1971	−3,2	3,9	−0,2	:	−0,6	0,7	−4,2	−4,5	2,3	−1,0	:	1,3	−0,6	:
1972	−3,7	3,9	−0,5	:	0,3	0,8	−4,1	−6,5	2,0	−0,4	:	−1,3	−1,6	:
1973	−3,3	5,2	1,2	:	1,1	0,9	−4,6	−6,1	3,3	0,8	:	−2,7	−1,3	:
1974	−2,6	3,1	−1,3	:	0,2	0,6	−8,2	−6,1	4,7	−0,2	:	−3,8	−2,4	:
1975	−4,7	−1,4	−5,6	:	0,0	−2,2	−12,5	−10,1	0,9	−2,9	:	−4,5	−5,3	:
1976	−5,5	−0,2	−3,4	:	−0,3	−0,5	−8,6	−7,8	1,4	−2,6	:	−4,9	−4,0	:
1977	−5,5	−0,5	−2,4	:	−0,6	−0,8	−7,6	−6,9	2,9	−1,8	:	−3,2	−3,2	:
1978	−6,0	−0,3	−2,4	:	−1,7	−2,1	−9,7	−8,5	4,9	−2,8	:	−4,3	−4,1	:
1979	−7,1	−1,7	−2,6	:	−1,7	−0,8	−11,4	−8,3	0,6	−3,7	:	−3,3	−3,8	:
1980	−9,0	−3,3	−2,9	:	−2,6	0,0	−12,7	−8,5	−0,5	−3,9	:	−3,4	−3,9	:
1971-80	−5,0	0,9	−2,0	:	−0,6	−0,3	−8,4	−7,3	2,3	−1,9	:	−3,0	−3,0	:
1981	−12,7	−6,9	−3,7	−11,0	−3,9	−1,9	−13,4	−11,3	−3,6	−5,4	−9,2	−2,6	−5,2	−5,3
1982	−10,9	−9,1	−3,3	−7,7	−5,6	−2,8	−13,7	−11,3	−1,2	−7,0	−10,4	−2,5	−5,3	−5,5
1983	−11,2	−7,2	−2,5	−8,3	−4,8	−3,2	−11,6	−10,6	1,6	−6,3	−9,1	−3,3	−5,2	−5,3
1984	−9,3	−4,1	−1,9	−10,0	−5,5	−2,8	−9,6	−11,5	2,9	−6,2	−12,0	−3,9	−5,1	−5,3
1985	−8,3	−2,0	−1,1	−13,6	−7,0	−2,8	−11,1	−12,5	5,8	−4,7	−10,1	−2,7	−4,7	−5,2
1986	−8,9	3,1	−1,3	−10,8	−5,7	−2,9	−11,0	−11,4	6,0	−6,0	−7,8	−2,4	−4,5	−4,8
1987	−7,2	2,1	−1,8	−9,5	−3,6	−2,5	−9,1	−10,5	5,2	−6,3	−8,4	−1,4	−4,1	−4,2
1988	−7,1	0,9	−2,3	−12,1	−3,0	−1,9	−6,5	−10,0	5,3	−5,2	−8,1	−0,3	−3,7	−3,8
1989	−6,5	1,4	−1,3	−13,3	−2,9	−1,8	−6,1	−10,0	6,2	−4,6	−7,8	−0,1	−3,3	−3,5

Table 56

Budgetary expenditure of the European Communities (a)

Mio u.a./EUA/ECU

	ECSC operational budget	European Development Fund	Euratom (b)	EC general budget							Total
				EAGGF (c)	Social Fund	Regional Fund	Industry Energy, Research	Administration (d)	Other (e)	Total EC	
1958	21,7	—	7,9	—	—	—	—	—	5,9	5,9	35,5
1959	30,7	51,2	39,1	—	—	—	—	—	25,2	25,2	146,2
1960	23,5	63,2	20,0	—	—	—	—	—	28,3	28,3	135,0
1961	26,5	172,0	72,5	—	8,6	—	—	—	25,4	34,0	305,0
1962	13,6	162,3	88,6	—	11,3	—	—	—	81,0	92,3	356,8
1963	21,9	55,5	106,4	—	4,6	—	—	—	79,5	84,1	267,9
1964	18,7	35,0	124,4	—	7,2	—	—	—	85,9	93,1	271,1
1965	37,3	248,8	120,0	102,7	42,9	—	—	—	55,5	201,1	607,2
1966	28,1	157,8	129,2	310,3	26,2	—	—	—	65,8	402,2	717,3
1967	10,4	105,8	158,5	562,0	35,6	—	—	—	77,5	675,1	949,8
1968	21,2	121,0	73,4	2 250,4	43,0	—	—	—	115,3	2 408,6	2 624,2
1969	40,7	104,8	59,2	3 818,0	50,5	—	—	—	182,7	4 051,2	4 255,9
1970	56,2	10,5	63,4	5 228,3	64,0	—	—	—	156,1	5 448,4	5 578,5
1971	37,4	236,1	—	1 883,6	56,5	—	65,0	—	284,3	2 289,3	2 562,8
1972	43,7	212,7	—	2 477,6	97,5	—	75,1	—	424,3	3 074,5	3 330,9
1973	86,9	210,0	—	3 768,8	269,2	—	69,1	—	533,8	4 641,0	4 937,9
1974	92,0	157,0	—	3 651,3	292,1	—	82,8	—	1 011,9	5 038,2	5 287,2
1975	127,4	71,0	—	4 586,6	360,2	150,0	99,0	—	1 017,8	6 213,6	6 412,0
1976	94,0	320,0	—	6 033,3	176,7	300,0	113,3	—	1 329,2	7 952,6	8 366,6
1977 (f)	93,0	800,0	—	6 667,6	55,3	400,0	167,0	—	1 303,9	8 483,2	9 376,2
1978	159,1	394,5	—	9 552,3	256,5	254,9	266,8	—	1 430,8	11 884,2	12 190,8
1979	173,9	480,0	—	10 765,0	527,0	499,0	288,0	863,9	1 504,1	14 602,5	15 256,4
1980	175,7	508,5	—	11 596,1	502,0	751,8	212,8	938,8	2 056,1(g)	16 057,5	16 741,7
1981	261,0	658,0	—	11 443,0	547,0	547,0	232,0	1 035,4	3 024,6	18 546,0(h)	19 465,0
1982	243,0	750,0	—	12 792,0	910,0	2 766,0(i)	346,0	1 103,3	3 509,7	21 427,0(j)	22 420,0
1983	300,0	752,0	—	16 331,3	801,0	2 265,5	1 216,2	1 161,6	2 989,9	24 765,5(k)	25 817,5
1984	408,0	810,0	—	18 985,8	1 116,4	1 283,3	1 346,4	1 236,6	2 150,8	26 119,3(l)	27 337,3
1985	453,0	710,0	—	20 546,4	1 413,0	1 624,3	706,9	1 332,6	2 599,8	28 223,0(m)	29 386,0
1986	439,0	897,0	—	23 067,7	2 533,0	2 373,0	760,1	1 603,2	4 526,2	34 863,2	36 199,2
1987	399,3	837,9	—	23 939,4	2 542,0	2 562,3	964,8	1 740,0	3 720,5	35 469,2	36 706,4
1988	567,0	1 000,0	—	30 893,0	2 600,0	2 980,0	1 154,0	1 968,0	4 225,0	43 820,0(n)	45 387,0
1989	384,0	—	—	32 123,0	2 970,0	3 920,0	1 480,0	2 162,0	3 822,0	46 477,0(o)	—

Table 57

Budgetary receipts of the European Communities (a)

Mio u.a./EUA/ECU

	ECSC levies and other	European Dev. Fund contributions	Euratom contributions (research only)	EC budget						Total
				Miscellaneous and contributions under special keys	Own resources				Total EC	
					Miscellaneous	Agricultural levies	Import duties	GNP contributions or VAT (b) (c)		
1958	44,0	116,0	7,9	0,2	—	—	—	5,9	5,9	173,8
1959	49,6	116,0	39,1	0,1	—	—	—	25,1	25,2	229,9
1960	53,3	116,0	20,0	0,2	—	—	—	28,1	28,3	217,6
1961	53,1	116,0	72,5	2,8	—	—	—	31,2	34,0	275,6
1962	45,3	116,0	88,6	2,1	—	—	—	90,2	92,3	342,2
1963	47,1	—	106,4	6,7	—	—	—	77,4	84,1	237,5
1964	61,3	—	124,4	2,9	—	—	—	90,1	93,1	278,7
1965	66,1	—	98,8	3,5	—	—	—	197,6	201,1	366,0
1966	71,2	—	116,5	3,9	—	—	—	398,3	402,2	590,0
1967	40,3	40,0	158,5	4,2	—	—	—	670,9	675,1	913,9
1968	85,4	90,0	82,0	—	—	—	—	—	2 408,6	2 666,0
1969	106,8	110,0	62,7	78,6	—	—	—	3 972,6	4 051,2	4 330,7
1970	100,0	130,0	67,7	121,1	—	—	—	5 327,3	5 448,4	5 746,1
1971	57,9	170,0	—	—	69,5	713,8	582,2	923,8	2 289,3	2 517,2
1972	61,1	170,0	—	—	80,9	799,6	957,4	1 236,6	3 074,5	3 305,6
1973	120,3	150,0	—	—	511,0	478,0	1 564,7	2 087,3	4 641,0	4 911,3
1974	124,6	150,0	—	—	65,3	323,6	2 684,4	1 964,8	5 038,2	5 312,8
1975	189,5	220,1	—	—	320,5	590,0	3 151,0	2 152,0	6 213,6	6 623,1
1976 (d)	129,6	311,0	—	—	282,8	1 163,7	4 064,6	2 482,1	7 993,1	8 433,7
1977	123,0	410,0	—	—	283,0	1 778,5	3 927,2	2 494,5	8 483,2	9 016,2
1978	164,9	147,5	—	—	217,2	2 283,3	4 407,9	4 975,8	11 884,2	12 196,6
1979	168,4	480,0	—	—	230,3	2 143,4	5 189,1	7 039,8	14 602,5	15 251,0
1980	226,2	555,0	—	—	1 055,9(e)	2 002,3	5 905,8	7 093,5	16 057,5(f)	16 838,7
1981	264,0	658,0	—	—	1 219,0	1 747,0	6 392,0	9 188,0	18 546,0(g)	19 468,0
1982	243,0	750,0	—	—	187,0	2 228,0	6 815,0	12 197,0	21 427,0	22 420,0
1983	300,0	700,0	—	—	1 565,0	2 295,0	6 988,7	13 916,8	24 765,5(h)	25 765,5
1984	408,0	810,0	—	—	1 060,7(i)	2 436,3	7 960,8	14 594,6	26 052,4(j)	—
1985	453,0	710,0	—	—	2 491,0(k)	2 179,0	8 310,0	15 218,0	28 198,0	29 361,0
1986	439,0	897,0	—	—	396,5	2 287,0	8 172,9	22 810,8	33 667,2	35 003,2
1987	399,3	837,9	—	—	74,8	3 097,0	8 936,5	23 674,1	35 783,3	37 020,5
1988	567,0	1 000,0	—	—	1 160,9	2 820,9	8 595,2	31 243,0	43 820,0(l)	45 387,0
1989	384,0	—	—	—	277,8	2 696,2	9 249,8	34 253,2	46 477,0(m)	—

Table 58

Borrowing operations of the European Communities and of the European Investment Bank

Mio u.a./EUA/ECU

	ECSC	EIB	Euratom	EEC(b)	EEC-NCI(c)	Total
1958	50	—	—	—	—	50
1959	—	—	—	—	—	—
1960	35	—	—	—	—	35
1961	23	21	—	—	—	44
1962	70	32	—	—	—	102
1963	33	35	5(d)	—	—	73
1964	128	67	8(d)	—	—	203
1965	54	65	11(d)	—	—	130
1966	103	139	14(d)	—	—	256
1967	58	195	3(d)	—	—	256
1968	108	213	—	—	—	321
1969	52	146	—	—	—	198
1970	60	169	—	—	—	229
1971	102	413	1(d)	—	—	516
1972	230	462	—	—	—	692
1973	263	608	—	—	—	871
1974	528	826	—	—	—	1 354
1975	731	814	—	—	—	1 545
1976	956	732	—	1 249	—	2 937
1977	729	1 030	99	571	—	2 429
1978	981	1 863	72	—	—	2 916
1979	837	2 437	153	—	178	3 605
1980	1 004	2 384	181	—	305	3 874
1981	325	2 243	373	—	339	3 280
1982	712	3 146	363	—	773	4 994
1983	750	3 508	369	—	1 617	6 244
1984	822	4 339(e)	214	—	967	6 342
1985	1 265	5 699(f)	344	—	860	8 168
1986	1 517	6 766	488	875	541	10 187
1987	1 487	5 573	853	875	611	9 399

Table 59

Net outstanding borrowing of the European Communities and of the European Investment Bank

Mio u.a./EUA/ECU(a)

	ECSC	EIB	Euratom	EEC(b)	EEC-NCI(c)	Total
1958	212	—	—	—	—	212
1959	209	—	—	—	—	209
1960	236	—	—	—	—	236
1961	248	21	—	—	—	269
1962	304	54	—	—	—	358
1963	322	88	—	—	—	410
1964	436	154	—	—	—	590
1965	475	217	—	—	—	692
1966	560	355	—	—	—	915
1967	601	548	—	—	—	1 149
1968	686	737	—	—	—	1 423
1969	719	883	—	—	—	1 602
1970	741	1 020	—	—	—	1 761
1971	802	1 423	—	—	—	2 225
1972	963	1 784	—	—	—	2 747
1973	1 157	2 287	—	—	—	3 444
1974	1 615	3 124	—	—	—	4 739
1975	2 391	3 926	—	—	—	6 317
1976	3 478	4 732	—	1 161	—	9 371
1977	3 955	5 421	99	1 500	—	10 975
1978	4 416	6 715	172	1 361	—	12 664
1979	4 675	8 541	323	965	178	14 682
1980	5 406	10 604	502	1 016	491	18 019
1981	5 884	13 482	902	1 062	894	22 224
1982	6 178	16 570	1 272	591	1 747	26 358
1983	6 539	20 749	1 680	4 610	3 269	36 847
1984	7 119	25 007	1 892	4 932	4 432	43 382
1985	7 034	26 736	2 013	3 236	4 960	43 979
1986	6 761	30 271	2 168	1 890	5 202	46 292
1987	6 689	31 957	2 500	2 997	5 229	49 372

Notes on the tables

Tables 1, 4 to 10, 12 to 35, 38, 39 and 42

Sources: EC: Eurostat, Cronos data bank; USA, Japan: OECD, National accounts, Volume I.

Table 2

Definition: NL: full-time equivalent; USA: persons engaged.

Sources: EC: as Table 1; USA: Department of Commerce, Survey of current business; Japan: national publications.

Table 3

Definitions: EC: SOEC; USA, Japan: OECD.

Sources: Eurostat, Cronos data bank; Greece, Spain and Portugal: Estimates of Commission services based on national surveys.

Table 11

Coverage: Construction excluded.

Source: Eurostat, Cronos data bank.

Tables 31 to 33

Definitions:

Adjusted wage share: compensation of employees adjusted for the share of self-employed in total employment.

Unit labour costs: Adjusted compensation of employees per unit of GDP at constant market prices.

Real unit labour costs: unit labour costs deflated by the GDP price deflator.

Tables 33 and 52

For a detailed commentary on the method used, see *European Economy* No 8, March 1981.

EUR 12: against nine non-member countries (Australia, Austria, Canada, Finland, Japan, Norway, Sweden, Switzerland, USA).

Tables 36, 37, 40, 41, 43 and 44

Definition: Trade statistics.

Source: Eurostat, Cronos data bank.

Table 45

Definitions: B: M2N. DK: M2. D, GR: M3. E: ALP. F: M3R. IRL: M3. I: M2N. NL: M2N, breaks in series 1976, 1977, 1978 and 1982. P: L^-. UK: Sterling M3. EUR: chain weighted arithmetic mean; weights: GDP at current market prices and PPS. USA: M3. J: M2 plus CDs (certificates of deposit).

Table 46

Definitions: B: 1961 – 84 4-month certificates of Fonds des Rentes; 1985 – 87 3-month Treasury certificates. DK: 1961 – 76 discount rate; 1977 – 87 call money. D: 3-month interbank loans. GR: 1960-April 1980 credit for working capital to industry; May 1980 – 87 interbank sight deposits. E: 3-month interbank deposits. F: 1960-68 call money; 1969 – 81 1-month sale and repurchase agreements on private sector paper; 1982 – 87 3-month sale and repurchase agreements on private sector paper. IRL: 1961 – 70 3-month interbank deposits in London; 1971 – 87 3-month interbank deposits in Dublin. I: 1960 – 70 12-month Treasury bills; 1971 – 87 interbank sight deposits. NL: 1960-September 1972 3-month Treasury bills; October 1972 – 87 3-month interbank deposits. P: 1966-July 1985 6-month deposits; August 1985 – 87 3-month Treasury bills. UK: 1961-September 1964 3-month Treasury bills; October 1964 – 87 3-month interbank deposits. EUR 12: weighted geometric mean, weights: private consumption at current prices and PPS. USA: 3-month Treasury bills. J: bonds traded with 3-month repurchase agreements.

Source: 1988: Estimates by Commission departments.

Table 47

Definitions: B: State bonds over 5 years, secondary market. DK: State bonds and mortgage loans. D: public sector bonds outstanding. GR: State bonds. E: public sector bonds over 2 years. F: 1960 – 79 public sector bonds; 1980 – 87 State bonds over 7 years. IRL: 1960 – 70 State bonds 20 years in London; 1971 – 87 State bonds 15 years in Dublin. I: 1960 – 84 Crediop bonds; 1985 – 87 rate of specialized industrial credit institutions. NL: 1960 – 73 3,25 % State bond 1948; 1974 – 84 private loans to public enterprises; 1985 – 87 5 State bonds with the longest maturity. P: bonds over 5 years. UK: State bonds 20 years. EUR 12: as for Table 46. USA: federal bonds over 10 years. J: 1961 – 78 State bonds; 1979 – 87 over the counter sales of State bonds.

Source: 1988: Estimates by Commission departments.

Table 48

Source: IMF: International Financial Statistics and Commission departments. Gold is valued at market related prices.

Table 49

Sources: Eurostat and Commission departments.

Tables 50 and 51

Source: Commission departments.

The pound sterling and, since 19 September 1984, the drachma are represented in the ECU, but do not participate in the EMS exchange rate mechanism.

Tables 53 to 55

Definition: EUR 9: Community excluding Greece, Spain and Portugal.

Sources: 1960 – 70: OECD; 1970 – 88: Member countries national accounts and Commission departments.

Table 56

Sources: 1958 – 87: Management accounts. (a) u.a. until 1977, EUA/ECU 1978 onwards. (b) Incorporated in the EC budget from 1971. (c) This column includes, for the years to 1970, substantial amounts carried forward to following years. (d) Commission, Council, Parliament, Court of Justice and Court of Auditors. (e) Until 1978 including administration. (f) In 1977 appropriations for the Social Fund carried forward from 1976 and subsequently cancelled amounted to 227 716 611 u.a., while total expenditure for 1977 amounted to only 172 439 999 u.a. giving the net figure shown here. (g) Including surplus of ECU 82,4 million carried forward to 1981. (h) Including ECU 1 173 million carried forward to 1982. (i) Including ECU 1 819 million UK special measures. (j) Including ECU 2 211 million carried forward to 1983. (k) Including ECU 1 707 million carried forward to 1984. (l) There was a small deficit in 1984 in respect of the EC budget due largely to late payment of advances by some Member States. (m) There was a cash deficit in 1985 of ECU 25 million due to late payment of advances by some Member States. (n) Budget adopted in May 1988, including the Supplementary and rectifying budget No 1 1988. (o) Preliminary draft general budget 1989.

Table 57

Source: 1958 – 87: Management accounts. (a) u.a. until 1977, EUA/ECU 1978 onwards. (b) GNP until 1978, VAT from 1979 until 1987; GNP from 1988 onwards. (c) This column includes for the years to 1970 surplus revenue from previous years carried forward to following years. (d) As a result of the calculations to establish the relative shares of the Member States in the 1976 budget, an excess of revenue over expenditure occurred amounting to 40 543 573 u.a. This was carried forward to 1977. (e) Including surplus brought forward from 1979 and balance of 1979 VAT and financial contributions. (f) Including surplus of ECU 82,4 million carried forward to 1981. (g) Including surplus of ECU 661 million. (h) Includes surplus of ECU 307 million. (i) Includes ECU 593 million of repayable advances by Member States. (j) See note (l) to Table 56. (k) Includes non-repayable advances by Member States of 1981, ECU 6 million. (l) Budget adopted in May 1988, including the Supplementary and rectifying budget No 1 1988. (m) Preliminary draft general budget 1989.

Tables 58 and 59

Sources: European Economy: various issues on the borrowing and lending activities of the Community. (a) ECSC: 1958 – 74 u.a.; 1975 – 87 EUA/ECU. EIB: 1961 – 73 u.a.; 1974 – 87 EUA/ECU. Euratom: 1963 – 73 u.a.; 1974 – 87 EUA/ECU. (b) EEC balance of payments financing. (c) EEC New Community Instrument (for investment). (d) Drawings under credit lines opened with Eximbank (USA). (e) Including ECU 289 million of short-term borrowing. (f) Including ECU 374 million of short-term borrowing.

Abbreviations and symbols used

Countries

B	Belgium
DK	Denmark
D	Federal Republic of Germany
GR	Greece
E	Spain
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	The Netherlands
P	Portugal
UK	United Kingdom
EUR 9	European Community excluding Greece, Spain and Portugal
EUR 10	European Community excluding Spain and Portugal
EUR 12	European Community, 12 Member States

Currencies

BFR	Belgian franc
DKR	Danish krone
DM	Deutschmark
DR	Greek drachma
ESC	Portuguese escudo
FF	French franc
HFL	Dutch guilder
IRL	Irish pound (punt)
LFR	Luxembourg franc
LIT	Italian lira
PTA	Spanish peseta
UKL	Pound sterling
ECU	European currency unit
USD	US dollar
SFR	Swiss franc
YEN	Japanese yen
CAD	Canadian dollar
ÖS	Austrian schilling

Other abbreviations

ACP	African, Caribbean and Pacific countries having signed the Lomé Convention
ECSC	European Coal and Steel Community
EDF	European Development Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMS	European Monetary System
ERDF	European Regional Development Fund
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
GDP (GNP)	Gross domestic (national) product
GFCF	Gross fixed capital formation
LDCs	Less-developed countries
Mio	Million
Mrd	'000 million
NCI	New Community Instrument
OCTs	Overseas countries and territories
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PPS	Purchasing power standard
SMEs	Small and medium-sized enterprises
SOEC	Statistical Office of the European Communities
toe	Tonne of oil equivalent
:	Not available

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