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Annual Economic Report 1991-92

Strengthening growth and improving convergence

No. 50 December 1991

European Economy appears four times a year. It contains important reports and communications from the Commission to the Council and to the Parliament on the economic situation and developments. In addition, *European Economy* presents reports and studies on problems concerning economic policy.

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Strengthening growth and improving convergence

Annual Economic Report 1991-92[1]

The national economies[2]

Analytical studies[2]

Statistical annex[2]

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[1] The Commission adopted the Annual Economic Report on 4 December 1991 and transmitted it for approval to the Council, after consulting the European Parliament and the Economic and Social Committee.

[2] These documents have been prepared under the sole responsibility of the Directorate-General for Economic and Financial Affairs.

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

ECU	European currency unit
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
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
EUA	European unit of account
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	1 000 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
UA	Unit of account
:	Not available
—	Nil

Contents

[1] These documents have been prepared under the sole responsibility of the Directorate-General for Economic and Financial Affairs.

Annual Economic Report 1991-92

Tables

Graphs

Introduction and summary

1991-92: two years of slower growth

World economic growth practically ground to a halt in 1991: +0,2 % in real terms. Cyclical factors, reinforced by the negative effects of the Gulf crisis, have pushed into recession the economies of many important industrialized countries: the United States of America, Canada, some EFTA countries and the United Kingdom. In addition, the far-reaching transformation occurring in Central and Eastern Europe is inevitably provoking a temporary, but substantial, decline in output in those countries: however, the impact on the Community remains limited. The end of the recessionary phase in output in some countries and a certain improvement in world trade lead to the expectation of a recovery to growth rates of about 2 % in 1992.

The economy of the European Community has also been affected by these factors, but it has withstood them much better than many other world regions. The fundamental improvement in the functioning of the Community economy which took place during the 1980s and the strong positive growth impulses stemming from German unification have ensured the continuation of growth, albeit at a reduced rate. The rate of growth in the Community is estimated to drop in 1991 to about 1¼ % from the 2,8 % recorded in 1990. 1992 should see a slight improvement of growth—about 2¼ % for the Community as a whole—as the expected recovery in the United Kingdom is offset by a slowdown in Germany once the effects of unification peter out.

The current economic slowdown must be seen against the backdrop of the strong growth which preceded it. The Community economy has been growing at a satisfactory pace since 1984. The last few years have been characterized by unusually high rates of growth of investment which were difficult to sustain: in 1990 the amount of investment in equipment made by Community firms was about 50 % higher in real terms than that of 1984. The expectations created by the internal market programme may, in 1987-89, have led firms to bring investment forward in anticipation of the actual internal market effects. These effects will be felt in the years to come as the political and legislative decisions already taken are implemented and lead to an actual dismantling of the residual internal barriers.

Slower growth involves risks for the major Community projects

The current economic slowdown carries a double economic policy message for the Community.

Table 1

The EC economy — Key indicators

(annual % change, unless otherwise stated)

	Average 1983-87	Average 1988-89	1990	1991[1]	1992[1]	1993[1]
Real GDP	2,4	3,7	2,8	1,3	2¼	2½
Inflation[2]	5,9	4,3	5,2	5,0	4½	4¼
Real compensation per head	1,3	1,6	2,3	2,0	1¼	1¼
Employment	0,1	1,6	1,4	0,5	¼	½
Unemployment (% of active population)	10,5	9,3	8,4	8,6	9	9¼
Budget deficit[3] (% of GDP)	4,9	3,3	4,1	4,4	4½	4¼
Current account balance (% of GDP)	0,7	0	−0,2	−0,8	−1	−¾

1 Economic forecasts, autumn 1991.
2 Private consumption deflator.
3 General government net borrowing.
Source: Commission services.

(i) On the one hand, it represents an unwelcome development which is reducing the margin for manoeuvre for economic policy in many countries. The lower rates of growth are leading, already in 1991, to an increase in unemployment, thus bringing to a halt the continuous downward trend evident since 1986. Social resistance to change risks increasing as the positive consequences of the present structural adjustment take more time to materialize and thus become less visible than the temporary negative ones. Convergence is interrupted in the run-up to economic and monetary union (EMU) and slower growth further complicates the task of budgetary consolidation where this is still necessary and creates less favourable conditions for a rapid catching-up process.

(ii) On the other hand, it constitutes a powerful reminder that the economic policy adjustment which took place during the 1980s, although substantial, was not sufficient or complete. Wage moderation helped improve the profitability of investment which had deteriorated substantially in the wake of the two oil-price shocks and of the unsettled conditions which followed them. This positive trend, however, came to a halt in 1990 when the correction was not yet complete. Further efforts are necessary to bring investment profitability back at least to its level of the 1960s.

The strong growth of 1988-90 was not exploited to further the adjustment process where this was necessary.

In some Member States the rates of inflation, even if substantially reduced by comparison with the beginning of the 1980s, were at the end of the decade still too high for the stated ambition of moving rapidly towards economic and monetary union. A sufficient level of structural adjustment had not taken place. The strong employment growth of 1988-90 led to unwarranted wage increases in 1990 notwithstanding still high unemployment. Equally worrying is the situation in the budgetary area. The strong rates of growth offered a golden opportunity, which was not seized, to take bold steps to consolidate the budgetary position at little cost. In many cases, strong consolidation would have helped in preventing overheating with positive consequences on inflationary pressures. In some countries there remained problems of external competitiveness as shown by continuing fragile external positions. Very often efforts were interrupted too soon in this area as well.

The policies which have brought about the turn-round in the performance of the Community economy during the 1980s must be implemented again with more determination. In an interdependent world economy, healthy fundamentals and a flexible economy go a long way towards ensuring that the effects of adverse external developments do not put in danger the pursuits of fundamental Community economic policy objectives.

With appropriate policies, medium-term perspectives remain good

The rate of growth of the Community economy is currently expected to pick up to about $2\frac{1}{2}$% in 1993. The slow pace of the recovery constitutes a reflection of the fact that many Member States are expected to embark upon policies aimed at resuming the adjustment efforts. Under these conditions, the Community economy could return to stronger rates of growth sustainable in both economic and environmental terms.

The processes launched with the great Community programmes—completion of the internal market, transition to economic and monetary union, reinforcement of economic and social cohesion—are irreversible. Bold decisions and determined actions would have a substantial positive effect on the confidence of economic agents and give an immediate impulse to economic growth.

The efforts to complete the internal market have resulted in the most wide-ranging supply-side initiative in the history of the Community. Most of the required decisions have been taken. Their transposition into national law, however, is lagging behind and a number of difficult issues have still to be solved. The recent agreement on the setting-up of a European Economic Area will extend and reinforce the effects of the internal market programme.

Economic and monetary union will result in an amplification of the type of economic benefits that follow from the 1992 programme. Indeed, only a single currency will allow the full potential benefits of the single market to be achieved. The primary aim of EMU is therefore to strengthen the integration of the Community and improve its economic performance. After many years of remarkable progress, the trend towards the degree of nominal convergence necessary for a smooth transition to EMU has come to a halt in 1989/90. Few Member States are yet in a position to make the transition to EMU without considerable adjustment. Recognizing the need to resume the movement towards greater convergence, Member States have agreed to embark upon ambitious convergence programmes. It is important that these programmes be implemented in a resolute way. The Member States in which the adjustment needs are still great will be encouraged in their determination by a successful and clear outcome of the Maastricht meetings, by the results already achieved by their partners and by enhanced coordination procedures at the Community level.

The Community policy priorities require a consistent implementation of appropriate macroeconomic policies and policies for structural adjustment

Continued efforts are required in all countries to improve the flexibility of the economy. The coexistence of very high overall levels of unemployment and bottle-necks in certain sectors of the labour market suggest that greater efforts must be deployed to improve training and reduce skill mismatches. At the same time, greater flexibility will be needed both in wage determination and the wage structure. It is important to review wage-setting procedures so as to make them more responsive to macroeconomic considerations and to the need of furthering structural adjustment.

The Community, and the whole world, is facing a shortage of savings which risks becoming more acute in the years to come. Notwithstanding a subdued demand for investment in the industrialized world, real long-term interest rates in 1991 are high which points to the fact that available savings are insufficient to meet the demand for capital. This situation risks becoming even less favourable once investment activity picks up again and the huge pent-up capital demand from Central and Eastern Europe translates into actual demand for funds. Authorities should embark on a systematic review of all structural impediments to saving.

The single most important contribution to increased national saving, however, would be a significant reduction in public deficits in most countries. Various Member States (Greece, Italy, Portugal, Belgium, the Netherlands, Ireland and Germany) present, to different degrees, unsatisfactory budgetary positions. These positions must be corrected to improve macroeconomic conditions in the countries concerned and to allow for a smooth transition to EMU. The necessary progress towards these goals would also help to reduce the overall shortage of savings and would ease the burden presently carried by monetary policy.

The success of monetary authorities in preserving price and exchange-rate stability within the Community has been acknowledged by the markets and interest-rate differentials among the EMS currencies have come down substantially. They have all but disappeared at the short end of the market between the currencies of the initial narrow-band participants. Under these conditions the room for manoeuvre at the national level is extremely reduced. It is, therefore, all the more urgent to move to full EMU. Given the continued strength of inflationary pressures in the vast majority of Member States, however, overall monetary policies should remain cautious.

Given the constraints that the high degree of economic integration and exchange-rate stability now prevailing in the Community exert on monetary and budgetary policy, the task of creating conditions conducive to a harmonious development of all Community countries and regions falls more on policies for structural adjustment. Such policies need to be supported by appropriate policy measures in key sectors of the economy to facilitate the required adjustment. Member States and the Community must ensure that supply conditions improve everywhere to create additional employment. Conditions must be created which will attract job-creating investment where unemployment is high. Such conditions would also contribute to the catching-up process which could be further reinforced by a strengthening of the Community's cohesion policies. Better infrastructure, closer cooperation, less-rigid labour markets and tax structures which do not penalize entrepreneurial activities are all particularly important factors. Member States should give the improvement of supply policies a prominent place in their economic policy concept. Cooperation at the Community level and supply-side policies in Member States are a necessary complement to macroeconomic strategies.

Improvement of supply conditions must go hand in hand with maintaining open and undistorted competition. Public subsidies can threaten the functioning of a competitive market process by confining specific advantages to competing companies. In the run-up to EMU, State aids should come under closer scrutiny to improve convergence. The Commission strives to limit subsidization and to incorporate it in a context of restructuring.

A commitment to increased discipline on subsidies would also contribute to the achievement of a more open international trading system. A timely conclusion of the Uruguay Round would not only ensure market access and reduced protection in the traditional areas of trade negotiation but also allow the extension of multilaterally agreed rules to new areas of great relevance for the Community: services, intellectual property rights and international investment. It is important to improve access to our trade markets for those products with which Central and Eastern European countries can compete effectively on the world stage: agriculture, textiles, coal and steel. This improvement in market access will not be carried out at the expense of existing commercial relations with other partners, in particular developing countries. Only a strong, competitive and open Community economy will be able to satisfactorily assist the developing world and Central and Eastern Europe in their development.

I — Economic situation and outlook

1. 1991: a phase of slower growth

1.1. A less dynamic world economy

Over the last two years the Community has had to operate in an increasingly unfavourable economic climate. After peaking in 1988 at around 4 %, the growth of world output excluding the EC has been slowing continuously and was near zero in 1991, the weakest rate since 1982. The growth in the volume of world trade (again excluding the EC) has declined even more from a rate in excess of 7 % in 1988 to less than 2 % in 1991 (Table 2). The decline in activity has been more pronounced than assumed at the beginning of the year with the expected recovery less forthcoming. The previous assessment of the economic outlook has been clearly too optimistic.

1.2. A diversified growth pattern in the Community

The picture of the Community is rather differentiated: relatively weak activity in France, Italy and a recession in the United Kingdom, which seems to have reached its bottom,

Table 2

Real GDP, domestic demand and world trade

(annual % change)

	1981-85	1986-89	1990	1991[1]	1992[1]	1993[1]
			GDP			
World (excluding EC)	2,6	3,8	1,8	−0,2	2,1	3,1
USA	2,9	3,5	0,9	−0,4	2,1	2,2
Japan	3,9	4,4	5,6	4,6	3,5	3,5
EC	1,5	3,2	2,8	1,3	2,2	2,4
			Domestic demand			
USA	3,7	3,0	0,5	−1,0	2,1	2,1
Japan	2,9	5,6	5,8	3,4	3,7	3,7
EC	0,9	4,2	2,9	1,1	2,2	2,6
			World trade			
World imports (excluding EC)	3,0	6,0	3,0	1,8	5,1	6,1
German imports	1,6	6,1	11,4	12,8	5,0	4,7
EC imports[2]	2,0	8,8	4,7	2,5	5,2	5,5
			Current account (% of GDP)			
USA	−1,2	−2,8	−1,6	−0,1	−0,7	−0,6
Japan	1,9	3,2	1,2	1,5	1,6	1,7
EC[3]	−0,1	0,5	−0,2	−0,8	−0,9	−0,8

[1] Economic forecasts, autumn 1991.
[2] EC excluding Germany.
[3] EC including unified Germany from 1991 onwards.
Source: Commission services.

contrast sharply with continued rates of expansion in Germany, Luxembourg and Spain, while the other countries hover between these extremes.

1.2.1. Continuing expansion, particularly in Germany, but at a slowing rate

Germany continued its buoyant growth path under the impact of the significant expansionary impulse of fiscal policy stemming from unification. Fiscal policy gave a strong boost to private consumption, while the investment performance was underpinned by investors' intentions to widen production capacities in order to serve the market of the five new *Länder*. These demand pressures could not be met by domestic supply, which resulted in a strong spill-over to foreign suppliers implying a swing in the current account position from a surplus of 4,7 % of gross domestic product (GDP) (West Germany) in 1989 to a deficit of 1,1 % of GDP (unified Germany) in 1991.

However, even this strong external leakage of domestic demand was not sufficient to prevent internal pressures from developing. A number of factors, including indirect tax increases, have contributed to an upward movement of the price level. Core inflation crept up and inflation in West Germany is now above 4 %. Wage agreements were concluded that granted pay-rises of 6 to 7 %. With productivity growth declining, this resulted in an increase of unit labour costs of almost 6 % with profit margins declining, although from high levels.

On account of the strong rise of transfer payments in the context of unification, the fiscal balance has shifted from equilibrium in 1989 to a deficit of 3,6 % of GDP in 1991, despite revenue-increasing and expenditure-dampening measures of about 2 % of GDP adopted in early 1991.

Since about mid-1991, the growth process has been losing momentum as the expansionary impulse from unification is petering out and as it had to be flanked with a restrictive monetary policy intended to quell inflationary expectations. Furthermore, the outlook for profitability has deteriorated following the increase in unit labour costs. At the same time, the capacity-widening effect of the investment of recent years has led to some fall in the high rate of capacity utilization since the spring of 1991. Although the danger of demand-led inflation has eased somewhat, there are considerable risks of tax and cost-push inflation implied in the present fiscal policy choices, which have relied unduly on the revenue side.

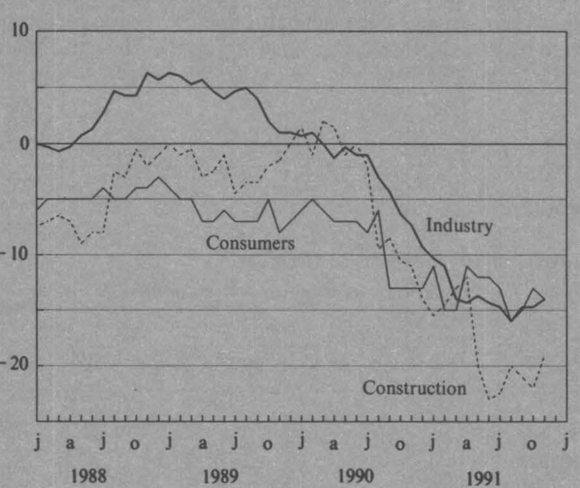
1.2.2. Slower growth in the rest of the Community

The United Kingdom registered a deep recession in 1991, with GDP declining by close to 2 %. Private consumption and particularly investment declined significantly under the delayed influence of the restrictive monetary policy pursued in 1989 and 1990 to cool off the overheating of the economy in the previous consumer boom.

The rest of the Community registered a more subdued rate of growth of 1,5 % compared to 2,7 % in 1990. Overall, it was, in particular, the growth of private consumption and exports which retreated, while investment even stagnated. Confidence of consumers and industry has been low since the outbreak of the Gulf crisis and has since shown a limited recovery (Graph 1).

Investment stagnated for the first time after a particularly strong investment boom during the last five years, in the course of which the European capital stock grew by close to 15 % in real terms. Such a pause for breath was almost unavoidable after the first wave of investment in

GRAPH 1: **Confidence indicators in the Community**



Source: EC business and consumer surveys.

anticipation of the completion of the internal market. The effects of the internal market measures will be felt in the years to come as the political and legislative decisions already taken are implemented and lead to an actual dismantling of the residual internal barriers (Table 3).

Table 3

Key indicators of the EC economy

(annual % change)

	1983-87	1988-89	1990	1991[1]	1992[1]	1993[1]
GDP growth	2,4	3,7	2,8	1,3	2,2	2,4
Employment	0,3	1,6	1,4	0,5	0,3	0,5
Real compensation[2]	1,3	1,6	2,3	2,0	1,3	1,4
Inflation[3]	5,8	4,3	5,2	5,0	4,5	4,2
Real unit labour costs	−1,1	−1,0	0,5	0,6	−0,7	−0,7
Investment	2,6	7,9	4,1	−0,5	2,2	3,7
of which: equipment	4,9	9,9	4,7	−0,4	2,6	4,8

[1] Economic forecasts, autumn 1991.
[2] Real compensation of employees per head (private consumption deflator).
[3] Private consumption deflator.
Source: Commission services.

However, the dent in growth would have been more pronounced in the absence of German unification. Indeed the growth performance of the Community countries was strongly sustained by the demand effects coming from the German economic expansion. The total impact of German unification on the other Community countries is estimated at 0,5 of a percentage point per year on average over the period 1990-91 (see box).

The slowdown in growth was largely cyclical in countries such as Spain, Portugal, the Netherlands, Belgium, Luxembourg, Ireland, Italy and France. The cyclical downswing has brought out underlying structural weaknesses in some countries. Italy and France would have had difficulty in maintaining a more sustained pace of economic activity relative to their trading partners in view of the fragility of their external accounts. Price competitiveness has significantly deteriorated in Italy. In France, the sectoral composition of the trade balance gives reason for concern: while the surplus on agricultural products is growing, its surplus on manufactured goods of the mid-1980s has turned into a significant deficit, although some improvement could be noticed in recent months.

The lower growth performance has had, of course, significant consequences for the employment situation in the Community, which had developed favourably over the 1980s with a net addition of 9 million jobs since 1984 (Table 4). Despite the fact that growth became more employment-intensive, employment growth slowed down markedly for the first time since 1982, resulting in a significant increase in the unacceptable high level of unemployment.

None the less, despite the greater slack in the labour market, wage pressures abated only marginally: nominal compensation per employee rose by 7 % in 1991, a rate only marginally below that of 1990 (7,6 %). With the cyclical slowdown in productivity growth, this resulted in a new increase in nominal unit labour cost and, due to the inability to raise prices sufficiently, in a further rise in real unit labour costs with a consequent negative impact on profitability and international competitiveness.

Despite this decline, profitability remains at a high level. However, while unit profit rates per value added have recovered to levels prevailing in the period 1961-73, this is not also the case as regards the profitability of the capital stock. The productivity of capital declined sharply from 1970 to 1983 and only recovered slowly from 1985 onwards. As a consequence, the profitability of fixed capital is still below its 1961-73 level so that further efforts are needed to achieve a full restoration of profitability (Graph 2).

Economic consequences of German unification for the Community

In general terms, German unification had both real effects via intra-Community trade impulses and monetary effects via interest-rate and exchange-rate movements.

On the real side, the transmission mechanisms are working via real trade balance effects: the considerable current and capital transfers in favour of the five new *Länder* is partly converted into additional demands mostly addressed to West German firms, given their comparative advantages (geographical proximity, common language, common currency). The induced boost on West Germany's final demand in turn results in increased imports addressed to the rest of the world and, notably to the other Member States of the Community, with positive impacts on their own final demand and GDP growth, all other things being equal.

The amplitude of these positive effects, of course, depends not only on the relative importance of exports to Germany in total exports but also on the share of exports in GDP (see Table 1). Thus, the smaller, open economies having close ties with Germany, like the Benelux countries and Denmark, are likely to be more positively affected, in relation to GDP, than the larger countries.

Table 1

Impact of German unification on the growth rate of the other member countries

	Memorandum items 1990		Impact on rate of growth in % points per year	
	Share of exports to Germany in total exports (%)	Share of exports in GDP (%)	1990[1]	1991
BLEU	19,8	75,3	+0,6	+1,0
Denmark	18,2	35,1	+0,4	+0,7
Greece	25,1	23,4	+0,2	+0,4
Spain	11,1	17,7	+0,3	+0,5
France	18,7	23,4	+0,4	+0,7
Ireland	12,2	63,5	+0,3	+0,8
Italy	17,4	20,6	+0,3	+0,6
Netherlands	28,1	56,4	+0,7	+0,9
Portugal	15,8	37,3	+0,3	+0,4
United Kingdom	12,7	24,8	+0,2	+0,5
EUR 11	12,8	28,0	+0,4	+0,6

[1] Second semester, in yearly terms.
Source: Commission services.

In the first 12 months since unification, trade movements confirmed the estimates made in May/June 1990: purchases of the five new *Länder* from the rest of the world including West Germany went up from DM 18 billion to about 130 billion, an amount close to the equivalent of public transfers received by these *Länder*. At the same time all other EC countries except Greece registered considerable upswings in their bilateral trade with Germany (see Table 2).

Table 2

Quarterly bilateral exports to Germany

(% change over same quarter of the previous year)

	1990				1991	
	I	II	III	IV	I	II
BLEU	7,8	3,2	12,1	31,9	28,8	27,0
Denmark	10,8	8,8	22,5	31,2	33,9	29,2
Greece	3,4	−2,7	3,5	8,4	8,1	4,9
Spain	16,3	9,5	30,5	38,0	48,7	41,2
France	15,9	−8,4	15,1	10,6	21,0	38,7
Ireland	9,0	5,8	11,7	6,9	13,6	13,3
Italy	13,0	8,0	17,5	20,1	22,0	19,1
Netherlands	5,7	−0,5	8,7	17,1	20,9	18,5
Portugal	21,5	14,8	17,5	20,1	22,5	21,5
United Kingdom	6,7	−0,5	7,1	13,4	17,5	21,6

Source: Bundesbank, monthly report, supplement 3, 1991.

From these elements, it can be estimated that the growth impact for the Community in 1990 (second semester) and 1991 would be respectively around 0,4 and 0,6 points (see Table 1). Smaller and more open economies generally display a higher impact, particularly in the second year when they also benefit from the indirect effects of unification.

In May/June 1990, it was expected that unification would cause a general rise in German interest rates and a revaluation of the Deutschmark, movements that would have to be followed by all other ERM countries with negative effects on their growth rates. The reaction of financial markets in the first quarters of 1990 seemed to confirm those views. Since then, however, the effective exchange rate, after its initial revaluation, fell back near its pre-unification level and nominal interest rates, both long- and short-term for most EC countries, followed the same profile of an initial rise followed by a decrease.

It may therefore be estimated that the monetary effects of unification on Member States will be somewhat weaker than initially expected and will not have much impact on the estimates presented in Table 1. Thus, although *ceteris paribus* reasoning is always difficult in economics, it may be estimated that, without the unification effect, Germany would have followed the same downward cyclical movement as the other countries and the EC economy would have registered very low growth in 1991.

It is moreover to be noted that in this document all historical data labelled Germany are for West Germany only, since major statistical problems impede the presentation of a reliable picture for the whole of Germany. However, there are a few noteworthy exceptions to this general rule, implying a methodological break in the time-series concerned. First, trade figures based on customs data cover exports and imports of goods of unified Germany. Second, the forecast of the general government account includes public transfers to the five new *Länder* as well as the deficit of the territorial authorities of these *Länder* from 1991 onwards. Third, current account data relate also to unified Germany. When expressed as a percentage of GDP, in these three cases the GDP of the unified Germany is used.

Obviously, the aggregation of national data to an EC total takes into account the retained treatment for Germany. In the table below, an idea is given as to what extent the forecasts for unified Germany, uncertain though they are, affect the aggregates for the Community as a whole, in particular with regard to real growth, the unemployment rate and inflation.

	1991	1992	1993
	Real GDP growth (% p.a.)		
EC	1,3	2,2	2,4
EC[1]	0,9	2,2	2,5
	Unemployment rate		
EC	8,6	9,1	9,2
EC[1]	9,3	9,8	9,9
	Inflation (% p.a.)[2]		
EC	5,0	4,5	4,2
EC[1]	5,3	4,7	4,3
	Net borrowing[3]		
EC	−4,3	−4,3	−4,1
EC[1]	−4,4	−4,4	−4,3
	Current account balance[4]		
EC	−0,3	−0,3	−0,4
EC[1]	−0,8	−0,9	−0,8

[1] EC including the new five German *Länder*.
[2] Deflator of private consumption.
[3] General government; as % of GDP.
[4] As % of GDP.

Table 4

Employment in the Community

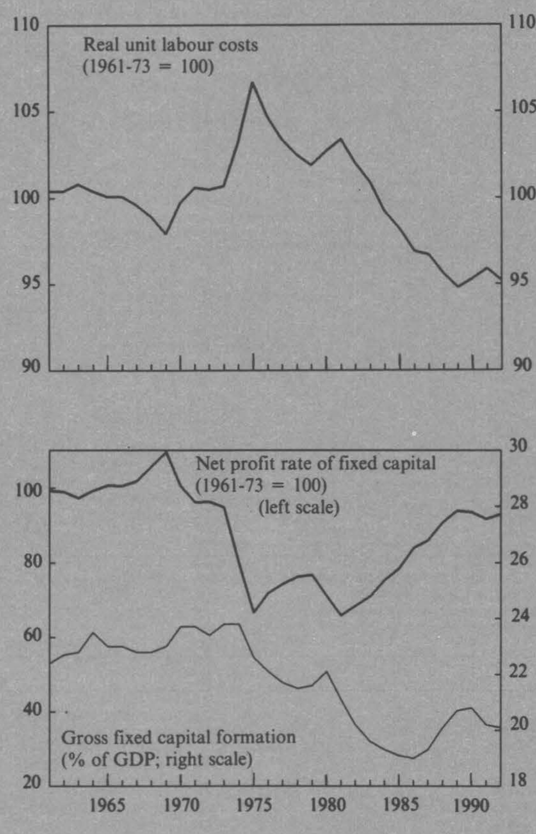
	Total employment (million)	Total employment (% change)	Unemployment rate[1]
1980	128,0		6,0
1984	124,8	−0,6[2]	10,7
1990	133,6	1,4	8,4
1991[3]	134,2	0,5	8,6
1992[3]	134,6	0,3	9,1
1993[3]	135,3	0,5	9,2

[1] As % of the civilian labour force.
[2] Average 1980-84.
[3] Economic forecasts, autumn 1991.
Source: Commission services.

The deterioration of profitability in 1990 and 1991 is certainly not dramatic (Table 5). However, while relative factor prices and profitability have only a limited impact over the short term on investment, their impact becomes stronger in the longer term. A continuation of this tendency of faltering profitability would therefore be detrimental for a recovery in investment and employment. Since 1985, investment has strongly recovered on the basis of significantly improved profitability: real investment is now about one-third higher than in 1985. Nevertheless, the investment GDP ratio is still more than a full percentage point below the average level of the 1961-73 period. Further progress in this ratio is still warranted with a view to reducing the high level of unemployment in the Community.

Sustained wage pressures and increases in taxation in some countries did not allow price increases to abate despite the cyclical slowdown. Consumption prices and the GDP deflator increased at the same pace as in 1990 at around 5 %.

GRAPH 2: **Profitability of fixed capital**



Source: Commission services.

2. The outlook for 1992 and 1993: a gradual recovery

After bottoming out in the second half of 1991, activity is expected to pick up moderately in 1992 mainly because of domestic factors. Although the external environment is expected to improve as a result of a take-off of world output and trade, the Member States of the Community may only benefit to a limited degree from this recovery, since this positive development would be compensated by the petering out of the demand-pull effect of German unification. The foreign balance, therefore, is not expected to support GDP growth significantly in most countries. Still, extra-Community markets are expected to play a more important part in the growth of Community exports than in the last few years. The preservation of external competitiveness is, therefore, crucial.

Table 5

Supply-side factors in the Community

(annual % change, unless otherwise stated)

	1981-86	1987-89	1990-91	1991[1]	1992[1]
Total investment	0,1	7,1	1,8	−0,5	2,2
of which:					
Equipment	1,7	9,4	2,2	−0,4	2,6
Construction	−1,0	4,9	1,7	−0,5	1,8
Capital stock	2,3	2,7	2,9	2,8	2,8
Capital productivity	−0,6	0,7	−0,8	−1,5	−0,6
Real compensation per employee[2]	0,9	1,7	2,1	2,0	1,3
Real unit labour costs	−1,0	−0,7	0,5	0,6	−0,7
Profitability[3]	73,8	90,2	92,5	91,6	92,9
Real long-term interest rate[4]	4,3	5,0	5,3	5,1	:

[1] Economic forecasts, autumn 1991.
[2] Adjusted by the private consumption deflator.
[3] Net return on net capital stock (1961-73 = 100).
[4] Adjusted by the GDP deflator.
Source: Commission services.

Confidence is expected to be restored gradually leading to a modest recovery in private consumption and investment in 1992. With the pursuit of sound policies, the price and cost performance is expected to improve, reversing the deterioration in profitability during the period 1990-91.

As a result of slower activity, employment growth is expected to slow down further from 1,5 % on average over the period 1988-90 to 0,5 % in 1991 and 0,3 % in 1992. Combined with the sustained growth of the labour force in the Community, this slower employment growth will lead to a further increase in the unemployment rate from 8,6 % in 1991 to 9,1 % in 1992.

For 1993 a further strengthening of the recovery is anticipated with real GDP growth rising to around 2½ %. Still, the higher level of activity is not yet expected to result in sufficient job creation to match the rise in the labour force resulting in a further, but marginal, rise in the unemployment rate.

The risk factors surrounding the outlook lie clearly more within the Community than outside it, although external uncertainties could still affect significantly the outcome in the Community. The outlook for a gradually strengthening recovery is very much predicated on the maintenance of adequate policies.

An improvement in the cost performance after the deterioration in 1990-91 is likely to support a gradual pick-up of investment. But if this improvement were not to materialize, it is uncertain how investment would respond. Stronger growth is, however, needed to reduce the still high level of unemployment and to facilitate the structural adjustment in relation to the completion of the internal market and the transition towards economic and monetary union.

II — Progress in economic convergence is stalling

1. Nominal convergence is slipping, but fundamentals remain positive

After deteriorating significantly in 1990, price convergence (measured by the dispersion of private consumption deflators[1]) has improved somewhat in 1991 but on a less-favourable inflation average than in the period 1987-89 (Graph 3). This was mainly due to an increase of the average inflation in the original narrow-band countries (EUR 7) attributable essentially to special developments in Germany and the Netherlands, while price performance generally improved in the other ERM (exchange rate mechanism) countries. In the countries not originally belonging to the narrow band, price increases declined, particularly in the United Kingdom. Price developments in the Community are, however, still a matter of concern, because the average level of inflation is still near 5 % at a moment of slowing down of economic activity.

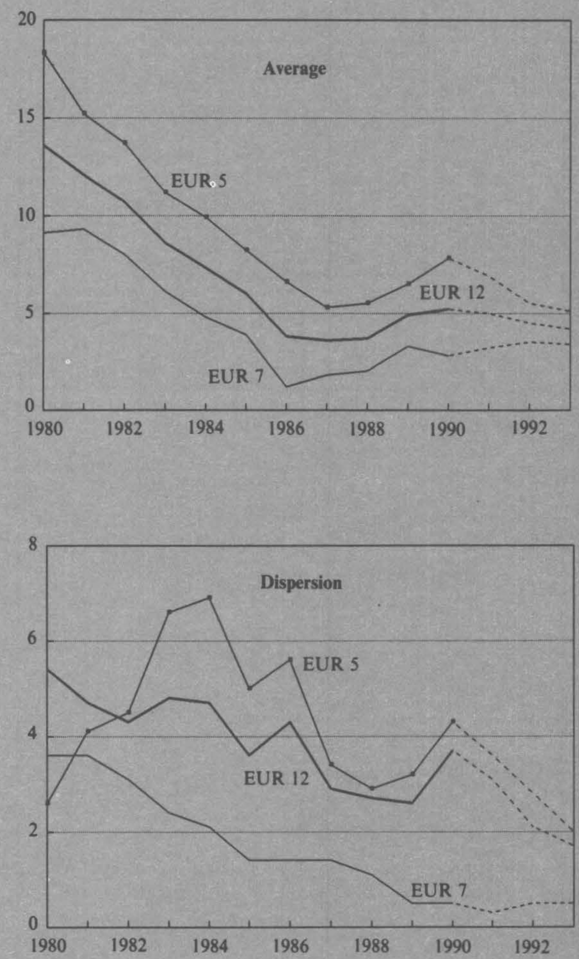
Wage developments and tax increases seem to be the main factors responsible for the slip in price performance. Among the original narrow-band countries, wage developments have been unsatisfactory in 1991 (Graph 4) and in Germany, in particular, there is a potential risk of the development of cost-push inflation.

The growing tendency to rely more on the revenue side to correct budget deficits is not without danger for price performance, as it may re-ignite the struggle over the distribution of income.

In the framework of EMU, the Community's price and cost performance is still unsatisfactory. For EMU it would be desirable to have average price inflation down to the 2 to 3 % range, with divergence being reduced at the same time.

1 Dispersion is measured as the unweighted mean of the absolute deviation from the weighted mean.

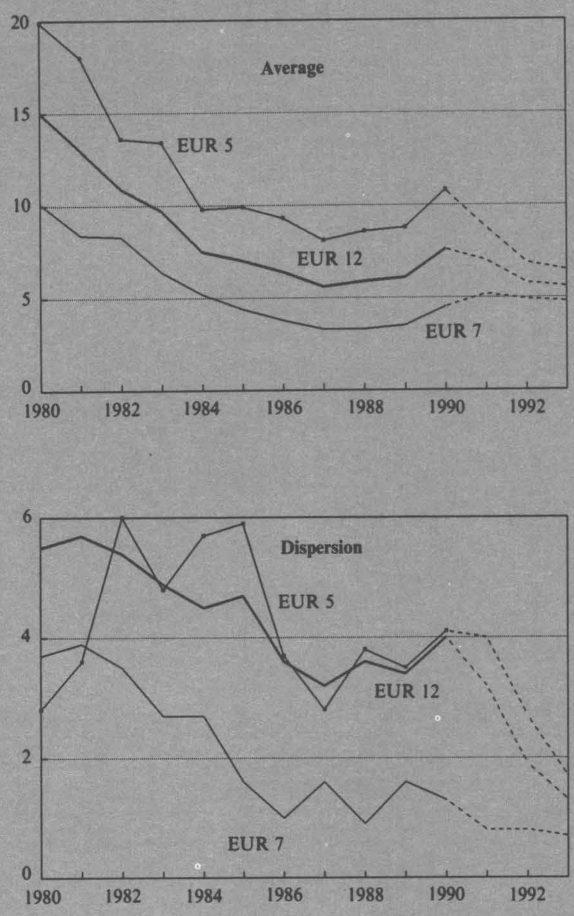
GRAPH 3: Price convergence in the Community (%)



EUR 5 = GR, E, I, P, UK.
EUR 7 = B, DK, D, F, IRL, L, NL.

In the budgetary area the lack of improvement in convergence, as in the field of prices and costs, is due mainly to a less-favourable situation in countries that performed well in previous years. In 1990, the budget situation worsened in most countries, despite a still sustained level of activity, but the deterioration was particularly marked in Germany and the United Kingdom (Table 6). In 1991 again, the less-favourable budgetary position in the Community as a whole is mainly due to the widening deficit in the UK and in Germany. In most other countries the deficit more or less stabilized in terms of GDP, in a context of slower activity. Hence, even automatic stabilizers have not been allowed to

GRAPH 4: Wage convergence in the Community (%)



EUR 5 = GR, E, I, P, UK.
EUR 7 = B, DK, D, F, IRL, L, NL.

Table 6

General government net lending (+) or borrowing (−)[1]

(as % of GDP)

	1981	1985	1989	1990	1991[2]	1992[2]
EC	−5,3	−5,2	−2,9	−4,1	−4,4	−4,4
Greece	−11,0	−13,8	−18,3	−19,8	−17,3	−14,0
Italy	−11,4	−12,5	−10,1	−10,6	−9,9	−9,3[3]
Belgium	−12,8	−8,5	−6,7	−5,6	−6,3	−6,2
Portugal	−9,3	−10,1	−3,4	−5,8	−5,4	−4,6
Netherlands	−5,5	−4,8	−5,2	−5,3	−4,4	−4,1
Germany	−3,6	−0,9	0,2	−1,9	−3,6	−3,4
Ireland	−13,4	−11,2	−3,5	−3,6	−4,1	−4,1
Spain	−3,9	−6,9	−2,7	−4,0	−3,9	−3,6
United Kingdom	−2,6	−2,8	1,3	−0,7	−1,9	−3,6
Denmark	−6,9	−2,0	−0,5	−1,5	−1,7	−1,5
France	−1,9	−2,9	−1,2	−1,6	−1,5	−1,7
Luxembourg	−3,5	5,3	4,3	4,7	1,9	2,0

1 Countries are ranked by size of deficit in 1991.
2 Forecasts on the basis of unchanged policies.
3 Does not fully incorporate the effect of the measures of the convergence programme.
Source: Commission services.

exert their full effect. This was needed to prevent a further increase of the budget deficits.

German unification has also contributed to a significant change in the external position of the Community. The EC current account position has deteriorated continuously since 1986 from a surplus of 1,4 % of GDP to an expected deficit of close to 1 % of GDP in 1991 (Table 7). This is due to a weakening of the current account in most countries, except Denmark, Ireland and the Netherlands. The deterioration was particularly marked in the United Kingdom (from 1986 to 1989), Spain (from 1987 to 1989) and Germany (from 1989 to 1991). In France and Italy, the external accounts also weakened significantly. This deterioration resulted in most countries from high domestic demand in relation to production potential.

The most outstanding development of recent years in the external accounts is the complete disappearance of the German current account surplus. The counterpart of the disappearance of this surplus is not to be found fully within the Community. About half of the demand impact of German unification seems to have leaked outside the Community. The deterioration in the external accounts is particularly marked in the trade of manufactured goods: extra-Community imports of manufactured goods have grown on average more rapidly than intra-EC imports; among high-tech products more specifically, Community producers seem to have conceded some ground to extra-EC producers. Also on the export side the growth of export of manufactures has been modest, well below the rate of growth of intra-EC export volumes. This trend points to a reorientation of trade flows to a particularly dynamic internal market.

However, of great concern is the fact that this deterioration in the external account also signals a reduced level of competitiveness, particularly in third markets and, even more disquieting, in the high-tech segment of the market. The Community's currencies have, on balance, continuously appreciated in real terms since 1984, leading to a loss of market shares. This development raises questions about the strength of the economy in some Member States, and its capacity to

Table 7

Balances on current transactions

(as % of GDP)

	1980	1986	1990	1991[1]	1992[1]
EC	−1,2	1,4	−0,2	−0,8	−0,9
Belgium	−4,3	2,1	1,0	1,0	1,1
Denmark	−3,7	−5,4	0,8	1,4	2,2
Germany	−1,7	4,4	3,2	−1,1	−0,9
Greece	0,5	−5,3	−6,1	−4,1	−3,4
Spain	−2,4	1,6	−3,5	−3,1	−3,2
France	−0,6	0,5	−1,0	−0,7	−0,8
Ireland	−11,8	−2,9	3,4	2,3	2,0
Italy	−2,2	0,5	−1,4	−1,3	−1,5
Luxembourg	18,7	39,4	31,2	28,1	26,1
Netherlands	−1,5	2,7	3,8	4,1	4,4
Portugal	−5,9	2,4	−0,3	−1,1	−1,5
United Kingdom	1,5	−0,9	−2,6	−1,1	−1,4

[1] Economic forecasts, autumn 1991.
Source: Commission services.

compete effectively with the outside world. Wage competitiveness is therefore an issue that certainly warrants closer scrutiny in the cases of France and Italy, where the external position remains fragile.

In order to improve convergence during Stage I of EMU, Member States have therefore been called upon to draw up so-called convergence programmes that are to be discussed and agreed upon at the Community level in the context of multilateral surveillance. Such programmes have been presented or are in the process of being formulated by most Member States, with a view to achieving lasting progress on convergence.

2. Real convergence is slowing

Over recent years, the countries which are in the process of catching up, with the exception of Greece, have succeeded in reducing their income gap with the Community average (Table 8). Appropriate domestic policies and the doubling of resources made available through the structural Funds have contributed to this outcome.

In Spain and Portugal, catching-up was led by investment as a result of strongly improved profitability and the opening up of the Community market. The share of investment in GDP expanded by almost a quarter between 1986 and 1990 (Table 9). Domestic savings were inadequate to support such expansion so that the current account of the balance of

Table 8

The catching-up process in the Community

(GDP at current market prices and PPS per head of population; EC = 100)

	Spain	Greece	Ireland[1]	Portugal
1975	81,9	57,3	62,7	52,2
1980	74,2	58,1	64,0	55,0
1986	72,8	55,9	63,4	52,5
1991[2]	79,0	52,5	68,9	56,3
1992[2]	79,9	52,1	68,9	56,3
Differences				
1986-80	−1,4	−2,2	−0,6	−2,5
1991-86	6,2	−3,4	5,5	3,8

[1] Reference to GDP may overstate progress to the extent that income transfers to abroad may have outpaced nominal GDP growth.
[2] Economic forecasts, autumn 1991.
Source: Commission services.

Table 9

Investment and export shares and real unit labour costs in the countries which are catching up

	GR	E	IRL	P	EUR 4	EUR 8
	Investment shares (% of GDP)					
1986	18,5	19,5	18,1	22,1	19,6	18,9
1990	18,9	24,4	18,6	26,7	23,7	20,3
1992[1]	18,5	24,1	18,7	26,0	23,4	19,6
	Export shares (% of GDP)					
1986	22,4	19,9	55,2	33,2	23,8	28,0
1990	22,6	17,2	62,1	36,4	22,8	28,9
1992[1]	21,2	17,3	65,0	30,0	22,0	29,9
	Real unit labour costs (1961-73 = 100)					
1986	102,3	91,1	92,8	98,4	94,2	98,1
1990	102,4	87,5	88,9	93,8	90,8	96,8
1992[1]	95,0	86,3	92,5	97,6	90,0	96,9

[1] Economic forecasts, autumn 1991.
Source: Commission services.

payments moved to a significant deficit. The continuation of the catching-up process in these countries will therefore rely, among other important factors, on the generation of adequate domestic saving resulting mainly from further reductions in public dissaving.

In Ireland, however, the acceleration of growth was mainly export-led. Budget consolidation efforts and moderate wage developments dampened domestic demand while at the same time improved competitiveness boosted exports. This export-led expansion made Ireland more vulnerable than Spain and Portugal to the deterioration in the international economic climate. Now that Ireland has established a sound basis for further catching-up, more emphasis should be given to the development of domestic production potential. The investment ratio is still relatively low and has not increased much. The supply side of the economy, in particular, needs further improvement.

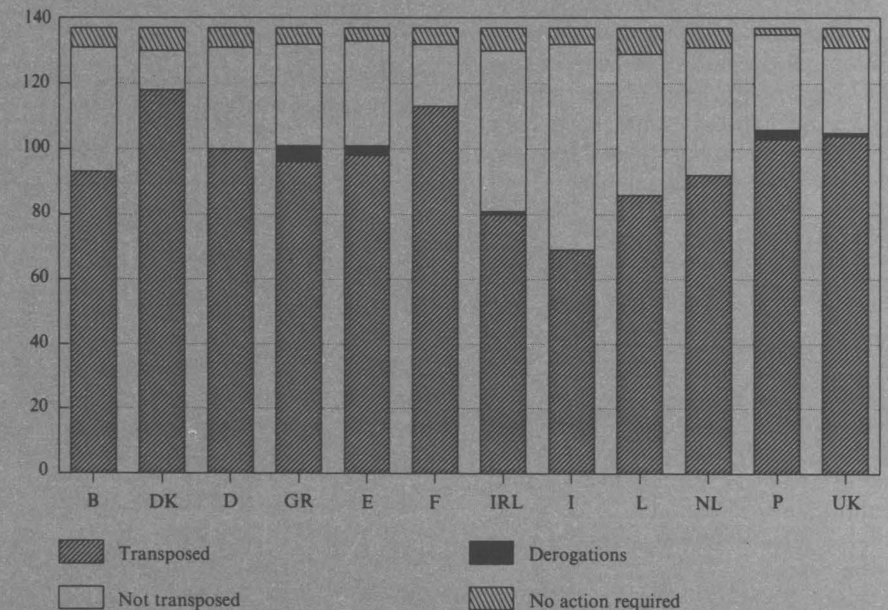
In Greece, the catching-up process has receded over recent years as a result of inadequate policies. The 1991 stabilization and structural adjustment programme adopted by the government is a serious effort to reverse the country's macroeconomic decline and restore its production potential. The broad aims of the programme are fiscal reform and structural renewal. The measures for fiscal adjustment and structural reform are interdependent and if applied effectively should allow Greece to exploit the gains from the process of European integration. Recent developments indicate, however, that the implementation of the programme has encountered serious difficulties and delays. Failure to fully implement the programme will further delay the resumption of the catching-up process.

III — Priorities of economic policy in the Community

With the international environment likely to improve only moderately in the year ahead, it is particularly important for the Community to reinforce its internal potential. Economic policies should therefore contribute to the swift realization of the major Community projects.

The completion of the internal market remains an immediate priority for the Community and the remaining work is still considerable: of the 282 White Paper measures, 69 still

GRAPH 5: **Transposition of internal market directives**[1]



[1] Situation as of 15. 10. 1991.

Source: Commission services.

require a Council decision. The transposition of Directives into national law needs to be speeded up. A total of 166 White Paper measures have entered into force of which 134 require national implementing measures. Of these national measures, on average 71 % have already been taken (Graph 5). Member States seem to have recognized their responsibilities and the need for greater haste.

The internal market programme has already been a decisive driving force in adding to EC growth prospects and prosperity: economic agents have already to some extent anticipated the highly competitive environment and the new operating conditions and opportunities that will prevail by 1993. This has resulted in a strong expansion of investment in the period 1986-90.

The real effects of the internal market measures will be felt in the years to come, especially as residual internal barriers are actually dismantled. Determined actions and decisions would have a substantial positive effect on the confidence of economic agents and give a new impulse to economic growth.

An economic and monetary union in the Community will result in an amplification of the economic benefits that will follow from the 1992 programme. Indeed only a single currency will allow the full potential benefits of a single market to be achieved.

The primary aim of EMU is to strengthen the integration of the Community and improve its economic performance. EMU will ensure a climate of stability so that the process of self-sustaining growth would be strengthened. The experience of the 1980s has clearly confirmed that there is no long-term trade-off between higher inflation and lower unemployment. On the contrary, a climate of stability is increasingly perceived as an essential prerequisite for an improved real economic performance.

The income gap between the countries which are catching up and the Community average remains sizeable and it will, therefore, take many years to bridge the gap. This process can only be built on the basis of sound growth, which increases domestic production potential.

Policies at the national and Community level have to provide the basis for a continuous relative stronger growth of real GDP, without inflationary pressures and unsustainable internal and external imbalances. First and foremost, responsibility for rapid economic and social convergence lies for the most part in the least favoured countries themselves. Recent developments have confirmed that sound macroeconomic policies are an essential condition to improve their internal growth conditions by all available means.

The economically stronger countries must also contribute to this process by supporting dynamic medium-term growth.

The Community shall take into account the objective of strengthening economic and social cohesion in the implementation of its common policies and of the internal market. The economic policy actions at Community level must act in a synergetic way to national policies to strengthen economic performance in the least favoured member countries. The structural Funds and other financial instruments, provided they are efficiently used in a conducive national framework, will considerably improve both supply and demand conditions in the recipient countries. These instruments should be reinforced to take account of previous developments and the stronger integration in the Community.

The environment and its importance in the overall context of the quality of life is increasingly becoming a matter for Community preoccupation. The Commission has recently outlined a coherent Community strategy aiming to stabilize carbon dioxide (CO_2) emissions in the Community by the year 2000 at their 1990 level. The strategy consists of a range of regulatory, voluntary and possible fiscal measures taken at the Community level in combination with complementary national programmes. The envisaged reliance on fiscal instruments, notably a new combined CO_2/energy tax, which respects fiscal neutrality, is considered an important condition for reaching the Community's CO_2 emission stabilization objective in the most cost effective way. By giving the right price signals all economic agents will be induced to adopt environmentally sound behaviour. It is in the interest of long-term economic sustainability and prosperity, as well as of the environment, that environmental considerations are satisfactorily integrated into the Community's other policies, notably in the fields of energy, transport and agriculture.

IV — Macroeconomic policies and policies for structural adjustment

1. Monetary policy and the European Monetary System (EMS)

The aim of the EMS is to contribute to achieving price stability and nominal convergence in the Community through exchange-rate stability and an appropriate monetary policy. The conditions for attaining this have become more difficult over the past year. In the autumn of 1990, monetary conditions in the Community were tightened in response to rising oil prices. But during the course of 1991, monetary conditions appear to have eased again. This easing occurred against a background in which inflationary pressures in several countries of the Community persisted or even strengthened despite the fall in oil prices after the Gulf crisis.

With the Community economy slowing in 1991, a certain easing of monetary conditions was welcome and does not appear to have adversely affected long-term inflation expectations: yield curves have tended to shift downwards this year rather than simply steepen in response to the easier monetary policy, and long-term rates in most markets are somewhat lower than a year ago. Despite this easing, monetary policies still remain tight. It is indeed essential to ensure that nominal convergence goes together with an absolute, not a relative, standard of price stability and that the functioning of the EMS remains a powerful force for preserving price stability up to a full EMU.

In this respect, the mechanism through which monetary policy in the Community appears to have eased this year presents some difficulties. During the 1980s, the disinflation process in the Community was determined by Germany and transmitted through the exchange-rate discipline of the EMS to other ERM narrow-band countries. This link was reinforced after the last realignment in January 1987, when anticipation of further realignments gradually disappeared. The German strategy was based on fiscal consolidation and the successful targeting of monetary aggregates. This strategy left underlying inflation at low, if gradually rising, levels even when monetary targets were applied with greater flexibility in response to external circumstances.

The progressive disappearance of realignment expectations have significantly altered this configuration. The considerable expansionary swing in fiscal policy in Germany as a result of unification coupled with the pursuit of a stability-oriented monetary policy leads to a real appreciation of the currency as real demand exceeds real domestic supply. This policy mix and the impossibility of allowing the ensuing real appreciation to take place through a nominal exchange-rate adjustment in the ERM, put considerable additional pressure on interest rates in Germany. Indeed the excessive demand pressures have had a strong influence on the wage-bargaining process, feeding creeping price rises. This process has been exacerbated by the heavy reliance on revenue measures to limit the fiscal impact of unification.

Uncertainty over the extent to which the Bundesbank will be able to preserve the same policy strategy as in the past has at times surfaced in the markets. These uncertainties and the expectations of stable exchange rates and decreasing inflation differences have resulted in a significant reduction within the ERM in interest-rate differentials *vis-à-vis* the Deutschmark, where the exchange-risk premium has more or less disappeared.

Given that inflationary pressures remain significant in the Community as a whole, any further loosening of the stance of overall monetary policy is at present unwarranted. The necessary collective character of the EMS implies that members of the ERM other than Germany, and in particular the bigger countries, must accept a share of responsibility for achieving a monetary policy in the Community consistent with the lowest level of price increases and with continued downward convergence by the high-inflation countries.

In the two countries not yet participating in the ERM, Portugal and Greece, inflation is in double digits although it has recently decelerated in both countries. In Portugal, the immediate priority is to maintain monetary policy which is tight enough to reduce overheating in the labour market. Given the scale of capital inflows, this will probably have to involve some continued upward flexibility, for a time, of the real exchange rate. The aim should be to adhere to the ERM at a time when sufficient steam had already been taken out of the economy to ensure that the ERM constraint did not lead to an inappropriate loosening of monetary policy.

In Greece, monetary policy must continue to try to contain the inflationary pressures created by a clearly excessive budget deficit. But monetary policy cannot cope indefinitely with the consequences of the public finance problem. Only adherence to the budget ceilings laid down in the stabilization programme can hope to ensure early and lasting nominal convergence in Greece.

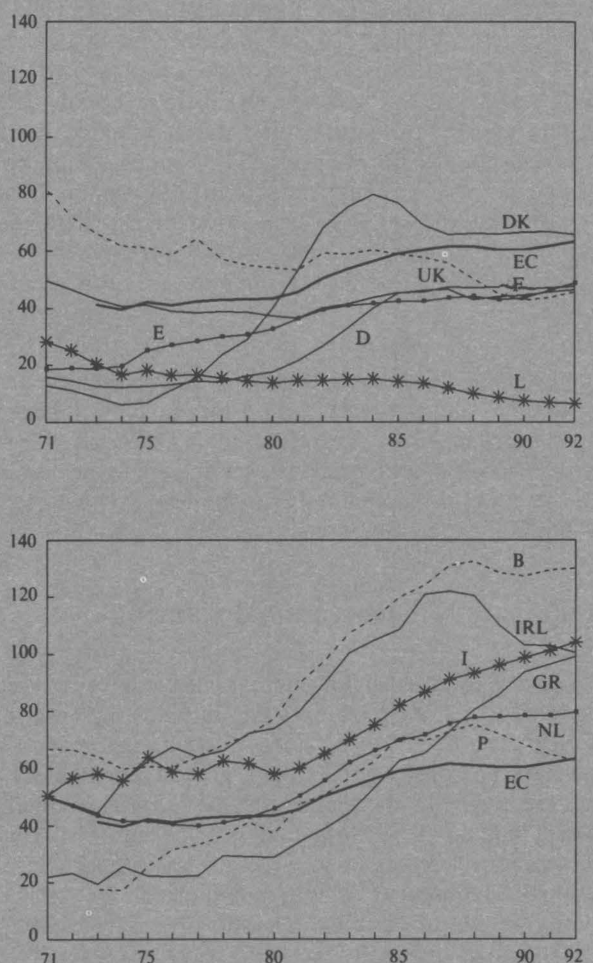
2. Budgetary policy

Since budgetary authority will remain at the level of the Member State, progress towards EMU necessitates increased coordination by reference to principles or rules which ensure that fiscal policy will not undermine stability in the Community.

A first group of countries (Greece and Italy) has been showing excessive budget deficits for many years and steadily increasing public debt burdens (Table 6 and Graph 6).

In Greece, budgetary developments in 1991 show a departure from previous trends as a result of the implementation of the new three-year convergence programme. Budgetary adjustment and reform will, however, fall short of the targets.

GRAPH 6: **Trends in gross public debt**
(as % of GDP)



Source: Commission services.

The programme needs to be implemented more vigorously to ensure a significant reduction of the budget deficit and a stabilization of the public debt ratio.

The budgetary performance of Italy, continues to diverge from the other narrow-band members of the ERM. The budget deficit has remained persistently above 10 % of GDP despite repeated attempts to correct it. As a result the public debt/GDP ratio passed the 100 % mark in 1990 and has continued to increase since then. There has clearly been no lack of adjustment programmes but rather of forceful implementation. More emphasis should be laid on the instruments that will be used to meet the targets and on structural measures to improve the public finances. Even if forcefully implemented, the present programme still risks falling short of the announced targets as it rests on a very positive growth scenario. Moreover, this programme is markedly tax-centred. The forward shifting of increases in direct taxation, on the part of tax-payers, on to higher wage claims could contribute to inflationary pressures. It is encouraging, however, that the Italian Government has confirmed its willingness to take corrective measures should targets not be met.

A second group of countries (Belgium, the Netherlands, Portugal and Ireland) still has sizeable deficits and excessively high public debt ratios. In Belgium, consolidation efforts undertaken during the period of strong growth (1988-90) were not sufficient to prevent a new rise of the public debt ratio in 1991, when economic activity slowed down. The double government norm aimed at freezing real non-interest expenditure and keeping the central government deficit constant in nominal terms, is clearly insufficient and needs to be extended to all levels of government, including social security. A significant reduction of the deficit is needed to bring the public debt ratio, which is still double the Community average, on to a clearly declining trend.

Consolidation efforts in the Netherlands have also been inadequate during the period of strong growth (1988-90). Additional measures have been taken in 1991 so that public finance targets will be reached. The persistence of public dissaving, however, would warrant a tightening of government medium-term targets in order to reduce the public debt ratio.

The reduction in public finance imbalances in Portugal in recent years reflects the complete overhaul of the tax system which increased its efficiency, an effort of expenditure restraint, the cyclical upturn of the economy and the privatization process. However, the relative size of both the general government deficit and public debt are above the Community average. Consequently, and also in order to assist the disinflationary process, fiscal adjustment remains one of the main priorities of economic policy and should continue to be vigorously implemented.

Ireland has been remarkably successful in consolidating its public finances in the late 1980s. Further consolidation has since been slowed down because of the effects of weaker growth on revenue and pressures on public expenditure from rising unemployment and increases in public sector pay. Consolidation efforts should be maintained over the medium term to keep the public debt ratio on a firm downward path.

Germany and the United Kingdom are separate cases.

In Germany, as a direct consequence of the large financing needs arising from unification, the swing in the public sector accounts has been significant — close to 4 % of GDP between 1989-91 despite a sustained level of activity. Even if the present deficit is less a matter of concern, apart from contributing to a biased policy mix, the medium-term prospects for bringing the deficit under control are rather disquieting. Even if consumption-supporting outlays are reduced, they will gradually be replaced by large-scale infrastructural investment; the dynamics between steeply rising public sector indebtedness and interest charges will put further pressure on outlays. Fiscal consolidation will therefore be a major policy challenge for the years to come.

Moreover, considerable emphasis has recently been laid on increasing revenues. Higher direct or indirect taxes are, however, very likely to be reflected in higher wage demands to compensate for the income loss. In these conditions, excessive reliance on tax increases may initiate a new cycle of ever-rising claims on income distribution. There is still considerable scope on the expenditure side to reduce the budget deficit. In addition, income support schemes should be designed in such a way as to ensure their temporary character.

In the United Kingdom, deterioration in the budget balance is primarily due to the working of the automatic stabilizers during the severe recession. The authorities' medium-term objective remains that of attaining a broad budgetary balance on a cyclically adjusted basis. A cautious policy stance remains appropriate to maintain compliance with the medium-term objective of a balanced budget and continued positive public saving.

In the last group of countries (Denmark, Spain, France and Luxembourg), budget balances and public debt burdens are broadly under control. These countries have positive public savings, meet the golden rule and have a public debt ratio below the Community average. There is still a need to maintain a cautious policy stance in these countries since some of them have strong inflationary pressures and large external deficits (Spain) or a high foreign debt (Denmark).

The insistence on budget consolidation is motivated by several considerations: first it is intended to redress the presently lopsided policy mix of a relatively loose fiscal policy combined with a relatively restrictive monetary policy. Even when budget deficits are justifiable by temporary and exceptional factors, it would still be appropriate to reduce them as fast as possible to achieve a more balanced policy mix. Second, there is a need for higher saving within the Community for which the reduction of public deficits should provide a significant contribution. Finally, a more restrained fiscal policy is likely to result in more balanced wage developments, which would contribute to better convergence.

A desired additional increase in the investment ratio to increase growth and employment raises the issue of the adequacy of saving. Although there are few signs that the low level of saving has had major repercussions on economic performance so far, it has contributed to keeping real long-term interest rates high. The inadequacy of saving, however, risks becoming a more decisive constraint on growth in the future, particularly for the newly liberalizing countries in Eastern and Central Europe and the developing world. A saving surplus can only be realized if the considerable public dissaving in the Community and in the other major Western countries is reversed. The generation of sufficient public saving is, therefore, also an essential precondition for a successful take-off of market economies in Central and Eastern Europe.

Finally, in a full-fledged economic and monetary union, fiscal policy and particularly monetary policy will have less room for manoeuvre. Therefore, more emphasis will have to be laid on structural measures to bring about the necessary adjustment in the Community economies.

3. Policies for structural adjustment

The efforts to establish an internal market have resulted in the most wide-ranging supply-side initiative in the history of the Community. The dynamic of the internal market has, however, not only increased the growth potential of the Community; it has also highlighted the still sizeable rigidities present in markets. Such rigidities become more visible when competition increases. In the present less-supportive international environment, it is also important for the Community to reinforce its own domestic growth.

Policies of structural adjustment, supported by adequate industrial policies, improve the adaptability and efficiency of the Community economies. In line with the implementation of the 1992 programme, the Commission has emphasized the need for industrial policy measures in various important sectors and has put forward proposals to this effect. Policies of structural adjustment must accompany the completion of the internal market in order to ensure that its full benefits are actually forthcoming.

Furthermore, in EMU the nominal exchange rate will no longer be available between full participants as an instrument for adjustment. Increased flexibility in all markets will therefore be necessary to ensure a balanced development of all areas of the union. In EMU, adaptability of the labour market will be an important element for adjustment if one wants to avoid further increases in unemployment.

Both national and Community policies for structural adjustment will have to play an even more important role. Together with prudent macroeconomic policies and the Community policy on economic and social cohesion which will have to be reinforced, this must constitute the Community's response to restore sustainable growth rates above $3\frac{1}{2}$ % a year in order to reduce the still high level of unemployment. Four areas in particular deserve further structural improvements: cooperation, the labour market, competition policy and international trade.

Cooperation can improve the underlying conditions within which companies operate and strengthen the Community's international competition by mustering energies and innovation. A policy to improve infrastructure, and especially transportation, is an indispensable element in the creation of the internal market. It is equally an element in the cohesion process in the sense that a better working infrastructure lowers transportation and communications costs and brings the peripheral regions closer to the centre of the Community.

Further efforts will also have to be undertaken in the area of innovation, research and development. Research and development policies will stimulate the competitiveness of the Community companies, but, in a period of intense technological change often involving massive development costs, the results of such efforts must be spread more widely through increased cooperation. This will hasten the adjustment of our economies to new technological advances. Also in the area of industrial restructuring and the environment, increased cooperation is likely to facilitate adjustment. Cooperation in these areas should allow the Community to better face international competition. The Community can play an important stimulating role in bringing enterprises together.

Labour markets in the Community have been showing greater adaptability, but this improvement is still insufficient. Rising wage pressures at a time when more than 9 % of the civilian labour force is still unemployed suggest that significant structural problems persist in labour markets.

The completion of the internal market at a time of reduced growth in the Community economy and increased competition from abroad means that companies and workers have to adapt working methods and practices to these new circumstances. Flexibility in companies' responses to the new operating environment have to be matched by flexibility in the labour market in terms of training and skills as well as in the employment conditions and practices.

In most countries, the adjustment of wage costs is still insufficient to ensure full employment. If increased unemployment is to be avoided, the social partners must take the need for adjustment more into account in their negotiations. Member States' authorities should therefore make their policy objectives more visible so that macroeconomic prospects can be better taken into consideration in wage negotiations. Credible commitment to convergence by the governments of the Member States provides one such approach.

Rigid wage structures, employment practices and lack of training have accentuated the problems of those outside the workforce. The large number of untrained unemployed illustrates the problem of cost and adequate skills in relation to their productive potential. Member States should examine labour market regulations and social security provisions in order to rectify features that impede entry or re-entry into the labour market.

Finally, there seems to be a good case for encouraging a more active labour market policy with greater emphasis on retraining than on the provision of unemployment support.

Competition is bound to intensify with the completion of the internal market as barriers are systematically reduced. European companies must be prepared for this greater competition, which has already generated a wave of merger activities within the Community. To avoid dominant positions that reduce competition and lower overall welfare, the Community pursues an active competition policy.

Increased competition may also lead to calls for more aid to defend companies or industries that are coming under pressure from such competition. State subsidies, however, can threaten the functioning of the market process by confining specific advantages to competing companies. They also risk preventing the necessary restructuring of industry. Therefore, the Commission strives to limit subsidization and to incorporate it in a context of restructuring.

The economically stronger countries in the Community should resist the temptation to compensate by domestic subsidies the greater competition resulting from the opening of markets. Indeed such subsidies risk cancelling out the competitive advantages gained by the least favoured countries in specific sectors.

Free and undistorted competition in the Community requires efficient surveillance of State aids. The Commission has undertaken two surveys on public aids in the European Community in 1988 and in 1990 and is consistently striving for greater transparency in this field. Public aids still absorb a significant share of public resources in Member States (Table 9). The second survey identified total national public aids amounting to 2,2 % of Community GDP, or more

Table 10

State aids in the Community[1]

(average 1986-88)

	As % of GDP	As % of public expenditure	Granted in the form of:	
			public expenditure (%)	tax expenditure (%)
B	3,2	5,8	89	11
DK	1,0	1,7	100	0
D	2,5	5,3	36	64
GR	3,1	6,5	100	0
E	2,3	5,5	100	0
F	2,0	3,8	82	18
IRL	2,7	5,2	63	37
I	3,1	6,2	64	36
L	4,1	7,6	91	9
NL	1,3	2,1	70	30
P	2,3	5,3	41	60
UK	1,1	2,6	94	6

[1] Refers to subsidies that are subject to Community rules. The total of subsidies granted is difficult to establish due to the various forms which subsidies can take and the lack of comprehensive national data.

Source: Commission, second survey on State aids.

than twice the Community budget. The differences between Member States are considerable, with Denmark and the United Kingdom spending just 1 % of their GDP, but Belgium, Greece, Italy and Luxembourg spending 3 % and more.

State aids are heavily concentrated: the manufacturing sector took 41 %, the transport sector 30 %, the coal industry 16 % and agriculture (national aids) 13 %.

In the run-up to EMU, national expenditures on subsidies should come under closer scrutiny to improve convergence. A commitment to more discipline on subsidies would also contribute to the achievement of a more open international trading system.

The resurgence of protectionist tendencies in international trade is a worrisome development. Friction among trading partners has been intense, particularly with regard to the subsidization of agriculture and some declining industries. The use of non-tariff measures to protect domestic products has intensified in various parts of the world. The Community is committed to achieving by the end of 1991 an ambitious, global and balanced result to the Uruguay Round, which is presently in a crucial phase. This is necessary in order to strengthen the multilateral trading system and to reverse the trend towards protectionism. Further delays could undermine the adjustment strategy of many developing and Central and East European countries which have adopted an outward-looking market-oriented approach to growth and development. The major industrial countries carry a large responsibility in this area and should strive for an early conclusion of the Uruguay Round.

A successful outcome of the Round would not only serve the interests of the Community by ensuring market access and reduced protection in the traditional areas of trade negotiations. It would also allow the extension of multilaterally agreed rules to new areas of great relevance for the Community: services, intellectual property rights and international investment.

The negotiations between the Community and EFTA countries with the aim of erecting a European Economic Area have been concluded and will increase the benefits of the internal market to an even greater area. By facilitating the flow of goods, services, capital and labour between the EC and EFTA, the agreement will make a further contribution to more competition and the improvement of the supply side of the economy.

The Community is actively involved in assisting Central and East European countries to advance political and economic reforms. The Commission not only manages the Community's own programmes of assistance, but is also coordinator for the Group of 24 (G-24), which comprises all major industrialized countries.

Assistance takes a variety of forms, including support for economic reconstruction, food aid and emergency assistance, technical assistance, balance of payments support, investment finance and export credits. The Community has become the main source of funds for Central and East European countries, providing about half of the total aid they receive. Moreover, the Community has completed negotiations for European agreements establishing relations of association with Hungary, Poland and Czechoslovakia. These agreements will enable Central and East European countries to participate in the process of European integration. They are of overriding political and economic importance, at a time when these countries' reforms are at a crucial stage and their main traditional export market (the USSR) has collapsed. The establishment of free trade will encourage private investment in these countries, which is one of the main conditions for the economic reforms to be successful. The Community is ready to negotiate similar agreements with other Central and East European countries which satisfy the necessary political and economic conditions.

The Community has shown its willingness to improve access to its markets to Central and Eastern Europe for products with which these countries can compete effectively on world markets including agriculture, textiles, coal and steel. Account should be taken of the implications and difficulties of this improved access for the sectors and regions concerned in the Community. This improvement in market access will not be carried out at the expense of existing commercial relations with other partners, in particular developing countries with which the Community has cooperation agreements. Such market access is critical for the successful development of these economies.

Main economic indicators, 1989-93

Community, USA and Japan

(a) GDP at constant prices[1] (annual % change)

	1989	1990	1991[2]	1992[2]	1993[2]
B	3,9	3,7	1,3	2¼	2½
DK	1,2	2,1	1,8	3	3¼
D	3,3	4,7	3,3	2¼	1¾
GR	2,8	−0,3	0,7	1¼	2
E	4,8	3,7	2,5	3	3¼
F	3,6	2,8	1,3	2¼	2½
IRL	5,9	5,7	1,3	2¼	2¾
I	3,2	2,0	1,1	2	2½
L	6,1	2,3	3,0	3½	3½
NL	4,0	3,9	2,3	1¼	2
P	5,4	4,0	2,0	1¾	2
UK	2,2	0,8	−1,8	2	2¾
EC	3,3	2,8	1,3	2¼	2½
USA	2,8	0,9	−0,4	2	2¼
Japan	4,9	5,6	4,6	3½	3½

(b) Domestic demand at constant prices (annual % change)

	1989	1990	1991[2]	1992[2]	1993[2]
B	4,9	3,4	1,2	2¼	2¼
DK	0,3	−0,7	0,4	2	3¼
D	2,7	5,0	3,0	2¼	2
GR	3,3	3,3	−0,3	1	2¼
E	7,8	4,6	3,1	3½	3½
F	3,2	3,2	1,1	2	2¼
IRL	6,0	5,4	0,6	1¼	1¾
I	3,6	1,9	1,5	2¼	2¾
L	7,8	3,4	4,3	3¾	3¾
NL	4,9	3,6	2,1	¼	1½
P	4,0	5,8	4,6	3¼	3¼
UK	3,1	−0,1	−3,0	2¼	3
EC	3,7	2,9	1,1	2¼	2½
USA	2,2	0,5	−1,0	2	2
Japan	5,7	5,8	3,4	3¾	3¾

(c) Deflator of private consumption (annual % change)

	1989	1990	1991[2]	1992[2]	1993[2]
B	3,5	3,5	3,2	3½	3½
DK	5,1	2,5	2,4	2¼	2½
D	3,1	2,6	3,5	4¼	4
GR	14,7	20,2	18,3	14¼	11
E	6,6	6,4	5,8	5½	5¼
F	3,5	2,9	3,0	3	2¾
IRL	3,9	2,6	3,0	3	2¾
I	5,8	6,2	6,4	5¼	5¼
L	3,4	4,2	3,4	3¾	3¼
NL	2,9	2,5	3,2	3½	3¼
P	12,8	13,6	11,7	9½	7¾
UK	5,9	8,4	6,5	4½	4
EC	4,9	5,2	5,0	4½	4¼
USA	4,5	5,0	4,4	4¾	5
Japan	1,7	2,4	2,8	2½	2½

(d) Balance on current transactions (as % of GDP)

	1989	1990	1991[2]	1992[2]	1993[2]
B	1,1	1,0	1,0	1	1¼
DK	−1,2	0,8	1,4	2¼	2½
D	4,7	3,2	−1,1	−1	−¾
GR	−4,8	−6,1	−4,1	−3¼	−2¾
E	−3,2	−3,5	−3,1	−3¼	−3¼
F	−0,1	−1,0	−0,7	−¾	−¾
IRL	1,3	3,4	2,3	2	1¾
I	−1,4	−1,4	−1,3	−1½	−1¾
L	34,4	31,2	28,1	26	25½
NL	3,3	3,8	4,1	4½	4¾
P	−2,9	−0,3	−1,1	−1½	−2½
UK	−4,8	−2,6	−1,1	−1½	−1¼
EC	−0,1	−0,2	−0,8	−1	−¾
USA	−1,9	−1,6	−0,1	−¾	−¾
Japan	2,1	1,2	1,5	1½	1¾

[1] GNP for USA and Japan from 1990 onwards.
[2] Based on the forecasts of autumn 1991.
Source: Commission services.

(e) Number of unemployed as % of the civilian labour force

	1989	1990	1991[1]	1992[1]	1993[1]
B	8,5	8,1	8,6	8½	8½
DK	7,8	8,2	9,5	9½	9
D	5,5	5,1	4,6	5	5½
GR	7,5	7,5	8,8	9¼	9¾
E	17,1	16,1	15,8	15½	15¼
F	9,4	9,0	9,5	10	10¼
IRL	16,0	15,6	16,8	18	18½
I	10,7	9,8	9,4	9½	9¼
L	1,8	1,7	1,6	1½	1½
NL	8,7	8,1	7,2	7¾	7¾
P	4,8	4,6	4,0	4¼	4¾
UK	7,0	6,4	8,4	9¾	10
EC	8,9	8,4	8,6	9	9¼
USA	5,3	5,5	6,7	7	6¾
Japan	2,3	2,1	2,2	2¼	2¼

(f) General government lending and borrowing (as % of GDP)

	1989	1990	1991[1]	1992[1]	1993[1]
B	−6,7	−5,6	−6,3	−6¼	−5¾
DK	−0,5	−1,5	−1,7	−1½	−½
D	0,2	−1,9	−3,6	−3¼	−3¾
GR	−18,3	−19,8	−17,3	−14	−10¼
E	−2,7	−4,0	−3,9	−3½	−3¼
F	−1,2	−1,6	−1,5	−1¾	−1½
IRL	−3,5	−3,6	−4,1	−4	−4
I[2]	−10,1	−10,6	−9,9	−9¼	−9½
L	4,3	4,7	1,9	2	2
NL	−5,2	−5,3	−4,4	−4	−3¾
P	−3,4	−5,8	−5,4	−4½	−4
UK	1,3	−0,7	−1,9	−3½	−3¼
EC	−2,9	−4,1	−4,4	−4½	−4¼
USA	−1,7	−2,4	−2,3	−2	−1½
Japan	2,5	2,2	1,8	2	2

(g) Total employment (annual % change)

	1989	1990	1991[1]	1992[1]	1993[1]
B	1,6	0,9	−0,3	0	¼
DK	−0,6	−0,4	−1,0	0	1
D	1,4	2,8	2,8	1	¼
GR	0,4	0,2	−0,8	−0	¼
E	3,6	2,6	0,7	1¼	1½
F	1,1	1,2	0,4	−0	½
IRL	−0,1	1,3	0,0	¼	¾
I	0,2	1,0	0,9	½	¾
L	4,0	4,2	1,9	1½	1½
NL	1,6	2,1	1,0	−¼	0
P	1,0	1,1	1,1	0	−½
UK	2,8	0,4	−2,3	−¾	½
EC	1,5	1,4	0,5	¼	½
USA	2,3	0,5	−0,8	1	1½
Japan	1,9	2,0	1,6	1½	1½

(h) Real compensation of employees per head[3] (annual % of change)

	1989	1990	1991[1]	1992[1]	1993[1]
B	0,1	2,8	1,9	2¼	2
DK	−1,6	1,0	1,1	1¼	1½
D	−0,2	1,5	2,6	1½	1½
GR	2,9	0,0	−1,7	−2¼	−¾
E	−0,5	1,2	1,8	1¼	1¼
F	1,2	1,9	1,5	1	1
IRL	2,2	5,9	3,5	3	2¼
I	3,0	3,9	1,7	1½	1½
L	3,0	1,0	1,3	1½	1¾
NL	−2,4	1,1	1,5	1½	2
P	0,8	3,7	6,6	4½	2
UK	2,8	2,7	1,7	1¼	1½
EC	1,1	2,3	2,0	1¼	1¼
USA	−1,0	−0,1	0,3	−0	−¼
Japan	2,5	1,8	1,0	1	1

[1] Based on the forecasts of autumn 1991.
[2] 1992 and 1992: does not fully incorporate the effects of the measures of the convergence programme.
[3] Deflated by the deflator of private consumption.

Source: Commission services.

(i) Investment in construction at constant prices (annual % change)

	1989	1990	1991[1]	1992[1]	1993[1]
B	8,9	6,7	−1,4	3¼	2¾
DK	−4,6	−6,1	−6,5	−1	4
D	5,1	5,3	3,5	2½	1¾
GR	2,0	2,1	−5,0	2½	5
E	14,9	10,7	5,3	4	4
F	5,3	2,3	1,2	2	3
IRL	9,8	8,4	−2,9	4	4
I	3,6	2,5	0,4	1¼	1¼
L	4,4	5,9	5,9	4½	3¼
NL	1,6	1,3	−0,6	−1	1¼
P	3,5	6,5	4,5	3	4
UK	2,5	−1,1	−12,9	−¾	4¾
EC	5,3	3,6	−0,5	1¾	2¾

(j) Investment in equipment at constant prices (annual % change)

	1989	1990	1991[1]	1992[1]	1993[1]
B	18,2	10,3	3,0	2¾	2¾
DK	6,3	3,0	3,0	5	10
D	10,0	12,9	10,0	5	4½
GR	17,4	7,9	3,0	4½	6
E	13,0	1,2	−2,5	3	4
F	5,8	5,0	−1,8	1½	3½
IRL	15,3	6,8	1,8	3¾	4½
I	6,2	3,5	−1,1	3½	4½
L	26,3	13,7	6,4	4¾	4¾
NL	4,5	7,7	3,0	−1¼	2½
P	10,0	8,5	4,5	3	3½
UK	8,3	−3,6	−12,8	−1	8
EC	8,5	4,7	−0,4	2½	4¾

(k) Gross fixed capital formation at constant prices (annual % change)

	1989	1990	1991[1]	1992[1]	1993[1]
B	13,6	8,3	0,6	3	2¾
DK	0,2	−1,9	−1,9	2	7¼
D	7,1	8,8	6,6	3¾	3
GR	8,6	4,8	−1,2	3½	5½
E	13,7	6,7	2,2	3¾	4
F	5,8	3,8	−0,6	1¾	3¼
IRL	11,3	7,5	−0,4	3¾	4¼
I	5,1	3,0	−0,4	2½	3
L	13,4	9,4	6,2	4¾	4
NL	3,0	4,2	1,1	−1	2
P	7,5	7,5	4,5	3	3¾
UK	4,8	−2,4	−12,8	−¾	6½
EC	6,7	4,1	−0,5	2¼	3¾
USA	2,7	0,9	−4,4	4½	5½
Japan	11,0	10,9	4,6	3½	4

(l) GDP per head (EC = 100) at current prices and purchasing power standards

	1960	1973	1986	1992[1]	1993[1]
B	95,4	101,2	100,6	103,4	103,8
DK	118,3	113,1	117,0	110,2	111,4
D	117,9	111,1	114,0	113,6	112,3
GR	38,6	56,8	55,9	52,1	52,0
E	60,3	79,0	72,8	79,9	80,7
F	105,8	110,4	110,1	108,8	108,8
IRL	60,8	58,9	63,4	68,9	69,2
I	86,5	93,3	103,0	103,2	103,4
L	158,5	141,9	126,2	130,0	132,6
NL	118,6	113,1	106,0	102,7	102,0
P	38,7	56,4	52,5	56,3	56,2
UK	128,6	108,5	105,4	102,1	102,5
EC	100,0	100,0	100,0	100,0	100,0
USA	189,6	161,6	155,7	146,8	145,9
Japan	55,8	96,2	110,6	124,3	125,6

[1] Based on the forecasts of autumn 1991.
Source: Commission services.

The national economies

Evaluation by the Commission services

Tables

Graphs

Introduction

1991 has been a year of markedly slower growth for the Community economy as a whole, with rising unemployment and with investment expected to fall in absolute terms for the first time since the 1981–82 recession. Only a relatively slow recovery in output growth is foreseen for 1992, with a further modest acceleration in 1993, and unemployment is forecast to continue rising in both years.

In part the sharp deterioration in performance in 1991 can be explained by the particularly adverse international economic environment. The chief factor here was the abrupt decline in business and consumer confidence internationally which followed the invasion of Kuwait. Despite the short duration of the eventual conflict and the avoidance of a major oil-price shock, confidence has been slow to recover.

In addition (and only partly as a consequence of the Gulf crisis) a substantial number of export markets were subject to recession in their respective economies: notably the United States of America and Canada but also smaller economies such as Australia, Sweden, Finland and Switzerland. Separately, demand from Eastern Europe collapsed as the command economies broke up. Overall, world output growth including the Community may turn out to have been only marginally positive, with extra-Community world trade growth of under 2 %.

Within the Community, individual member countries have recorded very diverse performances in 1991. This is most true for Germany and the United Kingdom. Germany experienced the first full year of unification, with still buoyant internal demand growth supporting EC output via a continued spillover into imports from other Community countries. In contrast, the performance of the United Kingdom depressed overall Community results, with the economy experiencing severe recession, the expected GDP fall of almost 2 % being the most severe among the major international economies.

Other member countries' performances lie between these extremes, although some cyclical slowdown was a common experience. In France and Italy GDP is expected to grow by about 1 to 1½ %, with structural weaknesses evident in both economies. The increase in demand from the enlarged German market has helped underpin moderately strong growth in the Benelux countries, Denmark and Portugal. In Spain, still relatively strong domestic demand growth has helped a more sustainable rate of growth after the very high rates of recent years. For Greece, 1991 marked the first year of a medium-term structural adjustment programme and output remained depressed.

The economies of both Germany and the United Kingdom are expected to grow at a rate more in line with the rest of the Community during 1992 and 1993. The tailing-off of the impetus from higher demand in the enlarged Germany will lead to slower growth in West Germany with similar effects in Germany's main trading partners. However, recovery in the United Kingdom, the reversal of cyclical effects in other countries and a more buoyant external environment (with extra-Community world trade growing at 5 % or more) should result in Community growth overall accelerating. Growth is thus expected to strengthen significantly in all member countries other than Germany and the Netherlands, and Portugal where the authorities are pursuing a policy of consolidation in preparation for EMU.

The upturn foreseen for 1992 and 1993 is relatively weak, as a consequence of the slow re-establishment of internal balance and the pursuit of fiscal and monetary consolidation in many member countries. The achievement of greater nominal convergence in terms of inflation and fiscal deficits, arrested in 1990, is nevertheless still largely postponed as underlying structural weaknesses continue to weigh heavily on performance.

Further deceleration of inflation, after the uptick recorded in 1990, is decidedly modest in 1991 and 1992 and no overall progress is foreseen in 1993. Among several of the original ERM narrow-band countries, performance is deteriorating. This result stems largely from continuing high wage and unit labour cost increases; in 1991 wage increases accelerated particularly significantly in Germany and the Netherlands. Progress in Italy and the newer ERM members has been somewhat more encouraging, with a particularly large reduction in inflation in the United Kingdom (there aided by the recession). Inflation is also on a downward trend in Greece and Portugal where both countries are pursuing stabilization policies.

The picture for stabilization of government deficits is similarly unencouraging. After the increase in government net borrowing as a percentage of GDP in 1990, which broke an improving trend in the late 1980s, the position worsened further in 1991. This result owes largely to a very substantial increase in borrowing by Germany to finance transfers to the eastern *Länder* and to the deterioration in the UK budgetary position, there mainly due to the depth of the recession. Other member countries affected by economic slowdown have taken discretionary steps to offset the full effect of automatic stabilizers, while, as noted above, in the context of entry into Stage II of EMU, certain countries are pursuing medium-term fiscal consolidation policies. For 1992, despite some economic recovery, most countries' budget positions are expected to record only modest improvement, while at the Community level this is likely to be offset by a further substantial deterioration in the UK. The latter reflects partly assessment and payment lags in corporate taxation and continuing labour market weakness. For 1993 only slight further progress in reducing deficits is expected.

The disappointing picture for nominal convergence in view of further planned steps towards EMU is not lightened by significant progress in rectifying real imbalances. Chief among these is an undynamic labour market performance. After employment growth in the Community averaging 1 to 1½ % in the four years after 1986, employment is forecast to expand by ½ % p.a. or under in 1991–93. Similarly to the picture for output, individual countries' performances are very diverse, with a sharp contraction in employment in the United Kingdom and higher growth in Germany and Spain. Low employment growth overall implies a continuing growth in unemployment in many countries, partly reversing the improvements of the late 1980s.

A fuller assessment of developments and important policy issues in each of the national economies of the Community is given in the following sections.

Belgium

Marked slowdown in economic growth

In the period from 1988 to 1990 the Belgian economy performed remarkably well. Growth averaged over 4 % per year, nearly one percentage point above the EC average. Employment creation, favoured by real wage moderation, brought the Belgian unemployment rate below the EC average. Despite high real interest rates, both discretionary policy action and the economic cycle allowed for some progress to be made in correcting the major public finance imbalances.

In 1991 growth decelerated sharply to about 1,5 %, reflecting the weakening of the principal components of domestic demand: private consumption and investment. The slowing down of private consumption reflects, to a large extent, the deterioration of consumer confidence associated with the unfavourable outlook for the labour market. In 1991, the average rate of unemployment (Eurostat definition) rose to 8,6 % (8,1 % in 1990).

Table 1

Belgium: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	1,5	3,6	3,7	1,3	2,1	2,5
Total domestic demand (% change)	1,9	4,3	3,4	1,2	2,2	2,3
Employment (% change)	0,4	1,2	0,9	−0,3	0,0	0,3
Unemployment rate (%)	11,9	10,0	8,1	8,6	8,6	8,4
Inflation (%)	4,0	2,4	3,5	3,2	3,4	3,6
Balance of current account (% of GDP)	0,6	1,3	1,0	1,0	1,1	1,2

For definitions, see Table 3.

In recent years, the strong growth in all categories of private investment indicated the increased speed of adjustment between actual and desired capital stock levels, following the general improvement in the economic situation and in firms' profitability and financial position. In 1991, the investment climate deteriorated with the economic slowdown and uncertain international conditions. As a result private investment expenditures practically stagnated. Residential construction expenditures, after a staggering accumulated increase of over 40 % between 1987 and 1990, declined by around 5 % in 1991, partly reflecting the high level of real interest rates.

Table 2

Belgium: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	15,8	18,2	20,6	20,5	20,7	20,7
(% change)	2,3	10,9	8,3	0,6	3,0	2,8
of which:						
Construction (% change)	−1,3	8,4	6,7	−1,4	3,3	2,7
Equipment (% change)	7,0	13,0	10,3	3,0	2,8	2,8

Exports of goods have benefited in 1991 from the impact of German unification and, despite weaker demand in other markets, are estimated to have risen in volume by about 4 %. Belgian export performance compares satisfactorily with that of its main European competitors. The current account has remained in a surplus of close to 1 % of GDP.

Table 3

Belgium: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	7,9	9,2	6,9	4,6	5,5	6,2
Short-term interest rate	9,7	7,5	9,8	9,3	9,4	9,0
Long-term interest rate	10,2	8,1	10,1	9,3	9,0	8,9
Competitiveness[1]	101,4	103,5	104,8	102,7	102,6	102,6
Budget balance (% of GDP)	−8,9	−6,9	−5,6	−6,3	−6,2	−5,8
Gross public debt (% of GDP)	118,8	130,6	127,3	129,4	129,6	128,9
Nominal wages per head (% change)	5,2	2,7	6,4	5,2	5,7	5,6
Real wages per head (% change)	1,2	0,3	2,8	1,9	2,2	1,9

[1] BLEU 1985 = 100.

Definitions:

Unemployment rate: harmonized Eurostat definition.
Inflation: private consumption deflator.
Money growth: broad money (M2/M3).
Competitiveness: nominal unit wage cost (total economy) relative to 19 industrial countries, double weighting of exports, 1985 = 100.
Budget balance: net lending/borrowing of general government.
Gross public debt: general government.
Nominal wages: compensation of employees per head.
Real wages: compensation of employees per head deflated by private comsumption prices.
Figures for 1991-93 are forecasts made by the Commission services, November 1991.

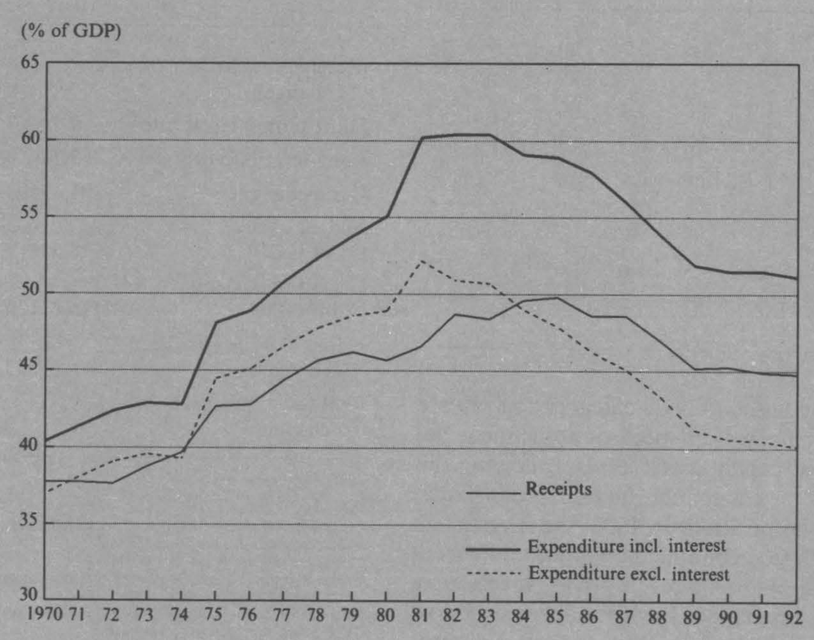
Consumer price inflation in 1991 was kept at around 3,2 %, which compares favourably with the average inflation rate in the countries participating in the narrow band of the ERM. Real wage increases averaged just under 2 %, but productivity growth slowed down in parallel with the economic cycle. On balance, price competitiveness has moved satisfactorily in 1991, partly because of nominal effective exchange-rate movements and relatively high wage settlements in other competitor countries.

In 1992, real growth is expected to recover somewhat to about 2 %, as both private consumption and investment will pick up moderately. However, employment will stagnate and the rate of unemployment is not expected to resume a downward trend. The profitability of the enterprises will begin to improve again, reflecting both the cyclical increase in productivity and wage moderation.

Fiscal consolidation remains the main priority of economic policy

The main policy objective since the mid-1980s has been the consolidation of the public finances. The goal was first to arrest the snowball effect of debt accumulation, and subsequently to reduce the debt/GDP ratio to sustainable levels. In the period 1989–91, the Belgian authorities implemented a fiscal consolidation strategy based on the following double norm for the national government budget: (i) a zero real growth rate for non-interest expenditures, and (ii) no increase in the nominal deficit. Ideally, the process of fiscal consolidation should be conducted for general government as a whole so as to avoid any slackening of discipline through offsetting developments at subnational level or in the social security system. However, the federal structure of the Belgian State makes the fixing of normative global targets more difficult. The 1988 constitutional reform involved a wide devolution of powers to communities and regions. Coordination mechanisms to guarantee the overall consistency of policies were put into place with the 1989 law on the financing of regions and communities. The reports of the 'Conseil supérieur des finances, section besoins de financement des pouvoirs publics' have partly contributed to the creation of the required political consensus by providing the economic rationale for a prolonged effort at fiscal consolidation. Nevertheless, institutional links between the national government and the social security system could be further explored in the designing of any new normative strategy.

GRAPH 1: **Belgium — General government: total receipts and expenditure**



Source: Commission services.

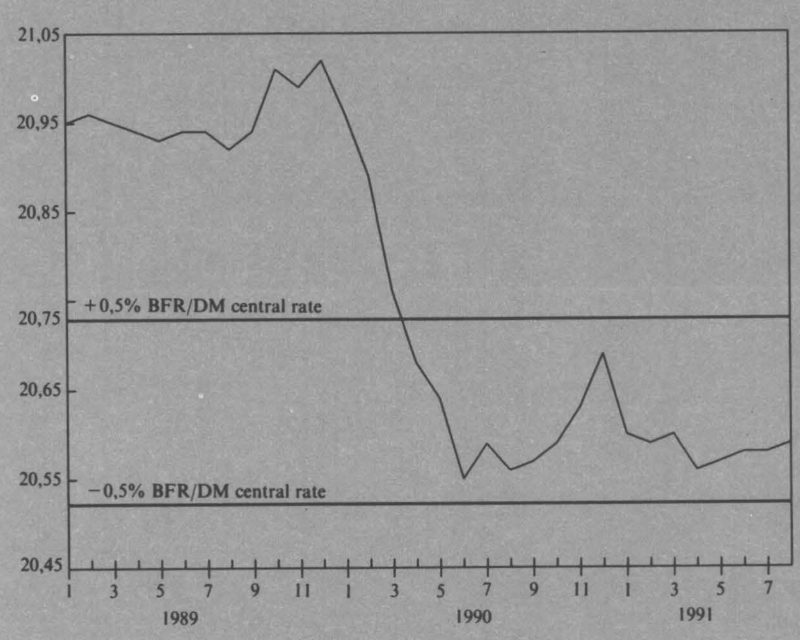
In 1989 and 1990, the ratio of public debt to GDP declined slightly, reflecting a sustained effort at fiscal consolidation in a favourable economic environment; at the end of 1990 however, the public debt/GDP ratio of 125,4 % was still by far the highest in the Community. In 1991, both the slowdown in economic activity and the impact of the reform of personal taxation have contributed to the deterioration of the fiscal position; the general government deficit has widened by 0,7 percentage points to an estimated 6,3 % of GDP. The efforts at fiscal consolidation will have to resume in the years ahead until the burden of servicing the debt has decreased to acceptable levels. At present, by pre-empting about one quarter of general government receipts, interest expenditures crowd out other public outlays with a potentially high rate of return; this, in turn, has detrimental consequences for Belgium's international competitive position. The scope for using the public finance stabilizers is also substantially reduced, as revenue-raising considerations have become of paramount importance. Several factors point to the desirability of concentrating the efforts at fiscal consolidation in the first half of the 1990s to minimize adjustment costs: the setting of minimum rules for budgetary convergence in Stage II of EMU, the current high levels of real interest rates, and the prospect of an ageing population at the turn of the century.

Important reforms in the financial markets

The Belgian authorities announced a 'franc fort' policy in May 1990. This policy involves the pegging of the Belgian franc to the stronger currencies in the ERM. Since then, the Belgian franc has been managed inside an implicit band of ±0,5 % around its central rate against the Deutschmark. The Belgian authorities are also committed to maintaining the central parity of the BFR/DM exchange-rate in the event of an EMS realignment. The hardening of Belgian exchange-rate policy was part of a package of measures aimed at: (i) eliminating the risk premium and increasing the attractiveness of assets denominated in Belgian francs; and (ii) modernizing financial markets.

This new exchange-rate policy and the lowering of the withholding tax on interest earnings — in March 1990, from 25 to 10 % — contributed to the strengthening of the Belgian franc within the narrow EMS band, allowing the authorities to reduce substantially the short-term interest-rate differential against the Deutschmark. This differential has by now virtually disappeared, while it amounted to about 150 basis points in mid-1990. In contrast, the long-term interest-rate

GRAPH 2: **Belgium — BFR/DM average exchange rate**



differential has only been marginally reduced, partly reflecting Belgium's fiscal imbalances.

A policy of modernizing Belgian financial markets was pursued in 1991. The main challenge is to prepare the Belgian financial system for increased competition within the single European market. After the successful introduction of a new liquid long-term government security (*obligations linéaires* (OLOs)) in 1989, followed in 1990 by the restructuring of the secondary bond market, involving the nomination of primary dealers, a comprehensive reform of money markets was implemented on 29 January 1991. The reorganization of the money market has basically two objectives: (i) the harmonization of Belgian instruments of monetary policy with those already in use in most other industrialized countries; and (ii) improvements in the financing of the budget deficit.

The two main aspects of the financial reform are: (i) the changes introduced in the Treasury Certificate market; and (ii) a new framework for monetary policy. Before this reform the conduct of monetary policy relied solely on the Treasury Certificate market, which was also central to the short-term refinancing of the public debt. The interest rate on Treasury Certificates was set by the National Bank in concert with the Minister for Finance, to minimize the costs of financing the government debt subject to the exchange-rate constraint. This arrangement had two main drawbacks: (i) it pursued potentially conflicting goals, which might limit the autonomy of the central bank; and (ii) interest rates were not competitively determined. The modernization of the money market will put further pressure on the profitability of the banking sector; in consequence, the Belgian Prices Commission has authorized banks to charge limited fees on standard payment transactions.

An important legal framework for long-term capital markets, the so-called 'mammoth law', was published on 4 December 1990. This legislative package will bring changes in many aspects of the capital markets, *inter alia,* reducing brokerage fees, ending the stockbrokers' monopoly, lowering transaction costs, tightening information requirements for corporations listed on the Stock Exchange, allowing for new categories of investment funds, and defining insider trading.

The present momentum of financial reform is expected to continue as the authorities are considering draft legislation in a number of important areas, including credit securitization, mortgage lending (allowing for some flexibility of interest rates), and the insurance sector, where the competitive position of firms is widely judged as weak in the context of the single European market.

Denmark

Danish economy completes an important adjustment process.

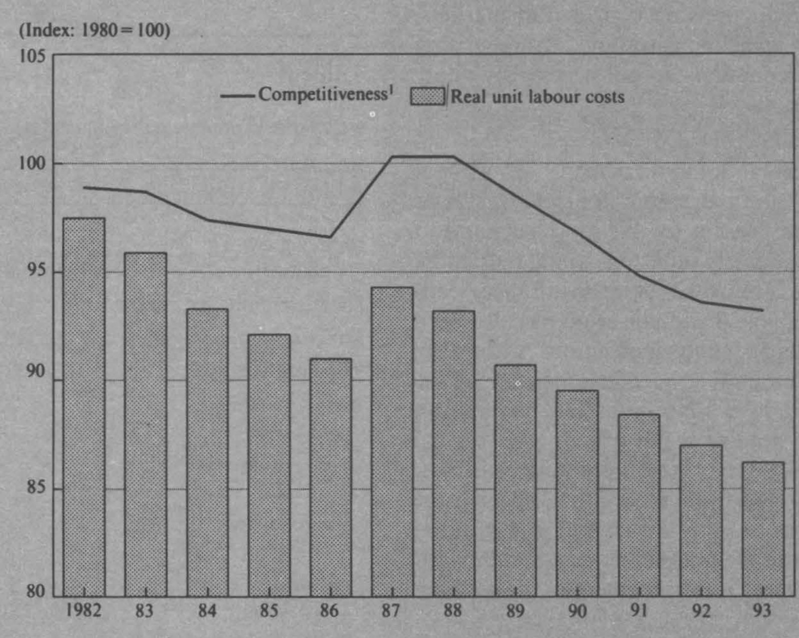
After several difficult years, Denmark appears to be coming to the end of a very important adjustment process. In the second half of the 1980s, the hard currency option adopted by Denmark gained credibility. The subsequent narrowing in the interest-rate differential *vis-à-vis* Germany was a clear indication that markets increasingly believed that the Danish exchange rate would remain unchanged against the Deutschmark. However, during the period of transition to nominal convergence, an inflation differential persisted and Danish competitiveness deteriorated. Therefore, the dampening impact of tight fiscal and monetary policy on domestic demand was reinforced by falling external demand due to a real appreciation. Disinflation was accompanied by weak growth in the economy over the late 1980s during which unemployment rose strongly.

Increasingly, however, labour market behaviour in Denmark has taken into account the challenge arising from economic integration within the Community. Since 1988 nominal wage moderation has been the key element in reversing the negative trend in competitiveness. As productivity growth appears to have accelerated, the profitability of Danish enterprises has improved considerably. The economic fundamentals appear to point to a sustained improvement in the two persistent problems in the Danish economy: high unemployment and the high interest burden on foreign debt.

The two-year wage settlements of spring 1991 showed a continued recognition within the labour market that wage moderation is the most important factor for supply-led improvement in the performance of the economy. A further fall in real unit labour costs is expected yielding an improvement in profit margins. Competitiveness *vis-à-vis* partner countries is boosting external performance, and the very favourable evolution of the trade balance should be consolidated in the coming years.

High productivity growth, a low inflation rate, stable unit labour costs and falling interest rates are features of the currently favourable economic situation and outlook. As the completion of the single market approaches and the external environment is expected to improve, the Danish economy should be able to reap the fruits of its internal adjustment process.

GRAPH 1: **Denmark — Competitiveness and profitability — Total economy**



[1] Relative to 10 ERM countries.
Source: Commission services.

Table 1

Denmark: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	4,1	0,7	2,1	1,8	3,0	3,3
Total domestic demand (% change)	5,5	−1,2	−0,7	0,4	2,0	3,2
Employment (% change)	2,3	0,1	−0,4	−1,0	0,0	1,0
Unemployment rate (%)	7,2	6,6	8,2	9,5	9,6	8,9
Inflation (%)	4,5	4,8	2,5	2,4	2,2	2,4
Balance of current account (% of GDP)	−4,4	−1,8	0,8	1,4	2,2	2,5

For definitions, see Table 3 for Belgium.

Table 2

Denmark: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	19,1	19,3	18,0	17,3	17,1	17,8
(% change)	14,2	−3,4	−1,9	−1,9	2,0	7,1
of which:						
Construction (% change)	11,8	−2,7	−6,1	−6,5	−1,0	4,0
Equipment (% change)	16,9	−4,4	3,0	3,0	5,0	10,0

In the short term, gains in competitiveness should contribute to an acceleration in exports; this is in addition to the German unification effect on Danish exports, which will continue to be significant. As domestic demand will remain fairly weak in the short term, net exports will contribute to the improving growth performance. In particular, producer surveys suggest that exporters envisage an increase in volumes rather than prices indicating gains in market shares. Some branches of Danish manufacturing industry may even be able to absorb price reductions on their export markets. Given the very moderate wage increases and strongly rising productivity, such price reductions do not necessarily imply a reduction in profit margins.

Despite the weakness of total domestic demand, investment in equipment has been quite dynamic for several years. This increased investment did not for the most part add to employment potential, but partly reflected capital deepening especially in some services sectors (banking, insurance) leading to high productivity gains. Rationalization has also been fuelled by important mergers and acquisitions within the Danish service sector. The implied greater efficiency of the Danish economy has led to a continuous fall in real unit labour costs, so that in spite of a fairly high level of real wages in Denmark compared to other Community countries, the expected real rate of return does not now appear to be lower than in those countries. This is a crucial precondition for attracting investment in the internal market and thus for securing growth and reducing unemployment in the medium term.

Survey evidence suggests that consumers remain cautious and the saving ratio is on a rising trend (improving half a percentage point over the last 12 months), perhaps reinforced by several measures aimed at increasing private sector savings. However, as the general economic climate should significantly improve over the next year or so, consumer expenditure — in particular on durable goods — is likely to accelerate.

Keeping inflation low and the external account in surplus

The economic objective in the last five years has been to solve a competitiveness problem and high unemployment by maintaining a hard currency stance. Appropriate wage

Table 3

Denmark: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	14,0	4,6	7,2	4,5	5,1	5,7
Short-term interest rate	10,2	9,2	10,8	9,6	9,4	9,0
Long-term interest rate	12,0	10,9	11,0	10,1	9,1	8,9
Competitiveness	101,7	112,7	112,0	105,0	101,3	99,5
Budget balance (% of GDP)	−0,9	0,8	−1,5	−1,7	−1,5	−0,5
Gross public debt[1] (% of GDP)	75,2	65,8	66,4	66,7	65,8	63,8
Nominal wages per head (% change)	4,9	5,0	3,5	3,5	3,5	3,9
Real wages per head (% change)	0,3	0,2	1,0	1,1	1,3	1,4

[1] Before consolidation of government debt held by public-sector pension funds; if consolidated the debt/GDP ratio would now be below 60%.
For definitions, see Table 3 for Belgium.

adjustment is essential to this process, as the inflation rate of the partner countries must be initially undershot and profit expectations should not suffer if investment and thus job creation are not to be threatened. In the Danish experience, nominal wage moderation and a healthy growth trend in productivity were the key elements in achieving disinflation and improving medium-term employment prospects.

Low wage-price pressure and high productivity growth will continue to support Denmark's low-inflation performance as does the lowering of indirect taxation induced by the Community's internal market programme. However, the very low economic growth rates experienced over recent years have also helped in achieving low inflation. It will be essential that the Danish economy is able to maintain moderate pay rises during the expected recovery in economic activity. If not, the economy may well experience a setback, similar to 1987 when excessive wage growth led to a sharp drop in competitiveness and necessitated a costly adjustment thereafter.

Current account balance: maintaining a solid surplus

After 26 years of continuous current account deficits, the trend turned in 1990. This year, the Danish current account balance will again show a comfortable surplus of some 1½ % of GDP, allowing Denmark to continue redemption of its large external debt. Servicing these external liabilities is very costly; net interest payments in 1991 represented some 4 % of GDP and offset most of the surpluses on the trade and services balances.

The surplus on the trade balance has improved considerably in recent years, and a large surplus is expected to be sustained. The services balance — in particular tourism — now also contributes significantly to the current account surplus. The rising trend observed in recent years is also expected to continue next year.

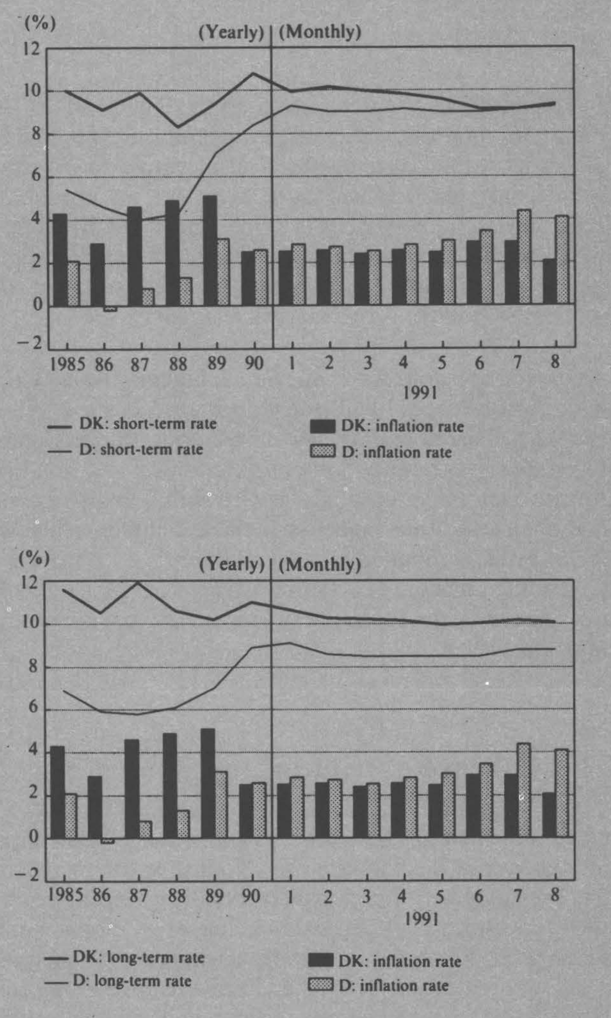
Long-term prospects for the current account are also positive. Even though imports will increase more rapidly as domestic demand picks up, exports are also expected to increase provided the improvement in competitiveness is maintained.

High real interest rates not a major impediment to achieving stronger growth

Interest rates in Denmark have been on a declining trend over the last decade; however, inflation has also fallen so that real interest rates remain high. Even though Danish interest-rate differentials are now narrowing *vis-à-vis* the Deutschmark, the inflation rate in Denmark has been below that in Germany for some time. As a result real interest rates in Denmark remain higher.

An apparently positive effect of high real interest rates is that the Danish savings rate has been improving over the last few years, thus closing the domestic investment/saving gap. However, a more important explanation is the incen-

GRAPH 2: **Denmark — Interest rates and inflation in comparison with Germany**



Source: Commission services.

tives provided by 1987 tax reform in which the deductibility of interest payments was reduced through a reduction of the tax rate (and value of tax relief) on capital income.

Given that the high rate of return on physical capital is appropriate, real interest rates do not necessarily impede investment. In liberalized capital markets, the level of real interest rates is mainly determined by world market conditions and, in a small open economy, a lowering of domestic real interest rates is only possible by lowering the risk premium attached to the domestic currency. As the mobility of capital will probably increase further, the only way to cope with high real interest rates is to improve supply performance, thereby rendering investment more attractive.

High real wages require a high level of productivity

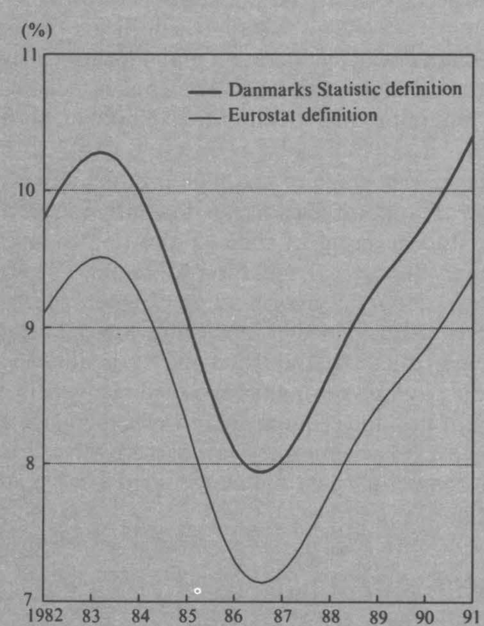
In Denmark, wage costs are among the highest in the Community despite the recent wage moderation. The high level of wages would certainly be a disincentive to investment were it not accompanied by a high level of productivity. Labour productivity may even be supported by high real wages as the opportunity costs of losing a well-paid job are high and the incentive of being well-rewarded for one's services may induce greater work efficiency.

As capital constraints are alleviated, higher efficiency in the allocation of capital will lead to a higher average real rate of return. Therefore, it is even more important for Denmark to establish high microeconomic credibility and favourable private sector expectations, as this will lead to increased investment and thus higher growth and employment. Apart from stable labour market conditions, over which the government has only partial influence, such policies include a stable exchange rate, good infrastructure and a favourable taxation system.

The challenge of reducing unemployment

Unemployment has been a persistent problem in the Danish economy since the first oil crisis. No lasting improvement in the unemployment rate has been evident in recent years. In 1984, unemployment began to decline as economic activity accelerated; however, as growth slackened, the unemployment rate rose again in 1988 and remains on a rising trend. However, there is some hope for gradually solving the problem, if capital-widening investment is encouraged by improvements in profitability.

GRAPH 3: **Denmark — Unemployment rate**



Structural rigidities are still evident in the Danish labour market. Both geographical and occupational mobility are much lower than might be expected in a small country with a relatively highly educated labour force. The first of these structural problems can be explained in part by a high participation rate among women. As it is common in Denmark for both adults in a family to work, a person affected by unemployment may be reluctant to take a job in another part of the country. The problem of occupational immobility can be explained by the Danish system of unemployment benefits, which does not provide adequate economic incentives for the unemployed to seek new work immediately after losing a job. This is especially true in the lower and middle wage-brackets. In addition, fairly liberal rules allowing companies to lay off workers temporarily during periods of low activity have contributed to high average unemployment rates. A general restructuring of the labour market in Denmark appears to be a prerequisite for improvement in employment creation. Reforms in this direction are now under active consideration.

Germany

Slowdown in the West but recovery in the East

After a period of extraordinarily buoyant growth in West Germany, the economy slowed down in 1991. While in the latter part of the 1980s growth was led by vibrant domestic and foreign investment in preparation for the internal market, growth over the last 18 months has been supported by the strength of domestic demand as a consequence of German unification. However, as external demand has become quite sluggish and the expansionary impulses from German unification are fading out other fundamental factors, such as higher interest rates, efforts to consolidate the public finances and rising unit labour costs are gaining in importance, factors which will restrain West German growth to about 2 % in the remainder of 1991 and in each of the next two years. Over the same period, inflation will temporarily exceed 4 %, employment growth is likely to taper off and unemployment could once again reach 2 million. The slowdown in West Germany could, furthermore, complicate the necessary process of budgetary consolidation and reduce the scope for redistribution in favour of East Germany.

Private consumption, boosted by significant tax cuts in 1990, is expected to grow more moderately from the third quarter of 1991 despite a significant reduction in the household saving rate; in 1991 there has been a temporary increase in direct and indirect taxation and a rise in social security contributions. Further tax increases in 1992 and 1993 may again limit the expansion of consumption.

A major driving force behind the recent acceleration of West German growth has been the performance of investment. While strong growth is continuing in 1991, especially for investment in equipment, slower growth in West German investment is expected in the next couple of years, because of the high level of interest rates, the absence of any additional demand impulse from East Germany, and a tendency for many important West German investors to shift at least a part of their investment budget to the territory of the former GDR, thereby reducing investment in West Germany.

GDP growth may reach 3,3 % in 1991, more than 1 percentage point of which can be ascribed to the unification effect. In 1992, growth is forecast to reach only 2,2 % as the stimulating demand push from the former GDR will have petered out and both fiscal and monetary policy will work as contractive forces in West Germany. In 1993, there could even be a slight contractionary impact from East Germany on growth in West Germany. Economic developments in the five new eastern *Länder* and the response of economic policy to this shock explain most of the variations in West German growth between 1989 and 1993.

Table 1

West Germany: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	2,4	2,9	4,7	3,3	2,2	1,8
Total domestic demand (% change)	2,1	3,1	5,0	3,0	2,1	2,0
Employment (% change)	0,8	1,0	2,8	2,8	1,0	0,3
Unemployment (%)	6,8	5,9	5,1	4,6	5,0	5,6
Inflation (%)	1,4	1,7	2,6	3,5	4,2	4,0
Gross capital formation						
% of GDP	19,9	20,4	21,8	22,3	22,7	23,0
% change	1,4	4,8	8,8	6,6	3,8	3,1
Budget balance (% of GDP)	−1,3	−1,3	−1,9	−3,2	−2,5	−2,8
Nominal wages per head (% change)	3,3	3,0	4,2	6,2	5,8	5,6
Real wages per head (% change)	1,8	1,2	1,5	2,6	1,5	1,6
Competitiveness	101,6	105,8	103,5	103,9	105,9	107,2

For definitions, see Table 3 for Belgium.

The East German economy is still passing through a painful adjustment process in the aftermath of unification: output fell dramatically until mid-1991, a large and persistent labour market imbalance has emerged, inflation has reached two-digit rates due to the progressive return to market prices and budget deficits have soared. Although public and private investment began to rise rapidly this summer, the economic structure is still far from being competitive and recent stabilization of output has mainly been the result of public intervention, e.g. public investment expenditure and large-scale export supporting measures.

Nevertheless, as the framework for a functioning market economy has now been installed and there are credible commitments from both the public and the private sector to large-scale investment, the decline in East German economic activity is likely to be followed by a significant recovery from the end of this year.

Table 2

East Germany: Macroeconomic performance[1]

	1989	1990	1991	1992	1993
Nominal GDP (billion DM)	234	178	159	213	262
GDP (% change)	:	−19	−20	7	9
Total domestic demand (% change)	:	−5	27	7	2
Imports (% of GDP)	23	57	133	110	93
GDP-deflator (%)	:	−6	12	25	13
Inflation (%)	:	−5	18	14	9
Budget balance (% of GDP)	:	:	−9	−14	−13
Employment (million)[2]	9,4	8,3	5,9	5,6	5,6
Unemployment (million)[2]	:	0,6	1,7	1,7	1,6
Short-time workers (million)[2]	:	0,8	1,6	0,6	0,2
Productivity/head (% change)[2]	:	−9	13	13	9
Productivity/head (% of West German productivity)[2]	32	29	32	36	38

[1] Figures for all years are forecast estimates made by the Commission services, November 1991.
[2] 50 % of all short-time workers are treated as actually unemployed.
For definitions, see Table 3 for Belgium.

Table 3

Unified Germany: Macroeconomic performance[1]

	1989	1990	1991	1992	1993
Nominal GDP (billion DM)	2 455	2 583	2 751	2 981	3 200
GDP (% change)	:	2,3	1,4	2,5	2,3
Total domestic demand (% change)	:	4,0	5,4	2,7	2,0
Imports (% of GDP)	25	25	26,6	26,5	26,5
GDP-deflator (%)	:	2,8	5,0	5,8	5,0
Inflation (%)	:	2,1	4,6	5,2	4,6
Budget balance (% of GDP)	0,1	−1,8	−3,6	−3,4	−3,7
Employment (million)[2]	37,0	36,8	35,1	35,1	35,2
Unemployment (million)[2]	2,0	2,5	3,4	3,5	3,6
Productivity/ head (% change)[2]	:	3,2	6,3	2,4	2,0
Balance of current account (% of GDP)	4,6	3,1	−1,1	−0,9	−0,7

[1] Figures for all years are forecast estimates made by the Commission services, November 1991.
[2] 50 % of all East German short-time workers are treated as actually unemployed.
For definitions, see Table 3 for Belgium.

The recovery in East Germany will be led by the construction and the services sectors. For a sustainable recovery, industrial production will also have to grow rapidly; however, prospects for this sector remain quite gloomy for the years ahead. Existing East German enterprises have not achieved a productivity level in line with salary developments, leaving them ill-equipped to face world market competition. Real growth in East Germany may exceed 6 % in 1992, strengthening further in 1993.

In aggregating West and East German economic performance different regional developments are smoothed out and growth rates become less volatile. The pattern of all-German economic activity shows a steady growth of 2 to 2½ % between 1989 and 1993 with a certain weakness in 1991. The current account, which showed a surplus of 4,5 % of West German GDP in 1989, has swung to a deficit of some 1 % of unified GDP.

Inflation has been pushed up by wage and tax increases

In 1990, wage increases started to accelerate in West Germany, putting an end to a long period of wage moderation during which nominal wages per head rose by about 3 % leading to steadily declining real unit labour costs and a significant improvement in profitability. Led by the public sector, 1991 brought several agreements with wages rising by 7 % or more, which pushed average wages per head up by more than 6 % on the previous year. Furthermore, the combination of a slowdown in economic activity and continued job creation has pushed unit labour costs up by about 5,5 % in 1991. The rise in indirect taxes required to help finance the transfers to East Germany has also added to the inflation rate. Consequently, the inflation performance in West Germany has significantly worsened, despite the favourable development of import prices. In July, the 12-month increase in the CPI exceeded 4 % for the first time since late 1982 and it is expected to peak in early 1992. Forthcoming wage negotiations will be crucial for the medium-term inflation outlook. Only if there is nominal wage moderation, with almost no rise in real incomes, will the deteriorating trend in inflation be reversed, allowing inflation rates to dip below 3 % in the course of 1993.

As regards East German inflation figures, the trend is still distorted by the switch towards market-oriented prices. While the price of tradables adjusted almost immediately to West German levels, as a consequence of market integration, the price of non-tradables, which are no longer subject to administrative regulations, have been moving in line with cost developments.

The latter are, however, rising quite sharply as East German wages are rising faster than productivity in an attempt to catch up with West German levels. Several price regulations still exist, of which the most important is for accommodation. A first adjustment of rents and the introduction of charges for running costs of accommodation in October have led to a month-on-month increase in the CPI of 20 %.

Very significant labour market disequilibria have emerged

In West Germany, job creation has accelerated sharply. The excellent labour market performance led to a reduction in the number of registered unemployed, despite growth of the labour force mainly due to immigration. As wage formation in West Germany has not yet been affected by high unemployment in East Germany and productivity has risen much more slowly in 1991, the coming years will see less favourable labour-market developments.

The East German labour market is, at present, under pressure from three sources. Firstly, plunging output due to the loss of both domestic and export markets implies a corresponding reduction in employment, mainly in manufacturing industry. Secondly, the shift from inefficient central-planning to more efficient market-oriented management and production methods is also likely to reduce employment significantly in all sectors. Finally, East German wage formation is less related to the productivity and profitability of East German enterprises than to corresponding wage levels in West Germany.

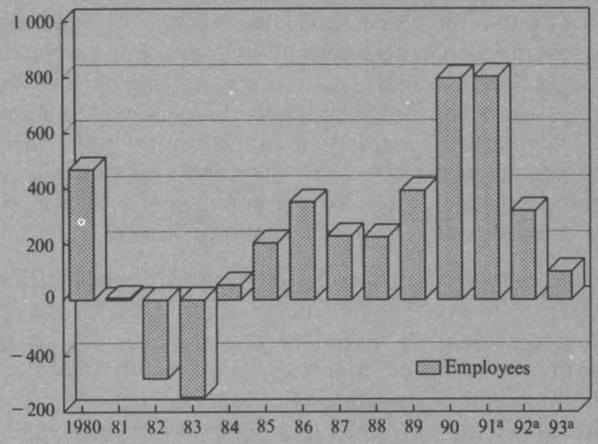
Total employment has already dropped quite dramatically, pushing the number of registered unemployed and short-time workers up to about 25 % of the 1989 labour force.[1] However, the adjustment in employment is not nearly completed. With GDP falling in volume by about 25 % between end-1989 and end-1991 and the need for substantial productivity improvements within surviving East German enterprises, a total reduction in employment of 4 million jobs may have occurred before the hoped-for recovery of output will reverse the overall employment trend.

[1] Furthermore, about 1,9 million people formerly employed no longer appear in the East German labour-market statistics, having taken early retirement, re-entered the education system, emigrated or become cross-border commuters.

GRAPH 1: **Germany — Labour market performance — Domestic concept**

West Germany

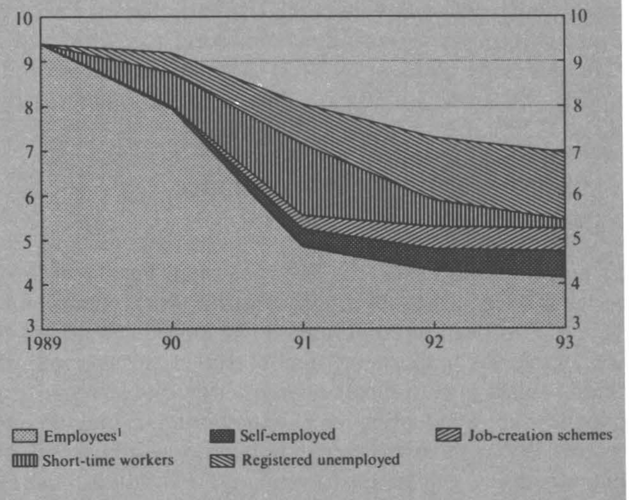
(Change in 1 000)



a Commission forecast (November 1991).
Source: Statistisches Bundesamt.

East Germany

(Million)



1 Excl. short-time workers and job-creation schemes.
Source: Commission forecast (November 1991).

Structural adjustment of the external balance ...

The emergence of East Germany as a major importing economy without the capacity to export to Western markets has led to a structural adjustment of the German trade balance. In 1990 and 1991, the external performance of Germany has been dominated by economic and monetary union, a slowdown in world trade and the collapse of the CMEA State-trade system. The latter led to an almost complete halt in East German demand for East European products while West German producers ignored external demand and put their efforts into serving the East German market. As a consequence, West German exports to traditional markets edged down by more than 1 % in 1991 while the exports of East Germany almost halved, implying a decline in all German exports of almost 4 % compared to 1990.

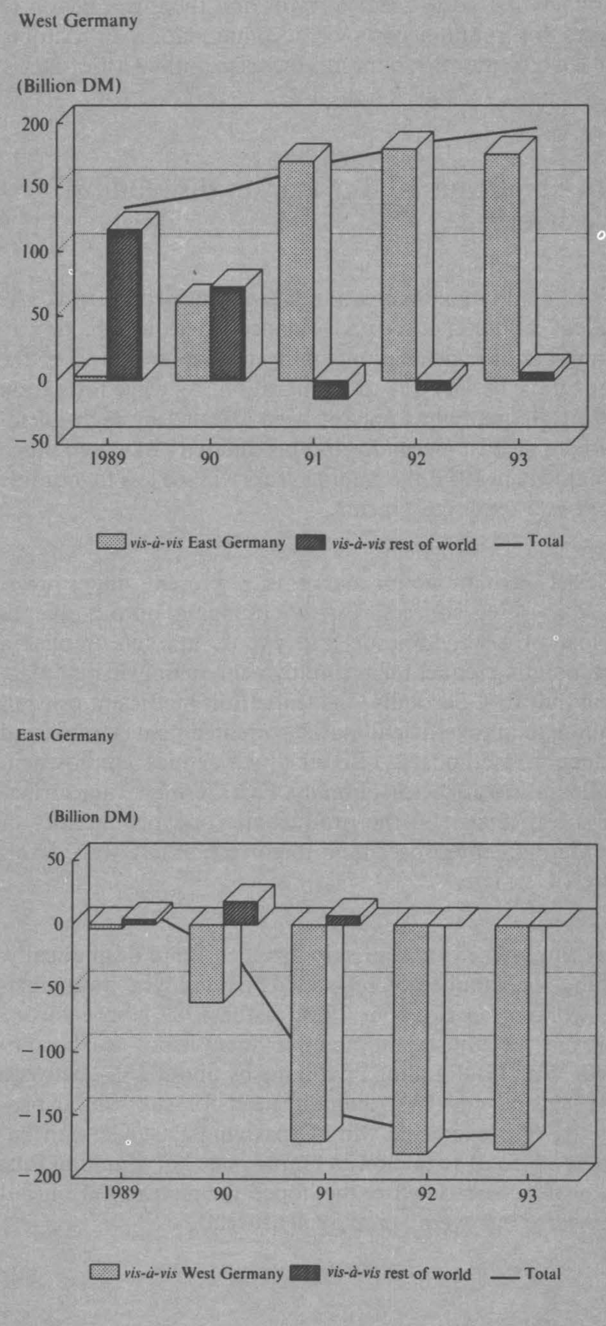
A further deterioration in the external balance resulted from the extraordinary demand-supply gap in East Germany, sucking in about 17 % more imports during the 12 months following economic and monetary union in July 1990 than in the preceding 12 months. The trade surplus of unified Germany will have dropped from DM 144 billion in 1989 to less than DM 30 billion in 1991. The current account balance, also affected by once-off unilateral transfers to the USA to help finance the Gulf war and rapidly rising transfers to East European countries, has swung from a surplus of more than DM 100 billion in 1989 to a significant deficit of some DM 30 billion in 1991.

The next two years will probably see an improvement in the external position of Germany, however, depending upon economic developments in East Germany. Exports will recover in line with a more dynamic world economy and a more aggressive strategy by West German exporters, while imports will grow in line with final demand growth in the unified Germany.

... supporting output performance in partner countries

Partner countries in the EC were the main beneficiaries of the integration of East Germany into the world market and into the European internal market. In consequence, growth rates of exports to Germany almost tripled in the 12-month period following monetary union for several partner countries, i.e. Spain, Belgium/Luxembourg, Denmark and France. While most partner countries benefited from the demand-supply gap in East Germany, additional exports[1]

GRAPH 2: **Germany — Trade performance — Goods and services**

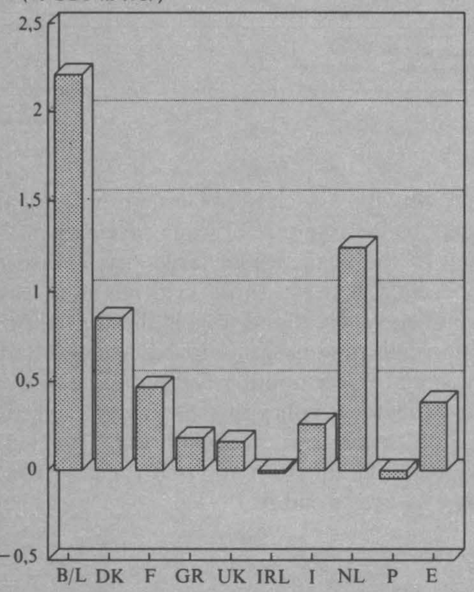


Source: Commission forecast (November 1991).

[1] Additional exports are defined as the difference in the growth rates for the 12-month period after monetary union (July 1990-June 1991) as compared to the growth rates for the 12-month period before monetary union (July 1989-June 1990). So, additional exports of Spain were 26 % of total exports as the latter soared by 40 % in the period after monetary union, compared to a growth rate of 14 % in the corresponding period before monetary union.

to Germany supported, in particular, output in those partner countries where exports to Germany traditionally play an important role; this is true mainly of Belgium/Luxembourg and the Netherlands, where additional exports correspond to more than 2 and 1 % of respective GDP.

GRAPH 3: **Germany — Additional exports to Germany after unification**[1]
(% GDP in 1989)



[1] Growth rate after unification (July 1990 – June 1991) minus growth rate before unification (July 1989 to June 1990)
Sources: Bundesbank; Commission services.

Dealing with the dramatic slump in East German employment

Although the main purpose of labour market policy is to foster the creation of new and self-sustaining employment, there is little doubt that East German labour supply will far exceed demand over the next few years. Two different labour markets reflecting a dual economy will exist in East Germany for some time. On the one hand, there will be fast-growing sectors, e.g. services and those parts of manufacturing industry based on a modern and productive capital stock financed by post-unification investment. This part of the economy will be able to pay high wages, as productivity could be even above average West German levels. On the other hand, there will be declining sectors, e.g. agriculture, mining and parts of the manufacturing sector, still using pre-unification capital stock. The survival of these sectors and branches is already threatened at current wage levels.

In the context of a short-term response to unemployment, consideration has been given to the creation, on a temporary basis, of a 'parallel' labour market and economy, consisting of public job-creation programmes, publicly financed employment companies (Beschäftigungsgesellschaften), etc. The goal has been to absorb as much of the unemployed labour force as possible in this temporary parallel economy. Production in this part of the economy is designed to interfere as little as possible with production in the private sector and mainly focuses on the provision of public goods or goods with positive externalities such as environmental recovery, social services, etc. Nevertheless, negative repercussions on the real economy cannot be avoided, given the size of the labour force likely to be employed in this 'parallel' market. However, negative effects will probably be less damaging than those related to other interventions designed to retard or avoid employment adjustment in the real economy, e.g. through special short-time working schemes or wage subsidies for parts of the private sector as the latter would increasingly act as a disincentive to the adjustment of existing enterprises, to privatization and to private capital inflows.

Consolidating the public finances

In the process of German unification, the public sector balance has deteriorated significantly despite expenditure cuts and substantial revenue increases. To limit public sector borrowing to the amount targeted at the end of 1990, higher social security contributions and tax increases were decided in early 1991, which partly offset the increase in the real disposable income of private households in West Germany as a result of the income-tax cuts of early 1990. Moreover, public transfers to East Germany have so far been mainly used to support consumption rather than to promote investment.

To support economic and social integration, fiscal resources corresponding to about 5 % of GDP per year were channelled to East Germany. The public borrowing requirement of about $3\frac{1}{2}$ % of GDP was financed without tensions on capital markets. However, a more solid financing basis is needed as annual transfers of this order of magnitude will be required for several years, hopefully falling over the period. For economic reasons such a redistribution should not be at the expense of private investment; thus the disposable income of private households must be targeted, e.g. through temporarily higher income-tax rates and social security contributions or expenditure cuts. In consequence, it is desirable that the social partners do not seek compensating wage increases but take these requirements into account when negotiating new wage settlements in the early 1990s.

In view of the necessity for ongoing wage moderation and continued social consensus in Germany — preconditions for a positive investment climate — it may be difficult to reduce enterprise taxation beyond those measures already adopted in the course of the unification process. Nevertheless, a restructuring of enterprise taxation would also be useful.

Preconditions for avoiding a further tightening of monetary policy

Monetary policy in Germany has already become quite tight in the light of output and employment developments both in Germany and in its partner countries. As partner countries' interest rates are converging to German rates, lower rates in Germany would be welcomed in a phase of sluggish output in Europe to facilitate economic recovery. Furthermore, output is also losing momentum in West Germany as the expansionary demand effect from East Germany phases out and fiscal policy will increasingly reflect major consolidation efforts.

If recorded inflation rates rise to well over 4 % at the beginning of 1992, they may be seen as a signal of strong inflationary pressure in West Germany, forcing the Bundesbank to tighten monetary policy further despite a slowdown in economic activity. Crucial for German inflationary performance will be the response of wage developments and of fiscal policy to the challenge of large-scale redistribution. Close cooperation between those institutions in charge of designing monetary, fiscal and wage policy in the run-up to forthcoming wage rounds seems to be essential and could prevent the need for a temporary further tightening of monetary policy. Indeed, a policy mix of wage moderation and public expenditure moderation could bring down underlying inflation rates — i.e. inflation adjusted for tax increases — to less than 3 % by the end of 1992.

Table 4

Germany: Monetary policy indicators[1]

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	5,4	6,1	5,9	5,0	5,8	5,8
Short-term interest rate	5,3	5,1	8,4	9,1	9,4	9,0
Long-term interest rate	6,9	6,3	8,9	8,7	8,8	8,9

[1] Unified Germany as from 1991.
For definitions, see Table 3 for Belgium.

Greece

Slow growth but some progress on inflation and balance of payments

1991 was the first year of the government's medium-term reform programme aimed at correcting macroeconomic, notably fiscal, imbalances on the one hand, and at structural reform on the other. Following a low output growth in 1990, GDP is estimated to have grown by ¾ % in 1991 with a sharp rise in agricultural output (+11 %) masking the recession in the urban sector of the economy (industrial production −2 %; construction activity −6 %). Domestic demand declined, reflecting a sharp slowdown in private consumption and investment accompanied by a decrease in public consumption. While exports increased by less than Greece's export markets, weak domestic demand and the destocking of previously imported goods led to a greater fall in import volumes. In consequence, external demand made a positive contribution to GDP growth in 1991. Growth is set to remain low in 1992 on the assumption that adequate measures of fiscal consolidation are undertaken. Assuming that there will be significant progress in adjustment and that structural reform will begin to produce effects on the supply side, an upturn in activity is expected in 1993.

Consumer price inflation decelerated throughout 1991 reflecting both moderate wage increases and the slackening in demand. At the end of the year inflation could be running at close to 17 % (giving a yearly average of 18,3 %, compared with 20,4 % in 1990) while a further deceleration is forecast for 1992 and 1993. The current account improved in 1991, with the trade deficit declining as a percentage of GDP and net transfers from the EEC increasing by over 50 % (corresponding to 3,5 % of GDP in 1991). The improvement in the current account is expected to continue in the next two years, mainly due to a better performance in the services balance.

Table 1

Greece: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP growth rate (% change)	2,4	2,1	−0,3	0,7	1,2	2,1
Total domestic demand (% change)	1,2	2,8	3,3	−0,3	1,1	2,1
Employment (% change)	0,5	0,6	0,2	−0,8	−0,1	0,2
Unemployment rate (%)	7,8	7,5	7,5	8,8	9,3	9,7
Inflation (% change)	19,4	14,8	20,2	18,3	14,3	11,0
Balance of current account (% of GDP)	−5,8	−3,3	−6,1	−4,1	−3,4	−2,8

For definitions, see Table 3 for Belgium.

Table 2

Greece: Investment performance

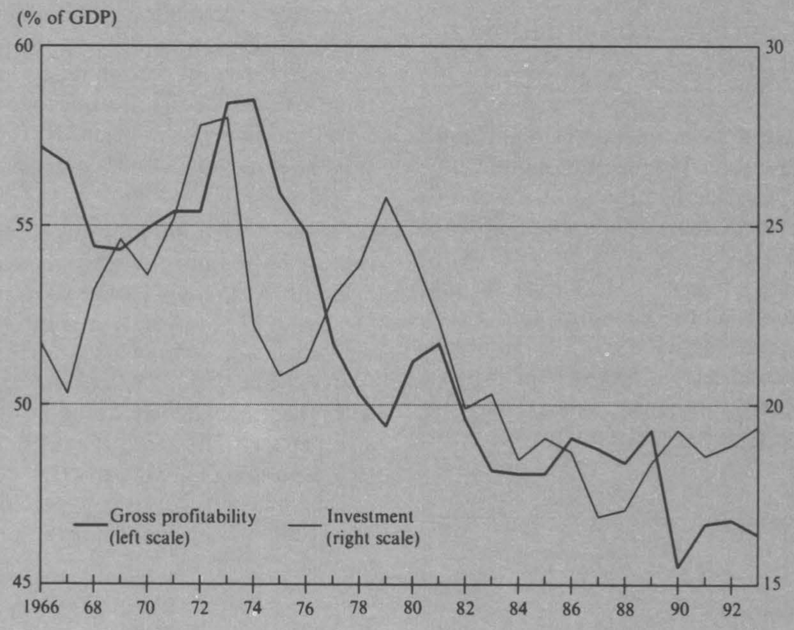
	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	18,5	17,0	18,8	18,4	18,8	19,5
(% change)	−2,4	2,6	4,8	−1,2	3,5	5,5
of which:						
Construction (% change)	−1,6	0,7	2,1	−5,0	2,5	5,0
Equipment (% change)	−3,4	5,1	7,9	3,0	4,5	6,0

Policy-induced distortions and the need for reform

The economic problems facing Greece are the consequence of the interventionist and expansionary policies pursued over the last 15 years. The high degree of regulation of goods and factor markets reduced the responsiveness of economic agents to market signals and led to distortions which became more and more structural in nature. The pervasive influence of the State on economic behaviour diminished competitive forces and had deleterious consequences over the longer term on the competitiveness of domestic production. The distortions and rigidities increased in the 1980s and the expansionary policies pursued added to the already weak Greek economy the further problem of a growing public debt/GDP ratio.

The poor growth performance of the Greek economy in the 1980s, which sharply contrasted with Greece's own past record and coincided also with several years of strong activity in the Community, led to a reversal in the process of catching-up with the rest of the Community; Greece's per capita income in 1990 was 53,4 % of the EC average against 58,2 % at the beginning of the 1980s. This compares unfavourably with the experience of the other less developed countries of the Community, especially Spain and Portugal. The low growth of the Greek economy was paralleled by weak investment and a substantial decline in profitability (see Graph 1).

GRAPH 1: **Greece — Profitability[1] and investment**



[1] Gross operating surplus.
Source: Commission services.

Business profits have been squeezed directly through price and wage regulation and indirectly through administrative inefficiency and infrastructural deficiencies. The poor macroeconomic performance during the 1980s indicates that a permanent improvement can only be achieved if comprehensive and radical measures are taken. A radical programme of adjustment and structural reform is needed to reduce the influence of the State on the economy through deregulation, liberalization and privatization so as to increase the supply responsiveness of the economy.

Implementation of the medium-term adjustment and reform programme in 1991

Following the measures taken in 1990 the government drew up a three-year comprehensive programme of macroeconomic adjustment and structural reform. The programme was presented to the Community in the context of an application for balance-of-payments assistance and in March

Table 3

Greece: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	25,1	23,8	14,6	1,4	9,2	10,1
Short-term interest rate	17,5	16,5	19,9	21,7	18,5	17,5
Long-term interest rate	16,7	:	:	:	19,5	17,5
Competitiveness	95,2	85,3	94,1	90,5	88,7	86,6
Budget balance (% of GDP)	−12,2	−15,0	−20,4	−17,9	−14,4	−10,5
Gross public debt (% of GDP)	60,3	79,7	93,7	96,4	99,0	98,2
Nominal wages per head (% change)	18,7	15,5	20,2	16,2	11,6	10,2
Real wages per head (% change)	−0,6	0,6	0,0	−1,7	−2,3	−0,8

For definitions, see Table 3 for Belgium.

1991 a loan of ECU 2 200 million was agreed and a first tranche of ECU 1 000 million was disbursed. The programme of adjustment and reform was designed to rectify the substantial internal and external imbalances in the Greek economy and to achieve greater convergence between the Greek economy and those of its Community partners. The implementation of the programme so far, however, has been inadequate and Greece is now seriously out of line with the targets of the adjustment programme.

Fiscal adjustment, one of the two pillars of the programme, was planned to be brought about by strict control on expenditure and increased revenue. In the course of 1991, however, it became increasingly obvious that the deficit targets would be substantially overshot, despite the improvement achieved in the primary balance. On the expenditure side, overruns were observed mainly in debt servicing. The large shortfall in revenue, on the other hand, is due to various factors: a deeper than expected recession in the urban sector of the economy reflecting *inter alia* the negative effect of an adverse international environment on tourism and other services; the fight against tax evasion, which was expected to yield sizeable amounts of revenue, has not been successful due to strong resistance from those groups evading tax payment; the administrative inefficiency of the tax-collection mechanism and the time-lags involved; and non-tax revenue from the sale of public assets was not realized because of legal obstacles to privatization and inadequate administrative preparation.

With respect to structural reform, there has been less progress than planned despite a number of substantive measures. The programme of privatization has been slow to build up due to legal and administrative problems. Other areas where reform is progressing slowly are the deregulation of goods and services markets (oil, housing, insurance), the reform of the taxation system and especially an overhaul of the social security system. In addition, an improvement in the tax-collection mechanism, which is vital if a significant and continuous rise in tax rates is to be avoided, is urgently necessary.

Some progress has been made in a number of areas:

(i) In the financial area, several initiatives have been taken: the compulsory investment by commercial banks in Treasury bills was reduced, long-term capital movements were liberalized, restrictions on consumer credit and on foreign currency loans to residents were lifted. In addition, a forward exchange market will be set up as from the beginning of 1992 and legislation to incorporate the Community Directives on banking and the Stock Exchange into national law is in preparation;

(ii) in the labour market the most important development has been the abolition of the wage-indexation scheme from January 1991 and the restoration of free collective bargaining. Moreover, the tightening of public recruitment and the very restrictive wage policy in the public sector, while dictated by the urgent need for fiscal consolidation, will at the same time contribute to making employment in the public sector less attractive and thus enhance competitive conditions on the labour market.

Overall, however, the reform programme has been lacking coherence and impetus and there is a risk that the supply-side improvement, which is so necessary if the catching-up process is to be restored, will not be realized. The failure to achieve adequate fiscal adjustment and the slow pace of necessary and complementary structural reform leave Greece facing the prospect of continued and widening nominal and real divergence from the rest of the Community.

Spain

Activity now expanding more moderately

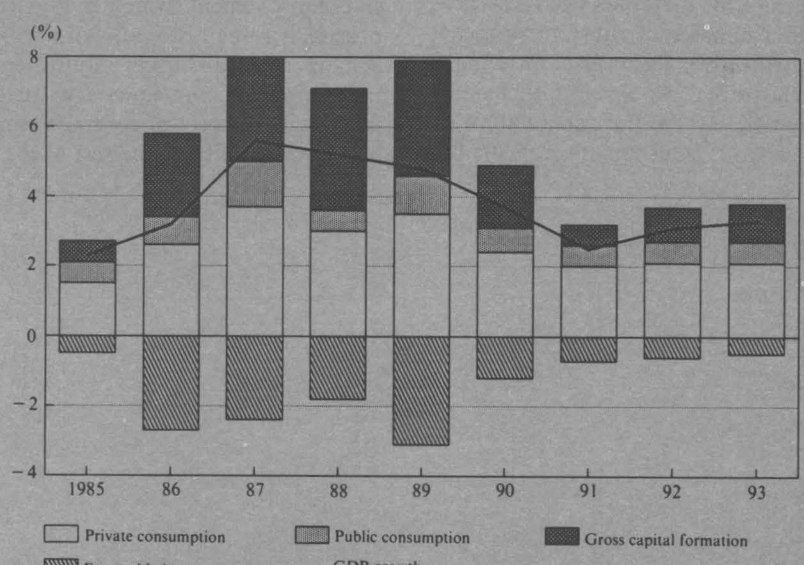
After a period of strong growth in output and employment, the Spanish economy has entered a phase of more moderate expansion. The slowdown in economic activity, already apparent in 1990, intensified in 1991 when output increased by 2,5 % and employment rose by a modest 0,7 %, well below the annual average growth rates of 4,5 % and 3,1 % in output and employment respectively between 1986 and 1990.

The restrictive policy measures implemented in 1989 and the negative expectations effect of the Gulf crisis were the main sources of weakness in the economy in 1990. In 1991, the restrained growth of the economy has also reflected the combined impact of the deteriorating international environment, persistent internal cost pressures on competitiveness and increased exposure to external competition. With profitability being squeezed by decelerating demand and rising wages, the slowdown in plant and machinery investment has become pronounced, with a negative growth rate for 1991 as a whole. Construction has been supported by public sector infrastructure investment, although activity in the residential sector has been much less buoyant than in previous years. Consumption, mainly of non-durables, has provided the most significant impetus to growth in the economy; private consumption increased by 3 % despite slower employment creation and public consumption expanded by more than 4 %.

The weakness in equipment investment has led to stagnation in imports of capital goods, leaving consumption as the main source of import growth. Reduced internal demand has facilitated a shift in output towards external markets, reinforcing the trade dynamism created by German unification; half of the increase in the value of total merchandise exports in 1991 went to Germany. As a result, Spain has gained about five points in world market share.

Prospects for faster growth next year have been enhanced by: (i) the removal of restrictive monetary measures since the beginning of the year (quantitative restrictions on domestic credit were lifted in January and constraints on foreign borrowing were abolished in April); (ii) the reduction in interest rates by some two to three points; (iii) the improvement in expectations due to the anticipated international

GRAPH 1 : **Spain — Contribution to real GDP growth**



Sources: National accounts and Commission forecasts for 1991-93.

Table 1

Spain: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	2,4	5,2	3,7	2,5	3,1	3,2
Total domestic demand (% change)	2,7	7,7	4,6	3,1	3,4	3,5
Employment (% change)	−0,8	3,9	2,6	0,7	1,2	1,5
Unemployment rate (%)	21,2	18,9	16,1	15,8	15,5	15,3
Inflation (%)	9,2	5,8	6,4	5,8	5,6	5,2
Balance of current account (% of GDP)	1,5	−1,4	−3,5	−3,1	−3,2	−3,2

For definitions, see Table 3 for Belgium.

recovery; and (iv) optimism specifically related to special events scheduled for 1992 (i.e. the Olympic Games and the Universal Fair).

The very substantial catching-up in consumption, mainly for durable goods, and investment which occurred during the second half of the 1980s suggests that growth in the next few years is likely to be less hectic than experienced in the period following accession to the Community. In consequence, the risk of re-emergence of disequilibria on the scale experienced in the late 1980s will be much less. Moreover, the persistence of existing imbalances and the requirements for entry to EMU preclude any possibility for expansionary economic policies. So, while growth will remain above the Community average (real GDP should expand at a rate slightly above 3 % in 1992), the economy can now be said to have entered a new phase in which real activity and employment will expand at a more moderate pace.

Table 2

Spain: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	19,2	22,8	25,5	25,4	25,5	25,7
(% change)	2,6	13,9	6,7	2,2	3,6	4,0
of which:						
Construction (% change)	1,0	12,3	10,7	5,3	4,0	4,0
Equipment (% change)	4,8	16,2	1,2	−2,5	3,0	4,0

Employment growth is reflecting the slowdown in the economy but inflation and the current account deficit have been slightly reduced

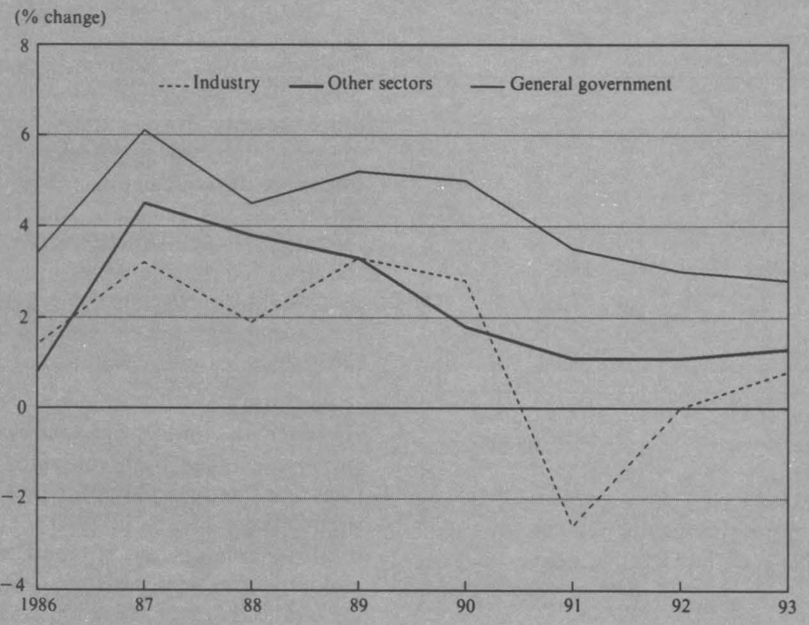
The slowdown in economic activity has not affected all productive sectors uniformly. The service sector remains more protected from external competition, so cost pressures are translated into higher prices. The more exposed manufacturing sector is already narrowing profit margins to maintain or increase market share, and rising costs are increasingly reflected in much slower employment creation. Meanwhile, the strong employment performance in services, in particular non-tradables, explains the gap between the fall in manufacturing employment (−2,6 % in 1991) and the small but positive increase (0,7 %) in total employment.

However, the impact of lower employment creation on unemployment has been mitigated by a fall in the activity rate, and the unemployment rate has continued to decrease slightly from 16,1 % in 1990 to 15,8 % in 1991. The structural difference between labour productivity in the service and industrial sectors also explains why unit labour costs in the total economy have recorded a slower decline than might be suggested by the deceleration in employment, despite an increase of 3,2 % in manufacturing labour productivity.

The wide disparity between the trend in manufacturing prices, where convergence with narrow-band ERM countries has already been achieved, and price trends in services persisted in 1991; this divergent trend supports the view that the hard core of Spanish inflation is located in services and particularly in non-tradables. Having absorbed the effects of the rise in oil prices caused by the Gulf crisis, consumer prices have now resumed their earlier more moderate trend. The rate of inflation, measured by the annual average growth in the private consumption deflator, fell to an estimated 5,8 % in 1991 from 6,4 % in 1990. Reduced internal demand pressures and falling import prices have contributed to the price deceleration, whereas nominal wages have increased at the same rate as in 1990.

Cost pressures on the tradable sector from the non-tradable sector are preventing improvements in competitiveness and further correction in the external deficit. Despite the buoyant export performance, the trade deficit remains very high (around 5,5 % of GDP); this deficit has been only partially offset by a recovery in tourism receipts. The resulting current account deficit is about 3,0 % of GDP. While these figures imply some improvement on the deficit recorded in 1990 (−3,5 % of the GDP), there is still a substantial call on foreign resources to supplement Spain's domestic saving which does not yet match investment needs.

GRAPH 2: **Spain — Employment performance**



Sources: National accounts and Commission forecasts for 1991-93.

Table 3

Spain: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	12,8	12,3	11,9	8,6	8,3	6,8
Short-term interest rate	12,9	14,2	15,2	13,2	12,0	10,9
Long-term interest rate	13,8	12,8	14,7	12,4	11,9	11,5
Competitiveness	100,9	110,2	124,0	124,0	124,3	125,8
Budget balance (% of GDP)	−6,1	−3,0	−4,0	−3,9	−3,6	−3,2
Gross public debt (% of GDP)	43,8	44,6	44,5	45,6	46,4	46,9
Nominal wages per head (% change)	9,6	6,3	7,7	7,8	7,0	6,5
Real wages per head (% change)	0,3	0,5	1,2	1,8	1,3	1,2

For definitions, see Table 3 for Belgium.

In the absence of a 'competitiveness pact', monetary and fiscal policy experience difficulties in correcting imbalances

As catching-up has proceeded and, in particular, since the second half of 1988 when problems of overheating arose, monetary policy has assumed an active role in correcting disequilibria with little assistance from fiscal policy. Even though a continuous overfinancing of the current account deficit and the ERM constraint implied limited room for manoeuvre in monetary policy, the burden of nominal adjustment has been borne by high interest rates and, finally, in 1989, quantitative controls on domestic and external credit. The current slowdown in economic activity has allowed some easing of monetary conditions in 1991 as well as further progress in the liberalization of the capital movements.

However, the failure of workers, employers and government to agree a 'competitiveness pact', aimed at ensuring low growth in domestic costs and prices, places an even heavier burden on monetary and fiscal policy to correct imbalances in the economy. Taking into account that with quasi-fixed exchange rates and total freedom of capital movements the role of monetary policy is limited, fiscal policy and structural reforms should share the responsibility for leading the economy to a non-inflationary and sustained growth path.

With regard to fiscal policy, the operation of the automatic stabilizers in the downward phase of the economic cycle has meant higher expenditures and lower receipts than planned in 1991. The target for the public deficit was abandoned in mid-year at the same time as specific measures aimed at containing the overrun in expenditures were implemented. Consequently, a reduction in net borrowing by general government has not been achieved and the outturn for 1991 will be around the same level as in 1990, i.e. 4 % of GDP.

Moreover, the target of a zero non-financial State sector deficit in 1992 has been postponed. Further increases in current transfers, responding to social requirements, and expanded infrastructure investment (despite some envisaged cutbacks in 1992) will involve continued upward pressure on expenditure in the coming years. On the income side, implementation of fiscal reform implies reduced direct tax receipts although losses may be offset by an increase in indirect taxes in line with the tax approximation throughout the Community, and by higher employers' social security contributions. However, the rise in indirect taxes planned for January 1992 and January 1993 will delay further an accelerated reduction in the inflation rate. Persistent fiscal fraud is an additional factor contributing to the difficulties in substantially reducing the budget deficit.

Increased competition in the service sector and flexibility in the labour market are needed to accelerate nominal and real convergence

Structural reforms and a greater degree of competition seem to be essential for improving the efficiency of the productive factors and eliminating obstacles to the convergence process. In this respect, special attention should be paid to the service sector and the labour market. The first, which is still quite closed to foreign competition and which also has a low degree of internal competition, is clearly disturbing relative prices in the rest of the economy, making it more difficult to improve external competitiveness.

On the other hand, structural deficiencies remain in the labour market. The absence of regional and professional mobility of the labour force, the lack of pay differentials between regions, the inadequacy of education and training programmes, high severance payments and an accentuated market segmentation between permanent and non-permanent workers are reducing wage competition and explain why nominal wages have not responded to the persistently high levels of unemployment.

However, a major contribution from budgetary policy and wage moderation seems essential to achieve a better allocation of resources which can be translated into productivity and external competitiveness gains. At the same time, this could help prevent such supply-side improvements leading to an excessive new surge in demand.

France

French economic activity has recently slowed ...

After a period of relatively strong growth, economic activity slowed down in 1991. External events, in particular the Gulf war and slower world trade, have affected domestic economic activity over the recent past. As demand and corporate profits have fallen, investment projects have been cancelled or delayed. In order to restore profitability, enterprises will need to improve cost efficiency, especially in those sectors open to international competition, such as manufacturing industry. However, despite a marked slowdown in industrial production since the end of 1989, there was a lagged effect on employment which did not fall significantly until the beginning of 1991.

The growth of nominal wages has been slow to decelerate partly due to factors external to the wage formation process; wages per head should increase by about 4 % in 1991. As labour productivity has increased only very moderately, mainly due to cyclical factors, cost pressures are relatively high. The implied deterioration in profit margins, together with gloomy demand prospects, has strongly affected corporate investment, although there has been a pronounced increase in capital formation by public utilities.

The labour market weakness together with higher rates of social security contributions have limited the increase in households' disposable income. Two other factors acting to restrain consumption have been the increase in precautionary savings due to the gloomy employment prospects and, to a lesser extent, the restricted supply of housing and consumer finance to highly indebted households. This slowdown in private consumption and residential construction has only partly been compensated by general government consumption and investment.

Table 1

France: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	1,9	3,1	2,8	1,3	2,3	2,5
Total domestic demand (% change)	2,4	3,4	3,2	1,1	1,9	2,3
Employment (% change)	−0,4	0,7	1,2	0,4	0,0	0,5
Unemployment rate (%)	10,1	9,9	9,0	9,5	10,1	10,2
Inflation (%)	5,5	3,3	2,9	3,0	2,9	2,8
Balance of current account (% of GDP)	0,2	−0,2	−1,0	−0,7	−0,8	−0,7

For definitions, see Table 3 for Belgium.

... but a marked recovery may occur under certain conditions

The key condition for a sustained recovery in economic activity in France is the continuation of the improving trend in profitability which was interrupted in 1991. In the internal market the rates of return on physical assets will have to adjust as the return on investment in France relative to partner countries will determine medium-term employment prospects. Therefore, in order to attract the investment needed to create jobs, the decline in profitability indicated by the marked increase in real unit labour costs this year must be reversed. The expected recovery of economic activity which is forecast for 1992 and 1993 depends crucially on the assumption made for wages and labour productivity. As wage moderation is expected to continue and productivity growth to reach 2 %, enterprises should be able to increase profit margins next year. Investment is expected to remain at a high level and the slowdown in consumer expenditure could come to an end.

As external competitiveness is also improving and a recovery is expected to take place in some partner countries, especially the United Kingdom, exports should grow more rapidly in 1992. As import growth will be moderate, the external side should contribute positively to GDP growth.

Despite some cuts in central government expenditure decided during the year, lower fiscal receipts imply that the budget deficit will exceed not only the target of the 1991 Finance Act but also the observed deficit in 1990. Moreover, the social security accounts are beginning to deteriorate again under the influence of slower growth in contributions and increasing expenditure on unemployment benefits. Thus, the automatic stabilizers are playing a role.

Prospects for inflation remain very promising. Consumer prices will increase by about 3 % per year over the period 1991–93. The progressive integration of goods markets together with stable exchange rates have led enterprises to moderate their price increases in order to remain competitive on both domestic and external markets. In contrast to developments this year, low inflation is expected to be consistent with a recovery in profits during 1992 and 1993. Real wage growth should be below labour productivity growth and the decline in profit margins experienced this year is likely to be reversed.

Nominal performance improving and sustainable

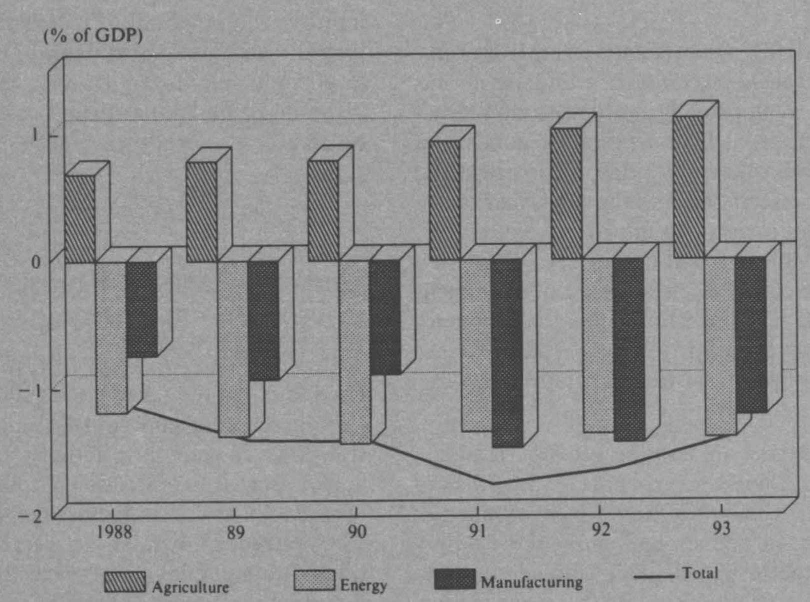
The hard currency option followed by the French authorities, wage moderation partly facilitated by the high level of unemployment and a relatively tight budgetary policy have contributed to the lowest recorded inflation rate among the major EC countries. In 1991, for the first time, the falling French inflation rate dipped below the German rate, which has risen partly due to the consequences of unification. The growing credibility of French stability-oriented macroeconomic policy has also been illustrated by a significant decline in long-term interest rates, which decreased by 200 basis points during the past 12 months.

Integration of goods markets suggests that price competition has increased and unfavourable cost developments will be felt more directly in terms of declining profit margins or losses in market share. The coincidence of limited increases in producer prices of manufactured goods due to international competition, and the relatively greater increase in unit labour costs suggests a significant squeeze on profit margins of French exporting sectors. In order to remain 'competitive' on external markets, French manufacturing industry has only slightly increased its export prices, selling with lower profit margins than on the domestic market. This export price behaviour is similar to that of European competitors, indicating stronger competition during a slow growth phase.

In an environment of liberalized capital movements the meaning of current account developments has changed, as these increasingly reflect *ex ante* investment and saving decisions. As investment has been strong over recent years, some deterioration in the trade balance was to be expected and the small current account deficit should not be taken as an indicator of structural weakness. Only very recently has the trade deficit stabilized, not least due to growing exports to Germany. The growing trade deficit in manufactured goods was nevertheless not reflected in a growing overall trade deficit. A growing surplus on agricultural trade (both commodities and also manufactured food products) and lower prices for imported energy compensated for the unfavourable trends in the trade of manufactured goods.

The current account deficit has been easily financed by capital inflows without major changes in exchange-rate ex-

GRAPH 1: **France — Trade balance**



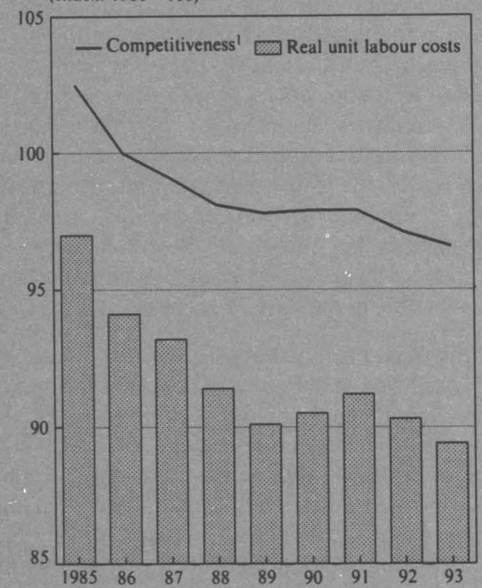
Source: Commission forecast (November 1991).

pectations. Significant net foreign direct investment outflows have been counterbalanced by large net portfolio capital inflows; the implication is that an increase in net interest outflows, in addition to a larger trade deficit was a major factor in the deterioration of the current account balance in 1990. This result seems to suggest that macroeconomic credibility has been largely established and is attracting portfolio investment, while supply-side problems still persist. In the absence of such supply-side problems, the macroeconomic adjustment process in the late 1980s would have been less difficult.

The structure of capital flows implies that any reduction in the return on financial assets due to either a cut in interest rates or to a loss in credibility of macroeconomic policy could very quickly affect the basic balance by a shift from domestic to overseas assets. This could lead to a disequilibrium in the balance of payments as direct investment flows are less volatile. In order to reduce this constraint, the appropriate response would be to attract more direct inward investment, which is also needed to improve employment prospects. Structural reforms are thus required to reduce the micro-risk premium demanded by foreign direct investors.

GRAPH 2: **France — Competitiveness and profitability — Total economy**

(Index: 1980 = 100)



[1] Relative to 10 ERM countries.
Source: Commission services.

... and profitability of enterprises improving again

In addition to the remarkable achievements as regards nominal convergence, the French economy has undergone important reforms aimed at improving market economic behaviour. Internal and external liberalization of goods and financial markets has been the precondition for preparing the French economy for integration into the single market. In particular, profitability of investment improved remarkably. Indeed, since the mid-1980s real unit labour costs were on a declining trend and since 1986 investment in equipment has been the most dynamic domestic demand component. Although investment has been fairly sluggish this year the investment ratio is still high in a historical perspective.

In order to achieve a higher underlying growth trend the financial performance of the French corporate sector has to be improved further. The recovery of investment stopped in 1991, despite the need for further strengthening of the supply side, especially in manufacturing. All in all, a higher underlying growth rate can only be obtained by further wage moderation, perhaps undershooting the equilibrium real wage level. Improved profitability should foster investment and strengthen supply-side credibility. As new investment will improve the potential to increase efficiency, the underlying growth rate should rise. During this process, the real wage level could start to adjust to its equilibrium level; however, it should be noted that the process would be put in jeopardy by an acceleration of wage growth ahead of productivity.

Unemployment: the most serious macroeconomic disequilibrium

Having fallen for three years (1988–90), the unemployment rate increased again in 1991, under the influence of the slowdown in economic activity. Until the mid-1980s, weak actual as well as potential output growth appears to have been one of the main factors behind low job creation. Since 1988, output growth has accelerated substantially, reversing the trend in employment. Nevertheless, some rigidities have reduced the efficiency of the labour market and have affected the level of unemployment, by limiting nominal and real wage adjustment, flexibility in employment, and an efficient use of the capital stock.

Table 2

France: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	19,3	20,9	21,7	21,3	21,2	21,4
(% change)	1,8	6,1	3,8	−0,6	1,8	3,3
of which:						
Construction (% change)	0,1	5,3	2,3	1,2	2,1	2,9
Equipment (% change)	4,5	7,0	5,0	−1,8	1,6	3,5

One of the specific features of wage formation in France is the minimum wage regulation ('SMIC'). The crucial question is whether the minimum wage creates or aggravates the insider-outsider problem. In a situation of rising unemployment, the least skilled workers are crowded out by better skilled workers, thus leading to disproportionately high unemployment among the low-skilled workers. As wage flexibility is particularly low in these wage groups because of the SMIC regulation, the crowding-out problem is aggravated. The growing number of employees paid under the SMIC regime indicates that the issue might be relevant in France. Moreover, the prospect of being paid for most of their working lives under this regulation does not help to motivate workers. Finally, the SMIC regulation is also an obstacle to regional labour mobility, as it establishes a minimum threshold throughout the country: thus, regional wage differentiation is very limited.

Social security contributions also play a major role. Taking all social security contributions together, they are much higher for low wages, increasing the wage costs for low productivity workers. Therefore, a broader base for social security contributions might alleviate cost pressures for such workers. A first step in this direction has been the institution of the 'cotisation sociale généralisée', which finances the social security system using the total income of the taxpayer as a basis. As regards unemployment benefits, the French system is characterized by fairly generous access to benefits. A relatively short period of work qualifies the unemployed to receive unemployment benefits for a duration of 6 to 24 months. Moreover, there is no ceiling on the level of pay in employment beyond which unemployment benefits (calculated as a proportion of such pay) are curtailed.

Rigidities in hiring and firing conditions very often work as an impediment to flexible adjustment of the labour force. In France the environment for a flexible employment policy has improved during the last few years. Nevertheless, important rigidities remain. For example, social plans for people about to be made redundant remain a requirement and employers must offer retraining programmes on very strict conditions. Moreover, public enterprises in the competitive sector must negotiate their large-scale redundancies with government authorities; thus, their flexibility in the face of changing market conditions is reduced. The low level of skills among French job-seekers stems from an underdevelopment of technical education, affected also by the absence of an interface between schools and enterprises. The government has, therefore, recently decided to improve the conditions of apprenticeship in enterprises and to increase the quality of the education system through more financial resources. This point is very important because of the significant influence of education on labour productivity.

Improvement of supply-side performance urgently needed

The internal market and the consequent growing international mobility of investment necessitates a further improvement in supply conditions, in order to enhance the competitiveness of the French economy and so boost employment creation. The measures taken in the course of 1991 to enable private capital to acquire a minority interest in public firms in the competitive sector goes in this direction. In fact the central government no longer favours significant

Table 3

France: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	7,5	7,5	7,5	5,9	5,9	6,9
Short-term interest rate	9,8	8,5	10,3	9,5	9,4	9,0
Long-term interest rate	10,6	9,1	9,9	9,0	9,0	8,9
Competitiveness	100,3	99,1	100,2	96,1	93,2	91,3
Budget balance (% of GDP)	−2,8	−1,6	−1,7	−1,5	−1,7	−1,5
Gross public debt (% of GDP)	45,0	47,3	46,6	47,2	47,5	47,5
Nominal wages per head (% change)	6,5	4,2	4,9	4,6	3,8	3,8
Real wages per head (% change)	0,9	0,9	1,9	1,5	0,9	1,0

For definitions, see Table 3 for Belgium.

direct financing of investment by public enterprises, above all in sectors where research and development expenditure is very high (the computer and electronic industries, for example). It was also necessary to reduce the debt financing of investment, during a period of high real interest rates, and already very high debt to equity ratios. Moreover, public sector enterprises were financially and legally constrained in the restructuring process within the productive system, which is leading to an increasing number of mergers and acquisitions, at domestic and international level. Nevertheless, despite a privatization programme of a few billion francs in the 1992 Finance Act, nearly all public sector enterprises will remain under the majority control of the State.

Difficult access to external finance and continuing heavy interest charges also discourage investment by private enterprises. Concerning the supply of funds, taxation of savings still creates some distortions in financial resource allocation. Taxation in respect of shares, despite a tax credit system, has taxed dividends more highly than interest income on marketable assets. This could partly explain the small size of the French equity capital market. For this reason, the French Government has decided in the 1992 Finance Act to reduce the corporate tax on distributed profits from 42 to 34 %, the existing rate for non-distributed profits. With growing capital mobility in the internal market, these national differences in corporate taxation will imply that more highly taxed enterprises have to enjoy a higher pre-tax profitability than their lower taxed foreign competitors in order to enjoy the same post-tax rate of return. This result can be reached by lower unit labour costs as a result of either stronger productivity or a lower nominal wage bill. Therefore, the adjustment to different tax burdens at the international level will demand either an improved allocation of capital or greater flexibility in wages inclusive of social contributions.

Ireland

Problems in labour market and public finances re-emerge as the economic environment deteriorates

After four years of strong growth, the performance of the Irish economy has deteriorated in 1991. Growth is expected to slow to 1,3 % this year, recovering only moderately to 2 to 2½ % in 1992. The deceleration in economic activity mainly reflects external rather than internal influences. The domestic macroeconomic policy mix of exchange-rate stability, fiscal restraint and wage moderation, which has been applied with considerable success since 1987, remains unchanged. However, economic performance has been subdued by the moderation in world trade, high international interest rates and by the recession experienced in the neighbouring United Kingdom.

Table 1

Ireland: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	2,1	4,7	5,7	1,3	2,3	2,8
Total domestic demand (% change)	1,0	1,8	5,4	0,6	1,1	1,8
Employment (% change)	−1,3	0,3	1,3	0,0	0,3	0,6
Unemployment rate (%)	17,7	17,1	15,6	16,8	18,1	18,6
Inflation (%)	5,5	3,2	2,6	3,0	3,0	2,8
Balance of current account (% of GDP)	−4,2	1,4	3,4	2,3	2,0	1,7

For definitions, see Table 3 for Belgium.

The slowdown in the economy has been accompanied by a deterioration in the previously favourable trends in the labour market and the public finances. As the pace of employment creation has declined and emigration has ceased due to low labour demand in the United Kingdom and the United States of America, the reduction in unemployment achieved between mid-1988 and mid-1990 has not been sustained; in 1991, the unemployment rate has climbed to an historical high. Despite the prospects of a moderate economic recovery, problems in the labour market are unlikely to ease significantly in 1992 and 1993. The rise in unemployment, reduced tax buoyancy and the increase in the public sector wage bill have put pressure on the public finances. Budgetary drift this year has ended the progressive reduction in underlying net borrowing by general government (i.e. exclusive of one-off privatization receipts) relative to GDP since 1987; medium-term budgetary targets, which were recently reaffirmed by the authorities, now seem increasingly difficult to achieve.

Competitiveness performance remains a more positive feature of the economy. The average inflation rate in 1991 was below that of Germany and is likely to remain low in 1992 and 1993. The successful implementation of the terms of the social consensus is maintaining an appropriate overall trend in wages relative to productivity, despite the more rapid increase in public sector wage rates; thus, the evolution of unit labour costs relative to other trading partners continues to be favourable. In this respect, the economy remains well positioned to exploit medium-term opportunities for accelerated growth as the international environment improves.

Table 2

Ireland: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	19,8	18,0	18,9	18,6	18,9	19,2
(% change)	−4,1	4,3	7,5	−0,4	3,8	4,2
of which:						
Construction (% change)	−4,0	0,0	8,4	−2,9	3,9	3,9
Equipment (% change)	−2,6	7,0	6,8	1,8	3,7	4,5

Convergence lays the basis for sustainable economic growth

Ireland's favourable inflation performance, mirrored in significantly reduced interest-rate differentials relative to other ERM currencies and an apparently robust external surplus, would suggest that nominal convergence has now been achieved (see Graph 1). Price stability has been secured through exchange-rate discipline supported by an appropriate macroeconomic policy regime. The process of disinflation, in the first half of the 1980s, was accommodated by constraints on activity in the real economy. Output growth was modest and unemployment increased sharply as tight monetary and discretionary fiscal policies combined to depress internal demand while export performance was dampened by real appreciation. However, once achieved, price stability in the economy laid the basis for a subsequent acceleration in real convergence between 1987 and 1990 by improving competitiveness and boosting business confidence. In these four years, per capita GDP in Ireland rose by four points relative to the Community average, while employment creation led, albeit assisted by high emigration rates, to a fall in unemployment (see Graph 2).

The spillover effects of the recent deterioration in the international environment on the domestic economy will militate against further accelerated progress in catching up and in reducing unemployment in the short term. Nevertheless, maintaining low inflation and a strong competitiveness performance through an appropriate macroeconomic policy regime is essential, if a recovery in the external economy is to be translated into a resumption of real convergence in Ireland.

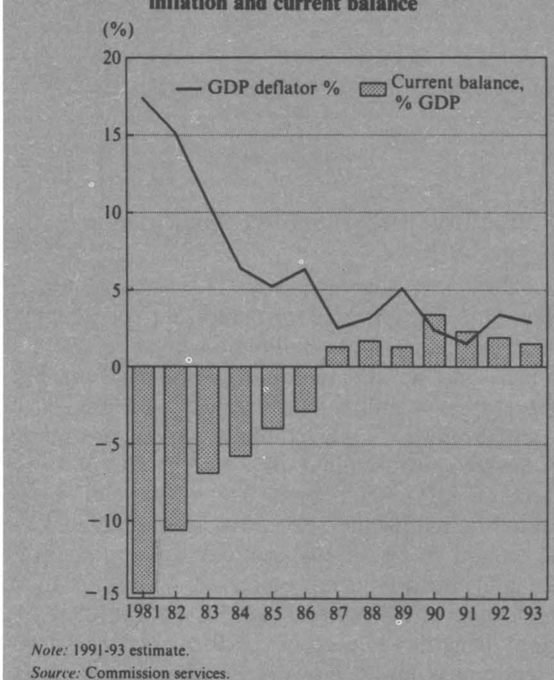
Fiscal restraint and structural reform are required in the approach to EMU

The main problems facing the Irish economy in the approach to EMU are the substantial overhang of public debt and the severe disequilibrium in the labour market; both of these pose a threat to Ireland's successful participation in a more integrated Community. While the public debt/GDP ratio is falling, it remains substantially above the Community average. In the context of EMU with fully-integrated markets and fixed exchange rates, further improvement is essential to minimize interest-rate differentials, reduce the vulnerability of the economy to external shocks and to provide an adequate fiscal margin to react to such shocks. Recent drift in the net borrowing requirement is a cause of some concern and further budgetary tightening in 1992 and 1993 will be required if the medium-term targets of a public debt/GNP[1] ratio of 100 % by 1993 and 75 % by 2000 are to be achieved.

The problem of a persistently high unemployment rate must be addressed within the framework of the necessary fiscal restraint. Nevertheless, the negative incentive effect implied by the currently heavy tax burden on labour income suggests that there is an important public finance aspect to tackling the unemployment problem. In the first half of the 1980s, the tax burden on labour income increased steadily as part

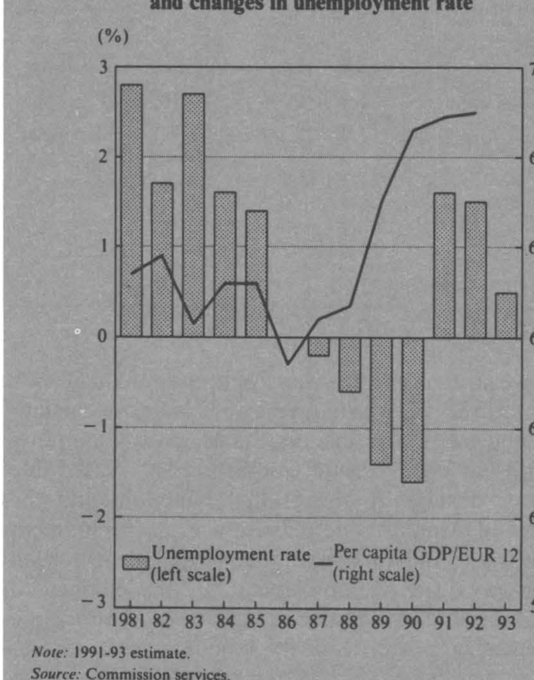
1 Official budgetary targets are expressed in terms of GNP; the equivalent ratios in terms of GDP are about 90 % in 1993 and 70 % in 2000.

GRAPH 1: **Ireland — Nominal trends, 1981-93: inflation and current balance**



Note: 1991-93 estimate.
Source: Commission services.

GRAPH 2: **Ireland — Real trends, 1981-93: catching up and changes in unemployment rate**



Note: 1991-93 estimate.
Source: Commission services.

of the fiscal adjustment effort and was reflected in the application of very high rates at low thresholds. In consequence, a very substantial divergence emerged between the gross wage cost to employers and the net wage enjoyed by employees; these divergent trends will have acted as an impediment to both labour demand and supply. A revenue-neutral restructuring of taxation, involving a widening of the tax base to ensure a more even distribution of fiscal pressure across the economy, is clearly desirable. Progress in this regard has been made in recent years, but a more radical approach may be necessary if a serious impact is to be made on labour market performance. A critical examination of the role of social transfers in discouraging re-entry into employment at lower wage levels may also provide scope for improvement in the incentive structures within the labour market. The interaction of relatively high effective tax rates on labour income and generous unemployment compensation may partly explain the failure of persistently high unemployment rates to be reflected in more significant real wage adjustment.

Table 3

Ireland: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	4,8	7,4	15,4	8,5	9,2	9,9
Short-term interest rate	12,5	9,6	11,4	10,4	9,4	9,0
Long-term interest rate	12,8	9,9	10,1	9,2	9,0	8,9
Competitiveness	101,8	98,5	98,5	96,9	97,3	96,9
Budget balance (% of GDP)	−10,7	−5,9	−3,6	−4,1	−4,1	−3,9
Gross public debt (% of GDP)	111,3	117,5	103,0	102,8	100,4	98,0
Nominal wages per head (% change)	7,7	5,8	8,6	6,6	6,1	5,2
Real wages per head (% change)	2,0	2,5	5,9	3,5	3,0	2,4

For definitions, see Table 3 for Belgium.

A further important aspect of Ireland's unemployment problem relates to the development strategy adopted for the economy. Since the mid-1970s, Ireland has been engaged in an intensive industrialization programme, based largely on attracting direct inward investment. In terms of investment volumes, the strategy has been successful but has failed in its main objective of providing high rates of employment growth. Much of the problem can be traced to the concentration of inward investment in capital-intensive activities and the failure of the more labour-intensive indigenous sectors to emulate the performance of the successful foreign-based sectors. The weakness of indigenous industry, combined with a high rate of profit repatriation among foreign-based enterprises, has resulted in a diminution of the effectiveness of industrial policy in raising national income and employment. In this respect, recent undertakings to review the operation of industrial policy to ensure a more neutral treatment of labour and capital and to more actively promote indigenous industrial development are to be welcomed.

Italy

Slowdown in 1991 to be followed by gradual recovery

After the marked slowdown in the second part of 1990, economic activity remained stagnant in the first half of 1991, with signs of recovery gaining strength in the later part of the year. Real GDP growth had already fallen from 3,2 % in 1989 to 2,0 % in 1990 and is likely to be just over 1 % in 1991. The outlook for 1992 and 1993 points to a gradual acceleration of growth.

Table 1

Italy: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	2,7	3,5	2,0	1,1	2,0	2,5
Total domestic demand (% change)	3,4	4,5	1,9	1,5	2,3	2,7
Employment (% change)	0,7	0,5	1,0	0,9	0,5	0,7
Unemployment rate (%)	9,8	10,6	9,8	9,4	9,5	9,3
Inflation (%)	8,8	5,3	6,2	6,4	5,2	5,2
Balance of current account (% of GDP)	−0,4	−0,8	−1,4	−1,3	−1,5	−1,7

For definitions, see Table 3 for Belgium.

Domestic demand has lost momentum in 1991, suffering mainly from the down-swing of the investment cycle. By contrast, the deceleration of consumer expenditure has been mild, although the dynamics of household consumption were negatively influenced by the slowdown in disposable income and the rising uncertainty about economic perspectives that prevented a reduction in the saving rate. Despite a restrictive fiscal stance which should affect disposable income negatively, private consumption is likely to become more buoyant in 1992, benefiting from slower inflation and the improvement in consumer confidence.

In the course of 1990 the period of rapid growth in fixed capital formation which started in 1986 came to a halt: following an overall increase of about 20 % between 1986 and 1990, real investment is likely to show a small decline in 1991. The downward revision of demand prospects in the industrial sector and the fall in capacity utilization, given that much of the earlier investment had been designed to enlarge the productive base, explain the weakness in capital formation. Investment is expected to recover gradually next year, benefiting from a more buoyant growth of domestic and external demand. Furthermore, the fall in profitability experienced in recent years is likely to trigger an increasing effort in productivity-enhancing investment, both in industry and in market services.

While in 1989 and 1990 the slowdown of domestic demand went along with a neutral contribution to growth of net exports, this year imports are outpacing exports, yielding a negative contribution of about half a percentage point of GDP. The increase in import penetration and the gradual loss of market shares by Italian exports can both be traced back to a general worsening of price competitiveness. Although the sectors facing international competition have maintained their price increases significantly below the rise in direct costs, the appreciation of the real exchange rate, according to most measures available, has been significant in the 1989–91 period. As this competitiveness loss is not likely to be reversed in the near future, the acceleration of exports next year will probably be gradual and insufficient to offset the increase in imports.

Nominal wage rigidities and the sheltered sector hamper inflation convergence

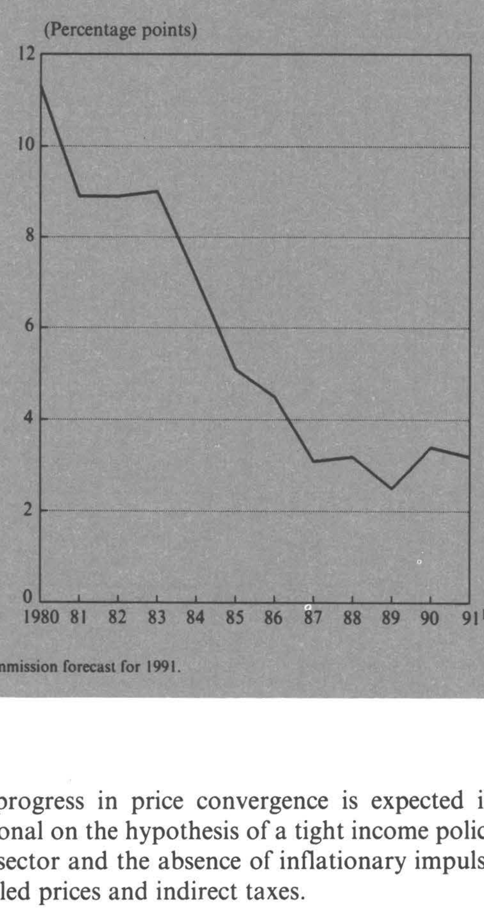
Although slowing down in the second half of the year, consumer inflation should be close to $6\frac{1}{2}$ % on average in 1991, a slight increase with respect to the previous year, with the inflation differential *vis-à-vis* the original ERM countries remaining broadly unchanged (above three percentage points).

Table 2

Italy: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	20,7	21,5	22,2	21,9	22,0	22,1
(% change)	2,5	5,9	3,0	−0,4	2,4	2,9
of which:						
Construction (% change)	−0,1	1,2	2,5	0,4	1,2	1,2
Equipment (% change)	5,8	10,0	3,5	−1,1	3,5	4,5

GRAPH 1: **Italy — Inflation differential with original ERM narrow-band countries**



[1] Commission forecast for 1991.

Some progress in price convergence is expected in 1992, conditional on the hypothesis of a tight income policy in the public sector and the absence of inflationary impulses from controlled prices and indirect taxes.

Among the forces shaping the persistence of inflation in Italy, two deserve particular attention: on the one hand, the deeply rooted nominal rigidities in wage behaviour; on the other, the role played by the sheltered service sector, where fast-rising costs feed directly into prices.

After a sharp acceleration in 1989 and 1990, the rise in labour costs slowed marginally during 1991: the increase in unit labour costs in the economy as a whole remains close to 8 %. The increase in per capita wages fell by about one percentage point, mainly because of the fading out of the effects of pay awards in the public sector, whereas the impact of new wage settlements pushed up salaries in the private sector. Nevertheless, wage growth has continued to be higher in public administration than in the private sector, increasing the relative wages of public servants.

In manufacturing industry, productivity growth has been subdued in 1990 and 1991, because of the cyclical downturn. Wage increases have been shaped by inflation and, in 1991, by the impulse of the triennial wage round. As a result, unit labour cost increases have been very high (around 7 % for the year on average), significantly exceeding the rise in output prices, which remain tightly constrained by international market conditions.

In the market service sector, unit labour costs grew faster than in industry until 1988, mainly reflecting structurally weaker productivity growth. Since 1989, changes in unit labour costs have roughly equalized across sectors, reflecting similar patterns both in wage and productivity evolution. Because of the lack of competitive pressures, also deriving from widespread regulation and State intervention, service prices tend to reflect fully increases in labour costs. Between 1988 and 1991 the unit labour cost and the value-added deflator showed almost the same rate of growth (over 6 % a year) in market services, while in industry the opening of the gap between price and cost evolution resulted in a severe profit squeeze.

As far as the 1992 and 1993 outlook is concerned, labour cost developments are likely to be more favourable, taking advantage both of the reduction in wage increases built into current wage settlements and of a gradual productivity rebound. Nevertheless, the dampening of wage inflation is not likely to yield further improvements in terms of consumer price rises beyond 1992, unless structural measures are implemented. Above all, structural policies aimed at enhancing product market competition in the sheltered sector are urgently needed. These should go along with a reduction in the speed of the pass-through of prices to wages, possibly linking wage increases to forward-looking inflation targets.

Compared with the slow pace of economic activity, employment growth has been particularly strong, showing an increase close to 1 % in both 1990 and 1991. This evolution was coupled with a very slow development of labour supply, partly attributable to the diminishing pressure of demographic factors. As a result the unemployment rate in 1990 underwent the first substantial reduction since the beginning of the 1980s and declined further this year (the drop between 1989 and 1991 was about 1,5 percentage points). Employment growth has been particularly buoyant in market services, but in the manufacturing sector labour input has been progressively reduced, giving rise to significant job losses in 1991.

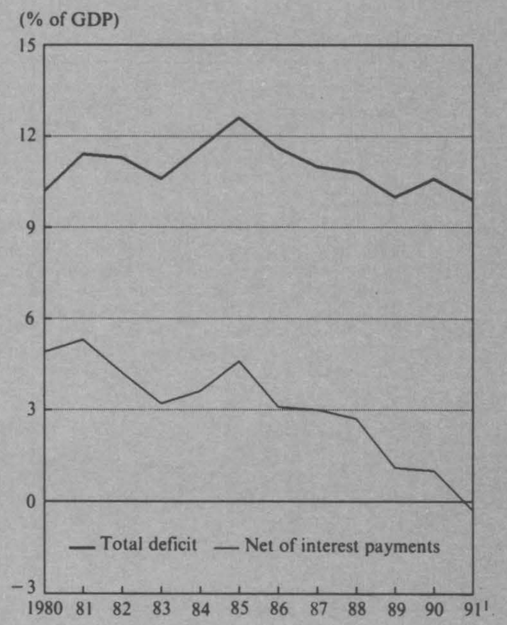
In 1992 and 1993 the need for a recovery in productivity is likely to prevent any employment increase in industry and to curb job creation in the service sector. Taking also into account the planned freeze in public sector employment, the unemployment rate is expected to remain broadly unchanged in the next two years.

Structural measures are needed to achieve fiscal consolidation

Following the end of the Gulf war in March 1991, the strengthening of the lira on the international exchange markets allowed an easing of monetary conditions consistent with the weakness prevailing in domestic economic activity. This trend was confirmed in May by a one-point cut in the official discount rate (from 12,5 to 11,5 %), which was immediately reflected in the reduction of bank interest rates. The short-term interest-rate differential with the Deutschmark, which stood at above three points in February, had fallen by almost one point by May; it has remained rather stable since then.

A rapidly shrinking capital account surplus in the second half of 1991, however, may signal that there is no room for a further reduction in the interest-rate differential *vis-à-vis* the other ERM currencies. The constraints placed by the narrow-band obligations on the conduct of monetary policy might thus begin to exert pressure, unless the markets are reassured by a successful pursuit of fiscal adjustment.

GRAPH 2: **Italy — General government deficit**



[1] Commission forecast for 1991.

Public finance continues to be the major area of divergence between Italy and the other ERM countries.

Compared to other countries, especially those with major fiscal imbalances in the first half of the 1980s, Italy stands out for its failure to reduce significantly the budget deficit, which, as a percentage of GDP, is still close to 10 % and, in absolute terms, is as large as the deficits in all other Community countries combined (1990 data). Unlike its ERM partners, Italy continued to run primary deficits throughout the 1980s: 1991 will probably be the first year to show a small primary surplus.

This, along with the high real interest rates which have characterized the decade, has resulted in a steady growth of the debt/GDP ratio, which hit 100 % of GDP in 1990 (more than twice the average in the rest of the ERM group), and is still increasing. Under any plausible assumptions about interest rates and the growth rate of the economy, the present level of deficits implies a debt ratio which continues to increase over time.

Against this background of structural fiscal imbalances the Italian Government has institutionalized a medium-term approach to budgetary adjustment. Deficit targets in the past, however, have been repeatedly missed and revised upwards.

The deficit targets recently confirmed by the government in its convergence programme for the period 1992-94 aim at achieving the stabilization of the debt ratio by end-1993. Although the achievement of this objective also depends on trends in real interest rates and economic growth, respect of the deficit targets would set Italy on a course that, if pursued beyond the 1994 horizon, would fulfil the conditions of convergence which are generally considered as necessary for transition to Stage III of EMU. It is thus important that the Italian Government has committed itself to hit the deficit targets in nominal terms, irrespective of the accompanying macroeconomic developments. Keeping within the commitment, especially in the face of a macroeconomic scenario which may be less favourable than that projected by the government, will not prove easy. Some of the measures on which the budgetary adjustment for 1992 is predicated might yield less than expected in terms of deficit reduction, and measures for later years and over the wide range of areas for reform identified in the convergence programme have still to be developed concretely (e.g. pension reform, reduction of State aids).

Along with the disequilibria in public finances, the underdevelopment of the South (the Mezzogiorno) is frequently

Table 3

Italy: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	10,8	9,4	9,4	9,6	9,0	9,2
Short-term interest rate	15,0	11,8	12,3	12,1	12,0	12,0
Long-term interest rate	13,6	12,1	13,4	12,9	13,0	13,2
Competitiveness	102,2	111,3	123,5	124,3	125,7	127,6
Budget balance[1] (% of GDP)	−11,9	−10,7	−10,7	−9,9	−9,4	−9,4
Gross public debt[1] (% of GDP)	81,2	93,4	98,6	101,2	103,9	106,2
Nominal wages per head (% change)	9,8	8,9	10,4	8,2	6,8	6,7
Real wages per head (% change)	0,9	3,4	3,9	1,7	1,5	1,5

[1] Does not incorporate fully the policy intentions announced in the Italian convergence programme.
For definitions, see Table 3 for Belgium.

indicated as the major unsolved issue in the Italian economy. There is in fact a close relationship between the two problems which deserves scrutiny, although no simple analysis is likely to do justice to the complexity of the problem.

Forty years of development policies have failed to bring about any sizeable and lasting catching-up of the Mezzogiorno with the rest of the Italian economy. The South can no longer, however, be defined as poor, not only in terms of absolute per capita output (its per capita GDP exceeds that of the peripheral countries of Europe with the exception of Spain), but also, and possibly more important, in terms of relative per capita consumption (the South/North-Centre ratio is about 70 %, against 55 % for per capita GDP). The overall failure of industrialization policy means that the Mezzogiorno is a structurally dependent economy, whose consumption levels are kept high by a large transfer of resources from outside (net imports of goods and services amount to over 20 % of Southern GDP). Only such a transfer allows the Mezzogiorno to maintain total (private and public) consumption close to 100 % of GDP and still have an investment ratio higher than the rest of the country. The counterpart of this transfer is large imbalances in the distribution of public revenue and expenditure across the country: as revenues tend to be proportional to income and expenditure to be equalized on a per capita basis, the North-Centre is running a huge primary surplus which is more than offset, however, by the deficit attributable to the South.

The process of causation between underdevelopment and public finance disequilibria does not run necessarily in one direction: not only does the Mezzogiorno contribute deficits as expenditure there falls dramatically short of revenue, but also public deficits arguably contribute to the underdevelopment of the Mezzogiorno, as transfers have turned the structure of the economy away from a market-oriented development path.

A policy of retrenchment, consistent with a shift from income maintenance to industralization (and the upgrading of infrastructure), while addressing the main problem of convergence between Italy and its ERM partners, could thus also prove fruitful in tackling the catching-up problem inside the Italian economy.

Luxembourg

Strong economic performance

The Luxembourg economy continues to show a better growth performance than in neighbouring countries. After a buoyant 1989 with a 6,3 % rise in gross domestic product, growth slowed down to 2,3 % in 1990. In 1991 activity is again accelerating and for the whole year a 3,0 % growth rate is expected. In 1992 and in 1993 a further rise of GDP of 3,4 % should be achievable. The excellent performance is mostly explained by continuing strong investment demand, from both public and private sources and, additionally, from 1991, by rising private consumption because of reduced income tax rates. Inflation, after peaking at 4,2 % in 1990, is expected to slow slightly to a level of around 3,5 % in 1991, and in 1992 and 1993 prices are expected to rise by about the same rate. Employment increased strongly in 1989 and 1990 (4 % p.a. on average) and will continue to rise, albeit at a more modest pace. In the four-year period 1988–91, employment increased by 10 %, adding almost 20 000 net jobs. The number of jobs in the financial services sector increased by 20 % in the period, but has now come to an abrupt slowdown. Shortages for certain categories of labour have caused the wage bill to rise fairly rapidly, but this year's tax reliefs should reduce some of the cost-push pressure.

Table 1

Luxembourg: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	4,4	5,0	2,3	3,0	3,4	3,4
Total domestic demand (% change)	3,0	5,7	3,4	4,3	3,9	3,6
Employment (% change)	1,5	3,3	4,2	1,9	1,5	1,4
Unemployment rate (%)	2,9	2,2	1,7	1,6	1,6	1,6
Inflation (%)	4,0	2,6	4,2	3,4	3,7	3,2
Balance of current account (% of GDP)	40,8	33,2	31,2	28,1	26,1	25,4

For definitions, see Table 3 for Belgium.

The government budget has been in surplus since 1983. These surpluses are allocated to various investment funds. The public debt, 6 % of GDP, is the lowest in the Community. In January 1991 direct tax rates were lowered. The top income-tax rate was reduced from 57 to 50 % and other tax rates proportionately. The total burden of direct taxes on households and enterprises should be reduced by 23 % and tax revenue should fall by LFR 10 billion. The budget should, nevertheless, continue in surplus.

Table 2

Luxembourg: Investment performance

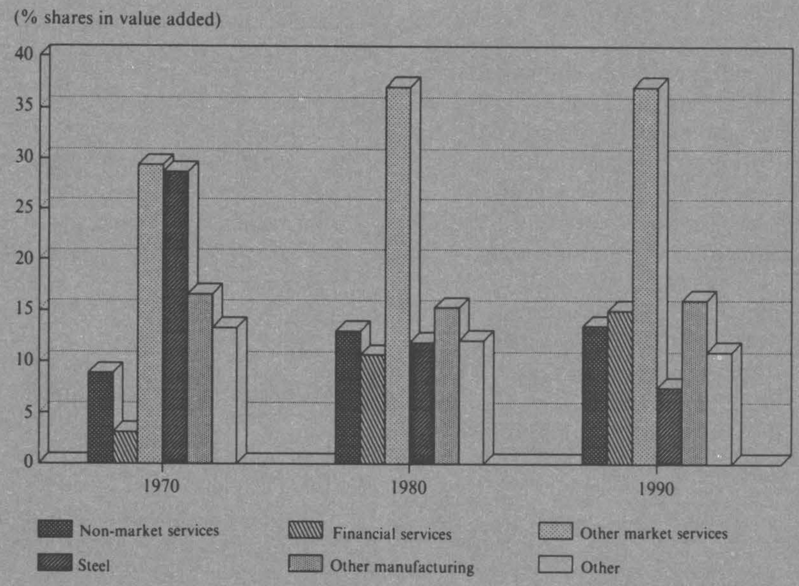
	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	20,1	23,6	25,4	26,2	26,5	26,6
(% change)	5,9	7,2	9,4	6,2	4,7	3,9
of which:						
Construction (% change)	− 0,3	7,4	5,9	5,9	4,5	3,2
Equipment (% change)	15,2	6,1	13,7	6,4	4,9	4,8

The steel industry has gone through a few difficult years with prices and demand falling. After a poor 1990, production fell again by 5 % in the first three quarters of this year. Since the summer there has been a minor improvement, however, and the outlook for next year seems a little better. Financial services are still one of the major growth areas, but the period of double-digit growth in employment and output is over.

A labour market situation out of the ordinary

Luxembourg has only 2 100 unemployed and the unemployment rate stands at 1,3 % which can probably be considered as a technical minimum. Strong employment demand and resulting high wage levels continue to attract labour from other countries. Private sector wages are, on average, 25 % higher than in Belgium and up to 40 % higher than in France. When considered relative to the Belgian and French regions bordering Luxembourg, the difference may be even greater. Resident foreigners make up one quarter of the total labour force. Additionally, there is a large and still increasing number of daily commuters from the neighbouring countries. Frontier workers account for half of the observed rise in employment in the last few years. Their total number will exceed the 40 000 mark in 1992, 20 % of the country's total labour force. Almost half of all jobs in the financial services sector are occupied by foreigners. The precise implications of this example of regional integration at a European

GRAPH 1: **Luxembourg — Industrial structure**



Source: Statec.

level are not yet entirely clear. One area concerns the consequences for the government budget as both government revenue and expenditure are affected.

Table 3

Luxembourg: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Long-term interest rate	9,5	7,6	8,6	8,2	:	:
Budget balance (% of GDP)	4,0	2,8	4,7	1,9	2,0	2,1
Gross public debt (% of GDP)	14,2	10,0	7,3	6,9	6,4	5,9
Nominal wages per head (% change)	5,3	4,6	5,2	4,7	5,1	5,1
Real wages per head (% change)	1,3	1,9	1,0	1,3	1,4	1,8

For definitions, see Table 3 for Belgium.

Policy of industrial diversification continued

The Luxembourg authorities are continuing their policy of industrial diversification. Between 1980 and 1990, employment in the steel sector almost halved, while employment in the financial services sector doubled. At present, the financial sector accounts for 15 % of GDP and 8 % of employment. Well aware of the risks involved if the country were again to become too dependent on one single industry sector — this time financial services — the government is further encouraging investment in other service industries with a high value-added content, such as air transport, telecommunications and the entertainment industry. But also the financial services sector is preparing for a future where further integration of the European market is likely to make it increasingly exposed to competition. The sector's transformation and diversification are well under way. Euromoney and Eurobond dealings are still predominant, but a mutual fund market and general client banking are being developed. Taking account of the current labour market situation and the age structure of the population, these initiatives should be aimed at activities with high value-added, particularly value-added per person.

Netherlands

Economic growth is losing momentum

In the last few years the Dutch economy has shown satisfactory GDP growth (with 1990 seeing a 12-year record of 3,9 %), fuelled by investment and export demand and, particularly in 1989 and 1990, by buoyant private consumption. In the period 1986 to 1990 consumer prices rose by 1 % a year on average. Among the factors accounting for this remarkable result are, apart from wage moderation, low import prices in 1986 and 1987 and lower VAT rates in 1989. Between 1986 and 1990 employment grew by a record 1,7 % per year and 615 000 jobs were added. Additionally, export performance was excellent with exports rising by 6,7 % in 1989 and 5 % in 1990. For 1991 a further rise of 5 % is expected, mostly fuelled by increased demand from Germany.

Table 1

Netherlands: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	2,6	2,5	3,9	2,3	1,3	1,9
Total domestic demand (% change)	2,3	2,6	3,6	2,1	0,2	1,5
Employment (% change)	1,1	1,5	2,1	1,0	−0,1	0,0
Unemployment rate (%)	11,0	9,3	8,1	7,2	7,7	7,8
Inflation (%)	1,5	0,8	2,5	3,2	3,5	3,3
Balance of current account (% of GDP)	3,7	2,4	3,8	4,1	4,4	4,8

For definitions, see Table 3 for Belgium.

A buoyant fourth quarter of 1990, when domestic product was 4,2 % higher than a year earlier, was followed by a fall in GDP in the first quarter of 1991 and an expansion of 0,8 % in the second. However, output in the first six months of 1991 was 2,3 % higher than a year earlier. For the whole of 1991 a growth rate of 2,2 % is expected, slowing down to only 1,3 % in 1992. Inflation is edging up to 3,5 % in 1991 and for 1992 the same figure is expected. Between 1 and 1,5 percentage points of the rise in prices is accounted for by government policies involving subsidy cuts and increases in excise duties while wage rises will add another 1¼ percentage points on average. Employment growth of 90 000 in 1991 is expected to come to a halt in 1992 when there may be a small rise in unemployment.

Table 2

Netherlands: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	19,3	21,3	21,6	21,4	20,9	20,9
(% change)	6,6	4,6	4,2	1,1	−1,1	1,9
of which:						
Construction (% change)	2,9	5,0	1,3	−0,6	−1,0	1,3
Equipment (% change)	11,5	4,0	7,7	3,0	−1,2	2,6

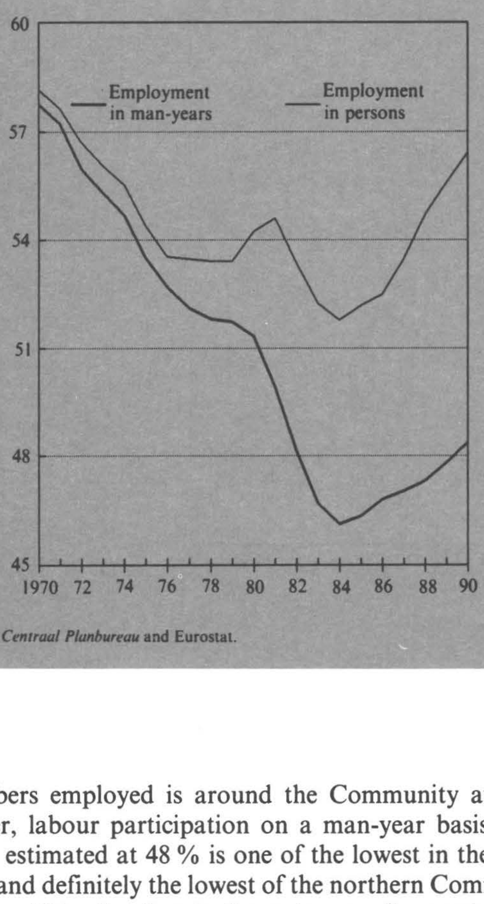
The main factors underlying the growth slowdown include, firstly, a domestic cyclical effect. Gross fixed investment, for instance, has slowed this year and may well decline in 1992 after four years of strong growth: from 1988 to 1990 investment expenditure increased by 6 % per year. Secondly, fiscal consolidation policies involve spending cuts involving lower direct government spending than earlier projected and a fall (or smaller rise than earlier projected) in disposable income for civil servants and for beneficiaries of welfare and social security measures. One of the domestic industry sectors particularly suffering from the envisaged budget policies is construction. Thirdly, the effect of the growth slowdown in other countries will be felt. In 1991 domestic contraction factors were still being offset by strong export demand from Germany, but this latter effect is now expected to weaken. Exports to Germany, which account for more than one quarter of total Dutch exports, rose by 18 % in the first half of 1991. That rise is now coming to a halt and the increase for the whole of 1991 is likely to be about 10 %.

Growth is expected to resume in the second half of 1992 and 1993 should see an increase in GDP of at most 2,0 %. The depressing effect of fiscal consolidation should be felt for several years while it may take a considerable period of time before the structural improvement brought about will actually produce the envisaged behavioural response in private sector activity.

Two persistent problem areas: the labour market and public finance

In spite of a strong rise in employment in the second half of the 1980s — which is continuing into this year, albeit at a more modest pace — the labour participation rate, measured

GRAPH 1: **Netherlands — Employment as a percentage of working-age population (15-64 years)**



Sources: Centraal Planbureau and Eurostat.

in numbers employed is around the Community average. However, labour participation on a man-year basis, most recently estimated at 48 % is one of the lowest in the Community and definitely the lowest of the northern Community countries. This situation is the outcome of several special features of which the most important are: the high incidence of part-time work (30 % of employment in 1989 against 13 % for the Community on average), the high numbers of people on disability programmes, the considerable numbers unemployed and having taken early retirement and the low activity rates of females compared to several other Member States.

Full-time working as a proportion of the total population is very low by comparison with the rest of the Community. The ratio (number working: full-time job equivalents) was 1,25 in 1990 and is still rising. The inverse of this ratio, 0,8, indicates that, on average, hours worked per job represent not more than 80 % of a full-time job. The 180 000 additional jobs created in 1990 accounted for only 100 000 full-time job equivalents.

Particularly worrying is the number on the disability programme which has now reached almost 900 000, or nearly 9 % of the population of working age and 15 % of those who work. There is evidence that the latter figure is twice as high as comparable figures for Belgium and Germany. The authorities have recently announced drastic changes in the disability scheme and in the rules for sickness absence. They envisage maintaining the AAW part of the scheme ('Algemene Arbeidsongeschiktheidswet'), which involves guaranteed benefits of 70 % of the minimum wage for all disabled, but to reduce the WAO supplement ('Wet op de Arbeidsongeschiktheid'). Until now, this supplement has brought the benefit up to 70 % of the salary earned before disability. In the new system it will be determined according to age. The definition of 'alternative employment opportunities' will be widened, which should facilitate re-entry to the labour market, and a penalty system is envisaged for firms according to the number of staff entering the disability scheme. Additionally, measures have been announced for reducing the incidence of sickness absence. Taken together these measures should result in HFL 4,1 billion in annual cost reduction in 1994.

The government finance situation has for many years been plagued by substantial deficits, an increasing debt ratio (78 % of GDP in 1990) and high transfer payments to households. The authorities have committed themselves in 1989 to reducing the central government deficit by half a percentage point of net national income (NNI) each year until 1994, giving a target of $3\frac{1}{4}$ % of NNI (2,9 % of GDP) for that year. The 1990 deficit target of 5,25 % of NNI (4,7 % of GDP) was met, mostly because of strong GDP growth. The debt/GDP ratio is tending to stabilize.

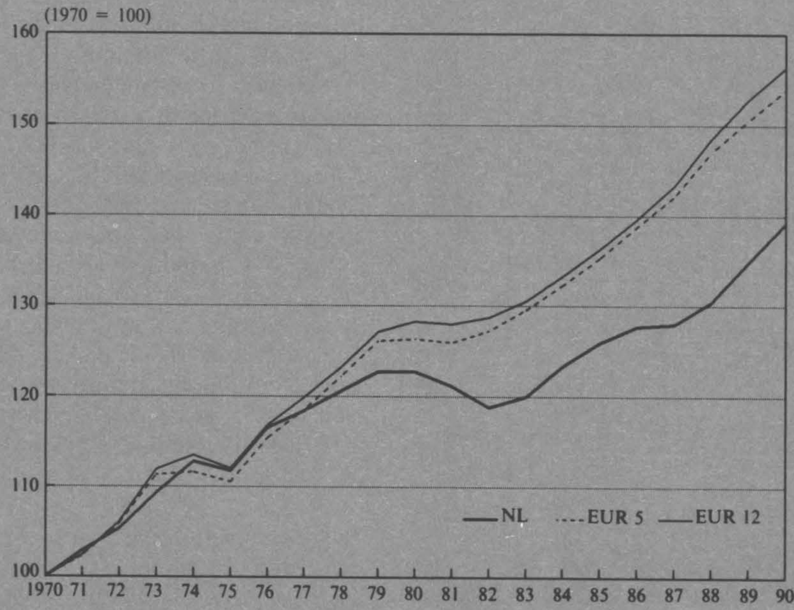
Table 3

Netherlands: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	7,9	10,6	8,0	4,2	4,0	5,0
Short-term interest rate	6,0	5,9	8,7	9,2	9,4	9,0
Long-term interest rate	7,4	6,6	9,0	8,9	8,9	8,9
Competitiveness	102,8	106,0	101,9	99,1	98,8	98,8
Budget balance (% of GDP)	−5,7	−5,7	−5,3	−4,4	−4,1	−3,7
Gross public debt (% of GDP)	69,1	77,0	78,3	78,4	79,5	79,1
Nominal wages per head (% change)	1,1	1,1	3,6	4,7	5,0	5,3
Real wages per head (% change)	−0,4	0,3	1,1	1,5	1,4	1,9

For definitions, see Table 3 for Belgium.

GRAPH 2: **Netherlands — Gross domestic product at constant market prices (per capita)**



EUR 5 = Belgium, Denmark, Germany (West), France and the United Kingdom.
Source: Commission services.

With a view to keeping their deficit reduction policy on course, the authorities announced last February a HFL 17 billion 'mid-term review' package ('tussenbalans'). It involved measures which by 1994 should result in HFL 12,5 billion in annual savings (including reductions in earlier planned expenditure rises) and an annual increase in taxes and social security contributions of HFL 4,5 billion. In the 1992 budget, presented in September, the mid-term review proposals were elaborated in greater detail and additional reduction measures were proposed. The budgetary measures in 1992 total HFL 10 billion, HFL 6 billion of which is expenditure cuts. The target for the central government deficit of 4,25 % of NNI (3,8 % of GDP) would be met as would be this year's 4,75 %. The total burden of taxation is expected to edge up a little. The proposed policy measures in the area of sickness absence and disability are of a more structural nature and will have limited direct effect on next year's budget.

Expenditure cuts in 1992 concern reductions in subsidies (to public transport, housing and schools and universities), lower defence spending, lower salary increases for civil servants than previously projected and across-the-board cuts in purchases. Revenue is to be increased by accelerated tax collection, higher excise duties on fuels and tobacco, higher fines, by not adjusting tax rates for inflation and the sale of State property. Revenue from the latter accounts for half a GDP percentage point of deficit reduction.

Some structural problems hampering growth

Although short-term indicators, apart from a cyclical downturn next year, appear to signal that the economy is in a fairly healthy state, there remain a number of questions of a more structural nature. Firstly, per capita GDP growth, when considered over a longer period, is lagging behind other Community countries. Secondly, in spite of substantial budget deficits — which are now declining — and a rise in the public debt, public investment has reached a worryingly low level. Thirdly, the high and persistent current account surplus (more than 4 % of GDP), although usually seen as illustrating a good competitiveness performance, could also be considered as an indication that investment spending is too low. The latter may be related to the low labour participation rate referred to above.

A number of interrelated supply factors of a structural nature seem to prevent the economy from growing and developing its full potential. The high rate of taxation, particularly on labour, is an obvious candidate for mention in this context. However, in view of the present budget situation the continuation of the deficit reduction policies should receive priority for the time being. Additionally, there are a number of institutional factors relating to competition and the functioning of markets. The government has a long tradition of taking a relaxed stance towards cartels and other restrictive arrangements among enterprises, such as measures to discourage new entrants or to divide markets. The European integration process should enhance business exposure to both competition and Community competition legislation and hence improve competitiveness and growth potential.

Portugal

The continuation in the 1990s of the good economic performance of recent years requires greater efforts

The Portuguese economy enjoyed a strong economic performance in the second half of the 1980s. Assisted by a very favourable set of external conditions (large terms of trade gains, the overall effects of the country's accession to the Community, the buoyancy of international trade, etc.), Portugal was able to achieve economic growth well above the Community average, based on rapid investment expansion and notable gains in the market share of its exports. Furthermore the economy came progressively closer to a situation of full employment, the external accounts remained well under control and the national authorities were able to secure a substantial reduction in the public finance imbalances. On the other hand, disinflation proved to be a much more difficult process than anticipated and no major improvement in the price front has taken place since 1986.

Table 1

Portugal: Macroeconomic performance

	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	1,7	4,9	4,0	2,0	1,7	2,0
Total domestic demand (% change)	0,7	7,2	5,8	4,6	3,3	3,3
Employment (% change)	−1,4	0,5	1,1	1,1	0,0	−0,4
Unemployment rate (%)	8,6	5,7	4,6	4,0	4,2	4,7
Inflation (%)	20,4	10,9	13,6	11,7	9,5	7,8
Balance of current account (% of GDP)	0,9	−0,3	−0,3	−1,1	−1,5	−2,4

For definitions, see Table 3 for Belgium.

The continuation of the very encouraging progress achieved will certainly become less easy as external conditions return to a more normal pattern. However, fuelled by their recent experience, the expectations of economic agents regarding future improvements in their standard of living remain, in some cases, at unjustifiably high levels.

Some recent developments in the Portuguese economy are an indicator of the difficulties that lie ahead and which require a cautious but determined and long-term oriented stance of economic policy.

GDP growth has been recording a clear deceleration since the second half of 1990 and should not amount to much more than 2 % in 1991. Exports in particular recorded a sharp slowdown; their growth in real terms should turn out to be slightly negative this year and, for the first time since 1981, a loss in market share looks to have taken place. Export weakness seems to be associated with emerging problems in some traditional sectors, hurt by the large cumulative real appreciation of the escudo in recent years, and the slowdown of economic activity in some important partners.

Table 2

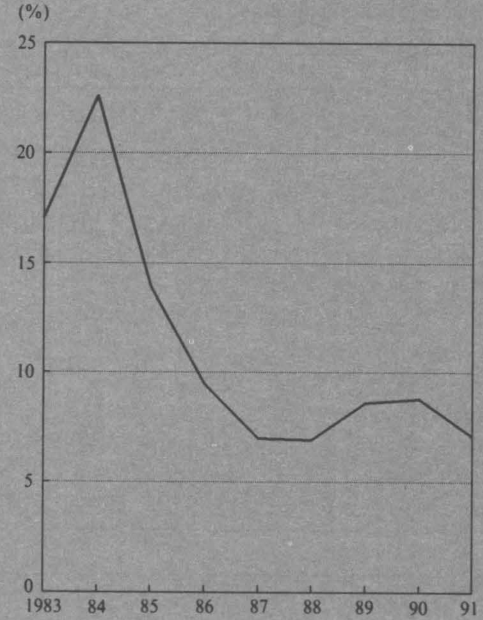
Portugal: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	22,7	27,3	29,6	30,3	30,7	31,3
(% change)	−4,0	12,5	7,5	4,5	3,0	3,7
of which:						
Construction (% change)	−2,5	7,6	6,5	4,5	3,0	4,0
Equipment (% change)	−8,4	19,8	8,5	4,5	3,0	3,5

Investment, which together with exports was the engine behind the Portuguese growth performance, has also been faltering. Particularly in the industrial sector, the main reasons are likely to be the high real interest rates faced by enterprises together with reductions in profitability. However, at 27 % of GDP, gross fixed investment is an exceptionally large component of demand and reflects a low marginal productivity of capital; a further rise in this ratio is certainly not a worthwhile objective as it would raise the question of the dynamic efficiency of the economy.

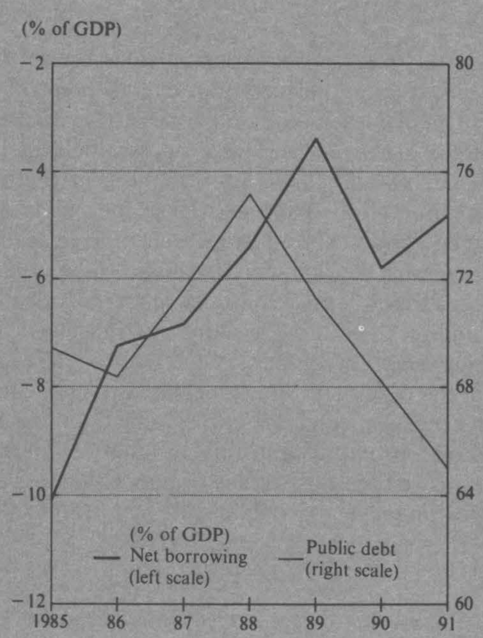
Portugal also benefited in the last decade from a substantial improvement in profitability. Although nominal wage increases remained high, along with inflation, in real terms wage increases were moderate and real unit labour costs declined. Not surprisingly, given the very tight situation in the labour market existing for some years already, a clear acceleration in both nominal and real wages occurred since the beginning of 1990. This development is common to both the private and the public sectors, being associated in the latter case with the reform of the civil service pay system, prompted in part by increasing problems of recruiting qualified staff. As a result private and public consumption remain buoyant, and may even have displayed an acceleration in

GRAPH 1: Portugal — Inflation[1] differential *vis-à-vis* ERM countries



[1] CPI: first nine months of 1991.
Source: Eurostat.

GRAPH 2: Portugal — Net borrowing by the general government and public debt



1991. Since it is difficult to forecast a marked loosening of the overall labour market conditions, particular attention needs to be paid to ways of achieving wage increases compatible with both nominal and real convergence.

Disinflation and fiscal consolidation remain the main priorities

The national authorities identified nominal convergence with the Community and fiscal consolidation as the main priorities of their medium-term strategy, the Quantum programme (framework for Portuguese participation in EMU), which is now being revised. For this reason, all the instruments of economic policy are currently being employed to reduce price pressures in the economy.

The upward trend of inflation evident since 1988 was reversed from the end of 1990. However, so far, disinflation has been more gradual than projected, particularly after taking account of special factors which adversely affected prices in 1990. The change of exchange-rate policy in October 1990, from a pre-announced crawling-peg of the escudo (some 3 % p.a. effective depreciation) to a situation of 'shadowing' the EMS and consequently of nominal stability was a major step in the fight against inflation.

However, there are risks, even for the success of the disinflationary process in a medium to long-term perspective, of allowing a too fast and too large real appreciation of the currency. Fighting inflation will depend on much more than managing the exchange rate. The Portuguese authorities are aware of this potential problem, as their successive interventions in the foreign-exchange market to prevent further appreciation of the domestic currency indicate. Their objective continues to be, once a marked reduction has been achieved in the inflation differential with the Community average, a relatively rapid entry of the escudo into the EMS. This move, given its impact on economic agents' expectations, could by itself reinforce the disinflationary process, but it could also create difficulties, as with the Spanish experience, if high nominal interest rates have to be maintained.

In a situation in which the rapid process of financial integration of the Portuguese economy has reinforced the degree of capital mobility, the nominal stability of the exchange rate is not compatible with the present large interest differential in favour of Portuguese assets. In particular, the resulting spontaneous capital inflows would undermine the indispensable restrictive stance of domestic monetary policy. Consequently in 1991 not only the existing restrictions on capital inflows were maintained but a new one, concerning purchase of floating-rate bonds by non-residents, was introduced. However, these are temporary measures which need to be replaced in due course by more market-conforming policies.

The process of fiscal consolidation remains crucial to the success of disinflation and, from an overall point of view, to the Portuguese participation in the construction of EMU. Substantial progress has been made in the field of public finances since 1984, as far as both the size of the budget deficit and the level of total liabilities of the public sector[1] are concerned. This occurred as a result of several factors: favourable external developments (reduction in international interest rates and lower prices of some imports which allowed increased indirect taxation, a reduction in subsidies and improved profitability of public enterprises); a complete overhaul of the tax system which increased its efficiency and reduced tax evasion; and an effort, albeit only partially successful, of expenditure restraint. In addition, steps were taken to improve the transparency of public finances and to increase the financing of public indebtedness on market terms.

However, notwithstanding the results already achieved, the fiscal adjustment process still has some way to go. On the one hand, the relative size of both the general government deficit and public debt are well above the Community average. On the other hand, the progress achieved benefited substantially from a cyclical upturn and, to a lesser extent, from a temporary factor, i.e. the privatization programme. Consequently the medium-term fiscal adjustment strategy set out in the Quantum programme should be vigorously implemented. In particular the budget deficit should be further reduced through limiting expenditure and, perhaps, an increase in indirect taxation associated with tax harmonization at the Community level.

The structural adjustment process is more than ever on the agenda

The challenges faced by the process of real convergence of the Portuguese economy are not likely to decrease in the next few years. The preparation for the Community internal market needs to be stepped up and the progressive emergence of new market economies in Central and Eastern Europe should imply an upgrading of the economic structure of the country. Furthermore, the continuation of a non-accommodative exchange-rate policy will increasingly put some sectors of the economy under pressure.

[1] The latter were far in excess of recognized public debt by the mid-1980s.

Table 3

Portugal: Economic policy indicators

	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	26,7	13,5	19,4	15,0	12,0	9,0
Short-term interest rate	19,7	13,9	16,9	17,7	16,0	14,5
Long-term interest rate	:	14,8	16,8	17,1	16,1	14,6
Competitiveness	99,7	103,7	113,5	128,4	140,8	146,3
Budget balance (% of GDP)	−9,8	−5,2	−5,8	−5,4	−4,6	−4,0
Gross public debt (% of GDP)	67,6	73,3	68,2	64,7	62,7	61,6
Nominal wages per head (% change)	21,8	15,0	17,8	19,1	14,4	9,9
Real wages per head (% change)	1,1	3,7	3,7	6,6	4,5	2,0

For definitions, see Table 3 for Belgium.

Under these circumstances, industrial restructuring, particularly in the traditional export sector, is becoming a major issue. A number of production units will inevitably disappear, since they will no longer be competitive in the single European market. They will progressively be replaced by new, technologically more advanced industries. This structural adjustment process is assisted directly (via the Pedip programme) and indirectly, by the Community structural Funds. But more important than the size of the associated investment effort is its efficiency and allocation. In this respect it cannot be overemphasized that a level of gross-fixed capital formation in the export sector which allows for clear gains in the market share of Portuguese exports remains the key to a successful real convergence.

Further efforts to develop and liberalize the financial system could also contribute to an improvement in the supply side of the economy. The differential between lending and borrowing rates remains very large by international standards and certainly implies large efficiency losses for both households and non-financial enterprises. This situation could still reflect a privileged financing of public sector debt but it seems to have been increasingly associated with inefficiencies and rents in the banking sector. A progressive increase in the level of competition faced by the domestic financial sector, implying a rapid disappearance of the existing capital controls, would allow not only significant overall efficiency gains but also a better preparation of the sector for the challenges of the European financial area.

United Kingdom

A severe adjustment following accumulated imbalances

By mid-1991, the United Kingdom appeared to be reaching the trough of the severe recession entered a year earlier. Output in the second quarter of 1991 as measured by average GDP was 3½ % below that of its peak four quarters earlier; manufacturing output fell 6½ % over the same period. Employment declined from early 1990, and unemployment rose swiftly.

The recession was the second most serious in the post-war period, between those of 1974–75 (in which GDP fell 2¾ % from peak to trough) and 1980–81 (−4½ % peak to trough). It nevertheless differed from these earlier two in being less concentrated in manufacturing and in the unprecedented role played by a sharp autonomous downturn in private consumption expenditure (see Table 4).

The recession was undoubtedly aggravated by external factors: the Iraqi invasion of Kuwait which produced a general downturn in business and consumer confidence and the recession in North America. Nevertheless, it seems reasonably clear that its origins were a response to the domestic financial imbalances accumulated during the period of excessive demand growth in the late 1980s and the consequent progressive tightening of monetary policy from 1988 on. Such imbalances essentially took the form of high and accelerating levels of household and corporate indebtedness, with evidence of speculative overshooting of certain asset prices (e.g. residential property).

Monetary policy began to ease from October 1990, coincident with sterling's ERM entry and when the pronounced weakening of nominal demand and activity was becoming evident. By September 1991 short-term interest rates, at 10,5 %, were 4,5 % lower than a year earlier, while sterling's position within the 6 % ERM margins had been maintained without difficulty. Inflation, as discussed in the following section, continued on the downward trend from the peak reached in the third quarter of 1990. Wage growth also decelerated markedly under the influences of slowing price inflation (this being particularly pronounced for 'headline' retail price inflation (RPI)), fast-rising unemployment and employers' competitive need for cost constraint.

Table 2

United Kingdom: Investment performance

	1984-86	1987-89	1990	1991	1992	1993
Gross capital formation						
(% of GDP)	16,9	18,7	19,0	16,9	16,4	17,0
(% change)	4,8	9,6	−2,4	−12,8	−0,9	6,4
of which:						
Construction (% change)	3,1	7,7	−1,1	−12,9	−0,7	4,7
Equipment (% change)	6,6	11,3	−3,6	−12,8	−1,1	8,1

Table 1

United Kingdom: Macroeconomic performance

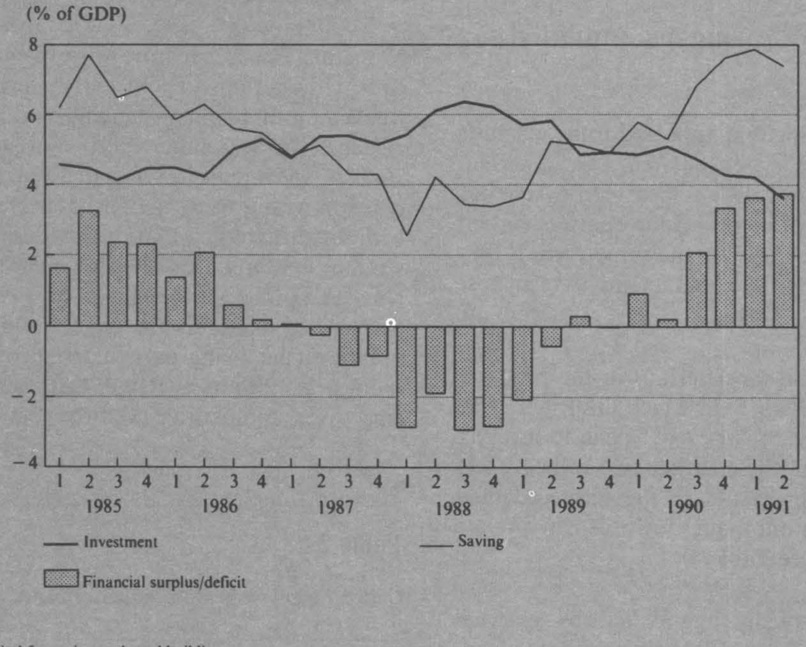
	1984-86	1987-89	1990	1991	1992	1993
GDP (% change)	3,2	3,8	0,8	−1,8	2,0	2,8
Total domestic demand (% change)	3,3	5,4	−0,1	−3,0	2,3	3,0
Employment (% change)	1,0	2,6	0,4	−2,3	−0,7	0,4
Unemployment rate (%)	11,4	8,6	6,4	8,4	9,8	10,0
Inflation (%)	4,9	5,0	8,4	6,5	4,6	4,1
Balance of current account (% of GDP)	−0,2	−3,8	−3,5	−2,1	−2,4	−2,1

For definitions, see Table 3 for Belgium.

The adjustment undertaken by the private sector in recent quarters has been substantial, in part provoking the recession and in part in reaction to it. As regards the personal sector, the saving ratio has more than doubled from the trough of under 5 % reached in 1988. Fixed investment by the personal sector, principally residential, has fallen in nominal terms. In consequence the sector's financial balance, which reached an unprecedented deficit of 4½ % of GDP in 1988, has been in substantial surplus since mid-1990 for the first time since the mid-1980s (see Graph 1). Non-financial companies initially delayed their response, but fixed investment expenditure has been pared severely since mid–1990 and destocking appears to have been substantial (see Graph 2).

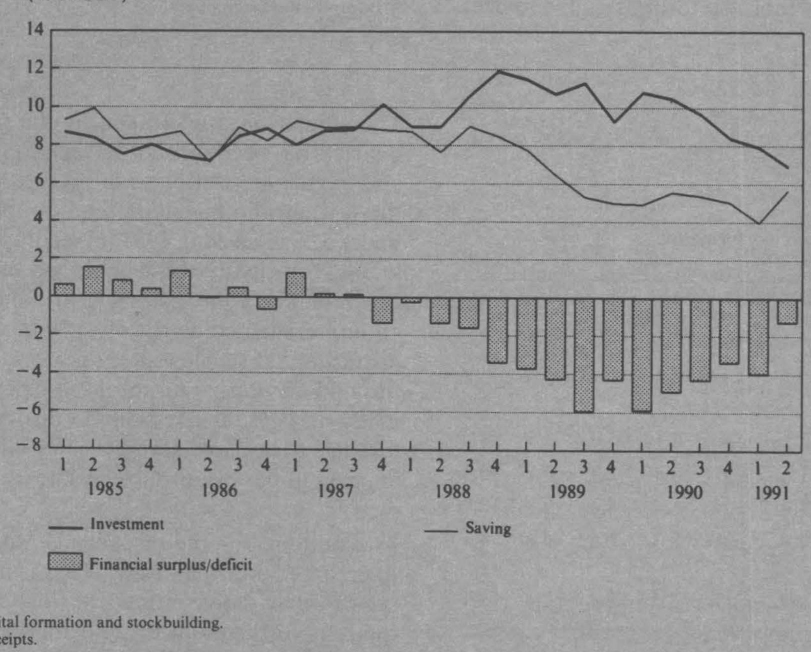
The outlook for the recovery is mixed. After the financial liberalization of the mid-1980s it is unlikely that the private sector will wish to continue the financial adjustment of recent quarters to the point of reducing debt-income ratios to the levels of a decade ago. Confidence indicators have also

GRAPH 1: **United Kingdom — Personal sector: saving, investment and financial balance**



[1] Investment includes fixed capital formation and stockbuilding.
[2] Saving includes net capital receipts.

GRAPH 2: **United Kingdom — Non-financial companies: saving, investment and financial balance**



[1] Investment includes fixed capital formation and stockbuilding.
[2] Saving includes net capital receipts.

moved away from their trough and that for consumers is back to its historical average. In addition the policy stance is favourable to recovery: nominal interest rates are much lower and fiscal policy appears to have been at least accommodating; in addition to operation of the automatic stabilizers, there is evidence of discretionary easing of fiscal policy in 1990 and 1991 and, on current plans, that 1992 will see further easing.

On the other hand, there are significant restraints. The financial difficulties already experienced by the private sector are likely to induce greater caution than hitherto in a fresh build-up of net borrowing. Further, real personal income growth will need to remain restrained if success is to be achieved in reducing nominal wage rises towards the low levels required within the ERM, and by a poor short-term outlook for the labour market. Even moderately rising private consumption will probably entail some fall in the household saving ratio. Prospects for business investment are also handicapped by currently low capacity utilization rates and by substantial stock overhangs of commercial and residential property.

The outlook may be thus for a weaker upturn than conventional past experience might suggest. 1992 should see positive growth contributions from an end to substantial destocking (although much of this might be neutralized by higher imports) and from higher private and public consumption, and some turnaround in housing investment; the forecast return to higher growth of world trade and continued good UK trade performance should also support output. By 1993 further movement towards a more balanced medium-term growth profile should be attainable, although the considerations below suggest that caution is required, and the labour market may still show weakness for some time.

The challenge of achieving low-inflationary growth

1991 has seen a remarkable reduction in price inflation and slower growth of wages and unit labour costs. Measurement of consumer prices is obscured by recent indirect tax changes,[1] but indicators of the 'underlying' rate of inflation nevertheless point to a deceleration from a peak of over $8\frac{1}{4}$ % in the autumn of 1990 to a forecast of around 5 % in the year to the fourth quarter of 1991.[2] The reduction in the headline RPI, which is typically most influential in wage negotiations, has been greatly distorted but much more dramatic: from an autumn 1990 peak of just under 11 % on a year earlier, to a level of below 4 % in October. Wage bargaining also shows a significant reduction in settlement levels, with many negotiations delayed or frozen during the course of 1991. Wage settlements in manufacturing recorded by the employers' organization (CBI) fell to $5\frac{1}{2}$ % by the third quarter, with about one in five agreements subject to some 'pause'. The official underlying data for whole economy earnings (which by nature is a lagging indicator) showed growth of $7\frac{3}{4}$ % in the year to the third quarter, down from a peak of over 10 % p.a. in 1990.

While ERM entry may have played some role in this deceleration (perhaps mainly through permitting a faster reduction in interest rates and thus tending to reduce the RPI), it seems probable that the depth of the recession, with weak final demand and fast-rising unemployment, has been the main contributor. The challenge for the United Kingdom within the ERM context is to consolidate this improvement and, indeed, to continue it still further through the upturn and into the medium term.

Table 3

United Kingdom: Economic policy indicators

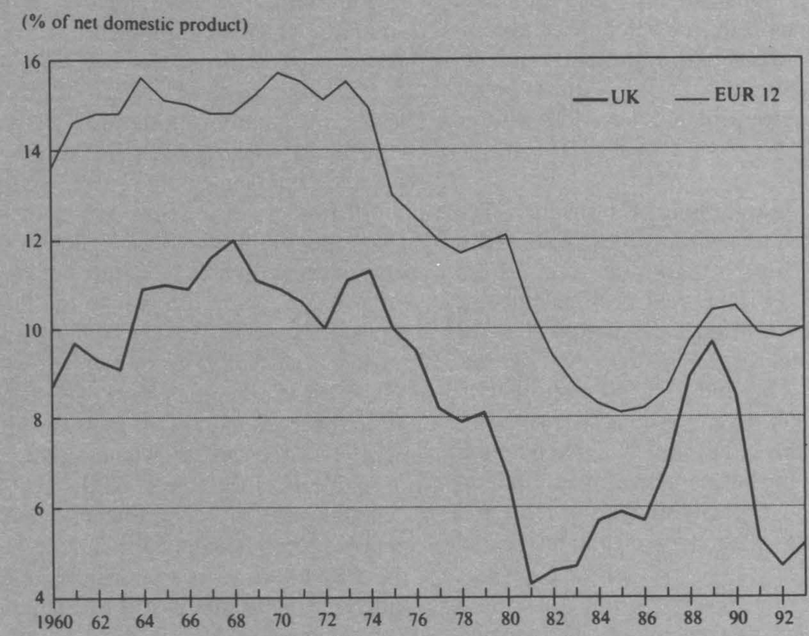
	1984-86	1987-89	1990	1991	1992	1993
Money growth (% change)	14,2	17,7	12,0	6,0	7,7	11,0
Short-term interest rate	11,0	11,3	14,8	11,5	9,9	9,0
Long-term interest rate	10,4	9,5	11,1	9,9	9,4	8,9
Competitiveness	97,3	101,1	112,5	116,1	113,8	113,4
Budget balance (% of GDP)	−3,1	0,3	−0,7	−1,9	−3,6	−3,3
Gross public debt (% of GDP)	58,9	50,4	42,8	43,8	45,6	46,6
Nominal wages per head (% change)	7,1	8,1	11,3	8,3	5,8	5,6
Real wages per head (% change)	2,1	2,9	2,7	1,7	1,1	1,4

For definitions, see Table 3 for Belgium.

[1] These changes were the abolition of domestic property taxes in 1990 and a 2,5 percentage points VAT increase in 1991. These moves were linked, respectively, with the introduction and subsequent reduction of the 'community charge' (poll tax) which is treated as a national accounts transfer and thus excluded from market price GDP, although included in the 'headline' consumer price index (RPI).

[2] The indicators are of underlying RPI inflation used by the UK Treasury. Up until the March 1991 Budget the indicator used was the rise in the all-items RPI excluding mortgage interest payments and the Community charge: this increased by a peak 8,4 % in the year to October 1990. From the March 1991 Budget, with its VAT-Community charge tax switch, underlying RPI inflation was redefined as the rise in the all-items RPI excluding only mortgage interest payments.

GRAPH 3: **United Kingdom — Net fixed capital formation — Total economy**



Source: 1991-93: forecasts of the Commission services.

Table 4

United Kingdom: the 1974-75, 1980-81 and 1990-91[1] recessions compared

(% changes)

	1974-75 (1975 Q3/1974 Q2)	1980-81 (1981 Q1/1979 Q4)	1990-91[1] (1991 Q2/1990 Q2)
Fall in GDP[2]	−2,8	−4,6	−3,6
of which, output of:			
Manufacturing	−11,8	−15,6	−6,6
Construction	−7,7	−11,6	−9,4
Services	+1,5	−1,3	−1,9
of which, contribution to GDP change from:			
Private consumption	−0,2	−0,2	−1,1
Fixed investment	0,0	−3,0	−2,7
Destocking	−3,3	−2,4	−1,9
Net exports	0,0	+2,5	+1,7

[1] To second quarter, 1991.
[2] Average measure at market prices.
Note: 1974-75 and 1980-81 expenditure component contributions are indicative only of relative magnitudes, because of statistical rebasing in 1985.

For much of 1992 the upturn foreseen, taken together with the substantial reduction in employment in course, will produce a strong productivity performance and moderation of unit cost growth. However, beyond this cyclical phase, a sustained recovery with strengthening demand, the wish to restore profit margins and a slower rise in unemployment may all tend to weaken the disinflationary process. In the absence of other factors it thus seems possible that there may be at least a temporary interruption of the progress achieved so far.

This implies that the constraints of the ERM, and the need for external competitiveness, need to be more widely appreciated. The rates of price and wage inflation forecast by the Commission services for 1992, which are likely to remain higher than those in most ERM narrow-band countries, will still be excessive. Further progress, buttressed by cautious macroeconomic policies, is required.

The need for higher investment

The share of UK GDP accounted for by investment has typically been lower than elsewhere in the Community through the post-war period. Improved UK economic performance in the mid-1980s was partly reflected in sharply higher non-residential capital productivity — exceptional in international comparison — offsetting some of this weakness. However, to secure a firm basis for higher medium-term growth, it will ultimately be essential to raise the investment share.

Only at the cyclical peak of 1987–88 did the UK share rise towards the Community average, and since then corporate sector adjustment has taken the form of sharply cutting investment in real terms (see Graph 1 and Table 2). Net non-residential fixed investment rose in the late 1980s, but even at its peak in 1989 reached only just under 8 % of net domestic product (i.e. GDP less capital consumption); the Commission's current forecasts suggest that this share may fall to around 4 % in 1992 and 5 % in 1993, little different from a decade earlier. Graph 3 shows the evolution over a longer period of total net fixed investment: although the recent widening of the difference between the UK and the rest of the Community is exaggerated by the UK cyclical downturn, the trend gap is still large.

The achievement of higher investment shares, while avoiding the strains of the 1987–88 period, almost certainly calls for higher domestic saving. In the absence of higher saving, the alternative — of accepting sustained high capital inflows — could be difficult to realize at desired interest rates, given the outlook for high real rates as international capital flows to Eastern Europe; it would, moreover, imply slower growth of national income as returns on capital were transferred overseas.

There may be some medium-term recovery in household saving as portfolio adjustment to financial liberalization is completed. As regards policy, experience in many countries suggests that specific measures to increase household saving have in the past proved relatively ineffective. However, fiscal distortions encouraging higher borrowing should be reconsidered; in this context, the still remaining significant fiscal distortions favouring the borrowing for and acquisition of residential property need to be re-examined.

Encouraging national savings will thus mainly require higher corporate saving through higher profitability while the government's fiscal position needs to remain sound and oriented towards medium-term stability. Higher profitability needs to be fostered through better working methods resulting in higher productivity, and by restrained real wage increases below the rate of productivity growth. In the medium term the need for significantly higher investment and saving through moderate real wage growth thus indicates a shift in the growth pattern away from the rapid private consumption growth which characterized the 1980s. Further, a permanent return to large-scale public borrowing needs to be averted.

Analytical studies

Evaluation by the Commission services

Study No 1

Wage adjustment in the European Community: The experience of the 1980s

Wage adjustment in the European Community: The experience of the 1980s

Tables

Graphs

Summary

The reduction in exchange rate variability which took place progressively during the 1980s within the Community and, more recently, the commitment to achieve full economic and monetary union have increased the importance of wage trends as an economic variable.

Wage behaviour in the last decade can be analysed by subdividing this decade into three distinctive periods:

(i) the years 1980-85 when progress in achieving a substantial deceleration in wages and prices was essentially obtained through a tightening of monetary policies accompanied by a wide-ranging restructuring of the European economy;

(ii) the years 1986-88 when the Community benefited from an unexpected large improvement in its terms of trade and economic growth was picking up strongly. Further spectacular reductions in growth rates of wages and prices were achieved and the initial participants in the ERM narrow-band emerged as a homogeneous group;

(iii) the years 1989-90 when results fell short of expectations. Prices and wages increased faster as a result of the depreciation, in 1989, of European currencies which resulted in an increase in Community import prices, the relaxation of monetary policy in the wake of the stock market crash of October 1987, the tight demand conditions in 1988-89, and in 1990 a substantial fiscal impulse.

At the beginning of the last decade, the heritage of the 1970s called for a significant wage adjustment throughout the Community to reduce the rate of inflation and to improve the profitability of investment and the external competitive position. Although Member States tried to attain these aims in different ways, some general patterns are discernible:

(i) All governments tried to set a credible macroeconomic framework within which the two sides of industry could exercise their autonomy.

(ii) Most governments tried to influence wage-setting procedures directly. While safeguarding the autonomy of the two sides of industry in this area, many governments tried to obtain a deceleration of wages in line with the expected deceleration of price increases by some form of direct intervention rather than simply letting unemployment and a profit squeeze work their way through the wage-setting process. In some cases, the existing wage indexation procedures were partially or totally suspended.

(iii) Due to the closer integration of the European economies and to the greater degree of exchange rate stability, the awareness of the two sides of industry of the interaction between trends in labour costs, international competitiveness and employment grew throughout the Community.

(iv) Exchange rate policy played a substantial role in bringing about the necessary adjustment. Some countries supplemented their anti-inflationary strategies with a hard currency option. Other countries, more worried about external competitiveness, sought the necessary wage adjustment with either 'once-and-for-all' exchange rate devaluations or more protracted depreciations.

Despite the clear progress achieved, the overall degree of convergence in the Community at the end of the decade was still insufficient given the stated intention of Member States to move rapidly towards the final stages of economic and monetary union. Only two years remain for Member States to prepare themselves for the scheduled commencement of Stage II of EMU. In particular, the recent reversal of the wage moderation trend which has characterized most of the 1980s requires significant changes in the policy stances in a number of Member States.

1. Introduction

The reduction in exchange rate variability which took place progressively during the 1980s within the Community and, more recently, the commitment to achieve full economic and monetary union have increased the importance of wage trends as an economic variable. The constraints that the gradual movement towards EMU impose on national monetary and fiscal policies imply that Member States' individual economic performances and the geographical distribution of activity within the Community will depend more than in the past on relative wage trends. In addition, wage trends will be a crucial variable in the achievement of the degree of nominal convergence necessary to a smooth transition to the final stage of EMU.

During the 1960s wage developments in the Community were consistent with macroeconomic requirements. Wages per head increased substantially in both nominal and real terms (nominal wages increased on average in the 1961-69 period by 8,7 % a year[1] and real wages[2] by 4,8 % a year; see Graph 1), but this was justified by high productivity increases which resulted in modest increases in nominal unit labour costs. As a result, inflation was low, employment increased and unemployment remained low despite an increase in the labour force.

Towards the end of the decade, wage increases started accelerating throughout the industrialized countries ('the world-wide wage explosion of 1969') due to the effects of the general loosening of economic policies. The oil-price shock of 1973, the failure of the authorities to prevent a general struggle over the redistribution of income and the second oil-price shock of 1979-80 led to a sharp acceleration of inflation and uncontrolled wage increases. Nominal wages per head in the Community increased much faster than in the previous decade: 14,2 % a year on average over the period 1970-79. However, given the simultaneous acceleration of inflation, real wages rose less than in the preceding period. At the same time productivity increases slowed down so that nominal unit labour costs increased very rapidly by 10,8 % a year on average and profit margins were strongly squeezed notwithstanding high inflation. In 1980, the Community was experiencing a very high rate of inflation (13,6 %, deflator of private consumption), much reduced investment profitability (71,1 on an index where the period 1961-73 is put equal to 100; see Table 1 in Study 2), slow growth and rising unemployment.

During the 1980s, the Community, like most industrialized countries, embarked on a determined effort to correct the disequilibria accumulated during the 1970s. This effort was remarkably successful. In some cases results were achieved which were better than those of the 1960s, in other cases more effort is still required. This study looks at the significant wage adjustment which took place during the 1980s and its contribution to the achievement of greater economic convergence. The experience of these years contains many important lessons for the years to come. The wage adjustment still necessary in some countries to facilitate the transition to EMU is not easy to achieve, but it is often smaller than that achieved during the 1980s. Useful lessons can also be drawn from the less successful experiences.

Nominal convergence in the Community progressed continuously until 1987. As a consequence of the strong rate of growth and of a certain loosening of economic policy this progress came to a halt in 1988 and some setbacks, especially as far as the average rate of inflation is concerned, were registered in 1989 and 1990. It is difficult to identify the turning point: inflation reached its lowest level in 1987, nominal unit labour costs reached their lowest rate of increase in 1988 and nominal wages per head started to accelerate worryingly in 1990. However, the years 1989-90 stand out clearly as a period when nominal convergence fell short of expectations and of what was desirable to meet EMU requirements.

It is useful to subdivide the period of progress towards convergence so as to distinguish:

(i) the years 1980-85 when progress was essentially obtained through an autonomous effort and against a depressed economic background with rapidly rising import prices;

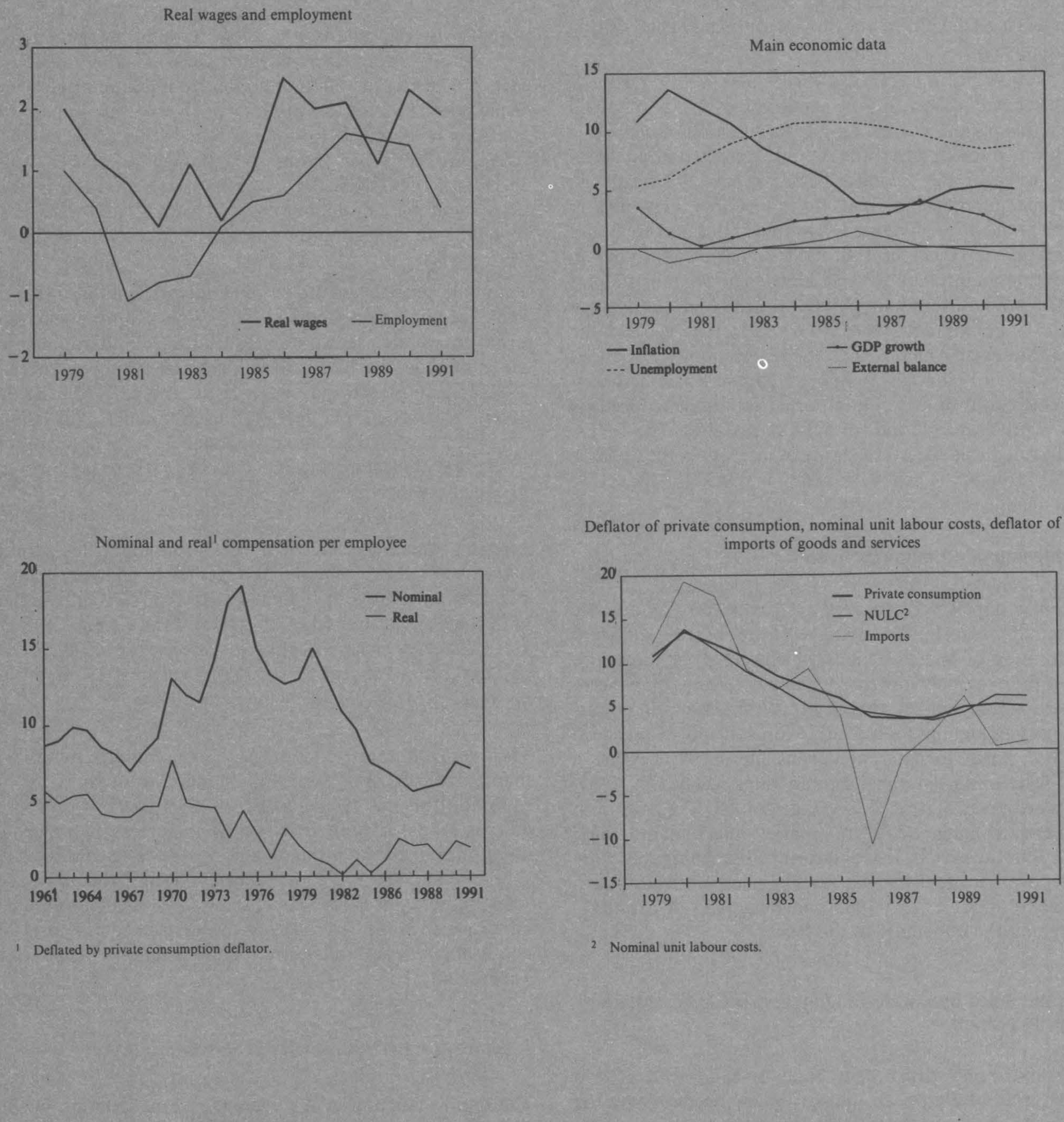
(ii) from the years 1986-88 when the Community benefited from an unexpected large improvement in its terms of trade and economic growth was picking up strongly; and

(iii) from 1989-90, the years when results fell short of expectations.

[1] Throughout this study the Community figures refer to the present Community of 12 Member States.

[2] Change in 'real wage' is used in this study to refer to the rate of increase in nominal wages deflated by the rate of increase in the deflator of private consumption, i.e. the rate of increase in the real value of wages to wage earners. Change in 'real unit labour costs', on the other hand, refers to the rate of increase in nominal unit labour costs deflated by the rate of increase of the deflator of GDP. This is a distribution measure which gives an indication of the direction in which profit margins and, capital productivity and other factors being equal, investment profitability move; increases in real unit labour costs imply a reduction in profit margins and real unit labour cost decreases imply an improvement in profit margins.

GRAPH 1: **Key macroeconomic variables of the Community**[a] (annual percentage changes except for unemployment rate)



[1] Deflated by private consumption deflator.

[2] Nominal unit labour costs.

[a] 1991: Estimates of the Commission services.

2. 1980-85

Wage moderation and improved price and cost convergence

Wage moderation and improved price and cost convergence were achieved despite a deterioration in the terms of trade and against a background of slow growth and rapidly rising unemployment.

The principal reason for the remarkable results obtained during this period was the change in direction of economic policy which took place throughout the industrialized world in the wake of the second oil-price shock. Practically all governments recognized that any effort to achieve higher growth at the price of higher inflation was doomed to failure beyond the very short term. Broadly similar results in reducing the rates of inflation were obtained in most industrialized countries. The Community's GDP deflator fell on average from 13 % per annum in 1980 to 6,1 % in 1985 while in the United States of America the rate of inflation was reduced from 9,2 % in 1980 to 2,7 % in 1985. Japan, which had been more successful in averting imported inflation, reduced its rate over the same period from 3,8 % to 1,4 %. The EFTA countries reduced the average rate of increase in the deflator of GDP from 9,2 % in 1981 to 4,6 % in 1985.

A tightening of economic policies ...

Economic policy became very restrictive throughout the Community. Fiscal policy managed to prevent a significant deterioration of budget deficits which, given the direct impact of the extremely low economic growth rates on government revenues, implies that a significant amount of discretionary tightening took place. Monetary policy was also tightened, partly for internal reasons and partly to follow a world-wide trend. Nominal interest rates reached, in 1981, the record level of 15,1 % (average for EUR 12) at both the short and long ends of the market and remained high throughout the period. In real terms the tightening was more progressive with real interest rates moving from near zero in 1980 to about 5 % in 1985 and remaining at that level throughout the remainder of the 1980s.

... accompanied by a wide-ranging restructuring of the European economy

This stabilization effort went hand in hand with a deep restructuring of European industry made necessary by the substantial change in the relative price of energy induced by the oil-price shocks and by the need to adapt to a new world production structure. The transitional costs of this two-pronged process, which laid the basis for the much improved economic performance to the end of the 1980s, were high: the average Community rate of growth over the six-year period 1980-85 was only 1,5 % and the rate of unemployment went up from 6,0 % of the active population in 1980 to 10,8 % in 1985.

Against this difficult economic background, tight economic policies and rising unemployment, wages adjusted rapidly thus preventing the fall in inflation from taking place at the expense of investment profitability. The increase in nominal unit labour costs fell from 13,9 % in 1980 to 5 % in 1985, averaging 8,6 % per annum over this period. The average increase in the GDP deflator was 9,3 % over the same period. As a result real unit labour costs fell by 4,4 % between 1980 and 1985, thus leading to a recovery in gross unit profits.

Economic growth was modest and notwithstanding a significant shedding of labour due to the resulting shake-out, productivity increases were small by the standards of previous periods: 1,7 % a year on average during the period 1980-85 against 3 % during the 1970s and 4,6 % during the 1960s. Thus, the rapid deceleration in nominal unit labour costs was obtained essentially through a sharp deceleration in the rate of increase in wages per head rather than through productivity increases.

Nominal wages decelerated rapidly throughout this period. The rate of increase of nominal wages fell by eight percentage points (from 15,0 % in 1980 to 7 % in 1985), broadly in line with the deceleration of inflation (see Tables 1 and 2). Real wage increases remained positive but very small: 0,7 % on average for the six-year period 1980-85 against 2,7 % for the six years 1974-79 (3,8 % for the period 1970-79).

The average rate of inflation in the Community was more than halved dropping from 13,6 % (deflator of private consumption) or 13,0 % (deflator of GDP) in 1980 to about 6 % in 1985 for both deflators. The success in reducing inflation was all the more remarkable since during the six-year period 1980-85, and especially during the first two years, import prices rose faster than domestically generated inflation: 11 % on average for the deflator of imports of goods and services and 9,3 % for the deflator of GDP (see Tables 2 and 7).

A common trend with small country differences

The rapid reduction in the average rate of inflation in the Community was accompanied by similar reductions in the divergence amongst the individual inflation performances. The dispersion (unweighted average of the individual rates

Table 1

Deflator of private consumption

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC	Dispersion related to average[1] (EC)	Dispersion related to stability standard[2] (EC)
Average 1961-69	3,2	5,7	2,7	2,4	5,9	4,2	4,4	3,7	2,5	4,1	2,8	3,7	3,7	1,3	1,9
Average 1970-79	6,7	10,0	5,1	11,3	14,1	9,1	13,3	13,1	6,2	7,2	15,4	12,3	10,0	3,4	8,2
1979	3,9	10,4	4,0	16,5	16,5	10,9	14,9	14,5	5,0	4,3	25,2	13,7	10,9	5,2	9,4
1980	6,4	10,7	5,8	21,9	16,5	13,5	18,6	20,4	7,5	6,9	21,6	16,3	13,6	5,4	11,6
1981	8,7	12,0	6,0	22,7	14,3	13,4	19,6	18,2	8,6	5,8	20,2	11,2	12,1	4,7	11,2
1982	7,8	10,2	4,7	20,7	14,5	11,8	14,9	16,9	10,6	5,5	20,3	8,7	10,7	4,3	10,0
1983	7,2	6,8	3,2	18,1	12,3	9,7	9,2	15,1	8,3	2,9	25,8	4,8	8,6	4,8	8,1
1984	5,7	6,4	2,5	17,9	11,0	7,9	7,3	11,9	6,5	2,2	28,5	5,0	7,3	4,7	7,2
1985	6,0	4,3	2,1	18,3	8,2	6,0	5,0	9,0	4,3	2,2	19,4	5,4	6,0	3,6	5,3
Average 1981-82	8,2	11,1	5,3	21,7	14,4	12,6	17,2	17,5	9,6	5,6	20,2	9,9	11,4	4,5	10,6
Average 1980-85	6,9	8,4	4,0	19,9	12,8	10,3	12,3	15,2	7,6	4,2	22,6	8,5	9,7	4,6	8,9
1986	0,5	2,9	−0,2	22,1	8,6	2,9	4,3	5,7	1,1	0,2	13,8	4,4	3,8	4,3	4,5
1987	2,0	4,6	0,8	15,5	5,7	3,3	3,2	4,9	1,6	−0,9	10,0	4,3	3,6	2,9	3,3
1988	1,6	4,9	1,3	14,2	5,1	2,9	2,5	5,2	2,8	0,4	10,0	4,9	3,7	2,7	3,0
1989	3,5	5,1	3,1	14,7	6,6	3,5	3,9	5,8	3,4	2,9	12,8	5,9	4,9	2,6	3,7
1990	3,5	2,5	2,6	20,2	6,4	2,9	2,6	6,2	4,2	2,5	13,6	8,4	5,2	3,7	4,1
Average 1986-88	1,4	4,1	0,6	17,3	6,4	3,0	3,3	5,2	1,8	−0,1	11,3	4,5	3,7	3,3	3,6
Average 1989-90	3,5	3,8	2,8	17,4	6,5	3,2	3,2	6,0	3,8	2,7	13,2	7,2	5,1	3,1	3,9

[1] Unweighted mean of the absolute deviation from the weighted mean.
[2] Unweighted mean of the absolute deviation from the stability standard (defined as the average of EUR 7 over the period 1986-90); (EUR 7 = initial narrow-band countries; i.e. B, DK, D, F, IRL, L, NL).

Table 2

GDP deflator

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC	Dispersion related to average[1] (EC)	Dispersion related to stability standard[2] (EC)
Average 1961-69	3,3	6,2	3,3	3,1	6,3	4,3	5,0	4,3	2,9	5,1	2,9	3,8	4,1	1,5	1,9
Average 1970-79	7,2	9,7	5,6	12,3	14,5	9,3	13,3	13,5	7,1	7,7	14,3	12,8	10,4	3,8	7,9
1979	4,5	7,6	4,0	18,6	17,1	10,2	13,7	15,3	6,4	3,9	19,4	14,4	10,9	5,2	8,3
1980	3,8	8,2	4,8	17,7	14,2	11,6	14,7	20,0	7,9	5,7	20,9	19,5	13,0	5,4	9,5
1981	4,7	10,1	4,0	19,8	12,0	11,4	17,4	18,6	7,2	5,5	17,6	11,4	10,9	4,6	8,7
1982	7,1	10,6	4,4	25,1	13,8	12,0	15,2	17,1	10,8	6,1	20,7	7,6	10,6	4,8	9,6
1983	5,6	7,6	3,3	19,1	11,6	9,6	10,7	14,9	6,8	1,9	24,6	5,2	8,5	5,0	7,3
1984	5,2	5,7	2,0	20,3	10,9	7,3	6,4	11,4	4,4	1,9	24,7	4,6	6,8	4,9	6,2
1985	6,1	4,3	2,2	17,7	8,5	5,8	5,2	8,9	3,0	1,8	21,7	5,7	6,1	3,9	5,0
Average 1981-82	5,9	10,3	4,2	22,4	12,9	11,7	16,3	17,8	9,0	5,8	19,1	9,5	10,7	4,7	9,2
Average 1980-85	5,4	7,7	3,4	19,9	11,8	9,6	11,5	15,1	6,7	3,8	21,7	8,9	9,3	4,8	7,7
1986	3,7	4,6	3,1	17,4	11,1	5,3	6,3	7,7	4,4	0,5	20,5	3,6	5,6	4,1	4,8
1987	2,3	4,7	2,0	13,8	5,9	2,9	2,5	5,9	−0,2	−0,4	11,2	5,0	4,1	3,1	3,1
1988	1,7	4,5	1,6	15,7	5,6	3,3	3,2	6,2	2,0	1,7	11,6	6,7	4,6	3,1	3,2
1989	4,6	4,3	2,6	14,0	6,9	3,6	5,1	6,3	5,1	1,5	12,8	6,9	5,1	2,5	3,5
1990	3,0	2,3	3,4	18,2	7,3	2,7	1,6	7,5	2,9	2,8	15,0	8,4	5,7	4,0	3,8
Average 1986-88	2,6	4,6	2,2	15,7	7,5	3,8	4,0	6,6	2,0	0,6	14,4	5,1	4,8	3,4	3,7
Average 1989-90	3,8	3,3	3,0	16,1	7,1	3,2	3,4	6,9	4,0	2,2	13,9	7,6	5,4	3,3	3,7

[1] Unweighted mean of the absolute deviation from the weighted mean.
[2] Unweighted mean of the absolute deviation from the stability standard (defined as the average of EUR 7 over the period 1986-90); (EUR 7 = initial narrow-band countries; i.e. B, DK, D, F, IRL, L, NL).

relative to the reference value) relative to the average rate of inflation fell from 5,4 in 1980 to 3,6 in 1985 (see Table 1) while that relative to the so-called 'stability standard'[1] fell from 11,6 to 5,3. The dispersion in the rates of increase of nominal unit labour costs was also similarly reduced (see Table 5).

Inflation and nominal per capita wage increase came down in an almost uninterrupted trend since 1980 in most of the Community. Portugal and Greece constitute the only exceptions to this general trend since in 1985 inflation and nominal wages were still rising as fast as in 1980 in the former and actually faster than in 1980 in the latter. Indeed, whereas in 1980 the rate of increase of the deflator of GDP in these countries was about one and a half to twice the Community average, in 1985 it was almost three to four times the much reduced Community average. Yet their rates of economic growth coincided almost exactly with the Community average (1,4% a year for Greece, 1,5% a year for Portugal and the Community). Over the period 1980-85, the best results in reducing inflation were obtained by Germany, the Netherlands and Luxembourg, on the one hand, and by Ireland and the United Kingdom, on the other. Italy, France, Denmark and Spain also obtained significant reductions, while in Belgium the full effects of the policies implemented were felt somewhat later.

At the beginning of the 1980s, almost all Member States embarked on broadly similar stabilization programmes. Given that the poor state of the Community economy was largely due to an external shock, this hardly appears surprising. Yet, in the aftermath of the first oil-price shock the reactions had been widely divergent. Indeed, the experience of the second half of the 1970s largely explains the greater convergence in the orientation of economic policies which emerged at the beginning of the 1980s.

Whatever the extent of agreement on the general thrust of economic policy, the Member States were confronted by different degrees of severity in their macroeconomic imbalances and their reactions were determined by different institutional and political arrangements. All countries tried to reduce the rate of inflation while maintaining, or improving, their external competitive position and restoring investment profitability which had deteriorated everywhere. While most of them managed to reduce the rate of inflation and obtain a significant degree of wage adjustment, the results achieved were significantly different. The following paragraphs comment briefly on the results obtained country by country and highlight the main features of the policies followed.

2.1. Germany and the Netherlands

Germany and the Netherlands which were in 1980, together with Belgium and Luxembourg, already among the lowest inflation performers, adjusted more rapidly and effectively than elsewhere. The rate of increase in nominal wages decelerated rapidly from the beginning of the period and actually faster than the rate of inflation. Real wages per head had already decreased substantially in 1980-81 in the Netherlands and in 1981-82 in Germany.

The reduction in the rates of inflation was helped by the substantial appreciation of the German and Dutch currencies *vis-à-vis* those of the other Community partners throughout the period 1980-85. This resulted in average increases in the deflator of imported goods and services that were half the Community average. The hard currency option followed by the authorities reinforced the credibility of their anti-inflationary commitment and helped obtain further substantial decelerations of nominal wages with the result that nominal unit labour costs increased on average during the period 1980-85 by 2,8% a year in Germany and only 1,6% a year in the Netherlands. This remarkable labour cost performance more than offset the negative effects of the appreciation of the currencies on the external competitiveness of the two countries which actually improved substantially between 1980 and 1985 both *vis-à-vis* their Community partners and *vis-à-vis* the most important industrial countries.

The remarkable wage adjustment which took place in these two countries resulted also in substantial reductions in real unit labour costs which fell over the period 1980-85 by 0,7% a year on average in Germany and as much as 2,1% in the Netherlands, the largest reduction in the Community. The resulting increase in the gross rate of profit per unit of output helped improve substantially the profitability of investment in both countries (see Table 2 in Study 2).

2.2. Belgium and Denmark

Belgium and Denmark, given their close integration with Germany and the Netherlands and their longstanding monetary cooperation dating back to 1972 (creation of the 'Snake'), might have been expected to follow the course outlined above. Their competitive positions, however, had

[1] The average inflation performance of the participants in the ERM narrow band during the period 1986-90: 2,2%, deflator of private consumption. Any inflation 'standard', including the proposed one, is largely arbitrary and open to criticism. The value used here presents the advantage of representing the actual five-year performance, during a period of satisfactory growth, of a representative group of industrial countries.

deteriorated strongly during the 1970s as a result of failure to contain internal costs in the presence of an exchange rate constraint and both countries were facing serious current account disequilibria. As a result, the authorities chose to complement the tight macroeconomic policy stance with substantial depreciations *vis-à-vis* their ERM partners. In the Belgian case this turned out to be a 'once-and-for-all' depreciation of 8,5 % at the beginning of 1982. However, in the case of Denmark, the process was more protracted with the Danish krone being devalued twice in the course of 1979.

This choice prevented decelerations in the rate of inflation as rapid as those recorded in Germany and the Netherlands while leading, none the less, to a substantial slowing down of wage increases. The rate of increase in nominal wages was cut by half and the pace of the deceleration was such that over the period 1980-85 real wages per head not only failed to increase but even declined by 0,1 % a year on average in both countries. In 1984-85, nominal unit labour costs were increasing by just over 4 % a year in Belgium and by less than 3 % a year in Denmark. Real unit labour costs declined substantially in both countries over the period 1980-85: −0,6 % a year on average in Belgium and −1,1 % a year in Denmark.

The success in moderating wage increases in these two countries owes much to direct government intervention in wage-setting procedures. In February 1981, the Belgian government succeeded in obtaining a collective agreement covering all sectors of the private economy and introducing a substantial degree of wage moderation. In February 1982 the wage indexation mechanism was temporarily suspended. A similar measure was taken in Denmark. But while in Belgium, the indexation mechanisms were eventually allowed to resume, in Denmark they were definitively suppressed in 1986.

Thanks in large part to the size of the wage adjustment, the profitability of the capital stock increased in both countries (see Table 2 in Study 2). The success in moderating the rate of increase in labour costs while the currencies were devalued resulted also in a significant improvement in the competitive position of both countries. Thanks also to the depressed level of internal demand Belgium managed to eliminate, by 1985, its current account deficit, while in Denmark the strong growth of 1984-85 considerably delayed the achievement of this target.

2.3. France and Italy

In 1980, inflation in France and Italy was substantially different: France had an inflation rate (13,5 %, deflator of private consumption) close to the Community average, while Italy was experiencing one of the highest rates of increase in the Community (about 20 %). These two countries, however, present the similarity that notwithstanding a certain delay compared to their Community partners in commencing a strong anti-inflationary drive, good results were achieved by the mid-1980s.

The case of France is particularly interesting for the sharpness of the policy change. Until 1982-83, the country experienced little or no deceleration in the rates of increase in nominal wages, nominal unit labour costs or of consumer and producer prices. In 1982, real wages per head increased by 2 % whereas they were declining throughout most of the Community. The exchange rate depreciation accommodated partially the inflation differentials with the rest of the Community.

In late 1982 and in the course of 1983, the country changed the orientation of its economic policy with spectacular results. Wages and prices were frozen for some months and after the realignment of March 1983 the depreciation of the currency was practically halted. The fast growing credibility of the government's anti-inflationary commitment, supported by the pursuit of appropriate monetary policies, resulted in wage negotiations taking as a reference, the government inflation targets instead of past results. Accordingly, increases in nominal wages and nominal unit labour costs were almost halved between 1982 and 1984. By 1985, the gap *vis-à-vis* the Community average inflation rate, which had appeared in the period 1981-83, had been reabsorbed. In the years 1984 and 1985, real unit labour costs fell substantially, making up for the ground lost initially. Profitability of investment, which continued to deteriorate in 1980 and 1981 started to recover and in 1985 reached a level slightly higher than that of 1980 (see Table 2 in Study 2).

The cyclical position of Italy in the early 1980s was different to that of the rest of the Community. Growth was still very strong in 1980 and nominal wage increases went on accelerating until 1981. The tightening of economic policy also took place somewhat late and real interest rates only reached levels comparable with the Community average in 1983. Notwithstanding substantial realignments, Italy's real effective exchange rate index *vis-à-vis* its Community partners was, in 1985, more than 20 % above its 1979 level. Exchange rate policy as a result only partially accommodated inflation differentials and played a substantial anti-inflationary role.

A deteriorating macroeconomic situation, a tighter economic policy stance and a partially accommodating exchange rate policy brought about substantial progress in reducing the rate of increase in nominal wages. Thanks also to a temporary government-induced partial restriction of the wage indexation scheme and to higher productivity increases, nominal unit labour cost increases fell from 21,4 % in 1981 to 8,2 % in 1985. In contrast to the experience of other countries, the deceleration of nominal wages was brought about more by external constraints than as a result of a change in wage-setting behaviour. As a result, real unit labour costs declined only modestly over the period 1980-85 and the resulting improved gross profitability was insufficient to offset the decrease in capital productivity which took place during these years. Therefore, Italy was one of the few countries where the profitability of the capital stock declined between 1980 and 1985.

2.4. Spain

Spain stands out for the consistency of its wage adjustment effort which continued at a brisk pace throughout the first half of the decade. The rate of increase in nominal wages was reduced from 19 % in 1979 to 9,4 % in 1985. Real wages increased only modestly, 0,4 % a year on average during the 1980-85 period. Productivity rose by a very high 3,2 % a year on average which led to a substantial decrease in real unit labour costs throughout this period. Accordingly, Spain found itself in a very favourable position to exploit accession to the Community in 1986: the current account was showing a surplus and investment profitability had very much improved. The subsequent investment boom which Spain was to experience (a real increase of more than 60 % over the four years 1986-89) occurred against this favourable background.

Crucial to the success of this remarkable wage adjustment was the tripartite social dialogue which worked very effectively until 1986. The government either took part in the signing of various national wage agreements or encouraged them indirectly. The indexation schemes still existing were suspended or based on the expected rate of inflation. Fiscal policy and reductions in social security contributions were used as instruments to encourage wage moderation.

2.5. Ireland and the United Kingdom

During the first half of the decade, Ireland and the United Kingdom obtained the most spectacular results in terms of the reduction in the rates of inflation: in Ireland the increase in the deflator of private consumption was reduced from 18,6 % in 1980 to 5 % in 1985 and in the United Kingdom from 16,3 % in 1980 to 4,8 % in 1983. These results were, however, obtained by different macroeconomic policies.

At the beginning of the 1980s the government of Ireland embarked on an ambitious stabilization programme aimed

Table 3

Nominal compensation per employee

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC
Average 1961-69	7,6	10,5	7,8	9,8	14,6	9,4	9,1	10,2	5,8	10,4	8,3	6,4	8,7
Average 1970-79	11,9	11,6	9,0	17,6	19,6	13,3	18,1	17,8	11,2	11,5	22,4	15,4	14,2
1979	5,5	9,4	5,4	23,4	19,0	13,0	18,9	19,9	6,7	6,0	20,0	15,3	13,0
1980	9,6	10,0	6,6	16,1	17,3	15,3	21,1	21,4	9,0	5,5	25,6	19,7	15,0
1981	6,3	9,2	4,5	21,5	15,3	14,3	18,1	22,6	8,5	3,5	21,0	14,0	13,0
1982	7,8	11,9	3,4	27,7	13,7	14,1	14,2	16,2	6,9	5,8	21,6	8,5	10,9
1983	6,3	8,2	3,4	21,4	13,8	10,1	12,8	16,0	6,9	3,2	21,8	8,8	9,7
1984	6,5	5,5	3,3	20,7	10,0	8,2	10,7	11,8	7,1	0,2	21,2	5,6	7,5
1985	4,6	4,7	3,0	23,4	9,4	6,6	7,8	10,1	3,5	1,4	22,5	7,3	7,0
Average 1981-82	7,1	10,6	4,0	24,6	14,5	14,2	16,1	19,3	7,7	4,6	21,3	11,2	11,9
Average 1980-85	6,8	8,2	4,0	21,8	13,2	11,4	14,0	16,3	7,0	3,2	22,3	10,5	10,5
1986	4,6	4,4	3,5	12,5	9,5	4,6	4,7	7,5	5,2	1,6	21,6	8,4	6,4
1987	2,1	7,9	3,0	9,8	6,7	3,6	5,6	8,4	3,9	1,5	17,9	7,4	5,6
1988	2,4	3,9	3,0	18,8	6,2	4,1	5,5	9,3	3,3	1,5	13,4	7,9	5,9
1989	3,6	3,3	2,8	18,1	6,1	4,8	6,2	9,0	6,5	0,5	13,8	8,9	6,1
1990	6,4	3,5	4,2	20,2	7,7	4,9	8,6	10,4	5,2	3,6	17,8	11,3	7,6
Average 1986-88	3,0	5,4	3,2	13,6	7,4	4,1	5,3	8,4	4,1	1,5	17,6	7,9	6,0
Average 1989-90	5,0	3,4	3,5	19,2	6,9	4,8	7,4	9,7	5,8	2,1	15,8	10,1	6,8

Table 4

Real compensation per employee (deflated by private consumption deflator)

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC
Average 1961-69	4,3	4,6	4,9	7,2	8,3	5,0	4,5	6,3	3,2	6,1	5,4	2,6	4,8
Average 1970-79	4,9	1,5	3,8	5,7	4,8	3,8	4,2	4,2	4,7	4,0	6,1	2,8	3,8
1979	1,6	−0,9	1,4	5,9	2,1	1,9	3,5	4,7	1,6	1,6	−4,1	1,5	2,0
1980	3,0	−0,6	0,7	−4,7	0,6	1,6	2,1	0,8	1,4	−1,3	3,3	3,0	1,2
1981	−2,2	−2,5	−1,4	−1,0	0,8	0,9	−1,3	3,7	−0,1	−2,2	0,7	2,5	0,8
1982	0,0	1,5	−1,2	5,8	−0,7	2,0	−0,6	−0,6	−3,3	0,2	1,1	−0,2	0,1
1983	−0,8	1,3	0,2	2,8	1,3	0,4	3,2	0,8	−1,2	0,2	−3,2	3,8	1,1
1984	0,8	−0,8	0,9	2,4	−0,9	0,4	3,2	−0,1	0,5	−1,9	−5,6	0,6	0,2
1985	−1,3	0,4	0,9	4,3	1,1	0,6	2,7	1,0	−0,7	−0,8	2,6	1,8	1,0
Average 1981-82	−1,1	−0,5	−1,3	2,4	0,1	1,4	−0,9	1,5	−1,7	−1,0	0,9	1,2	0,4
Average 1980-85	−0,1	−0,1	0,0	1,5	0,4	1,0	1,5	0,9	−0,6	−1,0	−0,3	1,9	0,7
1986	4,0	1,5	3,7	−7,9	0,8	1,7	0,3	1,8	4,0	1,4	6,8	3,8	2,5
1987	0,1	3,1	2,2	−5,0	0,9	0,3	2,4	3,3	2,3	2,4	7,2	3,0	2,0
1988	0,8	−0,9	1,7	4,0	1,1	1,1	2,9	4,0	0,5	1,1	3,1	2,9	2,1
1989	0,1	−1,6	−0,2	2,9	−0,5	1,2	2,2	3,0	3,0	−2,4	0,8	2,8	1,1
1990	2,8	1,0	1,5	0,0	1,2	1,9	5,9	3,9	1,0	1,1	3,7	2,7	2,3
Average 1986-88	1,6	1,2	2,6	−3,1	0,9	1,0	1,9	3,0	2,3	1,6	5,7	3,2	2,2
Average 1989-90	1,4	−0,3	0,7	1,5	0,3	1,5	4,0	3,4	2,0	−0,6	2,3	2,7	1,7

Table 5

Nominal unit labour costs

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC	Dispersion related to average[1] (EC)	Dispersion related to stability standard[2] (EC)
Average 1961-69	3,4	6,7	3,3	1,2	7,1	4,2	4,6	3,7	2,4	6,4	1,8	3,7	3,9	2,4	3,1
Average 1970-79	8,5	9,7	5,9	12,3	14,9	10,0	13,6	14,3	9,7	8,1	16,8	12,9	10,8	3,9	9,8
1979	4,6	7,0	2,9	19,7	17,1	9,6	19,0	14,8	4,8	4,8	16,0	13,8	10,3	5,6	9,4
1980	5,0	10,0	6,8	15,6	12,3	13,8	18,6	18,8	8,9	5,3	19,7	22,1	13,9	5,0	11,3
1981	5,3	8,8	4,2	27,4	12,6	12,3	13,3	21,4	9,4	2,6	20,3	11,0	11,6	5,5	10,6
1982	4,8	9,1	2,8	26,2	11,3	11,7	11,9	16,4	5,5	4,6	16,8	4,8	9,1	5,2	8,7
1983	4,8	5,8	0,5	22,2	11,2	8,8	10,7	15,5	3,5	−0,2	20,6	3,6	7,3	5,9	7,7
1984	4,1	2,8	0,7	17,9	5,5	5,7	4,1	8,9	1,5	−2,9	21,7	5,4	5,1	4,5	5,5
1985	4,3	2,9	1,7	20,7	5,6	4,4	2,6	8,2	2,0	0,4	19,1	4,9	5,0	4,2	4,8
Average 1981-82	5,1	8,9	3,5	26,8	11,9	12,0	12,6	18,9	7,4	3,6	18,5	7,8	10,3	5,4	9,6
Average 1980-85	4,7	6,5	2,8	21,6	9,7	9,4	10,1	14,8	5,1	1,6	19,7	8,4	8,6	5,1	8,1
1986	3,8	3,3	2,5	11,3	7,6	2,2	5,4	5,7	3,5	1,6	13,6	4,3	4,3	2,6	3,6
1987	0,3	8,5	2,1	10,2	5,6	1,9	1,9	5,6	3,2	2,1	12,6	4,4	3,8	3,0	3,3
1988	−0,6	3,3	0,1	15,9	4,5	1,2	1,9	6,0	0,9	0,2	9,1	6,5	3,4	3,5	3,5
1989	1,4	1,5	0,9	15,3	4,8	2,2	0,2	5,9	4,5	−1,8	9,1	9,6	4,3	3,7	3,8
1990	3,6	1,0	2,3	20,8	6,6	3,2	4,1	9,3	7,1	1,8	14,5	10,8	6,2	4,6	5,5
Average 1986-88	1,1	5,0	1,6	12,5	5,9	1,8	3,1	5,8	2,5	1,3	11,8	5,1	3,8	3,0	3,5
Average 1989-90	2,5	1,3	1,6	18,0	5,7	2,7	2,1	7,6	5,8	0,0	11,8	10,2	5,2	4,1	4,7

1 Unweighted mean of the absolute deviation from the weighted mean.
2 Unweighted mean of the absolute deviation from the stability standard (defined as the average of EUR 7 over the period 1986-90); (EUR 7 = initial narrow-band countries; i.e. B, DK, D, F, IRL, L, NL).

at reducing the rate of inflation and curbing the extremely high current account deficit. This programme strongly emphasized the importance of wage moderation to economic progress and succeeded in convincing both sides of industry accordingly.[1] As in most other countries experiencing high rates of inflation, the programme involved a generalized tightening of monetary and budgetary policy and an exchange rate policy which accommodated inflation differentials to a very small extent thus resulting in a significant real appreciation of the currency. The Irish case, however, was different from that of many other Community countries in that the high level of investment which had taken place in the second half of the 1970s, and which was partly responsible for the high trade deficit, started paying dividends through a strong increase in exports of manufactured goods. As a result, the Irish stabilization programme took place against a background of continued export-led growth: 2,5 % a year on average during the six-year period 1980-85 against 1,5 % a year for the Community as a whole. Nevertheless, this restructuring involved a high employment cost: between 1980 and 1985 employment fell by more than 6 % and unemployment rose from 8 % in 1980 to 18,2 % in 1985 despite the resumption of large-scale emigration in 1983.

The rise in nominal wages was reduced by more than half between 1980 and 1985 and, thanks to large productivity advances, the increase in nominal unit labour costs was cut dramatically from 18,6 % in 1980 to 2,6 % in 1985. By 1985, consumer price inflation was, at 5 %, well below the Community average. The gains in productivity were so large that they allowed both a substantial increase in real wages per head (1,5 % a year on average) and a very significant improvement in investment profitability thanks to a large reduction in real unit labour costs (− 1,3 % a year on average over the 1980-85 period). In spite of the real appreciation of the currency, the current account deficit was cut from 13,4 % of GDP in 1979 to 4 % of GDP in 1985.

In 1980, the United Kingdom had a rate of inflation slightly lower than the Irish one, and, thanks also to its position as a net oil exporter, it was experiencing a small current account surplus. The stabilization programme initiated in 1979 relied essentially on a tightening of macroeconomic policy, especially monetary policy, and no direct attempt was made to intervene in the wage-setting process. This programme led to a sharp appreciation of the currency (more than 20 % between 1979 and 1981 *vis-à-vis* its Community partners in effective terms) which contributed strongly to the reduction in consumer price inflation. However it also imparted a severe jolt to the economy which moved into a deep recession in 1980-81. Over the period 1980-85, the average rate of growth of the United Kingdom was slightly below that of the rest of the Community. The industrial sector felt the full brunt of increased competition and embarked on large-scale restructuring which resulted in strong productivity increases and a correspondingly large shedding of labour. Employment declined by almost 4 % between 1980 and 1985 and the unemployment rate went up from 4,6 % in 1979 to 11,4 % in 1985.

Nominal wages decelerated sharply under the pressure of the deteriorating economic situation and the rapidly falling consumer price inflation brought about by the appreciation of the currency. The United Kingdom and Ireland were the only Member States where over the period 1980-85 the deflator of imports of goods and services rose less than the deflator of private consumption. In the case of the United Kingdom, the improvement in the terms of trade resulting from its position as a net energy exporter allowed for faster increases in the deflator of GDP than those of the deflator of private consumption (8,9% and 8,5% a year on average respectively over the period 1980-85). Therefore, notwithstanding the rapid real wage growth (1,9% a year on average over the period 1980-85, the highest increase in the Community) average real unit labour costs could decrease slightly during the first half of the 1980s.[2]

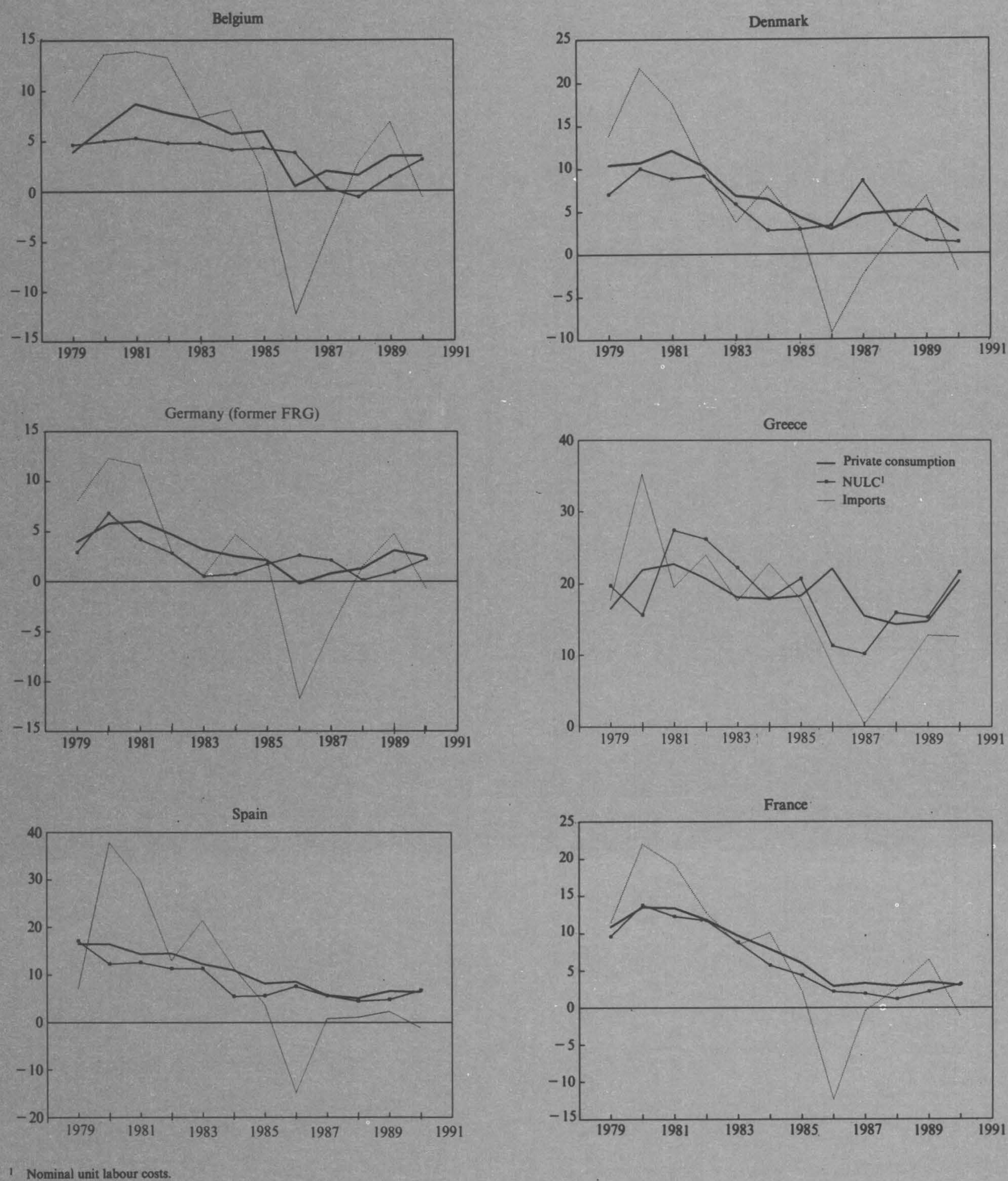
2.6. Greece and Portugal

In the first half of the decade, Greece and Portugal failed to reduce their rates of inflation with however, significant differences in performance. Although between 1980 and 1985, nominal compensation of employees grew, on average, at similar rates in both countries (21,8% a year in Greece and 22,3% in Portugal), productivity increases were very different (GDP per person employed rose in Portugal by 2,2% a year on average against only 0,1% in Greece). As a result, nominal unit labour costs rose faster in Greece (21,6%) than in Portugal (19,7%). Both countries allowed their currencies to depreciate strongly against those of their Community partners: 10% a year on average over the period 1980-85 in the case of Portugal and 11% for Greece. However, Portugal, notwithstanding the failure to reduce the rate of inflation, managed to achieve a substantial real wage adjustment with real wages decreasing by 0,3% a year on average during the period 1980-85 while in Greece they increased by 1,5% a year. Therefore, notwithstanding the

[1] While Ireland reverted to free collective bargaining in 1981, the important contribution of wage moderation to competitiveness continued to have a major influence on pay settlements.

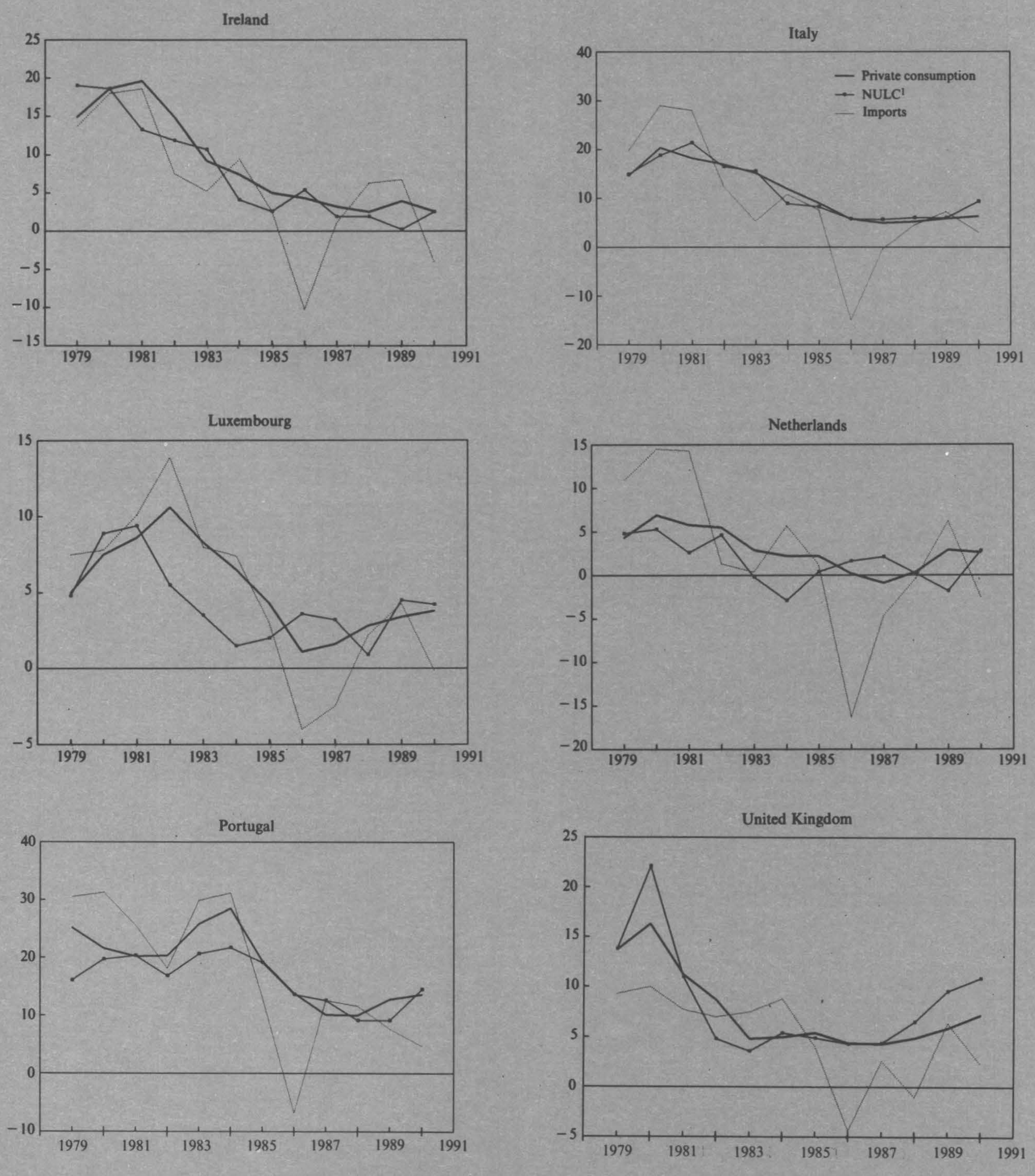
[2] These composite figures hide substantial differences in the oil and non-oil sectors of the economy.

GRAPH 2: **Deflator of private consumption, nominal unit labour costs, deflator of imports of goods and services**
(Annual percentage changes)



[1] Nominal unit labour costs.

GRAPH 2 — *continued*



[1] Nominal unit labour costs.

slightly stronger depreciation of its currency, the competitive position of Greece deteriorated while that of Portugal improved. The same was true for profitability with a substantial decrease in Portuguese real unit labour costs (− 1,6% a year on average) contrasting with significant increases in Greece (1,4% a year).

These opposing trends in competitive positions and in the contribution of wages to the improvement of investment profitability resulted in very different macroeconomic performances. While the overall rates of growth were very similar, the current account of Greece moved from equilibrium in 1980 to a deficit equivalent to more than 8 percentage points of GDP in 1985, whereas Portugal moved from a deficit of almost 6 percentage points of GDP to equilibrium. Furthermore, while the negative impact of the slowdown on investment in both countries was much stronger than in the rest of the Community, investment during the period 1980-85 declined less in Portugal than in Greece and in the two subsequent years it continued to decline in Greece, but increased very strongly in Portugal.

3. 1986-88

Further spectacular reductions in inflation rates under the favourable impact of sharply declining import prices; emergence of the initial narrow-band countries[1] as a homogeneous group

In 1986, the substantial reduction in the price of oil, amplified by the decline of the US dollar, gave the convergence process an unexpected powerful boost. Import prices fell by more than 10 percentage points in 1986 and remained broadly stable in 1987-88. Economic policy remained cautious until the end of 1987 when monetary policy was relaxed to counter the expected adverse effects of the stock-market crash of October 1987. Growth remained modest in 1986 and in the first half of 1987. Subsequently it picked up vigorously and in 1988 the Community experienced its strongest growth since 1976 (4%).

Nominal wages decelerated further in 1986, to just over 6% for the Community as a whole, and continued to increase at about the same rate until 1989. Nevertheless, growth in real wages was substantial, especially in 1986, partly as a result of the unanticipated deceleration in the rate of inflation. Productivity improved somewhat and nominal unit labour costs decelerated continuously reaching their lowest increase in 1988 (3,4%). The average annual increase of consumer prices in the three years 1986-88, 3,7%, was lower than that recorded during the 1960s. The GDP deflator rose somewhat more (4,8% a year on average). Due to the large improvement in the terms of trade during these years high real wage increases coexisted with continuously falling real unit labour costs. There was growing convergence (see Tables 1, 2 and 5) between Member States.

Three important features characterized these years: the emergence of the ERM narrow-band members as an increasingly homogeneous group, the unexpected degree of exchange rate stability throughout the Community and the emergence of a public debt dilemma due to disinflation.

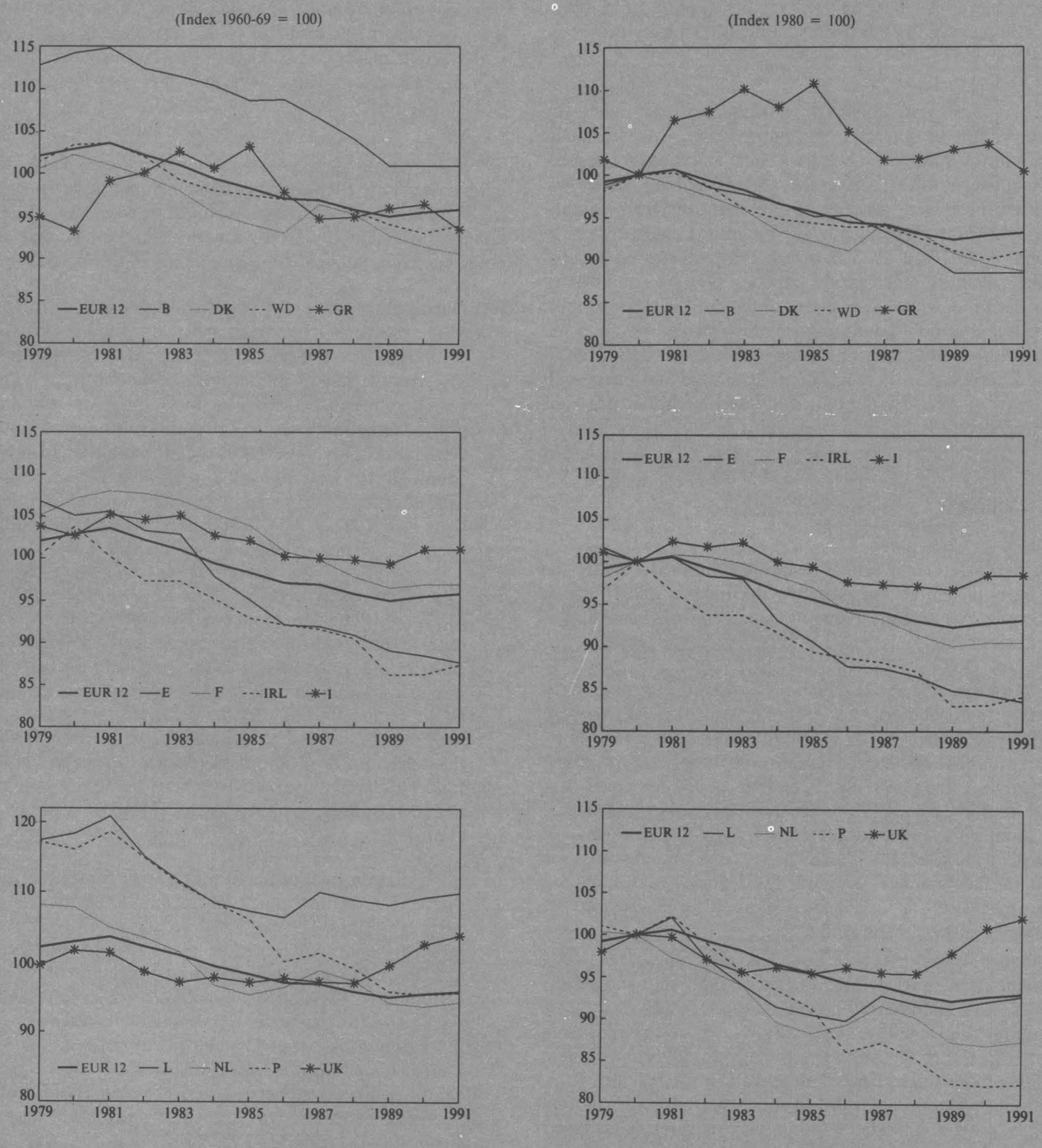
(i) During these years, the price convergence performance of the countries whose currencies respected the narrow band of fluctuation of the ERM improved considerably. The average rate of inflation in these countries became very low, between 1 and 2%. In Germany in 1986 and in the Netherlands in 1987 private consumption prices even fell slightly. The GDP deflator for this group of countries was just above 2% in 1987 and 1988, and in 1988 the rate of increase in nominal unit labour costs was just 0,6%. The dispersion of the individual countries' rates also became very low (see Table 2).

(ii) The EMS experienced its last two general realignments in April 1986 and January 1987 and the currencies outside the ERM fluctuated less. Indeed, the successful 'shadowing' of the ERM in these years laid the basis for the institutional changes of 1989-90: full participation of the pound sterling and the peseta in the system and the entry of the lira to the narrow band. Building on the much improved convergence performance and newly found exchange rate stability, the Community initiated the EMU process in 1988 at the European Council in Hanover.

(iii) For the countries with continuing large budget deficits, the sharp reduction in inflation brought about a relative debt explosion. The reduction in the rate of inflation implied a sharp deceleration in the rate of increase of nominal GDP while large amounts of public debt were continuing to be added to the stock of national debt. As a result the public debt/GDP ratio increased sharply in all countries except Denmark, Luxembourg and the United Kingdom which had managed to reduce significantly their budget deficits or were even running surpluses. The increase was particularly strong in Belgium (from 120% of GDP in 1985 to 131% in 1987), Ireland (from 105% in 1984 to 122% in 1987) and Italy (from 70% in 1983 to 91% in 1987) where the public deficits were large and the deceleration of inflation sharp.

[1] These countries are: B, DK, D, F, IRL, L, NL.

GRAPH 3: **Real unit labour costs**[a]



[a] 1991: Estimates of the Commission services.
WD: Former FRG.

While economic developments throughout the Community during these years were very much synchronized, some individual country developments still stand out. A spectacular fall from 6 to only 0,5% in the deflator of private consumption took place in Belgium between 1985 and 1986. This was due to the combination of various factors: a partial suspension of the wage indexation schemes in 1985, the decision by the government not to compensate for the decline in the price of oil with tax increases and the effects of the existing wage indexation system which rapidly translated the deceleration of consumer prices into decelerating wage increases. In 1987, the Irish Government negotiated with the two sides of industry the 'Programme for national recovery'. One central element of this programme was moderate wage increases (2,5% a year) aimed at defending the international competitive position of the country and creating conditions conducive to economic growth. Denmark, on the other hand, was experiencing a different cyclical development. Economic growth had been strong in 1984-86 and unemployment had come down substantially, from 9,3% of the active population in 1983 to 5,6% in 1986. As a result, wage increases accelerated strongly, reaching almost 8% in 1987, and inflation failed to fall as in the other European countries.

In Italy, wages decelerated further in 1986 due to a reduction in the coverage of the wage indexation scheme[1] which none the less led to a rapid translation of the deceleration in import prices. However, the annual rate of increase in nominal wages remained high by comparison with the ERM partners. Wage increases fell substantially in Greece and Portugal. Greece had embarked in 1985 on an ambitious stabilization plan to curb the rate of inflation and reduce the very high current account deficit. Wage increases were severely limited and real wages per head fell by over 6% a year in 1986-87. Notwithstanding poor productivity gains, nominal unit labour cost increases moderated and inflation (private consumption deflator) was brought down to about 14% in 1988.

The Portuguese Government tried to implement the anti-inflationary policy successfully applied by France, i.e. fixing an inflation target and convincing economic operators to orient their behaviour to the attainment of this objective. It is not clear to what extent this policy was successful. Nominal wage increases declined, but not as much as necessary. A substantial contribution to the reduction of inflation came in any case from productivity increases. Accession to the strongly growing Community market led to a surge of exports and strong growth. GDP per person employed increased by an annual average of 5,2% over 1986-88. As a result, the increases in real wages could be largely absorbed and the rate of increase of the deflator of private consumption fell from over 27% in 1983-84 to 10% 1987-88.

[1] The coverage of the indexation was limited to about 50% of wages.

Table 6

Real unit labour costs

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC
Average 1961-69	0,1	0,5	0,0	−1,8	0,7	0,0	−0,4	−0,5	−0,5	1,2	−1,1	−0,1	−0,2
Average 1970-79	1,2	0,0	0,3	0,0	0,4	0,6	0,3	0,7	2,4	0,4	2,2	0,1	0,4
1979	0,1	−0,6	−1,1	0,9	0,0	−0,5	4,7	−0,4	−1,5	0,9	−2,9	−0,5	−0,6
1980	1,2	1,7	1,9	−1,8	−1,6	1,9	3,4	−1,0	0,9	−0,3	−1,0	2,2	0,8
1981	0,6	−1,2	0,2	6,4	0,5	0,8	−3,5	2,4	2,1	−2,7	2,3	−0,3	0,6
1982	−2,1	−1,3	−1,5	0,9	−2,2	−0,3	−2,9	−0,6	−4,8	−1,3	−3,3	−2,6	−1,4
1983	−0,8	−1,7	−2,7	2,6	−0,3	−0,7	0,0	0,5	−3,1	−2,0	−3,2	−1,5	−1,1
1984	−1,0	−2,7	−1,3	−2,0	−4,9	−1,5	−2,1	−2,3	−2,8	−4,6	−2,4	0,7	−1,7
1985	−1,7	−1,3	−0,5	2,6	−2,8	−1,4	−2,5	−0,6	−1,0	−1,4	−2,2	−0,8	−1,0
Average 1981-82	−0,8	−1,3	−0,6	3,6	−0,9	0,3	−3,2	0,9	−1,4	−2,0	−0,5	−1,5	−0,4
Average 1980-85	−0,6	−1,1	−0,7	1,4	−1,9	−0,2	−1,3	−0,3	−1,5	−2,1	−1,6	−0,4	−0,6
1986	0,1	−1,2	−0,5	−5,2	−3,2	−2,9	−0,8	−1,8	−0,8	1,1	−5,7	0,7	−1,3
1987	−1,9	3,6	0,0	−3,1	−0,3	−1,0	−0,6	−0,2	3,4	2,5	1,3	−0,6	−0,3
1988	−2,3	−1,2	−1,5	0,2	−1,1	−2,0	−1,2	−0,2	−1,1	−1,5	−2,2	−0,1	−1,1
1989	−3,1	−2,7	−1,6	1,1	−2,0	−1,3	−4,7	−0,4	−0,6	−3,2	−3,3	2,6	−0,8
1990	0,6	−1,3	−1,1	2,2	−0,6	0,5	2,4	1,7	4,1	−1,0	−0,4	2,3	0,5
Average 1986-88	−1,4	0,4	−0,7	−2,8	−1,5	−2,0	−0,9	−0,8	0,5	0,7	−2,3	0,0	−0,9
Average 1989-90	−1,2	−2,0	−1,3	1,6	−1,3	−0,4	−1,2	0,6	1,7	−2,1	−1,9	2,4	−0,2

Table 7

Deflator of imports of goods and services

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC
Average 1961-69	2,0	1,9	0,8	0,5	2,8	1,3	2,1	0,9	1,1	0,2	0,2	2,5	1,3
Average 1970-79	6,8	9,7	4,8	13,5	11,8	10,5	13,9	16,5	7,7	7,0	17,4	13,3	10,7
1979	8,9	13,7	8,0	17,7	7,2	11,4	13,7	19,7	7,5	10,9	30,5	9,3	12,4
1980	13,6	21,7	12,3	35,2	37,9	22,0	18,0	29,0	7,8	14,5	31,3	10,0	19,3
1981	13,9	17,7	11,6	19,5	29,8	19,3	18,6	28,0	10,1	14,3	25,6	7,7	17,6
1982	13,3	10,1	2,9	24,0	13,0	12,8	7,5	12,4	13,9	1,3	18,1	7,0	9,3
1983	7,4	3,7	0,6	17,6	21,5	8,5	5,2	5,3	8,0	0,4	29,9	7,5	7,1
1984	8,1	7,9	4,7	22,8	11,5	10,1	9,4	10,8	7,4	5,7	31,2	8,8	9,4
1985	2,1	3,2	2,0	17,8	3,8	2,3	2,6	7,6	2,9	1,2	13,0	4,0	4,1
Average 1981-82	13,6	13,9	7,2	21,8	21,1	16,0	12,9	20,0	12,0	7,6	21,8	7,3	13,4
Average 1980-85	9,6	10,5	5,6	22,7	19,0	12,3	10,1	15,1	8,3	6,1	24,6	7,5	11,0
1986	-12,3	-9,2	-11,7	8,4	-14,8	-12,3	-10,2	-14,9	-4,0	-16,2	-6,8	-4,4	-10,7
1987	-4,4	-2,4	-4,7	0,4	0,8	-0,4	1,1	-0,4	-2,5	-4,6	12,6	2,6	-0,9
1988	2,8	2,4	1,5	6,4	1,1	2,6	6,3	4,5	2,1	-0,3	11,6	-1,0	2,1
1989	6,9	6,7	4,8	12,8	2,3	6,5	6,7	7,2	4,3	6,2	7,7	6,4	6,1
1990	-1,0	-2,0	-0,7	10,2	-1,2	-1,5	-4,5	3,0	0,6	-1,8	4,6	2,1	0,4
Average 1986-88	-4,8	-3,2	-5,1	5,0	-4,6	-3,6	-1,2	-4,0	-1,5	-7,3	5,4	-1,0	-3,3
Average 1989-90	2,9	2,2	2,0	11,5	0,6	2,5	1,0	5,1	2,5	2,1	6,2	4,2	3,2

4. 1989-90

End of the period of wage moderation?

In 1989, the Community inflation rate rose to 4,9% (deflator of private consumption) and remained broadly at this level in 1990. This acceleration in inflation was partly due to a depreciation of European currencies which resulted in Community import prices increasing by 6,1%. Additional causes, shared with most other OECD countries which also experienced similar increases in inflation, were the relaxation of monetary policy in the wake of the stock-market crash of October 1987 and the tight demand conditions in 1988-89.

In the Community, an additional impulse came in 1990 from budgetary policy with the average budget deficit rising to 4,1% from 2,9% in 1989, essentially as a result of German unification. The strong rates of increase of final demand brought capacity utilization to record levels. Employment also rose strongly (1,5% per cent in 1989 and 1,4% in 1990) and bottlenecks appeared in certain sectors of the labour market.

Nominal wages per head rose by 6,1% in 1989 and 7,6% in 1990. In 1990 the rise in nominal unit labour costs exceeded the growth of the GDP deflator, thus bringing a temporary halt to the process of continuous improvement in investment profitability which had started in 1981 (see Table 2 in Study 2 and Graph 4). The acceleration in average rates of inflation and in nominal wage increases was accompanied by a deterioration of the dispersion of country performances (Tables 1 and 2).

Over the two years 1989-90, the inflation performance of the **initial members of the ERM narrow band** remained broadly satisfactory. Nominal wages per employee and nominal unit labour costs accelerated steadily, but by 1990 the situation was not yet giving cause for concern. The deflator of GDP increased by just over 3% in both years, and the trend of the deflator of private consumption was strongly influenced by the acceleration in import prices of 1989 and by their subsequent weakening. In 1990 the average deflator of private consumption of this group of countries was still below 3%.

This positive picture is overshadowed by worrying wage trends which appeared in some countries in the course of 1990 and seem to be continuing in 1991. In West Germany, the strong growth provoked by the unification process led to bottlenecks in certain sectors of the labour market and to steep increases in wage claims leading to an acceleration in the rate of growth of nominal wages from 2,8% in 1989 to 4,2% in 1990 and an estimated 6,2% in 1991. Given the weight of Germany within the Community and the degree of exchange rate stability within the ERM this has raised fears that this deterioration might spread to its most important trading partners. The out-turn for 1990 did not confirm these fears though wage increases have accelerated sharply in the Netherlands and Belgium. The acceleration in Belgium led to the possibility of a first-time application of the 1989 law on the 'safeguarding of the competitive position of the country' which empowers the government to intervene directly in wage-setting procedures in case of certain thresholds being exceeded.

Wage increases remained moderate in Denmark where the process of clawing back the negative consequences of the 1987 slippage continued. Thanks to a favourable productivity trend, the Danish inflation rate dropped substantially in 1989-90 and at the end of the period it was one of the lowest in the Community. Ireland and France also improved their inflation performances. In 1990, rates of inflation in this group of countries were very similar. However, traditional relative positions had changed with Ireland experiencing the lowest rate of inflation (1,6% deflator of GDP), followed by France and Denmark, while Germany recorded the 'highest' rate (3,4%).

The 1989-90 performances of the **United Kingdom, Spain** and **Italy,** which in an EMU perspective should have improved further, were extremely disappointing. In 1990, the average deflator of GDP for these three countries was more than twice as high as that for the previous group of countries (7,8 and 3,0%, respectively). Wage increases accelerated following a period of strong growth and governments, either because of a deliberate choice not to intervene in wage-setting procedures or because of the failure of attempts to do so, resorted to a severe tightening of monetary policy. In an effort to increase the credibility of their anti-inflationary resolve the governments of Spain and of the United Kingdom committed their currencies to the ERM while Italy accepted the increased constraint of the narrow band.

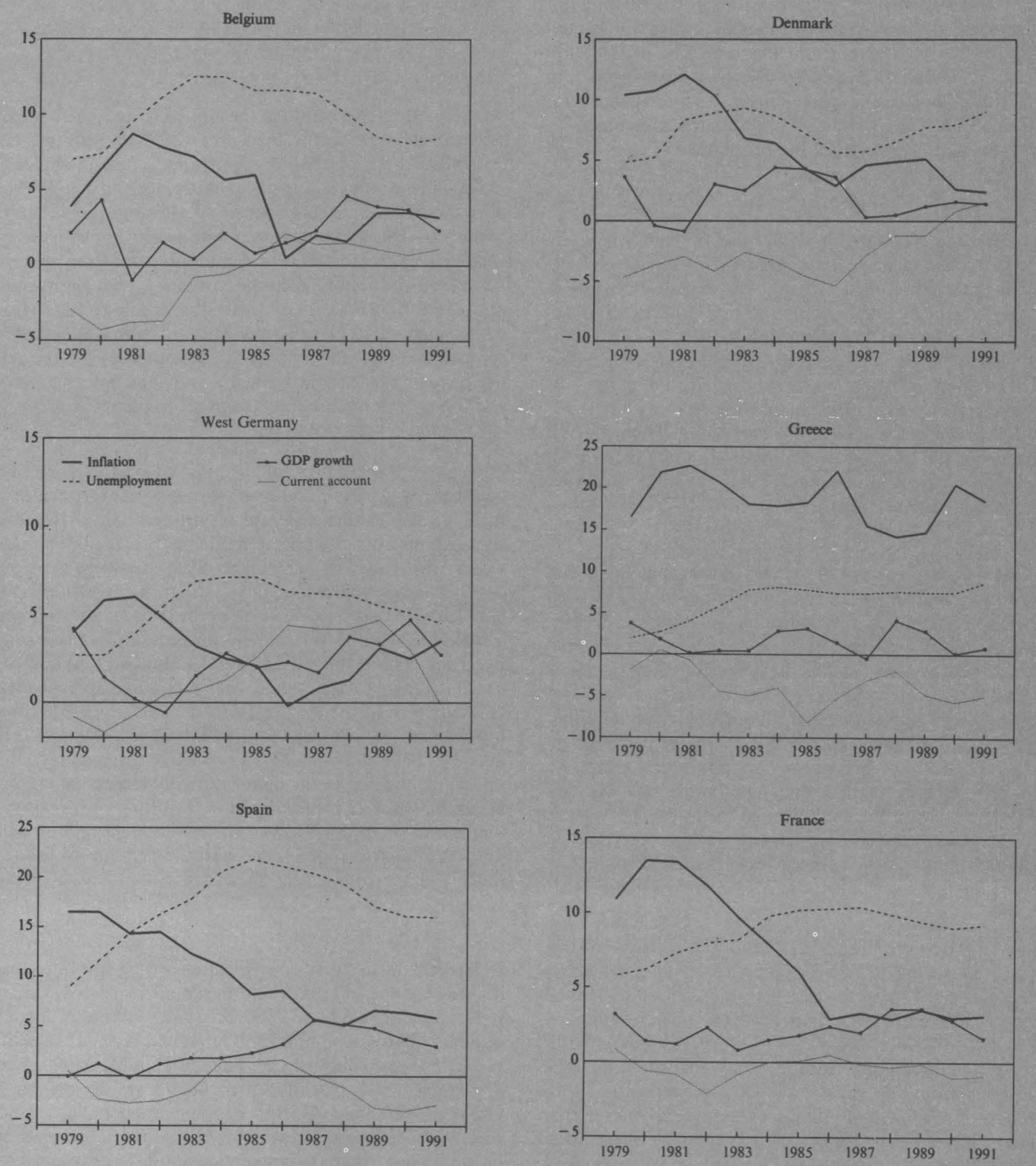
Following the overheating of 1987 and 1988, provoked largely by a loosening of economic policies and particularly monetary policy, wages rose strongly in the United Kingdom. The increase in nominal wages, which was already high at 7,4% in 1987, accelerated to 11,3% in 1990 notwithstanding a markedly deteriorating economic situation. The Spanish economy in 1987-89 was clearly overheating with annual rates of growth of GDP in excess of 5% and internal demand expanding by about 7,5%. Wage increases started to accelerate and the social dialogue, which had proved so effective for a number of years, practically broke down. In 1990, the rate of increase in nominal per capita wages jumped to 7,7% from just over 6% in 1988 and 1989. In Italy, notwithstanding lower growth than that experienced by the United Kingdom and Spain, wage increases also accelerated and reached double figures in 1990. The observed acceleration in wages between 1989 and 1990, however, can be attributed entirely to the strong public sector pay rise.

As the budgetary position in the United Kingdom and Spain did not call for drastic measures while in **Italy** political difficulties were preventing significant action in this area, the stabilization task was assigned to monetary policy supported by a stronger commitment to exchange rate discipline within the ERM. Monetary conditions in both Spain and Italy could not, however, be tightened as much as required because of the need to keep the currencies from appreciating above the upper limits of their fluctuation bands. Meanwhile, high rates of inflation led to a substantial loss of competitiveness with significant consequences for the relative price increases in the tradeable and non-tradeable sectors and for the intersectoral allocation of resources.

The case of **Portugal** is similar to that of the three preceding countries; wage and price increases accelerated from already high rates following a period of strong growth. However, the government's attempts to moderate the trend of nominal wages with tripartite agreements were relatively more successful than in Spain and Italy. The strong growth of 1989, coupled with the continued lack of flexibility in the economy, created the conditions whereby firms could increase prices over and above the increase in labour costs. While productivity increased by over 4%, real wages per head increased by less than 1%. Unfortunately in 1990, trends favourable to investment profitability, and therefore to the acceleration of the catching-up process of this country, could not be maintained in the light of rapidly increasing nominal wages which rose by nearly 18%, resulting in a real wage increase of more than 3,7%. The government reinforced its anti-inflationary commitment with the decision to follow a much less accommodating exchange rate policy to prepare for early participation in the ERM.

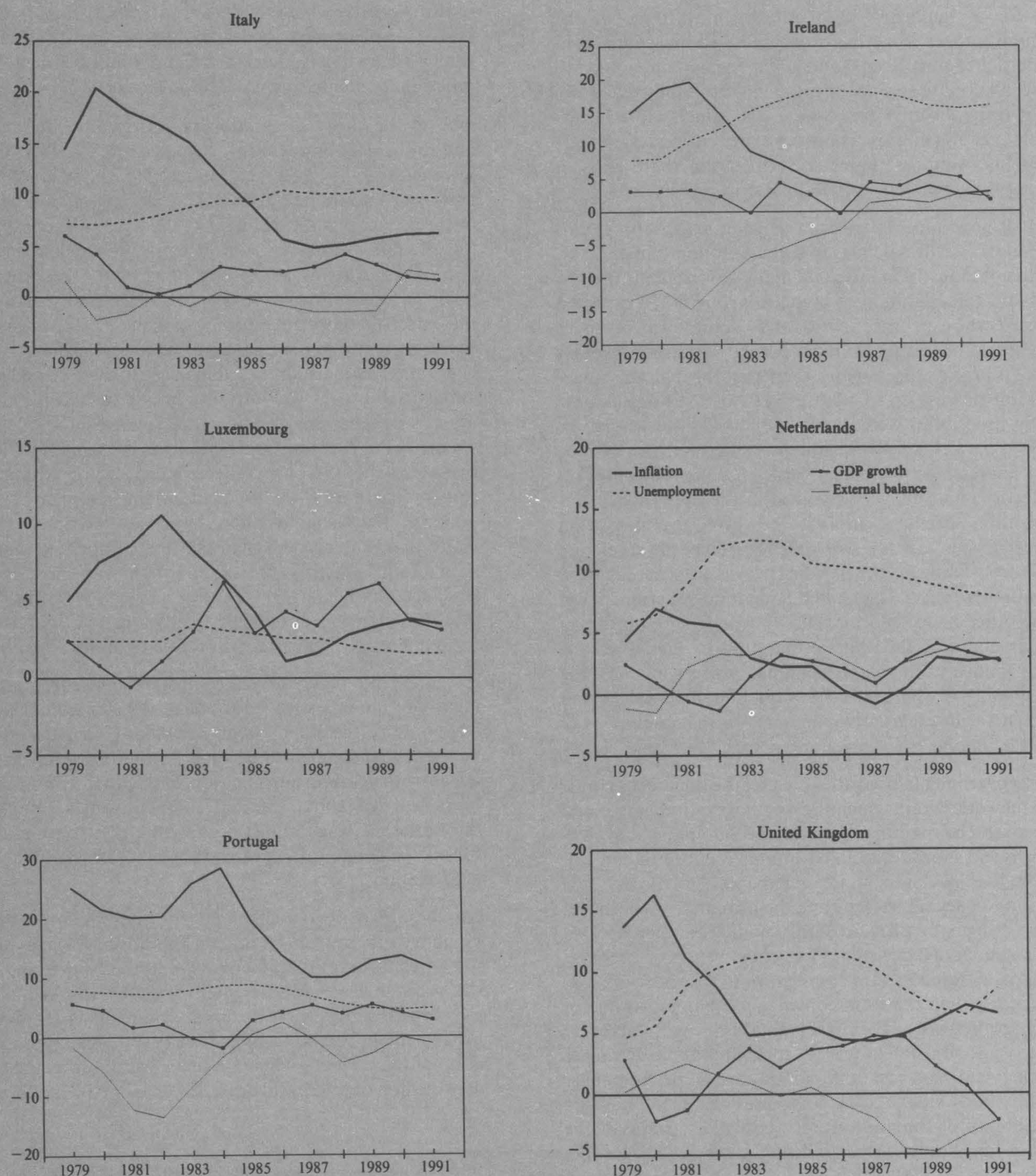
In **Greece,** the negative consequences arising from the abandonment of the stabilization programme of 1986-87 became fully visible in 1989 and 1990. In 1990, the rate of increase of nominal wages, nominal unit labour costs and the deflator of GDP were all above 18%. Therefore, in May 1990, a new and ambitious stabilization programme was decided by the Greek Government. On the labour market policy agenda, real wage cuts and measures to improve labour market flexibility figured in a prominent position. The exchange rate policy became significantly less accommodating than in the past.

GRAPH 4: **Main macroeconomic data for the individual member countries**[a] (Inflation as measured by the deflator of private consumption, real GDP growth, unemployment rate, current account balance as a percentage of GDP)



[a] 1991: Estimates of the Commission services.

GRAPH 4 — *continued*



5. General features of the 1980s

At the beginning of the decade, the heritage of the 1970s called for a significant wage adjustment throughout the Community to improve the profitability of investment and the external competitive position. The former aim was common to all countries since investment profitability had deteriorated significantly everywhere while the latter was particularly pressing in those countries experiencing large external deficits. Member States tried to attain these aims in different ways, but some general patterns are discernible:

(i) Most governments tried influencing wage-setting procedures. While safeguarding the autonomy of the two sides of industry in this area, many governments tried to obtain a deceleration of wages in line with the expected deceleration of price increases by some form of direct intervention rather than simply letting unemployment and a profit squeeze work their way through the wage-setting process. In some cases, the existing wage indexation procedures were partially or totally suspended. In 1981, the Commission had contributed to these actions by addressing to Member States a communication on the risks and dangers involved in the operation of indexation schemes.[1] In 1986, however, the indexation mechanisms in Italy and Belgium helped to accelerate the translation of decelerating wages into decelerating consumer prices. The United Kingdom Government, on the other hand, chose explicitly to refrain from direct intervention in the wage-setting process, therefore relying uniquely on macroeconomic instruments. At the beginning of the 1980s, however, the government had taken various legislative measures to reduce the power of the unions.

(ii) All governments tried to set a credible macroeconomic framework within which the two sides of industry could exercise their autonomy. Macroeconomic policy was more and more formulated in a medium-term context. This was necessary since experience had proven the futility of trying to fine-tune the economic cycle, but it also helped to provide stable points of reference for microeconomic decisions. The effectiveness of these attempts differed as some governments experienced more difficulty than others in convincing economic agents of the seriousness of their interventions. It is no accident that wage adjustment was most rapid in those countries which had the best initial inflationary performances since these were the countries where the anti-inflationary credibility of the authorities was highest. Some of the initial difficulties in establishing credible frameworks were also linked to the choice of targets which, in some cases, were so ambitious as to appear unrealistic. The importance of the 'credibility' factor is such that in some of the countries where results are still unsatisfactory the debate has extended to the possibility of institutional changes that might increase the credibility of the anti-inflationary commitment of the government.

(iii) Due to the closer integration of European economies and to the greater degree of exchange rate stability, the awareness of the two sides of industry of the interaction between trends in labour costs and the external position of the economy grew throughout the Community. As is logical, this awareness is stronger in the smaller open economies. Already at the beginning of the 1980s, explicit references to the need to maintain and improve the external competitive position of the economy were found regularly in national agreements in Belgium, Ireland[2] and Denmark. In Belgium in 1989, these considerations found their way into the already mentioned law 'for the safeguarding of the competitive position of the country'. But even the larger countries recognized in the course of the 1980s the effectiveness of the external constraint. In France, to mention the most obvious example, the social partners have now accepted for many years the need to maintain the competitive position of the country *vis-à-vis* Germany, its most important trading partner. There is anecdotal evidence that the extension of the ERM discipline to Spain, the United Kingdom and Italy is producing similar results.

(iv) Exchange rate policy played a substantial role in bringing about the necessary adjustment. As was seen at the beginning of the 1980s, some countries (Germany, the Netherlands) supplemented their anti-inflationary strategies with a hard currency option. Other countries, more worried about external competitiveness, sought the necessary wage adjustment with either 'once-and-for-all' exchange rate devaluations or more protracted depreciations.

All these experiences highlight the usefulness of the exchange rate instrument and its limitations if wages do not adjust promptly. In Germany and the Netherlands, the prompt wage adjustment of 1980-81 sparked off a virtuous circle where external competitiveness and investment profitability improved despite the appreciation of the currency which, in turn, was reinforcing the deceleration of prices and costs. In the United Kingdom,

[1] Communication to the Council, 23 July 1981.

[2] Foreign competitiveness was explicitly included in the 1987 programme. But even if it was not explicitly included in former programmes, implicitly, it played an important role since an influential and widely quoted official study stressed the crucial role of foreign competitiveness already in 1981.

where the initial appreciation of the currency was stronger and where wages had adjusted much less, the policy had to be reversed and the currency allowed to depreciate. Belgium and Denmark experienced some difficulties in obtaining the wage adjustment hoped for, witness the renewed acceleration of wage increases in 1982, but eventually succeeded, thus creating the conditions for a durable improvement in external positions. France and Italy failed to complement the initial depreciations of their currencies with the appropriate wage developments and the positive effects of the depreciation were quickly dissipated by strong inflation.

By and large, however, the experience of the early 1980s went in the direction of convincing governments of the virtues of exchange rate stability, both for its intrinsic usefulness, whereby it adds to the stability of the macroeconomic framework, and for the advantage of linking the country's inflation performance to those of more successful partners. This is evidenced by the change of policy in France in 1983, by the adhesion of Spain and the United Kingdom to the ERM, by the passage of the lira to the narrow band and by the changes in the exchange rate policies of Portugal and Greece.

The success of the policies implemented during the 1980s in influencing wage developments is still a subject of hot debate. There is little doubt that during the 1980s, and especially during the first half of the decade, wages increased very moderately by historical comparisons. The degree to which pay settlements adjusted to the deterioration of the economic climate is particularly impressive when account is taken of two additional elements.

(i) First, the rate of inflation declined steeply throughout the period. Even if the determination of the authorities to fight inflation was clear, employees could reasonably have doubts on the attainment of official targets. If their perception of the expected rate of inflation was higher than that effectively recorded (and used today in calculating real wage increases) the degree of moderation actually shown is greater than that captured by the statistics. Hence, if the calculation of the real wage increases of this period is done using the rate of inflation of the previous year instead of that of the current year (admittedly a crude measure of inflationary expectations), the average rate of increase for the years 1980-85 drops from 0,7 % to zero.

(ii) Second, the discretionary measures taken to reduce budget deficits resulted in an increase in taxes on wages. Tax receipts expressed as a percentage of GDP increased by two points between 1980 and 1985: from 11,3 % to 12,3 % for direct taxes and from 13,7 % to 14,6 % for social security contributions. Even in the absence of more precise information on the share of the burden falling on wage earners, this suggests that the real increase of net wages was significantly lower than that of gross wages.

Table 8

Real gross domestic product

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC
Average 1961-69	4,8	4,7	4,4	7,6	7,7	5,5	4,4	5,8	3,7	5,0	6,3	2,9	4,8
Average 1970-79	3,4	2,5	3,1	5,3	3,7	3,7	4,7	3,9	2,7	3,4	5,0	2,4	3,3
1979	2,1	3,5	4,2	3,7	−0,1	3,2	3,1	6,0	2,3	2,4	5,6	2,8	3,5
1980	4,3	−0,4	1,4	1,8	1,2	1,4	3,1	4,2	0,8	0,9	4,6	−2,2	1,3
1981	−1,0	−0,9	0,2	0,1	−0,2	1,2	3,3	1,0	−0,6	−0,6	1,6	−1,3	0,2
1982	1,5	3,0	−0,6	0,4	1,2	2,3	2,3	0,3	1,1	−1,4	2,1	1,7	0,9
1983	0,4	2,5	1,5	0,4	1,8	0,8	−0,2	1,1	3,0	1,4	−0,2	3,7	1,6
1984	2,1	4,4	2,8	2,8	1,8	1,5	4,4	3,0	6,2	3,1	−1,9	2,1	2,3
1985	0,8	4,3	2,0	3,1	2,3	1,8	2,5	2,6	2,9	2,6	2,8	3,6	2,5
Average 1981-82	0,3	1,0	−0,2	0,2	0,5	1,7	2,8	0,6	0,3	−1,0	1,9	0,2	0,5
Average 1980-85	1,3	2,1	1,2	1,4	1,4	1,5	2,5	2,0	2,2	1,0	1,5	1,2	1,5
1986	1,5	3,6	2,3	1,4	3,2	2,4	−0,4	2,5	4,3	2,0	4,1	3,9	2,7
1987	2,2	0,3	1,7	−0,5	5,6	2,0	4,4	3,0	3,4	0,8	5,3	4,7	2,9
1988	4,6	0,5	3,7	4,1	5,2	3,6	3,9	4,2	5,5	2,7	3,9	4,6	4,0
1989	3,9	1,2	3,3	2,8	4,8	3,6	5,9	3,2	6,1	4,0	5,4	2,2	3,3
1990	3,7	2,1	4,7	−0,3	3,7	2,8	5,7	2,0	2,3	3,9	4,0	0,8	2,8
Average 1986-88	2,8	1,5	2,6	1,6	4,7	2,7	2,6	3,2	4,4	1,8	4,4	4,4	3,2
Average 1989-90	3,8	1,6	4,0	1,3	4,2	3,2	5,8	2,6	4,2	4,0	4,7	1,5	3,1

Table 9

Labour productivity (= GDP per person employed)

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EC
Average 1961-69	4,0	3,6	4,4	8,5	7,0	4,9	4,2	6,3	3,3	3,8	6,5	2,6	4,6
Average 1970-79	3,2	1,7	2,9	4,7	4,0	3,1	3,9	3,0	1,4	3,1	4,8	2,2	3,0
1979	0,9	2,3	2,4	3,1	1,6	3,1	−0,1	4.4	1,8	1,1	3,5	1,3	2,5
1980	4,4	0,0	−0,2	0,5	4,4	1,3	2,1	2,2	0,1	0,1	4,9	−1,9	0,9
1981	0,9	0,4	0,3	−4,7	2,4	1,8	4,2	1,0	−0,9	0,8	0,6	2,7	1,3
1982	2,9	2,6	0,6	1,2	2,2	2,1	2,1	−0,2	1,4	1,1	4,1	3,6	1,6
1983	1,4	2,2	3,0	−0,6	2,3	1,2	1,9	0,5	3,3	3,3	1,0	5,0	2,3
1984	2,3	2,6	2,7	2,4	4,3	2,4	6,3	2,6	5,6	3,2	−0,4	0,2	2,3
1985	0,3	1,7	1,2	2,2	3,7	2,1	5,1	1,7	1,5	1,0	2,8	2,3	1,9
Average 1981-82	1,9	1,5	0,4	−1,8	2,3	2,0	3,2	0,4	0,3	1,0	2,3	3,1	1,5
Average 1980-85	2,0	1,6	1,2	0,1	3,2	1,8	3,6	1,3	1,8	1,6	2,2	1,9	1,7
1986	0,8	1,0	0,9	1,0	1,8	2,3	−0,7	1,8	1,6	0,0	7,0	4,0	2,1
1987	1,8	−0,6	1,0	−0,4	1,0	1,7	3,7	2,6	0,7	−0,6	4,7	2,9	1,7
1988	3,1	0,5	2,9	2,5	1,7	2,8	3,5	3,2	2,4	1,3	3,9	1,3	2,4
1989	2,2	1,8	1,9	2,5	1,2	2,5	6,0	3,0	2,0	2,3	4,3	−0,6	1,7
1990	2,7	2,5	1,9	−0,5	1,0	1,6	4,3	1,0	−1,8	1,8	2,9	0,4	1,4
Average 1986-88	1,9	0,3	1,6	1,0	1,5	2,3	2,1	2,5	1,6	0,2	5,2	2,7	2,1
Average 1989-90	2,5	2,2	1,9	1,0	1,1	2,1	5,2	2,0	0,1	2,1	3,6	−0,1	1,6

What is being debated is whether this wage moderation was the result of a lasting change of behaviour by both sides of industry or whether it was simply the effect of the difficult economic environment. The evidence is not conclusive. Some studies show an absence of structural breaks; the wage moderation experienced during the 1980s could well be explained by the trends in the classic determinants (unemployment, economic policy stance, etc.). Yet there is plenty of anecdotal evidence showing that some behavioural changes have occurred. It is difficult to deny that the 1980s have brought a greater awareness of macroeconomic considerations, especially of competitiveness, to the wage-bargaining process. The experience of the last two years is also inconclusive. Wage increases have certainly accelerated in response to stronger growth, but this acceleration has been rather modest by comparison with other periods of above trend growth.

6. Conclusions

Significant wage moderation was achieved in the Community throughout most of the 1980s. This process underpinned the parallel favourable developments in terms of cost and price convergence which occurred. Despite the clear progress achieved, the overall degree of convergence in the Community at the end of the decade was still insufficient given the stated intention of Member States to move rapidly towards the final stages of economic and monetary union. Lack of progress over the 1980s was exacerbated by unfavourable wage developments which started to emerge at the end of the decade and continued unabated into 1990. Nominal unit labour costs moved upwards over the last two years with a consequent deterioration in the overall nominal convergence situation in the Community as a whole. This is all the more worrying since the degree of wage adjustment achieved in some countries was not yet sufficient as the continuing high levels of unemployment and the fragility of some external positions show.

The recent reversal of the wage moderation trend which had characterized most of the 1980s requires significant changes in the policy stances in a number of Member States. Increased wage pressures in national labour markets at a time of slowing economic activity and rising unemployment point to continued structural difficulties in such markets. The responsiveness of wages to labour market demand and supply conditions is clearly inadequate and issues such as skill shortages and long-term unemployment must be addressed by the Member States concerned.

In EMU, wages will have to evolve so that increases in nominal unit labour costs are as low as possible and that movements in the level of prices can remain small thus guaranteeing a stable and sound macroeconomic environment. Wage trends should also lead to changes in real unit labour costs which safeguard profitability where it is already satisfactory, or increase it further if this is still necessary, so that the growth process, underpinned by investment with a high employment content, continues. At the same time, wage trends should lead to movements of prices and costs relative to those in the rest of the Community which maintain the competitiveness of individual countries and regions or improve it if necessary.

Adherence to these criteria would lead to a convergence of the trends of unit labour costs in the individual countries which safeguards internal stability while maintaining, or improving where necessary, the external equilibria. The continuing large differences in wage and unit labour cost trends within the Community should certainly be reduced significantly, but this does not imply that even in the final stage of EMU these factors have to move absolutely in parallel. Differences in productivity increases may warrant differences in nominal wage increases. Similarly different trade patterns may make small differences in unit labour cost trends acceptable. Indeed, in the countries where income levels are lowest it is possible to improve profitability and to achieve simultaneously high real wage increases if growth and productivity gains are high enough. Under these circumstances, real wages can grow more rapidly than in the rest of the Community so that the catching-up process also takes place with regard to wages.

As progress towards EMU is made, wage trends will have to become more responsive to changes in the economic situation. Changes in real exchange rates (which in EMU could only be brought about by different trends in costs and prices) may be necessary to respond to external shocks which affect the Community in an asymmetric way or to counteract the appearance of regional imbalances.

Wage trends will have to be monitored closely, with the help of enhanced coordination procedures, since in full EMU unjustified wage adjustments will very rapidly bring about regional problems. Excessive wage increases will lead to unemployment and migration via falling competitiveness and declining investment. Increased transfer payments — even if they were introduced — are unlikely to eliminate these undesirable developments. They could, however, risk treating the symptoms at great expense without bringing about a lasting reduction of the underlying divergences.

Study No 2

The profitability of fixed capital and its relation with investment

The profitability of fixed capital and its relation with investment

Tables

Graphs

Summary

The evolution of profits as a macroeconomic aggregate has until now essentially been analysed in terms of income shares and profit per unit of output, either directly or as a complement to the evolution of wages.

Economic analyses, on the other hand, reserve an important role for profitability in the determination of investment and therefore in the evolution of productive capacity. Data on capital stock and profitability, however, are not easily available and difficult to build, which makes them less frequently used than they should be.

This study will present a set of indicators for the profitability of the fixed capital stock both at the level of the whole economy and at the level of the private and manufacturing sectors. The analysis will be presented for the Community as a whole, for its member countries and, wherever possible, for the USA and Japan.

Through these indicators, a clear and statistically robust link could be established between the observed evolution of profitability and the resulting variations in the growth of the fixed capital stock.

The evolution of profitability at the level of member countries also reflects the divergences observed in exonomic policies adopted following the first and second oil-price shocks. It also highlights the relationship between profitability and the catching-up process in which the least-favoured countries of the Community are or should be engaged.

1. Introduction

The concept of profit plays an important role in market economies. Expected profits are a prerequisite for most productive activities and realized profits are a source of financing for these activities. For these reasons, profitability indicators, suitably defined, may be seen as an indicator of the healthiness of the economic climate.

In the present study, profitability will be analysed at two levels, i.e. average net operating surplus per unit of output, which will be referred to as the unit profit rate and net operating surplus per unit of net fixed capital stock, designated as profitability of capital.

At the microeconomic level, the optimal behaviour of firms is traditionally determined by the profit maximization condition, in the short and/or long run, whatever might be the kind of market (perfect competition, oligopolistic or monopolistic market, ...) on which the firm is acting.

Contemporary revisions on the basis of microeconomic theory[1] have somewhat tempered the classical view of a firm exclusively driven by profit maximization and have emphasized the existence of multiple short and long-term targets (gain of market shares, elimination of competitors, barriers to entry, etc.) which may lead to behaviour in some way divergent from mere profit maximization. However, all these approaches also recognize that the managers of these multiple-target firms remain subject to a minimum profit constraint in order for the firm to survive in the long run. Furthermore, one may note that the present evolution of public monopolies acting in the market sector of the economy also demonstrate that even those firms apparently insulated from competition cannot ignore indefinitely the need for a minimal profitability in their activities for fear of accumulating an unsustainable indebtness in the long run.

At a more macroeconomic level, the analyses of past economic evolution and future perspectives for the Community have also emphasized the important role played by the profitability of capital, both during the slowing-down of the growth trend in 1973-81 and during the recovery of 1982-90, through its effects on fixed capital formation.[2]

It is therefore appropriate to develop specific indicators of unit profit rates and of capital stock profitability in order to improve the statistical coverage of the supply side of the economy and help in the analysis of general economic developments.

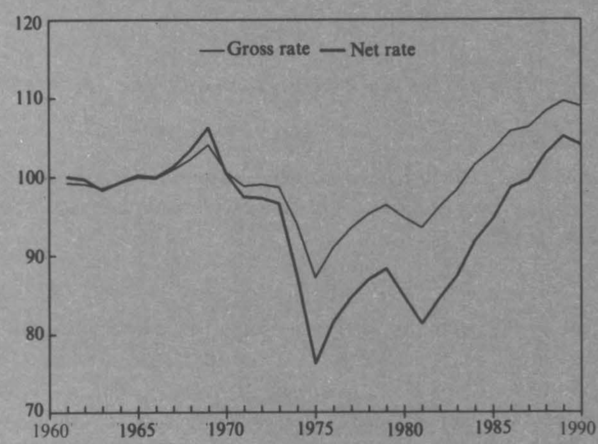
The construction of these two profitability indicators raises important methodological issues which are dealt with in the box appended to the study. However, despite their imperfec-

1 See for instance, Koutsoyianis, A. *Modern Microeconomics* (2nd ed.), McMillan Press Ltd, London, 1980.

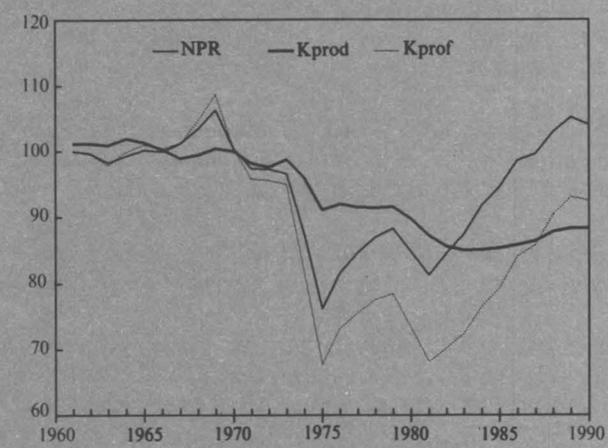
2 See for instance, *European Economy* No 46, Analytical study No 1, pp. 83-105, December 1990.

tions, the available statistics do provide a consistent view of the evolution of profitability which has a clear link with the development of fixed capital formation and ultimately economic growth.

GRAPH 1: **Gross and net profit rate per unit of GDP** (Index 1961-73 = 100; EUR 12, 1961-90)



GRAPH 2: **Net profit rate, productivity and profitability of fixed capital** (Index 1961-73 = 100; EUR 12, 1961-90)



NPR: net profit rate per unit of GDP.
Kprod: productivity of fixed capital.
Kprof: profitability of fixed capital.

2. The macroeconomic evolution of profitability

2.1. Chronological evolution

The evolution of capital profitability is given in Table 1 for the EUR 12 aggregate and Table 2 for member countries. If one excludes the four least-favoured countries (which will be dealt with below) the broad evolutions are quite similar having passed through three different stages.

(i) **During 1961-73,** unit profit rates, and the measures of profitability, intensity and productivity remained remarkably stable, with the exception of some slight cyclical movements. This picture was in line with the usual growth model paradigm of full-employment, steady-state equilibrium, where capital and output grow at the same pace, supported by high and constant rates of productivity and profitability. At the same time, the labour market was practically in full employment equilibrium with unemployment rates limited to what could be considered as the irreducible minimum of frictional unemployment. For that reason, 1961-73 will be used as the reference period for the analysis of further years.

(ii) **In 1974-81,** the effect of the deterioration in the overall economic evolution of the Community in the wake of the 1973/74 and 1979/80 oil-price shocks[1] also appears in the specific indicator of fixed capital formation.

In terms of its components, the decline in profitability in 1981 to about two-thirds of its average 1961-73 level is due to the accumulation of three negative factors:

(a) in terms of income distribution, the delays in the adjustment of real wages to the new productivity and employment conditions, especially after the first oil-price shock, translated into a reduction of the share of profits in GDP and a fall in unit profit rates;

[1] See *European Economy* No 46, Analytical studies Nos 2 and 4, pp. 109-21 and 145-50, December 1990.

Table 1

Indicators of rate of profit per unit of output and fixed capital profitability, EUR 12 (Index: 1961-73 = 100, unless otherwise indicated)

	Gross unit profit rate[a]	Net unit profit rate[b]	Fixed capital productivity[c]	Fixed capital profitability[d]	Capital output ratio[e]	Growth of fixed capital[f]	Growth of real GDP[g]
1961	97,3	98,1	101,2	99,2	3,0	4,7	5,5
1962	97,2	97,8	101,2	98,9	3,0	4,8	4,7
1963	96,5	96,3	100,9	97,2	3,0	4,8	4,5
1964	97,3	97,3	101,9	99,2	3,0	5,1	5,8
1965	99,0	99,4	101,3	100,6	3,0	4,9	4,4
1966	100,1	100,2	100,3	100,5	3,0	4,9	3,9
1967	102,6	102,9	98,9	101,8	3,0	4,8	3,5
1968	105,1	106,3	99,4	105,6	3,0	4,9	5,3
1969	106,8	109,1	100,4	109,5	3,0	5,1	6,0
1970	100,7	100,5	100,0	100,5	3,0	5,1	4,7
1971	99,3	97,8	98,2	96,0	3,1	4,9	3,2
1972	100,3	98,6	97,6	96,2	3,1	4,8	4,3
1973	98,0	95,9	98,8	94,8	3,1	4,9	6,1
1974	89,7	83,3	96,0	79,9	3,1	4,4	1,9
1975	84,1	73,0	91,1	66,5	3,3	3,6	−1,0
1976	87,4	78,0	92,0	71,8	3,2	3,5	4,7
1977	90,0	81,2	91,5	74,3	3,2	3,3	3,0
1978	91,7	83,5	91,4	76.3	3,3	3,3	3,2
1979	91,9	83,9	91,6	76,8	3,2	3,3	3,5
1980	89,2	79,2	89,8	71,1	3,3	3,2	1,3
1981	87,7	75,5	87,2	65,8	3,4	2,7	0,2
1982	91,4	79,8	85,6	68,3	3,4	2,4	0,9
1983	94,5	83,6	85,0	71,0	3,5	2,2	1,6
1984	98,2	88,5	85,1	75,3	3,5	2,1	2,3
1985	100,8	92,0	85,3	78,5	3,4	2,1	2,5
1986	104,9	97,7	85,8	83,9	3,4	2,2	2,6
1987	106,2	99,5	86,4	86,0	3,4	2,3	2,9
1988	108,7	103,3	87,8	90,7	3,4	2,7	3,8
1989	110,7	106,2	88,3	93,8	3,4	2,9	3,3
1990	110,7	105,9	88,3	93,5	3,4	3,0	2,9

[a] Gross operating surplus per unit of GDP.
[b] Net (of depreciation) operating surplus per unit of GDP.
[c] GDP per unit of fixed capital stock.
[d] Net operating surplus per unit of fixed capital.
[e] Ratio of real fixed capital stock to real GDP, in percentage.
[f] Annual average rate of growth of fixed capital, in percentage.
[g] Annual average rate of growth of real GDP, in percentage.

Sources: Eurostat and Commission services.

(b) the average labour productivity growth fell in real terms from 4,4 % per year in 1961-73 to 2,1 % per year in 1974-82;

(c) the restructuring of the capital stock to the new energy situation and the deterioration of the relative cost of labour with respect to capital (due in part to the maintenance in 1974-81 of very low or even negative real interest rates), both induced a strong process of substitution of labour by capital and hence a rise in capital intensity.

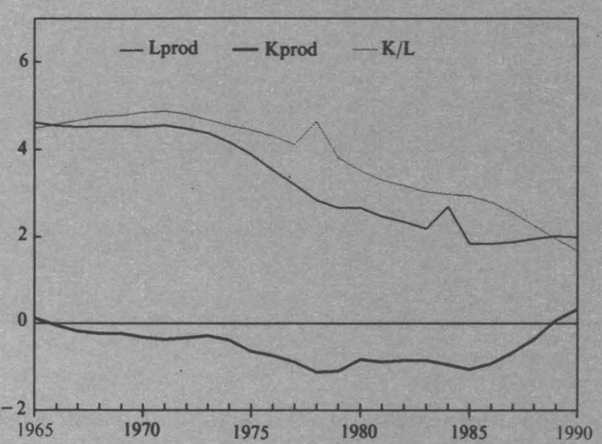
The latter aspects also acted on the discrepancy between gross and net profits: due to the increased degree of capitalization of the economy, the share of depreciation allowances in GDP also increased. Thus, at the EUR 12 level, whereas the level of gross unit profit rates fell by five points between 1973 and 1981, the net unit profit rate was reduced by 15 percentage points during the same period. Profitability of fixed capital was therefore affected by a triple negative shock and this factor, combined with mediocre growth in final demand, brought down fixed investment and reduced the growth rate of the stock of fixed capital at the start of the eighties to about 2,3 %, i.e. less than one half of its 1961-73 average.

(iii) **In 1982-90,** the redirection of economic policies, the modification of wage behaviour, the improvement of the external environment (Reagan boom and counter oil-price shock) and the positive expectation effects of the major Community projects,[1] all combined to produce a reversal in the growth pattern of the Community and in the profit indicators.

The most evident element was the direct impact of wage moderation on unit profit rates for EUR 12 which recovered both in gross and net terms to a level in excess of the 1961-73 average on two occasions, 1984 and 1988.

The profitability of capital, however, did not recover as quickly since the capital stock reacted only with a lag to the new conditions.

GRAPH 3: **Labour productivity, capital productivity and capital intensity** (EUR 12, 1965-90; five-year moving average of annual percentage rate of growth)



Lprod: apparent labour productivity.
Kprod: apparent fixed capital productivity.
K/L: capital intensity.

In particular, the productivity of fixed capital, which declined in absolute value from 1970 to 1983, stabilized in 1984 and became positive only from 1985, and at a rather low rate. This factor may be linked to the fact that labour productivity did not accelerate either during the period due to the appearance at global level of a more labour-intensive growth pattern.

The improvement in capital profitability in fact only came from the change in capital intensity linked to the switch to a more labour-intensive production process for the economy as a whole. Given that capital intensity involves stocks rather than flows (total employment and capital stock), it exhibits more inertia than, say, the unit profit rate.

As a consequence, the profitability of fixed capital in 1990 was still below its 1961-73 level and further efforts will be required in order to achieve in the 1990s the culmination of the process of restoration of profitability conditions which commenced in 1982.

As regards member countries[2] a distinction should first be made between the four least-favoured countries (GR, E, IRL, P) and the other eight.

Among the latter, the evolutions are *mutatis mutandis* the same as those indicated for the Community above. One may, however, note, that the fall in profitability is least pronounced in the two countries (D and NL) which, from the outset gave priority to combating inflation and controling wage costs, as against those countries which tried to compensate for the income losses due to the oil-price shocks by pursuing more expansionary fiscal and monetary policies and/or by maintaining (*de facto* or *de jure*) wage indexation schemes.

Among the least-favoured economies, the situation is more heterogeneous and is strongly influenced by the presence or absence of catching-up periods between 1961 and 1990. In other words, for these countries, the 1961-73 period is not necessarily the best reference base. For these countries also the statistical problems are more acute than in others, most notably in respect of the share of self-employed in total employment, especially for Greece and Portugal where the assumption of equal implicit wage for self-employed as for wage-earners may induce considerable bias in the measure of corrected profit shares.

Be that as it may, the evolution of profitability in those countries confirms that among other factors, a strong and

[1] See *European Economy* No 46, Analytical study No 1, pp 85-90, December 1990.

[2] The evolution in the United States of America is broadly the same as in the Community until 1973, with a faster recovery afterwards.

Table 2

Profitability of fixed capital stock, economy as a whole, 1961-90[a] (Index: 1961-73 = 100)

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	JAP
1961	109,2	102,3	115,7	76,4	92,5	89,9	93,7	107,9	107,8	104,8	96,1	99,2	88,1	69,5
1962	104,2	103,9	107,5	69,5	99,2	93,2	88,9	109,5	104,8	104,6	94,9	98,9	95,9	67,8
1963	100,0	100,8	101,1	91,1	98,7	92,8	93,1	100,0	99,3	105,2	96,7	97,2	100,2	72,3
1964	104,1	110,4	105,6	95,2	96,6	96,3	94,4	87,6	105,8	106,5	103,7	99,2	103,7	83,5
1965	102,0	102,7	103,9	105,1	105,9	97,6	99,3	92,2	105,4	110,7	104,7	100,6	110,7	78,6
1966	97,9	98,5	98,9	97,2	104,5	100,6	86,9	101,7	96,4	109,3	101,9	100,5	112,4	92,4
1967	96,1	97,0	97,7	92,9	93,7	102,1	94,9	107,6	100,3	97,4	104,6	101,8	107,3	107,1
1968	98,4	97,6	103,1	91,0	99,3	101,1	105,7	112,5	106,7	110,8	108,0	105,6	107,4	125,8
1969	102,3	102,5	107,2	109,0	104,2	107,6	112,4	116,8	103,9	110,4	107,5	109,5	98,5	134,2
1970	104,0	95,2	92,9	111,8	102,5	105,5	96,0	103,0	96,4	90,1	99,3	100,5	89,6	139,2
1971	94,4	89,4	88,7	115,0	98,1	103,9	95,5	89,0	89,8	80,5	99,2	96,0	93,6	114,4
1972	92,7	101,4	89,8	112,5	101,8	104,6	116,5	86,8	92,1	79,2	95,0	96,2	94,7	112,0
1973	94,6	98,3	87,8	133,3	103,0	104,9	122,8	85,3	91,4	90,7	88,5	94,8	97,8	103,1
1974	85,1	73,9	77,4	105,4	95,5	88,5	68,9	79,3	81,9	61,3	65,6	79,9	84,3	72,3
1975	71,4	68,1	74,1	103,3	78,7	72,8	69,1	52,6	71,5	17,1	57,3	66,5	80,6	53,8
1976	70,4	75,9	81,6	101,3	72,9	71,9	79,9	61,0	81,5	18,4	65,9	71,8	84,7	56,8
1977	66,0	74,5	82,4	80,7	74,1	69,4	97,1	62,1	81,0	31,5	77,1	74,3	86,4	57,2
1978	65,0	75,6	83,9	70,3	72,0	71,5	93,9	65,8	78,7	41,0	79,8	76,3	85,8	64,7
1979	63,2	76,2	84,9	64,4	67,0	71,8	71,8	69,4	72,7	44,6	80,6	76,8	79,4	64,4
1980	61,4	67,0	75,7	63,8	66,8	63,9	50,7	71,6	69,2	44,0	71,6	71,1	72,0	62,9
1981	56,3	64,8	71,0	45,8	58,8	60,6	69,1	60,1	70,3	37,9	70,0	65,8	75,4	61,3
1982	60,5	69,4	71,5	46,6	64,4	60,8	82,2	59,0	71,1	40,1	80,2	68,3	65,2	60,0
1983	60,8	72,8	77,1	36,0	62,6	61,6	80,9	59,1	74,5	41,1	87,6	77,0	75,2	59,0
1984	64,0	80,8	79,6	41,7	75,9	64,8	93,4	66,3	83,9	42,5	87,0	75,3	90,4	67,3
1985	68,1	84,1	80,8	34,8	84,5	68,8	102,5	68,0	87,3	44,9	91,1	78,5	94,7	76,8
1986	69,9	89,5	84,2	43,5	101,8	76,6	105,5	76,3	85,9	53,6	90,9	83,9	94,9	77,2
1987	75,2	81,0	84.6	49,5	108,6	78,2	110,5	79,4	79,0	53,0	96,0	86,0	98,1	76,3
1988	82,3	80,7	89,3	52,9	114,5	84,1	113,9	83,1	81,7	54,9	99,5	90,7	103,0	79,3
1989	90,2	83,8	93,0	48,8	124,7	88,0	135,5	85,6	85,9	60,0	95,2	93,8	108,4	80,1
1990	89,4	84,7	96,9	44,3	126,6	87,9	131,1	81,2	89,6	62,1	90,1	93,5	109,6	83,5

[a] Net operating surplus per unit of fixed capital (see box on methodological problems).
Source: Eurostat and Commission services.

sustainable catching-up process requires a high investment ratio supported by a high return on capital, such as that achieved in the 1960s by Japan.[1]

Thus, the fact that the 1960s were a catching-up period in Greece, Spain and Portugal is likely to give an extremely high value to the 1961-73 average, especially in Greece and Portugal (Spain, being a larger economy and having the highest per capita income of the group is closer in its evolution to the EUR 12 average).

[1] In Japan, GDP per capita which represented 56 % of the EUR 12 level in 1960 went up to 96 % of that level in 1973. At the same time the profitability index went from 69,5 % in 1960 to 139,2 in 1970 (1961 – 73 = 100).

Nevertheless, the restoration (or in the case of Ireland at any rate, the commencement) of a sustainable catching-up process in the second half of the 1980s is clearly evidenced in the profitability indicators for those countries. Greece, by contrast, has shown marked macroeconomic imbalance at the end of the 1980s which kept profitability at a very low and erratic level, putting the catching-up process in jeopardy.

2.2 Relations between profitability and investment

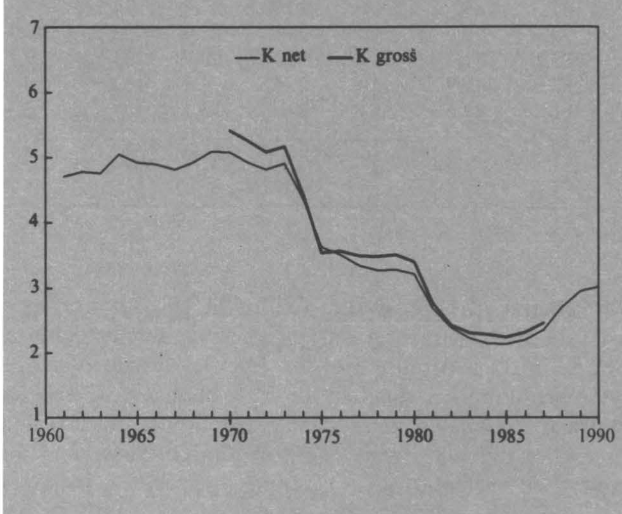
In economic theory, the link between profitability and investment may either be only implicit (as in the pure neo-classical model) or located at either end of the capital formation process.

(i) In the cruder version of Keynesian theory, profits appear at the end of a dynamic process chiefly determined by other factors ('animal spirits' on the part of entrepreneurs, accelerator effect of demand changes, etc.)

(ii) In more recent approaches[1] profits have been accorded a more direct causal role in determining capital formation together with final demand (accelerator effect) and relative factor costs (substitution effect). In financial terms, profits are then seen as a way of financing capital expansion through retained earnings, hence limiting the indebtness and the external control of the firm.

These studies also found that among these determinants of investment final demand variations have a strong impact in the short term and are therefore the main element of the cyclical variability of investment. Relative prices and profitability, however, have a more limited impact initially but become stronger in the long run and have therefore a structural influence.

GRAPH 4: **Comparison of annual growth rates of the private sector gross capital and the total economy net capital stock** (annual rates, in percentage, EUR 12, 1961-90)



K net: total economy net capital stock. *Source:* EC.
K gross: private sector gross capital stock. *Source:* OECD.

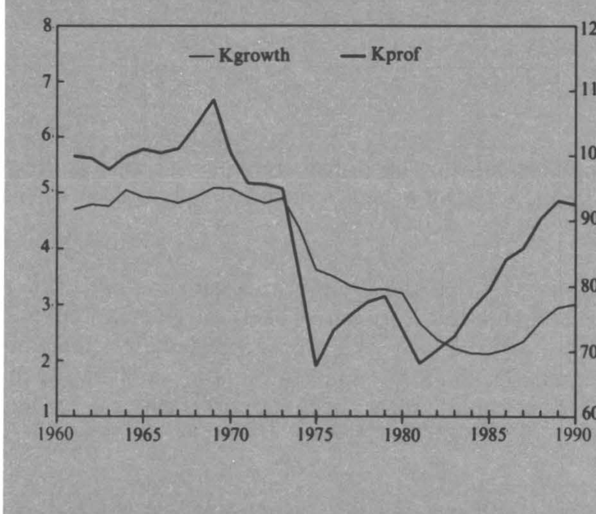
As a consequence, the direct relation between profitability and the yearly rate of growth of investment for the 1961-90 period is not likely to give good results, except if one applies a smoothing filter to the investment series.

Such smoothing can, however, be automatically obtained by looking not at investment but at its end-result, i.e. the capital stock. At that level, the *ex-post* measured relation turns out to be very good between the rate of growth of the real net capital stock in year t (k_t) and the rate of profitability per unit of capital stock, lagged one period (pr_{t-1}), in order to take into account the unavoidable delays between changes in profit conditions and the effective realization of resulting investment decisions (see Graph 5). A straightforward linear regression over the 1961-90 period for the EUR 12 aggregate gives

$$k_t = -2.88 + \underset{(0.10)}{0.85} \, . \, pr_{t-1} \qquad R^2 = 0.73$$

It should be emphasized that such a regression should not be taken as a full analysis but as a test of the *ex-post* relation between two magnitudes, since of course the evolution of profitability, as indicated above, is dependent upon patterns emerging in a complex array of interlinked factors. Neverthe-

GRAPH 5: **Comparative evolution of the growth of the fixed capital stock and the index of fixed capital profitability** (average annual rate of growth in percentage; index, EUR 12, 1961-73 = 100)



Kprof: index of fixed capital profitability; 1961-73 = 100; right-hand scale.
Kgrowth: annual rate of growth of capital stock; left-hand scale.

[1] See Catinat *et al.*, 'The determinants of investment', *European Economy* No 31, March 1987.

less, the relation is highly significant and implies that variations in profitability and its underlying determinants explain about three-quarters of the variability of the capital stock during 1961-90.

Thus, despite remaining theoretical uncertainties and statistical approximations, a strong link between capital formation and profitability conditions can be safely postulated.

3. The sectoral evolution of profitability

Although the global macroeconomic indicators seem to be consistent with observed evolution and are easy to update in line with new forecasts or medium-term scenarios, they nevertheless cover a highly heterogeneous aggregate and their representativeness might be questioned.

It has therefore seemed worth while to compare the global indicators with the more disaggregated measures available.

3.1. Private sector

In 1991, the OECD produced a Business Sector Database (BSD) giving for the whole of the private sector[1] value-added, wages, price, employment and capital stock data. The latter, however, are only given in gross terms and are based either on national estimates or on OECD-computed series compatible with the methodology used in national

[1] Keese, M., Salou, G. and Richardson, P., 'The measurement of output and factors of production for the business sector in OECD countries', Working Paper No 99, May 1991, OECD, Paris.

Table 3

Private sector — gross profitability rate, in percentage[a] (Gross operating surplus/gross capital stock)

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	JAP
1961	:	12,3	15,2	7,4	:	:	5,6	13,3	:	4,8	:	:	15,7	:
1962	:	11,3	14,2	6,6	:	:	5,4	13,7	:	4,4	:	:	17,0	
1963	:	10,3	13,6	10,0	:	9,8	5,8	12,6	:	4,7	11,5	:	17,6	:
1964	:	12,1	14,3	11,0	25,1	11,4	5,6	11,6	:	4,8	12,1	:	18,3	:
1965	:	11,2	14,2	11,6	23,4	11,9	6,5	12,4	:	5,3	12,2	:	19,7	15,5
1966	:	10,7	13,5	9,9	22,4	12,4	4,6	13,4	:	5,3	11,6	:	20,4	17,2
1967	:	10,2	13,1	9,4	18,7	13,1	5,3	13,8	:	4,7	11,8	:	19,9	19,4
1968	:	10,2	14,7	7,7	19,0	13,9	6,2	14,7	:	4,9	11,9	:	19,6	21,6
1969	:	10,9	14,8	9,5	19,8	14,9	6,3	15,6	:	4,8	11,4	:	18,4	22,6
1970	15,9	10,2	13,6	10,8	18,7	15,1	5,0	14,1	15,9	4,5	10,6	13,7	16,9	22,8
1971	13,6	9,5	13,5	10,5	17,4	15,1	4,8	12,4	14,8	4,0	11,0	13,2	17,3	18,8
1972	13,6	11,3	13,7	10,1	15,9	15,5	7,4	13,0	15,3	3,9	11,0	13,4	17,8	18,3
1973	14,3	11,8	13,6	15,4	15,7	16,0	6,9	13,0	15,7	4,2	11,2	13,6	19,0	17,1
1974	13,1	9,7	12,3	14,8	15,5	14,1	3,5	12,2	14,8	2,2	9,5	12,3	17,4	12,7
1975	11,3	8,6	11,8	12,7	14,1	12,1	3,6	10,0	12,9	−0,2	8,5	10,9	16,5	10,1
1976	11,1	9,4	12,9	11,9	13,1	11,8	3,8	10,6	14,6	−0,1	9,4	11,3	16,9	10,1
1977	10,4	8,9	12,9	8,8	12,7	11,9	5,8	10,7	14,3	0,6	10,1	11,4	17,5	9,8
1978	10,6	8,8	13,4	7,7	12,8	12,1	6,6	11,4	14,1	1,2	10,3	11,7	18,0	10,7
1979	10,2	8,5	13,5	7,1	12,2	11,9	5,5	12,3	13,5	1,5	9,7	11,6	17,8	10,7
1980	10,2	7,5	12,5	8,7	12,0	10,8	3,7	12,3	13,1	1,3	8,7	10,9	16,4	10,8
1981	9,0	7,5	11,8	6,7	10,4	10,4	4,9	11,4	13,5	1,2	8,3	10,3	16,4	10,5
1982	9,6	8,6	11,8	5,8	11,0	10,4	5,6	11,3	14,0	1,4	9,2	10,5	14,6	10,5
1983	10,0	8,9	12,7	3,5	10,0	10,5	5,2	11,2	14,7	1,5	10,0	10,8	16,0	10,3
1984	10,3	9,9	13,3	4,6	11,4	10,9	5,6	12,2	16,5	1,7	10,2	11,5	17,9	10,3
1985	10,9	10,1	13,6	4,1	12,0	11,4	6,4	12,6	17,2	1,7	10,6	11,9	18,5	11,0
1986	11,6	10,0	14,1	5,3	13,1	12,8	6,7	13,8	16,8	1,8	9,9	12,5	18,4	12,0
1987	12,0	9,2	14,1	5,9	14,0	13,0	7,5	13,9	15,5	1,8	10,4	12,7	19,1	12,3
1988	13,2	9,5	14,8	6,1	:	13,8	:	14,0	16,1	:	10,6	:	19,8	12,2
1989	:	10,3	15,3	:	:	14,4	:	14,0	17,1	:	10,1	:	20,6	12,8
1990	:	:	:	:	:	:	:	:	:	:	:	:	20,6	:

[a] Gross operating surplus on gross capital stock, from OECD data and definitions.
Source: The OECD Business Sector Database. Working paper No 99, May 1991.

Table 4

Private sector — gross profitability index[a] (Index 1961-73 = 100, unless otherwise indicated)

	B[b]	DK	D	GR	E[c]	F[d]	IRL	I	NL[b]	P	UK[d]	EUR 12[b]	USA	JAP[e]
1961	:	112,6	108,6	74,1	:	:	96,6	99,6	:	103,5	:	:	85,9	:
1962	:	103,5	101,4	66,1	:	:	93,1	102,6	:	94,9	:	:	:93,0	:
1963	:	94,3	97,1	100,1	:	72,3	100,0	94,4	:	101,3	100,2	:	:96,3	:
1964	:	110,8	102,1	110,1	128,0	84,1	96,6	86,9	:	103,5	105,4	:	100,1	:
1965	:	102,5	101,4	116,1	119,3	87,8	112,1	92,9	:	114,3	106,3	:	107,8	80,5
1966	:	98,0	96,4	99,1	114,2	91,5	79,3	100,3	:	114,3	101,0	:	111,6	89,3
1967	:	93,4	93,6	94,1	95,4	96,6	91,4	103,3	:	101,3	102,8	:	108,9	100,8
1968	:	93,4	105,0	77,1	96,9	102,5	106,9	110,1	:	105,6	103,6	:	107,2	112,2
1969	:	99,8	105,7	95,1	101,0	109,9	108,6	116,8	:	103,5	99,3	:	100,7	117,4
1970	110,8	93,4	97,1	108,1	95,4	111,4	86,2	105,6	103,1	97,0	92,3	101,9	92,5	118,4
1971	94,8	87,0	96,4	105,1	88,7	111,4	82,8	92,9	95,9	86,2	95,8	98,0	94,7	97,6
1972	94,8	103,5	97,9	101,1	81,1	114,4	127,6	97,4	99,2	84,1	95,8	99,2	97,4	95,0
1973	99,7	108,0	97,1	154,1	80,1	118,0	119,0	97,4	101,8	90,5	97,5	101,0	104,0	88,8
1974	91,3	88,8	87,9	148,1	79,0	104,0	60,3	91,4	95,9	47,4	82,7	91,3	95,2	66,0
1975	78,7	78,7	84,3	127,1	71,9	89,3	62,1	74,9	83,6	−4,3	74,0	80,6	90,3	52,5
1976	77,4	86,1	92,1	119,1	66,8	87,1	65,5	79,4	94,7	−2,2	81,9	83,9	92,5	52,5
1977	72,5	81,5	92,1	88,1	64,8	87,8	100,0	80,1	92,7	12,9	88,0	84,4	95,7	50,9
1978	73,9	80,6	95,7	77,1	65,3	89,3	113,8	85,4	91,4	25,9	89,7	86,7	98,5	55,6
1979	71,1	77,8	96,4	71,1	62,2	87,8	94,8	92,1	87,5	32,3	84,5	86,1	97,4	55,6
1980	71,1	68,7	89,3	87,1	61,2	79,7	63,8	92,1	84,9	28,0	75,8	81,3	89,7	56,1
1981	62,7	68,7	84,3	67,1	53,0	76,7	84,5	85,4	87,5	25,9	72,3	76,4	89,7	54,5
1982	66,9	78,7	84,3	58,0	56,1	76,7	96,6	84,6	90,8	30,2	80,1	78,3	79,9	54,5
1983	69,7	81,5	90,7	35,0	51,0	77,5	89,7	83,9	95,3	32,3	87,1	80,3	87,5	53,5
1984	71,8	90,6	95,0	46,0	58,1	80,4	96,6	91,4	107,0	36,7	88,8	85,4	97,9	53,5
1985	76,0	92,5	97,1	41,0	61,2	84,1	110,3	94,4	111,5	36,7	92,3	88,5	101,2	57,1
1986	80,8	91,5	100,7	53,0	66,8	94,4	115,5	103,3	108,9	38,8	86,2	92,8	100,7	62,3
1987	83,6	84,2	100,7	59,0	71,4	95,9	129,3	104,1	100,5	38,8	90,6	94,1	104,5	63,9
1988	92,0	87,0	105,7	61,0	:	101,8	:	104,8	104,4	:	92,3	:	108,3	63,4
1989	:	94,3	109,3	:	:	106,2	:	104,8	110,9	:	88,0	:	112,7	66,5
1990	:	:	:	:	:	:	:	:	:	:	:	:	112,7	:

[a] Index of gross operating surplus on gross capital stock, from OECD data and definitions.
[b] 1970-73 = 100.
[c] 1964-73 = 100.
[d] 1963-73 = 100.
[e] 1965-73 = 100.
Source: The OECD Business Sector Database. Working paper No 99, May 1991.

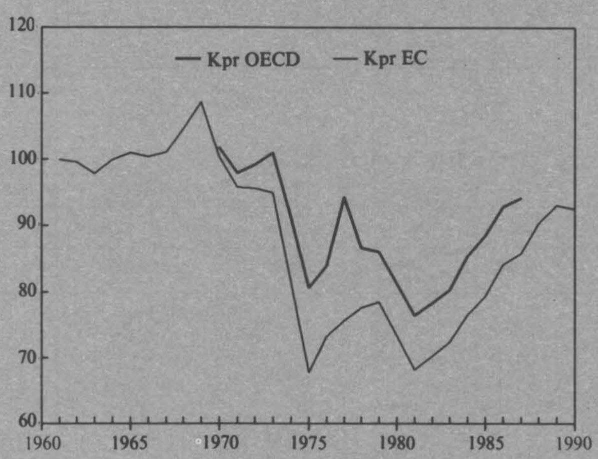
estimates, i.e. cumulation of very long gross investment series weighted by a statistical survival function.

The indicator is, therefore, not the same since it relates to the ratio of gross operating surplus to gross capital.

At the global macroeconomic level, it appears (see Graph 1) that the overall profiles of gross versus net operating surplus are not basically different except for a widening discrepancy between the two. Given the orders of magnitude depreciation is a much larger proportion of gross operating surplus than of gross capital. One may thus expect the gross profitability per unit of gross capital to be somewhat higher than the net equivalent ratio and the discrepancy between the two to be growing through time.

Finally, the chronological coverage is less homogeneous than in the whole economy database which makes comparisons somewhat awkward. It appears, however, from Table 3 and from Graph 6, that the evolutions are quite similar, with the gross private sector series systematically above the net, whole economy series. At country level, the conclusions arrived at in Section 3 also seem to hold as regards Germany and

GRAPH 6: **Profitability of the private sector gross capital stock and the total economy net capital stock** (EUR 12)



Kpr OECD: profitability of private sector gross capital stock; index 1970-73 = 100 (OECD).
Kpr EC: profitability of total economy net fixed capital stock; index 1961-73 = 100 (EC).

The Netherlands vs. the other most favoured countries and between the catching-up countries.

Finally, according to the OECD experts, the series are based on comparable items from country to country and should therefore be usable for cross-country comparisons in terms of the effective level of the profitability rate, except for the usual restriction about the imputed wage of self-employed. Table 3 gives therefore the computed profit rates. As can be seen for the Community between 1970 and 1988, the gross profitability rate fluctuated within a fairly narrow margin, between a maximum of 13,7 % in 1970 and a minimum of 10,3 % in 1981. Among countries, the highest rates in recent years are measured for West Germany and The Netherlands (which is consistent with the observations made in Section 3), together with Spain. At the other end, the lowest rates are observed in Ireland, Greece and Portugal, a fact which, for the latter two countries, is probably strongly linked to both the uncertainties about self-employed imputed income and to the still important weight of the agricultural sector.

3.2. Manufacturing industry

The Eurostat sectoral database also contains gross capital stock series for a large number of sectors according to the NACE-CLIO nomenclatures. Those series are presently re-estimated but not yet fully available for all countries.

However, since a full sectoral analysis of profitability would go much beyond the scope of this study, the existing material may also provide a basis for comparison, at least for the four major countries and for aggregate 30—industry—of the nomenclature. The latter represents about 1/4 of the private sector as a whole.

Here again, the data cover different periods and the evolution of the profit rate since the 1960s for Germany seems surprising (see Table 5). As a rule, however, this industry indicator also confirms the general evolution given by the former one, i.e. a strong decline from the beginning of the 1970s to the beginning of the 1980s and a recovery afterwards. It is worth noting, however, that for manufacturing industry, profitability rates for the average of the main four countries are still significantly below the rates prevailing in 1970.

As a whole thus, the profitability index computed for the whole economy by a simple and somewhat crude approach is not contradicted by more disaggregated and sophisticated approaches when it comes to assessing global evolutions of a structural nature over a medium-term horizon. They may thus be integrated into the ususal macro-indicators used in policy analysis.

4. Conclusions

The available statistics permit estimation of profitability indicators for the whole economy which are consistent with more disaggregated analysis. The major results are that in net terms, the profitability of the fixed capital stock for the economy as a whole was at 94 % of its 1961-73 level in 1990.

Thus, although some effort will still be required to achieve further improvement, profitability conditions at the threshold of the 1990s were compatible with the resumption of sound, sustainable growth in the new decade.

Up to now, the cyclical downturn registered in the Community in 1991 does not constitute a threat to these achievements. Even though profitability does exhibit a slight decline in 1990-91, this bears no comparison with the outright collapse of these indicators in 1973/74 and 1979/81.

The profitability conditions necessary to maintain the growth of the capital stock as a basic determinant of the Community's medium-term growth prospects are therefore secure and hold out the promise that the current slowdown in the rate of growth will only be temporary. This favourable conclusion could, however, be severely jeopardized if the cyclical trend discernible in 1990-91 were to extend into the medium term. Control over the growth in unit labour costs should therefore continue to be an economic policy priority so as to ensure that the profitability conditions essential to a recovery in growth are preserved.

Table 5

Gross profitability of fixed capital stock in manufacturing[a] (Gross operating surplus/gross fixed capital stock)

(Levels (in %) and indices)

	D		F		I		UK		EUR 4	
	Level	Index[b]	Level	Index[c]	Level	Index[b]	Level	Index[c]	Level	Index
1961	24,8	126,4	:	:	23,2	115,9	:	:	:	:
1962	21,5	109,6	:	:	20,9	104,4	:	:	:	:
1963	19,7	100,4	:	:	19,1	95,4	:	:	:	:
1964	21,1	107,5	:	:	18,3	91,4	:	:	:	:
1965	20,5	104,5	:	:	19,2	95,9	:	:	:	:
1966	18,6	94,8	:	:	20,4	101,9	:	:	:	:
1967	18,6	94,8	:	:	20,5	102,4	:	:	:	:
1968	20,5	104,5	:	:	21,3	106,4	:	:	:	:
1969	21,8	111,1	:	:	20,9	104,4	:	:	:	:
1970	18,6	94,8	15,7	98,4	22,1	110,4	16,4	111,2	18,2	108,7
1971	17,0	86,6	15,7	98,4	18,6	92,9	14,8	100,3	16,5	99,0
1972	16,5	84,1	15,6	97,8	17,8	88,9	15,3	103,7	16,3	97,5
1973	15,9	81,0	16,8	105,3	18,0	89,9	12,5	84,7	15,8	94,8
1974	15,1	77,0	14,8	92,8	18,0	89,9	9,0	61,0	14,3	85,5
1975	13,6	69,3	11,5	72,1	13,5	67,4	7,3	49,5	11,6	69,4
1976	14,6	74,4	12,1	75,9	16,4	81,9	8,3	56,3	12,9	77,4
1977	14,4	73,4	12,4	77,7	16,5	82,4	10,4	70,5	13,4	80,5
1978	13,8	70,3	13,1	82,1	17,1	85,4	10,3	69,8	13,6	81,3
1979	13,1	66,8	13,1	82,1	18,8	93,9	9,1	61,7	13,5	80,8
1980	11,1	56,6	10,8	67,7	20,6	102,9	8,1	54,9	12,5	75,0
1981	10,0	51,0	9,5	59,6	19,6	97,9	7,9	53,6	11,6	69,5
1982	10,4	53,0	9,4	58,9	19,0	94,9	9,3	63,1	11,9	71,1
1983	11,9	60,6	9,6	60,2	18,4	91,9	9,8	66,4	12,3	73,8
1984	12,1	61,7	9,8	61,4	19,5	97,4	9,9	67,1	12,7	76,1
1985	13,0	66,2	10,4	65,2	20,6	102,9	10,5	71,2	13,5	80,9
1986	13,5	68,8	12,1	75,9	21,0	104,9	11,5	78,0	14,4	86,3
1987	12,7	64,7	:	:	:	:	:	:	:	:
1988	12,7	64,7	:	:	:	:	:	:	:	:

[a] Based on Eurostat data and definitions.
[b] 1961-73 = 100.
[c] 1970-73 = 100.
Source: Eurostat and Commission services.

Box: Methodological problems

An adequate and economically meaningful definition of the rate of profit and its interpretation for a given economic problem raises a number of conceptual and measurement issues. More specifically the very definition of the profit rate retained is conditioned by the kind of analysis for which it will be used.

The measures of profitability used in this study can — with the exception of the capital stock — be constructed from information available in national accounts (gross operating surplus, depreciation and gross domestic product). Conceptual and measurement problems arise, therefore, mostly from the accounting conventions underlying the definition of gross operating surplus. Therefore, we will discuss this component and its suggested modification in more detail.

Gross operating surplus is commonly defined as GDP at factor cost minus the total wage cost of employees. Using GDP at factor cost rather than at market prices takes account of the fact that the return of enterprises is increased by subsidies. On the other hand, indirect taxes are excluded from profits since this is the part of value-added that goes directly to the State. Turning first to the conceptual problems of this measure as regards its role in determining investment it is useful to look at its counterpart at the firm level, namely gross profits defined as revenue minus variable costs — including wages, financial charges and intermediate material inputs.

Gross profits can also be regarded as the sum of 'normal' profits (in the sense of that rate of profit able to keep firms in operation in a perfect competition, long-term equilibrium) and rents. Part of normal profits are capital costs or in other words a market return on capital which includes a risk premium, the cost of the renewal of the capital stock used up, a return on entrepreneurial activities and the income of the self-employed.

On top of covering normal profits a firm may earn rents due to favourable market conditions like for example a temporary leadership in product or technological innovations. Another reason for rents could, however, also be the existence of imperfect market structures which preclude the entry of new competitors into the specific market segment. The prospect of earning extra rents must theoretically be regarded as the main driving force for net investment on the firm level. As long as the (expected) return at new investment projects does not exceed capital costs there is no incentive for firms to invest in risky projects.

Seen from this perspective only a fraction of profits would be relevant for investment decisions and the broad definition of profits as suggested above is only a rough indicator of investment determination. Unfortunately the individual components of profit are only partially observable which makes it difficult to separate them. This discussion suggests that at least depreciation of the capital stock and the income of the self-employed should be subtracted from profits since they clearly represent a cost component. Obeying standard conventions these components are observable up to some measurement errors.

Whether capital costs should be subtracted from profits is less clear. While theoretically it is a cost component, there are at least two reasons for including it in a profit measure. The first reason is because of measurement problems: the computation of capital costs requires consideration of marginal corporate tax rates, investment tax credits and depreciation allowances which require a detailed knowledge of national tax systems in order to make meaningful comparisons of capital costs across countries and over time.

On the other hand, it can also be argued that the global measure of profits including capital costs may be relevant for investment decisions if the firm faces financing constraints, i.e. if capital markets are not perfect. Under these circumstances retained earnings become an important source of finance for investment, thus making of the 'extensive' definition of profits a better indicator for investment than theory suggests.

For practical purposes and given the theoretical ambiguities, gross operating surplus net of depreciation (net operating profits) and corrected for the income of the self-employed will be the macroeconomic measure of profit used in this study.

Additional measurement problems arise in looking at the rate of profit from an aggregate perspective when one wants to relate it to the stock of fixed capital.

Profits as reported in national accounts do not only contain earnings of the corporate sector but also the imputation of rents to the owners of houses. In the same way, profits of the agricultural and banking sector appear in the nominator of the profit rate, but are to a large extent the return from land and from financial assets which are excluded from the stock of fixed assets which constitutes the denominator of the profitability indicator. However, when the aim of the analysis is a macroeconomic evaluation of the profitability of the economy as a whole, the national accounts definition remains appropriate.

Correcting profits for the income of the self-employed poses some statistical difficulties. The imputed labour income of the self-employed is commonly based on the assumption that their income is equal to average wage costs of employees. The relevance of the measurement problem using aggregate data depends crucially on the relative size of sectors with a high fraction of self-employed, such as retail trade and agriculture. By comparing profit rates over time and across countries it should therefore be kept in mind that the sectoral composition and changes therein can bias the comparisons, a problem that seems acute only in some of the smaller countries of the EC, most notably Greece.

Problems may also arise for the measurement of depreciation which is necessary for the construction of net operating surplus and the net capital stock. Here the problem is mainly due to the heterogeneity of the capital aggregate, which includes capital goods with very different lifetimes. Usually, only very limited information about the actual service lives of capital goods are available and uncertain assumptions on time-efficiency profiles and survival rates must be made. Also depreciation depends in principle on economic conditions and should vary with changes in relative factor costs. In practice constant survival functions are used which do not take these factors into account. This may affect the cyclical behaviour of the profitability indicators but should have little effect on the overall trends.

Finally, on the aggregate level the treatment of the government sector needs special attention. An aggregate measure of income from profit and wealth should not include interest payments on the government debt. Under the usual accounting conventions government interest payments do not appear as part of gross operating surplus. While they are included in the income accounts of households and the corporate sector, they are subtracted from the government profit income before calculating the government contribution to national income.

In the present study, these qualifications should have limited impact at the global level which is the main focus of the analysis and the construction itself of a net operating surplus aggregate does not run into problems of statistical availability since all constituent elements are published in the National accounts statistics and in sectoral databases. A profit rate per unit of value-added can thus readily be computed as

$$\text{Unit profit rate} = \frac{\text{Net operating surplus}}{\text{Value-added}}$$

The link between profit and investment requires, however, the construction of a profitability indicator for fixed capital and, hence, fixed capital stock data which are not published in the National accounts system and have to be constructed. Due to problems of statistical availability, all measurements, either at a sectoral or at global level, require strong assumptions about the length of life and survival rate of capital goods that can generally not be checked against the data.

Should the length of life and survival rate be known, the construction of gross capital stock data in real terms would require the cumulation of past real gross fixed capital formation over the maximum length of life of the capital goods and weighted by their probability of still being in operation. It is clear that, as soon as buildings and similar assets are included in the capital stock, the length of time period to be covered by the fixed investment data can easily exceed 50 years and implies a considerable amount of extrapolation and data mining. This approach, however, is the one retained by the OECD and Eurostat for their sectoral estimates.

The net capital stock can then be derived by deducting depreciation with its attendent measurement problems referred to earlier. The justification for using net rather than gross concepts is the fact that the gross measure is not capital advanced. Indeed the fraction of gross capital already accounted for as capital consumption is no longer part of the immobilized funds since it has been incorporated into costs and recovered within unit receipts, i.e. prices.

For the overall macroeconomic measure of domestic fixed capital profitability for the whole economy, the direct approach could not be retained since it would have required real total investment series going back to 1870 for all member countries (plus United States and Japan for comparison purposes) which makes the data problem intractable.

A simplified approach has therefore been used, using a perpetual inventory technique based on a benchmark rather than on cumulation. Real net capital stock series *(KN)* were built as

$$KN_t = KN_{t-1} + VB_t - D_t$$

with VB_t = real gross fixed capital formation, National account definition

D_t = real depreciation, National account definition

This formula requires, of course, a starting value, i.e. an estimate of the capital stock in the initial year of the period covered, in this case 1960. This benchmark may either result from a directly available estimate or on an assumption based on all existing information on the capital-output ratio prevailing in 1960. The latter approach has been retained here.

It must be pointed out that although it makes the starting levels of the capital stock somewhat arbitrary, the influence of this initial value quickly diminishes as time goes on, since towards the end of the period, the net capital stock is mostly determined by the cumulation of net investment which are made up of observed data. Furthermore a sensitivity analysis has shown that even substantial variations of the capital-output ratio (from 2,5 to 3,5 around a retained value of 3.0 in 1960) do not affect the overall profile of the profitability series although, of course, their absolute levels differ.

For these reasons, the profitability rate of the fixed capital stock will not be given in the tables and graphs as a proportion of the fixed capital stock but as an index, using as basis the average profitability of the full-employment, high-growth period 1961-73. The uncertainty about the profitability level also explains why they cannot be compared from country to country in a given year. Thus only the chronological evolution over 1961-90 can be used for inter-country comparison.

It should be noted that unit profit rate and profitability of the fixed capital stock are related since the profitability of fixed capital is equal to the profit rate per unit of GDP times the average productivity of capital (itself equal to the inverse of the capital output ratio).

More formally, we have

$$\frac{\text{Net operating surplus}}{\text{Capital stock}} = \frac{\text{Net operating surplus}}{\text{Value-added}} \times \frac{\text{Value-added}}{\text{Capital stock}}$$

Given the presence of the capital productivity terms, the two series are not equivalent and may have divergent evolution through time as, for instance, when the unit profit rate goes up in a period of capital deepening depressing the apparent productivity of the capital stock. It may, therefore, happen that a strong recovery of unit profit rate will not be sufficient by itself to restore fully the profitability of capital.

This fact can be better appreciated by pushing the decomposition further: the capital productivity term itself can be broken down into the product of the average labour productivity times the inverse of capital intensity

$$\frac{\text{Value-added}}{\text{Capital stock}} = \frac{\text{Value-added}}{\text{Employment}} \times \frac{\text{Employment}}{\text{Capital stock}}$$

Thus, the evolution of capital profitability will be influenced by three interlinked factors. All other things being equal, profitability will increase if

(i) the share of profit in GDP increases
or (ii) labour productivity increases
or (iii) capital intensity decreases
or any combination of the three.

Since these factors may sometimes act in conflicting directions, the restoration of capital profitability may be more elusive than the improvement of the unit profit rate.

Thus, to take but a small sample of stylized cases, profitability will at best barely improve

(a) if the increase in profit shares due to wage moderation goes together with a fall in the average productivity of labour;

(b) if an increase in labour productivity comes only via an increase in the capital intensity of the production process.

Conversely, a growth of real wages at a rate higher than average productivity, resulting in a fall of unit profit rates will not (or hardly at all) cause a decrease in capital profitability if it goes together with a reduction of capital intensity. In other words, in such circumstances, although it might appear paradoxical, substitution of labour by capital (hence an increase in capital intensity) will be counterproductive in the medium term for profitability if there is no reversal of the gap between real wages and productivity growth.

Study No 3

Developments on the EC labour market since 1983

Developments on the EC labour market since 1983

Tables

Summary

The growth of total employment in the Community between 1983 and 1990 was by far the largest registered since its creation. Unemployment, however, remains very high. This state of affairs results both from supply and demand factors. On the supply side, the expansion of the labour force remained significant as in former years but showed a marked change in structure with a larger contribution of net migration and, for the first time, an absolute decline in the number of workers less than 25 years old as a result of the ageing of the workforce. On the demand side, growth became considerably more labour-creating than had been the case since 1960 as a result of numerous combined factors linked to the composition of growth in terms of the utilization of production factors, the increased share of part-time work and service activities, wage moderation and the general stance of economic policies. However, the level of real GDP growth achieved in those years proved too low, despite its high labour intensity, to both absorb the expansion of the labour force and simultaneously reduce unemployment by a large amount. The analysis of the unemployment structure also shows that some specific rigidities still exist on the EC labour market. It will thus be the task of future policies, both general and labour-market oriented, to further improve the flexibility of the market and to ensure the maintenance of a sound, sustainable and labour-intensive growth path in the medium term in order to fully restore in the Community the full employment conditions that prevailed during its first 10 years of existence.

1. Introduction

Two features have dominated the evolution of the EC labour market since 1983:

(i) The longest period of uninterrupted growth in total employment since 1960 was registered between 1983 and 1990. Furthermore, the amount of net employment posts created is, at 9 million, twice as large as the maximum ever reached in former employment growth periods (4,5 million in 1968-74) and represents 75 % of the total net employment creation in the Community since its creation.

(ii) Unemployment, however, remained very high throughout the period and fell by only 1,3 million people between 1983 and 1990, still leaving more than 12 million out of work in the EC in 1991 as against 3 million in 1960.

At first glance, it might thus seem that, while in restoring the basis for a sound and durable growth process, the Community won a clear victory on the labour creation front, it, at the same time, somehow lost the battle against unemployment.

Since the latter results from a discrepancy between the supply and demand of labour, both elements need to be analysed before turning to the structure of unemployment itself in order to better understand the 1983-90 evolutions.[1]

Section 2 of the study will thus deal with the evolution of labour supply and with its main determinants, i.e. demography, net migration and participation rates.

Section 3 will present the most likely explanations of the strong acceleration of labour demand in 1983-90 and analyse in turn the impacts of the changes in the relation between employment and output growth, in the composition of employment itself, in the structure of output and finally the changes in the relative use of factors of production.

Section 4 will consider the structure of unemployment and the evolution of specific problems that appeared during the 1970s and beginning of the 1980s, such as the discrepancy between male and female unemployment, youth unemployment and long-term unemployment. It will be followed by the conclusions.

Finally, it should be noted that, in order to maintain the homogeneity of the data for all time periods used in this study, the definition of the Community and of the EUR 12 statistical aggregates is the one prevailing before the unification of Germany.

2. Evolution of labour supply in the EC since 1983

For the economy as a whole, labour supply results from two determinants:

(i) demography and migration both determine total population and the number of people in the conventional working age groups (15 to 65 years old) which may be called for short 'potential' labour supply, and

(ii) the participation rate which measures the willingness of the members of the potential labour supply to actually seek employment and become part of the effective labour supply, also called active population which is equal by convention to the sum of employment and registered unemployment.

[1] The main elements of the evolution of labour markets in the EC are covered regularly and in more detail in *Employment in Europe*, Commission of the European Communities, Directorate-General for Employment, Industrial Relations and Social Affairs. See notably the 1989, 1990 and 1991 issues.

Before analysing the behaviour of these determinants between 1983 and 1990, it should be understood that the study of labour supply is inherently complex since it involves not only economic factors but also social values and cultural elements which may vary considerably from country to country. The overall EC evolution may therefore hide wider differences between Member States in the field of labour supply than in the employment domain.

Table 1

Decomposition of growth in the labour force, EUR 12

(contribution to average annual growth rates in percentage points)

		1975-80	1980-85	1985-88
Change in population				
Both sexes	15-24	0,33	0,14	−0,11
	25-54	0,38	0,45	0,52
	≥55	0,14	0,15	0,15
	all ages	0,86	0,74	0,56
Change in participation				
Both sexes	15-24	−0,04	−0,10	0,06
Men	25-54	−0,21	−0,10	−0,14
Women	25-54	0,41	0,45	0,58
Men	≥55	−0,21	−0,20	−0,16
Women	≥55	−0,04	−0,08	0,00
Both sexes	all ages	−0,10	−0,02	0,34
Total growth		0,74	0,71	0,90

Source: OECD employment outlook.

2.1. Demographic factors

2.1.1. Total population

Between 1983 and 1990, total population in the EC grew from 320 to 328 million people, i.e. by 0,35 % per year on average. This growth can be attributed equally between natural increase and net migration.

The equal weight of natural increase and migration is peculiar to the 1983-90 period since in earlier periods the share of net migration was much lower. Two elements contributed to this new development:

(i) since all EC countries (except Ireland) at present have fertility rates lower than the critical threshold (2,1 children per woman) ensuring the renewal of generations, the contribution of natural increase to population growth is on a decreasing trend;

(ii) net migration was strongly influenced in 1988-90 by the large inflow of East European migrants of German origin into Germany.[1]

Compared to former periods the growth of total population is the same as in 1975-83 (0,36 % p.a.) but about half that registered in 1960-75 (0,72 % p.a.).

Future perspectives,[2] based on the maintenance of present fertility rate and a progressive return to a zero rate of net migration, assume a slight positive rate of growth (0,11 % p.a.) until the year 2000, followed by a decrease of total population which should fall by 2020 to its 1990 level.

Such projections should, however, be taken with great care since former 'baby boom' experiences have shown that fertility rates may recover as unexpectedly as they fell and quickly restore a high rate of natural increase.

Besides, as already shown in 1988-90 in Germany, net migration may offset a falling natural increase and, in that domain, projections are even more problematic. Indeed, the migration question is already creating serious social and political problems in some Member countries and official policies in this field are not always clearly defined. Furthermore, the potential supply of external migrants is not under control of the EC since it is strongly influenced by political and economic developments abroad. The question is therefore extremely complex and goes beyond the scope of the present study.

To sum up, it appears that population growth in 1983-90 is neither smaller nor larger than in the previous eight-year period but may slow down considerably in future years, with net migration as a major source of uncertainty.

2.1.2. Population in working age groups

The share of the population in working age groups in total population increased from 66,1 % in 1983 to 67,3 % in 1990. Potential labour supply grew thus at a faster rate (0,55 % p.a.) than total population: in fact, by its very definition, the population in working age groups reacts to decreases in fertility rates with a 15-year lag. However, the 1983-90 period already shows a strong deceleration with respect to 1975-83 (when the impact of the post-war baby boom was still fully

[1] Whereas net migration per 1 000 inhabitants remained stable or decreased in the 11 other Member countries, it grew from 1,5 in 1985 to 15,7 in 1989 in West Germany.

[2] Eurostat, Demographic statistics, 1991.

felt) and the deceleration process will amplify in the future: under the same assumptions as for total population, potential labour supply should reach its maximum around 1995-96, remain broadly constant to the year 2000 (at about 222 million people) and fall afterwards to only 211 million in 2020, as against 220,5 million presently.[1]

This quantitative evolution should go together with a far-reaching qualitative change in terms of average age of the workforce.

The population in working age groups covers a very broad range and is more conveniently subdivided into three standard categories:

(i) young workers (15 to 24 years old)

(ii) prime age workers (25 to 54 years old)

(iii) older workers (55 years and above)

The evolution of these categories since 1970 (see Table 1) shows that the present slowdown in the growth of the potential labour supply is mostly due to a decline in young workers cohorts that is not fully compensated by increases in the prime age group.

The ageing of total population and potential labour force will affect the EC countries in numerous ways. As regards the labour market, opinions converge towards a net negative impact through a general loss of dynamism, entrepreneurial spirit and willingness to take risks. Labour mobility, which is already fairly low in Europe, would further decline, affecting negatively the efficiency of the labour market in reallocating labour. Finally, the maintenance of promotion systems based on seniority in the face of an ageing labour force would increase the average cost of labour and create serious problems among the (few) young workers who would see their promotion possibilities severely limited.

Given the 15-year lag in the reaction of the potential labour supply to changes in fertility rates, the ageing of the population in working age group cannot be reversed in the short or even in the medium term, except by net migration. It will, therefore, become increasingly evident in the 15 to 20 years to come.

2.2. Participation rates

The effective labour supply grew in 1983-90 at an average annual rate of 0,8 %, i.e. significantly faster than the population in working age groups. This resulted from an increase by one percentage point in the average participation rate,[2]

[1] Eurostat, Demographic statistics, 1991.

[2] Defined as the ratio of active population over population in working age groups.

Table 2

Participation rates of specific groups

(in %)

	Men and women aged 15-24			Married women aged 25-49			Men aged 50-64		
	1983	1986	1989	1983	1986	1989	1983	1986	1989
B	40,2	38,7	33,1	56,6	60,3	62,7	64,9	55,2	51,7
DK	59,7	70,5	70,4	85,6	87,2	88,7	75,1	74,7	76,7
D	50,4	55,0	55,6	53,3	54,8	56,6	75,1	71,7	72,0
GR	39,1	35,6	36,4	41,0	45,7	50,2	78,0	73,7	70,0
E	:	42,2	42,8	:	29,9	39,1	:	74,4	70,8
F	48,2	46,2	41,3	63,8	67,2	68,3	64,9	60,2	57,5
IRL	54,8	50,7	45,7	28,9	31,5	36,7	80,7	77,4	74,7
I	44,2	43,7	44,4	43,7	46,5	50,8	68,7	66,2	63,2
L	51,6	53,6	48,6	36,4	37,9	39,7	58,8	59,4	55,5
NL	44,3	47,0	54,1	39,9	41,0	51,7	65,1	56,5	60,1
P	:	57,5	54,8	:	62,5	67,9	:	72,3	72,4
UK	58,5	64,1	67,2	60,9	67,5	71,9	78,6	75,8	75,7
EUR 10[a]	49,7	51,5	51,5	53,9	57,4	60,9	71,7	67,9	66,7
EUR 12	:	50,5	50,4	:	54,6	58,8	:	68,8	67,4

[a] EUR 12 without Spain and Portugal.

Source: Eurostat. *Labour force survey*, 1983, 1986 and 1989.

from 65,2 % in 1983 to 66,2 % in 1990. In absolute amounts, the increment between these two years represented 7,8 million people, a figure quite similar to the 1975-83 increase (7,9 million).

The impact of the change in participation rates may be measured by assuming the maintenance of the 65,2 % rate for the whole period, all other things being equal. In that hypothetical case, the increment in labour supply would have been 5,5 million.

Thus, in 1983-90, about 70 % of the expansion of labour supply came from demographic factors and 30 % from the increase in the average participation rate.

The latter, however, is not homogeneous across the age and sex distribution of the labour force (see Table 1, bottom and Table 2). In fact, most of the change in the global participation rate is due to a single category, i.e. prime age female workers, whereas the participation of other age groups of both sexes either declined or remained stable.

Changes in participation rates are linked to economic, as well as cultural and sociological factors.

(i) Economic factors — In economic analysis, the participation rate is linked to the phase of the business cycle. During recession, the participation rate would decline due to 'discouraged worker' effect[1], the lengthening of schooling or training periods in order to avoid or delay youth unemployment, pre-retirement schemes, etc.

Conversely, expansionary phases of the cycle would correspond to increases in participation rates due to such factors as new entrants into the labour force or faster exit from the educational system.

The evolution of the participation rate in 1983-90 is consistent with these 'economic' explanations since the EC registered during those years the longest uninterrupted expansion phase of its history.

(ii) Cultural and sociological factors — Cultural and sociological factors are mostly linked to the large increase in the female participation rate, which originates from, as far back as, the end of World War II. This phenomenon is linked to many factors from which one may enumerate the follow-up of women's massive participation in the labour force during the war period, the wish to become more financially independent, the increased proportion of single or divorced women who need a professional income, the improvement in female education levels, better availability of part-time activities, etc.

Against that must be weighted the considerable pressure of social and cultural values and particularly the attitude of major religions with respect to female professional activities which results in huge differences in female participation rates across Europe (see Table 2).

(iii) Policy effects — Finally, labour market and social policies may also affect participation rates, particularly of younger or older workers through the lengthening of the compulsory schooling period and decreases in the legal retirement age, or via the pre-retirement schemes used in some countries to statistically reduce old-age unemployment.

The evolution of the participation rates in specific subgroups confirms these caveats (see Table 2).

(i) The participation rate of married women in the prime age group increased significantly and continuously in the EC, but country rates still range from 39 % in Spain to 88 % in Denmark, the EC average being 59 %. There is therefore a large amount of unexploited labour potential in the EC female population. As an example, an increase by 10 points in the EC female participation rate (which would still leave it well below the rates prevailing in Scandinavian countries or in the UK) would bring 11 million new entrants into the labour force. This hypothetical example demonstrates that the slow growth of population in working age groups expected for the next 15 to 20 years would not necessarily mean that labour supply would also dry up.

(ii) The participation rate of older workers has effectively declined in all countries except Denmark, despite the ageing of the labour force.

(iii) The trend for younger workers is, however, much less clear and does not reflect the expected impact of longer school attendance and larger participation in post-secondary education. Besides country-specific reasons, this lack of a trend may be due to the appearance of a larger amount of work opportunities for young workers in the increased flexibility of the labour market that went together with the 1983-90 strong job creation phase. Another explanatory factor might be found in the attainment of a degree of saturation in the demand for higher education in some countries.

To sum up, labour supply in 1983-90 was thus marked by an overall expansion which in absolute figures is the

1 Killingsworth, M. R., *Labour Supply*, Cambridge University Press,1981.

same as in the former 1975-83 period (about 8 million people) but with a lower demographic component compensated by an increased participation rate. The period also shows a clear decline in the young workers group within the labour force.

3. Evolution of labour demand in the EC since 1983

Between 1983 and 1990, the Community registered the most remarkable expansion of employment ever achieved, since its creation, in any sub-period.

Total employment, which had declined from a peak of 127,7 million people in 1980 to a minimum of 124,5 million in 1983, started to recover from that year onward, exceeded its former maximum in 1987 and reached 133,6 million in 1990. In relative terms, this represented an average annual growth rate of 1 % during seven consecutive years, a rate twice as large as those reached in former periods of continuous expansion in labour demand.[1] Finally, the 1988-90 average of 1,6 % per year is higher than any individual yearly rate of growth observed from 1960 to 1985.

1 Former rates: 0,4 % in 1960-65, 0,6 % in 1968-74 and 0,4 % in 1975-80.

Table 3

Employment thresholds for the Community[a]

(in % per year)

Country	1961-73	1973-79	1979-85	1985-91
B	4,5	2,2	1,8	1,3
DK	2,4	0,8[b]	1,4	1,3
D	4,0	2,8	1,5	1,5
GR	8,1	2,4[b]	2,1	0,8[b]
E	7,5	4,3	1,8	2,6
F	4,9	2,1	2,0	2,0
IRL	4,3	4,4	2,7	3,2
I	5,5	−0,7[b]	0,6[b]	2,6
L	3,2	1,6[b]	1,9[b]	1,3
NL	2,5	3,6	1,5	1,8[b]
P	7,0	3,6	2,4	4,0
UK	3,0	1,4[b]	1,7	1,5
EUR 12	4,4	2,2	1,9	1,6

a Constant term in a seven-year moving average linear regression of real output growth on employment growth.
b These estimates are statistically uncertain and may have a large margin of error.
Source: Commission services.

Of course, real GDP also grew continuously at ever-increasing rates during the same period but its average rate of growth (2,9 % p.a.) was in fact smaller than in the former periods of labour demand expansion.[2].

Thus, output growth had become, in 1983-90, considerably more labour-creating than ever before, as confirmed by the evolution of the employment threshold, i.e. the minimum rate of growth of real GDP that must be reached before employment starts growing. The latest estimates by sub-period (see Table 3) exhibit a clear decreasing trend in most countries. At the EUR 12 level, the employment threshold declined from 4,4 % in 1961-73 to 1,6 % in the second half of the 1980s.

Among the possible explanatory factors of this remarkable evolution, five may be taken as most relevant. Since they are partly interdependent and overlapping, it would be extremely difficult to measure precisely their respective influence, but they all contributed to the greater labour intensity of output growth.

Table 4

Average weekly hours worked per person employed

	1983	1986	1989
B	40,2	39,6	38,5
DK	37,2	36,9	35,7
D	39,9	39,7	39,1
GR	45,9	43,8	43,7
E	:	:	41,2
F	40,1	39,2	39,2
IRL	43,3	43,6	43,2
I	39,9	39,6	39,8
L	40,6	40,2	40,1
NL	37,7	37,0	33,2
P	:	44,4	43,8
UK	38,5	38,7	38,9
EUR 10[a]	39,7	39,3	39,0
EUR 12	:	:	39,3

a EUR 12 without Spain and Portugal.
Source: Eurostat. *Labour force survey*, 1983, 1986 and 1989.

(i) Reduction in average working time

For a given level of GDP and productivity per hour worked, a reduction in effective working time per worker will increase the level of employment expressed in number of employees

2 Former rates: 5,0 % in 1960-65, 4,4 % in 1968-74 and 3,1 % in 1975-80.

needed to reach the same level of output. In practice, however, reductions in working time generally go together with productivity gains so that the net employment creation is somewhat less than proportional to what the reduction in working time would suggest.

For the Community as a whole, the reductions observed in 1983-89 are somewhat limited. For the EUR 10 aggregate,[1], average weekly hours worked by all persons employed fell from 39,7 hours in 1983 to 39,0 in 1989, a cumulative reduction of 1,8 %. Since total employment growth over the same interval was about 6 % and taking into account the usual hourly productivity gains, it does not seem that the reduction in working time can explain a large share of the net employment creation.

(ii) Increase in the share of part-time work.

Mutatis mutandis, a shift from full-time to part-time work for a given level of output would have the same impact on employment as a reduction in working time.

Table 5

Share of part-time employment among employees

(in percentage)

	1983		1986		1989	
	men	women	men	women	men	women
B	1,9	20,7	2,1	25,2	1,8	28,0
DK	7,1	46,3	9,2	42,7	9,9	40,6
D	1,1	29,6	1,5	29,7	1,7	30,4
GR	3,3	8,5	2,6	7,8	2,1	6,8
E	:	:	:	:	1,0	11,1
F	2,0	18,7	3,2	22,5	3,3	23,6
IRL	2,4	11,9	2,8	12,4	3,4	15,3
I	1,5	7,5	2,2	7,7	2,5	10,0
L	1,0	17,1	1.9	16,5	1,8	16.4
NL	6,8	49,5	6,1	49,8	14,8	58,4
P	:	:	1,3	8,1	0,9	7,7
UK	3,1	41,8	4,4	44,6	4,6	43,5
EUR 10	2,3	27,8	3,1	29,6	3,8	30,8
EUR 12	:	:	:	:	3,4	28,9

Source: Eurostat. *Labour force survey*, 1983, 1986 and 1989.

In this field, the changes between 1983 and 1989 as given in the EC Labour force survey are more significant than for working time, especially for female workers (see Table 5). From these data, the contribution of part-time jobs to total employment creation may also be derived (see Table 6).

[1] EUR 12 without Spain and Portugal.

Table 6

Contribution of part-time employment and full-time employment to total employment creation[a]

	1983-86			1986-89		
	Total (%)	Full-time (% points)	Part-time (% points)	Total (%)	Full-time (% points)	Part-time (% points)
B	3,1	1,5	1,6	1,8	0,7	1,1
DK	10,0	9,1	1,0	−0,5	−0,1	−0,5
D	2,1	1,5	0,6	3,5	2,5	1,0
GR	6,9	3,2	3,6	1,9	3,3	−1,3
E	:	:	:	12,6	11,9	0,6
F	0,6	−1,6	2,2	1,1	0,7	0,4
IRL	−3,9	−3,1	−0,8	2,0	0,5	1,5
I	0,4	0,0	0,4	0,6	−0,2	0,8
L	2,8	2,8	0,0	3,4	2,7	0,7
NL	7,9	5,6	2,2	12,3	−1,5	13,8
P	:	:	:	8,1	7,7	0,4
UK	4,7	1,1	3,6	8,0	6,2	1,8
EUR 10	2,5	0,8	1,8	3,9	2,2	1,7

[a] The sum of full-time and part-time contributions might not be equal to the total rate of growth due to rounding.

Source: Eurostat. *Labour force survey* and Commission services.

During the first half of the period (1983-86), the contribution of part-time activities to net employment creation was no less than 75 %. In 1987-89, this contribution was somewhat lower but still quite important (45 %).

This evolution is consistent with the expansion of the services sector (see below) where part-time activities are easier to accommodate than in manufacturing. It may also correspond to a risk-averse behaviour from employers which, at the end of a recession and during the initial, uncertain phase of a recovery, would delay full-time recruitment (with its associated hiring and firing costs), preferring part-time work on account of its flexibility and lower cost. As time goes on and as the recovery appears durable, full-time employment would progressively become the norm again.

The precise status of part-time activities is ambiguous, however. These activities may, indeed, correspond to a wish for greater flexibility both for employers and employees and attract people who would not have been job-seekers in the absence of such opportunities. But it also happens that firms confronted with loss of output resulting from loss of market share, inadequate product mix or any other similar reasons may be tempted to reduce their labour costs by replacing full-time by part-time posts even though their manpower would prefer to work full-time. In that case, part-time work becomes a form of hidden unemployment.

Table 7

Satisfaction with part-time and full-time work in 1989

	would you prefer part-time employment? (full-time workers)		would you prefer to work full-time? (part-time workers)		would you prefer to work full- or part-time? (unemployed)	
	No	Yes	Yes	No	Full-time	Part-time
B	77	13	19	47	51	30
DK	84	13	6	89	52	27
D	83	17	8	92	22	19
GR	86	14	78	22	89	10
E	73	24	63	35	72	24
F	77	19	89	11	28	70
IRL	90	7	48	44	87	11
I	68	32	49	51	:	:
NL	86	12	18	78	39	54
P	70	24	40	29	76	23
UK	75	25	11	89	71	20
EUR 12	77	22	37	61	52	35

Source: Developments on the labour market in the Community. Results of a survey covering employers and employees, *European Economy* No 47, March 1991, p.31.

Some quantitative appreciation of the share of desired versus undesired part-time activity may be derived from the *ad hoc* survey made by the Commission services in 1989 (see Table 7). According to this survey, it appears that only 61 % of part-time workers do indeed prefer to work part-time, as against 77 % of full-time workers happy with their status.

Thus, on this evidence, it seems that the expansion of part-time work in 1983-90 contributed significantly to the expansion of total employment and met the preferences of a large number of new entrants in the labour force, particularly among the female potential labour supply. However, the degree of dissatisfaction revealed by surveys about part-time jobs also points toward a substantial share of hidden unemployment among part-time workers.

(iii) Changes in the structure of output

As the degree of prosperity of an economy increases, a growing proportion of national income is spent on service activities. Since the services sector is generally more labour-intensive than manufacturing, an increase in its share in total output biases upwards the employment content of the growth process.

Table 8

Sectoral shares in total employment

(in percentage)

	1983			1986			1989		
	Agriculture	Industry	Services	Agriculture	Industry	Services	Agriculture	Industry	Services
B	3,4	33,5	63,2	3,2	32,0	64,8	3,3	31,4	65,2
DK	7,4	27,8	64,8	6,0	28,7	65,3	5,7	27,4	66,9
D	5,7	41,2	53,1	5,0	40,3	54,7	3,9	40,2	56,0
GR	30,0	27,1	42,9	28,5	26,2	45,3	25,3	25,7	48,9
E	:	:	:	16,2	31,8	52,0	13,2	32,7	54,2
F	8,4	33,3	58,3	7,6	31,3	61,1	6,9	30,3	62,8
IRL	17,5	30,6	51,9	16,1	29,7	54,2	15,5	28,8	55,8
I	12,0	36,0	52,0	10,5	33,2	56,4	9,2	32,0	58,8
L	4,9	32,4	62,7	3,8	30,0	66,2	3,8	29,2	67,0
NL	5,6	28,9	65,5	5,1	26,8	68,1	4,8	26,7	68,5
P	:	:	:	21,5	33,9	44,5	19,3	34,6	46,0
UK	2,5	35,9	61,6	2,2	34,0	63,8	2,2	32,6	65,1
EUR 10[a]	7,7	35,8	56,6	6,8	34,0	59,2	5,9	33,1	60,9
EUR 12	:	:	:	8,1	33,8	58,1	7,1	33,2	59,8

[a] EUR 12 without Spain and Portugal.
Source: Eurostat. *Labour force survey*, 1983, 1986 and 1989.

As shown by economic development models, the shift away from agriculture towards industry and, later on, away from these latter two towards services is a secular one in developed economies. The 1983-90 period is no exception to this trend and was marked by a four percentage point increase in the share of employment in services, which now represents 60 % of total employment (see Table 8). The major part of this change took place between 1983 and 1986 when, in fact, the growth of employment in services alone sustained the growth of total employment since, at that time, both agricultural and industrial employment were still declining.

From 1986 to 1990, employment in agriculture continued to decrease but industrial employment recovered somewhat thanks to the considerable expansion of fixed investment and final demand during those years. Employment in services continued to grow at about the same rate as in the former period.

Thus, the fast expansion of services and the corresponding larger potential for part-time activities were leading elements in the employment performance of the 1983-90 period.

(iv) Labour market policies

The appearance in the late 1970s of two-digit unemployment rates, the lengthening of the average unemployment period for some professional groups, the inadequacy revealed in some branches of professional teaching, the problem raised by old-age unemployment and other similar issues led governments in all Member States to launch specific labour market programmes aiming at promoting employment, either in general or for specific groups.

The net employment impact of these policies is difficult to assess since they took various forms that are not always easy to identify or to isolate from other programmes (in regional policy, for instance) which also have direct or indirect effects on employment. Nevertheless, they should undoubtedly be included into the whole range of factors that made the EC economy more labour intensive.

(v) Changes in the combination of factors of production

On the domestic side, the economic recovery in 1983-90 was not driven by private consumption but by fixed investment[1].

[1] See *European Economy* No 46, Analytical study No 1, pp. 85-7, December 1990.

Table 9

Sectoral employment performance[a]

	1983-86				1986-89			
	Total (%)	Agriculture (% points)	Industry (% points)	Services (% points)	Total (%)	Agriculture (% points)	Industry (% points)	Services (% points)
B	3,1	−0,1	−0,5	3,7	1,8	0,2	0,0	1,6
DK	10,0	−0,8	3,1	5,5	−0,5	−0,2	−0,8	2,7
D	2,1	−0,6	−0,0	2,8	3,5	−1,0	1,3	3,2
GR	6,9	−0,7	−0,2	3,6	1,9	−2,7	0,0	4,6
E	:	:	:	:	12,6	−1,2	5,2	9,5
F	0,6	−0,8	−1,8	3,1	1,1	−0,6	−0,8	2,3
IRL	−3,9	−2,2	−2,2	−0,1	2,0	−0,3	−0,4	2,8
I	0,4	−1,4	−2,7	4,6	0,6	−1,2	−1,0	2,8
L	2,8	−0,7	−1,4	4,8	3,4	0,0	0,7	4,0
NL	7,9	−0,1	−0,1	8,1	12,3	0,3	3,5	9,6
P	:	:	:	:	8,1	−0,7	3,5	5,2
UK	4,7	−0,2	−0,6	4,8	8,0	0,2	1,8	7,6
EUR 10	2,5	−0,6	−1,0	4,0	3,9	−0,6	0,5	4,2
EUR 12	:	:	:	:	4,8	−0,7	1,0	4,7

[a] Total employment increase in percentage per year and contribution of agriculture, industry and services in percentage points. The sum of the contributions might not be equal to the total rate of growth due to the presence of a residual in the survey data.

Source: Eurostat. *Labour force survey*, 1983, 1986 and 1989.

An important determinant of that expansion was the impact of wage moderation on profit rates and on the profitability of fixed capital[1] Furthermore, the very high level of real interest rates during the 1980s combined with wage moderation to reverse the relative position of factor costs with respect to the 1970s, when real labour costs were high and real interest rates negligible or even negative.

Table 10

Supply-side indicators relevant to the labour market

(annual average rate of change or yearly average level)

	1960-73	1973-83	1983-90
Profitability of fixed capital[a]	100,0	73,9	85,9
Real wage cost per wage earner	4,5	2,1	1,1
Labour productivity	4,4	2,1	1,9
Capital intensity[b]	4,6	3,3	1,5
Labour-capital substitution[c]	1,6	1,1	0,5
Wage share in GDP at factor costs	73,7	75,1	71,4

[a] Net operating surplus per unit of fixed capital (index 1960-73 = 100).
[b] Real GDP per person employed (% per year).
[c] Real fixed capital per person employed (% per year).
[d] Discrepancy between labour productivity and weighted average of labour and capital productivity (= total factor productivity).
Source: Commission services.

As a consequence, fixed capital formation became capital widening rather than deepening as is evident from the evolution of capital intensity and the substitution of labour by capital in the 1983-90 period when compared to earlier periods (see Table 10); and the factor mix in the production process became more labour intensive.

Thus, the change in behaviour in the wage determination process, supported by the stability-oriented stance of monetary and fiscal policies and by the expectation effects linked to the main Community projects (internal market, economic and social cohesion, EMU) all combined to restore the expansion of fixed capital needed for a strong and sustainable medium-term growth process and to make it more conducive to employment creation than ever before.

The cyclical downturn registered by most EC countries in 1991 will negatively affect labour demand and create a pause in its strong expansion. However, until now, the basis for a future recovery and, notably, the considerable lowering of the employment threshold do not seem to be in question. Indeed, despite an expected GDP growth of only 1,3 % for the EC in 1991 and about 2,2 % in 1992, the growth of employment will remain positive during these two years. Thus, with the maintenance of sound policies and wage behaviour and the progressive restoration of the confidence of economic agents, employment will be able to recover a favourable growth path in the medium term.

4. Evolution of unemployment in the EC since 1983

4.1. Overall evolution

Despite the high growth of labour demand since 1983, high unemployment remains a dominant feature and problem of the EC economy when compared to its major trading partners and especially to the other members of EFTA.

Table 11

Total unemployment rates in the Community

(unemployed as percentage of civilian labour force, annual averages)

	Total		Men		Women	
	1984	1990	1984	1990	1984	1990
B	12,5	8,1	8,4	5,2	19,3	12,8
DK	8,7	7,9	7,4	7,2	10,2	8,8
D	7,1	5,1	6,1	3,9	8,6	7,0
GR	8,1	7,5	6,0	4,6	12,1	12,4
E	20,6	16,1	19,4	11,9	23,3	24,1
F	9,8	9,0	7,9	6,7	12,3	11,9
IRL	16,8	15,6	16,3	15,0	18,0	16,8
I	9,5	9,8	6,2	6,5	15,2	15,7
L	3,1	1,6	2,4	1,2	4,4	2,5
NL	12,3	8,1	11,0	5,8	14,8	11,9
P	8,7	4,6	6,5	3,2	11,9	6,3
UK	11,3	6,4	11,9	6,9	10,6	5,7
EUR 12	10,7	8,4	9,4	6,5	12,7	11,1

Source: Eurostat. Harmonized unemployment data.

[1] See this volume, Analytical study No 2.

From 1985 (when it reached its highest level) to 1990, the EC rate of unemployment slowly decreased from 10,8 % of the civilian labour force to 8,4 %. Thus, a 6,7 % increase in total employment resulted in a 2,4 percentage point decrease in the unemployment rate.

This may seem, and probably is, disappointing but, when compared to the 1975-83 period, it none the less shows considerable progress.

As already noted in Section 2.2, the expansion of labour supply in numbers of people in 1975-83 and 1983-90 was practically the same at around 8 million. But in 1975-83, employment decreased so that the number of registered unemployed increased by 8,5 million. In other words, the equivalent of the total increase in labour supply during eight years went into unemployment. In 1983-90, on the other hand, the net creation of employment posts was able to fully absorb 8 million job-seekers and still reduce unemployment by 1,3 million. However, this leaves little room for complacency: the number of unemployed remains well above 12 million persons in 1991 and represents a considerable social cost and waste of productive resources.

Thus, as regards 1983-90 the major problem resided neither on the supply side (no more pressure than before) nor on the demand side (twice as large as ever before) but rather at the level of GDP growth or the employment threshold. Since the latter fell considerably and is now very low by historical standards, GDP growth seems to be the issue: despite the large fall in the employment threshold, a 2,9 % growth average is not sufficiently above what might be called the 'unemployment decreasing' threshold. To take a hypothetical example, an average rate of GDP growth in 1983-90 of 3,5 % (a figure which is definitely not unrealistic with respect to 2,9 %) would, all other things being equal, have brought the unemployment rate slightly below 5 % in 1990.

The 1991-92 cyclical movement of the EC economy will unfortunately interrupt the progress made since 1985: given the low growth of GDP and employment forecast for these two years, the unemployment rate should rise above 9 % in 1992. However, as indicated above (Section 3), with appropriate policies and behaviour, the present growth recession should be short-lived and should not affect the basis for strong and sustainable growth of output and employment in the future. In that way, unemployment should, in the medium term resume its downward trend.

4.2. Compositional aspects

As regards the structure of unemployment, three specific issues are particularly striking in the period covering the 1970s and early 1980s:

(i) the discrepancy between male and female unemployment rates;

(ii) the high unemployment rates among young workers; and

(iii) the lengthening of the duration of unemployment.

Female unemployment

As a rule female unemployment rates in the Community are about twice as high as the rate for male workers (see Table 11). Furthermore, the 1984-90 evolution if anything, accentuated that discrepancy since male unemployment decreased by nearly 3 percentage points as against 1,6 points for the female rate. Thus, although women benefited more than men from the expansion of part-time work (see Section 3(ii) above) their relative position in terms of unemployment risk worsened during the period.

Youth unemployment

All unemployment analysts agree that to start one's participation in the labour force by being unemployed is a particularly frustrating experience. In that field, the performance of the Community at the beginning of the 1980s was less than brilliant, to say the least: in 1984, the unemployment rate among workers less than 25 years old reached 23,8 % with little difference between men and women (see Table 12).

From 1984 to 1990, the youth unemployment rate was more strongly reduced than the overall rate but, at 16,1 % in 1990, it still remained far above the average. Besides, part of this reduction may partly be due to the absolute decrease in the population in this age group.

The problem of youth unemployment thus remains acute at the beginning of the 1990s.

Long-term unemployment

The evolution of unemployment of long duration is perhaps the most worrying of the three issues analysed here. Labour market surveys (see Table 13) point out that the proportion of job-seekers searching in excess of 12 months actually

Table 12

Youth[a] unemployment rates

(unemployed as percentage of civilian labour force, annual averages)

	Total		Men		Women	
	1984	1990	1984	1990	1984	1990
B	27,7	16,0	22,3	12,2	33,4	20,3
DK	13,8	10,9	12,0	10,6	15,8	11,3
D	11,4	4,5	10,6	4,1	12,2	5,0
GR	23,9	24,8	17,5	16,9	31,7	33,9
E	46,9	31,9	45,6	26,0	48,6	39,1
F	26,0	18,6	22,2	15,4	3,0	22,0
IRL	24,2	21,6	26,4	23,3	21,5	19,5
I	31,7	29,2	25,9	23,7	38,6	35,6
L	6,8	3,9	6,7	2,9	7,0	5,0
NL	21,3	11,8	21,7	10,3	20,8	13,3
P	19,7	10,0	15,3	7,5	25,1	13,1
UK	19,2	9,3	20,6	10,5	17,5	7,9
EUR 12	23,8	16,1	22,2	14,0	25,7	18,4

[a] Persons younger than 25.
Source: Eurostat. Harmonized unemployment data.

increased by 5 to 10 percentage points (according to sex and age groups) between 1983 and 1989. Furthermore, in all groups, the share of long-term unemployed has reached or passed the 50 % mark.

Two elements contributed to this unfavourable evolution:

(a) all other things being equal, employers will accord priority to people having short unemployment duration deeming them to be less likely to have lost their professional edge. As a consequence, when unemployment goes down, the short-term unemployed will be the first to benefit and the proportion of long-term unemployed will mechanically increase;

(b) some long-term unemployed increasingly lose contact with the labour market and, in some sense, are no longer part of the normal labour market turnover.

Since the problems raised by unemployment of long duration are clearly neither solved nor solvable by market mechanisms alone, they require more than ever specific policy measures in order to avoid a disastrous marginalization of millions of EC citizens.

Table 13

Share of job-seekers with declared duration of search of 12 months or more

(in percentage)

	1983			1986			1989		
	14-24	25-49	≥50	14-24	25-49	≥50	14-24	25-49	≥50
B	50,3	74,1	76,8	51,7	77,3	83,5	57,1	81,6	86,0
DK	21,3	38,0	38,4	13,4	37,5	39,0	10,9	28,0	37,4
D	29,7	41,9	50,5	32,9	50,7	63,0	28,6	46,4	69,3
GR	32,8	37,6	30,0	44,0	46,3	35,9	48,8	56,4	48,9
E	:	:	:	57,8	60,1	56,2	59,1	62,4	57,1
F	33,3	43,3	67,3	37,2	50,2	71,1	31,6	51,2	69,8
IRL	27,4	40,9	49,9	56,4	68,7	76,8	55,8	70,4	77,5
I	55,8	59,8	39,4	66,5	67,3	51,3	70,8	70,9	53,4
L	27,2	40,3	:	:	:	:	:	:	:
NL	39,6	54,3	60,0	43,3	67,3	68,1	25,1	56,7	73,4
P	:	:	:	56,1	57,5	48,9	43,6	53,3	49,0
UK	40,8	48,6	56,0	36,1	48,2	58,2	25,0	40,2	63,1
EUR 10	41,7	48,9	56,0	46,8	55,1	62,7	46,7	53,8	66,0
EUR 12	:	:	:	49,8	56,1	61,8	49,6	55,5	64,2

Source: Eurostat. *Labour force survey*, 1983, 1986 and 1989.

5. Conclusions

The employment creation performance of the Community, which was abysmally poor during its first 25 years of existence, achieved a remarkable turnaround in the second half of the 1980s. The employment threshold of GDP growth is now lower than it has ever been and, for the first time since 1965, the growth of employment in 1983-90 became larger than the growth of labour supply (without any slowdown in the latter), initiating at long last a fall in the number of unemployed (see Table 14).

Table 14

Changes in employment and unemployment

(EUR 12, in thousand people)

Periods	Changes in employment	Changes in unemployment
1960-65	+ 2 163	− 589
1965-68	− 1 076	+ 874
1968-74	+ 4 579	+ 261
1974-75	− 1 433	+ 1 570
1975-80	+ 2 547	+ 2 938
1980-83	− 3 214	+ 5 531
1983-90	+ 9 071	− 1 273
1960-90	+ 12 637	+ 9 312

Sources: Eurostat and Commission services.

Unemployment, however, is still high since the average GDP growth during that period, despite its higher employment intensity, was not sufficient to both absorb the expansion of labour supply and reduce unemployment by a large amount.

The present cyclical downturn of the Community economy will unfortunately cause a break and reversal in the evolution of the unemployment rate. However, provided that this cyclical adjustment remains short-lived and that economic policies remain oriented as in the second half of the 1980s towards stability and the full completion of the main Community projects, the medium-term growth potential of the Community should not be hampered.

As regards the labour market, the policy stance and behavioural changes that led so powerfully to a much more labour-intensive growth process will have to be maintained in order to preserve the gains of the 1980s and to be able to exploit fully the acceleration in GDP growth that can be expected in the framework of the internal market and of the EMU in terms of a prompt and appreciable reduction in unemployment.

Within the structure of unemployment, some elements (dissatisfaction about full-time or part-time job status, female, youth and long-term unemployment, ...) which reflect persisting rigidities in the labour market and inadequacies in the education and training systems will have to be addressed and made to contribute to the progressive restoration of a strong, sustainable, full-employment growth process in the Community.

Study No 4

Main features of Community trade

Main features of Community trade

Tables

Graphs

Summary

The 1980s have been characterized by strong global trade expansion, led by sustained economic growth in developed countries and dynamic economies of Asia. The Community's trade structure reveals that it increasingly trades with other developed countries, whose share of Community trade has increased from 48 % in 1980 to 60 % in 1990. This shift has occurred almost entirely at the expense of OPEC countries, which, in 1990, accounted for only 9 % of Community trade compared to 23 % a decade earlier. Trade with Central and East European countries still represents a relatively small fraction of EC external trade (9 % in 1990). None the less, after the demise of the intra-CMEA (Council of Mutual Economic Assistance) trade system, the EC market has become of increasing importance to several Central and East European countries.

In terms of product composition the Community continues to principally export manufactured products (about 80 % of total merchandise exports), whereas its traditional import pattern has progressively moved away from commodities and raw materials towards processed manufactures. The relative degree of trade openness of the Community appears to be comparable with the United States of America and remains well above Japan's.

This study also focuses on recent developments in Community import and export volumes, separating the extra- and intra-EC trade components. Since 1982, EC import volumes (intra- plus extra-EC) have been growing at a sustained rate, fuelled mainly by dynamic domestic final demand. Fears of an inward-looking Community as a result of the completion of the internal market programme do not seem to be justified: between 1986 and 1990, extra-EC imports of manufactures, in volume terms, have in fact grown on average more rapidly (+9,4 %) than intra-EC imports (+7,1 %). Community imports of high-tech products from the rest of the world have increased at 7,7 % per year between 1982 and 1990. Although on average foreign exporters have been able to meet a larger share of the Community's import demand of high-tech products, in certain sub-sectors, and in certain years, EC high-tech products have enjoyed comparable or better performances than their extra-EC counterparts.

Since the early 1980s, growth of extra-EC export volumes has been relatively modest (+0,7 % between 1982 and 1990), well below the rate of growth of intra-EC exports (+5,1 %). On the one hand, this divergent trend points to a reorientation of EC exports towards a dynamic internal market. On the other hand, it also signals a reduced level of competitiveness, which has contributed to Community's market share losses in third markets over the last decade. Also in the field of high-tech products, Community exports to the rest of the world have been sluggish (+2 % between 1982 and 1990), especially when compared to intra-EC exports (+7,5 %).

Movements in real effective exchange rates have contributed to the reduction of current account imbalances, particularly in the United States and Japan. In this regard, there may be a risk for the Community of finding itself in a position similar to that experienced by the United States during a large part of the 1980s, under the combined effect of short-term developments (economic growth differentials) with the longer term impact of effective exchange rates on trade flows.

The Community trade evolution in the 1980s has been largely influenced by both cyclical and structural factors: sustained economic growth, large swings in key commodity prices, and exchange rate movements that have affected the competitiveness of Community exports. The wide swings in real effective exchange rates, whose development has been largely unfavourable during the second half of the 1980s, in part explain the modest performance of (extra-)EC exports and the rapid increase in extra-EC imports. However, the real depreciation in Community currencies during the first three-quarters of 1991 has somewhat enhanced the competitive position of EC exports. Community external trade perspectives in the short term remain overshadowed by the expected modest recovery in most industrialized countries and temporary difficulties in East European markets.

1. Recent trends in world trade

The last decade has been characterized by strong output growth and even stronger trade growth at the world level. In the period 1983-89, the volume of world trade grew much faster (at an average annual rate of 6 %) than world output (4 %). For the decade as a whole, world trade volume increased about 50 %, while rising some three-quarters in value terms. Since 1983 economic growth in Western Europe, North America and Asia has fuelled international trade expansion. Rapidly expanding world markets have created great opportunities for export expansion, while at the same time increasing the pressures for domestic restructuring. Relative specialization of countries has been affected, new competitors have emerged world wide, while countries previously in a leading position in specific sectors have experienced an erosion of their ranking in the world league.[1]

Growth of merchandise trade in volume terms slowed to 5 % in 1990 from 7 % in 1989, while world output growth slipped from 4 to 3 %. Though the uncertainty caused by the Gulf war may have contributed to the slowdown of the world economy, its impact has probably been modest.

1 To give a general idea of the reshuffling of the sectoral specialization in the world markets, without going into the detail of individual countries, it is worth recalling the result of a recent analysis carried out by the GATT Secretariat: 'one out of four of the 25 top merchandise exporters in 1989 had moved up 10 ranks or more since 1979. On average, nearly one out of six product groups exported by developed countries to one another in 1989 was not on the list of principal export products in 1979, and an even larger proportion of the developing countries' 1989 exports to developed countries involved new product groups. Between the beginning and the end of the decade, eight markets (one in five) disappeared from the typical developed country's list of principal export markets, and four new markets were added'. (GATT (1990), *International trade 89-90*, Geneva, Vol. I, p. 2.)

The value of merchandise world trade reached USD 3,5 trillion in 1990, up 13 % from the previous year.[2] Export growth in 1990 has been particularly strong in the developed economies, partly due to the effects of US dollar depreciation (see Section 7.1 below) *vis-à-vis* most European currencies.[3] One noticeable exception has been Japan, whose export growth in 1989 and 1990 was well below world trade expansion.

In 1990 OPEC members generally benefited from the 25 % increase in oil prices, while the rise in export receipts of the leading Asian exporters of manufactures slowed down below the growth rate of imports. Divergent trends in commodity prices have, to a large extent, determined the export performance of the other developing countries: export growth average was above the world average in African developing countries and below in Latin America.

2 GATT Secretariat estimates, 1991.
3 Trade values in 1990 have been partly boosted by the US dollar's depreciation against the other major currencies, with the effect of automatically increasing the US dollar value of world trade.

Table 1

Merchandise trade for selected countries, 1989-90

	Exports			Imports		
	Value Billion USD	Annual change (%)		Value Billion USD	Annual change (%)	
	1990	1989	1990	1990	1989	1990
World	3 470	7,5	13	3 600	8,5	13,5
Developed countries	2 495	7	14,5	2 625	8	14,5
of which:						
Japan	285	3,5	4,5	235	12	11,5
North America	525	10,5	8,5	635	7	3,5
Western Europe	1 615	6,5	19,5	1 685	7,5	21
EC	1 360	7	20	1 415	8	21,5
EFTA	225	5,5	20	230	6	16,5
Developing countries	735	13	13	720	11,5	15
of which:						
Leading Asian exporters of manufactures[a]	320	12	9	330	15	15,5
OPEC	185	23	25,5	120	3	15,5
Other	230	8,5	10	270	12	14
Central and Eastern Europe[b,c]	55	−5	−14	55	−5,5	−6,5

a Hong Kong, South Korea, Malaysia, Singapore, Taiwan and Thailand.
b Excludes former GDR.
c Given the difficulties involved in converting data expressed in national currency into US dollars the figures are to be regarded as rough approximations.
Source: GATT, 1991.

The ongoing economic reforms towards a market-oriented economy in Central and East European countries, combined with the breakdown of previous trade relations within the CMEA, have heavily affected both their level and regional pattern of trade.

2. EC trade by main geographic area and product: 1958-90

The economic size of the Community, about one quarter of world GDP, and the considerable importance of intra-Community trade are such that its growth prospects depend, to a large extent, on its own dynamism. Yet, in an increasingly integrated world, favourable economic developments depend more and more on a healthy international environment. This applies not only to merchandise trade, but also to trade in services and foreign direct investment, which increasingly add to the external economic dimension of the Community. As the world's largest exporter and importer, the Community has a manifest interest in the preservation of an open, multilateral trading system.

Community merchandise trade with third countries accounts for about one-fifth of world trade. In 1990, extra-EC exports and imports of merchandises reached ECU 420 and 463 billion, respectively, representing 8,9 % and 9,8 % of Community GDP. Over the last three decades an increasing share of the Community's merchandise trade has been accounted for by developed countries, both as an export market and a source of import supply.

During the second part of last decade, Community trade has benefited from a favourable external environment. Economic growth in North America, the dynamic Asian economies and EFTA countries more than offset the adverse impact on Community exports of poor economic performances in heavily indebted countries of Latin America and Africa, and in the Middle East.

However, in 1989-90 an exceptionally long period of sustained economic growth in the industrialized countries came to an end. An inversion of the cyclical movement has overshadowed the outlook for the Community, in part due to the temporary rise in oil prices caused by the Gulf war. Although these developments will not necessarily have a lasting influence on economic conditions in the Community, they none the less harm the short-term prospects. For 1992, Community external trade perspectives remain moderated by expected modest recovery in the other industrialized countries and likely short-term difficulties in East European markets.

2.1. Community imports by origin

In 1990, industrialized countries' share of Community imports reached 60 % (62 % in 1988), 12 percentage points higher than at the inception of the Common Market (see Table 2). In fact, most of this change occurred during the second half of the 1980s.

In 1990, EFTA countries as a whole represented the largest import supplier, accounting for 23 % of total Community imports. Although the USA remained the single most important trading partner, its share of Community imports has stagnated during most of the last three decades (around 18 %). Japan's share rose sharply particularly during the 1980s: from 1 % in 1958 to 5 % in 1980 and to 10 % in 1990 (11 % in 1988).

Community imports from the (former) 'Eastern Bloc'[1] have stagnated (at about 8 %) over the entire period without major changes (see also Section 3 below).

Largely due to the sharp fall in oil prices during 1986 and 1987, the OPEC countries' share of Community imports has fallen considerably, from 27 % in 1980 to 10 % in 1990. Imports from heavily indebted countries in Latin America and Africa have also declined. By contrast, the share of the four Asian NIEs[2] has grown significantly from 1 % in 1958 to 3 % in 1980, reaching 6 % of EC imports by 1990. Changes in the relative shares of the other developing countries have been much less dramatic.[3]

2.2. Community exports by major area of destination

The geographic pattern of Community exports strongly resembles that of imports described above. Largely as a result of increasing intra-industry trade, especially during the

1 See list of countries in Table 2.
2 See definition in Table 2.
3 EC import demand of manufactures in fact has been particularly beneficial to the developing countries. During the 1980s, EC imports of manufactures from developing countries more than doubled in volume terms, compared to only a 60 % rise in total extra-EC import demand for manufactures; in value terms, EC imports of manufactures from developing countries were in 1989 about 2,5 times as high as in 1980.

Table 2

The structure of Community trade by major trading partner and product, 1958-90

(current prices)

	Import share (%)				Export share (%)			
	1958	1980	1988	1990	1958	1980	1988	1990
	Origin				Destination			
By geographic area								
Other industrialized countries	48	46	62	60	48	50	61	60
of which:								
EFTA	14	17	23	23	20	25	27	27
USA	18	17	18	18	13	13	20	18
Japan	1	5	11	10	1	2	5	5
Eastern Bloc[a]	6	8	8	9	7	9	8	8
Other countries	46	46	30	31	44	41	31	32
of which:								
OPEC	17	27	8	10	12	18	9	8
ASEAN	3	3	3	4	3	3	3	4
Asian NIEs[b]	1	3	6	6	2	3	8	6
Mediterranean basin	7	8	8	9	12	13	10	11
Latin America	10	6	6	6	9	6	4	4
By product								
Primary products:								
Food, beverages, tobacco	30	9	9	8	9	8	7	8
Fuel	16	35	11	15	—	—	—	—
Other raw materials[c]	30	11	10	8	8	7	5	4
Manufactures								
Machinery and transport equipment	6	14	28	29	37	37	39	40
Chemicals	—	—	—	—	9	10	12	12
Other manufactures[d]	17	24	35	35	37	32	31	31
Miscellaneous, etc.	1	7	7	5	0	6	6	5

[a] Includes Albania, Bulgaria, Czechoslovakia, GDR, Hungary, Poland, Romania, the USSR, China, Cuba, Mongolia, North Korea and Vietnam.
[b] Includes Hong Kong, Singapore, South Korea and Taiwan.
[c] EC exports include fuel products.
[d] EC imports include chemicals.
Source: Eurostat.

1980s, the share of total exports going to industrialized countries has increased substantially: 48 % in 1958, 50 % in 1980 and 60 % in 1990. More or less in line with imports, Community exports to EFTA, the USA and Japan expanded notably throughout the last three decades. In 1990, EFTA markets accounted for close to one-third of Community exports. Despite rapid growth of exports to Japan (up to 5 % in 1990, from 2 % a decade earlier), Switzerland (10 %), Austria (6 %) and Sweden (6 %) each still represented larger outlets for Community merchandise exports.

Since 1958, the developing countries' share of EC exports has decreased by 12 percentage points, to 32 % in 1990. The substantial fall of exports to both OPEC (from 12 % to 8 %) and Latin American countries (from 9 % to 4 %) outweighed the marked increase of exports to the Asian NIEs during the 1980s (their share more than doubled from 3 % a decade earlier). In fact, fast-growing Asian countries (Asean plus Asian NIEs) as a group, have now become a more important trading partner for the Community than the Eastern Bloc countries as a whole.

2.3. Product composition of Community imports and exports

Product composition of Community imports has changed substantially over the last three decades. The most remarkable feature has been the relative decline in imports of foodstuffs and non-fuel primary products, whose combined share has fallen from 60 % in 1958 to 20 % in 1980 and 16 % in 1990. This was outweighed by the corresponding vigorous expansion of manufactured imports: their share rising from 24 % in 1958 to 45 % in 1980 and 69 % in 1990. The impact of the common agricultural policy, the introduction of natural resource-saving technologies, as well as increasing imports of highly processed goods from Japan and the four Asian NIEs contributed significantly to these developments.

In contrast, the product composition of Community exports has remained relatively stable during the period 1958-90. In 1990, manufactures still represented some 80 % of total exports, the same as three decades earlier, while the share of primary goods fell by five percentage points to 12 %. Within the group of manufactures, exports of machinery, transport equipment and chemicals have increased their relative weight significantly.

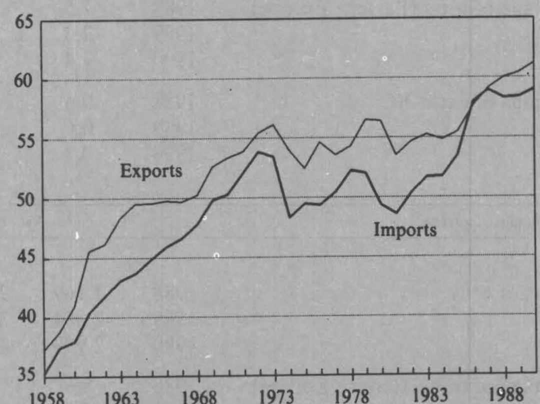
Box: Intra-Community trade

Trade among Member States is of increasing importance as a part of total Community trade: it rose from 35 % in 1958 to 49 % in 1980 and 60 % in 1990 (at current prices). The removal of tariff barriers to trade stemming from the creation of the Common Market provided an initial boost to trade between Member States. Since the early 1970s the expansion of intra-EC trade stagnated, partly due to the rise in the relative price of commodities (including mineral fuels) imported from third countries. Since the mid-1980s, however, the decline in oil prices, the entry of two new Member States, sustained domestic demand and a reorientation of EC exports towards other Member States (partly in response to the 1992 programme) have given a new stimulus to intra-EC trade (see Graph 1).

Driven by rapid expansion in the manufacturing sector, the product structure of intra-EC trade has also changed significantly: the share of manufactured products rose from 61 % in 1958 to 78 % in 1990. The most rapid growth was in machinery/transport equipment and chemicals, whose respective shares of total trade rose from 22 % and 7 % in 1958 to 35 % and 12 % in 1990. Conversely, the share of primary goods (SITC[1] 0-4) decreased significantly during the 1980s; the share of fuel also fell sharply from 1986 onwards due to lower energy product prices.

[1] Standard International Trade Classification.

GRAPH 1: **Intra-Community trade, 1958-90**[1]
(as a percentage of total EC trade)



[1] EUR 12, current prices.
Source: Eurostat.

3. EC trade with Central and Eastern Europe

Although trade with Eastern Europe[1] has recently increased, it has traditionally accounted for a relatively small fraction of EC external trade. In 1990 the share of Community trade (imports plus exports) accounted for by Eastern Europe was still relatively small, representing 7 % of total extra-EC trade (6,4 % in 1989).[2] The relative market shares of individual East European countries have not moved much compared to the pre-upheaval period (see Table 3).

In 1990, the Community's main eastern trading partners were the USSR with 3,9 % and 3,2 % of total extra-EC imports and exports, respectively, Poland with 1,2 % for both, and Czechoslovakia and Hungary with some 0,7 % for both.[3] The latter three countries together accounted in 1990 for 2,6 % of both Community imports and exports (2,0 % and 2,3 %, respectively, in 1989). Trade with Yugo-

Share of the EC in total exports of Central and East European countries (in percentage)

	1989	1990
Bulgaria	8	:
Czechoslovakia	16	27
Hungary	24	35
Poland	31	46
Romania	18	:
Soviet Union	26	:

Note: Given the difficulties involved in converting data expressed in national currency into US dollars the figures are to be regarded as rough approximations.

1 The definition 'Eastern Europe' used in the text refers to eight countries: Albania, Bulgaria, Czechoslovakia, GDR, Hungary, Poland, Romania, and the USSR. This definition is somewhat different from that in Table 3 which also includes Yugoslavia and excludes the former GDR.

2 To put the share in perspective, in 1990 Switzerland alone accounted for 8,6 % of EC external trade.

3 Community trade with the former GDR accounted in 1989 for 0,4 % of both imports and exports, excluding inter-German trade (about 1,2 % including inter-German trade).

Table 3

Community trade with East and Central European countries, 1988-90

(a) Community imports from		Czechoslovakia	Poland	Hungary	Bulgaria	Romania	USSR	Yugoslavia	Albania	Total
Millions of ecus	1988	2 211	3 361	2 158	462	2 234	12 990	5 892	72	29 380
	1989	2 557	3 858	2 587	531	2 548	15 164	6 997	100	34 343
	1990	2 786	5 278	3 004	593	1 617	16 749	7 684	—	37 711
Percentage of total (Eastern Europe)	1988	7,5	11,4	7,3	1,6	7,6	44,2	20,1	0,2	100,0
	1989	7,4	11,2	7,5	1,5	7,4	44,2	20,4	0,3	100,0
	1990	7,4	14,0	8,0	1,6	4,3	44,4	20,4	—	100,0
Percentage of extra-EC	1988	0,6	0,9	0,6	0,1	0,6	3,3	1,5	0,0	7,6
	1989	0,6	0,9	0,6	0,1	0,6	3,4	1,6	0,0	7,7
	1990	0,7	1,2	0,7	0,1	0,4	3,9	1,8	—	8,8

(b) Community exports to		Czechoslovakia	Poland	Hungary	Bulgaria	Romania	USSR	Yugoslavia	Albania	Total
Millions of ecus	1988	2 169	2 756	2 355	1 406	615	10 114	5 714	66	25 195
	1989	2 384	3 944	2 988	1 477	689	12 603	7 031	121	31 237
	1990	2 909	4 934	3 220	1 034	615	13 614	8 521	—	34 847
Percentage of total (Eastern Europe)	1988	8,6	10,9	9,3	5,6	2,4	40,1	22,7	0,3	100,0
	1989	7,6	12,6	9,6	4,7	2,2	40,3	22,5	0,4	100,0
	1990	8,3	14,2	9,2	3,0	1,8	39,1	24,5	0,0	100,0
Percentage of extra-EC	1988	0,6	0,8	0,6	0,4	0,2	2,8	1,6	0,0	6,9
	1989	0,6	1,0	0,7	0,4	0,2	3,1	1,7	0,0	7,6
	1990	0,7	1,2	0,8	0,2	0,1	3,2	2,0	—	8,3

Source: *Eurostat.*

slavia accounted in 1990 for 1,8 % and 2,0 % of Community imports and exports, respectively (1,6 % and 1,7 % in 1989).

Viewed from an East European perspective, trade with the Community is much more important. As indicated above, in 1989 the Community accounted for a significant proportion of exports for several East European countries. With the demise of the intra-CMEA trade system and depressed levels of economic activity due to the transformation process in most of these countries, their exports have become increasingly directed towards the EC. In 1990 the Community accounted for 35 % of exports from Hungary and 46 % of exports from Poland (the latter jumped to 54 % during the first quarter of 1991), with similar trends in other East European countries.

Share of manufactures in EC trade with Eastern Europe, 1990
(in percentage)

	EC exports	EC imports
Bulgaria	82	59
Czechoslovakia	84	74
Hungary	89	67
Poland	77	59
Romania	61	71
Soviet Union	80	19

The product composition of Community exports to Eastern Europe is substantially different from the composition of EC imports from that area. As shown above, in 1990 manufactures accounted for about 80 % of Community exports to all Eastern Europe, with the exception of Romania (where EC exports of food products were particularly prominent). The share of manufactures in EC imports from East European countries was substantially lower, with important differences among individual countries. Manufactures represented only 19 % of the Soviet Union's exports to the EC — energy accounted for the bulk of Soviet exports. Among the remaining countries, manufactured products had a relatively lower weight in the case of Bulgaria (59 %) and Poland (59 %), whose exports of food products are particularly significant.

4. Trade by individual Member States

The main trends described thus far for the Community as a whole are in fact the sum of wide differences of trade levels and intensities among its Members States. These differences are, to a large extent, due to the different size of Member States' economies and to their different location (centre/periphery) with respect to the rest of the Community. In 1990, total trade to GDP ratios[1] ranged from a minimum of 14,4 % (Spain) to a maximum of 60,1 % (Belgium-Luxembourg) (see Graph 2a). Considering extra-EC trade only, the range varies between 5,5 % (Spain) and 16,1 % (Belgium-Luxembourg) (see Graph 2b).

In 1990, seven of the 12 Member States, namely the four larger and the Benelux countries, accounted for 90 % of total EC exports (see Graph 3). Germany alone accounted for almost one third (29,3 %) of total EC exports. Despite having a population less than half that of France, in 1990 the Benelux countries enjoyed a significantly larger share of Community exports (18,6 % against 16,1 % for France). During the 1980s, the relative shares of Portugal, Ireland, Spain, Italy and Germany have increased, while those of Greece, Belgium/Luxembourg, The Netherlands and the UK have shrunk. The shares of Denmark and France have remained virtually unchanged. In spite of a significant rise during the last decade, Spanish exports have a still relatively modest weight (4,3 % in 1990) in total Community exports, largely due to the inward-looking character of the Spanish economy before its entry into the Community.

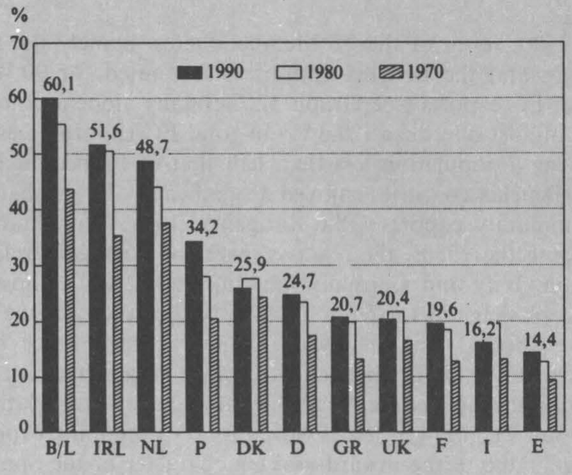
Between 1960 and 1990, total trade openness has increased very rapidly, albeit from very different initial levels, in Portugal (+ 16,6 percentage points), France (+ 8,8) and Spain (+ 8,3). Denmark is the only country whose trade openness has actually declined (− 0,5). Whereas in the 1970s all Member States experienced an increase in their level of trade openness, the 1980s have been characterized by an overall stagnation, resulting from opposite trends: a reduction in Belgium/Luxembourg, Italy and the UK, and small increases in most of the remaining Member States.

As noted above, the creation of the Common Market has led to a general strengthening of Member States' trade with each other, with the corresponding effect of reducing the share of extra-EC trade. In fact, extra-EC trade is of relatively minor importance in five smaller countries (Belgium-Luxembourg, Ireland, The Netherlands, and Portugal), accounting in 1990 for less than 30 % of their total merchandise exports (see Graph 2c).

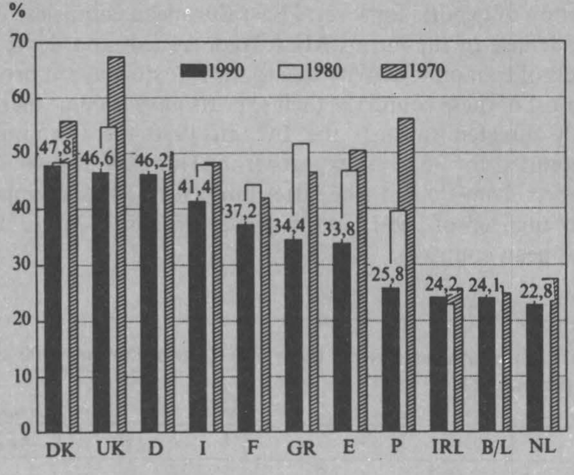
Among the larger Member States, France and Spain have relatively lower trade links with third countries, their extra-EC component representing 37 % and 34 % of their total exports in 1990, respectively. On the other hand, extra-EC markets still represent a substantial outlet for British (47 %),

[1] Total trade includes extra-EC as well as intra-EC merchandise trade. In the text, the definition 'trade openness' is also used to indicate the trade to GDP ratios.

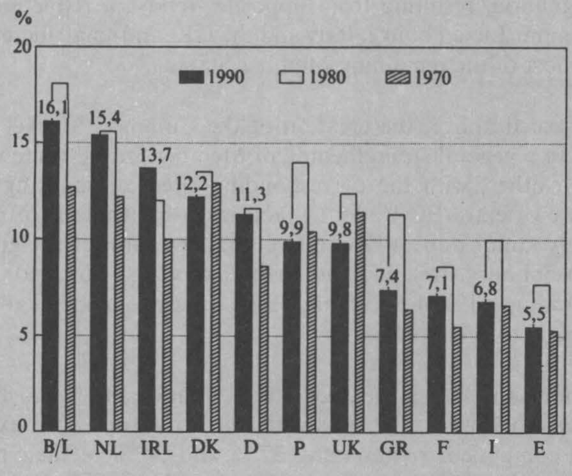
GRAPH 2a: **Trade openness of EC Member States** (intra + extra-EC trade[1] as a percentage of GDP)



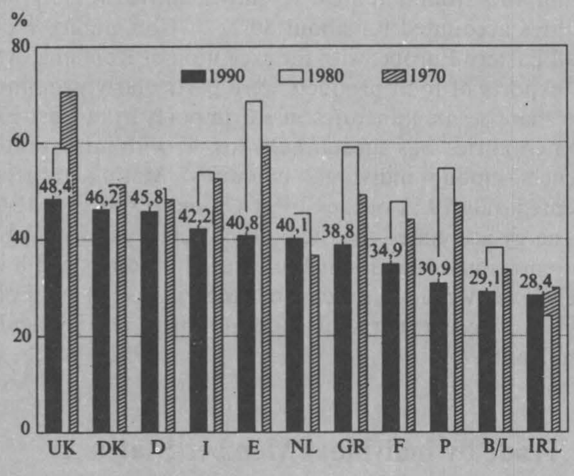
GRAPH 2c: **Extra-EC export shares** (as a percentage of Member States' total exports)



GRAPH 2b: **Extra-EC trade openness** (Extra-EC trade[1] as a percentage of GDP at market prices)

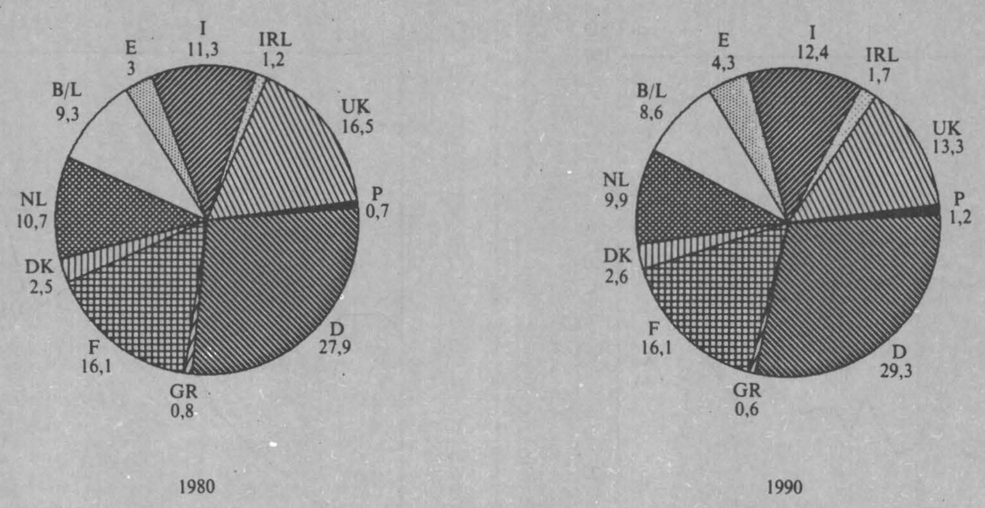


GRAPH 2d: **Share of extra-EC imports** (as a percentage of Member States' total imports)



[1] Average imports/exports.
Sources: Commission services and Eurostat.

GRAPH 3: **EC exports by Member State** (share in total[1] EC exports)



[1] Intra- plus extra-EC; current prices.
Source: Eurostat.

Danish and German (both 46 %) exports, though also on a declining path.

On the import side, the picture is similar, with the exception of The Netherlands and Spain whose share of extra-EC imports is relatively larger than in the case of exports (see Graph 2d).

5. Trade openness of the EC compared to the USA and Japan

The share of the Community's merchandise (extra-EC) imports as a percentage of GDP has been subject to great variability over the last three decades (see Graph 4). The value of such a ratio has, to a large extent, been determined by changes in the price of the non-manufacturing component[1] of the Community imports, and the value of the US dollar, in which commodities are usually priced. Thus, the significant decrease in the share of imports observed for the Community as a whole in the mid-1980s can be put down to the sharp fall in the oil price and the US dollar depreciation.

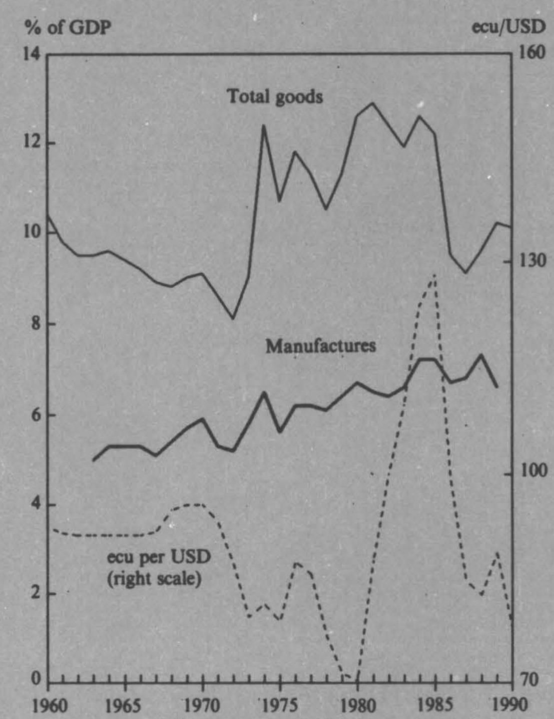
[1] The non-manufacturing component of EC imports includes: agriculture, hunting, forestry, fishing (NACE Class 0), and energy (NACE Class 1). All together they account for about one-third of total Community imports.

To avoid measurement problems due to commodity price volatility, Graph 5 compares Community imports of manufactures as a share of GDP with the United States and Japan. This measure of trade openness shows a clear upward trend for the Community. Since 1960, the Community has consistently recorded a somewhat higher level of trade openness than the US, until the recent import surge pushed up the American imports to GDP ratio above the Community's level. While the EC and especially the US have come to rely increasingly on imported manufactures, Japan has been characterized by a downward trend which further reduced an already low level of import penetration (in 1988 the Japanese ratio was half the value of the US), in spite of the relatively smaller size of the Japanese economy.

6. Recent trends in Community import volumes

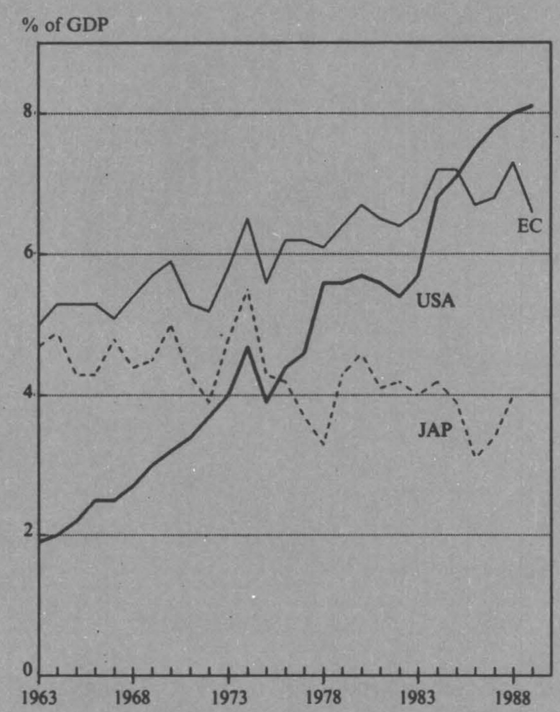
Since the early 1980s, final demand in the Community has been growing at a sustained pace (an annual average rate of 3,0 % between 1982 and 1988), stimulating total Community imports, whose growth (+ 4,6 % on average) has been well above that of final demand (see Table 4). In 1989 and 1990 total Community imports have continued to expand rapidly

GRAPH 4: **Extra-Community imports as a percentage of GDP** (current prices)



Source: BDS, Commission services.

GRAPH 5: **EC, USA and Japan trade openness** (imports of manufactures as a percentage of GDP)



(+7,4 % and +5,5 %), despite a relative slowdown in Community final demand below its 1988 peak (+5,0 %). Until the mid-1980s growth has been stronger for intra-EC imports, but since 1986 the extra-EC component has gained momentum, overtaking the intra-EC imports rate.

Import volumes by major product category. Manufactured products (SITC[1] 5-8) account for more than two-thirds of the total merchandise imports. Manufactures (+7,6 % per year on average between 1985 and 1990) have led the sustained growth of total Community imports during the second half of the decade (see Table 5). Imports of machinery and equipment (SITC 7: +8,0 %) and especially other manufac-

Table 4

Community imports and final demand in volume terms, 1982-90

	1988/1982	1986	1987	1988	1989	1990
Final demand[a]	3,0	3,9	4,0	5,0	3,7	2,8
Imports of goods[b]						
Intra-EC	5,5	4,4	6,3	5,9	8,6	5,6
Extra-EC	4,8	6,2	6,7	9,6	6,2	5,7
Total	4,6	4,3	6,4	7,5	7,4	5,5

[a] Including stocks.
[b] SITC 0-8.
[c] Source: *Eurostat, Trend,* until 1985: EUR 10.
Note: Due to the statistical techniques used to derive the volume indexes, the growth rates for trade with the world may lie outside the interval comprised between the intra-EC and extra-EC growth rates.
Source: Commission services.

[1] Standard International Trade Classification.

tured products (SITC 8: + 10,1 %) have increased faster than in the other sectors. Fears of an inward-looking Community as a result of the completion of the internal market programme are not supported by evidence in import volumes: in fact extra-Community imports of manufactured goods have grown on average more rapidly (+ 9,4 % between 1985 and 1990) than intra-EC imports (+ 7,1 %).

EC non-manufacturing imports have consistently lagged behind during most of the 1980s, with some recent occasional drops as in the case of mineral fuels (SITC 3: − 2,3 % in 1988) and raw materials (SITC 2 + 4: − 3,0 % in 1990).

Imports of high-tech products account for more than one third of total Community imports of manufactures. Extra-EC imports of high-tech products have been growing at 7,7 % per year between 1982 and 1990 (see Table 6), faster than the average rate for manufacturing (6,7 %). In many subsectors, intra-EC high-tech imports have progressed at a similar or faster rate, although on average (+ 7,3 %) less than their extra-EC counterpart. This suggests that Community exporters of high-tech products have conceded some ground to extra-EC producers, who have profited from the buoyant internal demand. Sectors where extra-EC imports have grown particularly fast include computers (at an average rate of + 11,6 %, though intra-EC imports grew at the even faster rate of + 12,7 %), electrical machinery (+ 9,6 %), and plastics (+ 9,4 %). With the sole exception of professional and scientific equipment, the 1990 figures indicate that extra-EC high-tech products (+ 8,3 %) are continuing to enjoy a relative competitive advantage with respect to intra-EC imports (+ 5,9 %).

Table 5

Community import volumes by SITC groupings, 1982-90

(annual percentage change)

		1982	1983	1984	1985	1986	1987	1988	1989	1990	1990/1982	Structure (1987)[a] (%)	
SITC 0+1	Intra	5,7	2,9	4,3	10,2	4,2	4,1	5,2	3,7	4,2	4,9	12,6	65,2
Food, beverages and tobacco	Extra	2,3	−1,3	0,7	2,6	−0,8	5,2	3,2	0,6	7,8	2,3	9,6	34,8
	Total	4,1	1,1	2,7	7,0	2,0	4,2	4,5	2,5	5,2	3,7	11,4	100,0
SITC 2+4	Intra	0,9	9,3	5,5	7,1	0,1	7,4	2,8	7,1	1,0	4,6	4,3	38,6
Raw materials	Extra	−1,4	1,4	1,7	3,7	−1,2	4,1	0,9	0,3	−5,1	0,5	10,1	61,4
	Total	−0,9	3,5	2,6	4,8	−0,9	5,2	1,6	3,1	−3,0	1,8	6,7	100,0
SITC 3	Intra	−1,3	9,2	10,0	7,5	−2,1	−1,8	−9,6	−3,7	3,6	1,3	5,0	30,0
Fuels	Extra	−6,0	−6,7	0,8	−0,1	−1,3	0,1	1,4	6,5	3,0	−0,3	17,6	70,0
	Total	−4,8	−2,7	3,3	2,0	−2,5	0,0	−2,3	3,8	3,4	0,0	10,1	100,0
SITC 5-8	Intra	1,9	2,3	5,7	5,6	5,0	7,3	7,1	10,0	6,1	5,7	77,8	65,1
Manufactured products	Extra	−0,8	2,9	9,0	2,8	8,2	9,1	13,3	8,3	7,9	6,7	62,1	34,9
	Total	1,0	1,8	7,2	4,0	5,4	7,7	9,4	9,2	6,5	5,8	71,5	100,0
SITC 5	Intra	2,7	7,7	9,2	5,6	5,5	5,4	6,6	5,9	5,7	6,0	12,6	73,4
Chemicals	Extra	0,2	5,7	12,1	6,0	5,2	5,3	7,5	8,5	4,8	6,1	6,8	26,6
	Total	2,1	7,5	10,2	6,1	5,3	5,5	6,7	6,4	4,9	6,1	10,2	100,0
SITC 6	Intra	−1,4	3,2	6,4	3,5	3,6	6,5	7,8	8,0	5,8	4,8	19,4	65,6
Basic manufacturing	Extra	3,3	1,0	9,9	−0,2	9,6	3,6	10,7	9,4	4,6	5,8	15,1	34,4
	Total	0,1	1,0	7,4	1,7	5,4	5,1	9,0	7,8	4,9	4,7	17,7	100,0
SITC 7	Intra	4,2	−0,3	3,9	6,7	4,1	7,6	8,0	13,0	4,7	5,8	33,7	65,2
Machinery and equipment	Extra	−3,2	3,2	8,6	4,3	4,9	8,8	17,7	7,4	9,0	6,7	26,8	34,8
	Total	1,9	0,4	6,1	4,5	3,1	8,0	11,7	10,7	6,3	5,9	30,9	100,0
SITC 8	Intra	1,7	0,8	6,0	6,4	9,1	9,1	3,5	9,7	11,1	6,4	12,2	57,4
Other manufacturing	Extra	−2,5	2,5	6,6	1,9	15,3	18,7	10,2	8,3	11,5	8,0	13,5	42,6
	Total	−0,1	1,5	6,5	4,3	11,2	12,9	6,4	9,2	11,0	7,0	12,7	100,0
SITC 0-8	Intra	2,0	3,4	6,1	6,5	4,4	6,3	5,9	8,6	5,6	5,4	100,0	59,8
Total excluding goods not elsewhere	Extra	−2,5	−0,8	4,7	2,4	6,2	6,8	9,6	6,2	5,7	4,3	100,0	40,2
specified	Total	0,2	0,9	5,4	4,0	4,3	6,4	7,5	7,4	5,5	4,6	100,0	100,0

[a] The 1987 structure is with respect to SITC 0-8 (first column) or to total (second column).

Note: Due to the statistical methodology used to derive the volume indices, the growth rates for trade with the world may lie outside the interval determined by the intra- and extra-EC growth rates.

Source: Eurostat *Trend*, Comext. Until 1985: EUR 10. Classification used: SITC Rev. 2.

Table 6

Community import volumes of 'high-technology' categories, 1982-90

(annual percentage change)

		1982	1983	1984	1985	1986	1987	1988	1989	1990	1990/1982	Structure (1987)[a] (%)	
SITC 54	Intra	1,4	7,6	7,0	8,4	3,5	−0,4	9,4	7,0	6,4	5,6	4,7	62,8
Pharmaceuticals	Extra	0,2	8,0	3,7	7,2	4,7	0,6	11,0	7,9	7,4	5,6	4,0	37,2
	Total	1,0	7,8	3,7	7,9	3,9	−0,3	10,0	7,6	6,7	5,4	4,3	100,0
SITC 58	Intra	3,7	11,0	9,1	8,8	8,8	7,3	10,6	6,7	5,2	7,9	15,2	82,4
Plastics, etc.	Extra	2,0	8,3	13,6	9,7	7,5	3,7	16,8	15,2	7,4	9,4	4,8	17,6
	Total	3,4	10,7	9,7	9,1	8,7	6,6	11,8	8,3	5,2	8,2	10,9	100,0
SITC 71	Intra	−0,7	−9,2	1,0	7,7	1,6	2,5	−6,1	13,2	1,9	1,3	8,0	54,6
Power equipment	Extra	7,2	4,5	−3,5	0,5	−0,2	9,0	24,8	0,7	5,5	5,4	9,8	45,4
	Total	3,0	−3,4	−0,4	4,3	−0,6	4,8	6,6	7,9	2,9	2,8	8,6	100,0
SITC 72	Intra	0,3	−4,9	7,4	5,2	0,6	5,6	11,2	7,1	−2,1	3,4	13,8	69,7
Specialized machinery	Extra	−10,5	−5,6	5,0	2,8	−0,1	8,1	16,7	5,0	0,5	2,4	8,8	30,3
	Total	−3,4	−4,9	6,8	4,4	0,1	6,3	13,0	6,4	−1,4	3,0	11,5	100,0
SITC 75	Intra	10,0	16,5	21,8	14,4	1,8	15,3	11,0	15,3	8,0	12,7	16,5	53,7
Computers etc.	Extra	4,0	17,1	26,1	2,7	2,0	19,6	18,4	−3,1	8,2	10,6	20,8	46,3
	Total	7,2	17,1	24,7	8,0	1,6	17,1	14,8	6,2	7,7	11,6	17,9	100,0
SITC 76	Intra	−2,4	4,4	4,6	8,7	13,1	8,9	15,6	15,5	20,5	9,9	6,7	41,3
Telecoms and consumer electronics	Extra	−11,8	7,6	−5,9	3,9	12,0	21,0	18,2	3,6	17,0	7,3	14,0	58,7
	Total	−7,9	6,1	−2,4	5,6	11,9	15,8	17,0	8,8	17,6	8,1	9,7	100,0
SITC 77	Intra	4,5	2,7	9,5	7,5	6,5	4,0	12,9	6,5	10,4	7,2	19,7	62,1
Electrical machinery	Extra	5,2	3,1	20,2	3,3	4,6	9,8	18,9	10,0	11,5	9,6	17,6	37,9
	Total	4,7	3,3	15,3	5,1	4,9	5,6	14,5	7,7	10,1	7,9	19,0	100,0
SITC 79	Intra	26,8	6,1	−16,0	−8,7	−16,7	3,8	80,7	32,0	−17.1	10,1	4,9	55,7
Ships, aircraft	Extra	−21,9	1,1	−1,9	19,3	−9,4	−15,4	80,0	37,8	−0,2	9,9	5,7	44,3
	Total	6,8	−2,9	−4,8	−11,3	−25,8	−4,8	72,0	26,1	−4,4	5,7	6,2	100,0
SITC 87	Intra	4,9	0,3	8,8	10,3	7,7	8,1	1,5	6,9	11,3	6,6	6,4	53,7
Professional and scientific equipment	Extra	−0,5	0,8	6,1	6,0	3,2	8,2	9,9	12,0	5,5	5,7	8,1	46,3
	Total	2,3	0,7	8,3	8,1	5,1	7,9	5,3	9,6	8,3	6,2	6,9	100,0
SITC 88	Intra	1,5	−0,9	4,4	10,0	2,5	9,2	7,1	7,9	9,4	5,7	4,0	47,8
Photo and optical equipment	Extra	−3,1	2,3	5,5	6,2	6,8	17,0	6,6	3,5	7,3	5,8	6,5	52,2
	Total	−1,1	0,7	5,1	7,8	4,3	12,6	6,6	5,7	8,8	5,6	4,9	100,0
Total	Intra	4,7	4,4	8,5	8,1	3,4	7,0	12,8	10,5	5,9	7,3	100,0	59,4
High technology	Extra	−1,5	6,1	9,8	4,7	3,6	11,4	20,6	6,5	8,3	7,7	100,0	40,6
	Total	2,2	4,8	9,7	5,4	2,4	8,3	16,0	8,6	6,7	7,1	100,0	100,0

[a] The 1987 structure is with respect to SITC 0-8 (first column) or to total (second column).

Note: Due to the statistical methodology used to derive the volume indices, the growth rates for trade with the world may lie outside the interval determined by the intra- and extra-EC growth rates.

Source: Eurostat *Trend*, Comext. Until 1985: EUR 10. Classification used: SITC Rev. 2.

7. Recent trends in Community export volumes

The recent economic expansion in the Community has, to a large extent, resulted from internal factors (between 1985 and 1990 final domestic demand has increased at an average annual rate of 3,9 % in volume terms). In most Member States, stability-oriented monetary and fiscal policies have favoured sustainable non-inflationary expansion. Improved supply side conditions have affected labour costs and improved profitability. In addition, the completion of the internal market programme has stimulated investment activities.

Since the early 1980s, the growth of extra-EC export volumes has been relatively modest (+0,7 % on average between 1982 and 1990), well below the rate of growth of intra-EC export volumes (+5,1 %) (see Table 7). In 1990 extra-EC exports actually dropped in real terms (−0,3 %). This trend points to a reorientation of EC exports towards a particularly dynamic internal market. On the other hand, it also signals a reduced level of competitiveness, particularly in third markets. Extra-EC export performance has been largely influenced by the poor export growth of manufactures (+0,5 % on average over the same period), which account for more than two-thirds of the total.

A similar pattern applies to the group of high-tech products. Although between 1982 and 1990 Community (intra- plus extra-EC) exports of high-tech products have grown at a faster pace (+4,6 %) than manufactures (+3,1 %), most of this growth stemmed from intra-EC exports, which have grown at an annual average rate of +7,5 % during the same period (see Table 8). Despite a recovery in 1988-89, extra-EC exports of high-tech products have been lagging over the entire 1982-90 period (+2,0 % on average). During the same period, the average export growth (intra- plus extra-EC) of computers (+11,6 %), professional scientific equipment (+6,1 %), plastics (+6,0 %), electrical machinery (+5,9 %) and photo/optical equipment (+5,8 %) has been particularly dynamic, although subject to great variability.

Community export performance has been very poor in the specialized machinery (−1 %) and power equipment (+0,3 %) subsectors. Exports of telecommunication equipment and consumer electronics have recovered substantially in 1989 (+14,7 %) and 1990 (+14,4 %), fuelled mostly by its intra-EC component (+17,7 % and +21 %). In fact, in many subsectors, the good export performance has often been limited to the Community internal market, while Community exporters seem to have found it more difficult to expand into third markets. In 1990 Community exports experienced volume drops in several sectors: plastics (−0,2 %), specialized machinery (−2,3 %), computers (−0,1 %), and especially ships and aircraft (−16,9 %).

Table 7

Community export volumes by SITC groupings, 1982-90

(annual percentage change)

		1982	1983	1984	1985	1986	1987	1988	1989	1990	1990/1982	Structure (1987)[a] (%)	
SITC 0+1	Intra	4,1	2,1	7,1	4,8	5,8	3,5	2,5	5,3	3,7	4,3	13,0	71,6
Food, beverages and tobacco	Extra	−5,7	1,0	8,6	3,4	−9,3	2,5	−0,2	5,7	−2,0	0,4	7,6	28,4
	Total	0,1	1,6	7,8	4,3	0,5	2,8	1,8	5,5	2,1	2,9	10,8	100,0
SITC 2+4	Intra	−0,8	8,8	4,0	7,6	−0,5	8,4	6,8	4,2	−1,1	4,1	4,0	71,1
Raw materials	Extra	−6,9	7,9	9,8	5,1	−7,1	9,7	3,1	1,0	−3,5	2,1	2,5	28,9
	Total	−2,9	9,4	6,0	6,7	−2,9	8,1	4,5	3,4	−1,9	3,4	3,4	100,0
SITC 3	Intra	−1,9	10,4	7,3	5,8	−1,7	−4,9	−9,6	−3,3	0,1	0,2	5,2	71,6
Fuels	Extra	6,6	−2,3	−2,4	0,4	4,8	−7,2	−0,6	−3,1	5,6	0,2	3,0	28,4
	Total	0,2	4,8	3,6	3,8	−1,6	−4,1	−5,8	−0,9	2,4	0,3	4,4	100,0
SITC 5-8	Intra	2,7	0,9	6,6	5,5	5,0	6,9	7,3	9,7	4,7	5,5	77,7	56,7
Manufactured products	Extra	−2,4	−1,7	8,1	4,5	−7,0	−2,8	0,6	5,5	−0,2	0,5	87,0	43,3
	Total	−0,1	−0,4	7,4	4,5	−0,9	2,6	4,1	8,1	2,5	3,1	77,2	100,0
SITC 5	Intra	5,6	5,4	8,8	6,2	3,6	6,5	5,7	3,9	5,3	5,7	11,4	58,2
Chemicals	Extra	0,2	8,2	8,2	4,9	−6,6	0,9	2,5	−0,3	−1,5	1,8	12,0	41,8
	Total	1,2	7,3	9,0	5,7	−0,5	4,3	4,1	2,8	2,0	4,0	11,6	100,0
SITC 6	Intra	−0,8	1,7	6,9	3,3	4,1	4,3	6,8	7,9	5,0	4,4	19,7	60,2
Basic manufacturing	Extra	−6,1	−0,4	8,2	0,7	−9,3	−0,7	2,2	5,3	−2,6	−0,3	19,1	39,8
	Total	−3,6	0,9	7,3	2,1	−2,4	2,3	5,0	7,1	2,0	2,3	19,4	100,0
SITC 7	Intra	4,1	−1,7	5,6	6,4	4,3	8,0	10,1	13,2	2,6	5,8	34,3	54,8
Machinery and equipment	Extra	−2,5	−6,4	6,0	4,2	−7,5	5,6	−0,5	6,1	0,1	0,6	41,6	45,2
	Total	0,5	−4,5	5,6	4,2	−2,0	1,5	4,9	10,1	1,6	2,4	37,3	100,0
SITC 8	Intra	2,4	1,7	6,2	5,9	9,2	8,6	1,4	8,2	9,8	5,9	12,4	55,8
Other manufacturing	Extra	3,0	3,6	16,1	10,8	−4,5	−1,0	−0,4	9,4	3,5	4,5	14,3	44,2
	Total	2,6	2,7	11,0	8,3	2,5	4,1	0,7	8,8	6,7	5,3	13,2	100,0
SITC 0-8	Intra	2,2	2,5	6,6	5,6	4,7	5,8	6,0	8,4	4,2	5,1	100,0	59,5
Total excluding goods not elsewhere	Extra	−2,0	−1,2	7,5	4,4	−5,9	−2,1	0,7	5,0	−0,3	0,7	100,0	40,5
specified	Total	−0,2	0,9	6,9	4,6	0,1	2,6	3,7	7,2	2,3	3,1	100,0	100,0

[a] The 1987 structure is with respect to SITC 0-8 (first column) or to total (second column).

Note: Due to the statistical methodology used to derive the volume indices, the growth rates for trade with the world may lie outside the interval determined by the intra- and extra-EC growth rates.

Source: Eurostat *Trend*, Comext. Until 1985: EUR 10. Classification used: SITC Rev. 2.

Table 8

Community export volumes of 'high-technology' categories, 1982-90

(annual percentage change)

		1982	1983	1984	1985	1986	1987	1988	1989	1990	1990/1982	Structure (1987)[a] (%)	
SITC 54	Intra	5,5	3,0	6,7	8,1	3,3	1,5	9,5	1,3	8,5	5,3	4,6	43,0
Pharmaceuticals	Extra	1,1	0,8	7,1	3,3	−2,5	−3,7	1,5	−0,4	−0,2	0,8	7,1	57,0
	Total	2,2	1,6	7,4	5,1	−0,5	−1,4	5,5	3,4	4,0	3,0	5,6	100,0
SITC 58	Intra	6,5	10,7	7,9	8,9	7,8	8,6	15,0	5,0	2,8	8,1	14,3	67,1
Plastics, etc.	Extra	−1,4	11,7	8,0	3,4	−4,4	1,0	7,7	−0,5	−7,0	2,1	8,2	32,9
	Total	1,3	11,0	8,0	6,9	3,2	6,0	14,4	3,4	−0,2	6,0	11,3	100,0
SITC 71	Intra	−3,9	−8,2	1,5	5,1	−3,0	−0,5	15,8	14,8	0,2	2,4	7,8	44,3
Power equipment	Extra	−4,6	−10,8	−0,9	1,5	−8,1	−4,2	9,4	2,7	5,5	−1,1	11,4	55,7
	Total	−4,4	−9,8	0,8	2,6	−6,6	−3,0	11,6	8,2	2,8	0,3	9,1	100,0
SITC 72	Intra	0,1	−5,3	4,5	5,4	0,3	5,1	8,6	8,1	−3,2	2.6	14,1	42,9
Specialized machinery	Extra	−10,3	−14,1	3,2	5,9	−5,2	−10,2	−3,5	8,5	−1,5	−3,0	21,9	57,1
	Total	−7,2	−11,5	3,7	5,7	−3,2	−4,4	2,3	8,2	−2,3	−1,0	17,0	100,0
SITC 75	Intra	9,7	15,9	26,9	11,7	5,3	19,1	7,2	12,1	0,9	12,1	17,6	70,3
Computers etc.	Extra	11,8	17,1	35,6	19,0	−0,2	5,0	1,3	4,7	−2,7	10,2	8,6	29,7
	Total	10,6	16,0	30,3	14,2	3,0	14,8	5,7	10,0	−0,1	11,6	12,9	100,0
SITC 76	Intra	−0,5	0,3	4,3	9,3	14,5	11,4	11,8	17,7	21,0	10,0	6,6	53,2
Telecoms and consumer electronics	Extra	4,4	−9,8	6,0	6,2	−8,4	2,5	−11,6	9,9	7,0	0,7	6,7	46,8
	Total	2,2	−4,6	3,1	6,9	1,9	6,4	−0,2	14,7	14,4	5,0	6,7	100,0
SITC 77	Intra	6,8	2,1	11,2	8,8	6,9	6,4	14,5	5,9	7,3	7,8	19,2	57,3
Electrical machinery	Extra	5,9	0,2	7,6	6,6	−0,8	−0,5	8,6	7,9	5,8	4,6	16,6	42,7
	Total	6,2	0,9	9,6	7,5	2,8	3,2	9,2	6,3	7,9	5,9	18,4	100,0
SITC 79	Intra	22,9	−27,7	13,3	−14,1	−19,9	3,6	97,8	36,9	−19,4	10,4	5,5	47,6
Ships, aircraft	Extra	1,0	3,9	11,5	−25,3	−24,1	−3,8	46,2	20,7	−10,6	2,2	7,0	52,4
	Total	10,6	−8,9	14,5	−23,4	−21,2	1,6	44,9	29,6	−16,9	3,4	8,1	100,0
SITC 87	Intra	4,2	2,4	10,9	13,0	8,3	6,7	3,0	5,5	6,1	6,7	6,3	46,2
Professional and scientific equipment	Extra	3,3	3,1	19,1	20,4	−3,4	0,2	2,7	2,2	4,5	5,8	8,6	53,8
	Total	3,5	2,7	16,0	17,2	1,1	3,0	3,2	3,4	5,0	6,1	7,1	100,0
SITC 88	Intra	1,4	1,1	6,9	6,7	1,2	9,7	9,6	9,5	3,5	5,5	3,9	53,9
Photo and optical equipment	Extra	5,2	4,2	15,6	9,1	−6,2	2,9	7,4	15,1	−2,8	5,6	3,9	46,1
	Total	3,0	2,3	11,8	7,6	0,0	6,2	8,2	12,0	0,8	5,8	3,9	100,0
Total	Intra	5,5	2,2	11,0	7,5	3,8	8,3	15,8	10,2	2,8	7,5	100,0	53,7
High technology	Extra	0,0	−1,8	9,7	5,4	−5,5	−2,5	5,6	6,7	0,5	2,0	100,0	46,3
	Total	2,5	0,0	10,6	5,5	−1,4	3,1	10,0	9,3	1,5	4,6	100,0	100,0

[a] The 1987 structure is with respect to SITC 0-8 (first column) or to total (second column).

Note: Due to the statistical methodology used to derive the volume indices, the growth rates for trade with the world may lie outside the interval determined by the intra- and extra-EC growth rates.

Source: Eurostat *Trend*, Comext. Until 1985: EUR 10. Classification used: SITC Rev. 2.

7.1. Export and cost performances in the EC, USA and Japan

An unfavourable geographic and product composition of Community exports[1], combined with a substantial US dollar depreciation, was partly responsible for the substantial drop in Community (extra-EC) export volumes in 1986 (−5,8 %) and 1987 (−2,1 %), and their stagnation in 1988 (+0,7 %). Community exports recovered in 1989 (+5,0 %) but dropped again in 1990 (−0,3 %).

[1] See *European Economy* No 42, Analytical study No 6, pp. 208-15, November 1989.

The modest performance of Community exports in third markets is reflected in its market share of world exports, which has been declining until very recently (see Table 9). In this regard, there is some similarity with the pattern observed for the American market share. After a substantial decline (from 25,5 % in 1980 to 22,5 % in 1988 for the EC, and from 18,9 % in 1981 to 14,4 % in 1986 for the USA), in the late 1980s their export market shares (as a share of total OECD exports) have either stabilized or recovered. Since 1986 the recovery of the American market share has been relatively stronger, although the 1990 figures point towards a drop, while a continued (albeit modest) improvement appears in the Community market share.

The relatively poor performance of the Community's exports during most of the 1980s is largely related to changes in the relative competitiveness of its manufacturing sector, which dominates EC merchandise exports. Within manufacturing, market share losses have been particularly large for motor vehicles (−6,6 percentage points between 1980 and 1988), electrical equipment (−6,2), metal products (−6,2), agriculture machinery (−4,6) and processed food products (−5,5).

In contrast, during the 1980s Japan's market share followed a trend opposite to that of both the Community and the USA. In fact, the sharp rise in its market share between 1980 and 1986 (from 10,8 % to 14,7 %) was followed by a gradual deterioration during the rest of the decade (of about three percentage points by 1990).

A relevant factor behind the relative export performance of the EC, Japan and the USA (and the increase and subsequent partial reduction of their payments imbalances) has been the very large swings in their external competitiveness, one measure of which is provided by the real effective exchange rate (see Graph 6a). For the Community as a whole, the temporary depreciation of the nominal exchange rate in 1988-89 was not sufficient to reverse the overall decline in external competitiveness, caused by a substantial nominal exchange rate appreciation in the second half of the decade (of some 36 % between the first quarter of 1985 and the fourth quarter of 1990). This appreciation was accompanied by steadily rising (relative) unit labour costs (see Graphs 6b and 6c). More recently, the competitive position of the Community has been somewhat enhanced by the real depreciation of Community currencies during 1991, which is likely to contribute positively to the timid recovery in the EC export share observed in 1989 and 1990 (see Table 9).

At the other end, changes in the competitive positions within the Community, where nominal exchange rates have been fairly stable, largely reflect differences in the price and cost performances between individual Member States.

The strong improvement in the US competitive position since 1985 has largely been brought about by a large nominal US dollar depreciation (−42 % between the first quarter of 1985 and the fourth quarter of 1990), combined with stable and/or declining unit labour costs relative to its main trading partners. Concerns that the US dollar over-depreciated have eased somewhat, given a 10 % nominal appreciation during the first three-quarters of 1991. Japan's competitive position since 1985 has deteriorated considerably on account of a rapidly appreciating yen (+62 % in nominal terms by the end of 1988) which has more than offset its better performance in terms of unit labour costs.

7.2. The correction of trade imbalances

Although not the only factor affecting trade flows, movements in real effective exchange rates have had a major (albeit lagged) effect on the reduction of current account imbalances. As illustrated by Table 10, the Community has

Table 9

Community, United States and Japan shares in world exports, 1980-90[a]

	1980	1981	1982	1982	1984	1985	1986	1987	1988	1988*	1989*	1990*
EC[b]												
Manufactures	26,7	25,9	25,9	25,3	24,6	24,9	24,7	24,3	23,1	—	—	—
Total goods	25,5	25,2	25,0	24,4	23,7	24,0	24,2	23,8	22,5	20,6	21,2	21,4
USA												
Manufactures	16,2	17,6	16,9	16,1	16,2	15,6	13,5	13,2	14,4	—	—	—
Total goods	17,7	18,9	18,3	17,3	17,6	16,6	14,4	14,5	16,0	16,2	17,1	16,0
Japan												
Manufactures	12,3	14,9	14,4	15,3	16,6	16,4	16,3	15,1	15,2	—	—	—
Total goods	10,8	12,8	12,3	13,1	14,3	14,3	14,7	13,6	13,9	13,4	12,9	11,7

[a] As a percentage of OECD's total exports.
[b] Extra-EC exports.
* 1988-90 data from OECD, *Monthly statistics of foreign trade*, various issues.
Source: 1980 to 1988: Volimex.

moved from a current account surplus with the rest of the world of 0,7 % of GDP in 1985 to an expected deficit of −0,8 % for 1991. Within the Community, very different performances have been recorded among the individual Member States. The overall deficit forecast for 1991 is in part related to unforeseen developments, namely German unification which has led to a surge in imports. Germany is in fact expected to move from a 3,2 % GDP surplus on its current account (West Germany) in 1990 to a 1,1 % deficit for 1991 (unified Germany). In fact, there may be a risk in the years to come that the combination of short-term developments (economic growth differentials) with the longer term impact of effective exchange rate movements on trade flows places the Community in a position similar to that of the United States in the 1980s.

Table 10

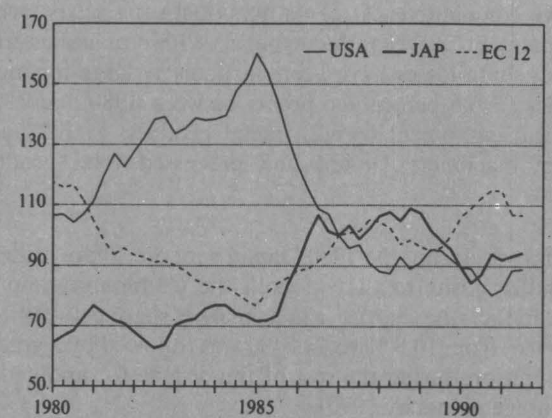
Balance of current transactions as a percentage of GDP at market prices, 1985-91

	1985	1988	1989	1990	1991[a]
EC	0,7	0,1	−0,1	−0,2	−0,8
United States	−2,9	−2,5	−1,9	−1,6	−0,1[b]
Japan	3,7	2,8	2,1	1,2	1,5

[a] Forecast.
[b] The marked improvement in the American balance in 1991 is also due to the financial transfers received by the USA to support the war effort in the Gulf.

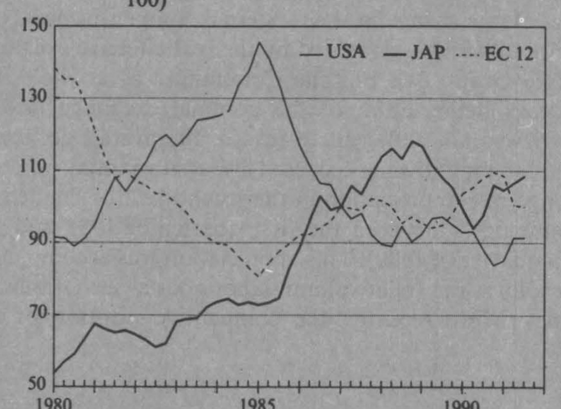
Improving US competitiveness has slowly helped reduce its current account deficit, although the recent domestic recession has also played an important role. The American deficit has fallen from −2,9 % of GDP in 1985 to −1,8 % in 1990, and is expected to continue to improve in 1991. In contrast, the appreciating yen has helped reduce the Japanese current account surplus from 3,7 % of GDP in 1985 to 1,2 % in 1990.

GRAPH 6a: **Real effective exchange rates**[1] (1987Q1 = 100)



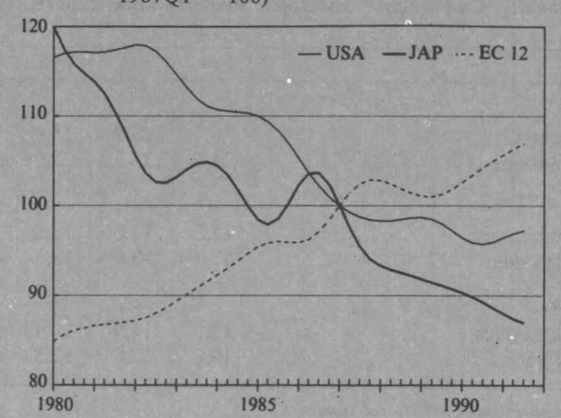
[1] Unit labour costs in manufacturing relative to a weighted average of the main trading partners, in common currency.

GRAPH 6b: **Nominal effective exchange rates** (1987Q1 = 100)



Note: Indices calculated with respect to the main trading partners.

GRAPH 6c: **Relative unit labour costs**[1] (in own currency, 1987Q1 = 100)



[1] Unit labour costs in manufacturing relative to main trading partners.
Source: Commission services.

Study No 5

German unification: Consequences and prospects for East Germany

German unification: Consequences and prospects for East Germany

Tables

Graphs

Summary

German unification exposed the East German economy to three 'big bangs': (i) the immediate abolition of protectionist instruments as a consequence of economic and monetary union, (ii) the sudden and complete integration of the East and West German labour market as restrictions on migration were lifted, and (iii) the imposition of the legal and institutional framework of a developed market economy as a consequence of political unification. The source of greatest impact on output and employment was the sudden abolition of State controls on trade accompanied by the replacement of the non-convertible Ostmark with a fully convertible and overvalued (in relation to East German productivity) Deutschmark. As a consequence, East German producers lost virtually their entire domestic market overnight. Trade diversion from East to West Germany quickly reached very high levels, while East German retailers began to substitute West German for East German goods. In consequence, the unprepared East German producers were quickly bankrupted. A further slump in domestic production followed the transformation of East European trade relations and the lack of hard currency available to other East European countries.

The loss of the domestic and the eastern markets for East German producers led to a significant downward adjustment of production and employment in East Germany. While agricultural production about halved, industrial production slumped by about 60 to 70% within the first 12 months after monetary union came into effect. Only the construction sector's output declined by less than 10% while the services sector, traditionally underdeveloped in communist economies, benefited from the transformation of the East German economy. The labour market came quite fast under pressure from three sources: plunging output, the need to improve productivity, and wage increases ahead of productivity developments. Although with some time-lag, employment has started to adjust significantly downwards. Despite large-scale public labour-market interventions, special early retirement schemes and a rapidly growing cross-border labour market, registered unemployment surpassed the benchmark of one million already in spring 1991 and by the end of 1993 four to five million jobs will probably be lost.

*The goal of economic policy is to transform the East German economy into a competitive and dynamic market economy, preferably with more labour-intensive production methods and avoiding a slump in purchasing power. The results, up to now, however, have been mass unemployment, a sharp fall in GDP and very high public sector deficits. These disappointing results were, however, unavoidable considering the conditions prevailing in East Germany. The main purpose of labour market policy is to foster a self-sustaining employment-creating growth path. Nevertheless, there is little doubt that East German labour supply will far exceed demand over the next years. Two different labour markets reflecting a dual economy will exist in parallel in East Germany for some time. In the context of a short-term response to unemployment, consideration has been given to the creation, on a temporary basis, of a 'parallel' labour market and economy, consisting of public job-creation programmes and publicly financed employment companies (*Beschäftigungsgesellschaften*). Furthermore, large-scale private and public investment will be needed to transform the East German economy. The performance of neither public nor private investment to date has been adequate. However, as political, social and legal uncertainties — constituting a major obstacle to new investment — have been eliminated in the course of 1991 and large-scale investment-supporting measures have been adopted, prospects for a recovery in East Germany are all in all quite favourable. This holds especially for the construction and for the services sector. Quite gloomy are prospects for existing enterprises of the manufacturing sector.*

1. On the road to unification

The opening of Hungary's western border in mid-1989 was the trigger for dramatic changes not only in Germany but throughout Europe. Within months, the migration of thousands of East German citizens to West Germany, at first via Hungary but later via Czechoslovakia and Poland also, led to the fall of the Berlin Wall and ultimately to the overthrow of the communist regime in East Germany. Within three weeks of the fall of the Berlin Wall, Chancellor Kohl outlined his vision of a gradual evolution of common institutions between the FRG and the then GDR, leading to a federation of the two German States. On 6 February 1990, the Chancellor proposed negotiations on the creation of a monetary union which began in the following month.

It was the rapidly accelerating migration from East to West Germany which provided the main impetus to early unification. The scale of migration flows was explained by two main factors. Firstly, the younger and more highly skilled members of the East German labour force perceived an opportunity to obtain a well-paid job in West Germany; this would facilitate almost immediate access to the wealth of the West German economy. Secondly, migrants from the East were legally entitled to support from a very generous system of public allowances on taking up residence in West Germany (e.g. integration allowances, unemployment and other social security benefits, public accommodation). The transaction costs of emigrating from East to West Germany were low relative to the potential economic benefits so that the risks attached to migration were not very significant.

After the change of political regime in the GDR in March 1990 (in the general elections of 18 March, the CDU obtained an overwhelming majority as the party favouring full unification at the earliest possible date) the first State treaty between East and West Germany was negotiated; this provided for the creation of a monetary, economic and social union effective from 1 July 1990. The treaty made the Deutschmark the sole legal tender in East Germany and assigned responsibility for East German economic policy to West German authorities (Bundesbank, Ministry of Finance, Ministry of Economics, Ministry of Labour and Social Affairs). Financial support to East Germany was also provided through the 'German Unity' fund, which is designed to channel public transfers of DM 120 billion to East Germany over the five-year period 1990-94.

The State treaty was the first and most important step towards merging the respective economies and ultimately the political systems of the two German States. In fact, German economic, monetary and social union was conceivable only against a background of an anticipated political unification. The signing of the Unification Treaty (31 August 1990) and the accession of the newly created East German *Länder* to the FRG on the basis of Article 23 of the Basic Law (3 October 1990) completed the unification process in legal and institutional terms. However, integration of the East German economy in terms of living standards, per capita income and the quality of public and private capital stock remains a major challenge.

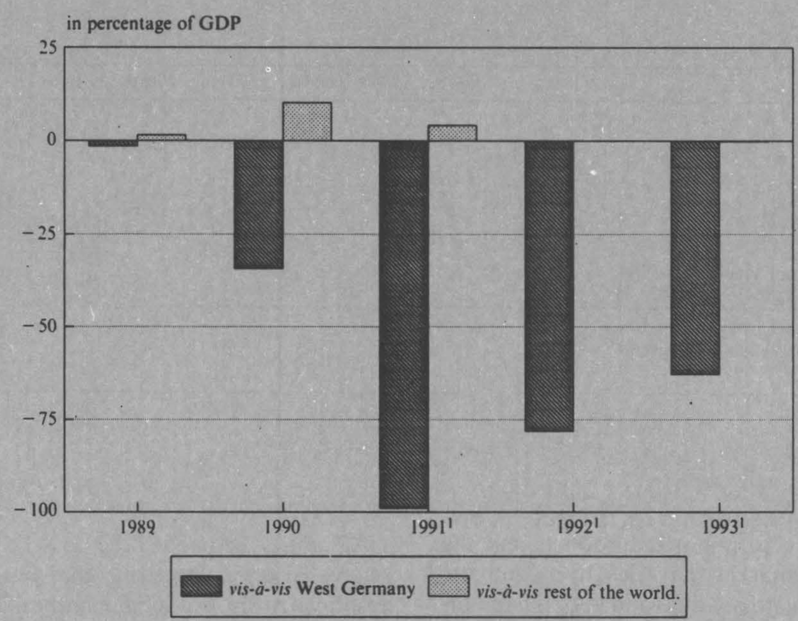
2. The economic approach to unification: Three simultaneous shocks and no transition period

The chosen approach to unification was to expose the East German economy to three 'big bangs': (i) the immediate abolition of protectionist instruments as a consequence of economic and monetary union, (ii) the sudden and complete integration of the East and West German labour market as restrictions on migration were lifted and (iii) the imposition of the legal and institutional framework of a developed market economy as a consequence of political unification.

While the effect of monetary union on nominal stability in Germany was extensively discussed, the implications for the real economy were more significant. The source of greatest impact on East German output and employment was the sudden abolition of State controls on trade accompanied by the replacement of the non-convertible Ostmark with a fully convertible and overvalued (in relation to East German productivity) Deutschmark. Overnight, East Germany was transformed from an economy characterized by repressed inflation to a market-oriented economy where demand for poor-quality domestic output virtually collapsed in the face of competition from West German imports.

Not surprisingly, the heavily administered external trade system was ill-suited to the new market environment. Hard-currency imports soared because of changing preferences and the much wider availability of Deutschmarks; meanwhile, exports to Western countries remained negligible. The abrupt collapse of the centrally planned trading system also reflected low demand for the exports of the Comecon countries and the fact that exports from East Germany to these countries had to be paid for in hard currency. Consequently, the East German trade balance, almost in equilibrium in 1989, exhibited a deficit of about DM 120 billion (70 % of East German GDP over the first 12 months after monetary union).

GRAPH 1: **East German trade balance** (goods and services)



[1] Economic forecasts, autumn 1991.
Source: Commission forecast (November 1991).

3. Economic consequences for East Germany to date

As a consequence of opening the border, East German producers lost virtually their entire domestic market overnight. Trade diversion from East to West Germany quickly reached very high levels, while East German retailers began to substitute West German for East German goods. In consequence, the unprepared East German producers were quickly bankrupted. A further slump in domestic production followed the transformation of East European trade relations from a system of (non-convertible) transferable roubles to a system based on hard-currency which was intensified by the disappearance of old State regulations on trade and the lack of hard currency available to other East European countries. On a genuine market basis, exports of East German products to eastern countries collapsed almost completely after January 1991.

3.1. The adjustment of output

Empirical evidence based upon the estimates of private sector institutions[1] (such as the Berlin-based DIW) and other indicators (such as production indices, retail sales turnover, the evolution of the external balance *vis-à-vis* West Germany and figures from the labour market) clearly indicate a severe slump in output. In 1990, the decline in GDP volume may have been as much as 20 % and a further decline of as much as another 20 % is likely to occur in 1991.

[1] Official national accounts figures for East Germany do not show the slump in output as a result of currency union, as the statistical office has not yet expressed existing national accounts figures for earlier periods in terms of Deutschmarks.

Table 1

Output and productivity

	1989	1990	1991[1]	1992[1]	1993[1]
GDP (nominal, billion DM)	234	178	159	213	262
GDP growth (real)	:	−19	−20	7	9
GDP deflator (% change)	:	−6	12	25	13
Productivity per head (% change)[2]	:	−9	13	13	9
in % of West German productivity[2]	32	29	32	36	38

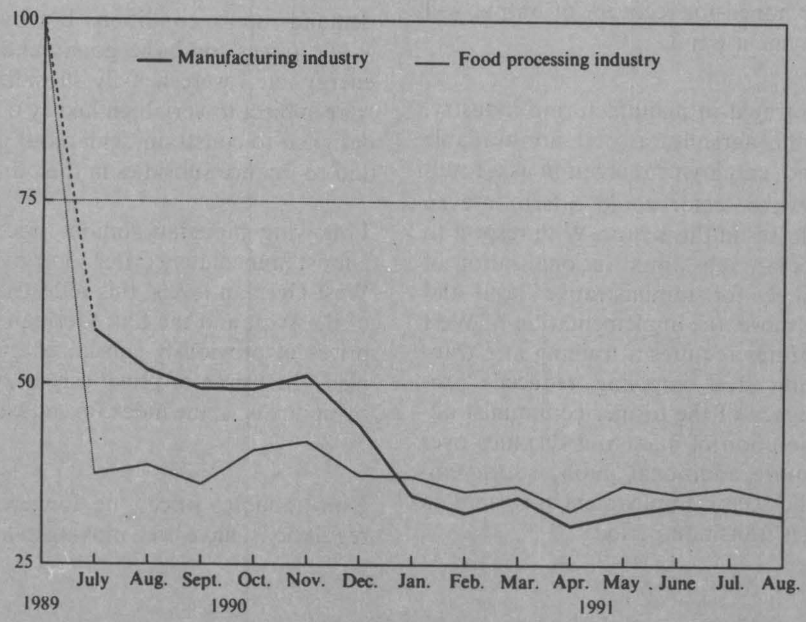
[1] Economic forecasts, autumn 1991.
[2] 50% of all short-time workers are treated as actually unemployed.
Source: Commission services.

The abrupt shift in demand to imported products and the collapse of eastern export markets have led to a dramatic fall in industrial production; gross value-added of the manufacturing sector still represented more than 44 % of total gross value-added in the second half of 1990 (West Germany: 40,5 %). By late summer 1991, the level of production seems to have stabilized at about one-third of that recorded before monetary union. On the one hand, output of consumer goods for the domestic market (e.g. food and textiles) collapsed immediately after the introduction of the Deutschmark to some 30 % to 40 % of its earlier level. On the other hand, output of investment goods and exports declined by 'only' between 20 % and 30 % in the initial phase of monetary union; these industries could still sell their products within the transferable-rouble system until the end of 1990 and thus were not affected to the same extent by monetary union. However, the transferable-rouble system was abolished in January 1991 and the suppliers of investment goods were then also exposed to hard-currency competition. Consequently, the fall in output of investment goods was only postponed for some months and output is now only about 30 % of its previous level. Even these remaining exports rely to a considerable extent upon newly introduced subsidies especially favouring exports to the Soviet Union.

Adjustments in the agricultural sector primarily reflect the integration of a centrally planned sector, organized like an industry, into the Community's common agricultural policy (CAP) and the West German agricultural policy framework. Output slumped for different reasons. Firstly, the collapse of the old regime left behind a vacuum, leading not only to a breakdown in the traditional distribution system but also to liquidity problems. Before market interventions under the CAP could be made, the loss of domestic markets and depressed agricultural incomes resulted in a sharp loss of employment in this significantly overmanned sector. Gross value-added in the agricultural sector is estimated to have plunged by almost 50 % in the second half of 1990. Secondly, the transformation of this sector from collectives to small and medium-sized farms was hindered by East German farmers' unwillingness or inability to accept entrepreneurial risks because of unclear property rights and a shortage of liquidity. Thus, the typical response has been to reduce agricultural activity by participating in set-aside programmes and by leasing land and farms to western investors. Finally, Community intervention prices are lower than those applying under the previous regime. Early indications now suggest that agricultural output is about to stabilize at existing levels while the transformation to a structure in line with national and EC regulations and policy objectives is continuing slowly.

The East German construction sector has been affected by the removal of centralized control of supply and demand conditions and enormous liquidity constraints on potential (private and public) investors. Nevertheless, construction activity has declined by only about 5 %, mainly as a result of reduced residential investment. The outlook for construction activity, which has been identified as potentially the main source of recovery for the East German economy, is very promising. New public orders rose sharply as a consequence of the 'upswing east' programme. However, residential construction is still restrained by severe liquidity constraints. Moreover, capacity problems may soon emerge as both the capital stock and the labour force adjust only slowly to the new demand profile.

GRAPH 2: **Industrial production** (index: 1989 = 100)



Source: Statistisches Bundesamt.

On a disaggregated basis, the economic performance of the services sector has been variable. Developments are promising in areas traditionally underdeveloped in communist economies (e.g. the financial sector and liberal professions). Other services have suffered due to the difficulties in the manufacturing sector, gloomy macroeconomic prospects and the relatively low income levels of private households compared to sharply increased prices. Furthermore, the turnover of East German retailers has been negatively affected by trade diversion across the old border and by mail-order sales.

3.2. The adjustment of employment

The East German labour market is, at present, under pressure from three sources. Firstly, plunging output due to the loss of both domestic and export markets implies a corresponding reduction in employment, mainly in manufacturing industry. Secondly, the shift from inefficient central planning to more efficient market-oriented management and production methods is also likely to reduce employment significantly in all sectors. The structure of East German employment was clearly not based on an efficient allocation of resources and the scope for increased productivity through a rationalization of labour must be exploited. Finally, East German wage formation is less related to the productivity and profitability of East German enterprises than to wage developments in West Germany; this implies a rapid catching-up in East German wages to western levels. Therefore, the reorganization of existing enterprises may prove more costly in terms of employment losses than was originally anticipated.

Total employment has already dropped quite dramatically, pushing the number of registered unemployed and short-time workers to about 25 % of the labour force in 1989.[1] However, the adjustment in employment is not nearly completed. With GDP volume falling by 35 % between end-

[1] Furthermore, about 1,9 million people formerly employed no longer enter East German labour-market statistics, having taken early retirement, re-entered the education system, emigrated or become cross-border commuters.

1989 and end-1991 and the need for sharp productivity improvements within surviving East German enterprises, a reduction of total employment by 4 to 5 million jobs may have occurred before the hoped-for recovery of output will reverse the overall employment trend.

Job losses will be concentrated in manufacturing industry, but will also occur in the agricultural and non-tradable sectors. On the other hand, employment creation as a result of expansion in the services sector could offset or even overcompensate for job losses in this sector. With respect to the overstaffed public sector, substantial rationalization of the labour force is unlikely for administrative, legal and political reasons. Furthermore, the implementation of West German laws and procedures requires a training and transition period for existing staff implying reduced 'productivity'. Finally, the legacy of the former communist administration, e.g. the resolution of numerous disputes over property rights, will require additional public sector employees. Therefore, public sector employment may remain fairly high during a longer transition period.

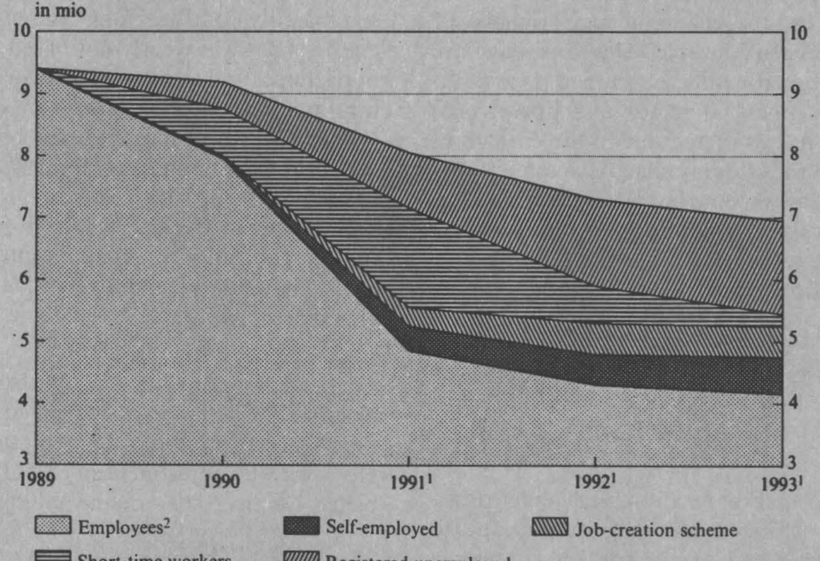
3.3. The adjustment of wages and prices

In the old GDR, prices and wages were not determined by demand-supply conditions but by political considerations. While prices for basic goods and services (food, housing, energy, etc.) were heavily subsidized, most other products were subject to very high luxury taxes and production levies designed to constrain demand to prevailing levels of supply and to finance subsidies in the other areas.

Following monetary union, prices for tradables adjusted almost immediately (after some over- and undershooting) to West-German levels; this reflected the complete integration of the West and the East German goods markets. While the prices of previously subsidized goods doubled or even tripled, the prices of previously heavily taxed goods slumped by up to 80 %; the index for industrial products fell by about 30 %.

Non-tradables prices, no longer subject to administrative regulations, have been moving in line with cost developments

GRAPH 3: **Labour market developments** (domestic concept)



[1] Economic forecast, autumn 1991.
[2] Excluding short-time workers and job-creating scheme.
Source: Commission services.

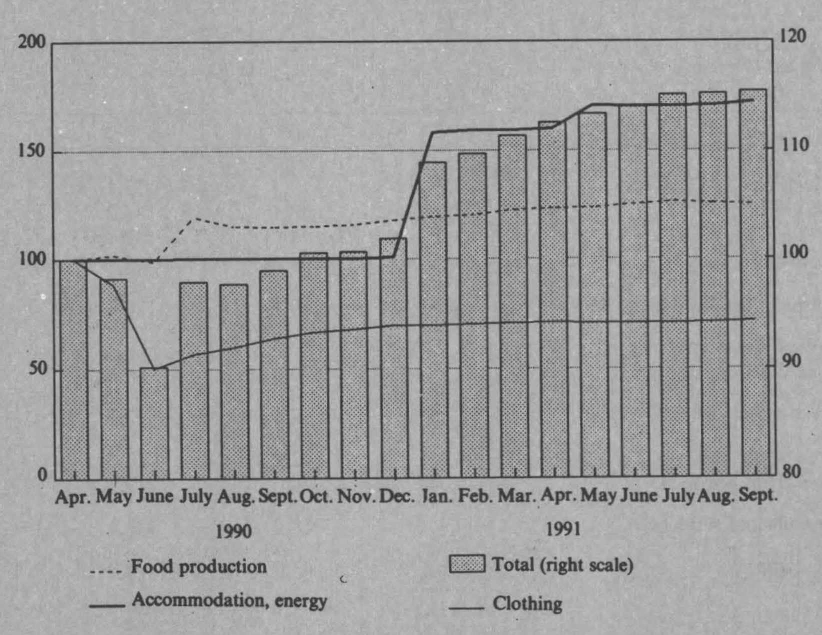
since unification. Other administered prices (in particular rents and transportation) were only partially deregulated but prices for telecommunication services, energy and public transport services have almost doubled over the last twelve months. Housing rents, still frozen at the level of the mid-1930s, were subject to an initial moderate increase in October 1991 and charges for the running costs of accommodation have now risen to a more realistic level. The latter led to an enormous jump in the overall consumer price index, as running costs for accommodation had previously been borne by the government and have emerged as significantly above those which characterize other market-oriented economies. Nevertheless, the rate of return on existing housing stock remains below that required to stimulate investment so that demand far exceeds the supply of appropriate accommodation.

The development of the overall cost-of-living index in East Germany indicates an initial and overall fall before monetary union came into effect; this trend reflects suppliers' attempts to run down stocks of East German products and the net downward effect of changes in the system of taxes and subsidies on prices. The overall fall in the consumer price index may imply some increase in purchasing power soon after monetary union began. However, subsequent cost (wage) developments in services and the adjustment of administered prices led to a continuous and quite steep rise in the overall index which is now about 15 % above its level of one year ago. This steep rise is mainly a reflection of the still incomplete process of adjustment from administered prices to market prices.[1]

German economic, monetary and social union as well as political union was triggered and driven by the integration of the two labour markets, implying a likely catching-up of East German wages to West German levels. The outcome of collective wage agreements in East Germany differs from sector to sector with differentiation in the growth of salaries broadly in line with the overall economic situation and prospects facing each individual sector. Thus, branches with favourable prospects (such as the banking and insurance sector, the services sector, and also the construction sector)

[1] There is, in any case, an index number problem in assessing the overall rate of inflation, as the published index is still based upon a pre-unification basket of goods and services but major shifts in relative prices and changes in consumer preferences have resulted in a different pattern of expenditures.

GRAPH 4: **Inflation performance** (index: 1989 = 100)



Source: Statistisches Bundesamt.

have agreed wage levels of more than 60 % of the respective West German level in early 1991. Wage levels in industry generally remain below this benchmark. In the public sector, where productivity-related wage formation is difficult to apply, wage adjustment has proceeded slowly relative to other sectors. It should also be noted that statutory wage levels equal to 60 % of the West German level may be equivalent to less than 50 % of the effective West German wage. Finally, the coverage of statutory wage agreements in East Germany is less complete than in West Germany; only employers who belong to an employers' association are bound by these agreements. Consequently, wage levels in East German industry probably do not exceed 50 % of the West German level at present. Nevertheless, this level is certain to rise further in the near future and is not justified by relative productivity. Output per employee in East German industry is estimated to be about 30 % of the level in West German industry only.

3.4. The adjustment of the savings-investment balance and the current account

The dramatic shift within East German demand, the collapse of trade with Eastern Europe early in 1991 and the outdated East German capital stock have led to a considerable deterioration in sectoral savings-investment balances and hence in the all-German external current account. With demand significantly in excess of domestic supply, East Germany has had a huge deficit in its external trade and services balance from the outset of the unification process. Despite subsidizing exports to CMEA partners, the trade deficit reached 36 % of estimated East German GDP in the second half of 1990 and continues to rise. As huge public transfers from West Germany allow private households to maintain a level of consumption independent of changes in the domestic production system, there is effectively no current account constraint.

The huge size and sudden emergence of the demand-supply gap in East Germany finds its main counterpart in a corresponding swing in the all-German public sector balance. Despite a comprehensive package of revenue-increasing measures, early in 1991, the surplus on the public sector balance in 1989 (0,2 % of West German GDP) was transformed into a deficit of 3,6 % of all-German GDP in 1991.

A tentative assessment of the sectoral financial balances in East Germany in the first six months after monetary union (i.e. in the second half of 1990) shows a balanced situation for private households; this is due to public transfers of about DM 40 billion (38 % of East German GDP) from

Table 2

The external performance of East Germany

(values, billion DM)

	1989	1990	1991[1]	1992[1]	1993[1]
Exports of goods to West Germany	5,7	7,3	13,1	20,6	25,8
Imports of goods from West Germany	7,5	48,1	144,0	163,8	174,1
Exports of services to West Germany	3,0	8,5	9,1	12,7	15,6
Imports of services from West Germany	4,5	28,6	48,2	49,3	43,3
Trade balance with West Germany (goods and services)	−3,3	−60,9	−170,3	−179,8	−175,9
Export of factor income to West Germany	:	2,9	13,2	19,9	21,6
Import of factor income from West Germany	:	0,2	0,5	2,2	2,4
Factor income balance with West Germany	:	2,8	12,7	17,7	19,1
Exports of goods and services to abroad	44,8	42,2	26,5	22,3	25,1
Imports of goods and services from abroad	40,9	24,0	19,1	22,1	25,3
Trade balance with abroad (goods and services)	3,9	18,2	7,4	0,2	−0,2
Public transfers from West Germany	5,1	43,0	90,0	100,0	100,0
Current account balance	5,7	3,1	−60,2	−61,9	−5,7

[1] Economic forecasts, autumn 1991.
Source: Commission services.

Table 3

Sectoral savings-investment balances

(in billion DM)

	1990	1991	1992	1993
Private households	0,3	5	10	15
Enterprise sector	−23,4	−50,2	−41,9	−37
Public sector	0	−15	−30	−35
Current account	−23,1	−60,2	−61,9	−57

Sources: Bundesbank, Commission forecast (Nov. 1991).

West Germany. The public sector was also in balance, while the enterprise sector ran a deficit of DM 23 billion (22 % of East German GDP). The imbalance in the enterprise sector is not the result of a strong surge in investment but of a sharp slump in revenues due to a poor competitive position on the domestic market; thus, the financial accounts of East German enterprises are clearly in a most unhealthy state. In West Germany, the financial accounts of the enterprise sector reflect a continuation of the very buoyant investment performance, with financial balances deteriorating but remaining in a broadly favourable condition. Private households increased their savings mainly as a consequence of tax cuts early in 1990.

The most important factors determining the all-German current account balance were the deterioration of the East German enterprise balance sheet and the surge in public sector borrowing. Early in 1991, the latter increased further as a result of significant unilateral transfers to the United States (in the context of the Gulf war) and to the Soviet Union (related to the withdrawal of Soviet troops from East Germany). In consequence, the current account balance indicated a significant deficit of about DM 29 billion in the first eight months of 1991, compared to a surplus of DM 59 billion in the same period a year before.

4. The need to establish a favourable economic-policy framework

The goal of economic policy is to transform the East German economy into a competitive and dynamic market economy, preferably with more labour-intensive production methods and avoiding a slump in purchasing power. All of this requires large-scale adjustment. The results up to now, however, have been mass unemployment, a sharp fall in GDP and very high public sector deficits. These disappointing results were unavoidable considering the conditions prevailing in East Germany. Firstly, emigration remains an attractive option for much of the East German labour force so long as large-scale capital flows into East Germany do not materialize. Secondly, the East German economy, which has been isolated for decades from developments in world markets and with outdated capital stock and production methods, must now be rapidly transformed into a competitive market economy. Thirdly, after more than 40 years of central planning, East German society must now adjust to a system of decision-making at a decentralized or micro-level. Finally, the population is not willing to accept a collapse in purchasing power during the adjustment period. Models of systems to tackle undesirable migration flows and to foster large-scale capital inflows exist (with some success in West Berlin but less so in the Mezzogiorno) but there is no prior experience on which to base a transformation from central planning to market-oriented economic management.

4.1. Dealing with the dramatic slump in employment

Although the main purpose of labour market policy is to foster the creation of new and self-sustaining employment, there is little doubt that East German labour supply will far exceed demand over the next few years. Two different labour markets reflecting a dual economy will exist in parallel in East Germany for some time. On the one hand, there will be fast-growing sectors, e.g. services and those parts of manufacturing industry based on a modern and productive capital stock financed by post-unification investment. This part of the economy will be able to pay high wages, as productivity could be even above average West German levels. On the other hand, there will be declining sectors, e.g. agriculture, mining and parts of the manufacturing sector still using pre-unification capital stock. The survival of these sectors and branches is already threatened at current wage levels. As the economy is split into two extremely divergent sub-economies and a dramatic slump in employment has been unavoidable, a two-handed approach to labour-market management is necessary.

The first element of this approach addresses the short-term management of mass unemployment. It does, however, not comprise general wage subsidies to facilitate a gradual adjustment of the old capital stock, as they may prove costly in the long run, even if they are designed to be progressively phased out. Indeed, the implications for the relative competitive positions of subsidized and non-subsidized branches and enterprises will hinder new investment in East Germany; this, in turn, will result in a slowing down in the adjustment process by supporting old non-competitive structures at the expense of new and more competitive structures. Therefore, the government should not try to retard the loss of economically unsustainable employment.

In the context of a short-term response to unemployment, consideration has been given to the creation, on a temporary basis, of a 'parallel' labour market and economy, consisting of public job-creation programmes, publicly financed employment companies *(Beschäftigungsgesellschaften)*, etc. The goal is to absorb a significant part of the unemployed labour force in this temporary parallel economy. However, production in this part of the economy is designed to interfere as little as possible with production in the private sector and should mainly focus on the provision of public goods or goods with positive externalities such as environmental recovery, social services, etc. However, salaries in this 'parallel' labour market would need to be set so as to maintain a positive incentive to seek employment in the competitive labour market. Furthermore, public subsidies to employment in the parallel labour market should be phased out over time. Negative repercussions on the real economy cannot be avoided, given the size of the labour force likely to be employed in this 'parallel' market. However, negative effects would probably be less damaging than those related to other interventions designed to manage mass unemployment. In general, the shift of official labour-market policy in the direction of job-creation programmes and employment companies, which took place in mid-1991, is to be welcomed. Nevertheless, such schemes need to be intensified, as alternative schemes to retard or avoid employment adjustment in the real economy, e.g. through special short-time working schemes or wage subsidies for (parts of) the private sector are increasingly acting as a disincentive to the adjustment of existing enterprises, to privatization and to private capital inflows.

Complementary to the 'parallel' labour market but of a more medium-term character would be large-scale retraining of the labour force, as the nature of labour demand in East Germany changes. At present, the most promising areas for retraining are construction and environment-related activities as well as the services sector. Retraining facilities and programmes will also need to be provided by public sector institutions, as the scale of required retraining activities is enormous and not manageable by the private sector alone. Furthermore, the special nature of the labour force to be retrained demands a more flexible approach to retraining.

4.2. Attracting private risk capital and privatization

Large-scale private and public investment will be needed to transform the East German economy. However, the performance of neither public nor private investment to date has been adequate. Public investment remains hampered by the lack of administrative absorption capacities. With regard to private investment, there is no obvious reason to assume that investors would be more hesitant to invest in East Germany than elsewhere given the same expected rates of return. Consequently, the cautious approach of private investors, despite the opening-up of a completely new market, must imply the existence of less visible disadvantages which have reduced the expected rate of return and so have diminished the attractiveness of East Germany as a place of investment. Indeed, until mid-1991, political, social and legal uncertainties, e.g. concerning property rights, constituted a major obstacle to new investment.

Since mid-1991, however, the legal framework for investment has improved and the package of subsidies is expected to boost investment significantly since investment costs in East Germany are now reduced by up to 75 %. Nevertheless, some important obstacles to rapid investment growth still exist, namely shortcomings in public administration and in public infrastructure. While the former may improve within the coming year, the latter will continue to be felt for quite some time as a result of budgetary constraints and limitations on capacity in both the public and private sector. Nevertheless, commitments to large-scale public infrastructure investment, albeit delayed by planning constraints on behalf of the administration, could boost expectations and strengthen private investment.

Box: Major investment-supporting measures (1990-91)

Measures	*Duration*
Reduce acquisition cost	
Investment grant for equipment (until 31 December 1991: 12 %, thereafter: 8 %)	1 July 1990 to 31 December 1994
Investment grant (up to 23 %) from the joint programme 'Improvement of regional industry structure'; financed by: — the Federal Government and the five new *Länder*	1 July 1990 to 30 June 1995
— the European Communities	1 January 1991 to 31 December 1993
Investment grant (up to 90 % for business-related municipal infrastructure) financed by:	
— the Federal Government and the five new *Länder*	1 July 1990 to 30 June 1995
— the European Communities	1 January 1991 to 31 December 1993
Special taxation allowances	
Two-year exemption from personal and corporate income tax up to DM 10 000 for enterprises established before 1 January 1991	1 January 1990 to 31 December 1990
Creation of appropriations for tangible assets transferred to companies in the former GDR and for initial losses of the affiliates	1 January 1990 to 31 December 1991
Additional (50 %) depreciation for equipment	1 January 1991 to 31 December 1994
Exemption from property tax and trading-capital tax and, for small and medium-sized enterprises, reduced trade-earnings tax	Until December 1992
Provision of concessional finance and guarantees	
Several programmes providing low-interest credits, liquidity credits and guarantees for liquidity loans	

Opportunities for private investment exist (i) in the modernization of existing installations still mainly owned by the public 'Treuhandanstalt'; (ii) in the modernization and expansion of the housing stock and (iii) in the construction of completely new structures. At present, the outlook for attracting risk capital to set up completely new structures and capacities is most promising, as the comparative disadvantages of East Germany as a location for production are offset by generous incentive schemes. If public infrastructural investment plans are realized, these disadvantages may have disappeared by the time production in new sites begins in the mid-1990s.

The creation of a competitive and modern services sector does not require significant investment subsidies. There is already evidence of large-scale investment in this sector, including the banking, insurance and distribution sector, which began immediately after monetary union, i.e. before the various investment subsidies were announced. Nevertheless, investment projects in the services sector are at present as heavily subsidized as corresponding projects in manufacturing industry.

The outlook for residential investment is also quite promising despite the present low level of rents. As investment costs can be carried over to rents and since a gradual liberalization of tenant regulations began in October 1991, expected returns in this field are progressively improving. However, risk capital will come mainly from public and foreign sources as potential East German investors suffer from liquidity constraints.

The outlook for attracting risk capital to modernize existing outdated capital stock is, however, far from being satisfactory. This mainly affects the manufacturing sector where enterprises still to be privatized carry special problems which make them unattractive to potential investors. Firstly, existing enterprise debt, accumulated in the years of centrally planned management, must in principle be serviced by the new owners. Secondly, many enterprise locations are polluted and the new owners are expected to take responsibility for cleaning-up. Finally, the Treuhandanstalt has tended to interfere with the investment plans of new investors, so as to encourage the retention of as much of the labour force as possible, thereby hindering rapid and necessary increases in labour productivity.

Transforming existing enterprise debt and ecological risks into public debt and public risks could substantially accelerate the privatization process. The effect on the balance sheet of the Treuhandanstalt could even be positive and risk capital could be attracted more easily. Furthermore, it has emerged that new owners do not always wish to maintain production or to modernize production plants but sometimes acquire production plants simply for speculative reasons (in expectation of soaring land prices) or to neutralize potential competition.

4.3. Balancing public finances and stabilizing purchasing power

Up to now, German unification has been quite costly. The public sector balance has deteriorated very significantly and the increase in the real disposable income of private households in West Germany as a result of the income tax cuts of early 1990 have already been offset by higher social security contributions and tax increases.

The understandable decision by the authorities not to allow purchasing power to drop dramatically in East Germany has absorbed fiscal resources corresponding to about 5 % of GDP per year. Although it has been possible to borrow this money on capital markets, a more solid financing basis is needed as annual transfers of this order of magnitude will be required for five to ten years, hopefully falling over the period. This will require a correspondingly large domestic redistribution in favour of transfer income. Such a redistribution should not be at the expense of private investment, so the disposable income of private households must be targeted, e.g. through temporarily higher income tax rates and social security contributions or expenditure cuts. In consequence, it is desirable that the the social partners do not seek compensating wage increases but should take these requirements into account when negotiating new wage settlements in the early 1990s. In view of the necessity for ongoing wage moderation and continued social consensus in Germany — preconditions for a positive investment climate — it may be difficult to reduce enterprise taxation over and above those measures already adopted in the course of the unification process.

4.4. Regulations, subsidies and supply-side policy

In times of buoyant investment activity, regionally designed investment subsidies form an appropriate tool to attract risk capital by changing the regional preferences of potential investors. In times of weak investment activity, however, it may be more promising to initially concentrate on creating a positive and favourable investment climate. The investment climate in Germany is deteriorating at present. High interest rates, unsustainable trends in the public finances, tax increases and costly wage agreements together with quite sluggish external demand prospects are negatively affecting expected rates of return on new investment. Consequently, if regional subsidies are to have the desired effect on investment, a consistent and significant package of supply-side measures must be introduced to prepare the ground for a longer-term dynamic investment performance in Germany. This package should include deregulation measures (the report of the Deregulation Commission in early 1990 contains several relevant proposals), a significant reduction of sectoral subsidies and expenditure control in the public sector to bring the public finances back on to a healthy path. Wage moderation in the public sector could, furthermore, have a positive demonstration effect on wage agreements in the private sector. It must also be kept in mind that any investment subsidy in West Germany acts as a disincentive to investment in East Germany.

Also, more attention should be given to the potentially negative repercussions of privatization and subsidization in East Germany on the overall level of competition and profitability in Germany. The recent stance of economic policy in East Germany favours large-scale and capital-intensive investment, which is mainly coming from companies which have often already a dominant position in the West German market. This is true for all sectors, e.g. energy, car industry, banking, insurance or retailing sector. At the end of the adjustment process in East Germany, a completely altered economic structure with more oligopolistic markets and less competition and flexibility may have emerged in Germany as a whole in place of an economic structure dominated by competitive and flexible small and medium-sized enterprises.

Finally, the integration of the two parts of Germany requires enormous and enduring adjustments in behaviour in West Germany as well as East Germany. The scale of the challenge this poses to German society demands a large measure of economic and social consensus; otherwise, the necessary redistribution in favour of East Germany may result in severe and counterproductive disputes. The government, opposition, employers' associations, trade unions and all other important groups should seek to develop a social pact deriving from an agreed strategy for a successful catching-up in East Germany without endangering social stability in Germany as a whole.

Study No 6

Budgetary policies in the Community: Developments and perspectives with a view to fiscal discipline

Budgetary policies in the Community: Developments and perspectives with a view to fiscal discipline

Tables

Graph

Summary

Fiscal discipline is a key requirement for the proper functioning of economic and monetary union and for successful transition towards its implementation. Section 1 focuses on the implementation aspects of the three principles of budgetary discipline agreed upon in the Intergovernmental Conference on EMU, namely prohibition of direct or privileged monetary financing of budget deficits, no bailing out, and avoidance of excessive budget deficits. These principles, which have been defined to meet the needs of the final stage of EMU, will progressively be put into operation during the transitional phases, and will therefore contribute to fiscal discipline. In Section 2, recent public finance developments are reviewed. The widening of the Community average budget deficit in 1990 was mainly influenced by the deterioration of fiscal balances in Germany, because of the budgetary cost of unification, and in the United Kingdom, because of a recession-induced revenue shortfall. Fiscal policies were also somewhat accommodating in almost all Member countries. In 1991, a further increase in the Community average budget deficit has taken place, mainly because of renewed worsening of deficits in Germany and the United Kingdom. Slower economic growth throughout the Community has had some negative impact on budget balances, which has, however, been limited by slightly restrictive budgetary policies in a large majority of Member States. Some deterioration of primary balances, along with higher interest payments on public debt and lower GDP growth, has generated an increase of the average public debt burden for the Community. Section 3 examines the compatibility of budgetary policies with the requirements for a successful first stage of EMU. In 1991, there has been no significant evidence of improvements in budgetary balances, nor have there been quantitative signs of more convergent budgetary performances. Corrective action towards sounder and more sustainable fiscal performances is therefore required in a majority of Member States. Germany and the United Kingdom have made the largest contributions to the further widening of the average budget deficit in the Community. Germany must scale down its deficit and a cautious policy stance is required in the United Kingdom. A second group of countries is made up of Member States (Greece and Italy) which show excessive budget deficits and steadily increasing public debts. In Greece, the three-year adjustment programme needs speedy implementation and in Italy, realization of the medium-term fiscal objectives is necessary. A third group of countries, comprising Belgium, The Netherlands, Portugal and Ireland, has high and barely stabilized or declining public debt ratio. Measures to reduce public debt burdens need to be initiated, continued or reinforced. In a last group of countries, consisting of Denmark, Spain, France and Luxembourg, budget balances and public debt burdens are broadly under control and these countries must maintain their present willingness to keep tight control on their budget outcome.

1. Building up fiscal discipline in the Community

1.1. Fiscal discipline and the move towards economic and monetary union

Full EMU as well as the transition phases towards EMU require, in order to be successful, that sound budgetary policies be pursued and that fiscal discipline be generalized. The drive towards EMU would be put into jeopardy if some Member States were to allow unsustainable fiscal positions to persist, as this would put undue pressure on monetary policies, and generate cross-country externalities amplified by the growing interdependence of national economies. Economic and social cohesion as well as a common determination to reach the final stage of EMU could then be put at risk.

Fiscal discipline being a key requirement for the proper functioning of EMU and for successful transition towards its implementation, there is a definite need for it to become standard practice in the conduct of budgetary policies as soon as possible.

Much thought has been given recently within the Community institutions to the organization of fiscal discipline in the final stage of EMU and in the two preparatory stages.

Firstly, it is widely acknowledged that market discipline has an important role to play in the adjustment of inappropriate national fiscal policies. This means that markets must be able to assess the risk of default in each country as accurately as possible, charge corresponding risk premiums, thus contributing to the generation of incentives leading to correction of unbalanced fiscal positions.

Secondly, EC multilateral surveillance, as established by the Council Decision of 12 March 1990 on the attainment of progressive convergence of economic policies and performance during Stage I of EMU,[1] organizes the procedure of coordinating budgetary policies with a view to attaining sound public finances, the aim being to reduce excessively high deficits and avoid monetary financing. Experience

[1] Decision 90/141/EEC, *Official Journal of the European Communities* L 78, 24.3.1990, pp. 23 and 24.

gained in 1991 shows that multilateral surveillance needs to be actively pursued and reinforced because of an unsatisfactory convergence situation in the Community and the persistence of large fiscal imbalances in several member countries.

In this spirit it has been decided to put forward 'convergence programmes' in order to ensure rapid improvement in convergence where this is needed. These programmes are prepared under the responsibility of Member States but are discussed, endorsed and monitored at Community level.

Thirdly, it has been agreed that in full EMU, fiscal discipline also requires the formalization of and adhesion to some principles or rules, as monetary policy competence will progressively be transferred and centralized in a single monetary authority (the European Central Bank), whereas budgetary authority will remain at Member State level.

Three principles to be incorporated into the Treaty have been proposed:

(i) The first one bans direct central bank financing and access to favourable financing of public deficits, by prohibiting the granting of central bank credit to governments, the obligatory purchase by banks of public debt instruments and privileged access by governments to financial institutions. This principle is required to guarantee the independence of central bank credit policy, and to prevent the monetary authority from being forced to engage in budget financing under non-market conditions.

(ii) The second principle, called the 'no-bailing out clause', states that the Community and Member States shall not be liable for the commitments of other Member State governments, the purpose here being to allow financial markets to exert a degree of discipline on any Community country pursuing unsound budgetary policies, by imposing differential terms on its paper, and ultimately by refusing to lend.

(iii) The third principle consists of the avoidance of excessive budget deficits, that is of deficits which are large enough to threaten economic and monetary stability in a Member State and/or in the Community as a whole, or which generate an unsustainable public debt evolution.

1.2. Implementation of the three principles of budgetary discipline

The above principles for fiscal discipline must be applied early enough in the move towards EMU to contribute to the necessary convergence in economic performance among Member States. A consensus has been developing which favours asking the Member States to comply with these principles already as from the start of Stage II (1 January 1994). This requires that the necessary adjustment to the principles be undertaken as soon as possible.

In the present situation, the first principle, no direct or privileged monetary financing of budget deficits, is not respected in several Member States. Greece, Spain and Italy still allow direct and automatic access by the Treasury to central bank financing and therefore need to adapt their borrowing behaviour at the Central Bank. Some adaptations have already taken place in some Member States: in 1991, Belgium has reduced its government's borrowing ceiling at the Central Bank from BFR 147 billion to BFR 20 billion; in Spain, the government has had, since 1990, to repay loans from the Central Bank at the end of the year; and in Portugal, borrowing at the Central Bank has been in principle forbidden since 1990 except in some well-defined circumstances. Four Member States, namely: Greece, Spain, Ireland and Portugal, still apply compulsory investment ratios to banks as regards government paper. In 1991, Greece lowered its investment ratio and abolished the investment ratio designed for financing public enterprises. Spain has activated a programme of quarterly reductions of its ratio so as to arrive at zero by 1992. In Ireland and Portugal, the ratios do not presently act as a constraint as banks hold a larger proportion of public debt than implied by those ratios. In addition, the share of public debt held by the banks is relatively low compared to some other Member States, like Belgium, Germany or Spain.

The second principle, the no-bailing out clause, will take the form of a solemn commitment by the Community institutions to let the fiscal authorities bear the responsibility and cost of adjustment in case of an inappropriate policy stance. The role of this principle is in fact twofold: to prevent national budgetary authorities from taking advantage of access to the fully liberalized European capital market by adopting a free-rider attitude whereby as much as possible of the cost of a required fiscal adjustment is transferred on to other Member States, and to generate instead a strong announcement effect on financial markets, in order to produce an adequate evaluation and corresponding market sanctions of the risk of default of each country. The implementation of this clause will involve delicate assessment, due to its preventive role and also because there is an inherent solidarity dimension in the contribution of the European Community to improved economic and social cohesion. The ultimate test of the efficiency of the no-bailing out principle will, in fact, rest on the observance of various elements, like whether or not national fiscal authorities adopt strong cooperative behaviour in the coordination of their budgetary policies, whether interest rate differentials on public securities reflect the diversity of default risks, whether strict macroeconomic conditionality is attached to financial support schemes in favour of a Member State, and finally whether public finance crises are avoided, including those at sub-national budgetary levels, which in several Member States benefit from a large degree of fiscal autonomy. The no-bailing out principle is clearly instrumental to improved macroeconomic discipline and convergence, both in full EMU and in the transition phases towards EMU.

The implementation of the third principle, avoidance of excessive budget deficits, is not a straightforward exercise. The concept of excessive or on the contrary acceptable deficit, although easy to grasp intellectually, is difficult to formalize operationally and to quantify. In standard macro-economic analysis, deficits are acceptable or excessive by reference to an optimal budgetary policy within a reasonable macroeconomic policy mix. Excessiveness is then identified through the analysis of the contribution of fiscal imbalances to domestic demand, national saving, external balance, prices and interest rates. Excessive deficits must also be seen in relation with high public debt ratios and with inadequate fiscal policies which jeopardize stability-oriented monetary policies, spill over to other Member States, and force partner countries to alter their policy mix. Such an identification of the acceptable or excessive character of budget deficits clearly belongs to the surveillance procedure, whereby Member States cooperate to pursue balanced and mutually consistent economic policies.

2. Evaluation of recent public finance developments

2.1. The global fiscal picture in the Community in the late 1980s and early 1990s

At the end of 1989, the public finance situation of the Community was still improving on average, following the marked reorientation which began in 1982. As Table 1 shows, net borrowing peaked at 5,5 % of GDP in 1982, and was gradually reduced in the following years, to 2,9 % of GDP in 1989. This reduction was obtained through a slow-down in the growth of the public expenditure share in GDP between 1982 and 1984, followed by a reduction up to 1989 and through a stabilization of current receipts from 1984 onwards.

Consolidation efforts weakened, however, throughout the 1980s, although they differed widely in timing and intensity among Member States. Table 2 shows that, as Community GDP growth picked up throughout the 1980s, the average Community budgetary policy stance was made somewhat less restrictive and stronger economic performance was not seized as an opportunity for additional correction of budgetary imbalances.

In 1989, budgetary situations remained very divergent among Member States (see Table 3): while in Germany, the

Table 1

Trends in EC public finances (general government)

(in percentage of GDP)

	1970	1982	1984	1989
Current receipts	36,2[a]	42,7	43,5	43,6
Total expenditure	35,9[a]	48,2	48,8	46,5
Net lending (+) or borrowing (−)	0,3[a]	−5,5	−5,3	−2,9
Public debt/GDP ratio	45,5[a]	50,5	56,9	60,9

[a] Community excluding Greece and Portugal.
Source: Commission services.

United Kingdom and Luxembourg, the general government position was in surplus, all other Member States showed a deficit: less than 2 % of GDP in Denmark and France, between 2 and 4 % of GDP in Spain, Ireland and Portugal, between 5 and 7 % of GDP in The Netherlands and Belgium, over 10 % of GDP in Italy and above 18 % of GDP in Greece. Graph 1 also shows that large disparities built up among Member State debt/GDP ratios during the greater part of the 1980s, although the Community average public debt/GDP ratio grew more moderately from 1985 to 1987, and declined very slightly in 1988 and 1989.

Table 2

Changes in EC budget balances and the impact of economic activity
(as percentage of GDP; cumulative changes over the period)

	1982-85	1986-89
Actual change in budget balance (a)	+0,1	+2,2
Impact of change in economic activity (b)	−0,6	+1,7
Change in adjusted budget balance (c) (a)−(b)=(c)	+0,7	+0,5

A plus sign indicates an improvement, a minus sign indicates a deterioration.
Source: Commission services.

There was a noticeable increase of the Community average net borrowing in 1990 from 2,9 % of GDP in 1989 to 4,1 %. Meanwhile, government receipts remained nearly unchanged at 43 ½ % of GDP and the share of government expenditure rose by almost a percentage point to 47 ½ %. Budget balances deteriorated in 10 member countries. In 1991, net borrowing rose from 4,1 % of GDP in 1990 to an estimated 4,4 %, and the tax burden increased from 43,3 % of GDP in 1990 to 43,9 %, while the share of public expenditure expanded noticeably from 47,4 % to 48,3 %. Budget balances have worsened in six member countries.

2.2. Budgetary developments in 1990 and 1991

2.2.1. Developments in Member States

The widening of the Community average net borrowing to 4,1 % of GDP in 1990, following five years of limited but steady reduction of the deficit, had not been anticipated in late 1989, at the time budgets had been prepared and adopted. The size of the deterioration of Germany's budget balance, which moved from a slight net lending position in 1989 (0,2 % of GDP) to a net borrowing of 1,9 % of GDP in 1990 was primarily caused by the budgetary impact of German reunification, as budgetary transfers to East Germany rose to DM 43 billion that year. The expansionary effect of this new expenditure came in addition to the moderating effect on fiscal receipts from the implementation of the third stage of the income tax reform. The fiscal situation also worsened in the United Kingdom, which registered a net borrowing of 0,7 % of GDP against a net lending of 1,2 % of GDP in 1989, as the authorities decided not to compensate for the recession-induced revenue shortfall, and in Greece, where the deficit grew from 18,3 % of GDP in 1989 to 20,4 %. In Denmark, the deficit widened by 1 GDP point to 1,5 %, although the objective of reducing the size of public receipts and expenditure in the economy was attained. In Spain, Italy and The Netherlands, deficits were also larger (at 4 %, 10,7 % and 5,3 % of GDP, respectively), mainly due to some slippage in expenditure in Spain and Italy, and lower fiscal receipts in Spain and The Netherlands. In France, net borrowing in 1990 was above the 1989 outcome (1,7 % of GDP against 1,2 %). In Ireland the deficit grew marginally by 0,1 GDP point to 3,4 %, thus bringing to a halt the sustained pace of deficit reduction of previous years. In Portugal, there was a marked deterioration in the deficit (from 3,4 % of GDP in 1989 to 5,8 % in 1990), but the deficit figure for 1989 had been reduced in size by extraordinary gains in tax revenue that year, which were brought about by the transition to the new system of direct taxation.

Some improvement was recorded in 1990 in Belgium (net borrowing fell by 1 GDP point to 5,7 %) and in Luxembourg, where net lending grew from 4,3 % of GDP in 1989 to 4,8 %.

The increase in the Community average budget deficit to 4,4 % of GDP in 1991 has mainly been generated by a further substantial widening of the deficit in Germany (from 1,9 % of GDP in 1990 to an estimated 3,6 % in 1991) and in the United Kingdom (from 0,7 % of GDP in 1990 to an estimated 1,9 % in 1991). Budget balances have also worsened in Belgium, Denmark, Ireland and Luxembourg. They are expected to slightly improve in Greece, Spain, France, Italy, The Netherlands and Portugal.

In 1991, the divergent public finance performance of two large member countries is the main determinant of the further worsening of the global public finance situation. The share of general government expenditure in Germany is estimated to grow this year by 2,3 GDP points to 48 % (the budgetary cost of German unification is forecast at DM

100 billion) whereas receipts should expand by 1 GDP point following the increase in social security contributions, in mineral oil taxes and the application of an income tax surcharge for 12 months, effective as of 1 July. In the United Kingdom, the increase in the government expenditure share (+ 0,9 point of GDP) reflects the budgetary impact of recession, which is also felt on public receipts, whose share diminishes by 0,3 GDP points. In the other countries, the share of public expenditure expands somewhat, except in Denmark where it is stable, in The Netherlands where it is expected to fall for the fourth consecutive year, and in Greece, where some reduction is forecast, following the huge expenditure slippage of 1990. The share of current receipts in GDP is expected to rise in Greece, Spain, France, Ireland, Italy, The Netherlands and Portugal, and to slightly decrease in four Member States.

Estimated budgetary developments in Greece in 1991 show some departure from trends in previous years, as this country is aiming with its adjustment programme at a drastic cut in its net borrowing, through extensive measures to cut government consumption, reduce grants and subsidies, increase tax receipts and phase out compulsory and direct monetary financing of the budget. Therefore, the reduction of the very high budget deficit is due to come through the combination of increases in public receipts and expenditure cuts.

2.2.2. Influence of economic activity and fiscal policy stance

Macroeconomic developments in 1990 and 1991 show a noticeable weakening of the EC growth performance, as Community real GDP growth slowed from 3,3 % in 1989 to 2,8 % in 1990 and is estimated to fall further to 1,3 % in 1991.

In 1990, only Germany grew notably more strongly than in the previous year (+ 4,7 % against + 3,3 %), because of the boost to demand caused by the German unification (see Table 4). Although slightly weaker, growth in the Benelux countries remained sustained, as they also benefited from increased German demand. With the exception of Denmark, where an upswing was registered, the seven remaining member countries experienced a generally noticeable weakening of their growth performance. The slowdown was the most dramatic in Greece, as real GDP fell by 0,3 %, and in the

Table 3

General government accounts: 1989-91

(as percentage of GDP)

	Current receipts			Total expenditure			Net lending (+) or borrowing (−)		
	1989	1990	1991[a]	1989	1990	1991[a]	1989	1990	1991[a]
B	44,5	44,7	44,5	51,2	50,4	50,9	−6,7	−5,7	−6,4
DK	58,2	56,1	55,9	58,7	57,6	57,5	−0,5	−1,5	−1,7
D	45,4	43,8	44,8	45,2	45,7	48,0	+0,2	−1,9	−3,6[b]
GR	31,6	34,2	35,1	49,9	54,6	53,0	−18,3	−20,4	−17,9
E	39,0	38,6	39,5	41,8	42,7	43,5	−2,7	−4,0	−3,9
F	48,3	48,4	48,9	49,5	50,1	50,4	−1,2	−1,7	−1,5
IRL	39,6	39,5	40,4	43,1	43,1	44,5	−3,5	−3,6	−4,1
I	41,6	42,6	43,8	51,7	53,2	53,7	−10,1	−10,7	−9,9
L	55,1	56,1	53,4	50,8	51,3	51,4	+4,3	+4,8	+2,0
NL	52,2	51,3	51,8	57,4	56,6	56,2	−5,2	−5,3	−4,4
P	39,5	38,3	39,9	42,9	44,0	45,3	−3,4	−5,8	−5,4
UK	39,1	38,4	38,1	37,9	39,1	40,0	+1,2	−0,7	−1,9
EC	43,6	43,3	43,9	46,5	47,4	48,3	−2,9	−4,1	−4,4

[a] Economic forecasts, autumn 1991.
[b] Unified Germany.
Source: Commission services.

Table 4

Key macroeconomic variables

	Real GDP growth (% p.a.)			Growth of real demand (% p.a.)			Inflation[a] (% p.a.)			Nominal long-term interest rates			Real long-term interest rates[b]		
	1989	1990	1991[c]	1989	1990	1991[c]	1989	1990	1991[c]	1989	1990	1991[c]	1989	1990	1991[c]
B	3,9	3,7	1,3	4,9	3,4	1,2	4,6	3,0	3,1	8,7	10,1	9,3	4,1	7,1	6,2
DK	1,2	2,1	1,8	0,3	−0,7	0,4	4,3	2,3	1,9	10,2	11,0	9,8	5,9	8,7	7,9
D	3,3	4,7	3,3	2,7	5,0	3,0	2,6	3,4	4,3	7,0	8,9	8,6	4,4	5,5	4,3
GR	2,8	−0,3	0,7	3,3	3,3	−0,3	14,0	18,2	19,3	20,6	22,0	23,0	6,6	3,8	3,7
E	4,8	3,7	2,5	7,8	4,6	3,1	6,9	7,3	6,6	13,8	14,7	12,5	6,9	7,4	5,9
F	3,6	2,8	1,3	3,2	3,2	1,1	3,6	2,7	3,1	8,8	9,9	9,1	5,2	7,2	6,0
IRL	5,9	5,7	1,3	6,0	5,4	0,6	5,1	1,6	2,1	9,0	10,1	9,0	3,9	8,5	6,9
I	3,2	2,0	1,1	3,6	1,9	1,5	6,3	7,5	7,2	12,9	13,4	13,5	6,6	5,9	6,3
L	6,1	0,9	3,0	7,8	2,2	4,3	5,1	3,7	3,3	7,7	8,6	8,2	2,6	4,9	4,9
NL	4,0	3,9	2,3	4,9	3,6	2,1	1,5	2,8	3,6	7,2	9,0	8,9	5,7	6,2	5,3
P	5,4	4,0	2,0	4,0	5,8	4,6	12,8	15,0	14,6	14,9	16,8	17,2	2,1	1,8	2,6
UK	2,2	0,8	−1,8	3,1	−0,1	−3,0	6,9	8,4	6,5	9,6	11,1	10,0	2,7	2,7	3,5
EC	3,3	2,8	1,3	3,7	2,9	1,1	5,1	5,7	5,5	9,9	11,2	10,6	4,8	5,5	5,1

[a] GDP price deflator.
[b] Nominal interest rates adjusted for annual changes in the GDP price deflator.
[c] Economic forecasts, autumn 1991.
Source: Commission services.

United Kingdom, which only grew by 0,8 %, as it ended the year in pronounced recession. In Portugal, however, domestic demand remained quite buoyant. Therefore, 1990 saw growing disparities emerge in the respective cyclical positions among Member States.

In 1991, GDP growth has been slowing down further and this movement has been widespread, although West Germany, Spain, Luxembourg, The Netherlands and Portugal still retain growth rates equal to or above 2 %. The United Kingdom has been experiencing a large fall in its real GDP (estimated at 1,8 %).

Table 5 presents estimates for 1990 and 1991 of the effect of economic activity on budget balance changes. By subtracting this effect from budget balance figures, a residual 'adjusted budget balance' is obtained and is used as a proxy for the change in the discretionary fiscal policy stance.

Figures for 1990 show a loosening of the discretionary component of budgetary policy by 1,3 % percentage points of GDP for the Community as a whole, which is slightly larger than the average budget balance deterioration, as economic activity was estimated to improve the budget balance of the Community last year by 0,1 % of GDP. The brunt of the discrepancy is borne by Germany, as the deterioration in the adjusted budget balance amounts to 3 percentage points of GDP. This is obviously due to the budgetary impact of German unification, which, however, represents a new structural feature and cannot be interpreted as an autonomous modification of policy stance under unchanged conditions. But, apart from Luxembourg and Belgium, where adjusted budget balances improved, all other member countries loosened the stance of their budgetary policy.

In 1991, the pronounced slowdown in GDP growth is estimated to generate a negative impact of 0,7 GDP point on the average budget deficit of the Community, which is somewhat above the actual rise in the deficit (estimated at 0,4 %), thus indicating a reorientation of budgetary policies towards a modest restrictive fiscal stance. This is, however, not the case in Germany, which continues to implement a highly expansionary fiscal stance, with the discretionary component of its budget balance deteriorating by a further 1,9 GDP points, and in Luxembourg. In Denmark and Belgium, the policy stance has been neutral or almost neutral.

Elsewhere, fiscal stances were modestly tightened. In Greece the adjusted budget balance improved by 2,7 GDP points, thus confirming the reorientation of the Greek budgetary policy towards consolidation.

2.2.3. Interest rates, interest payments and public debt

Another channel of interaction between the macroeconomic environment and the budgetary situation is through interest rates: long-term interest rates are influenced by the demand for funds required to finance budget deficits, and at the same time they affect interest charges on public debt. A variation in long-term interest rates has a lagging impact on interest charges on public debt, which is a function of the average residual maturity of the debt and the extent of new borrowing.

A generalized increase in long-term interest rates occurred in 1990, under the combined effect of a deterioration in inflationary expectations and a newly perceived relative scarcity of capital due to the fall of the Iron Curtain (see Table 4). In 1991, this movement has subsided, as average long-term interest rates declined in most member countries, although they have often remained at a higher level than in 1989. In Greece and Portugal, long-term interest rates have continued to increase, due to the persistence of very high inflation rates. In Italy, long-term rates are expected to remain high on average for the year, following the peak registered during the early months of the year.

'Real interest rates', measured by reference to the GDP deflator, also moved upwards in Member States in 1990, except in Greece, Italy and Portugal where they declined, as nominal rates did not react as much to the worsening of inflation. In 1991, real rates have fallen slightly, except in Italy, Luxembourg and Portugal and the United Kingdom.

Table 5

Budget balances in 1990 and 1991 and the impact of economic activity in the individual Member States[a]

(Annual changes in percentage of GDP)

	1990			1991[b]		
	Budget balance (a)	Impact of economic activity (b)	Adjusted budget balance (c)=(a)−(b)	Budget balance (a)	Impact of economic activity (b)	Adjusted budget balance (c)=(a)−(b)
B	+1,0	+0,7	+0,3	−0,7	−0,8	+0,1
DK	−1,0	0,0	−1,0	−0,2	−0,2	0,0
D	−2,1	+0,9	−3,0	−1,7[c]	+0,2	−1,9
GR	−2,1	−0,6	−1,5	+2,5	−0,2	+2,7
E	−1,3	0,0	−1,3	+0,1	−0,5	+0,6
F	−0,4	+0,2	−0,6	+0,1	−0,6	+0,7
IRL	−0,1	+1,4	−1,5	−0,5	−1,2	+0,7
I	−0,6	−0,2	−0,4	+0,7	−0,6	+1,3
L	+0,4	−1,8	+2,2	−2,8	−0,5	−2,3
NL	−0,1	+1,1	−1,2	+0,9	−0,1	+1,0
P	−2,4	+0,4	−2,8	+0,4	−0,5	+0,9
UK	−2,0	−0,9	−1,1	−1,3	−2,5	+1,2
EC	−1,2	+0,1	−1,3	−0,4	−0,7	+0,3

a A plus sign indicates an improvement, a minus sign indicates a deterioration.
b Economic forecasts, autumn 1991.
c Unified Germany.
The impact of the change in economic activity on the budget balance is measured by reference to a medium-term growth trend.
Source: Commission services.

Table 6 shows data for interest payments and for effective interest rates on public debt, along with primary budget balances and debt to GDP ratios. Actual interest payments on public debt worsened in 1990 for the Community as a whole to 5 % of GDP, against 4,8 % in 1989, in line with the increase in long-term interest rates, and have kept increasing in 1991, although interest rates have fallen somewhat, because of the effect of lags and the persistence of high budget deficits. Similarly, effective interest rates on public debt have on average grown over the two years.

Primary balances in percentage of GDP have deteriorated noticeably in 1990 and 1991 in Germany and in the United Kingdom, more modestly in Denmark, Spain, Ireland, and Luxembourg. They have improved a little in Italy and Belgium; and Greece has managed to reduce its large primary deficit. Broad stability has prevailed in France and The Netherlands, and movements in opposite directions over the two years have been recorded in Portugal. On average, there has been an overall deterioration of the Community primary surplus by 1,1 GDP percentage points of GDP, from 1,9 % of GDP in 1989 to 0,8 % in 1991.

When primary balances worsen in the absence of a reduction of interest payments on public debt, or when authorities do not compensate for an increase in interest payments by a large enough correction of their primary balance, the resulting deterioration of the budget balance translates into a less favourable evolution of the public debt/GDP ratio. The combined worsening of the primary balance and increase of interest payments has triggered a jump of the debt/GDP ratio in Germany in 1991, whereas in Greece and in Italy, the improvement of the primary balance has been insufficient to stop the sustained progression of the public debt burden (see Graph 1).

Portugal shows an apparently paradoxical situation, as the increase in its interest burden combined with some weakening of its primary surplus in percentage of GDP has not materialized into a higher debt/GDP ratio. On the contrary, there has been a reduction of the debt/GDP ratio, because of the use of privatization proceeds to reduce public debt and the large dampening effect of double-digit inflation on the debt ratio. In Denmark and The Netherlands, a limited pick-up of the public indebtedness ratio has taken place over

Table 6

Determinants of variation in gross public debt

	Primary balance (% of GDP)			Interest payments (% of GDP)			Effective interest rate on public debt[a]			Gross public debt (% of GDP)[b]		
	1989	1990	1991[c]	1989	1990	1991[c]	1989	1990	1991[c]	1989	1990	1991[c]
B	3,9	5,2	4,9	10,6	10,9	10,9	8,5	8,8	8,7	128,4	127,3	129,4
DK	6,9	5,7	5,8	7,4	7,2	7,4	11,5	11,1	11,3	65,6	66,4	66,7
D	2,9	0,7	−0,5	2,7	2,6	2,7	6,4	6,3	6,2	43,0	43,6	45,6
GR	−10,1	−8,4	−4,6	8,2	12,0	13,2	10,6	14,5	15,2	85,8	93,7	96,4
E	0,7	−0,5	−0,3	3,4	3,5	3,6	8,3	8,2	8,4	44,2	44,5	45,6
F	1,6	1,4	1,7	2,8	3,1	3,2	6,2	6,7	7,0	47,4	46,6	47,2
IRL	5,6	4,8	4,2	9,1	8,4	8,3	8,3	8,2	8,2	110,1	103,0	102,8
I	−1,1	−1,0	0,3	9,0	9,7	10,2	9,9	10,4	10,6	96,0	98,6	101,2
L	5,1	5,4	2,5	0,8	0,7	0,6	8,7	8,6	8,5	8,5	7,3	6,9
NL	0,7	0,6	1,5	5,9	5,9	5,9	7,8	7,8	7,8	77,9	78,3	78,4
P	3,8	2,4	3,1	7,1	8,2	8,5	10,6	12,7	13,7	72,0	68,2	64,7
UK	4,8	2,7	1,2	3,7	3,3	3,2	8,0	7,9	7,4	45,1	42,8	43,8
EC	1,9	0,9	0,8	4,8	5,0	5,1	8,3	8,6	8,7	60,3	60,4	62,0

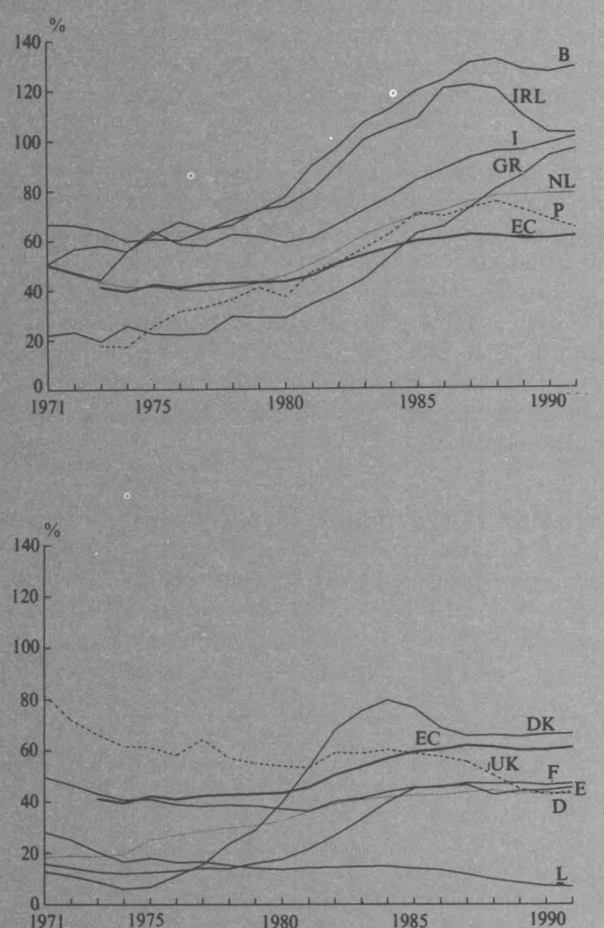
a Interest payments as percentage of gross debt $\frac{t+(t-1)}{2}$

b General government, except B and NL: excluding social security; P: central government.

c Economic forecasts, autumn 1991.

Source: Commission services.

GRAPH 1 : **Trends in gross public debt** (percentage of GDP)



Source: Commission services.

the last two years. A deterioration is also expected in 1991 in Belgium, following an improvement in 1990. Ireland and the United Kingdom, which both managed to reduce their interest payment burden, were successful in inducing a fall of their debt/GDP ratio in 1990, although such a downward trend has slowed in 1991 in Ireland and come to a halt in the United Kingdom, following the quick reduction of their primary surplus. Spain and France recorded limited slippage of their relatively low public debt and the public debt situation of Luxembourg has remained very satisfactory.

2.2.4. General government contribution to national saving

Table 7 shows that general government gross saving, which was slightly positive in 1989 for the Community as a whole (+ 0,7 % of GDP), turned negative in 1990 (− 0,1 % of GDP) and has deteriorated further in 1991 to − 0,6 % of GDP. As this fall in government saving has taken place while gross private saving remained broadly stable, the gross national saving rate has come down from 21,3 % of GDP in 1989 to 20,1 % in 1991. This evolution has thus put an end to the very slow improvement of the Community national saving rate recorded between 1983 to 1989.

Countries faced with a public dissaving situation allow for the financing of part of their public current expenditure out of private saving, and this situation may hamper the capacity of their economy to invest and grow. If households do not compensate for public dissaving, by raising their saving rate accordingly — and this seems to be the case in the Community — a worsening of public saving may lead to a shortfall of domestic saving in relation to investment, which will be accommodated by capital inflows and interest rate increases. Eventually, however, it is likely that investment rates will be adjusted downwards, as statistical evidence shows a strong correlation between the evolution of national saving and investment rates in the Community.

The concept of 'golden rule' addresses this kind of concern, by preventing governments from running deficits larger than their investment expenditure. The golden rule allows government borrowing only for investment purposes, with the rationale that the addition to government capital improves the growth potential of the economy, and eventually yields additional revenue which helps meet the interest payments on borrowing. The golden rule therefore forbids governments to dissave.

Table 7 shows that Belgium, Greece, Ireland, Italy, The Netherlands and Portugal have not met the criteria for the golden rule in 1989, 1990 or 1991. Germany — although the golden rule is legally binding in this Member State in normal conditions — has breached it in 1991. There has been no significant reduction in the overshooting of the golden rule, which on the contrary has widened on average for the Community in 1991, thus confirming that many Member States do not feel inclined so far to adjust towards the discipline involved in adhering to this rule.

3. Compatibility of budgetary policies with the requirements for a successful first stage of EMU

In 1991, the modest reorientation of fiscal policy stances has been insufficient to compensate for the negative effect on budget balances of the slowdown in economic activity and to prevent a further widening of the average budget deficit of the Community. There has been no significant evidence of improvements in budgetary balances, nor have there been quantitative signs of more convergent budgetary performances.

In 1991, Germany and the United Kingdom have again made the largest contributions to the further widening of the average budget deficit in the Community.

In Germany, this has been a direct consequence of the large financing needs arising from unification, which must not translate into permanent budget imbalances. Germany must scale down its budget deficit, in order to stabilize its public debt/GDP ratio and return to meeting the golden rule in the next few years in the interest of preserving price stability.

The United Kingdom, faced with recession, has allowed a deterioration in its budgetary position, which resulted from the working of automatic stabilizers. A cautious policy stance is required to maintain compliance with its medium-term objective of a balanced budget. This would ensure continued positive public savings and compliance with the golden rule in the medium term.

A second group of countries is made up of Member States (Greece and Italy) which have been showing excessive budget deficits and steadily increasing public debt burdens for many years. Budgetary developments in Greece for 1991 show an as yet insufficient departure from previous trends, as Greece is involved in a three-year adjustment programme aimed at a drastic cut in its central government borrowing requirement, through extensive measures covering both public receipts and expenditure, which now need decisive and speedy implementation.

The budgetary performance of Italy continues to diverge from other Member States in the ERM narrow band, as general government net borrowing has persistently remained close to 10 % of GDP and the public debt/GDP ratio has passed the 100 % benchmark and continues to increase. Italy

Table 7

General government contribution to national saving and respect of the 'golden rule'

	Gross private saving (% of GDP)			General government gross saving (% of GDP)			Gross national saving (% of GDP)			Respect of golden rule[a] (% of GDP)			Current account balance (% of GDP)		
	1989	1990	1991[b]	1989	1990	1991[b]	1989	1990	1991[b]	1989	1990	1991[b]	1989	1990	1991[b]
B	25,1	24,5	25,1	−4,2	−3,3	−4,0	20,9	21,2	21,0	−5,1	−4,1	−4,8	1,1	1,0	1,0
DK	15,2	17,6	18,8	2,2	0,7	−0,1	17,4	18,3	18,7	1,6	0,5	0,3	−1,2	0,8	1,4
D	22,9	24,1	23,4	3,6	1,5	0,8	26,5	25,5	24,2	2,5	0,4	−0,8	4,7	3,2	1,2
GR	26,9	26,6	27,4	−13,9	−16,4	−14,0	13,0	10,2	13,4	−14,9	−17,3	−14,8	−4,8	−6,1	−4,2
E	19,1	20,2	20,3	3,0	2,0	2,1	22,1	22,2	22,4	1,6	0,9	1,3	−3,2	−3,5	−3,1
F	18,9	18,1	18,0	2,4	2,1	2,2	21,3	20,2	20,1	2,1	1,7	1,9	−0,1	−1,0	−0,7
IRL	21,1	25,2	23,8	−1,4	−1,5	−2,0	19,7	23,7	21,8	−1,6	−1,7	−2,2	1,3	3,4	2,3
I	25,8	25,5	24,8	−5,6	−5,8	−5,5	20,2	19,7	19,3	−6,5	−7,2	−6,5	−1,4	−1,4	−1,3
L	50,2	47,2	47,6	10,7	11,4	8,8	60,9	58,6	56,4	10,0	10,7	8,1	34,4	31,2	28,1
NL	25,3	25,9	25,6	−1,0	−1,4	−1,1	24,3	24,4	24,4	−2,8	−3,0	−2,1	3,3	3,8	4,1
P	25,5	30,1	28,7	0,9	−1,5	−1,6	26,4	28,6	27,1	−0,3	−2,8	−2,5	−2,9	−0,3	−1,1
UK	12,6	12,9	12,6	3,0	2,5	0,6	15,6	15,4	13,2	3,0	1,6	0,1	−4,8	−2,6	−1,1
EC	20,6	21,0	20,7	0,7	−0,1	−0,6	21,3	20,8	20,1	−0,1	−1,1	−1,4	−0,1	−0,2	−0,3

[a] 'Golden rule' defined as not allowing general government net borrowing to exceed general government gross capital formation. Its respect is signalled by a positive value for the sum of gross capital formation and budget balance.
[b] Economic forecasts, autumn 1991.

Source: Commission services.

must meet its public finance objectives, otherwise medium-term consolidation will be jeopardized. The convergence programme of autumn 1991 aims at halving by 1994 the State sector borrowing requirement in percentage of GDP and stabilizing the public debt ratio by end 1993. An effective implementation of and commitment to these guidelines is all the more necessary, as inflation also needs to be substantially reduced.

A third group of countries, comprising Belgium, The Netherlands, Portugal and Ireland, has high and hardly stabilized or declining public debt ratios. Measures to reduce public debt burdens need to be initiated, continued or reinforced.

In Belgium, the deficit is still too large to guarantee the steady reduction of the enormous public debt ratio (nearly 130 % of GDP). The double government norm, aimed at freezing real non-interest expenditure and keeping the central government deficit constant in nominal terms, should be applied strictly and extended to include the whole of the general government, in order to initiate a reduction of the public debt burden, which is still twice the size of the Community average.

In The Netherlands, where the public debt ratio is getting close to 80 % of GDP, additional measures have been taken in 1991, in order to reach medium-term public finance targets. The persistence of public dissaving and failure to respect the golden rule also necessitate a strengthening of government medium-term guidelines, in order to stabilize and reduce the public debt ratio.

The fall of the public debt burden in Portugal reflects the use of privatization proceeds and of inflation tax due to double-digit price rises. The government medium-term fiscal strategy relies on public expenditure restraint and increased indirect tax revenues, but updated commitments are required to make sure that the public debt ratio continues to fall simultaneously with the reduction of inflation.

Ireland has been remarkably successful in consolidating its public finances in the late 1980s, as the public debt ratio came down from 120,4 % of GDP in 1988 to 103 % in 1990. However, the downward path of annual borrowing has been arrested mainly because of the repercussions of slower growth, particularly in 1991. The public debt ratio has therefore nearly stopped declining in 1991. Consolidation efforts must be continued for many years to keep the debt/GDP ratio on a firm downward path.

In the last group of countries, consisting of Denmark, Spain, France and Luxembourg, budget balances and public debt burdens are broadly under control. The fiscal situation in these countries will not give rise to macroeconomic disturbances, as long as strict fiscal policy stances continue to be pursued, nor are they likely to present convergence problems at the Community level. These four countries have positive public savings, meet the golden rule and their public debt is close to or below the Community average. They must maintain their present willingness to keep tight control on the budget outcome, and must continue to contribute to a satisfactory balance between saving and investment in the Community over the medium term.

Study No 7

Money market developments and the functioning of the ERM during the first year of Stage I

Money market developments and the functioning of the ERM during the first year of Stage I

Tables

Graphs

Summary

This study examines the important economic changes which have occurred since the start of Stage I of EMU in July 1990, and their impact on the conduct of monetary policy in the Community.

An assessment is presented of the aggregate stance of monetary policy, based on various indicators: the overall money supply, nominal interest rates and a synthetic ecu-yield curve, exchange rates and real interest rates. It appears that monetary conditions in the ERM have become less tight over the period under review.

The overall monetary stance is, however, not the outcome of a common monetary policy, but the result of the individual countries' monetary policy conduct. This depends in part on ERM considerations, even predominantly in countries such as Belgium and The Netherlands, and in part on domestic considerations. In Section 3, these are discussed in more detail.

The following section examines the changing nature of the EMS. During the 1980s, the EMS was a powerful engine for disinflation in the Community. German economic policy, based on fiscal consolidation and the successful targeting of monetary aggregates stably related to final variables, brought a sharp reduction in underlying inflation, which was further accentuated by the fall in raw materials prices and in the US dollar. This disinflationary success was increasingly transmitted to other ERM narrow-band countries, particularly in the long period since the last realignment involving the original narrow band in January 1987.

Three factors have contributed to change this state of affairs. First, inflation has converged among the original narrow-band countries, allowing for reductions in interest-rate differentials vis-à-vis *Germany. Second, the credibility of the parity grid has increased. Together with free capital movements, this has greatly reduced the autonomy of national monetary policies. Third, the strains on German monetary policy have considerably increased by the impact of German unification, which has also contributed to cyclical divergences among ERM members.*

In these circumstances, the question arises whether the identity of the currency imparting the required disinflationary discipline to the system may change, or whether this responsibility may be shared among several currencies. Given that the role of Germany in forcing others to convergence has — at least temporarily — been put into question, more explicit coordination of policies with Community-wide considerations in mind has become all the more necessary.

1. General overview

A number of important economic and political changes have occurred since the start of Stage I of EMU in July 1990. These changes have resulted in a rather different path for the world economy than foreseen at that time, even if this was partly due to a reinforcement of trends which were already evident before the summer of 1990. These include the Gulf war, the recession in the USA, the value of the US dollar, the price of oil and a reassessment of the economic situation in Eastern Europe and in the USSR.

In the United States of America, the Federal Reserve was facing a serious policy dilemma during the second half of 1990: on the one hand there were some inflationary pressures, not only stemming from the jump of oil prices after the Iraqi invasion of Kuwait, but also from climbing wage costs, and on the other hand it became more and more evident that the economy was gliding into a recession. Since July 1990, monetary policy was eased progressively, but significantly in a series of small (25 basis points) cuts of the targeted Federal funds rate, from 8,25 % to 4,75 % now. The discount rate was cut in five steps from 7,00 % to 4,5 %. During most of the period, the dollar was weak, reaching a record trading low *vis-à-vis* the German mark on 8 February, quoting DM 1,45. However, following the end of the war with Iraq, this bearish sentiment changed rather abruptly, and the dollar recovered in a few weeks time. It reached a high of DM 1,84 in early July and is now expected to remain within a relatively narrow band for the remainder of the year. The US recovery still appears to be weaker than hoped for earlier this year, and the immediate future is uncertain with early indicators pointing in opposite directions. Money stock M2 growth is very sluggish by historical standards: its year-on-year September increase stood at the bottom of its 2,5-6,5 % target range, and fears exist that a weakened banking system is not creating enough money to finance even a moderate recovery.

Inflation performance has been improving: the consumer price inflation was down to 2,7 % in August 1991 compared to 6,1 % in 1990. All this has led the Federal Reserve to continue easing its monetary stance. The expansionary stance of monetary policy in the USA contrasts with the current tightness in Europe, reflected in a wide spread between respective nominal and real interest rates.

In Japan, the monetary stance has been relatively tight throughout 1990. The discount rate was last increased by 75 basis points to 6,00 % on 30 August 1990. On 1 July 1991 the discount rate was cut by 50 basis points to 5,50 %, and on 14 November 1991 to 5,00 %, in reaction to the marked slowdown in the economy and alleviating inflationary pressures. Economic growth has slowed down to an inflation-adjusted 0,5 % in the second quarter of 1991 (2 % annualized) and domestic prices have been stabilizing at around 2,5 %. The Bank of Japan has been following a relatively easy policy stance, providing money markets with ample liquidity, and most observers are expecting further cuts in the official discount rate.

Also in Japan, the growth of the money stock slowed considerably. The September 1991 growth figures (2,2 % from a year earlier) was the smallest since the Bank of Japan started publishing money supply data in 1968. As in the United States, the problems in the financial sector have led to fears for a credit crunch in Japan.

In the Community, until the fourth quarter of 1990, monetary policy was gradually loosened in all countries. On 1 November, the Bundesbank raised its Lombard rate, which led to a round of interest-rate increases in other countries. Around the end of January 1991, the German monetary authorities again increased the Lombard rate by 50 basis points; this step was, however, not followed by similar movements in other countries, but on the contrary led to lower interest rates in the other Member States.

Several explanations can be given for the different reaction pattern in November 1990 and in February 1991. Firstly, the exchange-rate constraint prevented the countries other than Germany from loosening their policy in November, while in February, due to the German mark's weakness, interest-rate differentials with respect to Germany could be narrowed considerably without putting strains on the exchange-rate mechanism. Secondly, in February 1991 there were strong expectations that the Bundesbank would introduce a flexible Lombard rate, which was expected to lead to a significantly tighter stance of monetary policy in Germany. The increase in the conventional Lombard rate was taken by the markets as pre-empting such a 'flexibilization'; short-term rates actually fell as markets were reassured that official rates would not rise by more than 50 basis points.

The phase of gradually loosening monetary policy was continued until the summer, when short rates were nudged up by the Bundesbank, followed by an increase in the German Lombard rate by ¼ point to 9,25 % on 15 August. The German mark has regained some strength and, except for the pound sterling, the lira and the peseta, short-term differentials to the German mark could not be decreased further, or in some cases even reversed (see Table 1).

Table 1

Short-term interest rate differential *vis-à-vis* Germany

1990	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
EUR 12	2,42	2,40	2,18	2,03	1,90	1,84	1,87	1,82	1,72	1,52	1,46	1,59
ERM[a]	1,89	1,86	1,65	1,47	1,33	1,27	1,28	1,24	1,14	1,03	1,04	1,16

1991	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
EUR 12	1,52	1,45	1,18	0,95	0,87	0,94	0,99	0,90	0,76	0,61
ERM[a]	1,07	1,05	0,83	0,65	0,59	0,71	0,68	0,64	0,57	0,47

[a] Without UK.

2. Assessment of the ERM monetary stance

In this section, an analysis is presented of the stance of monetary policy in the Community. This analysis is tentative, since no straightforward monetary policy indicators exist on a Community level. Moreover, in spite of a certain degree of coordination, the stance of monetary policy at the Community level is the result of monetary policies conducted in the Member States, so that the overall picture could be blurred by divergent developments in different countries.

2.1. Aggregates

Traditionally, reliance was placed on a broad monetary aggregate as an indicator of the monetary stance. Unfortunately, there is no readily available broad monetary aggregate covering the whole Community. The harmonized series for M1, which does exist, is less suitable as a policy indicator, since all countries except the UK base their monetary policy on broader aggregates. No attempt is made here to construct some series of a harmonized broad monetary aggregate for the Community. Instead, growth rates of different broad monetary aggregates are used to calculate an average Community growth rate (weighted by the share of each currency in the ecu basket). The results of this calculation are shown in the following table.

It appears that official monetary aggregates have slowed down over 1990.[1] This seems to contradict the findings based on the other indicators of the monetary policy stance, namely that a certain loosening has taken place in the Community during last year. The fall in the demand for money is, however, more likely to reflect a slowdown in nominal demand through the course of 1990 than a tighter monetary policy in the Community. In addition, the indicator function of monetary aggregates has become blurred by German monetary union, liberalization of capital movements and financial innovation, so that attention has shifted away from this indicator.

1 Figures for 1991 are a preliminary estimate, as data for some member countries are lagging behind, in particular Belgium.

2.2. Nominal interest rates and yield curves

Difficulties with monetary targeting in Germany stemming from money demand fluctuations in the 1980s — and the growing importance of the ERM commitment — have led central banks to reaffirm that their primary policy instrument is the interest rate and apparently to pursue interest-rate policy directly towards the price stability objective. Interest-rate and yield curve movements have thus received an increasing amount of attention. In Table 3, the weighted average short-term interest rate (with the ecu weights) is shown over the last year, and Graph 2 shows the yield-curve developments for the Community. This concerns a synthetic ecu yield curve, calculated on the basis of yield curves for seven Member States (B,D,E,F,I,NL,UK) and its coverage is more than 95 %. For the purpose of assessing the stance of monetary policy, a synthetic ecu yield curve is more appropriate than a market ecu yield curve, as monetary policy is still determined at the national level, which is better reflected in the former; in addition ecu markets are still relatively thin.

Table 2

Money stock (year-on-year rates)[a]

1990	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
EUR 12	9,33	9,37	8,90	8,74	8,39	8,02	7,50	7,49	7,29	7,79	7,71	7,51
ERM[b]	7,94	7,98	7,53	7,37	6,98	6,55	6,01	6,08	5,99	6,81	6,69	6,80

1991	Jan.	Feb.	Mar.	Apr.	May	June	July
EUR 12	11,5	11,1	11,4	10,6	11,0	5,8	5,6
ERM[b]	12,6	12,4	12,6	12,0	12,2	6,1	6,0

a Ecu-weighted averages. In case of missing data, an average has been calculated using the last available value for the individual country. From January 1991, the German money supply statistics relate to the whole of the DM area; this introduces a break in the series in January 1991 and in June 1991.
b Without UK.

Table 3

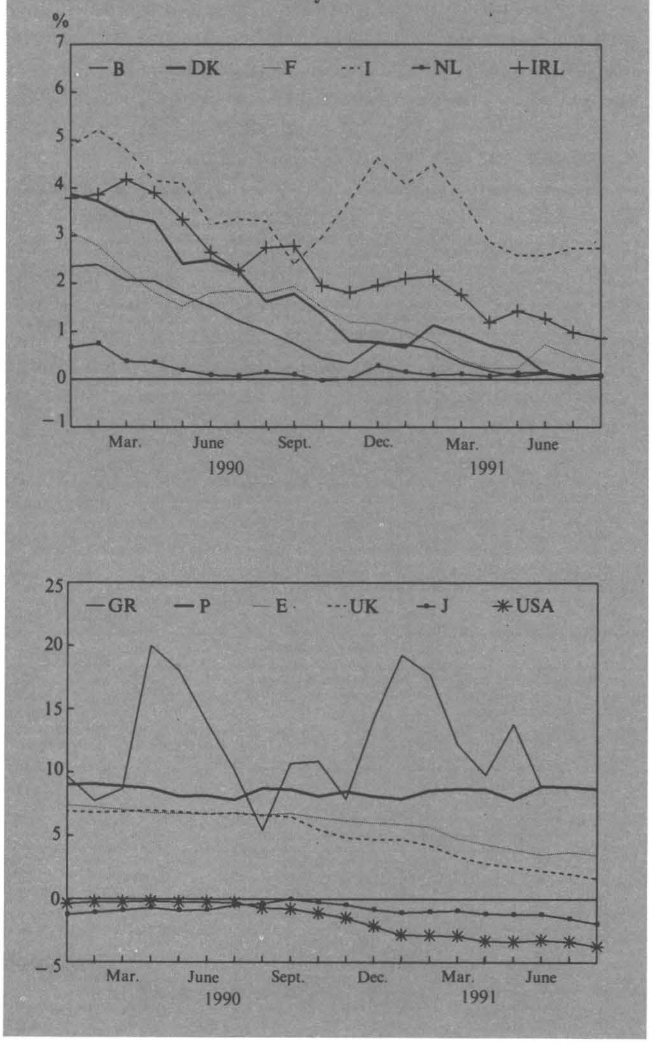
Short-term interest rates

1990	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
EUR 12	11,1	11,0	11,0	10,7	10,6	10,5	10,4	10,5	10,5	10,4	10,5	11,0
ERM[a]	10,4	10,4	10,3	10,0	9,8	9,7	9,6	9,8	9,7	9,7	10,0	10,4

1991	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
EUR 12	11,1	10,7	10,7	10,2	10,0	10,0	10,1	10,2	10,0	9,9
ERM[a]	10,4	10,2	9,9	9,8	9,7	9,7	9,8	9,8	9,7	9,8

[a] Without UK.

GRAPH 1: **Short-term interest rate differential *vis-à-vis* Germany**



Since the beginning of 1990, monetary conditions in the Community have loosened significantly, in line with inflationary expectations, as clearly indicated by the behaviour of the synthetic ecu yield curve (see Graph 2). From the first quarter 1990 to the second quarter 1991, the yield curve shifted continuously downward, with the exception of the third quarter 1990, when the general movement was interrupted by the Iraqi invasion of Kuwait. From the yield curve shifts the following conclusions emerge:

(i) The easing of monetary conditions in the ERM area as a whole,[1] in spite of continued tightness in Germany, is mainly a result of nominal interest-rate convergence towards the lower German level.

(ii) Inflationary expectations seem also to have converged towards a lower level, as indicated by the downward shift of the yield curve at the long end. Indeed, the curve became slightly inverted. Therefore, looser monetary conditions do not seem to have worsened the inflation outlook.

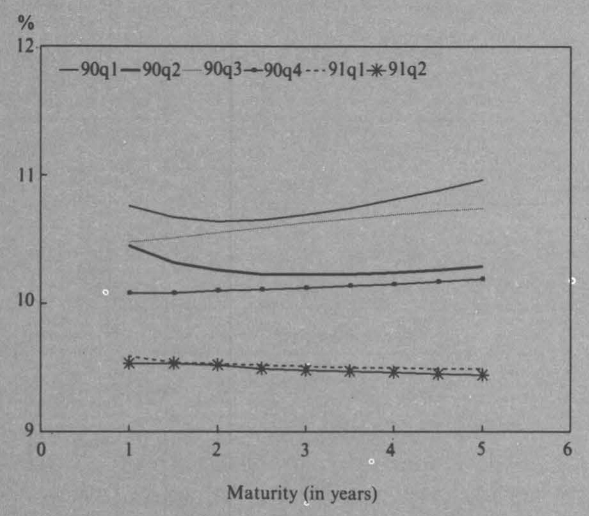
(iii) The loosening of monetary conditions in the ERM has been much less pronounced than in the USA (and recently Japan). The corresponding yield curve for the USA has been positively sloped during the period under review and has moved down at the short end by some 200 basis points compared to 125 points in Europe. In addition, the US yield curve has steepened markedly.

2.3. Exchange rates

Yield curve movements should, however, be interpreted with care. Monetary policy determines short-term interest rates but has relatively little impact on current inflation or very

[1] It should be noted, however, that the ecu yield curve does not cover the full ERM area, as only seven Member States are included.

GRAPH 2: **Synthetic ecu yield curves**



short-term inflation expectations, while it can have a marked effect on longer-term inflation expectations. A monetary policy tightening, for instance, acting through increased short-term rates, will generally flatten the yield curve. Long-term nominal rates will rise to a lesser extent than short-term rates or may even fall, if longer-term inflation expectations are reduced while there is little or no increase in expected real long-term rates. However, not all movements in the yield curve result from changes in the monetary policy stance. In particular, a perceived increase of the rate of return can significantly increase expected real long-term interest rates and steepen the yield curve, without a change in inflation expectations. Such a situation will tend to produce a currency appreciation, as the increase in the expected real long-term rates will attract capital inflows. Exchange-rate movements are thus the key factor in distinguishing between movements in real long-term rates and movements in inflation expectations: the former will tend to produce a currency appreciation and the latter a depreciation. In Table 4, the effective exchange rate of the Community is shown over the last year.

It appears that the loosening of monetary conditions in the Community was in part compensated by an effective exchange-rate appreciation in the second half of 1990, which was mainly the result of the sharp US dollar depreciation strongly influenced by the Gulf crisis. Nevertheless, the appreciation of the Community's effective exchange rate was not substantial enough to offset the loosening effects of monetary policy, especially as the Gulf crisis also raised oil prices. The compensation was, however, only temporary. After the end of the Gulf War the US dollar appreciated sharply and the nominal effective exchange rate of EUR 12 (and the ERM) fell correspondingly. Its actual level (October 1991) is some 2 % (1,6 % for the ERM) below its January 1990 level.

2.4. Inflation-adjusted long-term interest rates

Inflation-adjusted long-term interest rates have decreased over the period under consideration (see Table 5), notable exceptions being Italy, Portugal and the United Kingdom.

Table 4

Nominal effective exchange rates (Feb. 1987 = 100)

1990	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
EUR 12	102,4	103,8	103,5	105,0	105,2	104,8	106,5	109,1	107,2	108,0	109,6	109,8
ERM[a]	102,8	104,2	104,0	105,6	105,8	105,4	106,9	109,5	107,5	108,3	109,9	110,1

1991	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
EUR 12	109,1	110,1	105,6	101,3	100,8	98,5	98,1	99,6	101,0	100,4
ERM[a]	109,5	110,4	106,2	102,1	101,7	99,4	99,0	100,4	101,7	101,2

[a] Without UK.

Table 5

Inflation-adjusted long-term interest rates

1990	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
EUR 12	5,36	5,92	5,90	6,04	5,95	5,89	5,68	5,66	5,58	5,21	5,48	5,72
ERM[a]	5,79	6,38	6,34	6,60	6,66	6,67	6,42	6,48	6,40	6,03	6,24	6,44

1991	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
EUR 12	5,47	5,22	5,35	5,43	5,31	5,13	4,87	5,16	5,38
ERM[a]	6,19	5,89	5,95	5,76	5,51	5,32	4,94	5,17	5,36

[a] Without UK.

Also the decline in 'real' interest rates is an indication of the relative loosening of monetary policy which took place over the period 1990–91. However, it has to be borne in mind that, from a historic perspective, inflation-adjusted rates are still at a very high level. Also as compared with the United States and Japan, inflation-adjusted interest rates in the Community are substantially higher, respectively by some 100 and some 200 basis points.

All in all, monetary conditions in the ERM have become less tight over the period under review. For the area as a whole, the current stance of monetary policy does not look inappropriate. At this stage, the ERM monetary stance is, however, not the outcome of a common monetary policy at the ERM level, but the result of the individual countries' monetary policy conduct.[1] This depends in part on ERM considerations, even predominantly in countries such as Belgium and The Netherlands, and in part on domestic considerations. In this respect, three different groups of countries can be distinguished. The first group comprises Germany and the countries shadowing its monetary policy (Belgium and The Netherlands), and Spain. In this group the monetary stance is dominated by the threat of accelerating inflation. The second group consists of countries where the budgetary situation is acceptable, inflation is slowing down or already at a low level, but growth is sluggish. These countries are already in a recession, or fears exist that they may slide into one. Monetary policy in this group is clearly directed towards a more easy stance. It comprises Denmark, France, the United Kingdom, and Ireland. The third group consists of the high-inflation countries, Italy, Portugal and Greece, where monetary policy has been relatively tight, but it has slightly eased over the last year or so. In Italy and in Greece, moreover, there exists a problem with the policy mix, as fiscal targets have been systematically overshot, thus counteracting the impact of monetary policy on inflation.

1 Some coordination takes place, however, in the framework of the Committee of governors of the central banks.

In the next section, the individual country developments are examined more in detail.

3. Developments in individual countries

In Germany, the Lombard rate was raised on 1 November 1990 for the first time since 5 October 1989 by 50 basis points to 8,50 %. The discount rate was left unchanged at 6 %. The rise was presented as a technical move. The Lombard facility is supposed to be an emergency funding instrument to serve banks' very short-term liquidity needs. As the call rate and the repurchase agreement (repo) rate had been quite often above the Lombard rate, banks used this profitable refunding facility in excess of what the Bundesbank considered as adequate. The Bank strengthened its anti-inflationary reputation by the Lombard move, which had not been expected a month before general elections.

On 1 February 1991, both the Lombard and the discount rates were increased by 50 basis points, to 9 and 6,50 %, respectively. At the same time a fixed interest-rate tender was announced, signalling that an increase in market rates was not wanted.

Subsequently, money market rates fluctuated around 9 %. Since the beginning of June, however, the Bundesbank decided to revert again to variable bid rates for its one-month repo tenders. This move should be seen as a return to normal, although it made the coming tightening easier.

On 15 August, the discount rate was raised by 100 basis points to 7,5 % and the Lombard rate by 25 basis points to 9,25 %. The spread between the discount rate and market rates (which were close to 9 %) was exceptionally high by historical standards and implied a subsidization of the German banking system.

Given that market rates were already at or close to the previous 9 % Lombard rate, heightening the ceiling created room to nudge market rates up further. Many analysts felt that the shift to small rate rises in quarter point increments — for the first time since 1959 — was a prelude to further hikes.

In France, monetary policy has been on an easing track since early 1990 except for a short period around the turn of 1990–91. On 31 October, the central bank reduced the 5- to 10-day emergency funding rate by 0,25 % to 10 %. At the same time it announced that the intervention rate at which the Bank supplied funds to the market was cut also by a quarter of a point to 9,25 %. It was the second relaxation in France in little over two weeks; on 16 October, the Bank, confronted with considerable dislocation of savings, reduced banks' reserve requirements by about FF 26 billion from the high FF 82 billion in September/October 1990. This move was soon followed by a cut in commercial banks' base lending rates and a repatriation of capital so that the Banque de France had, on that occasion, to drain from the market an equivalent amount of liquidity in order to keep money market rates from falling too low.

On 18 March 1991, another 25 basis point decrease in the intervention rate was announced. On account of the weakness of the economy, there were strong incentives to cut rates, but the position of the French franc in the EMS band, where it had been at the bottom for some months, had prevented the authorities from reducing rates, until the pressure was released somewhat by a cut of Spanish interest rates on 15 March. The good inflation performance in France over the period under consideration has strengthened the country's exchange-rate credibility and has allowed the Banque de France to pursue a policy consisting of reducing the interest-rate differential *vis-à-vis* Germany as much as the EMS constraint would allow (see Graph 1). The change of the Prime Minister had initially unsettled markets and the FF-DM interest-rate differential widened towards 80 basis points again in June. Since then, however, economic fundamentals — the low rate of inflation, the favourable budgetary position — have regained dominance in market assessment of French credibility. The short differential is now in a narrow 10 to 20 basis points range, and a temporary reversal cannot be excluded for the time being.

On 17 October 1991, another 25 basis point decrease in the intervention rate was announced, and French short-term market rates fell marginally below corresponding German rates. Given France's weak cyclical position, reflected in the French franc's position at the bottom of the band, monetary policy however cannot, despite France's own very low rate of inflation, reasonably be expected to bear the burden of providing a source of disinflation for the Community as a whole.

In the United Kingdom, the clearing banks' base rate stood at 14 % in January 1991, having been cut from 15 % to this level on UK entry to the ERM (8 October 1990). Since then, six base rate cuts, each of 50 base points, have taken place, leaving the current rate at 10,5 %. In February, sharply rising unemployment (7,0 %) and falling output prompted one 50-base-point cut on 13 February and a further 50-base-point cut on 27 February. The strengthening of the pound sterling in the ERM during March — sterling moved upwards as the DM weakened under the increasing costs of German unification eventually reaching second place in the grid — coincided with the next 50-base-point reduction to 12,5 % on 22 March. The pound sterling's continued strength in the ERM during April, a sharp fall in headline inflation (from 8,24 % in March to 6,39 % in April) and gloomy economic forecasts by the CBI and NIESR in May all contributed to the subsequent 50-base-point cuts on 12 April and 24 May. The next cut did not take place until 12 July, with the pound sterling strengthening again in July, having weakened relatively within the grid in June. The Bundesbank's tightening of German monetary policy on 15 August delayed the most recent reduction in the base rate until 4 September, when a further fall in the headline inflation rate for August to 4,7 % encouraged a cut to 10,5 %. Given the present downward trend in the headline inflation rate, it is likely that the base rate will fall to 10 % by the end of the year. The three-month interbank rate has mirrored this decline in the base rate, falling from 13,97 % in January to around 10,25 % at present. The short-term interest differential with Germany has also fallen markedly — from 471 basis points in January to a current gap of 100 basis points.

In Spain, the stance of monetary policy was kept tight throughout the second half of 1990 and the first months of this year on account of persisting inflationary pressures and a booming economy. The Banco de España came, however, under strong pressure from other ERM member countries to cut its interest rates, as the strength of the peseta prevented other countries from lowering theirs. On 13 February, 15 March and 16 May 1991, the intervention rate was reduced by 20, 100 and 75 basis points, respectively, to 12,75 %. The main explanatory factors underlying the easing of the policy stance were the heavy upward pressure on the peseta, together with inflation figures that were regarded by the government as relatively good (in August, the CPI annual growth figure stood at 6,0 %). In August, monetary policy was again eased: the overnight assistance rates were cut, additional liquidity was injected into the market and the intervention rate was further cut by 15 basis points to 12,6 %. The move was aimed at easing the upward pressure on the peseta, but also to support the Madrid bourse after a 8,25 % drop (19 August) and to support the sales of treasury bonds, whose primary yields were well below secondary market yields.

Italy had been facing an 'EMS paradox' similar to Spain's during the first half of 1990, but the lira had depreciated since the beginning of the summer, as expectations deteriorated on the absence of economic policy measures fully consistent with the commitment implicit in the lira's narrow band adherence. The overall increase in interest rates in Europe stimulated outflows of foreign exchange in the autumn, but the Banca d'Italia refrained from compensatory open market operations, which led to a significant tightening of monetary conditions. Since the beginning of 1991, short-term rates have eased again, as the exchange-rate constraint was no longer pinching. From March onwards, the lira was back at the top of the narrow band, and the situation was very similar to that prevailing in the first half of 1990. On 12 May, the discount rate was cut by 100 basis points to 11,5 %, after the adoption of a package of spending cuts and revenue increases to put the 1991 public deficit back on target. In this framework, the discount rate cut presents an important support, as it helps to lower the government's borrowing costs.

In The Netherlands, given the existence of a *de facto* monetary union with Germany, the monetary authorities shadowed the German policy moves. Hence, the increase in German official rates on 1 November 1990, 1 February and 15 August 1991 were immediately followed. The first change, however, was only followed half-way. The Nederlandsche Bank increased its three key interest rates by 100 basis points leading to a discount rate of 8,00 %, a discount rate on promissory notes of 8,75 % and an interest rate on advances of 9,25 %. The exchange-rate commitment clearly dominated the less optimistic views on the business cycle. Nevertheless, given the upward pressures on German rates, the short-term interest rate differential narrowed further.

In Belgium, the reductions of the withholding tax in March 1990 and the announced link of the Belgian franc to the German mark in May 1990 had permitted the Central Bank to decrease its key interest rate (the three-month Treasury Certificate) continuously in 15 steps by 125 basis points in total. However, as in The Netherlands the Belgian monetary authorities only followed the Bundesbank half-way and increased the discount rate by 0,25 % to 10,50 % and the rate for advances to 11 %. This rise was followed on 15 November by a 10 basis point increase of the three-month Treasury Certificate rate.

On 29 January 1991, the Belgian money market was fundamentally reorganized. On the primary Treasury Certificate market, a tender system replaced the issue system on tap, and an active secondary market was created. In the new framework, the weekly tenders for advances give the orientation for monetary policy, while for fine-tuning in-between the most important instrument became the repurchase agreement on Treasury Certificates. The discount rate and ceilings were abolished. On 17 June 1991, however, the discount facility was reintroduced. The rate for advances on current account, increased to 11,5 % from 11 % in February 1991 following the rise of the Bundesbank rates, failed to serve its purpose, as this borrowing facility was not sufficiently used. On 16 August the discount rate was increased from 7,50 % to 8,0 %. The good performance of the Belgian franc in the exchange-rate mechanism permitted monetary authorities to further reduce the short-term interest rate differential *vis-à-vis* the German mark. In May and August 1991, the short-term market interest rate differential even became occasionally negative, but this development was offset by the Central Bank, which has a policy rule not to let Belgian rates fall below German rates.

In Ireland, large capital inflows during 1990 have resulted in an accumulation of external reserves. Consequently, monetary policy had loosened throughout 1990. However, on 24 December 1990, falling external reserves following the general tightening of policy in Europe, led the Central Bank to respond by increasing the short-term facility rate (CBSTF-rate) by 75 basis points. As in most Community countries, tensions eased in the beginning of 1991, and the CBSTF-rate was cut four times by 25 basis points, on 28 March, on 9 April, on 15 July and on 23 July.

In Denmark, because of the high and recently increasing level of unemployment and the moderate price and wage developments (Denmark's inflation rate has been among the lowest in the Community during the period under review), the Nationalbank's intention is to keep interest rates as low as compatible with the participation in the EMS. This policy was reflected in cuts in the discount rate and the banks deposit rate at the Nationalbank whenever the krone's position in the EMS allowed so, and in increases when the krone moved to the bottom of the narrow band. The short-term interest rate differential with the German mark narrowed from four percentage points at the beginning of 1990 to just over 1 % by the end of last year. The narrowing continued in 1991 and remained within a range of 0 to 15 basis points in the June-to-August period. This development was possible only because Denmark's hard currency stance has gained a very high degree of credibility due to its development to a hard-core low-inflation country, the remarkable switch to a current account surplus, and the prospects of EMU. The developments in foreign-exchange markets during the summer showed, however, that a further narrowing of the krone-DM interest differential was not achievable at the time. The Nationalbank had, therefore, to follow the Bundesbank move, and raised its interest rates with effect from 16 August 1991. The three-months differential with the German mark widened to some 40 basis points in September and October, but narrowed again to some 10 basis points in November, after the latest official rate cut on 21 October.

The entry of the UK into the ERM in October 1990 and the policy of pegging their exchange rates to the ECU by the Nordic countries, Norway as from October 1990, Sweden since 17 May 1991 (with a unilateral target range of ± 1,5 %), and Finland since 7 June 1991 (with a ± 3 % band) is of particular importance for Denmark, as the UK as well as the Nordic countries are among its most important trading partners. Fluctuations in Denmark's effective exchange rate will be reduced.

In 1990, for the first time, the Nationalbank has published a target range for domestic money creation of 4 to 7 % for the fourth quarter 1991 against the same quarter of the previous year, in the framework of strengthening economic-policy coordination between the Community countries.

In Portugal, monetary policy remained tight in order to fight inflation. This resulted in high interest rates, which even slightly increased in the period under review. The three-month Treasury Bill rate rose from 17,2 % in January 1990 to 17,9 % in August 1991. The efficiency of monetary policy was, however, undermined by capital inflows, attracted by high interest rates which more than compensated for the announced monthly depreciation rate of the escudo. As a consequence the inflation rate remained stubbornly high. Therefore, exchange controls on inward capital flows were reintroduced in July 1990. In addition, the crawling peg of the escudo was abandoned in October 1990 in favour of a managed-float oriented towards the ERM currencies and in preparation of entry. Since the change of exchange-rate regime the escudo appreciated in nominal effective terms *vis-à-vis* the ERM currencies by 4 %.

In order to further enhance the efficiency of monetary policy the independence of the Central Bank from the Treasury was strengthened by a change in the Statutes of the Central Bank at the end of 1990, limiting Central Bank credits to the Treasury to exceptional circumstances. In the beginning of 1991, the credit ceilings were abolished and another sterilization operation of excess liquidity was finalized. The remuneration of the minimum reserves has been harmonized in March 1991 in order to limit avoidance. The introduction of a facility of supplying end-of-day credits at a penalizing interest rate (21,75 % in July) and of absorbing excess end-of-day liquidity at a below-market interest rate (16,5 % in July) completed the transition towards a system of indirect monetary control. However, despite the modernization of the monetary policy instruments, and the change in exchange-rate regime, capital inflows continued to hamper the fight against inflation. This led, on 5 July 1991, to a ban on non-residents buying indexed Portuguese Government bonds. In the mean time, thanks to the lowering of the inflation rate, the end-of-day intervention rates could be reduced to 20,25 % and 15,75 %, respectively in October.

4. The changing nature of the EMS

During the 1980s, the EMS was a powerful engine for disinflation in the Community. German strategy in the first half of the decade, based on fiscal consolidation and the successful targeting of monetary aggregates stably related to final variables, brought a sharp deceleration in underlying inflation, accentuated in 1986 in terms of consumer prices by the collapse in oil prices and in the US dollar. Thereafter, underlying inflation in Germany has, until very recently, remained at low levels, despite greater flexibility in the pursuit of monetary targets (notably in 1986/87 as a result of dollar movements).

This disinflationary success was increasingly transmitted to other ERM narrow-band countries, particularly in the long period since the last ERM realignment involving the original narrow band, in January 1987.

Three factors have combined to modify this state of affairs:

(i) inflation among the original narrow-band members has converged allowing reduction in the differentials with the German rates;

(ii) the credibility of the parity grid has increased;

(iii) the strains on German monetary policy have been considerably, and perhaps historically, increased by the impact of German unification which has also contributed to cyclical divergence among ERM members.

4.1. Inflation convergence

Since the oil-price-induced fall in prices in Germany in 1986, inflation in that country has steadily increased. Over the same period, inflation rates in most of the other original narrow-band countries have increased less, remained stable or, in some cases, declined further. Only in The Netherlands has the inflation rate accelerated more or less in step, up to now, with that in Germany.[1]

In consequence, inflation rates in the original narrow-band countries have shown very considerable convergence: by the end of this year, in fact, German inflation could be the highest among this group of countries.

It remains to be seen if, in some countries among this group, the authorities may, in circumstances of currently rather weak growth, be inclined to give less weight than in the past to achieving further reductions in inflation. For the moment, it is not the case.

4.2. Increased credibility of the parity grid

In much of the 1980s, the currencies with the highest interest rates tended to occupy low positions in the ERM band between realignments and to be involved in downward realignments (see Table 6). This reflected a lack of credibility in the ability of the authorities in countries with problems of high inflation and/or worrying budgetary situations to maintain the parity. In a sense, high interest rates were the price that had to be paid by such countries in their attempts, ultimately successful, to establish credibility. More recently, the convergence of inflation among the original narrow-band countries, the absence of realignments over a long period and the momentum of progress towards EMU have gone a long way to convincing markets that EMS realignments are a thing of the past. This has meant that countries with high interest rates have tended to be high in the band, a reversal of the previous pattern. Moreover, these countries have not wanted to decrease their interest rates, because of their anti-inflationary goal.

4.3. Impact of German unification

The immediate impact of German unification was to create an asymmetric demand shock, contributing to cyclical divergence among ERM members. The economic aftermath of Germany's unification in terms of budgetary costs and unprecedented regional unemployment problems, which were initially underestimated by many, and which may not even now be fully perceived, has raised doubts on financial (and possibly also on labour) markets, whether Germany's inflation performance will, over the medium term, remain a model.

In addition, the shock has profound medium-term implications. Uncertainty increased as to what extent the Bundesbank will be in a position to pursue the same policy strategy as in the past. There is first the indicator problem, as, with the extension of the DM currency area, broad money growth rates may be less closely linked to nominal demand as long as a significant monetary overhang persists. Moreover, it will be very difficult to assess the right stance of monetary policy for Germany as a whole as long as economic developments in the two regions of the old and new Federal States continue to diverge.

Next, the perceived prospect of continuing high budget deficits has tended to raise market doubts about the extent to which monetary policy can continue to act independently of fiscal constraints. Other ERM members — notably Belgium and Ireland — have already had to confront such problems. But in their cases, the commitment to an ERM whose attractions rested very largely on low German inflation has been a major factor in ensuring that public and political pressure was brought to bear more on the fiscal authorities to adjust than on the monetary authorities to relax. In the case of Germany, a similar external influence on the resolution of the possible problem of inconsistency, over time, between fiscal and monetary policy has not been experienced until now in the ERM.

These medium-term factors, combined with a strong US dollar recovery (due also to the situation in Eastern Europe and the USSR) led in the spring of this year to a weakening of the German mark within the EMS. Only a relatively small part of the weakening took the form of a movement within the band: the major part of it was reflected in the use that some other narrow-band members made of German mark weakness to reduce differentials against the German mark (see Graph 1).

Some of the factors that have contributed to the relative weakening of the German mark may, of course, be reversed at some point: the dollar might weaken; the economy of the new Federal States might recover sharply and convincingly, and/or adequate measures might be taken to deal with the budgetary consequences of the union (indeed, the Bundesbank might, through its monetary policy actions, influence budgetary decisions in this area).

1 Part of this evolution is related to fiscal reforms: decrease of VAT in France, increase in Germany.

Table 6

EMS realignments: ecu central-rate percentage changes and short-term interest-rate differentials[a]

		B	DK	D	GR[b]	F	IRL	I	NL
13 Mar. 1979[c]	Central rates	39,4582	7,08592	2,51064		5,79831	0,662638	1148,18	2,72077
29 Sept. 1979	Differential	4,55	9,45			3,55	9,49	3,38	1,80
	Changes (%)	−0,97	−3,80	1,01		−0,97	−0,97	−0,97	−0,97
30 Nov. 1979	Differential	4,70	4,07			2,60	7,97	2,97	5,10
	Changes (%)	0,14	−4,63	0,14		0,14	0,14	0,14	0,14
23 Mar. 1981	Differential	3,62	1,82			−0,88	1,24	4,24	−3,08
	Changes (%)	−2,47	−2,47	−2,47		−2,47	−2,47	−8,32	−2,47
5 Oct. 1981	Differential	4.02	5.63			3,52	6,52	8,31	1,17
	Changes (%)	0,10	0,10	5,61		−2,90	0,10	−2,90	5,61
22 Feb. 1982	Differential	4,25	0,29			4,27	9,19	10,18	−0,55
	Changes (%)	−8,81	−3,33	−0,34		−0,34	−0,34	−0,34	−0,34
14 June 1982	Differential	6,30	7,30			6,25	10,46	11,00	−0,39
	Changes (%)	−0,61	−0,61	3,61		−6,32	−0,61	−3,34	3,61
21 Mar. 1983	Differential	6,92	12.86			7,32	11,92	13,80	−1,02
	Changes (%)	1,36	2,36	5,36		−2,63	−3,63	−2,63	3,36
18 May 1983	Differential	4,55	2,97			7,11	9,24	12,71	0,74
	Changes (%)	−1,19	−1,19	−1,19		−1,19	−1,19	−1,19	−1,19
22 July 1985	Differential	4,16	4,17		11,04	4,64	5,58	9,22	1,01
	Changes (%)	0,15	0,15	0,15	−13,14	0,15	0,15	−7,70	0,15
7 Apr. 1986	Differential	3,76	4,66		17,26	3,12	7,14	9,27	0,79
	Changes (%)	2,65	2,65	4,68	−25,76	−1,42	1,63	1,63	4,68
4 Aug. 1986	Differential	2,78	4,53		12,81	2,54	5,84	6,80	0,83
	Changes (%)	1,30	1,30	1,30	−1,01	1,30	−6,80	1,30	1,30
12 Jan. 1987	Differential	3,26	6,51		9,89	4,09	9,45	7,14	1,22
	Changes (%)	1,54	−0,45	2,54	−9,11	−0,45	−0,45	−0,45	2,54

[a] The pound sterling and the peseta do not figure in this table, as both currencies joined the ERM after the latest general realignment.
[b] National central rates.
[c] Initial parities at the start of the European Monetary System.

Somewhat more favourable signs are already evident on a number of fronts (notably the dollar). None the less, an analysis of the situation in the EMS must take as its starting point a recognition that: (i) economic circumstances in Germany now certainly are, and political priorities may be, different from those that made Germany a disinflationary model for partners in the 1980s; (ii) in consequence, at least at present, the monetary policies of members other than Germany are somewhat less constrained than in the past by the policies pursued by the Bundesbank. In addition to these medium-term considerations, the initial impact of unification amounted to an asymmetric demand shock in Germany contributing to cyclical divergence among ERM members. But it is to be noted that inflation rates in most members of the narrow band have not increased since 1990.

4.4. Implications for the disinflationary bias of the system

These changes in the underlying fundamentals of the system have important consequences.

First, the identity of the currency imparting the required disinflationary bias to the system can change and cannot be readily predictable. It will depend not so much, as it did in the past, on the inherited credibility advantage of the monetary authorities of one particular country but on cyclical variability: assuming that the monetary authorities of all member countries act to prevent demand strength from becoming excessive and thus from provoking increased inflation, the bias will be imparted by the country that happens to be experiencing the greatest cyclical demand strength. In turn, this means that the degree of disinflationary bias for the system as a whole cannot be predicted in advance: it will be in inverse proportion to the economic size and openness of the country imparting it. This result is very straigthforward. An aggregate demand shock (a boom) in a relatively small or relatively closed economy will have relatively little effect on aggregate demand in the system as a whole; a boom in a bigger or more open economy has a more expansionary effect for the area as a whole. But the contractionary monetary policy effect for the system as a whole of following an increase in interest rates in the booming country is the same irrespective of the size or openness of that country.

Second, however, it may not necessarily be the case that all members of the system continue to accept its disinflationary bias irrespective of which currency is imparting it. For instance, for The Netherlands and Belgium rather explicitly, and the other narrow-band members implicitly, the external influence on their interest-rate decisions has been the German mark parity rather than the situation of the grid as a whole. When the German mark is weak, some other countries may — as has again been the case recently — use that weakness to reduce interest rates, tending to isolate the high interest-rate currency at the top of the band and thereby exerting pressure on that currency's central bank to reduce rates.

Examples of these phenomena can be seen in the recent functioning of the EMS. The weakness of the German mark has been a major factor in pulling the EMS currencies down against the US dollar, although the dollar has shown independent strength on expectations (possibly over-optimistic) of an early, strong and sustained recovery in the USA. The disappearance, for a number of countries, of interest-rate differentials against the German mark, and the possibility that the markets might even accept or produce negative differentials may have induced some uncertainty in policy implementation in countries that have followed a straightforward rule of maintaining the minimum differential consistent with tracking the German mark.

At the same time, the reappearance of the peseta as the currency potentially imparting the required disinflationary bias to the system, has led to conflicting views about the appropriate policy-mix adjustment in Spain. The major adjustment to have taken place so far has been a downward move in Spanish interest rates since March.

5. Conclusions

Given that the primary aim of the EMS is to contribute to achieving price stability and convergence in the Community, the question of how best to respond to the current EMS situation, or to possible recurrences of such situations, can only be answered in the context of the monetary policy stance in the Community as a whole, even while recognizing that that stance is the outcome of the actions of the national monetary authorities.

At the beginning of Stage I of EMU the Community economy was slowing, but the inflation rate was moving up. However, monetary conditions in the Community (with the exception of Germany) have loosened: interest rates have fallen and Community currencies have depreciated sharply against the US dollar over a period in which there has been no offsetting fall in dollar commodity prices. Also, real interest rates declined although, from a historical perspective, they are still at a very high level. Despite tax increases in Germany, the budgetary outlook remains uncertain, and budgetary overshoots seem likely in a number of other Community countries. In these circumstances, and despite a clear slowdown in economic growth in the Community, the stabilization of inflation for the low-inflation countries and moreover the convergence of the others may be at risk.

Fundamental changes have taken place in the operation of the EMS. Inflationary pressures have, at least temporarily, emerged in Germany; there is a risk that, in the absence of an alternative source of disinflationary discipline, inflation in the original narrow-band countries might converge upwards. No alternative source of discipline has emerged. The dual aims of the system — price stability in the 'core' and downward convergence of the 'periphery' — met with a considerable degree of success in the 1980s. With the exception of Germany and The Netherlands (but partly due to fiscal reasons) price stability remains the rule in the core group, but further convergence of the periphery has not been significant.

Risks are posed for the process of convergence on low inflation that will be required for a successful passage to Stage III. Given that the role of Germany in forcing others to convergence has — at least temporarily — weakened, more explicit coordination of policies with Community-wide considerations in mind becomes all the more necessary.

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 1989 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). Figures for 1990, 1991, and 1992 are estimates and forecasts made by Commission staff using the definitions and latest figures available from national sources. They are not fully comparable with the corresponding figures for earlier years. However, in Tables 1, 2, 4-10, 12-21, 23-36, 39, 40 and 61-73 discontinuities have been eliminated.

Community totals for national accounts data are aggregated using purchasing power parities, except in Tables 5, 8, 12, 15, 37, 38 and 41-45, where current exchange rates have been used. The data concerning Germany refer to West Germany.

List of tables

Symbols and abbreviations

—	nil
:	not available
%	percent or percentage
Mio	million
Mrd	'000 million
ECU	European currency unit
EUA	European unit of account
UA	Unit of account
PPS	Purchasing power standard
GDP	Gross domestic product, at market prices

Table 1

Population; total

(1000)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	9 153	4 581	55 433	8 327	30 559	45 684	2 834	50 198	313,5	11 483	8 426	52 372	279 364	180 671	94 118
1961	9 184	4 612	56 185	8 398	30 880	46 163	2 819	50 524	316,9	11 637	8 420	52 807	281 945	183 691	94 965
1962	9 221	4 647	56 837	8 448	31 133	46 998	2 830	50 844	320,8	11 801	8 410	53 292	284 782	186 538	95 853
1963	9 290	4 684	57 389	8 480	31 405	47 836	2 850	51 199	324,1	11 964	8 466	53 625	287 512	189 242	96 772
1964	9 378	4 720	57 971	8 510	31 716	48 330	2 864	51 601	327,8	12 125	8 505	53 991	290 039	191 889	97 791
1965	9 464	4 757	58 619	8 551	32 060	48 778	2 876	51 988	331,5	12 293	8 511	54 350	292 578	194 303	98 851
1966	9 528	4 797	59 148	8 614	32 427	49 184	2 884	52 332	333,9	12 455	8 492	54 643	294 838	196 560	99 769
1967	9 581	4 839	59 286	8 716	32 824	49 568	2 900	52 667	335,0	12 597	8 486	54 959	296 758	198 712	100 839
1968	9 619	4 867	59 500	8 741	33 214	49 915	2 913	52 987	335,9	12 726	8 496	55 214	298 528	200 706	101 999
1969	9 646	4 893	60 067	8 773	33 540	50 318	2 926	53 317	337,5	12 873	8 482	55 461	300 633	202 677	103 261
1970	9 651	4 929	60 651	8 793	33 849	50 772	2 950	53 661	339,2	13 032	8 432	55 632	302 692	205 052	104 674
1971	9 673	4 963	61 284	8 831	34 163	51 251	2 978	54 015	342,4	13 194	8 382	55 928	305 005	207 661	105 713
1972	9 709	4 992	61 672	8 889	34 471	51 701	3 024	54 400	346,6	13 330	8 364	56 097	306 995	209 896	107 156
1973	9 739	5 022	61 976	8 929	34 783	52 118	3 073	54 779	350,5	13 438	8 368	56 223	308 798	211 909	108 660
1974	9 768	5 045	62 054	8 962	35 119	52 460	3 124	55 130	355,1	13 543	8 482	56 236	310 279	213 854	110 160
1975	9 795	5 060	61 829	9 046	35 487	52 699	3 177	55 441	359,0	13 660	8 737	56 226	311 516	215 973	111 520
1976	9 811	5 073	61 531	9 167	35 909	52 909	3 228	55 701	360,8	13 773	8 942	56 216	312 620	218 035	112 770
1977	9 822	5 088	61 400	9 309	36 338	53 145	3 272	55 930	361,4	13 856	9 044	56 190	313 756	220 239	113 880
1978	9 830	5 104	61 327	9 430	36 749	53 376	3 314	56 127	362,1	13 939	9 105	56 178	314 841	222 585	114 920
1979	9 837	5 117	61 359	9 548	37 079	53 606	3 368	56 292	363,0	14 034	9 189	56 240	316 032	225 055	115 880
1980	9 847	5 125	61 566	9 642	37 356	53 880	3 401	56 416	364,4	14 148	9 289	56 330	317 365	227 757	116 800
1981	9 853	5 122	61 682	9 730	37 726	54 182	3 443	56 503	365,4	14 247	9 358	56 352	318 564	230 138	117 650
1982	9 856	5 119	61 638	9 790	37 950	54 480	3 480	56 639	365,6	14 312	9 429	56 306	319 365	232 520	118 450
1983	9 855	5 114	61 423	9 847	38 142	54 728	3 505	56 825	365,7	14 368	9 502	56 347	320 022	234 799	119 260
1984	9 855	5 112	61 175	9 900	38 311	54 947	3 529	56 983	366,0	14 423	9 577	56 460	320 638	237 011	120 020
1985	9 858	5 114	61 024	9 934	38 474	55 170	3 540	57 128	366,7	14 488	9 648	56 618	321 363	239 279	120 750
1986	9 862	5 121	61 066	9 964	38 604	55 394	3 541	57 221	368,4	14 567	9 716	56 763	322 188	241 625	121 490
1987	9 870	5 127	61 077	9 984	38 716	55 630	3 542	57 331	370,6	14 664	9 756	56 930	322 998	243 942	122 090
1988	9 879	5 130	61 449	10 005	38 809	55 884	3 538	57 441	373,3	14 760	9 777	57 065	324 110	246 307	122 610
1989	9 938	5 132	61 990	10 033	38 888	56 161	3 515	57 525	376,7	14 849	9 796	57 236	325 439	248 762	123 120
1990	9 948	5 148	62 857	10 046	38 959	56 420	3 527	57 637	377,1	14 951	9 808	57 394	327 072	250 926	123 630
1991	9 953	5 162	63 618	10 076	39 044	56 680	3 545	57 810	377,5	15 066	9 818	57 560	328 709	253 021	124 140
1992	9 958	5 171	64 279	10 106	39 122	56 940	3 570	57 974	377,9	15 175	9 828	57 734	330 235	255 045	124 650

Sources: Eurostat, OECD and national publications.

Table 2

Occupied population
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	0,4	0,2	0,1	−0,2	0,2	1,1	1,5	0,5	1,2	0,7	−0,4	1,4
1962	1,6	1,5	0,3	−1,0	0,9	0,2	0,7	−1,1	0,3	2,0	0,5	0,7	0,3	2,1	1,3
1963	0,7	1,2	0,2	−1,3	0,5	1,0	0,6	−1,5	−0,4	1,4	−0,2	0,1	0,1	0,9	0,9
1964	1,3	2,1	0,1	−1,2	0,5	1,1	0,5	−0,6	1,7	1,8	−0,1	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	0,4	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	−1,4	−0,8	2,5	1,9
1968	−0,1	0,8	0,1	−1,1	0,8	−0,3	0,3	0,0	−0,4	0,9	−0,6	−0,6	−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	0,4	0,9	2,5	0,8
1970	−0,4	0,7	1,3	−0,1	0,7	1,5	−1,2	0,0	2,0	1,1	5,2	−0,8	0,6	−0,8	1,1
1961-70	0,6	1,1	0,2	−0,7	0,6	0,6	0,0	−0,5	0,6	1,2	0,4	0,2	0,2	1,9	1,4
1971	1,0	0,6	0,4	0,3	0,5	0,4	−0,4	−0,1	3,2	0,5	0,3	−0,9	0,1	−0,4	0,7
1972	−0,1	2,1	0,4	0,5	0,3	0,6	0,3	−0,6	2,7	−0,9	−0,3	−0,2	0,1	2,5	0,5
1973	1,3	1,3	1,1	1,0	2,0	1,4	1,4	2,2	1,9	0,1	−0,5	2,3	1,6	4,3	2,3
1974	1,4	−0,3	−1,2	0,1	0,7	0,9	1,4	2,0	2,8	0,2	−0,5	0,3	0,4	1,6	−0,4
1975	−1,4	−1,3	−2,7	0,1	−1,6	−0,9	−0,8	0,1	1,2	−0,7	−2,6	−0,4	−1,1	−2,1	−0,2
1976	−0,6	1,8	−0,5	2,3	−1,1	0,8	−0,8	1,5	−0,1	0,0	−0,2	−0,9	0,1	2,8	0,8
1977	−0,2	0,8	0,1	0,8	−0,7	0,8	1,8	1,0	−0,1	0,2	0,8	0,1	0,4	3,5	1,2
1978	0,0	1,0	0,8	0,4	−1,7	0,4	2,5	0,5	−0,6	0,7	−1,5	0,6	0,3	5,0	1,0
1979	1,2	1,2	1,7	0,6	−1,7	0,1	3,2	1,5	0,5	1,3	2,1	1,5	1,0	3,2	1,0
1980	0,0	−0,5	1,6	1,3	−3,0	0,1	1,0	1,9	0,7	0,7	−0,3	−0,3	0,4	0,2	0,7
1971-80	0,3	0,7	0,2	0,7	−0,6	0,4	0,9	1,0	1,2	0,2	−0,3	0,2	0,3	2,0	0,7
1981	−1,9	−1,3	−0,1	4,9	−2,6	−0,6	−0,9	0,0	0,3	−1,5	1,0	−3,9	−1,1	0,9	0,8
1982	−1,3	0,4	−1,2	−0,8	−0,9	0,2	0,2	0,6	−0,3	−2,5	−1,9	−1,8	−0,8	−1,6	0,8
1983	−1,0	0,3	−1,4	1,0	−0,5	−0,4	−2,1	0,6	−0,3	−1,9	−1,1	−1,2	−0,7	1,0	1,5
1984	−0,2	1,7	0,2	0,3	−2,4	−0,9	−1,9	0,4	0,6	−0,1	−1,5	1,9	0,1	4,9	0,3
1985	0,6	2,5	0,7	0,9	−1,3	−0,3	−2,4	0,9	1,4	1,5	0,0	1,2	0,5	2,4	0,6
1986	0,6	2,6	1,4	0,3	1,4	0,1	0,4	0,8	2,6	2,0	−2,7	−0,1	0,6	1,7	0,9
1987	0,5	0,9	0,7	−0,1	4,5	0,3	0,6	0,4	2,7	1,4	0,5	1,8	1,1	2,9	0,9
1988	1,5	0,0	0,8	1,6	3,5	0,7	0,4	1,0	3,1	1,4	0,1	3,3	1,6	2,8	1,7
1989	1,6	−0,6	1,4	0,4	3,6	1,1	−0,1	0,2	4,0	1,6	1,0	2,8	1,5	2,3	1,9
1990	0,9	−0,4	2,8	0,2	2,6	1,2	1,3	1,0	4,2	2,1	1,1	0,4	1,4	0,5	2,0
1981-90	0,1	0,6	0,5	0,9	0,8	0,1	−0,5	0,6	1,8	0,4	−0,4	0,4	0,4	1,8	1,1
1991	−0,3	−1,0	2,8	−0,8	0,7	0,4	0,0	0,9	1,9	1,0	1,1	−2,3	0,4	−0,8	1,6
1992	0,0	0,0	1,0	−0,1	1,2	0,0	0,3	0,5	1,5	−0,1	0,0	−0,7	0,3	1,0	1,5

Sources: see Table 1.

Table 3

Unemployment rate

(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	:	5,4	1,7
1961	2,5	1,2	0,7	:	:	0,6	4,3	6,6	0,1	0,5	:	1,4	2,2	:	6,5	1,5
1962	2,0	1,1	0,6	:	:	0,7	4,2	5,5	0,1	0,5	:	1,9	2,0	:	5,4	1,3
1963	1,5	1,5	0,7	:	:	0,7	4,5	5,1	0,2	0,6	:	2,3	2,1	:	5,5	1,3
1964	1,5	0,9	0,6	:	1,4	0,6	4,3	5,2	0,0	0,5	:	1,6	1,9	:	5,0	1,1
1964	1,4	1,2	0,5	4,6	2,8	1,2	5,2	4,0	0,0	0,5	2,5	1,4	1,6	1,9	5,2	1,2
1965	1,6	0,9	0,4	4,8	2,6	1,5	5,0	5,0	0,0	0,6	2,5	1,2	1,8	2,0	4,5	1,2
1966	1,7	1,1	0,5	5,0	2,2	1,6	5,1	5,4	0,0	0,8	2,5	1,1	1,9	2,0	3,8	1,3
1967	2,4	1,0	1,4	5,4	3,0	2,1	5,5	5,0	0,0	1,7	2,5	2,0	2,5	2,6	3,8	1,3
1968	2,8	1,0	1,0	5,6	3,0	2,6	5,8	5,3	0,0	1,5	2,6	2,1	2,6	2,7	3,6	1,2
1969	2,2	0,9	0,6	5,2	2,5	2,3	5,5	5,3	0,0	1,1	2,6	2,0	2,3	2,4	3,5	1,1
1970	1,8	0,6	0,5	4,2	2,6	2,4	6,3	5,1	0,0	1,0	2,6	2,2	2,3	2,4	4,9	1,2
1964-70	2,0	1,0	0,7	5,0	2,7	2,0	5,5	5,0	0,0	1,0	2,5	1,7	2,1	2,3	4,2	1,2
1971	1,7	0,9	0,6	3,1	3,4	2,7	6,0	5,1	0,0	1,3	2,5	2,7	2,5	2,6	6,0	1,2
1972	2,2	0,8	0,8	2,1	2,9	2,8	6,7	6,0	0,0	2,3	2,5	3,1	2,9	2,8	5,6	1,4
1973	2,2	0,7	0,8	2,0	2,6	2,7	6,2	5,9	0,0	2,4	2,6	2,2	2,7	2,6	4,9	1,3
1974	2,3	2,8	1,8	2,1	3,1	2,8	5,8	5,0	0,0	2,9	1,7	2,0	2,8	2,8	5,6	1,4
1975	4,2	3,9	3,3	2,3	4,5	4,0	7,9	5,5	0,0	5,5	4,4	3,2	4,0	4,0	8,5	1,9
1976	5,5	5,1	3,3	1,9	4,9	4,4	9,8	6,2	0,0	5,8	6,2	4,8	4,7	4,7	7,7	2,0
1977	6,3	5,9	3,2	1,7	5,3	4,9	9,7	6,7	0,0	5,6	7,3	5,1	5,0	5,1	7,1	2,0
1978	6,8	6,7	3,1	1,8	7,1	5,1	9,0	6,7	1,2	5,6	7,9	5,0	5,1	5,3	6,1	2,3
1979	7,0	4,8	2,7	1,9	8,8	5,8	7,8	7,2	2,4	5,7	7,9	4,6	5,0	5,4	5,8	2,2
1980	7,4	5,2	2,7	2,7	11,6	6,2	8,0	7,1	2,4	6,4	7,6	5,6	5,4	6,0	7,1	2,0
1971-80	4,6	3,7	2,2	2,2	5,4	4,1	7,7	6,1	0,6	4,4	5,1	3,8	4,0	4,1	6,4	1,8
1981	9,5	8,3	3,9	4,0	14,4	7,3	10,8	7,4	2,4	8,9	7,3	8,9	7,1	7,7	7,6	2,2
1982	11,2	8,9	5,6	5,8	16,3	8,0	12,5	8,0	2,4	11,9	7,2	10,3	8,3	9,0	9,7	2,4
1983	12,5	9,3	6,9	7,8	17,8	8,2	15,2	8,8	3,5	12,4	8,0	11,1	9,1	9,9	9,6	2,7
1984	12,5	8,7	7,1	8,1	20,6	9,8	16,8	9,5	3,1	12,3	8,7	11,3	9,7	10,7	7,5	2,7
1985	11,6	7,2	7,1	7,8	21,8	10,2	18,2	9,4	2,9	10,5	8,8	11,4	9,7	10,8	7,2	2,6
1986	11,6	5,6	6,3	7,4	21,1	10,3	18,2	10,5	2,6	10,2	8,2	11,4	9,7	10,7	7,0	2,8
1987	11,4	5,7	6,2	7,4	20,4	10,4	18,0	10,2	2,6	10,0	6,8	10,4	9,4	10,3	6,2	2,8
1988	10,0	6,5	6,1	7,6	19,3	9,9	17,4	10,8	2,1	9,3	5,6	8,5	8,8	9,7	5,5	2,5
1989	8,5	7,8	5,5	7,5	17,1	9,4	16,0	10,7	1,8	8,7	4,8	7,0	8,1	8,9	5,3	2,3
1990	8,1	8,2	5,1	7,5	16,1	9,0	15,6	9,8	1,7	8,1	4,6	6,4	7,6	8,4	5,5	2,1
1981-90	10,7	7,6	6,0	7,1	18,5	9,3	15,9	9,5	2,5	10,2	7,0	9,7	8,7	9,6	7,1	2,5
1991	8,6	9,5	4,6	8,8	15,8	9,5	16,8	9,4	1,6	7,2	4,0	8,4	7,9	8,6	6,7	2,2
1992	8,6	9,6	5,0	9,3	15,5	10,1	18,1	9,5	1,6	7,7	4,2	9,8	8,5	9,1	6,9	2,2

Definitions: EC: Eurostat, from 1964 onwards: new definition. USA and Japan: OECD.

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	706	300,7	0,631	24 792	26,11	44,42	71,4	25,86	268,2	513,4	16 011
1961	592,4	45,66	331,7	119	804	328,0	0,680	27 573	26,12	46,90	76,9	27,42	292,1	531,8	19 336
1962	633,7	51,45	360,8	126	929	366,2	0,736	30 979	27,50	50,49	81,8	28,82	319,4	572,2	21 943
1963	681,3	54,77	382,4	141	1 097	410,6	0,791	35 484	29,34	54,77	88,7	30,55	350,1	603,9	25 114
1964	762,5	62,60	420,2	158	1 238	455,4	0,901	38 843	33,50	64,45	96,3	33,39	387,4	646,4	29 541
1965	830,0	70,32	459,2	180	1 441	490,3	0,959	41 796	35,10	71,98	107,5	35,96	422,8	701,4	32 866
1966	892,1	77,18	488,2	200	1 667	530,7	1,010	45 286	36,88	78,38	117,8	38,28	456,9	768,3	38 170
1967	955,4	84,81	494,4	216	1 872	573,3	1,104	49 884	37,12	85,99	131,6	40,30	487,4	812,4	44 730
1968	1 022,3	94,36	533,3	235	2 099	623,1	1,245	54 071	40,61	95,35	145,7	43,67	530,4	887,7	52 976
1969	1 134,2	107,32	597,0	266	2 387	710,5	1,438	59 692	47,02	107,99	159,8	47,00	590,8	958,3	62 228
1970	1 262,1	118,63	675,3	299	2 654	793,5	1,620	67 178	55,04	121,18	177,8	51,61	660,1	1 008,6	73 345
1971	1 382,0	131,12	750,6	330	2 995	884,2	1,853	72 994	56,05	136,53	199,1	57,58	732,9	1 094,9	80 701
1972	1 545,4	150,73	823,7	378	3 514	987,9	2,238	79 810	63,21	154,26	231,8	64,46	818,5	1 203,1	92 395
1973	1 755,0	172,86	917,3	484	4 237	1 129,8	2,701	96 738	76,82	176,04	282,2	74,07	947,9	1 344,1	112 497
1974	2 056,8	193,63	984,6	564	5 189	1 303,0	2,988	122 190	93,64	199,78	339,3	83,71	1 095,1	1 455,2	134 244
1975	2 271,1	216,26	1 026,9	672	6 091	1 467,9	3,792	138 632	86,74	219,96	377,2	105,60	1 247,0	1 582,4	148 328
1976	2 578,9	251,21	1 121,7	825	7 329	1 700,6	4,653	174 869	99,81	251,93	468,9	125,03	1 461,4	1 763,4	166 573
1977	2 785,3	279,31	1 197,8	964	9 298	1 917,8	5,703	214 398	102,56	274,93	625,8	145,74	1 683,6	1 966,0	185 622
1978	2 987,5	311,38	1 285,3	1 161	11 376	2 182,6	6,757	253 536	112,22	297,01	787,3	168,15	1 919,4	2 217,2	204 405
1979	3 188,8	346,89	1 392,3	1 429	13 305	2 481,1	7,917	309 834	122,15	315,96	993,3	197,87	2 202,8	2 462,7	221 546
1980	3 451,2	373,79	1 478,9	1 711	15 379	2 808,3	9,361	387 669	132,93	336,74	1 256,1	231,31	2 520,8	2 686,2	240 177
1981	3 577,5	407,79	1 540,9	2 050	17 179	3 164,8	11,359	464 030	141,69	352,85	1 501,1	254,28	2 799,5	3 007,2	257 364
1982	3 889,1	464,47	1 597,9	2 575	19 786	3 626,0	13,382	545 124	158,79	368,86	1 850,4	278,17	3 121,7	3 118,6	269 628
1983	4 122,3	512,54	1 674,8	3 079	22 484	4 006,5	14,779	633 441	174,68	381,02	2 301,7	303,51	3 440,9	3 349,4	280 256
1984	4 429,3	565,28	1 755,8	3 806	25 392	4 361,9	16,407	727 225	193,67	400,25	2 815,7	324,26	3 762,6	3 717,8	297 947
1985	4 738,3	615,07	1 830,5	4 618	28 201	4 700,1	17,691	812 751	205,26	418,18	3 523,9	355,04	4 088,8	3 962,2	316 303
1986	4 984,3	666,50	1 931,4	5 498	32 324	5 069,3	18,737	897 281	223,33	428,61	4 420,4	381,94	4 435,4	4 176,1	330 025
1987	5 214,1	699,91	2 003,8	6 228	36 125	5 320,8	20,041	978 858	230,53	430,17	5 174,7	419,94	4 749,9	4 452,9	343 422
1988	5 548,5	735,52	2 110,7	7 502	40 160	5 692,7	21,483	1 082 926	248,04	449,42	6 002,8	468,76	5 165,9	4 809,1	365 086
1989	6 027,9	776,02	2 235,6	8 798	45 021	6 113,1	23,918	1 187 988	276,51	474,38	7 139,5	511,88	5 609,0	5 132,0	388 889
1990	6 435,3	810,45	2 420,7	10 371	50 088	6 457,4	25,684	1 301 645	289,49	507,03	8 542,0	559,41	6 093,6	5 390,6	418 469
1991	6 719,5	840,56	2 608,5	12 536	54 749	6 741,2	26,544	1 411 472	307,87	537,20	9 978,1	585,31	6 513,3	5 589,2	445 598
1992	7 108,1	885,04	2 785,9	14 378	59 685	7 092,8	28,020	1 515 048	329,32	558,51	11 304,8	625,62	6 960,1	5 936,3	470 418

Sources: see Table 1.

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	68,4	3,3	11,1	57,7	1,7	37,6	0,5	11,1	2,4	68,4	278,2	483,4	41,9
1961	11,1	6,2	77,0	3,7	12,5	62,4	1,8	41,4	0,5	12,0	2,5	71,7	302,8	496,2	50,0
1962	11,9	6,9	84,0	3,9	14,4	69,6	1,9	46,4	0,5	13,0	2,7	75,3	330,6	532,6	56,6
1963	12,7	7,4	89,3	4,4	17,1	78,0	2,1	53,2	0,5	14,2	2,9	79,7	361,3	562,3	64,7
1964	14,3	8,4	98,5	4,9	19,3	86,6	2,3	58,0	0,6	16,7	3,1	86,9	399,7	602,5	76,1
1965	15,6	9,5	107,2	5,6	22,4	93,3	2,5	62,4	0,7	18,6	3,5	93,8	435,0	654,0	84,8
1966	16,7	10,4	114,0	6,2	26,0	100,9	2,6	67,7	0,7	20,2	3,8	99,9	469,2	717,5	98,4
1967	18,0	11,4	116,2	6,8	28,8	109,2	2,8	74,9	0,7	22,4	4,3	103,7	499,1	761,4	115,8
1968	19,9	12,3	129,9	7,6	29,3	122,3	2,9	84,3	0,8	25,6	4,9	101,6	541,4	863,0	142,8
1969	22,2	14,0	149,2	8,7	33,5	134,2	3,4	93,3	0,9	29,2	5,5	110,1	604,1	939,5	170,2
1970	24,8	15,5	180,9	9,7	37,2	140,2	3,8	104,6	1,1	32,7	6,1	120,8	677,4	985,3	200,1
1971	27,2	16,9	206,0	10,5	41,3	153,2	4,3	112,7	1,1	37,3	6,7	134,3	751,6	1 045,4	221,7
1972	31,3	19,3	230,3	11,2	48,8	174,6	5,0	122,0	1,3	42,9	7,7	143,7	838,0	1 072,6	271,7
1973	36,7	23,3	280,4	13,3	59,2	206,7	5,4	135,0	1,6	51,4	9,3	147,7	969,9	1 093,3	337,0
1974	44,3	26,7	319,5	15,8	75,5	227,4	5,9	157,7	2,0	62,4	11,2	164,3	1 112,7	1 221,2	385,9
1975	49,9	30,4	337,0	16,8	85,6	276,3	6,8	171,3	1,9	70,2	11,9	188,8	1 246,8	1 276,0	403,1
1976	59,8	37,2	398,8	20,2	98,1	318,6	7,5	188,3	2,3	85,3	13,9	201,5	1 431,6	1 577,9	502,7
1977	68,1	40,8	452,4	22,9	107,8	342,2	8,7	213,0	2,5	98,2	14,4	222,9	1 593,9	1 723,3	606,9
1978	74,6	44,4	503,1	24,8	116,7	380,2	10,2	234,7	2,8	107,9	14,1	253,4	1 767,0	1 741,6	766,5
1979	79,4	48,1	554,5	28,2	144,7	425,7	11,8	272,2	3,0	115,0	14,8	306,2	2 003,6	1 797,4	739,5
1980	85,0	47,7	585,9	28,9	154,4	478,5	13,8	326,1	3,3	122,0	18,1	387,0	2 250,7	1 932,1	764,6
1981	86,6	51,5	612,9	33,3	167,3	524,0	16,4	367,5	3,4	127,1	21,9	460,5	2 472,5	2 697,4	1 049,2
1982	87,1	57,0	672,3	39,4	184,2	564,6	19,4	411,9	3,6	141,1	23,8	496,3	2 700,7	3 181,7	1 107,3
1983	90,7	63,0	737,7	39,4	176,5	592,1	20,7	469,4	3,8	150,2	23,5	517,0	2 884,0	3 762,6	1 326,5
1984	97,5	69,4	784,6	43,1	200,7	634,8	22,6	526,5	4,3	158,6	24,3	548,9	3 115,2	4 719,7	1 593,6
1985	105,5	76,7	822,2	44,1	218,6	691,7	24,7	561,8	4,6	166,5	27,1	602,9	3 346,5	5 217,2	1 753,2
1986	113,8	84,0	907,5	40,0	235,1	745,8	25,6	613,7	5,1	178,5	30,1	570,0	3 549,1	4 250,4	2 000,2
1987	121,2	88,8	967,3	39,9	254,0	767,9	25,8	655,0	5,4	184,3	31,8	596,0	3 737,4	3 860,2	2 062,0
1988	127,8	92,5	1 017,5	44,8	291,8	809,1	27,7	704,4	5,7	192,5	35,3	705,6	4 054,6	4 065,8	2 410,1
1989	139,0	96,4	1 080,0	49,2	345,3	870,4	30,8	786,4	6,4	203,2	41,2	760,7	4 408,8	4 658,4	2 561,2
1990	151,7	103,2	1 179,7	51,5	387,0	934,0	33,5	855,3	6,8	219,3	47,2	783,6	4 752,8	4 240,5	2 278,8
1991	159,1	106,3	1 271,1	55,7	426,4	966,4	34,6	921,4	7,3	232,3	56,0	836,3	5 073,0	4 556,6	2 696,9
1992	168,6	111,9	1 360,5	59,3	462,3	1 016,1	36,6	989,5	7,8	242,1	64,2	889,3	5 408,2	4 917,5	3 024,1

Sources: see Table 1.

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	8,4	5,2	62,7	3,1	17,7	46,4	1,7	41,7	0,5	13,1	3,1	64,7	268,2	328,9	50,4
1961	9,1	5,7	67,7	3,5	20,4	50,5	1,8	46,6	0,5	13,9	3,4	68,9	292,1	348,8	58,3
1962	10,0	6,3	74,1	3,8	23,3	56,3	1,9	51,7	0,5	15,1	3,8	72,7	319,4	383,5	66,3
1963	10,9	6,7	79,8	4,3	26,6	62,2	2,1	57,2	0,5	16,4	4,2	79,2	350,1	419,3	75,4
1964	12,2	7,6	89,1	4,9	29,5	69,1	2,3	61,5	0,6	18,6	4,7	87,3	387,4	464,3	88,1
1965	13,2	8,3	98,3	5,6	32,8	75,7	2,5	66,4	0,7	20,5	5,3	93,6	422,8	514,3	97,5
1966	14,2	8,9	105,2	6,2	36,5	82,8	2,6	73,2	0,7	21,9	5,7	99,1	456,9	562,1	112,1
1967	15,2	9,5	108,3	6,7	39,3	89,4	2,8	80,9	0,7	23,7	6,4	104,5	487,4	592,8	128,4
1968	16,4	10,2	118,1	7,4	43,3	96,3	3,1	89,0	0,8	26,1	7,2	112,4	530,4	638,1	149,8
1969	18,3	11,4	133,4	8,6	49,6	108,3	3,5	99,3	0,9	29,2	7,8	120,5	590,8	689,7	177,0
1970	20,8	12,4	149,7	9,9	55,1	122,2	3,8	111,6	1,0	32,9	9,0	131,6	660,1	735,5	209,2
1971	23,2	13,7	165,8	11,4	62,0	137,8	4,3	122,0	1,1	36,9	10,3	144,4	732,9	817,2	234,8
1972	26,2	15,4	185,1	13,3	71,8	153,6	4,9	134,2	1,2	40,8	11,9	160,1	818,5	919,7	272,6
1973	30,3	17,4	211,4	15,6	84,3	176,6	5,6	156,8	1,5	46,6	14,5	187,3	947,9	1 051,2	320,8
1974	35,7	19,6	240,2	17,0	100,7	205,7	6,6	187,4	1,9	55,0	16,6	208,7	1 095,1	1 183,0	359,2
1975	40,4	22,4	271,9	20,7	116,4	235,8	8,0	209,9	1,8	63,2	18,3	238,3	1 247,0	1 346,9	423,9
1976	47,8	26,7	320,8	24,7	134,5	275,5	9,1	250,3	2,1	74,3	21,8	273,8	1 461,4	1 580,7	497,1
1977	53,7	30,3	369,6	28,6	155,0	319,2	11,0	289,6	2,3	85,1	25,8	313,5	1 683,6	1 847,4	585,7
1978	61,0	34,0	420,1	33,7	173,8	364,6	13,0	331,8	2,6	96,3	29,3	359,1	1 919,4	2 145,8	680,2
1979	69,1	39,0	485,2	38,7	192,5	417,2	14,8	389,9	3,0	109,4	34,3	409,6	2 202,8	2 426,7	793,5
1980	81,4	43,9	555,6	44,5	220,1	477,8	17,3	459,1	3,4	124,6	40,6	452,6	2 520,8	2 739,0	936,1
1981	89,4	48,2	617,1	49,4	243,5	536,1	19,8	514,0	3,8	137,3	45,7	495,3	2 799,5	3 106,0	1 078,1
1982	100,3	55,0	677,9	54,8	272,5	606,4	22,4	570,1	4,2	149,6	51,6	556,9	3 121,7	3 345,9	1 225,8
1983	109,2	61,1	746,2	59,7	300,8	662,9	24,2	625,3	4,7	164,5	55,9	626,4	3 440,9	3 771,0	1 371,3
1984	119,2	68,1	819,8	65,5	327,2	718,8	27,0	688,3	5,2	181,3	58,6	683,6	3 762,6	4 317,9	1 538,7
1985	127,4	75,4	886,8	71,7	355,1	776,2	29,4	749,2	5,7	197,3	63,9	750,9	4 088,8	4 752,5	1 709,0
1986	136,5	82,5	958,3	76,7	387,0	839,4	30,9	811,2	6,4	212,5	70,2	823,7	4 435,4	5 178,3	1 849,0
1987	145,3	86,1	1 014,5	79,5	425,4	891,0	33,6	870,2	6,7	222,9	77,0	897,7	4 749,9	5 580,9	2 009,8
1988	158,9	90,5	1 100,0	86,5	468,1	965,1	36,5	947,7	7,4	239,4	83,6	982,1	5 165,9	6 100,5	2 221,6
1989	173,5	96,2	1 193,8	93,5	515,6	1 051,2	40,6	1 027,4	8,4	261,6	92,6	1 054,5	5 609,0	6 589,5	2 449,4
1990	190,1	103,8	1 320,9	98,5	564,8	1 142,0	45,3	1 106,8	8,8	287,3	101,8	1 123,4	6 093,6	7 027,3	2 733,1
1991	203,2	111,5	1 439,7	104,7	610,8	1 220,4	48,4	1 181,2	9,6	310,1	109,6	1 164,2	6 513,3	7 385,5	3 016,7
1992	217,0	120,1	1 538,5	110,9	658,5	1 305,4	51,8	1 260,5	10,4	328,5	116,5	1 241,8	6 960,1	7 889,8	3 266,1

Sources: see Table 1.

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	6,0	8,9	3,6	20,8
1962	7,0	12,7	8,8	6,2	15,6	11,7	8,3	12,4	5,3	7,7	6,4	5,1	9,3	7,6	13,5
1963	7,5	6,4	6,0	11,7	18,0	12,1	7,5	14,5	6,7	8,5	8,5	6,0	9,6	5,5	14,5
1964	11,9	14,3	9,9	12,3	12,9	10,9	13,8	9,5	14,2	17,7	8,5	9,3	10,7	7,0	17,6
1965	8,8	12,3	9,3	13,8	16,4	7,6	6,5	7,6	4,8	11,7	11,7	7,7	9,1	8,5	11,3
1966	7,5	9,8	6,3	11,2	15,7	8,3	5,4	8,4	5,1	8,9	9,6	6,5	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	5,3	6,7	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	8,4	8,8	9,3	18,4
1969	10,9	13,7	11,9	13,6	13,7	14,0	15,5	10,4	15,8	13,3	9,7	7,6	11,4	8,0	17,5
1970	11,3	10,5	13,1	12,2	11,2	11,7	12,6	12,5	17,1	12,2	11,3	9,8	11,7	5,2	17,9
1961-70	8,5	11,2	8,4	11,0	14,2	10,2	9,9	10,5	7,7	10,6	9,5	7,2	9,4	7,0	16,4
1971	9,5	10,5	11,1	10,5	12,9	11,4	14,4	8,7	1,8	12,7	12,0	11,6	11,0	8,6	10,0
1972	11,8	15,0	9,8	14,4	17,3	11,7	20,7	9,3	12,8	13,0	16,4	12,0	11,7	9,9	14,5
1973	13,6	14,7	11,4	28,2	20,6	14,4	20,7	21,2	21,5	14,1	21,7	14,9	15,8	11,7	21,8
1974	17,2	12,0	7,3	16,5	22,5	15,3	10,6	26,3	21,9	13,5	20,2	13,0	15,5	8,3	19,3
1975	10,4	11,7	4,3	19,1	17,4	12,7	26,9	13,5	−7,4	10,1	11,2	26,2	13,9	8,7	10,5
1976	13,6	16,2	9,2	22,7	20,3	15,9	22,7	26,1	15,1	14,5	24,3	18,4	17,2	11,4	12,3
1977	8,0	11,2	6,8	16,8	26,9	12,8	22,6	22,6	2,8	9,1	33,5	16,6	15,2	11,5	11,4
1978	7,3	11,5	7,3	20,5	22,4	13,8	18,5	18,3	9,4	8,0	25,8	15,4	14,0	12,8	10,1
1979	6,7	11,4	8,3	23,0	17,0	13,7	17,2	22,2	8,8	6,4	26,2	17,7	14,8	11,1	8,4
1980	8,2	7,8	6,2	19,7	15,6	13,2	18,2	25,1	8,8	6,6	26,5	16,9	14,4	9,1	8,4
1971-80	10,6	12,2	8,2	19,1	19,2	13,5	19,2	19,2	9,2	10,8	21,6	16,2	14,3	10,3	12,6
1981	3,7	9,1	4,2	19,8	11,7	12,7	21,3	19,7	6,6	4,8	19,5	9,9	11,1	12,0	7,2
1982	8,7	13,9	3,7	25,6	15,2	14,6	17,8	17,5	12,1	4,5	23,3	9,4	11,5	3,7	4,8
1983	6,0	10,4	4,8	19,6	13,6	10,5	10,4	16,2	10,0	3,3	24,4	9,1	10,2	7,4	3,9
1984	7,4	10,3	4,8	23,6	12,9	8,9	11,0	14,8	10,9	5,0	22,3	6,8	9,3	11,0	6,3
1985	7,0	8,8	4,3	21,3	11,1	7,8	7,8	11,8	6,0	4,5	25,2	9,5	8,7	6,6	6,2
1986	5,2	8,4	5,5	19,1	14,6	7,9	5,9	10,4	8,8	2,5	25,4	7,6	8,5	5,4	4,3
1987	4,6	5,0	3,7	13,3	11,8	5,0	7,0	9,1	3,2	0,4	17,1	9,9	7,1	6,6	4,1
1988	6,4	5,1	5,3	20,5	11,2	7,0	7,2	10,6	7,6	4,5	16,0	11,6	8,8	8,0	6,3
1989	8,6	5,5	5,9	17,3	12,1	7,4	11,3	9,7	11,5	5,6	18,9	9,2	8,6	6,7	6,5
1990	6,8	4,4	8,3	17,9	11,3	5,6	7,4	9,6	4,7	6,9	19,6	9,3	8,6	5,0	7,6
1981-90	6,4	8,0	5,1	19,7	12,5	8,7	10,6	12,9	8,1	4,2	21,1	9,2	9,2	7,2	5,7
1991	4,4	3,7	7,8	20,9	9,3	4,4	3,3	8,4	6,3	6,0	16,8	4,6	6,9	3,7	6,5
1992	5,8	5,3	6,8	14,7	9,0	5,2	5,6	7,3	7,0	4,0	13,3	6,9	6,9	6,2	5,6

Sources: see Table 1.

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	115,4	123,2	123,8	39,8	36,3	126,9	59,1	75,2	158,0	97,0	28,0	131,1	100,0	268,7	44,7
1961	112,4	124,5	127,7	40,9	37,7	125,8	58,7	76,3	143,6	96,4	27,7	126,4	100,0	251,5	49,0
1962	110,7	128,6	127,3	39,9	40,0	127,5	58,5	78,7	138,2	95,2	27,3	121,7	100,0	245,9	50,9
1963	109,0	125,5	123,8	41,0	43,2	129,8	57,6	82,6	134,5	94,2	27,1	118,2	100,0	236,4	53,2
1964	110,5	129,7	123,3	41,9	44,1	130,1	59,4	81,5	138,9	99,7	26,6	116,8	100,0	227,8	56,4
1965	110,8	134,1	123,0	44,0	47,1	128,6	58,5	80,7	133,8	102,0	27,6	116,0	100,0	226,4	57,7
1966	110,4	136,7	121,1	45,4	50,3	128,9	57,4	81,3	130,3	102,0	28,3	114,8	100,0	229,4	62,0
1967	111,8	139,8	116,6	46,1	52,1	131,0	58,2	84,6	124,3	105,6	30,1	112,1	100,0	227,8	68,3
1968	114,1	138,8	120,3	47,9	48,6	135,1	54,8	87,7	129,8	110,9	32,0	101,5	100,0	237,1	77,2
1969	114,4	142,3	123,6	49,4	49,7	132,7	57,3	87,1	135,6	112,9	32,2	98,8	100,0	230,7	82,0
1970	115,0	140,1	133,3	49,5	49,1	123,4	57,4	87,1	142,7	112,2	32,2	97,0	100,0	214,7	85,4
1971	114,1	138,2	136,4	48,3	49,1	121,3	58,9	84,7	130,7	114,8	32,6	97,5	100,0	204,3	85,1
1972	118,1	141,9	136,8	46,3	51,8	123,7	60,4	82,2	135,3	117,8	33,5	93,8	100,0	187,2	92,9
1973	119,9	147,6	144,0	47,4	54,2	126,3	55,8	78,5	145,9	121,7	35,5	83,6	100,0	164,3	98,8
1974	126,6	147,5	143,6	49,1	59,9	120,9	52,3	79,8	158,6	128,5	36,9	81,4	100,0	159,2	97,7
1975	127,2	150,0	136,2	46,5	60,3	131,0	53,3	77,2	132,6	128,4	34,1	83,9	100,0	147,6	90,3
1976	133,1	160,1	141,5	48,2	59,7	131,5	50,7	73,8	140,1	135,3	33,9	78,3	100,0	158,0	97,3
1977	136,6	157,8	145,0	48,5	58,4	126,7	52,5	75,0	136,7	139,5	31,3	78,1	100,0	154,0	104,9
1978	135,2	154,9	146,2	46,9	56,6	126,9	54,7	74,5	137,9	137,9	27,6	80,4	100,0	139,4	118,8
1979	127,3	148,4	142,6	46,5	61,5	125,3	55,4	76,3	132,2	129,2	25,5	85,9	100,0	126,0	100,7
1980	121,7	131,4	134,2	42,3	58,3	125,2	57,4	81,5	126,7	121,6	27,4	96,9	100,0	119,6	92,3
1981	113,3	129,5	128,0	44,1	57,1	124,6	61,5	83,8	121,0	115,0	30,2	105,3	100,0	151,0	114,9
1982	104,5	131,6	129,0	47,6	57,4	122,5	65,9	86,0	115,0	116,6	29,9	104,2	100,0	161,8	110,5
1983	102,2	136,8	133,3	44,4	51,3	120,0	65,5	91,7	116,7	116,0	27,4	101,8	100,0	177,8	123,4
1984	101,8	139,7	132,0	44,8	53,9	118,9	65,9	95,1	119,9	113,2	26,2	100,1	100,0	205,0	136,7
1985	102,8	144,1	129,4	42,6	54,6	120,4	67,1	94,4	119,7	110,4	27,0	102,3	100,0	209,4	139,4
1986	104,7	148,9	134,9	36,5	55,3	122,2	65,6	97,4	125,7	111,2	28,1	91,2	100,0	159,7	149,5
1987	106,1	149,7	136,9	34,5	56,7	119,3	63,1	98,7	124,9	108,6	28,2	90,5	100,0	136,8	146,0
1988	103,4	144,1	132,4	35,8	60,1	115,7	62,6	98,0	122,3	104,3	28,9	98,8	100,0	132,0	157,1
1989	103,2	138,7	128,6	36,2	65,5	114,4	64,7	100,9	124,9	101,0	31,0	98,1	100,0	138,2	153,6
1990	104,9	137,9	129,2	35,3	68,4	113,9	65,3	102,1	124,5	100,9	33,1	94,0	100,0	116,3	126,8
1991	103,5	133,5	129,5	35,8	70,8	110,5	63,2	103,3	125,1	99,9	37,0	94,1	100,0	116,7	140,8
1992	103,4	132,1	129,2	35,8	72,2	109,0	62,6	104,2	126,2	97,4	39,9	94,1	100,0	117,7	148,1

Sources: see Table 1.

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	95,4	118,3	117,9	38,6	60,3	105,8	60,8	86,5	158,5	118,6	38,7	128,6	100,0	189,6	55,8
1961	95,4	119,6	116,4	40,7	63,8	105,7	61,3	89,0	150,5	115,4	39,0	125,9	100,0	183,3	59,2
1962	96,5	121,0	116,2	39,6	66,7	106,8	60,8	90,6	141,5	114,1	40,2	121,6	100,0	183,3	61,7
1963	96,5	116,6	114,2	42,0	69,5	106,7	61,1	91,7	138,1	112,6	40,8	121,2	100,0	182,0	64,0
1964	97,5	120,6	115,0	43,2	69,6	107,0	60,2	89,2	140,9	114,8	41,5	121,0	100,0	181,1	67,4
1965	96,7	120,9	116,0	45,5	70,8	107,4	59,0	88,4	136,3	115,2	43,2	119,1	100,0	183,2	68,2
1966	96,1	119,5	114,7	46,4	72,7	108,7	57,6	90,2	132,8	113,2	43,6	117,0	100,0	184,5	72,5
1967	96,5	119,1	111,2	47,1	72,8	109,8	59,0	93,5	132,0	114,6	45,8	115,8	100,0	181,6	77,5
1968	95,7	117,7	111,8	47,8	73,4	108,6	60,7	94,6	132,4	115,4	47,7	114,6	100,0	178,9	82,7
1969	96,7	118,2	113,0	49,8	75,3	109,5	60,8	94,7	140,4	115,3	47,0	110,6	100,0	173,2	87,2
1970	98,9	115,2	113,2	51,6	74,7	110,4	59,5	95,4	141,4	115,8	48,9	108,5	100,0	164,5	91,7
1971	99,9	114,7	112,6	53,7	75,6	111,9	59,6	94,0	130,8	116,4	51,2	107,5	100,0	163,8	92,4
1972	101,1	115,9	112,6	56,1	78,1	111,4	60,3	92,5	133,6	114,9	53,5	107,0	100,0	164,3	95,4
1973	101,2	113,1	111,1	56,8	79,0	110,4	58,9	93,3	141,9	113,1	56,4	108,5	100,0	161,6	96,2
1974	103,5	110,0	109,7	53,7	81,2	111,1	59,5	96,3	152,8	115,0	55,4	105,2	100,0	156,7	92,4
1975	103,1	110,5	109,9	57,3	81,9	111,8	62,7	94,6	126,7	115,5	52,2	105,9	100,0	155,8	95,0
1976	104,2	112,4	111,5	57,6	80,1	111,4	60,0	96,1	125,7	115,4	52,3	104,2	100,0	155,1	94,3
1977	101,9	111,0	112,2	57,2	79,5	111,9	62,4	96,5	119,1	114,4	53,1	104,0	100,0	156,3	95,8
1978	101,8	109,3	112,4	58,6	77,6	112,1	64,3	97,0	119,4	113,4	52,8	104,9	100,0	158,1	97,1
1979	100,8	109,4	113,5	58,2	74,5	111,7	63,2	99,4	118,6	111,8	53,6	104,5	100,0	154,7	98,2
1980	104,1	107,8	113,6	58,1	74,2	111,6	64,0	102,5	118,5	110,9	55,0	101,1	100,0	151,4	100,9
1981	103,2	107,2	113,8	57,8	73,4	112,6	65,4	103,5	117,1	109,7	55,6	100,0	100,0	153,6	104,3
1982	104,1	109,8	112,5	57,3	73,5	113,9	65,8	103,0	118,7	106,9	56,0	101,2	100,0	147,2	105,9
1983	103,0	111,1	113,0	56,4	73,4	112,6	64,3	102,3	118,3	106,5	54,7	103,4	100,0	149,4	106,9
1984	103,0	113,6	114,2	56,4	72,8	111,5	65,2	102,9	120,7	107,1	52,1	103,2	100,0	155,2	109,3
1985	101,6	115,8	114,2	56,7	72,5	110,6	65,2	103,1	122,4	107,0	52,0	104,2	100,0	156,1	111,2
1986	100,6	117,0	114,0	55,9	72,8	110,1	63,4	103,0	126,2	106,0	52,5	105,4	100,0	155,7	110,6
1987	100,1	114,2	112,9	54,2	74,7	108,9	64,5	103,2	123,1	103,4	53,6	107,2	100,0	155,6	111,9
1988	100,9	110,7	112,3	54,3	75,7	108,4	64,7	103,5	124,4	101,7	53,7	108,0	100,0	155,4	113,7
1989	101,3	108,8	111,7	54,1	76,9	108,6	67,0	103,6	129,7	102,2	54,9	106,9	100,0	153,7	115,4
1990	102,6	108,2	112,8	52,6	77,8	108,6	69,0	103,1	125,6	103,1	55,7	105,1	100,0	150,3	118,7
1991	103,0	109,0	114,2	52,5	79,0	108,7	68,9	103,1	127,8	103,9	56,3	102,1	100,0	147,3	122,6
1992	103,4	110,2	113,6	52,1	79,9	108,8	68,9	103,2	130,0	102,7	56,3	102,1	100,0	146,8	124,3

Sources: see Table 1.

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	5,0	8,2	4,4	3,1	5,2	3,3	5,5	2,8	12,0
1962	5,2	5,7	4,7	1,5	9,3	6,7	3,2	6,2	1,4	4,0	6,6	1,0	4,7	5,3	8,9
1963	4,4	0,6	2,8	10,1	8,8	5,3	4,7	5,6	2,6	3,6	5,9	3,8	4,5	4,3	8,5
1964	7,0	9,3	6,7	8,3	6,2	6,3	3,8	2,8	7,5	8,3	7,3	5,4	5,8	5,9	11,7
1965	3,6	4,6	5,5	9,4	6,3	4,8	1,9	3,3	1,7	5,2	7,6	2,5	4,4	5,9	5,8
1966	3,2	2,7	2,9	6,1	7,1	5,2	0,9	6,0	1,7	2,7	3,9	1,9	3,9	5,1	10,6
1967	3,9	3,4	−0,1	5,5	4,3	4,7	5,8	7,2	1,6	5,3	8,1	2,3	3,5	2,3	11,1
1968	4,2	4,0	5,6	6,7	6,8	4,3	8,2	6,5	4,2	6,4	9,2	4,1	5,3	4,2	12,9
1969	6,6	6,3	7,5	9,9	8,9	7,0	5,9	6,1	8,9	6,4	3,4	2,1	6,0	2,9	12,5
1970	6,4	2,0	5,1	8,0	4,1	5,7	2,7	5,3	2,2	5,7	7,6	2,3	4,7	−0,1	10,7
1961-70	4,9	4,5	4,5	7,6	7,3	5,5	4,2	5,7	3,6	5,1	6,4	2,9	4,8	3,8	10,5
1971	3,7	2,7	2,9	7,1	4,6	4,8	3,5	1,6	2,7	4,2	6,6	2,0	3,2	3,2	4,3
1972	5,3	5,3	4,2	8,9	8,0	4,1	6,5	2,7	6,6	3,3	8,0	3,5	4,3	5,1	8,4
1973	5,9	3,6	4,7	7,3	7,7	5,4	4,7	7,1	8,3	4,7	11,2	7,3	6,2	4,8	7,9
1974	4,1	−0,9	0,3	−3,6	5,3	2,7	4,3	5,4	4,2	4,0	1,1	−1,7	1,9	−0,7	−1,2
1975	−1,5	−0,7	−1,6	6,1	0,5	−0,3	5,7	−2,7	−6,6	−0,1	−4,3	−0,8	−1,0	−1,0	2,6
1976	5,6	6,5	5,4	6,4	3,3	4,4	1,4	6,6	2,5	5,1	6,9	2,7	4,7	4,9	4,8
1977	0,5	1,6	3,0	3,4	3,0	3,5	8,2	3,4	1,6	2,3	5,5	2,3	3,0	4,4	5,3
1978	2,7	1,5	2,9	6,7	1,4	3,4	7,2	3,7	4,1	2,5	2,8	3,7	3,2	5,1	5,1
1979	2,1	3,5	4,2	3,7	−0,1	3,2	3,1	6,0	2,3	2,4	5,6	2,8	3,5	2,0	5,2
1980	4,3	−0,4	1,4	1,8	1,2	1,4	3,1	4,2	0,8	0,9	4,6	−2,2	1,3	−0,1	4,4
1971-80	3,2	2,2	2,7	4,7	3,5	3,2	4,7	3,8	2,6	2,9	4,7	1,9	3,0	2,7	4,6
1981	−1,0	−0,9	0,2	0,1	−0,2	1,2	3,3	1,0	−0,6	−0,6	1,6	−1,3	0,2	2,3	3,9
1982	1,5	3,0	−0,6	0,4	1,2	2,3	2,3	0,3	1,1	−1,4	2,1	1,7	0,9	−2,6	2,8
1983	0,4	2,5	1,5	0,4	1,8	0,8	−0,2	1,1	3,0	1,4	−0,2	3,7	1,6	3,9	3,2
1984	2,1	4,4	2,8	2,8	1,8	1,5	4,4	3,0	6,2	3,1	−1,9	2,1	2,3	7,2	5,0
1985	0,8	4,3	2,0	3,1	2,3	1,8	2,5	2,6	2,9	2,6	2,8	3,6	2,5	3,8	4,7
1986	1,5	3,6	2,3	1,4	3,2	2,4	−0,4	2,5	4,3	2,0	4,1	3,9	2,7	3,2	2,5
1987	2,2	0,3	1,7	−0,5	5,6	2,0	4,4	3,0	3,4	0,8	5,3	4,7	2,9	3,5	4,4
1988	4,6	0,5	3,7	4,1	5,2	3,6	3,9	4,2	5,5	2,7	3,9	4,6	4,0	4,5	5,7
1989	3,9	1,2	3,3	2,8	4,8	3,6	5,9	3,2	6,1	4,0	5,4	2,2	3,3	2,8	4,9
1990	3,7	2,1	4,7	−0,3	3,7	2,8	5,7	2,0	2,3	3,9	4,0	0,8	2,8	0,9	5,6
1981-90	2,0	2,1	2,1	1,4	2,9	2,2	3,1	2,3	3,4	1,8	2,7	2,6	2,3	2,9	4,3
1991	1,3	1,8	3,3	0,7	2,5	1,3	1,3	1,1	3,0	2,3	2,0	−1,8	1,3	−0,4	4,6
1992	2,1	3,0	2,2	1,2	3,1	2,3	2,3	2,0	3,4	1,3	1,7	2,0	2,2	2,1	3,5

Sources: see Table 1.

Table 11

Industrial production

(Annual percentage change)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1961	6,1	5,1	6,2	:	:	5,6	8,7	10,9	2,9	3,8	:	0,3	-0,4	0,7	19,6
1962	5,8	8,9	8,4	:	10,1	5,1	7,0	9,6	-4,2	3,5	:	1,0	5,1	8,4	8,5
1963	7,4	1,2	3,6	10,7	12,0	7,0	5,9	8,8	0,9	5,0	:	3,3	6,1	5,9	11,2
1964	6,5	11,5	7,6	10,9	11,0	6,2	7,7	1,2	9,1	9,8	:	8,2	6,7	6,6	15,8
1965	2,5	6,6	5,2	8,4	14,4	1,8	4,3	4,6	0,9	4,3	:	2,8	4,6	10,0	3,8
1966	2,1	2,9	1,4	16,1	15,1	5,6	2,7	11,4	-3,2	4,2	:	1,6	5,1	8,8	13,5
1967	1,7	4,0	-2,5	4,3	6,1	2,3	8,3	8,2	-0,6	2,9	:	0,7	2,2	2,2	19,3
1968	5,6	7,4	9,7	7,8	7,3	3,7	10,3	6,5	6,0	9,1	:	7,6	6,4	5,6	15,4
1969	9,7	12,3	12,6	11,8	15,6	10,4	7,1	3,7	12,8	10,9	7,9	3,5	8,8	4,7	15,9
1970	3,1	2,6	6,1	10,6	10,2	5,2	4,4	6,4	0,5	8,7	6,4	0,5	5,3	-3,4	13,9
1961-70	5,0	6,2	5,7	:	:	5,3	6,6	7,1	2,4	6,2	:	2,9	5,0	4,9	13,6
1971	1,8	2,3	1,4	11,2	3,2	4,8	3,8	-0,5	-1,1	5,5	7,8	-0,6	1,9	1,4	2,5
1972	7,5	4,4	4,4	14,2	15,8	6,8	4,2	5,0	4,2	5,2	13,0	1,8	5,6	9,7	7,3
1973	6,0	3,3	7,1	15,2	15,2	6,7	9,8	9,7	11,9	7,6	11,9	9,0	8,7	8,2	15,0
1974	4,1	-0,7	-1,1	-1,4	9,3	2,3	3,0	3,9	3,5	4,7	2,8	-2,0	1,4	-1,5	-3,9
1975	-9,9	-6,0	-6,2	4,3	-6,6	-7,4	-6,0	-8,8	-21,8	-5,1	-4,9	-5,4	-6,6	-8,8	-11,1
1976	7,7	9,7	7,4	10,5	5,1	8,6	8,5	11,6	3,8	7,6	3,3	3,3	7,3	9,3	11,1
1977	0,6	0,8	2,1	1,6	5,2	2,0	8,0	0,0	0,5	0,4	13,1	5,1	2,6	8,0	4,1
1978	2,4	2,2	2,9	7,5	2,4	2,3	8,0	2,1	3,1	0,8	6,9	2,9	2,7	5,7	6,4
1979	4,5	3,7	4,9	5,9	0,7	4,1	7,7	6,7	3,4	3,2	7,2	3,8	4,4	3,8	7,3
1980	-1,3	0,2	0,5	0,9	1,3	1,0	-0,6	5,1	-3,4	-1,0	5,4	-6,5	0,2	-1,9	4,7
1971-80	2,2	1,9	2,3	6,9	5,0	3,0	4,5	3,3	0,0	2,8	6,5	1,0	2,7	3,2	4,1
1981	-2,7	0,0	-1,8	0,9	-1,0	-1,4	5,4	-2,2	-5,6	-1,2	0,6	-3,2	-1,9	1,9	0,9
1982	0,0	2,7	-3,0	1,1	-1,1	-0,3	-0,7	-3,1	0,9	-3,7	4,6	2,0	-1,2	-4,5	0,4
1983	1,9	3,2	0,8	0,0	2,7	-0,1	7,8	-2,4	5,4	2,9	1,6	3,6	0,9	3,7	3,3
1984	2,5	9,7	3,3	1,6	0,8	0,4	9,9	3,2	13,3	4,6	-0,1	0,1	2,0	9,3	9,3
1985	2,5	4,3	4,9	3,4	2,0	0,5	3,4	1,4	6,8	4,1	10,9	5,5	3,3	1,7	3,6
1986	0,8	6,5	2,4	-0,2	3,1	0,9	2,2	4,1	2,1	0,2	5,7	2,4	2,3	0,9	-0,2
1987	2,2	-3,5	0,3	-1,7	4,6	1,9	8,8	2,6	-0,9	0,9	2,5	3,3	2,1	5,0	3,5
1988	5,7	1,9	3,7	5,7	3,1	4,6	10,7	6,9	8,7	0,2	6,1	3,6	4,3	5,5	9,2
1989	3,5	2,3	5,3	1,5	4,5	4,1	11,6	3,9	7,8	5,0	4,9	0,4	3,8	2,5	6,1
1990	4,1	0,6	5,2	-1,9	-0,1	1,3	4,7	-0,8	-0,5	2,6	4,8	-0,7	1,5	1,0	4,8
1981-90	2,0	2,7	2,1	1,0	1,8	1,2	6,3	1,3	3,7	1,5	4,1	1,7	1,7	2,6	4,0
1991	0,7	2,2	3,5	-3,0	-0,5	0,1	3,5	-1,5	0,8	1,2	1,7	-2,1	0,3	-1,6	2,6
1992	2,4	4,6	2,3	2,0	1,0	2,5	4,2	2,5	2,8	1,0	2,0	3,3	2,4	2,4	2,6

Coverage: construction excluded.
Source: Eurostat.

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	40,6	2,7	7,5	34,5	1,3	22,4	0,3	6,5	1,7	45,1	173,3	309,0	24,6
1961	7,5	3,8	45,8	2,8	8,4	37,4	1,3	24,3	0,3	7,2	1,8	46,9	187,6	316,1	28,5
1962	7,9	4,3	50,0	3,0	9,6	41,7	1,4	27,4	0,3	7,9	1,9	49,7	205,0	334,9	32,6
1963	8,5	4,5	53,2	3,2	11,5	47,2	1,5	32,0	0,3	8,8	2,0	52,8	225,6	353,3	38,1
1964	9,2	5,1	57,6	3,6	12,8	51,6	1,7	34,5	0,4	9,9	2,1	56,3	244,8	379,5	43,8
1965	10,0	5,6	63,4	4,1	15,0	55,0	1,8	36,9	0,4	11,1	2,4	60,1	265,8	408,8	49,6
1966	10,7	6,2	68,1	4,5	17,3	59,5	1,9	40,8	0,4	12,0	2,6	63,6	287,5	443,2	57,1
1967	11,3	6,8	70,7	4,9	19,1	64,5	2,0	45,4	0,4	13,1	2,8	65,9	306,9	469,4	65,7
1968	12,7	7,2	78,0	5,5	19,3	72,6	2,1	50,3	0,5	14,8	3,4	64,1	330,4	534,5	78,1
1969	13,8	8,0	88,2	6,0	21,5	79,2	2,4	55,3	0,5	17,1	3,8	68,5	364,3	582,8	91,1
1970	14,9	8,9	105,6	6,7	23,8	81,2	2,6	62,3	0,5	19,1	4,0	74,6	404,3	621,1	104,6
1971	16,4	9,4	120,9	7,1	26,5	88,5	2,9	67,4	0,6	21,6	4,6	83,4	449,6	657,3	118,8
1972	18,8	10,3	136,7	7,4	31,1	100,8	3,2	73,3	0,7	24,6	4,9	90,2	502,1	672,7	146,8
1973	22,2	12,7	164,9	8,4	37,6	118,0	3,5	81,6	0,8	29,1	6,0	92,3	577,2	678,1	180,7
1974	26,5	14,5	190,5	10,7	48,5	130,8	4,0	95,0	0,9	35,4	8,1	104,8	669,9	765,1	209,6
1975	30,5	16,8	212,5	11,4	55,0	162,3	4,3	106,2	1,1	41,2	9,2	117,5	768,1	811,0	230,3
1976	36,4	21,0	249,1	13,3	64,4	186,2	4,8	114,6	1,3	50,1	10,4	123,2	875,0	1 004,8	289,1
1977	42,2	23,2	285,1	15,1	70,1	199,3	5,6	128,4	1,5	58,7	10,3	133,6	973,0	1 095,7	350,1
1978	45,9	24,9	315,6	16,2	74,6	220,2	6,5	139,7	1,6	65,1	9,6	151,7	1 071,5	1 094,0	442,2
1979	49,9	27,2	345,8	17,8	93,2	247,4	7,7	162,6	1,8	70,0	10,0	184,7	1 218,1	1 134,7	434,2
1980	53,5	26,7	369,3	18,7	100,9	281,7	9,1	199,0	1,9	74,5	12,2	232,3	1 379,8	1 238,0	449,9
1981	56,5	28,8	392,6	22,4	111,3	315,8	10,8	224,9	2,1	76,8	15,3	279,9	1 537,3	1 713,0	609,0
1982	57,1	31,4	428,9	26,6	122,0	342,7	11,6	253,5	2,1	84,8	16,6	302,6	1 679,8	2 087,7	655,5
1983	59,1	34,4	470,8	26,3	115,9	359,9	12,3	287,4	2,3	90,6	16,3	316,6	1 792,0	2 498,0	794,2
1984	63,2	37,8	498,7	27,8	129,0	385,9	13,3	321,4	2,5	93,8	17,2	335,7	1 926,3	3 075,0	941,3
1985	69,1	42,1	519,7	28,9	140,2	422,5	14,7	345,4	2,7	98,7	18,4	367,5	2 069,7	3 444,3	1 024,1
1986	73,0	46,2	560,7	27,1	148,7	450,6	15,2	377,5	2,9	106,7	19,6	358,6	2 186,6	2 826,5	1 160,6
1987	78,0	47,9	598,8	27,7	160,8	468,3	15,2	404,9	3,1	113,1	20,5	374,7	2 313,1	2 583,3	1 196,6
1988	80,7	49,4	623,8	30,5	182,8	488,5	16,0	432,5	3,3	115,2	23,0	446,9	2 492,6	2 716,5	1 382,1
1989	86,8	50,9	651,7	34,1	217,1	521,9	17,4	485,2	3,5	120,5	26,2	485,4	2 700,8	3 109,0	1 451,0
1990	94,2	54,0	706,1	37,1	241,5	562,8	18,6	525,5	3,9	129,5	29,9	501,1	2 904,3	2 856,1	1 277,7
1991	99,0	55,6	751,3	39,4	265,7	583,6	19,5	567,7	4,2	137,0	35,8	540,0	3 098,7	3 098,8	1 500,7
1992	104,8	58,4	800,4	42,2	288,2	610,2	20,6	612,5	4,5	143,4	41,2	569,8	3 296,3	3 350,5	1 699,3

Sources: see Table 1.

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	3,2	37,3	2,5	11,9	27,7	1,3	24,9	0,3	7,6	2,3	42,7	167,4	210,2	29,6
1961	6,2	3,5	40,3	2,7	13,7	30,3	1,3	27,3	0,3	8,3	2,5	45,1	181,5	222,2	33,3
1962	6,6	3,9	44,1	2,9	15,5	33,8	1,4	30,4	0,3	9,1	2,6	48,0	198,6	241,1	38,2
1963	7,3	4,1	47,6	3,2	17,9	37,6	1,6	34,4	0,3	10,1	2,9	52,5	219,6	263,5	44,3
1964	7,8	4,6	52,1	3,6	19,6	41,1	1,7	36,6	0,3	11,0	3,2	56,6	238,3	292,4	50,8
1965	8,5	4,9	58,1	4,1	22,0	44,7	1,8	39,3	0,4	12,2	3,6	59,9	259,4	321,5	57,1
1966	9,1	5,3	62,8	4,5	24,3	48,8	1,8	44,1	0,4	13,0	3,9	63,1	281,0	347,2	65,0
1967	9,6	5,7	65,8	4,9	26,1	52,8	2,0	49,0	0,4	13,9	4,2	66,4	300,8	365,4	72,9
1968	10,4	6,0	71,0	5,3	28,6	57,1	2,2	53,1	0,5	15,1	4,9	70,9	325,2	395,2	81,9
1969	11,4	6,5	78,9	5,9	31,8	64,0	2,4	58,8	0,5	17,1	5,4	75,0	357,7	427,8	94,7
1970	12,5	7,1	87,4	6,8	35,3	70,8	2,6	66,4	0,5	19,2	5,9	81,3	395,9	463,7	109,3
1971	14,0	7,6	97,3	7,7	39,9	79,6	2,9	73,0	0,6	21,3	7,0	89,7	440,7	513,8	125,8
1972	15,8	8,2	109,8	8,7	45,8	88,7	3,2	80,6	0,7	23,4	7,7	100,5	493,1	576,8	147,2
1973	18,3	9,5	124,3	9,9	53,6	100,8	3,6	94,8	0,7	26,5	9,4	117,1	568,5	652,0	172,0
1974	21,4	10,6	143,2	11,5	64,6	118,3	4,5	113,0	0,9	31,2	12,1	133,2	664,5	741,2	195,1
1975	24,8	12,4	171,5	14,0	74,9	138,5	5,1	130,1	1,1	37,0	14,1	148,3	771,7	856,1	242,2
1976	29,1	15,1	200,4	16,2	88,4	161,0	5,8	152,3	1,2	43,7	16,4	167,4	896,9	1 006,5	285,8
1977	33,3	17,2	232,9	18,8	100,8	185,9	7,0	174,5	1,4	50,9	18,6	187,9	1 029,2	1 174,6	337,8
1978	37,5	19,1	263,5	21,9	111,0	211,2	8,3	197,4	1,5	58,1	19,9	214,9	1 164,5	1 347,9	392,4
1979	43,4	22,0	302,6	24,5	124,1	242,5	9,7	232,9	1,7	66,6	23,2	247,1	1 340,3	1 531,9	465,9
1980	51,2	24,5	350,2	28,7	143,8	281,3	11,4	280,2	2,0	76,1	27,3	271,7	1 548,5	1 755,1	550,8
1981	58,3	27,0	395,3	33,3	161,9	323,1	13,1	314,6	2,3	83,0	31,8	301,0	1 744,7	1 972,5	625,7
1982	65,8	30,2	432,5	36,9	180,4	368,1	13,4	350,8	2,6	90,0	35,9	339,5	1 946,1	2 195,5	725,6
1983	71,2	33,4	476,3	39,8	197,5	403,0	14,4	382,8	2,8	99,2	38,7	383,7	2 142,8	2 503,6	821,1
1984	77,3	37,1	521,1	42,4	210,3	436,9	15,9	420,2	3,0	107,2	41,4	418,1	2 330,9	2 813,2	908,9
1985	83,5	41,3	560,5	47,0	227,7	474,1	17,4	460,5	3,4	116,9	43,4	457,7	2 533,3	3 137,5	998,3
1986	87,5	45,4	592,1	51,9	244,7	507,1	18,4	498,9	3,6	127,0	45,7	518,3	2 740,7	3 443,6	1 072,9
1987	93,6	46,5	628,0	55,3	269,2	543,4	19,7	537,9	3,9	136,8	49,6	564,4	2 948,4	3 734,8	1 166,3
1988	100,4	48,4	674,4	59,0	293,2	582,7	21,0	581,9	4,3	143,2	54,5	622,0	3 185,1	4 075,9	1 274,0
1989	108,4	50,8	720,3	64,8	324,3	630,3	22,9	633,9	4,7	155,2	59,0	672,9	3 447,5	4 397,9	1 387,7
1990	118,1	54,3	790,7	70,9	352,5	688,1	25,1	680,1	5,0	169,6	64,6	718,5	3 737,5	4 733,1	1 532,4
1991	126,4	58,3	850,9	74,0	380,5	736,9	27,3	727,8	5,5	182,9	70,0	751,8	3 992,3	5 022,7	1 678,7
1992	134,9	62,7	905,1	78,8	410,6	784,0	29,2	780,2	6,0	194,7	74,9	795,6	4 256,6	5 375,6	1 835,2

Sources: see Table 1.

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	67,5	59,7	76,6	59,7	54,0	58,5	73,1	66,0	62,4	63,9	58,7
1961	67,9	62,1	59,5	76,8	66,9	60,0	75,0	58,6	56,9	59,7	73,6	65,4	62,1	63,7	57,0
1962	66,6	61,9	59,5	76,4	66,4	60,0	74,7	58,9	56,9	60,3	69,7	66,0	62,2	62,9	57,7
1963	67,1	61,4	59,6	74,3	67,5	60,5	74,1	60,2	57,5	61,8	69,4	66,3	62,7	62,8	58,8
1964	64,1	60,3	58,4	73,6	66,5	59,5	72,6	59,6	56,7	59,4	68,2	64,8	61,5	63,0	57,6
1965	64,3	58,9	59,2	72,8	67,1	59,0	71,7	59,2	58,2	59,4	67,9	64,1	61,4	62,5	58,5
1966	63,9	59,6	59,7	72,3	66,5	58,9	71,8	60,3	58,2	59,3	67,9	63,6	61,5	61,8	58,0
1967	62,9	59,9	60,8	72,4	66,4	59,1	70,1	60,6	59,1	58,7	65,4	63,5	61,7	61,6	56,8
1968	63,7	58,8	60,1	71,9	66,0	59,3	71,0	59,7	57,7	57,9	68,5	63,1	61,3	61,9	54,7
1969	62,2	57,5	59,1	69,2	64,1	59,1	69,8	59,3	53,4	58,5	69,1	62,2	60,6	62,0	53,5
1970	59,8	57,4	58,4	69,2	64,0	57,9	68,9	59,5	50,5	58,4	65,9	61,8	60,0	63,0	52,3
1961-70	64,3	59,8	59,4	72,9	66,1	59,3	72,0	59,6	56,5	59,3	68,6	64,1	61,5	62,5	56,5
1971	60,3	55,8	58,7	68,0	64,3	57,8	68,0	59,8	54,8	57,8	68,3	62,1	60,1	62,9	53,6
1972	60,2	53,4	59,3	65,7	63,8	57,7	65,0	60,1	53,6	57,3	64,2	62,8	60,2	62,7	54,0
1973	60,6	54,5	58,8	63,4	63,5	57,1	64,4	60,5	48,9	56,7	64,8	62,5	60,0	62,0	53,6
1974	59,8	54,3	59,6	67,7	64,2	57,5	68,4	60,3	46,1	56,8	72,7	63,8	60,7	62,7	54,3
1975	61,2	55,5	63,0	67,5	64,3	58,7	64,1	62,0	57,8	58,6	77,1	62,2	61,9	63,6	57,1
1976	60,9	56,6	62,5	65,8	65,7	58,4	64,5	60,8	56,6	58,7	75,0	61,1	61,4	63,7	57,5
1977	61,9	56,9	63,0	65,9	65,0	58,2	64,1	60,3	59,6	59,8	72,0	59,9	61,1	63,6	57,7
1978	61,6	56,2	62,7	65,2	63,9	57,9	63,8	59,5	57,9	60,3	68,0	59,9	60,7	62,8	57,7
1979	62,8	56,4	62,4	63,3	64,5	58,1	65,3	59,7	57,8	60,9	67,5	60,3	60,8	63,1	58,7
1980	62,9	55,9	63,0	64,6	65,3	58,9	65,8	61,0	58,7	61,1	67,3	60,0	61,4	64,1	58,8
1971-80	61,2	55,5	61,3	65,7	64,5	58,0	65,3	60,4	55,2	58,8	69,7	61,5	60,8	63,1	56,3
1981	65,2	56,0	64,1	67,5	66,5	60,3	65,9	61,2	60,9	60,4	69,6	60,8	62,3	63,5	58,0
1982	65,6	55,0	63,8	67,4	66,2	60,7	59,8	61,5	60,3	60,1	69,6	61,0	62,3	65,6	59,2
1983	65,2	54,6	63,8	66,7	65,7	60,8	59,6	61,2	59,6	60,3	69,3	61,2	62,3	66,4	59,9
1984	64,9	54,5	63,6	64,7	64,3	60,8	58,8	61,0	58,1	59,2	70,7	61,2	61,9	65,2	59,1
1985	65,5	54,8	63,2	65,5	64,1	61,1	59,3	61,5	58,7	59,2	67,9	61,0	62,0	66,0	58,4
1986	64,1	55,0	61,8	67,6	63,2	60,4	59,6	61,5	56,0	59,8	65,1	62,9	61,8	66,5	58,0
1987	64,4	54,0	61,9	69,6	63,3	61,0	58,8	61,8	58,2	61,4	64,5	62,9	62,1	66,9	58,0
1988	63,2	53,4	61,3	68,2	62,6	60,4	57,6	61,4	57,6	59,8	65,1	63,3	61,7	66,8	57,3
1989	62,5	52,8	60,3	69,3	62,9	60,0	56,5	61,7	55,5	59,3	63,7	63,8	61,5	66,7	56,7
1990	62,1	52,3	59,9	72,0	62,4	60,3	55,5	61,4	56,9	59,0	63,5	64,0	61,3	67,4	56,1
1981-90	64,3	54,3	62,4	67,8	64,1	60,6	59,2	61,4	58,2	59,9	66,9	62,2	61,9	66,1	58,1
1991	62,2	52,3	59,1	70,7	62,3	60,4	56,3	61,6	57,5	59,0	63,9	64,6	61,3	68,0	55,6
1992	62,2	52,2	58,8	71,1	62,4	60,1	56,3	61,9	57,8	59,3	64,2	64,1	61,2	68,1	56,2

Sources: see Table 1.

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	128,2	122,6	118,1	51,3	39,4	121,7	72,7	72,1	137,0	91,0	32,9	138,8	100,0	275,8	42,1
1961	123,1	124,7	122,5	50,7	40,7	121,8	71,1	72,3	132,0	92,8	32,9	133,5	100,0	258,6	45,1
1962	119,0	128,4	122,2	49,1	42,8	123,4	70,5	74,8	126,8	92,6	30,7	129,5	100,0	249,4	47,3
1963	117,2	123,4	118,2	48,7	46,7	125,6	68,3	79,6	123,9	93,2	30,1	125,6	100,0	237,9	50,1
1964	115,7	127,7	117,7	50,3	47,9	126,4	70,4	79,3	128,6	96,6	29,7	123,6	100,0	234,3	53,1
1965	116,5	129,1	119,1	52,4	51,7	124,2	68,6	78,2	127,4	99,2	30,6	121,6	100,0	231,6	55,3
1966	115,2	132,9	118,0	53,6	54,6	124,0	67,3	80,0	123,6	98,8	31,4	119,3	100,0	231,2	58,7
1967	114,4	136,3	115,2	54,2	56,2	125,8	66,4	83,4	119,4	100,9	32,0	115,9	100,0	228,4	63,0
1968	119,2	133,8	118,5	56,4	52,6	131,4	63,8	85,8	122,8	105,3	36,0	104,9	100,0	240,6	69,2
1969	118,1	135,6	121,2	56,7	52,9	129,9	66,3	85,6	120,1	109,6	36,9	101,9	100,0	237,3	72,8
1970	115,3	134,7	130,4	57,3	52,7	119,8	66,3	86,9	120,8	109,9	35,6	100,4	100,0	226,8	74,8
1971	115,0	128,9	133,9	54,9	52,7	117,2	67,0	84,7	119,9	111,0	37,2	101,2	100,0	214,7	76,2
1972	118,7	126,4	135,5	50,7	55,2	119,2	65,5	82,4	121,0	112,7	35,9	98,3	100,0	196,0	83,7
1973	122,1	135,2	142,3	50,5	57,9	121,1	60,3	79,7	119,9	115,9	38,6	87,9	100,0	171,2	89,0
1974	125,8	133,1	142,2	55,2	63,9	115,5	59,5	79,8	121,5	121,1	44,5	86,3	100,0	165,7	88,1
1975	126,4	135,1	139,4	51,0	62,9	124,9	55,5	77,7	124,3	122,2	42,7	84,8	100,0	152,3	83,8
1976	132,7	148,2	144,7	51,8	64,1	125,7	53,6	73,5	129,8	130,0	41,7	78,3	100,0	164,7	91,6
1977	138,5	147,1	149,7	52,3	62,2	120,9	55,1	74,0	133,3	136,6	36,9	76,7	100,0	160,4	99,1
1978	137,2	143,5	151,2	50,4	59,6	121,2	57,6	73,1	131,7	137,2	30,9	79,3	100,0	144,4	113,1
1979	131,5	137,7	146,2	48,5	65,2	119,7	59,5	74,9	125,7	129,5	28,3	85,2	100,0	130,8	97,2
1980	125,0	119,7	138,0	44,5	62,1	120,3	61,6	81,1	121,4	121,2	30,1	94,9	100,0	125,0	88,6
1981	118,9	116,7	131,9	47,8	61,1	120,8	65,2	82,5	118,4	111,8	33,8	102,9	100,0	154,2	107,3
1982	110,1	116,4	132,3	51,6	61,1	119,6	63,4	85,1	111,5	112,7	33,4	102,2	100,0	170,7	105,2
1983	107,2	120,3	136,9	47,7	54,2	117,4	62,8	90,3	112,0	112,6	30,6	100,4	100,0	190,0	118,9
1984	106,8	123,1	135,7	46,8	56,0	116,9	62,7	93,9	112,7	108,3	29,9	99,0	100,0	216,0	130,5
1985	108,9	127,7	132,2	45,1	56,6	118,9	64,3	93,9	113,6	105,7	29,6	100,8	100,0	223,5	131,7
1986	109,0	133,0	135,3	40,0	56,7	119,9	63,4	97,2	114,3	107,9	29,7	93,1	100,0	172,4	140,8
1987	110,3	130,6	136,9	38,8	58,0	117,6	59,9	98,6	117,4	107,7	29,4	91,9	100,0	147,9	136,9
1988	106,3	125,3	132,0	39,7	61,3	113,7	58,6	97,9	114,6	101,5	30,6	101,8	100,0	143,4	146,6
1989	105,2	119,5	126,7	40,9	67,3	112,0	59,7	101,6	113,1	97,8	32,3	102,2	100,0	150,6	142,0
1990	106,7	118,1	126,5	41,6	69,8	112,3	59,3	102,7	115,9	97,5	34,4	98,3	100,0	128,2	116,4
1991	105,5	114,2	125,3	41,5	72,2	109,2	58,2	104,2	117,8	96,5	38,7	99,5	100,0	129,9	128,2
1992	105,4	113,1	124,8	41,8	73,8	107,4	57,8	105,8	119,8	94,7	42,0	98,9	100,0	131,6	136,6

Sources: see Table 1.

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	105,7	117,4	112,2	49,7	65,1	101,3	74,5	82,7	137,2	111,1	45,4	135,9	100,0	194,1	52,4
1961	104,2	119,4	111,4	50,4	68,7	102,0	74,1	84,0	137,9	110,8	46,2	132,6	100,0	187,9	54,4
1962	103,4	120,4	111,2	48,7	71,2	103,0	73,0	85,8	129,5	110,7	45,0	129,0	100,0	185,3	57,2
1963	103,3	114,2	108,5	49,7	74,7	102,9	72,2	88,0	126,7	111,0	45,2	128,2	100,0	182,3	60,0
1964	101,6	118,2	109,3	51,7	75,3	103,6	71,0	86,4	129,8	110,8	46,1	127,5	100,0	185,5	63,2
1965	101,3	116,0	111,8	53,9	77,4	103,3	69,0	85,3	129,2	111,5	47,7	124,4	100,0	186,6	65,1
1966	99,8	115,7	111,4	54,6	78,6	104,1	67,2	88,4	125,5	109,2	48,1	121,1	100,0	185,3	68,4
1967	98,5	115,7	109,6	55,3	78,4	105,1	67,0	91,8	126,4	109,1	48,6	119,2	100,0	181,4	71,4
1968	99,5	112,8	109,5	56,1	79,0	105,1	70,2	92,0	124,6	109,0	53,3	117,9	100,0	180,8	73,7
1969	99,4	112,2	110,3	56,9	79,7	106,8	70,0	92,7	123,8	111,4	53,6	113,6	100,0	177,4	77,1
1970	98,7	110,2	110,2	59,5	79,7	106,6	68,3	94,6	119,1	112,8	53,7	111,7	100,0	172,9	79,9
1971	100,1	106,4	109,9	60,7	80,7	107,5	67,4	93,5	119,3	111,9	58,1	111,0	100,0	171,2	82,3
1972	101,1	102,6	110,9	61,2	82,7	106,8	65,0	92,3	118,8	109,4	57,0	111,6	100,0	171,1	85,5
1973	102,2	102,8	108,9	60,1	83,7	105,1	63,2	94,0	115,7	106,9	60,9	113,2	100,0	167,1	86,0
1974	102,1	98,5	107,8	60,0	85,9	105,3	67,2	95,7	116,1	107,6	66,4	110,6	100,0	161,8	82,7
1975	102,0	99,0	111,9	62,5	85,1	106,1	65,0	94,8	118,3	109,4	65,1	106,5	100,0	160,0	87,7
1976	103,5	103,6	113,5	61,7	85,8	106,0	63,1	95,3	115,9	110,5	63,9	103,8	100,0	160,9	88,3
1977	103,2	103,3	115,6	61,6	84,6	106,6	65,5	95,1	116,1	111,9	62,6	101,9	100,0	162,6	90,4
1978	103,3	101,1	116,2	62,9	81,7	107,0	67,6	95,1	114,0	112,7	59,2	103,4	100,0	163,7	92,3
1979	104,0	101,5	116,3	60,6	78,9	106,7	67,9	97,6	112,8	111,9	59,4	103,6	100,0	160,5	94,8
1980	106,6	98,1	116,6	61,1	78,9	107,0	68,5	101,8	113,3	110,3	60,2	98,8	100,0	157,9	96,6
1981	108,0	96,4	117,0	62,5	78,3	108,9	69,2	101,7	114,4	106,3	62,1	97,5	100,0	156,5	97,1
1982	109,5	97,0	115,1	61,9	78,0	110,9	63,1	101,7	114,8	103,2	62,5	99,0	100,0	154,9	100,5
1983	107,9	97,5	115,8	60,4	77,3	110,0	61,6	100,6	113,3	103,2	60,9	101,7	100,0	159,2	102,8
1984	107,9	99,9	117,2	58,9	75,5	109,4	61,9	101,4	113,2	102,3	59,5	101,9	100,0	163,3	104,2
1985	107,5	102,5	116,5	60,0	75,1	109,0	62,4	102,3	116,0	102,3	57,0	102,6	100,0	166,3	104,9
1986	104,4	104,2	114,0	61,2	74,5	107,6	61,1	102,5	114,4	102,5	55,3	107,3	100,0	167,5	103,8
1987	103,8	99,4	112,6	60,7	76,2	107,0	61,1	102,8	115,4	102,2	55,7	108,6	100,0	167,7	104,7
1988	103,5	96,0	111,7	60,0	76,9	106,1	60,4	103,1	116,3	98,7	56,7	110,9	100,0	168,4	105,7
1989	102,9	93,5	109,7	61,0	78,7	105,9	61,6	104,0	117,0	98,7	56,9	111,0	100,0	166,9	106,4
1990	103,9	92,3	110,1	61,8	79,2	106,7	62,4	103,3	116,5	99,3	57,7	109,5	100,0	165,1	108,5
1991	104,6	92,9	110,1	60,5	80,3	107,0	63,3	103,7	119,9	100,0	58,7	107,5	100,0	163,4	111,3
1992	105,1	94,0	109,2	60,5	81,4	106,8	63,4	104,4	122,9	99,5	59,1	106,9	100,0	163,5	114,2

Sources: see Table 1.

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	3,1	7,5	4,9	5,2	7,8	2,2	5,4	2,0	10,4
1962	3,9	5,9	5,5	4,3	8,8	7,1	3,5	7,1	4,6	6,1	−1,2	2,2	5,3	4,4	7,5
1963	4,4	0,0	3,0	5,1	11,3	6,9	4,2	9,3	4,5	7,0	6,9	4,9	6,0	3,7	8,8
1964	2,6	7,8	5,3	8,8	4,3	5,2	4,3	3,3	8,5	5,9	5,8	3,0	4,4	5,7	10,8
1965	4,3	3,4	7,0	7,7	6,9	4,0	0,8	3,3	3,9	7,5	6,0	1,5	4,4	5,7	5,8
1966	2,7	4,3	3,6	6,8	6,9	4,8	1,5	7,2	1,5	3,2	4,0	1,7	4,2	5,0	10,0
1967	2,8	2,9	1,4	6,2	6,0	5,1	3,8	7,4	−0,5	5,4	6,0	2,4	4,0	2,9	10,4
1968	5,3	1,9	4,9	6,9	6,0	4,0	9,0	5,2	4,3	6,6	11,1	2,8	4,6	5,1	8,5
1969	5,4	6,3	7,7	6,2	7,0	6,0	5,4	6,6	5,0	7,9	5,4	0,6	5,5	3,6	10,3
1970	4,4	3,5	7,4	8,8	4,2	4,3	−1,0	7,6	5,9	7,4	2,9	2,9	5,4	2,4	7,4
1961-70	3,7	4,3	5,1	6,7	7,2	5,3	3,4	6,4	4,2	6,2	5,4	2,4	4,9	4,0	9,0
1971	4,7	−0,8	5,4	5,6	5,1	4,7	3,2	3,5	5,6	3,3	8,4	3,2	4,3	3,3	5,7
1972	6,0	1,7	4,9	7,0	8,3	4,9	5,1	3,3	4,8	3,5	2,9	6,3	5,1	6,5	9,3
1973	7,8	4,8	3,5	7,6	7,8	5,1	7,2	7,0	5,8	4,0	13,0	5,3	5,6	4,2	9,2
1974	2,6	−2,9	1,3	0,7	5,1	0,9	1,6	3,7	4,5	3,7	9,1	−1,5	1,7	−1,1	−0,3
1975	0,6	3,7	3,8	5,5	1,8	2,6	0,8	0,2	5,3	3,3	1,7	−0,4	1,8	2,1	4,4
1976	4,8	7,9	3,9	5,3	5,6	4,7	2,8	5,0	3,1	5,3	2,3	0,4	3,9	5,5	3,5
1977	2,4	1,1	3,9	4,6	1,5	2,6	6,8	3,3	2,3	4,6	0,6	−0,5	2,4	4,5	4,2
1978	2,3	0,7	3,9	5,7	0,9	3,8	9,1	3,1	2,9	4,3	−2,0	5,6	3,6	4,1	5,4
1979	4,8	1,4	3,5	2,6	1,3	2,8	4,4	7,1	3,5	3,0	0,0	4,4	3,8	2,2	6,4
1980	2,0	−3,7	1,5	0,2	0,6	1,0	0,4	6,2	2,8	0,0	3,7	0,1	1,7	−0,3	1,4
1971-80	3,8	1,3	3,6	4,4	3,7	3,3	4,1	4,2	4,1	3,5	3,9	2,3	3,4	3,1	4,9
1981	−1,1	−2,3	−0,2	2,0	−0,6	1,8	1,7	1,6	1,7	−2,0	2,9	0,1	0,5	1,6	1,3
1982	1,3	1,4	−1,3	3,9	0,2	3,2	−7,1	1,0	0,4	−1,4	2,4	1,0	0,7	1,1	4,1
1983	−1,7	2,6	1,6	0,3	0,3	0,9	0,9	0,5	0,5	0,7	−1,4	4,6	1,4	5,0	3,2
1984	1,2	3,4	1,9	1,7	−0,4	0,9	2,0	2,3	1,4	0,8	−2,9	1,6	1,4	4,8	2,7
1985	2,0	5,0	1,6	3,9	2,4	2,2	3,5	3,2	2,7	2,4	0,7	3,5	2,6	4,7	2,7
1986	2,4	5,7	3,4	0,7	4,1	3,7	2,0	4,5	2,6	3,2	5,6	6,3	4,2	4,1	3,1
1987	3,0	−1,5	3,1	0,8	5,8	2,6	2,2	4,5	5,6	4,0	5,4	5,3	3,9	2,8	4,3
1988	2,8	−0,8	3,0	3,4	4,7	2,9	2,4	4,5	3,7	1,5	6,6	7,2	4,1	3,7	5,1
1989	3,7	−0,8	1,1	3,9	5,5	3,0	5,2	4,2	3,7	1,7	3,1	3,9	3,2	2,0	3,5
1990	2,6	1,0	4,7	1,9	3,7	3,1	2,8	2,7	3,4	3,8	4,9	1,0	3,0	0,9	4,0
1981-90	1,6	1,3	1,9	2,2	2,6	2,4	1,5	2,9	2,6	1,4	2,7	3,4	2,5	3,1	3,4
1991	1,3	1,2	2,8	0,3	3,1	1,6	1,8	2,2	4,0	2,6	5,3	−0,8	1,7	0,2	2,8
1992	2,2	2,8	2,0	0,9	3,3	1,7	2,4	2,5	3,7	0,9	4,0	1,4	2,0	1,6	3,9

Sources: see Table 1.

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	8,3	14,2	12,5	12,0	9,8	12,6	10,5	16,4	12,9	16,6	8,0
1961	11,9	14,4	11,1	11,3	8,2	14,4	12,4	11,9	9,9	13,1	12,5	16,7	13,1	17,5	7,7
1962	12,3	15,2	11,9	11,6	8,1	14,5	12,5	12,3	10,9	13,7	12,9	17,0	13,5	17,8	8,0
1963	13,0	15,4	12,6	11,3	8,5	14,7	12,7	13,1	12,3	14,4	12,3	16,9	13,8	17,5	8,2
1964	12,5	15,6	11,9	11,7	8,2	14,5	13,3	13,5	10,8	14,6	12,3	16,4	13,6	17,2	8,0
1965	12,8	16,3	12,1	11,7	8,4	14,4	13,6	14,2	10,9	14,6	12,0	16,7	13,8	16,7	8,2
1966	13,1	17,1	12,1	11,8	8,7	14,2	13,6	14,0	11,4	14,9	12,1	17,1	13,9	17,7	8,0
1967	13,5	17,8	12,6	13,0	9,5	14,2	13,4	13,6	12,1	15,3	13,1	17,9	14,2	18,9	7,6
1968	13,6	18,6	11,8	12,9	9,2	14,8	13,4	13,6	12,1	14,9	13,1	17,6	14,1	18,8	7,4
1969	13,6	18,9	11,9	12,7	9,3	14,6	13,5	13,4	11,0	15,0	12,9	17,1	13,9	18,5	7,3
1970	13,4	20,0	12,0	12,6	9,6	14,7	14,6	13,0	10,5	15,4	13,8	17,5	14,0	18,8	7,4
1961-70	13,0	16,9	12,0	12,1	8,8	14,5	13,3	13,3	11,2	14,6	12,7	17,1	13,8	17,9	7,8
1971	14,1	21,3	12,7	12,5	9,7	14,9	15,2	14,6	11,7	16,0	13,5	17,9	14,6	18,1	8,0
1972	14,5	21,3	12,7	12,2	9,6	14,9	15,3	15,1	11,8	15,8	13,4	18,2	14,7	18,0	8,2
1973	14,5	21,3	13,0	11,5	9,6	14,8	15,7	14,4	11,3	15,6	12,8	18,1	14,6	17,4	8,3
1974	14,7	23,4	13,9	13,8	10,0	15,4	17,2	13,8	11,5	16,2	14,1	20,0	15,3	18,1	9,1
1975	16,4	24,6	14,4	15,2	10,6	16,6	18,6	14,1	14,9	17,4	15,0	21,9	16,3	18,6	10,0
1976	16,4	24,1	13,7	15,1	11,4	16,9	18,0	13,4	14,7	17,3	13,7	21,6	16,0	18,1	9,9
1977	16,8	23,9	13,6	16,0	11,6	17,2	17,1	13,8	15,9	17,4	14,0	20,2	15,9	17,6	9,8
1978	17,4	24,5	13,7	15,9	12,1	17,6	17,1	14,1	15,6	17,7	13,9	19,9	16,1	17,0	9,7
1979	17,6	25,0	13,7	16,3	12,6	17,6	18,1	14,5	16,0	18,1	13,9	19,7	16,2	17,0	9,7
1980	17,8	26,7	13,9	16,4	13,3	18,1	19,9	14,7	16,7	17,9	14,5	21,2	16,8	17,6	9,8
1971-80	16,0	23,6	13,5	14,5	11,1	16,4	17,2	14,3	14,0	16,9	13,9	19,9	15,7	17,8	9,2
1981	18,6	27,8	14,2	18,0	13,9	18,8	19,9	16,0	17,4	17,8	15,0	21,8	17,4	17,5	9,9
1982	18,0	28,2	14,1	18,3	14,1	19,3	19,8	16,0	16,4	17,7	14,9	21,7	17,5	18,4	9,9
1983	17,5	27,4	13,8	18,8	14,6	19,5	19,3	16,4	15,8	17,5	15,1	21,7	17,6	18,4	10,0
1984	17,0	25,9	13,5	19,5	14,4	19,6	18,7	16,2	15,4	16,6	15,0	21,5	17,4	18,0	9,9
1985	17,1	25,3	13,5	20,4	14,7	19,4	18,7	16,4	15,7	16,2	15,5	20,8	17,2	18,4	9,7
1986	16,8	23,9	13,4	19,4	14,7	18,9	18,9	16,3	15,7	16,0	15,4	20,8	17,1	18,7	9,8
1987	16,2	25,2	13,3	19,7	15,1	18,8	17,8	16,8	16,7	16,4	15,2	20,4	17,1	18,6	9,6
1988	15,2	25,6	12,9	20,2	14,8	18,6	16,7	17,0	16,3	15,8	16,0	19,6	16,8	18,3	9,4
1989	14,4	25,1	12,6	21,6	15,1	18,3	15,4	16,8	16,0	15,3	16,1	19,4	16,6	17,9	9,3
1990	14,2	24,8	12,3	22,6	15,1	18,3	16,1	17,4	16,4	14,8	16,4	19,7	16,6	18,1	9,0
1981-90	16,5	25,9	13,4	19,9	14,6	19,0	18,1	16,5	16,2	16,4	15,5	20,8	17,1	18,2	9,7
1991	14,4	24,5	11,9	21,1	15,4	18,5	17,1	17,6	16,5	14,5	17,4	21,0	16,8	18,3	8,9
1992	14,3	23,8	11,7	20,0	15,5	18,5	17,2	17,4	16,2	14,3	17,5	21,3	16,8	17,8	9,0

Sources: see Table 1.

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	2,1	4,4	1,2	2,8	26,7	3,5	4,6	7,7	5,9
1962	8,6	9,9	10,4	6,7	6,7	4,9	3,1	3,9	2,4	3,3	8,5	3,1	5,5	5,2	8,7
1963	11,6	2,9	6,3	4,2	9,7	3,2	4,0	4,3	5,8	4,7	3,0	1,8	4,2	2,6	8,3
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	3,3
1965	5,5	3,4	4,0	9,0	3,7	3,2	3,7	4,0	2,5	1,5	7,4	2,6	3,4	3,2	3,8
1966	4,7	5,8	1,0	6,3	1,7	2,7	1,0	4,0	5,8	1,7	6,6	2,7	2,6	7,5	5,7
1967	5,7	7,6	3,0	8,5	2,3	4,2	4,5	4,4	4,2	2,4	13,6	5,7	4,4	5,4	4,0
1968	3,5	4,7	−1,4	1,3	1,8	5,6	5,8	5,2	5,6	2,2	8,4	0,4	2,3	3,4	6,4
1969	6,3	6,8	4,6	7,7	4,2	4,1	6,9	2,8	3,3	4,5	3,2	−1,8	2,6	2,3	5,9
1970	3,1	6,9	4,2	5,9	5,3	4,2	11,3	2,6	4,1	6,0	12,7	1,7	3,6	0,3	7,1
1961-70	5,5	6,0	3,9	6,3	4,2	4,1	4,5	4,0	3,4	3,1	9,5	2,1	3,6	4,2	5,9
1971	5,5	5,5	4,0	4,9	4,3	3,9	8,6	5,2	3,0	4,4	6,4	3,0	4,1	−0,4	5,2
1972	5,9	5,7	2,3	5,7	5,2	3,5	7,5	5,1	4,2	0,8	8,6	4,2	3,9	−1,2	5,6
1973	5,3	4,0	3,7	6,8	6,4	3,4	6,7	2,7	3,4	0,8	7,8	4,3	3,8	0,1	5,4
1974	3,4	3,5	2,4	12,1	9,3	1,2	7,6	2,4	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	4,4	8,7	2,4	3,3	4,1	6,6	5,6	4,0	0,2	6,7
1976	3,7	4,5	−0,2	5,1	6,9	4,2	2,6	2,1	2,8	4,1	7,0	1,2	2,5	1,8	4,7
1977	2,3	2,4	1,7	6,5	3,9	2,4	2,1	3,0	2,9	3,4	12,2	−1,7	1,7	1,1	4,4
1978	6,0	6,2	3,7	3,5	5,4	5,1	7,9	3,5	1,8	3,9	3,3	2,3	3,9	2,3	5,2
1979	2,5	5,9	3,6	5,8	4,2	3,0	4,6	3,0	2,2	2,8	6,5	2,2	3,2	1,9	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	2,2	1,3	2,8
1971-80	4,1	4,4	2,5	6,2	5,5	3,4	6,3	3,1	3,0	2,7	8,3	2,4	3,2	0,9	4,7
1981	0,3	2,6	1,2	6,8	1,9	3,1	0,3	2,7	1,4	2,5	5,2	0,3	1,9	1,1	4,8
1982	−1,4	3,1	−0,7	2,3	4,9	3,7	3,2	2,9	1,5	0,4	3,6	0,8	1,8	2,4	1,9
1983	0,1	0,0	0,1	2,7	3,9	2,0	−0,4	2,9	1,9	1,0	3,7	2,0	1,8	3,5	2,9
1984	0,2	−0,4	1,1	3,0	2,9	1,2	−0,7	2,5	2,2	−0,8	0,1	0,9	1,3	4,5	2,8
1985	2,4	2,5	1,6	3,2	4,6	2,2	1,8	3,5	2,0	1,3	0,1	0,0	2,0	5,3	1,7
1986	1,6	0,5	2,3	−0,8	5,8	1,7	2,5	2,9	3,1	2,5	7,2	1,9	2,4	4,9	6,2
1987	0,7	2,5	1,3	1,3	8,9	2,8	−4,9	3,7	2,7	2,9	4,9	1,3	2,7	3,4	−0,5
1988	−1,1	0,2	0,6	6,6	4,0	2,8	−4,2	2,8	4,0	0,6	5,3	0,5	1,8	2,1	2,2
1989	−1,2	−1,3	0,6	5,3	7,6	1,7	−3,5	0,5	3,7	−0,9	2,0	0,8	1,4	0,3	2,1
1990	1,0	−0,4	2,1	0,6	4,4	3,1	1,0	1,0	0,1	0,2	3,3	2,8	2,3	1,6	1,4
1981-90	0,2	0,9	1,0	3,1	4,9	2,4	−0,5	2,5	2,2	1,0	3,5	1,1	1,9	2,9	2,5
1991	1,5	−1,3	−0,5	−0,5	4,2	2,0	0,2	1,2	3,1	−0,4	3,8	2,8	1,6	0,0	2,9
1992	1,1	−0,2	0,5	−0,5	3,8	1,9	0,0	1,1	3,2	−0,7	1,0	2,0	1,5	−1,7	3,1

Sources: see Table 1.

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	20,4	20,9	14,4	26,0	20,9	24,1	23,2	16,4	21,4	18,0	29,0
1961	20,7	23,2	25,2	18,2	21,4	22,0	16,3	26,8	24,2	24,8	23,2	17,3	22,4	17,6	31,9
1962	21,3	23,1	25,7	20,1	21,9	22,2	17,9	27,2	25,9	24,5	22,4	17,0	22,7	17,6	32,2
1963	20,7	22,0	25,6	19,2	22,1	23,0	19,5	27,7	30,1	23,8	23,7	16,8	22,8	18,0	31,6
1964	22,4	24,5	26,6	21,0	23,6	23,8	20,5	25,6	33,7	25,5	22,8	18,3	23,5	18,1	31,7
1965	22,4	24,1	26,1	21,6	24,8	24,2	21,4	22,2	28,0	25,2	22,8	18,4	23,0	18,8	29,8
1966	22,9	24,1	25,4	21,7	25,1	24,6	19,8	21,6	26,6	26,3	25,1	18,4	23,0	18,5	30,3
1967	22,9	24,2	23,1	20,3	25,4	24,8	20,1	22,5	23,9	26,4	26,6	19,1	22,8	17,9	31,9
1968	21,5	23,4	22,4	23,2	26,0	24,3	20,9	23,4	22,1	26,9	22,2	19,5	22,8	18,1	33,2
1969	21,3	24,6	23,3	24,6	26,5	24,4	23,3	24,2	22,2	24,6	22,6	18,8	23,0	18,3	34,5
1970	22,7	24,7	25,5	23,6	26,4	24,3	22,7	24,6	23,1	25,9	23,2	18,9	23,7	17,7	35,5
1961-70	21,9	23,8	24,9	21,4	24,3	23,8	20,2	24,6	26,0	25,4	23,4	18,3	23,0	18,1	32,2
1971	22,1	24,2	26,1	25,2	24,2	24,7	23,6	23,9	28,4	25,4	24,7	18,9	23,7	18,2	34,2
1972	21,3	24,6	25,4	27,8	25,3	24,7	23,7	23,1	27,8	23,6	27,1	18,5	23,4	18,9	34,1
1973	21,4	24,8	23,9	28,0	26,8	25,2	25,3	24,9	27,3	23,1	26,8	19,9	23,8	19,1	36,4
1974	22,7	24,0	21,6	22,2	28,3	25,8	24,6	25,9	24,6	21,9	26,0	20,9	23,8	18,6	34,8
1975	22,5	21,1	20,4	20,8	26,8	24,1	22,7	24,9	27,7	21,1	25,9	19,9	22,6	17,2	32,5
1976	22,1	23,0	20,1	21,2	25,3	23,9	25,0	23,9	24,9	19,4	25,1	19,6	22,1	17,5	31,2
1977	21,6	22,1	20,2	23,0	24,3	22,9	24,8	23,5	25,1	21,1	26,5	18,6	21,7	18,8	30,2
1978	21,7	21,7	20,7	23,9	23,0	22,4	27,7	22,7	24,1	21,3	27,9	18,5	21,5	20,1	30,4
1979	20,7	20,9	21,8	25,8	21,9	22,4	30,5	22,8	24,4	21,0	26,6	18,7	21,6	20,4	31,7
1980	21,1	18,8	22,7	24,2	22,5	23,0	28,6	24,3	27,1	21,0	28,6	18,0	22,1	19,1	31,6
1971-80	21,7	22,5	22,3	24,2	24,8	23,9	25,6	24,0	26,1	21,9	26,5	19,1	22,6	18,8	32,7
1981	18,0	15,6	21,8	22,3	22,1	22,1	29,7	23,9	25,4	19,2	30,8	16,2	21,1	18,6	30,7
1982	17,3	16,1	20,5	19,9	21,6	21,4	26,5	22,3	25,0	18,2	31,1	16,1	20,2	17,2	29,7
1983	16,2	16,0	20,5	20,3	20,9	20,2	23,1	21,2	21,3	18,2	29,2	16,0	19,6	17,2	28,3
1984	16,0	17,2	20,2	18,5	19,0	19,3	21,4	21,1	20,2	18,6	23,6	17,0	19,3	18,0	27,9
1985	15,6	18,7	19,7	19,1	19,2	19,3	19,2	20,7	17,7	19,2	21,8	17,0	19,1	18,1	27,8
1986	15,7	20,8	19,5	18,5	19,5	19,3	18,1	19,7	22,1	20,1	22,1	16,8	19,0	17,8	27,6
1987	16,0	19,7	19,5	16,8	20,8	19,7	16,7	19,8	25,3	20,2	24,2	17,6	19,3	17,3	28,9
1988	17,5	18,3	19,7	17,1	22,5	20,5	17,4	20,0	22,7	21,5	26,8	19,2	20,1	17,1	30,5
1989	19,1	18,2	20,5	18,5	24,0	20,8	18,4	20,2	24,1	21,8	26,8	19,6	20,7	16,6	32,1
1990	20,0	17,7	21,4	18,9	24,4	20,8	18,6	20,2	26,2	21,6	26,7	18,6	20,8	16,1	33,9
1981-90	17,1	17,8	20,3	19,0	21,4	20,3	20,9	20,9	22,9	19,9	26,3	17,4	19,9	17,4	29,7
1991	19,8	17,3	22,2	18,2	24,2	20,4	18,5	19,7	27,0	21,2	26,2	15,7	20,2	14,8	34,2
1992	19,8	17,2	22,5	18,5	24,1	20,3	18,7	19,7	27,4	20,7	26,0	15,1	20,1	14,6	34,4

Sources: see Table 1.

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	16,9	11,6	9,1	6,0	6,7	9,8	9,8	1,4	23,4
1962	5,9	6,7	4,0	8,4	11,4	8,5	14,8	9,8	7,8	3,4	1,7	0,7	5,9	6,7	14,1
1963	0,1	-2,4	1,4	5,5	11,4	8,8	12,0	8,1	14,2	1,1	15,3	1,4	4,9	7,3	11,9
1964	14,7	23,5	11,4	20,7	15,0	10,5	10,8	-5,8	21,0	19,2	4,0	16,6	9,1	6,6	15,7
1965	4,1	4,7	4,7	12,8	16,6	7,0	10,5	-8,4	-13,1	5,3	10,3	5,2	3,6	9,3	4,6
1966	6,8	4,3	1,2	3,2	12,7	7,3	-3,0	4,3	-5,1	8,0	17,9	2,6	4,8	4,0	14,0
1967	2,9	5,4	-6,9	-1,6	6,0	5,9	6,8	11,7	-9,0	8,5	5,2	8,7	4,1	-1,0	18,1
1968	-1,3	1,9	3,6	21,4	9,4	5,6	13,2	10,8	-4,1	11,2	-9,3	6,3	6,5	6,4	20,5
1969	5,3	11,8	9,8	18,6	9,8	9,2	20,5	7,8	10,2	-2,2	8,1	-0,6	6,9	1,8	18,9
1970	8,4	2,2	9,4	-1,4	3,0	4,6	-3,3	3,0	9,2	7,5	11,4	2,5	5,1	-3,7	16,9
1961-70	5,8	7,0	4,4	9,3	11,2	7,8	9,6	5,1	3,5	6,7	6,9	5,2	6,1	3,8	15,7
1971	-1,9	1,9	6,1	14,0	-3,0	7,3	8,9	0,2	10,7	1,5	10,2	1,8	3,4	5,8	4,5
1972	3,4	9,3	2,7	15,4	14,2	5,6	7,8	1,3	7,0	-2,3	14,0	-0,2	3,9	8,7	10,0
1973	7,0	3,5	-0,3	7,7	13,0	7,2	16,2	8,8	11,8	4,2	10,3	6,5	6,0	6,2	12,6
1974	6,9	-8,9	-9,6	-25,6	6,2	0,8	-11,6	2,0	-7,0	-4,0	-6,1	-2,4	-2,3	-6,0	-9,5
1975	-1,9	-12,4	-5,3	0,2	-4,5	-6,8	-3,6	-7,3	-7,4	-4,4	-10,6	-2,0	-5,4	-10,7	-1,2
1976	4,0	17,1	3,6	6,8	-0,8	2,8	13,6	0,0	-4,2	-2,2	1,3	1,7	2,0	6,9	2,7
1977	0,0	-2,4	3,6	7,8	-0,9	-1,6	4,1	1,8	-0,1	9,7	11,5	-1,8	1,2	11,4	4,0
1978	2,8	1,1	4,7	6,0	-2,7	2,3	18,9	0,6	1,1	2,5	6,2	3,0	2,3	9,5	8,5
1979	-2,7	-0,4	7,2	8,8	-4,4	3,2	13,6	5,7	3,8	-1,7	-1,3	2,8	3,3	2,4	5,3
1980	4,6	-12,6	2,8	-6,5	0,7	2,7	-4,7	8,7	12,7	-0,9	8,5	-5,4	1,9	-6,8	0,0
1971-80	2,2	-0,8	1,4	2,8	1,6	2,3	5,9	2,1	2,6	0,2	4,1	0,4	1,6	2,5	3,5
1981	-16,1	-19,2	-4,8	-7,5	-3,3	-1,9	9,5	-3,2	-7,4	-10,0	5,5	-9,6	-5,0	-0,1	3,1
1982	-1,7	7,1	-5,3	-1,9	0,5	-1,2	-3,4	-5,2	-0,5	-4,3	2,3	5,4	-1,9	-8,7	0,8
1983	-4,4	1,9	3,2	-1,3	-2,5	-3,3	-9,3	-0,9	-11,5	1,9	-7,1	5,0	0,0	8,8	-0,3
1984	1,7	12,9	0,8	-5,7	-5,8	-2,6	-2,5	4,5	0,5	5,2	-17,4	8,5	1,2	15,9	4,9
1985	0,7	12,6	0,1	5,2	4,1	3,4	-7,4	1,4	-10,0	6,7	-3,5	4,0	2,4	6,9	5,8
1986	4,4	17,1	3,3	-6,2	10,1	4,6	-2,3	1,6	31,5	7,9	10,9	1,9	4,0	2,0	5,8
1987	5,8	-3,8	2,2	-8,7	14,0	4,2	-2,5	5,8	15,0	1,5	15,1	9,5	5,5	2,9	10,4
1988	13,5	-6,6	5,1	8,8	14,0	8,5	4,6	6,7	-5,5	9,4	15,0	14,8	9,0	5,0	12,6
1989	13,6	0,2	7,1	8,6	13,7	5,8	11,3	5,1	13,4	3,0	7,5	4,8	6,7	2,7	11,0
1990	8,3	-1,9	8,8	4,8	6,7	3,8	7,5	3,0	9,4	4,2	7,5	-2,4	4,1	0,9	10,9
1981-90	2,2	1,5	2,0	-0,6	4,9	2,1	0,3	1,8	2,7	2,4	3,1	4,0	2,5	3,4	6,4
1991	0,6	-1,9	6,6	-1,2	2,2	-0,6	-0,4	-0,4	6,2	1,1	4,5	-12,8	-0,4	-4,4	4,6
1992	3,0	2,0	3,8	3,5	3,6	1,8	3,8	2,4	4,7	-1,1	3,0	-0,9	2,2	4,6	3,4

Sources: see Table 1.

Table 22

Net stockbuilding 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	−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	3,9
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	5,0
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	2,0
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	2,2
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	2,9
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	2,5	1,7	2,8	3,2	2,0	5,9	0,7	2,0	0,1	3,5
1961-70	0,9	1,3	1,6	2,3	2,3	2,0	1,3	1,2	0,7	1,7	2,9	0,9	1,5	0,9	3,0
1971	1,4	0,6	0,6	2,7	0,9	1,5	0,3	1,0	1,7	1,1	3,2	0,2	0,9	0,7	1,5
1972	0,5	0,2	0,6	1,8	0,9	1,6	1,4	0,9	1,2	0,5	3,6	0,0	0,8	0,7	1,4
1973	1,3	1,3	1,3	7,8	0,8	2,0	1,6	2,3	0,2	1,4	5,9	2,1	1,9	1,2	1,7
1974	2,2	1,2	0,2	7,1	2,2	2,3	4,4	4,2	−3,0	2,3	5,2	1,2	2,0	0,9	2,5
1975	−0,6	−0,2	−0,7	6,2	2,1	−0,7	0,6	−1,0	−4,4	−0,4	−3,3	−1,3	−0,5	−0,3	0,3
1976	0,2	1,0	1,4	5,1	2,0	1,4	0,4	3,0	−1,7	1,2	1,8	0,7	1,6	1,0	0,7
1977	0,3	0,8	0,7	3,5	1,1	1,5	3,2	1,4	−4,2	0,6	2,5	1,3	1,2	1,3	0,7
1978	0,1	−0,2	0,5	3,7	0,2	0,8	1,4	1,4	1,4	0,6	2,6	1,1	0,9	1,4	0,5
1979	0,7	0,5	1,6	4,3	0,8	1,3	2,5	1,8	−1,9	0,5	2,9	1,1	1,4	0,5	0,8
1980	0,7	−0,3	0,8	4,4	1,2	1,2	−0,8	2,7	−1,2	0,5	4,2	−1,1	1,0	−0,2	0,7
1971-80	0,7	0,5	0,7	4,6	1,2	1,3	1,5	1,8	−1,2	0,8	2,9	0,5	1,1	0,7	1,1
1981	−0,1	−0,2	−0,8	3,1	−0,3	−0,2	−1,3	0,9	−0,4	−0,9	3,7	−1,1	−0,2	1,1	0,5
1982	0,1	0,2	−0,7	1,2	−0,1	0,5	1,3	1,2	0,4	−0,3	3,0	−0,4	0,2	−0,4	0,4
1983	−0,7	0,0	−0,1	1,6	−0,5	−0,4	0,7	0,5	3,6	0,1	−0,9	0,5	0,0	−0,3	0,1
1984	0,3	1,2	0,3	1,0	0,0	−0,3	1,3	1,9	5,1	0,5	−1,3	0,4	0,5	1,8	0,4
1985	−0,8	0,8	0,0	2,2	0,0	−0,4	0,9	1,8	2,6	0,6	−1,2	0,2	0,4	0,6	0,7
1986	−0,7	0,8	0,1	0,8	0,5	0,3	0,7	1,0	1,5	−0,4	0,2	0,2	0,3	0,3	0,5
1987	0,2	−0,7	0,2	0,4	0,7	0,4	0,1	1,0	0,0	−1,1	3,3	0,3	0,4	0,6	0,2
1988	0,4	−0,5	0,9	1,7	1,2	0,5	−0,9	1,4	1,7	−1,5	2,8	1,1	0,9	0,2	0,4
1989	0,6	0,4	1,3	1,0	1,3	0,7	0,0	1,4	2,4	−0,5	2,6	0,6	0,9	0,5	0,4
1990	0,4	−0,2	0,8	−2,1	1,3	0,6	2,1	0,6	1,1	−0,2	3,1	−0,1	0,5	−0,1	:
1981-90	0,0	0,2	0,2	1,1	0,4	0,2	0,5	1,2	1,8	−0,4	1,5	0,2	0,4	0,4	:
1991	0,4	0,1	0,8	−0,3	1,3	0,5	1,4	0,6	1,1	−0,2	2,8	−0,8	0,4	−0,4	:
1992	0,3	0,4	0,8	−0,3	1,3	0,7	0,6	0,6	1,1	−0,2	2,8	0,3	0,6	0,1	:

Sources: see Table 1.

Table 23

Price deflator 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	2,5	2,8	−4,2	2,4	2,3	2,7	3,2	0,8	7,8
1962	1,7	6,6	3,8	4,6	5,7	4,7	4,9	5,8	3,9	3,5	−0,2	4,0	4,4	2,2	4,2
1963	3,0	5,8	3,1	1,4	8,5	6,4	2,7	8,5	4,0	4,7	2,5	2,1	4,8	1,2	5,5
1964	4,6	4,6	3,0	3,7	6,3	4,4	9,7	6,5	6,2	8,7	1,1	3,7	4,6	1,1	5,3
1965	5,1	7,4	3,6	4,0	9,4	2,7	4,5	4,2	3,0	6,1	3,8	5,1	4,6	2,4	5,1
1966	4,2	6,8	3,3	4,9	8,1	2,9	4,4	2,2	3,4	6,0	5,5	4,5	4,0	4,2	5,0
1967	3,1	6,3	1,4	2,4	7,7	3,2	3,2	2,8	−1,0	4,2	3,4	2,9	3,1	3,4	5,5
1968	2,7	7,0	2,2	1,7	5,0	4,2	4,2	1,7	5,0	4,2	1,4	4,1	3,3	4,9	4,9
1969	4,0	7,0	4,2	3,4	4,4	6,6	9,1	4,1	6,3	6,4	6,1	5,4	5,1	4,9	4,4
1970	4,6	8,3	7,6	3,9	6,8	5,6	9,7	6,9	14,5	6,2	3,4	7,4	6,8	5,3	6,5
1961-70	3,4	6,4	3,7	3,1	6,4	4,4	5,5	4,5	4,0	5,2	2,9	4,2	4,4	3,0	5,4
1971	5,6	7,7	8,0	3,2	7,9	6,4	10,5	6,9	−0,8	8,1	5,1	9,4	7,6	5,1	5,5
1972	6,2	9,2	5,3	5,0	8,6	7,4	13,4	6,5	5,8	9,4	7,8	8,2	7,1	4,6	5,6
1973	7,2	10,7	6,4	19,4	12,0	8,5	15,3	13,2	12,2	9,0	9,4	7,1	9,1	6,6	12,9
1974	12,6	13,1	7,0	20,9	16,3	12,3	6,1	19,8	17,0	9,2	18,9	15,0	13,4	9,1	20,8
1975	12,1	12,4	6,0	12,3	16,8	13,0	20,1	16,5	−0,9	10,2	16,2	27,1	15,0	9,9	7,7
1976	7,6	9,1	3,6	15,4	16,5	11,0	21,0	18,4	12,2	9,0	16,3	15,3	11,9	6,3	7,2
1977	7,5	9,4	3,7	13,0	23,2	8,9	13,3	18,6	1,2	6,7	26,5	13,9	11,9	6,7	5,8
1978	4,4	9,9	4,3	12,9	20,6	10,1	10,5	14,1	5,1	5,4	22,3	11,3	10,5	7,3	4,8
1979	4,5	7,6	4,0	18,6	17,1	10,2	13,7	15,3	6,4	3,9	19,4	14,4	10,9	8,9	3,0
1980	3,8	8,2	4,8	17,7	14,2	11,6	14,7	20,0	7,9	5,7	20,9	19,5	13,0	9,2	3,8
1971-80	7,1	9,7	5,3	13,7	15,2	9,9	13,8	14,8	6,5	7,6	16,1	14,0	11,0	7,4	7,6
1981	4,7	10,1	4,0	19,8	12,0	11,4	17,4	18,6	7,2	5,5	17,6	11,4	10,9	9,5	3,2
1982	7,1	10,6	4,4	25,1	13,8	12,0	15,2	17,1	10,8	6,1	20,7	7,6	10,6	6,4	1,9
1983	5,6	7,6	3,3	19,1	11,6	9,6	10,7	14,9	6,8	1,9	24,6	5,2	8,5	3,3	0,8
1984	5,2	5,7	2,0	20,3	10,9	7,3	6,4	11,4	4,4	1,9	24,7	4,6	6,8	3,6	1,2
1985	6,1	4,3	2,2	17,7	8,5	5,8	5,2	8,9	3,0	1,8	21,7	5,7	6,1	2,7	1,4
1986	3,7	4,6	3,1	17,4	11,1	5,3	6,3	7,7	4,4	0,5	20,5	3,6	5,6	2,1	1,8
1987	2,3	4,7	2,0	13,8	5,9	2,9	2,5	5,9	−0,2	−0,4	11,2	5,0	4,1	3,0	−0,3
1988	1,7	4,5	1,6	15,7	5,6	3,3	3,2	6,2	2,0	1,7	11,6	6,7	4,6	3,3	0,6
1989	4,6	4,3	2,6	14,0	6,9	3,6	5,1	6,3	5,1	1,5	12,8	6,9	5,1	3,8	1,5
1990	3,0	2,3	3,4	18,2	7,3	2,7	1,6	7,5	2,9	2,8	15,0	8,4	5,7	4,1	1,9
1981-90	4,4	5,8	2,8	18,1	9,3	6,3	7,2	10,4	4,6	2,3	17,9	6,5	6,8	4,2	1,4
1991	3,1	1,9	4,3	20,0	6,6	3,1	2,1	7,2	3,7	3,6	14,6	6,5	5,5	4,1	1,8
1992	3,6	2,2	4,5	13,3	5,8	2,9	3,1	5,2	3,5	2,7	11,4	4,8	4,6	4,0	2,0

Sources: see Table 1.

Table 24

Price deflator 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	3,4	2,3	1,7	0,5	2,4	0,6	2,9	2,8	1,2	6,4
1962	1,1	6,2	3,2	1,3	5,3	4,4	4,1	5,3	0,7	2,6	2,0	3,7	3,9	1,8	6,7
1963	3,7	5,6	3,1	3,4	7,8	5,7	2,4	7,0	3,2	3,8	1,1	1,6	4,3	1,7	7,3
1964	4,2	4,0	2,3	2,2	6,7	3,8	7,0	4,9	3,7	6,8	0,8	3,6	3,9	1,5	4,1
1965	4,6	6,1	3,4	4,6	9,7	2,6	4,4	3,6	3,5	4,0	4,8	4,9	4,2	1,9	6,8
1966	4,1	6,5	3,5	3,5	7,3	3,2	3,9	2,9	3,5	5,4	5,5	4,0	3,9	3,1	4,6
1967	2,5	7,4	1,6	1,9	5,8	3,0	2,8	3,2	2,7	3,0	1,5	2,6	2,9	2,5	3,9
1968	2,9	7,1	1,6	0,7	5,1	5,0	4,8	1,5	2,5	2,6	4,3	4,7	3,3	4,4	5,1
1969	2,8	4,6	2,3	3,0	3,4	7,1	7,8	2,9	2,1	6,1	4,9	5,5	4,3	4,4	4,2
1970	2,5	6,6	4,0	3,1	6,6	5,1	12,4	5,0	4,5	4,4	3,2	5,9	5,0	4,4	7,2
1961-70	3,1	5,8	2,9	2,5	5,9	4,3	5,1	3,8	2,7	4,1	2,8	3,9	3,9	2,7	5,6
1971	5,3	8,3	6,0	2,9	7,8	6,2	9,4	5,5	4,7	7,9	7,0	8,7	6,7	4,8	6,7
1972	5,4	8,2	5,8	3,3	7,6	6,4	9,7	6,3	5,1	8,3	6,3	6,5	6,4	2,9	5,6
1973	6,1	11,7	6,6	15,0	11,4	7,6	11,6	13,9	4,9	8,5	8,9	8,6	9,2	6,0	10,7
1974	12,8	15,0	7,5	23,5	17,8	15,1	15,7	21,4	10,0	9,5	23,5	17,1	15,0	10,6	21,2
1975	12,3	9,9	6,3	12,7	15,5	12,1	18,0	16,5	10,2	10,1	16,0	23,6	14,1	8,0	11,3
1976	7,8	9,9	4,2	13,4	16,5	10,0	20,0	17,8	9,3	9,0	18,1	15,8	11,8	5,8	9,2
1977	7,2	10,6	3,7	11,9	23,7	9,6	14,1	17,6	5,7	6,1	27,3	14,8	12,0	6,6	7,2
1978	4,2	9,2	2,8	12,8	19,0	9,0	7,9	13,2	3,4	4,5	21,3	9,1	9,2	7,0	4,5
1979	3,9	10,4	4,0	16,5	16,5	10,9	14,9	14,5	4,9	4,3	25,2	13,7	10,9	9,3	3,6
1980	6,4	10,7	5,8	21,9	16,5	13,5	18,6	20,4	7,5	6,9	21,6	16,3	13,6	11,0	7,1
1971-80	7,1	10,4	5,3	13,2	15,1	10,0	13,9	14,6	6,5	7,5	17,3	13,3	10,8	7,2	8,6
1981	8,7	12,0	6,0	22,7	14,3	13,4	19,6	18,2	8,6	5,8	20,2	11,2	12,1	9,3	4,4
1982	7,8	10,2	4,7	20,7	14,5	11,8	14,9	16,9	10,6	5,5	20,3	8,7	10,7	6,0	2,6
1983	7,2	6,8	3,2	18,1	12,3	9,7	9,2	15,1	8,3	2,9	25,8	4,8	8,6	3,5	1,9
1984	5,7	6,4	2,5	17,9	11,0	7,9	7,3	11,9	6,5	2,2	28,5	5,0	7,3	3,9	2,1
1985	6,0	4,3	2,1	18,3	8,2	6,0	5,0	9,0	4,3	2,2	19,4	5,4	6,0	3,1	2,2
1986	0,5	2,9	−0,2	22,1	8,6	2,9	4,3	5,7	1,1	0,2	13,8	4,4	3,8	2,0	0,6
1987	2,0	4,6	0,8	15,5	5,7	3,3	3,2	4,9	1,6	−0,9	10,0	4,3	3,6	4,4	−0,2
1988	1,6	4,9	1,3	14,2	5,1	2,9	2,5	5,2	2,8	0,4	10,0	4,9	3,7	4,0	−0,1
1989	3,5	5,1	3,1	14,7	6,6	3,5	3,9	5,8	3,4	2,9	12,8	5,9	4,9	4,5	1,7
1990	3,5	2,5	2,6	20,2	6,4	2,9	2,6	6,2	4,2	2,5	13,6	8,4	5,2	5,0	2,4
1981-90	4,6	5,9	2,6	18,4	9,2	6,4	7,1	9,8	5,1	2,4	17,3	6,3	6,6	4,6	1,7
1991	3,2	2,4	3,5	18,3	5,8	3,0	3,0	6,4	3,4	3,2	11,7	6,5	5,0	4,4	2,8
1992	3,4	2,2	4,2	14,3	5,6	2,9	3,0	5,2	3,7	3,5	9,5	4,6	4,5	4,8	2,6

Sources: see Table 1.

Table 25

Price deflator 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	−2,7	−1,7	−1,1	1,2	0,3	1,4	−0,7
1962	1,0	2,5	0,5	1,1	4,8	1,1	1,9	0,9	−1,4	−0,1	−0,9	0,8	1,1	0,1	−1,5
1963	2,1	2,8	0,9	8,0	6,3	2,8	2,1	3,3	0,2	2,6	3,2	3,9	3,3	0,0	2,5
1964	4,2	3,4	2,5	0,9	2,8	4,4	4,7	4,1	2,0	2,5	3,9	2,1	2,9	0,8	1,6
1965	1,4	2,2	2,5	−1,1	5,6	1,0	1,9	0,0	1,1	2,3	3,0	2,0	1,8	4,0	−0,4
1966	3,7	3,0	2,5	3,9	5,7	2,0	1,9	0,2	0,9	0,7	−1,8	2,5	2,0	3,5	−0,2
1967	0,5	1,2	0,2	−2,7	7,9	−0,4	0,6	1,1	0,2	0,0	3,7	2,7	1,3	3,0	0,2
1968	0,2	3,0	−0,1	−1,3	9,2	−0,5	6,2	0,3	1,3	−0,5	2,3	7,7	2,2	6,8	0,1
1969	4,6	6,7	4,1	0,5	1,6	4,8	6,1	2,7	6,5	2,2	−1,5	2,2	3,2	3,3	1,5
1970	5,7	6,5	4,4	3,1	5,0	7,7	−6,1	6,1	14,5	5,8	5,4	8,0	6,1	5,1	2,9
1961-70	2,4	3,0	1,8	1,2	5,1	2,3	1,9	1,8	2,2	1,3	1,6	3,3	2,4	2,8	0,6
1971	2,1	3,5	4,0	1,7	6,0	5,4	7,3	4,6	−2,9	3,2	2,9	5,0	4,2	5,5	2,7
1972	1,7	6,9	2,0	5,7	6,1	1,4	11,5	4,3	0,9	1,8	5,2	4,1	2,9	−2,4	−0,7
1973	8,3	12,0	6,3	26,1	9,4	8,3	19,7	14,8	14,9	7,2	9,4	11,8	10,1	12,9	9,1
1974	24,5	20,5	15,1	31,6	22,4	24,5	23,0	38,2	26,9	26,0	39,5	24,9	25,3	22,6	30,7
1975	5,5	7,7	4,2	12,9	10,7	4,9	18,4	13,5	−0,9	5,1	1,0	20,7	10,1	10,7	3,1
1976	5,8	7,0	3,6	10,0	16,4	9,7	23,0	23,0	8,6	6,6	7,1	19,8	12,6	3,7	1,7
1977	3,7	6,7	1,9	9,9	19,4	9,2	14,8	15,8	−2,8	3,6	35,5	15,4	10,8	4,6	−3,6
1978	1,2	6,3	1,5	8,2	15,8	6,3	6,6	9,0	2,0	−1,3	25,9	7,6	6,6	6,6	−5,6
1979	9,0	8,2	4,8	14,5	9,3	9,9	9,6	16,4	7,9	8,3	27,6	11,4	10,9	13,0	9,1
1980	9,3	14,6	6,1	34,0	19,3	12,0	10,8	23,6	7,9	12,3	25,2	14,3	14,4	10,4	9,2
1971-80	6,9	9,2	4,9	15,0	13,3	9,0	14,3	15,9	5,9	7,1	17,2	13,3	10,6	8,6	5,2
1981	9,6	12,7	5,5	25,5	17,9	14,1	16,4	20,1	9,4	13,4	18,5	8,4	13,0	7,7	1,1
1982	13,1	10,6	4,0	20,7	13,8	12,7	10,8	15,5	15,2	4,2	19,8	6,9	10,4	0,6	2,7
1983	7,3	5,2	1,9	19,3	16,8	9,9	9,1	9,0	5,9	0,1	30,0	7,9	8,0	−0,6	−6,8
1984	8,1	7,7	3,3	15,7	12,6	9,6	8,1	10,7	5,4	5,5	30,2	7,7	8,8	0,6	−2,5
1985	2,9	3,6	2,7	17,0	6,7	4,6	3,1	8,0	3,9	1,5	17,6	5,1	5,2	−3,6	−1,9
1986	−8,4	−5,4	−1,4	10,6	−1,4	−3,1	−6,3	−4,0	−2,2	−15,3	4,5	−8,1	−4,6	−1,7	−13,6
1987	−3,6	−1,9	−1,0	7,5	2,6	−0,2	0,4	2,1	−5,2	−6,3	11,4	3,2	0,5	−2,1	−4,9
1988	2,9	0,7	1,9	7,5	3,1	2,5	5,7	5,0	2,4	0,6	8,9	0,7	2,9	3,6	−1,5
1989	7,3	5,8	2,5	12,6	4,4	5,3	7,3	6,5	6,2	6,5	6,9	8,9	6,3	1,5	3,6
1990	−1,6	−2,2	0,6	13,7	1,7	−1,2	−6,3	2,9	−1,3	−0,7	5,8	4,2	1,6	0,6	1,8
1981-90	3,5	3,5	2,0	14,9	7,6	5,3	4,6	7,4	3,8	0,7	15,0	4,4	5,1	0,6	−2,3
1991	1,1	0,2	1,9	9,2	1,6	0,6	1,1	3,2	3,9	1,5	3,0	0,9	2,3	0,7	−0,3
1992	2,3	2,2	3,2	12,6	3,5	2,5	1,9	3,3	3,3	2,6	2,8	3,2	3,3	2,3	2,0

Sources: see Table 1.

Table 26

Price deflator 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	1,1	−2,2	1,4	−1,9	1,0	0,0	−0,7	−1,4	1,2
1962	0,8	−0,1	−0,1	−0,7	2,0	2,8	0,5	0,4	0,7	−0,9	−1,3	−0,2	0,5	−1,2	−2,2
1963	4,0	1,9	2,4	3,0	2,0	1,1	1,9	1,5	0,8	1,4	1,6	4,5	2,7	3,0	1,8
1964	3,2	1,3	1,7	3,0	2,4	0,9	1,3	3,4	1,4	2,4	2,2	2,1	2,3	2,2	1,5
1965	0,2	1,6	2,9	0,3	0,2	1,4	2,6	0,6	1,9	0,5	2,8	1,1	1,3	2,6	−0,7
1966	3,2	1,6	2,0	3,3	0,2	3,2	0,2	1,9	1,4	0,7	0,0	1,3	1,1	4,4	2,3
1967	0,5	2,5	−1,4	−3,0	2,8	−1,4	−0,3	0,7	−0,7	−0,9	−2,4	1,4	−0,2	2,4	−0,1
1968	0,6	5,0	0,4	0,2	10,7	−1,0	7,9	0,7	−0,1	−2,9	−2,5	10,6	2,9	2,3	0,7
1969	3,2	2,9	2,4	0,0	3,0	4,9	4,2	1,4	3,0	3,3	0,9	2,5	2,3	2,6	2,9
1970	5,1	5,6	−0,2	4,0	5,1	9,7	0,7	3,7	11,5	6,6	9,3	6,3	4,8	6,1	2,1
1961-70	2,3	2,2	0,7	0,8	3,0	2,1	2,0	1,2	2,1	0,8	1,1	2,9	1,7	2,3	1,0
1971	3,4	6,1	1,0	2,9	5,4	4,8	5,4	4,9	5,4	4,3	1,4	4,1	3,7	5,0	−1,7
1972	0,4	2,0	2,1	7,7	1,5	0,4	5,7	4,5	−0,2	−0,4	3,4	2,7	1,8	5,4	−4,4
1973	7,5	16,8	8,1	21,9	10,4	7,2	13,9	27,1	9,6	7,5	14,1	23,3	14,4	11,4	18,5
1974	27,5	32,7	22,9	41,6	41,9	48,6	44,4	55,9	22,3	32,7	43,8	41,5	38,9	44,5	63,5
1975	6,7	4,9	3,2	17,4	7,0	2,6	20,5	9,9	10,8	4,3	13,9	13,6	7,4	7,4	9,1
1976	6,4	8,5	5,0	11,2	14,9	12,0	19,0	25,3	6,5	6,4	11,2	21,1	13,5	3,1	5,9
1977	3,1	7,7	2,2	5,8	22,1	12,2	16,8	14,9	1,8	3,2	30,7	13,7	10,7	7,7	−3,7
1978	1,1	2,7	−2,1	9,7	7,6	3,0	4,7	7,7	3,1	−1,6	22,1	3,0	3,6	9,8	−14,7
1979	8,9	13,7	8,0	17,7	7,2	11,4	13,7	19,7	7,5	10,9	30,5	9,3	12,4	17,7	28,7
1980	13,6	21,7	12,3	35,2	37,9	22,0	18,0	29,0	7,8	14,5	31,3	10,0	19,3	26,4	38,8
1971-80	7,6	11,3	6,1	16,5	14,9	11,7	15,7	19,1	7,3	7,8	19,5	13,7	12,2	13,3	11,9
1981	13,9	17,7	11,6	19,5	29,8	19,3	18,6	28,0	10,1	14,3	25,6	7,7	17,6	5,2	0,8
1982	13,3	10,1	2,9	24,0	13,0	12,8	7,5	12,4	13,9	1,3	18,1	7,0	9,3	−2,8	3,5
1983	7,4	3,7	0,6	17,6	21,5	8,5	5,2	5,3	8,0	0,4	29,9	7,5	7,1	−3,4	−5,7
1984	8,1	7,9	4,7	22,8	11,5	10,1	9,4	10,8	7,4	5,7	31,2	8,8	9,4	−1,0	−3,0
1985	2,1	3,2	2,0	17,8	3,8	2,3	2,6	7,6	2,9	1,2	13,0	4,0	4,1	−2,2	−3,2
1986	−12,3	−9,2	−11,7	8,4	−14,8	−12,3	−10,2	−14,9	−4,0	−16,2	−6,8	−4,4	−10,7	−0,5	−33,3
1987	−4,4	−2,4	−4,7	0,4	0,8	−0,4	1,1	−0,4	−2,5	−4,6	12,6	2,6	−0,9	3,5	−4,3
1988	2,8	2,4	1,5	6,4	1,1	2,6	6,3	4,5	2,1	−0,3	11,6	−1,0	2,1	3,1	−2,6
1989	6,9	6,7	4,8	12,8	2,3	6,5	6,7	7,2	4,3	6,2	7,7	6,4	6,1	0,4	9,9
1990	−1,0	−2,0	−0,7	10,2	−1,2	−1,5	−4,5	3,0	0,6	−1,8	4,6	2,1	0,4	1,9	7,2
1981-90	3,4	3,6	0,9	13,8	6,1	4,4	4,0	5,9	4,2	0,3	14,2	4,0	4,2	0,4	−3,8
1991	1,3	1,5	1,9	10,2	−0,3	0,6	3,6	1,2	4,2	0,2	1,2	−1,5	1,0	−1,8	−1,6
1992	2,2	2,7	2,8	11,7	3,1	2,6	2,4	2,9	3,4	3,7	2,0	3,7	3,1	2,6	1,1

Sources: see Table 1.

Table 27

Terms of trade; goods and services

(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	93,9	125,5	114,7	123,4	112,9	101,9	116,8	99,7	145,3	193,6
1961	103,9	110,7	103,5	111,9	93,9	125,7	113,3	125,3	108,3	102,1	114,4	100,9	149,3	189,8
1962	104,1	113,5	104,2	114,0	96,4	123,7	114,9	125,9	106,1	102,9	114,9	102,0	151,3	191,0
1963	102,2	114,5	102,7	119,6	100,5	125,7	115,0	128,0	105,5	104,1	116,7	101,4	147,0	192,4
1964	103,2	116,9	103,5	117,1	100,9	130,1	118,9	128,9	106,1	104,2	118,6	101,4	144,9	192,5
1965	104,4	117,5	103,2	115,5	106,3	129,6	118,1	128,1	105,3	106,0	118,9	102,2	146,9	193,1
1966	105,0	119,1	103,8	116,1	112,1	128,1	120,0	126,0	104,8	106,0	116,7	103,5	145,7	188,4
1967	105,0	117,6	105,5	116,5	117,6	129,4	121,1	126,5	105,8	106,9	124,0	104,8	146,5	188,9
1968	104,5	115,4	105,0	114,7	116,0	130,1	119,3	126,0	107,3	109,4	130,1	102,1	152,9	187,7
1969	106,0	119,7	106,8	115,2	114,4	130,0	121,4	127,6	110,9	108,2	126,9	101,8	154,0	185,2
1970	106,6	120,7	111,8	114,2	114,3	127,6	113,2	130,6	113,9	107,3	122,3	103,6	152,5	186,5
1971	105,3	117,8	115,0	112,8	114,9	128,3	115,2	130,1	104,9	106,2	124,1	104,4	153,3	194,9
1972	106,7	123,5	115,0	110,7	120,2	129,6	121,5	129,9	106,1	108,6	126,2	105,9	141,9	202,5
1973	107,5	118,5	113,1	114,5	119,1	131,0	127,7	117,3	111,3	108,2	121,0	96,0	143,8	186,4
1974	104,9	107,6	105,9	106,4	102,7	109,7	108,8	104,0	115,5	102,8	117,3	84,8	122,0	149,0
1975	103,8	110,4	106,9	102,3	106,4	112,2	106,9	107,4	103,3	103,6	104,1	90,0	125,8	140,9
1976	103,2	108,9	105,5	101,2	107,7	109,9	110,5	105,4	105,3	103,7	100,3	89,0	126,5	135,3
1977	103,8	107,8	105,2	105,2	105,4	107,0	108,5	106,1	100,5	104,1	103,9	90,3	122,8	135,4
1978	103,8	111,5	109,1	103,7	113,4	110,4	110,5	107,4	99,5	104,4	107,2	94,4	119,2	149,9
1979	103,9	106,2	105,9	100,9	115,6	108,9	106,5	104,4	100,0	101,9	104,8	96,3	114,5	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	96,2	95,7	94,5	105,0	90,8	95,6	98,1	93,8	99,4	99,3	94,4	100,6	102,3	100,3
1982	96,0	96,1	95,5	102,2	91,5	95,5	101,1	96,4	100,5	102,0	95,7	100,5	105,9	99,6
1983	95,9	97,5	96,8	103,7	88,0	96,8	104,8	99,9	98,5	101,7	95,8	100,9	108,9	98,4
1984	95,9	97,3	95,5	97,6	88,9	96,4	103,5	99,8	96,7	101,5	95,1	99,9	110,7	98,9
1985	96,6	97,6	96,1	97,0	91,4	98,5	104,1	100,2	97,6	101,7	98,9	100,9	109,1	100,3
1986	100,9	101,8	107,3	99,0	105,7	108,9	108,6	113,0	99,5	102,9	110,9	97,0	107,8	129,9
1987	101,7	102,3	111,4	105,9	107,6	109,2	107,8	115,9	96,7	101,0	109,7	97,6	102,0	129,2
1988	101,7	100,6	111,9	107,1	109,7	109,1	107,1	116,5	96,9	101,9	107,1	99,3	102,5	130,6
1989	102,1	99,7	109,5	106,9	111,9	107,8	107,7	115,6	98,7	102,3	106,3	101,6	103,7	123,0
1990	101,5	99,6	111,0	110,2	115,1	108,1	105,7	115,6	96,8	103,5	107,5	103,7	102,4	116,9
1991	101,3	98,3	111,0	109,1	117,4	108,1	103,1	117,9	96,4	104,8	109,4	106,2	104,9	118,4
1992	101,4	97,8	111,5	110,0	117,8	108,0	102,6	118,4	96,4	103,7	110,2	105,7	104,7	119,4

Sources: see Table 1.

Table 28

Nominal 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	5,2	12,9	10,6	8,3	8,2	2,9	7,4	5,1	6,8	8,7	3,2	13,2
1962	7,2	11,1	9,1	6,9	15,2	11,6	8,5	13,5	4,8	6,8	4,9	4,7	9,0	4,3	14,1
1963	8,0	4,6	6,1	7,9	21,1	11,4	5,2	19,7	8,0	9,3	8,6	5,0	9,9	4,0	13,2
1964	9,7	10,7	8,2	13,6	13,7	9,2	13,7	12,3	13,3	16,5	8,3	7,1	9,7	5,1	13,1
1965	9,5	13,8	9,5	12,5	15,6	6,5	5,3	7,7	4,2	11,7	10,5	6,8	8,6	3,7	11,9
1966	8,6	10,2	7,6	12,8	18,1	6,0	8,5	7,9	5,0	11,1	10,5	6,4	8,1	5,1	11,2
1967	7,4	10,9	3,3	9,7	14,7	6,9	8,0	8,4	2,8	9,3	13,8	6,2	7,0	4,3	12,1
1968	6,3	10,0	6,7	10,0	8,8	11,3	10,6	7,4	5,9	8,6	3,6	7,8	8,2	7,4	13,7
1969	8,4	11,0	9,5	9,9	11,8	11,1	13,9	7,6	5,6	13,2	10,0	6,8	9,2	7,4	15,8
1970	9,2	11,0	16,0	9,1	9,4	10,3	16,8	15,7	15,1	12,4	18,2	13,4	13,1	7,6	16,7
1961-70	7,7	10,6	8,6	9,7	14,1	9,5	9,8	10,8	6,7	10,6	9,3	7,1	9,1	5,2	13,5
1971	11,7	11,6	11,7	8,4	13,6	11,3	14,8	13,4	7,8	13,8	15,3	11,3	12,0	7,2	14,6
1972	14,0	8,0	9,0	12,9	17,7	10,1	15,8	10,6	9,7	12,8	16,0	13,1	11,5	7,4	14,2
1973	13,0	13,1	11,6	17,5	18,3	12,2	18,8	17,7	11,4	15,4	17,5	13,2	14,2	7,0	21,0
1974	18,2	18,4	11,1	19,6	21,3	18,1	18,0	22,6	22,9	15,7	34,9	18,8	18,0	8,1	25,7
1975	16,5	13,9	6,9	20,6	22,5	18,8	28,9	20,8	12,3	13,3	38,1	31,3	19,1	9,0	16,2
1976	16,0	11,7	7,3	20,7	23,4	14,9	19,6	20,9	11,1	10,8	24,3	14,8	15,0	8,2	11,1
1977	8,8	9,7	6,3	22,3	26,8	12,4	14,9	20,8	9,9	8,5	23,2	10,7	13,3	7,5	10,1
1978	7,2	9,2	5,5	23,3	24,8	12,6	15,5	16,5	5,9	7,2	18,7	13,4	12,7	7,6	7,5
1979	5,5	9,4	5,4	23,4	19,0	13,0	18,9	19,9	6,7	6,0	20,0	15,3	13,0	8,8	6,0
1980	9,6	10,0	6,6	16,1	17,3	15,3	21,1	21,4	9,0	5,5	25,6	19,7	15,0	10,0	6,5
1971-80	12,0	11,5	8,1	18,4	20,4	13,8	18,6	18,4	10,6	10,8	23,1	16,0	14,3	8,1	13,1
1981	6,3	9,2	4,5	21,5	15,3	14,3	18,1	22,6	8,5	3,5	21,0	14,0	13,0	9,4	6,2
1982	7,8	11,9	3,4	27,7	13,7	14,1	14,2	16,2	6,9	5,8	21,6	8,5	10,9	7,7	3,8
1983	6,3	8,2	3,4	21,4	13,8	10,1	12,8	16,0	6,9	3,2	21,8	8,8	9,7	5,1	2,2
1984	6,5	5,5	3,3	20,7	10,0	8,2	10,7	11,8	7,1	0,2	21,2	5,6	7,5	4,1	3,7
1985	4,6	4,7	3,0	23,4	9,4	6,6	7,8	10,1	3,5	1,4	22,5	7,3	7,0	4,1	2,9
1986	4,6	4,4	3,5	12,5	9,5	4,6	4,7	7,5	5,2	1,6	21,6	8,4	6,4	4,1	3,4
1987	2,1	7,9	3,0	9,8	6,7	3,6	5,6	8,4	3,9	1,5	17,9	7,4	5,6	4,0	3,3
1988	2,4	3,9	3,0	18,8	6,2	4,1	5,5	9,3	3,3	1,5	13,4	7,9	5,9	5,2	3,9
1989	3,6	3,3	2,8	18,1	6,1	4,8	6,2	9,0	6,5	0,5	13,8	8,9	6,1	3,4	4,2
1990	6,4	3,5	4,2	20,2	7,7	4,9	8,6	10,4	5,2	3,6	17,8	11,3	7,6	4,9	4,2
1981-90	5,1	6,2	3,4	19,3	9,8	7,5	9,3	12,0	5,7	2,3	19,2	8,8	7,9	5,2	3,8
1991	5,2	3,5	6,2	16,2	7,8	4,6	6,6	8,2	4,7	4,7	19,1	8,3	7,0	4,7	3,8
1992	5,7	3,5	5,8	11,6	7,0	3,8	6,1	6,8	5,1	5,0	14,4	5,8	5,8	4,7	3,5

Sources: see Table 1.

Table 29

Real compensation per employee
Total economy, deflator GDP

(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	3,6	10,9	6,9	5,6	5,3	7,4	4,9	2,8	4,0	5,4	2,4	5,1
1962	5,5	4,2	5,0	2,2	8,9	6,7	3,4	7,3	0,9	3,2	5,1	0,6	4,4	2,1	9,5
1963	4,8	-1,1	2,9	6,5	11,6	4,7	2,4	10,4	3,8	4,4	6,0	2,8	4,8	2,8	7,3
1964	4,8	5,8	5,0	9,5	6,9	4,6	3,7	5,5	6,7	7,2	7,1	3,3	4,9	3,9	7,4
1965	4,2	5,9	5,7	8,2	5,6	3,7	0,8	3,4	1,1	5,2	6,5	1,7	3,9	1,2	6,4
1966	4,3	3,1	4,2	7,6	9,3	3,1	3,9	5,5	1,6	4,8	4,8	1,9	3,9	0,8	5,9
1967	4,1	4,4	1,9	7,1	6,5	3,6	4,6	5,5	3,8	4,8	10,0	3,1	3,7	0,9	6,2
1968	3,5	2,8	4,4	8,2	3,7	6,8	6,1	5,5	0,9	4,2	2,2	3,6	4,7	2,4	8,4
1969	4,2	3,7	5,1	6,3	7,1	4,2	4,4	3,4	-0,6	6,3	3,7	1,3	3,9	2,3	10,9
1970	4,4	2,4	7,8	5,0	2,4	4,5	6,5	8,2	0,5	5,9	14,3	5,6	6,0	2,2	9,6
1961-70	4,2	3,9	4,7	6,4	7,3	4,9	4,1	6,0	2,6	5,1	6,2	2,8	4,6	2,1	7,7
1971	5,7	3,7	3,4	5,1	5,3	4,6	3,8	6,0	8,7	5,3	9,7	1,8	4,1	2,0	8,7
1972	7,3	-1,1	3,5	7,5	8,4	2,5	2,1	3,9	3,7	3,2	7,6	4,6	4,1	2,7	8,1
1973	5,4	2,2	4,9	-1,6	5,7	3,4	3,1	4,0	-0,7	5,8	7,4	5,7	4,7	0,4	7,2
1974	5,0	4,7	3,8	-1,1	4,3	5,2	11,2	2,3	5,1	6,0	13,5	3,4	4,0	-0,8	4,0
1975	4,0	1,3	0,9	7,3	4,9	5,1	7,3	3,7	13,3	2,8	18,8	3,3	3,5	-0,8	7,9
1976	7,8	2,3	3,6	4,6	5,9	3,5	-1,2	2,2	-1,0	1,7	6,9	-0,4	2,7	1,8	3,7
1977	1,2	0,3	2,4	8,3	2,9	3,2	1,4	1,8	8,6	1,7	-2,6	-2,9	1,3	0,7	4,0
1978	2,7	-0,6	1,1	9,2	3,5	2,3	4,5	2,1	0,7	1,6	-3,0	1,9	1,9	0,2	2,6
1979	1,0	1,7	1,4	4,0	1,6	2,6	4,6	4,0	0,3	2,0	0,5	0,8	1,9	-0,2	2,9
1980	5,6	1,7	1,7	-1,3	2,7	3,3	5,6	1,2	1,0	-0,2	3,9	0,2	1,8	0,8	2,6
1971-80	4,6	1,6	2,7	4,1	4,5	3,6	4,2	3,1	3,9	3,0	6,1	1,8	3,0	0,7	5,1
1981	1,5	-0,8	0,5	1,4	3,0	2,7	0,6	3,4	1,2	-1,9	2,9	2,3	1,9	0,0	2,9
1982	0,7	1,2	-0,9	2,1	-0,1	1,9	-0,8	-0,8	-3,5	-0,3	0,7	0,8	0,3	1,2	1,8
1983	0,6	0,5	0,2	1,9	1,9	0,5	1,9	1,0	0,1	1,3	-2,3	3,4	1,2	1,7	1,4
1984	1,3	-0,1	1,4	0,3	-0,9	0,9	4,1	0,3	2,6	-1,6	-2,8	0,9	0,6	0,5	2,4
1985	-1,4	0,4	0,7	4,8	0,8	0,7	2,5	1,1	0,5	-0,4	0,6	1,5	0,9	1,4	1,5
1986	0,9	-0,2	0,4	-4,2	-1,4	-0,7	-1,5	-0,1	0,8	1,2	0,9	4,7	0,8	1,9	1,5
1987	-0,2	3,0	1,0	-3,5	0,8	0,7	3,1	2,4	4,1	1,9	6,0	2,3	1,5	0,9	3,7
1988	0,7	-0,6	1,4	2,6	0,5	0,8	2,2	2,9	1,3	-0,3	1,5	1,1	1,2	1,8	3,3
1989	-0,9	-0,9	0,3	3,6	-0,8	1,1	1,0	2,5	1,4	-1,0	0,8	1,9	0,9	-0,4	2,6
1990	3,4	1,2	0,7	1,7	0,4	2,1	6,9	2,7	2,2	0,8	2,4	2,7	1,9	0,8	2,3
1981-90	0,6	0,4	0,6	1,0	0,4	1,0	2,0	1,5	1,1	0,0	1,1	2,2	1,1	1,0	2,3
1991	2,0	1,6	1,8	-3,1	1,0	1,5	4,5	0,9	1,0	1,1	3,9	1,6	1,4	0,6	2,0
1992	2,1	1,3	1,2	-1,5	1,2	0,9	2,9	1,5	1,5	2,3	2,6	0,9	1,2	0,7	1,5

Sources: see Table 1.

Table 30

Real compensation per employee
Total economy, deflator private consumption

(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	4,0	10,9	7,0	5,9	6,4	2,4	4,9	4,5	3,7	5,7	2,0	6,5
1962	6,1	4,7	5,7	5,6	9,3	7,0	4,2	7,8	4,1	4,1	2,9	0,9	4,9	2,5	7,0
1963	4,2	−0,9	2,9	4,4	12,4	5,4	2,7	11,8	4,7	5,3	7,4	3,3	5,4	2,3	5,5
1964	5,3	6,4	5,7	11,1	6,6	5,2	6,3	7,1	9,2	9,1	7,4	3,3	5,5	3,5	8,7
1965	4,7	7,3	5,9	7,6	5,4	3,8	0,9	4,0	0,7	7,4	5,4	1,8	4,2	1,8	4,7
1966	4,3	3,4	3,9	9,0	10,0	2,8	4,4	4,8	1,4	5,4	4,8	2,4	4,0	2,0	6,3
1967	4,7	3,2	1,6	7,6	8,4	3,7	5,1	5,1	0,0	6,1	12,0	3,5	4,0	1,7	7,8
1968	3,3	2,7	5,0	9,2	3,5	6,0	5,5	5,8	3,4	5,9	−0,7	3,1	4,7	2,8	8,2
1969	5,4	6,1	7,0	6,6	8,1	3,7	5,7	4,5	3,5	6,7	4,9	1,2	4,7	2,8	11,2
1970	6,5	4,1	11,5	5,8	2,7	5,0	4,0	10,1	10,1	7,7	14,5	7,0	7,7	3,1	8,9
1961-70	4,5	4,6	5,5	7,1	7,7	5,0	4,4	6,7	3,9	6,3	6,2	3,0	5,1	2,4	7,5
1971	6,0	3,1	5,3	5,4	5,4	4,8	4,9	7,4	3,0	5,4	7,8	2,4	4,9	2,3	7,5
1972	8,2	−0,2	3,1	9,3	9,4	3,5	5,6	4,0	4,4	4,2	9,1	6,2	4,7	4,3	8,2
1973	6,5	1,3	4,7	2,2	6,2	4,3	6,5	3,3	6,2	6,3	7,9	4,3	4,6	1,0	9,3
1974	4,9	3,0	3,4	−3,2	3,0	2,5	1,9	0,9	11,7	5,6	9,2	1,5	2,6	−2,2	3,7
1975	3,8	3,6	0,6	7,0	6,0	6,0	9,3	3,7	1,9	2,9	19,0	6,3	4,4	0,9	4,4
1976	7,6	1,6	3,0	6,4	5,9	4,4	−0,4	2,6	1,7	1,7	5,2	−0,9	2,8	2,2	1,8
1977	1,5	−0,8	2,5	9,3	2,4	2,6	0,6	2,7	4,0	2,2	−3,2	−3,6	1,2	0,9	2,7
1978	2,9	−0,1	2,6	9,3	4,8	3,3	7,0	2,9	2,4	2,5	−2,2	4,0	3,2	0,5	2,9
1979	1,6	−0,9	1,4	5,9	2,1	1,9	3,5	4,7	1,6	1,6	−4,1	1,5	2,0	−0,5	2,3
1980	3,0	−0,6	0,7	−4,7	0,6	1,6	2,1	0,8	1,4	−1,3	3,3	3,0	1,2	−0,9	−0,6
1971-80	4,6	1,0	2,7	4,6	4,6	3,5	4,1	3,3	3,8	3,1	5,0	2,4	3,1	0,8	4,2
1981	−2,2	−2,5	−1,4	−1,0	0,8	0,9	−1,3	3,7	−0,1	−2,2	0,7	2,5	0,8	0,2	1,7
1982	0,0	1,5	−1,2	5,8	−0,7	2,0	−0,6	−0,6	−3,3	0,2	1,1	−0,2	0,1	1,6	1,1
1983	−0,8	1,3	0,2	2,8	1,3	0,4	3,2	0,8	−1,2	0,2	−3,2	3,8	1,1	1,6	0,4
1984	0,8	−0,8	0,9	2,4	−0,9	0,4	3,2	−0,1	0,5	−1,9	−5,6	0,6	0,2	0,2	1,6
1985	−1,3	0,4	0,9	4,3	1,1	0,6	2,7	1,0	−0,7	−0,8	2,6	1,8	1,0	0,9	0,7
1986	4,0	1,5	3,7	−7,9	0,8	1,7	0,3	1,8	4,0	1,4	6,8	3,8	2,5	2,0	2,8
1987	0,1	3,1	2,2	−5,0	0,9	0,3	2,4	3,3	2,3	2,4	7,2	3,0	2,0	−0,4	3,5
1988	0,8	−0,9	1,7	4,0	1,1	1,1	2,9	4,0	0,5	1,1	3,1	2,9	2,1	1,1	4,0
1989	0,1	−1,6	−0,2	2,9	−0,5	1,2	2,2	3,0	3,0	−2,4	0,8	2,8	1,1	−1,0	2,5
1990	2,8	1,0	1,5	0,0	1,2	1,9	5,9	3,9	1,0	1,1	3,7	2,7	2,3	−0,1	1,8
1981-90	0,4	0,3	0,8	0,8	0,5	1,0	2,1	2,1	0,6	−0,1	1,6	2,4	1,3	0,6	2,0
1991	1,9	1,1	2,6	−1,7	1,8	1,5	3,5	1,7	1,3	1,5	6,6	1,7	1,9	0,3	1,0
1992	2,2	1,3	1,5	−2,3	1,3	0,9	3,0	1,5	1,4	1,4	4,5	1,1	1,3	0,0	0,9

Sources: see Table 1.

Table 31

Adjusted wage share[a]
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	69,0	71,4	70,6	97,0	71,1	72,8	87,4	74,2	66,1	63,7	70,2	71,2	73,8	72,5	80,0
1961	68,2	72,4	72,1	91,1	70,5	73,6	87,0	72,6	68,9	65,9	69,2	72,4	74,2	72,0	76,0
1962	69,5	73,0	72,5	91,2	70,8	73,7	87,4	72,3	68,3	66,8	69,0	72,8	74,2	71,3	77,1
1963	70,3	73,4	72,6	87,3	72,9	74,1	86,6	74,3	68,7	68,3	68,8	72,1	74,4	70,9	76,8
1964	69,8	72,6	71,4	87,2	74,0	74,1	87,4	75,6	68,9	68,7	68,9	71,7	74,2	70,9	74,5
1965	70,0	75,4	71,6	85,6	74,0	73,3	86,5	74,3	69,4	69,4	68,5	72,1	74,0	69,8	75,9
1966	71,7	76,6	72,2	86,5	76,2	72,4	89,9	72,8	69,5	71,6	68,9	73,0	74,1	69,6	73,9
1967	72,0	77,4	71,5	87,0	78,4	71,4	87,9	72,8	70,3	71,2	70,3	72,7	73,8	70,6	71,9
1968	71,2	78,0	70,0	88,0	76,4	72,1	86,4	71,6	67,7	70,8	65,4	72,3	73,0	71,2	70,0
1969	70,6	77,1	70,5	85,3	76,1	71,8	86,2	69,9	62,7	71,3	65,5	73,1	72,7	72,7	69,4
1970	68,7	78,1	72,1	82,5	75,4	71,4	88,6	71,8	63,3	72,6	73,7	74,7	73,7	74,0	69,6
1961-70	70,2	75,4	71,6	87,2	74,5	72,8	87,4	72,8	67,8	69,7	68,8	72,7	73,8	71,3	73,5
1971	70,7	79,4	72,7	80,5	75,9	71,5	88,7	74,5	69,9	74,2	75,7	73,0	74,1	73,0	73,0
1972	71,2	76,0	72,5	79,5	76,5	71,0	84,9	74,4	70,4	73,5	75,0	72,9	73,8	72,8	73,1
1973	71,3	75,2	73,2	72,7	76,9	70,3	84,4	73,6	65,6	73,9	71,8	72,7	73,6	72,7	74,4
1974	73,2	78,0	74,6	73,4	75,8	72,3	90,0	72,8	67,1	74,9	79,4	75,3	74,8	73,8	77,5
1975	75,7	78,9	74,3	75,8	77,4	75,5	88,2	75,7	83,6	76,8	96,4	77,9	76,9	72,3	81,1
1976	77,0	77,6	72,6	76,2	78,5	75,8	87,7	74,3	80,0	74,2	96,6	75,2	75,8	72,0	81,0
1977	77,3	77,9	72,3	81,0	77,8	75,4	80,5	74,3	85,4	74,5	89,6	72,4	74,9	71,6	81,3
1978	77,4	77,9	71,7	83,3	77,2	75,2	78,5	73,4	82,8	74,5	81,9	71,6	74,2	71,4	80,0
1979	77,3	78,3	71,1	84,5	77,5	75,3	81,7	72,6	81,0	74,8	79,4	72,3	74,0	71,9	79,5
1980	78,3	79,3	72,5	81,2	76,2	76,8	86,6	72,2	82,7	74,6	79,8	74,5	74,8	72,9	78,6
1971-80	74,9	77,9	72,8	78,8	77,0	73,9	85,1	73,8	76,9	74,6	82,6	73,8	74,7	72,4	78,0
1981	78,9	78,3	72,7	84,8	77,2	77,1	85,3	73,7	83,7	72,5	81,6	75,0	75,3	72,2	78,6
1982	77,4	76,4	71,4	86,5	75,5	77,3	83,8	73,3	80,3	71,1	80,4	73,3	74,4	73,6	78,5
1983	76,7	75,2	69,6	89,7	75,8	76,6	84,0	74,1	78,9	69,7	78,7	71,9	73,8	72,8	78,2
1984	75,7	73,4	68,6	88,3	72,3	75,6	81,7	72,4	77,1	66,4	76,5	72,1	72,5	71,6	77,0
1985	74,4	72,9	68,1	89,4	70,8	74,6	78,7	72,0	76,7	65,6	75,1	71,5	71,7	71,7	75,2
1986	74,3	73,1	67,4	85,9	69,8	72,1	78,3	70,8	76,0	66,6	73,1	72,8	71,1	71,9	75,0
1987	73,6	75,5	67,4	84,3	69,6	71,5	77,8	71,2	78,5	68,4	73,0	72,5	71,0	72,0	75,7
1988	71,8	74,1	66,3	84,4	68,4	70,4	76,4	71,6	78,4	67,3	72,3	72,4	70,4	72,1	75,5
1989	69,8	71,4	65,6	83,4	67,3	69,4	74,9	71,5	78,9	65,2	69,3	73,9	69,8	71,5	75,4
1990	70,3	70,0	65,0	88,1	66,7	69,7	75,0	73,2	82,9	64,9	68,8	75,4	70,3	71,9	74,5
1981-90	74,3	74,0	68,2	86,5	71,3	73,4	79,6	72,4	79,1	67,8	74,9	73,1	72,0	72,1	76,4
1991	70,6	69,2	66,0	86,0	66,2	69,9	77,7	74,1	83,4	64,6	71,1	76,1	70,8	72,1	73,7
1992	70,6	68,1	66,2	85,4	66,0	69,0	78,9	74,1	83,2	65,4	72,5	74,6	70,4	71,9	73,4

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

Sources: see Table 1.

Table 32

Nominal unit labour costs[a]
Total economy

(National currency; 1980 = 100)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	USA	J
1960	31,2	20,1	39,5	24,1	12,0	23,5	15,6	15,9	29,4	24,9	15,1	17,5	22,3	35,9	28,3
1961	31,0	21,6	42,2	22,9	12,1	24,6	16,1	15,9	29,3	26,3	15,2	18,4	23,1	35,9	29,0
1962	32,1	23,0	44,1	23,9	12,9	25,8	17,0	16,8	30,4	27,6	15,0	19,1	24,1	36,3	30,7
1963	33,4	24,3	45,6	23,1	14,4	27,5	17,2	18,8	31,8	29,5	15,4	19,4	25,4	36,5	32,4
1964	34,7	25,1	46,3	24,0	15,5	28,6	18,9	20,4	34,1	32,3	15,5	19,9	26,5	36,9	33,2
1965	36,8	27,8	48,3	24,5	16,9	29,2	19,5	20,9	35,3	34,6	16,0	20,9	27,6	37,4	35,7
1966	39,0	30,0	50,4	25,8	18,8	29,6	20,9	21,0	36,6	37,7	16,9	22,0	28,7	39,0	36,6
1967	40,1	31,9	50,4	26,6	20,8	30,3	21,2	21,5	36,6	39,0	17,7	22,5	29,4	40,8	37,6
1968	40,9	34,0	51,0	27,1	21,4	32,3	21,7	21,6	37,1	40,1	16,7	23,2	30,2	43,1	38,5
1969	42,3	36,0	52,8	27,0	22,1	34,0	23,5	22,0	36,4	43,4	17,7	24,3	31,4	46,1	40,0
1970	43,2	39,4	58,9	27,3	23,4	36,0	26,4	24,2	41,8	46,7	20,4	26,8	34,1	49,3	42,6
1971	47,0	43,1	64,2	27,6	25,6	38,4	29,2	27,0	45,3	51,2	22,1	29,0	37,1	51,0	47,1
1972	50,8	45,1	67,4	28,8	28,0	40,9	31,8	28,9	47,9	55,4	23,7	31,6	39,7	53,4	49,9
1973	55,0	49,9	72,7	31,8	31,3	44,1	36,6	32,4	50,2	61,1	24,9	34,1	43,4	56,9	57,2
1974	63,3	59,4	79,6	39,6	36,3	51,2	42,0	38,4	60,9	68,1	33,0	41,4	50,4	62,9	72,5
1975	73,9	67,3	84,1	45,0	43,5	60,4	50,8	47,7	74,0	76,7	46,4	54,5	59,9	67,9	81,9
1976	80,7	71,8	85,2	52,2	51,5	67,0	59,4	55,0	80,2	80,9	53,8	60,4	65,8	72,0	87,5
1977	87,2	78,2	88,0	62,3	62,9	73,3	64,2	64,9	86,7	86,0	63,3	65,4	72,7	76,6	92,7
1978	91,1	85,0	91,0	72,3	76,0	80,2	70,8	73,3	87,7	90,6	72,0	72,0	79,6	82,4	95,7
1979	95,2	90,9	93,6	86,5	89,0	87,9	84,3	84,2	91,9	94,9	83,5	81,9	87,8	90,7	97,4
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	105,3	108,8	104,2	127,4	112,6	112,3	113,3	121,4	109,4	102,6	120,3	111,0	111,6	108,0	103,0
1982	110,4	118,7	107,2	160,9	125,3	125,4	126,8	141,3	115,4	107,4	140,5	116,3	121,7	117,4	104,8
1983	115,7	125,6	107,7	196,5	139,4	136,5	140,3	163,2	119,5	107,2	169,4	120,4	130,6	120,0	105,4
1984	120,5	129,1	108,4	231,6	147,0	144,3	146,1	177,8	121,2	104,1	206,1	126,9	137,2	122,2	104,4
1985	125,7	132,9	110,2	279,7	155,1	150,6	149,9	192,4	123,6	104,5	245,5	133,2	144,0	125,5	103,2
1986	130,4	137,4	113,1	311,3	166,8	153,9	158,0	203,3	128,0	106,2	278,8	138,8	150,1	128,9	105,0
1987	130,8	149,1	115,4	343,2	176,1	156,9	161,0	214,8	132,0	108,4	314,0	145,0	155,9	133,2	104,8
1988	130,0	154,0	115,5	397,9	184,0	158,8	164,1	227,6	133,2	108,7	342,7	154,5	161,2	137,8	104,7
1989	131,8	156,3	116,6	458,6	192,9	162,3	164,4	241,0	139,1	106,7	373,8	169,3	168,0	141,9	106,0
1990	136,6	157,9	119,2	553,9	205,7	167,5	171,1	263,5	149,0	108,7	428,1	187,6	178,4	148,2	106,6
1991	141,4	159,0	126,0	633,9	217,8	173,7	180,2	284,2	154,5	112,3	505,5	202,2	189,4	154,6	107,5
1992	146,4	159,7	131,9	698,4	228,9	176,3	187,3	299,0	159,3	116,3	568,7	208,2	196,8	160,2	109,1

[a] Unit labour costs: adjusted compensation of employees per unit of GDP at constant market prices.
Sources: see Table 1.

Table 33

Real unit labour costs[a]
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	95,1	119,0	91,4	92,9	96,8	98,5	81,4	86,5	89,5	97,9	97,2	98,4	99,6
1961	85,1	97,3	97,0	111,4	90,8	94,2	97,1	96,1	84,6	89,3	87,9	99,7	97,8	97,7	94,7
1962	86,7	97,4	97,6	111,1	91,3	94,3	98,0	96,0	84,5	90,4	87,1	100,0	97,7	96,7	96,5
1963	87,7	96,9	97,9	105,9	94,2	94,7	96,3	98,9	85,2	92,3	87,1	99,1	98,1	96,1	96,3
1964	87,1	95,7	96,5	105,9	95,3	94,2	96,7	100,9	86,0	92,9	86,8	98,1	97,7	96,1	93,8
1965	87,8	98,8	97,2	104,0	95,2	93,5	95,4	99,2	86,2	93,7	86,3	98,3	97,4	94,9	95,8
1966	89,2	99,7	98,1	104,5	97,6	92,3	98,0	97,3	86,6	96,4	86,5	98,8	97,4	95,1	93,6
1967	89,1	100,0	96,8	104,9	100,4	91,6	96,4	96,8	87,5	95,7	87,5	98,3	96,9	96,2	91,2
1968	88,4	99,6	95,9	105,2	98,3	93,5	94,7	95,9	84,4	94,6	81,5	97,2	96,2	96,8	89,1
1969	87,8	98,4	95,2	101,4	97,5	92,5	93,7	93,9	78,0	96,1	81,2	96,8	95,3	98,7	88,5
1970	85,9	99,5	98,9	98,5	96,6	92,7	96,0	96,4	78,2	97,3	90,8	99,2	97,0	100,2	88,5
1971	88,4	101,1	99,7	96,8	97,7	93,0	95,9	100,5	85,5	98,8	93,7	98,1	98,0	98,5	92,9
1972	90,1	96,9	99,4	96,0	98,3	92,1	92,3	101,1	85,4	97,7	93,0	98,9	97,9	98,7	93,1
1973	90,8	96,8	100,8	88,9	98,4	91,6	92,1	100,3	79,8	98,9	89,3	99,7	98,0	98,6	94,6
1974	92,9	102,0	103,0	91,3	98,2	94,6	99,6	99,2	82,7	101,0	99,7	105,2	100,5	100,1	99,2
1975	96,8	102,7	102,8	92,5	100,8	98,9	100,3	105,8	101,4	103,3	120,6	109,0	103,9	98,2	104,1
1976	98,2	100,5	100,4	93,1	102,2	98,9	96,9	103,0	97,9	99,9	120,3	104,7	101,9	98,0	103,8
1977	98,7	100,0	100,1	98,2	101,4	99,3	92,5	102,4	104,6	99,5	111,9	99,5	100,6	97,8	103,8
1978	98,7	98,9	99,2	100,9	101,6	98,6	92,4	101,5	100,6	99,5	104,0	98,4	99,7	97,9	102,3
1979	98,8	98,4	98,1	101,8	101,7	98,1	96,7	101,1	99,1	100,3	101,0	97,9	99,2	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	100,6	98,8	100,2	106,4	100,5	100,8	96,5	102,4	102,1	97,3	102,3	99,7	100,6	98,6	99,8
1982	98,5	97,5	98,7	107,4	98,3	100,6	93,7	101,8	97,2	96,0	99,0	97,1	99,3	100,7	99,7
1983	97,7	95,9	96,0	110,1	98,0	99,8	93,7	102,3	94,2	94,1	95,8	95,6	98,2	99,6	99,5
1984	96,7	93,3	94,8	107,9	93,1	98,3	91,7	100,0	91,5	89,7	93,5	96,2	96,6	98,0	97,4
1985	95,1	92,1	94,3	110,7	90,6	97,0	89,4	99,4	90,6	88,4	91,4	95,5	95,6	98,0	94,9
1986	95,2	91,0	93,8	105,0	87,7	94,1	88,7	97,6	89,9	89,4	86,2	96,2	94,4	98,5	94,9
1987	93,3	94,3	93,9	101,7	87,5	93,2	88,2	97,3	92,9	91,7	87,3	95,6	94,1	98,8	95,0
1988	91,2	93,2	92,5	101,8	86,5	91,4	87,1	97,1	91,9	90,3	85,4	95,5	93,0	99,0	94,4
1989	88,4	90,7	91,0	102,9	84,8	90,1	83,0	96,7	91,4	87,4	82,5	97,9	92,3	98,1	94,1
1990	88,9	89,5	90,1	105,1	84,3	90,5	85,0	98,4	95,1	86,5	82,2	100,1	92,8	98,5	92,9
1991	89,3	88,4	91,2	100,3	83,6	91,1	87,7	98,9	95,1	86,3	84,7	101,3	93,3	98,7	92,0
1992	89,3	87,0	91,3	97,5	83,1	89,8	88,4	98,9	94,7	87,1	85,5	99,5	92,7	98,3	91,6

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

Sources: see Table 1.

Table 34

Nominal unit labour costs
Total economy
Relative to 19 industrial countries; double export weights

(USD; 1980 = 100)

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	J
1960	94,4	77,5	83,4	165,6	66,1	100,4	95,3	107,7	65,5	122,9	97,8	76,8	167,2	68,4
1961	89,0	79,8	89,8	150,9	64,4	101,4	94,3	103,3	69,0	118,9	99,1	80,2	162,1	68,3
1962	88,5	81,8	90,3	151,1	66,0	102,1	96,3	105,0	69,9	113,5	100,2	81,7	159,2	70,7
1963	88,2	83,2	89,6	141,1	71,2	104,8	95,2	113,1	71,9	111,9	97,5	83,2	154,4	72,8
1964	88,5	83,2	87,6	141,7	74,3	105,1	101,5	118,7	76,2	109,0	96,5	84,0	150,8	72,8
1965	90,4	88,6	87,2	139,1	78,1	102,8	100,1	116,9	78,5	108,1	97,8	84,7	145,6	76,1
1966	91,4	91,4	87,1	141,0	83,2	99,7	102,5	112,4	81,8	109,6	98,6	84,7	146,4	74,7
1967	91,9	93,8	84,4	141,2	88,0	99,1	100,2	111,8	83,1	111,5	95,8	82,4	147,9	74,2
1968	91,5	93,4	83,9	142,5	78,2	104,3	93,2	111,1	84,4	105,7	84,2	78,3	155,5	74,6
1969	90,3	94,2	85,3	136,3	77,2	100,3	95,8	107,9	87,7	107,6	84,4	77,7	159,4	73,8
1970	85,4	95,2	97,0	125,4	75,4	90,4	99,1	108,8	85,9	114,9	86,1	81,2	156,9	72,8
1971	85,9	95,5	100,9	114,9	75,7	86,9	102,1	111,7	87,9	114,9	86,6	83,5	146,4	77,4
1972	89,9	94,4	101,8	105,5	79,3	88,9	101,5	111,8	90,8	113,9	85,8	85,8	134,5	86,0
1973	90,7	102,3	111,2	98,7	83,2	90,8	100,5	103,8	95,3	112,2	76,0	87,9	120,2	96,3
1974	93,0	106,8	110,9	107,5	86,4	85,8	96,4	97,4	97,9	127,7	77,6	86,3	115,4	100,2
1975	96,8	108,2	102,4	97,0	88,2	97,5	92,2	102,6	99,2	150,1	83,2	91,7	107,1	97,6
1976	100,8	108,8	100,2	99,2	88,8	96,9	89,3	91,6	100,1	146,7	73,2	83,3	110,3	101,9
1977	107,2	108,9	102,8	106,7	88,1	93,5	86,4	93,1	104,3	125,3	70,2	84,0	108,3	111,1
1978	107,6	110,5	104,2	105,2	89,8	94,3	88,9	92,5	105,4	105,5	72,5	86,0	99,6	130,4
1979	106,0	109,3	103,5	110,5	106,4	96,6	97,2	95,8	104,5	95,9	81,5	93,8	99,6	112,9
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	91,2	92,4	89,4	105,2	93,1	93,8	94,8	98,5	90,3	106,1	102,6	85,7	112,1	107,1
1982	80,8	90,1	88,7	113,8	90,2	89,6	98,1	99,7	92,8	100,4	95,3	79,9	127,7	95,5
1983	79,0	91,1	88,0	108,8	79,3	86,8	100,2	106,8	90,5	91,3	88,1	75,5	133,4	102,9
1984	78,1	87,4	83,9	106,4	79,0	84,7	96,7	106,5	83,6	88,9	86,0	69,9	143,2	104,8
1985	79,5	87,9	82,4	104,5	78,6	86,3	96,8	106,0	81,2	90,5	87,3	69,8	149,1	103,0
1986	84,3	92,9	90,1	88,5	80,4	88,7	102,2	112,5	85,8	91,5	81,6	76,6	120,0	129,0
1987	85,4	101,7	95,2	85,4	82,4	88,5	98,7	116,8	89,4	92,7	82,0	82,3	106,2	134,7
1988	81,8	100,1	91,7	89,6	86,4	85,1	96,2	116,8	87,1	93,5	90,2	80,7	100,5	143,7
1989	79,9	95,5	88,2	92,7	91,3	83,0	91,4	120,6	82,1	95,4	93,1	78,4	104,9	134,4
1990	83,4	98,5	90,5	98,3	97,5	86,4	95,3	131,0	82,8	102,7	98,2	88,1	98,4	115,5
1991	81,7	92,3	89,8	94,5	97,5	82,9	93,8	131,8	80,5	116,2	101,4	86,0	98,2	120,7

For a detailed commentary on the method used, see *European Economy* No 8, March 1981.
EUR 12: against 9 non-member countries (Australia, Austria, Canada, Finland, Japan, Norway, Sweden, Switzerland, USA).
Sources: see Table 1.

Table 35

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	39,9	32,2	18,8	9,1	9,9	14,5	31,8	13,0	86,7	47,7	17,5	20,9	19,5	5,2	10,7
1961	41,2	29,9	17,9	9,3	9,6	14,0	34,6	13,3	86,9	45,5	16,4	20,6	18,9	5,1	9,3
1962	42,8	28,5	17,2	9,7	9,8	12,9	32,3	13,2	79,9	44,8	18,7	20,1	18,4	5,0	9,4
1963	44,0	30,3	17,7	10,0	9,2	12,7	33,6	12,7	77,7	44,9	19,1	20,0	18,3	5,0	9,0
1964	44,9	29,7	17,9	9,2	10,5	12,7	33,4	13,3	78,8	43,5	25,6	19,4	18,5	5,3	9,5
1965	44,3	29,2	17,9	9,0	10,2	13,3	34,8	14,9	80,7	42,9	26,8	19,2	18,7	5,2	10,5
1966	46,1	28,4	19,0	11,3	10,7	13,4	37,2	15,3	77,2	41,7	27,1	19,4	19,1	5,2	10,6
1967	45,1	27,2	20,3	10,7	9,8	13,2	37,8	15,0	78,5	40,5	27,2	19,1	19,1	5,2	9,6
1968	47,3	27,5	21,2	9,6	11,3	13,3	38,8	15,8	80,5	41,0	25,0	21,4	20,1	5,3	10,1
1969	51,5	27,4	21,6	9,7	11,6	14,1	37,3	16,5	84,3	42,5	24,4	22,3	20,8	5,3	10,5
1970	53,9	27,9	21,1	10,0	12,9	15,8	37,0	16,4	88,9	44,8	24,4	23,1	21,5	5,8	10,8
1961-70	46,1	28,6	19,2	9,8	10,5	13,5	35,7	14,6	81,3	43,2	23,5	20,5	19,3	5,2	9,9
1971	52,5	27,6	20,9	10,3	13,8	16,4	36,1	16,9	88,1	45,4	25,1	23,2	21,7	5,6	11,7
1972	53,1	27,1	20,8	11,7	14,2	16,7	34,6	17,7	82,9	45,0	27,2	21,8	21,6	5,8	10,6
1973	57,8	28,5	22,0	14,2	14,2	17,6	38,0	17,4	89,3	47,4	26,7	23,7	22,7	6,9	10,0
1974	63,7	31,8	26,4	16,1	14,0	20,7	42,6	20,2	102,6	53,9	26,9	28,0	26,2	8,5	13,6
1975	55,8	30,1	24,5	16,9	13,2	19,1	42,7	20,5	92,5	49,9	20,4	25,9	24,4	8,5	12,8
1976	58,7	28,8	25,6	17,6	13,4	19,6	46,3	22,1	88,1	51,0	17,4	28,5	25,7	8,2	13,6
1977	57,6	28,8	25,3	16,8	14,1	20,5	49,4	23,2	86,9	47,6	18,4	30,1	26,1	7,8	13,1
1978	55,6	27,8	24,8	17,6	14,8	20,4	49,9	23,4	83,8	44,9	20,1	28,5	25,6	8,1	11,1
1979	60,8	29,2	25,0	17,5	14,6	21,2	49,7	24,3	90,9	49,1	27,1	28,0	26,3	9,0	11,6
1980	62,9	32,7	26,2	20,9	15,4	21,5	49,6	21,9	88,2	52,5	27,4	27,4	26,6	10,1	13,7
1971-80	57,8	29,2	24,1	16,0	14,2	19,4	43,9	20,8	89,3	48,7	23,7	26,5	24,7	7,9	12,2
1981	68,2	36,5	28,6	20,6	17,6	22,6	48,5	23,3	86,5	58,0	25,9	26,8	28,1	9,7	14,8
1982	71,8	36,4	29,6	18,4	18,2	21,8	48,1	23,0	88,8	57,6	26,4	26,4	28,1	8,6	14,6
1983	74,7	36,4	28,5	19,8	20,7	22,5	52,4	22,1	90,0	57,7	31,3	26,6	28,3	7,8	14,0
1984	79,1	36,7	30,3	21,7	23,0	24,1	59,5	22,7	100,9	62,1	37,2	28,6	30,3	7,5	15,1
1985	76,9	36,7	31,9	21,2	22,7	23,9	60,7	22,8	108,6	63,5	37,3	29,0	30,6	7,0	14,6
1986	70,7	32,0	29,7	22,4	19,9	21,2	55,2	20,3	101,1	54,2	33,2	25,9	27,5	7,3	11,5
1987	69,3	31,4	28,5	24,7	19,3	20,7	58,8	19,6	97,9	52,7	34,3	25,8	26,9	7,8	10,5
1988	72,6	32,3	29,0	24,0	18,9	21,5	63,0	19,4	100,6	54,8	35,5	23,3	26,8	8,9	10,3
1989	76,7	34,3	30,9	23,5	18,1	23,3	66,9	20,6	102,8	57,9	37,2	24,3	28,2	9,4	11,5
1990	74,2	34,9	31,3	22,6	17,2	22,9	62,1	20,8	98,4	56,6	36,4	24,2	28,1	9,8	12,1
1981-90	73,4	34,8	29,8	21,9	19,6	22,5	57,5	21,4	97,6	57,5	33,5	26,1	28,3	8,4	12,9
1991	74,4	35,8	33,7	20,7	17,1	22,7	63,5	20,3	97,8	56,4	32,0	23,8	28,3	10,0	11,8
1992	75,1	37,3	34,4	21,2	17,3	23,2	65,0	20,3	97,9	58,3	30,0	24,2	28,8	10,2	12,3

Sources: see Table 1.

Table 36

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	14,7	3,2	2,3	1,9	3,1	5,4	0,6	5,3
1962	10,1	4,9	4,1	10,0	12,8	1,8	−1,0	10,3	−1,9	6,2	22,7	1,8	5,1	5,2	17,2
1963	8,2	10,0	8,0	6,7	3,8	7,1	9,6	6,5	3,5	6,0	7,2	1,5	5,7	7,0	7,0
1964	9,4	8,5	8,5	1,6	25,5	6,6	8,2	10,8	13,4	11,3	39,9	3,8	8,8	11,8	21,7
1965	6,1	7,9	6,6	12,7	6,9	11,5	8,9	20,0	6,2	7,6	13,5	4,4	8,5	1,9	23,7
1966	7,7	3,9	10,1	34,4	15,2	6,6	10,6	11,2	−0,3	5,2	12,8	5,2	8,2	6,4	17,0
1967	4,3	4,0	7,7	5,1	−4,7	7,3	10,3	7,2	2,1	6,6	8,3	1,0	5,0	3,1	6,7
1968	12,2	9,3	13,0	−1,0	18,4	9,4	9,0	13,9	10,7	12,8	−0,5	12,7	12,2	3,2	23,9
1969	15,3	6,2	9,3	14,6	15,6	15,7	4,6	11,8	13,8	14,9	8,7	9,2	11,7	4,8	20,8
1970	10,2	5,6	5,8	12,4	17,4	16,1	18,8	5,8	7,8	11,9	5,4	5,4	8,7	9,5	17,5
1961-70	9,2	6,4	7,6	10,7	11,6	8,7	9,5	11,1	5,7	8,4	11,5	4,8	7,9	5,3	15,9
1971	4,5	5,6	6,3	11,9	14,2	9,8	4,1	7,0	4,0	10,7	11,9	6,8	7,7	0,0	16,1
1972	11,1	5,6	7,1	22,9	13,4	12,1	3,6	9,5	5,1	10,0	20,2	0,8	8,1	15,2	4,2
1973	14,2	7,8	10,7	23,4	10,0	11,0	10,9	3,9	14,0	12,1	9,2	11,9	10,5	18,7	5,8
1974	3,8	3,5	11,7	0,1	−1,0	9,1	0,7	5,9	10,3	2,6	−13,3	6,9	6,3	7,9	23,7
1975	−8,2	−1,8	−7,2	10,6	−0,4	−1,1	7,6	1,8	−15,8	−3,1	−16,4	−3,2	−3,5	−0,9	0,8
1976	12,9	4,1	10,2	16,4	5,0	8,5	8,1	10,2	1,0	9,9	−0,8	8,8	9,3	3,8	16,9
1977	2,2	4,1	3,8	1,8	12,1	8,0	14,0	11,6	4,2	−1,8	4,1	6,5	5,7	1,6	11,7
1978	2,3	1,2	3,3	16,4	10,7	6,6	12,3	9,4	3,4	3,3	9,1	1,6	4,9	9,7	−1,0
1979	7,0	8,4	4,1	6,7	5,6	7,7	6,5	8,7	9,4	7,4	33,0	3,8	6,5	8,7	3,3
1980	2,5	5,2	5,1	6,9	2,3	2,4	6,4	−8,5	−2,1	1,5	2,2	−0,1	0,9	10,8	17,5
1971-80	5,0	4,3	5,4	11,4	7,0	7,4	7,3	5,8	3,0	5,1	5,0	4,3	5,6	7,4	9,6
1981	2,6	8,2	7,7	−5,9	8,4	3,6	2,0	6,2	−4,6	2,1	−4,4	−0,8	3,8	−0,4	14,2
1982	1,3	2,5	3,3	−7,2	4,8	−1,8	5,5	0,0	0,0	−0,3	4,7	0,9	1,1	−8,3	1,0
1983	2,7	4,9	−0,9	8,0	10,1	3,7	10,5	2,6	5,3	3,3	13,6	2,0	2,8	−2,4	7,0
1984	5,3	3,5	7,9	16,9	11,7	6,7	16,6	6,6	18,0	7,2	11,6	6,6	7,5	6,5	17,6
1985	1,1	5,0	7,0	1,3	2,7	2,0	6,6	3,7	9,8	5,3	6,7	5,8	4,5	2,7	4,7
1986	5,6	0,0	−0,5	14,0	1,6	−1,3	2,9	2,4	3,4	3,4	6,8	4,6	2,1	12,0	−4,8
1987	6,4	5,1	0,7	16,0	6,1	2,9	13,4	3,2	5,5	4,0	8,6	5,8	4,1	16,4	−0,1
1988	8,3	7,3	5,1	9,0	5,2	8,0	8,7	4,2	8,1	8,1	10,2	0,3	5,4	18,7	5,1
1989	6,9	6,0	10,0	2,1	2,9	10,8	10,1	9,2	7,2	4,6	16,5	4,3	7,7	11,9	15,4
1990	5,0	8,7	9,1	−0,3	4,2	5,2	6,3	7,5	2,3	5,2	10,9	4,8	6,3	8,4	10,9
1981-90	4,5	5,1	4,9	5,1	5,7	3,9	8,2	4,5	5,3	4,3	8,4	3,4	4,5	6,2	6,9
1991	3,6	6,2	13,7	1,6	6,6	2,6	4,6	2,6	2,2	3,9	−0,3	1,6	5,4	5,5	4,5
1992	4,4	7,3	5,7	4,0	7,0	5,2	6,2	4,2	3,7	4,8	3,3	5,7	5,3	6,0	7,5

Sources: see Table 1.

Table 37

Intra-Community exports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	19,6	14,1	6,4	2,5	3,6	4,3	19,6	3,7	21,1	5,1	3,3	6,0
1961	20,1	12,7	6,6	2,2	3,1	4,7	21,6	4,0	20,9	4,8	3,6	6,2
1962	21,6	12,0	6,6	2,8	2,7	4,6	19,0	4,3	21,2	5,3	4,0	6,4
1963	23,9	12,8	7,3	2,6	2,3	4,7	20,0	4,0	22,1	5,5	4,2	6,7
1964	25,0	12,3	7,4	2,7	2,7	4,9	20,7	4,7	22,5	6,6	4,2	6,9
1965	26,1	11,6	7,3	2,6	2,2	5,2	19,3	5,5	22,2	6,8	4,0	7,1
1966	26,1	10,8	7,9	2,7	2,2	5,4	19,6	5,7	21,3	6,6	4,1	7,2
1967	25,2	9,9	8,4	3,3	2,1	5,2	21,6	5,4	20,8	6,6	3,9	7,1
1968	27,5	9,6	8,9	3,3	2,3	5,3	21,7	5,9	22,1	6,4	4,4	7,7
1969	31,9	9,3	9,6	3,2	2,5	6,2	20,6	6,3	23,9	6,8	4,9	8,6
1970	33,1	9,2	9,2	3,5	3,1	7,2	21,4	6,4	25,5	6,7	5,1	9,0
1971	32,4	8,9	9,5	3,4	3,4	7,6	22,1	6,8	26,9	7,0	5,2	9,3
1972	33,5	9,0	9,1	3,7	3,4	8,0	22,9	7,4	26,7	7,5	5,1	9,5
1973	35,7	10,4	9,9	5,0	3,7	8,5	24,9	7,4	28,4	8,2	6,0	10,3
1974	36,5	10,8	11,4	5,8	4,0	9,7	29,0	8,3	32,1	8,5	7,3	11,7
1975	32,6	10,8	10,1	5,7	3,4	8,1	30,7	8,1	29,7	7,0	6,6	10,5
1976	35,7	10,3	11,2	5,8	4,0	8,6	30,8	9,2	31,4	6,3	7,9	11,6
1977	34,0	9,9	11,0	5,1	4,1	8,9	34,3	9,4	28,3	6,7	8,9	11,6
1978	33,3	10,2	10,8	5,5	4,4	8,9	34,6	9,7	26,5	7,9	8,9	11,5
1979	37,1	11,3	11,6	5,0	4,7	9,6	34,9	10,3	30,2	10,5	9,6	12,3
1980	38,5	13,2	12,1	6,4	5,1	9,3	33,5	8,9	32,1	10,8	9,5	12,3
1981	39,5	13,5	12,6	5,1	5,0	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	12,5
1983	44,1	14,3	13,0	6,8	6,3	9,2	33,1	8,5	36,1	13,8	9,3	12,7
1984	45,3	13,3	13,9	7,8	7,5	9,9	37,9	8,4	39,9	16,7	10,3	13,5
1985	45,0	13,3	14,6	7,4	7,5	9,9	38,0	8,9	42,2	17,2	10,6	13,9
1986	43,0	12,3	13,8	9,1	7,0	9,4	36,0	8,7	36,4	16,6	9,1	13,0
1987	42,3	12,4	13,9	9,5	7,3	9,7	39,3	8,6	34,5	17,7	9,3	13,0
1988	43,3	12,5	14,5	6,7	7,5	11,0	42,3	8,8	34,9	18,8	8,7	13,3
1989	46,0	13,6	15,7	9,1	7,6	11,9	45,2	9,2	39,2	19,9	9,0	14,2
1990	44,1	14,1	14,4	7,9	7,7	11,7	41,7	9,1	37,4	20,0	9,7	13,8
1991	44,6	14,5	13,2	7,5	8,0	11,6	42,6	8,9	38,6	17,6	10,0	13,6
1992	45,1	15,1	13,4	7,6	8,2	11,8	43,6	8,9	39,7	16,7	10,2	13,7

Table 38

Extra-Community exports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	12,7	10,6	9,5	3,3	2,4	6,9	4,6	5,5	13,4	8,1	11,0	8,7
1961	11,6	10,2	8,9	3,4	2,0	6,2	4,9	5,5	12,7	7,4	10,4	8,1
1962	11,1	10,0	8,1	3,1	2,0	5,3	4,8	5,1	11,7	7,7	9,7	7,4
1963	10,1	10,8	8,0	3,6	1,7	5,0	4,8	4,9	10,7	8,1	9,7	7,1
1964	10,1	10,7	8,0	3,1	2,0	4,9	3,9	4,9	10,1	8,9	9,5	7,1
1965	10,8	10,7	8,3	2,9	1,9	4,9	3,7	5,3	9,9	8,6	9,6	7,2
1966	10,6	10,7	8,6	3,4	2,3	4,7	4,6	5,4	9,9	8,5	9,6	7,3
1967	10,2	10,4	9,2	3,6	2,4	4,6	6,9	5,5	9,8	8,7	9,1	7,2
1968	10,9	10,9	9,7	2,7	3,0	4,7	7,5	5,9	9,6	8,7	10,2	7,7
1969	10,7	11,4	9,6	3,0	3,0	4,6	7,5	6,0	9,5	8,6	10,6	7,7
1970	10,9	11,6	9,3	3,0	3,2	5,2	7,4	5,9	9,6	8,6	10,5	7,8
1971	10,7	11,2	9,5	2,6	3,4	5,2	6,9	6,0	9,1	8,2	10,8	7,9
1972	10,7	11,0	8,9	3,2	3,6	5,2	6,0	6,2	8,4	7,7	10,0	7,6
1973	11,8	11,4	9,6	3,8	3,4	5,5	7,2	6,0	9,6	7,9	10,8	8,0
1974	14,1	13,2	12,1	5,0	3,8	7,1	8,8	8,3	11,9	8,3	12,6	10,0
1975	12,2	12,4	11,5	5,3	3,7	7,1	7,0	8,4	11,0	6,0	12,1	9,5
1976	11,6	11,6	11,7	5,6	4,0	7,1	8,6	8,6	11,0	5,4	12,7	9,7
1977	12,5	11,8	11,9	5,4	4,2	7,4	9,4	9,2	10,7	5,7	13,6	10,1
1978	12,2	10,5	11,4	5,1	4,5	6,9	9,0	9,1	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	12,0	9,5
1980	13,7	12,3	11,5	6,8	4,5	7,4	10,1	8,1	10,6	7,3	11,6	9,6
1981	15,3	14,7	13,0	6,5	5,8	8,3	11,7	9,9	12,2	7,0	11,7	10,7
1982	15,9	14,0	13,1	5,8	5,6	7,9	11,3	9,2	11,7	6,6	11,7	10,5
1983	17,1	14,7	12,7	6,0	6,2	8,1	13,2	8,8	12,0	7,9	10,8	10,4
1984	19,0	16,5	13,8	6,4	6,8	8,8	15,6	9,2	13,5	9,9	11,6	11,3
1985	18,6	16,4	14,7	6,2	6,5	8,5	16,5	9,4	13,5	10,0	11,1	11,3
1986	15,5	14,0	13,4	5,2	4,4	6,9	13,6	7,4	11,2	7,6	9,7	9,6
1987	14,2	13,1	12,4	4,6	4,9	6,4	13,7	6,7	10,9	7,1	9,5	9,1
1988	14,7	12,6	12,3	3,6	4,8	6,9	14,2	6,6	11,5	7,2	8,6	9,0
1989	16,1	13,3	12,9	4,8	4,6	7,4	15,1	7,0	12,2	7,7	8,9	9,4
1990	14,1	12,9	12,1	4,3	4,0	7,0	13,5	6,5	11,1	6,9	8,6	8,7
1991	13,6	13,0	11,1	4,2	3,7	6,8	13,5	6,2	10,4	5,7	7,6	8,2
1992	13,7	13,5	11,2	4,1	3,8	7,0	13,7	6,2	10,9	5,0	7,7	8,3

Table 39

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	40,8	33,4	16,2	16,7	7,2	12,4	37,3	13,5	73,7	45,9	23,7	22,3	18,9	4,4	10,2
1961	42,1	31,5	15,5	16,4	9,1	12,2	39,8	13,5	80,2	45,4	27,7	20,9	18,4	4,2	10,9
1962	43,0	31,6	16,0	16,9	10,8	12,0	38,9	13,9	79,2	44,5	23,5	20,3	18,4	4,3	9,3
1963	45,2	30,0	16,0	18,0	11,5	12,3	40,8	15,1	77,5	45,6	24,3	20,4	18,8	4,3	9,8
1964	45,3	31,8	16,3	19,0	11,8	12,9	41,0	13,4	78,8	45,6	29,9	21,1	19,0	4,3	9,7
1965	44,5	30,7	17,6	20,3	13,5	12,4	43,9	12,7	79,9	43,6	31,5	20,0	18,9	4,4	9,1
1966	46,9	30,0	17,3	18,8	13,9	13,1	43,2	13,7	75,1	43,1	31,0	19,5	19,0	4,8	9,0
1967	44,7	29,2	16,6	18,0	12,3	13,0	40,9	14,2	70,6	41,4	29,5	20,2	18,7	4,9	9,4
1968	47,0	28,9	17,6	18,4	13,2	13,3	45,2	14,0	70,4	41,0	29,8	22,2	19,5	5,2	9,0
1969	50,4	29,6	18,8	18,7	13,8	14,6	46,3	15,3	69,7	42,7	28,6	21,8	20,4	5,2	8,9
1970	51,3	30,9	19,0	18,4	13,9	15,3	45,0	16,3	76,1	46,6	30,9	22,2	21,1	5,5	9,5
1961-70	46,1	30,4	17,1	18,3	12,4	13,1	42,5	14,2	75,8	43,9	28,7	20,9	19,2	4,7	9,5
1971	50,2	29,4	19,1	18,4	13,1	15,3	43,4	16,2	84,8	45,7	32,1	21,7	20,9	5,6	9,0
1972	49,4	26,5	18,8	20,0	14,1	15,7	39,9	16,9	77,2	42,2	31,9	21,8	20,8	6,1	8,3
1973	55,4	30,4	19,1	25,2	15,1	16,7	44,8	19,4	77,0	44,2	33,7	26,1	22,9	6,7	10,0
1974	63,0	34,7	21,7	25,6	18,8	21,7	57,2	24,3	81,7	51,2	42,2	33,0	27,8	8,6	14,3
1975	55,3	31,0	21,6	26,9	17,0	17,9	48,8	20,6	88,5	46,5	32,8	27,6	24,5	7,6	12,8
1976	58,2	33,5	23,2	25,8	17,8	20,3	54,2	23,2	82,7	47,6	30,9	29,6	26,4	8,4	12,8
1977	58,2	32,5	23,0	25,2	16,2	20,4	58,5	22,2	83,2	46,3	33,5	29,3	25,9	9,1	11,5
1978	56,3	29,9	22,3	24,6	14,1	19,1	59,8	21,2	82,8	44,9	32,5	27,1	24,5	9,4	9,4
1979	62,6	32,1	24,4	25,3	14,4	20,6	66,1	23,2	87,2	49,6	37,9	27,6	26,4	10,1	12,5
1980	65,4	33,8	26,7	26,2	17,8	22,7	63,0	24,6	89,6	53,0	42,0	25,1	27,8	10,7	14,6
1971-80	57,4	31,4	22,0	24,3	15,9	19,0	53,6	21,2	83,5	47,1	34,9	26,9	24,8	8,2	11,5
1981	69,8	35,8	27,8	27,1	19,8	23,5	62,7	25,3	89,8	54,5	45,2	23,9	28,5	10,3	14,0
1982	72,9	35,9	27,2	28,7	20,2	23,7	55,4	24,0	90,9	53,4	45,0	24,5	28,3	9,5	13,8
1983	72,9	34,4	26,6	30,1	21,4	22,6	55,2	21,4	90,4	53,9	44,1	25,7	27,8	9,5	12,2
1984	77,4	35,5	28,0	29,9	20,9	23,5	59,8	23,0	99,7	56,9	45,2	28,7	29,5	10,5	12,4
1985	74,4	36,3	28,3	32,8	20,8	23,2	58,8	23,2	103,4	58,7	41,4	28,0	29,4	10,1	11,2
1986	66,7	32,5	24,4	31,0	17,7	20,2	52,6	18,8	96,4	49,7	35,9	26,6	25,7	10,6	7,5
1987	66,2	29,6	23,4	32,0	19,2	20,6	52,2	18,9	98,1	49,6	41,5	26,8	25,7	11,2	7,3
1988	68,9	29,2	23,8	30,5	20,0	21,4	53,8	19,2	99,0	50,5	46,3	26,8	26,3	11,2	8,0
1989	73,3	30,8	25,6	32,3	21,3	23,0	57,2	20,6	100,8	53,9	46,3	27,9	27,9	11,2	10,0
1990	71,1	29,5	25,9	33,6	20,5	22,9	54,0	20,7	100,0	51,7	46,0	26,4	27,4	11,3	11,1
1981-90	71,4	33,0	26,1	30,8	20,2	22,5	56,2	21,5	96,8	53,3	43,7	26,5	27,6	10,5	10,8
1991	71,3	29,9	27,8	30,1	20,2	22,4	56,3	20,1	101,4	50,7	42,2	24,2	27,1	10,8	10,1
1992	72,0	30,8	28,3	30,1	20,5	22,7	57,4	20,2	102,0	52,3	40,3	25,0	27,6	11,0	10,5

Sources: see Table 1.

Table 40

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	13,7	13,7	7,4	6,4	24,9	−0,6	7,0	0,7	26,4
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	8,6	11,5	−1,1
1963	8,6	−1,1	3,2	15,4	23,5	14,1	10,6	22,5	3,6	9,8	10,4	2,0	9,0	1,6	19,5
1964	8,9	19,6	9,8	15,3	13,0	15,1	12,9	−6,1	14,4	14,9	30,8	10,8	9,6	5,2	13,7
1965	6,6	6,9	14,8	21,2	33,1	2,3	11,0	2,0	4,3	6,1	14,3	1,1	7,3	9,4	5,6
1966	9,9	5,4	2,4	−0,5	19,0	10,6	3,5	14,0	−2,5	7,0	8,1	2,5	7,1	12,6	12,2
1967	1,6	4,5	−1,0	7,1	−3,3	8,4	3,7	13,5	−4,8	6,3	8,9	7,2	5,2	5,1	22,7
1968	11,7	4,9	13,5	10,3	8,1	12,8	15,7	5,9	9,3	13,0	14,6	7,9	10,4	14,0	12,1
1969	15,5	13,1	17,0	15,5	15,7	19,5	13,4	19,3	11,3	14,1	4,3	2,9	13,7	5,8	13,7
1970	7,6	9,3	14,4	6,2	7,0	6,3	8,6	16,0	14,6	14,7	9,9	5,1	10,3	4,1	22,9
1961-70	8,5	7,9	9,3	11,2	18,3	10,2	9,8	11,3	5,9	9,8	11,3	4,1	8,8	6,9	14,5
1971	3,6	−0,7	10,8	7,6	0,7	6,7	4,7	2,9	7,6	6,1	14,6	5,2	6,0	6,5	5,7
1972	9,6	1,5	5,9	15,4	24,3	13,7	5,1	9,1	2,8	4,8	12,1	9,4	9,5	13,0	10,3
1973	18,5	12,8	4,3	32,2	16,7	13,7	19,0	9,3	10,6	11,0	12,7	11,5	11,4	10,4	24,3
1974	4,4	−3,8	−0,7	−16,3	8,0	0,8	−2,3	1,4	5,9	−0,8	4,6	0,8	0,9	−3,9	4,6
1975	−9,0	−4,8	0,9	6,3	−0,9	−9,5	−10,2	−12,5	−9,4	−4,1	−24,2	−6,9	−6,5	−10,5	−9,9
1976	12,2	15,6	11,6	6,1	9,8	17,6	14,7	13,4	0,9	10,1	5,2	4,7	11,1	19,4	6,0
1977	4,8	0,0	3,3	8,0	−5,5	0,8	13,3	1,9	1,5	2,9	10,8	1,4	2,1	12,0	3,9
1978	2,6	0,1	6,5	7,2	−1,0	3,5	15,7	4,9	5,7	6,3	0,2	3,8	4,3	5,9	5,7
1979	9,0	5,0	9,7	7,2	11,4	10,4	13,9	11,5	6,7	6,0	12,6	9,7	9,7	1,3	12,0
1980	−0,4	−6,8	3,5	−8,0	3,3	2,3	−4,5	3,1	3,7	−0,4	6,9	−3,5	0,9	−8,2	−8,7
1971-80	5,3	1,7	5,5	5,9	6,3	5,7	6,5	4,3	3,5	4,1	4,9	3,5	4,8	4,2	5,0
1981	−2,9	−1,7	−2,9	3,6	−4,2	−2,3	1,7	−3,9	−3,0	−5,8	2,3	−2,8	−3,0	2,4	1,7
1982	0,2	3,8	−1,3	7,0	3,9	2,3	−3,1	−0,7	−0,3	1,1	3,9	4,9	1,4	−2,2	0,4
1983	−1,3	1,8	1,8	6,6	−0,6	−2,7	4,7	−1,7	1,2	3,9	−6,1	6,3	1,0	12,2	−2,7
1984	5,6	5,5	5,4	0,2	−1,0	2,6	9,9	11,3	13,9	5,0	−4,4	9,9	5,9	23,0	10,9
1985	0,7	8,1	3,5	12,8	6,2	4,2	3,2	4,7	6,7	6,5	1,4	2,5	4,0	5,0	−0,4
1986	7,5	6,8	3,1	3,8	14,8	6,7	5,6	5,0	5,7	3,6	16,9	6,9	6,1	10,9	4,6
1987	8,5	−2,0	4,3	16,6	20,2	7,6	5,0	10,6	7,8	4,9	20,0	7,9	8,3	8,8	6,2
1988	7,8	1,4	5,8	8,0	14,3	8,4	3,9	7,4	6,3	6,8	16,1	12,8	8,7	5,6	18,4
1989	8,1	4,2	8,6	9,9	17,0	8,5	10,9	9,9	8,8	5,9	10,5	6,9	8,9	5,9	21,5
1990	4,6	2,1	10,4	11,3	8,1	6,4	6,0	6,7	3,4	4,6	13,6	1,3	6,3	3,9	11,9
1981-90	3,8	2,9	3,8	7,9	7,6	4,1	4,7	4,8	4,9	3,6	7,0	5,6	4,7	7,4	7,0
1991	3,4	3,5	13,4	−1,8	8,1	1,9	4,0	3,9	3,4	3,7	5,8	−2,5	4,6	0,9	−1,9
1992	4,5	5,7	5,8	2,8	7,5	3,7	5,1	5,0	4,1	3,4	6,2	6,4	5,3	5,4	9,0

Sources: see Table 1.

Table 41

Intra-Community imports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	19,2	16,5	5,6	9,0	2,2	3,6	22,9	4,4	21,0	11,3	3,9	6,0
1961	20,3	15,5	5,5	9,1	2,9	3,8	25,3	4,5	23,1	13,8	3,8	6,2
1962	20,8	15,1	5,7	9,5	4,2	4,2	25,0	4,9	22,6	11,0	3,8	6,4
1963	22,3	13,8	5,8	9,2	4,8	4,6	26,5	5,6	23,8	10,7	3,8	6,7
1964	23,2	14,5	6,1	9,2	5,2	4,9	26,3	4,8	24,1	11,5	4,2	7,0
1965	23,4	13,8	7,1	9,9	6,1	4,8	26,3	4,2	23,2	12,8	4,1	7,1
1966	25,0	13,2	6,9	9,7	6,3	5,4	24,7	4,7	22,9	13,1	4,2	7,3
1967	23,3	12,3	6,7	9,2	5,3	5,4	24,0	5,1	21,7	12,3	4,6	7,3
1968	25,1	12,3	7,4	9,7	5,1	6,0	27,9	5,1	22,0	12,1	5,1	7,8
1969	27,9	13,0	8,4	9,5	5,4	7,2	29,0	5,9	23,6	12,6	5,0	8,7
1970	28,6	13,5	8,4	10,0	5,1	7,4	29,3	6,6	25,3	13,5	5,1	9,0
1971	31,0	12,0	9,0	9,9	4,8	7,6	27,6	6,6	24,4	13,8	5,5	9,3
1972	30,6	11,1	8,7	10,4	5,3	8,0	26,6	7,2	23,0	13,3	5,9	9,5
1973	33,6	12,9	8,6	10,9	5,7	8,5	30,7	8,5	24,1	13,4	7,6	10,3
1974	35,9	14,5	9,2	10,4	6,2	9,7	38,1	9,8	26,0	16,5	9,0	11,6
1975	32,9	13,0	9,3	11,5	5,3	8,2	31,6	8,1	23,6	11,6	7,9	10,4
1976	35,2	14,5	10,0	11,1	5,2	9,5	35,4	9,5	23,8	12,8	8,5	11,5
1977	34,5	14,0	10,1	11,7	5,0	9,5	37,5	8,9	22,9	14,8	10,1	11,7
1978	34,6	13,2	10,0	11,2	4,4	9,3	39,2	8,8	22,7	15,0	9,8	11,4
1979	35,0	14,7	10,9	11,3	4,7	10,2	46,3	9,7	24,7	16,2	10,6	12,2
1980	36,0	14,9	11,4	10,9	4,9	10,6	43,5	10,2	24,8	17,1	9,1	12,2
1981	37,3	15,1	11,9	12,3	5,1	10,6	43,7	9,4	24,9	18,2	8,6	12,1
1982	40,6	15,3	12,0	12,3	5,5	11,3	38,1	9,3	25,1	19,1	9,2	12,5
1983	43,4	14,7	12,2	13,4	6,1	11,4	36,6	8,6	25,3	17,6	10,1	12,7
1984	45,2	15,0	12,9	13,8	5,9	12,0	38,7	9,2	27,6	17,7	11,1	13,4
1985	46,3	16,0	13,4	14,7	6,3	12,2	38,2	10,0	30,2	17,3	11,2	14,0
1986	41,4	15,0	11,6	16,8	7,3	11,3	33,8	9,2	27,8	18,8	11,3	13,0
1987	41,5	13,6	11,2	17,2	8,7	11,6	32,5	9,3	27,8	23,2	11,5	13,0
1988	42,6	13,0	11,1	14,6	9,4	12,6	33,6	9,6	28,5	28,7	11,5	13,3
1989	44,1	13,4	12,1	18,6	10,1	13,7	35,6	10,0	30,1	28,3	12,0	14,2
1990	44,0	13,3	12,4	19,4	10,1	13,3	34,5	9,6	29,2	28,6	11,4	14,0
1991	44,0	13,3	13,0	17,8	10,0	13,0	35,5	9,2	28,7	27,3	10,3	13,7
1992	44,4	13,5	13,2	17,9	10,3	13,2	35,9	9,2	29,6	26,3	10,6	13,9

Table 42

Extra-Community imports of goods at current prices
Foreign trade statistics

(percentage of GDP at market prices)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1960	14,7	13,7	8,5	11,0	4,0	6,7	12,9	7,5	17,8	10,6	13,6	9,9
1961	13,8	12,7	7,9	9,0	5,3	6,2	13,1	7,4	16,7	10,7	12,2	9,1
1962	13,7	13,4	7,9	7,2	5,9	6,0	12,2	7,3	15,7	9,5	11,8	8,9
1963	13,7	12,9	7,8	8,0	5,9	5,9	12,4	7,7	15,6	10,6	11,9	8,9
1964	14,0	14,3	7,8	7,6	5,7	6,0	12,5	6,9	15,5	11,7	12,8	9,0
1965	13,4	13,8	8,1	9,1	6,4	5,6	12,5	6,8	14,4	11,9	11,9	8,8
1966	13,6	13,6	7,9	8,7	6,6	5,7	12,1	7,2	14,1	11,9	11,3	8,6
1967	12,8	13,5	7,4	7,3	6,0	5,2	13,6	7,2	13,4	10,8	11,4	8,3
1968	14,1	13,4	7,7	8,1	6,6	5,0	13,6	6,8	13,2	11,1	12,9	8,6
1969	14,3	13,6	8,0	8,5	7,0	5,3	13,7	7,2	13,3	10,7	12,7	8,8
1970	14,5	14,2	7,8	9,7	7,3	5,8	12,5	7,3	14,7	12,1	12,3	8,9
1971	12,7	13,7	7,7	9,1	6,6	5,6	13,1	6,9	14,8	12,5	11,6	8,6
1972	11,8	12,2	6,8	8,2	7,0	5,7	11,1	6,9	13,1	12,9	11,4	8,1
1973	13,2	14,3	7,1	10,3	7,4	6,1	11,4	8,3	14,4	13,1	13,8	9,0
1974	17,5	16,4	9,0	13,0	10,8	9,6	16,1	12,5	18,2	17,8	18,8	12,4
1975	15,1	14,6	8,6	14,0	9,7	7,6	12,8	10,1	16,9	14,8	14,9	10,7
1976	15,9	15,3	9,8	15,8	10,5	8,6	14,2	11,5	18,2	15,1	16,4	11,8
1977	15,6	14,5	9,6	14,5	9,5	8,5	16,0	10,9	17,8	15,7	14,8	11,3
1978	14,7	12,6	9,0	13,5	8,1	7,6	15,7	10,0	15,8	14,2	14,6	10,5
1979	18,4	13,7	10,1	13,7	8,1	8,1	14,3	11,1	17,9	17,2	13,8	11,3
1980	22,4	14,7	11,7	15,7	10,8	9,7	13,9	11,9	20,5	20,7	13,1	12,6
1981	24,4	15,8	12,0	11,8	12,1	10,0	13,7	12,9	21,7	22,0	12,1	12,9
1982	24,7	15,3	11,6	13,6	11,8	9,5	12,4	12,0	20,2	21,4	12,1	12,4
1983	22,6	14,7	11,1	14,1	12,5	8,6	13,0	10,7	20,7	21,3	12,0	11,9
1984	24,0	15,7	11,8	14,7	10,8	8,7	15,3	11,1	23,9	23,0	13,4	12,5
1985	21,0	15,6	11,9	15,9	10,3	8,3	14,7	11,2	23,9	20,0	12,5	12,1
1986	17,7	13,2	9,8	12,1	6,9	6,2	12,2	7,3	17,8	13,1	11,0	9,4
1987	15,8	11,7	9,3	11,0	7,1	6,1	12,8	7,2	17,3	13,3	10,8	9,1
1988	17,8	11,2	9,7	8,8	7,2	6,7	13,3	7,0	17,7	14,1	11,8	9,6
1989	19,8	12,2	10,6	11,2	7,7	7,3	14,9	7,6	19,9	13,4	11,3	10,1
1990	18,1	11,4	10,4	10,8	7,0	7,2	13,8	7,1	19,6	12,8	10,8	9,7
1991	18,0	11,9	10,9	9,6	6,8	7,0	14,3	6,8	19,4	10,3	9,9	9,5
1992	18,2	12,4	11,1	9,8	6,9	7,1	14,6	6,9	19,3	9,5	10,3	9,7

Table 43

Balance on current transactions with the rest of the world

(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	0,5
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	−1,6
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	−1,0
1964	0,2	0,2	−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	−0,5
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	0,3	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	0,7	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	0,5	0,2	1,3
1970	2,8	3,3	−3,9	0,6	−3,1	0,2	0,8	−4,0	0,8	15,0	−1,4	1,9	1,3	0,6	0,4	1,0
1961-70	0,6	0,8	−2,1	0,7	−3,1	−0,7	0,2	−2,3	1,7	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	0,9	−3,8	1,4	6,2	−0,3	2,5	1,8	0,9	0,0	2,5
1972	3,6	3,9	−0,4	0,4	−1,2	1,5	1,0	−2,2	1,6	10,1	2,8	5,5	0,1	1,0	−0,3	2,2
1973	2,0	2,6	−1,7	1,3	−3,8	0,8	0,6	−3,5	−1,6	16,1	3,8	3,0	−1,9	0,3	0,7	0,0
1974	0,4	1,5	−3,1	3,1	−2,8	−3,5	−1,3	−9,9	−4,2	26,1	3,1	−6,2	−4,5	−0,9	0,5	−1,0
1975	−0,1	0,5	−1,5	1,2	−3,7	−2,9	0,8	−1,5	−0,2	16,5	2,5	−5,5	−2,0	0,0	1,4	−0,1
1976	0,3	1,0	−4,9	1,1	−1,9	−3,9	−0,9	−5,3	−1,2	21,1	2,9	−8,0	−1,6	−0,6	0,5	0,7
1977	−1,1	−0,3	−4,0	0,9	−1,9	−1,7	−0,1	−5,4	1,1	21,2	0,8	−9,4	0,0	0,0	−0,4	1,5
1978	−1,3	−0,5	−2,7	1,4	−1,3	1,0	1,4	−6,8	2,2	19,2	−0,9	−5,7	0,5	0,9	−0,5	1,7
1979	−2,9	−2,0	−4,7	−0,8	−1,9	0,5	0,9	−13,4	1,6	21,3	−1,2	−1,7	0,2	−0,1	0,1	−0,9
1980	−4,3	−3,5	−3,7	−1,7	0,5	−2,4	−0,6	−11,8	−2,2	18,7	−1,5	−5,9	1,5	−1,2	0,4	−1,0
1971-80	−0,1	0,5	−2,9	0,7	−1,9	−0,8	0,3	−6,3	−0,1	17,6	1,2	−3,1	−0,6	0,0	0,2	0,6
1981	−3,8	−2,8	−3,0	−0,7	−0,7	−2,7	−0,8	−14,7	−2,2	21,2	2,2	−12,2	2,5	−0,7	0,3	0,5
1982	−3,7	−2,2	−4,2	0,5	−4,4	−2,5	−2,1	−10,6	−1,6	34,4	3,2	−13,5	1,5	−0,7	0,0	0,7
1983	−0,8	0,8	−2,6	0,7	−5,0	−1,5	−0,8	−6,9	0,3	39,3	3,1	−8,3	0,9	0,1	−1,0	1,8
1984	−0,6	1,1	−3,3	1,3	−4,0	1,4	0,0	−5,8	−0,6	38,9	4,2	−3,4	−0,2	0,3	−2,4	2,8
1985	0,3	2,1	−4,6	2,6	−8,2	1,4	0,1	−4,0	−0,9	44,1	4,1	0,4	0,5	0,7	−2,9	3,7
1986	2,1	3,7	−5,4	4,4	−5,3	1,6	0,5	−2,9	0,5	39,4	2,7	2,4	−0,9	1,4	−3,3	4,3
1987	1,4	2,7	−2,9	4,2	−3,1	0,0	−0,1	1,3	−0,2	31,8	1,4	−0,4	−2,0	0,8	−3,5	3,7
1988	1,5	2,9	−1,2	4,2	−2,0	−1,1	−0,3	1,7	−0,8	33,5	2,5	−4,4	−4,6	0,1	−2,5	2,8
1989	1,1	2,5	−1,2	4,7	−4,8	−3,2	−0,1	1,3	−1,4	34,4	3,3	−2,9	−4,8	−0,1	−1,9	2,1
1990	1,0	2,3	0,8	3,2	−6,1	−3,5	−1,0	3,4	−1,4	31,2	3,8	−0,3	−3,5	−0,3	−1,6	1,2
1981-90	−0,2	1,3	−2,8	2,5	−4,4	−1,0	−0,5	−3,7	−0,8	34,8	3,0	−4,3	−1,1	0,2	−1,9	2,4
1991	1,0	2,2	1,4	1,2	−4,1	−3,1	−0,7	2,3	−1,3	28,1	4,1	−1,1	−2,1	−0,4	0,1	1,5
1992	1,1	2,2	2,2	1,2	−3,4	−3,2	−0,8	2,0	−1,5	26,1	4,4	−1,5	−2,4	−0,5	−0,7	1,6

Sources: see Table 1.

Table 44

Structure of EC exports by country and region, 1958 and 1990

(Percentage of total exports)

Export of	B/L		DK		D		GR		E		F		IRL		I		NL		P		UK		EUR 12	
to	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990
B/L	–	–	1,2	2,1	6,6	7,4	1,0	2,0	2,1	2,8	6,3	8,9	0,8	4,4	2,2	3,4	15,0	14,5	3,7	3,1	1,9	5,5	4,8	6,5
DK	1,6	0,9	–	–	3,0	1,8	0,2	0,8	1,7	0,5	0,7	0,8	0,1	1,0	0,8	0,8	2,6	1,6	1,2	2,2	2,4	1,4	2,0	1,2
D	11,6	21,2	20,0	19,8	–	–	20,5	22,1	10,2	12,6	10,4	18,2	2,2	11,7	14,1	19,0	19,0	27,7	7,7	16,6	4,2	12,4	7,6	13,1
GR	0,8	0,6	0,3	0,8	1,3	1,0	–	–	0,1	0,7	0,6	0,7	0,1	0,5	1,9	1,8	0,6	0,9	0,6	0,5	0,7	0,7	0,8	0,9
E	0,7	2,3	0,8	1,7	1,2	3,5	0,2	1,4	–	–	1,6	6,1	0,8	2,1	0,7	4,9	0,8	2,5	0,7	13,3	0,8	3,6	1,0	3,8
F	10,6	20,2	3,0	6,0	7,6	13,0	12,8	9,6	10,1	19,6	–	–	0,8	10,5	5,3	16,4	4,9	11,2	6,6	15,5	2,4	10,4	4,7	11,5
IRL	0,3	0,4	0,3	0,5	0,3	0,4	0,4	0,2	0,3	0,3	0,2	0,4	–	–	0,1	0,3	0,4	0,6	0,3	0,5	3,5	5,1	1,1	1,0
I	2,3	6,5	5,3	4,9	5,0	9,2	6,0	17,0	2,7	10,1	3,4	11,4	0,4	4,4	–	–	2,7	6,7	4,3	4,0	2,1	5,3	3,1	7,3
NL	20,7	13,6	2,2	4,9	8,1	8,4	2,0	3,4	3,2	4,3	2,0	5,4	0,5	5,8	2,0	3,1	–	–	2,5	5,7	3,2	7,2	5,3	6,4
P	1,1	0,7	0,3	0,6	0,9	0,9	0,3	0,2	0,4	5,7	0,8	1,3	0,1	0,5	0,7	1,4	0,4	0,8	–	–	0,4	1,0	0,8	1,2
UK	5,7	8,7	25,9	10,8	3,9	8,5	7,6	7,2	15,9	8,3	4,9	9,5	76,8	33,7	6,8	7,1	11,9	10,2	11,3	12,1	–	–	5,9	8,1
Total intra-EC trade	55,4	75,1	59,3	52,1	37,9	54,3	50,9	64,0	46,8	64,9	30,9	62,7	82,4	74,8	34,5	58,2	58,3	76,5	38,9	73,5	21,7	52,6	37,2	61,0
Other European OECD countries	8,7	6,5	16,6	25,6	22,7	18,8	10,3	9,7	12,4	5,6	9,0	8,7	0,9	5,9	18,9	12,5	11,9	7,2	5,1	10,5	9,1	9,0	13,7	12,0
USA	9,4	4,3	9,3	5,2	7,3	7,3	13,6	5,6	10,1	5,5	5,9	6,1	5,7	8,2	9,9	7,6	5,6	3,9	8,3	4,8	8,8	12,6	7,9	7,1
Canada	1,1	0,4	0,7	0,5	1,2	0,7	0,3	0,6	1,3	0,6	0,8	0,9	0,7	0,8	1,2	0,9	0,8	0,4	1,1	0,8	5,8	1,8	2,3	0,9
Japan	0,6	1,3	0,2	3,3	0,9	2,7	1,4	1,0	1,7	0,9	0,3	1,9	0,0	1,8	0,3	2,3	0,4	0,8	0,5	1,0	0,6	2,6	0,6	2,1
Australia	0,5	0,3	0,3	0,5	1,0	0,6	0,1	0,8	0,3	0,3	0,5	0,4	0,1	0,6	0,8	0,6	0,7	0,4	0,6	0,2	7,2	1,6	2,4	0,6
Developing countries	18,0	9,5	9,3	9,7	20,9	10,2	7,2	12,4	18,4	18,5	46,9	16,7	1,6	5,7	26,2	13,3	17,6	7,8	42,3	6,9	33,6	16,9	27,4	12,5
of which:																								
OPEC	3,3	1,8	2,3	2,0	4,8	2,8	0,9	3,9	2,6	3,3	21,3	4,2	0,2	1,8	7,5	4,1	4,5	2,3	2,0	0,6	7,0	4,7	7,6	3,3
Other developing countries	14,7	7,7	7,0	7,7	16,1	7,4	6,3	8,5	15,8	15,2	25,6	12,5	1,4	3,9	18,7	9,2	13,1	5,5	40,3	6,3	26,6	12,2	19,8	9,2
Centrally-planned economies	4,3	1,3	3,9	2,9	5,5	4,3	16,2	5,1	4,6	2,1	4,9	2,2	0,2	1,1	5,3	3,6	2,2	1,8	1,9	0,9	3,4	1,7	4,3	2,8
Rest of the world and unspecified	2,0	1,3	0,4	0,2	2,6	1,1	0,0	0,8	4,4	1,6	0,8	0,4	8,4	1,1	2,9	1,0	2,5	1,2	1,3	1,4	9,8	1,2	4,2	1,0
World (excl. EC)	44,6	24,9	40,7	47,9	62,1	45,7	49,1	36,0	53,2	35,1	69,1	37,3	17,6	25,2	65,5	41,8	41,7	23,5	61,1	26,5	78,3	47,4	62,8	39,0
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

Structure of EC imports by country and region, 1958 and 1990

(Percentage of total imports)

Import of	B/L		DK		D		GR		E		F		IRL		I		NL		P		UK		EUR 12	
from	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990	1958	1990
B/L	–	–	3,8	3,5	4,5	8,0	3,3	3,7	1,8	3,1	5,4	10,4	1,8	2,3	2,0	5,1	17,8	13,0	7,3	4,2	1,6	4,4	4,4	6,7
DK	0,5	0,6	–	–	3,4	2,1	0,7	1,3	1,3	0,8	0,6	0,9	0,7	0,9	2,2	1,0	0,7	1,1	0,8	0,9	3,1	1,8	2,0	1,3
D	17,2	22,7	19,9	23,5	–	–	20,3	20,6	8,7	16,3	11,6	20,7	4,0	7,8	12,0	21,2	19,5	23,9	17,6	14,3	3,6	15,6	8,7	15,0
GR	0,1	0,1	0,0	0,2	0,7	0,6	–	–	0,2	0,2	0,6	0,3	0,2	0,1	0,4	0,9	0,2	0,2	0,1	0,1	0,2	0,3	0,4	0,4
E	0,5	1,3	0,7	1,0	1,6	2,3	0,1	2,0	–	–	1,2	4,5	0,4	0,9	0,4	3,0	0,4	1,4	0,4	14,4	1,0	2,3	0,9	2,6
F	11,6	15,1	3,4	4,9	7,6	11,8	5,4	8,1	6,8	14,8	–	–	1,6	4,4	4,8	14,2	2,8	7,6	7,7	11,5	2,7	9,2	4,4	9,5
IRL	0,1	0,6	0,0	0,6	0,1	0,8	0,0	0,6	0,6	0,5	0,0	1,1	–	–	0,0	0,7	0,0	0,9	0,1	0,4	2,9	3,6	0,9	1,2
I	2,1	4,3	1,7	3,8	5,5	9,3	8,8	15,4	1,8	10,0	2,4	11,6	0,8	2,3	–	–	1,8	3,5	3,7	10,0	2,1	5,4	2,7	6,8
NL	15,7	17,8	7,3	7,7	8,1	12,0	4,8	6,7	2,6	4,1	2,5	6,7	2,9	5,0	2,6	5,7	–	–	2,9	5,8	4,2	7,7	5,2	8,2
P	0,4	0,4	0,3	1,1	0,4	0,8	0,3	0,4	0,3	2,5	0,4	1,2	0,2	0,4	0,4	0,4	0,2	0,6	–	–	0,4	0,9	0,3	0,9
UK	7,4	7,8	22,8	7,5	4,3	6,5	9,9	5,3	7,8	6,8	3,5	7,5	56,3	46,8	5,5	5,2	7,4	7,7	12,9	7,6	–	–	5,4	6,4
Total intra-EC trade	55,5	70,7	60,0	53,8	36,3	54,3	53,7	64,1	31,8	59,1	28,3	64,8	68,9	70,8	30,2	57,4	50,7	59,9	53,4	69,1	21,8	51,0	35,2	58,8
Other European OECD countries	7,7	5,6	18,6	23,8	15,2	16,0	11,5	7,1	8,4	6,4	6,7	7,8	3,4	3,9	13,1	11,7	7,2	7,4	8,6	6,4	8,7	12,3	10,1	10,9
USA	9,9	5,8	9,1	5,5	13,6	6,2	13,7	3,7	21,6	8,3	10,0	7,3	7,0	14,2	16,4	5,1	11,3	8,1	7,0	3,9	9,4	12,7	11,4	7,6
Canada	1,4	0,6	0,2	0,5	3,1	0,8	0,8	0,3	0,5	0,5	1,0	0,6	3,0	0,6	1,5	0,8	1,4	0,7	0,5	0,8	8,2	1,7	3,6	0,8
Japan	0,6	3,5	1,5	3,4	0,6	5,4	2,0	5,9	0,7	4,1	0,2	2,8	1,1	4,4	0,4	2,3	0,8	4,0	0,0	2,6	0,9	5,4	0,7	4,1
Australia	1,7	0,4	0,0	0,2	1,2	0,3	0,3	0,1	0,8	0,2	2,4	0,4	1,2	0,1	3,0	0,5	0,2	0,4	0,9	0,2	5,4	0,7	2,6	0,4
Developing countries	19,2	9,4	5,9	8,7	23,9	11,2	9,6	12,7	32,0	17,8	45,6	12,6	9,3	3,8	29,4	15,4	24,4	15,4	27,6	15,3	34,7	12,6	29,5	12,8
of which:																								
OPEC	5,7	2,0	0,3	1,3	6,7	2,5	1,7	5,8	17,7	7,0	19,7	4,4	0,7	0,3	13,9	7,0	11,5	6,2	6,3	6,8	11,3	2,2	10,8	4,0
Other developing countries	13,5	7,4	5,6	7,4	17,2	8,7	7,9	6,9	14,3	10,8	25,9	8,2	8,6	3,5	15,5	8,4	12,9	9,2	21,3	8,5	23,4	10,4	18,7	8,8
Centrally-planned economies	2,2	2,5	4,6	4,0	4,5	5,3	8,1	4,8	4,0	2,9	4,2	2,9	1,8	1,3	3,7	4,8	3,1	3,8	0,7	0,8	3,7	2,5	3,8	3,7
Rest of the world and unspecified	1,8	1,5	0,1	0,1	1,6	0,5	0,3	1,3	0,2	0,7	1,6	0,8	4,3	0,9	2,3	2,0	0,9	0,3	1,3	0,9	7,2	1,1	3,1	0,9
World (excl. EC)	44,5	29,3	40,0	46,2	63,7	45,7	46,3	35,9	68,2	40,9	71,7	35,2	31,1	29,2	69,8	42,6	49,3	40,1	46,6	30,9	78,2	49,0	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 46

Money supply (M2/M3)

(End year; annual percentage change)

	B/L	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	:	:	:	:	4,9	20,1
1961	9,9	9,8	12,9	17,0	:	17,2	7,3	14,9	5,4	:	:	:	:	7,4	20,2
1962	7,4	8,5	10,4	21,5	:	18,7	9,6	17,0	6,6	:	:	:	:	8,1	20,3
1963	10,3	12,5	9,9	21,4	:	14,1	5,8	13,5	9,8	:	:	:	:	8,4	24,0
1964	7,6	11,1	9,4	16,1	:	9,8	9,4	12,7	10,4	:	7,6	9,7	:	8,0	18,7
1965	9,6	9,7	10,6	12,9	:	10,9	6,7	15,2	6,2	:	9,4	10,9	:	8,1	18,0
1966	8,2	12,8	8,3	18,2	:	10,6	10,6	13,0	5,9	:	6,5	9,3	:	4,5	16,3
1967	7,1	9,8	12,0	16,1	:	13,1	12,7	13,7	10,9	11,7	12,8	12,5	:	9,2	15,5
1968	8,6	14,5	11,8	17,8	:	11,6	16,9	13,1	14,8	14,1	8,5	11,4	:	8,0	14,8
1969	7,0	10,2	9,4	16,2	:	6,1	11,2	12,5	10,2	17,8	5,1	8,4	:	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	12,0	12,5	12,7	6,6	16,9
1961-70	8,6	10,2	10,4	17,6	:	12,7	10,4	14,1	9,1	:	:	:	:	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	16,2	15,5	16,3	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	23,2	18,2	18,7	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	21,8	17,1	18,0	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	10,8	13,0	13,7	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	11,7	14,9	15,3	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	11,3	13,7	14,2	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	14,8	14,4	14,9	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	15,0	14,4	15,0	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	14,4	12,9	13,7	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	17,1	10,9	11,7	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	15,6	14,5	15,1	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	20,4	11,3	12,0	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	12,0	11,9	12,5	8,9	7,9
1983	7,1	25,4	5,3	20,3	16,2	11,5	5,6	12,3	10,4	16,3	13,3	10,7	11,3	12,0	7,3
1984	6,2	17,8	4,7	29,4	13,3	9,5	10,1	12,1	7,6	24,5	13,6	10,0	10,5	8,6	7,8
1985	6,7	15,8	5,0	26,8	12,9	6,8	5,3	11,1	11,1	29,8	13,0	9,3	9,9	8,3	8,7
1986	10,7	8,4	6,6	19,0	12,2	6,3	−1,0	9,4	5,1	25,8	15,9	9,3	9,8	9,4	9,2
1987	9,9	4,4	5,9	25,2	13,6	7,3	10,9	8,4	4,4	16,8	16,3	9,3	9,8	3,5	10,8
1988	6,6	3,5	6,9	22,6	12,3	7,4	6,3	8,5	13,1	14,8	17,6	10,1	10,4	5,5	10,2
1989	11,0	5,9	5,5	23,7	11,0	7,8	5,0	11,2	14,3	9,0	19,1	11,0	11,0	5,0	12,0
1990	6,9	7,2	5,9	14,6	11,9	7,5	15,4	9,4	8,0	19,4	12,0	8,6	9,1	3,3	7,4
1981-90	8,3	10,9	5,8	24,5	13,7	8,7	8,8	11,0	8,7	20,5	15,3	10,2	10,6	7,5	9,2

B/L: 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: M4. EUR: chain-weighted arithmetic mean; weights: GDP at current market prices and PPS. USA: M2. J: M2 plus CDs (certificates of deposit).

Table 47

Nominal short-term interest rates

(%)

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	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	14,9	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	15,9	11,6	7,9	8,1	11,3	4,8	13,0	10,3	8,6	6,9	4,0
1989	8,7	9,4	7,1	18,7	15,0	9,4	9,8	12,7	7,4	14,9	13,9	11,0	8,4	5,4
1990	9,8	10,8	8,4	19,9	15,2	10,3	11,4	12,3	8,7	16,9	14,8	11,9	7,8	7,7
1981-90	10,2	11,2	6,7	17,4	14,9	10,8	12,6	15,0	7,0	17,2	11,8	11,2	8,5	6,0
1991	9,3	9,6	9,2	21,7	13,2	9,5	10,4	12,1	9,2	17,7	11,5	11,0	5,6	7,4

B: 1961-84 four-month certificates of 'Fonds des rentes'; 1985-88 three-month treasury certificates; 1989-91 three-month interbank deposits. DK: 1961-76 discount rate; 1977-91 call money, monthly averages. D: three-month interbank loans. GR: 1960-April 1980 credit for working capital to industry; May 1980-87 interbank sight deposits; 1988-91: three-month interbank rates. E: three-month interbank deposits. F: 1960-68 call money; 1969-81 one-month sale and repurchase agreements on private-sector paper; 1982-91 three-month sale and repurchase agreements on private-sector paper. IRL: 1961-70 three-month interbank deposits in London; 1971-91 three-month interbank deposits in Dublin. I: 1960-70 12-month treasury bills; 1971-91 interbank sight deposits. NL: 1960-September 1972 three-month treasury bills; October 1972-91 three-month interbank deposits. P: 1966-July 1985 six-month deposits; August 1985-91 three-month treasury bills. UK: 1961-September 1964 three-month treasury bills; October 1964-91 three-month interbank deposits. EUR 12: weighted geometric mean, weights: private consumption at current prices and PPS. USA: three-month treasury bills. J: bonds traded with three-month repurchase agreements; certificate of deposit three-months since January 1989 (monthly average).

Table 48

Nominal 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	:	:	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	17,4	12,8	9,4	11,3	11,3	8,0	6,4	15,4	9,5	9,4	8,7	4,7
1988	7,9	10,6	6,1	16,6	11,8	9,0	9,4	12,1	7,1	6,3	14,2	9,3	9,4	9,0	4,7
1989	8,7	10,2	7,0	:	13,8	8,8	9,0	12,9	7,7	7,2	14,9	9,6	9,9	8,5	5,2
1990	10,1	11,0	8,9	:	14,7	9,9	10,1	13,4	8,6	9,0	16,8	11,1	11,1	8,6	7,5
1981-90	10,4	13,4	7,6	:	14,3	11,4	12,6	15,0	8,9	8,3	:	10,9	11,4	10,2	6,6
1991	9,3	10,1	8,6	:	12,4	9,0	9,2	12,9	8,2	8,9	17,1	9,9	10,4	8,2	6,8

B: State bonds over five years, secondary market. DK: State bonds and mortgage loans. D: public-sector bonds outstanding. GR: State bonds. E: State bonds over two years. F: 1960-79 public-sector bonds; 1980-91 State bonds over seven years. IRL: 1960-70 State bonds 20 years in London; 1971-91 State bonds 15 years in Dublin. I: 1960-84 Crediop bonds; 1985-91 rate of specialized industrial credit institutions (gross rate; monthly average). NL: 1960-73 3,25 % State bond 1948; 1974-84 private loans to public enterprises; 1985-91 five State bonds with the longest maturity. P: weighted average of public and private bonds over five years. UK: State bonds 20 years. EUR 12: as for Table 47. USA: federal government bonds over 10 years; 1989-91 federal government bonds over 30 years. J: 1961-78 State bonds; 1979-June 1987: over-the-counter sales of State bonds; 1987-1991 benchmark: bonds No 119-1999.

Table 49

Gross official reserves

(End year; Mrd ECU)

	B/L	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
1988	19,920	9,804	85,096	4,359	36,708	50,821	4,407	53,441	29,268	10,065	45,316	349,205
1989	19,087	5,894	82,270	3,856	39,993	47,418	3,461	61,172	28,336	13,656	39,093	344,236
1990	17,602	8,312	77,739	3,564	42,621	50,753	3,880	66,075	25,404	15,182	34,058	345,190

Sources: IMF: international financial statistics and Commission departments. Gold is valued at market-related prices.

Table 50

Exchange rates

(Annual average, national currency units per ECU)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	USA	J
1960	52,943	7,3209	4,4286	31,86	63,84	5,2075	0,37823	659,3	4,0054	30,39	0,37822	1,0619	382,19
1961	53,436	7,4030	4,3059	32,15	64,39	5,2570	0,38244	665,6	3,8920	30,70	0,38245	1,0717	387,05
1962	53,459	7,4145	4,2951	32,23	64,34	5,2646	0,38264	667,0	3,8711	30,71	0,38263	1,0744	387,65
1963	53,547	7,4141	4,2808	32,22	64,30	5,2623	0,38354	667,5	3,8670	30,78	0,38349	1,0739	388,18
1964	53,375	7,4203	4,2646	32,19	64,24	5,2578	0,38428	670,0	3,8698	30,83	0,38421	1,0729	388,36
1965	53,232	7,4163	4,2833	32,17	64,23	5,2562	0,38356	670,2	3,8612	30,79	0,38353	1,0724	387,68
1966	53,281	7,3980	4,2819	32,13	64,18	5,2618	0,38341	668,7	3,8758	30,75	0,38339	1,0709	388,03
1967	53,009	7,4530	4,2530	32,01	65,10	5,2492	0,38858	665,9	3,8435	30,67	0,38879	1,0669	386,39
1968	51,360	7,6989	4,1063	30,86	71,68	5,0931	0,42978	641,3	3,7235	29,50	0,42974	1,0287	370,88
1969	51,137	7,6697	4,0016	30,60	71,25	5,2953	0,42674	639,9	3,6965	29,13	0,42672	1,0200	365,54
1970	50,826	7,6771	3,7328	30,71	71,35	5,6591	0,42725	642,0	3,7022	29,27	0,42725	1,0237	366,55
1971	50,808	7,7564	3,6442	31,42	72,51	5,7727	0,42857	647,6	3,6580	29,54	0,42857	1,0473	364,04
1972	49,367	7,7942	3,5763	33,65	72,08	5,6574	0,44870	654,1	3,5997	30,30	0,44870	1,1216	340,02
1973	47,831	7,4232	3,2711	36,41	71,59	5,4660	0,50157	716,6	3,4281	30,28	0,50157	1,2294	333,77
1974	46,378	7,2573	3,0814	35,75	68,73	5,7297	0,50960	774,8	3,2013	30,27	0,50960	1,1916	347,89
1975	45,547	7,1185	3,0475	39,94	71,17	5,3126	0,55940	809,2	3,1327	31,65	0,55940	1,2402	368,01
1976	43,126	6,7544	2,8129	40,80	74,72	5,3373	0,62038	928,5	2,9533	33,73	0,62038	1,1175	331,36
1977	40,880	6,8478	2,6480	42,02	86,27	5,6049	0,65380	1 006,6	2,7994	43,55	0,65380	1,1408	305,86
1978	40,060	7,0159	2,5546	46,77	97,46	5,7401	0,66360	1 080,2	2,7522	55,85	0,66360	1,2730	266,67
1979	40,162	7,2078	2,5107	50,75	91,97	5,8286	0,66940	1 138,4	2,7480	66,96	0,64630	1,3702	299,60
1980	40,599	7,8281	2,5242	59,19	99,61	5,8692	0,67609	1 188,9	2,7605	69,50	0,59776	1,3903	314,10
1981	41,298	7,9237	2,5141	61,62	102,66	6,0398	0,69107	1 262,8	2,7751	68,47	0,55216	1,1148	245,30
1982	44,661	8,1538	2,3766	65,27	107,41	6,4226	0,68965	1 323,5	2,6148	77,62	0,56044	0,9801	243,49
1983	45,427	8,1296	2,2704	78,06	127,40	6,7672	0,71462	1 349,5	2,5371	98,15	0,58703	0,8902	211,28
1984	45,437	8,1455	2,2380	88,40	126,52	6,8713	0,72586	1 381,3	2,5232	115,64	0,59073	0,7877	186,96
1985	44,913	8,0175	2,2263	104,82	128,98	6,7950	0,71515	1 446,6	2,5110	130,05	0,58890	0,7595	180,42
1986	43,801	7,9359	2,1284	137,35	137,46	6,7976	0,73278	1 462,0	2,4012	146,94	0,67011	0,9825	165,00
1987	43,038	7,8825	2,0715	156,13	142,21	6,9287	0,77546	1 494,5	2,3342	162,54	0,70462	1,1535	166,54
1988	43,428	7,9518	2,0744	167,54	137,61	7,0362	0,77573	1 537,3	2,3346	170,05	0,66438	1,1828	151,48
1989	43,377	8,0486	2,0699	178,83	130,40	7,0235	0,77681	1 510,6	2,3350	173,41	0,67292	1,1017	151,84
1990	42,423	7,8561	2,0519	201,32	129,42	6,9140	0,76772	1 521,8	2,3119	181,10	0,71391	1,2712	183,64
1991	42,247	7,9048	2,0521	225,01	128,38	6,9752	0,76801	1 531,9	2,3125	178,10	0,69991	1,2266	165,23

Source: Eurostat and Commission departments.

Table 51

Central rates against the ecu

(National currency units per ECU)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
13.3.1979	39,4582	7,08592	2,51064	–	–	5,79831	0,662638	1 148,18	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	8,23400	2,33379	–	–	6,61387	0,691011	1 450,27	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	44,8320	8,12857	2,23840	(100,719)	–	6,86402	0,724578	1 520,60	2,52208	–	(0,555312)
7.4.1986	43,6761	7,91896	2,13834	(135,659)	–	6,96280	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)
19.6.1989	42,4582	7,85212	2,05853	(150,792)	133,804	6,90403	0,768411	1 483,58	2,31943	–	(0,739615)
21.9.1989	42,4582	7,85212	2,05853	(150,792)	133,804	6,90403	0,768411	1 483,58	2,31943	(172,085)	(0,728627)
8.1.1990	42,1679	7,79845	2,04446	(187,934)	132,889	6,85684	0,763159	1 529,70	2,30358	(177,743)	(0,728615)
8.10,1990	42,4032	7,84195	2,05586	(205,311)	133,631	6,89509	0,767417	1 538,24	2,31643	(178,735)	0,696904

The drachma and, since 21 September 1989, the escudo, are represented in the ecu, but do not participate in the exchange-rate mechanism.
Source: Commission departments.

Table 52

Bilateral central rates since 8 October 1990

		BFR/LFR (Bruxelles)	DKR (København)	DM (Frankfurt)	PTA (Madrid)	FF (Paris)	IRL (Dublin)	LIT (Roma)	HFL (Amsterdam)	UKL (London)
BFR/LFR 100	± 2,25	100	18,4938	4,84837	315,143	16,2608	1,80981	3 627,64	5,46286	1,64352
DKR 100	± 2,25	540,723	100	26,2162	1 704,05	87,9257	9,78604	19 615,4	29,5389	8,88687
DM 100	± 2,25	2 062,55	381,443	100	6 500	335,386	37,3281	74 821,7	112,673	33,8984
PTA 100	± 6,00	31,7316	5,86837	1,53847	100	5,15981	0,574281	1 151,11	1,73345	0,521514
FF 100	± 2,25	614,977	113,732	29,8164	1 938,06	100	11,1299	22 309,1	33,5953	10,1073
IRL 1	± 2,25	55,2545	10,2186	2,67894	174,131	8,9848	1	2 004,43	3,01848	0,908116
LIT 1 000	± 2,25	27,5661	5,09803	1,33651	86,8726	4,48247	0,498895	1 000	1,5059	0,453053
HFL 100	± 2,25	1 830,54	338,537	88,7526	5 768,83	297,661	33,1293	66 405,3	100	30,0853
UKL 1	± 6,00	60,8451	11,2526	2,95	191,75	9,89389	1,10118	2 207,25	3,32389	1

The drachma and, since 21 September 1989, the escudo, are represented in the ecu, but do not participate in the exchange-rate mechanism.
Source: Commission departments.

Table 53

Nominal effective exchange rates
Relative to 19 industrial countries; double export weights

(1980 = 100)

	B	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	88,9	93,2	119,5	32,1	68,2	77,0	84,0	70,9	114,1	39,3	82,3	73,3	100,2	198,4
1989	88,1	90,7	118,0	29,7	71,0	76,0	83,0	71,2	112,9	38,1	79,5	71,1	105,1	189,7
1990	92,7	97,6	124,7	27,3	74,7	80,7	87,8	73,9	117,3	37,6	78,8	79,3	98,6	170,3
1991	92,2	95,5	122,9	24,1	74,3	78,8	86,5	72,3	116,2	37,8	79,0	76,2	98,3	185,4

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).

Table 54

Current receipts
General government

(Percentage of GDP at market prices)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9[a]	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	36,0	46,2	38,9	:	22,6	39,4	33,2	28,8	36,5	41,6	:	39,8	37,4	:
1971	36,5	46,9	40,0	:	22,8	38,7	34,1	29,5	39,8	43,9	:	38,1	37,5	:
1972	36,9	46,5	40,4	:	23,2	38,9	32,9	29,4	39,9	44,9	:	36,0	37,2	:
1973	37,7	47,3	42,9	:	23,9	38,9	32,2	28,5	40,6	46,6	:	35,4	37,7	:
1974	38,6	49,1	43,4	26,7	23,2	39,5	34,3	28,0	41,4	47,2	:	39,3	38,8	:
1975	41,4	46,8	43,4	27,1	24,8	41,0	33,7	28,5	50,2	49,6	:	40,0	39,6	:
1976	41,2	47,6	44,6	29,2	25,7	43,1	36,9	29,7	51,9	50,2	:	39,4	40,5	:
1977	42,7	48,3	45,7	29,6	26,9	42,8	35,5	30,6	55,9	51,1	:	38,5	40,8	:
1978	43,7	50,3	45,4	29,9	27,6	42,5	34,3	31,8	57,5	51,5	:	37,1	40,6	:
1979	44,4	51,5	45,1	30,4	28,9	44,1	35,0	31,3	53,9	52,4	:	37,7	41,0	:
1980	43,9	52,9	45,4	30,2	30,3	46,1	37,7	33,3	55,5	53,7	30,9	39,7	42,4	40,9
1971-80	40,7	48,7	43,6	:	25,7	41,6	34,7	30,1	48,7	49,1	:	38,1	39,6	:
1981	44,7	52,9	45,6	28,8	31,8	46,7	38,4	34,3	56,1	54,0	32,4	41,7	43,2	41,8
1982	46,5	52,0	46,1	32,0	32,0	47,6	40,7	36,1	55,9	54,4	33,4	42,2	44,1	42,7
1983	45,8	54,4	45,8	33,2	34,1	48,2	42,4	37,9	58,5	55,8	37,0	41,5	44,5	43,3
1984	47,1	56,2	46,1	34,2	34,0	49,2	42,5	37,7	56,6	54,7	34,6	41,4	44,8	43,5
1985	47,3	57,3	46,4	34,2	35,2	49,3	42,4	38,2	58,2	55,1	33,4	41,4	45,0	43,8
1986	46,6	59,1	45,6	35,3	35,7	48,6	42,3	39,2	55,8	53,9	37,3	40,4	44,6	43,5
1987	46,9	59,7	45,2	36,2	37,4	49,1	42,6	39,4	56,9	55,0	36,2	39,7	44,5	43,6
1988	45,8	59,5	44,5	34,2	37,2	48,7	43,6	39,9	56,5	54,7	37,6	39,3	44,2	43,3
1989	44,5	58,2	45,4	31,6	39,0	48,3	39,6	41,6	55,1	52,2	39,5	39,1	44,4	43,6
1990	44,7	56,1	43,8	34,2	38,6	48,4	39,5	42,6	56,1	51,3	38,3	38,4	44,1	43,3
1981-90	46,0	56,5	45,5	33,4	35,5	48,4	41,4	38,7	56,6	54,1	36,0	40,5	44,3	43,2
1991	44,5	55,9	44,8	35,1	39,5	48,9	40,4	43,8	53,4	51,8	39,9	38,1	44,7	43,9
1992	44,3	55,3	45,1	35,9	40,3	48,2	40,4	44,4	52,9	52,5	40,8	37,3	44,6	44,0

[a] EUR 9: Community excluding Greece, Spain and Portugal.
Sources: 1960-70: OECD, 1970-92: member countries national accounts and Commission departments.

Table 55

Total expenditure
General government

(Percentage of GDP at market prices)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9[a]	EUR 12
1960	30,3	24,8	32,5	:	:	34,6	28,0	30,1	30,5	33,7	:	32,4	32,3	:
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	38,1	42,1	38,6	:	21,7	38,5	37,5	32,1	33,2	42,8	:	36,8	37,2	:
1971	39,7	43,0	40,0	:	23,2	38,1	38,3	34,3	37,3	44,9	:	36,7	38,1	:
1972	40,6	42,6	40,8	:	22,8	38,2	37,0	36,4	37,7	45,3	:	37,3	38,9	:
1973	41,0	42,1	41,6	:	22,7	38,3	36,8	35,0	36,7	45,9	:	38,1	39,0	:
1974	41,3	45,9	44,6	:	22,9	39,2	42,5	34,4	36,1	47,4	:	43,1	41,2	:
1975	46,2	48,2	48,8	:	24,7	43,4	46,3	39,1	49,1	52,4	:	44,5	44,9	:
1976	46,8	47,8	47,9	:	25,9	43,8	45,5	37,8	49,8	52,8	:	44,4	44,5	:
1977	48,4	48,8	48,0	:	27,4	43,6	43,1	37,7	52,6	52,8	:	41,7	44,0	:
1978	49,8	50,6	47,7	:	29,2	44,6	44,0	40,4	52,5	54,2	:	41,5	44,8	:
1979	51,7	53,2	47,6	:	30,5	45,0	46,4	39,7	53,2	56,1	:	41,0	44,8	:
1980	53,1	56,2	48,3	:	32,9	46,1	50,4	41,9	55,9	57,8	:	43,0	46,3	:
1971-80	45,9	47,8	45,5	:	26,2	42,0	43,0	37,7	46,1	51,0	:	41,1	42,6	:
1981	57,5	59,8	49,2	39,9	35,6	48,6	51,8	45,8	59,6	59,5	41,7	44,3	48,5	47,1
1982	57,5	61,2	49,4	39,7	37,5	50,3	54,5	47,4	57,0	61,5	43,8	44,7	49,5	48,2
1983	57,1	61,6	48,3	41,5	38,9	51,4	54,2	48,6	56,5	62,2	46,1	44,8	49,7	48,6
1984	56,1	60,3	48,0	44,3	39,4	51,9	52,3	49,3	53,2	60,9	46,6	45,4	49,9	48,8
1985	55,8	59,3	47,3	48,1	42,1	52,1	53,6	50,8	53,0	59,8	43,5	44,3	49,7	48,9
1986	55,7	55,7	46,9	47,9	41,7	51,3	53,4	50,9	52,4	59,9	44,6	42,8	49,1	48,3
1987	54,0	57,3	47,0	48,4	40,6	51,0	51,7	50,5	55,3	61,6	43,0	41,1	48,6	47,8
1988	52,7	59,0	46,6	48,7	40,5	50,4	48,8	50,8	54,2	59,8	43,0	38,2	47,7	47,0
1989	51,2	58,7	45,2	49,9	41,8	49,5	43,1	51,7	50,8	57,4	42,9	37,9	47,0	46,5
1990	50,4	57,6	45,7	54,6	42,7	50,1	43,1	53,2	51,3	56,6	44,0	39,1	47,8	47,4
1981-90	54,8	59,1	47,4	46,3	40,1	50,7	50,7	49,9	54,3	59,9	43,9	42,2	48,7	47,9
1991	50,9	57,5	48,0	53,0	43,5	50,4	44,5	53,7	51,4	56,2	45,3	40,0	48,8	48,3
1992	50,6	56,8	47,6	50,3	43,9	49,8	44,5	53,8	50,9	56,6	45,4	40,9	48,7	48,3

[a] EUR 9: Community excluding Greece, Spain and Portugal.
Sources: 1960-70: OECD, 1970-92: member countries national accounts and Commission departments.

Table 56

Net lending (+) or net borrowing (-)
General government

(Percentage of GDP at market prices)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 9[a]	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	0,4	:	0,7	0,9	−4,3	−3,3	3,2	−1,2	:	3,0	0,2	:
1971	−3,2	3,9	0,0	:	−0,5	0,6	−4,2	−4,8	2,6	−1,0	:	1,3	−0,6	:
1972	−3,7	3,9	−0,4	:	0,3	0,6	−4,1	−7,0	2,3	−0,4	:	−1,3	−1,7	:
1973	−3,3	5,2	1,3	:	1,1	0,6	−4,6	−6,5	3,8	0,8	:	−2,7	−1,4	:
1974	−2,7	3,1	−1,2	:	0,2	0,3	−8,2	−6,4	5,3	−0,2	:	−3,8	−2,4	:
1975	−4,8	−1,4	−5,5	:	0,0	−2,4	−12,5	−10,6	1,1	−2,9	:	−4,5	−5,4	:
1976	−5,6	−0,2	−3,3	:	−0,3	−0,7	−8,6	−8,1	2,0	−2,6	:	−4,9	−4,0	:
1977	−5,6	−0,5	−2,3	:	−0,6	−0,8	−7,6	−7,0	3,3	−1,8	:	−3,2	−3,2	:
1978	−6,1	−0,3	−2,4	:	−1,7	−2,1	−9,7	−8,5	5,0	−2,8	:	−4,4	−4,1	:
1979	−7,3	−1,7	−2,5	:	−1,6	−0,8	−11,4	−8,3	0,7	−3,7	:	−3,3	−3,7	:
1980	−9,2	−3,3	−2,8	:	−2,6	0,0	−12,7	−8,6	−0,4	−4,0	:	−3,4	−3,9	:
1971-80	−5,1	0,9	−1,9	:	−0,6	−0,5	−8,4	−7,6	2,6	−1,9	:	−3,0	−3,0	:
1981	−12,8	−6,9	−3,6	−11,0	−3,9	−1,9	−13,4	−11,4	−3,5	−5,5	−9,3	−2,6	−5,3	−5,3
1982	−11,0	−9,1	−3,2	−7,7	−5,6	−2,8	−13,8	−11,3	−1,0	−7,1	−10,4	−2,5	−5,3	−5,5
1983	−11,3	−7,2	−2,5	−8,3	−4,7	−3,2	−11,8	−10,6	2,0	−6,4	−9,0	−3,3	−5,2	−5,3
1984	−9,0	−4,1	−1,9	−10,0	−5,4	−2,8	−9,8	−11,6	3,4	−6,3	−12,0	−4,0	−5,1	−5,3
1985	−8,5	−2,0	−0,9	−13,8	−6,9	−2,9	−11,2	−12,5	5,3	−4,8	−10,1	−2,8	−4,7	−5,2
1986	−9,1	3,4	−1,3	−12,6	−6,0	−2,7	−11,2	−11,7	3,5	−6,0	−7,2	−2,4	−4,5	−4,8
1987	−7,1	2,4	−1,8	−12,2	−3,2	−1,9	−9,1	−11,0	1,6	−6,6	−6,8	−1,3	−4,1	−4,2
1988	−6,9	0,5	−2,1	−14,4	−3,3	−1,8	−5,2	−10,9	2,4	−5,2	−5,4	1,1	−3,5	−3,7
1989	−6,7	−0,5	0,2	−18,3	−2,7	−1,2	−3,5	−10,1	4,3	−5,2	−3,4	1,2	−2,6	−2,9
1990	−5,7	−1,5	−1,9	−20,4	−4,0	−1,7	−3,6	−10,7	4,8	−5,3	−5,8	−0,7	−3,7	−4,1
1981-90	−8,8	−2,5	−1,9	−12,9	−4,6	−2,3	−9,3	−11,2	2,3	−5,8	−7,9	−1,7	−4,4	−4,6
1991	−6,4	−1,7	−3,2	−17,9	−3,9	−1,5	−4,1	−9,9	2,0	−4,4	−5,4	−1,9	−4,1	−4,3
1992	−6,3	−1,5	−2,5	−14,4	−3,6	−1,7	−4,1	−9,4	2,0	−4,1	−4,6	−3,6	−4,2	−4,3

[a] EUR 9: Community excluding Greece, Spain and Portugal.

Sources: 1960-70: OECD, 1970-92: member countries national accounts and Commission departments.

Table 57

Budgetary expenditure of the European Communities

(Mio UA/EUA/ECU)[a]

	ECSC operational budget	European Development Fund	Euratom[b]	EC general budget							Total
				EAGGF[c]	Social Fund	Regional Fund	Industry, energy, research	Administration[d]	Other	Total EC	
1958	21,7	–	7,9	–	–	–	–	8,6	0,0	8,6	35,5
1959	30,7	51,2	39,1	–	–	–	–	20,3	4,9	25,2	146,2
1960	23,5	63,2	20,0	–	–	–	–	23,4	4,9	28,3	135,0
1961	26,5	172,0	72,5	–	8,6	–	–	27,9	2,9	39,4	305,0
1962	13,6	162,3	88,6	–	11,3	–	–	34,2	46,8	92,3	356,8
1963	21,9	55,5	106,4	–	4,6	–	–	37,2	42,3	84,1	267,9
1964	18,7	35,0	124,4	–	7,2	–	–	43,0	42,9	93,1	271,1
1965	37,3	248,8	120,0	102,7	42,9	–	–	48,1	7,4	201,1	607,2
1966	28,1	157,8	129,2	310,3	26,2	–	–	55,4	10,4	402,3	717,3
1967	10,4	105,8	158,5	562,0	35,6	–	–	60,4	17,1	675,1	949,8
1968	21,2	121,0	73,4	2 250,4	43,0	–	–	91,8	23,5	2 408,7	2 624,2
1969	40,7	104,8	59,2	3 818,0	50,5	–	–	105,6	77,1	4 051,2	4 255,9
1970	56,2	10,5	63,4	5 228,3	64,0	–	–	114,7	41,4	5 448,4	5 578,5
1971	37,4	236,1	–	1 883,6	56,5	–	65,0	132,1	152,2	2 289,3	2 562,8
1972	43,7	212,7	–	2 477,6	97,5	–	75,1	177,2	247,1	3 074,5	3 330,9
1973	86,9	210,0	–	3 768,8	269,2	–	69,1	239,4	294,4	4 641,0	4 937,9
1974	92,0	157,0	–	3 651,3	292,1	–	82,8	336,7	675,2	5 038,2	5 287,2
1975	127,4	71,0	–	4 586,6	360,2	150,0	99,0	375,0	642,8	6 213,6	6 412,0
1976	94,0	320,0	–	6 033,3	176,7	300,0	113,3	419,7	909,5	7 952,6	8 366,6
1977	93,0	244,7	–	6 463,5	325,2	372,5	163,3	497,0	883,4	8 704,9	9 042,6
1978	159,1	394,5	–	9 602,2	284,8	254,9	227,2	676,7	1 302,4	12 348,2	12 901,8
1979	173,9	480,0	–	10 735,5	595,7	671,5	288,0	863,9	1 447,9	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	16 057,5[e]	16 741,7
1981	261,0	658,0	–	11 446,0	547,0	2 264,0	217,6	1 035,4	3 024,6	18 546,0[f]	19 465,0
1982	243,0	750,0	–	12 792,0	910,0	2 766,0[g]	346,0	1 103,3	3 509,7	21 427,0[h]	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[i]	25 817,5
1984	408,0	703,0	–	18 985,8	1 116,4	1 283,3	1 346,4	1 236,6	2 150,8	26 119,3[j]	27 230,3
1985	453,0	698,0	–	20 546,4	1 413,0	1 624,3	706,9	1 332,6	2 599,8	28 223,0[k]	29 374,0
1986	439,0	846,7	–	23 067,7	2 533,0	2 373,0	760,1	1 603,2	4 526,2	34 863,2	36 148,9
1987	399,3	837,9	–	23 939,4	2 542,2	2 562,3	964,8	1 740,0	3 720,5	35 469,2	36 706,4
1988	567,0	1 196,3	–	27 531,9	2 298,8	3 092,8	1 203,7	1 947,0	6 186,8	42 261,0	44 024,3
1989	404,0	1 297,0	–	25 868,8	2 676,1	3 920,0	1 353,0	2 063,0	9 978,9[l]	45 899,8	47 600,8
1990	488,0	1 371,0	–	29 525,5	3 677,4	5 007,5	1 763,5	2 362,1	4 341,3	46 677,3[m]	48 536,3
1991	495,0	1 467,0	–	35 458,0	4 069,0	6 309,0	2 077,1	2 827,7	6 681,2	57 422,0[n]	59 382,0
1992	–	–	–	36 008,0	4 872,2	7 702,8	2 154,3	2 932,0	8 738,0	62 407,3[o]	62 407,3

[a] UA 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] Including surplus of ECU 82,4 Mio carried forward to 1981.
[f] Including ECU 1 173 Mio carried forward to 1982.
[g] Including ECU 1 819 Mio UK special measures.
[h] Including ECU 2 211 Mio carried forward to 1983.
[i] Including ECU 1 707 Mio carried forward to 1984.
[j] There was a small deficit in 1984 in respect of the EC budget due largely to late payment of advances by some Member States.
[k] There was a cash deficit in 1985 of ECU 25 Mio due to late payment of advances by some Member States.
[l] Includes a surplus of ECU 5 080 Mio carried forward to 1990.
[m] Rectifying and supplementary budget No 2 of 1990.
[n] Rectifying and supplementary budget No 1 of 1991.
[o] Draft general budget for 1992 (Council first reading).

Source: 1958-89: management accounts.

Table 58

Budgetary receipts of the European Communities

(Mio UA/EUA/ECU)[a]

	ECSC levies and other	European Development 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	0,02	–	–	–	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	129,6	311,0	–	–	282,8	1 163,7	4 064,6	2 482,1	7 993,1[d]	8 433,7
1977	123,0	410,0	–	–	504,7	1 778,5	3 927,2	2 494,5	8 704,9	9 237,9
1978	164,9	147,5	–	–	344,4	2 283,3	4 390,9	5 329,7	12 348,2	12 660,6
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	703,0	–	–	1 060,7[i]	2 436,3	7 960,8	14 594,6	26 052,4[j]	27 163,4
1985	453,0	698,0	–	–	2 491,0[k]	2 179,0	8 310,0	15 218,0	28 198,0	29 349,0
1986	439,0	846,7	–	–	396,5	2 287,0	8 172,9	22 810,8	33 667,2	34 952,9
1987	399,3	837,9	–	–	74,8	3 097,9	8 936,5	23 674,1	35 783,3	37 020,5
1988	567,0	1 196,3	–	–	1 377,0	2 606,0	9 310,0	28 968,0	42 261,0	44 024,3
1989	404,0	1 297,0	–	–	4 018,4	2 397,9	10 312,9	29 170,6	45 899,8	47 600,8
1990	488,0	1 371,0	–	–	5 419,0	2 283,2	11 349,9	27 625,2	46 677,3[l]	48 536,3
1991	495,0	1 467,0	–	–	4 356,0	2 295,4	11 949,7	38 821,8	57 420,0[m]	59 382,0
1992	–	–	–	–	413,2	2 328,6	11 599,9	48 065,6	62 407,3[n]	62 407,3

[a] UA until 1977, EUA/ECU from 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 UA 40,5 Mio. 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 Mio carried forward to 1981.
[g] Including surplus of ECU 661 Mio.
[h] Includes surplus of ECU 307 Mio.
[i] Includes ECU 593 Mio of repayable advances by Member States.
[j] See note (j) to Table 57.
[k] Includes non-repayable advances by Member States of 1981, ECU 6 Mio.
[l] Rectifying and supplementary budget No 2 of 1990.
[m] Rectifying and supplementary budget No 1 of 1990.
[n] Draft general budget for 1992 (Council first reading).

Note: From 1988 onwards agricultural levies, sugar levies and customs duties are net of 10 % collection costs previously included as an expenditure item.

Source: 1958-89: management accounts.

Table 59

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

(Mio UA/EUA/ECU)[a]

	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	4 247	1 617	10 491
1984	822	4 339[e]	214	–	967	6 342
1985	1 265	5 699[e]	344	–	860	8 168
1986	1 517	6 786	488	862	541	10 194
1987	1 487	5 593	853	860	611	9 404
1988	880[f]	7 666	93	–	945[f]	9 584
1989	913	9 034	–	–	522	10 469
1990	1 086	10 996	–	–	76	12 158

[a] ECSC: 1958-74 UA, 1975-89 EUA/ECU. EIB: 1961-73 UA, 1974-89 EUA/ECU. Euratom: 1963-73 UA, 1974-89 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 short-term borrowing.
[f] Including the Community loan 'Jean Monnet' of ECU 500 Mio which has been divided equally under the headings ECSC and NCI.

Source: European Economy: report on the borrowing and lending activities of the Community.

Table 60

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

(Mio UA/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
1988	6 825	36 928	2 164	2 459	5 514	53 890
1989	6 738	42 330	1 945	2 075	5 122	58 210
1990	6 673	48 858	1 687	1 695	4 542	63 455

[a] ECSC: 1958-74 UA, 1975-89 EUA/ECU. EIB: 1961-73 UA, 1974-89 EUA/ECU. Euratom: 1963-73 UA, 1974-89 EUA/ECU.
[b] EEC balance-of-payments financing.
[c] EEC New Community instrument (for investment).

Source: European Economy: report on the borrowing and lending activities of the Community.

Table 61

Main economic indicators 1961-92[a]

EUR 12

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	10,2	13,8	9,3	8,7	8,5	7,1	8,8	8,6	8,6	6,9	6,9
— at constant prices	4,8	1,9	2,3	2,5	2,7	2,9	4,0	3,3	2,8	1,3	2,2
— price deflator	5,2	11,6	6,8	6,1	5,6	4,1	4,6	5,1	5,7	5,5	4,6
2. Gross fixed capital formation[b]											
— total	5,7	−0,4	1,2	2,4	4,0	5,5	9,0	6,7	4,1	−0,4	2,2
— construction[c]	:	−1,4	−0,3	−1,7	3,8	3,1	6,3	5,3	3,6	−0,2	1,8
— equipment[c]	:	1,1	3,9	8,5	3,9	8,4	11,3	8,5	4,7	−0,3	2,6
3. Share of gross fixed capital formation in GDP[d]											
— total	23,1	21,6	19,3	19,1	19,0	19,3	20,1	20,7	20,8	20,2	20,1
— general government[e]	:	3,2	2,8	2,8	2,8	2,7	2,6	2,8	3,0	3,0	2,9
— other sectors[e]	:	18,3	16,4	16,2	16,1	16,6	17,4	17,8	17,7	17,2	17,1
4. Final national uses incl. stocks[b]											
— EUR 12	4,9	1,5	1,8	2,3	3,9	4,1	5,0	3,7	2,9	1,1	2,2
— EUR 12 against 9 other OECD countries	−0,6	−0,5	−3,5	−1,7	0,1	−0,3	0,1	−0,1	1,1	1,1	−0,2
5. Inflation (price deflator private consumption)	4,7	11,8	7,3	6,0	3,8	3,6	3,7	4,9	5,2	5,0	4,5
6. Compensation per employee											
— nominal	9,9	13,9	7,5	7,0	6,4	5,6	5,9	6,1	7,6	7,0	5,8
— real, deflator private consumption	5,0	1,9	0,2	1,0	2,5	2,0	2,1	1,1	2,3	1,9	1,3
— real, deflator GDP	4,5	2,1	0,6	0,9	0,8	1,5	1,2	0,9	1,9	1,4	1,2
7. Productivity[f]	4,4	2,0	2,3	1,9	2,1	1,7	2,4	1,7	1,4	0,8	1,9
8. Real unit labour costs[g]											
— index: 1961-73 = 100	100,0	103,1	99,2	98,2	96,9	96,7	95,6	94,8	95,3	95,9	95,2
— annual percentage change	0,1	0,0	−1,7	−1,0	−1,3	−0,3	−1,1	−0,8	0,5	0,6	−0,7
9. Relative unit labour costs in common currency against 9 other OECD countries											
— index: 1961-73 = 100	100,0	104,7	84,5	84,4	92,6	99,5	97,6	94,8	106,5	103,9	102,6
— annual percentage change	1,0	−1,5	−7,4	−0,1	9,8	7,4	−1,9	−2,8	12,4	−2,4	−1,3
10. Employment	0,3	−0,1	0,1	0,5	0,6	1,1	1,6	1,5	1,4	0,4	0,3
11. Unemployment rate[h]	2,2	6,0	10,7	10,8	10,7	10,3	9,7	8,9	8,4	8,6	9,1
12. Current balance[i]	0,4	−0,3	0,3	0,7	1,4	0,8	0,1	−0,1	−0,3	−0,4	−0,5
13. Net lending (+) or net borrowing (−) of general government[i,j]	−0,7	−4,0	−5,3	−5,2	−4,8	−4,2	−3,7	−2,9	−4,1	−4,3	−4,3
14. Gross debt of general government[i,j]	:	44,4	56,4	59,1	60,0	61,5	61,0	60,3	60,3	61,8	63,4
15. Interest payments by general government[i,j]	:	3,1	4,7	5,0	5,0	4,8	4,7	4,8	5,0	5,1	5,2
16. Money supply (end of year)[k]	11,9	13,4	10,5	9,9	9,8	9,8	10,4	11,0	9,1	:	:
17. Long-term interest rate[l]	7,1	12,1	11,8	10,9	9,2	9,4	9,4	9,9	11,1	10,4	:
18. Profitability (index: 1961-73 = 100)	100,0	72,2	75,3	78,5	83,9	86,0	90,7	93,8	93,5	91,6	92,9

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] 1974-83: EUR 12 excl. Portugal.
[d] At current prices.
[e] EUR 12 excl. Greece and Portugal.
[f] GDP at constant market prices per person employed.
[g] Deflator GDP.
[h] Per cent of civilian labour force.
1961-73: EUR 12 excl. Greece, Spain and Portugal.
[i] Per cent of GDP.
[j] 1974-83: EUR 12 excl. Greece and Portugal.
[k] Broad money supply M2 or M3 according to country.
1961-73: EUR 12 excl. Spain and Portugal.
[l] Levels.

Table 62

Main economic indicators 1961-92[a]

Belgium

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	9,2	8,9	7,4	7,0	5,2	4,6	6,4	8,6	6,8	4,4	5,8
— at constant prices	4,9	1,8	2,1	0,8	1,5	2,2	4,6	3,9	3,7	1,3	2,1
— price deflator	4,1	6,9	5,2	6,1	3,7	2,3	1,7	4,6	3,0	3,1	3,6
2. Gross fixed capital formation[b]											
— total	5,1	−1,0	1,7	0,7	4,4	5,8	13,5	13,6	8,3	0,6	3,0
— construction	:	−2,4	−6,1	−0,6	3,0	3,3	13,2	8,9	6,7	−1,4	3,3
— equipment	:	2,4	13,6	2,3	5,3	7,2	13,8	18,2	10,3	3,0	2,8
3. Share of gross fixed capital formation in GDP[c]											
— total	21,8	20,4	16,0	15,6	15,7	16,0	17,5	19,1	20,0	19,8	19,8
— general government	:	3,7	2,6	2,2	2,0	1,8	1,9	1,7	1,6	1,6	1,6
— other sectors	:	16,7	13,4	13,4	13,7	14,2	15,6	17,5	18,4	18,2	18,3
4. Final national uses incl. stocks											
— at constant prices	4,8	1,1	2,3	0,5	2,8	3,9	4,1	4,9	3,4	1,2	2,2
— relative against 19 competitors	−0,1	−0,5	−0,6	−2,1	−0,9	0,5	0,0	1,5	0,5	0,1	0,2
— relative against other member countries	0,0	−0,3	0,4	−1,6	−0,9	0,6	−0,1	1,5	0,2	−0,2	0,3
5. Inflation (price deflator private consumption)	3,7	7,8	5,7	6,0	0,5	2,0	1,6	3,5	3,5	3,2	3,4
6. Compensation per employee											
— nominal	8,9	10,1	6,5	4,6	4,6	2,1	2,4	3,6	6,4	5,2	5,7
— real, deflator private consumption	5,0	2,2	0,8	−1,3	4,0	0,1	0,8	0,1	2,8	1,9	2,2
— real, deflator GDP	4,6	3,0	1,3	−1,4	0,9	−0,2	0,7	−0,9	3,4	2,0	2,1
7. Productivity[d]	4,3	2,2	2,3	0,3	0,8	1,8	3,1	2,2	2,7	1,6	2,1
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	111,4	109,9	108,1	108,1	106,0	103,6	100,4	101,0	101,4	101,4
— annual percentage change	0,3	0,7	−1,0	−1,7	0,1	−1,9	−2,3	−3,1	0,6	0,4	0,0
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	107,7	87,5	89,0	94,4	95,6	91,6	89,5	93,3	91,4	91,3
— annual percentage change	−0,3	−1,4	−1,1	1,8	6,0	1,3	−4,2	−2,3	4,3	−2,0	−0,1
• against other member countries											
— index: 1961-73 = 100	100,0	105,4	90,7	92,5	95,7	95,2	91,5	90,1	91,4	90,1	90,3
— annual percentage change	−0,7	−1,0	1,1	1,9	3,4	−0,6	−3,8	−1,5	1,4	−1,4	0,2
10. Employment	0,6	−0,4	−0,2	0,6	0,6	0,5	1,5	1,6	0,9	−0,3	0,0
11. Unemployment rate[f]	:	7,3	12,5	11,6	11,6	11,4	10,0	8,5	8,1	8,6	8,6
12. Current balance[g]	1,1	−1,7	−0,6	0,3	2,1	1,4	1,5	1,1	1,0	1,0	1,1
13. Net lending (+) or net borrowing (−) of general government[g]	:	−7,6	−9,0	−8,5	−9,1	−7,1	−6,9	−6,7	−5,7	−6,4	−6,3
14. Gross debt of general government[g]	:	75,6	112,6	119,8	124,0	131,0	132,4	128,4	127,3	129,4	129,6
15. Interest payments by general government[g]	:	5,8	10,0	10,8	11,4	10,7	10,3	10,6	10,9	10,9	10,9
16. Money supply (end of year)[h]	10,1	10,3	6,2	6,7	10,7	9,9	6,6	11,0	6,9	:	:
17. Long-term interest rate[i]	6,5	10,5	12,0	10,6	7,9	7,8	7,9	8,7	10,1	9,3	:
18. Profitability (index: 1961-73 = 100)	100,0	66,0	64,0	68,1	69,9	75,2	82,3	90,2	89,4	86,9	86,4

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M2N.
[i] Levels

Table 63

Main economic indicators 1961-92[a]

Denmark

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	11,7	11,5	10,3	8,8	8,4	5,0	5,1	5,5	4,4	3,7	5,3
— at constant prices	4,3	1,5	4,4	4,3	3,6	0,3	0,5	1,2	2,1	1,8	3,0
— price deflator	7,0	9,8	5,7	4,3	4,6	4,7	4,5	4,3	2,3	1,9	2,2
2. Gross fixed capital formation[b]											
— total	6,5	−3,4	12,9	12,6	17,1	−3,8	−6,6	0,2	−1,9	−1,9	2,0
— construction	:	−5,7	8,8	8,9	18,0	1,1	−4,5	−4,6	−6,1	−6,5	−1,0
— equipment	:	1,0	17,9	16,2	16,6	−8,9	−9,8	6,3	3,0	3,0	5,0
3. Share of gross fixed capital formation in GDP[c]											
— total	24,0	19,9	17,2	18,7	20,8	19,7	18,3	18,2	17,7	17,3	17,2
— general government	:	3,4	1,9	2,2	1,6	1,8	1,9	2,0	1,9	2,0	1,9
— other sectors	:	16,5	15,3	16,6	19,1	17,9	16,5	16,2	15,8	15,3	15,3
4. Final national uses incl. stocks											
— at constant prices	4,6	0,5	5,1	5,4	6,1	−2,2	−1,7	0,3	−0,7	0,4	2,0
— relative against 19 competitors	0,1	−1,1	1,5	2,4	2,2	−5,5	−5,7	−2,9	−3,0	−0,1	0,0
— relative against other member countries	0,2	−0,8	3,1	3,3	2,3	−5,6	−6,1	−3,0	−3,8	−0,8	0,0
5. Inflation (price deflator private consumption)	6,6	10,5	6,4	4,3	2,9	4,6	4,9	5,1	2,5	2,4	2,2
6. Compensation per employee											
— nominal	10,7	11,1	5,5	4,7	4,4	7,9	3,9	3,3	3,5	3,5	3,5
— real, deflator private consumption	3,8	0,6	−0,8	0,4	1,5	3,1	−0,9	−1,6	1,0	1,1	1,3
— real, deflator GDP	3,4	1,2	−0,1	0,4	−0,2	3,0	−0,6	−0,9	1,2	1,6	1,3
7. Productivity[d]	3,2	1,3	2,6	1,7	1,0	−0,6	0,5	1,8	2,5	2,8	3,0
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	101,2	94,9	93,6	92,5	95,9	94,8	92,2	91,0	90,0	88,4
— annual percentage change	0,2	−0,1	−2,7	−1,3	−1,2	3,6	−1,2	−2,7	−1,3	−1,2	−1,7
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	113,4	96,6	97,1	102,7	112,4	110,6	105,5	108,8	101,9	98,4
— annual percentage change	2,2	−1,2	−4,0	0,6	5,7	9,4	−1,6	−4,6	3,2	−6,3	−3,5
• against other member countries											
— index: 1961-73 = 100	100,0	110,6	100,8	101,7	103,7	110,5	109,9	106,4	105,2	99,2	95,9
— annual percentage change	1,7	−0,8	−0,7	0,9	2,0	6,6	−0,6	−3,2	−1,1	−5,7	−3,3
10. Employment	1,1	0,2	1,7	2,5	2,6	0,9	0,0	−0,6	−0,4	−1,0	0,0
11. Unemployment rate[f]	:	6,1	8,7	7,2	5,6	5,7	6,5	7,8	8,2	9,5	9,6
12. Current balance[g]	−2,0	−3,4	−3,3	−4,6	−5,4	−2,9	−1,2	−1,2	0,8	1,4	2,2
13. Net lending (+) or net borrowing (−) of general government[g]	:	−2,7	−4,1	−2,0	3,4	2,4	0,5	−0,5	−1,5	−1,7	−1,5
14. Gross debt of general government[g]	:	32,9	79,8	76,8	69,0	65,8	66,1	65,6	66,4	66,7	65,8
15. Interest payments by general government[g]	:	3,5	9,6	9,9	8,8	8,3	7,9	7,4	7,2	7,4	7,3
16. Money supply (end of year)[h]	10,6	12,8	17,8	15,8	8,4	4,4	3,5	5,9	7,2	:	:
17. Long-term interest rate[i]	9,0	16,6	14,0	11,6	10,5	11,9	10,6	10,2	11,0	10,1	:
18. Profitability (index: 1961-73 = 100)	100,0	71,8	80,8	84,1	89,5	81,0	80,7	83,8	84,7	85,5	88,6

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M2.
[i] Levels.

Table 64

Main economic indicators 1961-92[a]

West Germany

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	8,9	6,2	4,8	4,3	5,5	3,7	5,3	5,9	8,3	7,8	6,8
— at constant prices	4,4	1,6	2,8	2,0	2,3	1,7	3,7	3,3	4,7	3,3	2,2
— price deflator	4,3	4,5	2,0	2,2	3,1	2,0	1,6	2,6	3,4	4,3	4,5
2. Gross fixed capital formation[b]											
— total	4,0	−0,1	0,8	0,1	3,3	2,2	5,1	7,1	8,8	6,6	3,8
— construction	:	−1,0	1,6	−5,6	2,7	−0,3	3,3	5,1	5,3	3,5	2,5
— equipment	:	1,5	−0,2	9,9	4,3	5,6	7,7	10,0	12,9	10,0	5,1
3. Share of gross fixed capital formation in GDP[c]											
— total	24,9	21,0	20,2	19,7	19,5	19,5	19,7	20,5	21,4	22,2	22,5
— general government	:	3,4	2,4	2,1	2,4	2,4	2,3	2,3	2,3	2,4	2,4
— other sectors	:	17,7	17,8	17,6	17,1	17,1	17,4	18,2	19,0	19,8	20,1
4. Final national uses incl. stocks											
— at constant prices	4,5	1,4	2,0	0,8	3,5	2,7	3,8	2,7	5,0	3,0	2,1
— relative against 19 competitors	−0,5	−0,3	−1,4	−2,2	−0,2	−0,9	−0,5	−0,9	2,8	2,6	0,1
— relative against other member countries	−0,3	−0,1	0,0	−1,7	−0,3	−0,9	−0,7	−1,1	2,7	2,5	0,2
5. Inflation (price deflator private consumption)	3,6	4,8	2,5	2,1	−0,2	0,8	1,3	3,1	2,6	3,5	4,2
6. Compensation per employee											
— nominal	9,1	6,0	3,3	3,0	3,5	3,0	3,0	2,8	4,2	6,2	5,8
— real, deflator private consumption	5,3	1,2	0,9	0,9	3,7	2,2	1,7	−0,2	1,5	2,6	1,5
— real, deflator GDP	4,5	1,4	1,4	0,7	0,4	1,0	1,4	0,3	0,7	1,8	1,2
7. Productivity[d]	4,1	1,9	2,7	1,2	0,9	1,0	2,9	1,9	1,9	0,5	1,1
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	102,1	97,0	96,5	96,0	96,0	94,6	93,1	92,1	93,3	93,4
— annual percentage change	0,4	−0,5	−1,3	−0,5	−0,5	0,0	−1,5	−1,6	−1,1	1,3	0,1
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	107,6	91,2	89,6	97,9	103,4	99,7	95,9	98,4	97,6	98,5
— annual percentage change	2,2	−2,3	−4,6	−1,8	9,3	5,6	−3,6	−3,8	2,6	−0,8	0,9
• against other member countries											
— index: 1961-73 = 100	100,0	107,0	97,9	96,0	101,9	105,0	101,3	98,2	96,0	96,1	97,6
— annual percentage change	2,1	−1,9	−1,7	−1,9	6,1	3,0	−3,6	−3,1	−2,2	0,1	1,6
10. Employment	0,3	−0,3	0,2	0,7	1,4	0,7	0,8	1,4	2,8	2,8	1,0
11. Unemployment rate[f]	:	3,7	7,1	7,1	6,3	6,2	6,1	5,5	5,1	4,6	5,0
12. Current balance[g]	0,7	0,6	1,3	2,6	4,4	4,2	4,2	4,7	3,2	1,2	1,2
13. Net lending (+) or net borrowing (−) of general government[g]	:	−2,9	−1,9	−0,9	−1,3	−1,8	−2,1	0,2	−1,9	−3,2	−2,5
14. Gross debt of general government[g]	:	31,0	41,6	42,3	42,4	43,5	44,1	43,0	43,6	46,2	48,7
15. Interest payments by general government[g]	:	1,9	3,0	3,0	3,0	2,9	2,8	2,7	2,6	2,7	2,8
16. Money supply (end of year)[h]	10,9	7,7	4,7	5,0	6,6	5,9	6,9	5,5	5,9	:	:
17. Long-term interest rate[i]	7,2	8,2	7,8	6,9	5,9	5,8	6,1	7,0	8,9	8,6	:
18. Profitability (index: 1961-73 = 100)	100,0	78,0	79,6	80,8	84,2	84,6	89,3	93,0	96,9	94,6	93,8

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M3.
[i] Levels.

Table 65

Main economic indicators 1961-92[a]

Greece

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	12,5	20,3	23,6	21,3	19,1	13,3	20,5	17,3	17,9	20,9	14,7
— at constant prices	7,7	2,5	2,8	3,1	1,4	−0,5	4,1	2,8	−0,3	0,7	1,2
— price deflator	4,5	17,4	20,3	17,7	17,4	13,8	15,7	14,0	18,2	20,0	13,3
2. Gross fixed capital formation[b]											
— total	10,0	−1,9	−5,7	5,2	−6,2	−8,7	8,8	8,6	4,8	−1,2	3,5
— construction	:	−3,4	−6,9	3,1	−0,8	−7,7	8,3	2,0	2,1	−5,0	2,5
— equipment	:	0,5	−4,2	7,7	−12,6	−9,9	9,5	17,4	7,9	3,0	4,5
3. Share of gross fixed capital formation in GDP[c]											
— total	22,7	22,4	18,5	19,1	18,5	16,8	17,1	18,5	18,9	18,2	18,5
— general government	:	:	4,1	4,4	4,1	3,2	3,2	3,4	3,1	3,1	3,1
— other sectors	:	:	14,3	14,7	14,4	13,6	13,9	15,2	15,8	15,1	15,3
4. Final national uses incl. stocks											
— at constant prices	8,1	1,7	0,0	5,4	−1,7	−1,6	7,0	3,3	3,3	−0,3	1,1
— relative against 19 competitors	3,1	0,0	−3,3	2,7	−5,1	−5,0	2,5	0,0	0,5	−1,4	−1,0
— relative against other member countries	3,3	0,2	−2,1	3,3	−5,2	−5,0	2,5	0,0	0,2	−1,7	−0,9
5. Inflation (price deflator private consumption)	3,5	17,3	17,9	18,3	22,1	15,5	14,2	14,7	20,2	18,3	14,3
6. Compensation per employee											
— nominal	10,4	21,6	20,7	23,4	12,5	9,8	18,8	18,1	20,2	16,2	11,6
— real, deflator private consumption	6,7	3,7	2,4	4,3	−7,9	−5,0	4,0	2,9	0,0	−1,7	−2,3
— real, deflator GDP	5,7	3,6	0,3	4,8	−4,2	−3,5	2,6	3,6	1,7	−3,1	−1,5
7. Productivity[d]	8,1	1,4	2,4	2,2	1,0	−0,4	2,5	2,5	−0,5	1,6	1,3
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	97,6	105,1	107,9	102,3	99,0	99,2	100,3	102,4	97,7	95,0
— annual percentage change	−2,2	2,2	−2,0	2,6	−5,2	−3,1	0,2	1,1	2,2	−4,6	−2,8
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	79,2	80,0	78,5	66,5	64,2	67,4	69,7	73,9	71,1	69,7
— annual percentage change	−3,9	1,0	−2,2	−1,8	−15,3	−3,5	5,0	3,4	6,1	−3,9	−1,9
• against other member countries											
— index: 1961-73 = 100	100,0	77,4	84,8	83,4	68,5	64,6	68,2	71,2	72,8	70,5	69,4
— annual percentage change	−4,4	1,6	0,5	−1,7	−17,8	−5,7	5,5	4,4	2,3	−3,2	−1,5
10. Employment	−0,4	1,1	0,3	0,9	0,3	−0,1	1,6	0,4	0,2	−0,8	−0,1
11. Unemployment rate[f]	:	3,2	8,1	7,8	7,4	7,4	7,6	7,5	7,5	8,8	9,3
12. Current balance[g]	−2,9	−2,3	−4,0	−8,2	−5,3	−3,1	−2,0	−4,8	−6,1	−4,1	−3,4
13. Net lending (+) or net borrowing (−) of general government[g]	:	:	−10,0	−13,8	−12,6	−12,2	−14,4	−18,3	−20,4	−17,9	−14,4
14. Gross debt of general government[g]	:	29,7	53,2	62,6	65,2	72,9	80,4	85,8	93,7	96,4	99,0
15. Interest payments by general government[g]	:	2,1	4,6	5,3	5,8	7,2	7,9	8,2	12,0	13,2	12,7
16. Money supply (end of year)[h]	18,2	25,0	29,4	26,8	19,0	25,2	22,6	23,7	14,6	:	:
17. Long-term interest rate[i]	:	12,9	18,5	15,8	15,8	17,4	16,6	:	:	:	:
18. Profitability (index: 1961-73 = 100)	100,0	71,8	41,7	34,8	43,5	49,5	52,9	48,8	44,3	54,5	60,1

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M3.
[i] Levels.

Table 66

Main economic indicators 1961-92[a]

Spain

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	14,8	18,2	12,9	11,1	14,6	11,8	11,2	12,1	11,3	9,3	9,0
— at constant prices	7,2	1,7	1,8	2,3	3,2	5,6	5,2	4,8	3,7	2,5	3,1
— price deflator	7,1	16,2	10,9	8,5	11,1	5,9	5,6	6,9	7,3	6,6	5,8
2. Gross fixed capital formation[b]											
— total	10,4	−1,2	−5,8	4,1	10,1	14,0	14,0	13,7	6,7	2,2	3,6
— construction	:	−1,4	−5,2	2,0	6,5	9,9	12,2	14,9	10,7	5,3	4,0
— equipment	:	−0,7	−7,3	9,1	15,8	21,2	16,7	13,0	1,2	−2,5	3,0
3. Share of gross fixed capital formation in GDP[c]											
— total	24,6	23,7	19,0	19,2	19,5	20,8	22,5	24,0	24,4	24,2	24,1
— general government	:	2,4	3,0	3,7	3,6	3,4	3,8	4,3	5,0	5,2	5,2
— other sectors	:	21,3	16,0	15,5	15,8	17,3	18,7	19,6	19,5	19,0	18,9
4. Final national uses incl. stocks											
— at constant prices	7,6	1,2	−0,7	2,9	6,0	8,1	7,1	7,8	4,6	3,1	3,4
— relative against 19 competitors	2,7	−0,5	−3,9	0,1	2,2	4,3	2,6	4,3	1,9	2,2	1,3
— relative against other member countries	2,9	−0,3	−2,5	0,8	2,2	4,5	2,5	4,4	1,5	1,9	1,4
5. Inflation (price deflator private consumption)	6,6	16,6	11,0	8,2	8,6	5,7	5,1	6,6	6,4	5,8	5,6
6. Compensation per employee											
— nominal	14,6	19,7	10,0	9,4	9,5	6,7	6,2	6,1	7,7	7,8	7,0
— real, deflator private consumption	7,5	2,6	−0,9	1,1	0,8	0,9	1,1	−0,5	1,2	1,8	1,3
— real, deflator GDP	7,1	3,0	−0,9	0,8	−1,4	0,8	0,5	−0,8	0,4	1,0	1,2
7. Productivity[d]	6,5	3,1	4,3	3,7	1,8	1,0	1,7	1,2	1,0	1,8	1,8
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	104,2	96,7	94,1	91,1	90,9	89,9	88,1	87,5	86,9	86,3
— annual percentage change	0,6	0,0	−4,9	−2,8	−3,2	−0,3	−1,1	−2,0	−0,6	−0,7	−0,6
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	119,0	103,3	102,8	105,2	107,8	113,0	119,4	127,5	127,5	127,8
— annual percentage change	1,8	−0,5	−0,5	−0,5	2,3	2,5	4,8	5,7	6,7	0,0	0,2
• against other member countries											
— index: 1961-73 = 100	100,0	114,2	108,4	108,0	106,3	106,0	111,7	119,5	122,4	123,5	124,3
— annual percentage change	1,3	0,1	2,7	−0,3	−1,6	−0,3	5,4	7,0	2,4	0,8	0,7
10. Employment	0,7	−1,3	−2,4	−1,3	1,4	4,5	3,5	3,6	2,6	0,7	1,2
11. Unemployment rate[f]	:	9,4	20,6	21,8	21,1	20,4	19,3	17,1	16,1	15,8	15,5
12. Current balance[g]	−0,2	−2,0	1,4	1,4	1,6	0,0	−1,1	−3,2	−3,5	−3,1	−3,2
13. Net lending (+) or net borrowing (−) of general government[g]	:	−2,1	−5,4	−6,9	−6,0	−3,2	−3,3	−2,7	−4,0	−3,9	−3,6
14. Gross debt of general government[g]	:	18,1	39,9	45,2	46,2	46,6	42,9	44,2	44,5	45,6	46,4
15. Interest payments by general government[g]	:	0,7	2,1	3,3	4,0	3,5	3,3	3,4	3,5	3,6	3,8
16. Money supply (end of year)[h]	:	18,1	13,3	12,9	12,2	13,6	12,3	11,0	11,9	:	:
17. Long-term interest rate[i]	:	:	16,5	13,4	11,4	12,8	11,8	13,8	14,7	12,4	:
18. Profitability (index: 1961-73 = 100)	100,0	71,3	75,9	84,5	101,8	108,6	114,5	124,7	126,6	126,9	127,8

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] ALP: Liquid assets held by the public.
[i] Levels.

Table 67

Main economic indicators 1961-92[a]

France

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	10,7	13,5	8,9	7,8	7,9	5,0	7,0	7,4	5,6	4,4	5,2
— at constant prices	5,4	2,2	1,5	1,8	2,4	2,0	3,6	3,6	2,8	1,3	2,3
— price deflator	5,1	11,0	7,3	5,8	5,3	2,9	3,3	3,6	2,7	3,1	2,9
2. Gross fixed capital formation[b]											
— total	7,5	−0,3	−2,6	3,4	4,6	4,2	8,5	5,8	3,8	−0,6	1,8
— construction	:	−0,9	−2,9	−0,4	3,6	3,2	7,3	5,3	2,3	1,2	2,1
— equipment	:	0,4	−0,6	10,0	4,3	5,4	9,7	5,8	5,0	−1,8	1,6
3. Share of gross fixed capital formation in GDP[c]											
— total	24,0	22,8	19,3	19,3	19,3	19,7	20,5	20,8	20,8	20,4	20,3
— general government	:	3,4	3,0	3,2	3,2	3,0	3,3	3,4	3,4	3,5	3,4
— other sectors	:	19,4	16,2	16,0	16,1	16,6	17,2	17,4	17,5	17,0	17,0
4. Final national uses incl. stocks											
— at constant prices	5,5	1,7	0,5	2,3	4,3	3,1	3,8	3,2	3,2	1,1	1,9
— relative against 19 competitors	0,7	0,1	−3,0	−0,4	0,6	−0,7	−0,7	−0,4	0,4	0,2	−0,2
— relative against other member countries	0,9	0,3	−1,7	0,3	0,7	−0,6	−0,9	−0,4	0,1	−0,2	−0,2
5. Inflation (price deflator private consumption)	4,8	11,5	7,9	6,0	2,9	3,3	2,9	3,5	2,9	3,0	2,9
6. Compensation per employee											
— nominal	9,9	14,3	8,2	6,6	4,6	3,6	4,1	4,8	4,9	4,6	3,8
— real, deflator private consumption	4,8	2,6	0,4	0,6	1,7	0,3	1,1	1,2	1,9	1,5	0,9
— real, deflator GDP	4,5	3,0	0,9	0,7	−0,7	0,7	0,8	1,1	2,1	1,5	0,9
7. Productivity[d]	4,6	2,1	2,4	2,1	2,3	1,7	2,8	2,5	1,6	0,9	2,3
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	106,3	105,6	104,2	101,1	100,1	98,1	96,8	97,2	97,8	96,5
— annual percentage change	−0,1	0,9	−1,5	−1,4	−2,9	−1,0	−2,0	−1,3	0,5	0,6	−1,4
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	95,2	86,2	87,8	90,4	90,1	86,6	84,5	88,0	84,4	81,9
— annual percentage change	−0,8	−0,5	−2,5	1,9	2,9	−0,2	−3,9	−2,4	4,1	−4,0	−3,1
• against other member countries											
— index: 1961-73 = 100	100,0	93,8	92,6	94,6	93,9	91,1	88,0	86,6	86,5	83,6	81,3
— annual percentage change	−1,2	0,2	0,6	2,1	−0,7	−3,0	−3,5	−1,5	−0,1	−3,4	−2,7
10. Employment	0,7	0,1	−0,9	−0,3	0,1	0,3	0,7	1,1	1,2	0,4	0,0
11. Unemployment rate[f]	:	5,7	9,8	10,2	10,3	10,4	9,9	9,4	9,0	9,5	10,1
12. Current balance[g]	0,4	−0,3	0,0	0,1	0,5	−0,1	−0,3	−0,1	−1,0	−0,7	−0,8
13. Net lending (+) or net borrowing (−) of general government[g]	:	−1,4	−2,8	−2,9	−2,7	−1,9	−1,8	−1,2	−1,7	−1,5	−1,7
14. Gross debt of general government[g]	:	39,1	43,8	45,5	45,7	47,3	47,2	47,4	46,6	47,2	47,5
15. Interest payments by general government[g]	:	1,5	2,7	2,9	2,9	2,8	2,8	2,8	3,1	3,2	3,3
16. Money supply (end of year)[h]	13,7	13,0	9,5	6,8	6,3	7,3	7,4	7,8	7,5	:	:
17. Long-term interest rate[i]	6,9	12,2	12,5	10,9	8,4	9,4	9,0	8,8	9,9	9,0	:
18. Profitability (index: 1961-73 = 100)	100,0	69,3	64,8	68,8	76,6	78,2	84,1	88,0	87,9	85,7	88,1

[a] 1961-90: Eurostat and Commission services. 1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M3R.
[i] Levels.

Table 68

Main economic indicators 1961-92[a]

Ireland

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	11,8	18,5	11,0	7,8	5,9	7,0	7,2	11,3	7,4	3,3	5,6
— at constant prices	4,4	3,8	4,4	2,5	−0,4	4,4	3,9	5,9	5,7	1,3	2,3
— price deflator	7,2	14,2	6,4	5,2	6,3	2,5	3,2	5,1	1,6	2,1	3,1
2. Gross fixed capital formation[b]											
— total	9,9	2,2	−2,5	−7,4	−2,3	−2,5	4,6	11,3	7,5	−0,4	3,8
— construction	:	1,7	−2,0	−7,1	−2,7	−8,3	−0,7	9,8	8,4	−2,9	3,9
— equipment	:	2,7	−2,0	−6,7	1,1	1,3	4,8	15,3	6,8	1,8	3,7
3. Share of gross fixed capital formation in GDP[c]											
— total	21,2	26,3	21,4	19,2	18,1	16,7	17,4	18,4	18,6	18,5	18,7
— general government	:	5,2	4,0	4,0	3,7	2,9	2,0	1,9	1,9	1,9	1,9
— other sectors	:	21,1	17,4	15,2	14,4	13,9	15,3	16,5	16,7	16,5	16,8
4. Final national uses incl. stocks											
— at constant prices	5,1	2,4	1,1	0,6	1,2	−0,9	0,4	6,0	5,4	0,6	1,1
— relative against 19 competitors	1,1	0,9	−2,2	−2,2	−2,5	−4,5	−4,2	2,6	3,1	0,4	−0,9
— relative against other member countries	1,3	1,2	−0,9	−1,6	−2,6	−4,5	−4,4	2,6	2,8	0,1	−0,9
5. Inflation (price deflator private consumption)	6,3	15,2	7,3	5,0	4,3	3,2	2,5	3,9	2,6	3,0	3,0
6. Compensation per employee											
— nominal	11,3	18,1	10,7	7,8	4,7	5,6	5,5	6,2	8,6	6,6	6,1
— real, deflator private consumption	4,7	2,5	3,2	2,7	0,3	2,4	2,9	2,2	5,9	3,5	3,0
— real, deflator GDP	3,9	3,4	4,1	2,5	−1,5	3,1	2,2	1,0	6,9	4,5	2,9
7. Productivity[d]	4,3	3,3	6,3	5,1	−0,7	3,7	3,5	6,0	4,3	1,3	2,1
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	100,7	96,0	93,6	92,8	92,3	91,1	86,8	88,9	91,8	92,5
— annual percentage change	−0,4	0,2	−2,1	−2,5	−0,8	−0,6	−1,2	−4,7	2,4	3,2	0,8
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	95,6	98,0	98,1	103,6	100,1	97,5	92,7	96,6	95,1	95,5
— annual percentage change	0,4	0,0	−3,5	0,1	5,6	−3,4	−2,6	−4,9	4,3	−1,6	0,4
• against other member countries											
— index: 1961-73 = 100	100,0	93,7	102,5	102,7	105,0	99,0	96,7	92,8	93,4	92,5	93,2
— annual percentage change	0,2	0,3	−0,9	0,1	2,2	−5,7	−2,3	−4,0	0,7	−1,0	0,8
10. Employment	0,1	0,5	−1,9	−2,4	0,4	0,6	0,4	−0,1	1,3	0,0	0,3
11. Unemployment rate[f]	:	9,7	16,8	18,2	18,2	18,0	17,4	16,0	15,6	16,8	18,1
12. Current balance[g]	−2,5	−8,6	−5,8	−4,0	−2,9	1,3	1,7	1,3	3,4	2,3	2,0
13. Net lending (+) or net borrowing (−) of general government[g]	:	−11,0	−9,8	−11,2	−11,2	−9,1	−5,2	−3,5	−3,6	−4,1	−4,1
14. Gross debt of general government[g]	:	73,2	104,8	108,5	120,8	122,0	120,4	110,1	103,0	102,8	100,4
15. Interest payments by general government[g]	:	6,3	9,4	10,3	9,7	9,7	9,4	9,1	8,4	8,3	8,3
16. Money supply (end of year)[h]	12,1	17,2	10,1	5,3	−1,0	10,9	6,3	5,0	15,4	:	:
17. Long-term interest rate[i]	:	14,7	14,6	12,7	11,1	11,3	9,4	9,0	10,1	9,2	:
18. Profitability (index: 1961-73 = 100)	100,0	76,4	93,4	102,5	105,5	110,5	113,9	135,5	131,1	116,4	112,9

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M3.
[i] Levels.

Table 69

Main economic indicators 1961-92[a]

Italy

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	11,0	20,7	14,8	11,8	10,4	9,1	10,6	9,7	9,6	8,4	7,3
— at constant prices	5,3	2,9	3,0	2,6	2,5	3,0	4,2	3,2	2,0	1,1	2,0
— price deflator	5,5	17,3	11,4	8,9	7,7	5,9	6,2	6,3	7,5	7,2	5,2
2. Gross fixed capital formation[b]											
— total	4,7	0,1	4,5	1,4	1,6	5,8	6,7	5,1	3,0	−0,4	2,4
— construction	:	−1,5	−1,0	−0,5	1,1	−1,1	1,2	3,6	2,5	0,4	1,2
— equipment	:	2,9	12,0	4,0	1,6	12,8	11,2	6,2	3,5	−1,1	3,5
3. Share of gross fixed capital formation in GDP[c]											
— total	24,4	23,5	21,1	20,7	19,7	19,8	20,0	20,2	20,2	19,7	19,7
— general government	:	3,2	3,6	3,7	3,6	3,5	3,4	3,5	3,5	3,4	3,4
— other sectors	:	20,4	17,5	17,0	16,1	16,3	16,6	16,7	16,7	16,3	16,3
4. Final national uses incl. stocks											
— at constant prices	5,3	2,2	4,1	2,9	3,2	4,9	5,0	3,6	1,9	1,5	2,3
— relative against 19 competitors	0,4	0,6	0,7	0,1	−0,6	1,4	0,6	0,2	−0,9	0,6	0,2
— relative against other member countries	0,6	0,8	2,5	0,9	−0,6	1,6	0,6	0,2	−1,4	0,2	0,3
5. Inflation (price deflator private consumption)	4,9	17,1	11,9	9,0	5,7	4,9	5,2	5,8	6,2	6,4	5,2
6. Compensation per employee											
— nominal	11,5	19,7	11,8	10,1	7,5	8,4	9,3	9,0	10,4	8,2	6,8
— real, deflator private consumption	6,3	2,2	−0,1	1,0	1,8	3,3	4,0	3,0	3,9	1,7	1,5
— real, deflator GDP	5,7	2,1	0,3	1,1	−0,1	2,4	2,9	2,5	2,7	0,9	1,5
7. Productivity[d]	5,5	1,9	2,6	1,7	1,8	2,6	3,2	3,0	1,0	0,3	1,5
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	104,1	102,1	101,5	99,6	99,4	99,1	98,7	100,4	101,0	101,0
— annual percentage change	0,1	0,2	−2,3	−0,6	−1,8	−0,2	−0,2	−0,4	1,7	0,6	0,0
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	88,5	96,4	96,0	101,8	105,8	105,7	109,1	118,6	119,3	120,7
— annual percentage change	−0,3	0,3	−0,3	−0,5	6,1	3,9	0,0	3,2	8,6	0,6	1,1
• against other member countries											
— index: 1961-73 = 100	100,0	86,4	104,1	103,7	105,8	106,8	107,4	112,4	117,0	118,9	121,0
— annual percentage change	−0,8	1,0	3,3	−0,4	2,1	0,9	0,6	4,7	4,1	1,6	1,7
10. Employment	−0,2	1,0	0,4	0,9	0,8	0,4	1,0	0,2	1,0	0,9	0,5
11. Unemployment rate[f]	:	6,9	9,5	9,4	10,5	10,2	10,8	10,7	9,8	9,4	9,5
12. Current balance[g]	1,4	−0,6	−0,6	−0,9	0,5	−0,2	−0,8	−1,4	−1,4	−1,3	−1,5
13. Net lending (+) or net borrowing (−) of general government[g]	:	−9,1	−11,6	−12,5	−11,7	−11,0	−10,9	−10,1	−10,7	−9,9	−9,4
14. Gross debt of general government[g]	:	59,5	75,1	82,0	86,5	90,9	93,3	96,0	98,6	101,2	103,9
15. Interest payments by general government[g]	:	5,1	8,0	8,0	8,5	8,0	8,2	9,0	9,7	10,2	10,6
16. Money supply (end of year)[h]	15,4	17,8	12,1	11,1	9,4	8,4	8,5	11,2	9,4	:	:
17. Long-term interest rate[i]	7,0	15,2	15,0	14,3	11,7	11,3	12,1	12,9	13,4	12,9	:
18. Profitability (index: 1961-73 = 100)	100,0	64,0	66,4	68,0	76,3	79,4	83,1	85,6	81,2	79,2	79,2

[a] 1961-90: Eurostat and commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M2N.
[i] Levels.

Table 70

Main economic indicators 1961-92[a]

Luxembourg

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	8,7	8,6	10,9	6,0	8,8	3,2	7,6	11,5	5,3	6,8	7,1
— at constant prices	4,1	1,2	6,2	2,9	4,3	3,4	5,5	6,1	2,3	3,0	3,4
— price deflator	4,4	7,3	4,4	3,0	4,4	−0,2	2,0	5,1	2,9	3,7	3,5
2. Gross fixed capital formation[b]											
— total	4,9	−2,3	0,5	−10,0	31,5	15,0	−5,5	13,4	9,4	6,2	4,7
— construction	:	−3,0	−3,1	−3,1	5,5	10,8	7,1	4,4	5,9	5,9	4,5
— equipment	:	−1,2	2,7	−20,5	87,4	16,7	−19,0	26,3	13,7	6,4	4,9
3. Share of gross fixed capital formation in GDP[c]											
— total	26,4	24,9	20,2	17,7	22,1	25,3	22,7	24,1	26,2	27,0	27,4
— general government	:	6,3	4,9	5,3	5,3	5,7	5,9	5,7	5,9	6,1	6,2
— other sectors	:	18,6	15,3	12,4	16,9	19,6	16,8	18,4	20,2	20,9	21,2
4. Final national uses incl. stocks											
— at constant prices	4,0	1,5	2,6	−0,3	6,7	5,9	3,6	7,8	3,4	4,3	3,9
— relative against 19 competitors	:	:	:	:	:	:	:	:	:	:	:
— relative against other member countries	:	:	:	:	:	:	:	:	:	:	:
5. Inflation (price deflator private consumption)	3,2	7,8	6,5	4,3	1,1	1,6	2,8	3,4	4,2	3,4	3,7
6. Compensation per employee											
— nominal	7,4	9,9	7,1	3,5	5,2	3,9	3,3	6,5	5,2	4,7	5,1
— real, deflator private consumption	4,0	1,9	0,5	−0,7	4,0	2,3	0,5	3,0	1,0	1,3	1,4
— real, deflator GDP	2,9	2,5	2,6	0,5	0,8	4,1	1,3	1,4	2,2	1,0	1,5
7. Productivity[d]	3,0	0,8	5,6	1,5	1,6	0,7	2,4	2,0	−1,8	1,0	1,9
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	116,6	108,9	107,9	107,0	110,6	109,5	108,8	113,2	113,2	112,8
— annual percentage change	−0,2	1,7	−2,8	−1,0	−0,8	3,4	−1,1	−0,6	4,1	0,0	−0,4
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	:	:	:	:	:	:	:	:	:	:	:
— annual percentage change	:	:	:	:	:	:	:	:	:	:	:
• against other member countries											
— index: 1961-73 = 100	:	:	:	:	:	:	:	:	:	:	:
— annual percentage change	:	:	:	:	:	:	:	:	:	:	:
10. Employment	1,1	0,4	0,6	1,4	2,6	2,7	3,1	4,0	4,2	1,9	1,5
11. Unemployment rate[f]	:	1,4	3,1	2,9	2,6	2,6	2,1	1,8	1,7	1,6	1,6
12. Current balance[g]	6,8	23,9	38,9	44,1	39,4	31,8	33,5	34,4	31,2	28,1	26,1
13. Net lending (+) or net borrowing (−) of general government[g]	:	1,5	3,4	5,3	3,5	1,6	2,4	4,3	4,7	1,9	2,0
14. Gross debt of general government[g]	:	15,5	15,0	14,0	13,5	11,8	9,9	8,5	7,3	6,9	6,4
15. Interest payments by general government[g]	:	0,9	1,1	1,1	1,1	1,1	1,0	0,8	0,7	0,6	0,5
16. Money supply (end of year)	:	:	:	:	:	:	:	:	:	:	:
17. Long-term interest rate[h]	:	7,8	10,3	9,5	8,7	8,0	7,1	7,7	8,6	8,2	:
18. Profitability (index: 1961-73 = 100)	100,0	50,9	62,8	65,1	70,4	61,0	65,0	69,6	58,9	58,1	58,4

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] Levels.

Table 71

Main economic indicators 1961-92[a]

Netherlands

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	11,2	8,0	5,0	4,5	2,5	0,4	4,5	5,6	6,9	6,0	4,0
— at constant prices	4,8	1,6	3,1	2,6	2,0	0,8	2,7	4,0	3,9	2,3	1,3
— price deflator	6,0	6,3	1,9	1,8	0,5	−0,4	1,7	1,5	2,8	3,6	2,7
2. Gross fixed capital formation[b]											
— total	5,3	−1,5	5,2	6,7	7,9	1,5	9,4	3,0	4,2	1,1	−1,1
— construction	:	−2,6	3,8	−0,1	5,0	1,9	12,0	1,6	1,3	−0,6	−1,0
— equipment	:	0,6	8,8	15,5	10,1	1,9	5,8	4,5	7,7	3,0	−1,2
3. Share of gross fixed capital formation in GDP[c]											
— total	25,1	20,2	18,6	19,2	20,1	20,2	21,5	21,8	21,6	21,2	20,7
— general government	:	3,3	2,8	2,6	2,5	2,4	2,4	2,4	2,3	2,3	2,3
— other sectors	:	16,9	15,8	16,6	17,6	17,9	19,2	19,4	19,3	18,9	18,4
4. Final national uses incl. stocks											
— at constant prices	4,9	1,2	1,7	3,2	2,1	1,2	1,6	4,9	3,6	2,1	0,2
— relative against 19 competitors	0,2	−0,3	−1,2	0,9	−1,6	−2,3	−2,7	1,5	0,7	1,1	−1,9
— relative against other member countries	0,3	−0,2	−0,3	1,4	−1,6	−2,2	−2,8	1,5	0,4	0,8	−1,9
5. Inflation (price deflator private consumption)	5,0	6,4	2,2	2,2	0,2	−0,9	0,4	2,9	2,5	3,2	3,5
6. Compensation per employee											
— nominal	11,4	7,9	0,2	1,4	1,6	1,5	1,5	0,5	3,6	4,7	5,0
— real, deflator private consumption	6,0	1,3	−1,9	−0,8	1,4	2,4	1,1	−2,4	1,1	1,5	1,4
— real, deflator GDP	5,0	1,5	−1,6	−0,4	1,2	1,9	−0,3	−1,0	0,8	1,1	2,3
7. Productivity[d]	3,9	2,0	3,2	1,0	0,0	−0,6	1,3	2,3	1,8	1,3	1,4
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	104,4	94,5	93,2	94,2	96,6	95,1	92,0	91,1	90,9	91,7
— annual percentage change	1,0	−0,5	−4,6	−1,4	1,1	2,5	−1,5	−3,2	−1,0	−0,2	0,9
9. relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	120,5	102,4	99,4	105,0	109,4	106,6	100,4	101,3	98,5	98,2
— annual percentage change	2,9	−0,5	−7,6	−2,9	5,7	4,2	−2,6	−5,8	0,9	−2,8	−0,3
• against other member countries											
— index: 1961-73 = 100	100,0	119,2	106,8	103,7	107,1	109,6	107,3	101,8	99,9	97,7	97,7
— annual percentage change	2,7	−0,1	−5,8	−2,8	3,2	2,4	−2,1	−5,1	−1,8	−2,3	0,0
10. Employment	0,9	−0,4	−0,1	1,5	2,0	1,4	1,4	1,6	2,1	1,0	−0,1
11. Unemployment rate[f]	:	7,1	12,3	10,5	10,2	10,0	9,3	8,7	8,1	7,2	7,7
12. Current balance[g]	0,5	1,4	4,2	4,1	2,7	1,4	2,5	3,3	3,8	4,1	4,4
13. Net lending (+) or net borrowing (−) of general government[g]	:	−3,7	−6,3	−4,8	−6,0	−6,6	−5,2	−5,2	−5,3	−4,4	−4,1
14. Gross debt of general government[g]	:	46,0	66,1	69,7	71,6	75,4	77,7	77,9	78,3	78,4	79,5
15. Interest payments by general government[g]	:	3,7	6,0	6,3	6,2	6,1	6,1	5,9	5,9	5,9	6,2
16. Money supply (end of year)[h]	10,3	9,1	7,6	11,1	5,1	4,4	13,1	14,3	8,0	:	:
17. Long-term interest rate[i]	5,9	9,7	8,6	7,3	6,4	6,4	6,3	7,2	9,0	8,9	:
18. Profitability (index: 1961-73 = 100)	100,0	75,3	83,9	87,3	85,9	79,0	81,7	85,9	89,6	89,9	87,1

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M2N.
[i] Levels.

Table 72

Main economic indicators 1961-92[a]

Portugal

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	11,1	23,4	22,3	25,2	25,4	17,1	16,0	18,9	19,6	16,8	13,3
— at constant prices	6,9	2,5	−1,9	2,8	4,1	5,3	3,9	5,4	4,0	2,0	1,7
— price deflator	3,9	20,3	24,7	21,7	20,5	11,2	11,6	12,8	15,0	14,6	11,4
2. Gross fixed capital formation[b]											
— total	7,9	0,8	−17,4	−3,5	10,9	15,1	15,0	7,5	7,5	4,5	3,0
— construction	:	:	−9,2	−6,0	8,7	9,4	10,1	3,5	6,5	4,5	3,0
— equipment	:	:	−29,6	−4,5	14,2	26,8	23,2	10,0	8,5	4,5	3,0
3. Share of gross fixed capital formation in GDP[c]											
— total	24,1	27,8	23,6	21,8	22,1	24,2	26,8	26,8	26,7	26,2	26,0
— general government	:	:	2,6	2,5	2,6	2,7	2,9	3,1	3,0	2,9	2,8
— other sectors	:	:	21,0	19,3	19,5	21,5	23,9	23,7	23,7	23,3	23,2
4. Final national uses incl. stocks											
— at constant prices	7,3	2,0	−6,7	0,9	8,3	10,4	7,4	4,0	5,8	4,6	3,3
— relative against 19 competitors	2,5	0,4	−9,5	−1,7	4,3	6,5	2,9	0,5	3,1	3,8	1,2
— relative against other member countries	2,7	0,6	−8,5	−1,2	4,2	6,6	2,8	0,4	2,7	3,4	1,2
5. Inflation (price deflator private consumption)	3,9	21,9	28,5	19,4	13,8	10,0	10,0	12,8	13,6	11,7	9,5
6. Compensation per employee											
— nominal	10,8	24,8	21,2	22,5	21,6	17,9	13,4	13,8	17,8	19,1	14,4
— real, deflator private consumption	6,7	2,4	−5,6	2,6	6,8	7,2	3,1	0,8	3,7	6,6	4,5
— real, deflator GDP	6,7	3,7	−2,8	0,6	0,9	6,0	1,5	0,8	2,4	3,9	2,6
7. Productivity[d]	6,7	3,0	−0,4	2,8	7,0	4,7	3,9	4,3	2,9	0,8	1,7
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	120,4	106,7	104,4	98,4	99,7	97,4	94,2	93,8	96,7	97,6
— annual percentage change	0,0	0,7	−2,4	−2,2	−5,7	1,3	−2,2	−3,3	−0,4	3,1	1,0
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	102,9	79,6	81,1	81,9	83,0	83,7	85,5	92,0	104,0	114,1
— annual percentage change	−0,7	−2,0	−2,6	1,8	1,0	1,4	0,8	2,1	7,7	13,1	9,7
• against other member countries											
— index: 1961-73 = 100	100,0	100,2	82,3	84,0	82,5	82,0	83,0	85,6	89,7	102,0	112,1
— annual percentage change	−1,2	−1,7	−0,2	2,1	−1,8	−0,7	1,3	3,2	4,7	13,7	10,0
10. Employment	0,2	−0,4	−1,5	0,0	−2,7	0,5	0,1	1,0	1,1	1,1	0,0
11. Unemployment rate[f]	:	6,6	8,7	8,8	8,2	6,8	5,6	4,8	4,6	4,0	4,2
12. Current balance[g]	0,4	−7,7	−3,4	0,4	2,4	−0,4	−4,4	−2,9	−0,3	−1,1	−1,5
13. Net lending (+) or net borrowing (−) of general government[g]	:	:	−12,0	−10,1	−7,2	−6,8	−5,4	−3,4	−5,8	−5,4	−4,6
14. Gross debt of general government[g]	:	37,6	62,4	70,9	69,5	72,9	75,2	72,0	68,2	64,7	62,7
15. Interest payments by general government[g]	:	:	7,1	7,9	9,2	7,8	7,8	7,1	8,2	8,5	8,4
16. Money supply (end of year)[h]	:	21,4	24,5	29,8	25,8	16,8	14,8	9,0	19,4	:	:
17. Long-term interest rate[i]	:	:	:	25,4	17,9	15,4	14,2	14,9	16,8	17,1	:
18. Profitability (index: 1961-73 = 100)	100,0	37,7	42,5	44,9	53,6	53,0	54,9	60,0	62,1	59,6	57,9

[a] 1961-90: Eurostat and Commission services.
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] L^- : Liquid assets residents.
[i] Levels.

Table 73

Main economic indicators 1961-92[a]

United Kingdom

(Annual percentage change, unless otherwise stated)

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Gross domestic product											
— at current prices	8,4	15,1	6,8	9,5	7,6	9,9	11,6	9,2	9,3	4,6	6,9
— at constant prices	3,2	1,1	2,1	3,6	3,9	4,7	4,6	2,2	0,8	−1,8	2,0
— price deflator	5,1	13,9	4,6	5,7	3,6	5,0	6,7	6,9	8,4	6,5	4,8
2. Gross fixed capital formation[b]											
— total	4,6	−0,4	8,5	4,0	1,9	9,5	14,8	4,8	−2,4	−12,8	−0,9
— construction	:	−1,3	6,1	−2,4	5,8	11,1	9,8	2,5	−1,1	−12,9	−0,7
— equipment	:	0,5	11,3	10,7	−1,7	8,4	17,5	8,3	−3,6	−12,8	−1,1
3. Share of gross fixed capital formation in GDP[c]											
— total	18,5	18,2	17,0	17,0	16,8	17,6	19,2	19,6	18,6	15,7	15,1
— general government	:	3,1	2,2	2,1	1,9	1,7	1,3	1,8	2,3	2,0	2,0
— other sectors	:	15,1	14,8	14,9	14,9	15,9	17,9	17,8	16,3	13,6	13,0
4. Final national uses incl. stocks											
— at constant prices	3,2	0,9	2,5	2,8	4,6	5,3	8,0	3,1	−0,1	−3,0	2,3
— relative against 19 competitors	−1,9	−0,8	−1,2	−0,1	1,0	1,9	3,9	−0,4	−2,8	−4,0	0,2
— relative against other member countries	−1,8	−0,6	0,7	0,8	1,0	2,2	4,1	−0,5	−3,7	−4,9	0,3
5. Inflation (price deflator private consumption)	4,9	13,4	5,0	5,4	4,4	4,3	4,9	5,9	8,4	6,5	4,6
6. Compensation per employee											
— nominal	8,3	15,4	5,6	7,3	8,4	7,4	7,9	8,9	11,3	8,3	5,8
— real, deflator private consumption	3,3	1,8	0,6	1,8	3,8	3,0	2,9	2,8	2,7	1,7	1,1
— real, deflator GDP	3,1	1,3	0,9	1,5	4,7	2,3	1,1	1,9	2,7	1,6	0,9
7. Productivity[d]	2,9	1,7	0,2	2,3	4,0	2,9	1,3	−0,6	0,4	0,5	2,7
8. Real unit labour costs[e]											
— index: 1961-73 = 100	100,0	102,1	97,6	96,9	97,5	97,0	96,8	99,3	101,5	102,7	100,9
— annual percentage change	0,1	−0,4	0,7	−0,8	0,7	−0,6	−0,1	2,6	2,3	1,1	−1,8
9. Relative unit labour costs in common currency											
• against 19 competitors											
— index: 1961-73 = 100	100,0	92,3	94,1	95,5	89,2	89,6	98,6	101,8	107,4	110,9	108,7
— annual percentage change	−1,9	1,5	−2,3	1,5	−6,6	0,4	10,1	3,2	5,5	3,2	−1,9
• against other member countries											
— index: 1961-73 = 100	100,0	87,4	100,3	102,1	89,2	86,0	96,3	101,6	101,3	106,1	104,6
— annual percentage change	−3,0	2,5	1,6	1,8	−12,6	−3,7	12,0	5,5	−0,3	4,8	−1,4
10. Employment	0,3	−0,6	1,9	1,2	−0,1	1,8	3,3	2,8	0,4	−2,3	−0,7
11. Unemployment rate[f]	:	6,1	11,3	11,4	11,4	10,4	8,5	7,0	6,4	8,4	9,8
12. Current balance[g]	−0,1	−0,1	−0,2	0,5	−0,9	−2,0	−4,6	−4,8	−3,5	−2,1	−2,4
13. Net lending (+) or net borrowing (−) of general government[g]	:	−3,6	−4,0	−2,8	−2,4	−1,3	1,1	1,3	−0,7	−1,9	−3,6
14. Gross debt of general government[g]	:	58,3	60,3	58,9	57,7	55,7	50,3	45,1	42,8	43,8	45,6
15. Interest payments by general government[g]	:	4,5	4,9	4,9	4,5	4,3	3,9	3,7	3,3	3,2	3,3
16. Money supply (end of year)[h]	:	14,1	13,6	13,0	15,9	16,3	17,6	19,1	12,0	:	:
17. Long-term interest rate[i]	7,6	13,4	10,7	10,6	9,8	9,5	9,3	9,6	11,1	9,9	:
18. Profitability (index: 1961-73 = 100)	100,0	73,6	87,0	91,1	90,9	96,0	99,5	95,2	90,1	87,9	93,5

[a] 1961-90: Eurostat and Commission services
1991-92: Economic forecasts November 1991.
[b] At constant prices.
[c] At current prices.
[d] GDP at constant market prices per person employed.
[e] Deflator GDP.
[f] Per cent of civilian labour force.
[g] Per cent of GDP.
[h] M4.
[i] Levels.

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Eastern Europe and the USSR

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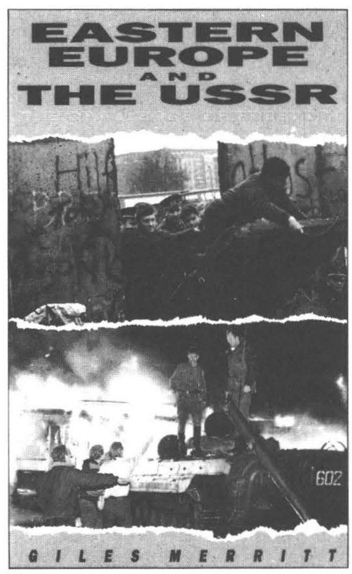

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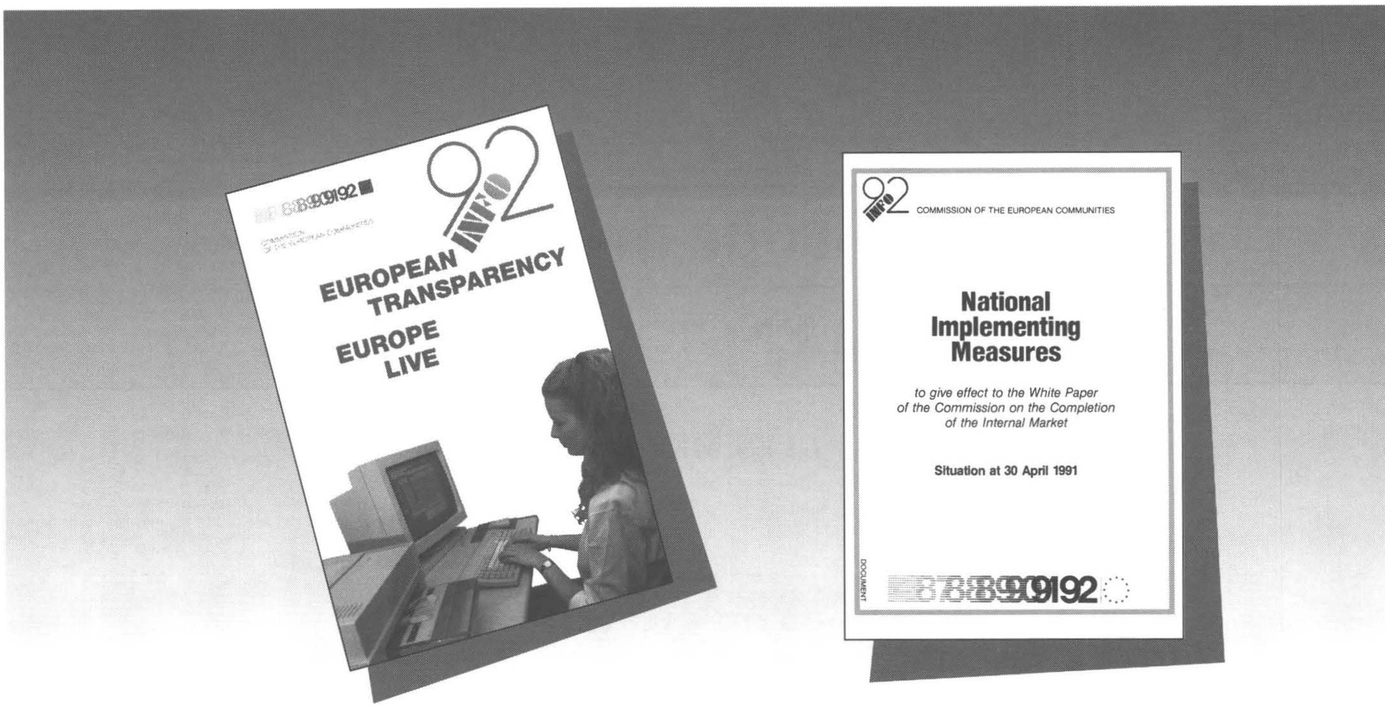

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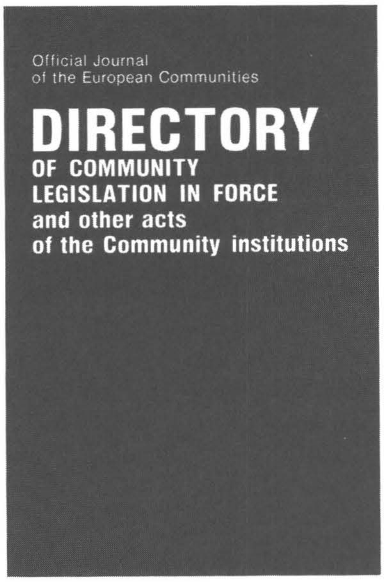

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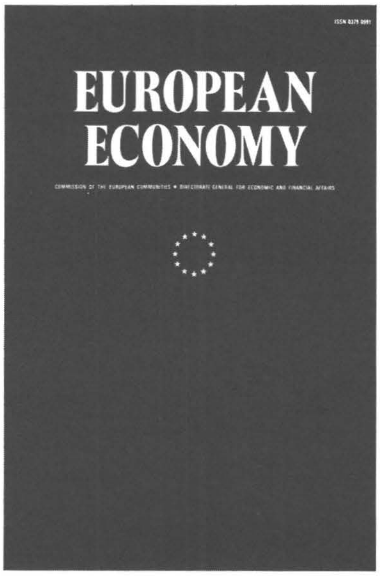

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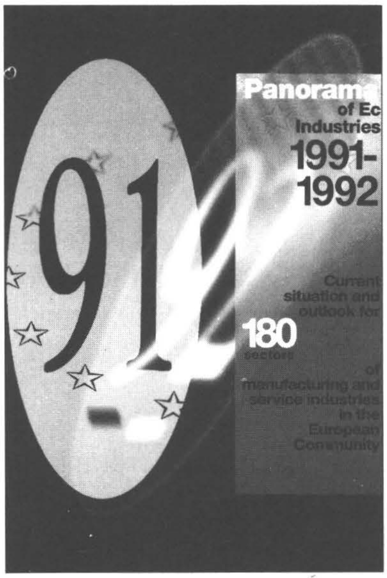

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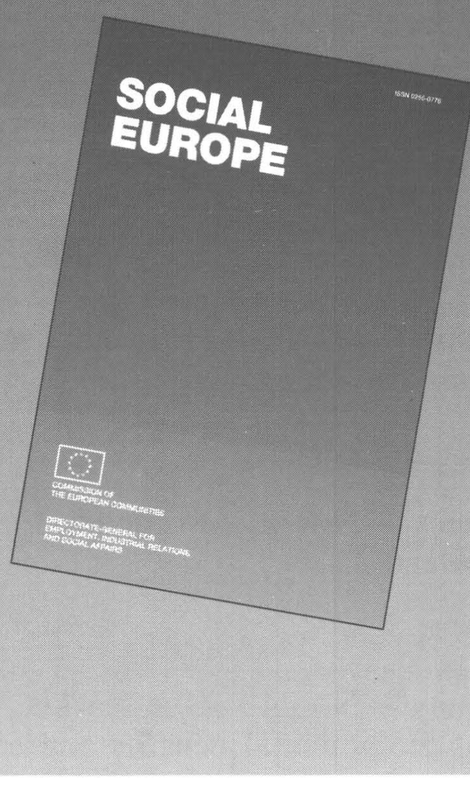

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