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Annual Economic Report for 1993

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European Economy appears twice a year. It contains important reports and communications from the Commission to the Council and the Parliament on the economic situation and developments. As a complement to *European Economy,* the series *Reports and studies* will be published on problems concerning economic policy.

Two supplements accompany the main periodical:

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

- Series B—'Business and consumer survey results' gives the main results of opinion surveys of industrial chief executives (orders, stocks, production outlook, etc.) and of consumers (economic and financial situation and outlook, etc.) in the Community, and other business cycle indicators. It also appears monthly, with the exception of August.

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

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EUROPEAN ECONOMY

Directorate-General for Economic and Financial Affairs

1993 Number 54

Annual Economic Report for 1993[1]

The national economies[2]

Analytical studies[2]

Statistical annex[2]

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1 The Commission adopted the Annual Economic Report on 3 February 1993. The Council, after consulting the European Parliament and the Economic and Social Committee, approved it on 15 March 1993.

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

Abbreviations and symbols used

Member States

B	Belgium
DK	Denmark
D	Germany
WD	West 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 including West Germany
EUR 12+	European Community, 12 Member States including Germany

Currencies

ECU	European currency unit
BFR	Belgian franc
DKR	Danish krone
DM	German mark (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
R	Russian rouble

Other abbreviations

ACP	African, Caribbean and Pacific countries having signed the Lomé Convention
ECSC	European Coal and Steel Community
EDF	European Development Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMS	European Monetary System
ERDF	European Regional Development Fund
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
GDP (GNP)	Gross domestic (national) product
GFCF	Gross fixed capital formation
LDCs	Less-developed countries
Mio	Million
Mrd	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
:	Not available

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

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Introduction and summary

The economic outlook for the Community has deteriorated dramatically over recent months. Instead of the hoped-for recovery, 1993 will bring a third year of slow growth with a return to slightly healthier rates of expansion expected for 1994 at the earliest. As a result of this poor growth performance, unemployment is increasing and cannot be expected to stabilize until well into 1994 while budget deficits have swollen and are now higher than at the beginning of the 1980s.

Recovery from the cyclical slowdown which started towards the end of 1990, in line with a generalized world economic slowdown, is held back by a severe lack of confidence and continuing tight monetary policy. The unification of the two German States resulted in an extraordinary demand boost accompanied by a tightening of monetary conditions to control the accompanying inflationary pressures. Thus, in 1990 and 1991, economic activity throughout the Community benefited strongly from these positive demand effects which allowed the Community to escape in 1991 the full brunt of the world slowdown. Subsequently, however, the persistence of inflationary pressures in Germany, notwithstanding a marked weakening in economic activity, led to a situation where monetary conditions in many member countries became tighter than domestic conditions warranted.

In the second half of 1992, the continuing weakness of economic activity contributed to the difficulties encountered in the process of ratification of the Treaty on European Union and was one of the factors which ignited the foreign-exchange crisis. The turmoil within the exchange-rate mechanism added a significant element of uncertainty to economic prospects and dented the credibility of the EMU timetable. In addition, the continued deadlock in the Uruguay Round negotiations, the mixed signals on the prospects for a recovery in the United States, the weakening of the Japanese economy, the difficulties of the reform process in Central and Eastern Europe and the ethnic conflict in the former Yugoslavia, all combined to create a very negative business environment. In the closing months of 1992, all business and consumer confidence survey indicators deteriorated sharply.

However, the scope for economic policy to sustain growth in the short term is limited. Budgetary policy is severely constrained in most countries. Some countries did not use the period of strong growth to consolidate sufficiently their budgets and are now in an even more difficult position. Others have used their healthier starting positions to support growth by allowing the automatic stabilizers to operate, but they have now exploited a large part of the available margins for flexibility. A significant loosening of monetary policy is possible, but is conditional on a reduction in inflationary pressures in Germany and on greater policy credibility in the countries linked to it by the ERM. The Edinburgh growth initiative represents an attempt to exploit any room which is still available without departing from the necessary medium-term stability orientation of economic policy.

But, on the basis of present policies, a return to rates of growth between 2 and 3%, possibly within two years, will not be enough to improve significantly the unemployment situation which is likely to remain very difficult for some considerable time. The Community must, therefore, implement medium-term policies which will result in an increase in the sustainable rate of growth so as to be able to put unemployment on a significant downward trend.

The effectiveness of economic policies depends crucially on their credibility. Unfortunately, this has been seriously compromised by recent developments which have also called into question the EMU timetable. Governments must therefore take all possible steps to impress on economic agents their determination and ability to achieve their goals. At the Community level, governments must reaffirm, through appropriate actions, their commitment to the EMU process and show their determination by coordinating their policies more effectively.

In practice this means:

(i) in the short term, implementing measures designed to support growth to the extent possible, without endangering the necessary medium-term budgetary consolidation perspectives (in all countries), or the necessary reduction in inflationary pressures (in some countries);

(ii) in the medium term, following policies aimed at increasing the dynamism and competitiveness of the economies through the removal of market impediments to faster growth, at fostering a healthier climate against which new investment can take place, and at creating the conditions for environmentally sustainable growth.

I — The Community economy in 1991-93

The Community economy is going through a phase of slow growth which is proving longer and more severe than previously expected. This is in parallel with developments in the world economy which started decelerating towards the end of 1990 and virtually stagnated in 1991. But while initially the Community economy, thanks largely to the growth impulses coming from German unification, performed relatively better than the rest of the industrialized world, since mid-1992 it has also been facing serious problems which suggest that a return to more satisfactory rates of growth will only take place in the course of 1994.

Growth prospects: marked deterioration in the course of 1992 ...

After five years of strong growth, the Community economy started decelerating towards the end of 1990. Until mid-1992, the slowdown was modest with the Community average rate of growth remaining in the 1 to 2% range. The mildness of the downturn together with the still relatively satisfactory state of fundamentals led prematurely to expectations of a rapid end to the period of slow growth. In the course of 1992, however, prospects deteriorated rapidly. On the one hand, it became evident that the underlying strength of the economy had been overestimated, whilst on the other, it appeared that monetary policy would not be loosened as rapidly as had been expected. In addition, the deterioration in the economic outlook contributed to the political difficulties which surrounded the ratification process of the Treaty on European Union and the foreign-exchange crisis which erupted last September. These two events in turn led to a worsening of prospects for recovery through their effect on business and consumer confidence (the factors behind the present difficulties are examined in greater detail in the next section).

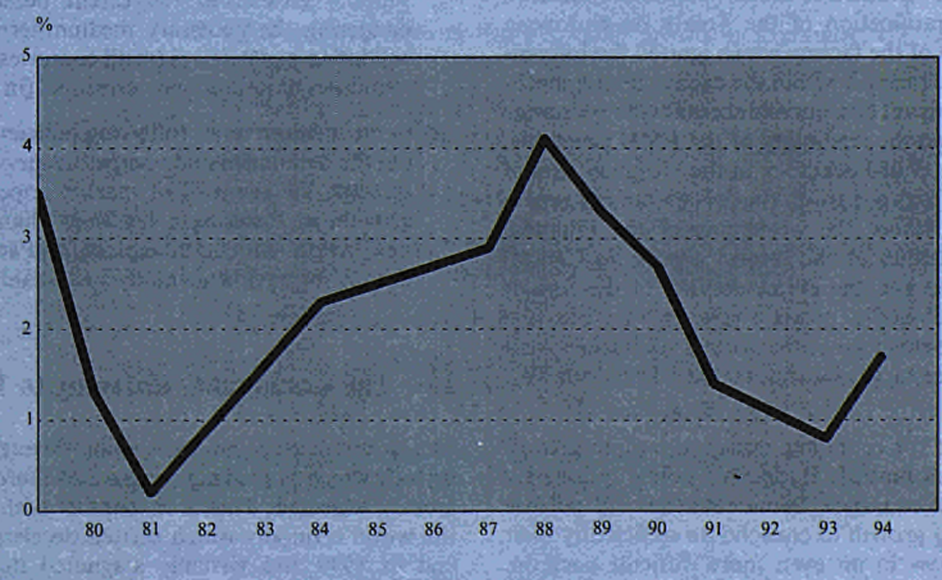
After a surprisingly good first quarter, Community GDP stagnated in the second and third quarters of 1992, and the available evidence suggests that it could have declined slightly in the final quarter. These indications, together with the dramatic drop in business and consumer confidence in the second half of 1992, gave rise to fears that the Community economy might be entering a serious recession. The Edinburgh growth initiative is designed to counter such a possibility.

... and poor growth in 1993

Forecasts broadly conducted on the conventional no-policy-change assumptions[1] suggest that in the course of 1993

[1] The forecasts presented in this Annual Economic Report are produced on the conventional no-policy-change assumption for most variables, particularly in the budgetary sphere. The cut-off date for information was 11 January 1993.

GRAPH 1: Community: real GDP growth
(including the new German *Länder* from 1992 onwards)



the Community economy could recover slightly. Consumer confidence is expected to improve somewhat, leading to a gentle pick-up in private consumption followed rapidly by stronger investment. Given the growth profile of 1992 — strong first quarter followed by sharply weakening activity — the expected gentle recovery will nevertheless result in an average rate of growth for 1993 of only 0,8%,[1] lower than that for 1992 (1,1%). An extrapolation of the expected 1993 growth trend suggests an average rate of growth for 1994 of about 1,8%. While there are good reasons to expect that this forecast will materialize, there are large risks on both sides. Cyclical turning points are always difficult to predict, as the experience of the last 18 months has shown once again.

A generalized downturn

In the course of the last two years growth differentials between Member States narrowed. This is due principally to two contrasting trends. Firstly, the post-unification boom in Germany has given way to a sharply accelerating downturn, with the rate of increase in GDP falling from 3,7% in 1991 (western Germany) to 1,5% in 1992 and to an estimated decline of 0,5% in 1993. Conversely, the slow and painful emergence of the United Kingdom from its prolonged recession is reflected in an expected turnabout in its performance from a fall of 2,2% in 1991, followed by a further decline of 0,9% in 1992, to an increase of 1,4% in 1993. Most other Member States' performances fall between these two extremes, with sluggish growth of between 1 to 2% expected to continue into 1993. However, Belgium and the Netherlands, reflecting their close economic links with Germany, are both experiencing relatively sharp slowdowns, with their rates of growth expected to fall to only ½% in 1993.

[1] All data for the Community refer to the Community including the five new German *Länder*, unless otherwise specified.

Weak private consumption

Reflecting the duration and severity of the downturn, all of the components of domestic demand are weak. Private consumption in particular has suffered, with the successive decelerations in its rate of expansion since 1989 expected to continue in 1993, when growth of only 0,8% is forecast. This contrasts with a corresponding average figure of 3%

Table 1

The EC economy: use and supply of goods and services and main economic indicators

(Annual real percentage change)

	Average 1983-85	Average 1986-89	1990	1991	1992	1993[1]
Private consumption	1,8	3,9	3,2	1,9	1,4	¾
Government consumption	1,7	2,0	2,1	2,0	1,6	¾
Gross fixed capital formation	1,1	6,4	3,9	0	0,4	– ½
Domestic demand (including stocks)	1,7	4,1	2,8	1,2	1,3	½
Exports of goods and services[2]	4,2	1,2	5,6	5,5[4]	2,9	5¼
Total demand	2,0	3,8	3,1	1,7	1,4	1
Imports of goods and services[2]	1,4	7,9	5,4	3,8[4]	3,5	2¼
Gross domestic product	2,1	3,3	2,8	1,4	1,1	¾
Inflation (deflator private consumption)	7,2	4,0	4,5	5,3	4,6	4½
Employment	0,0	1,3	1,6	0,1	–0,7	– ¾
Unemployment (% of active population)	10,4	9,9	8,3	8,8	10,1	11
Public deficits (% of GDP)[3]	–5,3	–3,8	–4,1	–4,6	–5,3	–5¾
Current account balance (% of GDP)	0,3	0,5	–0,3	–1,0	–0,8	–1

NB: The figures for the public deficit and the current account balance include the five new German *Länder* from 1991 onwards. The figures for GDP and its components, inflation and employment/unemployment include the new *Länder* from 1992 onwards.

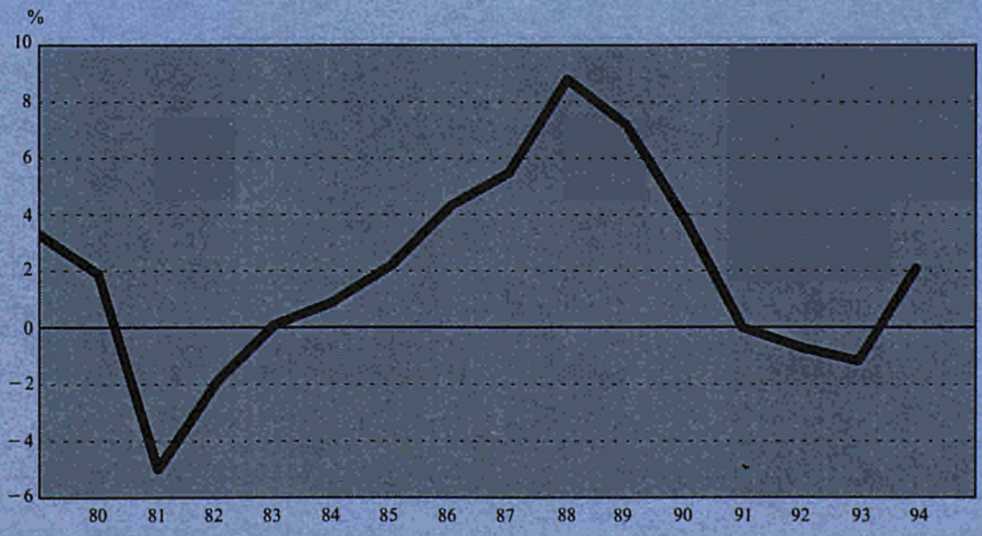
[1] Forecasts.
[2] Extra-Community trade only.
[3] General government net borrowing requirement.
[4] These figures are distorted by the very large increase in trade flows with the former GDR; if these transactions are treated as intra-Community trade (i.e. giving figures for the EC including the new German *Länder*) the figures become: 1,3 for exports and 5,8 for imports.

between 1985 and 1990. This continuing fall is attributable to the sharp decline in real disposable income owing to higher inflation, which has eroded nominal wage increases, stagnant employment growth, falling working hours and tax increases in several Member States. A recovery in private consumption is hampered by fears arising from rising unemployment and further falls in consumer confidence, which currently is at its lowest level since the early 1980s. Finally, the need in some Member States (notably the UK) to reduce high personal indebtedness consequent to the asset price boom of the 1980s, has also encouraged a more cautious approach to spending on the part of consumers.

Declining investment

Following the boom in the latter half of the 1980s, investment growth in the Community virtually stagnated in both 1991 and 1992. If the new German *Länder* are excluded, investment actually fell by 0,3% in 1992. Spending on equipment and construction has been almost equally affected, with the latter proving to be slightly more resilient to the downturn, especially in 1992. As a consequence the rate of increase of the capital stock has declined and is currently well short of the level required to help counter the high levels of unemployment in the Community. This stagnation in investment is largely a cyclical response to the fall-off in demand, a deterioration of investment profitability (see Graph 13), the effect of the high real interest rates which prevail in many countries and the consequence of increased political and economic uncertainties on business confidence. Conversely, however, the deterioration in the profitability of the capital stock of 1990 and 1991 has given way to a modest improvement in 1992 due to the return, in many countries, to more moderate rates of wage increases. Given the expectation of continued weak demand, a further decline in investment of half a percentage point is expected in 1993.

GRAPH 2: **Investment in the Community**
(real % rates of increase; excluding the new German *Länder*)



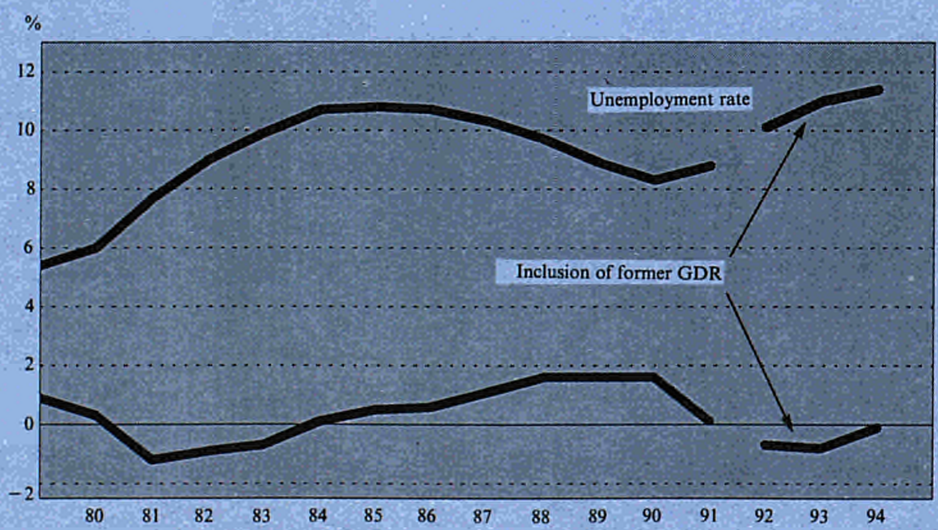
Unemployment: loss of the 1986-90 gains

The effects of the slowdown on employment were felt with a certain delay given the lag with which changes in the rate of increase in employment follow changes in the rate of growth of output. Employment continued to increase strongly in 1990 (1,6%), but this trend came to a halt in 1991 when it virtually stagnated. In 1992, employment actually contracted by about three-quarters of a percentage point, the first time since 1983 that the number of people in employment actually decreased, and a similar reduction is expected to take place again in 1993. In absolute figures this means that in 1993 almost 2 million fewer people than in 1991 will be employed in the Community, thus reducing the employment increase since 1984 from 9 to about 7 million. Given that the labour force is projected to continue to increase (0,3% in 1993) more or less in line with the trend of recent years, this employment trend results in a steep increase in unemployment which could reach in 1993 the figure of about 17 million people (including the former GDR), or, measured as a percentage of the civilian labour force, a level similar to the peak of 1985 (11%). Thus, in this important respect, the gains made during the last five years of the past decade will have been lost again in the first three years of the 1990s.

Small overall gains on inflation

The ongoing economic downturn and the continued tight monetary policy stance have contributed to an easing in inflationary pressures in 1992, when the Community private consumption deflator fell to 4,6%. This improvement is due largely to the relatively better performance in those Member States outside the narrow band of the ERM who, with the exception of Spain, registered significant progress in reducing inflation in 1992, following disappointing progress the previous year. But significant progress was also made in the countries in the narrow band, which, with the exception of Germany and the Netherlands, all had rates of increases in consumer prices of less than 3% at the end of 1992. However, owing partly to the inflationary impact of recent currency devaluations in several Member States, the Com-

GRAPH 3: **Employment and unemployment in the Community**



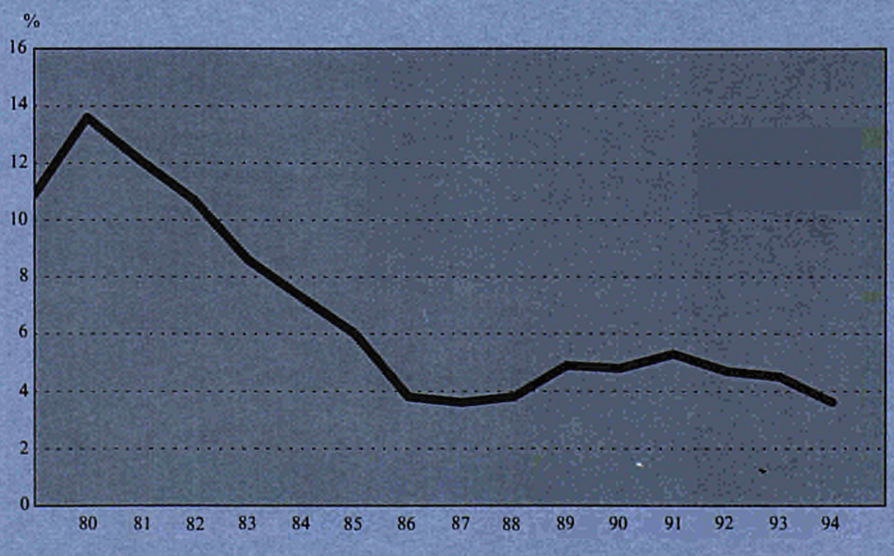
munity rate of inflation is expected to remain almost unchanged in 1993 (4½%). The nominal depreciation for the Community as a whole in 1993 implied by the exchange-rate assumptions[1] will lead to a stronger growth in import prices in 1993. This in turn will offset the impact of the expected fall in unit labour costs, which are forecast to rise by just 2,9% in 1993 — the lowest increase for several years. New increases in indirect taxation are also expected to add to inflationary pressures in 1993.

[1] The forecasts produced by the services of the Commission are based on a technical assumption as regards exchange rates. In particular, exchange rates within the EMS are expected to remain stable in nominal terms until the end of the forecasting period at the values obtaining at the moment forecasting work started. For other currencies the assumption is stability in real terms. In the case of the relationship between the dollar and the German mark the assumption used is: USD 1 = DM 1,66 for the average of 1993.

Little change in the Community's current account

The Community current account remained broadly stable in 1992 showing a deficit equal to just below 1% of GDP. Significantly, all Germany's partners within the narrow band of the ERM registered current-account surpluses in 1992. Moreover, with the exception of the Netherlands and Luxembourg, these surpluses represented an improvement on the outturn in 1991, with France registering its first surplus since 1986. Conversely, the United Kingdom, Spain and Italy registered continued and significant deficits, notwithstanding the weak economic conditions and the ongoing recession in the former. Both Greece and particularly Portugal registered sharp falls in their deficits.

GRAPH 4: **Inflation in the Community**
(Private consumption deflator: % change p.a.)



Economic convergence in the Community

The phrase 'economic convergence' is often used to cover two distinct, but not totally independent, processes. The first, more precisely referred to as 'nominal convergence', concerns the gradual convergence towards the best possible results of the performances of the Member States in those areas which directly affect the transition to and the success of a monetary union. The Maastricht criteria which cover actual (consumer price index) and expected inflation (long-term interest rates), budget deficits, public debt to GDP ratios and exchange-rate stability relate to this process. The phrase 'real convergence', on the other hand, refers to the long-term process of convergence in living standards, usually approximated by the levels of GDP per head at purchasing power parities (see statistical annex, Table 1), of the different regions of the Community.

Nominal convergence

The continuing economic difficulties and the foreign-exchange turmoil have led to set-backs in the efforts at achieving the degree of convergence required for transition to EMU. In the budgetary area, this is hardly surprising as weak growth has strong negative effects on public deficits and the Member States who enjoyed relatively healthier budgetary positions have, rightly, allowed the so-called 'automatic stabilizers' to operate. As a result, there has been no overall progress towards meeting the targets agreed at Maastricht (a budget deficit not exceeding 3% of GDP and a public debt to GDP ratio of less than 60% of GDP). Instead, there was a substantial deterioration in 1991 and especially 1992 in the budgetary situation both in the Community as a whole and in several Member States. This deterioration in turn has not permitted any progress towards reducing public debt positions which have deteriorated in most countries (see Table 2).

The deceleration in the rate of growth, however, has facilitated some progress in reducing the rates of inflation: in 1992, the overall rate of inflation decreased by 0,8 points to 4,5% (excluding the new German *Länder*). However, the progress made may now be threatened by the inflationary impact of recent devaluations.

Budgetary situations have deteriorated further

Only four Member States (Denmark, France, Ireland and Luxembourg) are now expected to have had budget deficit (general government net borrowing requirement) outturns of less than 3% in 1992 — the relevant criterion in the Maastricht Treaty. The deterioration has been particularly severe in the UK, where the deficit in 1992 is now expected to have increased by over 3 percentage points to about 6% of GDP. Elsewhere in the Community there are two notable trends. Member States with relatively sound public finances have allowed the automatic stabilizers to operate, leading to a largely cyclical deterioration in their budget deficits. This deterioration has, however, been restricted to a maximum of about 1 percentage point of GDP in France and to half a percentage point of GDP or less in Denmark and Ireland.

Conversely, in those Member States where deficit levels were very high, consolidation efforts succeeded in stabilizing or in some cases reducing deficits. Thus Belgium and Italy both limited their deteriorations in 1992 to a quarter of a percentage point or less to 6,7% and 10,5% of GDP respectively. Both Portugal and especially Greece have made more encouraging progress: Greece has reduced its budget deficit to 13,4% of GDP from 15,4% in 1991, while Portugal, in the framework of the implementation of its convergence programme, has reduced its deficit to 5,6% from 6,4% in 1991. In Spain, the introduction of corrective fiscal measures in the latter half of 1992 checked the deterioration in its public finances and the deficit outturn of 4,6% of GDP is slightly down on the level in 1991. Finally, the deficit for unified Germany (measured by the general government net borrowing requirement, as is the case for all other Member States) remained unchanged at 3,2% of GDP.

In the light of continued weak growth, these overall trends (i.e. a continued cyclical deterioration in the Member States with relatively sound public finances and further consolidation in the high-deficit Member States) are expected to continue in 1993. As a result, the overall Community deficit level will deteriorate further to 5,7% of GDP.

Price convergence has improved in 1992

There has been an improvement in 1992 in both the overall inflation picture and the degree of dispersion between Member States. However, the fall in the rate of inflation (private consumption deflator) of 0,7 percentage points to 4,6%, is less than might have been expected given the weak cyclical position of the Community economy. It also compares unfavourably with the US and Japan where the price performance in 1992 was much better.

The improvement in the degree of dispersion is largely due to the relatively better performance of the Member States with higher inflation levels outside the narrow band of the ERM. All five of these Member States (Spain, Greece, Italy, Portugal and the UK) registered significant falls in inflation in 1992, except for Spain where only a slight reduction was achieved. Within the narrow band of the ERM there is little overall change, with slight reductions of up to half a percentage point in all participants, except Luxembourg where there was a small increase and western Germany where virtually no change took place. Western German inflation (4,0%) remained the highest in the present narrow band for the second successive year. However, in 1992 only the narrow-band members registered rates of inflation within a range of 1 ½ percentage points above the average of the three best Member States in terms of price performance — the relevant Maastricht criterion.

The relative improvement outlined above had been expected to continue into 1993. However, recent developments may threaten this further progress. The devaluations in the nominal exchange rates of several Member States increase the prospect of a renewed rise in inflation in the countries concerned through significant import prices increases, notwithstanding the weak state of economic activity and high unemployment in these Member States. The impact of these rises on the aggregate inflation figure for the Community will be offset by a reduction in inflationary pressures in the appreciating Member States, where import price rises will be much more moderate. Overall, inflation in the Community in 1993 is expected to remain almost unchanged at 4,5% (4,4% excluding the former GDR).

Real convergence

All four of the less prosperous Member States registered growth equal to or above the Community average in 1992 (see Table 1 in the statistical annex for figures on per capita GDP levels). However, the significant progress of the previous few years has stalled. None the less, there are substantial variations within this group. Hence, Ireland with an estimated growth of 2,9% in 1992 has substantially exceeded the corresponding Community growth figure of only 1,1%, as it did also in the preceding three years. Greece, on the other hand, should register growth of only 1½%, which is none the less the second consecutive year since 1985 that it has exceeded the Community average. This progress reflects its long and painful adjustment process to the economic imbalances accumulated in the 1980s which is finally beginning to pay dividends. Spain's growth performance of only 1¼% in 1992 is also notable as it represents a very sharp slowdown on the boom conditions experienced during the latter half of the 1980s. Portugal has continued its steady progress in 1992, while suffering also from the general growth downturn.

Notwithstanding their relatively better economic performance, the rates of growth these countries experienced in 1992 were not sufficient to stabilize unemployment which increased everywhere except in Greece. Particularly worrying are the increases recorded in Ireland (from 16,2% in 1991 to 17,8% in 1992) and Spain (from 16,3% to 18%) where unemployment was already the highest in the Community. Unfortunately this trend is expected to continue in 1993 when the rates of unemployment of these two countries are expected to reach levels in the 19 to 20% range.

Table 2

Main nominal convergence indicators 1990-92

	Inflation (private consumption deflator)			Budget deficit (general government net borrowing requirement)			Gross public debt (percentage of GDP)		
	1990	1991	1992	1990	1991	1992	1990	1991	1992
B	3,1	2,9	2,4	−5,7	−6,6	−6,7	128,3	130,1	132,2
DK	2,1	2,4	2,1	−1,4	−2,0	−2,3	66,7	72,2	74,0
D[1]	2,7	3,9	4,0	−2,0	−3,6	−3,4	43,6	45,0	—
D	—	—	4,8	—	−3,2	−3,2	—	42,0	43,3
GR	20,1	18,4	16,0	−18,8	−15,4	−13,4	96,3	102,0	106,7
E	6,4	6,3	6,0	−4,0	−4,9	−4,6	44,5	45,6	47,4
F	3,2	3,2	2,6	−1,4	−1,9	−2,8	46,7	48,5	50,1
IRL	1,7	3,2	2,9	−2,5	−2,1	−2,7	101,6	100,9	99,0
I	5,9	6,8	5,3	−10,9	−10,2	−10,5	97,8	101,3	106,8
L	3,6	2,9	3,4	5,0	−0,8	−0,4	6,9	6,1	6,8
NL	2,3	3,3	3,1	−4,9	−2,5	−3,5	78,8	78,3	79,8
P	12,6	11,9	9,1	−5,5	−6,4	−5,6	68,4	68,5	66,2
UK	5,3	7,2	5,1	−1,3	−2,8	−6,1	39,8	41,1	45,9
EC[1]	4,5	5,3	4,5	−4,1	−4,7	−5,4	59,5	61,4	—
EC	—	—	4,6	—	−4,6	−5,3	—	60,4	62,8

[1] Excluding the five new German *Länder*.

II — Factors behind the present poor performance

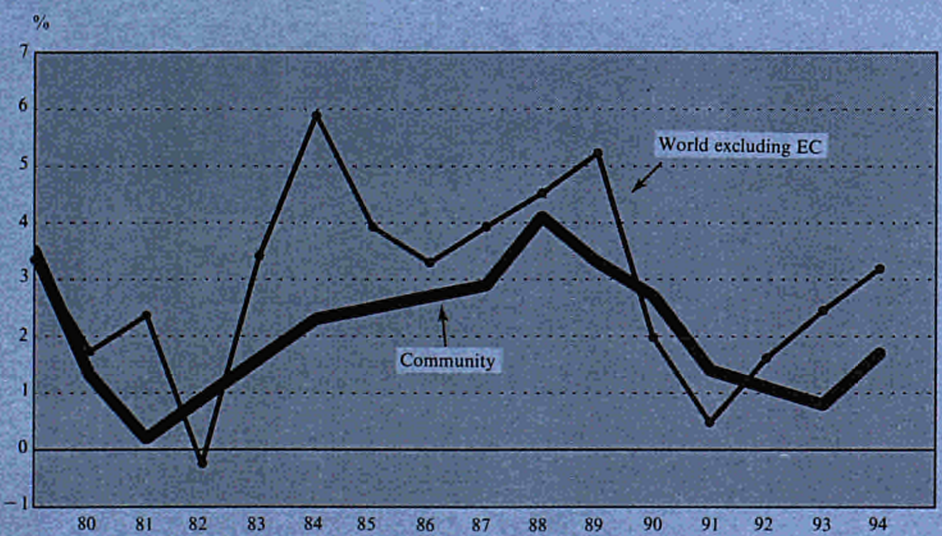
The present poor outlook for the Community economy is the result of various factors which have emerged progressively over the period 1990-92 and whose combined influence has become increasingly stronger. These factors, however, have reduced the growth prospects of the Community economy which, notwithstanding the progress made in the 1980s, does not yet perform as well as could be expected in terms of growth and employment creation compared to other major economies (the factors behind the low potential rate of growth of the Community economy are examined in greater detail in Section IV)

The most important factors behind the present period of slow growth are the world economic downturn, the parallel cyclical slowdown of the Community economy after the strong growth of the second half of the 1980s and the continuing tight monetary policy resulting from conditions in Germany. These factors have combined to prolong the period of slow growth to the point where dissatisfaction with the current economic conditions has made the ratification of the Treaty on European Union more difficult and has precipitated the recent foreign-exchange crisis. In turn the political difficulties and the loss of credibility associated with the ERM turmoil have themselves become factors depressing economic activity.

Effects of the world slowdown

The 1988 peak in the rate of economic growth in the Community was in synchrony with that of the world economy since they were largely the product of the same impulses: the delayed effect of the drop in oil prices of 1985/86 and the considerable loosening of monetary policy which followed the stock market crash of October 1987. In 1990, world GDP growth decelerated sharply from the strong rates of growth of 1988 and 1989 (4,5 and 5,2% respectively) to about 2% which was followed by a further slowdown to as little as half a point in 1991. In 1992, activity in the rest of the world recovered slightly, but, at 1,6%, remained weak. The absence of a stronger rebound is in part explained by the need for firms and households, in a number of OECD countries, to continue to reduce their debt positions following the unsustainable increase in the previous few years. This contraction in the rate of growth of the world economy was mirrored in a reduction in the rate of growth in world trade which in 1991 and 1992 expanded by only 3 and 4,2% respectively.

GRAPH 5: Growth in the Community and in the rest of the world

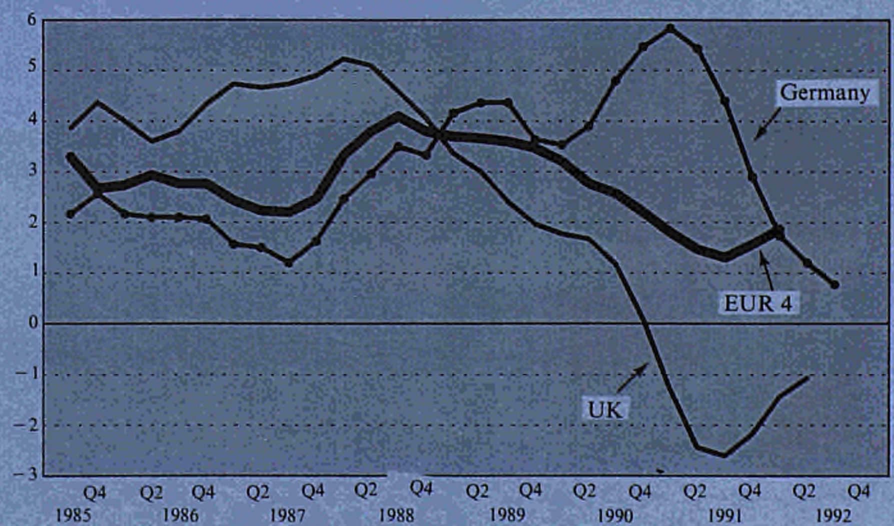


Community export markets were particularly affected. In 1991 they practically stagnated following growth of about 7% in 1989 and almost 4% in 1990. In 1992, they are estimated to have picked up somewhat and to have expanded by about 3½%. In addition, exchange-rate trends were not very favourable for Community exporters. The nominal effective exchange rate of the Community appreciated by over 10 percentage points between 1989 and 1992 (average level of the years). As a result, Community producers suffered a substantial loss of competitiveness both in domestic and world markets. Community exports to the rest of the world, which had increased by more than 7% in real terms in 1989, decelerated to a rate of increase of just over 2% in 1990 and actually contracted by about 2½% in 1991 (goods only). Preliminary estimates suggest that in 1992 Community exports may have increased again at a rate of about 2½%. It is worrying that the Community has experienced a continuous loss of market share over the last three years. Finally, given that domestic demand in the Community remained stronger than in its trading partners, imports from the rest of the world also increased substantially in 1991 and 1992 (7% and 3½% respectively, goods only).

Cyclical component

In the second half of the 1980s the Community economy experienced a period of strong growth; the average real rate of increase of GDP for the five-year period 1986-90 was 3,2% while the real rate of increase of domestic demand was 3,9%. Investment increased particularly strongly with an average real rate of increase over the same period of 5,9% and almost 7½% for investment in equipment. Measures of the potential rate of growth are very uncertain, but it is possible that during this period the actual rate exceeded what the Community economy was able to deliver without the appearance of strains. In any case, the recorded rates of growth in 1988 and 1989 (4,1 and 3,4% respectively) were clearly in excess of the longer run potential rate however measured. Under these conditions, a cyclical slowdown was to be expected. Indeed, it is reasonable to think that the slowdown would have become already very significant towards the end of 1989 had it not been for the additional expansionary impulses coming from German unification. In the event this acted as a major European 'demand expansion programme'.

GRAPH 6: **Cyclical differences in the EC: GDP growth in Germany, UK and EUR 4 (F, I, NL, DK)***
(real % change on same quarter of previous year; three-terms moving averages)



* Quarterly figures are available only for six Member States.

The subsequent running out of steam of the Community economies was also reinforced by a more restrictive orientation of economic policy in response to the appearance of macroeconomic imbalances. On the inflation front, less favourable import price trends led to consumer price increases accelerating from rates of around 3,7% in the years 1986-88 to rates of about 5% in 1989-91. Wage increases also accelerated from annual rates of increase of less than 6% in the period 1987-89 to 7,5% in 1990. In some countries, current-account deficits began to give cause for concern. These imbalances, although not as serious as those that the Community had experienced at the beginning at the 1980s, prompted some countries to take restrictive action independently of the general tightening of monetary conditions imposed by the tensions arising from the German unification shock. In addition to these factors, in some countries, especially the United Kingdom and Denmark, the weakness of demand was compounded by the need for households and firms to correct excessive debt positions.

German unification and its policy consequences

German unification constituted for the Community a textbook case of a major asymmetric shock. At the macroeconomic level, unification implied the creation of a huge gap between aggregate demand and supply within Germany. Supply was severely reduced in the East while demand was supported by huge transfers from the West. These transfers were financed mainly by a higher public-sector deficit which witnessed a deterioration of more than 3% of GDP within one year after unification.

Given that no corresponding cuts in West German domestic demand took place, the effects were predictable. Notwithstanding an enormous swing in the current-account position of Germany (from surpluses equal to 4 to 5% of GDP between 1986 and 1989 to a deficit of almost 1% of GDP in 1992) which bears testimony to the high degree of integration reached by the European economies, GDP growth in West Germany reached 5,1% in 1990 with rates of growth of almost 6% in the last two quarters of 1990 and the first quarter of 1991. Demand in other Member States also received a substantial boost. It is estimated that the growth rates of the other Member States were raised on average by about half a percentage point a year in both 1991 and 1992. This above-potential growth in West Germany led to tensions in the labour market and in the markets for goods and services. Wage increases accelerated from a trend of about 3% a year in the period 1987-89 to 4,7% in 1990 and 5,8% in 1991 while inflation reached rates of about 4% in 1991 and 1992 (public utility prices and indirect tax increases were also contributing factors).

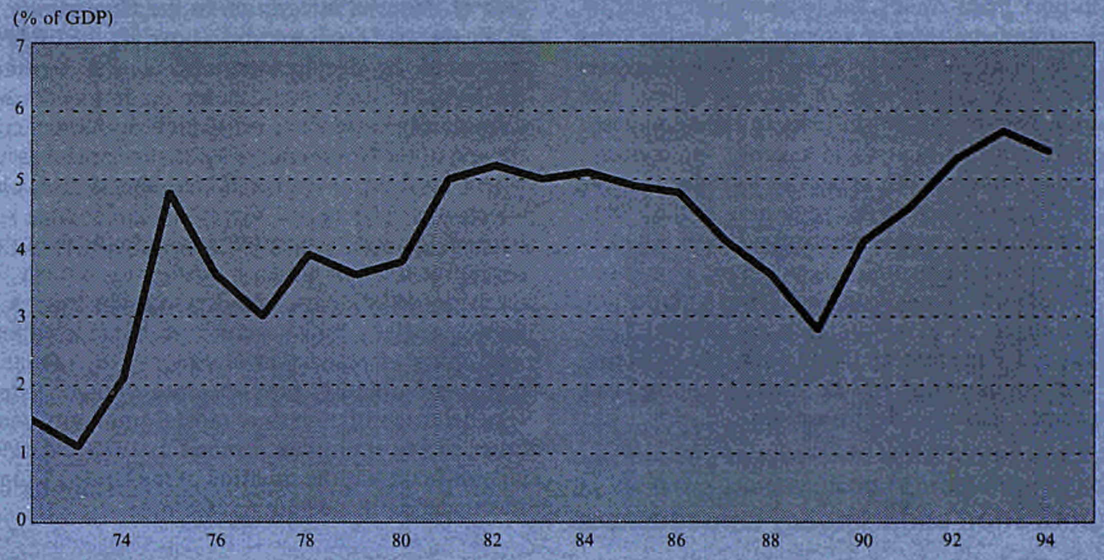
This situation resulted in an unbalanced policy mix with short-term interest rates, which had been increased in response to the first signs of the appearance of inflationary pressures and expectations, remaining high. The strong degree of financial integration in the Community, the weight of the German economy and, above all, the ERM constraints reinforced by deeply ingrained market expectations that the German mark would never be devalued *vis-à-vis* other Community currencies, led to tight monetary conditions in the rest of the Community. A situation was therefore created where the other Member States after a first phase during which the effects of German unification substantially boosted growth — positive demand effects outweighed the restrictive effect of tighter monetary conditions — were now receiving deflationary impulses coming from a continuing tight monetary policy stance at home combined with a weakening of activity in Germany. This situation created policy coordination problems and ultimately resulted in a very delicate situation since most Community countries were experiencing very weak demand in 1991 and 1992. Particularly difficult was the situation of the United Kingdom which was undergoing a severe recession.

A restrictive policy stance

As a result of the above developments, macroeconomic policy over the past two years has generally been restrictive and, of necessity, focused on the correction of the imbalances inherited from the previous strong growth period. None the less, the overall Community budget deficit has continued its upward trend and in 1992 reached an unprecedented record level of 5,3% of GDP. This increase of 0,7 percentage points on the outturn in 1991 is attributable to the impact of the downturn on public finances as the automatic stabilizers were allowed to play in many Member States. Moreover, this aggregate result was substantially influenced by the deterioration of over 3 percentage points in the UK deficit. Elsewhere in the Community discretionary policy actions have been broadly neutral with the loosening in some Member States being largely offset by a corresponding tightening in others. In 1993, these trends should continue, and the overall Community deficit is projected to increase further to 5,7% of GDP with expectations of a further sharp deterioration in the deficit of the United Kingdom of over 2 points of GDP.

Monetary conditions in the Community remained tight during most of 1992, as evidenced by strongly inverted yield curves and the strength of Community currencies against third currencies and also, in some countries, a deceleration of monetary aggregates and/or falling asset prices. This tightness contributed to the longer-than-expected downturn.

GRAPH 7: General government net borrowing requirement in the EC



As noted above, the stance of monetary policy was dominated by events in Germany, whose interest rates continued to set the floor for nominal interest rates in the ERM, with very minor (at least in 1992) exceptions in the case of the Netherlands and Belgium. To counter strong inflationary pressures in Germany, the Bundesbank increased its official interest rates in December 1991. Most other ERM participants followed suit. The rise in rates was not inappropriate in the high-inflation countries, but was not obviously in line with domestic needs in the other narrow-band countries. In July 1992, the Bundesbank, faced with monetary growth twice as high as the target range, raised its discount rate. Only Italy similarly raised an official rate, but the Bundesbank's move eliminated market expectations of an early downward movement in interest rates in Europe. Combined with a further fall in the dollar, as the Federal Reserve continued to cut US short-term interest rates, the July move additionally tightened monetary conditions in the Community.

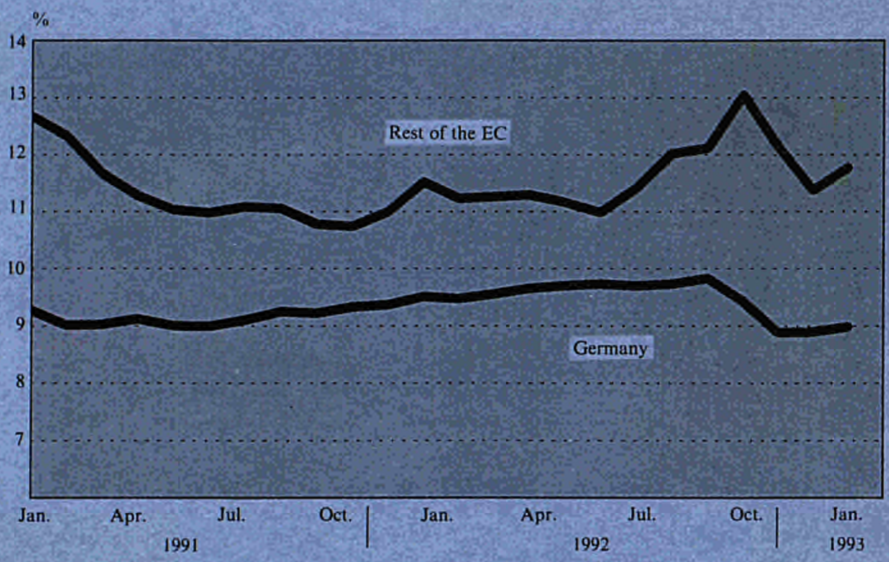
German short-term rates reached a peak in the second half of August (see Graph 8). Thereafter, despite continued high rates of M3 growth, German rates trended downwards, particularly in response to the effective appreciation of the German mark implied by the ERM crisis and partly as a result of the defence of the French franc.

Political difficulties and ERM turbulence

The difficulties which the ratification of the Treaty on European Union encountered — rejection by Danish voters, narrow approval in the French referendum, difficult parliamentary debates in some other countries — have complex causes. It must be presumed, however, that the deterioration of the economic situation has been a contributory factor as people became more worried about their future and more fearful of change *per se*. The appearance of these difficulties only served to add to the Community's economic problems.

The rejection in June 1992 by Danish voters of the Treaty led market participants to expect a weakening of the commitment to the agreed path towards EMU, which particularly affected the countries with the largest budgetary adjustments to make or the weakest cyclical positions. As a result, the increase or reappearance of risk premiums on many of these countries' currencies *vis-à-vis* the German mark started a

GRAPH 8: **Short-term interest rates in Germany and in the rest of the Community**
(monthly averages January 1991 to January 1993)



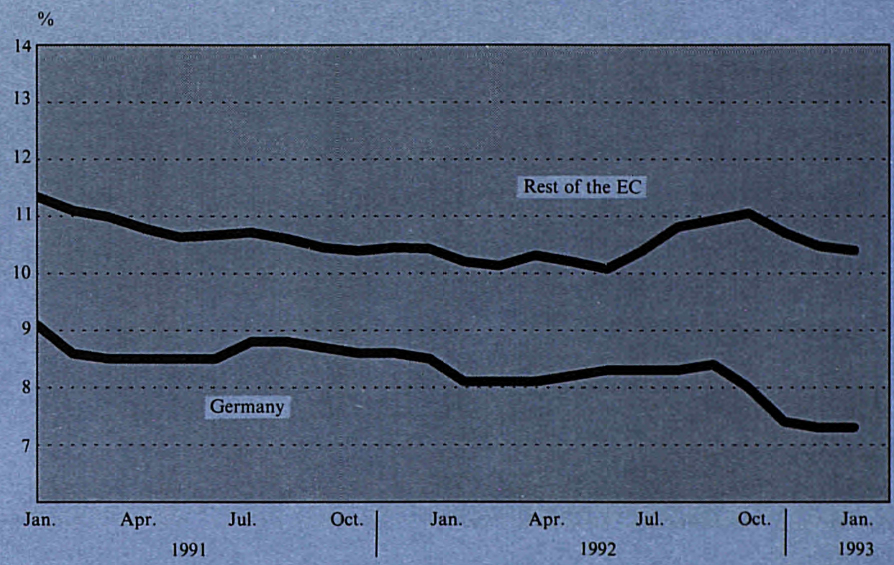
vicious circle as economic prospects for these countries deteriorated further — thus raising additional doubts on the ability and willingness of governments to carry out painful adjustments in a difficult moment — with the higher interest rates increasing the debt-servicing burden and making budgetary consolidation still more difficult. Furthermore, exchange-rate parities, which had not been adjusted for five and a half years, were, in a number of cases, out of line with the achievement of internal balance without the need for a prolonged period of inflation at rates below those in partner countries. At the same time, economic evidence was pointing to a substantial worsening of the economic situation in most Member States and survey results started casting doubts on a positive vote in the French referendum called for 20 September.

These developments led markets to seriously doubt the ability of many governments to defend the existing parity grid within the EMS exchange-rate mechanism and served to ignite the recent foreign-exchange crisis (see box for a description of developments). If these events represented the spark, the fuel for the fire had been accumulated over years by the continued existence of large imbalances in many, although not all, of the countries affected.

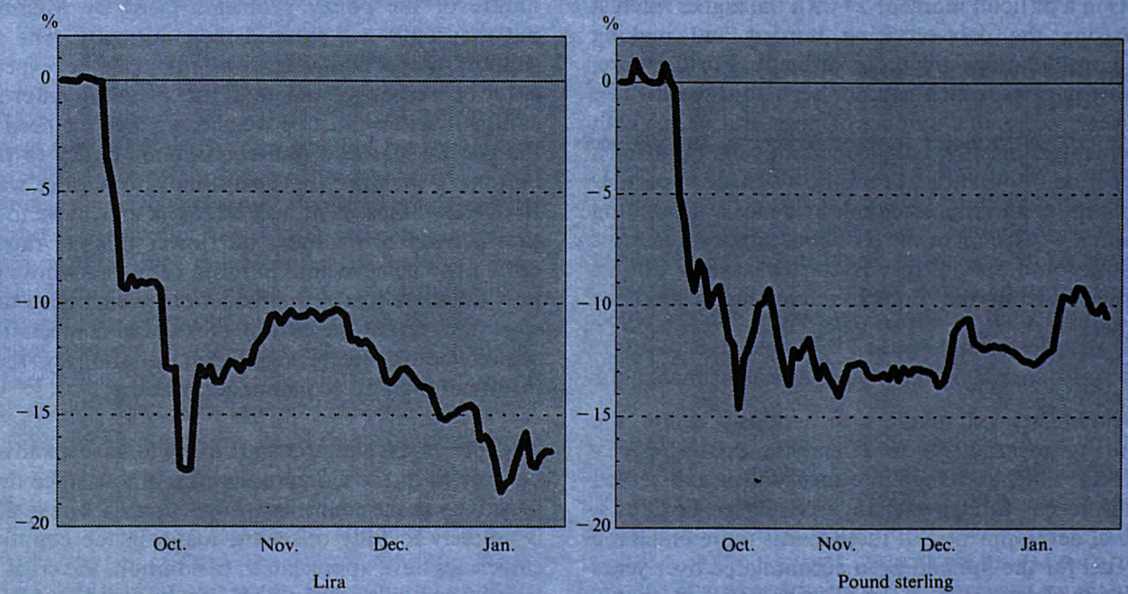
The parity adjustments which have taken place and the temporary suspension of the participation of the Italian lira and the pound sterling have to a certain extent changed the nature of the policy problems faced by Member States, but they have not reduced their difficulty. The temporary support to economic activity that can be expected from a lower exchange rate and the resulting improved price competitiveness must be weighed against the need to restrict the general stance of macroeconomic policy to prevent inflationary pressures degenerating into a price/wage spiral. Budgetary adjustment may be easier to achieve to the extent that activity is stronger, but lower interest rates are still difficult to achieve and, in those countries whose currencies now fluctuate freely, the reductions which have taken place were obtained at the cost of substantial depreciations which are bound to create significant inflationary risks in the medium term and economic uncertainty.

The foreign-exchange crisis is likely to have an adverse effect on growth in the Community as a whole since the increase in activity in the countries whose currencies have depreciated is unlikely to fully offset the losses in the countries whose currencies have appreciated. In addition, the crisis has affected the credibility of the EMU timetable and added a significant element of uncertainty to economic agents' plans.

GRAPH 9: **Long-term interest rates in Germany and in the rest of the Community**
(monthly averages January 1991 to January 1993)



GRAPH 10: **Changes in the value of the lira and the pound sterling *vis-à-vis* the German mark since the beginning of September 1992**
(percentage changes relative to 1 September 1992)



To make matters worse, over the closing months of last year tensions and uncertainties appeared over the possibility of reaching an agreement on the current round of GATT trade liberalization. Since the freeing of trade aimed at in the Uruguay Round is expected to impart a substantial positive stimulus to world trade and growth, conclusion of the long round of negotiations had been eagerly awaited and the appearance of new difficulties must have been perceived as an additional new adverse development. Finally, the continued uncertainty surrounding the prospects for political and economic reform in Central and Eastern Europe and the ethnic conflict in the former Yugoslavia were additional factors depressing business and consumer confidence. Hence the political and institutional sphere in the second half of 1992 failed to provide economic agents with the stable and credible framework they need and actually contributed to depressing their confidence.

Chronology of recent events in the exchange-rate mechanism

2 June 1992: Danish voters narrowly reject the Maastricht Treaty by referendum leading to the emergence of exchange-rate tensions within the ERM and rises in short-term interest rates in several Member States.

2 July 1992: The US Federal Reserve announces the seventh consecutive reduction in its discount rate to only 3%, accelerating the recent rapid depreciation of the dollar relative to Community currencies.

16 July 1992: The Bundesbank raises its discount rate by three-quarters of a percentage point, but leaves the Lombard rate unchanged at 9,75%.

25 August 1992: Publication of first polls suggesting a negative vote in the French referendum.

28 August 1992: Fuelled by growing fears over the unsustainability of the Italian budget deficit, the lira falls to its floor in the ERM.

3 September 1992: The UK, under growing pressure to increase interest rates in defence of sterling's weakness, chooses instead to arrange lending facilities for an amount equal to UKL 7¼ billion to bolster its external reserves.

4 September 1992: The US further reduces the federal funds rate by a quarter of a percentage point to 3% and the dollar falls to a record low relative to the German mark. Italy raises interest levels sharply in an attempt to raise the lira above its ERM floor, and announces that it will be making use of the very short term financing facility.

6 September 1992: The informal Economic and Financial Council in Bath reaffirms its commitment to existing exchange-rate parities in the ERM. A succession of opinion polls point to the possibility of a rejection of the Maastricht Treaty in the French referendum.

8 September 1992: Finland floats the markka and Sweden increases its short-term rates.

14 September 1992: In an effort to relieve ever-mounting tensions within the ERM and to reduce massive speculative attacks on the lira, a 7% devaluation of the lira is agreed. The Bundesbank reduces the Lombard rate and the discount rate by a quarter and half a percentage point respectively and announces a reduction in the rate for securities repurchase agreements of half a percentage point.

16 September 1992: Notwithstanding massive central bank intervention and a cumulative 5-point increase in the minimum lending rate, sterling falls substantially and the Chancellor announces its suspension from the mechanism. The lira also suffers further massive speculative attacks and also falls to its new ERM floor. The Swedish Central Bank increases its marginal lending rate to 500%.

17 September 1992: Italy abandons attempts to maintain the lira within the ERM and temporarily suspends its participation in the mechanism. The Spanish peseta is devalued by 5%. The Danish krone, French franc and Irish punt are all subject to speculative attacks requiring central bank intervention and rises in interest rates.

20 September 1992: The narrow approval of the Maastricht Treaty in the French referendum fails to dissipate doubts on the prospects for its eventual ratification by all Member States and tensions intensify within the ERM over the following days.

23 September 1992: Joint statement by the French and German authorities that 'no change in the central rates is justified'.

19 November 1992: Following several weeks of relative calm and a gradual return to pre-September interest-rate levels within the ERM, tensions are revived following Sweden's decision to abandon its peg to the ecu.

22 November 1992: The Spanish peseta and the Portuguese escudo are both devalued by 6%, while pressure continues to mount against the French franc, the Danish krone and in particular the Irish punt. Conversely, short-term money market rates continue to fall in Germany, Belgium and the Netherlands.

10 December 1992: The Bundesbank increases its M3 monetary target for 1993 by 1 percentage point at both extremes to a range of 4½ to 6½%. Norway suspends its ecu peg, putting pressure on the Danish krone and the French franc. 13 December 1992: The European Council in Edinburgh announces a growth initiative in order to aid recovery. A formula to accommodate the Danish rejection of the Maastricht Treaty and a new Cohesion Fund to promote growth in the less developed Member States are also agreed.	Early January 1993: Tensions are again revived in the ERM after the Christmas lull on financial markets and interest rates are raised in France and Ireland. The French and German authorities reaffirm their commitment to the existing German mark/French franc parity. The Bundesbank reduces its repurchase rate by 15 basis points (to 8,60%) with corresponding reductions in Belgium and the Netherlands. 30 January 1993: The Irish punt is devalued by 10%.

III — The need for an adequate response

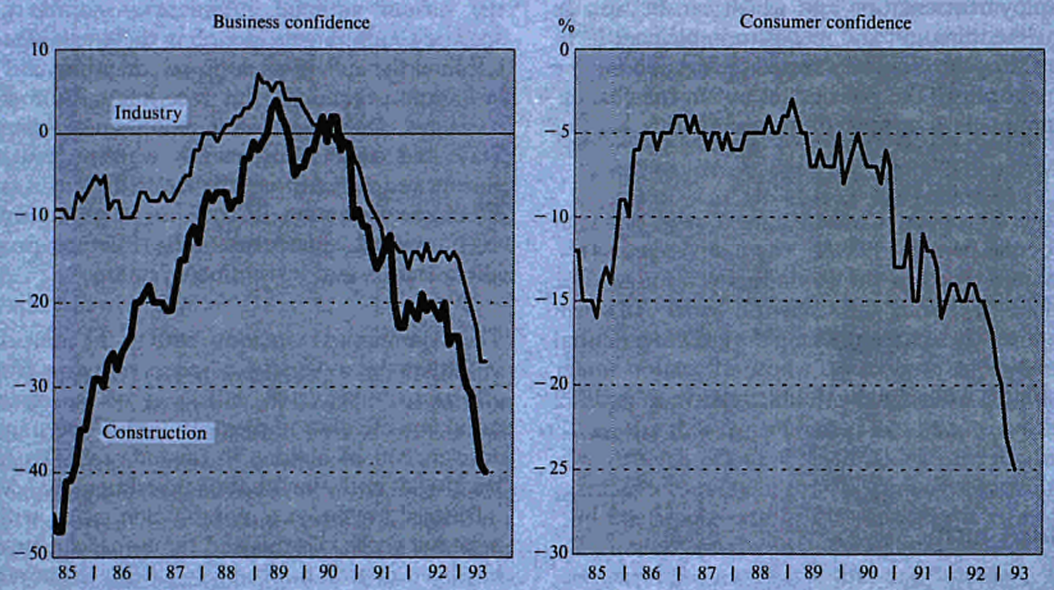
The continued weak economic conditions, the absence of sustained signs of recovery and the alarming increase in unemployment have led to increased fears of a slump developing in the Community economy. These fears lay behind the call for a rapid policy response which was recently endorsed by the Edinburgh Council. This initiative will now proceed as planned and is expected to contribute positively to the prospects for recovery in the Community. However, the outlook for 1993 still remains uncertain. A more positive outcome than that presented in Section I cannot be excluded, but there are also risks that the path to recovery could be longer. More worrying, however, is the fact that, notwithstanding the improvement which took place during the 1980s, the growth potential in the Community appears to be very low. Estimates of potential growth are always difficult to make, but it seems clear that without a significant break from recent trends the Community economy can only be expected to return gradually to rates of growth of between 2 and 2½%. These are barely sufficient to stabilize unemployment and do not open up any medium-term prospect of significant reductions: even if in 1995-96 growth were to return to rates of about 3%, as various medium-term forecasts suggest, unemployment could still be as high as 10 to 11%.

The possible adverse political consequences of such a scenario require little elaboration. Unemployment on such a large scale is a very serious social problem and an economic waste. But also in relation to economic policy alone, there is a genuine fear that this situation might lead to more serious problems in the years ahead. Unemployment and uncertainty about the future may well endanger many of those projects on which the economic future of the Community rests: full implementation of the residual single market decisions, economic and monetary union, liberalization of world trade. But there is also a danger that the present difficulties might lead to disillusion with the medium-term economic strategy followed during the 1980s which may be considered wrongly to have failed to deliver its promises.

The present economic difficulties and, in particular, the turmoil on the foreign-exchange markets, are not a product of the medium-term orientation of economic policy followed since the beginning of the 1980s, but are much more the result of the failure to implement it in full. In particular, it is to be regretted that the period of strong growth in the second half of the 1980s was not exploited to make more significant progress towards nominal convergence. Inflation has been reduced, even if unsatisfactory situations still exist in some countries, and this constitutes one of the most significant results obtained. However, unemployment, even if it has come down somewhat, is still unacceptably high. In addition, budget deficits have remained far too high. Furthermore, the countries which presented the most serious budgetary imbalances often made the least progress. Structural adjustment progress has also fallen well short of what might have been achieved.

The goal of the medium-term policy orientation Member States have repeatedly confirmed is the return to a macroeconomic framework of stability similar to that experienced in the 1960s and until the first oil price shock. The conditions required for a smooth and successful transition to EMU, which will in itself improve growth conditions, correspond exactly to this goal. Low inflation will create the conditions for faster growth and lower budget deficits will contribute to higher national saving ratios. During the 1960s, most Member States had budget deficits well below the 3% goal set in the Treaty on European Union and eight countries experienced average rates of inflation within 1½ percentage points of the 2,7% resulting from the average of the three

GRAPH 11: **Survey indicators for the EC**



best performers (Greece, Luxembourg and either Portugal or Germany who had the same average rate of inflation).

Unfortunately, the present situation has led to doubts on the soundness of the medium-term policy orientation followed by Community governments. Some doubt the effectiveness of these policies while others have a reduced faith in the determination and ability of governments to pursue them. In this situation governments must act decisively to show that they have the determination and ability to pursue the agreed goals and to convince economic agents that this policy orientation will bear fruit. Concretely this means that governments will have to implement policies which face a multiple challenge.

(i) Firstly, to act decisively to support growth without putting at risk medium-term growth prospects, i.e. above all preserving the commitment to the promotion of growth in conditions of price stability;

(ii) Secondly, to create the conditions which will permit stronger employment creation in the medium term;

(iii) Thirdly, to pursue policies designed to promote greater real convergence in employment and GDP per head;

(iv) Fourthly, to resume progress towards nominal convergence. This means consolidation of the progress made in curbing inflation and renewed efforts where inflation is still high. In the budgetary area this implies that the countries facing the most worrying imbalances should continue their efforts to reduce their budget deficits notwithstanding the present difficulties, while the others should exploit the expected recovery to return to their medium-term budgetary consolidation plans.

IV — The Edinburgh initiative

The recent European Council declaration on economic growth in Europe finds its origin in the need to act rapidly to restore the confidence of economic agents. Indeed the present extremely depressed level of business and consumer confidence constitutes by itself one of the biggest obstacles on the way to economic recovery; such low levels of confidence could even provoke a further deterioration in economic prospects. But the European Council also stressed that these actions should not be perceived as implying a departure from the necessary medium-term budgetary consolidation. Indeed, credibility depends on following a medium-term strategy which can create the conditions for stronger growth and faster employment creation and which can be seen as possessing the determination and means to implement it. In particular, the European Council stressed the need to pursue seriously and vigorously the policies set out in the convergence programmes as a means of regaining this loss of credibility.

In addition, the European Council agreed new financial perspectives for the period 1993-99. These envisage a 41% increase in volume terms in the Community resources for structural policies, including the Cohesion Fund. This will contribute significantly to strengthening the growth potential of the less prosperous economies, whose allocation under the structural Funds will virtually double relative to its 1992 level.

1. In the short term

The European Council, at its December 1992 meeting, called on Member States to exploit the macroeconomic margins for manoeuvre available to take actions 'which would boost confidence and promote economic recovery'. More specifically, it called on governments to implement a two-pronged approach involving actions at national and at Community level.

Member States were invited to take concerted action in three main areas:

(i) exploiting the margins for manoeuvre available in the budgetary area to implement measures to encourage private investment and to switch public expenditure towards infrastructure and other growth-supporting priorities;

(ii) strengthening structural adjustment efforts, for example through action to reduce subsidies and measures to enhance competition and market flexibility;

(iii) promoting wage moderation with particular regard to the public sector given the important demonstrative role it plays and the positive effects on budgetary consolidation.

Work in this direction has already commenced within the Economic and Financial Council. Ministers have started considering measures of the type recommended with a view to their early implementation. It is hoped that governments will be able to announce the different measures that will be taken in a confidence-enhancing manner. A simultaneous and concerted announcement would magnify the psychological effect and could be achieved through the presentation of the various national initiatives as a joint package, with specific commitments regarding the timetable for implementation of the individual national components. This is particularly appropriate in the case of a number of national measures which are common to more than one Member State and which consequently warrant joint action at the European level. Among the latter there is a strong case for simultaneous action in such areas as housing, small and medium-sized enterprises, infrastructure projects, market liberalization and institutional matters.

The Community is to contribute to the joint action through initiatives in a variety of areas ranging from additional efforts to improve the efficiency of the research it funds, rapid and effective implementation of the single market, the acceleration of actions in favour of SMEs to remove the backlog of pollution-abating investment, to action to finance infrastructure projects notably connected with trans-European networks. To this end the European Investment Bank has been invited to establish a new, temporary lending facility of ECU 5 billion for the purpose of promoting trans-European networks (TEN). In addition, a European Investment Fund with a capital of ECU 2 billion will be established with contributions to its capital from the EIB, the Community and other private financial institutions. The Fund will extend guarantees for TEN projects throughout the Community and for small and medium-sized enterprises, especially in assisted regions. Member States, the Commission and the European Investment Bank will undertake a joint effort aimed at using the resources thus made available to foster projects which might be implemented rapidly.

2. In the longer term

Employment growth in the Community cannot be enhanced significantly without generating faster economic growth whilst at the same time improving the efficiency of the labour market. Since the mid-1970s, the rate of GDP growth at which Community employment begins to increase, the so-called 'employment threshold', has remained stable at around 2% per year. Given the expected trends of the population of working age and participation rates, the Community economy would need to grow at a sustained rate of 2,5% if unemployment is to be stabilized. The implication is that a major reduction of unemployment is unlikely to be achieved within an acceptable time span unless economic growth can be maintained at a rate which is higher than this.

For instance, a sustainable growth of 3,5% would reduce the unemployment rate by between three-quarters and one percentage point per year. During the second half of the 1980s an average rate of growth of 3,2%, coupled with emerging beneficial effects of various supply-side measures, reduced the rate of unemployment from 10,8% in 1985 to 8,3% in 1990. However, during this period, the underlying potential growth rate probably did not exceed 2½ to 2¾%, whereas during the 1960s and until the beginning of the 1970s it was still well above 4%. As a consequence, after an initial taking-up of the existing slack in capacity, the Community economy experienced overheating problems which, together with other factors, led to the present cyclical slowdown, as described in Section II.

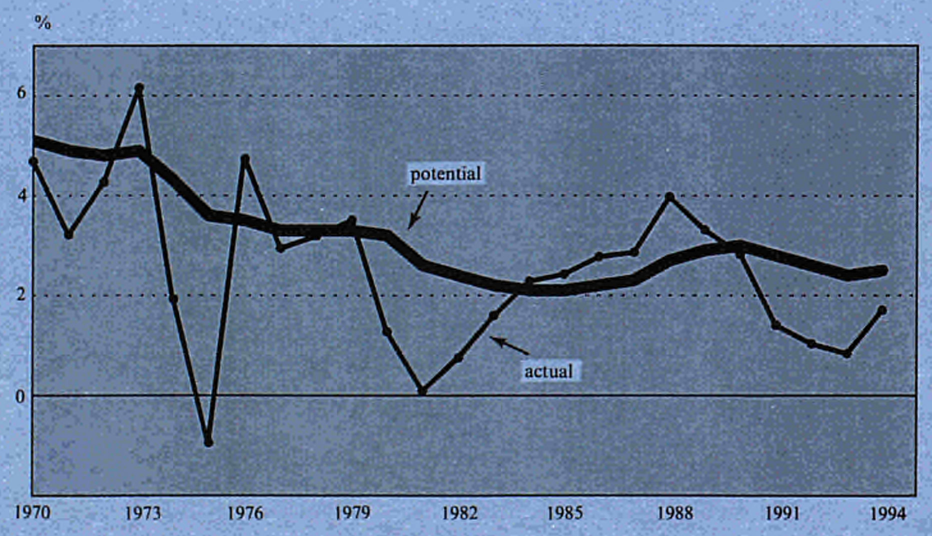
Notwithstanding the fact that the degree of capacity utilization has fallen again, which leaves some scope for expansion without undue inflationary pressures, there is little doubt that maintaining rates of growth in excess of 3% over a number of years requires a significant increase in the rate of growth of the productive potential of the Community economy. The Community must generate greater efficiency in the use of its resources and shift more of these resources into productive investment so as to improve its industrial base and its competitiveness. This must be the economic policy priority for the medium term. Achievement of this goal would allow the reduction of unemployment to more acceptable levels as well as promoting progress towards EMU and towards greater economic and social cohesion. Thus a greater commitment is required on two fronts, namely:

(i) increasing the dynamism of the Community economy by removing structural impediments which constrain the rate of increase of the productivity of capital and labour; and

(ii) generating sufficient investment which means increasing the investment ratio in the Community by a substantial amount.

If those two objectives are to be realized, it will be necessary to ensure that incentives are not impaired which means that the impetus of supply-side policies must continue. Thus, a greater commitment to structural measures aimed at improving the supply side of the economy is essential both at the Community level and in the individual Member States. Such measures are necessary, first and foremost, to complement the single market programme which is increasingly exposing

GRAPH 12: **Actual and potential rate of growth in the EC**
(approximated by the rate of increase of the stock of capital)



the many structural rigidities which continue to exist and which exert a high cost in terms of the misallocation of resources, higher unemployment and inflation and inadequate adjustment to changing economic circumstances.

At a time when both fiscal and monetary policy are severely constrained by existing imbalances, it is imperative that the potential for promoting growth through the removal of such rigidities and through increased investment in the Community's human resources is fully exploited.

Member States must take the necessary measures to increase factor flexibility in their economies. In the absence of nominal exchange-rate adjustments in full EMU, such flexibility will be essential to ensure that their economies can adapt to changed economic circumstances without increases in unemployment. Similarly, the Community must continue its effort in the areas of competition, improved infrastructure including research and development, training, the removal of trade barriers and, most of all, the implementation of the single market.

Given the present degree of capital intensity and the prevailing capital to output ratio, the investment ratio should increase substantially. If rates of growth of the order of 3,5% per year are to become sustainable, the investment ratio should increase from the present level of less than 20% of GDP to about 23 to 24%. Such a substantial increase can only be achieved over many years and will depend on a favourable development of many different factors. In particular, investment profitability must increase, and be expected to remain high; the growth of demand and its composition must remain adequate; and a progressive shift of resources towards savings must take place simultaneously.

The large deterioration in capital profitability that occurred during the 1970s (Graph 13) was partly corrected during the 1980s but there is still some ground to make up. Indeed it is likely that the profitability of capital will have to increase to even higher levels than in the 1960s given the present high levels of real interest rates which are not expected to be reduced significantly over the medium term, not least in view of the demand for savings from the rest of the world (Eastern European countries, LDCs, etc).

The experience of the 1980s has shown that the most effective means of securing the required increase in capital profitability is a return, over an adequate number of years, to a

GRAPH 13: **Profitability of fixed capital and investment share in GDP (EC 1961-92)**

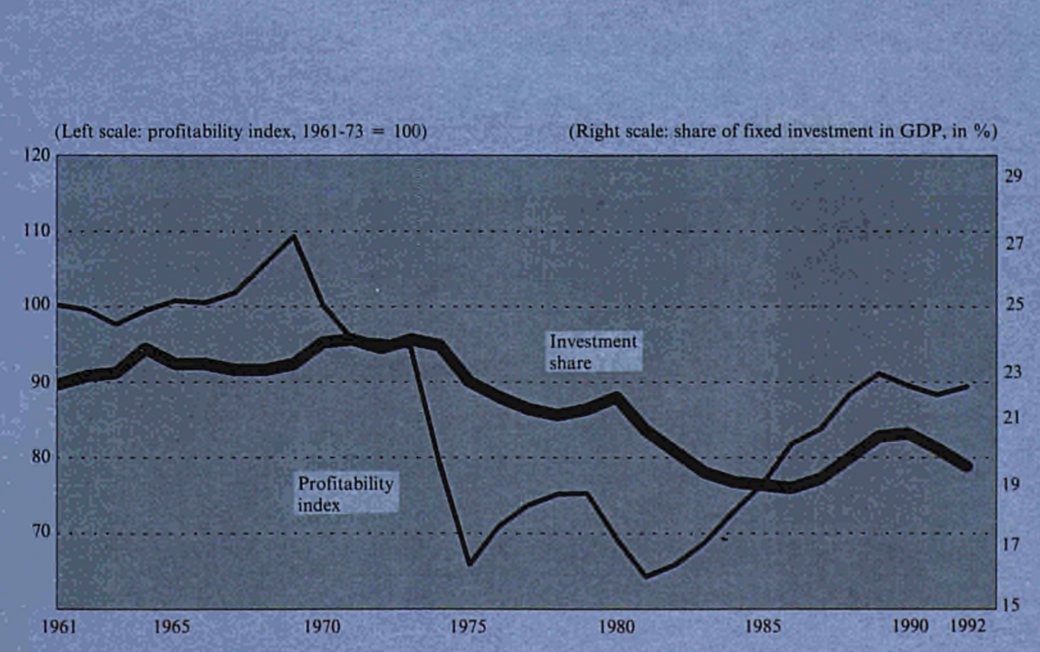


Table 3

Saving — Investment balance for selected years

(EC (excluding the former GDR, % of GDP)

	1961-73	1981	1986	1989	1992
Household saving (1)	10,0	12,0	10,3	8,6	9,8
Corporate saving (2)	11,0	9,0	11,2	12,0	11,2
Private saving (3 = 1 + 2)	21,0	21,0	21,5	20,6	21,0
Public saving (4)	4,0	− 1,0	− 0,8	0,8	− 1,7
National saving (5 = 3 + 4)	25,0	20,0	20,7	21,4	19,3
Current balance (6)	0,4	− 0,6	1,3	− 0,1	− 0,5
Gross fixed capital formation (7)	23,2	20,9	19,0	20,7	19,6
Changes in inventories (8)	1,4	− 0,3	0,4	0,8	0,2
Gross capital formation (9) (7 + 8) = (5 − 6) = (9)	24,6	20,6	19,4	21,5	19,8

moderate growth of real wages per head with respect to labour productivity. Indeed, this was the wage pattern achieved between 1981 and 1989 in most Member States. In the Community, real wage-cost per wage earner increased on average by slightly less than half the increase in labour productivity.

A similar favourable development during the 1990s would allow for the achievement of the required level of profitability. To this end, it is essential that wage-setting procedures become, if necessary through additional structural reforms, more conducive to the necessary wage developments. Such moderate wage increases would still allow for the expansion and composition of demand necessary to sustain profitability expectations. As labour productivity increases with higher fixed investment and investment in human resources, real wage increases may then also be higher, thus triggering what could become, hopefully, a virtuous cycle.

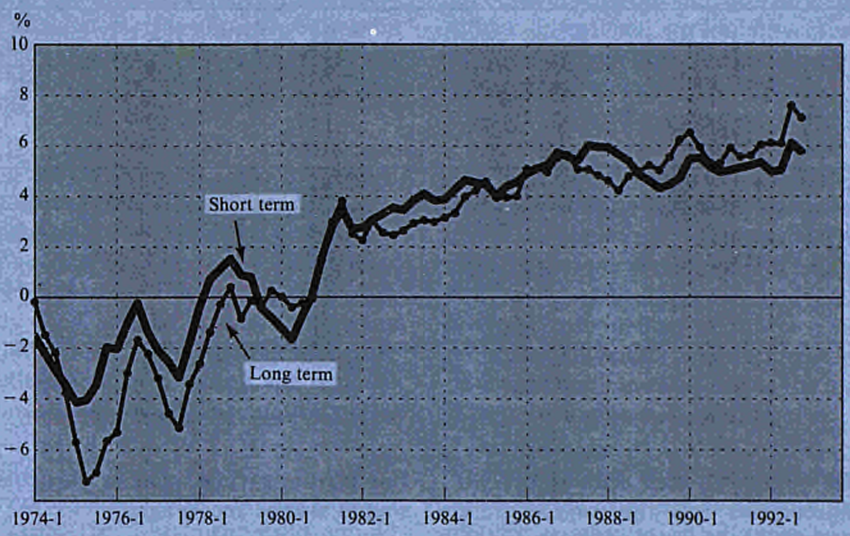
But the necessary increase in the investment ratio needs also to be accompanied by an equivalent increase in national savings. Indeed, given the present current-account position of the Community and the need for it to return to a net capital exporter position more appropriate to a highly developed economy, national savings may have to increase even more. Private saving has been very stable over a long period while public saving has deteriorated substantially under the impact of increased public debt and higher real interest rates (see Table 3 and Graph 14). Under these conditions an increase in national savings appears to require, first and foremost, a major reduction in public dissaving. But private savings, and in particular that of enterprises, should also be encouraged.

V — Macroeconomic policies and policies for structural adjustment

Macroeconomic policies must be geared to facing the short and medium-term challenges described in the two previous sections, and they must be implemented bearing in mind the already stated need to increase credibility. This task could be greatly facilitated through improved coordination of national economic policies.

The most important contribution macroeconomic policy can make to the prospects for recovery is to bring about conditions allowing a reduction in short-term interest rates on a sound basis. This essentially requires that any continuing inflationary pressures due to excessive wage increases and unbalanced budgetary positions be reduced. Negotiations and agreements between the social partners, where possible, could bring positive results through the encouragement of lower nominal wage increases with positive effects on inflationary expectations. Decisive and credible action in most Member States to put public finances again on a medium-term consolidation path would ease the task of monetary policy via a similar reduction in inflationary expectations. Institutional measures such as an adaptation of existing budgetary procedures and the granting of full independence to central banks ahead of the EMU schedule could also produce significant results in this respect. Currently, Spain is taking a helpful lead in this direction.

GRAPH 14: **Community interest rates: real short and long-term rates**
(Quarterly figures: interest rates less current rate of inflation)



1. Monetary policy

Given the commitment to the ERM and that — by and large — German interest rates continue to set the floor for interest rates within the system, a weakening of inflationary pressures in Germany could provide a major opportunity for a more general reduction in interest rates while progress in the other countries will depend also on action to reduce the risk premiums.

In September 1992, the Bundesbank took the opportunity afforded by the appreciation of the German mark to effect modest reductions in its official discount and Lombard rates as well as in the rate for security repurchase agreements. This has been followed recently by further cuts in short-term rates and by a market-induced sharp fall in long-term interest rates (see Graphs 8 and 9). This confirmed that the cuts in short-term rates had been soundly based and had not given rise to expectations of higher inflation in the long term. However, most of its ERM partners have, as yet, been unable to fully effect similar reductions owing to the need for continued vigilance on the exchange-rate implications.

The scope for yet further reductions in German interest rates (particularly at the short end of the market) is crucially dependent on the success of the authorities' anti-inflationary strategy. A number of factors are expected to contribute to the disinflationary process in Germany in 1993. The appreciation of the mark within the ERM and the general slowdown in growth, both in Germany and elsewhere, are all putting downward pressure on prices. Moderation of wages and deceleration of monetary growth are expected to create the potential for interest-rate cuts. But further progress is needed given that the present rates of increase of nominal unit labour costs and monetary growth are still not considered to be consistent with price stability. Similarly, the ongoing high level of the underlying budget deficit is continuing to fuel inflation. But on the other hand, there is evidence of a more pronounced downturn in Germany with an ever-growing number of indicators — falls in industrial production, reduced export orders, company closures, the succession of poor quarterly growth figures, etc.— pointing to its severity.

The Commission forecast of a stagnation in output in Germany in 1993, if realized, will obviously increase disinflationary forces and hence the potential for interest-rate cuts. However, it could also increase the already strong pressures on public finances through its impact on automatic stabilizers. If these latter pressures are not sufficiently controlled they could reduce the scope for a monetary easing. The 'solidarity pact' currently being discussed would be a most welcome development. Such a pact, including a measure of wage moderation over many years and a credible medium-term budgetary consolidation programme, would further bear down on inflationary expectations, and hence allow the necessary significant reduction in short-term interest rates. As expectations are revised, long-term interest rates could also fall further.

Other Member States find themselves in different situations. In those countries whose currencies did not depreciate during the foreign-exchange crisis, inflation does not give cause for concern and, in any case, lower import prices will reduce inflationary pressures further. Some of these countries (France and Denmark), however, still experience positive interest-rate differentials *vis-á-vis* the German mark. These countries should maintain the medium-term course and try to improve further the credibility of their policies, thus allowing a reduction in interest-rate differentials *vis-á-vis* the German mark. A loosening of monetary conditions in these countries, however, will depend largely on developments in Germany.

A second group of countries is made up by the Member States whose currencies depreciated within the ERM (Ireland, Spain and Portugal). Monetary conditions in Spain and Portugal will depend essentially on the ability of governments to improve substantially their stability performance and thus reduce the still very large interest rate differentials *vis-á-vis* the German mark. In Ireland, it will be essential to maintain the stability-oriented policies of recent years. A final group, formed by those countries whose currencies are outside the ERM (Italy, the United Kingdom and Greece), has a relatively larger degree of freedom in determining short-term interest rates. This freedom, however, is constrained by inflationary risks, which, given the size of the depreciations that have already taken place, are considerable. In these two last groups of countries wage moderation policies will play a crucial role since these will have to ensure that the recent depreciations do not lead to faster inflation and that progress towards nominal convergence resumes as soon as possible in those cases where a temporary set-back is inevitable.

2. Budgetary policy

As noted previously, unsatisfactory budgetary positions are complicating the conduct of monetary policy in many Member States. The budget deficit in the Community is now at a record level, exceeding even that of the early 1980s. Furthermore, the burden on policy-making is now much more severe given that debt to GDP ratios have increased substantially and real interest rates are much higher than in the 1960s and 1970s. This current unsatisfactory state of most Member States' public finances has also very severely restricted the room for fiscal manoeuvre in the current downturn.

The essential priority for the public finances in many Member States remains their medium-term consolidation. The continued high deficit levels are in themselves a major factor in the present economic difficulties and in the recent turmoil on the foreign-exchange markets. They serve to keep long-term interest rates high, crowd out private investment and act to fuel inflationary expectations.

In these conditions, it is even more necessary to orient public expenditure towards those sectors where it will most influence growth prospects. This objective requires switching expenditure towards those sectors where the pay-off in terms of growth (investment in infrastructure, environmental protection, research and development, training, etc.) is vital to the medium-term performance of the economies.

The heterogeneous budgetary situation between Member States also warrants a differentiated approach. In several Member States, notably Italy and Greece, the more immediate effect of any fiscal expansion would be more likely to result in sharply increased interest rates and correspondingly increased debt-servicing charges, renewed tensions on foreign-exchange markets and increased inflationary pressures, rather than in an increase in output. In these Member States there is no alternative, therefore, to the continuation of the existing stabilization efforts, which in several cases are already showing positive signs of progress. In the few countries with less pressing problems the 'automatic stabilizers' may be allowed to continue to work, particularly on the revenue side.

In all cases, however, there is a need for caution to ensure that policy credibility is not undermined. The existing convergence programmes will need to be updated to take into account the deterioration in the economic situation and, in the countries where the public finance situation is most worrying, it is essential that any slippage in the implementation of the convergence programmes be identified early and any necessary corrective measures implemented without delay.

3. Structural policies

3.1. Continued need for structural reform at national level

Member States must press ahead with the structural adjustment efforts which they have already initiated. These efforts complement initiatives taken at Community level, particularly in relation to the completion of the single market. By their very nature, the benefits of structural adjustment measures tend to become apparent only over the medium term. This should not be allowed to serve as a reason for delaying their implementation. The fact that such measures are seen to be put into effect helps to restore credibility which produces positive effects also in the short term.

A vast array of structural measures remain to be implemented at national level. Governments could send a strong signal to economic agents of their determination to break with past behaviour by announcing and implementing a significant programme in this area. The need for such action is being increasingly felt as the single market comes into effect and the increased exposure to greater competition highlights the many underlying structural rigidities. There is still a lack of competition in key sectors such as the energy, communications and transport markets. This is facilitated by the continued existence of impediments to market access. The persistence of continued high levels of State subsidies is also serving to distort competition and impede possible change. Total State aids in the Community between 1988 and 1990 averaged an estimated ECU 89 billion annually (about 2% of Community GDP), with nearly half of it (ECU 36 billion) going to the manufacturing sector alone. Under these circumstances, there is a need for a reduction in these subsidy levels.

There is also an ongoing need to examine the necessity for government intervention, the attendant costs and the alternatives. Improved efficiency needs to be encouraged in the public sector, through increased competition with the private sector where appropriate. A high level of social protection is a distinctive feature of the Community identity which must be maintained. Environmental protection needs, in many instances, to be increased. Yet, there is ample scope for simplifying procedures and reducing the administrative charges implied by some regulations without compromising these two aims. This is particularly the case for small and medium-sized enterprises (SMEs), which because of their limited size and resources are particularly vulnerable to unnecessary or over-complicated procedures. If the job-creating potential of SMEs is to be fully exploited, it is essential that their growth is unhindered by such rigidities. The State role in the provision of infrastructure and housing also needs to be critically examined with a view to removing existing structural obstacles to growth.

However, it is in relation to labour markets that the need for tackling structural rigidities is imperative. Some progress was made in this respect in the latter half of the 1980s. However, the coexistence of continued high levels of unemployment, emerging labour shortages and a resumption of wage inflation towards the end of the decade clearly indicates that this was insufficient. More needs to be done to ensure that a resumption of economic growth results in strongly increased employment rather than a repeat of the previous patterns of inflationary wage increases followed by restrictive macroeconomic policies.

In addition, specific action is needed in relation to unemployment. Its causes are complex and deep-rooted. To get unemployment moving downwards will require not just a resumption of growth — crucial as that is — but structural actions, including special measures for all those who are particularly vulnerable, such as young people, women and the long-term unemployed, and including actions to improve the functioning of the labour markets, especially at the local level.

There are many areas where specific action is urgent. Skill shortages and mismatch between skills offered and skills demanded are very widespread. Initiatives at both the national and the Community levels are necessary to improve training systems. Also necessary are measures to increase the geographical mobility of workers. In addition, in many cases it may be necessary to modify wage-setting procedures to make them more responsive to macroeconomic conditions and the existence of large numbers of unemployed workers.

3.2. Structural adjustment at Community level

At Community level there have been contrasting results in 1992 in relation to the removal of structural rigidities. At one extreme, the further progress towards the completion of the single market and the agreement on the European Economic Area represent breakthroughs that will generate positive economic benefits well into the future. At the other extreme, the delay and difficulty in bridging the narrow gap separating the principal parties on the GATT Uruguay Round already represent a costly lost opportunity.

The single market programme is a central pillar of the Community's economic strategy and has provided both the impetus and the rationale for the EMU project. It is impossible to conceive of EMU in the absence of the full freedom of capital, labour, goods and services provided for under the single market. The Community has therefore set itself the goal for the next few years not only of finalizing the single market agenda, but, most importantly, of making it work.

On the basis of the 1985 White Paper, the economic environment for Community enterprises has fundamentally changed in the direction of opening up national markets: allowing free circulation of goods, services, and capital, through mutual recognition, opening up public procurements and abolishing frontier controls. The application of new indirect taxation regimes, in particular, has opened the way to important cost reductions for businesses in intra-Community trade through the removal of all fiscal formalities linked to the crossing of internal borders. These developments have led to a significant restructuring of Community companies, an effort that should be supported at the Community level by putting at the disposal of business and individuals a legal framework of cooperation.

In the first place, the rules adopted must be made a reality. Effective and equitable enforcement of Community legislation has to be a top priority. The Commission presented to the Council in December 1992 a clear strategy to ensure the efficient functioning of the single market based on the provision of information, transparency in Community law and cooperation between administrations. This is not exclusively a Community responsibility; Member States should share in the effort on the basis of a permanent partnership.

In the second place, the technical compatibility of products and processes has to be ensured in order to facilitate the exchanges and foster investment. Following the Council conclusions on the 1991 Green Paper on European standardization the Community has tried to reinforce the procedures and widen the role of standardization in Community legislation.

Business and individuals have to show that they can maximize the opportunities offered by the single market. In this regard, the growth initiative taken at the European Council in Edinburgh cannot be dissociated from the economic context and the environment in which the Community acts. Indeed, it is only in a truly internal market that enterprises can reap the benefits of a growth initiative and thus contribute to reversing the negative trends which have been visible recently.

The entry into force of the agreement on the European Economic Area (EEA), notwithstanding its recent rejection in the Swiss referendum, will further enhance the very close trade ties between the Community and the EFTA signatories. The provision in the agreement for the acceptance of the vast majority of the single market measures by the latter will further facilitate trade and competition between the two areas and thus give rise to considerable economic benefits. The agreement will also facilitate the expressed intention of these countries to proceed with applications for full membership of the Community. Similarly, the conclusion of Association Agreements with several Central and East European countries will encourage greater integration and trade between the countries of Central and Eastern Europe and the Community.

There is little questioning of the economic benefits which would accrue from a successful conclusion to the Uruguay Round. However, while all parties agree on the necessity for a successful conclusion to the Round and on the risks of failure for continued growth in world trade, a final settlement is still proving elusive. This is particularly disappointing given that the issues separating the interested parties, following recent progress, are now relatively minor relative to the overall benefits at stake. It is imperative therefore that the goodwill of all parties to the settlement of the outstanding differences is obtained as soon as possible.

The current difficulties are reducing the economic policy options and testing the resolve to resist short-term solutions which are known to create more serious problems in the medium term. One of the most effective contributions the Community can make is to help Member States maintain the course. The implementation of the Edinburgh growth initiative will help to restore a measure of confidence to economic agents and thus improve growth prospects. But economic policies must now be resolutely oriented towards improving the growth potential of the Community economies along the lines indicated in this report.

The Commission [the Council] has adopted the Annual Economic Report for 1993 in this spirit and hopes that its discussion by the European Parliament, the Economic and Social Committee, the social partners and public opinion at large will contribute to the desired goal.

Statistical annex

Main economic indicators 1990-94

Community, USA and Japan

(a) GDP at constant prices (annual percentage change)

	1990	1991	1992	1993[1]	1994[1]
B	3,4	1,9	1,0	½	1¾
DK	1,7	1,2	1,0	1¾	2¼
D	5,1	3,7	1,5	−½	1
D+	—	—	1,7	0	1½
GR	−0,2	1,8	1,5	1¾	2
E	3,6	2,4	1,2	1	1¾
F	2,2	1,1	1,9	1	2
IRL	8,3	2,5	2,9	2¼	2½
I	2,2	1,4	1,1	¾	1½
L	3,2	3,1	2,2	2	2½
NL	3,9	2,2	1,3	¾	1¼
P	4,4	1,9	1,7	1¼	2½
UK	0,5	−2,2	−0,9	1½	2¾
EC	2,8	1,4	1,1	¾	1¾
EC+	—	—	1,1	¾	1¾
USA	0,7	−1,3	2,0	2½	2¾
JAP	5,2	4,4	1,5	1½	2½

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

	1990	1991	1992	1993[1]	1994[1]
B	3,5	1,6	1,9	½	1½
DK	−0,8	0,1	−0,4	2	2¼
D	4,9	3,1	1,3	−½	½
D+	—	—	2,2	0	1¼
GR	0,8	2,3	1,1	1½	2½
E	4,7	2,9	1,8	½	1¾
F	2,6	0,8	1,0	1	1¾
IRL	6,3	−0,7	−0,9	2¼	2¼
I	2,7	2,2	1,3	−¼	1
L	5,1	8,4	3,3	2¼	2¾
NL	3,5	1,7	0,6	¼	1
P	5,4	4,1	3,6	3¼	4
UK	−0,5	−3,2	0	½	2½
EC	2,8	1,2	1,1	¼	1½
EC+	—	—	1,3	½	1½
USA	0,1	−2,1	2,1	2¼	2¾
JAP	5,4	3,0	1,1	1½	2

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

	1990	1991	1992	1993[1]	1994[1]
B	3,1	2,9	2,4	2¾	2¾
DK	2,1	2,4	2,1	1½	2
D	2,7	3,9	4,0	3½	3
D+	—	—	4,8	4¼	3½
GR	20,1	18,4	16,0	13½	9
E	6,4	6,3	6,0	5½	5
F	3,2	3,2	2,6	2¾	2½
IRL	1,7	3,2	2,9	2¼	2¼
I	5,9	6,8	5,3	5¾	4¾
L	3,6	2,9	3,4	4¾	3¼
NL	2,3	3,3	3,1	2¾	2½
P	12,6	11,9	9,1	6¾	5¾
UK	5,3	7,2	5,1	5	3
EC	4,5	5,3	4,5	4¼	3½
EC+	—	—	4,6	4½	3½
USA	5,0	4,2	3,1	2¾	2¾
JAP	2,6	2,6	2,4	2½	2½

(d) Balance on current transactions (as a percentage of GDP)

	1990	1991	1992	1993[1]	1994[1]
B	0,9	1,7	1,8	1¾	2
DK	0,5	1,3	3,0	3	2¾
D	3,5	1,2	0,4	0	0
D+	—	−0,7	−0,8	−1¼	−1
GR	−6,2	−5,1	−3,3	−3	−2¼
E	−3,7	−3,5	−3,7	−3½	−3
F	−0,8	−0,5	0,1	¼	¼
IRL	1,3	6,0	6,7	6½	7
I	−1,4	−1,9	−1,9	−1¾	−1½
L	34,2	27,9	19,9	18¾	17½
NL	4,0	3,9	3,9	3¾	3¾
P[2]	−2,5	−3,5	−0,2	−2¼	−3¼
UK	−4,2	−1,8	−2,1	−2¾	−3
EC	−0,3	−0,5	−0,5	−¾	−½
EC+	—	−1,0	−0,8	−1	−¾
USA	−1,4	0,2	−1,0	−1	−1¼
JAP	1,3	2,5	3,2	3¼	3½

Note: D+ and EC+: these aggregates include values for unified Germany.

[1] Based on the forecasts of January 1993 (final).
Unusually high uncertainties surround the winter 1992/93 economic forecasts which are based on the standard assumption of 'no change in economic policy', implying that projections for 1994 are essentially extrapolations of expected 1993 trends. Actual outcomes for 1993 and, particularly, for 1994 might differ substantially from present forecasts if, *inter alia*, economic policies were to be significantly modified.

[2] Break in series in 1991-92; until 1991: national accounts data; from 1992 onwards: balance of payments data.

Source: Commission services.

(e) Number of unemployed as a percentage of the civilian labour force

	1990	1991	1992	1993[1]	1994[1]
B	7,6	7,5	8,2	9¼	9¾
DK	8,1	8,9	9,5	9½	9¼
D	4,8	4,2	4,5	6	6½
D+	—	—	7,5	8½	8¾
GR	7,2	7,7	7,7	8½	9
E	16,1	16,3	18,0	19½	20
F	9,0	9,5	10,1	10¾	11¼
IRL	14,5	16,2	17,8	19¼	20½
I	9,9	10,2	10,2	10½	10¾
L	1,7	1,6	1,9	2	2
NL	7,5	7,0	6,7	7½	8
P	4,6	4,1	4,8	5½	5¾
UK	7,0	9,1	10,8	12¼	12¾
EC	8,3	8,8	9,5	10½	11
EC+	—	—	10,1	11	11½
USA	5,5	6,7	7,3	7¼	7
JAP	2,1	2,1	2,1	2¼	2¼

(f) General government lending and borrowing (as a percentage of GDP)

	1990	1991	1992	1993[1]	1994[1]
B	−5,7	−6,6	−6,7	−6	−5¼
DK	−1,4	−2,0	−2,3	−2¾	−1¾
D	−2,0	−3,6	−3,4	−3¾	−3¾
D+	—	−3,2	−3,2	−3½	−3¾
GR	−18,8	−15,4	−13,4	−9¾	−7¾
E	−4,0	−4,9	−4,6	−4¼	−3¾
F	−1,4	−1,9	−2,8	−3¼	−3½
IRL	−2,5	−2,1	−2,7	−3	−3¾
I	−10,9	−10,2	−10,5	−10¼	−9¼
L	5,0	−0,8	−0,4	−1	−¾
NL	−4,9	−2,5	−3,5	−3½	−3¼
P	−5,5	−6,4	−5,6	−4¾	−3¾
UK	−1,3	−2,8	−6,1	−8¼	−8
EC	−4,1	−4,7	−5,4	−5¾	−5½
EC+	—	−4,6	−5,3	−5¾	−5½
USA	−2,5	−3,4	−4,8	−4¾	−4½
JAP	3,0	2,4	2,2	½	½

(g) Total employment (annual percentage change)

	1990	1991	1992	1993[1]	1994[1]
B	1,1	−0,3	−0,7	−¾	¼
DK	−0,5	−0,9	−0,7	0	¼
D	3,0	2,6	0,8	−1	−¼
D+	—	—	−0,5	−1	−¼
GR	0,2	−2,0	−0,5	0	¼
E	2,8	0,2	−1,6	−1½	0
F	1,0	0,4	−0,2	−¼	0
IRL	3,3	−0,1	0,1	0	¼
I	1,1	0,8	0,1	0	¼
L	4,3	3,6	1,5	1½	1¾
NL	2,3	1,3	0,4	−½	0
P	0,9	0,9	−0,2	−½	0
UK	0,7	−3,1	−2,3	−1¾	−½
EC	1,6	0,1	−0,5	−¾	0
EC+	—	—	−0,7	−¾	0
USA	1,2	−1,6	0,7	1	1¼
JAP	2,1	1,9	0,5	¼	¾

(h) Compensation of employees per head (annual percentage change)

	1990	1991	1992	1993[1]	1994[1]
B	7,7	6,8	5,4	4¾	4½
DK	3,4	3,7	3,2	2½	2¾
D	4,7	5,8	5,3	3½	3½
D+	—	—	—	—	—
GR	19,7	15,0	12,3	11¼	10¾
E	7,9	8,7	9,0	7¼	5¾
F	5,0	4,2	4,1	4	4
IRL	4,4	4,4	6,3	6	3¼
I	10,5	8,7	5,1	4	4¾
L	6,9	5,4	5,1	6	4½
NL	4,1	4,3	4,8	3¼	3¼
P	18,7	19,0	14,9	9¾	8¾
UK	9,5	8,9	6,0	3¾	4¾
EC	7,5	7,2	5,8	4¼	4½
EC+	—	—	—	—	—
USA	4,9	5,1	2,4	2	2¼
JAP	5,3	4,4	3,2	2	2¾

Note: D+ and EC+ : these aggregates include values for unified Germany.

[1] Based on the forecasts of January 1993 (final).
Unusually high uncertainties surround the winter 1992/93 economic forecasts which are based on the standard assumption of 'no change in economic policy', implying that projections for 1994 are essentially extrapolations of expected 1993 trends. Actual outcomes for 1993 and, particularly, for 1994 might differ substantially from present forecasts if, *inter alia*, economic policies were to be significantly modified.

Source: Commission services.

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

	1990	1991	1992	1993[1]	1994[1]
B	7,1	2,0	3,8	−2¾	1¼
DK	−4,6	−8,1	−4,5	4½	3½
D	5,3	4,1	4,5	½	2
D+	—	—	5,6	1¾	3
GR	2,2	−6,4	−3,0	3	5
E	10,8	4,3	−3,4	−3¼	½
F	2,7	0,6	2,3	¼	1¾
IRL	11,7	−1,4	2,5	3	2
I	2,5	1,2	0,4	−¾	½
L	8,0	7,1	6,0	3¼	4
NL	0,6	−2,1	0,0	−½	½
P	5,3	4,5	2,5	2¾	5¾
UK	−0,6	−8,4	−1,4	−1½	5½
EC	3,8	0,5	1,0	−½	2
EC+	—	—	1,5	−¼	2¼

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

	1990	1991	1992	1993[1]	1994[1]
B	10,9	−1,9	0,7	−4	1¼
DK	3,7	2,8	−12,0	−¾	4¾
D	13,3	9,1	−2,0	−4	1¾
D+	—	—	1,3	−1½	3¼
GR	7,9	3,3	4,5	6	7½
E	1,4	−2,5	0,2	¼	2¼
F	4,1	−2,5	−4,3	−1¼	1½
IRL	7,2	−11,6	0,5	1¼	1½
I	3,5	0,7	−0,7	−1½	1¼
L	10,9	11,4	3,5	1¾	3
NL	7,6	2,6	−0,8	−¾	1½
P	5,8	1,0	4,8	3¾	6
UK	−3,6	−11,9	0,6	0	3¾
EC	4,8	−0,2	−1,5	−1½	2¼
EC+	—	—	−0,7	−1	2½

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

	1990	1991	1992	1993[1]	1994[1]
B	8,4	0,3	2,5	−3¼	1¼
DK	−0,5	−2,8	−8,3	2	4¼
D	8,7	6,5	1,3	−1¾	1¾
D+	—	—	3,6	¼	3
GR	4,8	−1,9	0,6	4½	6¼
E	6,9	1,6	−2,0	−2	1¼
F	3,1	−1,3	−1,5	−¾	1¾
IRL	10,2	−7,2	1,6	2¼	1¾
I	3,3	0,9	−0,2	−1¼	1
L	2,5	9,8	4,5	2¼	3¼
NL	3,6	0,1	−0,4	−¾	1
P	5,9	2,8	3,6	3¼	5¾
UK	−3,1	−9,9	−0,4	−¾	4¾
EC	3,9	0,0	−0,3	−1	2
EC+	—	—	0,4	−½	2½
USA	−2,8	−8,5	5,2	4½	5
JAP	9,5	3,4	−0,7	1	2

(l) GDP per head (EC = 100) at current prices and current PPS

	1960	1973	1986	1993[1]	1994[1]
B	97,5	103,5	103,1	106,7	107,1
DK	115,2	110,1	114,2	107,5	108,4
D	124,3	116,7	119,2	116,3	114,7
D+	—	—	—	—	—
GR	34,4	50,6	50,1	46,8	46,9
E	58,3	76,4	70,6	77,2	77,6
F	107,7	112,7	112,2	113,3	113,5
IRL	57,2	55,5	60,1	72,3	72,8
I	86,6	93,4	102,6	103,8	103,9
L	155,4	138,9	124,9	130,6	130,8
NL	116,8	111,4	104,5	104,0	103,3
P	37,2	54,1	50,7	58,1	58,8
UK	122,6	103,5	101,3	95,2	96,3
EC	100,0	100,0	100,0	100,0	100,0
EC+	—	—	—	—	—
USA	182,6	155,6	146,4	136,8	137,7
JAP	54,1	92,8	105,2	118,1	119,3

Note: D+ and EC+: these aggregates include values for unified Germany.

[1] Based on the forecasts of January 1993 (final).
Unusually high uncertainties surround the winter 1992/93 economic forecasts which are based on the standard assumption of 'no change in economic policy', implying that projections for 1994 are essentially extrapolations of expected 1993 trends. Actual outcomes for 1993 and, particularly, for 1994 might differ substantially from present forecasts if, *inter alia*, economic policies were to be significantly modified.

Source: Commission services.

The national economies[1]

Evaluation by the Commission services

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

Tables

Graphs

Portugal

United Kingdom

Introduction

The following sections give a fuller assessment of recent developments, short-term prospects and the current central policy issues in each of the national economies of the Community.

The review of developments in 1992 surveys a year in which many hopes for better economic performance were disappointed, with greater short-term divergence of results. Such divergences underlay much of the pressure which undermined existing ERM parities in the autumn. In the short term the consequences of the exchange-rate crises, including devaluations and suspensions from the mechanism, are likely to reinforce these differences. The non-devaluing countries are generally likely to have more subdued growth and greater disinflation than countries which have devalued. The picture overall is nevertheless sombre, with weak growth dominated by recession in western Germany.

The survey of policy issues demonstrates the lack of room for manœuvre in most countries. As regards monetary policy, in the ERM countries, this arises from the exchange-rate constraints on monetary policy while for the other countries (and for the ERM anchor country, Germany) monetary independence is limited by the need to restrain inflation. Fiscal policy is also in most Member States constrained by the need to reduce existing imbalances, often in the context of convergence programmes which have as their central ambition the need to meet the convergence criteria for EMU. Given these constraints, policy includes for most countries the intensification of efforts to improve the supply sides of their economies; in the context of the introduction of the single market and the further liberalization of international trade hoped for in the current GATT round, such structural improvements are particularly important.

Looking further ahead, there are other positive forces in prospect: a strengthening external environment as well as an increase in nominal competitiveness, an eventual easing of monetary policy and resumed progress in disinflation. A Community economy more efficient and with greater internal convergence will be in a position to resume a more dynamic growth path and will be better able to meet the challenges of the world economy in the mid-1990s.

Belgium

Slow growth worsens economic imbalances

After the buoyant economic expansion of the late 1980s, economic growth in Bclgium slowed down in 1992 mainly as a result of the deterioration in world-wide economic conditions. GDP growth decelerated in 1992 to an estimated annual rate of approximately 1% (from around 2% in 1991), and well below the impressive growth of over 4% registered on average from 1988 to 1990. Recent economic performance had adverse consequences for the two major imbalances of the Belgian economy, concerning public finances and the labour market.

The slowing down of economic growth in 1992 follows the fading out of the effect of German unification on export demand. Domestic demand decelerated during the year, although remaining at practically the same level for the year as a whole as in 1991. Domestic demand was particularly dynamic in the first half of 1992, in response to a set of temporary favourable circumstances, which were partly reversed later in the year. Private consumption was stimulated by a set of one-off events that especially stimulated demand for durable consumption goods. However, in the second half of the year, the tightening of fiscal policy together with the unfavourable outlook for the labour market contributed to the tapering off of private consumption.

Table 1

Belgium: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	1,4	4,1	1,9	1,0	0,5	1,7
Total domestic demand (% change)	2,4	4,3	1,6	1,9	0,6	1,6
Employment (% change)	0,6	1,4	−0,3	−0,7	−0,7	0,2
Unemployment rate (%)	11,6	8,8	7,5	8,2	9,3	9,8
Inflation (% change)	2,8	2,7	2,9	2,4	2,8	2,8
Balance of current account (% of GDP)	1,2	1,4	1,7	1,8	1,8	1,9

Residential investment grew in 1992 at a vigorous pace, reflecting both the effects of increased competition on the domestic mortgage market, which exerted a downward pressure on mortgage rates, and a relatively mild winter. The real level of residential construction in 1992 was about 80% above the level of 1986. In spite of the extraordinary buoyant growth in this category of spending since the mid-1980s, the ratio of households' overall debt to disposable income remains relatively low, when compared with other countries, due to the high level of saving.

Firms' investment grew modestly in 1992 due to the slowdown in economic activity and weak demand prospects. The pattern of investment spending in manufacturing industry was somewhat uneven among sectors, remaining strong in some economic branches, such as the car industry, while it was less favourable in other sectors more affected by the economic slowdown and exposed to increased international competition (textile and steel industries). Investment surveys in the manufacturing industry point to a significant contraction in spending in 1993.

Table 2

Belgium: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	15,8	19,1	19,8	19,9	19,1	18,9
(% change)	3,6	12,4	0,3	2,5	−3,3	1,3
of which:						
Construction (% change)	1,8	9,7	2,0	3,8	−2,8	1,3
Equipment (% change)	4,9	15,9	−1,9	0,7	−4,0	1,3

Export growth faltered in 1992, entailing some loss in market shares. This may be due to the erosion of price-competitiveness, resulting from developments in domestic costs and the effective nominal appreciation of the Belgian franc which, however, will only be fully felt in 1993. Nevertheless, as wage inflation is expected to slow down in 1993 and 1994, reflecting the moderate interoccupational agreement reached for that period (see below), Belgium's competitive position is likely to remain basically sound. In 1992 the current account remained in surplus (about 1,5% of GDP) in part because import growth has slowed and the terms of trade have improved.

In spite of increases in indirect taxes, the economic slowdown and lower import prices allowed a further reduction in inflation. Annual CPI inflation decreased from 3,2% in 1991 to 2,4% in 1992 (about 1,5 percentage points below the Community average).

Growth prospects are not expected to improve in 1993 even if monetary policy eases significantly in the coming months. Long-term interest rates, which are more relevant for invest-

Table 3

Belgium: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	9,9	8,5	4,9	4,8	4,4	5,3
Short-term interest rate	8,2	8,4	9,4	9,4	7,3	5,8
Long-term interest rate	8,8	8,9	9,3	8,6	7,9	7,8
Competitiveness [1] (1985 = 100)	104,4	102,8	105,0	107,7	111,9	112,6
Budget balance (% of GDP)	−8,6	−6,4	−6,6	−6,7	−6,0	−5,3
Gross public debt (% of GDP)	124,9	129,4	130,1	132,2	134,3	134,2
Nominal wages per head (% change)	0,8	1,7	3,8	2,9	1,8	1,7

[1] BLEU.

Note: Figures for 1993-94 are forecasts made by Commission services in January 1993, based on technical assumptions on interest and exchange rates.

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.
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 consumption prices.

ment decisions, are only likely to decrease slightly, while foreign demand continues depressed. Stimulus from domestic demand is also not foreseen. All in all economic growth is not expected to exceed 0,5% in 1993.

In the current unfavourable world-wide economic situation it is particularly important to maintain a satisfactory degree of competitiveness in order to avoid any further slowing down of domestic activity. In this respect, it is important to secure moderate total labour-cost increases for the 1993-94 period. This will depend on the outcome of negotiations at sectoral and enterprise levels, as the interoccupational agreement for the 1993-94 period involves *per se* only very modest increases in labour costs.

Economic growth prospects will once again negatively affect the labour market. The unemployment rate is expected to increase from 8,2% in 1992 to 9,3% in 1993 (Eurostat definition). In 1993, firms facing low demand growth are expected to continue shedding labour in order to restore profitability, both through the reduction in employment and in the number of working hours. In the current phase of the economic cycle investment spending seems to be especially aiming at further rationalizing production activities through the substitution of capital for labour.

The need to complete fiscal consolidation

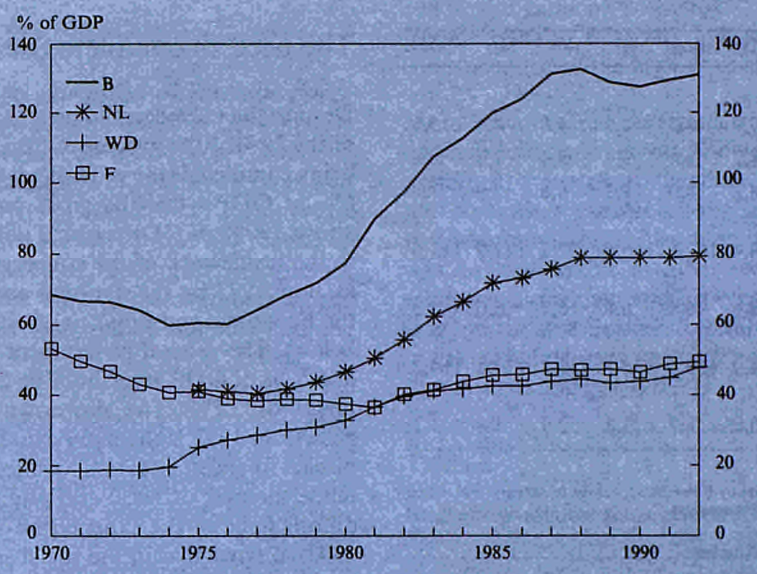
Despite the considerable progress made until the beginning of the 1990s,[1] the process of fiscal adjustment is yet far from being completed (the general government deficit is still above 6% of GDP while the gross public debt to GDP ratio is above 130% of GDP). Fiscal policy since 1992 has been set in the framework of the convergence programme approved in June 1992 by the national government and endorsed by the Economic and Financial Council in November 1992 (see below). The general government deficit in 1992 is estimated at 6 ¾% of GDP, overshooting the convergence programme target of 5,7%. The slowdown in the pace of economic growth in 1992 is the main cause of the deterioration in the public finances situation, while higher interest rates also made the task of fiscal consolidation more difficult. In addition, some of the expenditure-saving measures decided in 1992, in particular in the social security area, will only start producing significant results in 1993 (e.g. limiting access to unemployment-related schemes), while other measures are to a large extent yet to be implemented (e.g. measures to curb excessive spending in health care). The convergence programme aims at reducing the general government deficit to 5,2% of GDP in 1993; however the outcome for 1992 will most likely require taking new saving measures in addition to the initial 1993 budget, which involved saving measures amounting to approximately BFR 145 billion (about 1,9% of GDP).

The fiscal consolidation strategy: the convergence programme

The convergence programme presented by the Belgian Government in June 1992 focuses on fiscal consolidation: reducing the general government deficit to no more than 3% of GNP in 1996 (which implies raising the primary surplus from about 4% of GNP in 1992 to 7% in 1996) and putting the indebtedness ratio on a downward trend. Belgium already meets the remaining EMU convergence criteria, namely on the exchange rate, interest rates and inflation.

[1] The general government deficit, including financial operations, was reduced from 16,3% of GDP in 1981 to 7% in 1990. The extent of the fiscal adjustment effort can be more properly assessed by looking at the improvement in the primary balance, which showed a deficit of 8,4% of GDP in 1981 but a surplus of about 4% of GDP in 1990.

GRAPH 1: **Belgium — Gross public debt**



Source: Commission services.

The convergence programme is based on the following three elements:

(i) unitary tax/nominal GDP elasticity;

(ii) the freezing in real terms of national government non-interest expenditures; and

(iii) a balanced budget for social security given fixed nominal transfers from the national government of BFR 231 billion (approximately 16% of social security revenues in 1992).

In addition, communities and regions (C&Rs) have to make a significant contribution to the overall stabilization effort, as they have to increase their primary surplus by 0,6% of GDP between 1992 and 1996, about a third of the overall consolidation effort.

The convergence programme involves all levels of government in the consolidation process. This is a significant improvement on the earlier 'double norm' strategy which applied basically only to the national government.[1] Nevertheless, given that C&Rs are being asked to contribute approximately a third of the overall budgetary effort, it is important to avoid any slippages and to guarantee an adequate degree of coordination between the various levels of government (national government and C&Rs) in the framework of the law on the financing of C&Rs (16 January 1989), which also set up the safeguard mechanisms for the overall consistency of fiscal policy.

In the current phase of the economic cycle, pursuing the process of fiscal consolidation has become a very exacting task, which is likely to require a thorough re-evaluation of policies and priorities, in particular in areas such as health care where in recent years real spending has been growing at unsustainable rates (from 1988 to 1992 health-care spending

[1] The 'double norm' was applied from 1988 to 1991 and consisted of a zero real growth rate for non-interest expenditure, and no increase in the nominal deficit.

grew from 5,7% of GDP to 6,5%). Therefore, curbing excessive spending in some areas seems to be a necessary condition for the successful completion of the fiscal consolidation process.

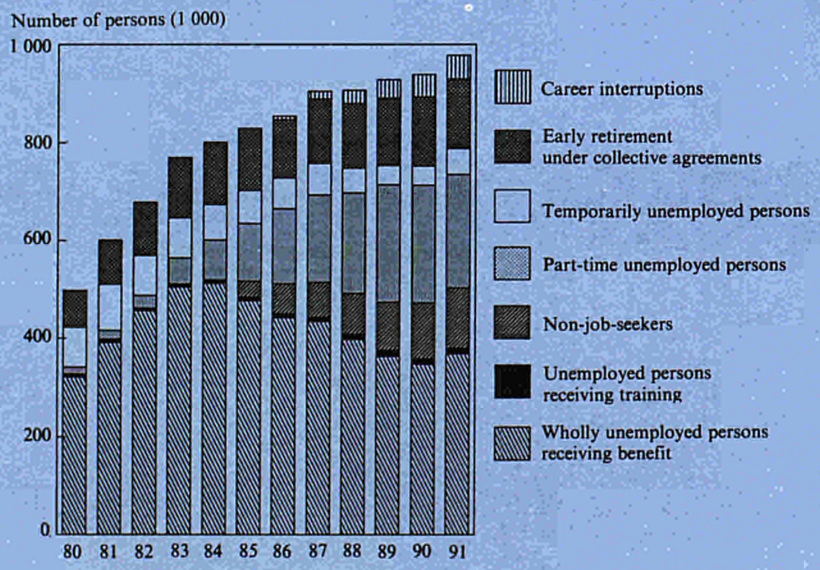
Tackling labour market disequilibrium requires structural measures

Despite remaining lower than the Community average, the unemployment rate rose from 7,5% in 1991 to 8,2% in 1992, while employment declined in 1992 by approximately 25 000.

Although the more immediate reason for the worsening of the labour market situation is the downturn in the economic conjuncture, the underlying causes of persistent market disequilibrium are structural. This prompted the introduction by the government of a number of important reforms in 1992, and which are to be extended in coming years. The wide scope of public policies, intervening both on the demand and the supply side of the market, have unduly fettered the labour market and, together with the unfavourable demographic outlook, risk putting a constraint on future economic growth. Labour market disequilibrium reflects to a large extent the effect of high labour costs, including a large tax wedge, which discourages job creation. The open-handed nature of the various unemployment programmes, which developed in scope well beyond the initial objective of providing income insurance to implicitly performing a multitude of other policy objectives, is also partly responsible for the current predicament.

In the 1992 and 1993 budgets the government took some significant measures to address labour market problems, in particular the initiative aiming at promoting training and employment for the longer-term unemployed ('Begeleidingsplan/Plan d'accompagnement'). Nevertheless, given the size of current distortions and the way in which powers on labour market policies are shared at various levels of government, these measures should be strengthened and fully coordinated in the future.

GRAPH 2: **Belgium — Beneficiaries of unemployment insurance**



Source: Report of the National Bank of Belgium. 1991.

Denmark

Fundamentals remain strong, but slow growth continues

The Danish economy overall presents a healthy picture, despite the currency turbulence in 1992 and the low growth performance of recent years. Public finances are under control. The current account shows a large and increasing surplus, which enables Denmark to reduce its large foreign debt. Danish cost competitiveness has deteriorated slightly due to the nominal appreciation of the Danish krone in 1992, but should nevertheless remain strong if wage moderation is continued. Real wages should still be able to increase by about 1% over the next one to two years, because of low inflation. Consumer prices increased by only slightly more than 2% in 1992 and are expected to increase by less than 2% in 1993, the lowest inflation rate in the EC. Unemployment is the biggest challenge in the Danish economy, requiring higher growth for its reduction.

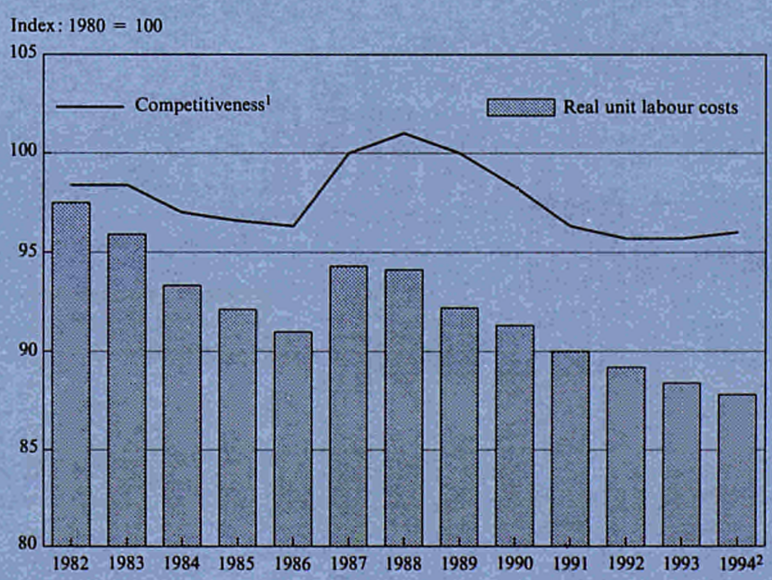
The slow growth trend continued in 1992 with GDP growth of only about 1%. However, drought caused a bad harvest, reducing growth in 1992 by about 0,5%. An international recovery is not expected until the end of 1993. Prospects are accordingly for only modest growth of 1,8% in 1993, accelerating to 2,2% in 1994.

Table 1

Denmark: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	2,7	1,2	1,2	1,0	1,8	2,2
Total domestic demand (% change)	3,0	−0,5	0,1	−0,4	2,1	2,2
Employment (% change)	2,0	−0,6	−0,9	−0,7	0,1	0,3
Unemployment rate (%)	6,1	7,4	8,9	9,5	9,5	9,3
Inflation (% change)	3,9	3,7	2,4	2,1	1,6	2,0
Balance of current account (% of GDP)	−4,3	−0,8	1,3	3,0	3,0	2,9

GRAPH 1: **Denmark — Competitiveness and profitability** (total economy)



[1] Relative to 10 ERM countries.
[2] 1992-94 forecast.
Source: Commission services.

Domestic demand was weak in 1992 and provided a negative growth contribution. However, domestic demand is expected to become the main driver of growth in 1993. Private consumption saw a weak development in 1992, and prospects are only for a gradual recovery in 1993 due to high unemployment and high interest rates. Public consumption increased slightly in 1992. Overall the fiscal policy stance became more expansionary in 1992 primarily due to new initiatives to combat unemployment. Public consumption is expected to increase by 2,2% in 1993 as a result of a decision to provide a fiscal policy stimulus to the economy.

Gross fixed investment declined by about 8% in 1992 and made a negative contribution to growth. Prospects are for a slight increase in 1993, but this is mainly due to the acceleration of planned public investments. Construction and particularly residential construction is at the lowest level for the last 10 years. Increased tax relief for housing maintenance and improved conditions for urban renewal will give some support to the residential construction sector, but a persisting very high real interest rate constrains construction. Investment in equipment has also declined since the peak in the mid-1980s, but to a lesser extent than construction. Profitability is still healthy, and investment in equipment should pick up with improved demand expectations.

Table 2

Denmark: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	19,7	17,9	17,1	15,6	15,7	16,2
(% change)	8,2	−2,6	−2,8	−8,3	1,9	4,2
of which:						
Construction (% change)	9,2	−5,3	−8,1	−4,5	4,5	3,6
Equipment (% change)	7,3	0,1	2,8	−12,0	−0,6	4,9

The external balance has been the main source of growth in recent years. The current account moved into surplus in 1990 after more than 25 consecutive years of deficit. The main reasons behind the turn-around were higher domestic savings due to, amongst other things, the 1987 tax reform which increased Danish North Sea oil and gas production and high export growth, particularly following German unification. Germany became the largest Danish export market, accounting for 22,4% (1991) of Danish exports.

In 1992 the external current account surplus again increased. The bad harvest caused by drought, a slightly deteriorating Danish price competitiveness particularly due to an appreciation of the Danish krone and slow growth on the main export markets led to a slowdown of export growth in the second half of the year. However, the weak development in private consumption and investment have led to a decrease in import growth as well. The current account surplus was 2,9% of GDP in 1992, and is expected to stabilize at a level of 3% of GDP in 1993 and 1994. Imports will pick up due to stronger domestic demand, but at the same time the reduction of the external debt will lead to reduced interest payments. The external side is not expected to provide any growth stimulus in 1993 and 1994.

Table 3

Denmark: Economic policy indicators

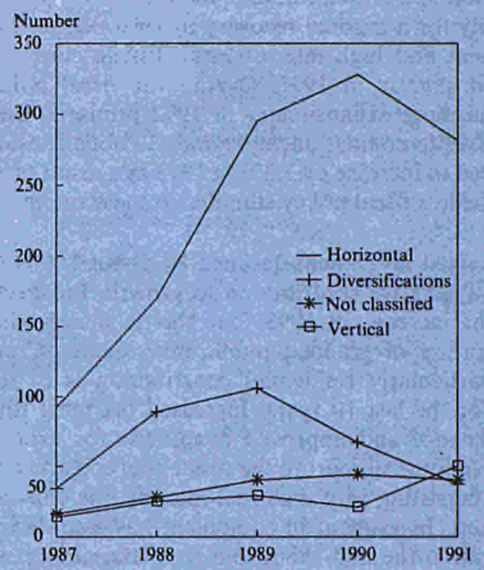
	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	9,4	6,3	6,4	2,5	3,5	3,8
Short-term interest rate	9,7	9,5	9,5	11,5	10,5	7,8
Long-term interest rate	11,3	10,6	10,1	10,1	9,8	9,0
Competitiveness (1985 = 100)	106,9	111,6	106,1	107,4	110,0	108,4
Budget balance (% of GDP)	1,3	−0,4	−2,0	−2,3	−2,7	−1,9
Gross public debt [1] (% of GDP)	70,5	66,6	72,2	74,0	76,2	77,3
Nominal wages per head (% change)	5,7	4,1	3,7	3,2	2,5	2,8
Real wages per head (% change)	1,7	0,4	1,2	1,1	0,9	0,8

[1] Before consolidation of government debt held by 'Den Sociale Pensionsfund'; if consolidated, the debt/GDP ratio would be below 60%.
For definitions, see Table 3 for Belgium.

The public budget deficit was about 2,3% of GDP in 1992. The VAT rate was increased to 25% after the abolition of a special Danish labour-market tax based on VAT following a ruling of the European Court. The abolition of the labour-market tax caused a one-off increase in the budget deficit of about 0,5% of GDP in 1992. Some indirect excise taxes were reduced in the second half of 1992 as a preparation for the internal market, but these measures were met by increased revenues from other sources. The budget for 1993 has additional expansionary fiscal measures including increased expenditure on education, increased tax relief for maintenance costs for housing and an acceleration of planned public investment. The State budget balance was not affected by these measures, but due to large loan-financed investments by local authorities the total public sector deficit is expected to deteriorate to 2,7% of GDP in 1993. The limited room for a fiscal policy growth stimulus seems to have been utilized. Public finances are under control, but there is in the current situation a downside risk to the budget deficit.

The biggest challenge in the Danish economy is the high and increasing rate of unemployment of which the major part is structural. Productivity increases in combination with slow growth caused unemployment to continue to increase in 1992. A high productivity growth is essential to strengthen Denmark's position in the internal market, but it also means that faster growth is required in order to reduce unemployment. Given the external environment, higher growth in the short term will have to be driven by domestic demand. Unfortunately, policy options for stimulating growth are limited. Monetary policy must primarily meet exchange-rate objectives, and fiscal policy is constrained by budget considerations and the necessity for economic convergence. Thus supply-side measures aimed at promoting industrial development will be an essential part of any growth strategy.

GRAPH 2: **Denmark — Mergers and acquisitions**



Source: Konkurrencerådet.

Possibilities for industrial development exist...

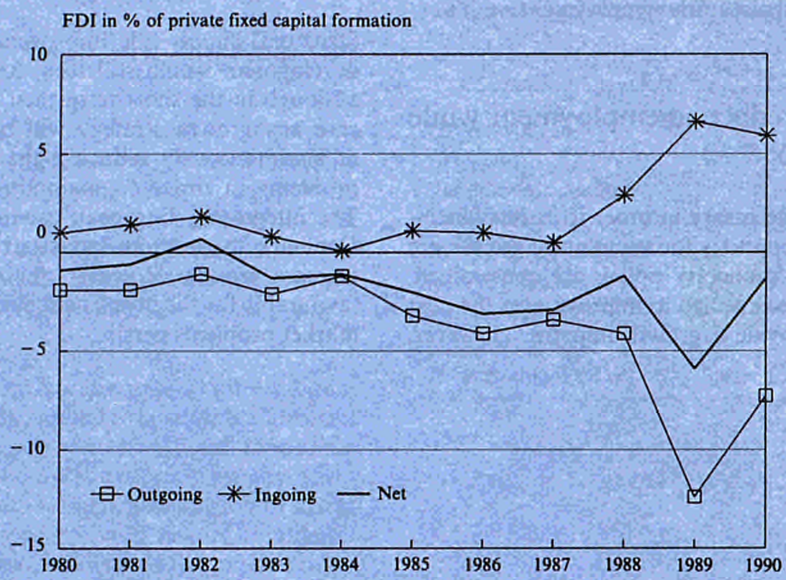
The integrating European economy provides an opportunity for a supply-side induced growth cycle. The Danish position seems in this respect to be quite favourable. Danish cost competitiveness is still quite good despite the devaluations in 1992, and Danish companies have adapted their strategies to the new, more international, environment. The number of mergers and acquisitions per year thus more than tripled in the period 1987-91. Most of the mergers and acquisitions took place between small to medium-sized companies, but the process led to important adaptations of the industrial structure. Danish industry was already highly internationalized by the mid-1980s, but Danish companies intensified their internationalization process in the run-up to the internal market, as witnessed in foreign direct investment flows, which increased sharply in the period 1987-91.

Danish industry mainly consists of small to medium-sized firms, and the recent wave of mergers and acquisitions did not from an overall point of view change the size structure of the industry. It could be argued that the lack of big Danish multinational corporations will be a competitive disadvantage for Denmark in the internal market. However, company size is not in itself a source of competitive advantage. Companies need an optimal size for the strategies they pursue, and many small to medium-sized Danish companies have succeeded in building up considerable export bases.

Despite the good position on the threshold of the internal market, employment creation prospects in Danish industry are mixed. Danish industry is strongest in what are normally considered to be mature low-technology industries. At the same time most of the bigger Danish industrial corporations have achieved dominant positions on the home market, thereby making Danish core industries highly concentrated. The prospects for employment generation in a mature and at the same time highly concentrated industry are, almost by necessity, limited. Although the biggest companies provide the backbone of the Danish industrial structure, they are unlikely to be the major source of industrial employment creation. Small to medium-sized companies offer better prospects for new industrial employment. Key issues in a Danish industrial development strategy would therefore seem to be the further internationalization of small to medium-sized Danish companies, to promote new business development, and to attract foreign investment. The integrating European economy is a big opportunity in this respect.

The services sector is often pointed to as the main source of new jobs in the future. Indeed some service activities like business services have been among the biggest providers of new jobs in the past decade. The high Danish level of personal taxation has no doubt led to a relatively low consumption level of household services as well as having con-

GRAPH 3: **Denmark — Foreign direct investment flows**



Source: OECD.

tributed to the black economy. This indicates an employment growth potential in the service industries. However, short- to medium-term prospects are not for a significantly higher employment in the service industries as a whole due to the current problems and rationalizations in the banking and insurance sectors.

...but unemployment and structural labour market problems may prevent growth

The Danish unemployment rate is currently about 11,3% (national definition), but past evidence (from the 1986-87 boom) shows it can fall only to about 8% before bottlenecks develop leading to salary and wage inflation. Therefore, a modest economic recovery is possible without meeting excessive tensions. Higher growth rates would rapidly lead to higher inflation due to the very high structural component in unemployment.

There are several reasons for the structural problems on the labour market. First, the very generous unemployment benefit system is undoubtedly a major source: the incentive for the unemployed to accept job offers could be higher. Secondly, the Danish wage structure is very compressed with a relatively high minimum wage, which has led to a relatively high concentration of unemployment among unskilled workers. Thirdly, the labour market would benefit from a more modern organization of the trade unions along the lines seen for example in Sweden and in Germany. Finally, geographic mobility is being constrained by the increase in the proportion of double-income families. On the one hand, this means that a move almost automatically leads to the need for two new jobs in a family. On the other hand, the difficulty and cost of finding new housing reduces geographic mobility. The supply conditions for rented housing has made it very difficult to find rented apartments, and the cost of selling a house or an apartment is also constraining mobility. The current depressed housing market has aggravated the situation.

The labour force is expected to start declining in the mid-1990s due to a decline in the number of new entrants to the labour force. However, this will not in itself reduce unemployment. The structural problems will persist and may even worsen, since the average age of the labour force will increase, and the rapid technological and market changes will increase the need for flexibility and mobility. Demographic trends will thus in themselves lead to a greater need for further education of people in work. Education increases the mobility and flexibility of labour, and will be a key to a permanent reduction of structural unemployment.

The dilemma is to reduce unemployment while maintaining stability

A higher growth rate is necessary in order to reduce unemployment, but the policy options for stimulating growth are limited. Both fiscal and monetary policy are constrained. Danish competitiveness is expected to improve over the next few years and could provide a growth impetus. However, the present high level of unemployment makes a very modest growth of labour costs imperative. Very low inflation should reconcile this with continued improvement of real wages.

Structural supply-side improvements promoting industrial development would still seem to be the best policy option although in the short term their effects are limited. In any case any growth strategy will be faced with the problem of simultaneously reducing the structural labour market problems in order to maintain macroeconomic stability. The integrating European economy is an opportunity for Denmark to promote industrial development and thereby increase growth. However, the current uncertainty is unfavourable for the investment climate, and important labour market problems persist.

Germany

Recession in western Germany, improvement later in 1993?

In western Germany an extended period of substantial growth, driven by unification during 1990/91, came to an end last year. Although activity was buoyant early in 1992 and fiscal policy in general again had an expansionary impact, while deliveries to eastern Germany still rose strongly, signs of cooling off have increased since last spring.

While a slowdown in activity is quite natural after a boom period, the German economy has had to cope with additional challenges. Fiscal policy is confronted with the continuing demand to support the economy of eastern Germany. Containing the deficit is difficult, in particular as growth slackens. Yet the primary task seems now to restore confidence by agreeing on a medium-term strategy. Inflation, driven by wages, taxes, rents and prices of other services, is slow to come down. This has made it hard for the Bundesbank to ease monetary policy more strongly since the turn-around last September. On the external side, problems of competitiveness, augmented by the EMS exchange-rate adjustments since September 1992, coincide with still subdued activity abroad.

Cyclical data have turned negative, some to a worrying extent. Since early last year, incoming orders have been falling. Order books and capacity utilization have been shrinking and business climate indicators have declined sharply. Pessimistic assessments of short-term prospects have had a negative impact on investment, employment and output. While growth still attained 1,5% in 1992, mainly due to a strong first quarter, the decline of activity since spring last year and the very weak leading indicators point to a contraction of output in 1993. Assuming a credible fiscal policy strategy, further monetary easing and a recovery of the world economy at large providing the right signals, a turn-around should materialize in the course of this year.

While this could still leave GDP falling by around 0,5% in 1993, it could give way to an investment-led recovery and GDP growth of about 1% in 1994. However, given the down risks — continuous uncertainty with regard to fiscal policy, poor inflation performance, and the related lack of confidence — a more pronounced and prolonged recession cannot be excluded entirely. Growth in Germany as a whole will be around zero in 1993 and around 1,5% in 1994.

Table 1

West Germany: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	1,8	4,1	3,7	1,5	−0,5	1,0
Total domestic demand (% change)	2,3	3,8	3,1	1,3	−0,5	0,5
Employment (% change)	1,0	1,7	2,6	0,8	−1,0	−0,2
Unemployment rate (%)	6,6	5,6	4,2	4,5	6,0	6,5
Inflation (% change)	0,9	2,4	3,9	4,0	3,6	3,1
Balance of current account (% of GDP)	3,6	4,2	1,2	0,4	−0,1	0,1

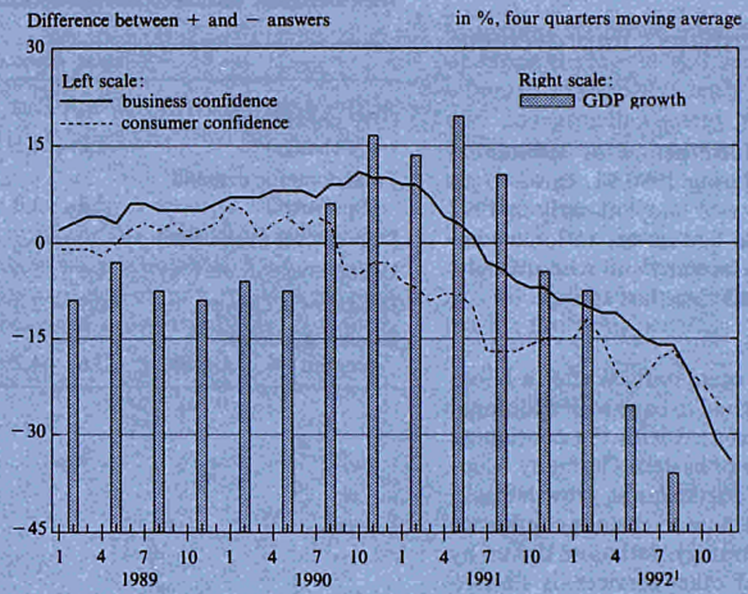
Inflation set to fall gradually

Given the weakness of the economy and the deteriorating labour market situation, wage moderation will make progress this year. However, the deceleration of productivity growth will limit the deceleration of unit labour costs. Also, the fall in import prices, 3,2% in 1992, will probably not be repeated in 1993. Inflation is now mostly driven by price increases in the services sector and by administrative prices. Tariffs for transport and communications and rents are rising. Social security contributions have gone up and in January 1993 the standard VAT rate was increased from 14 to 15%. All in all, an inflation rate of slightly above 3,5% cannot be excluded in 1993 after 4% in 1992.

Dramatic swing in the external balance

Unification has led to a dramatic swing in the external balance. The trade balance surplus of unified Germany, which was DM 135 billion in 1989, had been reduced to DM 22 billion in 1991. Export demand is now falling and expected to remain weak in most of 1993, but imports are also decreasing. The trade surplus has edged up again, to about DM 30 billion in 1992, partly due to an improvement in the terms of trade. The traditionally high deficit in services and transfers, however, caused the total current account to show a deficit of more than DM 30 billion in 1992, approximately 1% of GDP.

GRAPH 1: Germany — GDP growth and confidence indicators



[1] Fourth quarter for GDP growth not yet available.
Source: Commission services.

Table 2

West Germany: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	19,4	20,2	21,6	21,5	21,4	21,7
(% change)	1,9	6,6	6,5	1,3	− 1,7	1,9
of which:						
Construction (% change)	− 1,0	4,4	4,1	4,5	0,5	1,9
Equipment (% change)	6,4	10,0	9,1	− 2,0	− 4,0	1,8

Unification lifted the previous balance-of-payments constraints and provided substantial income transfers. Therefore, absorption in the region has grown despite the sharp decline in local output. The exceptional situation is highlighted by the fact that the level of total domestic demand has been almost twice as high as GDP since 1991. The massive switch to imports has also affected the labour market. Employment, still supported significantly by labour market policy measures, has diminished some 40% since 1989 and official unemployment, an undefined concept in the former system, has risen to more than 14% in 1992.

Disappointing performance in eastern Germany

In eastern Germany, GDP witnessed a first increase of some 6% in 1992, rather less than originally hoped for. This follows a collapse of economic activity since 1989 with GDP falling to little more than half its previous level. Faced with world market competition, eastern German products have in general been revealed as uncompetitive at the prevailing cost levels. A largely obsolete capital stock is a serious obstacle to a rise in productivity.

Even at the present lower level of activity there continue to be retarding elements. Output of all tradables suffers from the double drawback of low productivity due to a lack of a modern capital stock and of wages catching up to western levels. Eastern unit labour costs have risen dramatically over the last two years and are now well above the western level. In addition, industry has been faced with a virtual wiping-out of traditional East European markets. For the entire economy the infrastructure at large is inadequate. The property ownership issue continues to be a source of uncertainty.

Conditions for eastern catching-up

Only substantial capital spending will permit a gradual overhaul of the capital stock, both private and public. Modern plants will boost productivity. An upgraded public infrastructure will make it easier to attract investors. Renovated housing will foster the willingness of high-quality specialists to settle and slow down a brain drain of highly skilled local residents. Investment has indeed picked up, the investment/GDP ratio being above 40% in 1991. Pledges of investment by western companies are so far rising. Substantial fiscal incentives exist. The construction industry is expanding. Besides this, a services industry is being established. Improvements will be very gradual, however. Jobs in industry are being cut, where employment is falling. Possibly due to this, the pace of the wage catching-up seems to be slowing down. This will be facilitated by a deceleration of inflation which, influenced by structural adjustments in administered prices (mainly housing), was at around 10% in 1992. While this process has not yet been completed, its impact on consumer prices will, nevertheless, diminish over time.

Substantial capital spending will, however, only take place if there are satisfactory demand expectations and a high level of capacity utilization in Germany as a whole and world-wide. Therefore, eastern catching-up crucially depends upon a sustained high level of western economic activity. The present cyclical slowdown in western Germany has thus different structural implications than in the past.

Rising unemployment in the west...

After three years of particularly strong dynamism, with the number of jobs increasing by 2 million (+7%), employment growth in western Germany has come to a halt. As the population of working age continues to grow by about 1% per year (due to demographical factors and immigration), unemployment is rising. The December 1992 unemployment rate was 6,4% (total labour force). The services sector is still seeing some expansion of employment, but the number of jobs in industry is falling (e.g. by 2,5% over the last year in manufacturing and mining). Rationalization efforts by German companies in order to cope with international competition are adding to cyclical factors. Unemployment will exceed the 2 million mark in early 1993 and will continue to rise throughout the year.

Besides the slowdown of economic activity, the increase in unemployment is also due to structural factors. Among these factors which constitute a barrier to employment growth are rigid rules concerning working hours, the lack of wage differentials among firms and regions and strict dismissal protection. Further, improved training and education is needed to reduce the currently existing mismatch between skills offered and required. The social partners are, to an increasing extent, accepting that flexibility of the labour market should be enhanced in order to ensure a continuous high level and quality of employment.

...and declining employment in the east

The situation on the eastern labour market is bleak. Since 1989, employment has fallen some 40%, which is still less than the overall collapse of output by roughly half. The lag in employment adjustment has been due to various policy measures and other factors. Some of the purely retarding devices have now expired ('Rationalisierungsschutzabkommen', 'Warteschleife' in the public sector). Active labour market policy has provided for job creation programmes (ABM). It is unlikely that they will be scaled back significantly soon. But more lay-offs from industry are still to be expected. This sector has been hit hardest by the economic transformation with output shrinking by about two-thirds. A more positive factor is the expansion of service industries. But the emerging overall growth is unlikely to translate into an increase in the number of jobs before mid-1993.

The 1992 unemployment rate of slightly above 14% grossly understates the size of underemployment. It came close to 40% when full account is taken of all government-financed support schemes, i.e. unemployment proper, short-term work, employment and training programmes and early retirement facilities.

Although active labour market measures are justified on social grounds, the overall German labour market increasingly has to be assessed as a whole. More open unemployment in the east should ease upward pressure on wages, not only in the east but also in the west. Open unemployment would also mobilize the unemployed to more active job search — in the west or the east — or to aim at better education. Consequently, migration and commuting would continue, a positive element of labour market flexibility, leaving aside the social costs of migration. Although gross migration from east to west is still large, it is encouraging that on a net basis it is shrinking because of an increasing number of people going east.

Fiscal policy: deficit stabilized in 1992

Unification has caused a dramatic swing in German public finances. Due to substantial public transfers to eastern Germany of currently some 5% of GDP per year, a tiny surplus

Table 3

Germany: Economic policy indicators

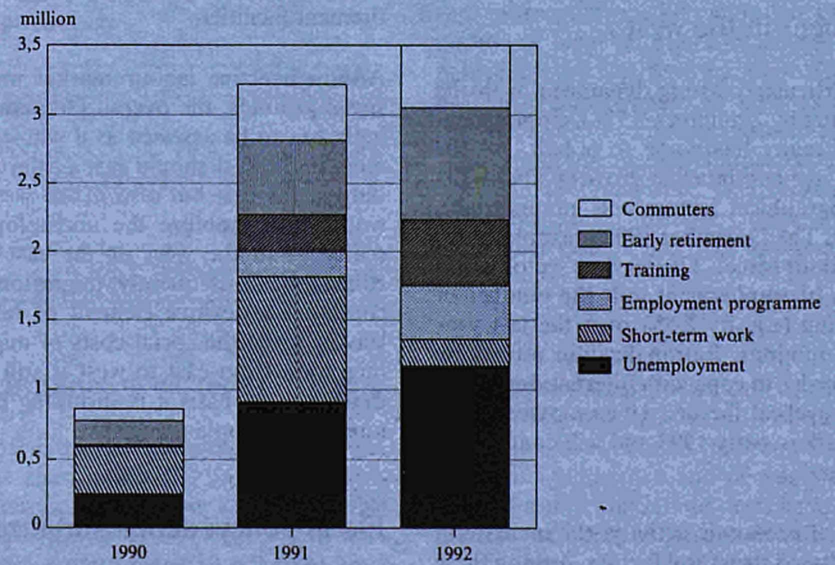
	1985-87	1988-90	1991	1992	1993	1994
Money growth [1] (% change)	5,8	5,6	6,3	8,3	5,6	6,3
Short-term interest rate [1]	4,7	6,6	9,2	9,5	7,5	5,8
Long-term interest rate [1]	6,2	7,3	8,6	8,0	7,4	7,5
Competitiveness (1985 = 100) [2]	108,4	110,1	108,7	114,2	119,1	119,1
Budget balance [1] (% of GDP)	−1,5	−1,4	−3,2	−3,2	−3,6	−3,7
Gross public debt [1] (% of GDP)	42,9	43,7	42,0	43,3	46,1	48,6
Nominal wages per head [2] (% change)	3,3	3,5	5,8	5,3	3,6	3,5
Real wages per head [2] (% change)	2,4	1,1	1,8	1,3	0,0	0,4

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

in the general government balance before unification (1989: 0,1% of GDP) has turned into a sizeable deficit (1991: 3,2%). Various tax and social contribution increases and expenditure cuts since 1991 notwithstanding, the major part of unification-related outlays has been financed via a higher deficit.

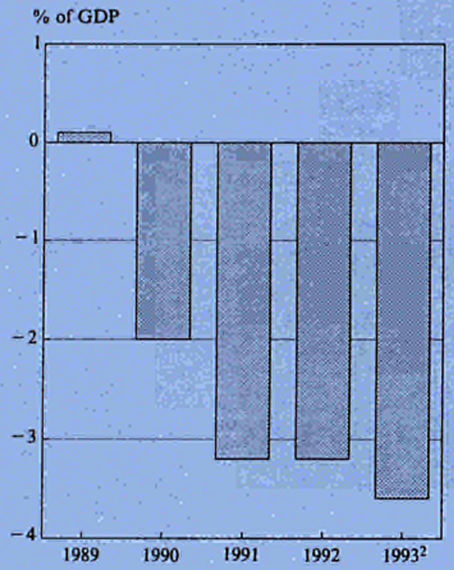
The overall situation is expected to have at best stabilized in 1992 with the general government deficit stagnating at 3,1% of GDP. A noticeable swing in social security accounts from surplus into deficit is likely to have been partially compensated for by a decline in the territorial authorities' deficit, mainly due to higher tax inflows. While the Treuhandanstalt at present is not part of the public sector, its accumulated debt will in due course be added to general government debt. By the end of 1994, the amount at stake will be at least DM 250 billion, some 8% of GDP. Including the deficit of the Treuhandanstalt into last year's borrowing requirements which is conceptionally arguable, would add one percentage point to such an extended deficit. In addition the projected debt of the Kreditabwicklungsfonds has recently been revised upwards to DM 140 billion by the end of 1994.

GRAPH 2: **Germany — Eastern labour market**
Unemployment, support schemes and commuters



Sources: Bundesanstalt für Arbeit; Commission services.

GRAPH 3: **Germany — Budget deficit**
General government[1]



[1] 1989/90 western Germany only.
[2] 1992-93 forecast.
Source: Commission services.

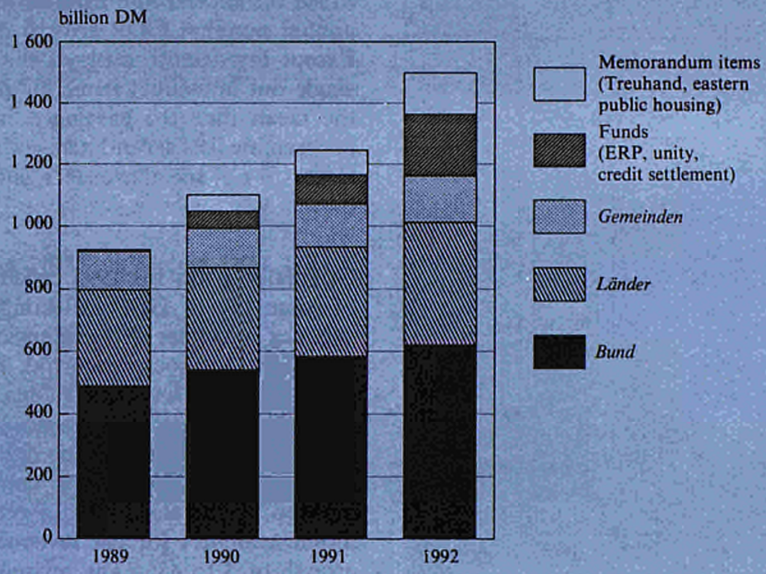
The fiscal situation at large and the challenges caused by the ensuing policy mix have increased the need for medium-term consolidation. This is the message of the German convergence programme of late 1991. The government's position was to rely on expenditure restraint rather than tax increases (over and above the VAT rise of January 1993). Since then, tax increases in 1995, when the existing and accruing debt related to unification will be shifted 'on-budget', are now envisaged. But these tax increases are devoted to financing a part of the debt of the Treuhand and the Kreditabwicklungsfonds.

Government plans for fiscal consolidation as outlined in the convergence programme were based on two main elements. First, solid real growth with an improving inflation performance in the whole of Germany over the medium term (the projected average annual nominal growth rate was just below 7%). The second element was the containment of government spending. The expenditure target was most ambitious for the federal government, allowing for a $2\frac{1}{3}$% annual rise in nominal terms. This implied a constant decline in real terms over the years covered in the medium-term plan. While this appeared already highly ambitious, it had, in addition, to cover strongly rising interest charges on a higher debt in the aftermath of unification. The spending target was more generous for other levels of government, thus almost allowing for constant spending in real terms for the government at large. In nominal terms, the convergence programme called for expenditure rises to be kept to about one-half of annual nominal GDP growth during the period 1993-96. Except for defence outlays, the political view was not to single out individual items for particular saving efforts. In the mean time the envisaged medium-term consolidation programme lists several items of expenditure cuts, especially in the area of social transfers, subsidies and personal expenditure.

Originally, plans for 1993 called for a consolidation effort of some 1% of GDP (affecting the draft federal budget, summer guidelines of the financial planning council, balancing efforts for social security). However, these targets are adjusted in line with the change in the economic situation. Growth prospects have deteriorated and projected expenditure increases revealed as too tight. Projections for 1993 now call for a slight increase in comparison to the 1992 level induced by the slowdown of economic activity. The most recent estimates for tax revenues were based on nominal growth of 3 to 4%. The revised projected expenditure increases of the *Länder* and local authorities of more than 4% could still be exceeded. All in all, the currently forecast macro development for 1993 is at odds with the medium-term assumptions upon which the convergence programme is based. Thus it seems hardly avoidable that the pattern of gradually declining deficits as envisaged in the convergence programme will not materialize this year, but the target of deficit reductions especially induced by expenditure restraint is a main element of fiscal policy in Germany.

The unsatisfactory but improving economic situation in eastern Germany, triggering continuous calls for more money to be transferred eastwards, and the difficult fiscal position have spurred the debate on policy choices. Certainly there is no room now for a net reduction of the tax burden of the corporate sector. Government intentions before unification to do so in view of relatively high German tax rates in an international perspective have been dropped. New plans call for reduced rates and a widened tax base with a net effect on the tax burden of close to zero. Tax increases for the near future are now envisaged in order to cope with the east German challenge in the mid-1990s. The draft medium-term consolidation programme contains additional transfers east, corresponding expenditure cuts elsewhere, higher taxes to service the unification-related debt and lower wage increases in the whole of Germany. In any case, fiscal policy will face an important challenge. With growth weakening, to let the automatic stabilizers work will boost the deficit. This would be favourable on cyclical grounds, but the leeway is limited, given the levels of deficits and debt — therefore, the medium-

GRAPH 4: **Germany — Public debt**[1]



[1] End of period, excluding social security, finance statistics concept.
Sources: Statistisches Bundesamt, Commission services.

term credibility of consolidation efforts will improve when the medium-term consolidation programme is implemented.

Monetary policy: geared to fighting inflation

Following unification, demand and cost pressures in Germany increased, resulting in a subsequent tightening of monetary policy. After having raised policy-controlled rates three times in 1991, the Bundesbank increased the discount rate further in July 1992. The justification given for this policy was the strong growth in monetary aggregates at rates around 9% (M3), far above the upper target limit of 5,5%. The acceleration of monetary growth had already started in August 1991 and continued till the autumn of 1992, when growth in M3 was further accentuated by the effects of exchange-market intervention during turmoil in the EMS.

Nevertheless, the Bundesbank continued to adhere to monetary targeting. The 1992 target was set at 3,5 to 5,5%, the same range as the original target for the previous year.[1] The target was based on medium-term macroeconomic benchmark figures, i.e. an assumed normative 2% increase in the price level. This target was very ambitious in the light of existing inflation forecasts (in particular for eastern Germany), the strong rates of potential growth then assumed for eastern Germany and the far higher current rate of monetary growth at the end of 1991. The target rate of monetary growth signalled the Bundesbank's determination to abide by its tight monetary policy stance. A more generous target, compared to previous years, could have been misinterpreted by economic agents as a signal that the Bundesbank would tolerate or even accommodate behaviour at odds with stability.

By mid-1992, however, the M3 growth target had become more and more of out reach. Nevertheless, in July, the Bundesbank reconfirmed the range unchanged. On the same occasion, it increased the discount rate from 8% to 8 ¾% again. But in order to bring monetary growth closed to the 5,5% upper target limit a further significant hike in interest rates would, at the time, have been necessary. In view of possible adverse repercussions on international money transactions and the exchange-rate pattern, in particular the European Monetary System, this option was, however, not

[1] The 1991 target was revised in July 1991 to a range of 3 to 5%.

chosen. In addition, the Bundesbank took the view that the money stock was in a minor way distorted by special factors influencing the demand for money (i.e. the inverted yield structure, the influence of the new flat-rate tax on interest income, etc.). This decision implied that its policy could not exclusively be guided by the development of the money stock, but would have to take into account a variety of other financial and real indicators.

In conjunction with the EMS crisis in September and the *de facto* appreciation of the German mark, which tightened monetary conditions, the Bundesbank reduced policy-controlled rates. Since September, day-to-day money market rates have come down by more than one percentage point. Time rates in the money market and capital market rates have fallen further. The yield on government bonds, at present, stands at 7%, which is low in the historical and international comparison. The inverted yield curve has become rather flat.[1] The effective German mark exchange rate, which had appreciated before and through the ERM realignments, has continued to increase slightly since October. Nevertheless, at the end of the year, actual monetary expansion (9 ½%) was more than twice as high as the centre of the target range. But is was pointed out by the Bundesbank that is was intended to change neither the strict stability course nor its medium-term oriented targeting strategy. Indeed, in December, the council set a new target for the 1993 M3 growth at 4,5 to 6,5% (a level one percentage point higher than that of the previous year). The more generous target was justified with reference to developments in eastern Germany, where for example a higher growth rate of nominal potential was assumed.

The future course in interest-rate policy is likely to depend, external considerations aside, primarily on developments of the money stock and in the field of wage and fiscal policies. At present, the picture here is not quite clear. The trend in the money stock is still strong, but money growth could become lower, given the weak outlook for economic activity. In addition, the degree of base drift could imply that M3 growth early in 1993 could be at the lower end of the target. The discussions on the solidarity pact are still continuing. Latest signals from the wage front might be seen as encouraging steps in the direction of a return to consensus. On the other hand, the inflation rate has jumped in January due to the increase in VAT, and the Bundesbank might wish to wait for actual wage settlements before giving easing signals in order not to endanger the internal and external stability of the German mark.

Conclusions: the main policy challenges

In 1993 economic output in western Germany will be contracting and economic growth in Germany as a whole will probably be zero. Catching-up and structural improvement of the eastern German economy depend to a great degree on a sustained high level of activity in the western part of the country. Capital-widening investment needed in eastern Germany will only take place when capacity utilization in western Germany is high and overall demand expectations are good. Therefore, the present slowdown of economic activity in the western part of the country has different, and possibly more serious, implications compared with previous recessions.

The main economic policy question concerns the challenge of combining the objective of economic prosperity and social balance in eastern Germany with fiscal consolidation. The officially held view is still that the huge transfers required for eastern Germany should be financed from the capital market or from cutbacks in other areas of government spending. However, the cyclical slowdown now aggravates the task of credible consolidation.

The unsolved fiscal situation, primarily the result of the unsolved question of the distribution of the costs of unification, is the main factor behind the persistent tight monetary conditions. The expansionary fiscal policy fuelled inflation and the rise in social security contributions add to higher labour costs. Monetary policy successfully tried to curb the emergence of a wage-price spiral. Following the ERM turmoils, the Bundesbank has begun to ease its policy, probably earlier than it would have done for domestic reasons only. However, monetary policy continues to be tight because inflationary pressures have not yet been confined to a satisfactory extent.

The question of re-establishing a credible medium-term policy perspective with clearly defined realistic objectives is becoming even more pressing. The scope and credibility of such policies and their proper implementation are essential.

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[1] See *Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank*, Reihe 2.

Greece

Developments in 1992

In 1992 developments in the real economy were quite similar to those in the previous year. Both domestic and foreign demand slowed down, activity weakened and unemployment rose further. The tight economic policies pursued in the framework of the medium-term fiscal adjustment programme, the weakening in the world economy and the delays and time-lags involved in the process of structural reform seem to be the main reasons behind this performance. Overall, the Greek economy made a certain progress in terms of nominal and real convergence with the rest of the Community but the gap to be bridged remains very large.

Private consumption is estimated to have grown by some 1,3%; employment decreased and the growth of wages and government transfers to households decelerated; thus, despite tax reliefs introduced early in the year, real disposable income declined; however, a further fall in the saving rate fuelled the modest increase in consumption, which was also boosted by tax incentives to replace old cars.

Public consumption has stagnated in volume reflecting the urgent need for fiscal adjustment. Wage expenditure was restrained by a restrictive incomes policy providing for no general increases; spending on goods and services has also stagnated in volume.

Gross fixed capital formation has grown very modestly. Weak demand prospects, a decline in profitability (as indicated by the reduction in the profit margins between 1991 and 1992) and a high and rising financing cost (the short-term lending rates adjusted for inflation rising from an average 10% in 1991 to 13% in 1992) were the main factors which prevented investment in equipment from expanding as fast as the generally improving business environment would suggest. With respect to construction, the situation remained depressed in the housing sector, but positive impulses came from the infrastructure programme which benefited strongly from the EC structural Funds.

Export activity was less buoyant than in 1991. Market growth for exports slowed down and competitiveness (as measured by relative prices in tradables) improved much less than in 1991, so that export of goods advanced by some 5% in volume (after a rise of over 14% in 1991). Import growth also decelerated considerably after the big increase registered in 1991. However, given the difference in level (imports being more than double the value of exports), the contribution of the external balance to growth turned positive in 1992.

Table 1

Greece: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	1,3	2,5	1,8	1,5	1,6	2,0
Total domestic demand (% change)	0,9	3,8	2,3	1,1	1,6	2,4
Employment (% change)	0,4	1,0	−2,0	−0,5	−0,1	0,3
Unemployment rate (%)	7,5	7,4	7,7	7,7	8,5	9,1
Inflation (% change)	18,7	16,4	18,4	16,0	13,5	9,0
Balance of current account (% of GDP)	−5,5	−4,4	−5,1	−3,3	−3,0	−2,2

Table 2

Greece: Investment performance

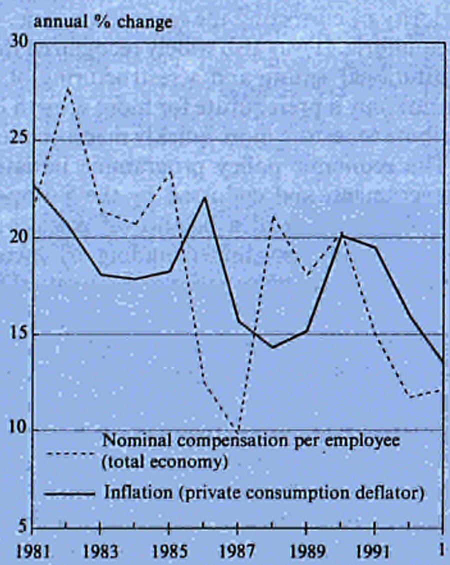
	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	18,2	18,7	18,2	17,5	17,9	18,4
(% change)	−2,2	8,2	−1,9	0,6	4,5	6,3
of which:						
Construction (% change)	−0,9	5,1	−6,4	−3,0	3,0	5,0
Equipment (% change)	−3,7	11,4	3,3	4,5	6,0	7,5

As a result, GDP is estimated to have grown by 1,5% in 1992 (after a rise of 1,8% in the previous year). On the output side, industry registered negative growth for the third consecutive year and construction activity was also depressed. In agriculture output stagnated, while positive growth was recorded in the services sector; especially in tourism the growth was over 10% in real terms (after a decline by 5% in 1991).

Wage growth decelerated further in 1992. In the private sector the collective agreement concluded in early 1991 for two years provided for increases amounting to 11,5%, while in the public sector there have been no general increases at all. Overall, the rise in compensation per head decelerated to 12,3% in 1992 (giving a real loss of 3,2% after a loss of 2,9% in 1991). Helped also by the restrictive monetary and exchange-rate policy and by the weakening in activity, consumer prices decelerated until July to an annual rate of

13,6%, but this trend was reversed in August following indirect tax increases. Inflation rose to 15,9% in October but at year-end the annual rate was down to 14,4%. For the year as a whole, the inflation rate is estimated at 16% (19,5% in 1991).

GRAPH 1: **Greece — Wage and price developments, 1981-93**



[1] 1992-93 forecast.
Source: Commission services.

The current account improved in 1992, the deficit declining to some 3,3% of GDP (from 5,1% of GDP in 1991). The increase in the invisibles surplus and in EC transfers more than compensated for the widening in the trade deficit.

The evolution of public finances in 1992 was characterized by major tax changes (a reform of the income tax, harmonization of indirect taxes, introduction of an extraordinary levy on buildings) but overall tax revenue increased as planned. More specifically, revenue from direct taxes fell short of budgetary projections by 0,5% of GDP, reflecting mainly the effect of the income tax reform in the personal sector. Indirect taxation yielded revenue higher than planned as the impact of the corrective action taken in August (increase in excise duties on oil, tobacco and alcoholic beverages) more than compensated the shortfall with respect to VAT and collection of tax arrears. On the expenditure side, the wage bill was further restrained with respect to the budget projection as no general increases were granted, but the debt service cost overshot budgetary projections by 1% of GDP, mainly because the anticipated fall in interest rates did not materialize fully. Overall, the target for the budgetary deficit set at the beginning of the year has been met. The political commitment to the announced targets, which was reflected in the important corrective measures introduced during the year, is essential for the success of the fiscal adjustment programme and is therefore to be welcomed.

Prospects for 1993

Economic policy is set to continue in 1993 the course of fiscal and monetary tightening aimed at stabilization, while structural reform and infrastructure investment are expected to give growth impulses. Essentially the upturn in investment is due to positive growth in construction, while the other demand components are expected to register only a small improvement. Although relatively moderate wage increases have been assumed for 1993, wage adjustment payments (following the overshooting of the inflation target at end 1992 by two percentage points) will allow little deceleration in the growth of compensation of employees per head. The disinflation process is expected to continue, although wage developments and the effects of the indirect tax increases could affect the pace of progress. Unemployment will continue to rise, though at a slower pace, owing to the restructur-

Table 3

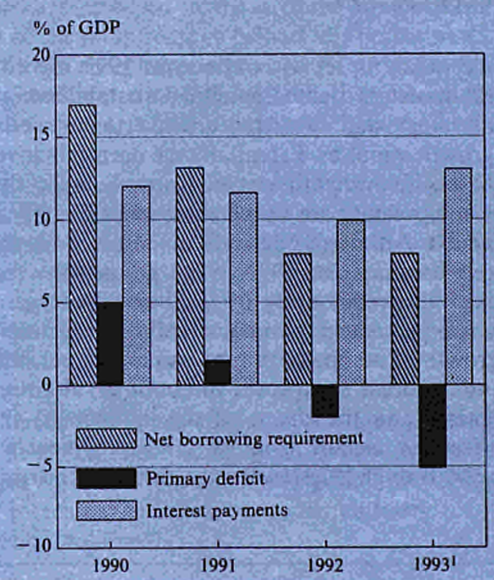
Greece: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	23,3	20,9	12,3	:	:	:
Short-term interest rate	17,2	18,1	22,7	24,5	17,9	15,3
Long-term interest rate	16,3	:	:	:	:	:
Competitiveness (1985 = 100)	88,9	90,9	89,3	87,9	85,7	85,5
Budget balance (% of GDP)	− 12,4	− 16,7	− 15,4	− 13,4	− 9,8	− 7,7
Gross public debt (% of GDP)	66,7	87,1	102,0	106,7	107,1	106,6
Nominal wages per head (% change)	15,7	19,0	15,0	12,3	11,3	10,7
Real wages per head (% change)	− 2,5	2,2	− 2,9	− 3,1	− 1,9	1,6

For definitions, see Table 3 for Belgium.

ing of the economy resulting from deregulation and privatization on the one hand and relatively weak demand on the other. With respect to public finances, further progress towards reduction of the large deficits is expected, but there is still far to go in order for Greece to meet the convergence criteria set by the Maastricht Treaty. The gentle upturn in activity is not expected to prevent the current account from improving further, since most of the recovery in investment comes from construction and, in addition, is partly financed by higher EC transfers. The privatization process may also lead to an increase in capital inflows from abroad.

GRAPH 2: **Greece — Central government fiscal adjustment**



[1] 1992-93 forecast.
Source: Ministry of National Economy, Greece.

Economic policy: past failures and current challenges

In the past few years, there was a wide consensus on the need for the priority of correcting the macroeconomic, especially fiscal, disequilibria. It was also widely recognized that reform of the institutional setting and a restructuring of the economy were not only a prerequisite for more growth but would also contribute to restore more quickly macroeconomic equilibrium. The economic policy programme initiated by the Greek Government, and endorsed by the European Community by the granting of a balance of payments loan in early 1991, reflected this understanding by incorporating two main pillars: fiscal adjustment and structural reform.

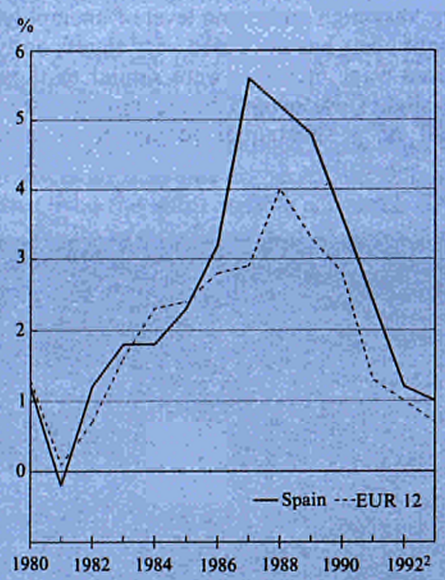
However, the implementation of the programme at the outset was in many respects incomplete and slower than the magnitude and the urgency of the problems required. 1992 marked an important step in that the need for urgency was seriously taken into account in the planning of economic policy actions. The implementation of the programme gained momentum and major steps were made in a number of areas (deregulation, privatization, tax and social security reform). Nevertheless, the delays observed at the beginning of the programme had as a consequence both to increase the overall burden of the adjustment and to reduce the span of time available to the authorities actually to achieve the anticipated results of their policies. This implies that the challenges which face economic policy remain substantial.

Spain

Continued deceleration in economic activity

After several years of buoyant economic growth, economic activity in Spain has been decelerating very markedly in the early 1990s. GDP, which had increased by 4,8% per year on average from 1987 to 1990, grew by 2,4% in 1991 and only an estimated 1,2% in 1992, and the trough may well not yet have been reached. Growth in 1992 nevertheless remained somewhat faster than in the Community as a whole, continuing the pattern evident ever since 1986 when Spain joined the Community (see Graph 1).

GRAPH 1: Spain — GDP growth of Spain and EUR 12[1]



[1] EUR 12: PPS.
[2] 1992-93 forecast.
Source: Commission services.

This marked slowdown is mainly due to the decline in domestic demand growth, and in investment in particular. Indeed, in three years investment plunged from growth figures of more than 10% in the late 1980s to negative growth in 1992. Investment in equipment reacted first and a faltering recovery is now taking place. The effects on construction began to be felt later, in part due to the special events of 1992, and a recovery is not yet expected in 1993, given the

Table 1

Spain: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	3,7	4,5	2,4	1,2	1,0	1,8
Total domestic demand (% change)	5,4	6,5	2,9	1,8	0,4	1,8
Employment (% change)	1,5	3,2	0,2	−1,6	−1,6	−0,1
Unemployment rate (%)	21,0	17,5	16,3	18,0	19,5	19,9
Inflation (% change)	7,8	6,0	6,3	6,0	5,5	4,9
Balance of current account (% of GDP)	1,0	−2,7	−3,5	−3,7	−3,4	−3,0

signs of stagnation in the housing market. Government measures to reduce housing costs through financial facilities and supply of buildable land, on the one hand, and the maintenance of public investment at around 5% of GDP, on the other, have prevented a larger fall in investment in construction.

Table 2

Spain: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	19,8	23,8	24,1	22,6	22,0	21,6
(% change)	9,3	11,5	1,6	−2,0	−1,9	1,2
of which:						
Construction (% change)	6,1	12,8	4,3	−3,4	−3,3	0,5
Equipment (% change)	15,9	10,1	−2,5	0,2	0,3	2,2

Despite some easing, especially in the second half of the year, private and public consumption were still the main sources of domestic demand growth in 1992. The increase in real disposable income, based on relatively rapid expansion of wages and public transfers, the decrease in income tax rates and in VAT taxation on cars and the favourable prospects stemming from the EMU process kept private consumption relatively strong in the first months of 1992. However, consumption began to falter in mid-1992 as a consequence of higher unemployment coupled with cuts in unemployment benefits, the increases in direct taxation introduced in the July budget package and the greater uncertainty about the general economic situation. These unfavourable factors are likely to be fully in play in 1993 and private consumption could thus slow down significantly.

Public consumption moderated only slightly in 1992 as compared to 1991, though the freezing of public employment in the central government as from the summer and the cuts in wage premiums to civil servants entailed a lower growth in the second half of the year. In 1993, public consumption is expected to be held back severely, thus adding another deflationary element to the weak growth prospects for the near future.

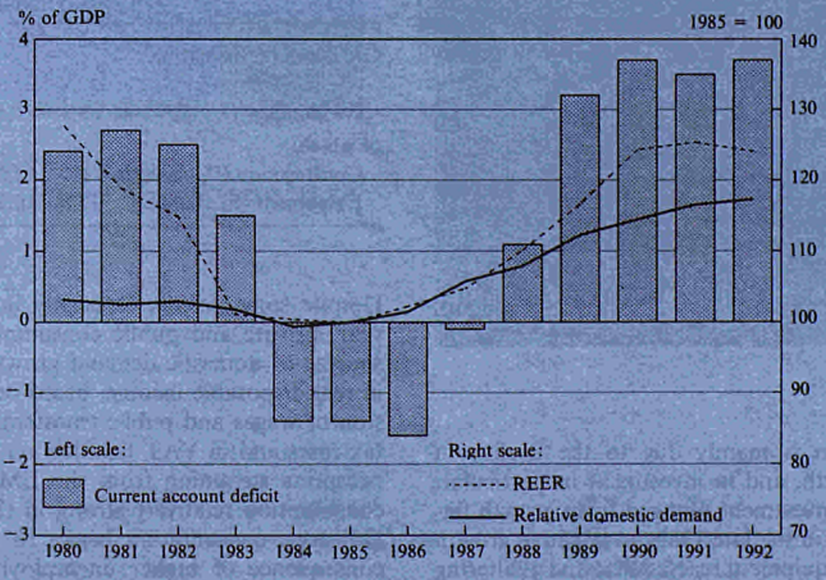
Despite its lower growth, domestic demand remained stronger than in Spain's main trading partners, thus leading to a further deterioration in the contribution of the net external balance to GDP growth and to a current account deficit remaining above 3% of GDP (see Graph 2). Import demand remained strong, increasing by some 7%, reflecting a high import income elasticity. The expansion was especially marked in consumer goods, mainly due to the boost in car demand fuelled by the VAT reduction from 33 to 28% on 1 January 1992. Exports grew by 5,5%, three points less than in 1991, which reflected slower market growth and in particular the end of the German import surge, from which Spain greatly benefited. Some improvement in competitiveness and growth should stem from the depreciation of the peseta if the response of nominal wages to higher import prices can be contained.

As a consequence of the lower economic growth, employment decreased by 1,6% in 1992, the first fall since 1986, and the unemployment rate has again been rising since the third quarter of 1991. The losses in employment were particularly large in agriculture and construction, while employment growth in services slowed markedly. In 1993, the employment picture is likely to deteriorate even further and the unemployment rate could exceed 19% (having risen from 16,3% in 1990 to 18,2% in 1992).

Inflation remains stubborn because of rigid wages and resilient core inflation in services

Despite the very high and rising level of unemployment, the rise in labour costs has not eased very significantly in 1992. Indeed, gross wage increases were similar to those in 1991 and only a slight slowdown in unit labour costs was achieved as a result of a substantial reduction in employment-

GRAPH 2: **Spain — External deficit, relative domestic demand and real effective exchange rate (REER)**



Sources: INE — National accounts and Commission services.

increasing productivity. This low responsiveness of wages to labour market conditions makes less likely a recovery of investment and has detrimental effects on employment and inflation.

Consumption prices increased on average by 6% in 1992, slightly above the 1991 figure, and the consumer price index slowed appreciably during the course of the year to reach a 12-month inflation rate of 5,1% in December. In principle, this was not a bad result given that the basic VAT rate was raised from 12 to 13% in January and from 13 to 15% in August and some excise duties on petrol and tobacco were also increased. However, this figure has to be put in perspective, as it was favourably influenced by the low increase in food prices. Underlying inflation, which excludes energy and non-processed food, accelerated in 1992. Though some reduction in inflationary pressures is to be expected in 1993 due to the absence of further increases in indirect taxation and lower economic growth, the effects of the devaluation on prices could somewhat offset this tendency.

The differential between price rises in the tradable and non-tradable sectors remained roughly unchanged in 1992. Compounded with the lower growth in external markets this probably aggravated the situation of many exporting firms. Industrial prices grew by just above 1% in 1992, well below wage costs. Given the unfavourable economic environment and the otherwise pro-cyclical trend in productivity, companies had much stronger recourse to labour-shedding. Despite this reaction, profits in the sector have been severely squeezed. However, the peseta devaluation could allow for a modest recovery in this sector.

Despite weaker demand, service prices still accelerated in 1992, maintaining the rising trend observed since 1988. The resilience of inflation in services, which can be attributed to a number of impediments to competition, led the government to address the liberalization of this sector in the convergence programme.

The convergence programme aims at achieving nominal and real convergence

The Spanish convergence programme, approved in May by the Parliament, aims at achieving nominal convergence without arresting progress in real catching up. The programme has been articulated along two main lines: a new policy mix, aimed at keeping the economy on a sustained non-inflationary growth path, and a set of structural measures, aimed at improving microeconomic efficiency, curbing inflationary pressures, raising potential output and boosting employment.

As regards the new policy mix, the strategy of the programme aims at achieving nominal stability through a tight fiscal policy, while monetary policy would focus on exchange-rate stability. Further, this shift in the policy mix is intended to have favourable effects on the composition of growth, promoting investment and exports.

Structural reform mainly aims at removing rigidities from labour and services markets. Measures in the labour market are addressed in three areas: increasing geographical and functional mobility, setting up a system of incentives which will contribute to a more active job-search and improving workers' professional skills. In order to increase geographical mobility, a public housing plan and some measures to enlarge the supply of buildable land have already been implemented. The removal of the corporatist working regulations was proposed to the social partners as a way to introduce more functional mobility. The setting-up of a link between the entitlement to unemployment pay and attendance at professional training or the acceptance of a job was introduced in April by a law which also cut the duration and amount of unemployment benefits.

As regards services, the major concern was the lack of competition which exerts upward pressure on sectoral and global prices and leads to an inefficient allocation of resources unfavourable to the tradable sector and to the competitiveness of the economy. Moreover, given the high level of wage-price indexation effectively prevailing in the Spanish economy, higher inflation feeds into higher wages which once again hinder external competitiveness. In order to tackle these issues, the programme points to deregulation and liberalization measures to be taken according to the conclusions of a report by the Competition Court. In addition, some measures have begun to be considered concerning more flexible rules for professional associations and the removal of the setting of minimum prices by these associations. Measures to gradually eliminate the monopolies in transport, telecommunications and oil distribution have begun to be implemented as well. The programme also refers to the objective of reducing the size of public sector administrative bodies and public enterprises and of rationalizing their procedures.

Tough budgetary policy shows authorities' preference for fiscal consolidation instead of short-term stabilization

The overrun in the State deficit in the early months of the year, which by July was more than double the corresponding figures of 1991, prompted the government to introduce a wide package of budgetary measures aimed at increasing revenue and reducing public expenditure. Thus at the end of July income tax rates as well as the amount withheld were increased two percentage points on average, fully offsetting the rebates introduced at the beginning of the year by the new income tax law; the VAT standard rate was raised from 13 to 15% as from August, bringing forward the harmonization measure due on 1 January 1993; a general cut in current expenditure was adopted including a freeze of public employment. All these measures were intended to redress the State deficit in 1992 towards the convergence programme target of 2,6% of GDP.

Table 3

Spain: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	14,4	14,8	10,9	5,1	5,9	6,9
Short-term interest rate	13,2	13,9	13,2	13,3	12,4	10,4
Long-term interest rate	12,5	13,4	12,4	12,2	12,7	11,3
Competitiveness (1985 = 100)	102,3	117,4	125,9	126,9	122,1	123,7
Budget balance (% of GDP)	−5,3	−3,3	−4,9	−4,6	−4,2	−3,8
Gross public debt (% of GDP)	46,0	43,9	45,6	47,4	49,5	50,6
Nominal wages per head (% change)	8,5	7,0	8,7	9,0	7,3	5,7
Real wages per head (% change)	0,7	0,9	2,2	2,8	1,7	0,8

For definitions, see Table 3 for Belgium.

The same tough stance is present in the draft budget for 1993, despite a sharper downswing in economic activity than previously expected. The budgetary proposals show a firm commitment from the authorities to the convergence programme targets for public finance, extending most of the summer package of fiscal measures to the budget law for 1993. The target for the State deficit in 1993 is set at 2,5% of GDP, while the general government deficit is to be reduced to less than 4% of GDP. State expenditure should increase by less than the target rate of inflation. Further, if the strongly rising interest payments are excluded, expenditure will barely grow in nominal terms in 1993. However, investment should be more favoured than current expenditure and is to grow at the same pace as GDP. Strict control over the general government deficit requires the same degree of rigour over the budgets of the other public bodies and in particular those of the autonomous communities, which the central authorities can influence only indirectly.

Instability in foreign exchange markets adds to the uncertainty regarding economic recovery

In the last few years monetary policy has been devoted to maintaining exchange-rate stability and, within the limits provided by the ERM, to keeping inflationary pressures under control. Thus, although the information provided by monetary and credit aggregates in 1992 pointed to a clear moderation of demand, the resilience of underlying inflation did not prompt the Bank of Spain to reduce substantially its intervention rate. However, longer rates declined in the first half of the year as a consequence of the reduction of the risk premium associated with positive EMU prospects.

The negative result in the Danish referendum on Maastricht marked the end of the downturn in interest rates and the beginning of the instability in exchange markets. The turmoil in exchange-rate markets in September led to a devaluation of the peseta by 5% within the ERM. As a consequence, interest rates increased and temporary capital controls were introduced. New pressures against the peseta led the Spanish authorities in November to ask for a new realignment of the peseta, the central rate being reduced by 6% against all other ERM currencies, except the escudo. The capital controls introduced in September, and only partially suppressed in October, were immediately lifted and money market intervention rates increased. The depreciation of the effective exchange rate amounted to about 10% between mid-1992 and the end of the year. In the next few months, interest rates could decline though probably remaining above their levels before the currency turmoil. Against the possible benefits for growth from a lower peseta, interest rate developments and the impact of the turmoil on expectations and investment make the prospects for short-term recovery more difficult.

Though this strategy may have some costs in the short term, a reinforcement of the commitment to the convergence programme targets is crucial for a recovery of confidence in the Spanish economy and the peseta, thus promoting the prospects for healthier medium-term growth.

France

French growth exceeds Community growth in 1992

— thanks to favourable exports

The French economy grew by about 2% in 1992, significantly more than the EC average (1%). This relatively good performance stems from the first signs of the beneficial effects of the competitive disinflation strategy subsequently challenged by the September turmoil in the EMS. The stability of the French franc and a slow growth of French unit labour costs relative to those of its competitors allowed an improving export price performance, enabling gains in market shares within the Community (more than 1% in 1992). Moreover, a very favourable external environment (with export markets growing by about 4%) boosted French exports.

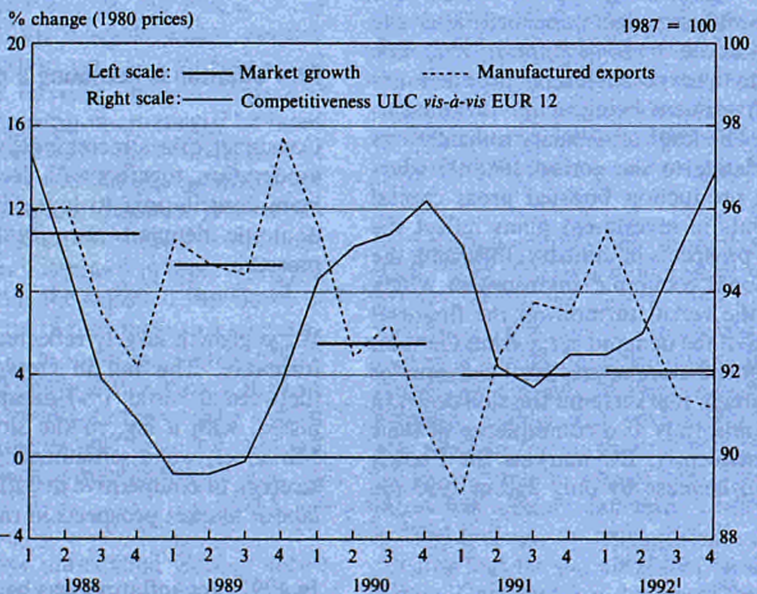
All in all, the contribution of the external side to overall output growth amounted to about one percentage point in 1992. The trade balance improved strongly and was in surplus for the first time since the beginning of 1980s. It is particularly encouraging that the declining trend in net exports of manufactured goods was reversed. In addition the fall in import prices of energy allowed a considerable improvement in the terms of trade (by about 1%) contributing to the trade surplus of 0,3% of GDP (customs basis). Nevertheless, the improving external balance was not only the result of an excellent export performance. Stagnating domestic demand for manufactured goods together with deteriorating competitiveness of importers in the first three quarters of 1992 also led to a slowdown in import growth.

...but domestic demand remained sluggish

The increase in domestic demand remained very low (1%). Private consumption did not improve as expected, as poor labour market prospects pushed households to increase their saving rate. In total, the number of wage earners decreased, despite some higher employment in the public sector.

The improvement in disposable income of private households was partly due to increases in non-labour income and social transfers. As increases in contributions and cuts in allowances are supposed to take place in order to restore the financial situation of social security, an underlying

GRAPH 1 : **France — French competitiveness *vis-à-vis* EC Member States and export performance**



[1] DG II estimate: average of the first three quarters for the competitiveness indicator.
Sources: INSEE, Commission services.

upswing in private consumption should not be expected before an improvement is visible on the labour market. The high level of interest rates and households' indebtedness have also affected the path of private consumption. Consumer credits slightly decreased (−0,2% in the first half of 1992), not only because of a fall in demand, but also because the banking sector became more cautious about the financial situation of potential borrowers. Moreover, the new rules regulating personal insolvency (Loi Neiertz)[1] have reinforced the reluctance of both consumers and financial institutions.

Table 1

France: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	2,1	3,4	1,1	1,9	1,0	1,9
Total domestic demand (% change)	3,3	3,4	0,8	1,0	1,0	1,7
Employment (% change)	0,0	1,0	0,4	−0,2	−0,3	−0,1
Unemployment rate (%)	10,3	9,4	9,5	10,1	10,8	11,3
Inflation (% change)	4,0	3,2	3,2	2,6	2,7	2,6
Balance of current account (% of GDP)	0,1	−0,5	−0,5	0,1	0,2	0,3

Corporate investment in industry again declined, after the sharp fall in 1991, and by about the same amount (9%). The adjustment of capacities to the expected level of production is still taking place, new investment being mainly devoted to improving productivity. The level of capacity utilization in industry remains low relative to the period 1988-90 when capacity constraints on production boosted gross capital formation. The severe cuts in investment plans reflect the deterioration in demand prospects in industry, following the changes in the international economic environment which took place even before the recent turmoil on the financial markets: notably, the end of the demand surge from German unification and a consequent more aggressive behaviour of German producers on foreign markets and the slowdown in market growth in Spain and Italy as a consequence of their fiscal adjustments. Consequently, EC markets for French exporters are expected to increase by only 2% in 1993 (as against about 4% in 1992), leading to a lower overall growth of exports markets, despite recovery in some non-EC countries.

Table 2

France: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	19,4	21,1	20,8	20,0	19,6	19,5
(% change)	4,3	6,5	−1,3	−1,5	−0,7	1,6
of which:						
Construction (% change)	2,1	5,5	0,6	2,3	0,2	1,8
Equipment (% change)	7,0	7,1	−2,5	−4,3	−1,4	1,5

High real interest rates have also been playing a major role in investment decisions, reducing expected profitability in a framework of gloomy demand prospects. Less profitable investment projects have been dropped or at least postponed, and the productivity of the existing capital stock has been improved by significant cuts in industrial employment (about 2,5%). On the contrary, in the services sector investment and employment again increased as demand and prospects remained satisfactory.

Low inflation is becoming a permanent feature

Consumer prices increased by about 2 ½% in 1992. Wage moderation, together with decreasing energy prices, were the main contributors to lower inflation, but the weakness of domestic demand also resulted in subdued inflationary pressure.

Wage growth largely reflected the poor labour market performance. The fall in employment in the private sector (between 0,5 and 1%) dampened wage claims which adjusted, with a lag, to the slowdown in economic activity. Moreover, wage settlements seem to have internalized the strategy of competitive disinflation as the means to improve labour market prospects in the medium term.

In 1992, low inflation was helped by falling import prices, a trend which may not, however, continue. Moreover, some reduction in indirect taxes prevented profit margins on domestic sales from falling further.

[1] The removal of credit regulation led to a strong increase of households' indebtedness over the period 1980-90. The Loi Neiertz, which came into force in March 1990, aims at keeping under control the financial situation of those borrowers who experience financial difficulties.

Fiscal deficits are rising

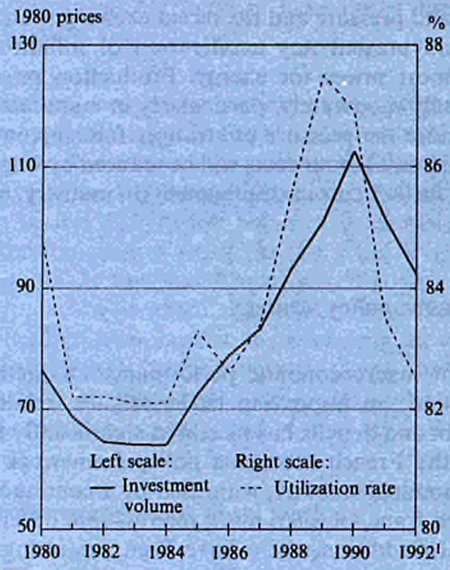
The slower than expected growth of private consumption reduced the increase of public revenues as receipts from VAT, the most important tax source, rose only marginally. Moreover, the fall in enterprise profits in 1991 reduced corporate tax revenues in 1992. All in all, the loss in fiscal receipts amounted to more than FF 90 billion (1,3% of GDP) relative to the estimate of 17,7% of GDP in the Finance Law for 1992. Interest payments rose by about FF 10 billion. Consequently, despite some cuts in expenditure, the budget deficit increased sharply to about 2,6% of GDP, twice as large as the initial target. The deterioration in the financial situation of social security, following the rise in unemployment and the increase in local authorities' expenditure, have pushed up general government net borrowing to about 2,8% of GDP from 1,9% in 1991, very near to the Maastricht convergence criterion.

Growing conjunctural difficulties ahead as export growth weakens

French economic growth, based till now upon the medium-term framework of a successful 'désinflation compétitive' strategy, will temporarily suffer from the effects of the appreciation of the French franc nominal effective exchange rate by more than 5% over the period 1992-93. In these conditions, despite the accumulated gains in relative unit labour costs (by about 6% relative to EC partners over the last four years), exporters' profit margins would decline: despite accelerating in 1993, export prices of manufactured goods should again, as in 1992, increase less than producers' domestic prices. Given that important markets will be faced by stagnation (in particular Germany), the contribution of net exports to French economic growth is expected to be negative in 1993. Under these circumstances, a recovery in private consumption and corporate investment is unlikely. Only an improvement in overall demand prospects should be able to reverse this trend, but the expected slowdown in the EC economy as a whole seems to rule out such a scenario. The rate of capacity utilization in industry is already low relative to the period 1988-90, such that a higher level of production could be easily achieved with the existing capital stock. Therefore, in case positive cyclical factors would appear again, the French economy would easily be able to grow at a relatively high rate.

Financial markets seem to have anticipated gloomy economic prospects with share prices already more than 10% lower at the end of 1992 relative to their peak in May. Moreover, lower share prices render more difficult activating own capital resources to finance investment. All in all, financing costs remain high, making investment less attractive. Particularly small and medium-sized enterprises are affected by high interest rates on bank lending. The continuing fall in gross capital formation in French industry will not only affect GDP growth in the short term but will aggravate further the labour market situation, quite apart from the long-term implications for productivity and competitiveness.

GRAPH 2: **France — Capacity utilization and investment in industry**



[1] 1992 estimate.
Source: INSEE.

Increasing unemployment (numbers unemployed rising more than 7% in 1993) will moderate private consumption growth further. Moreover, despite their decline, the persistence of high short-term interest rates might affect household behaviour in favour of liquid savings bearing high market interest rates. The amount of these monetary assets continues to increase. Falling real asset prices, including house prices, will prolong the stagnation of activity in the construction sector and might worsen the situation. The fall in house prices has already depressed banks' financial performance in 1992 through the depreciation of their capital invested in housing and the potential loss on loans to the construction sector. Consumption and investment might thus also be negatively affected by the tightening of credit conditions by the banking sector, which will have to respect a certain ratio between own capital and loans (BIS ratio) from

January 1993. Future credit expansion might further be constrained following its strong increase over the period 1980-90, which saw the removal of credit regulations.

Low demand pressure and the recent exchange-rate appreciation could prevent any acceleration of inflation despite higher import prices for energy. Production prices might increase only moderately, particularly in manufacturing industry, under the pressure of stronger foreign competition. Increases in unit labour costs will be reduced by wage moderation and further cuts in employment (in industry, of around 2,5%).

Table 3

France: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	8,0	8,9	2,5	5,8	4,3	4,7
Short-term interest rate	8,6	9,2	9,6	10,4	8,8	6,5
Long-term interest rate	9,6	9,3	9,0	8,6	8,0	7,8
Competitiveness (1985 = 100)	101,7	97,7	95,6	97,4	100,3	99,7
Budget balance (% of GDP)	−2,5	−1,4	−1,9	−2,8	−3,2	−3,6
Gross public debt (% of GDP)	46,1	47,0	48,5	50,1	52,4	54,7
Nominal wages per head (% change)	4,9	4,7	4,2	4,1	3,9	3,9
Real wages per head (% change)	0,9	1,4	1,0	1,5	1,2	1,3

For definitions, see Table 3 for Belgium.

The economic policy strategy

The recent macroeconomic performance characterized by low inflation, an improving trade balance, relatively low public debt and deficits has increased significantly the credibility of the French economic policy framework oriented towards nominal stability, witnessed by a continuous fall in the French franc/German mark interest-rate differential up to 1992. In addition, there have been promising signs of the strategy of competitive disinflation bearing fruit, with exports quite strong.

However, recent developments on the exchange markets are temporarily reducing the success of this strategy. Although inflation remains below the level of most partner countries, competitiveness has been eroded by the nominal exchange-rate adjustment of some main trading partners. Moreover, slower growth prospects will affect the performance of the public sector. In this regard it is particularly regrettable that — in spite of excellent fundamentals — financial markets are attaching a higher interest-rate risk premium to the French franc, an indication of temporary destabilizing speculation.

In the present framework, in which monetary conditions in France are largely determined by Germany, room for monetary easing is very limited. For example, reserve requirements were reduced to cut bank lending costs in spring 1992. However, as reserve requirements are low in France, there are limits as to the quantitative effects of such a policy on credit rates. Moreover, the increase in money market rates pushed French banks to raise prime rates at the end of 1992.

As in the current situation monetary tools are more or less exhausted, the government is using fiscal policy to support an upswing in economic activity. The 1992 budget deficit (2,6% of GDP) significantly exceeded the revised target, set at 1,9% of GDP. This deterioration stems from the approach of the French authorities as regards fiscal receipts: the loss in fiscal receipts (of about FF 90 billion in 1992) was not compensated for by cuts in planned expenditure, leaving the automatic stabilizers to operate. To boost the sluggish economy, fiscal measures were taken in favour of the stagnating construction sector and small to medium-sized enterprises more penalized by the relatively high cost of credit. In order to strengthen private consumption, the top VAT rate was replaced by the standard rate well in advance of the previously planned date of January 1993. Moreover, partial privatizations of State-owned companies are taking place to finance the cost (about FF 12 billion in 1992) of measures in favour of job searchers to reduce the rise in unemployment.

The 1993 Finance Law confirms the approach hitherto followed by the French budgetary authorities: the estimated budgetary outcome (−2,2% of GDP) is more the result of the automatic stabilizers than of a deliberately expansionary fiscal policy, despite some tax cuts in favour of households. Nevertheless, the underlying official macroeconomic scenario now appears to be quite optimistic.

The final budgetary position might thus be less favourable than expected, and despite one of the lowest public debt to GDP ratios and budget deficits in the EC, the parallel deterioration of the social security accounts and the increase in local authorities' expenditure might necessitate further social security contribution and tax increases, negatively affecting supply performance. Higher than expected interest rates would moreover raise debt charges to FF 178 billion (about 2,5% of GDP) in 1993. All in all, if the business climate does not improve quickly, a stronger deterioration of the budget deficit cannot be excluded in 1993.

Structural improvements will increase supply-side flexibility and improve growth prospects

Despite the significant improvements in the macroeconomic situation in the second half of the 1980s, the French economy still suffers from some structural challenges, particularly in the fields of the labour market and the education system.

Increasing unemployment has highlighted rigidities to be removed in order to create a more favourable framework for job creation. The institutional minimum wage represents a factor of wage rigidity, in particular for low-productivity workers. Because its removal has important social and political consequences, the government has tried to lower labour costs by means of fiscal reliefs in favour of employers hiring young unqualified job searchers (the 'Exo-jeune' programme extended to July 1993) and in favour of part-time jobs.

One of the major problems of the French labour market stems from a mismatch between labour supply and demand. Therefore the education system should be further improved in order to supply enterprises with skilled workers. A law favouring apprenticeship was adopted in July 1992, but the reactions of employers have not so far been very favourable.

As regards the corporate sector, the weight of State-owned enterprises in the market sector still remains very high despite the privatizations achieved during the period 1986-88. It is difficult to estimate the loss of flexibility stemming from State control of companies facing international competition. Nevertheless, it is reasonable to surmise that in a context of rapid changes in corporate structure due to continuously growing integration, State-owned enterprises might be penalized by the rigidity of their equity ownership.

With regard to social security, the slowdown in economic activity is increasing its deficit significantly, accentuating the difficulties due to structural problems. Public authorities are trying to control the volume of supply of medical care ('maîtrise des dépenses de santé'). As regards unemployment allowances, which were very favourable in France relative to other EC countries, the conditions for beneficiaries became more restrictive with effect from August 1992. In the long term, the financial equilibrium of the State pension scheme will experience major challenges. According to official sources, its structural deficit will be increasing by about FF 6 billion per year. The reform of pension scheme financing is all the more necessary because repeated increases of social security contributions have raised the weight of contributions in the wage bill.

In the field of competition policy, some government intervention is still widespread, for example restrictions on imports from other member countries which are allowed by Article 115 of the EC Treaty. There is also room for further progress in the distribution sector, for example, reducing restrictions on market entry. At the retail level, the most worrying case is the 'Loi Royer' which covers the widest range of goods and which should be progressively relaxed and eliminated. Also, regulations governing car distribution should be improved. In the wholesale sector, there are regulations which impede competitive forces, as best illustrated by the distribution of petrol and pharmaceutical goods.

Stronger integration into world markets

The greater integration of the French economy into world markets (internal market, GATT negotiations) will represent a new challenge for French enterprises. Competitiveness has improved strongly in recent years. Corporate investment increased by 45% over the period 1984-90, and by 76% in manufacturing industry, leading to stronger performance of exports through market share gains.

The internal market will raise trade in services among EC members, particularly in the banking and insurance sector, where French enterprises are still investing despite the strong fall in gross capital formation in the whole economy. The French economy should thus be able to profit from the liberalization of world trade in services.

The reform of the common agricultural policy will imply some marked changes in the structure of agricultural production in France and will affect the value of the trade flows (cereal exports amounted to about 39% of agricultural exports in 1991). Nevertheless, the high level of productivity reached by a large number of French farmers should also allow a high degree of competitiveness in a liberalized market, and the recently paid subsidies could be devoted to more productive uses.

The growing foreign direct investment activities in France indicate that France has improved its overall supply conditions. The continuation of this process will enable France to take the full benefits of progressing integration of the Community economy.

Ireland

GDP growth in 1992 led by the performance of the external sector

Following higher than expected growth in 1991, the performance of the economy continued to improvc throughout 1992 (GDP +2,8%). This performance was due primarily to the external sector and in particular to the strong growth in exports.

Despite difficult international conditions the performance of Irish exports in 1992 remained buoyant. The growth of exports was driven by a substantial increase in agricultural exports out of intervention stocks (the volume of agricultural exports increased by approximately 24% over 1991) and a recovery in the export performance of the high-technology sector. The growth of imports, by contrast, remained somewhat subdued, thus giving rise to a current account surplus of approximately 6,6% of GDP.

Table 1

Ireland: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	2,5	6,5	2,5	2,9	2,1	2,5
Total domestic demand (% change)	0,7	4,8	−0,7	−0,9	2,2	2,1
Employment (% change)	−0,7	1,4	−0,1	0,1	0,1	0,2
Unemployment rate (%)	18,1	15,8	16,2	17,8	19,2	20,4
Inflation (% change)	4,1	2,6	3,2	2,9	2,2	2,3
Balance of current account (% of GDP)	−1,9	1,2	6,0	6,7	6,6	6,9

In spite of the good growth performance, unemployment rose to record levels in 1992. The average rate of unemployment for 1992 was 18% compared to 16,2% in 1991. This continued deterioration in labour market trends is the result of a number of factors. First, the deep recession experienced in 1992 in the United Kingdom and to a lesser extent in the USA led to the virtual cessation of emigration and the return of former emigrants from abroad. Second, demographic factors ensured a continuing increase in the labour force. Third, employment growth remained weak (0,1%). The poor employment growth, despite the apparently robust performance of the external sector, serves to highlight the tenuous links between the foreign direct investment sector in Ireland and the rest of the economy. In view of this, which has been recognized for some time now, a general review of industrial policy was conducted in 1992. This resulted in a decision to put greater emphasis on indigenous industry and investment and to amalgamate the main industrial development agencies with a sharper focus on 'home-firm' development. In the same vein the authorities also recognized the need to reduce grant levels to overseas industry, to achieve a greater degree of grant repayability and in general to foster greater links between overseas and domestic firms.

Budgetary pressures in 1991, which saw underlying net borrowing by general government (excluding once-off privatization receipts) slightly exceed targets, were repeated in 1992 but were however offset by unexpected buoyancy in tax revenue. Despite the overrun in social welfare payments of the order of IRL 90 million (about IRL 50 million of which was due to the continuing rise in unemployment), there was little or no overrun on budgetary targets; the underlying outturn for central government borrowing was under IRL 600 million compared to the budget target of IRL 592 million (2,1% of GDP). However, additional spending in December 1992, which was brought forward from 1993, resulted in the actual outturn exceeding budgetary targets by approximately IRL 120 million (0,4% of GDP). Despite the rise in the fiscal deficit, the gross debt to GDP ratio declined by an underlying 2 points. A change in debt management policy gave rise to a further, once-off, reduction of 3 points. Overall, therefore, the ratio fell from 101% of GDP to 96%.

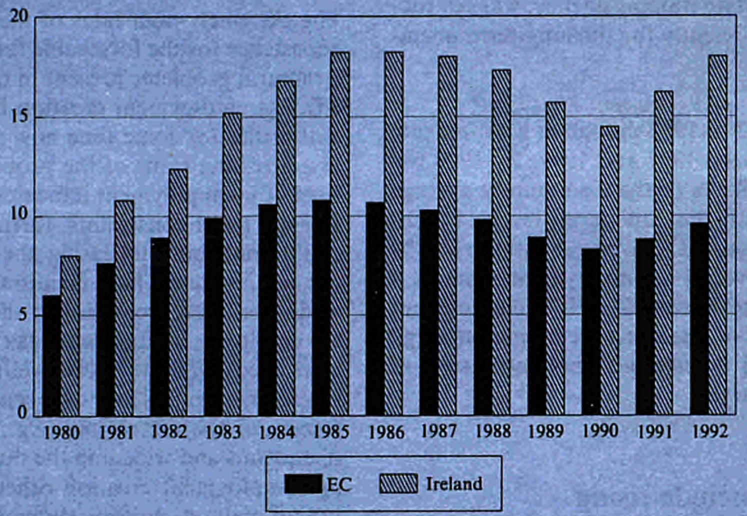
Table 2

Ireland: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	17,8	17,5	17,1	16,8	16,7	16,5
(% change)	−4,6	8,8	−7,2	1,6	2,2	1,7
of which:						
Construction (% change)	−6,4	9,4	−1,4	2,5	3,0	2,0
Equipment (% change)	−1,8	8,7	−11,6	0,5	1,2	1,5

As a result of exchange-rate movements and rising unit labour costs Ireland's competitiveness performance declined in 1992 by 2,4 percentage points. In particular, the faster deceleration of real wages in the United Kingdom, combined with the sterling depreciation since September 1992, considerably reduced the competitiveness gains achieved against the UK since 1987. The impact of the loss in competitiveness fell primarily on the traditional (labour-intensive) manufac-

GRAPH 1: **Ireland — Unemployment rates**[1]



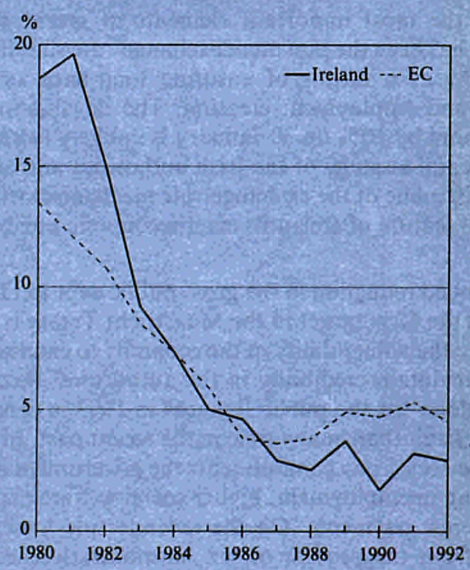
[1] SOEC definition.
Source: Commission services.

turing sector which is the most heavily reliant on the United Kingdom for its exports. On the other hand, due to the lower price of imports (over 40% of Irish imports come from the UK) the average inflation rate for 1992 as measured by the private consumption deflator fell to 2,9% from 3,2% in 1991. This is considerably lower than the average for the EC as a whole.

The convergence programme submitted by the Irish authorities, the 'Programme for economic and social progress 1991-93' (PESP), outlined a macroeconomic policy mix emphasizing the need to maintain exchange-rate stability, fiscal restraint and wage moderation. 1992 saw the successful continuation of this policy (despite the upheavals in the currency markets) and the further consolidation of nominal convergence. Interest-rate differentials fell in the early part of the year, reflecting confidence in the performance of the economy and strong adherence to the exchange-rate discipline, but rose strongly in the later part of the year as a result of the tensions in European exchange markets. Furthermore, as previously noted, inflation remained low and the debt-to-GDP ratio declined.

The PESP also proposed a series of structural reforms to improve supply side performance and employment creation, including tax reform, industrial policy reform, greater

GRAPH 2: **Ireland — Private consumption deflator**



Source: Commission services.

provision of training and limited direct intervention. The gradual implementation of these reforms was continued throughout 1992. Following a report to the government concerning industrial policy in Ireland a general review of policy was initiated. New employee training schemes were introduced, and FAS, the State training agency, was restructured to help cater more efficiently for the long-term unemployed.

Real convergence continued in 1992 though at a slower rate than that experienced between 1987 and 1990. By 1990 per capita GDP had risen to 68,3% of the Community average from 64,5% in 1987. Recently more moderate levels of GDP growth have helped per capita GDP to rise slightly to 68,8% in 1992. The increasing level of unemployment remains a serious concern. To generate increased levels of employment the continued application of the macroeconomic strategy implied by the PESP and accelerated implementation of structural reform is necessary.

Challenges for 1993 include rising unemployment, deteriorating public finances and the implications of recent exchange-rate changes

The main problems facing the Irish economy in 1993 are the extremely high level of unemployment and the difficult outlook for the public finances.

One of the most important elements of recent economic strategy has been the pursuit of exchange-rate stability within the ERM as a means of ensuring long-term sustainable growth and employment creation. The devaluation of the Irish pound by 10% on 30 January is unlikely to change the fundamental strategy of the Irish authorities and adherence to the discipline of the exchange-rate mechanism will remain a central feature of Ireland's macroeconomic policy.

A continued reduction in the gross public debt to GDP ratio towards the 60% target in the Maastricht Treaty is essential to reduce the vulnerability of the economy to external shocks and to maintain credibility in the authorities' fiscal policy. The outlook for the public finances in 1993 is considerably more difficult than at any time in the recent past. In addition to public-sector pay commitments the government also faces increasing unemployment, higher social welfare expenditure and interest payments. On the revenue side losses are expected from the process of tax harmonization, carry-over effects from the 1992 budget and some deterioration is expected due to cyclical factors. Even if the operation of the automatic stabilizers should temporarily threaten Ireland's observance of the Maastricht deficit criterion, budgetary policy in 1993 should endeavour to maintain borrowing at a level consistent with reducing the debt to GDP ratio over the medium term.

The extremely high rates of unemployment and their likely persistence for the forseeable future highlight the underlying structural problems present in the economy. The barriers to efficient employment creation have been recognized by the authorities for some time now and progress has been made in addressing some of the problems. However, the growing level of unemployment indicates the need for further action. Despite fiscal constraints, further reform of the tax system could contribute to easing the unemployment problem in the medium term; high taxation of labour has driven a large wedge between gross cost to the employer and net wage to the employee; high effective tax rates at low thresholds have interacted with the social welfare system to produce high replacement ratios and disincentives to seeking work. While reform of the tax regime (e.g. eliminating exemptions and distortions and widening the tax base) could help to encourage employment creation other structural reforms such as labour market policies designed to improve flexibility, a greater effectiveness of training schemes and implementation of the suggested reforms to industrial policy would also help to increase the employment intensity of growth.

Table 3

Ireland: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	5,1	8,9	3,1	2,7	7,5	7,3
Short-term interest rate	11,8	9,7	10,4	12,4	10,5	7,8
Long-term interest rate	11,7	9,5	9,2	9,1	9,6	9,3
Competitiveness (1985 = 100)	102,3	94,7	88,3	90,7	95,4	94,2
Budget balance (% of GDP)	−10,4	−3,0	−2,1	−2,7	−3,0	−3,7
Gross public debt (% of GDP)	116,1	109,2	100,9	99,0	98,7	98,7
Nominal wages per head (% change)	6,5	5,5	4,4	6,3	5,9	3,3
Real wages per head (% change)	2,2	2,8	1,1	3,3	3,6	1,0

For definitions, see Table 3 for Belgium.

The outlook for 1993 is somewhat depressed as unemployment will continue to rise against an international background of recession in Germany and slow recovery in Britain and the United States. A further difficulty facing the authorities is the present high levels of interest rates which would, if they remain high, have adverse effects on both investment and confidence. Despite these difficult conditions which may impact negatively on the public finances, the government has expressed its determination to hold general government borrowing in 1993 at around 3% of GDP.

Italy

Persistence of structural imbalances hampers economic growth

Economic activity in 1992 has been characterized by sluggish output and demand growth, but a spur to domestic production is likely to come in the next few months from external trade as a result of the impact of the mid-September devaluation. Continuing the prolonged deceleration of growth from 2,8% in 1989 to 1,4% in 1991, real GDP growth was just over 1% in 1992, posting the worst performance since 1983. Notwithstanding the relatively large contribution of net real exports, economic activity is also expected to progress very slowly in 1993 (0,8% GDP growth), reflecting the negative effects on domestic demand of the squeeze in real disposable income.

Table 1

Italy: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	2,9	3,1	1,4	1,1	0,8	1,4
Total domestic demand (% change)	3,5	3,4	2,2	1,3	−0,2	0,9
Employment (% change)	0,7	0,7	0,8	0,1	0,0	0,3
Unemployment rate (%)	10,1	10,4	10,2	10,2	10,6	10,8
Inflation (% change)	6,8	6,0	6,8	5,3	5,8	4,7
Balance of current account (% of GDP)	−0,2	−1,1	−1,9	−1,9	−1,8	−1,4

Whereas the slowdown of domestic demand has mainly resulted from the fall in fixed investment, private consumption has also gradually lost momentum after the phase of relatively buoyant growth that lasted until the beginning of 1992. Consumers' expenditure has been influenced by the weakening of consumer confidence, resulting from the worsening of labour market perspectives as well as expectations of increasingly severe fiscal measures. Besides, expenditure has been affected by the slowdown of disposable income due to the restrictive effects on earnings of the demise of the wage indexation clause; since mid-year the rate of growth of per capita wages has been outpaced by the inflation rate.

The weakness of economic activity, compounded with the decline in profit margins (at least until the end of 1991) and the high level of real interest rates, has led to an almost stagnant evolution of capital accumulation since the second half of 1990. The marked shrinking of capital-widening investment in manufacturing has reflected growing excess capacity (capacity utilization fell by the third quarter 1992 to its lowest level since 1985) and worsening demand perspectives. Besides, the financial situation of this sector has been endangered by the severe profit squeeze undergone by industrial firms partly to offset the rise in relative costs with respect to foreign competititors: in 1991 the share of gross operating surplus in value-added, while not particularly low by historical standards, was about 5 percentage points below the 1988 peak.

Table 2

Italy: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	20,0	20,2	19,8	19,4	19,3	19,1
(% change)	2,6	4,8	0,9	−0,2	−1,2	0,9
of which:						
Construction (% change)	0,2	2,9	1,2	0,4	−0,7	0,4
Equipment (% change)	5,4	6,7	0,7	−0,7	−1,6	1,3

The evolution of external trade in 1992 has been characterized by a continuing rise in import penetration and a mild recovery of exports. Although the real exchange rate had been almost stable since the beginning of 1991 (up to the September devaluation), the large real appreciation experienced over previous years had left a lasting negative effect on the competitive position of domestic producers. The relatively buoyant evolution of import volumes points to a substantial increase in the share of domestic demand met by foreign supply. The rise in import penetration has been particularly large in the consumption goods sector where, in 1991 and 1992, import volumes have grown considerably faster than real consumer expenditure. Exports of goods posted a very negative performance in 1991 (the rate of growth was below 1% in volume terms), but gradually recovered in 1992.

In the first part of 1992 the favourable evolution in the terms of trade almost completely compensated for the deterioration in trade volumes; this trend is likely to be reversed in 1993 by the price effects of the lira depreciation. In turn, the current account deficit (1,9% of GDP in 1992) continued to widen as a result of the worsening in the balance of invisible items, due both to the shrinking of the surplus on foreign travel and the rise in net outflows of investment income.

The latter reflects the steady growth of the stock of net foreign debt which already exceeded 9% of GDP by the end of 1991.

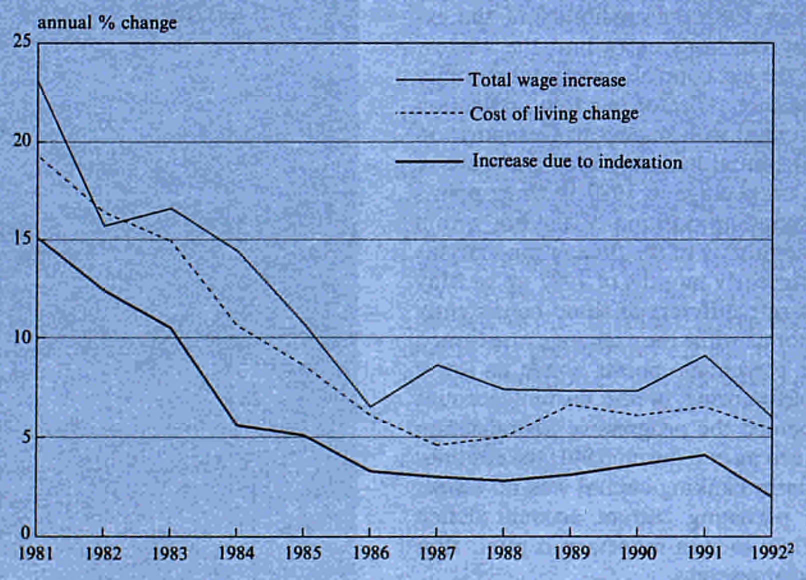
Progress in disinflation due to wage reform may be temporarily halted by effects of devaluation

The recent evolution in the factors shaping the inflation process shows a mixed picture. On the one hand, institutional changes in the wage formation mechanism resulted in a sharp deceleration of labour cost increases as well as in a substantial reduction of the inflationary bias built into the previous wage-setting regime. On the other, the devaluation of the lira and the temporary withdrawal from the ERM are bound to lead to a significant rise in import prices. In addition, the breakdown of the long-standing commitment to a non-accommodating exchange-rate policy could endanger the credibility of the anti-inflationary stance of the monetary authorities.

Wages decelerated sharply in the first part of 1992, as a result of both the fading out of the effects of previous industry-level contracts and the suspension of the cost-of-living indexation clause, effective since May 1992. The annual rate of increase of contractual pay in the economy as a whole fell from 7% in January to just above 4% in July. On 31 July the government, trade unions and industrial employers' association reached an agreement on the reshaping of the wage bargaining framework. This agreement established the definitive abolition of the indexation mechanism and predetermined the pay increases to be awarded in 1993 so as to maintain the nominal wage evolution consistent with the inflation targets. The parties also settled the guidelines for the reshaping of the wage-bargaining framework to be completed in the following months. In particular, they established that the two levels of wage bargaining (the industry level and the firm level) should be not superimposed on each other, and that a provision should be devised to safeguard the purchasing power of wages if the renewals of national industry contracts were to lag behind the normal timetable. This reform, although still to be completed, represents major progress in gearing the wage bargaining process to the needs of nominal convergence, as it implies a substantial increase in coordination between the different components contributing to wage evolution.

The slowdown of wages has been the main determinant of the decline in the rate of growth of unit labour cost, which fell by more than four percentage points between 1991 and

GRAPH 1: Italy — Wage indexation for employees in the industrial sector[1]



[1] Excluding the construction industry.
[2] 1992 forecast.
Source: Commission services.

1992 in the economy as a whole. As for the manufacturing sector, the deceleration of growth of unit labour costs (from 6,6% in 1991 to just below 3% in 1992) has also been favoured by the rebound of productivity, obtained through a substantial reduction in employment.

The gradual easing of domestic cost pressure reduced the inflation rate to just below 5% by December 1992; on average in 1992 the CPI rose by 5,4% compared with 6,4% in 1991. Although the severe squeeze of domestic demand has dampened the immediate impact of the lira depreciation on final prices, the effects of the increase in input costs are likely to reverse, in the short term, the declining inflation trend. Assuming a devaluation of the effective exchange rate by about 11% with respect to the parities prevailing before the September realignment, the direct impact of the import price shock should result in a rise of the inflation rate on average in 1993 of up to two percentage points above the underlying trend. Taking into account the framework set in the July wage agreement and the slack in domestic demand preventing a large increase in profit margins, the effects of the price shock should fade out very soon.

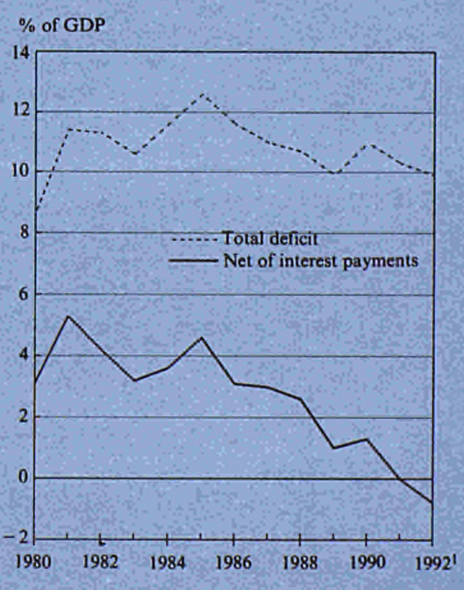
Devaluation highlights the fragility of the financial situation and the urgency of budgetary adjustment

The exchange-rate commitment within the ERM had long been the cornerstone of Italian monetary policy. Since the last general realignment in 1987 the credibility of the exchange rate, bolstered by the lira's entry into the narrow band and the removal of the last controls on capital mobility in the course of 1990, had been reflected in a trend reduction in the interest-rate differential with respect to Germany: on short-term rates, the differential had narrowed from above seven percentage points on average in 1987 to three points in 1991, with the corresponding position of the lira within the band indicating full credibility of the fluctuation margins over the short term. In the early months of 1992 up to May the three-month interest-rate differential stood consistently below three percentage points while the exchange rate firmed at about one-and-a-half percentage points above its lower limit. However, the overfinancing of the current account deficit that had accompanied the progressive liberalization of capital flows had come to an end during 1991: the continuing net inflow of short-term banking capital was no longer sufficient to offset the persisting current account deficit and the increasing outflow of non-monetary capital, thus entailing a drain on official reserves.

The perceived fragility of the Italian financial situation, linked to the very large stock of outstanding public debt and the high degree of liquidity of typical debt instruments, was enhanced by the apparent lack of progress in reducing the budget deficit. The convergence programme presented by the Italian authorities in October 1991 incorporated a substantial reduction in the budget deficit already in 1992. However, by March 1992, the publication of the 1991 outturn and other negative developments since the presentation of the programme led to a projected large overshooting of the deficit target in the absence of supplementary corrective measures. The main factors behind the overshooting were a large tax revenue shortfall with respect to the planned figures, only partially attributable to slower than projected growth, and a higher debt interest burden. Moreover, the announced privatization programme underwent successive formulations without being effectively implemented. The supplementary fiscal package introduced by the new government in July was insufficient to reverse the trend, as debt interest projections were successively revised upward with the unfolding of the exchange-rate crisis.

The Danish no-vote on the Maastricht Treaty triggered a succession of speculative attacks on the lira that were met with a mix of intervention on the foreign-exchange market and interest-rate increases on the money market. By early

GRAPH 2: Italy — General government deficit



[1] 1992 forecast.
Source: Commission services.

September the lira had fallen to the bottom of the fluctuation band with the German mark; after 10 days of heavy intervention by the EMS central banks, Italy was forced to realign (13 September). The realignment, effectively corresponding to a 6,7% devaluation of the central parity, did not stop market pressure so that a *de facto* suspension of ERM membership was agreed upon on 17 September. The subsequent depreciation against the German mark at one stage pushed the exchange rate as far as 20% below the new central parity; more recently, it has been close to 13%. The relaxation of the exchange-rate constraints and the final parliamentary approval of the budgetary package have been accompanied by the reversal of the earlier monetary tightening: short-term interest rates have declined to below 13% (from a peak of 19%) and the official discount rate has been cut to its pre-crisis level (12%).

The exchange-rate crisis has brought to an abrupt end the situation in which the credibility progressively earned on the exchange-rate commitment within the ERM allowed interest differentials to shrink in spite of the lack of progress in fiscal consolidation. Henceforth, insufficient fiscal discipline will be more heavily penalized by financial markets.

Table 3

Italy: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	9,6	8,6	9,0	6,8	6,5	7,0
Short-term interest rate	13,1	12,1	12,2	14,0	13,3	10,8
Long-term interest rate	12,4	12,8	13,0	13,7	13,0	10,8
Competitiveness (1985 = 100)	104,9	113,9	122,4	119,9	108,4	110,1
Budget balance (% of GDP)	−11,7	−10,5	−10,2	−10,5	−10,2	−9,1
Gross public debt (% of GDP)	86,3	95,3	101,3	106,8	112,2	115,7
Nominal wages per head (% change)	8,6	9,4	8,7	5,1	4,1	4,9
Real wages per head (% change)	1,7	3,2	1,7	−0,2	−1,6	0,2

For definitions, see Table 3 for Belgium.

A devaluation can temporarily help in slowing down the growth in the debt to GDP ratio, as the rise in the price level lowers the real cost of debt and the gain in competitiveness raises output. For this to occur, however, it is necessary that exchange-rate expectations are stabilized by a consistent pursuit of monetary policies, income policies and fiscal adjustment policies.

The 1993 budgetary package introduced by the government at the end of September 1992, in the aftermath of the exchange-rate crisis, responded to the urgency of fiscal consolidation by aiming for a correction in the balance net of interest payments unprecedented in its size, both in actual terms (more than 2% of GDP) and with respect to trend projections (almost 6% of GDP). The measures to carry out such correction appear broadly balanced between revenue increases and expenditure cuts; the former imply some recourse to new forms of taxation, which however does not exclude the need for a major overhaul of the fiscal system; the latter involve for the first time severe curbs on social security and the public sector wage bill which in the past contributed heavily to the overshooting of objectives. Moreover, the budgetary package is part of a far-ranging consolidation strategy including structural reform in the four areas of pensions, health care, local finance and the civil service as well as an ambitious privatization programme. Savings in pension expenditure and privatization proceeds are expected to contribute significantly to the achievement of the fiscal adjustment targets set for the 1993-95 period, that is, the halving of the State sector borrowing requirement relative to GDP and the stabilization and subsequent decline of the debt ratio. Nevertheless, keeping within the targets may prove difficult even in 1993: it is essential that any slippages in the implementation of the programme be identified early and appropriate corrective action taken without delay. By requiring precisely such action, the conditionality attached to the balance-of-payments loan that the Community has granted to Italy can contribute to ensuring that the consolidation effort is sustained and rewarded.

Luxembourg

Economic outlook remains favourable

The pace of economic activity slackened in Luxembourg in 1992, reflecting the worsening economic situation in neighbouring countries and the continued reduction in world demand for steel products. However, the prospects for 1993 remain relatively favourable.

Table 1

Luxembourg: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	3,5	5,2	3,1	2,2	2,0	2,6
Total domestic demand (% change)	4,1	5,9	8,4	3,3	2,2	2,6
Employment (% change)	2,3	3,7	3,6	1,5	1,5	1,9
Unemployment rate (%)	2,7	1,8	1,6	1,9	2,0	1,9
Inflation (% change)	2,4	3,3	2,9	3,4	4,7	3,2
Balance of current account (% of GDP)	37,6	33,0	27,9	19,9	18,7	17,5

In 1992 the deceleration in domestic demand has been limited by further steady growth of private consumption of 3% in real terms; this has been due to the rise in per capita compensation of employees, the increase in employment and the delayed impact on disposable incomes of the 1991 tax reforms. Private investment has continued to grow, particularly in the construction sector, albeit at a slower pace than in previous years. Public-sector investment in infrastructure is still buoyant.

Table 2

Luxembourg: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	21,8	27,0	29,0	29,7	29,6	29,8
(% change)	10,9	8,4	9,8	4,5	2,3	3,4
of which:						
Construction (% change)	4,0	7,1	7,1	6,0	3,3	3,9
Equipment (% change)	20,9	2,2	11,4	3,5	1,7	3,0

With regard to external trade, while imports have continued to grow under the impact of domestic demand, exports have slowed; the fall in exports in the steel industry has been only partly offset by the reasonably favourable results in other industries. The decline in world steel prices has accentuated the disequilibrium in the trade balance.

Employment has shown an increase of 1,5%, concentrated primarily in the services sector, but the trend has been slightly less favourable than in previous years; the unemployment rate is only 1,5%. The rate of price rises has remained moderate at 3,4%, much the same level as in 1991; it has been affected only slightly by the VAT increase introduced on 1 January 1992 in the context of Community harmonization of indirect taxation.

While output in the steel industry has fallen by 8% in real terms in 1992, activity has remained fairly buoyant in other sectors, particularly construction and services, though a slight deceleration has been recorded. Gross domestic product should thus rise by 2 ¼% in real terms.

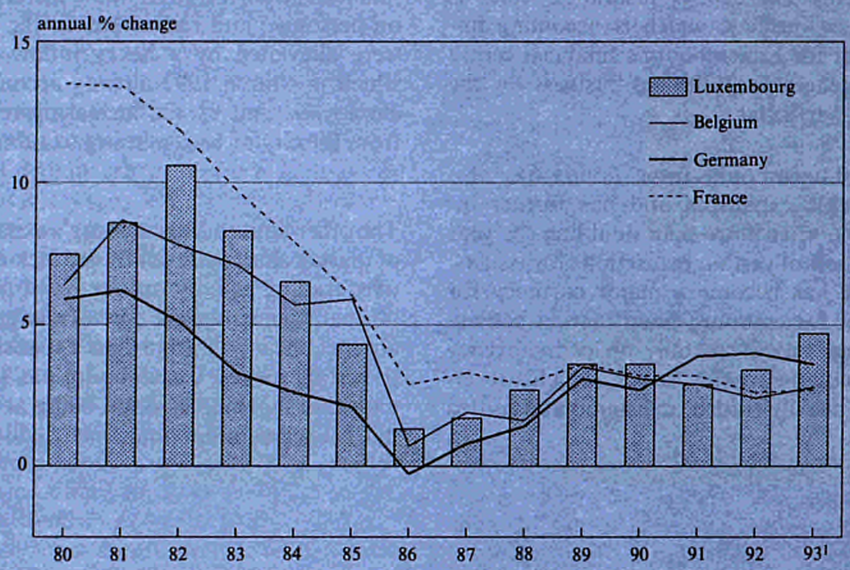
In 1993 gross domestic product could increase by 2% in real terms; however, this will depend on a less negative contribution from external trade than in 1992. Among the domestic demand aggregates, investment will continue at a moderate level, still being underpinned by construction and public investment. The pace of price rises should somewhat accelerate and is likely to amount to some 4,5%, basically due to the increase in some excise duties from 1 January 1993 as part of the harmonization of tax rates.

Continuation of a prudent fiscal policy

Economic policy is providing only limited support for activity. While interest rates in the BLEU are still closely linked to German rates in pursuit of a strong-currency policy, fiscal policy remains cautious.

The central government budget for 1993 provides for an increase in overall expenditure of 6,4%, this being in line with the principle of maintaining spending within the limits imposed by medium-term economic growth. The central government budget thus shows a slight deficit equivalent to some 0,7% of GDP, and the general government accounts are likely to register a modest deficit of −0,9% of GDP. Luxembourg continues to comply with all the convergence criteria set for full participation in EMU, particularly in the area of public finance which enjoys a very healthy situation relative to other EC countries.

GRAPH 1 : **Luxembourg — Price deflator private consumption**



¹ 1992-93 forecast.
Source: Commission services.

Table 3

Luxembourg: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Long-term interest rate	8,7	7,8	8,2	7,9	:	:
Budget balance (% of GDP)	4,3	4,5	−0,8	−0,4	−1,0	−0,7
Gross public debt (% of GDP)	13,1	8,3	6,1	6,8	7,8	8,6
Nominal wages per head (% change)	4,2	5,6	5,4	5,1	6,0	4,5
Real wages per head (% change)	1,8	2,2	2,4	1,6	1,2	1,3

For definitions, see Table 3 for Belgium.

Financial services: slower growth but healthy structure

Financial services continued to expand in 1991 and 1992 but were, to some extent, affected by the world-wide slowdown in financial activity. The banking sector, the most important, registered a growth of its total balance sheet of 4,6% in the first three quarters of 1992, compared with 10,1% in 1990. This slowdown of growth reflected partly a world-wide trend and partly a slight loss in market share on the Euro-currency markets, after two years of remarkable market share gains. Lending and depositing in ecus has gained further importance; in this sector, Luxembourg has gained a strong position on the international markets. The slowdown of volume growth led to a certain squeeze in operating profits in the banking sector. However, a relatively low amount of loan-loss provisions led to an overall profits increase, in international terms a remarkable result and a sign of the sector's general health and stability. The overall solvency of Luxembourg's banks is very high in international terms and increased further in the course of 1991. At the end of June 1992 the total number of banks was 188, of which 42 had a head office or parent institution in Germany and 21 in France.

Banking growth and profitability is increasingly supported by markets other than the traditional Euro-currency business. The mutual fund sector has become a major source of business for a number of banks specializing in such business. In 1991 the number of undertakings in collective investment (Ucits) grew by almost 12%, whereas asset volume was up by an astonishing 43%, partly due to exchange-rate movements. However, in 1992 this strong growth seems to have cooled down to some extent. Swiss, Belgian and German financial institutions are the main ones setting up Luxembourg-based Ucits. The captive insurance sector is another example of new business which is becoming important in its own right for Luxembourg's financial centre in general and which generates additional business for the banking community in particular.

The issue volume of Luxembourg franc bonds has also experienced a remarkable expansion and has further increased in 1991 by 31%, after more than doubling the year before. After the abolition of certain restrictions for issuers, the Luxembourg franc has become a major currency for Eurobond activity. But Luxembourg bond market activity is, unlike some markets, based not only on own-currency issues, but also on foreign-currency issues, which are efficiently and therefore heavily traded, registered and settled in Luxembourg.

The international market position of Luxembourg's financial sector has thus broadened and stabilized further. The major barriers to a continuous rapid expansion of Luxembourg's financial sector lie, first, in the increasingly tight constraints on personnel and real estate. In the past, these restrictions were alleviated by a heavy inflow of foreign employees, which in March 1992 already accounted for 50% of total employees, and by the increasing relocation of operations from the city of Luxembourg to suburban areas.

The other limit to Luxembourg's expansion and preservation of market share is its continued lack of securities and derivatives trading activity on organized markets. These markets normally constitute the core of a large financial centre. Their absence means that business expansion is largely restricted to certain niches. Luxembourg has so far successfully dealt with this shortfall by often being at the forefront of a new market-segment development.

The Netherlands

Slowdown in activity but improved outlook for prices

The slowdown in activity which began in 1991 has continued in 1992 and will be more pronounced in 1993, with the domestic components of demand virtually marking time. In 1992, the most noticeable feature has undoubtedly been the reduction in real terms in private investment, following several years of sustained growth. The narrowing of profit margins, the impact of the rise in interest rates on firms' net debt-servicing burden and the emergence of excess capacity in some sectors have exerted a negative impact on investment decisions. Private consumption has also slackened markedly despite the effects of faster wage rises on disposable incomes; the uncertainty surrounding employment has curbed household spending. Finally, both public consumption and investment have barely increased owing to continuing fiscal constraint. The decelerating trend in domestic demand will be more pronounced in 1993, as investment is expected to record a further marked reduction, while private consumption will continue to decelerate.

Table 1

Netherlands: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	1,8	3,7	2,2	1,3	0,6	1,3
Total domestic demand (% change)	2,1	3,3	1,7	0,6	0,3	1,0
Employment (% change)	1,6	1,9	1,3	0,4	−0,4	0,0
Unemployment rate (%)	10,3	8,4	7,0	6,7	7,6	8,1
Inflation (% change)	0,5	1,3	3,3	3,1	2,7	2,5
Balance of current account (% of GDP)	2,9	3,4	3,9	3,9	3,8	3,7

The low level of domestic demand led to a deceleration in imports in 1992. Exports on the other hand increased by 3% in real terms last year, reflecting an improvement in market shares. However, price competitiveness has been maintained only through a reduction in export profit margins as relative unit labour costs have been increasing. In 1993, competitiveness could worsen further due to the impact of recent exchange-rate adjustments, although in this context the present renewed wage moderation may have mitigating effects.

Table 2

Netherlands: Investment performance

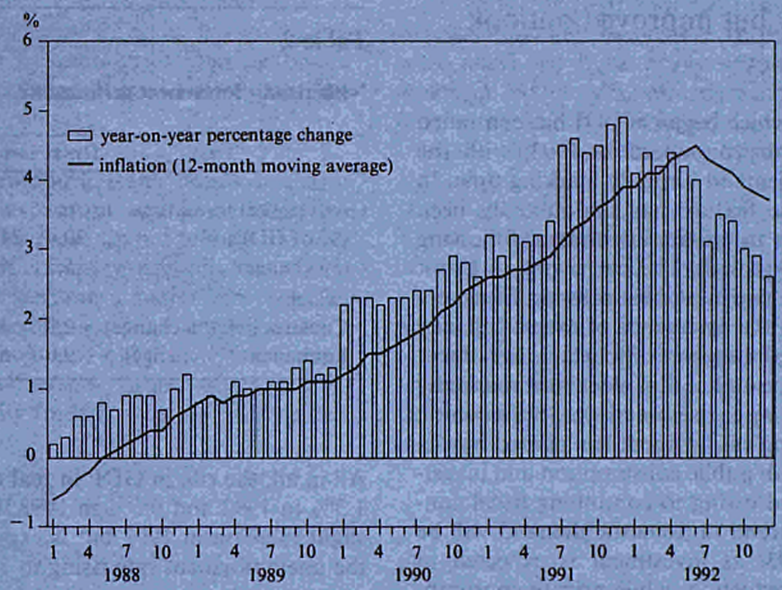
	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	20,4	21,3	20,8	20,6	20,4	20,4
(% change)	5,3	4,3	0,1	−0,4	−0,7	1,0
of which:						
Construction (% change)	2,3	4,3	−2,1	0,0	−0,6	0,5
Equipment (% change)	9,0	6,0	2,6	−0,8	−0,8	1,6

All in all, the rise in GDP in real terms is unlikely to exceed 1,3% in 1992 and 0,6% in 1993. Employment has shown a slight increase in 1992 but is expected to fall in 1993, with the unemployment rate rising to 7,6%.

The very favourable price trend of the 1980s had deteriorated markedly by the turn of the decade. However, the inflation rate, which was over 4% at the beginning of 1992, has since fallen and is unlikely to have exceeded 3½% on average for that year, one of the best performances in the Community. The rise in agreed wage settlements has accelerated to 4½%, while certain budgetary measures have also had an upward effect on prices; a reduction of the standard VAT rate by one percentage point to 17½% effective from 1 October has been decided. However, the worsening of the economic outlook is already having a dampening effect on wage claims. More modest wage increases, barely exceeding the inflation rate, weaker growth performance and international price developments will have a moderating impact on domestic price rises in 1993, which could average 2,7%.

Such progress on inflation will enable the Netherlands to continue to comply with most of the convergence criteria laid down for EMU. Moreover, monetary policy continues to be based on a stable guilder/German mark exchange rate and to be geared to maintaining nominal stability. The hard-core status of the guilder is well established and has never been questioned during the ERM crisis of late 1992. Fiscal policy, long directed at consolidating public finances and reducing budgetary disequilibria, continues to be aimed at a further reduction of the public deficit and a fall in the collective burden; these objectives have been mentioned in a convergence programme designed to meet all the criteria set for EMU by 1994.

GRAPH 1: Netherlands — Evolution of consumer prices



Source: CBS.

Table 3

Netherlands: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	6,7	10,8	4,7	4,8	4,0	4,0
Short-term interest rate	5,8	7,0	9,3	9,4	7,5	5,8
Long-term interest rate	6,7	7,5	8,9	8,1	7,6	7,6
Competitiveness (1985 = 100)	105,1	103,0	99,2	102,0	104,8	104,5
Budget balance (% of GDP)	−5,6	−4,8	−2,5	−3,5	−3,5	−3,3
Gross public debt (% of GDP)	73,4	78,8	78,3	79,8	81,7	83,1
Nominal wages per head (% change)	1,5	1,9	4,3	4,8	3,3	3,3
Real wages per head (% change)	1,0	0,6	0,9	1,7	0,6	0,8.

For definitions, see Table 3 for Belgium.

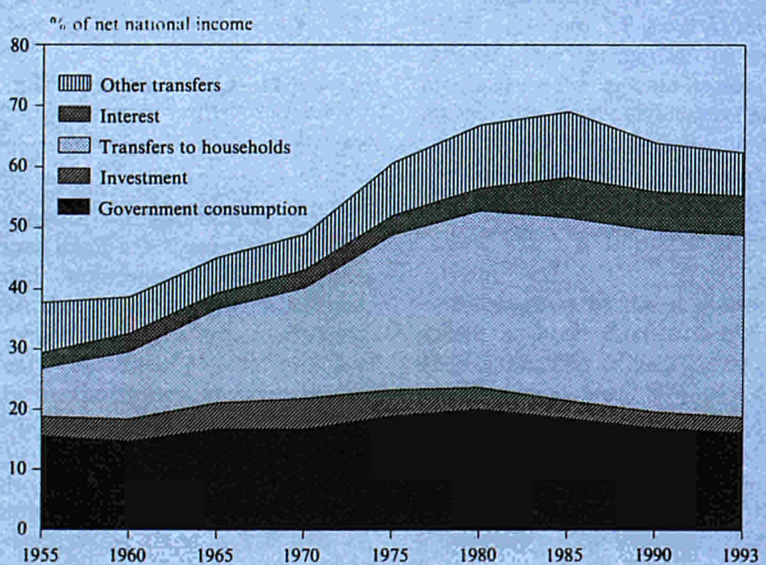
Convergence programme: EMU budgetary objectives to be achieved by 1994

The convergence programme presented by the Netherlands in March 1992 represents an extension of the policy implemented since October 1989 on the basis of the objectives then set by the Coalition Agreement. It seeks to reinforce the consolidation effort already made on the basis of satisfactory performance in 1990 and 1991 but also in the light of budgetary prospects for the period 1992-94, which have deteriorated compared with initial forecasts. Since 1991 the rise in interest rates, the increase in social security spending stemming in particular from the larger numbers in receipt of sickness and invalidity benefits, and the shortfall in tax revenue due to the economic slowdown have clouded the outlook for the 1993 budget deficit and for the ensuing years. The convergence programme is based on macroeconomic assumptions of an annual increase in GDP in nominal terms of 5 ¾% between 1992 and 1994 (2 ⅔% in real terms and 3 ½% in prices) and a long-term interest rate of 8 ¾% (the average for 1991). The general government deficit is thus expected to decline from 5,0% in 1990 to 3,5% in 1992 and

2,4% in 1994, which would be below the EMU reference value. After an increase from 46,6% in 1990 to 47,5% in 1992, the overall tax burden is forecast to decline to 46,5% in 1994. The interest burden as a proportion of GDP should remain stable at 5 ¾% over the reference period owing to the high level of interest rates. However, the impact of short-term interest-rate changes on interest payments is likely to be limited by the debt structure in the Netherlands (no foreign-currency debt, no indexation and a large proportion of fixed-interest 10-year debt). The ratio of public debt to GDP, which is currently stable at around 80%, is expected to fall to 76,5% in 1994, still above the EMU reference value of 60%. It should continue to decline thereafter. But a fuller assessment of the public debt situation in the Netherlands would also have to take account of the fact that the country is a large net capital exporter and that a large proportion of future pension payments are covered by substantial funds (for instance for civil servants, these funds are equivalent to 32% of GDP).

The target for the general government deficit (of 3,5% of GDP) has been achieved for 1992; in the case of the 1993 budget, however, there is some variance between the convergence programme (2,9% of GDP) and current Commission forecasts (3,5% of GDP). This divergence is due to macroeconomic conditions that have worsened in relation to the base forecast but, providing growth recovers in 1994, it should not affect the outturn at the end of the convergence period; moreover, the government has declared its readiness to take additional consolidation measures to deal with any undesirable budgetary developments. The 1993 budget already provides for major spending cuts, particularly in the social security sphere. Despite a one percentage point reduction in the maximum VAT rate to 17,5%, the tax burden will increase in 1993 compared with 1992; other indirect taxes have been increased (in particular, road tax, the excise duties on diesel fuel and tobacco, and the environment levies). Direct taxes and social security contributions have been reduced slightly. The budget also includes an allocation of HFL 750 million for improving economic and physical infrastructures over the period 1992-94. At the end of October 1992, when the macroeconomic forecast for 1993 was significantly revised downward, the government adopted a package of spending reductions for the central government amounting to HFL 2 billion; additional measures for HFL 750 million have been decided and will be proposed in detail in the spring of 1993 depending on the economic situation and wage developments.

GRAPH 2: **Netherlands — Government expenditure**



Source: Ministerie van Financiën, Milj. nota 1993.

Structural problems in the public finance sphere

It would seem possible for the Dutch convergence programme to be completed successfully. Additional consolidation measures will be adopted in the face of adverse economic developments if it turns out that certain planned savings were overestimated, although it could prove difficult to implement such measures against a background of slackening growth and a fiscal policy that already has a procyclical bias.

Fiscal policy in the Netherlands will continue to be faced with the problem of the structure of public finances even if the convergence programme is successfully completed. In 1994 the level of public debt, though falling, will still be high: this will necessitate a tight fiscal policy for a number of years beyond the end of the convergence period proper. The tax burden (including social security contributions) will still be onerous at the end of the period since it is unlikely to fall below the already high level reached in 1990 (46% of GDP). There is even a risk that the tax burden will be higher than the 1990 level. A reduction would be desirable, particularly in order to alleviate the burden on firms and to improve the overall competitiveness of the economy. With that in mind, the Dutch authorities will have to set about cutting public spending, which is still expected to be very high as a proportion of GDP on an international comparison (56 to 57% in 1994). The share of transfers to households in particular — in the form of social security benefits and various grants (e.g. for rents) —will remain high. On the other hand, in the interests of budgetary consolidation, considerable sacrifices will still be needed in the field of public finance. The reduction in public expenditure should be accompanied by a structural adjustment designed to limit transfer payments in favour of spending on essential public services. This will be possible only if the labour market undergoes a simultaneous structural adjustment that increases the employment participation rate and reduces the level of social transfer payments. A steady reduction in those payments should make it possible to alleviate the heavy tax burden and should help to improve supply-side conditions, particularly as regards investment.

Portugal

Slower growth but steady progress on the inflation front

After a long period of strong and uninterrupted growth since the mid-1980s, economic activity in Portugal has experienced a marked slowdown since the end of 1990. The slowdown is in line with developments in the world economy. Real GDP growth, which reached 4,1% in 1990, was around 2% in 1991. In 1992 the deceleration of economic activity continued but at a slower pace as internal demand remained rather buoyant. Growth was further supported by gains in the terms of trade. For 1993, given the difficult external environment, GDP growth should record a further slowdown, from an estimated 1,7% in 1992 to a rate closer to 1,3%[1]

Table 1

Portugal: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate[1] (% change)	4,1	4,5	1,9	1,7	1,3	2,5
Total domestic demand[1] (% change)	6,5	5,7	4,1	3,6	3,2	4,0
Employment (% change)	−0,7	0,7	0,9	−0,2	−0,5	0,1
Unemployment rate (%)	8,0	5,1	4,1	4,8	5,4	5,8
Inflation (% change)	14,4	11,5	11,9	9,1	6,8	5,7
Balance of current account (% of GDP)	0,8	−0,8	−1,0	−0,2	−2,3	−3,3

[1] 1993/94 forecasts based on 1990 prices.

The previous engines of growth — exports and private-sector investment — displayed much less dynamism in 1992. Portuguese exports recorded continuous gains in market share during the 1980s but further progress in this important area is losing momentum, which suggests a deterioration in competitiveness in recent years. Investment growth in the last two years has been clearly below the impressive expansion of the late 1980s, particularly in the industrial sector. High real rates of interest, mainly due to insufficient competition on domestic financial markets, and a clear deterioration in the expectations of economic agents seem to be the main explanatory factors. The decelerating trend is expected to continue in 1993.

[1] Based on 1990 prices.

Table 2

Portugal: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	22,7	26,5	25,5	25,1	25,4	26,0
(% change)	7,2	8,8	2,8	3,6	3,3	5,8
of which:						
Construction (% change)	3,8	6,3	4,5	2,5	2,8	5,7
Equipment (% change)	11,4	12,8	1,0	4,8	3,8	6,0

On the other hand, economic activity has been supported in the recent period by private consumption and public investment, the latter being promoted by the large inflow of EC structural Funds. Growth of private consumption has been particularly buoyant, close to 5% in both 1990 and 1991 and in excess of 4% in 1992. This component of expenditure has been fuelled by a strong rise in real wages, a consequence above all of the very tight situation on the labour market: the unemployment rate has been consistently below 5%, the lowest in the Community except for Luxembourg. Furthermore, and typically in a disinflation process, nominal wage increases have lagged behind the falling rate of inflation, reinforcing the growth in real wages. However, although this feature has been common to both the private and the public sector, it has been much more substantial in the public sector as a result of the progressive implementation of reform of the civil service pay system since 1989. In 1992, the deceleration in wage growth was more pronounced in the private sector, as the first signs of wage moderation began to emerge, particularly in industry. As a result of the lower increase in real wages expected in both the public sector — associated with the effort of further reducing the budget deficit — and the private sector, private consumption is expected to decelerate clearly in 1993.

The slowdown of the economy, coupled with a very tight stance in both monetary and exchange-rate policy, has helped the current disinflation process. The process should continue next year, despite the recent realignment of the escudo, the market exchange-rate of which did not subsequently display any major movement. The rate of increase of consumer prices declined from 13,6% in 1990 to 8,9%[1] in 1992 despite the impact of the measures associated with Community indirect tax harmonization, which took place

[1] Including housing, the CPI declined from 13,7% in 1990 to 9,5% in 1992.

during this year. The deceleration of inflation should continue in 1993, to a figure below 7% in spite of a less favourable evolution in import prices.

The situation on the labour market remains very tight but employment creation decelerated in 1992. This trend is expected to continue in 1993 and the unemployment rate will tend to increase, albeit remaining at a level close to virtual full employment.

After the substantial improvement recorded between 1984 and 1989 (the budget deficit declined from 12,0% to 3,4% of GDP), further progress in the field of public finances has been hard to achieve. Despite a very favourable evolution of (mainly direct) tax revenues, the general government deficit registered a deterioration in 1991 to 6,4% of GDP. This resulted from a surge of public expenditure, which proved much more difficult to control than expected in two main areas: the wage bill — especially because of the already mentioned reform of the civil service pay system — and socially related expenditure, such as health, education and social protection (e.g. State pensions).

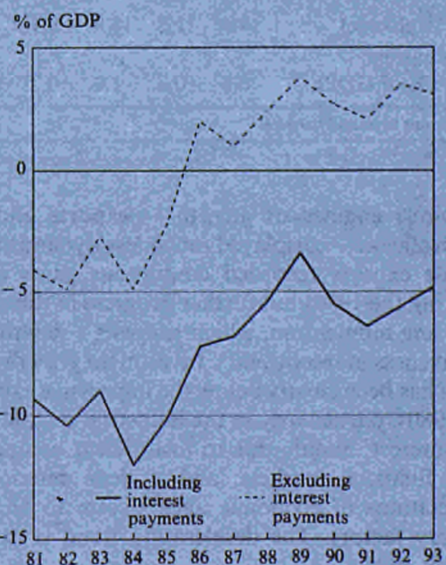
However, a return to a declining path for the general government deficit was achieved in 1992 in the framework of the implementation of the 1992-95 convergence programme. The non-accommodating stance of fiscal policy was reinforced by the 1993 budget which represents a fully committed attempt to curb public expenditure. The general government deficit is targeted at 4,0% of GDP as a result of an impressive effort at current expenditure moderation and the reduction of interest payments. The associated effort at nominal wage moderation in the public sector is to be particularly welcomed, for its important direct and indirect (via private sector expectations) support for the disinflation process.

The convergence programme: implementation in a less favourable environment

The Portuguese authorities approved the convergence programme in November 1991, thus defining their strategy for the transition period to EMU. Its main objective is to achieve both nominal and real convergence. The programme aims at the virtual elimination of the inflation differential relative to the best-performing Community countries, while maintaining a positive real growth differential *vis-à-vis* the EC average, and bringing the public finance in line with the Maastricht criteria. The continuation of fiscal consolidation and a non-accommodating exchange-rate policy in effect since October 1990 and which was reinforced with the adhesion of the escudo to the ERM last April, play the major role in the disinflation process. Structural policies and social dialogue support nominal convergence and are expected to increase potential growth and consequently to sustain real convergence. Monetary policy is set to support the participation of the escudo in the ERM.

The programme established an appropriate orientation for economic policy in order to allow Portugal to fully participate in the construction of EMU. Although both the domestic and international macroeconomic situation and outlook have developed so far in a less favourable environment than was projected, the implementation of the convergence programme in 1992 proceeded in a relatively smooth way; inflation receded and the reduction of the general government deficit has been largely achieved despite a lower GDP rate growth than anticipated in the budget and the difficulties already mentioned in controlling public expenditure. As envisaged in the convergence programme, controls on capital movements were fully abolished.

GRAPH 1: **Portugal — Net lending (+) or net borrowing (−) of general government**



Source: Commission services.

In 1993, despite current macroeconomic forecasts distinctly more pessimistic than the scenario implicit in the Portuguese programme, it seems likely that the main targets will be largely achieved, due to the severe budgetary stance and some easing in demand and cost pressures on prices. However, the situation implies further efforts to achieve the stated objectives regarding both inflation and public finances in the coming years.

Monetary policy could be called upon to operate in a quite different environment from that anticipated in the convergence programme. Instead of being under pressure from substantial capital inflows (until late 1992 checked by exchange controls), its restrictive stance could be accentuated in an undesirable way in the aftermath of the recent turmoil in the Community foreign-exchange markets. Such an adverse development would render the process of convergence more difficult to achieve. Consequently, and similarly to the other Member States, the restoration of normality in the exchange markets would prove beneficial for the convergence process in Portugal.

Continuing the convergence process will benefit from deeper social cooperation

Success in continuing convergence towards EMU in the current less favourable economic environment will benefit to a greater degree from cooperation between the social partners.

In the present difficult international circumstances the Portuguese economy needs to increase its competitiveness, reduce inflation and remain attractive to foreign capital. In addition, the ongoing process of industrial restructuring, particularly in the export sector, will have to be successfully completed. The balancing of nominal and real convergence calls for a deep dialogue between employers, trade unions and the government in order to secure that domestic costs do not increase at a rate far higher than the Community average, particularly in the context of a non-accommodating exchange-rate policy. Consequently, the policy of social dialogue already present in the convergence programme needs to be maintained and deepened.

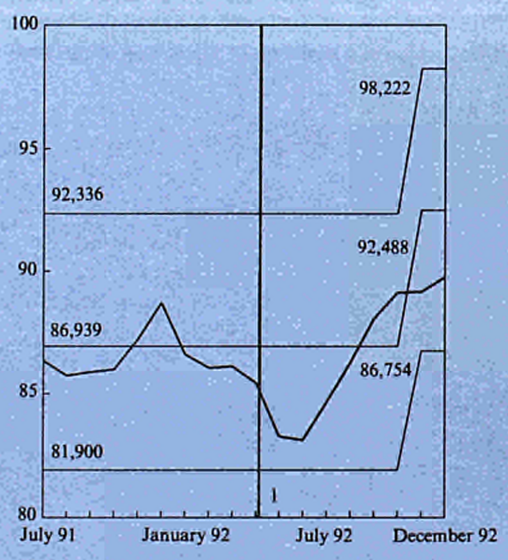
Table 3

Portugal: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	24,9	13,1	19,0	16,0	11,0	11,0
Short-term interest rate	16,8	14,9	17,7	16,2	13,3	11,4
Long-term interest rate	19,6	15,3	17,1	15,0	14,3	12,5
Competitiveness (1985 = 100)	101,1	106,8	126,8	143,5	151,0	156,7
Budget balance (% of GDP)	−8,1	−4,7	−6,4	−5,6	−4,8	−3,8
Gross public debt (% of GDP)	71,1	71,9	68,5	66,2	66,3	65,3
Nominal wages per head (% change)	20,6	14,9	19,0	14,9	9,9	8,7
Real wages per head (% change)	5,5	3,0	6,4	5,3	2,8	2,9

For definitions, see Table 3 for Belgium.

GRAPH 2: **Portugal — ESC/DM average exchange rate**



[1] Entry in the ERM.
Source: Commission services.

United Kingdom

Prolonged economic weakness

As of late 1992, the economy remained in the recession which began two years earlier, making this the longest period of economic weakness of the post-war period. Output as measured by average GDP in the first three quarters of 1992 was 1% below a year earlier and about 4 ¼% below its 1990 peak, almost as large a fall as experienced in the five-quarter 1980-81 recession (4 ½%; see Graph 1);[1] output excluding the largely supply-determined sector of oil and gas extraction showed a shallower but more prolonged fall compared with 10 years earlier (Graph 1).

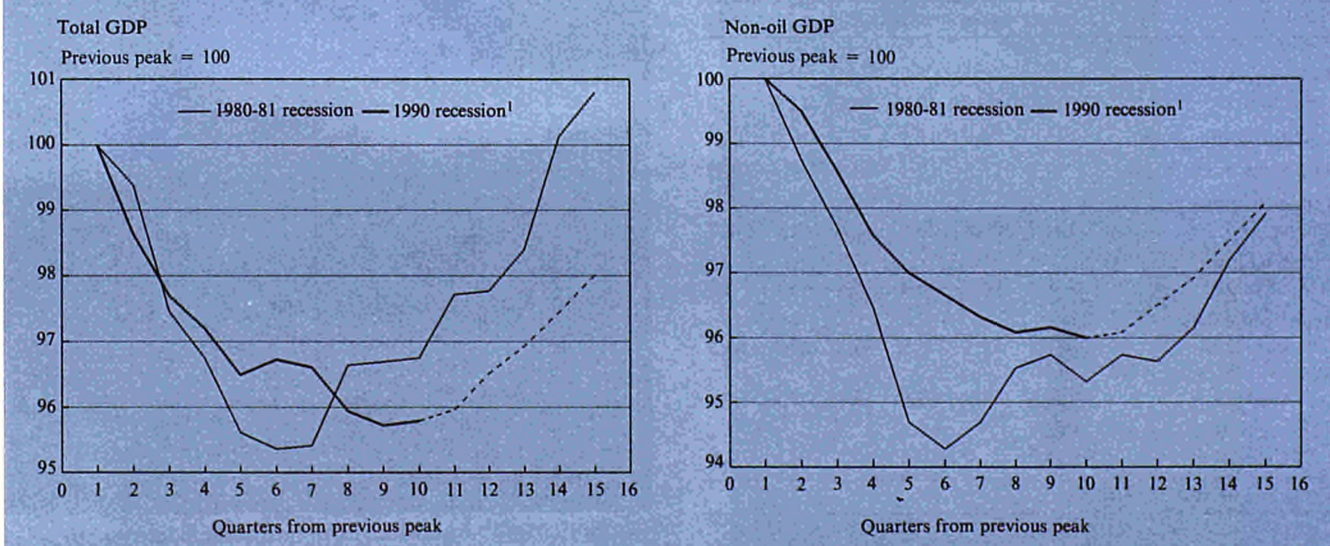
By the autumn of 1992 unemployment exceeded 2,8 million, over 11% of the workforce according to SOEC definitions, and had begun to rise more quickly after slowing earlier in the year. Employment for the whole year seemed likely to fall by 2%, after a 3% fall in 1991. The heavy labour shakeout was nevertheless effective in producing a rise in productivity (2,4% in the year to the third quarter of 1992) contributing to a slowdown in unit labour cost pressures. The other major contribution to this slowdown was a marked reduction in the level of wage settlements under the pressure of weak labour and product markets: by mid-1992, settlements averaged around 4%, with wide dispersion. For similar reasons, price inflation also fell substantially, with a measure of 'underlying' consumer price inflation[2] falling to 3,7% in the year to December and with manufacturing output prices up 3,5% in the same period.

A further deepening of the recession in the first quarter of 1992 (non-oil GDP declined 0,2% on the preceding quarter) can be partly attributed to pre-electoral uncertainty: a general election, in which the government was returned, was held in April. However, the failure of the economy to pick up decisively in the second quarter, despite some promising indications from manufacturing output and consumer demand, was followed in the early autumn by survey indications of continued sluggishness (non-oil output proved to

[1] Comparison of path of average GDP at constant market prices: factor cost GDP measure declined by 4% in the 1990-92 recession period and by 5% in the 1980-81 recession period.

[2] The annual change in the retail price index excluding mortgage interest.

GRAPH 1: **United Kingdom — Comparison of the 1980-81 and 1990 recessions**



[1] Output paths from 1992 Q4 onwards are forecasts.
Source: Commission services.

have fallen a further 0,25% in the third quarter). There were increasing perceptions that the stance of monetary policy, constrained by the obligations of ERM participation and the government's oft-repeated commitment not to devalue, was prejudicing recovery to an unsustainable degree. These perceptions contributed to the market pressures forcing the suspension of sterling from the ERM in September and the pound's subsequent steep depreciation. The nominal effective index for sterling ended in 1992 about 13% below its average level in the first half of the year, and about 17% below its former DM central rate. The regained independence of monetary policy was used to cut short-term interest rates below those prevailing in the ERM: base rates were cut in stages to 7% by November, with a further 1% point cut to 6% in January.

Assessment of the short-term outlook must take into account the repeatedly disappointed expectations of recovery earlier in the recession. This suggests a very cautious view of prospects on at least two main grounds: first, the need to recognize the seriousness of the underlying imbalances apparently responsible for the length of the recession; and, secondly, because disappointed expectations in the past may well lead to wariness when an upturn does eventually occur, thereby reducing the dynamism of recovery. The deterioration of the economic environment in Western Europe is an additional factor making for uncertainty. The easing of policy represented by the large devaluation of sterling from its former central ERM parity and the fall in interest rates are favourable for activity, although some offset is likely from a tighter fiscal policy.

Table 1

United Kingdom: Macroeconomic performance

	1985-87	1988-90	1991	1992	1993	1994
GDP growth rate (% change)	4,2	2,3	−2,2	−0,9	1,4	2,6
Total domestic demand (% change)	4,4	3,5	−3,2	0,0	0,5	2,5
Employment (% change)	1,2	2,3	−3,1	−2,3	−1,7	−0,5
Unemployment rate (%)	11,1	7,5	9,1	10,8	12,3	12,8
Inflation (% change)	4,7	5,5	7,2	5,1	5,1	2,9
Balance of current account (% of GDP)	−0,8	−4,8	−1,8	−2,1	−2,8	−2,9

Indicators at the turn of 1992-93 are that the fall in non-oil output has largely ended, although unemployment will continue to rise. A weak recovery in 1993 seems likely, aided by some return of domestic confidence and the substantial policy easing since the pound's suspension from the ERM. The most positive growth impetus should come from net exports as a consequence of increased competitiveness; slower destocking should also be a positive factor. Domestic final demand nevertheless seems set to remain weak. Rising unemployment and the depressed housing market will probably restrain recovery in private consumption, while business investment will perhaps decline further. However, government consumption and government fixed investment maintained at existing levels should buoy activity.

Table 2

United Kingdom: Investment performance

	1985-87	1988-90	1991	1992	1993	1994
Gross capital formation						
(% of GDP)	17,1	19,5	16,7	15,6	15,5	15,8
(% change)	5,3	5,9	−9,9	−0,4	−0,8	4,7
of which:						
Construction (% change)	4,8	5,9	−8,4	−1,4	−1,5	5,5
Equipment (% change)	6,0	6,7	−11,9	0,6	0,0	3,8

Table 3

United Kingdom: Economic policy indicators

	1985-87	1988-90	1991	1992	1993	1994
Money growth (% change)	15,1	16,1	5,8	5,2	7,5	7,0
Short-term interest rate	10,9	13,0	11,5	9,6	6,5	6,3
Long-term interest rate	10,0	10,0	9,9	9,1	8,8	9,1
Competitiveness (1985 = 100)	95,1	105,6	113,3	111,0	99,0	98,3
Budget balance (% of GDP)	−2,2	0,2	−2,8	−6,1	−8,2	−8,1
Gross public debt (% of GDP)	57,6	44,2	41,1	45,9	52,6	58,4
Nominal wages per head (% change)	7,4	8,5	8,9	6,0	3,7	4,7
Real wages per head (% change)	2,6	2,9	1,5	0,8	−1,3	1,7

For definitions, see Table 3 for Belgium.

The recession, financial imbalances and the ERM

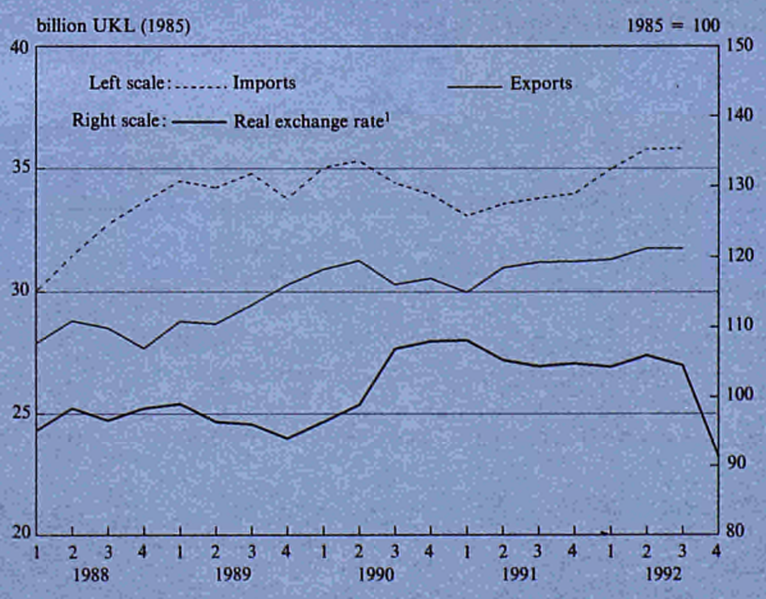
The timing of the mid-1990 onset of recession in the United Kingdom was fairly similar to that in a number of other economies, notably the United States and Canada, all of which during the 1980s shared an experience of financial liberalization and rapid build-up of private-sector debt. Elsewhere in the Community, there was only a mild deceleration of growth from mid-1990. Subsequently, in 1991, the United Kingdom developed uniquely among the major economies with a deepening of recession (the North American economies then began a modest recovery aided by sharply reduced interest rates) and its continuation through 1992.

The United Kingdom thus appears to have experienced a recession similar in nature but far worse in degree than other major industrialized countries.[1] The origin of recession was essentially domestic, a reaction to the previous debt-financed boom: in terms of contribution to GDP growth, it owed little to a fall-off of exports, even though there was some deterioration in export performance during the first year of recession. As regards policy response, a key difference in the United States and other similarly weak economies was that these, following independent monetary policies, were able to cut interest rates substantially. By contrast, the UK's entry into the ERM in October 1990 limited the scope for cuts in short-term interest rates to the floor set by German mark rates, the latter maintained at a high level by the Bundesbank. The UK, however, was in a less robust position to cope with high real interest rates than other Community members which had not undergone the same degree of financial deregulation and build-up of indebtedness.

By mid-1992 the UK's economic performance was clearly out of line with other major industrial countries and with its EC partners, and yet the country had 'tied its hands' in terms of monetary and exchange-rate policy independence. The progressive weakening in the rest of Europe and the relative feebleness of the United States upturn offered little hope of recovery through stronger trade performance; indeed, the renewed widening of the UK's net import gap from mid-1991 despite stagnant final expenditure is some evidence that the level of the real exchange rate was excessive (Graph 2), partly reflecting the high level of ERM currencies against the US dollar and the importance of the US in total UK trade.

[1] Of OECD countries, only Sweden and Finland have recently experienced recessions of similar or worse severity.

GRAPH 2: United Kingdom — Real exchange rate and real net exports of goods and services



[1] Relative manufacturing unit labour costs.
Source: Commission services.

Despite this evidence of an existing competitiveness problem, the authorities emphasized that the pound's central German mark parity would be retained when sterling moved into narrow ERM bands (even if other currencies were to realign). By the summer this implied a significant future nominal appreciation, because sterling was trading towards the bottom of its wide fluctuation band as economic recovery failed to take root. Such a nominal appreciation would have been even greater in real terms since UK inflation was higher than in other ERM members. Given these doubts on competitiveness, it was unclear that official policy, to 'move progressively into line with the best inflation performance in other ERM countries',[1] could be reconciled with the rebalancing of the real economy at a higher output level and with its external account not under strain.

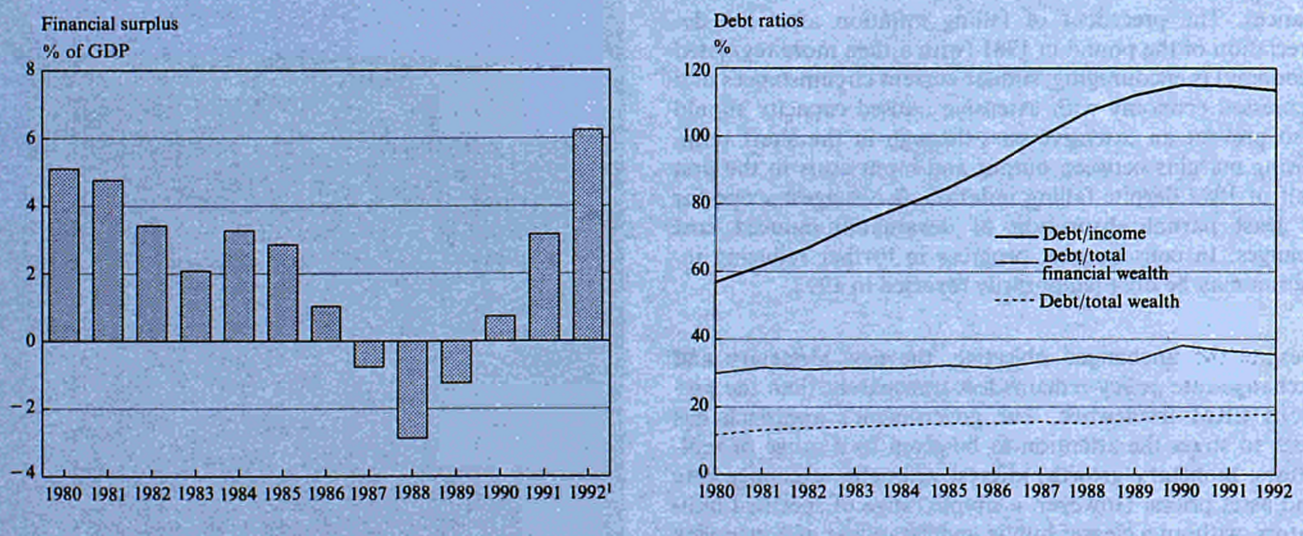
The authorities' policy of disinflation at the existing central rate, even if feasible, would probably have been slow to yield large positive returns through gains in net trade: UK manufacturing export prices in sterling rose only some 2% in the two years to mid-1992 and the trend of UK export prices of manufactures relative to other ERM countries was fairly steady; despite this, the UK's share of major countries' manufactured exports in the period since the second quarter of 1990 had been slowly falling.

An ambitious counter-inflationary stance, while desirable as a stable orientation of policy, may also have had adverse consequences in the light of its implications for real interest rates and the accumulation of debt. For the personal sector the steep rise in the household saving ratio since its trough in 1988 (from 5 ½% in 1988 to about 11 ¾% in the first three quarters of 1992) has resulted in the generation of substantial net financial surpluses (of the order of 3% of GDP in 1991 and 6% in the first three quarters of 1992). Despite this, the ratio of debt to income has declined only slightly during the recession, while the ratios of debt to total and financial wealth have remained fairly stable (Graph 3). In effect, wealth has been depressed because the substantial increase in the net acquisition of financial assets (achieved more through lower borrowing than through an increase in the gross acquisition of assets) has been largely offset by falls (real and even nominal) in the market values of assets, especially of residential property.

Furthermore, if personal sector assets accumulated through the medium of life assurance and pension funds are excluded from the picture, since these represent longer-term, illiquid

[1] 1992 medium-term financial strategy.

GRAPH 3: United Kingdom — Personal sector



[1] First half only.
Source: Commission services.

commitments, the remaining, 'discretionary' sector shows a bleaker picture of the financial constraints still present: the gross acquisition of financial assets and borrowing have declined in nominal terms and wealth, non-financial (chiefly housing) and financial, has declined in real terms. Total net wealth in real terms remains below its level for much of the 1980s and indebtedness is probably above its desired level in relation to income. It may thus be prudent to expect the personal sector to maintain a cautious attitude to spending while undesired debt levels are reduced.

The need to re-establish policy credibility

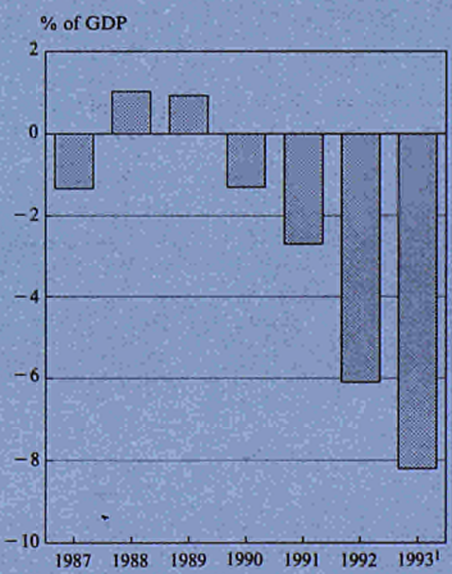
Following sterling's ERM adhesion in October 1990 the government's reformulation of economic policy was centred on the maintenance of the UK's chosen parity. The failure of the policy in September 1992 when sterling's ERM participation was suspended was followed, after a time, by a series of initiatives intended to repair credibility. These emphasized the government's continued commitment to control of inflation within a newly independent monetary policy framework.

Chief among these, the government has reformulated its central objective of reducing inflation by specifying a long-term aim of 2% p.a. or less, with a range of 1 to 4% for the remainder of the current Parliament. However, some inflationary consequences of devaluation are inevitable in 1993. It is difficult to gauge the extent and speed of pass-through of devaluation-induced effects in current circumstances. The precedent of falling inflation after the depreciation of the pound in 1981 (with a then more regulated economy) is encouraging; similar current circumstances of a depressed economy with extensive unused capacity should also prevent an extensive pass-through in the short term. Rising margins between output and input costs in the first half of 1992 despite falling inflation also suggest scope for at least partial absorption of devaluation-induced cost changes. In consequence, progress in further reducing inflation may be only temporarily reversed in 1993.

Despite the unchanged objective, the new monetary and exchange-rate policy remains less transparent than the previous ERM framework. The government's approach has been to stress the attention to be given to a range of indicators: monetary growth, interest rates, the exchange rate and asset prices. However, a simple range of specified indicators, without a clearer public understanding of how policy will be formulated, is unlikely by itself to re-establish credibility. The government has tried to meet such criticism by more public dissemination of information, including a new monthly monetary report and written grounds for interest-rate changes. With time this should enable the government to demonstrate that it is pursuing a consistent counter-inflation policy and thus permit it to rebuild its credibility. As regard ERM re-entry, government indications suggest that this is an aspiration which is unlikely to be realized before 1994 at the earliest, while cyclical and policy conditions between the United Kingdom and Germany remain far different.

The apparatus of fiscal policy and public expenditure control has remained untouched by the events of September. However, the financial surpluses of just over 1% of GDP in both 1988 and 1989 at the height of the last boom have been succeeded by worsening deficits, with a particularly sharp deterioration in 1992 (an expected deficit of around 6% of GDP). Little relief is in prospect in the short term, with a further worsening probable in 1993 (Graph 4). The length and depth of the current recession which began in mid-1990 has obviously been the major contributor to the deterioration, but in the Commission's view does not appear to account for all of it; while such calculations are open to great uncertainty, a partial explanation appears to be an

GRAPH 4: **United Kingdom — General government net lending/borrowing**



[1] 1992-93 forecast.
Source: Commission services.

expansionary expenditure path followed from 1990, aided by further tax-easing, particularly of corporate tax.[1]

The current fiscal policy objective remains to balance the 'budget' (understood as the public sector borrowing requirement — PSBR) over the cycle, normally accepting full operation of the automatic stabilizers. The aim of achieving PSBR balance over the current cycle now seems unattainable, however, in view of the length and severity of the recession since 1990. Possible alternatives for the medium term are to aim for a 'balanced budget' (zero PSBR) when the economy eventually returns to its potential level, or to give prominence to the Maastricht Treaty limit on government net borrowing[2] of 3% of GDP (a limit already implictly accepted by the government in its commitment to meeting the Treaty's convergence criteria).

In the shorter term the task is to contain the deficit and prevent its taking on an enduring structural character. A tightening fiscal policy would also be consistent with a rebalancing of the monetary-fiscal policy mix, to offset partially the consequence of sterling's devaluation and additional policy easing through lower interest rates. An announcement in July 1992 tightened expenditure commitments compared with previous plans and reformulated the system of expenditure control by attaching greater precedence to aggregate expenditure ceilings. The November autumn statement (expenditure budget)[3] nevertheless still proposed real increases in general government expenditure averaging 2,6% p.a. for the three following financial years, front-loaded into 1993-94 (3,8%). A major contributor to this increase is a strongly rising profile for debt interest, consequent upon the move back into substantial net borrowing; excluding this, expenditure is projected to rise on average a real 1,8% p.a. over the three years (3,3% in 1993-94). These plans, by themselves, suggest only a slow return to fiscal balance if tax policies remain unchanged, and one moreover vulnerable to disappointment if low growth persists. Greater revenue than consistent with unchanged policies may therefore be required.

1 The UK authorities believe the deterioration in the deficit has been almost entirely cyclical.

2 Equivalent to the UK concept of the general government financial deficit (GGFD). The GGFD, unlike the PSBR, does not credit privatization receipts and other financial transactions such as onlending to public corporations.

3 The last in its present form. After the final taxation budget in March 1993 budgets will be unified (jointly presenting tax and expenditure proposals for the subsequent financial year) from December 1993.

Analytical studies

Evaluation by the Commission services

Study No 1

Potential for growth and employment in the Community until the year 2000

Simulations with the Commission Quest model

Potential for growth and employment in the Community until the year 2000[1]

Simulations with the Commission Quest model

[1] Study of the Commission services, based on the underlying reasoning of Section IV.2 of the Annual Economic Report for 1993.

Tables

Graphs

Summary

After a long period of accelerating growth during the 1980s, the Community has, since 1991, been undergoing a cyclical slowdown that has not as yet substantially affected the basic growth fundamentals, which the previous decade had seen restored in large part. However, the fall in GDP growth has caused a sharp rise in the unemployment rate which is expected to return in 1993 to its earlier maximum levels, i.e. above 10,5% of the labour force — and might remain so for several years.

Given the most likely projections for labour supply and if the employment threshold of the EC economy remains as stable as it has been since the mid-1970s, a reversal of the unemployment trend can only be generated by the restoration of a strong and sustainable growth rate of around 3,5% per year on average in the medium term.

Among the basic determinants of such a growth process both the rate of growth and the share in GDP of fixed investment can be shown to play a major role. A strong rise in investment in the medium term should therefore become a priority of economic policies.

Besides a favourable and balanced evolution of final demand, helped by member countries and Community actions in the field of infrastructures as proposed in the Edinburgh Summit conclusions, the profitability of fixed capital should also be increased in order to realize a higher investment share of GDP in the face of continuing high 'real' long-term interest rates. As during the 1980s, a moderate evolution of real wage-cost per head with respect to labour productivity, helped by structural reforms, should be instrumental in providing the required profitability gains.

At the same time, the pursuit of budgetary consolidation in agreement with the Maastricht criteria and the promotion of private saving would help to generate the appropriate savings balance, capable of supporting a higher share of investment without causing external disequilibria.

The feasibility of achieving a higher growth trend with a strong employment content can be assessed by examining the results of quantitative medium-term (1993-2000) scenarios. With all due qualifications these scenarios show that the achievement of a strong growth pattern does not require anything more in terms of policies and behaviour than what has already been achieved in recent years in the member countries and in the Community as a whole. As such, therefore, the scenario results are not implausible even if they are certainly difficult targets to reach and their achievement would require persistent efforts from all economic agents, public and private, over a long period.

1. Is slow growth unavoidable?

In 1981-89 the Community registered 96 months of uninterrupted and ever-accelerating growth during which the major determinants of a sound and durable growth process were largely, but not completely, restored.

Indeed, during that period, the new stance of economic policies together with changes of behaviour in wage determination, the enlargement of the Community, the launching of major Community projects such as the internal market and the improvement of the external environment all combined in pushing growth back towards the 3,0 to 4% range in 1987-89. Moreover, the combination of these forces succeeded in reducing the unemployment rate for the first time since 1973, in curbing inflation and, above all, in restoring the profitability rate of fixed capital and a much better balance between the costs of capital and labour. As a consequence, growth was not only driven by investment rather than by consumption but employment increased more than ever before.[1]

The adjustment was, however, incomplete: profitability, in spite of a large improvement, still remained in 1989 significantly below its 1960s full-employment level and did not therefore compensate the higher level of 'real'[2] interest rates and capital costs. In the same way, the share of investment in GDP and the growth of the fixed capital stock were well below the levels needed to support in the medium term the GDP growth rates registered in 1987-89, culminating in a very high degree of use of capacity and overheating problems

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1 See Annual Economic Report 1990-91, Analytical studies Nos 1 and 4, *European Economy* No 46, December 1990, and Annual Economic Report 1991-92, Analytical studies Nos 1 to 3, *European Economy* No 50, December 1991.

2 Nominal interest rates deflated with the GDP deflator.

in critical sectors. The degree of overheating varied from country to country but led overall to a reappearance of inflationary pressures, increased in some cases by loose monetary policies and financial innovation and deregulation.

Although these imbalances were nowhere near those following the 1973-75 and 1979-81 oil-price shocks, they still warranted both a more restrictive policy stance and a cyclical readjustment of activity levels. At first, however, the built-in recessionary character of these developments was not fully appreciated since the global economic picture was blurred by political developments.

Initially, the Gulf crisis and the apparent danger of a third oil-price shock were deemed to be the cause of a confidence crisis which put the brake on consumption and investment. It was nevertheless felt that this confidence should come back quickly following the end of the crisis. Afterwards, the general slowdown of the world economy in 1991 was, to a large extent, offset for EC members by the strong expansionary effects of German unification, which limited and delayed the cyclical downturn in most of its continental partners so that a fully fledged recession (i.e. negative rate of growth for GDP and domestic demand) only appeared in the United Kingdom (and in some non-EC OECD countries). In 1992, however, those demand-pull effects dissipated and the imbalance in the German policy mix made itself felt in many countries in the form of higher nominal and real interest rates than their internal position would warrant.

Presently, as the persistence of the slow-growth period becomes more and more evident, there is increasing apprehension that the Community could, once again, be trapped into a durable low growth and high unemployment process, as happened at the beginning of the 1980s.

Indeed, one can easily find some analogies between the main macroeconomic indicators of the 1979-84 period and those expected to prevail in 1989-94:

(i) the GDP profiles during the two periods are very similar (Graph 1). Growth, however, did not fall as much in 1991-92 as in 1981-82 but the turning-point of the cycle is expected to come later;

(ii) unemployment (Graph 3) is rising back to its former maximum of 1985 (10,8%), well above its 1982 level, a deeply worrying characteristic of the EC economy;

(iii) the aggregated budget deficits[1] (Graph 4) are roughly at the same levels (as a percentage of GDP);

(iv) inflation-corrected long-term interest rates, which were very low in 1979-81, reached levels comparable to the present ones from 1982 onward and are very high by historical standards. In terms of exchange-rate variations, the beginning of the 1980s was also marked by exchange-rate volatility.[2]

On the other hand:

(i) inflation is presently much lower overall than in 1979-83 (Graph 2) and the commitment to reduce it further and stabilize it at a low level in all member countries is a major building block of the progress towards EMU;

(ii) despite the end-1992 ERM crisis, intra-EC exchange-rate stability has been initially much more in evidence in 1989-92 than in 1979-82;

(iii) if real interest rates are slightly higher now than 10 years ago, profitability rates both per unit of output and per unit of fixed capital stock are much higher (Graph 5), which was a major determinant of the strong investment expansion and restoration of productive capacity that marked the second half of the 1980s;

(iv) thanks to the considerable expansion of intra-Community trade which follows the continuous integration of the Community's economies, extra-EC exports only represent now 8,0% of Community GDP (as against 10,7% in 1981). The unfavourable external environment of the Community thus has smaller consequences now than in 1981-82 for EC growth;

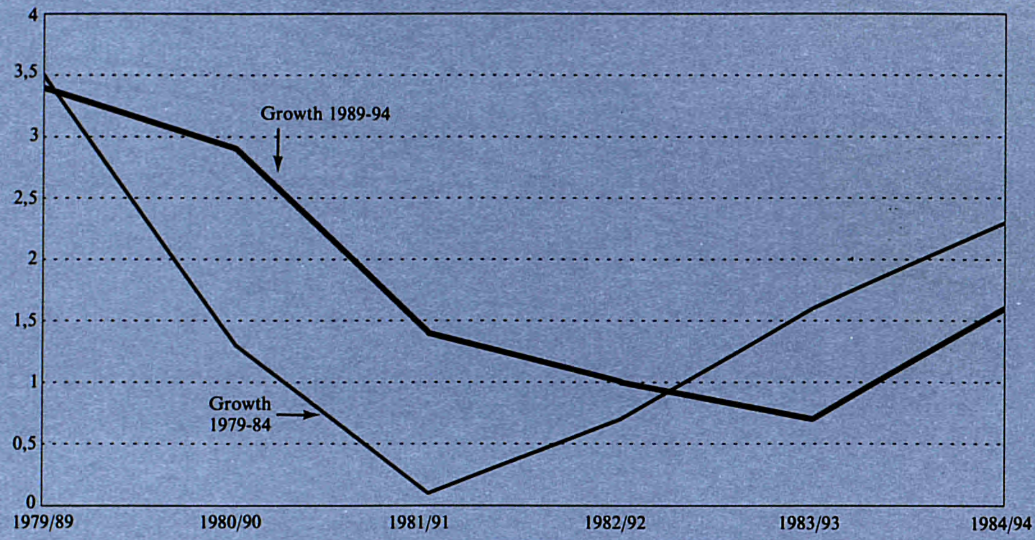
(v) economic policies which still showed significant divergence at the beginning of the 1980s progressively turned towards the same medium-term targets of stability, budget consolidation and structural improvement in all member countries, which are embedded and, in some sense, institutionalized in the convergence programmes called for by Article 109e of the Maastricht Treaty.

Thus, it does not seem unreasonable to say that the basic growth fundamentals are still in much better shape now than they were 10 years ago and should ensure a faster return to a sustained and sound growth pattern at the end of the present trough.

[1] These are defined in national accounts' terms as the net lending of general government.

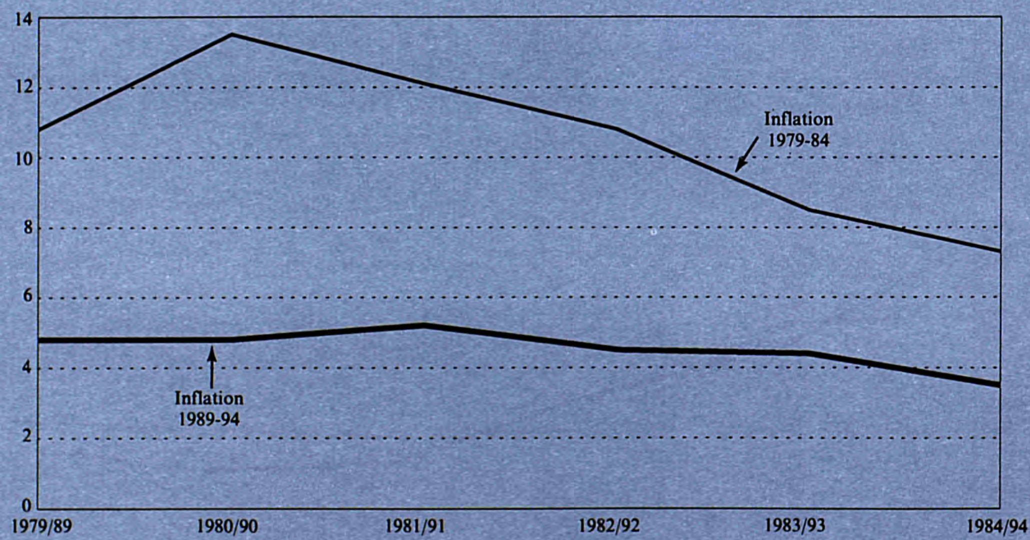
[2] Seven realignments took place during that period: on 13 March 1979, 24 September 1979, 30 November 1979, 23 March 1981, 5 October 1981, 22 February 1982 and 14 June 1982.

GRAPH 1: **EC real GDP growth** (in percentage per year)
Comparison between 1979-84 and 1989-94



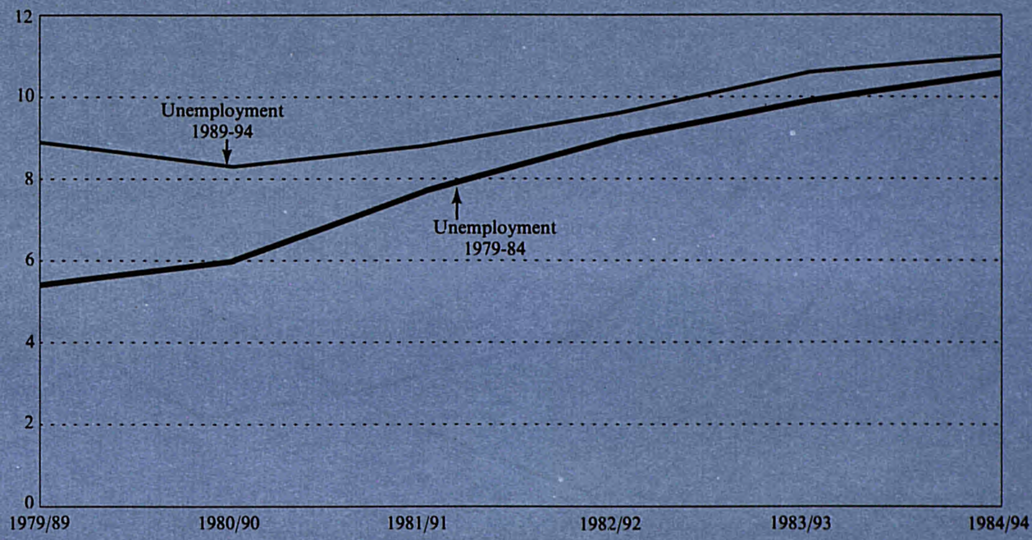
1993-94: Economic forecasts, January 1993.

GRAPH 2: **EC inflation rate**[1] (in percentage per year)
Comparison between 1979-84 and 1989-94



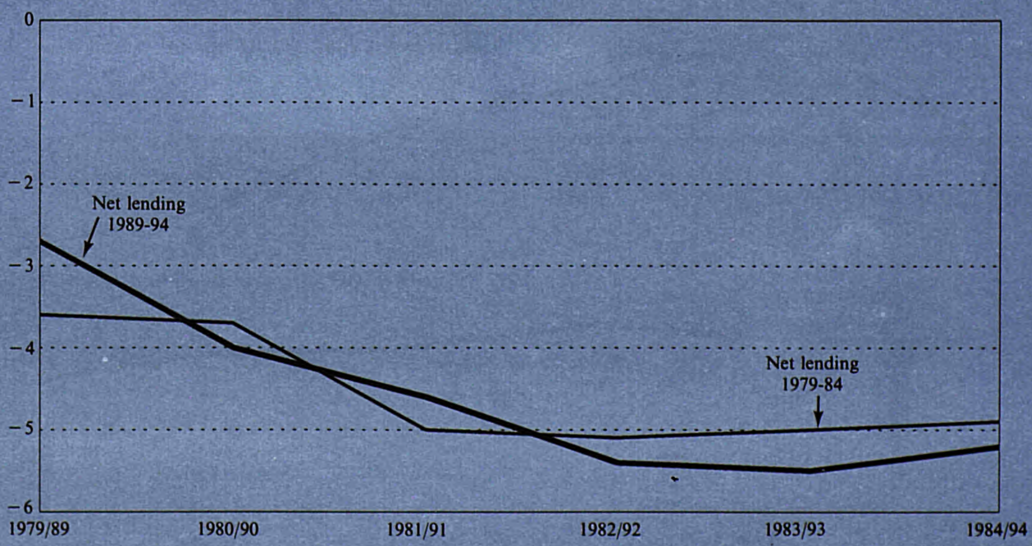
[1] Price deflator of private consumption.
1993-94: Economic forecasts, January 1993.

GRAPH 3: **EC unemployment rate** (as percentage of civilian labour force)
Comparison between 1979-84 and 1989-94



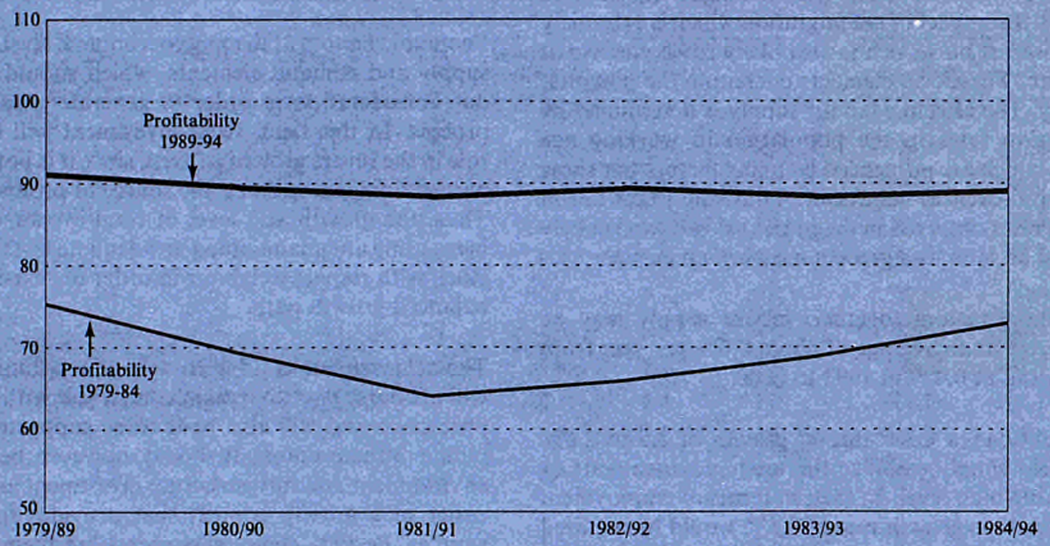
1993-94: Economic forecasts, January 1993.

GRAPH 4: **General government net lending in the Community** (as percentage of GDP)
Comparison between 1979-84 and 1989-94



1993-94: Economic forecasts, January 1993.

GRAPH 5: **EC profitability of fixed capital** (index 1961-73 = 100)
Comparison between 1979-84 and 1989-94



1993-94: Economic forecasts, January 1993.

2. How can the EC achieve a higher rate of sustainable growth?

2.1. Employment and growth

A growth recovery in 1994-96 would, however, still leave the Community with a very high unemployment rate during those years, given the prevailing employment threshold and the expected growth in labour supply: even with a progressive return to a 3% growth rate in 1996, unemployment would still represent 10,5 to 11% of the civilian labour force in that year.

The employment threshold, defined as the minimal rate of growth of real GDP that must be reached before total employment starts growing, has proved to be remarkably stable during the last 18 years: if one eliminates the productivity cycle that goes together with the overall business cycle, the threshold has remained at an average of about 2,0% since 1974 despite many changes in economic environment and policies during those years. Of course, the invariance of this parameter in the recent past does not imply that it will remain so in the future, since it covers in fact a complex reality. On the one hand, productivity increases, linked, for instance, to the structural changes induced by the internal market and the EMU process, may push the employment threshold to a higher level. On the other hand, a larger share of services in GDP (given the way productivity is defined in these activities), further increases in part-time work and decreases in average working time would push it downward. In the recent past, those conflicting influences were already at work and no structural break in productivity can as yet be statistically detected. One may thus surmise that these factors were actually self-compensating and may well continue to be so. The assumption about the near-invariance of the employment threshold may thus prove more robust than it might seem at first glance and also corresponds to the natural outcome of the model-based scenarios presented in Section 4. If such an evolution does indeed occur, a real GDP trend of 2,0% would be the bare minimum needed simply to keep constant the number of persons employed, in the face of a continuously growing labour supply.

Labour supply is determined by three basic factors, over which economic policies have little influence. The first is demographic growth in working age groups which, despite the general ageing of the population, will still increase until the year 2000,[1] whatever GDP growth might be. To that must be added the impact of net migration which is extremely difficult to forecast but which is also likely to be positive in the near future. These two elements constitute the potential labour supply. The effective labour supply is determined by the participation rates in the population in working age groups, rates which are influenced by many factors but show a distinctive pro-cyclical behaviour. Thus, the slight fall in participation rates observed in the present slowdown is likely to be reversed as soon as a growth recovery takes place.

Putting all these factors together, labour supply may be expected to grow at an average of about 0,6% per year from 1993 to 1996 and at 0,4% in 1997 to 2000.

In those conditions, a GDP rate of growth of 2,5 to 2,6% per year would simply stabilize the unemployment rate at an unacceptably high level. In fact, in terms of employment creation, an average growth rate of 3,5% would be required to reduce the unemployment rate strongly and in a visible way (i.e. by about 1,0 percentage point per year) if the labour content of growth remains structurally as stable as it is now.

Therefore, in the absence of fundamental structural changes and/or major labour market reforms on work sharing (which would raise numerous other problems and issues), the only way to solve the acute unemployment problem of the Community is to restore a strong and sustainable growth process in the coming years by strengthening the basic growth determinants.

In the present period, the missing growth factors are both subjective and objective.

Subjective factors are related to business and consumer confidence which, from survey evidence, is very low and still decreasing in most OECD countries. The main danger at that level is self-fulfilling expectations: an increasing degree of pessimism may, by unduly delaying consumption and investment plans, generate an 'objectively' avoidable recession.

The main issue is therefore to suppress as fast as possible the major sources of uncertainty, both at the level of the Community (ratification of the Maastricht Treaty, effective implementation of the internal market, return to better balanced and medium-term oriented policy mixes, and return to exchange-rate stability) and of the rest of the world (RoW) (GATT negotiations, reform processes in the East, and better international coordination of economic policies).

Economic factors at the macroeconomic level deal both with supply and demand elements, which should both be given due consideration in order to generate a balanced growth process. In this field, fixed investment will have a pivotal role in the future growth pattern, since it is both a substantial part of final demand and the source of productive potential. Thus, the growth and level of total investment are critical in ensuring and maintaining an adequate level of fixed capital stock with respect to labour in order to sustain a sound and balanced growth path.

The achievement of a higher rate of economic development will of course have to remain compatible with environmental protection and will also have to be supported by adequate public infrastructures. It should, however, be said that both environment and infrastructure investment are always made easier in a growth context that provides the required resources. Besides, these investments are themselves a source of job creation and may therefore be adequately integrated into a global growth and employment strategy.

2.2. The link between sustainable growth and investment

For expository purposes, the implications of a given investment share in GDP on potential growth may first be assessed within a stylized 'steady state' model.[2] According to growth theory, when a full-employment, steady-state growth path is reached, all components of GDP grow at the same rate, as well as the stock of fixed capital and employment expressed in efficiency units. Thus, for a given (and constant) capital-output ratio and depreciation rate, one may compute the amount of investment needed to maintain the steady-state growth rate of the fixed capital stock and hence the corresponding equilibrium share of fixed investment in GDP.

During the last 10 years, both the capital-output ratio (COR) and the depreciation rate (Table 1) remained nearly constant, as they were in 1961-73 (although at a higher level). Thus, the structural policies and behavioural changes that occurred since 1982 had very little impact on those parameters. Furthermore, the only period where the COR did move signifi-

1 Eurostat. *Demographic statistics 1992.*

2 See, for example, Phelps, P. S. 'The golden rule of accumulation: fable for growthmen', *American Economic Review*, Vol. 51, 1961, pp. 638-643.

Table 1

Main determinants of profitability for the Community, 1961-92

Years	Average annual rate of change (%)							Indices (1961-73 = 100)		
	GDP	Capital	Employment	COR	Productivity of capital	Productivity of labour	Capital intensity	Gross surplus/GDP	Net surplus/GDP	Capital profitability
1961	5,5	4,9	0,7	3,0	0,6	4,7	4,1	99,4	100,4	101,7
1962	4,7	4,9	0,3	3,0	−0,2	4,4	4,6	99,4	100,0	100,9
1963	4,5	4,9	0,1	3,0	−0,3	4,4	4,8	98,6	98,5	98,9
1964	5,8	5,1	0,5	3,0	0,7	5,3	4,6	99,4	99,6	100,5
1965	4,4	5,0	0,2	3,0	−0,6	4,1	4,8	99,9	100,3	101,1
1966	3,9	5,0	0,0	3,0	−1,0	3,9	5,0	99,9	100,1	100,5
1967	3,4	4,9	−0,8	3,1	−1,4	4,2	5,7	101,0	101,4	101,2
1968	5,3	4,9	−0,1	3,1	0,3	5,4	5,0	102,2	103,4	104,3
1969	6,0	5,1	0,9	3,0	0,9	5,1	4,2	104,0	106,3	107,7
1970	4,7	5,1	0,7	3,0	−0,4	4,0	4,4	100,5	100,4	99,7
1971	3,2	4,9	0,1	3,1	−1,6	3,1	4,8	98,7	97,1	95,0
1972	4,3	4,8	0,1	3,1	−0,5	4,1	4,7	98,7	96,7	94,5
1973	6,2	4,9	1,6	3,1	1,2	4,5	3,3	98,3	95,9	93,9
1974	1,9	4,3	0,4	3,1	−2,3	1,5	4,0	93,4	86,6	80,4
1975	−1,0	3,6	−1,1	3,3	−4,4	0,2	4,8	86,8	75,5	66,9
1976	4,7	3,5	0,1	3,3	1,2	4,7	3,5	90,3	80,7	72,1
1977	2,9	3,3	0,4	3,3	−0,4	2,6	3,0	92,6	83,4	74,2
1978	3,2	3,3	0,3	3,3	−0,1	2,9	3,0	94,3	85,7	76,2
1979	3,5	3,3	1,0	3,3	0,2	2,5	2,3	95,2	86,7	76,6
1980	1,3	3,2	0,4	3,3	−1,8	0,9	2,8	93,4	82,8	71,1
1981	0,1	2,6	−1,1	3,4	−2,5	1,2	3,8	92,0	79,1	65,8
1982	0,7	2,4	−0,8	3,5	−1,6	1,5	3,1	94,2	81,7	67,2
1983	1,6	2,2	−0,6	3,5	−0,6	2,2	2,9	96,4	84,6	69,6
1984	2,3	2,1	0,2	3,5	0,2	2,1	1,9	99,6	89,0	73,6
1985	2,4	2,1	0,5	3,5	0,4	1,9	1,6	101,4	91,6	76,2
1986	2,8	2,2	0,7	3,4	0,6	2,1	1,5	104,1	96,2	81,6
1987	2,9	2,3	1,2	3,4	0,5	1,7	1,1	104,7	97,3	83,5
1988	4,1	2,7	1,6	3,4	1,4	2,5	1,1	106,9	100,7	87,9
1989	3,4	2,9	1,6	3,4	0,4	1,8	1,3	108,7	103,3	91,1
1990	2,8	3,0	1,6	3,4	−0,1	1,2	1,4	107,1	101,1	89,2
1991	1,4	2,7	0,1	3,4	−1,3	1,3	2,6	106,4	99,7	87,2
1992	1,1	2,6	−0,5	3,5	−1,5	1,5	3,1	107,3	101,0	88,2

Sources: Eurostat and Commission services.

cantly (from 3,0 to 3,5) was 1970-82 which was marked by capital deepening and restructuring as a consequence of the oil-price shocks and relative factor cost movements. One may thus assume that in the absence of massive supply shocks, the COR will remain stable around its present level of 3,4 in the medium term and the relationship between the investment share in GDP and the steady-state rate of growth can be derived.

Relation between GDP growth and investment share[1]

Steady-state growth (% per year)	Investment share (% GDP)
0,0	12,6
1,0	15,8
2,0	19,0
2,5	20,5
3,0	22,1
3,5	23,6
4,0	25,1
4,5	26,7
5,0	28,1

[1] Assuming a capital-output ratio of 3,4.

Such computations are, of course, a mere illustration of a complex problem and, in particular, the stability of the capital-output ratio may also be linked to compensating influences. In some sectors, technical progress and structural changes may go with capital deepening whereas in others (e.g. in services) the evolution is less evident. On the other hand, a larger decoupling of the 'working time' of the capital stock with respect to the working time of workers would increase the apparent capital productivity and thus reduce the COR. To that must be added that net investment (which appears both in the numerator and the denominator of the COR) is, in any case, a smaller fraction of the total capital stock than it is of GDP. Thus, for pure arithmetic reasons, the changes in the COR will always be very slow and progressive over time.

Finally, it must be emphasized that the kind of effective net variations in either productivity or the COR that one is likely to register in the future, in the wake of the completion of the internal market, EMU and the present stance of structural reforms, combined with continuous changes in the structure of output, may change the amplitude but not the essence of the conclusions presented so far: if growth is not all, no employment effect of significant importance can be expected without some positive sustainable growth, which implies an adequate productive capacity, hence investments.

Thus, remaining for illustrative purposes within the stylized conditions set so far, the present COR and apparent productivities suggest that the prevailing investment share of about 20% only goes together with a sustainable growth of 2,3%. A much higher rate (say 3,5%) would require a much higher share (23,6%). In other words, an increase by 1,25 percentage points in the sustainable trend rate of growth would require an increase by 3,5 points in the investment share.

In practical terms, this means that in order to increase the potential growth of the Community to a level where unemployment can be reduced quickly, fixed investments will have to grow at a significantly faster rate than total GDP in the five to seven years to come, as was the case in the second half of the 1980s. Therefore, the promotion and support of investment determinants should be key issues of micro and macro policies in the 1990s.

2.3. The determinants of investment and some of their implications

The determinants of investment were analysed in depth by the Commission services.[1] Three elements were found to have a fundamental importance.

1. Final demand plays a major role in the short term since the variability of output growth explains the highly cyclical behaviour of investment. In a longer perspective, the composition of demand is as important as its growth since the balance between consumption and investment will determine not only the growth pattern of final demand but also the adequacy of national savings with respect to the required amounts of fixed capital formation. The saving-investment balance thus also deserves attention in the assessment of the medium-term developments.

2. Real unit user costs of capital goods (a composite index consisting of the relative price of investment goods, real interest rates, depreciation rates, tax factors, etc.) has a weak impact in the short term but a more significant influence in the long term. This factor is strongly influenced by fiscal policy measures (interest deductibility, depreciation allowances, etc.) and also by the behaviour of 'real' interest rates.

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

3. Profitability[1] was found to be important in the medium term although its short-term impact is somewhat smaller. Policy measures aiming at improving profitability will therefore pay off only in the medium term, but with powerful effects. The experience of the 1980s has also demonstrated the large impact of wage behaviour on increases and reductions in profitability.

2.3.1. Final demand and the saving-investment balance

Since fixed investment has a long lifetime, what really matters of course is expected output which is unobservable and can only be derived *ex post*. However, given the high cyclical variability of investment, it is clear that the latter will be promoted when the overall economic framework is characterized by stability and predictability. Conversely, uncertainty and stop-go policies are detrimental to a regular, strong and balanced growth of investment and fixed capital.

Besides, *ex-post* investment is, by definition, equal to savings. The latter, however, is composed not only of domestic savings but also of external savings as measured by the current external balance. In the so-called 'saving-investment balance', the current balance therefore represents the surplus or deficit of domestic saving with respect to the achieved amount of investment in a given period.

Thus, if investment is pushed too fast by, say, a monetary or fiscally induced blip in final demand growth, this will not only lead to an overheating of the economy with higher price and cost inflation but also to an external current account deficit and hence an increase in external indebtedness, which will require corrective measures afterwards. Conversely, sound and durable growth will be characterized by profitability driven investment growth and an evolution of final demand with an adequate balance between investment and consumption.

In that regard, the structure prevailing during the 1961-73 period (which is the closest empirical approximation of a steady-state full employment period one may find in the history of the Community)[2] is worth considering (Table 2).

In short, the total domestic capital formation (24,6% of GDP) was more than matched by national savings (25% of GDP), to which the public sector contributed about one-sixth (4% of GDP). There was thus some room left for a slight current balance surplus, as befitted a high-income zone with responsibilities towards the less-developed world. In the private sector, the global saving ratio (as a percentage of GDP) remained remarkably stable over the whole 1961-92 period. However, in high growth periods, corporate savings, supported by high profitability rates, were larger than household savings. This happens to be also the case in 1992, with broadly the same distribution (about 10% of GDP for households and 11% for corporate savings) and exactly the same global ratio as in 1961-73 (21% of GDP).

The major divergence between the present period and 1961-73 in terms of saving balances is thus strictly limited to the position of the general government sector, which deteriorated by nearly 6% of GDP (from + 4% to − 1,7%). The consolidation of public balances, already present in the Maastricht Treaty requirements for nominal convergence, is thus also necessary for improving the growth potential of the Community through a positive contribution to national savings.[3]

2.3.2. Capital unit user costs

Abstracting from policy variables (such as fiscal deductibility, investment subsidies, etc.), the main determinant of real capital unit user cost is the 'real' long-term interest rate.

All other things being equal, higher real interest rates in the medium term put a brake on investment growth and influence the choice between investment projects in requiring higher expected returns. However, due to the very high potential demand for capital from less-developed countries (LDCs) and Eastern and Central Europe, such high real interest rates will probably endure for many years to come. It therefore means that these persistently high levels must be compensated by a higher rate of profitability than in the 1960s.

On the other hand, artificially low inflation-adjusted interest rates, as prevailed in the 1970s (when they even became

1 This is defined as the net operating surplus per unit of net fixed capital stock. The net operating surplus is defined as GDP minus wages, and the compensation of self-employed and depreciation allowances. At the firm level, it corresponds to total revenue minus variable costs such as wages, financial charges and intermediate inputs.

2 The 1961-73 period is taken as a reference period since it is characterized by high and fairly stable growth with a correspondingly high share of investment in final expenditure, near full employment and a sound saving-investment balance with a slight current account surplus.

3 See 'Trends and structure of gross national savings in the Community', *European Economy*, Supplement A, No 11/12, November/December 1992.

Table 2

Selected supply and demand indicators for the Community,[1] 1961-92

(annual percentage change, unless otherwise stated)

	1961	1961-73	1974	1974-80	1981	1981-85	1986	1986-89	1990	1991	1992
1. Real GDP growth	5,5	4,7	1,9	2,3	0,1	1,4	2,8	3,3	2,8	1,4	1,1
2. Employment	0,7	0,3	0,4	0,2	−1,1	−0,4	0,7	1,3	1,6	0,2	−0,5
3. Labour productivity	4,8	4,4	1,5	2,1	1,2	1,8	2,0	2,0	1,2	1,2	1,6
4. Unemployment rate (% of civilian labour force)	2,2	2,2	2,8	4,8	7,7	9,6	10,7	9,9	8,3	8,8	9,5
5. Private consumption deflator	2,8	4,6	14,9	12,1	12,1	8,9	3,8	4,0	4,8	5,1	4,5
6. GDP deflator	3,2	5,2	13,3	12,2	10,9	8,5	5,6	4,8	5,3	5,4	4,7
7. Public deficit (% of GDP)	0,5	−0,5	−2,4	−3,8	−5,0	−5,1	−4,5	−3,7	−4,2	−4,6	−5,4
8. Public debt (% of GDP)	:	:	:	40,9	45,4	52,7	59,4	60,1	59,5	62,0	65,0
9. Public investment (% of GDP)	3,4	3,5	3,8	3,4	3,0	2,8	2,8	2,7	2,9	2,9	2,9
10. Nominal wages/head	8,8	9,8	17,9	15,0	13,0	9,6	6,3	5,8	7,5	7,2	5,8
11. Real wages/head	5,4	4,4	4,1	2,5	1,9	1,0	0,7	0,9	2,0	1,7	1,0
12. Real unit labour costs	0,5	0,0	2,5	0,4	0,7	−0,7	−1,4	−1,0	0,9	0,5	−0,5
13. Profitability index (1961-73 = 100)	101,7	100,0	80,4	73,9	65,8	70,5	81,6	86,0	89,2	87,2	88,2
14. 'Real' long-term interest rate (deflated with GDP deflator)	2,2	1,8	−0,7	0,2	4,1	4,4	3,4	4,5	5,0	4,5	5,1
15. Capital-output ratio	3,0	3,0	3,1	3,3	3,4	3,5	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	22,4	23,2	23,7	22,1	20,9	19,7	19,0	19,8	20,8	20,2	19,6
17. Fixed capital stock	4,9	4,9	4,2	3,4	2,6	2,2	2,2	2,5	3,0	2,8	2,6
18. Private consumption	5,5	4,9	1,7	2,7	0,4	1,3	4,2	3,8	3,0	1,8	1,3
19. Public consumption	4,7	3,7	2,8	2,8	1,8	1,7	2,3	1,9	2,1	2,1	1,5
20. Total fixed investment	9,6	5,5	−2,6	0,4	−5,1	−0,7	4,2	6,2	4,2	0,0	−0,2
21. Exports	5,8	8,0	6,6	4,3	3,8	3,9	1,8	4,8	7,0	5,3	3,8
22. Final demand	5,6	5,3	2,7	2,5	0,9	1,6	2,5	4,2	3,8	2,3	1,8
Saving balances (% of GDP)											
23. Household savings	:	10,0	13,9	12,8	12,8	11,3	10,3	9,5	9,6	9,7	9,8
24. Corporate savings	:	11,0	7,8	8,9	8,0	9,7	11,3	11,6	11,8	11,1	11,2
25. Private savings (= 23 + 24)	:	21,0	21,7	21,7	20,8	21,0	21,6	21,1	21,4	20,8	21,0
26. Public savings	:	4,0	2,8	1,1	−1,0	−1,2	−0,8	−0,1	−0,3	−0,8	−1,7
27. National savings (= 25 + 26)	24,7	25,0	24,5	22,8	19,8	19,8	20,8	21,0	21,1	20,0	19,3
28. Current balance	0,6	0,4	−0,9	−0,3	−0,6	0,0	1,3	0,5	−0,2	−0,3	−0,5
29. Gross capital formation (= 27 − 28)	24,1	24,6	25,4	23,1	20,4	19,8	19,5	20,5	21,3	20,3	19,8

[1] Including West Germany.
Source: Commission services.

negative), besides helping to fuel inflation, increase the capital-output ratio and capital intensity and may lead to a misallocation of resources.

2.3.3. Profitability and wage moderation in the 1980s

Profitability (as defined in terms of net operating surplus per unit of fixed capital[1]) is determined by two factors (Table 1): the unit profit rate (net operating surplus per unit of GDP) and the apparent productivity of fixed capital (equal to the inverse of the capital/GDP ratio).

In 1961-73, the profitability rate remained high and broadly constant, reflecting the stability of its two components. From 1974 to 1981, it deteriorated by more than one-third, the index (1961-73 = 100) falling to 65,8. Of this fall of 34,2 points, 20,1 resulted from the lower unit profit rate and 14,1 from the increased capital-output ratio. Afterwards, the profitability index recovered to reach 91,1 by 1989 and regressed slightly in 1990-92.

The recovery of profitability in the 1980s was mostly due to the impact of wage moderation on the profit share. The other determinant of profitability, i.e. capital productivity, played a minor role since it did not increase before 1985 and then only marginally. Thus, of the 25,3 point recovery in 1982-89, 24,2 is due to the decline in real unit labour costs.

The macroeconomic impact of the moderation of wages was assessed using the Quest model of the Commission services (see Box).[2] With all due qualifications, it appears that the modification of wage behaviour in 1982-89, compared to a 'no-change in income shares' hypothetical baseline period, has:

(i) increased the level of fixed investment by 7,5%,

(ii) increased total employment by 5,0%,[3]

(iii) decreased the inflation rate by an average of 1,0 percentage point per year,

(iv) increased the current balance surplus by 0,6 percentage point of GDP.

As a result, the share of investment in GDP gained 1,3 points and approached 21%, making it compatible with a 0,5 points higher rate of potential growth. The induced increase in employment over the period is nearly equivalent when expressed in an average annual rate of growth, i.e. 0,6%. Thus, from a structural steady-state point of view, the employment threshold was in fact not affected and remained a stable structural parameter.

In order to test for the overall impact of profitability increases *sensu stricto* the Quest simulation was also replicated without wage moderation but with the same improvement of profitability as observed, as if it came as an independent increase in technical progress.

In that case, the 25,3 points improvement in the profitability index would have produced about 17% more investment. But it should also be noted that the employment creation would have been much lower at about 1% (coming mostly through demand effects) and the saving-investment balance less favourable with an increased external deficit. Finally, inflation would have been higher than in the 'no change' baseline.

Thus, the same improvement in profitability when obtained without changes in factor shares, would have resulted in a further increase in capital deepening with respect to the 1970s and led to a higher potential employment threshold.

[1] For full definitions and methodological developments, see Annual Economic Report 1991-92, Analytical study No 2, *European Economy*, No 50, December 1991, pp. 109-125.

[2] See Dramais, A. 'Les relations entre rentabilité du capital, investissement fixe et modération salariale dans l'Europe des Douze au cours des années 1980', in Gazier, B. (ed.) *Trajectoires de l'emploi*, Presse de la Sorbonne, to be published.

[3] By more than 6 million people over a total employment creation in those years of 9 million.

Box: The Quest multinational model[1]

The Quest multinational model is a modular system designed to simulate the effects of changes in economic variables, both on a world level and on the level of individual industrial countries. At present, country models have been constructed for all EC Member States and also for the United States and Japan. The model is used to assist in macroeconomic short and medium-term forecasting and to analyse the policies of these countries. It is particularly well suited for the analysis of policy coordination and for the design of coordinated policies.

All country models are similar in structure, but country-specific estimates of the parameters allow for the responses to shocks to be different in timing and magnitude.

The linkage between the models is provided by a model of bilateral trade in goods. This linkage system divides the world into 26 zones, 20 of which correspond to individual countries (including the Belgo-Luxembourg Economic Union). It takes the import demand of each country or zone as given from the individual modules and then determines the exports of all zones from the bilateral trade equations. Import prices and competitors' prices are derived from export prices, which are also taken from the country models. The system is closed by trade-feedback equations for those countries or zones which are not represented by a structural model. World exports of goods are constrained to be equal to total world imports, except for the existing trade account discrepancy. In the trade linkage part, energy imports are separated from trade in non-energy goods. Energy exports are identified for the United Kingdom and the Netherlands and for some of the feedback zones. OPEC is assumed to act as the swing producer.

The structural country models are of the usual formalized type in which particular entries into the national accounting framework are replaced by behavioural equations. The consumption per head function includes the familiar real disposable income effect and a negative inflation effect as a proxy for the real wealth effect. Capital formation, which is disaggregated into equipment, construction, housing and inventories, is fostered by an acceleration in demand and by an improvement of the internal or external financing conditions via profitability and interest rate effects. Imports typically have a demand elasticity which is greater than 1 and a price elasticity which is smaller than 1 in absolute value.

The main supply-side indicator is the capacity utilization rate, i.e. the gap between actual and potential output, which exerts an influence on prices, investment and, in some countries, on imports. Labour supply is exogenous, except in Ireland where net migration is to a large extent determined by the unemployment rate relative to the United Kingdom. Labour demand is not completely elastic to changes in the real wage cost, but the wage-price block ensures that in the long term, the labour share in income returns to stability. The Quest model displays rather little nominal rigidity and, in this respect, stands out from other multi-country models. The strength of the unemployment effect on wages (the Phillips curve) and the direct effect of the utilization rate on prices are responsible for different responses in the short term among the countries which are represented by structural models.

The model may be operated under different monetary regimes. The standard regime for forecasting is one in which assumptions are made for nominal interest rates and exchange rates. Another option is to fix real interest rates and to determine expected exchange-rate movements from an interest parity condition. Earlier versions of the model have employed more elaborate monetary reaction functions to determine nominal interest rates, but have left aside the determination of exchange rates so that the interrelations between interest rates of different countries are not very strong. A more recent experimental facility links the models to a portfolio balance model, in which investors have the possibility of substituting between long-term and short-term assets, denominated in dollars, yen or an EMS currency. Assets denominated in EMS currencies are aggregated, but interest rates and exchange rates across the Community may deviate from the common rates in accordance with differences in inflation rates and current account positions. This facility appears to produce satisfactory results if it is combined with model-consistent exchange-rate expectations and forward-looking reactions of the monetary authorities.

[1] For a detailed description of the model, see *European Economy*, No 47, March 1991, pp. 165-243.

2.3.4. The role of expectations

Private investment is of course the end result of market decisions which are influenced, as already stated, by expected demand, costs and profitability conditions. All of these will of course be influenced by future developments which will certainly not mimic the past and are not all under the control of policy-makers or even European private operators. Some basic principles are, however, likely to remain valid, particularly as regards the role of policies and general conditions in which investments take place. Thus, the caveat developed above also has implications for policy and behaviour in order to create, maintain or strengthen an economic environment as favourable to labour-creating investment as might possibly be achieved.

3. What are the implications for economic policies?

The present share of investment in GDP, compatible with a sustainable growth rate of less than 2,5%, is clearly unsatisfactory since, at the expected rate of labour supply (see Section 2.1), it would barely keep unemployment constant over the next five years! A strong rise of investment in the medium term is therefore necessary.

As far as final demand is concerned, it is worth stating once again that although the high short-term response of investment to expansionary policies might look attractive in a period of cyclical slowdown, the improvement in supply-side conditions is a long-term project which would in fact be hampered by short-termism: an artificially induced investment expansion would translate quickly into inflationary pressures, strain the degree of use of capacity and disimprove the overall saving-investment balance, all factors which would call for lengthy and painful corrective actions (which depress investment initially) in later years, as amply demonstrated by events in the world economy since 1973.

This does not mean of course that other kinds of stimulation must be excluded, since the present slowdown has meant that production capacities are underused and hence may be reabsorbed without inflationary risks. In particular, Community-financed infrastructure projects may bolster the confidence of private investors who would benefit from a better logistic environment in transnational networks. The main point is that such accompanying measures, Community- or country-based, should preserve the credibility of a stable and medium-term oriented policy stance and a balanced pattern of final demand, with investment growing faster than GDP and consumption slightly slower. A positive contribution of extra-EC trade to growth would also be desirable in order to convert the present current account deficit into a slight surplus.

Demand, however, is not all since, in the medium term, the severe unemployment problem of the Community must also be tackled and the required long-term expansion of labour-creating investment must be soundly based and correspond to an adequate saving-investment balance with, notably, a return to positive public savings through reinforced budgetary consolidation. In this context, the Maastricht budgetary criteria, defined for nominal purposes, are a step in the right direction. Nevertheless, in the longer term, larger efforts may be justified in order to arrive at a satisfactory public saving condition in terms of growth potential. Given the well-known difficulties in acting directly on private savings, policies should rather act on its determinants in aiming at fostering corporate profitability.

Profitability should be enough to warrant a higher investment share than is presently the case in order to make a higher GDP and fixed capital growth rate sustainable. The recovery of the profitability index should thus continue and, in fact, go beyond the average level achieved in 1961-73, i.e. within the 105 to 110 range (1961-73 = 100) in order to support the investment share of 23,6% GDP, which at the present stable level of the capital-output ratio, is required to support a sustainable growth trend of 3,5%.

This profitability improvement may come from various sources: it may, for instance, be generated by efficiency and productivity gains at the level of the capital stock itself via structural changes in production patterns and environment, as may come through internal market and EMU effects. However, during the 1980s, such factors proved to have a somewhat limited impact and the major part of the improvement in profitability should come from the pursuit of a moderate growth of real wages with respect to labour productivity, such as the one effectively achieved between 1982 and 1989 in most EC countries, when real wage per head[1] grew on average by 0,9% per year as against 2,0% for labour productivity, thus allowing real unit labour costs to fall by 1,0% per year and the profitability index to recover by more than 20 points.

Finally, the improvement in the overall saving-investment balance and, in particular, the return to positive public savings may ease the pressure on real long-term interest rates. However, it is generally acknowledged that inflation-

[1] Deflated with the GDP deflator. Due to terms of trade effects, the growth of wage income per head (deflated with the private consumption price index) was in fact higher at 1,2% per year during the same period.

adjusted long-term interest rates are likely to remain high in the medium term given the considerable potential needs for capital at world level (Eastern and Central Europe, LDCs, etc.) which may turn into effective demands in the near future. Since this factor is beyond Community control, it makes the achievement of a high rate of capital profitability all the more necessary.

4. What kind of future growth trend can be envisaged?

The assessment of the previous sections can be illustrated by quantitative medium-term scenarios, 1993-2000, made with the Quest model of the Commission services (see Box). These scenarios are in no way forecasts but illustrations of possible developments under specific assumptions. They are thus, by nature, normative. However, they provide a plausible and consistent measure of the time and effort required to extricate the Community from its presently depressed economic position.

A first scenario *(Scenario 0)* will extend to the year 2000 the 1993-94 short-term forecast of the Commission services on a 'no policy change', purely extrapolative, basis assuming, in some sense, that the worst comes to the worst and that all policy and behavioural efforts towards more convergence stop from 1994 onwards. More particularly, no budgetary consolidation effort other than the standard working of economic stabilizers is assumed to take place; wage and profit shares remain constant (i.e. real wages grow at the same rate as labour productivity) as well as savings rates and real interest rates; and the investment share increases only marginally during the (very gradual) recovery from the present cyclical slowdown.

Politically speaking, such a scenario is of course extremely improbable if only because it takes no account of explicit commitments already expressed in the wake of the Maastricht Treaty and confirmed at the Edinburgh Summit (11 and 12 December 1992) but it illustrates clearly the bleak consequences of a prolonged slow-growth period.

Indeed (Table 3), after slightly exceeding 2,0% in 1995, real GDP growth would stay around the latter figure until the end of the century. As a consequence, despite a slight fall in the average growth of labour productivity from 2,0% (in 1986-89) to 1,8% per annum, labour demand remains below labour supply and the unemployment rate increases continuously from 9,5% in 1992 to 11,7% in 2000, i.e. to more than 18 million people.

Inflation remains above or equal to 3,5% and the net borrowing of general government falls slightly from 5,4% of GDP in 1992 to 4,9% in 2000. As a result, the public debt/GDP ratio climbs to 83,5% in 2000, an increase of more than 20 points with respect to its 1990 level.

The only positive result is found in the evolution of the current balance which, thanks to the moderate growth of final demand, turns progressively back towards equilibrium.

There is thus no room for complacency about future growth prospects since a 2% trend would certainly entail very serious social and political consequences and put in jeopardy the achievement of the major Community projects.

Scenario 1 (Table 4) also starts from the 1993-94 short-term forecast but assumes a resumption of medium-term oriented policies and of the progress towards real and nominal convergence within the Community. Budget consolidation efforts would follow the commitments of the convergence programmes as expressed in 1991-92 and translated into normative decisions on receipt and expenditure items. The present results in terms of budget deficits may, however, be different from those of the original programmes since they are affected by the 1992-94 cyclical trough which would somewhat delay the achievement of the Maastricht Treaty criteria in the budgetary field. Nevertheless, public savings would become positive again from 1998 onwards.

Inflation would resume its convergence trend and the Maastricht criteria would be achieved by most countries around a Community average inflation rate of 2,5% from 1996 onward. This evolution would be helped by an evolution of nominal wages compatible with the inflation targets. Real wages would register a moderate evolution with respect to labour productivity, comparable to the one expected in 1992-93, implying a decrease in real unit labour costs of about 0,6% per year throughout the period. As a result, the profitability index would recover and slightly exceed its 1961-73 average in 2000.

The final strategic assumption is the evolution of fixed investment, which is assumed to replicate the same growth trajectory in the second half of the 1990s as in the second half of the 1980s. Such an evolution would come from the final demand and profitability effects reinforced by a general return of business confidence, positive internal market and integration effects and favourable expectations coming from the renewed and credible march towards EMU before the end of the century.

As a result, growth would reach 3,0% in 1996 and would even go beyond 3,5% in 1997-2000 due to temporary

Table 3

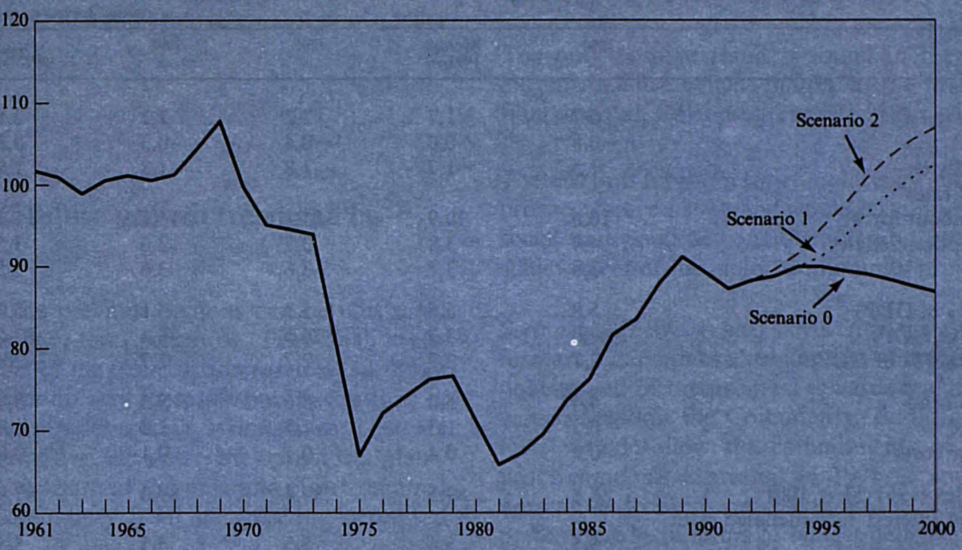
Illustrative growth scenarios for the Community,[1] 1993-2000
Scenario 0: slow-growth extrapolative scenario

(annual percentage change, unless otherwise stated)

	1993	Average 1993-96	1996	1997	Average 1997-2000	2000
1. Real GDP growth	0,7	1,7	2,2	2,1	2,1	2,1
2. Employment	−0,8	0,0	0,4	0,3	0,3	0,3
3. Labour productivity	1,5	1,7	1,8	1,8	1,8	1,8
4. Unemployment rate (% of civilian labour force)	10,6	10,9	11,1	11,3	11,5	11,7
5. Private consumption deflator	4,4	3,8	3,7	3,6	3,5	3,5
6. GDP deflator	3,8	3,7	3,6	3,6	3,5	3,5
7. Public deficit (% of GDP)	5,8	5,5	5,3	5,1	5,0	4,9
8. Public debt (% of GDP)	69,0	73,0	76,5	78,4	81,0	83,5
9. Public investment (% of GDP)	2,7	2,7	2,7	2,7	2,8	2,8
10. Nominal wages/head	4,4	5,0	5,6	5,5	5,5	5,4
11. Real wages/head	0,5	1,3	1,9	1,8	1,8	1,8
12. Real unit labour costs	−0,9	−0,4	0,1	−0,1	0,0	0,0
13. Profitability index (1961-73 = 100)	88,8	89,5	89,4	89,0	87,9	86,8
14. 'Real' long-term interest rate (deflated with GDP deflator)	5,5	5,4	5,5	5,5	5,5	5,5
15. Capital-output ratio	3,4	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	19,4	19,6	20,0	20,1	20,3	20,4
17. Fixed capital stock	2,4	2,4	2,5	2,5	2,5	2,5
18. Private consumption	0,7	1,5	2,2	2,2	2,1	2,1
19. Public consumption	0,8	1,1	1,2	1,2	1,2	1,2
20. Total investments	−1,0	2,1	3,3	2,9	2,6	2,5
21. Exports	3,6	4,3	4,8	4,8	4,8	4,9
22. Final demand	1,3	2,3	2,9	2,8	2,8	2,9
Saving balances (% of GDP)						
23. Household savings	9,3	9,2	9,1	9,1	9,1	9,1
24. Corporate savings	11,7	12,1	12,4	12,5	12,6	12,7
25. Private savings (= 23 + 24)	21,0	21,3	21,5	21,6	21,7	21,8
26. Public savings	−2,1	−1,9	−1,7	−1,5	−1,3	−1,1
27. National savings (= 25 + 26)	18,9	19,4	19,8	20,1	20,4	20,7
28. Current balance	−0,7	−0,5	−0,4	−0,3	−0,2	0,0
29. Gross capital formation (= 27 − 28)	19,6	19,9	20,2	20,4	20,6	20,7

[1] Including West Germany.
Source: Commission services.

GRAPH 6: **EC profitability of fixed capital, 1961-2000** (index 1961-73 = 100)



GRAPH 7: **EC unemployment rate, 1961-2000** (percentage of civilian labour force)

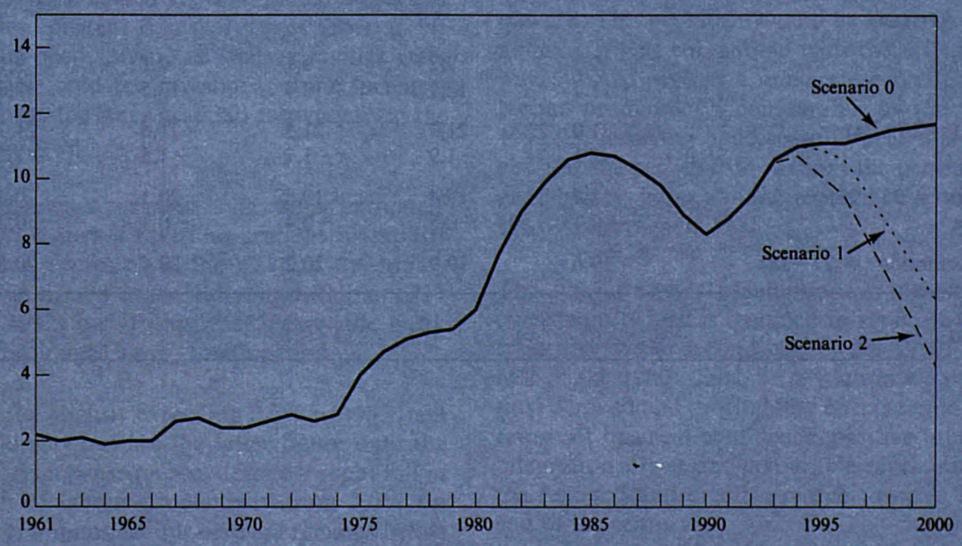


Table 4

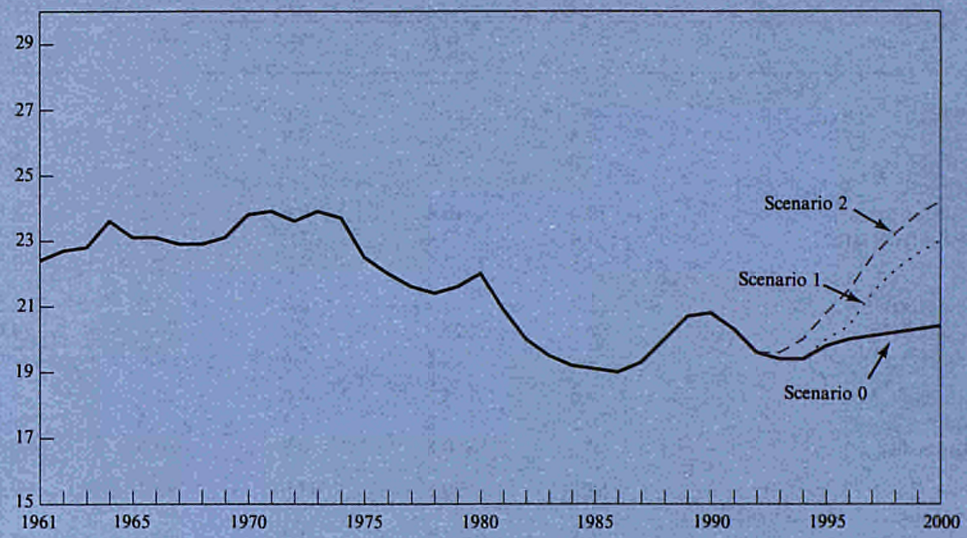
Illustrative growth scenarios for the Community,[1] 1993-2000
Scenario 1: medium-term policies as in the 1980s

(annual percentage change, unless otherwise stated)

	1993	Average 1993-96	1996	1997	Average 1997-2000	2000
1. Real GDP growth	0,7	1,9	3,0	3,8	3,8	3,7
2. Employment	−0,8	0,1	0,9	1,7	1,7	1,6
3. Labour productivity	1,5	1,8	2,1	2,1	2,1	2,1
4. Unemployment rate (% of civilian labour force)	10,6	10,8	10,6	9,6	8,0	6,3
5. Private consumption deflator	4,4	3,4	2,7	2,5	2,5	2,5
6. GDP deflator	3,8	3,3	2,7	2,5	2,5	2,5
7. Public deficit (% of GDP)	5,8	5,3	4,8	3,9	2,5	1,2
8. Public debt (% of GDP)	68,9	72,9	76,2	76,4	74,6	72,0
9. Public investment (% of GDP)	2,7	2,8	2,8	2,8	2,8	2,8
10. Nominal wages/head	4,4	4,3	4,0	4,1	4,1	4,1
11. Real wages/head	0,5	1,0	1,3	1,5	1,5	1,5
12. Real unit labour costs	−0,9	−0,8	−0,8	−0,6	−0,6	−0,6
13. Profitability index (1961-73 = 100)	88,8	90,8	93,6	96,4	99,6	102,4
14. 'Real' long-term interest rate (deflated with GDP deflator)	5,5	5,2	4,7	4,8	4,5	4,4
15. Capital-output ratio	3,4	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	19,4	19,8	20,4	21,3	22,2	23,0
17. Fixed capital stock	2,4	2,5	2,7	3,1	3,4	3,7
18. Private consumption	0,7	1,6	2,7	3,0	3,3	3,6
19. Public consumption	0,8	1,1	1,2	1,2	1,2	1,2
20. Total investments	−1,0	2,9	5,5	8,6	6,9	5,6
21. Exports	3,6	4,6	5,5	5,7	6,0	6,2
22. Final demand	1,2	2,5	3,7	4,4	4,4	4,4
Saving balances (% of GDP)						
23. Household savings	9,3	9,2	9,2	9,2	9,0	8,9
24. Corporate savings	11,7	12,1	12,4	12,6	12,5	12,1
25. Private savings (= 23 + 24)	21,0	21,3	21,6	21,8	21,5	21,0
26. Public savings	−2,1	−1,7	−1,2	−0,3	1,1	2,4
27. National savings (= 25 + 26)	18,9	19,6	20,4	21,5	22,6	23,4
28. Current balance	−0,7	−0,5	−0,3	−0,2	−0,1	0,1
29. Gross capital formation (= 27 − 28)	19,6	20,1	20,7	21,7	22,7	23,3

[1] Including West Germany.
Source: Commission services.

GRAPH 8: **EC investment share in GDP, 1961-2000** (percentage of GDP)



catching-up effects as regards the rate of capacity utilization. Unemployment, however, would only start to fall significantly after 1996 (when it is still at 10,6%) and the 1990 rate (8,3%) would only be achieved again in 1998. In fact, one would still have to wait for the year 2000 in order to see the number of unemployed fall below 10 million (6,1% of an active population).

The investment share would progressively grow towards a level warranting a growth rate above 3% but would only reach it in 2000, despite the strong 1996-99 investment performance.[1]

Thanks to the budgetary consolidation and the automatic stabilizer effects of higher growth, public saving would again become positive. Overall, the saving-investment balance would be more soundly based than in the 1980s and would leave room for a slight current balance surplus, which also finds its counterpart in a better export performance due to the well-known 'growth-propelled exports' effect coming from a fast expansion of productive capacity, helped by improved productivity and price competitiveness.

[1] This illustrates in fact the great inertia of ratios when both the numerator and denominator are growing.

Despite the positive character of those developments, results in terms of unemployment gains may still be deemed unsatisfactory, with rates remaining above 10% until 1996-97. The improvement in the investment share also comes rather late, a fact which would plead for more immediate actions, as indeed agreed upon in the conclusions of the Edinburgh Summit.

Scenario 2 (Table 5) keeps the same basic hypotheses as in Scenario 1 in terms of fiscal assumptions and business attitudes but departs from the 1993-94 forecasts by invoking three new elements, the first two of which are directly inspired by the conclusions of the Edinburgh Summit (11 and 12 December 1992) and more specifically in Annex 4 to Part A of the conclusions of the Presidency ('Declaration on promoting economic recovery in Europe').

(i) *Scenario 2a:* since the unemployment rate is presently much worse than in 1982 when wage moderation started in the EC, it is not unreasonable to assume that, from 1993 onwards, the evolution of real wages *vis-à-vis* labour productivity could be as moderate as was indeed achieved in 1982-89 and follow the same pattern. Real wage growth would thus be close to zero (0,2%) in

Table 5

Illustrative growth scenarios for the Community,[1] 1993-2000
Scenario 2: medium-term policies including Edinburgh initiative

(annual percentage change, unless otherwise stated)

	1993	Average 1993-96	1996	1997	Average 1997-2000	2000
1. Real GDP growth	0,9	2,2	3,3	4,1	4,0	3,8
2. Employment	−0,7	0,5	1,3	2,0	1,9	1,8
3. Labour productivity	1,6	1,7	2,0	2,1	2,1	2,0
4. Unemployment rate (% of civilian labour force)	10,5	10,2	9,5	8,2	6,3	4,3
5. Private consumption deflator	4,0	3,0	2,4	2,4	2,5	2,5
6. GDP deflator	3,1	2,8	2,4	2,4	2,5	2,5
7. Public deficit (% of GDP)	5,5	5,2	4,6	3,9	2,4	0,7
8. Public debt (% of GDP)	69,0	73,0	76,1	76,3	74,0	71,2
9. Public investment (% of GDP)	2,9	2,8	2,8	2,8	2,8	2,8
10. Nominal wages/head	3,3	3,3	3,4	3,6	3,7	3,7
11. Real wages/head	0,2	0,5	1,0	1,2	1,2	1,2
12. Real unit labour costs	−1,3	−1,2	−1,0	−0,9	−0,9	−0,8
13. Profitability index (1961-73 = 100)	89,5	93,3	97,4	100,7	104,1	106,9
14. 'Real' long-term interest rate (deflated with GDP deflator)	5,7	5,1	4,8	4,5	4,4	4,4
15. Capital-output ratio	3,4	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	19,6	20,5	21,5	22,5	23,4	24,2
17. Fixed capital stock	2,5	2,7	3,0	3,4	3,7	4,0
18. Private consumption	0,4	1,4	2,6	3,0	3,3	3,6
19. Public consumption	1,2	1,2	1,2	1,2	1,2	1,2
20. Total investments	−0,2	4,3	6,4	9,1	7,1	5,6
21. Exports	3,8	5,0	5,9	6,2	6,3	6,4
22. Final demand	1,3	2,8	3,9	4,6	4,6	4,5
Saving balances (% of GDP)						
23. Household savings	9,2	9,6	9,8	9,9	9,7	9,5
24. Corporate savings	11,9	12,5	13,1	13,3	13,2	12,7
25. Private savings (= 23 + 24)	21,1	22,1	22,9	23,2	22,9	22,2
26. Public savings	−1,8	−1,5	−1,0	−0,3	1,2	2,8
27. National savings (= 25 + 26)	19,3	20,6	21,9	22,9	24,1	25,0
28. Current balance	−0,4	−0,1	0,2	0,2	0,4	0,6
29. Gross capital formation (= 27 − 28)	19,7	20,7	21,7	22,7	23,7	24,4

[1] Including West Germany.
Source: Commission services.

1993-94[1] and would climb back to 1,2% later on. In that way, the evolution of real wages per head would remain 1 percentage point below the growth rate of labour productivity as in 1982-89.The resulting (increase in) profitability[2] would both accelerate and strengthen the recovery of investment, as well as keeping labour attractively priced as a factor input. The need for such wages and profitability evolution is recognized in the Joint Opinion of the social partners, as expressed in the framework of the Community social dialogue, in July 1992.[3]

(ii) *Scenario 2b:* wage moderation is, however, likely to cause an initial slowdown in private consumption and GDP growth, since there is an unavoidable lag between the moderation of real wage per wage-earner and its favourable growth, inflation and employment effects. The growth of disposable income is therefore initially reduced. Such effects can, however, be offset by the elements of the growth initiative quoted in Part A, Annex 4, of the Edinburgh conclusions, which proposed actions providing Community support to public and private investments expected to amount to ECU 30 billion in future years. For the present exercise, it has been assumed that these 30 billion would be linearly distributed over three years (1993-95) and would effectively represent additional investments with respect to those present in Scenario 2a.[4]

(iii) *Scenario 2c:* in previous scenarios, the external environment of the Community has been assumed to be rather neutral with constant real exchange rates after 1994 and very moderate growth in the rest of the OECD countries and most of all in the USA and Japan. The third element of Scenario 2 is therefore a variant into which, thanks to the success of the 'Clinton plan', a successful conclusion of the Uruguay Round and, overall, an improved multinational coordination of economic policies, import demand coming from EC partners would be 0,5 percentage points higher in Scenario 2c than in the previous ones (i.e. around 7,0% per annum rather than 6,5%).[5]

Taken individually, the impact of these measures is not large (see Tables 7, 8 and 9) but, taken together, they bring forward to 1995 a significantly stronger recovery of GDP, investment and employment.

The unemployment rate starts to fall at the end of 1994, is below 10% in 1996 (9,5%) and reaches 4,3% in 2000. In the latter year, both the investment share and the saving-investment balance are comparable to those prevailing during the 1960s. In particular, public saving as a percentage of GDP is then positive and equal to the public investment share, and the current balance is in slight surplus, as should be the case for a developed zone. At 4,5%, real interest rates are still 2,0 points higher than in 1961-73 but are offset by a profitability index of 107 in 2000 as against 100 in 1961-73. The overall budgetary position would also start to improve markedly from 1995 onwards, net borrowing reaching 3,0% of GDP in 1998 and being practically eradicated in 2000, at 0,7% of GDP (public savings representing then +2,8% of GDP).

Conditions would thus be restored for sustaining an internally and externally balanced growth rate of about 3,5% in real terms (6,0% in nominal terms), with full employment at long last close at hand. The post-2000 years would then mark a new growth regime where labour would once again become a scarce factor and the ageing of the European population would raise a whole new range of issues.

As with all model-based scenarios, the present ones should of course be taken with due qualifications, but it should be noted that there is nothing in these scenarios that has not already been achieved in the member countries and in the Community as a whole in recent periods, in widely varying external circumstances. As such, therefore, the results are not implausible even if they would certainly constitute difficult targets to reach and would require persistent efforts from all economic agents, public and private, over a long period.

1 This slow growth of real wages in 1993-94 is justified by the fact that productivity growth is still cyclically influenced and that a substantial part of it comes from employment decreases. It should thus not be considered as distributable.

2 The profitability index would reach 96,1 in 1996 and 107,1 in 2000 as against 93,6 and 102,4 respectively for those two years in Scenario 1.

3 See *European Economy*, Supplement A, No 7, July 1992.

4 Scenario 2b only takes into account the Community part of the Edinburgh conclusions and does not incorporate all national contributions going beyond what is already included in the Commission services' short-term forecast, 1993-94 (January 1993).

5 These assumptions are purely illustrative and do not prejudge what could be decided in the G7 meetings.

Table 6

Summary table: Growth scenarios for the Community,[1] 1993-2000
Yearly profile for growth, investment and unemployment rates

	1993	1994	1995	1996	1997	1998	1999	2000
Real GDP growth								
Scenario 0[2]	0,7	1,7	2,3	2,2	2,1	2,0	2,0	2,1
Scenario 1	0,7	1,7	2,3	3,0	3,8	3,9	3,8	3,7
Scenario 2	0,9	1,8	3,0	3,3	4,1	4,0	3,9	3,8
Investment share								
Scenario 0	19,4	19,4	19,8	20,0	20,1	20,2	20,3	20,4
Scenario 1	19,4	19,4	20,0	20,4	21,4	22,1	22,6	23,0
Scenario 2	19,6	20,0	20,8	21,5	22,5	23,2	23,8	24,2
Unemployment rate								
Scenario 0	10,6	11,0	11,1	11,1	11,3	11,5	11,6	11,7
Scenario 1	10,6	11,0	10,9	10,6	9,6	8,5	7,4	6,3
Scenario 2	10,5	10,7	10,1	9,5	8,2	6,9	5,7	4,3

[1] Including West Germany.
[2] All scenarios are derived from a baseline projection (Scenario 0) and policy multipliers coming from the Quest multinational macro model of the Commission services. For the year 1993-94, the model has been calibrated (in Scenarios 0 and 1) on the most recent (January 1993) short-term forecast of the Commission services.
Source: Commission services.

5. Conclusions

The recovery process of the EC economies which gathered full momentum during the second half of the 1980s was most unfortunately stopped in 1991-93 when it was still incomplete and had not yet reached sustainability. Although the determinants of growth are not yet seriously affected, the situation leaves no room for complacency given the worrying deterioration of the labour market and the risks for the major Community projects.

In such a situation, psychological factors become as important as economic fundamentals and there is a substantial risk that the prevailing pessimism will become self-fulfilling. There is, however, no example in modern history of recession without end and the resumption of growth should not be seen as a foregone conclusion.

Indeed, it can be shown by quantified normative scenarios that the maintenance and, in some cases, strengthening of the policy consensus and of the behavioural changes which emerged during the 1980s, along the lines of the measures outlined in the Edinburgh Summit conclusions, could restore a non-inflationary, sustainable and labour-creating growth process in the Community.

To these macro elements must also be added the micro impact of the pursuit of structural policies launched during the 1980s aimed at improving the flexibility and competitiveness of markets. These elements are difficult to quantify in the (very) global macro framework used in this study but they would undoubtedly go in the right direction and facilitate the achievement of the overall results presented in the growth scenarios.

The process is, however, a medium-term one with very stringent requirements in terms of public policies and private behaviour. Its achievement should, therefore, not be taken for granted but, as shown by the illustrative 'slow-growth' projection, there is really no other acceptable solution for the correction of the major Community imbalance: its unacceptably high unemployment rate.

Table 7

Illustrative growth scenarios for the Community,[1] 1993-2000
Scenario 2a: Scenario 1 + stronger wage moderation

(annual percentage change, unless otherwise stated)

	1993	Average 1993-96	1996	1997	Average 1997-2000	2000
1. Real GDP growth	0,6	2,0	3,1	4,0	3,9	3,8
2. Employment	−0,9	0,3	1,1	1,9	1,8	1,8
3. Labour productivity	1,5	1,7	2,0	2,1	2,1	2,0
4. Unemployment rate (% of civilian labour force)	10,7	10,6	10,2	9,0	7,2	5,4
5. Private consumption deflator	4,0	3,0	2,4	2,4	2,5	2,5
6. GDP deflator	3,1	2,8	2,4	2,4	2,5	2,6
7. Public deficit (% of GDP)	5,5	5,3	4,7	4,0	2,6	1,0
8. Public debt (% of GDP)	69,2	73,6	77,0	77,4	75,5	72,6
9. Public investment (% of GDP)	2,7	2,8	2,8	2,8	2,8	2,8
10. Nominal wages/head	3,3	3,3	3,4	3,6	3,8	3,8
11. Real wages/head	0,2	0,5	1,0	1,2	1,2	1,2
12. Real unit labour costs	−1,3	−1,2	−1,0	−0,9	−0,8	−0,7
13. Profitability index (1961-73 = 100)	88,9	92,2	96,1	99,7	103,7	107,1
14. 'Real' long-term interest rate (deflated with GDP deflator)	5,7	5,1	4,8	4,5	4,4	4,3
15. Capital-output ratio	3,4	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	19,4	19,9	20,7	21,7	22,6	23,3
17. Fixed capital stock	2,4	2,5	2,8	3,2	3,5	3,8
18. Private consumption	0,4	1,4	2,6	3,0	3,4	3,6
19. Public consumption	1,2	1,2	1,2	1,2	1,2	1,2
20. Total investments	−1,5	3,1	6,0	9,0	7,1	5,6
21. Exports	3,5	4,7	5,7	6,0	6,1	6,2
22. Final demand	1,1	2,5	3,8	4,6	4,5	4,4
Saving balances (% of GDP)						
23. Household savings	9,0	9,1	9,1	9,2	9,1	9,0
24. Corporate savings	11,9	12,5	13,0	13,2	13,0	12,3
25. Private savings (= 23+24)	20,9	21,6	22,1	22,4	22,1	21,3
26. Public savings	−1,8	−1,6	−1,1	−0,4	1,0	2,7
27. National savings (= 25+26)	19,1	20,0	21,0	22,0	23,1	24,0
28. Current balance	−0,4	−0,1	0,1	0,1	0,3	0,5
29. Gross capital formation (= 27−28)	19,5	20,1	20,9	21,9	22,8	23,5

[1] Including West Germany.
Source: Commission services.

Table 8

Illustrative growth scenarios for the Community,[1] 1993-2000
Scenario 2b: Scenario 2a + Edinburgh investment package

(annual percentage change, unless otherwise stated)

	1993	Average 1993-96	1996	1997	Average 1997-2000	2000
1. Real GDP growth	0,9	2,2	3,2	4,1	4,0	3,8
2. Employment	−0,7	0,4	1,2	1,9	1,8	1,8
3. Labour productivity	1,6	1,8	2,0	2,2	2,2	2,0
4. Unemployment rate (% of civilian labour force)	10,5	10,2	9,6	8,4	6,6	4,7
5. Private consumption deflator	4,0	3,0	2,4	2,4	2,5	2,5
6. GDP deflator	3,1	2,8	2,4	2,4	2,5	2,6
7. Public deficit (% of GDP)	5,5	5,2	4,6	3,9	2,4	0,7
8. Public debt (% of GDP)	69,1	73,1	76,2	76,5	74,4	71,3
9. Public investment (% of GDP)	2,9	2,8	2,8	2,8	2,8	2,8
10. Nominal wages/head	3,3	3,3	3,4	3,6	3,8	3,8
11. Real wages/head	0,2	0,5	1,0	1,2	1,2	1,2
12. Real unit labour costs	−1,3	−1,2	−1,0	−0,9	−0,8	−0,8
13. Profitability index (1961-73 = 100)	89,4	93,1	97,1	100,6	104,1	107,1
14. 'Real' long-term interest rate (deflated with GDP deflator)	5,7	5,1	4,8	4,5	4,4	4,3
15. Capital-output ratio	3,4	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	19,6	20,5	21,5	22,5	23,4	24,2
17. Fixed capital stock	2,5	2,7	3,0	3,4	3,8	4,0
18. Private consumption	0,4	1,4	2,6	3,0	3,4	3,6
19. Public consumption	1,2	1,2	1,2	1,2	1,2	1,2
20. Total investments	−0,2	4,2	6,4	9,1	7,1	5,6
21. Exports	3,6	4,9	5,8	6,0	6,1	6,2
22. Final demand	1,2	2,8	3,9	4,6	4,5	4,4
Saving balances (% of GDP)						
23. Household savings	9,2	9,5	9,7	9,8	9,6	9,5
24. Corporate savings	12,0	12,5	13,1	13,4	13,2	12,6
25. Private savings (= 23 + 24)	21,2	22,0	22,8	23,2	22,8	22,1
26. Public savings	−1,8	−1,5	−1,0	−0,4	1,1	2,8
27. National savings (= 25 + 26)	19,4	20,5	21,8	22,8	23,9	24,9
28. Current balance	−0,4	−0,2	0,1	0,1	0,3	0,5
29. Gross capital formation (= 27 − 28)	19,8	20,7	21,7	22,7	23,6	24,4

[1] Including West Germany.
Source: Commission services.

Table 9

Illustrative growth scenarios for the Community,[1] 1993-2000
Scenario 2c: Scenario 2b + stronger external demand

(annual percentage change, unless otherwise stated)

	1993	Average 1993-96	1996	1997	Average 1997-2000	2000
1. Real GDP growth	0,9	2,2	3,3	4,1	4,0	3,8
2. Employment	−0,7	0,5	1,3	2,0	1,9	1,8
3. Labour productivity	1,6	1,7	2,0	2,1	2,1	2,0
4. Unemployment rate (% of civilian labour force)	10,5	10,2	9,5	8,2	6,3	4,3
5. Private consumption deflator	4,0	3,0	2,4	2,4	2,5	2,5
6. GDP deflator	3,1	2,8	2,4	2,4	2,5	2,5
7. Public deficit (% of GDP)	5,5	5,2	4,6	3,9	2,4	0,7
8. Public debt (% of GDP)	69,0	73,0	76,1	76,3	74,0	71,2
9. Public investment (% of GDP)	2,9	2,8	2,8	2,8	2,8	2,8
10. Nominal wages/head	3,3	3,3	3,4	3,6	3,7	3,7
11. Real wages/head	0,2	0,5	1,0	1,2	1,2	1,2
12. Real unit labour costs	−1,3	−1,2	−1,0	−0,9	−0,9	−0,8
13. Profitability index (1961-73 = 100)	89,5	93,3	97,4	100,7	104,1	106,9
14. 'Real' long-term interest rate (deflated with GDP deflator)	5,7	5,1	4,8	4,5	4,4	4,4
15. Capital-output ratio	3,4	3,4	3,4	3,4	3,4	3,4
16. Share of investment in GDP	19,6	20,5	21,5	22,5	23,4	24,2
17. Fixed capital stock	2,5	2,7	3,0	3,4	3,7	4,0
18. Private consumption	0,4	1,4	2,6	3,0	3,3	3,6
19. Public consumption	1,2	1,2	1,2	1,2	1,2	1,2
20. Total investments	−0,2	4,3	6,4	9,1	7,1	5,6
21. Exports	3,8	5,0	5,9	6,2	6,3	6,4
22. Final demand	1,3	2,8	3,9	4,6	4,6	4,5
Saving balances (% of GDP)						
23. Household savings	9,2	9,6	9,8	9,9	9,7	9,5
24. Corporate savings	11,9	12,5	13,1	13,3	13,2	12,7
25. Private savings (= 23 + 24)	21,1	22,1	22,9	23,2	22,9	22,2
26. Public savings	−1,8	−1,5	−1,0	−0,3	1,2	2,8
27. National savings (= 25 + 26)	19,3	20,6	21,9	22,9	24,1	25,0
28. Current balance	−0,4	−0,1	0,2	0,2	0,4	0,6
29. Gross capital formation (= 27 − 28)	19,7	20,7	21,7	22,7	23,7	24,4

[1] Including West Germany.
Source: Commission services.

Study No 2

Structural impediments to growth in the EC: the most pressing issues

Structural impediments to growth in the EC: the most pressing issues

Summary

The process of structural transformation has accelerated very significantly over the past two decades, mainly due to rapid technological change and closer integration, in particular, within the European Community. The adaptation of the productive structures to the new environment has fallen short of what is required. This has contributed to reduced rates of growth, to higher inflation and record unemployment levels. Governments have reacted to this challenge by structural policy measures. Their common objective is to facilitate the optimal allocation of resources in reaction to changing circumstances. For this purpose, impediments to structural change have to be identified and tackled by appropriate means. This study presents different approaches to structural improvement which at present dominate the discussion in the Member States.

Following a short introduction, Section 2 succinctly restates the broad case for structural adjustment. This is then followed by sections examining the major structural rigidities in the markets for goods and services, in the public sector and in the labour market, as they have been discussed recently in Community forums and at national level.

Structural impediments in the production and sale of goods and services are described in Section 3. It tackles:

(i) impediments to market access, for example by licensing, recognition of professional qualifications, prudential rules and other regulations which, in a number of cases, seem excessive;

(ii) State subsidies, which negatively affect the performance of the economies in various ways, and, in particular, the functioning of the internal market;

(iii) the sectors in which the offer of goods and services is especially restricted and other impediments to increased competition in the markets for goods and services.

The current debate concerning the size, efficiency and interventions of the public sector in relation to the overall macroeconomic performance is considered in Section 4. The main criticism of the size of public-sector activities is closely connected with the amount of taxation that must finance it. Governments face a sort of increasing fiscal competition due to the liberalization of international capital movements, the creation of the internal market and progress towards EMU. These developments are reducing the scope for divergent national burdens through taxes and social contributions. In addition, special areas are referred to, in which large scope for improvements is seen: in the regulatory framework, the redistribution of wealth, the provision of public infrastructure and public services.

High and rising unemployment draws continuous attention to the labour market; therefore Sections 5 and 6 focus on major proposals for structural measures which have been raised in discussions at national level in the Community. Section 5 concentrates on structural deficiencies on the demand and the supply side of the labour market, such as rigidities in working conditions, especially working time arrangements, costs of hiring and dismissals, mismatch, work disincentives, regional mobility, etc.

The final section highlights the role of wages in the Community and the issue of facilitating a more appropriate adjustment of wages to macroeconomic constraints while respecting free collective bargaining. The achievement of this objective could be enhanced by various approaches being presented in this section:

(i) different methods used by Member State governments which have been devised in order to coordinate their macroeconomic policy strategies and wage behaviour;

(ii) wage indexation;

(iii) decentralization of collective bargaining;

(iv) more wage differentiation;

(v) strengthening of the social dialogue.

1. Introduction

Over the past two decades, the pace of change in the factors which determine the way economies function has accelerated dramatically. The replacement of steel by plastics and composite materials, the very large change in the relative price of energy during the 1970s and the large-scale introduction of new production technologies made possible by cheap production of microprocessors are just some of the most obvious examples. As a result, the normal process of structural transformation of the economies has also accelerated very significantly. Notwithstanding this acceleration, the adaptation of the productive structures to the new environment has fallen short of what would have been required. This has led to reduced rates of growth, to higher inflation and record unemployment levels.

The magnitude and the speed of the changes in the economic environment revealed the rigidities present in all developed economies as a result of various factors such as government regulations, private-sector agreements, vested interests and, often, simply deep-seated habits. In general, most of these 'impediments' to change are the response to legitimate concerns of advanced societies and maintain their *raison d'être* even under close scrutiny, suffice it to mention the bulk of safety, social and environmental regulations. However, the experience of the last two decades has shown that in many cases these 'impediments' were either not necessary any more to fulfil the original aims, or that the balance between their positive and negative effects had changed substantially. In addition, greater awareness of the need for structural adjustment highlighted the existence of obstacles whose existence had never been justified. This has made governments recognize that active steps had to be taken to facilitate the adjustment of economic structures. Efforts in this direction — labelled 'structural adjustment policies' — were undertaken during the 1970s, but significant progress only became evident during the past decade.

Growing economic integration, both within the Community and at world level, has added to the importance of structural adjustment policies via the impact of greater competition on the need to adapt rapidly, changes in the international division of labour and the reduction in the effectiveness on the domestic economy of macroeconomic policies. These factors are particularly important in the case of the European Community in the light of the high degree of economic, financial and monetary integration already achieved on the way to the internal market and economic and monetary union. For this reason, structural adjustment policies figure prominently in all Community economic policy documents, the most recent examples being the Edinburgh Declaration on the promotion of economic growth and the Annual Economic Report for 1993.

The present study draws on the work that is being done in Community forums and in the Member States to present briefly the major problem areas which have been identified and some of the possible corrective actions which are being discussed.

The current debate concerns essentially measures to be taken at the national level and makes only passing references to the two major Community initiatives in this area: the internal market and EMU. This is due to the fact that, although the former is not yet fully implemented and the latter is only outlined, their prospects are sufficiently firm for these projects to constitute a given framework for Member States in the medium-term perspective in which all structural adjustment policies must be seen. It should not be forgotten that although the formal transition to EMU is still some years away, many countries operate in conditions not very dissimilar from those of a fully-fledged monetary union. This situation implies that the removal of the impediments identified is almost always the sole responsibility of the Member States concerned and that the proposed solution must be adapted to the specific situation of each individual country. Close cooperation and concerted action in this area, however, remain very important to ensure that new measures do not run counter to common objectives, to derive useful lessons from the experience of other countries and to help overcome resistance by highlighting progress made in competing regions and countries.

The second section below succinctly restates the broad case for structural adjustment. This is then followed by sections examining the major structural rigidities which are preventing the economies from achieving higher growth and lower unemployment. These rigidities can be grouped under three major headings:

(i) insufficient competition in the production and offer of goods and services;

(ii) size, efficiency and interventions of the public sector;

(iii) functioning of the labour markets.

2. Removal of structural impediments to growth: a greater effort is needed

The objective of structural policies is to facilitate the optimal allocation of resources in reaction to changing circumstances. This requires action in a variety of fields ranging from the generation of market signals to the ability of markets to respond to these signals and to the abolition of biases and constraints in the functioning of markets. Very often price signals are distorted, or markets do not react timely to correct prices, or the functioning of the markets is generally impaired. In most cases, these distortions are the direct or indirect result of interventions by the public sector, by groups of producers or are the product of historic events. In all these cases actions must be taken to identify the causes of the distortion and remove them as rapidly as possible.

Success in increasing the flexibility of the economies translates into higher productivity, higher investment profitability, stronger investment and, ultimately, stronger output growth. This will obviously have positive consequences on job creation and on unemployment levels. But structural adjustment measures can help lower unemployment more directly when they are specifically aimed at improving the functioning of the labour markets. Moreover, flexible economies are also needed to reduce the costs of adjusting to possible exogenous shocks and of correcting macroeconomic imbalances where these give cause for concern.

2.1. Structural adjustment policies lead to stronger growth and lower unemployment

(i) Artificially distorted prices represent one of the most common and serious factors that impair the functioning of the economies. The painful transition of the economies of Central and Eastern Europe constitutes a vivid illustration of this point, but price distortions are very common also in the developed economies. Prices must reflect production costs and relative scarcity to allow resources to be allocated efficiently. If this is not the case, resources are misdirected to obsolete or inefficient uses, where market returns are insufficient to meet costs. This in turn increases the difficulty of attracting additional resources to areas of expanding production and leads to higher unemployment and a faster rise in the overall price level than would otherwise be the case.

For the signal represented by prices to maintain its validity, it is important that the rate of inflation be kept low. Allocation of resources is determined by changes in relative prices which are more difficult to perceive when they are obscured by large movements in the overall price level. This consideration highlights one of the many complementarities between structural and macroeconomic policies. As observed in the previous paragraph, structural adjustment policies contribute to lower inflation through their effect on the allocation of resources, but macroeconomic policies which ensure that inflation is kept low facilitate the structural adjustment of the economies since they maintain the effectiveness of price signals.

(ii) Generating correct prices does not help if markets are not able to respond rapidly to changes in prices. This is often the case when the sector is controlled by few producers or buyers or when its operation has been the object of government interventions. Monopoly positions may be abused to delay the response to price changes. The existing producers sometimes refuse to switch to new, more efficient production techniques if that could involve reducing their monopoly position and fight the arrival of new competitors or resort to various other types of restrictive practices.

Experience has shown that, unfortunately, when government intervention is invoked and obtained this is often in the direction of preventing the changes in prices from provoking the appropriate market response. Government intervention may also be necessary in various instances to cushion the effects of rapid changes, but its aim should be to accompany the transformations rather than delay or block them. Indeed, there are many cases where government intervention, if correctly conceived and implemented, could accelerate structural adjustment and contribute to higher growth.

(iii) Irrespective of the effectiveness of price signals, markets are often constrained by various forms of regulation that limit the range of products, influence production techniques and generally constrain the use of productive factors. In the majority of cases these constraints are justified on more important grounds such as social and environmental protection, consumer safety, national defence, etc. But the factors that justify the introduction and the maintenance of these constraints are themselves in constant evolution. Again, experience shows that unfortunately the constraints tend to outlive the conditions that justified their imposition. The most common example of this situation is found in regulations that have given rise to public monopolies which were originally justified by national security considerations or technological limitations. The world political situation has changed, technology has evolved, but the dismantling of the monopolies is resisted because of its short-term implications on employment.

The labour market is usually identified as an area where constraints are very numerous (see Section 5). Some are the result of safety and social protection measures. By and large, Europe is an area characterized by a high degree of protection in this respect. This situation is not seriously challenged as there exists a consensus on the need to maintain this high level of protection. Heated discussions, however, take place on some provisions which appear out of date, on the possibility of reducing the administrative costs that the application of some regulations entail and on some more fundamental points related essentially to the freedom of firms to recruit and dismiss workers. Other, and sometimes more serious, constraints are due to skills mismatch, insufficient mobility of workers or, simply, poor functioning of the market when demand and supply have difficulty to meet.

The interest for the functioning of the labour market, however, is linked also to the fact that it profoundly affects macroeconomic conditions through the outcome of autonomous wage negotiations (see Section 6). There is a consensus that at present, the results of wage negotiations do not sufficiently reflect changes in macroeconomic conditions. Consideration is therefore given to measures which, in respect of the autonomy of the social partners, could make wage-setting procedures more responsive to macroeconomic conditions.

2.2. Growing economic integration requires more emphasis on structural policies

The general case for action to remove structural impediments has become stronger with the growing integration of the world economy. Better telecommunications and transport mean that the number of relevant price signals increases; lower trade barriers lead to stronger competition and free capital markets imply that one of the factors of production has become extremely mobile. All these changes are very beneficial and have contributed to faster increases in wealth, but they have also meant that conditions in any specific sector, region or unit of production may change faster than in the past. Greater consideration must therefore be given to the elements which determine the location of productive investment. In this respect wages play a key role, but other factors are also very important such as the provision of good infrastructure, efficient public services and the availability of a highly skilled labour force.

At the same time, economic integration has reduced the room for manoeuvre at the domestic level of budgetary and monetary policy. Demand management through budgetary policy has become less effective because of the strong leakage to the external sector while monetary policy autonomy for small and medium-sized countries has all but disappeared. Under these conditions, structural adjustment policies have become the most effective instrument to modify economic conditions in a region or country. Their effects are strong and are concentrated in the area in which they are introduced and capital now reacts much more rapidly to improvements in the attractiveness of any given region.

These considerations are particularly relevant in the case of the European Community which constitutes an economic area characterized by a very high degree of economic integration. The internal market programme has significantly accelerated the process initiated with the Treaty of Rome and which will be completed by formation of a full economic and monetary union. Already now, the scope for an independent monetary policy is almost nonexistent for most Member States while that for budgetary policy is very small. For this reason, structural adjustment policies figure prominently in economic policy recommendations at Community and at national level. The informal Economic and Financial Affairs Council meeting in Oporto in May 1992 called for a significant strengthening of efforts to improve the adaptability of the economies. Discussions on various aspects of structural adjustment policies have taken place in various Community forums. More recently, the European Council meeting in Edinburgh and the Annual Economic Report presented by the Commission have restated the importance of continued efforts in this direction.

2.3. Difficult economic conditions make the implementation of structural policies more problematical and more urgent

The very limited margin for manoeuvre available to macroeconomic policies at the beginning of 1993 highlights the importance of structural adjustment policies. Unfortunately, structural adjustment implies change which is difficult to bring about in a depressed economic climate. This confronts the authorities with the additional challenge of convincing public opinion of the need to act not 'notwithstanding slow growth and rising unemployment', but because of 'slow growth and rising unemployment'. The full effect of structural adjustment measures can only be felt in the medium term. But there exist short-term effects due to the anticipation of economic agents that should not be underestimated. These are particularly important when bold measures can be perceived as signalling a 'regime' change. Changes in the budgetary procedures, in the degree of independence accorded to the central bank and large privatizations are good examples of measures that could be expected to produce short-term effects.

3. Structural impediments in the production and sale of goods and services

The economies of the Member States are very open both to the rest of the Community and to third countries. Yet they still present significant obstacles to competition that could be usefully removed. The implementation of the internal market programme has significantly contributed to more openness, but it has also brought to light many constraints and restrictions which had gone almost unnoticed until now. These obstacles can be found at different levels. The production of goods and the offer of services are still hampered by insufficient competition and by various forms of obsolete government restrictions. Furthermore, in many instances, the offer of goods and services on the markets suffers from an even more obvious lack of competition.

3.1. Lack of competition in the production of goods and services

3.1.1. Impediments to market access

Free access to the production of goods and to the offer of services within the Community is prevented by various practices which, in a number of cases, seem to be excessive, for example licensing, recognition of professional qualifications, prudential rules, internal arrangements of trade associations and a huge array of other formal requirements. Some of these regulations are justified by the necessity to maintain essential quality standards for the protection of health, security and consumers in general. In part, they may actually be considered economically efficient to the extent that they help consumers reduce the cost of informing themselves on the quality of the goods and services they want to buy. Information costs would be higher, for example, in the absence of prior proof of qualification and experience by professionals and service providers. But, in general, there is a feeling that regulations do not correspond to the present needs: in some cases they may still be insufficient, in others they have become costly and superfluous.

The markets where access limitations appear excessive and are considered most damaging are those for certain services (retail, catering, hotels) and the liberal professions. Particularly disputable seem cases of self-regulation by an industry or a profession. In some countries, market access is also restricted by the activities of public enterprises which are often in a position to exclude competition from private firms.

Some progress in this area is expected from the completion of the internal market, especially from the mutual acknowledgement of national regulations and/or harmonization of the standards, but various national measures are being considered in all Member States.

3.1.2. State subsidies

Subsidization of productive activities, as a rule, creates deviations from market results, distorts the allocation of resources and reduces efficiency. Only in cases of important externalities and other types of market failures can subsidies be justified. Unacceptable social burdens could also justify subsidies, but only for a strictly limited period.

Apart from the obvious budgetary costs and the matching burden on tax payers, including enterprises, subsidies negatively affect economic performance in various ways. They distort competition among existing enterprises and, very important for long-term growth prospects, they prevent market entry of potentially innovative competitors. In general, subsidies tend to slow down structural changes induced by market developments. In special cases, however, subsidies could reduce the overall costs of structural change and improve competitiveness by supporting, for example, research and development activities, the pay-off of which could not be restricted to the enterprise which invested its funds. If a market failure is identified, State aids are also justified in order to distribute the overall social and economic adjustment costs over a larger area and a longer but limited timespan.

Cutting subsidies has always been on the agenda of all governments, but success has hitherto been fairly limited. The 'Third survey on State aids in the European Community in the manufacturing and certain other sectors' has revealed that the overall level of aid declined slowly over the five years 1986 to 1990, however, with a slight upward swing in the last year under review. This resilience of State aid is due to the fact that the short-term negative effects of cuts in subsidies are more visible, and politically more vocal, than the larger medium-term gains.

The present budgetary difficulties are forcing all governments to review the structure and the amount of subsidies. The current economic difficulties, on the other hand, are increasing the pressure to extend subsidies. Monitoring of State subsidies at the Community level, always necessary to prevent distortions of competition, may help to resist calls for unjustified increases in the present level of subsidies.

3.2. Lack of competition in the offer of goods and services

Free competition in the offer of goods and services in the Community is restricted by a number of regulations which were introduced to respond to particular temporary market conditions, to specific characteristics of some sectors and to technical constraints which led to the creation of natural monopolies. Agriculture, coal, textiles, energy, telecommunications and transport are all examples of this situation.

There exists a consensus, however, that the considerations which justified the introduction of these regulations in many cases do not exist any more. This is particularly obvious in those cases where the restrictions were due to the existence of natural monopolies due to technical considerations. Technological progress has now removed these constraints and competition could be increased. Sectors that are being scrutinized with this view are:

(i) the market for piped and wired types of energy;

(ii) the transport market;

(iii) the telecommunications markets.

Increased competition could be achieved by:

(i) the abolition of official monopolies and, more generally, opening the sectors to greater domestic and international competition;

(ii) removing technical barriers;

(iii) improving the protection of intellectual property rights (nationally and internationally);

(iv) banning horizontal price arrangements and market share arrangements;

(v) strengthening competition policy at Community level to monitor Community-wide markets.

4. The public sector

The role the State is expected to play in a modern society creates a huge scope for possible conflicts between State action and economic efficiency. It is therefore not surprising that State intervention, in all its forms, is closely scrutinized in the search for areas for structural improvements. The current debate deals on the one hand with the size of government activities in the economy and, on the other, with the way in which specific interventions take place.

4.1. The size of the public sector

It has already been stressed that most structural adjustment measures are the responsibility of Member States, but in few issues is this so evident as in the case of the relative size of government intervention in the economy. It is possible to state, however, that there is a general conviction that in most Member States government activities have increased so much as to represent a drag on economic efficiency through their sheer size. However, in some countries, particularly in the less prosperous ones, there may still be a need for increased public activity.

Thc main criticism of the size of public intervention is closely connected with the amount of taxation that must finance it. In effect, the tax burden crucially affects the expected net returns on economic activity. It also influences, together with the supply of public goods and services, the attractiveness of a country as a location for investment. The average level of taxation in the Community is substantially higher than in the United States or Japan, although lower than in the EFTA countries.[1]

An additional pressure on the level of taxation, and indirectly on the size of the public sector, is represented by the fact that the liberalization of international capital movements, the creation of the internal market and the progress towards EMU are reducing the scope for divergent national burdens through taxes and social contributions. This implies that governments face a sort of fiscal competition to which they will have to react by avoiding an excessive burden on those production factors which, through their mobility, can escape high taxation.

This situation has induced governments to take steps and to consider further measures to broaden the tax base and reduce high marginal tax rates. At the same time, concern has been expressed about the effects of too strong a competition among Member States in the fiscal area. All governments are considering modifications and simplification of their tax systems which have become overly complex: there are Member States where more than 200 different taxes are being levied!

The already high level of taxation is exerting pressure on governments to cut public expenditure in preference to increasing taxes when budgetary consolidation efforts have to be undertaken. This is essentially taking the form of a continuous review of entitlements (transfers to households and enterprises) and of a tight rein on the public-sector wage bill. Furthermore, expenditure on the main public purposes is being squeezed from the worrying increase in the cost of servicing high and rising levels of public debt. On average, interest payments represent in the Community between 10 and 11% of all public outlays and the share is increasing

[1] In 1991, current receipts for general government as a percentage of GDP were: in the Community (including the new German *Länder*) 44,7%, in the United States 34,2%, in Japan 33,8% and in the EFTA countries 48,2%.

constantly. In some Member States this share is already above 20%.

As part of the effort to control public expenditure governments are considering modifications of their budgetary processes both at the parliamentary and at the administrative levels. The experience of recent years has shown that budgetary outturns have often been very different from the initial government plans.

4.2. Specific public-sector interventions

(i) **The regulatory framework.** This is one of the most important forms of government intervention and it produces effects in all the areas where the scope for structural reform is explored. In general terms, the goal is to seek a balance between a certain stability needed to ensure a reliable framework for economic decision-making and sufficient flexibility to evolve with the dynamics of economic and social developments.

The effects of regulations on the housing sector are not dealt with elsewhere in the paper and should be briefly addressed here. Social considerations have obviously loomed large in this area, but this has led to a very high degree of rigidity. In particular, some of the regulations have developed effects contrary to their original aims. Excessive protection of tenants has tended to impair not only the re-renting of units but also the provision of additional residential construction. In some cases, the market for rented housing has all but disappeared. This has led to a very difficult situation, especially for those social groups that the original legislation wanted to protect, and has seriously discouraged inter-regional labour mobility.

(ii) **The redistribution of wealth.** This constitutes the single largest item of public expenditure. The provision of social security is a major task for social, market-oriented democracies. However, the size reached by payments in this area is pushing governments to consider again the economic consequences of social benefits.

(iii) **The provision of basic public infrastructure.** There is a consensus that there is still a large scope for improvement in the basic infrastructure of the Community. In particular, substantial shortcomings have been identified in the international links due to the fact that older infrastructure networks have been planned and built in a domestic perspective. Improving the quality of the existing infrastructure and completing the so-called 'missing links' is important to reap the full benefits of the single market.

National efforts in this area are supported by the Community structural Funds, by the Community initiative to construct trans-European networks and additionally by the recent decisions taken at the Edinburgh Summit on the creation of a European Investment Fund and a temporary lending facility within the European Investment Bank. Furthermore, the necessary expansion of infrastructure could be accelerated by using private-sector financing and operating models for infrastructure facilities. A shift of public expenditure from consumption and/or subsidies to investment is being considered as a way of increasing the resources available without increasing taxation or the deficits.

(iv) **The provision of public services.** Concern in this sphere relates essentially to two areas. The first is the extension of the provision of services to domains where the private sector could be more efficient. This is often the result of arrangements which have outlived their historical reasons. These services are provided by the State at prices not corresponding to their true economic costs. The presence of the State in these sectors often prevents competition through explicit regulation or through *de facto* behaviour. Consideration is being given to increasing competition in these areas, privatizing government activities and/or introducing more market-oriented prices in those services that the State continues to provide.

The second area of concern is the poor quality of the services which the State must in any case continue to provide. Reform proposals in this sphere concentrate on increasing incentives for public employees and management to improve their performance. Consideration is also given to increasing the degree of accountability of bureaucratic decision-making to controlling bodies and to the general public which, in many countries, seems to be very low.

5. Structural rigidities in the labour market and potential areas of reform

The situation on the European labour market since the beginning of the 1970s has been characterized by unemployment following a rising trend. This trend was caused by an unfavourable combination of developments: on the supply side by a stronger increase in the labour force due to demographic factors and rising participation rates, and on the demand side by relatively slow output growth and technological progress, both of which prevented greater absorption of the growing labour force.

The recent rise in European unemployment rates is due to the cyclical slowdown in economic growth and does not reflect an independent deterioration of the adaptability of the labour market. It should not be overlooked, however, that the slowdown in economic growth and the rise in unemployment lead to more resistance against structural change. This confirms the assessment that sustained economic growth is the crucial precondition for a gradual reduction of unemployment in the Community. The experience of the last decade has shown that the combination of accelerated economic growth and a high employment content of growth generate a considerable increase in employment. Nevertheless, the reduction in unemployment could be supported by structural improvements on both sides of the labour market. In the following sections, major proposals for structural measures are presented which have been raised in discussions at national level in the Community.

5.1. Areas for improvement on the demand side of the labour market

In addition to non-inflationary, sustained and strong growth the creation of additional jobs could be facilitated by removing structural deficiencies on the demand side of the labour market in various areas:

(i) Working-time arrangements became much more flexible in the last decade, allowing for larger differences between weekly working and operating times in manufacturing and in the services sector. However, in some countries the regulation of working conditions is still considered restrictive.

(ii) Employment contracts could be reformed, permitting a wider variety of arrangements.

(iii) More flexibility with respect to raising the retirement age essentially on a voluntary basis has been discussed in several member countries. Current demographic trends stress the need for more flexible retirement patterns aimed at raising the average retirement age.

(iv) High costs of hiring and dismissals are regarded as an obstacle to more employment. The reduction of these costs would facilitate the supply of regular job opportunities.

5.2. Areas for improvement on the supply side of the labour market

Promising areas for improvement on the supply side of the labour markets are identified in the educational and training systems and in the social security systems, with respect to enhancing regional mobility and supporting the entry and re-entry of disadvantaged groups into the labour market and vocational training and retraining.

5.2.1. Mismatch, skill shortages

Even if skill shortages appear not to be of a sufficiently large scale to substantially hinder output and employment growth, the training and educational systems do not always provide an adequate number of people with the necessary skills. Some Member States, however, have observed substantial oversupplies (unskilled workers, some academic formations) and undersupplies (skilled technical workers). Training and retraining at work is widely felt to fall short of needs.

Proposals have been put forward that existing skill mismatches could be identified in cooperation between the social partners and public authorities, and training facilities could be adjusted accordingly. A commonly proposed solution to this problem is a greater involvement of enterprises concerning the content of training programmes and their financing. This approach induced several Member States to go further and to propose the introduction of a 'dual' occupational training system in which schooling and practical training in the firm go in parallel.

Some countries have noticed that a certain number of unemployed are often not only unskilled but sometimes even seem to be untrainable in the sense that they lack the basic skills needed to participate successfully in educational or training programmes. The countries concerned give high priority to changing this situation.

Similarly, experienced, older workers also need training and retraining to keep up with technological changes.

5.2.2. Social security schemes and their impact on work incentives

There is a consensus that a delicate balance has to be maintained or achieved between incentive-efficient and acceptable social security schemes in line with the principles laid down in the Community Social Charter. Minimum wages and generous social support or insurance payments reduce incentives to search intensively for work or to pursue additional qualification measures. Notably, in the case of low-income workers and/or families with dependent children, incentives to resume work can be minimal or nonexistent (poverty trap).

On the other hand, it is not possible to grant benefits below a socially accepted minimum. However, the notion about social acceptability may change with the macroeconomic situation and the social safety net consequently will have to be adjusted. Disincentives to work are generally aggravated by high marginal income-tax rates. The transition from social benefits to earned income often implies a 'marginal tax rate' of 100 % if social benefits are cut by the total amount of the additional income. A reduction of the disincentives could therefore be achieved through appropriate changes in the tax treatment of benefits in particular or the marginal income-tax rate in general, and by making the length and level of benefit payments more dependent on certain criteria such as the intensity of job search, or training activities.

5.2.3. Regional mobility

Regional mobility in the EC is low by international standards, Ireland and — to a lesser extent — Greece being the exceptions. Generally, a higher degree of regional mobility is seen as desirable to smooth out regional imbalances. However, it is believed that regional mobility can only be one means among others to reduce regional disparities in unemployment rates. The preferred solution would be the attraction of employment-creating investment by regions with severe unemployment problems instead of massive migration movements from the more peripheral regions to the central agglomerations.

In all member countries, important impediments to mobility exist in one form or another, caused by various factors which could be changed in favour of more mobility: insufficient wage differentiation, the abovementioned rigidities in the housing market, the non-transferability of pension schemes (or at least losses arising from changing employer), seniority-oriented pay schemes. Other factors such as social and cultural ties or a high female participation rate with the resulting high number of double-income families have to be taken as given.

5.2.4. Employment for disadvantaged groups

An increase in the number of jobs typically absorbs first of all the experienced, short-term unemployed and those who re-enter the work-force. School-leavers, other newcomers, ethnic minorities and the long-term unemployed have more difficulty in finding a job. This pattern is reflected in the structure of unemployment. The productive potential of these groups does not appear to potential employers to correspond to their wage costs. The entry of newcomers and the re-entry of long-term unemployed into the work-force could be further facilitated by a variety of measures aimed at individual wage costs adjusted to their productivity and at improving the productivity of these groups. This could be enhanced in particular by facilitating their access to the labour market, to education, vocational training and retraining.

6. Wage adjustment and wage-setting procedures

The recent slowdown in economic growth has led to a significant rise in unemployment. The Community unemployment rate in 1993 will probably go beyond the previous peak in 1985, i.e. the gains during the second half of the 1980s will be lost in the present economic downturn. The revival of inflationary pressures which started in 1989/90 and the acceleration of wages in 1990/91 led to the consequent tightening of monetary policies. This created a nominal squeeze between the evolution of nominal variables and official monetary policy and inflation targets. Wages are playing a most important role for the relaxation of this squeeze. They are the decisive factor for the development of employment and prices and thus for nominal convergence, the compliance with EMU criteria and the stability of exchange rates in the Community. A short-term return to nominal wage increases more in line with inflation targets and with the recent reduction in productivity growth would help curb inflationary expectations. This would lower long-term interest rates further and allow central banks to reduce their interest rates. Because of the dominant influence of Deutschmark interest rates in the EMS such a development in Germany would be of special importance for economic recovery in the Community. Price and wage developments also need special attention in member countries with above-average inflation rates and where currencies depreciated recently. Due to the slow growth of output in present times, the remaining growth of labour productivity is largely due to the shedding of labour. Such productivity gains provide no room for being distributed in the form of real wage increases.

The Annual Economic Report for 1993 argues in a medium-term perspective that the goal of full employment requires a higher level of business profitability which in turn would necessitate more moderate wage increases in line with low inflation rates. Real wages should not fully absorb the growth of labour productivity in order to strengthen profitability. This would lead to the desired revitalization of employment-creating investment. As labour productivity increases with higher investment and structural reform, real wage increases may then also be higher, thus triggering what could become a virtuous circle.

In full EMU with free trade and capital movements, the disappearance of intra-EC exchange rates and traded goods price differentials, the evolution of costs and particularly wage costs will have a crucial impact on regional supply-side conditions. In particular, a low productivity of labour which is not matched by correspondingly low wages will affect regional profitability and hence regional investment, output and employment. Thus, in order to foster a more appropriate regional growth pattern in the Community, specific wage moderation efforts aimed at alleviating and ultimately suppressing detrimental intra-EC unit labour cost differentials are required during the transition towards EMU.

6.1. Experiences in the 1980s

The slowdown in the Community economy since the end of 1990 ended a period of satisfactory growth of output and employment. This growth period was characterized by wage developments in most member countries and in the Community as a whole in line with macroeconomic constraints. A strong disinflation process was associated with a significant adjustment in the evolution of wages. This occurred in both real and nominal terms. Nominal wages decelerated and since 1982 nominal unit labour costs grew less than the price level. This contributed to the restoration of business profitability. The profitability index which had reached a low (64,3) in 1981 (compared to the index set as 1961-73 = 100) recovered subsequently to 91,1 in 1989. This recovery contributed decisively to the revitalization of investment growth. Simultaneously real wage increases lagged behind the growth of labour productivity; from 1982 to 1989 real wages (nominal wages deflated by the GDP-deflator) grew by 0,9% annually and labour productivity by 2,0%. Together with other favourable macroeconomic developments this wage trend contributed to nominal convergence, boosted investment, output and employment and generated a gradual reduction of unemployment.

In order to achieve a similar economic performance with respect to the creation of employment, output growth and convergence in the 1990s, economic policy should try to re-establish the conditions which had allowed the success of the second half of the 1980s. This growth process stopped mainly because actual output growth exceeded the growth of productive capacity and the stability of the macroeconomic framework deteriorated.[1] The initiatives which have been taken so far are based on the consensus that macroeconomic stability has to be maintained or restored.

[1] A detailed analysis and a medium-term perspective is to be found in the analytical study on 'Potential for growth and employment in the Community until the year 2000' and in the Annual Economic Report for 1993.

6.2. Approaches to achieve wage adjustment

The most essential precondition for achieving moderate wage increases and satisfactory growth of output and employment in the second half of the 1980s was a stability-oriented macroeconomic framework. Fiscal policy aimed at sustainable budgetary positions, most often connected with a containment of public expenditures, a reduction of budgetary deficits and an easing of the tax burden. Monetary policy provided for a narrow nominal framework designed to achieve the disinflation process. This process was externally supported by the world-wide reduction of inflation rates, the fall in the US dollar, the decline of the oil price, and corresponding gains in the Community terms of trade by which real wages in terms of consumption grew more than real wages in terms of costs. An effective constraint on price increases in the traded goods sector was provided by the exchange-rate mechanism of the European Monetary System, in particular for narrow-band member countries. Furthermore, the ERM emphasized the credibility of the stability orientation of macroeconomic policies.

6.2.1. Contributions of governments

Wages in the member countries are determined by free collective bargaining but, nevertheless, governments are involved in varying degrees aiming at wage developments in line with macroeconomic constraints.

France and other Member States which followed the French example have successfully tried to manage an *ex-ante* coordination between monetary policies and wage moderation. These countries succeeded in the first half of the 1980s in converting backward-looking wage compensation for losses in purchasing power, induced by inflation, into wage settlements based on forward-looking lower target rates of inflation. Governments adopted ambitious inflation targets which nevertheless seemed to be realistic and the social partners were invited to incorporate the expected reduction of the inflation rate into their wage settlements. Moderate wage increases in the public sector were used as an example for the private sector. This approach proved effective as long as the inflation targets were realized. It failed in member countries where overshooting of inflation targets resulted in unexpected losses of purchasing power and subsequent claims for compensation through higher nominal wage increases.

Governments in other Member States, such as Germany, have tried to influence the social partners only very indirectly. The two sides of industry in Germany are perfectly free in their wage agreements. The government produces projections on the macroeconomic outlook and requirements (Annual Economic Report). Together with the monetary target set by the Bundesbank, these objectives feed into the public discussion on appropriate wage developments. In a stable macroeconomic framework based on a broad consensus on the benefits of price stability, moderate wage increases were achieved. Although collective agreements differ between industries and regions, the sectoral and regional differentiation of wage developments is relatively small.

At the other extreme, in Ireland, government involvement in the wage formation process led to formal social contracts between the social partners and government. In October 1987 these partners agreed the programme for national recovery which included pay increases for all sectors of 2,5% annually for the three years to end-1990. The subsequent programme for economic and social progress has provided for basic pay increases averaging 3,6% annually for the period to end-1993. In addition there is provision for a 3% increase to be negotiated at local level in exceptional cases. These contracts do not conflict with the competitive needs of the Irish economy and have taken the expectations of low future inflation into account.

A particular role — as stressed recently by the conclusions of the Edinburgh European Summit — could be played by public-sector pay, which government directly influences as employer. Public-sector wage agreements could be presented in specific periods as a kind of reference mark for the private sector. In the long term, however, wage developments in the public sector cannot lag behind private-sector pay without affecting the motivation and qualifications of public employees and the quality of public services.

The cutting of tax rates and social contributions constitutes an additional channel for government to influence wage behaviour. A tax reform or a reform of the social security system aimed at a reduction of the collective burden could be utilized to support wage moderation. Appropriately designed reforms could narrow the gap between wage costs for employers and net wages for employees in order to provide more incentives for the creation of regular employment opportunities and for tackling the poverty trap.

6.2.2. Wage indexation

Wage indexation is still used in a number of wage agreements, but its macroeconomic importance has decreased during the last decade. A nation-wide practice of wage indexation is only used in Belgium, Luxembourg and, with regard to lower wages, in Greece.

The Belgian system of indexation is constructed in a particular rational manner in order to take macroeconomic constraints into account. The development of wages is automatically connected with the increase of the consumption price index. Thus collective bargaining is liberated from taking expected inflation into consideration. Bargaining has only to settle the real wage component. The utilization of this indexation scheme contributed decisively to the disinflation process and the restoration of business profitability during the 1980s. After the devaluation of the Belgian franc in February 1982, indexation was suspended for more than a year and real wages were frozen from 1983 to 1986. The international competitiveness of Belgian enterprises *vis-à-vis* its main trading partners is protected by a special safeguard clause. However, certain limits of the Belgian approach must not be overlooked: inflation and competitiveness (i.e. business profitability) are designed to move in line with those of Belgium's trading partners. This implies that the indexation scheme does not prevent a deterioration of both inflation and profitability in parallel to similar developments in Belgium's partner countries. Furthermore, despite the introduction of *ad hoc* adjustments, the flexibility of the wage structure is restrained which may cause longer-term problems.

In Greece only lower wages are indexed, and it is believed that the impact of this indexation scheme has been anti-inflationary during the stabilization period 1991-92. Public-sector pay is not indexed.

The Italian indexation scheme ('scala mobile') was abolished in 1992 because it suffered from a number of deficiencies. Wages were only partially indexed — 50% of the wage bill on average. The indexation compensated for past increases in the consumer price level. Wage settlements at national level have had an average duration of three years. This approach led to considerable recurrent jumps in the wage level and contributed to the wage-price spiral.

6.2.3. Decentralizing collective bargaining?

Wage-setting procedures in the Community differ widely among member countries with regard to the degree of centralization. Avoiding friction between wage developments and macroeconomic constraints raises the issue of whether a specific degree of centralization of wage bargaining is more favourable than other wage bargaining procedures in generating appropriate wage adjustments. Theoretical reasoning and empirical analyses have pointed to slight advantages for both clearly centralized and clearly decentralized systems whereas procedures between the two extremes tend to have greater difficulty in taking macroeconomic conditions into account. In centralized systems, the macroeconomic repercussions of inappropriate outcomes of collective bargaining quickly fall back on negotiators and the members of their organizations. This generates a forceful incentive for a thorough consideration of perceived macroeconomic constraints. In decentralized bargaining at enterprise level, the individual conditions for the enterprise and in the local or regional labour market will enter into the negotiations. The outcome will reflect these conditions. Macroeconomic constraints will be imposed by market forces via competition in the product and labour markets.

However, there is no obvious interrelation in the Community between the degree of centralization of wage negotiations and overall wage adjustment. Changes in the degree of centralization in either direction have generated ambiguous results: the increased centralization in Ireland, the increased decentralization in France and the reduction of centralization in Denmark all seem to have improved the wage performance with respect to macroeconomic objectives. Conversely, the data for the United Kingdom until recently do not exhibit a similar improvement as a result of the increased decentralization achieved since the first half of the 1980s. This underlines the importance of the stability orientation of macroeconomic policies.

On the other hand, countries with quite different wage-setting procedures have achieved approximately the same performance for most of the past decade: Belgium and Ireland with their systems of highly centralized negotiations, Denmark with its decreasing centralization, France with decentralized bargaining and Germany and the Netherlands with regionalized/sectoralized wage negotiations. These countries have in common, *inter alia,* their participation in the narrow band of the ERM from the very beginning and the corresponding commitment to stability-oriented macroeconomic policies and stable nominal exchange rates.

During the transition period towards EMU, wages have to adjust more to the individual conditions prevailing on the regional labour markets. Otherwise, the internal market and the single European currency would sanction a mismatch between high regional wage increases and low regional productivity gains by regional unemployment. Growing integration requires that wage agreements are reflecting regional economic conditions.

6.3. Impact of wage differentiation and minimum wages on employment

Apart from the overall adjustment of the wage level, the differentiation of wages with respect to qualifications, regions and sectors influences the employment performance of the economy. Wage differentiation is perceived in most countries as insufficient and should be improved.

The differentiation of wages according to qualifications is necessary, in order to motivate efforts aimed at:

(i) acquiring and improving vocational skills,

(ii) taking more responsibility,

(iii) improving work performance.

The regional differentiation of wages according to regional levels of labour productivity is of growing importance with the completion of the internal market and the transition towards EMU. On the way to, and in full, EMU, price differences for traded goods will tend to disappear so that the regional supply-side performance is increasingly determined by wage developments. As mentioned earlier, wage differentials which are not matched by corresponding productivity differentials will affect regional profitability and thus regional investment, output and employment. Regions with a real wage trend below the trend in labour productivity will gain a competitive edge over other regions where real wages and productivity evolve less favourable. Therefore, avoiding regional imbalances requires an appropriate regional differentiation of wages and wage developments.

The permanent structural change is closely connected with the rise and decline of individual sectors. In declining sectors, an appropriate reaction of wages could help to alleviate the decline. However, the sectoral differentiation of wages could not and should not neutralize changes in the sectoral distribution of output and labour according to shifts in demand and technical progress.

The existence of minimum wages has been criticized because they restrict the adaptability of wages to the productive contribution at the lower end of the wage scale. Workers whose estimated contribution to output is less than the minimum wage equivalent have no chance of regular employment. Especially the entry into the labour market by newcomers will probably be impeded. An appropriate reform could contribute to the solution of these problems.

6.4. Social dialogue

The common objective of a smooth macroeconomic development requires a close cooperation between the relevant social groups and the government. Furthermore, the transition to EMU in the course of the next few years necessitates improved nominal and real convergence and thus a more thorough understanding of the role being played by the level and structure of wages. A better consensus about desirable macroeconomic developments and their implications for supportable wage increases could be helpful. An appropriate means to foster such a broad consensus constitutes the social dialogue at the relevant levels. At Community level the social partners acknowledged in their Joint Opinion of 3 July 1992[1] the macroeconomic performance during the second half of the 1980s as exemplary for the future.[1] The Opinion takes the different macroeconomic aspects of wage developments explicitly into account.

As the structure of wage negotiations resembles a bilateral monopoly in the goods market — in particular in countries with less decentralized wage negotiations — collective bargaining does not evolve into a straightforward equilibrium solution. The degree of freedom for nominal wages and prices to vary is only externally constrained by the macroeconomic limits to the overall price level. This macroeconomic constraint is stressed in the Community by the commitment of most Member States to stabilize nominal exchange rates and by the convergence requirements of growing economic and monetary integration. Only if the two sides of industry take these macroeconomic constraints into consideration will the wage outcome be compatible with a dynamic macroeconomic equilibrium.

A social dialogue between the government, employers' organizations and trade unions takes place in most countries albeit at varying degrees of formalization and intensity. This dialogue could be helpful to bring about the required wage adjustment in the run-up to EMU.

1 This Opinion is published in Supplement A of *European Economy*, July 1992.

Study No 3

The ERM in 1992

The ERM in 1992

Table

Graphs

Summary

This study describes the developments within the European exchange-rate mechanism (ERM) in 1992 and the events leading to the suspension of two currencies from the mechanism and a series of realignments.

After an introduction (Section 1) there is a short overview on developments in the US dollar and the Japanese yen (Section 2). Section 3 gives an overall description of developments leading up to the exchange-rate turmoil in September 1992 and subsequent tensions and realignments. Sections 4 to 6 discuss in more detail developments in individual countries.

The 'no' to the Maastricht Treaty in the Danish referendum on 2 June and uncertainty as to the outcome of the French referendum on 20 September were the factors that triggered ERM tensions. The longer-term foundations of a stable parity grid were, however, undermined by divergent economic developments in EC countries. Most countries in the Community had weak economic growth or even recession from 1991 onwards. In Germany growth continued longer than in several other countries at the same time as monetary policy was tightened in response to persistent inflationary pressures, reducing the scope for lower interest rates in countries with a weak cyclical position. The combination of an asymmetric shock in the anchor country, weak growth elsewhere, and political uncertainty about the prospects of monetary union focused market attention on the inadequate nominal convergence in several countries. The sharp depreciation of the dollar, reducing the competitiveness of ERM countries, further added to tensions. The first devaluations of currencies with internal economic problems led to questioning of the credibility of the ERM parity grid and subsequently to attacks on other currencies with sound economic fundamentals.

Re-enforcement of surveillance procedures, progress in economic convergence, and the strengthening of policy cooperation and growth in Europe are necessary for ensuring the future stability of the European exchange-rate system.

1. Introduction

Several factors contributed to the turmoil within the ERM in 1992. The most important short-term cause was the destabilization of market expectations in the wake of the 'no' to the Maastricht Treaty in the Danish referendum and in the run-up to the French referendum in September. The longer-term foundations of a stable parity grid were, however, also undermined by divergent economic developments in EMS member countries. Most Community countries have had weak economic growth or even recession from 1991 onwards; in the United Kingdom the downturn started already in 1990. In Germany, strong economic growth continued much longer at the same time as the persistence of inflationary pressures led to a tight monetary policy. High short-term interest rates in Germany, together with, by early 1992, a low level of interest rate differentials for most other ERM countries, reduced the scope for lower interest rates in countries in a weak cyclical phase and with low inflation. There was also inadequate progress towards nominal convergence in several countries. Major fiscal imbalances persisted, while further convergence towards a low rate of inflation proved difficult to achieve for some countries, where as a result there were significant cumulative losses of international competitiveness. The sharp depreciation of the dollar from March 1992 and the resulting effective appreciation of ERM currencies further weakened the competitive position of Community countries.

In recent years foreign exchange controls had been abolished in most Community countries, and reduced in others. This change in the institutional framework of the foreign exchange market clearly also had an effect on the outcome of the ERM crisis in the autumn of 1992. In an environment of virtually free capital movements it is very difficult to maintain fixed exchange rates once the financial market participants start to suspect a parity change. Increases in interest rates and interventions can to a certain degree stem capital flows and help restore confidence. But if interest rate hikes to defend currencies which are likely to be devalued lack political credibility — whether because of a weak cyclical position, the political sensitivity of lending rates or the vulnerability of the public finances — these can prove insufficient to stabilize the exchange rate in a crisis situation — as was the case for Italy and the United Kingdom before these countries decided to suspend their currencies from the ERM.

2. The international environment — the US dollar and the Japanese yen

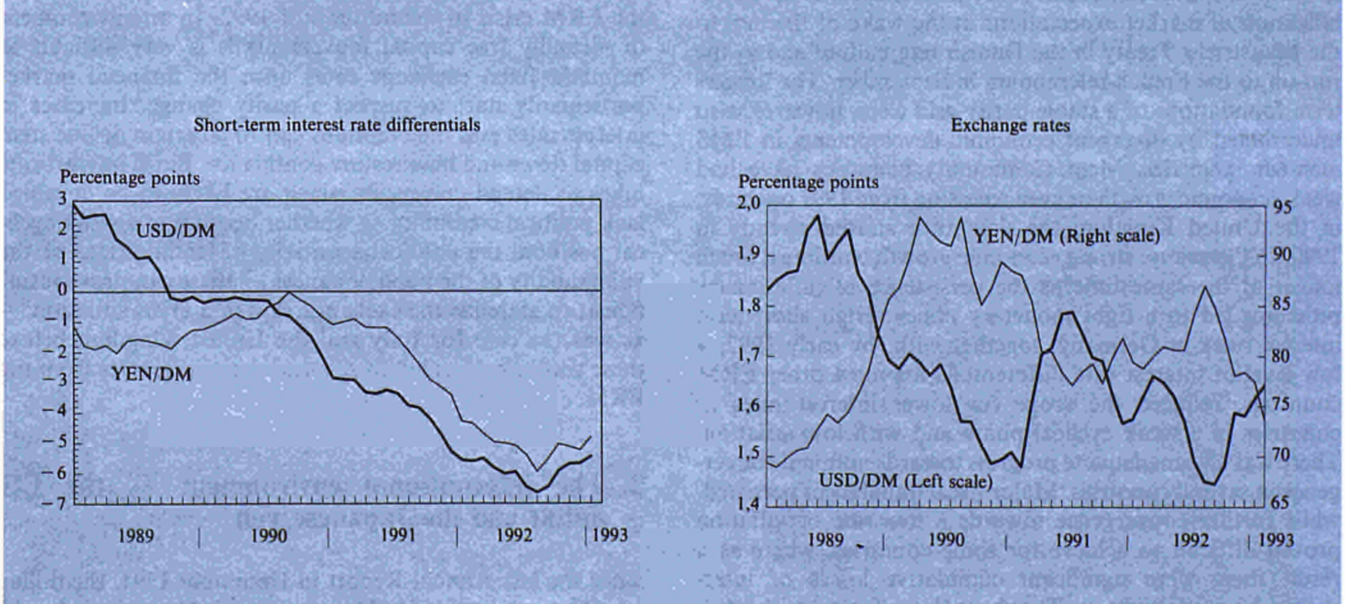
Since the last Annual Report in December 1991, the dollar has fluctuated considerably against the Deutschmark and other European currencies. It declined steadily until early January 1992, reaching a low of DM 1,51. At the end of 1991, the Federal Reserve had cut its discount rate by 1 percentage point while the Bundesbank had raised its rates by half a percentage point, widening the interest differential in favour of the Deutschmark. Market participants believed that the short-term USD/DM interest rate differential had reached its highest level and were expecting a recovery of the US economy. As a consequence, the dollar strengthened up to DM 1,68 in mid-March. However, hopes of recovery in the United States and of improved inflationary performance in Germany were not fulfilled. Weak economic performance in the United States prompted renewed monetary easing by the Federal Reserve which cut the discount rate for the last time on 2 July 1992. On the other hand, money market rates in Germany rose in response to inflationary concerns, and the Bundesbank increased its discount rate on 16 July. Money market rates in Germany rose further in August, anticipating a possible rise in the Lombard rate.

From April to August the dollar declined continuously against the Deutschmark, depreciating by almost 20%. It reached its lowest level against the Deutschmark (DM 1,39) in early September. Thereafter, the dollar appreciated by around 19% and was at DM 1,66 in early February 1993. The main driving forces behind this appreciation were growing evidence of stronger economic performance in the United States coupled with lower interest rate differentials in favour of the Deutschmark.

The appreciation of the ERM currencies against the dollar clearly played a role in the tensions developing within the ERM during 1992. The sharp depreciation of the US dollar *vis-à-vis* the European currencies in the second and third quarter of 1992 aggravated the underlying tensions in the ERM caused by divergent economic developments. This was even more so since among those countries that were most affected by the dollar depreciation in terms of loss of competitiveness were those with the most severe economic downturn — like the United Kingdom. However, the appreciation of the dollar since September 1992 restored much of the competitiveness lost earlier in the year for the non-devaluing ERM currencies, and the ERM changes implied improved competitiveness against the dollar for the lira, pound sterling and the peseta.

The Japanese yen also fluctuated widely against the European currencies, broadly reflecting the movements of the dollar. The yen depreciated sharply *vis-à-vis* the Deutschmark from YEN 77,2 in January 1992 to YEN 88,9 in late August. During this period short-term interest rate differentials in favour of the Deutschmark widened as interest rates in Japan were reduced in response to declining economic activity while interest rates in Germany increased. From September onwards, the short-term interest rate differential

GRAPH 1 : **Exchange rates and interest rate differentials, USD/DM and YEN/DM**



in favour of the Deutschmark declined and the yen had gained 18% against the Deutschmark by early February 1993.

almost disappeared but pound sterling continued to be weak, following the UK decision not to raise interest rates in December. The exchange-rate spread between pound sterling and the peseta remained around 6%.

3. The ERM since late 1991

3.1. A long period of stability in the ERM until June 1992

From early 1987 to June 1992 the EMS and ERM experienced an unprecedented long period of relative stability and unchanged parity grids. There were no realignments during this period (except for the technical realignment involved in the lira's move to narrow bands), and the Spanish peseta, the UK pound sterling and the Portuguese escudo joined the ERM. Although tensions had been felt from time to time, these had been successfully countered. In the period before the unification of Germany the stability of the ERM was underpinned by the parallel cyclical developments of most Community economies. When economic developments in Community countries diverged in the aftermath of German unification, the ERM continued to be stable. In fact, interest rate differentials between the Deutschmark and most other ERM currencies narrowed substantially throughout 1991, mostly as a result of the increased credibility of the parity grid, but also as a consequence of the temporary weakening of the Deutschmark in 1991.

By the autumn of 1991 interest rate differentials between the Deutschmark and other currencies had come down to a very low level: short-term interest rate differentials between the Deutschmark and French franc had become slightly negative, and were significantly reduced for the lira and pound sterling.

At the end of 1991 there were, however, some tensions within the ERM due to expectations of a rise in German interest rates and uncertainty in the markets regarding the outcome of the Maastricht Summit in December 1991. In November several currencies came under downward pressure. The nervousness of the markets was intensified by the devaluation of the Finnish markka on 15 November. To counter the pressure in the foreign exchange markets both Italy and France raised their key interest rates by 50 basis points, and pound sterling was allowed to move closer to the bottom of the wide ERM band. The Danish krone also came under pressure during this period. When the Bundesbank raised the discount rate by 50 basis points after the Maastricht Summit in December, all ERM countries except the United Kingdom followed the move. As a result, tensions within the ERM eased. In January exchange market pressures had almost disappeared but pound sterling continued to be weak, following the UK decision not to raise interest rates in December. The exchange-rate spread between pound sterling and the peseta remained around 6%.

During the first few months of 1992 the situation in the ERM remained relatively stable. Pound sterling continued to be weak as the prolonged recession in the United Kingdom increased pressures to cut interest rates. At same time the peseta strengthened, putting downward pressure on interest rates and forcing an implicit loosening of monetary policy in Spain to keep the peseta within its allowed fluctuation margin against pound sterling. Pressure against pound sterling eased after the election in April, and in early May UK base rates were cut by 50 basis points. In Italy, political uncertainty and concerns regarding the fiscal situation resulted in a depreciating lira from March onwards. Another feature of this period was the strengthening of the French franc within the narrow ERM band from late January to the middle of May when this trend was broken by the reduction in the banks' minimum reserve requirement (seen as signalling the French authorities' concern to lower retail rates). In April the Portuguese escudo joined the ERM at a central rate parity slightly weaker than the pre-entry market rate. It immediately strengthened and became the strongest currency in the ERM in May.

3.2. The Danish and French referendums triggered a period of unprecedented turmoil in the ERM

The period of relative calm did, however, come to an end after the Danish 'no' to the Maastricht Treaty on 2 June and the uncertainty created by the French decision to hold a referendum on the Treaty in September. These events caused a major break in the markets' expectations of an early economic and monetary union (EMU), which was seen as essential in inducing fiscal convergence in Italy and economic convergence in other ERM countries like Spain. The position of the lira had become more vulnerable following reports earlier in the spring of the overshooting of the Italian budget deficit targets in 1992 and the political uncertainty after the elections. In the United Kingdom political pressure to lower interest rates increased as an economic recovery failed to appear. The markets thus began to question the sustainability of the prevailing parity grid in light of the divergent economic developments in the Community and high German interest rates. The sharp depreciation of the dollar from March 1992, causing an effective appreciation of the ERM currencies, further added to the strains within the ERM.

The Bundesbank's decision on 16 July to raise the discount rate by 75 basis points, in response to M3 growth well in excess of the target range, increased tensions within the system. The markets saw this as significantly reducing the possibility of lower interest rates in the near future, even though the important Lombard rate was left unchanged. From July to mid-August, German three-month money market rates had increased by 15 basis points. Political developments in France also had a negative impact as opinion polls started to show waning support for the Maastricht Treaty. Market pressures built up against the lira (despite new fiscal measures introduced by the Italian Government), pound sterling and to a lesser extent the peseta during the summer, and these currencies depreciated against the stronger currencies within the band. On two occasions in July and again in September, Italy increased interest rates by an accumulated 350 basis points in order to stabilize the exchange rate, and there were substantial interventions in support of the lira. Spain also raised interest rates by 60 basis points in July. The rise in German short-term money market rates until mid-August and heavy Lombard borrowing by the banks further increased pressures. Pressure against pound sterling also mounted, and on 28 August the EC finance ministers issued a statement through the Monetary Committee ruling out realignment in the ERM in an attempt to calm the markets. However, the turbulence in the exchange-rate markets did not subside, and in conjunction with the Economic and Financial Affairs Council meeting in Bath in early September, the EC finance ministers renewed their 'no realignment' statement. The continuous depreciation of the dollar, which reached a low against the Deutschmark in early September, further contributed to tensions.

On 8 September Finland decided to suspend the ecu pegging of the Finnish mark, after heavy pressure in the exchange markets and huge capital outflows. The Swedish krona also became subject to heavy speculative attacks, and the Swedish central bank raised interest rates to 75%. Both events added to the sense of crisis in the foreign exchange markets. By Friday 11 September speculative attacks against the lira had become severe. During the weekend of 12 and 13 September a realignment was decided, in conjunction with a German commitment to lower interest rates. In this realignment the lira devalued 3,5% against the other ERM currencies and the other ERM currencies were revalued 3,5% against the lira. The following Monday the Bundesbank lowered its Lombard rate by 25 basis points to 9,50% while the discount rate was reduced by 50 basis points to 8,25%. On 16 September the Bundesbank offered a repo-deal at 9,20%, 50 basis points lower than the previous deal. Three-month market rates fell by around 40 basis points.

These measures did not, however, prove sufficient to stem the pressures in the exchange markets and restore order in the ERM. The instability of the markets was further intensified by the uncertainty surrounding the French referendum due on 20 September. Renewed pressure built up against the lira, pound sterling and the peseta. Heavy interventions from the central banks and interest rate hikes were not sufficient to counter the speculative attacks against these currencies and late on Wednesday 16 September pound sterling was temporarily withdrawn from the exchange-rate mechanism. The intervention obligations to support the lira within the ERM were suspended, and the peseta was devalued by 5% against the remaining ERM currencies.

The following days and the next week the French franc, the Irish punt, the Spanish peseta, the Portuguese escudo and the Danish krone came under heavy pressure in foreign exchange markets. This pressure continued despite the narrow 'yes' to the Maastricht Treaty in the French referendum on 20 September. It was not until the end of the week of 21 to 25 September that the turmoil in the foreign exchange markets receded. The French franc was supported by a combination of interventions, interest rate hikes and a show of strong political commitment to the exchange-rate parity in the form of a joint statement from the French and German central banks' governors and finance ministers on 23 September. The French franc was also underpinned by low inflation, relatively strong public finances and a surplus on the current account. As a result of the large inflows of Deutschmarks into the German money market — a consequence of the large Bundesbank interventions in support of other currencies — short-term interest rates in Germany fell, contributing to stabilizing the situation. Ireland, Portugal, Spain and Denmark raised interest rates to support their currencies. With the exception of Denmark, all these countries also tightened or activated foreign exchange controls or made use of other administrative measures to support the exchange rate.

3.3. The ERM from October 1992 to early 1993: a calm period followed by renewed tensions

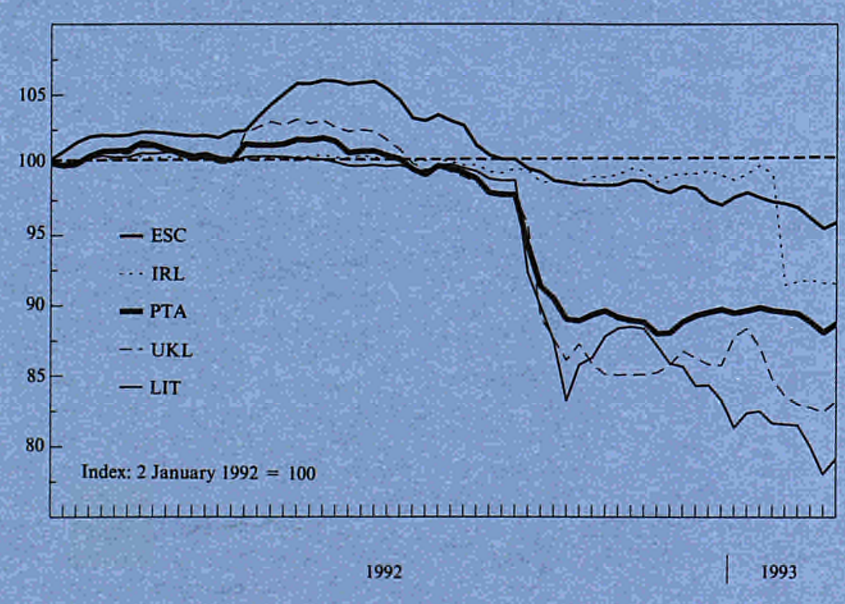
After leaving the ERM both pound sterling and the lira depreciated sharply against the Deutschmark. On 6 October the lira was down to LIT 927 against the Deutschmark, a depreciation of 14% since 16 September and 22% since 11 September. Pound sterling fell to a low of DM 2,38 per pound sterling on 5 October, a depreciation of more than 14% compared to its level just before it left the ERM. After the approval of most of the fiscal policy measures introduced by the Italian Government in response to the currency crisis, the lira strengthened against the Deutschmark up to early December, but weakened again after this, and was at LIT 928 per Deutschmark early February 1993. Developments for pound sterling were also mixed, but by early December 1992 pound sterling had recovered since its low and stood at DM 2,45 per pound sterling at the end of the year. After a base rate cut of 1 point late January 1993, pound sterling plunged to an all time low of DM 2,35 per pound sterling but recovered somewhat later.

The French franc and the Danish krone strengthened considerably within the parity grid soon after the crisis in September, whereas the Irish punt, the Portuguese escudo and the Spanish peseta remained the weakest currencies in the ERM band.

Interest rate differentials between the Deutschmark and the remaining ERM currencies — with the exception of the Dutch guilder and the Belgian franc — widened significantly in connection with the September turmoil. However, France was able to reduce its interest rate level considerably, and by mid-November the short-term interest rate differential to the Deutschmark was down to 50 basis points, nearly the same level as before the crisis. Interest rate differentials between the Deutschmark and the Spanish peseta, the Irish punt, the Danish krone and the Portuguese escudo did, however, persist, reflecting the fact that the markets did not fully regain confidence in the prevailing parity grid. In the case of the peseta, some statements by the Spanish authorities pointing to a second devaluation, contributed to the lack of confidence.

From end-September to mid-November the ERM enjoyed a period of relative calm. This was however broken by the Swedish decision to float the krona on 19 November, with a subsequent immediate depreciation of the krona by 10% against the ecu. Tensions within the ERM were renewed and on Friday 20 November the peseta, the escudo, the punt and the krone were all under pressure in the markets. The following weekend — on 22 November — a new realignment within the ERM was decided, involving a 6% devaluation of the peseta and the escudo against the other ERM currencies. Pressure continued against the Irish punt and the Danish krone. Early in the following week short-term interest rates in both Denmark and Ireland increased sharply. Less affected initially, pressure against the French franc also increased at the end of November and the beginning of December, intensified by the dampening of the markets' hope of an early cut in German interest rates. The French franc was supported by intervention both from the Banque de France and the Bundesbank. Shortly afterwards the pressure against the franc and other currencies subsided for a brief period.

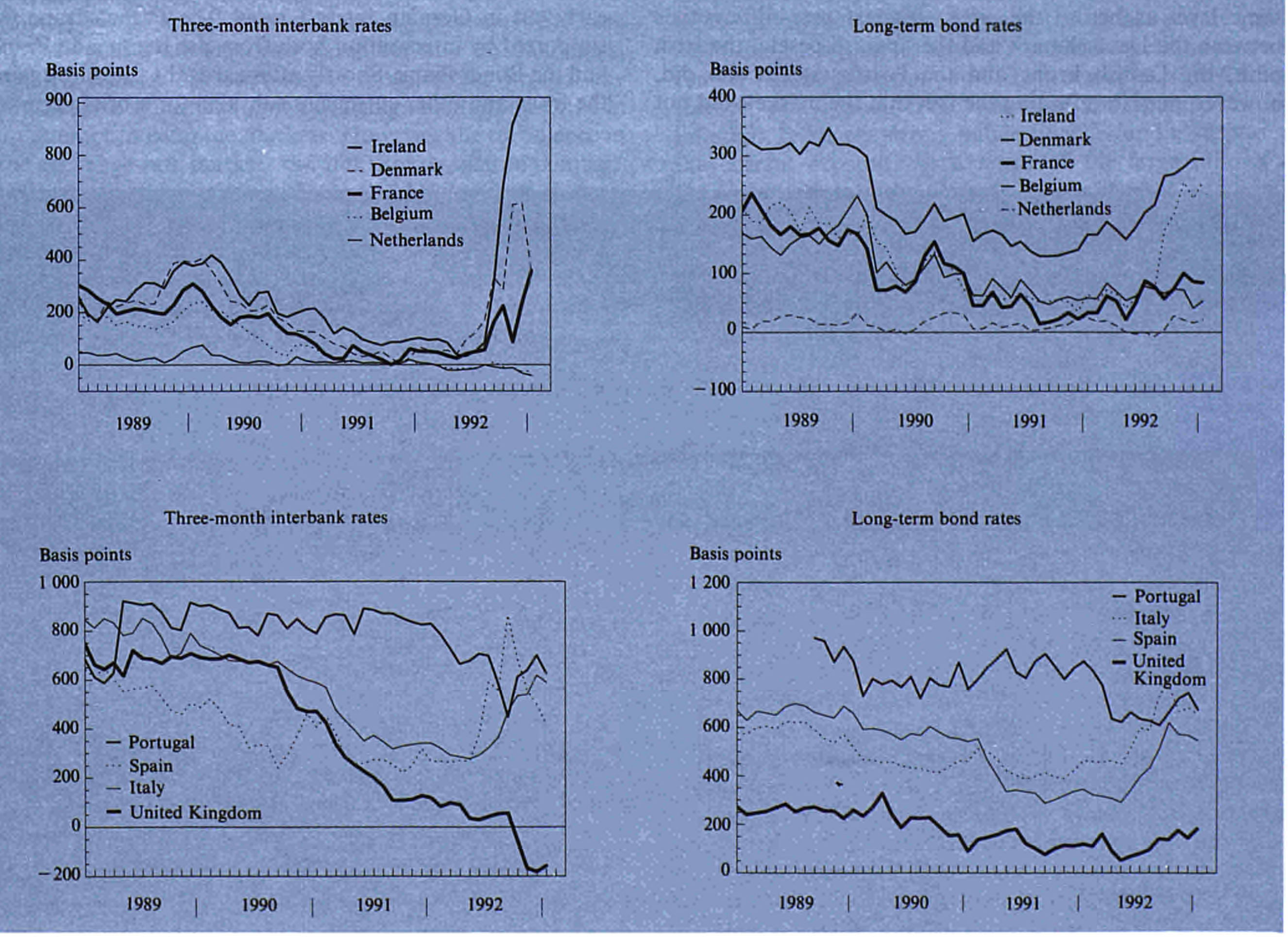
GRAPH 2: **Exchange-rate developments of the Deutschmark *vis-à-vis* currencies that devalued or left the ERM**



Tensions were, however, renewed in anticipation of the important Bundesbank meeting on 10 December where the Bundesbank would decide on its monetary targets for 1993. Strains were further exacerbated by Norway's decision to suspend the ecu pegging of the Norwegian krone the same day. The following day both the Danish krone and the Irish punt were pinned to their ERM floors. The French franc was again under pressure and was supported by intra-marginal interventions from the Bundesbank and the Banque de France and increasing money market interest rates.

After the Edinburgh Summit on 12 and 13 December, where EC countries reached an agreement on, among other things, special arrangements for Denmark, the pressure on the Danish krone and the Irish punt, but not on the French franc, did again ease. By the end of the year, doldrums in the markets left the ERM in a state of relative, but fragile, calm. Early in 1993, tensions again emerged in the ERM. In early January pressure against the French franc mounted, but this was successfully countered by a new joint statement by French and German authorities, French interest rate increases and a marginal lowering of German repo rates. By end-January the Irish punt was under heavy speculative attack, following the sharp decline of pound sterling. On 30 January the punt was devalued by 10% against the remaining ERM currencies. Shortly after, the Danish krone became the new target for speculative attacks. However, tensions were relieved after Danish interest hikes, concerted interventions and when the Bundesbank cut its Lombard and discount rates on 4 February.

GRAPH 3: **Interest rate differentials *vis-à-vis* Germany**



4. Germany: tightening of monetary policy

The immediate impact of German unification was to create an asymmetric demand shock, contributing to cyclical divergence among ERM countries. The economic aftermath of Germany's unification in terms of budgetary costs and unprecedented regional unemployment as a result of the reconstruction of the economy in the eastern *Länder* was underestimated by many. In addition, the shock had profound medium-term policy implications.

In the first half of 1991 the Deutschmark weakened within the ERM, and the interest rate differentials to some ERM currencies narrowed, which, at the time, reduced the sensitivity of those countries to the rise in German rates. At the same time, inflationary pressures intensified due to excess domestic demand and strongly rising unit labour costs, but also due to administrative price increases and tax measures. The Bundesbank reacted to these developments by gradually tightening its policy stance over the year; the Lombard and discount rates were increased in three steps, from 8 to 9.75% and from 6 to 8% respectively. In December 1991, overnight money was some 80 basis points more expensive than a year earlier.

By the middle of 1991, the Bundesbank revised its 4 to 6% money growth target down to 3,5 to 5,5% which was clearly difficult to achieve at unchanged interest rates, given the forecast for nominal demand in Germany as a whole. In fact, monetary expansion accelerated over the five-month period of August to December 1991 when M3 grew at an annual rate of 8%. For 1991 as a whole, M3 growth (Q4/Q4) reached 5,2%. In December 1991, the Bundesbank announced a 3,5 to 5,5% target range for M3 in 1992. Given developments over the preceding months and the available forecast for potential growth and inflation in eastern Germany, this target clearly demonstrated its anti-inflationary resolve.

The Bundesbank enforced its strategic policy intentions — which were reflected in the tight target — by increasing the two official instrument rates, the Lombard and the discount rate, by 50 basis points each on 19 December. It came at a time when the economy was already weakening. Moreover, the increase in reported inflation during the second half of 1991 reflected earlier tax and wage increases, and hence could not be reversed by an *ex-post* tightening of monetary policy. Thus, the Bundesbank's move had to be interpreted as a signal. It underlined the Bundesbank's intention not to accommodate higher wage inflation and could also be seen as a warning against the risks of the unsound public finance developments in Germany. It also underlined the Bundesbank's independence and anti-inflation vigour.

Throughout 1992, monetary aggregates continued to rise at rates well above the Bundesbank's target, in spite of the apparent weakness of the economy and signs that west Germany could fall into recession, while the hoped for upswing in the east did not materialize. By the time the Bundesbank held its traditional mid-year target review in July the gap between the target and the actual and predicted outcome had widened so much that it was unlikely that the target could be met by the end of the year without a substantial further increase in interest rates. Nevertheless, the Council confirmed the target without any reservations and money market rates were nudged up. On 16 July the discount rate was increased by 75 basis points to a level of 8,75% but the Lombard rate was left unchanged, probably because of the situation in the ERM and in the partner countries. Nevertheless, the money market was kept tight and short-term interest rates reached a peak by mid-August when the ERM turmoil gathered momentum.

After the devaluation of the lira on 13 September, the Bundesbank lowered its discount rate by 50 basis points to 8,25% and its Lombard rate by 25 basis points to 9,5%. In the course of the subsequent ERM crisis, and after a series of interventions in favour of threatened currencies, short-term rates declined by some 100 basis points and remained around that lower level until the end of 1992. Long-term rates tended to follow short rates, and by the year-end, they were at 7,3% — the lowest level since October 1989. The Bundesbank had in effect acknowledged that it was impossible to meet its 1992 monetary target by the end of the year, which had also suffered from the consequences of interventions.

At its meeting on 10 December 1992 the Bundesbank announced an M3 growth target of 4,5 to 6.5% for 1993. At the same time the Bundesbank announced that it would reduce the quasi-policy interest rate (overnight money) by 20 points by offering fixed repo tenders at 8,75%. On 7 January the repo rate was reduced by another 15 points. The easing of monetary policy suggested by the 1993 M3 target was confirmed on 4 February when the Bundesbank reduced the Lombard rate by 50 basis points to 9% and the discount rate by 25 basis points to 8%. This decision was taken against a background of a downturn in the domestic economy which, at an accelerated speed after the induced appreciation of the Deutschmark *vis-à-vis* certain European currencies, had become more and more visible. The timing of the decision also seems to have been influenced by the renewed ERM turmoil. There were as yet no clear signs of a fall in domestic inflation, even though news on 1993 wage demands were encouraging.

5. Developments in countries affected by the ERM turmoil

5.1. The United Kingdom

In October 1990 the UK Government decided to take pound sterling into the ERM. The central DM/UKL rate was set to 2,95, corresponding to the market rate at that time. By the time of entry, the annual inflation rate had risen close to 11% (although the underlying rate was lower than this), and the fight against inflation had been made the central element of the Government's economic strategy. Nominal short-term interest rates on the money market had been raised to 15% in response to a progressive tightening of monetary policy. The main objective of pound sterling's entry into the ERM was to reduce the output/employment costs of disinflating the UK economy, via the attractiveness of the ERM as a counter-inflationary framework. By using ERM membership to support domestic anti-inflationary credibility it was hoped to impact positively on inflation expectations, allowing nominal interest rates to fall more rapidly than would have been possible outside the ERM.

Rates were indeed reduced in stages. Before the final day of the United Kingdom's active membership of the ERM — 16 September — nominal interest rates on the money markets stayed at around 10%. However, as the domestic disinflation continued and the tight monetary policy stance in Germany maintained a high effective floor to nominal interest rates for most ERM members, real interest rates were, during 1992, steadily rising. In conjunction with the high debt level in the private sector — private households having a debt/income ratio of around 115% — high real interest rates depressed private consumption and investment, further adding to the economic downturn. The United Kingdom was also hurt by the appreciation of the ERM currencies in 1992, as the dollar is more important for foreign trade than in most other Community countries. From the second quarter of 1990 to the first quarter of 1992 real GDP fell by more than 4%, while unemployment rose sharply to over 10%. The current account balance also worsened considerably in the course of 1992, despite the recession.

As a result of the most prolonged recession in the post-war history of the United Kingdom, domestic criticism of the Government's economic policy grew and focused on the constraints that the ERM obligations imposed on monetary policy. With interest rate differentials relative to Germany almost eliminated by the spring of 1992 and pound sterling near the floor of the ERM grid, there was little room for manoeuvre in monetary policy, given the commitment to the ERM parity. As a consequence, financial market participants increasingly perceived pound sterling's obligations within the ERM as out of line with economic fundamentals, and pressure against pound sterling intensified.

In December 1991 the United Kingdom, unlike other countries, had not followed Germany's interest rate hike. When pressure against pound sterling increased in the late summer of 1992, UK Government representatives issued several statements underlining their commitment to pound sterling's parity within the ERM. There were, however, no moves to raise interest rates in order to defend the exchange rate as the economy was already suffering under high real interest rates. In September the tensions within the ERM were aggravated, and after the devaluation of the lira, the pound sterling became subject to severe speculative attacks. On Tuesday 15 September pound sterling was under severe pressure, and on 16 September the heavy speculative attack against pound sterling became irresistible. Massive interventions by the Bank of England and the Bundesbank and the announcement in two stages of a 500 basis points rise in the base rate to 15% failed to sustain pound sterling over its floor of DM 2,778. In the evening it was decided to suspend pound sterling from the ERM and the hikes in interest rates were reversed.

Shortly after the suspension of pound sterling from the ERM the UK Government stated that a re-entry into the ERM was desirable, but that certain conditions had to be met. Among these were: (i) an end to the turmoil in the foreign exchange markets; and (ii) that the cyclical developments in the German and UK economies should be more in line. Early in January 1993 the UK Prime Minister indicated that pound sterling would not enter the ERM during the year, and spoke of the need to improve certain aspects of the system's operation.

From the suspension of pound sterling from the ERM up to the end of January 1993, UK base rates had been reduced by 400 basis points to 6%, making them the lowest in the Community. Long-term rates also declined somewhat. They remained above comparable rates in Germany and France, but real long-term rates as suggested by yields on index-linked bonds have fallen substantially since the ERM suspension. By early February 1993 pound sterling had depreciated 14% to around 2,39 against the Deutschmark since it left the ERM. Monetary policy has been reformulated and is now to be decided on the basis of a set of domestic indicators including M0 (base money) and M4 (broad money), but the exchange rate will also continue to be an important indicator along with the yield curve, asset prices and confidence indicators. The authorities have reaffirmed their commitment to reducing inflation but have redefined their inflation objectives from a 2% inflation target in the longer term, to a medium-term target range of 1 to 4%.

5.2. Italy

In Italy too, domestic economic developments were important factors behind the events leading up to the lira's eventual suspension from the ERM. One of the main reasons behind September's exchange-rate crisis was the continued weakness in Italy's public finances and the financial markets' perception of a lack of political ability to address this fundamental imbalance. Lack of convergence also applied to other parts of the Italian economy as inflation was higher than in other narrow band countries.

In October 1991 the Italian authorities presented a convergence programme which envisaged a significant lowering of inflation and a substantial reduction in the budget deficit to take place already in 1992. The prospect of EMU — which was to buttress the Italian authorities to achieve economic convergence — was widely regarded as vital for the credibility of the programme. In the view of financial market participants the external constraint of EMU was essential in imposing the necessary fiscal discipline. From late 1991 onwards the lira was on a weakening trend, only interrupted by a temporary recovery in early 1992. In late 1991 the appreciation of ERM currencies against the dollar caused the lira to slip within the band, as a weaker dollar implied a loss of competitiveness. In December 1991 the Banca d'Italia tightened monetary policy and increased its discount rate by 50 basis points to 12% after the Bundesbank had raised its interest rates on 19 December. In the first months of 1992 pressure against the lira abated somewhat, but was apparently triggered again by the political uncertainty generated by the April 1992 election. The underlying cause of the increasingly vulnerable position of the lira was, however, due to worries about economic fundamentals, as the state of public finances began to affect market sentiments negatively. Long-term interest rate differentials consistently pointed to a substantial lira depreciation before stage three of EMU, but short-term differentials did not at this stage discount an early devaluation. In the spring it was officially confirmed that the 1992 budget target was likely to be overshot by a wide margin. The original target for the budget deficit was LIT 128 000 billion; the new estimate was LIT 165 000 billion. In May, EC finance ministers called on Italy to take drastic and immediate action 'to put the Italian budget back on track' and said that there would be 'significant and adverse repercussions throughout the Community' if Italy failed to meet the economic convergence criteria laid down in the Maastricht Treaty by 1996.

The 'no' in the Danish referendum did, however, cause a serious destabilization of the lira. With the prospect of EMU suddenly less certain, doubts as to Italy's ability to solve its budgetary problems were reinforced. The lira fell to the bottom of the ERM grid and the Banca d'Italia had to tighten monetary policy and intervene to support the lira. Short-term interest rate differentials indicated that the parity no longer had market credibility on a three-month view. In early July pressures against the lira intensified, despite a series of fiscal measures introduced to limit the budget deficit to its original 1992 target. The new Amato Government introduced a budget savings package which was adopted by the Parliament, and the 'scala mobile' (where wages were indexed to cost of living) was abolished definitively. On 5 July the discount rate was raised to 13% and further to 13,75% (following the Bundesbank's increase in the discount rate of 75 basis points on 16 July). Later in the summer the pressure on the lira abated somewhat, and interest rates were temporarily lowered. In late August and early September doubts about a 'yes' to the Maastricht Treaty in the French referendum emerged, provoking new attacks on the lira. The discount rate was raised to 15%, but this was insufficient to stem capital outflows. High interest rates for a prolonged period of time would have a detrimental impact on the budget deficit, given Italy's huge public debt of relatively short maturity. This factor clearly affected the political credibility, and the possibility, of using interest rates as a means to stabilize the lira if pressures resisted for any length of time.

The severe pressure on the lira continued and both the Italian and German central banks intervened heavily to support the lira. On 13 September, an attempt was made to end the crisis by an ERM realignment involving a devaluation of the lira by an effective 6,7% and a lowering of German interest rates. This did not, however, prove sufficient to calm markets. In the view of the markets the lira was still overvalued, given public finance prospects, and speculative attacks continued. By Wednesday 16 September the lira had fallen through its floor against the Deutschmark, despite continuous interventions from both the Bundesbank and the Banca d'Italia. In the evening of 16 September it was decided on the request of the Italian authorities — following the United Kingdom's decision to suspend pound sterling from the ERM — that intervention obligations in respect of the lira should be temporarily suspended.

Immediately after the lira left the ERM, the Italian Government introduced an emergency budget packet involving savings of around LIT 93 trillion. During November approximately 90% of the measures were approved by the Parliament, which helped the lira to recover somewhat from its initial depreciation against the Deutschmark. By end-December the full budget package was finally approved by Parliament; immediately afterwards the Banca d'Italia lowered the discount rate from 13 to 12%. This was the third reduction since the September crisis, bringing the rate back to the level of the first half of 1992. Rates were further cut by 50 basis points in the beginning of February 1993.

The Italian authorities aim at reintroducing the lira in the ERM as soon as possible. In the period following the suspension, the lira was very volatile, a development which clearly did not favour an early return to the ERM. Later on, renewed turmoil in the currency markets and new realignments within the ERM made the climate for a re-entry of the lira even less favourable, especially as the lira again weakened against the Deutschmark. Originally aiming at a re-entry of the lira in the ERM by the end of 1992, the Italian authorities postponed this to the new year. In January 1993, the Governor of the Banca d'Italia emphasized, in addition to the need for the restoration of sounder public finances, his view that the ERM should not be considered as a fixed exchange-rate system and that the whole parity grid, once agreed, should be supported by all participants. Mid-January 1993 the European Community agreed on a balance payment loan to Italy to support the Italian Government's medium-term programme of reduction in fiscal imbalances.

5.3. Spain

Spain joined the ERM in June 1989 with fluctuation bands of 6%. At the time the peseta joined the ERM, the Spanish economy was overheating and monetary policy was tight in order to contain inflation. In the early 1990s growth in the Spanish economy had decelerated markedly, but despite the low phase of the business cycle, inflation remained resilient until very recently.

Early in 1992 the Spanish Government, with the support of the Parliament, approved a convergence programme which set up a policy framework until 1996. The programme included a tighter fiscal policy which was aimed at keeping the domestic economy on a non-inflationary path and involved substantial structural reforms. Monetary policy was to focus on exchange-rate stability.

Up to the summer of 1992, monetary policy was as tight as the ERM commitment would allow, with the peseta at the top of the band. During the first half of 1992 favourable expectations relating to the Maastricht Treaty on the one hand, and a renewed confidence in the peseta due to capital liberalization on the other, led to a renewed strength of the peseta. The capital inflows associated with these factors, together with the weakness of pound sterling, produced downward pressure on interest rates. In the beginning of 1992, the Bank of Spain reduced its key rate by 25 basis points to 12,4%, after having raised interest rates in conjunction with the German interest rate hike in December.

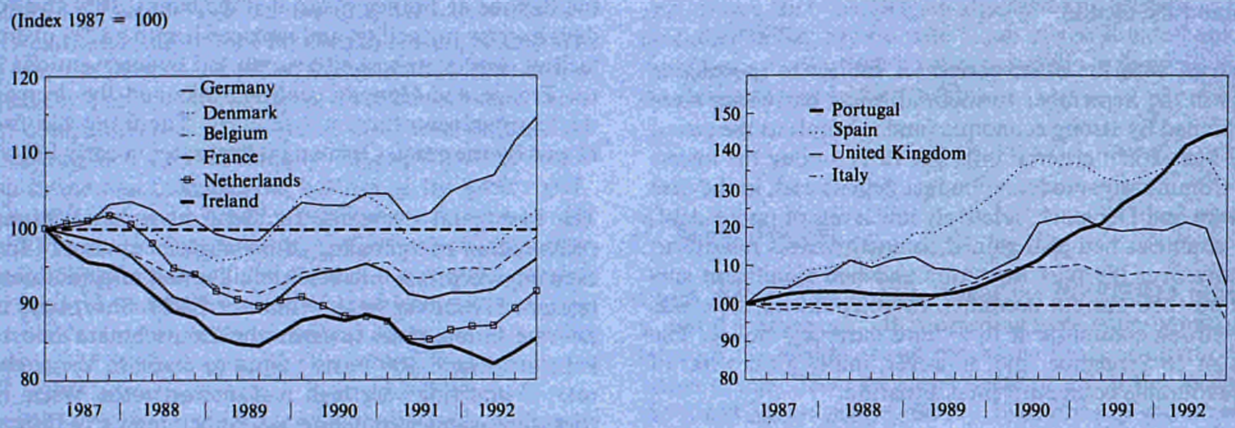
As was the case for Italy, the outcome of the Danish referendum on 2 June raised doubts in the markets as to the credibility of Spain's commitments to economic convergence. Consequently, the peseta weakened in the ERM band. Initially the Spanish authorities chose not to raise interest rates, even though the weakening of the peseta within the ERM band would now have allowed a tighter monetary stance with a view to counteract inflationary pressures. This choice apparently had a negative impact on market sentiment. During the summer, pressure built up in the foreign exchange markets, and on 23 July the Bank of Spain raised its key intervention rate — leading to a temporary firming of the peseta.

As the French referendum was approaching, increasing uncertainty as to its outcome intensified pressures on the peseta and both short- and long-term rates followed an upward trend. On 16 September, together with the suspension of the lira and pound sterling, the peseta was devalued by 5% within the ERM. This was the result of severe market pressure against the peseta that was deemed irresistible by the Spanish authorities. The loss of competitiveness Spain had suffered since 1987 (given the persistent high rate of wage increases) and the slow growth of the economy also played an important role in this decision.

Speculation against the peseta did not subside following the devaluation, despite an increase in money market interest rates and interventions in support of the peseta. On 23 September the Spanish authorities issued a regulation aimed at limiting short-term capital flows. Two weeks later controls were eased somewhat. Even though the introduction of these measures clearly had a negative impact on market sentiments towards the peseta, as further controls could lock in the peseta positions of investors, they probably had some effects on short-term capital outflows.

From mid-September to mid-November the peseta was the weakest currency within the ERM band, in part as a result of intimations from the Spanish authorities that a second devaluation might be considered. Sweden's decision to suspend the pegging of the krona to the ecu on Thursday 19 November provoked new tensions within the ERM and at the end of the week Spain asked for a new realignment. On Sunday 22 November, a 6% devaluation of the peseta and the escudo against the remaining ERM currencies was agreed. In conjunction with this, Spanish authorities scrapped the regulations introduced in connection with the September crisis and confirmed their commitment to the convergence programme. On the following Monday official interest rates were raised, underlining the Government's anti-inflationary commitment. After this second realignment, the peseta was among the strongest currencies in the ERM, moving in the upper half of its fluctuation band.

GRAPH 4: **Competitiveness indicators: ULC in manufacturing industry in common currency**
(*vis-à-vis* industrial countries)



5.4. Portugal

The escudo joined the ERM only in April 1992, at a rate slightly weaker than the prevailing market rate, after having shadowed the ERM since October 1990. Inflation being one of the main concerns of the Portuguese economy, the prior ERM shadowing and subsequent entry of the escudo into the ERM was looked upon as a means to bring inflation down and enforce stability. Since inflation continued to be high, albeit on a declining trend in relation to other Community countries, this policy did, however, lead to a substantial real appreciation of the escudo in terms of unit labour costs.

Until mid-August the escudo was generally the strongest currency within the ERM band. In August Portugal lowered official interest rates in conjunction with the announcement of a programme aimed at establishing full liberalization of capital movements by the end of the year (in effect, controls bore mainly on inflows). After this the escudo lost ground to the other ERM currencies and dropped to the middle of its ERM band. During the currency turmoil in September the escudo was also under heavy pressure, but a combination of drastic increases in short-term interest rates, marginal tightening of foreign exchange controls and the small scale of the escudo foreign exchange market kept the escudo well within its ERM bands. The result of the September upheaval in the ERM was, however, a further deterioration of competitiveness — the pound sterling, the peseta and the lira having a combined export weight of around 30%.

After the September turmoil subsided the escudo remained among the weakest currencies in the ERM band. When new tensions in the ERM emerged on 19 and 20 November, the escudo came under renewed pressure in the foreign exchange markets. When Spain asked for a devaluation the following weekend, Portugal decided to follow Spain's move — mainly to maintain its competitiveness *vis-à-vis* Spain. As in Spain, Portugal raised its official interest rates on the following Monday. From the realignment to end-1992, the escudo was the strongest currency in the ERM grid with exchange rates near its pre-22 November parity against the Deutschmark. In the new year it weakened slightly. At the end of 1992, Portugal abolished remaining foreign exchange controls.

5.5. France, Denmark and Ireland

Following the exit of the lira and pound sterling from the ERM and the devaluation of the peseta on 16 September, the French franc, the Irish punt and the Danish krone all became subject to speculative attacks, together with the peseta and the escudo.

In contrast with the other currencies subject to speculative attacks in the September turmoil, all these currencies were underpinned by strong economic fundamentals as measured by the Maastricht criteria: inflation rates among the lowest in the Community, moderate budget deficits and, in the case of France and Denmark, relatively low levels of public debt. These countries had also gained competitiveness relative to Germany over the past few years and had significant surpluses on their current accounts. In all countries there was also a strong commitment to a 'hard currency' policy. The events of 16 September did, however, imply an erosion of their favourable competitiveness situation.

After the withdrawal of the lira and pound sterling from the ERM and throughout most of the week ending 25 September, the French franc was subject to very heavy pressure in the foreign exchange market. Initially, the French franc was supported by massive interventions from the Banque de France and the Bundesbank, as French authorities tried to avoid a rise in interest rates immediately before the referendum on 20 September. The pressure against the franc continued despite the narrow French 'yes' to Maastricht. On 23 September the Banque de France, after having suspended for a couple of hours the repurchase facility offered to banks, raised a key intervention rate by 2,5% in conjunction with an unprecedented common statement from the French and German central banks and finance ministers, underlining that no change in the central rate between the franc and the Deutschmark was justified. In support of this statement the Bundesbank engaged in public intra-marginal intervention in favour of the franc. Soon after, market pressures subsided and the franc strengthened against the Deutschmark. By early November interest rate differentials *vis-à-vis* the Deutschmark had been brought down close to pre-crisis levels.

In late November/December there were again periods of pressure against the franc, first triggered by the floating of the Swedish krona, but aggravated by signals from the Bundesbank that interest rates had to remain high to counteract persistent inflationary pressures in Germany. Later on, tensions re-emerged in the run-up to the Bundesbank meeting on 10 December and as a result of the floating of the Norwegian krone. During this period, the Bundesbank did again show strong support for the franc, but end-December (with foreign exchange markets becalmed ahead of the year-end), the franc remained the weakest currency within the ERM band.

Early in the new year the franc was subject to a new speculative attack, but pressure soon subsided as French and German authorities reconfirmed their 23 September declaration and the Banque de France suspended the banks' 10% five-to-ten days borrowing facility, and replaced it with a 12% overnight facility. The franc was also supported by interventions from the French and German central banks and the decrease in the German repo rate on 7 January. The franc was further helped by the cut in German interest rates in early February.

The Irish punt overcame the September crisis through a combination of tightening of the implementation of foreign exchange controls, interest rate hikes and interventions, but remained relatively weak within the ERM. Short-term interest rate differentials towards the Deutschmark had to be kept at around 600 basis points to stabilize the exchange rate — implying very high real interest rates. When ERM turmoil was renewed in late November and early December, interest rates were again raised to support the punt, the Irish central bank increasing the overnight lending rate to 100% for a short period. The Irish punt came under renewed speculative pressure following the floating of the Norwegian krone, but recovered quickly after the Edinburgh Summit. After the Irish elections late November, the government question remained unresolved until 12 January, which may also have had a negative effect on the stability of the punt.

Early in the new year the punt was again hit by ERM tensions, and interest rates were again raised to support the punt. In a statement in mid-January, the new government confirmed its commitment to the exchange-rate parity and introduced schemes to insulate the domestic economy from high interest rates by covering the exchange risk of borrowing in foreign currency. On 18 January the Economic and Financial Council issued a statement in support of the punt. Pressure against the punt abated by the second half of January, but domestic interest rates still remained very high. In late January, after a cut in UK base rates led to a sharp decline in pound sterling, pressures again intensified and the overnight rate was hiked to 100%. On 30 January it was decided to devalue the punt by 10% *vis-à-vis* the other ERM currencies.

The pressure against the Danish krone in September was less severe, and the krone was supported by swift moves by the central bank to push up money market interest rates and by interventions. The pressure against the krone soon abated, and it strengthened in the ERM band. Interest rate differentials to the Deutschmark did, however, remain high relative to the pre-crisis level, indicating that markets did not fully regain confidence in the krone, despite the strong fundamentals of the Danish economy.

The Danish krone came under renewed pressure first after the floating of the Swedish krona, and later in connection with the floating of the Norwegian krone. Following the depreciation of pound sterling, the lira, the peseta and the Finnish mark, this meant that the Danish krone had appreciated against more than a third of the currencies in its trade-weighted currency basket, implying a substantial short-term loss of competitiveness. To counter the pressures, interest rates were pushed up substantially. By early December the Danish krone had fallen to the bottom of the parity grid, but was later replaced by the French franc. After the clarification of Denmark's future within the European Community at the Edinburgh Summit, the Danish krone strengthened within the grid and pressure subsided, enabling the central bank to lower interest rates on several occasions. After the devaluation of the Irish punt, the krone was, however, subject to a new speculative attack in early February. It was supported by interest rate hikes and by publicized, concerted interventions from several ERM central banks. Pressure against the krone subsided rapidly after the Bundesbank's interest rate cut on 4 February, but interest rates remained high to support the krone.

6. Unaffected by the ERM crisis — Belgium and the Netherlands

The only two currencies, apart from the Deutschmark, not subject to downward market pressures in last autumn's ERM crisis, were the Belgian franc and the Dutch guilder. Generally these currencies were at the top of the ERM band and their interest rate differentials to the Deutschmark were close to zero or slightly negative. During the closing months of 1992, the Dutch and Belgian central banks lowered various key and official interest rates three times, partly in order to ease tensions within the ERM.

The Netherlands has followed a hard currency, anti-inflationary policy in tandem with Germany ever since the start of the ERM in 1978 (with one exception in 1983 when the guilder did not completely follow a Deutschmark revaluation), which can partly explain the high degree of credibility the exchange rate enjoyed during the recent crisis. The case of Belgium is more striking. Like some other countries within the ERM, Belgium followed a 'soft currency' policy in the late 1970s and early 1980s and used devaluation as a means to restore loss of competitiveness. By the mid-1980s, Belgium, as well as Denmark, Ireland and France, had changed its economic policy to a 'hard currency', low inflation policy, where the ERM framework was regarded as essential in bringing inflation down. Furthermore, in 1990 Belgium made a public commitment to follow the strong ERM currencies which in practice so far has meant a link with the Deutschmark on the Dutch model. The great emphasis which is put on the exchange-rate target also means that the Belgian central bank closely links its monetary policy decisions to those of the Bundesbank. All these factors contribute to explaining the high credibility of the Belgian franc in the markets.

7. Conclusions

From the early to the late 1980s the EMS/ERM provided a useful framework for promoting economic convergence between the member countries in the fields of inflation and interest rates. Several factors contributed to the success of the ERM in this period. Firstly, high priority was accorded to disinflation. Secondly, governments believed that the costs of disinflation would be reduced by 'borrowing' the credibility of the Bundesbank. Thirdly, Germany provided a reliable nominal anchor for the system as German inflation was itself falling or, at least in underlying terms, stable. The process was also supported by a growth environment in the Community during the second half of the 1980s which in its turn was supported by stability in the ERM and reduction of interest differentials with Germany.

By the end of the 1980s the convergence process had slowed down. Among the original narrow band countries (Belgium, Denmark, France, Germany, Ireland and the Netherlands) convergence in terms of inflation was more or less achieved and interest rate differentials had come down considerably. There was less progress toward convergence in the field of public finances. In other ERM countries (Spain, Italy, Portugal and partly the United Kingdom) price and cost growth continued, despite some decrease, to be higher than among the original narrow band countries, leading to a substantial real appreciation of their currencies and loss of competitiveness. Furthermore, economic policies did not sufficiently support the 'hard currency' stance implied by the ERM commitment. Instances of this are Italy's failure to tackle the budget deficit problem and Spain's persistently high inflation rate.

In addition to the insufficient progress in convergence, the system changed character as a result of the asymmetric economic shock Germany suffered after the unification: while remaining the nominal anchor of the system, Germany diverged from the original narrow band member countries in terms of inflation. In response to inflationary pressures and high growth in monetary aggregates, Germany tightened monetary policy. This led to a rise in interest rates throughout the whole ERM area. With inflation under control in many of the ERM countries and economic growth slowing down sharply since 1991, this monetary policy stance was increasingly seen as being too tight in relation to domestic economic developments in these countries.

Despite these developments, the ERM was characterized by relative stability up until June 1992. The stability was maintained by an effective management of the system in periods of tension and by the positive impact the progress of EMU had on exchange-rate expectations. When these expectations were destabilized, market operators began to focus more on existing imbalances in member countries' economies. Realignment expectations became widespread, resulting in very large capital movements. Ultimately this created a crisis which forced a series of realignments within the system, while two currencies — pound sterling and lira — were suspended from the ERM.

Several lessons can be drawn from the turmoil in the ERM in the autumn of 1992.

1. The commitment of all ERM members to the future of the ERM is unquestioned. However, the nature of the mechanism has undoubtedly changed since the September crisis. First, and most fundamentally, the perception, including that of the markets, that the ERM had become a fixed-rate system has been radically revised. This, in combination with the achievement of complete capital liberalization in the ERM, has increased the need for much more monetary policy and economic policy cooperation to ward off incipient instability, long recognized as a theoretical possibility in fixed-but-adjustable exchange-rate regimes.

   Defending an agreed parity grid, in the face of unrestricted possibilities of capital movements, while at the same time maintaining a stability-oriented framework for the ERM area as a whole, may turn out to require greater symmetry within the system. However, the acceptance of greater symmetry (which in itself increases the willingness on the part of all countries whose currencies may potentially come under attack to raise interest rates) will undoubtedly be conditional first on a decrease of inflation in Germany and then on the achievement of greater convergence in other countries.

2. The role of convergence programmes should be reinforced. Following a proposal from the Commission, the Community agreed on the need for divergent countries to present multi-year convergence plans in 1991 to ensure progress by the end of stage two of EMU. Convergence programmes need to be closely monitored and above all to become credible to the markets by showing clear and positive results.

   An improvement in growth prospects is also needed. Without an environment supportive of growth, convergence will prove more difficult to achieve. At the same time, implementation of convergence programmes — namely deficit reduction and structural measures — will increase confidence in the economy and allow a decrease of interest rates and an improvement in growth prospects.

3. Multilateral and country surveillance procedures should be strengthened so that problems of divergent economic developments in the EMS may be revealed and addressed at an early stage. These surveillance procedures did not play the role they should have done last year.

4. The instruments at the disposal of the Member States in the ERM — interventions (including intra-marginal interventions) and interest rates — should be used in a more active, joint and flexible manner, conditioned by a clear, common understanding of the economic situation and policies of the different Member States. In particular, interest rate increases should not be used only as a last resort.

Table 1

Realignments and changes in the ERM since 1979

		BFR	DKR	DM	DR	PTA	FF	IRL	LIT	HFL	ESC	UKL
13.3.1979	The European Monetary System (EMS) starts with BFR/LFR, DKR, DM, FF, IRL, LIT, HFL and UKL. BFR/LFR, DKR, DM, FF, IRL, LIT, HFL and UKL are components of the ecu basket. BFR/LFR, DKR, DM, FF, IRL, LIT, HFL (but not UKL) participate in the exchange-rate mechanism (ERM). They are in the narrow band (2,25 % fluctuation) of the ERM, except the LIT in the wide band (6 % fluctuation).											
24.9.1979	Realignment	0	−3,00	+2,00	[1]	[1]	0	0	0	0	[1]	[2]
30.11.1979	Realignment	0	−5,00	0	[1]	[1]	0	0	0	0	[1]	[2]
23.3.1981	Realignment	0	0	0	[1]	[1]	0	0	−6,00	0	[1]	[2]
5.10.1981	Realignment	0	0	+5,50	[1]	[1]	−3,00	0	−3,00	+5,50	[1]	[2]
22.2.1982	Realignment	−8,50	−3,00	0	[1]	[1]	0	0	0	0	[1]	[2]
14.6.1982	Realignment	0	0	+4,25	[1]	[1]	−5,75	0	−2,75	+4,25	[1]	[2]
22.3.1983	Realignment	+1,50	+2,50	+5,50	[1]	[1]	−2,50	−3,50	−2,50	+3,50	[1]	[2]
17.9.1984	Revision of the ecu composition (the drachma enters into the ecu basket without participating in the ERM).											
											[1]	[2]
22.7.1985	Realignment	+2,00	+2,00	+2,00	[2]	[1]	+2,00	+2,00	−6,00	+2,00	[1]	[2]
7.4.1986	Realignment	+1,00	+1,00	+3,00	[2]	[1]	−3,00	0	0	+3,00	[1]	[2]
4.8.1986	Realignment	0	0	0	[2]	[1]	0	−8,00	0	0	[1]	[2]
12.1.1987	Realignment	+2,00	0	+3,00	[2]	[1]	0	0	0	+3,00	[1]	[2]
19.6.1989	Though not in the ecu basket yet, the peseta joins the EMS by entering into the wide band of the ERM.											
21.9.1989	Revision of the ecu composition: the peseta and the escudo enter into the ecu basket. The escudo does not participate in the ERM.											
8.1.1990	The Italian lira (formerly in the wide band of the ERM) joins the narrow band of the ERM.											
8.1.1990	Realignment	0	0	0	[2]	0	0	0	−3,6774	0	[2]	[2]
8.10.1990	Pound sterling enters into the wide band of the ERM.											
6.4.1992	The escudo enters into the wide band of the ERM.											
14.9.1992	Realignment	+3,50	+3,50	+3,50	[2]	+3,50	+3,50	+3,50	−3,50	+3,50	+3,50	+3,50
17.9.1992	Pound sterling and the Italian lira suspend their participation in the ERM.											
17.9.1992	Realignment	0	0	0	[2]	−5,00	0	0	[2]	0	0	[2]
23.11.1992	Realignment	0	0	0	[2]	−6,00	0	0	[2]	0	−6,00	[2]
1.2.1993	Realignment	0	0	0	[2]	0	0	−10,00	[2]	0	0	[2]

[1] Currency not in the EMS.
[2] Currency not in the ERM.

Study No 4

US, Japanese and Community competitiveness developments

US, Japanese and Community competitiveness developments

Table

Graphs

Summary

The competitiveness of an economy determines its ability to increase its market shares or to sustain a higher growth without a deteriorating current-account balance. The determining factors of trade and current-account performance can be grouped in three main categories: relative cyclical positions (income effects), relative cost developments (price effects) and relative change in productive potential (supply effects).

Over the period 1987-92, different cyclical developments seem to explain the direction of changes in external positions and trade performance in the US, Japan and the Community. However, relative cost developments seem to have played a significant role in the intensity of these changes.

For the US, the 22,3% improvement in export market share can therefore be explained by the combination of domestic demand growth a cumulative 8% below the average of its industrial partners, and an 18,8% improvement in its cost-competitiveness against the same partners in the fourth quarter of 1992 compared to the first quarter of 1987. Such a reduction of its relative manufacturing unit labour costs in common currency resulted from both an effective nominal depreciation of the dollar (−11,5%) and a decrease in relative unit labour costs measured in national currencies (−6,5%).

For Japan, a 7,5% loss in export market share looks very moderate in relation to an almost 15% faster growth in its domestic demand, and an 11% deterioration in cost-competitiveness measured in the fourth quarter of 1992 by relative unit labour costs in common currency. Such a competitiveness deterioration was the net result of a nominal appreciation of the yen (+18,5%) and a reduction of relative unit labour costs measured in national currencies (−6,5%). It seems, therefore, that other factors played a compensatory role in favour of Japanese external performance, such as the substantial profitability advantage that the Japanese manufacturing sector enjoyed at the beginning of the period.

For the Community as a whole, the deterioration of export and current-account performance could be explained by cyclical factors (domestic demand growth 2,8% above the average of its industrial partners) and a cost-competitiveness deterioration. Until the third quarter of 1992, the loss of competitiveness (+17,8 %) was more due to a nominal appreciation of Community currencies (+10,2 %) than to an increase in relative unit labour costs measured in national currencies (+6,9 %). However, during the fourth quarter of 1992, the Community currencies' depreciation (−6,8%) permitted a reduction in the cost-competitiveness losses to 10,4% compared to the first quarter of 1987.

Within the Community, the five countries whose currencies did not belong to the initial narrow band of the ERM accumulated cost-competitiveness losses over most of the period until mid-1992. During the second half of 1992, successive realignments and floating permitted a correction of most of the cost divergences accumulated by these five countries, while Germany was registering a sharp deterioration in its cost-competitiveness.

In order to capture the complex notion of an economy's competitive position, something more than summary indicators — which cannot be interpreted too literally — is required. As well as monitoring a broad range of cost and price indicators, a degree of interpretation and overall analysis is necessary. The purpose of this study is not to solve the methodological problem of measuring competitiveness, but rather to give an overview of the salient facts provided by the observation of the most easily accessible information on EC countries, the US and Japan, after a short methodological introduction.

1. Competitiveness: what does it mean and how should it be measured?

The extent to which a country is competitive is reflected in its ability to increase its share of export markets, or to sustain a relatively higher rate of growth of domestic demand without a deterioration in its current-account balance.

Change in competitiveness in one direction or another will tend to balance supply and demand in the economy. For example, some deterioration in competitiveness is necessary when domestic demand is growing very rapidly as a result of private sector expectations of structural improvement or economic 'catching up'. However, if demand disturbances are due to inappropriate budgetary policies, the response should be to correct those policies rather than induce compensation by changes in relative cost positions.

One of the most widely used indicators of competitiveness is based on unit labour costs in the manufacturing sector (ULCM). The latter is used as a proxy for all sectors exposed to external competition. It is calculated as the ratio of manufacturing unit labour cost indices in the home country to manufacturing unit labour cost indices in its trading partners, with all data expressed in a common currency. For the home country, it corresponds to the combined impact of changes in relative unit labour costs measured in respective national currencies and changes in the nominal effective exchange rate of this country's currency against its partners' currencies. This indicator is also called a real exchange rate index. The implicit assumption behind this indicator is that, since traded goods prices are linked by strong international competition, developments in relative unit labour costs are indicative of changes in relative profitability in the traded goods sector. Movements in such an indicator for any given country should point to changes in the incentives to produce manufactured goods in this country relative to its trading partners.

Interpreting ULCM as a measure of relative profitability is however an arbitrary simplification, which is misleading inasmuch as relative profitability is influenced by other factors. For example, product differentiation across countries, structural differences in their material inputs and especially differences in domestic input prices may affect profitability in a given country with respect to the others. Thus, a rise in the output price of traded goods supplied by the home country relative to the foreign price need not necessarily indicate a deterioration in competitiveness, to the extent that it may reflect a shift in external demand preferences, or to the extent that the quality of industrial specialization allows it to pass domestic cost increases on to its trading partners without any profit squeeze. Another typical case is a country with unchanged relative unit labour costs but showing a decrease in its relative output prices (or an increase in its relative input prices) provoking a reduction in its relative value-added deflator. Contrary to conventional interpretation, this country has not improved its competitiveness for existing production since it registers a squeeze in profit margins with respect to its competitors. It is, therefore, necessary to examine relative profitability by looking simultaneously at ULCM indicators and at adequate price indicators. The best price indicator for this purpose is, of course, the deflator of manufacturing value-added (PVA). The PVA takes into account not only output-price variations, but also, negatively, input price movements. So, a change in the specific terms of trade of the manufacturing sector of one country, which will affect profit margins, should be correctly reflected in a change in the value-added deflator.

Accordingly, the preferred competitiveness indicator might be the ratio of the relative unit labour costs to the relative price of the value-added, since this indicator gives the evolution of labour's share in value-added for the home manufacturing sector with respect to that of its foreign competitors, which corresponds also to a measure of relative profit margins (its complement). Of course, this indicator is also imperfect:

(i) it is an *ex-post* indicator, i.e. it reflects the relative cash-flow position of existing output capacities;

(ii) it does not exhaust the possible factors which may affect the rate of return, such as differences in the cost of capital, in capital intensity or in the elasticity of factor substitution (but whose consideration would result in an excessive complication of the analysis);

(iii) it suffers from some weaknesses in the comparability of data across countries.

The following analysis starts with a short presentation of the trade performances and imbalances, which are the result of global developments. Then the most commonly used *ex-post* cost-competitiveness indicator of the traded goods sector — that is the relative unit labour costs in the manufacturing sector (ULCM) — is examined. As an alternative indicator, relative consumer price indices, to which exchange-rate operators usually refer to as a benchmark for developments in purchasing power parities, is also presented. Finally, the study tries to overcome some of the traditional difficulties with ULCM, such as differences in other domestic costs or in the path of input costs, or shifts in external terms of trade, by using the relative labour share developments as a synthetic indicator of *ex-post* profitability. A tentative comparison of absolute levels of total wage costs per employee and value-added per employee closes the analysis.

2. Current-account balances and trade performances

Factors other than changes in competitiveness may account for the evolution of trade balances and performances. Changes in relative cyclical positions (income effects), relative growth in productive potential (supply effects and output gap) and competitiveness (relative-price effects) are the three main categories of determining factors.

In more recent years, relative demand growth (cycle) seems to have played a major role in shaping the external positions of a majority of industrialized countries. Since 1987, the relative dynamism in domestic demand enables three groups of countries to be distinguished: one with a higher domestic demand growth, another with a lower growth, and those whose growth hovered around the average for the group as a whole (see Table 1).

In the first group, domestic demand growth was 14,8% higher for Japan than for the average of its 19 industrial partners, 13,4% for Portugal, 12,5% for Spain, 4,5% for (Western) Germany, 4,2% for Belgium, 2,2% for Greece and 2,8% for the Community as a whole. These growth differentials should, *ceteris paribus*, explain a deterioration of the current balances and trade market shares in these countries, as a function of their respective income elasticities. Indeed, the table below shows that it is the case in all these countries for current balances, and also for market shares except for Portugal and Spain. For these two countries, the two other factors of trade performance were thus playing a more important role than income effects.

For the second group (Denmark, the US and the UK) with a relatively lower rate of domestic demand growth, the same argument implies that income effects should, *ceteris paribus*, improve trade performances and current balances. It is indeed the case for two of the three countries of Group 2: only the UK registered a deterioration of both current account and market share indicators in spite of a significant negative differential in its domestic demand with respect to the other industrial countries. This implies a priori a loss of competitiveness for the British economy.

In the third group (France, the Netherlands, Ireland and Italy), the cumulative income effects should be rather neutral for trade and current-account performances during the 1987-92 period. Only the Netherlands registered an almost constant market share performance; France and Ireland showed significant progress, whilst Italy lost market share. This indication of an improvement of competitiveness for France and Ireland, as well as of a deterioration in Italian competitiveness, is confirmed by the developments in current-account balances.

The combination of indicators presented in Table 1 suggests that the competitiveness factor should, at the most, explain only that part of the trade performance which cannot be accounted for by income effects. So, the dramatic recovery of market shares by the US exporters cannot be imputed solely to competitiveness, since the cyclical gap will also have played a major role. The same is true in explaining a part of the corresponding deterioration in trade performance for Japan, the Community and Germany. Intuitively, however, it seems that the deterioration of current balances and market shares in Japan are rather modest relative to the importance of the income effects, indicating a possible partial compensation by the other factors.

Among Community countries, possible competitiveness losers — other than Germany — would be the UK, Italy and Greece. Possible winners would be, at this stage of the analysis, Portugal, Ireland, Spain, France and the Netherlands.

Before comparing the components of relative trade performance unexplained by income effects with the possible effects of specific competitiveness indicators, it is worth mentioning some additional features of the Community's external trade, drawing on a previous publication[1] of the Commission services.

Between 1987 and 1990, extra-Community imports of manufactures, in volume terms, have grown more rapidly (32,4%) than intra-Community imports (21,4%). In particular, this phenomenon is also true for high-tech products: EC imports from the rest of the world have increased more (39,1%) than the intra-EC imports of the same products (32%). On the export side during the same period, total growth of extra-EC exports of manufactures, in volume, has been rather modest (5,9%), well below the expansion of intra-EC exports (23,3%). Also in the field of high-tech products, the total progression in volume terms of extra-EC exports (13,2%) is less than half of the progression of intra-EC exports (31,2%). These elements constitute additional information pointing towards a weakening of competitiveness of the Community as a whole *vis-à-vis* the rest of the world.

[1] Study No 4 — 'Main features of Community trade', *European Economy* No 50, December 1991.

Table 1

Income effect and trade performance in 1992 against 1987

1. Countries with domestic demand growth above the average

	Japan	Portugal	Spain	Germany	Belgium	Greece	EUR 12
(a) Relative domestic demand (1987 = 100)	114,8	113,4	112,5	104,5	104,2	102,2	102,8
(b) Market share in volume[1] (1987 = 100)	92,5	106,7	105,4	94,8	93,8	88,8	94,7
(c) Current balance (% of GDP, change against 1987)	−0,4	−1,7	−3,6	−3,7	0,0	−0,3	−1,3

2. Countries with domestic demand growth below the average

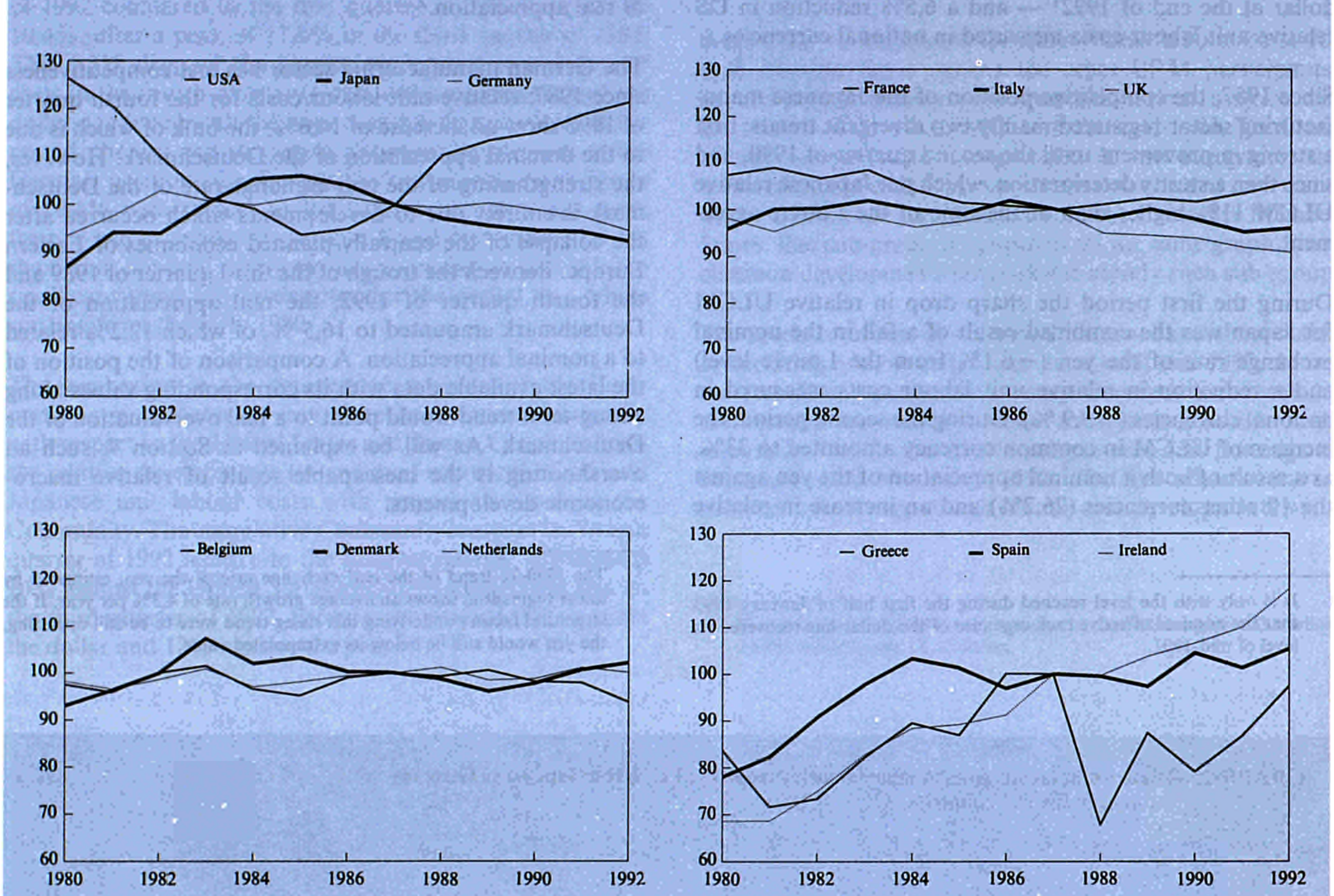
	Denmark	USA	UK
(a) Relative domestic demand (1987 = 100)	88,7	92,0	95,6
(b) Market share in volume[1] (1987 = 100)	102,2	122,3	90,9
(c) Current balance (% of GDP, change against 1987)	+5,8	+2,5	−0,5

3. Countries with domestic demand growth around the average

	Netherlands	France	Italy	Ireland
(a) Relative domestic demand (1987 = 100)	99,5	99,7	101,0	101,5
(b) Market share in volume[1] (1987 = 100)	100,1	105,6	96,0	118,2
(c) Current balance (% of GDP, change against 1987)	+2,7	+0,3	−2,2	+5,4

[1] Export volume indices of a country compared to the export volume indices of industrial countries.
Sources: Commission services; IMF — *International Financial Statistics.*

GRAPH 1: Export performance[1] of industrial countries



[1] Ratio of export volume index of a country compared to the export volume indices of industrial countries.

3. Description of relevant trends in relative manufacturing unit labour costs

In this section, the trend in relative manufacturing unit labour costs in the three main industrial countries and in the Community as a bloc is examined. This examination is based on the nominal effective exchange rates of each of their respective currencies (or group of currencies) *vis-à-vis* the other industrialized countries, deflated by unit labour costs in manufacturing. Intra-Community developments are then addressed using the same indicator for each Member State, but calculated against the (other) ERM currencies.

3.1. Relative unit labour costs in the manufacturing sector of the USA, Japan, Germany and the Community

According to the relative unit labour cost indices, the competitive position of the US manufacturing sector has substantially improved since the time of the Louvre Accord (first quarter of 1987). The last quarter of 1992 registered a relative cost improvement of 18,8% (estimated) in comparison to the first quarter of 1987. Such real exchange-rate depreciation resulted from the combination of an 11,5% nominal depreciation of the effective exchange rate of the dollar — despite the upsurge in the nominal exchange rate of the dollar at the end of 1992[1] — and a 6,5% reduction in US relative unit labour costs measured in national currencies.

Since 1987, the competitive position of the Japanese manufacturing sector registered mainly two divergent trends: first a strong improvement until the second quarter of 1990, and since then a steady deterioration, which put Japanese relative ULCM 11% higher than at the time of the Louvre agreement.

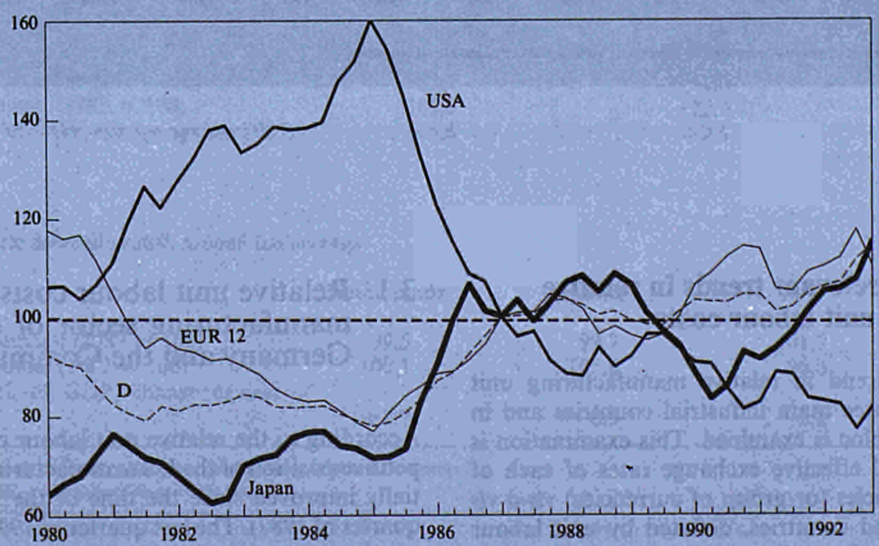
During the first period the sharp drop in relative ULCM for Japan was the combined result of a fall in the nominal exchange rate of the yen (−6,1% from the Louvre level) and a reduction in relative unit labour costs measured in national currencies (−9,9 %). During the second period, the increase of ULCM in common currency amounted to 33%, as a result of both a nominal appreciation of the yen against the 19 other currencies (26,2%) and an increase in relative unit labour costs measured in national currencies (5,4%). Over a longer-term perspective, the yen is showing a trend of real appreciation.[2]

The German manufacturing sector has lost competitiveness since 1987: relative unit labour costs for the fourth quarter of 1992 show an increase of 14,6%, the bulk of which is due to the nominal appreciation of the Deutschmark. However, the strengthening of the real exchange rate of the Deutschmark is entirely due to developments which occurred after the collapse of the centrally-planned economies of Eastern Europe. Between the trough of the third quarter of 1989 and the fourth quarter of 1992, the real appreciation of the Deutschmark amounted to 16,5 %, of which 12,2% related to a nominal appreciation. A comparison of the position of the latest available data with its corresponding values along a long-term trend would point to a real overvaluation of the Deutschmark. As will be explained in Section 7, such an overshooting is the inescapable result of relative macroeconomic developments.

[1] It is only with the level reached during the first half of January 1993 that the nominal effective exchange rate of the dollar has recovered its level of mid-1991.

[2] The 1980-91 trend of the real exchange rate of the yen, estimated by linear regression, shows an average growth rate of 4,3% per year. If the structural factors underlying this rising trend were to be still operating, the yen would still be below its extrapolated value.

GRAPH 2: **Relative unit labour costs in manufacturing industry: EC, USA, Japan and Germany**
(*vis-à-vis* industrial countries, 87Q1 = 100)



For the Community currencies taken as a group *vis-à-vis* third currencies, the real appreciation in the fourth quarter of 1992 compared to the first quarter of 1987 amounts to 10,4%, after a peak of 17,8% in the third quarter of 1992. This 6,3% drop of the Community's relative unit labour costs in the fourth quarter is due to the appreciation of the dollar combined with the impact of the depreciations of the pound, the lira and the peseta. However, in contrast to the German position, the Community's competitiveness losses of 10,4% with respect to the Louvre period comes more from a rise in relative costs in national currencies (7,5 %) than from nominal exchange-rate appreciation (2,7 %). No significant trend can be detected for the period as a whole starting from the early 1980s.

The weakening in the competitive position of the Community's manufacturing sector can be examined bilaterally with respect to the United States and Japan. Graph 3 shows the relative developments (in common currency) of US and Japanese unit labour costs with respect to those of the Community. The cumulative Community losses in the fourth quarter of 1992 relative to the 'Louvre quarter' are around 20% against the United States and 1,3% against the yen. In the third quarter of 1992, these losses reached 27% against the dollar and 12% against the yen.

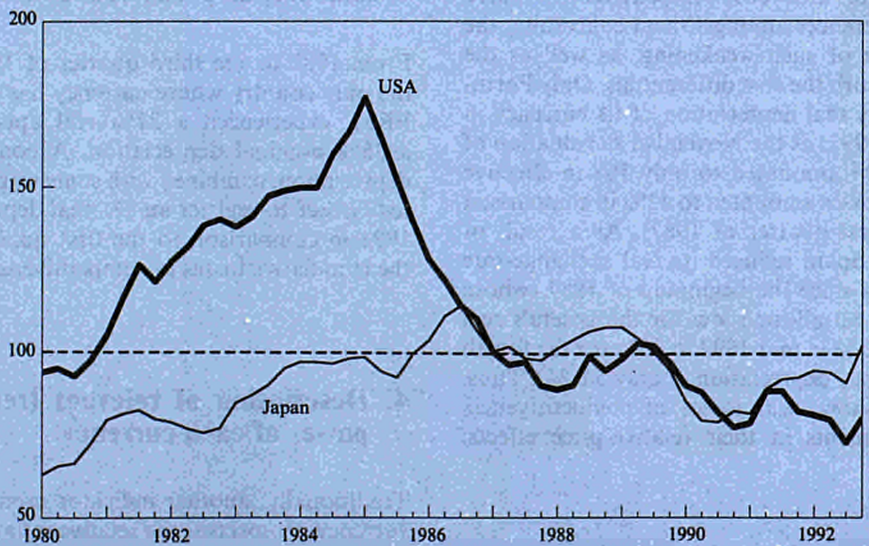
3.2. Developments in intra-Community competitiveness

Regarding developments in relative unit labour costs for each Member State against the other ERM participants[1] for the period under review, two sub-periods may be distinguished: 1987 to mid-1992, and after mid-1992. The Community countries may be grouped in two categories: the seven countries which have participated in the narrow band of the ERM since its inception, and the five other Member States. Eac sub-group is presented on the same graph, since common developments characterize mainly each sub-group.

The seven countries of the initial narrow band show stable or declining relative unit labour costs until mid-1992; during the second sub-period their competitiveness is reduced by the upward movement in their relative unit labour costs essentially due to the ERM realignments and floatings of September and November 1992. The five other countries show mostly divergent unit labour cost developments with,

[1] The definition of ERM members is the same throughout the whole period and includes 11 countries.

GRAPH 3: Relative unit labour costs in manufacturing industry: USA and Japan
(*vis-à-vis* EUR 12, 87Q1 = 100)



in most cases, important losses of competitiveness, followed by some adjustments in four of them, first by labour cost moderation in national currency and, finally, for three of them by significant parity realignments.

Amongst the seven countries, some divergences are to be highlighted. In both sub-periods, German relative unit labour costs rose significantly against the six other countries of the first sub-group. At the end of 1992, the cumulative loss in competitiveness of the German manufacturing sector, measured bilaterally against these partners, reached 7,8% against the Danish manufacturing sector, 11% against Belgium, 13,2% against France, 16,3% against the Netherlands and 23,7% against Ireland.[1] As such this evolution is not due to parity realignments, it results essentially from wage slippage in Germany throughout the whole period and very good performances in the six other countries (wage moderation and increases in productivity).

Considering the increases in unit labour costs of all the ERM members, at mid-1992, the competitiveness gains of Germany's partners in the first group reached 6,7% for Denmark, 8% for Belgium, 12,2% for France, 15,2% for the Netherlands, and 21,1% for Ireland. The successive realignments of the second half of 1992 reduced these cumulative gains to only 1,1% for Denmark, 3,5% for Belgium, 7,6% for France, 10,6% for the Netherlands and 17,4% for Ireland.

The five other Community members that have not been within the narrow band from the beginning all witnessed a period of weakening of their cost-competitiveness. There are however large differences amongst them concerning the intensity and duration of such weakening, as well as the parameters used to absorb the cost differentials. Only Portugal did not display any real depreciation of its currency in the fourth quarter of 1992, as the November devaluation of the escudo in the ERM amounted to only 1% in effective terms. Its cumulative losses amounted to 42% in comparison to the base period (first quarter of 1987). As a result of the two devaluations, Spain reduced its real exchange-rate appreciation registered since the beginning of 1987 (whose level at that time was an all-time low for the peseta's real exchange rate), from 33% in mid-1992 to 25% for the fourth quarter of 1992 (i.e. a real depreciation of only 5,8 %). Thus, Spain and Portugal show clear losses of competitiveness according to developments in their relative-price effects. However, as was mentioned in Section 2 above, these two countries have registered significant market share progress (see Table 1) in spite of adverse income effects (differential in domestic demand growth). Therefore, the third category of factors, the supply effects, have certainly played a major role in these cases: the catching-up process implies a fast development of new output capacity, which is not properly taken into account in conventional competitiveness indicators.

Italy joined the narrow-band ERM after an 8% loss of competitiveness during the year 1989. During its stay in this mechanism the real exchange rate was also stable. The devaluation of the lira, followed by its withdrawal from the ERM, amounted to a nominal depreciation of 10,8% (measured as the gap between the average of the second quarter of 1992 and the fourth quarter of 1992). The real depreciation, which amounted to 11,3 %, corresponds to an improvement of 8% for Italian manufacturing competitiveness with respect to the base period.

The UK joined the wide band of the ERM during the fourth quarter of 1990, after a period of nominal appreciation and wage slippage whose combined effects, compared with the base period, amounted to 16% of competitiveness losses. During its two years of participation in the ERM, its real exchange rate was stable. Since mid-1992, the real depreciation absorbed entirely the previous losses of competitiveness. This real depreciation amounted to 14,4 %, of which 13,6% came from the nominal depreciations allowed, first, by the use of the wide margin of fluctuation and, next, by the withdrawal of the pound from the ERM.

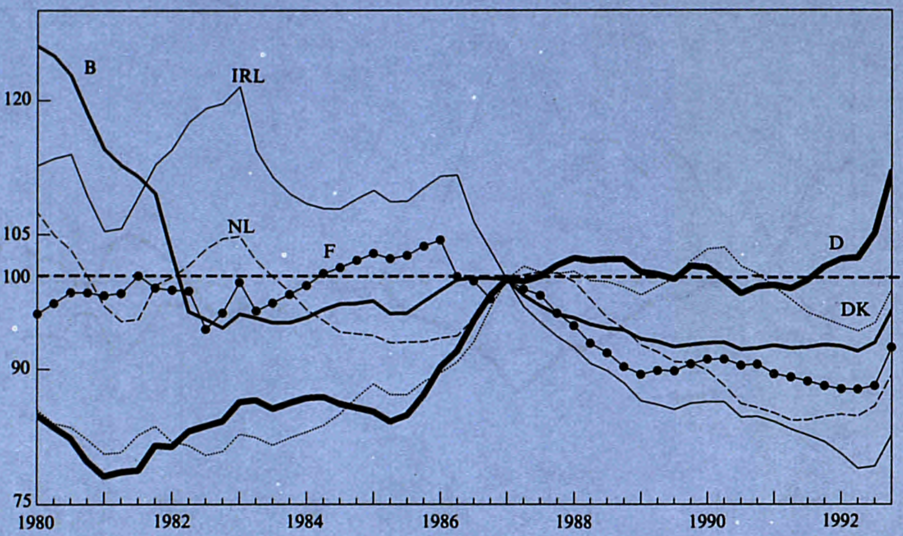
From 1987 to the third quarter of 1990, Greece, which is the only country whose currency has never belonged to the ERM, experienced a 27% real appreciation, in spite of a 25% nominal depreciation. A continuation of nominal depreciation, combined with some wage moderation, permitted Greece to register an 8% real depreciation at the end of 1992 in comparison to the first quarter of 1990, reducing the cumulative losses in competitiveness to 16,9 %.

4. Description of relevant trends in purchasing power of each currency

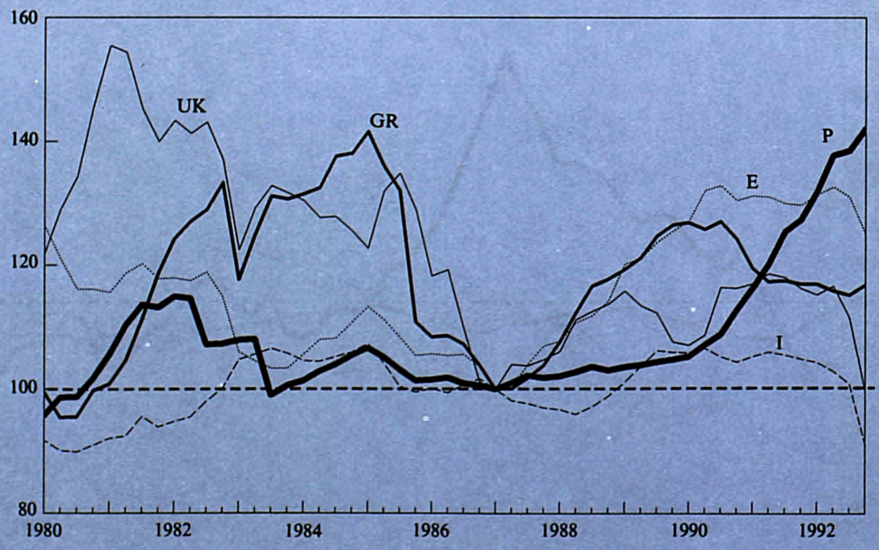
Traditionally, another indicator used by analysts to assess currency prospects is the relative inflation index. So, Graphs 6 to 9 present the relative consumer price indices measured in a common currency, i.e. they correspond to the ratio of the consumer price index in one country to consumer price

[1] Due to the lack of data on value-added for the Irish manufacturing sector, Irish data for manufacturing productivity are not fully comparable with the other country data, and the proxy used (output index) could lead to an exaggerated measure of productivity growth.

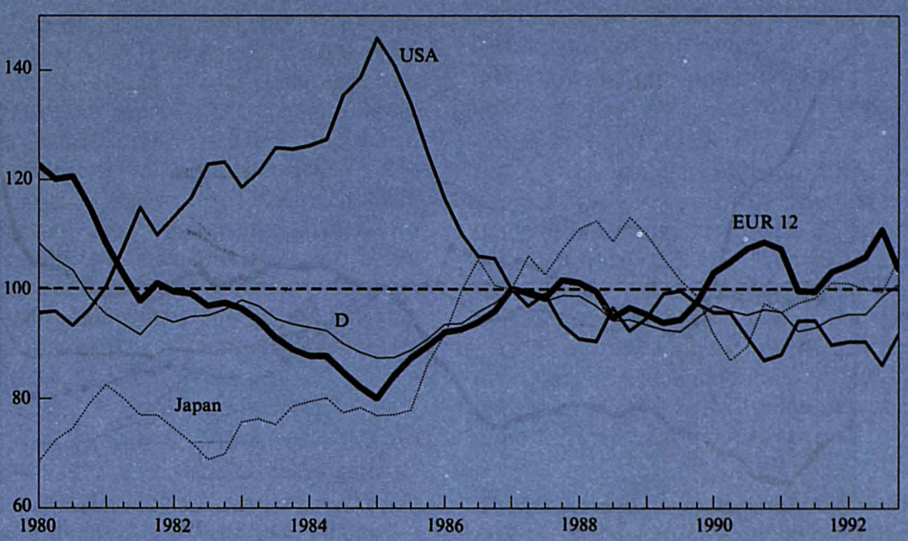
GRAPH 4: Relative unit labour costs in manufacturing industry: initial narrow-band ERM countries
(*vis-à-vis* ERM, 87Q1 = 100)



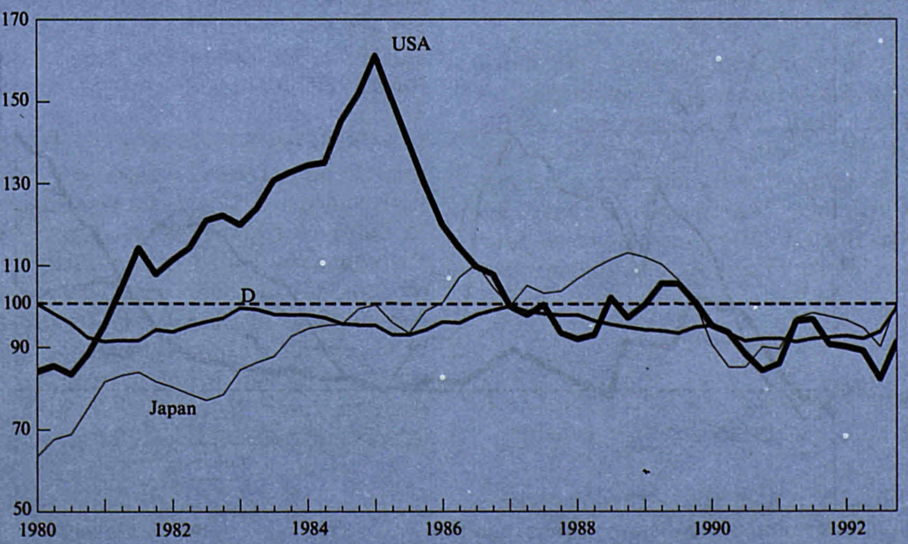
GRAPH 5: Relative unit labour costs in manufacturing industry: other Community countries
(*vis-à-vis* ERM, 87Q1 = 100)



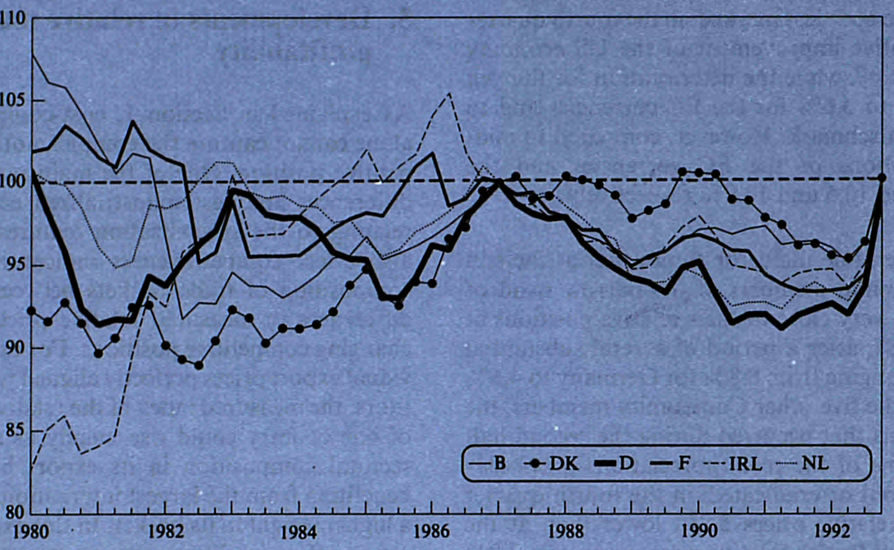
GRAPH 6: **Relative consumer prices: EC, USA, Japan and Germany**
(*vis-à-vis* industrial countries, 87Q1 = 100)



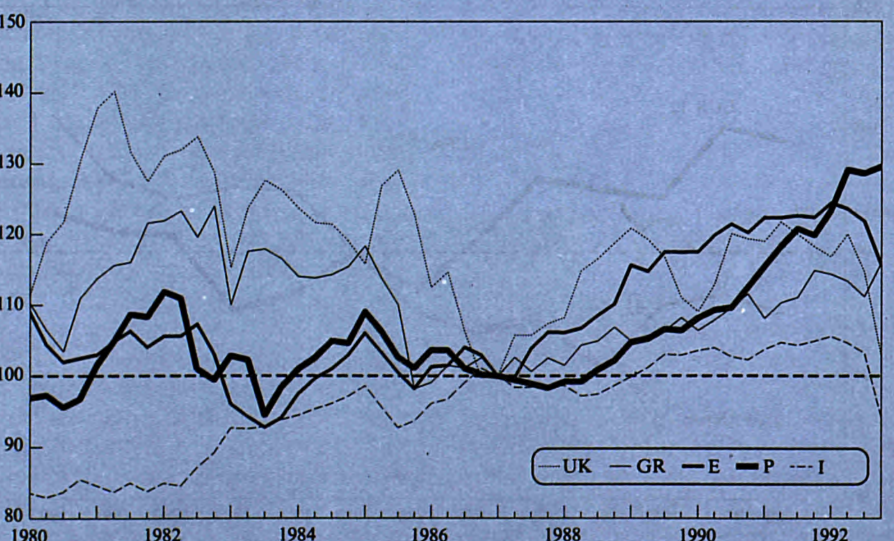
GRAPH 7: **Relative consumer prices: USA, Japan and Germany**
(*vis-à-vis* ERM, 87Q1 = 100)



GRAPH 8: Relative consumer prices: initial narrow-band ERM countries
(*vis-à-vis* ERM, 87Q1 = 100)



GRAPH 9: Relative consumer prices: other Community countries
(*vis-à-vis* ERM, 87Q1 = 100)



indices in its trading partners, multiplied by the index of the nominal exchange rate of this country against its partner currencies.

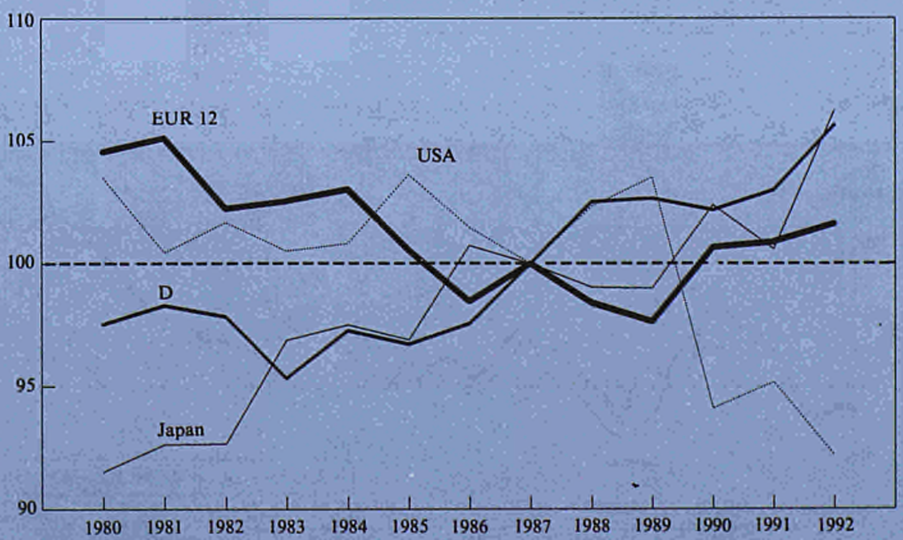
According to this indicator, real exchange-rate developments since the Louvre have been less marked: in the fourth quarter of 1992 the competitive improvement of the US economy amounted to some 8 %, while the deterioration for the yen is limited to 5,6 %, to 3,6% for the EC currencies and to only 1% for the Deutschmark. However, compared to mid-1989, real appreciations of the EC currencies and the Deutschmark reached 10,5 and 10,9% respectively.

Inside the ERM, the same indicator shows that at the end of 1992, the seven initial members of the narrow band of the ERM were back very close to their relative positions at the beginning of 1987, after a period of several substantial real appreciations (ranging from 8,8% for Germany to 4,6% for Denmark). For the five other Community members, the nominal depreciations that occurred during the second half of 1992 enabled some of the real appreciations previously recorded to be reduced or eradicated: in the fourth quarter of 1992, Italy had relative prices 5,9% lower than at the beginning of 1987 and British relative prices were only 2,8% higher, after a peak of 21,7% in 1991. For Spain, the real appreciation was reduced from 24 to 15,6 %, while, on the contrary, the real appreciations in Greece and Portugal continued, reaching respectively 16 and 29,5 %.

5. Developments in relative manufacturing profitability

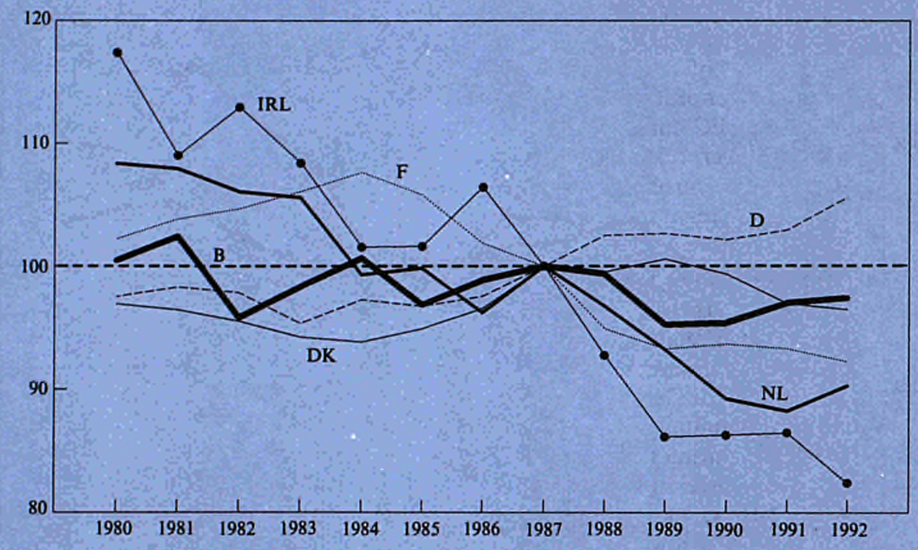
As explained in Section 1, cost-competitiveness indicators alone cannot capture the complex notion of a nation's competitive position. One of the main reasons is the structural differences amongst industrialized economies, particularly relating to the specialization features of each, which may also affect competitiveness indicators. Differences in the composition of trade baskets between countries allow for differences in measured relative prices without necessarily changing competitive positions. For example, even with individual export prices perfectly aligned with those of its competitors, the measured index of the relative export price average of one country could rise merely as a result of a different sectoral composition in its export basket if the products benefiting from the largest international price increases have a higher weight in its basket. In this example, such a specialization effect implies an improvement in the terms of trade of this country compared to the others, i.e. an increase in

GRAPH 10: **Relative labour share in value-added (manufacturing):[1] EC, USA, Japan and Germany**



[1] Relative ULCM/relative deflator of gross value-added; both indices are calculated against industrial countries.

GRAPH 11: **Relative labour share in value-added (manufacturing):[1] initial narrow-band ERM countries**



[1] Relative ULCM/relative deflator of gross value-added; both indices are calculated against industrial countries.

the disposable income which is statistically registered as an increase in the relative value-added deflator of the manufacturing sector of this country. This allows for either an increase in relative unit labour costs of this country without any squeeze in its profitability compared to the other countries, or for improvement in the relative profitability without any change in the relative ULCM. In more general terms, one can say that terms of trade variations across countries, due to the differences in international specialization, imply differences in the variation of the value-added deflators, opening different 'warranted wage rooms' for existing output capacities. In other words, divergences in unit labour costs do not affect relative profitability insofar as they coincide with offsetting movements in relative value-added deflators.

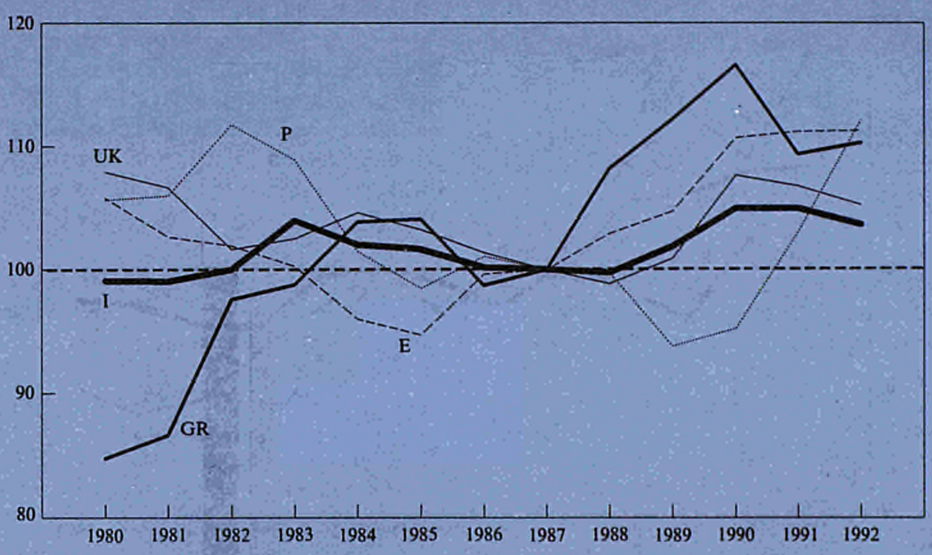
Consequently, one can better assess the net impact of cost-competitiveness and structural competitiveness by referring to the relative evolution of the labour share in manufacturing value-added, i.e. the ratio of relative unit labour costs and relative deflators of the corresponding value-added. The trend in this indicator of relative wage share, which gives implicitly (its inverse) a relative profitability indicator, is represented in Graphs 10 to 12. However, some data for 1991 are still approximate, and all the data for 1992 are only estimates, both made by the Commission services.

Graphs 11 and 12 present the same indicator for the other Community members, compared to their industrial partners. In contrast to the deterioration for Germany, the Irish and French performances are notable. Profit squeezes for the UK and Italy confirm some 'overvaluation' difficulties, as well as for Portugal, Greece and Spain.

6. Comparison of absolute levels of total wage costs and productivity

The above presentation gives only relative evolutions in order to assess competitiveness. However, competitiveness is also a question of level: gaps between levels in the past could justify catching-up evolutions in the period considered, showing 'deteriorations' which are only the paths of real convergence for some countries. The question of absolute level comparison is still open to methodological and statistical problems, and one might suggest looking at the absolute level of wage costs for easily available information on cost levels, and comparing it simultaneously to the value-added per worker.

GRAPH 12: **Relative labour share in value-added (manufacturing):[1] other Community countries**



[1] Relative ULCM/relative deflator of gross value-added; both indices are calculated against industrial countries.

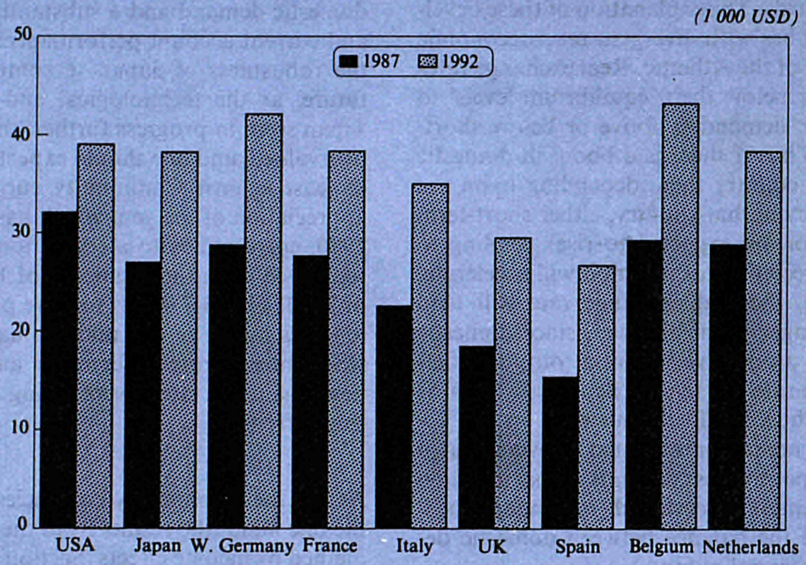
Graph 13 provides these comparisons. Until 1987, the US was the country with the highest level of total wage costs per employee. In 1992, German and Belgian workers have taken over. The ranking of Community members has not been changed since 1987. Among the G-7 countries, France maintains its rank of third place, after the US and just before Japan. Italy is fifth and has reduced somewhat its gap with France. A partial catching up appears for Spain and also for the UK. These two countries still have some catching up to do before they join the top levels. Of course, these wage gaps also reflect some average productivity level gaps, as the comparison with the value-added (at current prices and exchange rates) per employee shows (Graph 14). However, with the increase in the mobility of capital and entrepreneurship in the Community, the existing average productivity level gaps are not necessarily a constraint for new investments and activities, where there are still some opportunities to reap the benefits of the wage level gaps.

An interesting point concerning the comparison of the absolute levels of *ex-post* productivity expressed in value terms is the information that could tentatively be deducted about the level of gross profit margins, particularly for Japan and Germany. For Japan, its value-added per worker is the highest although its wage costs per worker are not the highest, indicating a higher gross profitability compared to its competitors. This point could confirm the interpretation that the room for a profit squeeze in the Japanese manufacturing sector — thus for a real appreciation of the yen — could still exist. On the contrary, the fact that German wage costs are the highest while German productivity in value is not, confirms that the level of gross profitability in the German manufacturing sector does not seem excessive. In particular, a bilateral comparison with France shows that wage costs, which were already higher in Germany in 1987, have increased more in Germany than in France, while the disadvantage for Germany of having a level of value-added per worker lower than in France has been getting worse from 1987 to 1992.

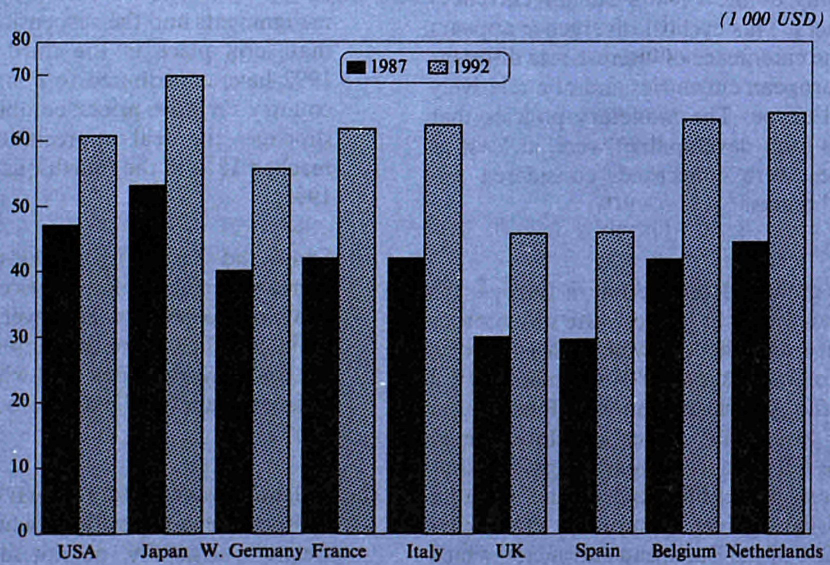
7. Conclusions

Keeping in mind the complexity of assessing the evolution of the relative competitive positions of a given group of countries, the examination of unit labour cost and profitability indicators would tend to point to important changes in competitiveness between the US and the EC economies: the EC currencies might presently (end of 1992) be seen as overvalued against the dollar.

GRAPH 13: Levels of wage costs per employee in the manufacturing sector



GRAPH 14: Levels of gross value-added per employee in the manufacturing sector



Though overshooting against some so-called equilibrium exchange rate does not necessarily mean that exchange rates are inappropriate or should be adjusted, one might consider that the Community currencies, viewed as a bloc, have overshot upwards (overvaluation) while conversely the dollar has overshot downwards. The explanation of these developments since mid-1989 lies with divergent macroeconomic conditions on both sides of the Atlantic. Real exchange rates will tend to be above or below their 'equilibrium levels' to the extent that domestic demand is above or below short-term potential output. Thus if there is a boom in domestic demand in a particular country then, depending upon the stance of monetary policy in that country, either short-term interest rates will rise (or are expected to rise), tending to produce a nominal appreciation, or inflation will accelerate, or both. In either case, the real exchange rate will tend to appreciate. In the longer term, however, since domestic demand cannot exceed productive potential output indefinitely, the real exchange rate will tend to depreciate towards the equilibrium level. Thus, in effect, any view on the appropriate character of actual or expected movements in exchange rates and competitiveness depends not so much on whether the exchange rate is 'overvalued' or 'undervalued' as on the assessment of the balance between domestic demand and short-term potential output.

In this perspective, the 'overvaluation' of the real exchange rates of the Community countries *vis-à-vis* other industrialized countries, which emerged in 1990 and 1991, can be viewed as the result of different (actual and anticipated) cyclical developments between the Community (and, more particularly, the economy of the ERM's anchor currency) and its industrial partners. This cyclical divergence appears to have fostered both the emergence of interest-rate differentials in favour of the European currencies and of a relatively high inflation rate in Europe. The monetary policies that were at the root of this joint development were, at least as far as ERM currencies were concerned, considered appropriate by the central banks.

In 1992, in spite of the cyclical deterioration in Europe, the postponement of the narrowing in interest-rate differentials between the Community and the US was, at least partly, due to a combination of wage slippage in Germany and a frustrated recovery of the American economy. Presently, it seems that current and prospective cyclical developments in the Community and the US have led to market expectations of a narrowing of interest-rate differentials, thus fuelling a strengthening of the dollar against Community currencies. This nominal depreciation of the European currencies, which already started in the second half of 1992, seems to be warranted by the recent shift in the balance of risks between inflation and recession, and could help the European cyclical recovery.

As regards the yen, despite a faster growth in Japanese domestic demand and a substantial real appreciation, trade and current account performances remained good, showing the robustness of Japanese competitiveness. For the near future, as the technological and structural advantages of Japan seem to progress further, the yen does not seem to be overvalued, and one should expect a continued appreciation, at least against Community currencies. The ongoing real appreciation of the yen, which has been observed since mid-1990, corresponds to a correction of the prolonged decline registered from the beginning of 1989 to the second quarter of 1990. The G-7 seems to have played a role in making the markets aware of the undervaluation of the yen at a time when interest-rate differentials and difficulties in the Japanese financial system were acting against an appreciation of this currency.

As for the Community currencies, taking into account, on the one hand, the results from the trade performances unexplained by income effects (Section 2) and the competitiveness analysis on the other, the following assessment can be proposed:

(i) Germany, Greece, Italy and the UK had obviously registered a competitiveness deterioration until the third quarter of 1992. For Italy and the UK, the depreciation of their nominal exchange rates has probably offset the previous relative cost slippages. For Germany, the realignments and the suspensions of ERM participation that took place in the third and fourth quarters of 1992 have contributed to a significant increase in that country's relative prices; combined with its relative wage slippage, the real appreciation of the Deutschmark reached 12% in the fourth quarter of 1992 compared to 1991;

(ii) Spain and Portugal have registered a rather important increase in their relative prices, as it is typical in any catching-up process. However, two question marks remain: whether or not the chosen base period is appropriate for these countries, and whether or not the losses of competitiveness of existing output are being incurred too fast;

(iii) Ireland, France and Denmark enjoy a rather healthy competitiveness position, while the Netherlands and Belgium, arguably, do not face any problems in this field.

Statistical annex

Long-term macroeconomic series

Notes on the statistical annex

General remarks

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

For the period up to 1991, the aggregates 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). Unless otherwise specified, the sources of the data are Eurostat for the EC member countries and OECD for the USA and Japan.

Figures for 1992 and 1993 are estimates and forecasts made by Commission staff using the definitions and latest figures available from national sources. These series are not fully comparable with the corresponding figures for earlier years, however the discontinuities of the levels of these series have been eliminated. The figures for 1992-93 are based on data up to 2 February 1993.

Up to 1990 the data concerning Germany refer to West Germany, from 1991 onwards data for both unified (D) and West Germany (WD) are available.

See also the explanatory notes on the tables for specific definitions.

List of tables

Symbols and abbreviations

—	nil
:	not available
%	percent or percentage
Mio	million
Mrd	1 000 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
EUR-	Member countries, incl. West Germany
EUR+	Member countries, incl. unified Germany

Table 1

Population; total

(1 000)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12−	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	50 523	316,9	11 637	8 420	52 807	281 944	:	183 691	94 965
1962	9 221	4 647	56 837	:	8 448	31 133	46 998	2 830	50 843	320,8	11 801	8 410	53 292	284 781	:	186 538	95 853
1963	9 290	4 684	57 389	:	8 480	31 405	47 836	2 850	51 198	324,1	11 964	8 466	53 625	287 511	:	189 242	96 772
1964	9 378	4 720	57 971	:	8 510	31 716	48 330	2 864	51 600	327,8	12 125	8 505	53 991	290 038	:	191 889	97 791
1965	9 464	4 757	58 619	:	8 551	32 060	48 778	2 876	51 987	331,5	12 293	8 511	54 350	292 577	:	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	54 005	342,4	13 194	8 382	55 928	304 995	:	207 661	105 713
1972	9 709	4 992	61 672	:	8 889	34 471	51 701	3 024	54 381	346,6	13 330	8 364	56 097	306 976	:	209 896	107 156
1973	9 739	5 022	61 976	:	8 929	34 783	52 118	3 073	54 751	350,5	13 438	8 368	56 223	308 770	:	211 909	108 660
1974	9 768	5 045	62 054	:	8 962	35 119	52 460	3 124	55 111	355,1	13 543	8 482	56 236	310 260	:	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	55 718	360,8	13 773	8 942	56 216	312 637	:	218 035	112 770
1977	9 822	5 088	61 400	:	9 309	36 338	53 145	3 272	55 955	361,4	13 856	9 044	56 190	313 781	:	220 239	113 880
1978	9 830	5 104	61 327	:	9 430	36 749	53 376	3 314	56 155	362,1	13 939	9 105	56 178	314 869	:	222 585	114 920
1979	9 837	5 117	61 359	:	9 548	37 079	53 606	3 368	56 318	363,0	14 034	9 189	56 240	316 058	:	225 055	115 880
1980	9 847	5 125	61 566	:	9 642	37 356	53 880	3 401	56 434	364,4	14 148	9 289	56 330	317 383	:	227 757	116 800
1981	9 853	5 122	61 682	:	9 730	37 726	54 182	3 443	56 508	365,4	14 247	9 358	56 352	318 569	:	230 138	117 650
1982	9 856	5 119	61 638	:	9 790	37 950	54 492	3 480	56 639	365,6	14 312	9 429	56 306	319 377	:	232 520	118 450
1983	9 855	5 114	61 423	:	9 847	38 142	54 772	3 505	56 836	365,7	14 368	9 502	56 347	320 077	:	234 799	119 260
1984	9 855	5 112	61 175	:	9 900	38 311	55 026	3 529	57 005	366,0	14 423	9 577	56 460	320 739	:	237 011	120 020
1985	9 858	5 114	61 024	:	9 934	38 474	55 284	3 540	57 141	366,7	14 488	9 640	56 618	321 482	:	239 279	120 750
1986	9 862	5 121	61 066	:	9 964	38 604	55 547	3 541	57 246	368,4	14 567	9 686	56 763	322 335	:	241 625	121 490
1987	9 870	5 127	61 077	:	9 984	38 716	55 824	3 542	57 345	370,8	14 664	9 727	56 930	323 177	:	243 942	122 090
1988	9 921	5 130	61 449	:	10 005	38 809	56 118	3 538	57 452	373,9	14 760	9 761	57 065	324 382	:	246 307	122 610
1989	9 938	5 132	62 063	:	10 033	38 888	56 423	3 515	57 540	377,7	14 846	9 793	57 236	325 785	:	248 762	123 120
1990	9 967	5 141	63 253	:	10 140	38 959	56 735	3 503	57 661	382,0	14 947	9 808	57 411	327 907	:	251 523	123 540
1991	9 977	5 154	64 083	80 046	10 269	39 025	57 050	3 524	57 796	386,2	15 066	9 815	57 561	329 706	345 669	254 284	123 960
1992	9 997	5 167	65 006	80 731	10 350	39 085	57 366	3 555	57 913	385,3	15 188	9 345[a]	57 741	331 099	346 825	256 900	124 380
1993	10 017	5 178	65 864	81 468	10 422	39 141	57 685	3 579	58 024	390,3	15 311	9 355	57 927	332 894	348 498	259 290	124 800

[a] Break in 1991/92.

Table 2

Occupied population
Total economy

(Annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12-	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	1,1	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	1,2	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	1,0	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	0,1	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	-0,4	0,7	:	-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	0,5	-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	-0,1	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	-0,8	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	0,0	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	-1,9	0,6	-0,3	-1,9	-1,1	-1,2	-0,6	:	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	2,6	0,2	:	4,9	0,3
1985	0,6	2,5	0,7	:	0,9	-1,3	-0,3	-2,2	0,9	1,4	1,5	0,0	1,3	0,5	:	2,4	0,6
1986	0,6	2,6	1,4	:	0,3	1,4	0,1	0,2	0,8	2,6	2,0	-2,7	0,1	0,7	:	1,7	0,9
1987	0,5	0,9	0,7	:	-0,1	4,5	0,3	-0,1	0,4	2,8	1,4	0,5	2,1	1,2	:	3,5	0,9
1988	1,5	-0,6	0,8	:	1,6	3,4	0,8	1,0	0,9	3,1	1,6	0,1	3,3	1,6	:	2,8	1,7
1989	1,6	-0,7	1,5	:	0,4	3,5	1,1	-0,1	0,1	3,7	1,9	1,0	3,0	1,6	:	2,4	2,0
1990	1,1	-0,5	3,0	:	1,1	2,8	1,0	3,3	1,1	4,3	2,3	0,9	0,7	1,6	:	1,2	2,1
1981-90	0,1	0,5	0,5	:	1,0	0,8	0,1	-0,3	0,6	1,8	0,5	-0,4	0,6	0,5	:	1,9	1,1
1991	-0,3	-0,9	2,6	:	-1,6	0,2	0,4	-0,1	0,8	3,6	1,3	0,9	-3,1	0,2	:	-1,6	1,9
1992	-0,7	-0,7	0,8	-1,5	-0,5	-1,6	-0,2	0,1	0,1	1,5	0,4	-0,2	-2,3	-0,5	-1,0	0,7	0,5
1993	-0,7	0,1	-1,0	-1,0	-0,1	-1,6	-0,3	0,1	0,0	1,5	-0,4	-0,5	-1,7	-0,8	-0,8	1,0	0,2

Table 3

Unemployment rate[a]

(Percentage of civilian labour force)

	B	DK	WD	GR	E	F	IRL	I	L	NL	P	UK	EUR 9 –[b]	EUR 12 –	USA[c]	J[c]
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	9,2	6,9	7,9	17,8	8,2	15,2	8,7	3,5	12,4	8,1	11,0	9,1	9,9	9,6	2,7
1984	12,5	8,7	7,1	8,1	20,6	9,7	16,8	9,3	3,1	12,3	8,7	11,0	9,6	10,6	7,5	2,7
1985	11,8	7,2	7,1	7,7	21,6	10,1	18,2	9,6	2,9	10,5	8,8	11,4	9,7	10,8	7,2	2,6
1986	11,7	5,5	6,5	7,4	21,0	10,3	18,2	10,5	2,6	10,3	8,3	11,4	9,7	10,7	7,0	2,8
1987	11,3	5,6	6,3	7,4	20,4	10,4	18,0	10,3	2,5	10,0	6,9	10,4	9,4	10,3	6,2	2,8
1988	10,2	6,4	6,3	7,6	19,3	9,9	17,3	10,8	2,0	9,3	5,7	8,5	8,8	9,8	5,5	2,5
1989	8,6	7,7	5,6	7,4	17,1	9,4	15,7	10,6	1,8	8,5	5,0	7,1	8,1	8,9	5,3	2,3
1990	7,6	8,1	4,8	7,2	16,1	9,0	14,5	9,9	1,7	7,5	4,6	7,0	7,5	8,3	5,5	2,1
1981-90	10,7	7,6	6,0	7,1	18,5	9,2	15,7	9,5	2,5	10,2	7,1	9,7	8,7	9,6	7,1	2,5
1991	7,5	8,9	4,2	7,7	16,3	9,5	16,2	10,2	1,6	7,0	4,1	9,1	8,1	8,8	6,7	2,1
1992	8,2	9,5	4,5	7,7	18,0	10,1	17,8	10,2	1,9	6,7	4,8	10,8	8,7	9,5	7,3	2,1
1993	9,3	9,5	6,0	8,5	19,5	10,8	19,2	10,6	2,0	7,6	5,4	12,3	9,7	10,6	7,2	2,2

[a] Definition Eurostat.
[b] EUR 12 excl. Greece, Spain and Portugal.
[c] OECD.

Table 4

Gross domestic product at current market prices

(National currency; Mrd)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (PPS)	EUR 12 + (PPS)	USA	J
1960	557,0	41,15	302,7	:	105	706	300,7	0,631	24 792	26,11	45,50	71	25,86	213,2	:	514,7	16 011
1961	592,4	45,66	331,7	:	119	804	328,0	0,680	27 573	26,12	48,03	77	27,42	232,2	:	533,0	19 336
1962	633,7	51,45	360,8	:	126	929	366,2	0,736	30 979	27,50	51,71	82	28,82	254,0	:	573,2	21 943
1963	681,3	54,77	382,4	:	141	1 097	410,6	0,791	35 484	29,34	56,10	89	30,55	278,4	:	604,8	25 114
1964	762,5	62,60	420,2	:	158	1 238	455,4	0,901	38 843	33,50	66,01	96	33,39	308,0	:	649,5	29 541
1965	830,0	70,32	459,2	:	180	1 441	490,3	0,959	41 796	35,10	73,73	107	35,96	336,1	:	704,1	32 866
1966	892,1	77,18	488,2	:	200	1 667	530,7	1,010	45 286	36,88	80,28	118	38,28	363,1	:	771,2	38 170
1967	955,4	84,81	494,4	:	216	1 872	573,3	1,104	49 884	37,12	88,07	132	40,30	387,2	:	815,1	44 730
1968	1 022,3	94,36	533,3	:	235	2 099	623,1	1,245	54 071	40,61	97,66	146	43,67	421,2	:	890,0	52 976
1969	1 134,2	107,32	597,0	:	266	2 387	710,5	1,438	59 692	47,02	110,60	160	47,00	469,3	:	961,1	62 228
1970	1 262,1	118,63	675,3	:	299	2 654	793,5	1,620	67 178	55,04	124,11	178	51,61	524,6	:	1 011,6	73 345
1971	1 382,0	131,12	749,8	:	330	2 995	884,2	1,853	72 994	56,05	139,83	199	57,58	582,2	:	1 098,1	80 701
1972	1 545,4	150,73	823,1	:	378	3 514	987,9	2,238	79 810	63,21	157,99	232	64,46	650,0	:	1 207,9	92 395
1973	1 755,0	172,86	917,3	:	484	4 237	1 129,8	2,701	96 738	76,82	180,30	282	74,07	752,3	:	1 350,5	112 497
1974	2 056,8	193,63	983,9	:	564	5 189	1 303,0	2,988	122 190	93,64	204,61	339	83,70	868,3	:	1 460,6	134 244
1975	2 271,1	216,26	1 026,6	:	672	6 091	1 467,9	3,792	138 632	86,74	225,28	377	105,60	986,8	:	1 587,6	148 328
1976	2 578,9	251,21	1 120,5	:	825	7 329	1 700,6	4,653	174 869	99,81	258,03	469	125,03	1 155,0	:	1 770,4	166 573
1977	2 785,3	279,31	1 195,3	:	964	9 298	1 917,8	5,703	214 398	102,56	281,58	626	145,74	1 328,4	:	1 975,4	185 622
1978	2 987,5	311,38	1 283,6	:	1 161	11 376	2 182,6	6,757	253 536	112,22	304,20	787	168,13	1 512,9	:	2 229,5	204 404
1979	3 188,8	346,89	1 388,4	:	1 429	13 305	2 481,1	7,917	309 834	122,15	323,61	993	197,81	1 733,8	:	2 486,0	221 546
1980	3 451,2	373,79	1 472,0	:	1 711	15 379	2 808,3	9,361	387 669	132,93	344,89	1 256	231,23	1 981,0	:	2 708,1	240 177
1981	3 577,7	407,79	1 535,0	:	2 050	17 179	3 164,8	11,359	464 030	141,69	361,39	1 501	254,20	2 198,7	:	3 035,8	257 963
1982	3 889,0	464,47	1 588,1	:	2 575	19 786	3 626,0	13,382	545 124	158,79	377,79	1 850	278,09	2 448,4	:	3 152,5	270 602
1983	4 124,1	512,54	1 668,5	:	3 079	22 484	4 006,5	14,779	633 436	174,68	390,24	2 302	303,38	2 698,1	:	3 394,3	281 767
1984	4 432,6	565,28	1 750,9	:	3 806	25 392	4 361,9	16,407	725 760	193,67	409,94	2 816	324,79	2 948,9	:	3 763,5	300 543
1985	4 740,8	615,07	1 823,2	:	4 618	28 201	4 700,1	17,790	810 580	205,26	428,30	3 524	356,10	3 201,4	:	4 016,6	320 419
1986	4 990,8	666,50	1 925,3	:	5 515	32 324	5 069,3	18,874	899 903	223,30	438,98	4 420	383,68	3 476,0	:	4 230,8	334 609
1987	5 213,2	699,91	1 990,5	:	6 258	36 144	5 336,7	20,280	983 803	227,55	440,58	5 175	422,29	3 720,9	:	4 496,6	348 425
1988	5 571,0	732,06	2 096,0	:	7 526	40 164	5 735,1	21,886	1 091 837	250,21	457,41	6 003	469,67	4 045,4	:	4 854,0	371 428
1989	6 052,8	769,80	2 224,4	:	8 778	45 025	6 159,1	24,399	1 193 462	282,83	484,67	7 130	513,60	4 390,1	:	5 204,5	396 197
1990	6 426,4	800,01	2 417,8	:	10 569	50 074	6 492,0	26,003	1 311 638	300,41	516,32	8 507	548,62	4 751,5	:	5 464,8	425 736
1991	6 722,9	833,12	2 612,6	2 798,8	12 863	54 775	6 766,5	26,984	1 427 342	318,80	543,56	9 911	572,40	5 080,3	5 171,0	5 610,8	452 923
1992	7 038,2	862,01	2 772,0	3 003,5	15 090	58 903	7 094,7	28,578	1 517 799	333,01	565,38	11 393	593,07	5 371,3	5 482,8	5 871,0	468 451
1993	7 289,4	892,18	2 854,7	3 130,8	17 286	62 283	7 370,7	29,870	1 598 668	353,69	584,69	12 465	622,01	5 612,4	5 744,4	6 163,9	484 037

Table 5

Gross domestic product at current market prices

(ECU; Mrd)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 –	EUR 12 +	USA	J
1960	10,5	5,6	68,2	:	3,3	11,1	57,7	1,7	37,6	0,5	11,3	2,4	68,5	278,5	:	487,3	42,1
1961	11,1	6,2	77,0	:	3,7	12,6	62,2	1,8	41,3	0,5	12,3	2,5	71,9	303,2	:	499,4	50,3
1962	11,8	7,0	84,3	:	3,9	14,5	69,3	1,9	46,3	0,5	13,4	2,7	75,4	331,1	:	535,8	57,0
1963	12,7	7,4	89,4	:	4,4	17,1	77,7	2,1	53,1	0,5	14,5	2,9	80,0	361,7	:	565,3	65,2
1964	14,3	8,5	98,2	:	4,9	19,3	86,2	2,4	58,1	0,6	17,0	3,1	87,4	400,0	:	607,2	76,7
1965	15,5	9,5	107,3	:	5,6	22,5	92,8	2,5	62,5	0,7	19,0	3,5	94,1	435,6	:	658,1	85,3
1966	16,7	10,4	114,1	:	6,2	26,0	100,5	2,6	67,7	0,7	20,7	3,8	100,2	469,7	:	720,9	99,1
1967	17,9	11,4	116,1	:	6,8	28,8	109,1	2,8	75,0	0,7	22,8	4,3	104,0	499,6	:	765,5	116,7
1968	19,9	12,2	129,6	:	7,6	29,1	122,7	2,9	84,1	0,8	26,2	4,9	101,9	541,9	:	865,0	143,0
1969	22,2	14,0	148,3	:	8,7	33,4	134,3	3,4	93,4	0,9	29,9	5,4	110,3	604,2	:	940,2	169,1
1970	24,7	15,5	180,5	:	9,7	37,2	139,8	3,8	105,1	1,1	33,5	6,1	121,2	678,1	:	989,6	199,3
1971	27,2	16,9	205,7	:	10,5	41,3	153,2	4,3	112,7	1,1	38,2	6,7	134,3	752,2	:	1 048,1	221,8
1972	31,3	19,4	230,1	:	11,2	48,8	174,6	5,0	122,0	1,3	43,9	7,6	143,6	838,8	:	1 076,8	272,0
1973	36,7	23,3	280,0	:	13,1	59,0	206,6	5,4	135,0	1,6	52,6	9,3	147,5	970,1	:	1 096,4	337,7
1974	44,8	26,9	318,8	:	15,8	75,4	229,6	5,8	154,3	2,0	64,5	11,3	163,0	1 112,3	:	1 215,0	395,2
1975	49,8	30,4	336,7	:	16,8	86,7	276,0	6,8	171,2	1,9	71,9	12,0	188,6	1 248,6	:	1 279,5	411,2
1976	59,7	37,2	398,0	:	20,2	98,1	318,2	7,5	188,0	2,3	87,3	13,9	201,1	1 431,5	:	1 583,4	502,9
1977	68,1	40,7	451,3	:	22,9	107,1	342,1	8,7	213,0	2,5	100,6	14,3	222,9	1 594,3	:	1 731,1	607,0
1978	74,6	44,4	502,2	:	24,8	116,8	380,3	10,2	234,7	2,8	110,5	14,1	253,2	1 768,4	:	1 749,9	765,3
1979	79,4	48,1	552,9	:	28,1	144,7	425,6	11,8	272,2	3,0	117,7	14,8	306,1	2 004,5	:	1 813,9	737,4
1980	85,0	47,8	583,2	:	28,8	154,3	478,5	13,8	326,0	3,3	124,9	18,1	386,4	2 250,0	:	1 945,1	762,4
1981	86,6	51,5	610,6	:	33,3	167,3	524,0	16,4	367,4	3,4	130,2	21,9	459,6	2 472,2	:	2 719,2	1 051,3
1982	87,0	56,9	668,4	:	39,4	184,0	563,8	19,4	411,8	3,6	144,5	23,7	496,2	2 698,7	:	3 217,8	1 111,1
1983	90,8	63,0	734,9	:	39,4	176,3	591,7	20,7	469,2	3,8	153,8	23,3	516,8	2 883,9	:	3 812,9	1 333,2
1984	97,5	69,4	782,3	:	43,0	200,6	634,8	22,6	525,4	4,3	162,5	24,3	549,9	3 116,6	:	4 769,7	1 606,4
1985	105,6	76,7	818,9	:	43,7	218,4	691,7	24,9	559,8	4,6	170,6	27,1	604,6	3 346,4	:	5 263,7	1 774,6
1986	114,0	84,0	904,7	:	40,1	235,2	745,5	25,7	615,6	5,1	182,8	30,1	571,3	3 554,0	:	4 298,8	2 028,0
1987	121,1	88,8	960,9	:	40,0	254,2	770,2	26,2	658,1	5,3	188,8	31,8	599,4	3 744,7	:	3 895,0	2 091,4
1988	128,3	92,1	1 010,4	:	44,9	291,9	815,1	28,2	710,2	5,8	195,9	35,3	706,9	4 064,9	:	4 104,9	2 452,3
1989	139,5	95,6	1 074,5	:	49,1	345,3	876,9	31,4	790,1	6,5	207,5	41,1	762,8	4 420,4	:	4 723,9	2 607,6
1990	151,5	101,8	1 178,2	:	52,5	386,9	938,9	33,9	861,8	7,1	223,3	47,0	768,5	4 751,5	:	4 291,4	2 318,1
1991	159,2	105,3	1 274,0	1 364,8	57,1	426,4	970,3	35,1	930,9	7,6	235,2	55,5	816,5	5 073,2	5 164,0	4 527,9	2 720,4
1992	169,2	110,4	1 372,1	1 486,7	61,1	444,5	1 036,0	37,6	951,3	8,0	248,5	65,2	804,0	5 307,8	5 422,4	4 522,8	2 852,5
1993	180,9	117,7	1 457,2	1 598,2	64,0	445,2	1 103,3	40,3	913,3	8,8	265,5	70,9	779,2	5 446,0	5 587,0	4 995,6	3 176,6

Table 6

Gross domestic product at current market prices

(PPS EUR 12 – ; Mrd)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 –	EUR 12 +	USA	J
1960	6,8	4,0	52,6	:	2,2	13,6	37,5	1,2	33,2	0,4	10,2	2,4	49,0	213,2	:	251,7	38,8
1961	7,4	4,4	56,8	:	2,5	15,7	40,9	1,3	37,1	0,4	10,9	2,6	52,2	232,2	:	266,8	44,9
1962	8,1	4,9	62,0	:	2,7	17,9	45,6	1,4	41,1	0,4	11,8	2,9	55,1	254,0	:	293,2	51,1
1963	8,9	5,2	66,8	:	3,1	20,4	50,3	1,6	45,6	0,4	12,9	3,2	60,0	278,4	:	320,0	58,1
1964	9,9	5,9	74,5	:	3,5	22,7	56,1	1,7	49,0	0,5	14,5	3,6	66,2	308,0	:	353,3	67,9
1965	10,7	6,4	82,1	:	4,0	25,2	61,4	1,8	52,9	0,5	16,0	4,0	70,9	336,1	:	389,8	75,1
1966	11,5	6,9	87,7	:	4,4	28,1	67,2	1,9	58,2	0,5	17,1	4,4	75,1	363,1	:	429,0	86,4
1967	12,4	7,3	90,2	:	4,8	30,2	72,5	2,1	64,4	0,6	18,6	4,9	79,2	387,2	:	453,7	98,9
1968	13,3	7,9	98,4	:	5,3	33,3	78,1	2,4	70,9	0,6	20,4	5,5	85,2	421,2	:	488,2	115,4
1969	14,9	8,8	111,0	:	6,1	38,1	87,8	2,6	79,0	0,7	22,8	6,0	91,4	469,3	:	527,4	136,4
1970	16,9	9,6	124,6	:	7,1	42,4	99,1	2,9	88,8	0,8	25,8	6,9	99,7	524,6	:	562,7	161,2
1971	18,9	10,6	138,0	:	8,2	47,7	111,7	3,2	97,0	0,8	28,9	7,9	109,4	582,2	:	622,4	180,7
1972	21,3	11,9	154,1	:	9,5	55,1	124,5	3,6	106,7	1,0	31,9	9,1	121,2	650,0	:	700,5	209,4
1973	24,5	13,5	176,2	:	11,1	64,7	143,0	4,2	124,6	1,2	36,5	11,0	141,8	752,3	:	803,3	245,7
1974	28,9	15,1	200,0	:	12,1	77,2	166,4	4,9	148,8	1,5	42,9	12,6	157,8	868,3	:	904,6	276,5
1975	32,7	17,2	226,4	:	14,8	89,1	190,3	5,9	166,2	1,4	49,2	13,9	179,7	986,8	:	1 029,4	326,4
1976	38,6	20,5	266,5	:	17,6	102,8	222,1	6,7	198,0	1,6	57,8	16,6	206,3	1 155,0	:	1 207,2	380,2
1977	43,3	23,3	306,3	:	20,3	118,3	256,9	8,1	228,7	1,8	66,1	19,5	235,8	1 328,4	:	1 409,2	444,8
1978	49,1	26,1	348,2	:	23,9	132,5	293,1	9,6	261,7	2,0	74,7	22,2	269,7	1 512,9	:	1 627,0	514,9
1979	55,6	29,9	401,3	:	27,4	146,5	334,9	11,0	307,1	2,3	84,7	25,9	307,2	1 733,8	:	1 847,5	601,6
1980	65,4	33,6	457,6	:	31,5	167,3	383,0	12,8	361,1	2,6	96,4	30,6	339,0	1 981,0	:	2 075,3	703,4
1981	71,8	36,9	508,3	:	34,9	185,0	429,8	14,7	402,7	2,9	106,2	34,5	371,0	2 198,7	:	2 345,8	807,9
1982	80,6	42,0	556,6	:	38,8	207,0	486,0	16,6	446,0	3,3	115,7	38,9	417,0	2 448,4	:	2 535,0	921,2
1983	87,8	46,7	613,2	:	42,2	228,6	531,3	17,9	488,5	3,6	127,2	42,1	468,9	2 698,1	:	2 845,2	1 026,3
1984	95,8	52,1	673,2	:	46,4	248,6	576,0	20,0	535,9	4,0	140,2	44,1	512,6	2 948,9	:	3 226,1	1 143,1
1985	102,3	57,6	726,9	:	50,7	269,5	621,5	21,8	582,6	4,4	152,4	48,1	563,5	3 201,4	:	3 520,2	1 271,7
1986	109,7	63,0	784,8	:	54,4	293,8	672,2	23,0	633,3	5,0	164,2	52,9	619,8	3 476,0	:	3 813,2	1 378,4
1987	116,5	65,8	828,4	:	56,2	323,0	714,7	25,1	679,8	5,1	172,2	57,9	676,2	3 720,9	:	4 087,7	1 493,4
1988	127,7	69,5	897,4	:	61,1	354,8	778,3	27,5	738,9	5,7	184,6	62,9	736,8	4 045,4	:	4 438,2	1 656,8
1989	139,2	73,6	974,4	:	66,4	390,3	848,1	30,7	798,6	6,5	202,9	69,4	789,9	4 390,1	:	4 781,0	1 821,6
1990	151,5	78,8	1 077,7	:	69,8	425,6	912,7	35,0	859,3	7,0	221,8	76,3	835,7	4 751,5	:	5 065,1	2 017,4
1991	162,8	84,2	1 178,6	1 262,6	75,0	459,4	973,2	37,9	919,1	7,6	239,2	82,0	861,4	5 080,3	5 164,3	5 271,8	2 221,3
1992	172,0	88,9	1 251,6	1 346,0	79,6	486,2	1 037,9	40,8	972,5	8,1	253,5	87,2	892,9	5 371,3	5 465,7	5 624,2	2 359,0
1993	179,4	93,9	1 292,2	1 396,3	84,0	509,5	1 087,9	43,2	1 017,5	8,5	264,8	91,7	939,8	5 612,4	5 716,5	5 974,7	2 484,9

Table 7

Gross domestic product at current market prices

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (PPS)	EUR 12+ (PPS)	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	9,4	:	7,5	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	10,6	:	7,4	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	:	8,4	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	8,0	:	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	6,6	:	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	:	9,2	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	11,8	:	5,3	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	11,0	:	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	11,6	:	10,0	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	15,7	:	11,8	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	15,4	:	8,2	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	13,6	:	8,7	10,5
1976	13,6	16,2	9,1	:	22,7	20,3	15,9	22,7	26,1	15,1	14,5	24,3	18,4	17,0	:	11,5	12,3
1977	8,0	11,2	6,7	:	16,8	26,9	12,8	22,6	22,6	2,8	9,1	33,5	16,6	15,0	:	11,6	11,4
1978	7,3	11,5	7,4	:	20,5	22,4	13,8	18,5	18,3	9,4	8,0	25,8	15,4	13,9	:	12,9	10,1
1979	6,7	11,4	8,2	:	23,0	17,0	13,7	17,2	22,2	8,8	6,4	26,2	17,7	14,6	:	11,5	8,4
1980	8,2	7,8	6,0	:	19,7	15,6	13,2	18,2	25,1	8,8	6,6	26,5	16,9	14,3	:	8,9	8,4
1971-80	10,6	12,2	8,1	:	19,1	19,2	13,5	19,2	19,2	9,2	10,8	21,6	16,2	14,2	:	10,3	12,6
1981	3,7	9,1	4,3	:	19,8	11,7	12,7	21,3	19,7	6,6	4,8	19,5	9,9	11,0	:	12,1	7,4
1982	8,7	13,9	3,5	:	25,6	15,2	14,6	17,8	17,5	12,1	4,5	23,3	9,4	11,4	:	3,8	4,9
1983	6,0	10,4	5,1	:	19,6	13,6	10,5	10,4	16,2	10,0	3,3	24,4	9,1	10,2	:	7,7	4,1
1984	7,5	10,3	4,9	:	23,6	12,9	8,9	11,0	14,6	10,9	5,0	22,3	7,1	9,3	:	10,9	6,7
1985	7,0	8,8	4,1	:	21,3	11,1	7,8	8,4	11,7	6,0	4,5	25,2	9,6	8,6	:	6,7	6,6
1986	5,3	8,4	5,6	:	19,4	14,6	7,9	6,1	11,0	8,8	2,5	25,4	7,7	8,6	:	5,3	4,4
1987	4,5	5,0	3,4	:	13,5	11,8	5,3	7,4	9,3	1,9	0,4	17,1	10,1	7,0	:	6,3	4,1
1988	6,9	4,6	5,3	:	20,3	11,1	7,5	7,9	11,0	10,0	3,8	16,0	11,2	8,7	:	7,9	6,6
1989	8,6	5,2	6,1	:	16,6	12,1	7,4	11,5	9,3	13,0	6,0	18,8	9,4	8,5	:	7,2	6,7
1990	6,2	3,9	8,7	:	20,4	11,2	5,4	6,6	9,9	6,2	6,5	19,3	6,8	8,2	:	5,0	7,5
1981-90	6,4	7,9	5,1	:	20,0	12,5	8,7	10,8	13,0	8,5	4,1	21,1	9,0	9,1	:	7,3	5,9
1991	4,6	4,1	8,1	:	21,7	9,4	4,2	3,8	8,8	6,1	5,3	16,5	4,3	6,9	:	2,7	6,4
1992	4,7	3,5	6,1	7,3	17,3	7,5	4,8	5,9	6,3	4,5	4,0	15,0	3,6	5,7	6,0	4,6	3,4
1993	3,6	3,5	3,0	4,2	14,5	5,7	3,9	4,5	5,3	6,2	3,4	9,4	4,9	4,5	4,8	5,0	3,3

Table 8

Gross domestic product at current market prices per head of population

(ECU; EUR 12– = 100)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12–	EUR 12+	USA	J
1960	115,6	123,5	123,5	:	40,0	36,6	126,6	59,2	75,0	158,2	99,0	28,0	131,3	100,0	:	270,5	44,9
1961	112,4	124,9	127,5	:	41,0	37,8	125,4	58,8	76,1	143,6	98,5	27,7	126,7	100,0	:	252,8	49,3
1962	110,5	128,9	127,6	:	40,0	40,0	126,9	58,5	78,4	137,9	97,3	27,2	121,7	100,0	:	247,1	51,1
1963	109,0	125,8	123,8	:	41,1	43,3	129,2	57,8	82,4	134,5	96,2	27,1	118,5	100,0	:	237,4	53,6
1964	110,2	130,1	122,8	:	41,9	44,1	129,4	59,7	81,6	138,5	101,9	26,7	117,4	100,0	:	229,4	56,9
1965	110,1	134,4	123,0	:	44,0	47,1	127,8	58,6	80,8	133,0	104,0	27,6	116,3	100,0	:	227,5	58,0
1966	109,9	136,7	121,1	:	45,4	50,3	128,2	57,6	81,2	129,6	104,5	28,3	115,1	100,0	:	230,2	62,4
1967	111,2	140,2	116,3	:	46,1	52,0	130,7	58,3	84,5	123,6	107,7	30,1	112,3	100,0	:	228,8	68,7
1968	113,8	138,4	120,0	:	47,9	48,3	135,4	54,9	87,4	129,5	113,5	31,9	101,6	100,0	:	237,4	77,2
1969	114,5	142,4	122,8	:	49,3	49,5	132,8	57,4	87,2	135,6	115,5	31,9	99,0	100,0	:	230,8	81,5
1970	114,2	140,1	132,8	:	49,5	49,0	122,9	57,6	87,5	141,7	114,9	32,0	97,2	100,0	:	215,4	85,0
1971	113,9	138,2	136,1	:	48,3	49,0	121,2	58,9	84,7	130,5	117,5	32,5	97,4	100,0	:	204,7	85,1
1972	118,0	141,9	136,6	:	46,2	51,8	123,6	60,3	82,1	135,2	120,5	33,3	93,7	100,0	:	187,8	92,9
1973	120,0	147,7	143,8	:	46,7	54,0	126,2	55,7	78,5	145,9	124,6	35,5	83,5	100,0	:	164,7	98,9
1974	127,9	148,8	143,3	:	49,1	59,9	122,1	51,9	78,1	160,2	132,9	37,3	80,9	100,0	:	158,5	100,1
1975	126,9	149,7	135,8	:	46,4	60,9	130,6	53,2	77,1	132,3	131,2	34,3	83,7	100,0	:	147,8	92,0
1976	133,0	159,9	141,3	:	48,1	59,6	131,3	50,6	73,7	140,0	138,5	34,1	78,1	100,0	:	158,6	97,4
1977	136,5	157,6	144,7	:	48,3	58,0	126,7	52,5	74,9	136,6	142,8	31,2	78,1	100,0	:	154,7	104,9
1978	135,1	154,7	145,8	:	46,9	56,6	126,8	54,7	74,4	137,8	141,1	27,6	80,3	100,0	:	140,0	118,6
1979	127,3	148,3	142,1	:	46,5	61,5	125,2	55,4	76,2	132,1	132,3	25,4	85,8	100,0	:	127,1	100,3
1980	121,8	131,4	133,6	:	42,1	58,2	125,3	57,4	81,5	126,7	124,6	27,4	96,8	100,0	:	120,5	92,1
1981	113,3	129,5	127,6	:	44,1	57,1	124,6	61,5	83,8	121,0	117,8	30,2	105,1	100,0	:	152,3	115,1
1982	104,4	131,6	128,3	:	47,6	57,4	122,4	66,0	86,0	115,0	119,5	29,8	104,3	100,0	:	163,8	111,0
1983	102,2	136,8	132,8	:	44,4	51,3	119,9	65,5	91,6	116,7	118,8	27,2	101,8	100,0	:	180,2	124,1
1984	101,9	139,7	131,6	:	44,7	53,9	118,7	65,9	94,8	119,8	115,9	26,2	100,2	100,0	:	207,1	137,7
1985	102,9	144,1	128,9	:	42,2	54,5	120,2	67,5	94,1	119,7	113,1	27,0	102,6	100,0	:	211,3	141,2
1986	104,8	148,7	134,4	:	36,5	55,2	121,7	65,9	97,5	125,5	113,8	28,1	91,3	100,0	:	161,4	151,4
1987	105,9	149,4	135,8	:	34,6	56,7	119,1	63,7	99,0	123,1	111,1	28,2	90,9	100,0	:	137,8	147,8
1988	103,2	143,2	131,2	:	35,8	60,0	115,9	63,6	98,6	123,0	105,9	28,9	98,9	100,0	:	133,0	159,6
1989	103,5	137,3	127,6	:	36,1	65,4	114,5	65,9	101,2	127,2	103,0	30,9	98,2	100,0	:	140,0	156,1
1990	104,9	136,7	128,6	:	35,7	68,5	114,2	66,7	103,1	127,9	103,1	33,1	92,4	100,0	:	117,7	129,5
1991	103,7	132,8	129,2	110,8	36,1	71,0	110,5	64,8	104,7	127,1	101,5	36,7	92,2	100,0	97,1	115,7	142,6
1992	105,6	133,3	131,7	114,9	36,8	70,9	112,6	65,9	102,5	129,6	102,1	43,5	86,9	100,0	97,5	109,8	143,1
1993	110,4	138,9	135,2	119,9	37,5	69,5	116,9	68,7	96,2	137,4	106,0	46,3	82,2	100,0	98,0	117,8	155,6

Table 9

Gross domestic product at current market prices per head of population

(PPS EUR 12–; EUR 12– = 100)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12–	EUR 12+	USA	J
1960	97,5	115,2	124,3	:	34,8	58,3	107,7	57,2	86,6	155,3	116,8	37,2	122,6	100,0	:	182,5	54,1
1961	97,6	116,5	122,6	:	36,7	61,7	107,6	57,8	89,1	146,3	113,6	37,4	120,1	100,0	:	176,3	57,4
1962	98,7	117,8	122,3	:	35,7	64,5	108,7	57,3	90,7	137,4	112,4	38,5	116,0	100,0	:	176,2	59,8
1963	98,7	113,6	120,2	:	37,8	67,2	108,7	57,6	91,9	134,5	111,0	39,2	115,6	100,0	:	174,6	62,0
1964	99,7	117,4	121,0	:	38,9	67,4	109,2	56,7	89,3	136,9	113,0	39,9	115,4	100,0	:	173,3	65,3
1965	98,9	117,8	121,9	:	40,9	68,5	109,6	55,6	88,5	133,1	113,4	41,4	113,6	100,0	:	174,6	66,1
1966	98,2	116,3	120,4	:	41,8	70,3	110,9	54,3	90,4	129,0	111,5	41,8	111,6	100,0	:	177,2	70,3
1967	98,8	116,1	116,7	:	42,4	70,5	112,2	55,6	93,7	126,4	113,0	44,0	110,5	100,0	:	175,0	75,2
1968	98,0	114,7	117,2	:	43,1	71,1	110,9	57,2	94,8	126,4	113,7	45,8	109,3	100,0	:	172,4	80,2
1969	98,9	115,2	118,4	:	44,8	72,8	111,8	57,3	94,9	135,2	113,6	45,1	105,5	100,0	:	166,7	84,6
1970	101,1	112,2	118,6	:	46,4	72,2	112,7	56,1	95,5	138,4	114,1	46,9	103,5	100,0	:	158,4	88,8
1971	102,1	111,7	118,0	:	48,4	73,1	114,2	56,1	94,1	128,0	114,6	49,1	102,5	100,0	:	157,0	89,6
1972	103,4	112,8	118,0	:	50,5	75,5	113,7	56,8	92,7	130,8	113,2	51,3	102,1	100,0	:	157,6	92,3
1973	103,5	110,1	116,7	:	51,1	76,4	112,6	55,5	93,4	138,8	111,3	54,1	103,5	100,0	:	155,6	92,8
1974	105,9	107,1	115,2	:	48,4	78,5	113,3	56,1	96,5	149,5	113,2	53,2	100,3	100,0	:	151,1	89,7
1975	105,4	107,5	115,6	:	51,5	79,2	114,0	59,1	94,6	123,9	113,7	50,1	100,9	100,0	:	150,5	92,4
1976	106,5	109,4	117,2	:	51,8	77,5	113,6	56,5	96,2	123,0	113,6	50,1	99,3	100,0	:	149,9	91,3
1977	104,2	108,1	117,8	:	51,5	76,9	114,2	58,8	96,5	116,6	112,7	51,0	99,1	100,0	:	151,1	92,3
1978	104,0	106,4	118,2	:	52,7	75,0	114,3	60,5	97,0	116,8	111,6	50,6	99,9	100,0	:	152,1	93,2
1979	103,0	106,5	119,2	:	52,4	72,0	113,9	59,5	99,4	116,1	110,0	51,4	99,6	100,0	:	149,6	94,6
1980	106,4	105,0	119,1	:	52,3	71,7	113,9	60,2	102,5	115,6	109,2	52,7	96,4	100,0	:	146,0	96,5
1981	105,6	104,4	119,4	:	52,0	71,1	114,9	61,7	103,2	114,5	108,0	53,3	95,4	100,0	:	147,7	99,5
1982	106,6	107,1	117,8	:	51,7	71,2	116,3	62,1	102,7	116,5	105,5	53,8	96,6	100,0	:	142,2	101,4
1983	105,7	108,4	118,4	:	50,9	71,1	115,1	60,7	102,0	116,4	105,1	52,6	98,7	100,0	:	143,8	102,1
1984	105,7	110,9	119,7	:	50,9	70,6	113,9	61,6	102,2	118,5	105,7	50,1	98,7	100,0	:	148,0	103,6
1985	104,3	113,1	119,6	:	51,2	70,4	112,9	61,9	102,4	120,2	105,6	50,1	100,0	100,0	:	147,7	105,8
1986	103,1	114,2	119,2	:	50,6	70,6	112,2	60,1	102,6	124,8	104,5	50,6	101,3	100,0	:	146,3	105,2
1987	102,5	111,5	117,8	:	48,9	72,5	111,2	61,5	103,0	119,5	102,0	51,7	103,2	100,0	:	145,5	106,2
1988	103,2	108,7	117,1	:	49,0	73,3	111,2	62,3	103,1	122,3	100,3	51,7	103,5	100,0	:	144,5	108,4
1989	103,9	106,5	116,5	:	49,1	74,5	111,5	64,9	103,0	128,2	101,4	52,6	102,4	100,0	:	142,6	109,8
1990	104,9	105,8	117,6	:	47,5	75,4	111,0	69,0	102,8	127,2	102,4	53,7	100,5	100,0	:	139,0	112,7
1991	105,9	106,0	119,4	102,4	47,4	76,4	110,7	69,7	103,2	128,1	103,0	54,2	97,1	100,0	97,0	134,5	116,3
1992	106,1	106,0	118,7	102,8	47,4	76,7	111,5	70,7	103,5	129,1	102,9	57,5	95,3	100,0	97,1	134,9	116,9
1993	106,2	107,5	116,4	101,7	47,8	77,2	111,9	71,6	104,0	129,8	102,6	58,1	96,2	100,0	97,3	136,7	118,1

Table 10

Gross domestic product at constant market prices

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (PPS)	EUR 12+ (PPS)	USA	J
1961	5,0	6,4	4,5	:	11,1	11,8	5,5	5,0	8,2	3,8	3,1	5,2	3,3	5,5	:	2,7	12,0
1962	5,2	5,7	4,6	:	1,5	9,3	6,7	3,2	6,2	1,4	4,0	6,6	1,0	4,7	:	5,2	8,9
1963	4,4	0,6	2,8	:	10,1	8,8	5,3	4,7	5,6	3,4	3,6	5,9	3,8	4,5	:	4,1	8,5
1964	7,0	9,3	6,7	:	8,3	6,2	6,5	3,8	2,8	7,9	8,3	7,3	5,4	5,8	:	5,6	11,7
1965	3,6	4,6	5,4	:	9,4	6,3	4,8	1,9	3,3	1,9	5,2	7,6	2,5	4,4	:	5,5	5,8
1966	3,2	2,7	2,8	:	6,1	7,1	5,2	0,9	6,0	1,1	2,7	3,9	1,9	3,9	:	5,9	10,6
1967	3,9	3,4	−0,3	:	5,5	4,3	4,7	5,8	7,2	0,2	5,3	8,1	2,3	3,4	:	2,5	11,1
1968	4,2	4,0	5,5	:	6,7	6,8	4,3	8,2	6,5	4,2	6,4	9,2	4,1	5,3	:	4,1	12,9
1969	6,6	6,3	7,4	:	9,9	8,9	7,0	5,9	6,1	10,0	6,4	3,4	2,1	6,0	:	2,8	12,5
1970	6,4	2,0	5,1	:	8,0	4,1	5,7	2,7	5,3	1,7	5,7	7,6	2,3	4,7	:	−0,1	10,7
1961-70	4,9	4,5	4,4	:	7,6	7,3	5,6	4,2	5,7	3,5	5,1	6,4	2,9	4,8	:	3,8	10,5
1971	3,7	2,7	3,0	:	7,1	4,6	4,8	3,5	1,6	2,7	4,2	6,6	2,0	3,2	:	2,9	4,3
1972	5,3	5,3	4,3	:	8,9	8,0	4,1	6,5	2,7	6,6	3,3	8,0	3,5	4,3	:	5,1	8,2
1973	5,9	3,6	4,9	:	7,3	7,7	5,4	4,7	7,1	8,3	4,7	11,2	7,3	6,2	:	5,2	7,6
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	:	−0,6	−0,6
1975	−1,5	−0,7	−1,4	:	6,1	0,5	−0,3	5,7	−2,7	−6,6	−0,1	−4,3	−0,8	−1,0	:	−0,8	2,9
1976	5,6	6,5	5,3	:	6,4	3,3	4,4	1,4	6,6	2,5	5,1	6,9	2,7	4,7	:	4,9	4,2
1977	0,5	1,6	2,8	:	3,4	3,0	3,5	8,2	3,4	1,6	2,3	5,5	2,3	2,9	:	4,5	4,7
1978	2,7	1,5	3,0	:	6,7	1,4	3,4	7,2	3,7	4,1	2,5	2,8	3,6	3,2	:	4,6	4,9
1979	2,1	3,5	4,1	:	3,7	−0,1	3,2	3,1	6,0	2,3	2,4	5,6	2,9	3,5	:	2,6	5,5
1980	4,3	−0,4	1,1	:	1,8	1,2	1,4	3,1	4,2	0,8	0,9	4,6	−2,2	1,3	:	−0,4	3,6
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	:	2,8	4,5
1981	−1,0	−0,9	0,2	:	0,1	−0,2	1,2	3,3	0,6	−0,6	−0,6	1,6	−1,3	0,1	:	1,9	3,6
1982	1,5	3,0	−0,9	:	0,4	1,2	2,3	2,3	0,2	1,1	−1,4	2,1	1,7	0,7	:	−2,2	3,2
1983	0,4	2,5	1,6	:	0,4	1,8	0,8	−0,2	1,0	3,0	1,4	−0,2	3,7	1,6	:	3,5	2,7
1984	2,2	4,4	2,8	:	2,8	1,8	1,5	4,4	2,7	6,2	3,1	−1,9	2,3	2,3	:	6,1	4,3
1985	0,8	4,3	1,9	:	3,1	2,3	1,8	3,1	2,6	2,9	2,6	2,8	3,7	2,4	:	3,0	5,0
1986	1,5	3,6	2,2	:	1,6	3,2	2,4	−0,4	2,9	4,8	2,0	4,1	4,1	2,8	:	2,6	2,6
1987	2,0	0,3	1,4	:	−0,7	5,6	2,2	5,0	3,1	2,9	0,8	5,3	4,8	2,9	:	3,0	4,1
1988	5,0	1,2	3,7	:	4,1	5,2	4,3	4,9	4,1	5,7	2,6	3,9	4,3	4,1	:	3,9	6,2
1989	3,8	0,8	3,4	:	3,5	4,8	3,8	6,5	2,9	6,7	4,7	5,2	2,1	3,4	:	2,6	4,7
1990	3,4	1,7	5,1	:	−0,1	3,6	2,2	8,3	2,2	3,2	3,9	4,4	0,5	2,8	:	0,7	5,2
1981-90	2,0	2,1	2,1	:	1,5	2,9	2,2	3,7	2,2	3,6	1,9	2,7	2,6	2,3	:	2,5	4,2
1991	1,9	1,2	3,7	:	1,8	2,4	1,1	2,5	1,4	3,1	2,2	1,9	−2,2	1,4	:	−1,3	4,4
1992	1,0	1,0	1,5	1,9	1,5	1,2	1,9	2,9	1,1	2,2	1,3	1,7	−0,9	1,1	1,2	2,0	1,5
1993	0,5	1,8	−0,5	0,0	1,6	1,0	1,0	2,1	0,8	2,0	0,6	1,3	1,4	0,7	0,8	2,4	1,5

Table 11

Industrial production (construction excluded)

(Annual percentage change)

	B	DK	WD	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	5,1	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	6,2	8,4	8,5
1963	7,4	1,2	3,6	10,7	12,0	7,2	5,9	8,8	0,9	5,0	:	3,5	6,1	5,9	11,2
1964	6,5	11,5	7,6	10,9	11,0	6,0	7,7	1,2	9,1	9,8	:	8,1	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	4,7	10,0	3,8
1966	2,1	2,9	1,4	16,1	15,1	5,4	2,7	11,4	−3,2	4,2	:	1,6	5,5	8,8	13,5
1967	1,7	4,0	−2,5	4,3	6,1	2,5	8,3	8,2	−0,6	2,9	:	0,7	2,3	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	7,1	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	8,9	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	5,8	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	5,7	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	8,6	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	1,6	−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	−6,7	−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	7,4	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	4,5	3,8	7,3
1980	−1,3	0,2	0,5	0,9	1,3	1,9	−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	3,1	4,5	3,3	0,0	2,8	6,5	1,0	2,8	3,2	4,1
1981	−2,7	0,0	−1,8	0,9	−1,0	−0,9	5,4	−2,2	−5,6	−1,2	0,6	−3,2	−1,7	1,9	0,9
1982	0,0	2,7	−3,0	1,1	−1,1	−0,8	−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	−0,6	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	0,3	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	0,2	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	7,3	2,4	2,4	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	4,4	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	−0,1	3,8	3,5	4,3	5,5	9,2
1989	3,5	2,3	5,3	1,5	4,5	4,2	11,6	3,9	7,8	4,7	6,8	0,4	3,7	2,5	6,1
1990	5,1	0,6	5,2	−1,9	0,0	1,7	4,7	−0,7	−0,5	3,2	9,0	−0,5	1,8	1,0	4,7
1981-90	2,1	2,7	2,1	1,0	1,8	1,1	6,3	1,3	3,7	1,5	4,8	1,7	1,7	2,6	4,0
1991	−2,4	2,0	2,8	−1,9	−0,1	−0,5	3,3	−2,0	0,5	3,8	0,6	−2,9	−0,2	−2,0	2,3
1992	0,8	1,0	−1,0	−1,1	−0,1	0,5	8,0	0,5	0,8	0,8	−0,5	−0,7	−0,1	1,4	−6,5
1993	0,2	1,0	−2,0	1,3	0,7	0,3	5,0	1,3	0,9	0,3	−0,8	1,7	0,3	2,7	2,2

Table 12

Private consumption at current prices

(ECU; Mrd)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12–	EUR 12+	USA	J
1960	7,3	3,5	40,5	:	2,7	7,5	34,4	1,3	22,4	0,3	6,6	1,7	45,2	173,4	:	310,6	24,7
1961	7,5	3,8	45,8	:	2,8	8,4	37,3	1,3	24,2	0,3	7,3	1,8	47,1	187,8	:	317,4	28,7
1962	7,9	4,3	50,2	:	3,0	9,6	41,6	1,4	27,3	0,3	8,0	1,9	49,8	205,2	:	336,4	32,9
1963	8,6	4,6	53,2	:	3,3	11,5	47,0	1,5	31,9	0,3	8,9	2,0	53,0	225,8	:	354,7	38,4
1964	9,1	5,1	57,4	:	3,6	12,8	51,3	1,7	34,6	0,4	10,0	2,1	56,6	244,9	:	380,6	44,2
1965	10,0	5,6	63,5	:	4,1	15,1	54,8	1,8	37,0	0,4	11,2	2,4	60,3	266,0	:	409,9	50,0
1966	10,7	6,2	68,1	:	4,5	17,3	59,2	1,9	40,8	0,4	12,2	2,6	63,8	287,7	:	443,7	57,5
1967	11,3	6,8	70,6	:	4,9	19,1	64,4	2,0	45,4	0,4	13,3	2,8	66,1	307,1	:	470,5	66,3
1968	12,7	7,2	77,8	:	5,5	19,2	72,8	2,1	50,2	0,5	15,0	3,4	64,3	330,5	:	534,5	78,2
1969	13,8	8,0	87,7	:	6,0	21,4	79,3	2,4	55,4	0,5	17,3	3,8	68,7	364,2	:	581,6	90,5
1970	14,8	8,9	105,3	:	6,7	23,8	80,9	2,6	62,6	0,5	19,4	4,0	74,8	404,5	:	621,8	104,2
1971	16,4	9,4	120,7	:	7,1	26,5	88,6	2,9	67,4	0,6	21,9	4,6	83,4	449,7	:	656,7	118,8
1972	18,8	10,3	136,6	:	7,4	31,2	100,8	3,2	73,3	0,7	24,9	4,9	90,2	502,3	:	672,5	146,9
1973	22,2	12,7	164,7	:	8,3	37,5	118,0	3,5	81,6	0,8	29,6	6,0	92,2	577,0	:	676,6	181,0
1974	26,8	14,6	190,1	:	10,7	48,4	132,1	4,0	93,0	0,9	36,3	8,2	104,0	669,2	:	757,4	214,7
1975	30,5	16,8	211,7	:	11,4	55,7	162,1	4,3	106,2	1,1	41,8	9,3	117,4	768,3	:	809,3	235,0
1976	36,4	21,0	248,7	:	13,3	64,4	185,9	4,8	114,4	1,3	50,8	10,5	123,0	874,4	:	1 002,5	289,2
1977	42,2	23,2	284,6	:	15,1	69,7	199,3	5,6	128,3	1,5	59,6	10,3	133,6	972,9	:	1 092,8	350,1
1978	45,9	24,9	314,3	:	16,2	74,6	220,2	6,5	139,6	1,6	66,0	9,6	151,6	1 071,1	:	1 090,3	441,5
1979	49,9	27,2	344,3	:	17,8	93,2	247,4	7,7	162,5	1,8	71,1	10,0	184,7	1 217,5	:	1 128,9	432,9
1980	53,5	26,7	367,8	:	18,6	100,8	281,7	9,1	199,0	1,9	75,7	12,2	232,0	1 379,0	:	1 226,9	448,6
1981	56,5	28,9	390,9	:	22,4	111,2	315,8	10,8	224,9	2,1	78,0	15,3	279,4	1 536,2	:	1 690,5	611,3
1982	57,0	31,3	428,2	:	26,5	121,8	342,2	11,6	253,4	2,1	86,2	16,5	302,6	1 679,6	:	2 058,7	660,4
1983	59,2	34,4	468,6	:	26,3	115,8	359,7	12,3	286,8	2,3	92,0	16,2	316,5	1 790,1	:	2 473,4	802,9
1984	63,3	37,8	497,6	:	27,8	128,9	385,8	13,3	320,9	2,5	95,2	17,2	336,8	1 927,2	:	3 044,1	954,8
1985	69,2	42,1	518,8	:	28,6	140,0	422,5	14,8	344,0	2,7	100,2	18,4	369,2	2 070,4	:	3 405,2	1 045,4
1986	73,1	46,2	559,7	:	27,1	148,7	450,4	15,4	377,5	2,9	108,3	19,6	359,5	2 188,3	:	2 809,2	1 187,7
1987	78,1	47,9	597,9	:	27,8	160,8	469,0	15,5	406,0	3,1	114,8	20,5	377,4	2 318,7	:	2 564,5	1 228,0
1988	80,9	48,9	624,1	:	30,7	182,7	489,5	16,6	436,4	3,3	116,3	23,0	452,0	2 504,4	:	2 704,6	1 420,3
1989	86,9	50,5	656,2	:	34,5	217,0	524,0	17,9	490,1	3,6	121,8	26,1	488,2	2 716,8	:	3 104,6	1 503,8
1990	94,2	53,1	716,3	:	37,4	241,5	564,0	19,0	531,8	3,9	131,0	29,6	488,2	2 910,1	:	2 853,6	1 329,7
1991	99,9	55,3	772,7	874,2	40,1	266,5	585,9	19,6	578,5	4,3	139,8	35,1	522,0	3 119,6	3 221,2	3 036,6	1 544,2
1992	105,9	57,9	823,5	941,3	43,0	281,6	622,5	21,0	595,9	4,7	148,5	40,6	519,5	3 264,5	3 382,4	3 048,8	1 635,1
1993	114,4	61,8	878,6	1 013,6	45,2	284,3	664,5	22,4	575,2	5,2	158,7	44,6	507,2	3 362,2	3 497,2	3 364,7	1 840,6

Table 13

Private consumption at current prices

(PPS EUR 12−; Mrd)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12−	EUR 12+	USA	J
1960	4,7	2,5	31,2	:	1,8	9,2	22,4	0,9	19,8	0,2	5,9	1,7	32,3	132,8	:	160,4	22,8
1961	5,0	2,7	33,7	:	1,9	10,5	24,5	1,0	21,7	0,2	6,4	1,9	34,2	144,0	:	169,6	25,6
1962	5,4	3,0	36,9	:	2,1	11,9	27,3	1,1	24,2	0,2	7,1	2,0	36,4	157,6	:	184,1	29,5
1963	6,0	3,2	39,8	:	2,3	13,8	30,4	1,2	27,4	0,2	7,9	2,2	39,8	174,2	:	200,8	34,2
1964	6,4	3,5	43,5	:	2,6	15,1	33,4	1,3	29,2	0,3	8,6	2,5	42,9	189,1	:	221,4	39,1
1965	6,9	3,8	48,6	:	2,9	16,9	36,2	1,3	31,3	0,3	9,4	2,7	45,4	205,8	:	242,7	44,0
1966	7,4	4,1	52,4	:	3,2	18,7	39,6	1,4	35,1	0,3	10,1	3,0	47,8	223,0	:	264,1	50,1
1967	7,8	4,4	54,8	:	3,5	20,1	42,8	1,5	39,0	0,3	10,8	3,2	50,3	238,6	:	278,9	56,2
1968	8,5	4,6	59,1	:	3,8	22,0	46,3	1,7	42,3	0,3	11,7	3,8	53,7	257,9	:	301,7	63,1
1969	9,3	5,1	65,7	:	4,2	24,5	51,9	1,8	46,8	0,4	13,2	4,1	56,8	283,8	:	326,2	73,0
1970	10,1	5,5	72,7	:	4,9	27,1	57,4	2,0	52,9	0,4	14,9	4,5	61,6	314,1	:	353,6	84,2
1971	11,4	5,9	81,1	:	5,5	30,6	64,6	2,2	58,0	0,5	16,5	5,4	67,9	349,6	:	390,0	96,8
1972	12,8	6,4	91,5	:	6,2	35,2	71,8	2,4	64,1	0,5	18,2	5,8	76,1	391,1	:	437,5	113,1
1973	14,9	7,3	103,6	:	7,1	41,1	81,7	2,7	75,3	0,6	20,5	7,1	88,6	450,5	:	495,7	131,7
1974	17,3	8,2	119,3	:	8,2	49,6	95,7	3,4	89,7	0,7	24,1	9,2	100,7	526,1	:	563,9	150,2
1975	20,0	9,6	142,3	:	10,0	57,3	111,8	3,8	103,1	0,8	28,6	10,7	111,9	609,8	:	651,1	186,5
1976	23,5	11,6	166,5	:	11,5	67,5	129,7	4,3	120,4	0,9	33,7	12,4	126,1	708,3	:	764,3	218,6
1977	26,8	13,2	193,1	:	13,4	77,0	149,6	5,2	137,8	1,1	39,2	14,0	141,3	811,8	:	889,6	256,6
1978	30,2	14,6	217,9	:	15,6	84,6	169,8	6,1	155,7	1,2	44,7	15,1	161,5	917,0	:	1 013,8	297,0
1979	34,9	16,9	249,9	:	17,4	94,4	194,6	7,2	183,4	1,3	51,1	17,5	185,4	1 054,0	:	1 149,7	353,2
1980	41,2	18,8	288,7	:	20,3	109,3	225,5	8,4	220,4	1,5	58,4	20,6	203,6	1 216,6	:	1 309,1	413,9
1981	46,8	20,7	325,5	:	23,6	123,0	259,0	9,7	246,5	1,8	63,6	24,0	225,6	1 369,7	:	1 458,4	469,8
1982	52,8	23,1	356,6	:	26,1	137,1	295,0	9,9	274,5	2,0	69,0	27,1	254,3	1 527,4	:	1 621,9	547,5
1983	57,2	25,5	391,0	:	28,2	150,1	323,0	10,7	298,6	2,1	76,1	29,2	287,2	1 678,9	:	1 845,7	618,1
1984	62,2	28,4	428,2	:	30,0	159,8	350,1	11,8	327,3	2,3	82,2	31,2	314,0	1 827,4	:	2 058,9	679,4
1985	67,1	31,6	460,5	:	33,2	172,8	379,6	13,0	358,0	2,6	89,5	32,7	344,1	1 984,6	:	2 277,3	749,2
1986	70,3	34,7	485,5	:	36,7	185,7	406,1	13,7	388,4	2,8	97,3	34,4	390,0	2 145,7	:	2 491,8	807,3
1987	75,1	35,5	515,4	:	39,0	204,2	435,2	14,9	419,3	3,0	104,7	37,4	425,8	2 309,6	:	2 691,4	876,9
1988	80,5	36,9	554,3	:	41,8	222,1	467,5	16,2	454,0	3,3	109,6	41,0	471,2	2 498,3	:	2 924,2	959,6
1989	86,7	38,9	595,1	:	46,7	245,3	506,8	17,5	495,4	3,6	119,1	44,1	505,5	2 704,6	:	3 142,1	1 050,5
1990	94,2	41,1	655,2	:	49,8	265,6	548,3	19,6	530,2	3,9	130,1	48,1	530,9	2 917,2	:	3 368,0	1 157,2
1991	102,1	44,2	714,8	808,8	52,7	287,1	587,6	21,1	571,1	4,4	142,1	51,9	550,7	3 129,9	3 223,8	3 535,5	1 260,9
1992	107,7	46,6	751,2	852,2	56,0	308,1	623,7	22,8	609,2	4,7	151,5	54,4	576,9	3 312,7	3 413,7	3 791,3	1 352,2
1993	113,5	49,3	779,0	885,6	59,3	325,4	655,3	24,1	640,8	5,0	158,3	57,7	611,8	3 479,6	3 586,1	4 024,1	1 439,8

Table 14

Private consumption at current prices

(Percentage of GDP at market prices)

	B	DK (ECU)	WD (ECU)	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12–	EUR 12+	USA	J
1960	69,2	62,0	59,4	:	80,3	67,5	59,7	76,6	59,7	54,0	57,9	73,1	66,0	62,3	:	63,7	58,7
1961	67,9	62,1	59,5	:	76,8	66,9	60,0	75,0	58,6	56,9	59,1	73,6	65,4	61,9	:	63,6	57,0
1962	66,6	61,9	59,5	:	76,4	66,4	60,0	74,7	58,9	56,9	59,8	69,7	66,0	62,0	:	62,8	57,7
1963	67,1	61,4	59,6	:	74,3	67,5	60,5	74,1	60,2	57,5	61,2	69,4	66,3	62,4	:	62,7	58,8
1964	64,1	60,3	58,4	:	73,6	66,5	59,5	72,6	59,6	56,7	58,8	68,2	64,8	61,2	:	62,7	57,6
1965	64,3	58,9	59,2	:	72,8	67,1	59,0	71,7	59,2	58,2	58,9	67,9	64,1	61,1	:	62,3	58,5
1966	63,9	59,6	59,7	:	72,3	66,5	58,9	71,8	60,3	58,2	58,8	67,9	63,6	61,2	:	61,6	58,0
1967	62,9	59,9	60,8	:	72,4	66,4	59,1	70,1	60,6	59,1	58,2	65,4	63,5	61,5	:	61,5	56,8
1968	63,7	58,8	60,1	:	71,9	66,0	59,3	71,0	59,7	57,7	57,4	68,5	63,1	61,0	:	61,8	54,7
1969	62,2	57,5	59,1	:	69,2	64,1	59,1	69,8	59,3	53,4	58,0	69,1	62,2	60,3	:	61,9	53,5
1970	59,8	57,4	58,4	:	69,2	64,0	57,9	68,9	59,5	50,5	57,9	65,9	61,8	59,6	:	62,8	52,3
1961-70	64,3	59,8	59,4	:	72,9	66,1	59,3	72,0	59,6	56,5	58,8	68,6	64,1	61,2	:	62,4	56,5
1971	60,3	55,8	58,7	:	68,0	64,3	57,8	68,0	59,8	54,8	57,3	68,3	62,1	59,8	:	62,7	53,6
1972	60,2	53,4	59,4	:	65,7	63,8	57,7	65,0	60,1	53,6	56,8	64,2	62,8	59,9	:	62,5	54,0
1973	60,6	54,5	58,8	:	63,4	63,5	57,1	64,4	60,5	48,9	56,2	64,8	62,5	59,5	:	61,7	53,6
1974	59,8	54,3	59,7	:	67,7	64,2	57,5	68,4	60,3	46,1	56,3	72,7	63,8	60,2	:	62,3	54,3
1975	61,2	55,5	62,9	:	67,5	64,3	58,7	64,1	62,0	57,8	58,1	77,1	62,2	61,5	:	63,3	57,1
1976	60,9	56,6	62,5	:	65,8	65,7	58,4	64,5	60,8	56,6	58,2	75,0	61,1	61,1	:	63,3	57,5
1977	61,9	56,9	63,1	:	65,9	65,0	58,2	64,1	60,3	59,6	59,2	72,0	59,9	61,0	:	63,1	57,7
1978	61,6	56,2	62,6	:	65,2	63,9	57,9	63,8	59,5	57,9	59,8	68,0	59,9	60,6	:	62,3	57,7
1979	62,8	56,4	62,3	:	63,3	64,5	58,1	65,3	59,7	57,8	60,4	67,5	60,3	60,7	:	62,2	58,7
1980	62,9	55,9	63,1	:	64,6	65,3	58,9	65,8	61,0	58,7	60,6	67,3	60,1	61,3	:	63,1	58,8
1971-80	61,2	55,5	61,3	:	65,7	64,5	58,0	65,3	60,4	55,2	58,3	69,7	61,5	60,6	:	62,6	56,3
1981	65,2	56,0	64,0	:	67,5	66,5	60,3	65,9	61,2	60,9	59,9	69,6	60,8	62,1	:	62,2	58,1
1982	65,6	55,0	64,1	:	67,4	66,2	60,7	59,8	61,5	60,3	59,6	69,6	61,0	62,2	:	64,0	59,4
1983	65,2	54,6	63,8	:	66,7	65,7	60,8	59,6	61,1	59,6	59,8	69,3	61,2	62,1	:	64,9	60,2
1984	64,9	54,5	63,6	:	64,7	64,3	60,8	58,8	61,1	58,1	58,6	70,7	61,3	61,8	:	63,8	59,4
1985	65,5	54,8	63,4	:	65,5	64,1	61,1	59,6	61,4	58,7	58,7	67,9	61,1	61,9	:	64,7	58,9
1986	64,1	55,0	61,9	:	67,4	63,2	60,4	59,9	61,3	56,5	59,2	65,1	62,9	61,6	:	65,3	58,6
1987	64,5	54,0	62,2	:	69,5	63,2	60,9	59,3	61,7	59,2	60,8	64,5	63,0	61,9	:	65,8	58,7
1988	63,0	53,1	61,8	:	68,3	62,6	60,1	58,9	61,4	57,4	59,4	65,1	63,9	61,6	:	65,9	57,9
1989	62,3	52,8	61,1	:	70,4	62,9	59,8	56,9	62,0	54,7	58,7	63,5	64,0	61,5	:	65,7	57,7
1990	62,2	52,1	60,8	:	71,4	62,4	60,1	56,0	61,7	55,4	58,6	63,1	63,5	61,2	:	66,5	57,4
1981-90	64,3	54,2	62,7	:	67,9	64,1	60,5	59,5	61,5	58,1	59,3	66,8	62,3	61,8	:	64,9	58,6
1991	62,7	52,5	60,6	64,1	70,3	62,5	60,4	55,8	62,1	57,3	59,4	63,3	63,9	61,5	62,4	67,1	56,8
1992	62,6	52,5	60,0	63,3	70,4	63,4	60,1	55,8	62,6	58,5	59,7	62,3	64,6	61,5	62,4	67,4	57,3
1993	63,3	52,5	60,3	63,4	70,7	63,9	60,2	55,7	63,0	58,9	59,8	63,0	65,1	61,7	62,6	67,4	57,9

Table 15

Private consumption at current prices per head of population

(ECU; EUR 12– = 100)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12–	EUR 12+	USA	J
1960	128,4	122,9	117,8	:	51,5	39,6	121,5	72,8	71,9	137,2	92,1	32,9	139,1	100,0	:	277,0	42,3
1961	123,2	125,1	122,4	:	50,9	40,9	121,4	71,2	72,0	132,0	94,0	32,9	133,8	100,0	:	259,5	45,4
1962	118,8	128,7	122,5	:	49,3	42,9	122,8	70,5	74,5	126,6	93,9	30,6	129,6	100,0	:	250,2	47,6
1963	117,2	123,8	118,1	:	48,9	46,8	125,1	68,5	79,4	124,0	94,4	30,1	125,9	100,0	:	238,6	50,5
1964	115,4	128,1	117,2	:	50,4	48,0	125,8	70,7	79,4	128,3	98,0	29,7	124,2	100,0	:	234,9	53,5
1965	115,9	129,5	119,1	:	52,4	51,7	123,5	68,8	78,3	126,6	100,3	30,6	122,0	100,0	:	232,0	55,6
1966	114,6	132,9	118,0	:	53,6	54,6	123,4	67,5	79,9	123,1	100,3	31,4	119,6	100,0	:	231,3	59,1
1967	113,9	136,7	115,0	:	54,3	56,2	125,6	66,5	83,4	118,8	102,0	32,0	116,1	100,0	:	228,8	63,5
1968	118,9	133,4	118,2	:	56,4	52,3	131,7	63,9	85,5	122,5	106,8	35,9	105,1	100,0	:	240,5	69,3
1969	118,2	135,7	120,5	:	56,6	52,7	130,1	66,5	85,8	120,2	111,1	36,6	102,2	100,0	:	236,9	72,3
1970	114,6	134,8	130,0	:	57,4	52,7	119,3	66,5	87,3	120,0	111,6	35,4	100,7	100,0	:	226,9	74,5
1971	114,8	129,0	133,6	:	54,9	52,6	117,2	67,0	84,7	119,7	112,6	37,1	101,2	100,0	:	214,5	76,2
1972	118,6	126,4	135,4	:	50,7	55,2	119,2	65,4	82,4	121,0	114,3	35,7	98,2	100,0	:	195,8	83,8
1973	122,2	135,3	142,2	:	49,8	57,7	121,1	60,3	79,8	120,0	117,7	38,7	87,7	100,0	:	170,8	89,1
1974	127,2	134,4	142,1	:	55,2	63,9	116,7	59,1	78,2	122,8	124,3	45,0	85,8	100,0	:	164,2	90,3
1975	126,3	134,9	138,8	:	50,9	63,7	124,7	55,4	77,7	124,2	124,0	43,0	84,6	100,0	:	151,9	85,4
1976	132,7	148,1	144,5	:	51,7	64,1	125,6	53,5	73,4	129,7	132,0	41,8	78,2	100,0	:	164,4	91,7
1977	138,5	146,9	149,5	:	52,2	61,8	120,9	55,2	74,0	133,4	138,7	36,8	76,7	100,0	:	160,0	99,2
1978	137,3	143,5	150,7	:	50,4	59,7	121,3	57,6	73,1	131,8	139,3	30,9	79,3	100,0	:	144,0	112,9
1979	131,6	137,8	145,7	:	48,5	65,3	119,8	59,5	74,9	125,8	131,5	28,3	85,3	100,0	:	130,2	97,0
1980	125,0	119,8	137,5	:	44,4	62,1	120,3	61,6	81,1	121,5	123,1	30,1	94,8	100,0	:	124,0	88,4
1981	119,0	116,8	131,4	:	47,8	61,1	120,9	65,3	82,5	118,5	113,5	33,8	102,8	100,0	:	152,3	107,7
1982	110,0	116,4	132,1	:	51,5	61,0	119,4	63,4	85,1	111,4	114,5	33,3	102,2	100,0	:	168,4	106,0
1983	107,3	120,4	136,4	:	47,8	54,3	117,4	62,9	90,2	112,1	114,5	30,4	100,4	100,0	:	188,4	120,4
1984	106,9	123,0	135,4	:	46,8	56,0	116,7	62,7	93,7	112,7	109,9	29,9	99,3	100,0	:	213,8	132,4
1985	108,9	127,7	132,0	:	44,7	56,5	118,7	65,0	93,5	113,6	107,3	29,6	101,2	100,0	:	221,0	134,4
1986	109,1	132,9	135,0	:	40,0	56,7	119,4	64,1	97,1	115,2	109,5	29,7	93,3	100,0	:	171,3	144,0
1987	110,3	130,3	136,4	:	38,8	57,9	117,1	61,0	98,7	117,7	109,1	29,4	92,4	100,0	:	146,5	140,2
1988	105,6	123,5	131,5	:	39,7	61,0	113,0	60,9	98,4	114,6	102,1	30,5	102,6	100,0	:	142,2	150,0
1989	104,9	118,0	126,8	:	41,3	66,9	111,4	61,0	102,1	113,2	98,4	32,0	102,3	100,0	:	149,7	146,5
1990	106,5	116,4	127,6	:	41,6	69,8	112,0	61,0	103,9	115,8	98,7	34,1	95,8	100,0	:	127,8	121,3
1991	105,8	113,4	127,4	115,4	41,3	72,2	108,5	58,8	105,8	118,3	98,1	37,8	95,8	100,0	98,5	126,2	131,7
1992	107,4	113,7	128,5	118,3	42,1	73,1	110,1	59,8	104,4	123,2	99,2	44,1	91,3	100,0	98,9	120,4	133,3
1993	113,1	118,1	132,1	123,2	42,9	71,9	114,1	62,0	98,2	131,1	102,6	47,2	86,7	100,0	99,4	128,5	146,0

Table 16

Private consumption at current prices per head of population

(PPS EUR 12– ; EUR 12– = 100)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12–	EUR 12+	USA	J
1960	108,3	114,6	118,6	:	44,8	63,1	103,3	70,3	83,0	134,7	108,7	43,6	129,8	100,0	:	186,8	50,9
1961	106,8	116,6	117,6	:	45,4	66,6	104,0	69,9	84,3	134,4	108,4	44,5	126,8	100,0	:	180,8	52,8
1962	105,9	117,5	117,3	:	44,0	69,0	105,1	68,9	86,1	126,0	108,3	43,3	123,3	100,0	:	178,3	55,5
1963	105,9	111,5	114,5	:	44,9	72,5	105,0	68,2	88,3	123,6	108,6	43,4	122,6	100,0	:	175,1	58,3
1964	104,1	115,3	115,2	:	46,6	73,0	105,9	67,0	86,7	126,4	108,3	44,3	121,8	100,0	:	177,0	61,4
1965	103,7	113,2	117,7	:	48,7	75,0	105,6	65,1	85,6	126,5	109,0	45,9	118,8	100,0	:	177,6	63,2
1966	102,3	112,9	117,1	:	49,2	76,1	106,5	63,4	88,7	122,2	106,8	46,2	115,7	100,0	:	177,7	66,4
1967	100,9	113,0	115,1	:	49,9	76,0	107,5	63,2	92,2	121,2	106,7	46,7	113,9	100,0	:	174,6	69,3
1968	102,0	110,1	115,0	:	50,6	76,6	107,5	66,3	92,4	119,2	106,6	51,3	112,7	100,0	:	174,0	71,6
1969	101,8	109,5	115,8	:	51,3	77,3	109,2	66,1	93,0	119,4	108,9	51,5	108,6	100,0	:	170,5	74,9
1970	101,1	107,5	115,6	:	53,7	77,3	109,0	64,5	95,0	116,8	110,4	51,7	106,7	100,0	:	166,2	77,5
1971	102,5	103,8	115,4	:	54,8	78,2	109,9	63,6	93,8	116,9	109,4	55,8	106,0	100,0	:	163,8	79,9
1972	103,5	100,1	116,5	:	55,1	80,1	109,1	61,3	92,6	116,5	106,9	54,7	106,5	100,0	:	163,6	82,9
1973	104,7	100,2	114,6	:	54,2	81,0	107,4	59,6	94,3	113,4	104,5	58,5	108,0	100,0	:	160,3	83,1
1974	104,5	96,0	113,4	:	54,1	83,2	107,6	63,3	96,0	113,8	105,1	63,8	105,6	100,0	:	155,5	80,4
1975	104,5	96,5	117,6	:	56,3	82,5	108,4	61,3	95,0	115,9	106,9	62,5	101,6	100,0	:	154,0	85,4
1976	105,8	100,9	119,4	:	55,6	83,0	108,2	59,4	95,4	113,5	107,9	61,3	99,0	100,0	:	154,7	85,6
1977	105,6	100,6	121,6	:	55,5	81,9	108,8	61,7	95,2	113,6	109,2	60,0	97,2	100,0	:	156,1	87,1
1978	105,7	98,6	122,0	:	56,7	79,1	109,2	63,7	95,2	111,7	110,1	56,8	98,7	100,0	:	156,4	88,8
1979	106,4	98,9	122,1	:	54,6	76,3	108,9	63,9	97,7	110,4	109,3	57,1	98,8	100,0	:	153,2	91,4
1980	109,0	95,5	122,3	:	55,0	76,3	109,2	64,5	101,9	110,5	107,7	57,8	94,3	100,0	:	149,9	92,4
1981	110,6	93,9	122,7	:	56,4	75,8	111,2	65,3	101,4	111,9	103,9	59,6	93,1	100,0	:	147,4	92,9
1982	112,1	94,5	121,0	:	55,8	75,5	113,2	59,5	101,3	112,6	100,8	60,0	94,4	100,0	:	145,9	96,7
1983	110,7	95,2	121,4	:	54,5	75,0	112,4	58,1	100,2	111,5	101,0	58,6	97,2	100,0	:	149,9	98,8
1984	110,7	97,5	122,9	:	53,2	73,2	111,7	58,5	100,8	111,2	100,0	57,2	97,6	100,0	:	152,5	99,4
1985	110,2	100,0	122,3	:	54,1	72,8	111,2	59,5	101,5	113,8	100,1	54,9	98,4	100,0	:	154,2	100,5
1986	107,1	101,8	119,4	:	55,3	72,3	109,8	58,3	101,9	114,3	100,3	53,4	103,2	100,0	:	154,9	99,8
1987	106,4	97,0	118,1	:	54,7	73,8	109,1	58,8	102,3	114,0	99,9	53,7	104,6	100,0	:	154,4	100,5
1988	105,4	93,5	117,1	:	54,2	74,3	108,2	59,5	102,6	113,8	96,4	54,5	107,2	100,0	:	154,1	101,6
1989	105,1	91,3	115,5	:	56,1	76,0	108,2	59,9	103,7	113,7	96,6	54,2	106,4	100,0	:	152,1	102,8
1990	106,3	89,9	116,4	:	55,2	76,6	108,6	62,9	103,4	114,8	97,8	55,2	103,9	100,0	:	150,5	105,3
1991	107,8	90,3	117,5	106,4	54,0	77,5	108,5	63,2	104,1	119,1	99,4	55,7	100,8	100,0	98,2	146,5	107,2
1992	107,6	90,2	115,5	105,5	54,1	78,8	108,7	64,0	105,1	122,4	99,7	58,1	99,9	100,0	98,4	147,5	108,7
1993	108,4	91,1	113,2	104,0	54,5	79,5	108,7	64,3	105,7	123,3	98,9	59,0	101,0	100,0	98,4	148,5	110,4

Table 17

Private consumption at constant prices

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (PPS)	EUR 12 + (PPS)	USA	J
1961	1,6	7,3	6,0	:	6,8	11,0	5,9	3,1	7,5	5,0	5,2	7,8	2,2	5,5	:	2,0	10,4
1962	3,9	5,9	5,6	:	4,3	8,8	7,1	3,5	7,1	4,4	6,1	−1,2	2,2	5,4	:	4,4	7,5
1963	4,4	0,0	2,9	:	5,1	11,3	6,9	4,2	9,3	4,6	7,0	6,9	4,9	5,9	:	3,7	8,8
1964	2,6	7,8	5,4	:	8,8	4,3	5,6	4,3	3,3	9,2	5,9	5,8	3,0	4,5	:	5,7	10,8
1965	4,3	3,4	7,0	:	7,7	6,9	4,0	0,8	3,3	4,0	7,5	6,0	1,5	4,5	:	5,7	5,8
1966	2,7	4,3	3,7	:	6,8	6,9	4,8	1,5	7,2	1,6	3,2	4,0	1,7	4,3	:	5,0	10,0
1967	2,8	2,9	1,5	:	6,2	6,0	5,1	3,8	7,4	0,0	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	5,2	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	6,1	7,4	2,9	2,9	5,4	:	2,4	7,4
1961-70	3,7	4,3	5,2	:	6,7	7,2	5,4	3,4	6,4	4,4	6,2	5,4	2,4	5,0	:	4,0	9,0
1971	4,7	−0,8	5,8	:	5,6	5,1	4,7	3,2	3,5	5,6	3,3	8,4	3,2	4,4	:	3,3	5,6
1972	6,0	1,7	5,1	:	7,0	8,3	4,9	5,1	3,3	4,8	3,5	2,9	6,3	5,1	:	6,5	9,1
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	5,5	:	4,2	9,1
1974	2,6	−2,9	1,2	:	0,7	5,1	0,9	1,6	3,7	4,5	3,7	9,1	−1,5	1,7	:	−1,1	−0,1
1975	0,6	3,7	3,7	:	5,5	1,8	2,6	0,8	0,2	5,3	3,3	1,7	−0,4	1,9	:	2,1	4,5
1976	4,8	7,9	4,0	:	5,3	5,6	4,7	2,8	5,0	3,1	5,3	2,3	0,4	4,0	:	5,5	3,1
1977	2,4	1,1	4,1	:	4,6	1,5	2,6	6,8	3,3	2,3	4,6	0,6	−0,5	2,5	:	4,5	4,1
1978	2,3	0,7	3,6	:	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	3,2	:	2,6	1,3	2,8	4,4	7,1	3,5	3,0	0,0	4,4	3,7	:	2,2	6,5
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	1,1
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	4,8
1981	−1,1	−2,3	−0,4	:	2,0	−0,6	1,8	1,7	1,7	1,7	−2,0	2,9	0,1	0,4	:	1,5	1,6
1982	1,3	1,4	−1,5	:	3,9	0,2	3,2	−7,1	0,9	0,4	−1,4	2,4	1,0	0,6	:	1,1	4,4
1983	−1,6	2,6	1,3	:	0,3	0,3	0,9	0,9	0,6	0,5	0,7	−1,4	4,5	1,3	:	5,0	3,4
1984	1,2	3,4	2,0	:	1,7	−0,4	0,9	2,0	2,2	1,4	0,8	−2,9	1,9	1,4	:	4,8	2,7
1985	1,9	5,0	1,6	:	3,9	2,4	2,2	4,6	3,1	2,7	2,4	0,7	3,8	2,6	:	4,7	3,4
1986	2,3	5,7	3,4	:	0,7	3,3	3,7	2,0	4,4	3,4	3,2	5,6	6,4	4,1	:	4,1	3,4
1987	3,0	−1,5	3,2	:	1,0	5,8	2,7	3,4	4,5	5,0	4,0	5,4	5,5	3,9	:	2,8	4,2
1988	2,9	−1,0	3,1	:	3,5	4,8	3,0	4,6	4,6	3,9	0,8	6,6	7,5	4,2	:	3,7	5,2
1989	3,7	−0,4	1,8	:	4,3	5,6	3,1	3,8	3,6	3,9	3,5	3,3	3,3	3,2	:	2,0	4,3
1990	2,8	0,4	5,3	:	2,0	3,7	2,7	3,0	3,3	4,0	4,1	5,3	0,7	3,2	:	1,1	4,2
1981-90	1,6	1,3	2,0	:	2,3	2,5	2,4	1,8	2,9	2,7	1,6	2,7	3,4	2,5	:	3,1	3,7
1991	2,6	2,3	3,7	:	1,2	3,0	1,5	0,3	2,6	6,5	3,3	4,5	−2,1	1,9	:	−0,6	2,7
1992	2,0	1,4	0,9	1,3	1,3	2,8	1,7	2,9	1,8	3,1	1,4	3,7	−0,4	1,3	1,4	2,0	2,0
1993	1,8	1,9	−0,1	0,3	1,3	1,0	1,4	2,0	0,1	2,2	0,8	3,5	0,5	0,7	0,7	2,1	1,8

Table 18

Public consumption at current prices

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12− (ECU)	EUR 12+ (ECU)	USA	J
1960	12,4	13,3	10,7	:	11,7	8,3	14,2	12,5	12,0	9,8	12,2	10,5	16,4	13,1	:	16,8	8,0
1961	11,9	14,4	11,1	:	11,3	8,2	14,4	12,4	11,9	9,9	12,7	12,5	16,7	13,3	:	17,7	7,7
1962	12,3	15,2	11,9	:	11,6	8,1	14,5	12,5	12,3	10,9	13,2	12,9	17,0	13,6	:	17,8	8,0
1963	13,0	15,4	12,6	:	11,3	8,5	14,7	12,7	13,1	12,3	13,9	12,3	16,9	14,0	:	17,5	8,2
1964	12,5	15,6	11,9	:	11,7	8,2	14,5	13,3	13,5	10,8	14,1	12,3	16,4	13,7	:	17,2	8,0
1965	12,8	16,3	12,1	:	11,7	8,4	14,4	13,6	14,2	10,9	14,0	12,0	16,7	13,9	:	16,7	8,2
1966	13,1	17,1	12,1	:	11,8	8,7	14,2	13,6	14,0	11,4	14,4	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	14,7	13,1	17,9	14,3	:	18,9	7,6
1968	13,6	18,6	11,8	:	12,9	9,2	14,8	13,4	13,6	12,1	14,4	13,1	17,6	14,1	:	18,7	7,4
1969	13,6	18,9	11,9	:	12,7	9,3	14,6	13,5	13,4	11,0	14,5	12,9	17,1	13,9	:	18,4	7,3
1970	13,4	20,0	12,0	:	12,6	9,6	14,7	14,6	13,0	10,5	14,9	13,8	17,5	14,0	:	18,7	7,4
1961-70	13,0	16,9	12,0	:	12,1	8,8	14,5	13,3	13,3	11,2	14,1	12,7	17,1	13,9	:	17,9	7,8
1971	14,1	21,3	12,7	:	12,5	9,7	14,9	15,2	14,6	11,7	15,4	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	15,3	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	15,0	12,8	18,1	14,5	:	17,4	8,3
1974	14,7	23,4	13,9	:	13,8	10,0	15,4	17,2	13,8	11,5	15,7	14,1	20,0	15,2	:	18,0	9,1
1975	16,4	24,6	14,4	:	15,2	10,6	16,6	18,6	14,1	14,9	16,8	15,0	21,9	16,2	:	18,6	10,0
1976	16,4	24,1	13,7	:	15,1	11,4	16,9	18,0	13,4	14,7	16,7	13,7	21,6	15,9	:	18,0	9,9
1977	16,8	23,9	13,7	:	16,0	11,6	17,2	17,1	13,8	15,9	16,8	14,0	20,2	15,9	:	17,5	9,8
1978	17,4	24,5	13,7	:	15,9	12,1	17,6	17,1	14,1	15,6	17,1	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	17,5	13,9	19,6	16,2	:	16,9	9,7
1980	17,8	26,7	14,0	:	16,4	13,3	18,1	19,9	14,7	16,7	17,3	14,5	21,2	16,8	:	17,6	9,8
1971-80	16,0	23,6	13,6	:	14,5	11,1	16,4	17,2	14,3	14,0	16,4	13,9	19,9	15,6	:	17,7	9,2
1981	18,6	27,8	14,3	:	18,0	13,9	18,8	19,9	16,0	17,4	17,2	15,0	21,8	17,5	:	17,4	9,9
1982	18,0	28,2	14,2	:	18,3	14,1	19,3	19,8	16,0	16,4	17,0	14,9	21,7	17,6	:	18,4	9,9
1983	17,5	27,4	13,9	:	18,8	14,6	19,5	19,3	16,4	15,8	16,9	15,1	21,7	17,6	:	18,3	9,9
1984	17,0	25,9	13,6	:	19,5	14,4	19,6	18,7	16,3	15,4	16,0	15,0	21,5	17,3	:	17,8	9,8
1985	17,1	25,3	13,6	:	20,4	14,7	19,4	18,6	16,4	15,7	15,6	15,5	20,7	17,2	:	18,1	9,6
1986	16,8	23,9	13,4	:	19,4	14,7	18,9	18,8	16,2	15,7	15,4	15,4	20,7	16,9	:	18,5	9,7
1987	16,2	25,2	13,4	:	19,6	15,1	18,8	17,7	16,7	16,8	15,8	15,2	20,2	16,9	:	18,5	9,5
1988	15,2	25,7	13,0	:	20,0	14,8	18,5	16,3	16,9	16,1	15,3	16,0	19,5	16,6	:	18,1	9,2
1989	14,6	25,5	12,6	:	20,5	15,2	18,0	15,2	16,6	15,4	14,8	16,1	19,3	16,3	:	17,6	9,2
1990	14,5	25,2	12,2	:	19,4	15,2	17,9	15,7	17,4	16,4	14,5	16,7	20,0	16,4	:	17,9	9,1
1981-90	16,5	26,0	13,4	:	19,4	14,7	18,9	18,0	16,5	16,1	15,9	15,5	20,7	17,0	:	18,0	9,6
1991	14,7	24,8	11,6	13,2	18,2	15,4	18,3	16,3	17,5	17,1	14,3	17,8	21,3	16,5	16,9	18,2	9,2
1992	14,6	24,6	11,8	13,6	17,2	15,9	18,4	17,0	17,2	17,3	14,3	18,2	21,9	16,6	17,0	17,8	9,3
1993	14,7	24,7	11,9	13,6	16,7	15,8	18,7	17,3	16,8	17,5	14,2	18,4	21,9	16,5	16,9	17,5	9,3

Table 19

Public consumption at constant prices

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (PPS)	EUR 12+ (PPS)	USA	J
1961	1,9	5,3	6,6	:	4,4	5,6	4,8	2,1	4,4	1,3	2,8	26,7	3,5	4,7	:	7,7	5,9
1962	8,6	9,9	10,6	:	6,7	6,7	4,7	3,1	3,9	2,4	3,3	8,5	3,1	5,6	:	5,2	8,7
1963	11,6	2,9	6,4	:	4,2	9,7	3,4	4,0	4,3	5,8	4,7	3,0	1,8	4,3	:	2,6	8,3
1964	4,2	7,3	0,7	:	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	3,5	:	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	4,3	4,5	4,4	4,2	2,4	13,6	5,7	4,4	:	5,3	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	4,5	:	7,7	4,2	4,1	6,9	2,8	3,3	4,5	3,2	−1,8	2,7	:	2,3	5,9
1970	3,1	6,9	4,3	:	5,9	5,3	4,2	11,3	2,6	4,1	6,0	12,7	1,7	3,6	:	0,2	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	3,8	:	4,9	4,3	3,9	8,6	5,2	3,0	4,4	6,4	3,0	4,1	:	−0,4	5,3
1972	5,9	5,7	2,2	:	5,7	5,2	3,5	7,5	5,1	4,2	0,8	8,6	4,2	3,9	:	−1,2	5,4
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	5,3
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	3,2
1975	4,5	2,0	1,6	:	11,9	5,2	4,4	8,7	2,4	3,3	4,1	6,6	5,6	3,9	:	0,2	7,8
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	4,5
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	4,1
1978	6,0	6,2	3,8	:	3,5	5,4	5,1	7,9	3,5	1,8	3,9	3,3	2,3	3,9	:	2,3	5,1
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	4,3
1980	1,5	4,3	2,2	:	0,2	4,2	2,5	7,1	2,1	3,1	0,6	7,9	1,6	2,3	:	1,3	3,3
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	4,8
1981	0,3	2,6	1,1	:	6,8	1,9	3,1	0,3	2,3	1,4	2,5	5,2	0,3	1,8	:	1,1	4,8
1982	−1,4	3,1	−0,8	:	2,3	4,9	3,7	3,2	2,6	1,5	0,4	3,6	0,8	1,8	:	2,4	2,0
1983	0,1	0,0	0,1	:	2,7	3,9	2,0	−0,4	3,5	1,9	1,0	3,7	1,8	1,9	:	3,6	3,0
1984	.2	−0,4	1,1	:	3,0	2,9	1,2	−0,7	2,2	2,2	−0,8	0,1	1,0	1,3	:	4,5	2,7
1985	2,4	2,5	1,5	:	3,2	4,6	2,2	1,8	3,4	2,0	1,3	0,1	0,0	2,0	:	5,3	1,7
1986	1,7	0,5	2,3	:	−0,8	5,4	1,7	2,6	2,6	3,1	2,5	7,2	1,8	2,3	:	4,9	4,5
1987	0,3	2,5	1,2	:	0,9	8,9	2,8	−4,3	3,5	2,7	2,9	4,9	1,2	2,6	:	3,4	0,4
1988	−1,0	0,9	0,2	:	4,7	4,0	3,4	−4,7	2,8	3,8	1,4	5,3	0,6	1,9	:	2,1	2,1
1989	0,2	−0,3	0,3	:	4,2	8,3	0,2	−1,1	0,8	1,9	1,5	2,8	0,9	1,3	:	0,3	2,0
1990	1,1	−1,0	1,4	:	−0,1	4,2	1,8	5,2	1,3	3,2	2,1	1,5	3,2	2,1	:	2,8	1,9
1981-90	0,4	1,0	0,8	:	2,7	4,9	2,2	0,2	2,5	2,4	1,5	3,4	1,2	1,9	:	3,0	2,5
1991	0,9	−1,2	−1,9	:	−0,7	4,4	4,1	1,3	1,7	3,8	1,6	4,2	2,8	2,0	:	1,2	3,4
1992	0,5	0,4	3,3	4,5	0,0	3,5	2,5	3,9	0,8	2,2	0,0	1,5	0,1	1,7	1,9	−1,5	1,7
1993	0,3	2,2	−0,1	−0,4	0,0	1,1	2,6	1,2	0,4	2,3	−0,1	0,6	0,6	0,9	0,8	−0,4	1,4

Table 20

Gross fixed capital formation at current prices
Total economy

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (ECU)	EUR 12+ (ECU)	USA	J
1960	19,3	21,6	24,3	:	19,0	20,4	20,9	14,4	26,0	20,9	24,8	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	25,5	23,2	17,3	22,4	:	17,5	31,9
1962	21,3	23,1	25,7	:	20,1	21,9	22,2	17,9	27,2	25,9	25,1	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	24,4	23,7	16,8	22,8	:	18,1	31,6
1964	22,4	24,5	26,6	:	21,0	23,6	23,8	20,5	25,6	33,7	26,2	22,8	18,3	23,6	:	18,5	31,7
1965	22,4	24,1	26,1	:	21,6	24,8	24,2	21,4	22,2	28,0	25,8	22,8	18,4	23,1	:	19,0	29,8
1966	22,9	24,1	25,4	:	21,7	25,1	24,6	19,8	21,6	26,6	27,0	25,1	18,4	23,1	:	18,8	30,3
1967	22,9	24,2	23,1	:	20,3	25,4	24,8	20,1	22,5	23,9	27,1	26,6	19,1	22,9	:	18,1	31,9
1968	21,5	23,4	22,4	:	23,2	26,0	24,3	20,9	23,4	22,1	27,6	22,2	19,5	22,9	:	18,4	33,2
1969	21,3	24,6	23,3	:	24,6	26,5	24,4	23,3	24,2	22,2	25,2	22,6	18,8	23,1	:	18,6	34,5
1970	22,7	24,7	25,5	:	23,6	26,4	24,3	22,7	24,6	23,1	26,6	23,2	18,9	23,8	:	18,0	35,5
1961-70	21,9	23,8	24,9	:	21,4	24,3	23,8	20,2	24,6	26,0	26,0	23,4	18,3	23,0	:	18,3	32,2
1971	22,1	24,2	26,2	:	25,2	24,2	24,7	23,6	23,9	28,4	26,0	24,7	18,9	23,9	:	18,5	34,2
1972	21,3	24,6	25,4	:	27,8	25,3	24,7	23,7	23,1	27,8	24,2	27,1	18,5	23,6	:	19,2	34,1
1973	21,4	24,8	23,9	:	28,0	26,8	25,2	25,3	24,9	27,3	23,7	26,8	19,9	23,9	:	19,5	36,4
1974	22,7	24,0	21,6	:	22,2	28,3	25,8	24,6	25,9	24,6	22,5	26,0	20,9	23,7	:	18,9	34,8
1975	22,5	21,1	20,4	:	20,8	26,8	24,1	22,7	24,9	27,7	21,6	25,9	19,9	22,5	:	17,6	32,5
1976	22,1	23,0	20,1	:	21,2	25,3	23,9	25,0	23,9	24,9	20,0	25,1	19,6	22,0	:	17,9	31,2
1977	21,6	22,1	20,3	:	23,0	24,3	22,9	24,8	23,5	25,1	21,6	26,5	18,6	21,6	:	19,3	30,2
1978	21,7	21,7	20,6	:	23,9	23,0	22,4	27,7	22,7	24,1	21,9	27,9	18,5	21,4	:	20,7	30,4
1979	20,7	20,9	21,7	:	25,8	21,9	22,4	30,5	22,8	24,4	21,6	26,6	18,7	21,6	:	21,3	31,7
1980	21,1	18,8	22,6	:	24,2	22,5	23,0	28,6	24,3	27,1	21,6	28,6	18,0	22,0	:	20,2	31,6
1971-80	21,7	22,5	22,3	:	24,2	24,8	23,9	25,6	24,0	26,1	22,5	26,5	19,1	22,6	:	19,3	32,7
1981	18,0	15,6	21,6	:	22,3	22,1	22,1	29,7	23,9	25,4	19,7	30,8	16,2	20,9	:	19,9	30,6
1982	17,3	16,1	20,4	:	19,9	21,6	21,4	26,5	22,3	25,0	18,7	31,1	16,1	20,0	:	18,7	29,5
1983	16,2	16,0	20,4	:	20,3	20,9	20,2	23,1	21,3	21,2	18,7	29,2	16,0	19,5	:	18,5	28,0
1984	16,0	17,2	20,0	:	18,5	19,0	19,3	21,4	21,0	20,0	19,1	23,6	16,9	19,2	:	19,3	27,7
1985	15,6	18,7	19,5	:	19,1	19,2	19,3	19,0	20,7	17,7	19,7	21,8	16,9	19,0	:	19,5	27,5
1986	15,7	20,8	19,4	:	18,5	19,5	19,3	18,0	19,7	22,1	20,6	22,1	16,8	19,0	:	19,1	27,3
1987	16,0	19,7	19,4	:	17,2	20,8	19,8	16,4	19,7	25,5	20,8	24,2	17,5	19,3	:	18,5	28,5
1988	17,6	18,1	19,6	:	17,5	22,6	20,7	16,3	20,1	27,0	21,3	26,8	19,1	20,0	:	18,3	29,9
1989	19,3	17,8	20,2	:	19,2	24,2	21,2	17,7	20,2	27,1	21,5	26,4	20,1	20,7	:	17,7	31,0
1990	20,2	17,7	21,0	:	19,4	24,6	21,2	18,6	20,2	26,9	21,3	26,4	19,3	20,9	:	16,8	32,2
1981-90	17,2	17,8	20,1	:	19,2	21,4	20,4	20,7	20,9	23,8	20,1	26,2	17,5	19,9	:	18,6	29,2
1991	19,8	17,1	21,6	23,2	18,2	24,1	20,8	17,1	19,8	29,0	20,8	25,5	16,7	20,3	20,8	15,4	31,6
1992	19,9	15,6	21,5	23,5	17,5	22,6	20,0	16,8	19,4	29,7	20,6	25,1	15,6	19,8	20,4	15,4	31,1
1993	19,1	15,7	21,4	23,6	17,9	22,0	19,6	16,7	19,3	29,6	20,4	25,4	15,5	19,6	20,3	15,3	31,2

Table 21

Gross fixed capital formation at constant prices
Total economy

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (PPS)	EUR 12+ (PPS)	USA	J
1961	12,4	13,9	6,6	:	8,1	17,9	10,9	16,9	11,6	9,0	6,0	6,7	9,8	9,8	:	1,4	23,4
1962	5,9	6,7	3,9	:	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	1,2	:	5,5	11,4	8,8	12,0	8,1	14,2	1,1	15,3	1,4	4,8	:	7,2	11,9
1964	14,7	23,5	11,2	:	20,7	15,0	10,5	10,8	−5,8	22,1	19,2	4,0	16,6	9,0	:	6,6	15,7
1965	4,1	4,7	4,8	:	12,8	16,6	7,0	10,5	−8,4	−13,9	5,3	10,3	5,2	3,6	:	9,4	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	:	3,9	14,0
1967	2,9	5,4	−6,9	:	−1,6	6,0	6,0	6,8	11,7	−7,9	8,5	5,2	8,7	3,9	:	−1,0	18,1
1968	−1,3	1,9	3,4	:	21,4	9,4	5,5	13,2	10,8	−4,2	11,2	−9,3	6,3	6,4	:	6,4	20,5
1969	5,3	11,8	9,9	:	18,6	9,8	9,2	20,5	7,8	10,5	−2,2	8,1	−0,6	6,9	:	1,8	18,9
1970	8,4	2,2	9,2	:	−1,4	3,0	4,6	−3,3	3,0	7,5	7,5	11,4	2,5	5,1	:	−3,7	16,9
1961-70	5,8	7,0	4,3	:	9,3	11,2	7,8	9,6	5,1	3,4	6,7	6,9	5,2	6,0	:	3,8	15,7
1971	−1,9	1,9	6,0	:	14,0	−3,0	7,3	8,9	0,2	10,7	1,5	10,2	1,8	3,4	:	5,8	4,4
1972	3,4	9,3	2,6	:	15,4	14,2	5,6	7,8	1,3	7,0	−2,3	14,0	−0,2	3,8	:	8,7	9,7
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	5,9	:	6,2	11,6
1974	6,9	−8,9	−9,7	:	−25,6	6,2	0,8	−11,6	2,0	−7,0	−4,0	−6,1	−2,4	−2,3	:	−6,0	−8,3
1975	−1,9	−12,4	−5,2	:	0,2	−4,5	−6,8	−3,6	−7,3	−7,4	−4,4	−10,6	−2,0	−5,4	:	−10,7	−1,0
1976	4,0	17,1	3,7	:	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	3,8	:	7,8	−0,9	−1,6	4,1	1,8	−0,1	9,7	11,5	−1,8	1,3	:	11,3	2,8
1978	2,8	1,1	4,3	:	6,0	−2,7	2,3	18,9	0,6	1,1	2,5	6,2	3,0	2,3	:	9,5	7,8
1979	−2,7	−0,4	6,9	:	8,8	−4,4	3,2	13,6	5,7	3,8	−1,7	−1,3	2,8	3,3	:	2,4	6,2
1980	4,6	−12,6	2,3	:	−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	1,3	:	2,8	1,6	2,3	5,9	2,1	2,6	0,2	4,1	0,4	1,6	:	2,5	3,4
1981	−16,1	−19,2	−4,9	:	−7,5	−3,3	−1,9	9,5	−3,1	−7,4	−10,0	5,5	−9,6	−5,0	:	−0,1	2,4
1982	−1,7	7,1	−5,3	:	−1,9	0,5	−1,2	−3,4	−4,7	−0,5	−4,3	2,3	5,4	−1,9	:	−8,7	−0,1
1983	−4,4	1,9	3,3	:	−1,3	−2,5	−3,3	−9,3	−0,6	−11,8	1,9	−7,1	5,0	0,1	:	8,8	−1,0
1984	1,7	12,9	0,3	:	−5,7	−5,8	−2,6	−2,5	3,6	0,1	5,2	−17,4	8,5	0,9	:	15,9	4,7
1985	0,7	12,6	0,0	:	5,2	4,1	3,4	−7,7	0,6	−9,5	6,7	−3,5	4,0	2,2	:	6,9	5,3
1986	4,4	17,1	3,6	:	−6,2	9,9	4,6	−2,8	2,2	31,2	7,9	10,9	2,4	4,3	:	2,0	4,8
1987	5,6	−3,8	2,1	:	−5,1	14,0	5,0	−3,2	5,0	14,7	1,5	15,1	9,6	5,5	:	2,9	9,6
1988	15,4	−6,6	4,6	:	8,9	14,0	9,6	1,5	6,9	14,1	4,5	15,0	14,2	8,8	:	5,0	11,9
1989	13,7	−0,6	6,5	:	10,0	13,8	6,8	15,1	4,3	8,9	4,9	5,6	7,2	7,1	:	2,7	9,3
1990	8,4	−0,5	8,7	:	5,7	6,9	3,1	10,2	3,3	2,5	3,6	5,9	−3,1	4,0	:	−2,8	9,5
1981-90	2,4	1,5	1,8	:	0,0	4,9	2,3	0,5	1,7	3,5	2,1	2,7	4,2	2,5	:	3,0	5,5
1991	0,3	−2,8	6,5	:	−2,0	1,6	−1,3	−7,2	0,9	9,8	0,1	2,8	−9,9	0,0	:	−8,5	3,4
1992	2,5	−8,3	1,7	4,4	0,6	−2,0	−1,5	1,6	−0,2	4,5	−0,4	3,6	−0,4	−0,1	0,6	5,2	−0,7
1993	−3,3	1,9	−1,7	0,3	4,5	−1,9	−0,7	2,2	−1,2	2,3	−0,7	3,3	−0,8	−1,0	−0,5	4,6	1,0

Table 22

Net stockbuilding at current prices
Total economy

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12− (ECU)	EUR 12+ (ECU)	USA	J
1960	−0,1	4,4	3,0	:	−0,4	−0,5	3,0	2,0	2,1	2,4	3,3	1,4	2,2	2,4	:	0,7	3,9
1961	0,5	1,9	2,0	:	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	1,6	:	1,1	3,6	2,3	1,6	1,7	5,6	1,5	1,8	0,0	1,4	:	1,1	2,0
1963	0,4	0,8	0,7	:	2,1	3,4	1,5	0,9	1,0	−0,1	1,1	2,0	0,5	1,0	:	0,9	2,2
1964	1,5	1,7	1,5	:	4,7	2,6	2,4	1,2	0,5	−1,2	3,0	3,3	2,1	1,9	:	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	:	1,2	2,1
1966	1,0	0,8	1,1	:	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	1,3	:	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	2,0	:	1,1	3,1
1970	1,6	1,0	2,1	:	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	0,5	:	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	1,8	:	1,2	1,7
1974	2,2	1,2	0,4	:	7,1	2,2	2,3	4,4	4,2	−3,0	2,3	5,2	1,2	1,9	:	0,9	2,5
1975	−0,6	−0,2	−0,6	:	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	1,5	:	0,9	0,7
1977	0,3	0,8	0,6	:	3,5	1,1	1,5	3,2	1,4	−4,2	0,6	2,5	1,3	1,1	:	1,3	0,7
1978	0,1	−0,2	0,6	:	3,7	0,2	0,8	1,4	1,4	1,4	0,6	2,6	1,1	0,8	:	1,3	0,5
1979	0,7	0,5	1,7	:	4,3	0,8	1,3	2,5	1,8	−1,9	0,5	2,9	1,1	1,4	:	0,6	0,8
1980	0,7	−0,3	0,8	:	4,4	1,2	1,2	−0,8	2,7	−1,9	0,5	4,2	−1,1	0,9	:	−0,2	0,7
1971-80	0,7	0,5	0,7	:	4,6	1,2	1,3	1,5	1,8	−1,3	0,8	2,9	0,5	1,1	:	0,7	1,1
1981	−0,1	−0,2	−0,7	:	3,1	−0,3	−0,2	−1,3	0,9	−0,9	−0,9	3,7	−1,1	−0,3	:	1,0	0,6
1982	0,1	0,2	−1,0	:	1,2	−0,1	0,5	1,3	1,2	−0,1	−0,3	3,0	−0,4	0,0	:	−0,4	0,4
1983	−0,7	0,0	−0,1	:	1,6	−0,5	−0,4	0,7	0,5	3,1	0,1	−0,9	0,5	0,1	:	0,0	0,1
1984	0,4	1,2	0,3	:	1,0	0,0	−0,3	1,3	1,9	4,7	0,5	−1,3	0,4	0,5	:	1,9	0,3
1985	−0,7	0,8	0,1	:	2,2	0,0	−0,4	0,9	1,8	2,6	0,6	−1,2	0,2	0,3	:	0,7	0,7
1986	−0,6	0,8	0,2	:	1,4	0,5	0,3	0,8	1,2	1,4	−0,4	0,2	0,2	0,4	:	0,4	0,5
1987	0,2	−0,7	0,0	:	0,5	0,7	0,4	0,1	1,3	−0,7	−0,1	3,3	0,3	0,4	:	0,6	0,2
1988	0,3	−0,2	0,5	:	1,7	1,1	0,7	−0,6	1,4	0,0	0,1	2,8	1,0	0,8	:	0,2	0,7
1989	0,5	0,5	0,7	:	1,2	1,1	0,9	0,7	1,2	0,5	1,1	2,7	0,6	0,9	:	0,7	0,8
1990	0,2	−0,2	0,1	:	0,3	1,1	0,8	1,8	0,5	1,4	0,9	2,7	−0,3	0,4	:	0,2	0,6
1981-90	−0,1	0,2	0,0	:	1,4	0,4	0,2	0,6	1,2	1,2	0,2	1,5	0,1	0,4	:	0,5	0,5
1991	−0,1	−0,5	−0,3	−0,2	1,7	1,1	0,2	2,0	0,6	2,4	0,3	2,6	−0,9	0,1	0,1	−0,1	0,6
1992	0,0	−0,1	−0,5	−0,5	1,1	1,1	0,1	−0,9	0,6	2,5	0,0	2,7	−0,4	0,1	0,1	−0,1	:
1993	0,0	0,0	−0,2	−0,1	1,1	1,2	0,1	−1,2	0,5	2,4	0,0	2,8	−0,3	0,2	0,2	0,1	:

Table 23

Price deflator gross domestic product at market prices

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (PPS)	EUR 12 + (PPS)	USA	J
1961	1,3	4,3	4,8	:	1,5	1,8	3,4	2,5	2,8	−3,7	2,4	2,3	2,7	3,2	:	0,9	7,8
1962	1,7	6,6	4,0	:	4,6	5,7	4,7	4,9	5,8	3,9	3,5	−0,2	4,0	4,5	:	2,2	4,2
1963	3,0	5,8	3,1	:	1,4	8,5	6,4	2,7	8,5	3,1	4,7	2,5	2,1	4,9	:	1,3	5,5
1964	4,6	4,6	3,0	:	3,7	6,3	4,1	9,7	6,5	5,8	8,7	1,1	3,7	4,5	:	1,7	5,3
1965	5,1	7,4	3,7	:	4,0	9,4	2,7	4,5	4,2	2,8	6,1	3,8	5,1	4,6	:	2,7	5,1
1966	4,2	6,8	3,4	:	4,9	8,1	2,9	4,4	2,2	3,9	6,0	5,5	4,5	4,0	:	3,4	5,0
1967	3,1	6,3	1,5	:	2,4	7,7	3,2	3,2	2,8	0,4	4,2	3,4	2,9	3,1	:	3,1	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	:	4,8	4,9
1969	4,0	7,0	4,2	:	3,4	4,4	6,6	9,1	4,1	5,3	6,4	6,1	5,4	5,1	:	5,0	4,4
1970	4,6	8,3	7,6	:	3,9	6,8	5,6	9,7	6,9	15,1	6,2	3,4	7,4	6,8	:	5,3	6,5
1961-70	3,4	6,4	3,8	:	3,1	6,4	4,4	5,5	4,5	4,1	5,2	2,9	4,2	4,4	:	3,0	5,4
1971	5,6	7,7	7,8	:	3,2	7,9	6,4	10,5	6,9	−0,8	8,1	5,1	9,4	7,5	:	5,5	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	:	4,7	5,8
1973	7,2	10,7	6,3	:	19,4	12,0	8,5	15,3	13,2	12,2	9,0	9,4	7,1	9,0	:	6,3	13,1
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	13,3	:	8,8	20,1
1975	12,1	12,4	5,8	:	12,3	16,8	13,0	20,1	16,5	−0,9	10,2	16,2	27,1	14,7	:	9,6	7,4
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	11,8	:	6,3	7,8
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	11,7	:	6,8	6,4
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	10,4	:	7,9	5,0
1979	4,5	7,6	3,9	:	18,6	17,1	10,2	13,7	15,3	6,4	3,9	19,4	14,4	10,7	:	8,7	2,7
1980	3,8	8,2	4,9	:	17,7	14,2	11,6	14,7	20,0	7,9	5,7	20,9	19,5	12,8	:	9,4	4,6
1971-80	7,1	9,7	5,2	:	13,7	15,2	9,9	13,8	14,8	6,5	7,6	16,1	14,0	10,9	:	7,4	7,7
1981	4,7	10,1	4,1	:	19,8	12,0	11,4	17,4	19,0	7,2	5,5	17,6	11,4	10,9	:	10,0	3,7
1982	7,1	10,6	4,4	:	25,1	13,8	12,0	15,2	17,2	10,8	6,1	20,7	7,6	10,5	:	6,2	1,7
1983	5,6	7,6	3,5	:	19,1	11,6	9,6	10,7	15,1	6,8	1,9	24,6	5,2	8,5	:	4,1	1,4
1984	5,2	5,7	2,1	:	20,3	10,9	7,3	6,4	11,6	4,4	1,9	24,7	4,6	6,8	:	4,5	2,3
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	6,0	:	3,6	1,6
1986	3,8	4,6	3,3	:	17,5	11,1	5,3	6,5	7,9	3,8	0,5	20,5	3,5	5,6	:	2,7	1,8
1987	2,4	4,7	1,9	:	14,3	5,8	3,0	2,3	6,0	−1,0	−0,4	11,2	5,0	4,1	:	3,2	0,0
1988	1,8	3,4	1,5	:	15,6	5,7	3,1	2,9	6,6	4,0	1,2	11,6	6,6	4,5	:	3,9	0,4
1989	4,7	4,3	2,6	:	12,7	7,0	3,5	4,7	6,2	6,0	1,2	13,0	7,1	5,0	:	4,5	1,9
1990	2,7	2,1	3,4	:	20,5	7,3	3,1	−1,6	7,5	2,9	2,5	14,3	6,3	5,3	:	4,3	2,1
1981-90	4,4	5,7	2,9	:	18,2	9,3	6,4	6,8	10,5	4,8	2,2	17,9	6,3	6,7	:	4,7	1,7
1991	2,7	2,9	4,2	:	19,5	6,9	3,1	1,2	7,3	3,0	3,0	14,3	6,7	5,4	:	4,0	1,9
1992	3,6	2,5	4,5	5,3	15,6	6,3	2,9	2,9	5,2	2,2	2,7	13,1	4,6	4,6	4,8	2,6	1,9
1993	3,1	1,7	3,5	4,3	12,7	4,7	2,9	2,3	4,5	4,1	2,8	8,0	3,4	3,8	4,0	2,6	1,8

Table 24

Price deflator private consumption

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 − (PPS)	EUR 12 + (PPS)	USA	J
1961	2,7	3,5	3,5	:	1,1	1,8	3,3	2,3	1,7	0,5	2,4	0,6	2,9	2,8	:	1,3	6,4
1962	1,1	6,2	3,0	:	1,3	5,3	4,4	4,1	5,3	0,8	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	3,1	3,8	1,1	1,6	4,3	:	1,7	7,3
1964	4,2	4,0	2,3	:	2,2	6,7	3,4	7,0	4,9	3,0	6,8	0,8	3,6	3,8	:	1,5	4,1
1965	4,6	6,1	3,4	:	4,6	9,7	2,6	4,4	3,6	3,4	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	3,4	5,4	5,5	4,0	3,9	:	3,1	4,6
1967	2,5	7,4	1,5	:	1,9	5,8	3,0	2,8	3,2	2,3	3,0	1,5	2,6	2,8	:	2,6	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	1,9	6,1	4,9	5,5	4,3	:	4,4	4,2
1970	2,5	6,6	4,0	:	3,1	6,6	5,0	12,4	5,0	4,3	4,4	3,2	5,9	5,0	:	4,4	7,2
1961-70	3,1	5,8	2,8	:	2,5	5,9	4,3	5,1	3,8	2,5	4,1	2,8	3,9	3,8	:	2,7	5,6
1971	5,3	8,3	5,5	:	2,9	7,8	6,2	9,4	5,5	4,7	7,9	7,0	8,7	6,6	:	4,8	6,8
1972	5,4	8,2	5,7	:	3,3	7,6	6,4	9,7	6,3	5,1	8,3	6,3	6,5	6,4	:	3,0	5,8
1973	6,1	11,7	6,7	:	15,0	11,4	7,6	11,6	13,9	4,9	8,5	8,9	8,6	9,2	:	6,0	10,8
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	14,9	:	10,5	21,0
1975	12,3	9,9	6,1	:	12,7	15,5	12,1	18,0	16,5	10,2	10,1	16,0	23,6	13,8	:	8,0	11,2
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	11,7	:	5,8	9,6
1977	7,2	10,6	3,4	:	11,9	23,7	9,6	14,1	17,6	5,7	6,1	27,3	14,8	11,8	:	6,5	7,4
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	9,1	:	7,0	4,5
1979	3,9	10,4	4,3	:	16,5	16,5	10,9	14,9	14,5	4,9	4,3	25,2	13,7	10,8	:	9,0	3,6
1980	6,4	10,7	5,9	:	21,9	16,5	13,5	18,6	20,4	7,5	6,9	21,6	16,3	13,5	:	10,7	7,5
1971-80	7,1	10,4	5,2	:	13,2	15,1	10,0	13,9	14,6	6,5	7,5	17,3	13,3	10,7	:	7,1	8,7
1981	8,7	12,0	6,2	:	22,7	14,3	13,4	19,6	18,0	8,6	5,8	20,2	11,2	12,1	:	8,8	4,5
1982	7,8	10,2	5,1	:	20,7	14,5	11,8	14,9	17,1	10,6	5,5	20,3	8,7	10,8	:	5,7	2,7
1983	7,1	6,8	3,3	:	18,1	12,3	9,7	9,2	14,8	8,3	2,9	25,8	4,8	8,5	:	3,9	2,0
1984	5,7	6,4	2,6	:	17,9	11,0	7,9	7,3	12,1	6,5	2,2	28,5	5,0	7,3	:	4,1	2,5
1985	5,9	4,3	2,1	:	18,3	8,2	6,0	5,0	9,0	4,3	2,2	19,4	5,3	5,9	:	3,3	2,2
1986	.7	2,9	−0,3	:	22,1	9,4	2,9	4,6	6,2	1,3	0,2	13,8	4,3	3,8	:	2,3	0,4
1987	1,9	4,6	0,8	:	15,7	5,7	3,3	2,9	5,3	1,7	−0,9	10,0	4,4	3,6	:	4,2	0,2
1988	1,6	4,0	1,4	:	14,3	5,0	2,9	2,5	5,7	2,7	0,5	10,0	5,1	3,8	:	4,2	−0,1
1989	3,5	5,0	3,1	:	15,2	6,6	3,6	3,7	6,5	3,6	1,2	12,1	5,9	4,9	:	4,8	1,8
1990	3,1	2,1	2,7	:	19,7	6,4	3,2	1,7	5,9	3,6	2,3	12,6	5,3	4,5	:	5,0	2,6
1981-90	4,6	5,8	2,7	:	18,4	9,3	6,4	7,0	9,9	5,1	2,2	17,1	6,0	6,5	:	4,6	1,9
1991	2,9	2,4	3,9	:	18,4	6,3	3,2	3,2	6,8	2,9	3,3	11,9	7,2	5,3	:	4,2	2,6
1992	2,4	2,1	4,1	4,7	16,0	6,0	2,6	2,9	5,3	3,4	3,1	9,1	5,1	4,5	4,6	3,1	2,4
1993	2,8	1,6	3,6	4,1	13,5	5,5	2,7	2,2	5,8	4,7	2,7	6,8	5,1	4,4	4,5	2,7	2,6

Table 25

Price deflator exports of goods and services
National accounts

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 − (PPS)	EUR 12 + (PPS)	USA	J
1961	0,6	−1,2	−1,1	:	0,2	2,0	0,3	−0,1	−0,8	−3,0	−1,7	−1,1	1,2	−0,1	:	1,4	−0,7
1962	1,0	2,5	2,0	:	1,1	4,8	1,2	1,9	0,9	−1,7	−0,1	−0,9	0,8	1,4	:	0,0	−1,5
1963	2,1	2,8	0,9	:	8,0	6,3	2,8	2,1	3,3	0,0	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	2,2	2,5	3,9	2,4	2,9	:	0,8	1,6
1965	1,4	2,2	2,5	:	−1,1	5,6	1,1	1,9	0,0	1,4	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	0,8	0,7	−1,8	2,5	2,0	:	3,6	−0,2
1967	0,5	1,2	−0,3	:	−2,7	7,9	−0,4	0,6	1,1	0,4	0,0	3,7	2,7	1,2	:	3,1	0,2
1968	0,2	3,0	−0,3	:	−1,3	9,2	−0,4	6,2	0,3	1,3	−0,5	2,3	7,7	2,1	:	6,8	0,1
1969	4,6	6,7	3,7	:	0,5	1,6	4,8	6,1	2,7	6,5	2,2	−1,5	2,2	3,2	:	3,4	1,5
1970	5,7	6,5	4,7	:	3,1	5,0	7,8	−6,1	6,1	13,2	5,8	5,4	8,0	6,2	:	5,1	2,9
1961-70	2,4	3,0	1,7	:	1,2	5,1	2,3	1,9	1,8	2,0	1,3	1,6	3,3	2,4	:	2,8	0,6
1971	2,1	3,5	4,1	:	1,7	6,0	5,4	7,3	4,6	−2,9	3,2	2,9	5,0	4,3	:	5,4	2,8
1972	1,7	6,9	2,1	:	5,7	6,1	1,4	11,5	4,3	0,9	1,8	5,2	4,1	2,9	:	−2,3	−0,6
1973	8,3	12,0	6,6	:	26,1	9,4	8,3	19,7	14,8	14,9	7,2	9,4	11,8	10,1	:	12,7	9,7
1974	24,5	20,5	15,5	:	31,6	22,4	24,5	23,0	38,2	26,9	26,0	39,5	24,9	25,2	:	23,7	31,3
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	9,9	:	10,9	5,0
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	12,4	:	3,9	2,0
1977	3,7	6,7	1,8	:	9,9	19,4	9,2	14,8	15,8	−2,8	3,6	35,5	15,4	10,6	:	4,9	−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	6,5	:	6,8	−6,3
1979	9,0	8,2	4,9	:	14,5	9,3	9,9	9,6	16,4	7,9	8,3	27,6	11,4	10,8	:	13,2	8,1
1980	9,3	14,6	6,2	:	34,0	19,3	12,0	10,8	23,6	7,5	12,3	25,2	13,9	14,2	:	10,2	9,7
1971-80	6,9	9,2	5,0	:	15,0	13,3	9,0	14,3	15,9	5,9	7,1	17,2	13,3	10,6	:	8,7	5,4
1981	9,6	12,7	5,7	:	25,5	17,9	14,1	16,4	20,0	9,6	13,4	18,5	8,4	13,0	:	9,0	2,6
1982	13,1	10,6	3,7	:	20,7	13,8	12,7	10,8	16,9	15,5	4,2	19,8	6,9	10,5	:	1,5	2,8
1983	7,3	5,2	1,8	:	19,3	16,8	9,9	9,1	9,1	5,9	0,1	30,0	7,9	7,9	:	0,1	−4,8
1984	8,1	7,7	3,4	:	15,7	12,6	9,6	8,1	9,6	5,2	5,5	30,2	7,7	8,5	:	2,5	0,0
1985	2,9	3,6	2,8	:	17,0	6,7	4,6	3,1	8,7	3,9	1,5	17,6	5,1	5,3	:	−3,1	−2,5
1986	−8,4	−5,4	−1,4	:	10,6	−1,7	−3,1	−6,3	−2,7	−2,2	−15,3	4,5	−8,1	−4,3	:	−5,7	−13,5
1987	−3,8	−1,9	−1,1	:	7,5	2,5	−0,3	0,4	1,1	−6,4	−6,3	11,4	3,0	0,2	:	−2,2	−5,0
1988	2,9	0,7	1,9	:	7,5	3,0	2,5	5,6	4,2	3,6	0,5	8,9	0,7	2,9	:	3,1	−3,3
1989	7,1	5,6	2,8	:	10,6	4,5	4,7	7,3	7,3	7,3	4,5	10,7	9,2	6,2	:	2,5	3,6
1990	−1,7	−1,8	0,4	:	11,9	1,7	−1,2	−8,4	3,2	−0,8	−0,5	6,0	4,2	1,5	:	1,5	1,0
1981-90	3,5	3,5	2,0	:	14,5	7,6	5,2	4,4	7,5	4,0	0,5	15,4	4,4	5,0	:	0,8	−2,0
1991	−0,5	1,8	1,7	:	24,3	1,9	−0,1	−0,4	2,9	−0,1	0,0	1,6	0,9	2,0	:	1,5	−3,1
1992	0,2	0,0	1,0	0,8	11,5	3,3	−0,5	−0,5	2,1	−0,5	−1,0	0,5	0,8	1,0	0,9	−0,1	0,4
1993	2,5	1,0	1,7	1,8	12,8	6,3	2,8	1,4	7,2	2,6	1,9	2,6	7,8	4,0	4,2	1,1	−1,1

Table 26

Price deflator imports of goods and services
National accounts

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12− (PPS)	EUR 12+ (PPS)	USA	J
1961	2,6	0,1	−2,5	:	−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	−0,2	:	−0,7	2,0	2,7	0,5	0,4	0,8	−0,9	−1,3	−0,2	0,6	:	−1,3	−2,2
1963	4,0	1,9	2,4	:	3,0	2,0	1,1	1,9	1,5	1,2	1,4	1,6	4,5	2,8	:	3,0	1,8
1964	3,2	1,3	1,8	:	3,0	2,4	0,9	1,3	3,4	2,1	2,4	2,2	2,4	2,2	:	2,2	1,5
1965	0,2	1,6	2,9	:	0,3	0,2	1,4	2,6	0,6	1,7	0,5	2,8	1,1	1,3	:	2,5	−0,7
1966	3,2	1,6	1,9	:	3,3	0,2	3,2	0,2	1,9	1,4	0,7	0,0	1,3	1,2	:	4,3	2,3
1967	0,5	2,5	−1,9	:	−3,0	2,8	−1,3	−0,3	0,7	−0,7	−0,9	−2,4	1,4	−0,2	:	2,5	−0,1
1968	0,6	5,0	0,0	:	0,2	10,7	−1,1	7,9	0,7	0,0	−2,9	−2,5	10,6	2,7	:	2,3	0,7
1969	3,2	2,9	2,0	:	0,0	3,0	4,9	4,2	1,4	3,1	3,3	0,9	2,5	2,2	:	2,6	2,9
1970	5,1	5,6	−1,0	:	4,0	5,1	9,7	0,7	3,7	7,4	6,6	9,3	6,3	4,6	:	6,1	2,1
1961-70	2,3	2,2	0,5	:	0,8	3,0	2,1	2,0	1,2	1,8	0,8	1,1	2,9	1,6	:	2,3	1,0
1971	3,4	6,1	1,2	:	2,9	5,4	4,8	5,4	4,9	5,4	4,3	1,4	4,1	3,7	:	5,0	−3,0
1972	0,4	2,0	1,7	:	7,7	1,5	0,4	5,7	4,5	−0,2	−0,4	3,4	2,7	1,7	:	5,4	−4,7
1973	7,5	16,8	8,4	:	21,9	10,4	7,2	13,9	27,1	9,6	7,5	14,1	23,3	14,4	:	11,2	18,5
1974	27,5	32,7	24,1	:	41,6	41,9	48,6	44,4	55,9	22,3	32,7	43,8	41,5	39,0	:	45,5	64,2
1975	6,7	4,9	2,1	:	17,4	7,0	2,6	20,5	9,9	10,8	4,3	13,9	13,6	7,0	:	7,6	9,5
1976	6,4	8,5	6,0	:	11,2	14,9	12,0	19,0	25,3	6,5	6,4	11,2	21,1	13,6	:	3,2	5,3
1977	3,1	7,7	1,7	:	5,8	22,1	12,2	16,8	14,9	1,8	3,2	30,7	13,7	10,4	:	7,8	−3,8
1978	1,1	2,7	−1,9	:	9,7	7,6	3,0	4,7	7,7	3,1	−1,6	22,1	2,9	3,6	:	9,9	−15,7
1979	8,9	13,7	8,4	:	17,7	7,2	11,4	13,7	19,7	7,5	10,9	30,5	9,3	12,5	:	17,6	27,7
1980	13,6	21,7	12,6	:	35,2	37,9	22,0	18,0	29,0	7,8	14,5	31,3	9,6	19,3	:	26,6	37,5
1971-80	7,6	11,3	6,2	:	16,5	14,9	11,7	15,7	19,1	7,3	7,8	19,5	13,7	12,1	:	13,4	11,4
1981	13,9	17,7	12,0	:	19,5	29,8	19,3	18,6	24,8	10,1	14,3	25,6	7,7	17,3	:	5,6	2,1
1982	13,3	10,1	2,7	:	24,0	13,0	12,8	7,5	11,9	13,8	1,3	18,1	7,0	9,1	:	−2,4	6,6
1983	7,4	3,7	0,6	:	17,6	21,5	8,5	5,2	4,8	7,9	0,4	29,9	7,5	6,9	:	−3,5	−5,4
1984	8,1	7,9	4,9	:	22,8	11,5	10,1	9,4	9,8	7,4	5,7	31,2	8,8	9,2	:	0,3	−2,6
1985	2,1	3,2	2,4	:	17,8	3,8	2,3	2,6	8,2	3,1	1,2	13,0	4,0	4,2	:	−1,8	−2,3
1986	−12,3	−9,2	−11,6	:	8,4	−14,6	−12,3	−10,2	−13,5	−4,4	−16,2	−6,8	−4,4	−10,5	:	−2,4	−31,9
1987	−4,6	−2,4	−4,8	:	0,4	0,8	−0,5	1,1	0,6	−2,4	−4,6	12,6	2,6	−0,9	:	3,2	−5,7
1988	2,7	2,2	1,8	:	6,4	1,1	2,6	6,3	4,4	2,4	−0,4	11,6	−0,6	2,3	:	3,1	−2,8
1989	6,6	6,6	5,0	:	10,7	2,3	6,7	6,7	9,1	5,0	4,8	8,5	6,5	6,3	:	0,5	7,6
1990	−1,2	−1,8	−0,9	:	9,5	−1,2	−1,5	−4,5	1,4	0,0	−1,7	6,5	2,4	0,2	:	3,4	7,4
1981-90	3,3	3,6	1,0	:	13,5	6,1	4,4	4,0	5,7	4,2	0,2	14,5	4,1	4,2	:	0,6	−3,4
1991	−0,2	1,2	2,1	:	19,2	−0,3	−0,4	2,3	0,2	1,1	0,0	0,5	−1,9	0,6	:	−0,8	−5,8
1992	−1,2	−1,5	−1,3	−1,6	7,9	1,0	−1,4	−1,3	1,6	1,0	−0,4	−2,9	0,9	−0,3	−0,4	−0,9	−6,8
1993	2,4	1,2	2,1	1,9	13,5	7,8	2,6	1,0	10,9	2,8	1,9	3,4	12,8	5,7	5,7	−0,3	−1,0

Table 27

Terms of trade: goods and services
National accounts

(1980 = 100)

	B	DK	WD	GR	E	F	IRL	I	L	NL	P	UK	USA	J
1960	106,0	112,1	99,7	109,8	93,9	125,3	114,7	123,4	112,1	101,9	116,8	99,7	144,5	181,5
1961	103,9	110,7	101,2	111,9	93,9	125,6	113,3	125,3	107,2	102,1	114,4	100,9	148,5	178,0
1962	104,1	113,5	103,4	114,0	96,4	123,6	114,9	125,9	104,6	102,9	114,9	102,0	150,5	179,1
1963	102,2	114,5	101,9	119,6	100,5	125,7	115,0	128,0	103,3	104,1	116,7	101,4	146,1	180,4
1964	103,2	116,9	102,7	117,1	100,9	130,0	118,9	128,9	103,4	104,2	118,6	101,3	144,0	180,5
1965	104,4	117,5	102,3	115,5	106,3	129,5	118,1	128,1	103,1	106,0	118,9	102,2	146,1	181,0
1966	105,0	119,1	103,0	116,1	112,1	128,0	120,0	126,0	102,5	106,0	116,7	103,5	145,1	176,6
1967	105,0	117,6	104,6	116,5	117,6	129,3	121,1	126,5	103,6	106,9	124,0	104,8	145,8	177,1
1968	104,5	115,4	104,3	114,7	116,0	130,1	119,3	126,0	104,9	109,4	130,1	102,1	152,2	176,0
1969	106,0	119,7	106,1	115,2	114,4	130,0	121,4	127,6	108,4	108,2	126,9	101,8	153,4	173,6
1970	106,6	120,7	112,2	114,2	114,3	127,6	113,2	130,6	114,3	107,3	122,3	103,5	152,0	174,9
1971	105,3	117,8	115,5	112,8	114,9	128,3	115,2	130,1	105,3	106,2	124,1	104,4	152,6	185,3
1972	106,7	123,5	115,9	110,7	120,2	129,6	121,5	129,9	106,5	108,6	126,2	105,8	141,4	193,1
1973	107,5	118,5	114,0	114,5	119,1	131,0	127,7	117,3	111,6	108,2	121,0	96,0	143,2	178,8
1974	104,9	107,6	106,1	106,4	102,7	109,7	108,8	104,0	115,9	102,8	117,3	84,7	121,8	143,0
1975	103,8	110,4	108,3	102,3	106,4	112,2	106,9	107,4	103,7	103,6	104,1	90,0	125,5	137,1
1976	103,2	108,9	105,9	101,2	107,7	109,9	110,5	105,4	105,7	103,7	100,3	89,0	126,3	132,9
1977	103,8	107,8	106,0	105,2	105,4	107,0	108,5	106,1	100,9	104,1	103,9	90,3	122,8	133,1
1978	103,8	111,5	109,6	103,7	113,4	110,4	110,5	107,4	99,9	104,4	107,2	94,4	119,4	148,0
1979	103,9	106,2	106,1	100,9	115,6	108,9	106,5	104,4	100,3	101,9	104,8	96,2	114,9	125,3
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	94,4	105,0	90,8	95,6	98,1	96,2	99,6	99,3	94,4	100,6	103,2	100,5
1982	96,0	96,1	95,4	102,2	91,5	95,5	101,1	100,5	101,0	102,0	95,7	100,5	107,4	96,9
1983	95,9	97,5	96,5	103,7	88,0	96,8	104,8	104,6	99,1	101,7	95,8	100,9	111,5	97,5
1984	95,9	97,3	95,1	97,6	88,9	96,4	103,5	104,4	97,1	101,5	95,1	99,9	113,8	100,0
1985	96,6	97,6	95,4	97,0	91,4	98,5	104,1	104,8	97,9	101,7	98,9	100,9	112,3	99,7
1986	100,9	101,8	106,3	99,0	105,1	108,9	108,6	117,8	100,1	102,9	110,9	96,9	108,6	126,6
1987	101,8	102,3	110,5	105,9	107,0	109,1	107,8	118,3	96,1	101,0	109,7	97,3	102,9	127,6
1988	102,0	100,8	110,6	107,1	109,0	109,0	107,1	118,1	97,3	102,0	107,1	98,5	102,8	127,0
1989	102,5	99,9	108,2	107,0	111,3	107,0	107,7	116,2	99,4	101,7	109,2	101,0	104,9	122,3
1990	102,0	99,8	109,6	109,3	114,6	107,3	103,4	118,2	98,6	102,9	108,8	102,8	102,9	115,0
1991	101,7	100,4	109,1	114,1	117,1	107,5	100,6	121,4	97,4	102,9	110,0	105,8	105,4	118,4
1992	103,2	102,0	111,7	117,9	119,8	108,5	101,4	122,1	95,9	102,4	113,9	105,7	106,2	127,6

Table 28

Nominal compensation per employee
Total economy

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 − (PPS)	EUR 12 + (PPS)	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	8,8	:	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	4,6	9,1	:	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	7,0	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	8,0	:	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	6,9	:	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	8,1	:	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	7,2	9,4	:	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	13,0	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	7,0	9,1	:	5,2	13,5
1971	11,7	11,6	11,4	:	8,4	13,6	11,3	14,8	13,4	7,8	13,8	15,3	11,3	11,9	:	7,2	14,6
1972	14,0	8,0	9,6	:	12,9	17,7	10,1	15,8	10,6	9,7	12,8	16,0	13,0	11,5	:	7,4	14,2
1973	13,0	13,1	11,9	:	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	11,4	:	19,6	21,3	18,1	18,0	22,6	22,9	15,7	34,9	18,8	17,9	:	8,1	25,7
1975	16,5	13,9	7,0	:	20,6	22,5	18,8	28,9	20,8	12,3	13,3	38,1	31,2	18,8	:	9,0	16,2
1976	16,0	11,7	7,7	:	20,7	23,4	14,9	19,6	20,9	11,1	10,8	24,3	14,8	14,9	:	8,2	11,1
1977	8,8	9,7	6,6	:	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	12,5	:	7,8	7,5
1979	5,5	9,4	5,8	:	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	6,8	:	16,1	17,3	15,3	21,1	21,4	9,0	5,5	25,6	19,7	14,9	:	10,0	6,5
1971-80	12,0	11,5	8,3	:	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	6,2	9,2	4,8	:	21,5	15,3	14,3	18,1	22,6	8,5	3,5	21,0	14,0	13,0	:	9,5	6,4
1982	7,9	11,9	4,2	:	27,7	13,7	14,1	14,2	16,2	6,9	5,8	21,6	8,5	11,0	:	7,7	3,8
1983	6,3	8,2	3,6	:	21,4	13,8	10,1	12,8	16,0	6,9	3,2	21,8	8,6	9,6	:	5,1	2,2
1984	6,6	5,5	3,4	:	20,7	10,0	8,2	10,7	11,8	7,1	0,2	21,2	5,2	7,3	:	4,3	3,9
1985	4,5	4,7	2,9	:	23,4	9,4	6,6	8,9	10,1	4,2	1,4	22,5	7,6	7,0	:	4,2	2,9
1986	4,7	4,4	3,6	:	12,8	9,5	4,6	5,3	7,5	3,6	1,6	21,6	7,8	6,3	:	4,0	3,2
1987	1,8	7,9	3,2	:	11,4	6,7	3,7	5,3	8,2	4,8	1,5	17,9	6,9	5,5	:	3,3	3,2
1988	2,4	5,0	3,0	:	19,1	6,8	4,4	6,1	8,8	3,1	0,9	13,4	7,8	5,8	:	5,2	3,6
1989	3,5	3,8	2,9	:	18,1	6,3	4,7	6,2	8,8	6,7	0,7	12,8	8,3	5,8	:	3,5	4,6
1990	7,7	3,4	4,7	:	19,7	7,9	5,0	4,4	10,5	6,9	4,1	18,7	9,5	7,5	:	4,9	5,3
1981-90	5,2	6,4	3,6	:	19,5	9,9	7,5	9,1	12,0	5,9	2,3	19,2	8,4	7,8	:	5,1	3,9
1991	6,8	3,7	5,8	:	15,1	8,7	4,2	4,4	8,7	5,4	4,3	19,0	8,9	7,2	:	5,1	4,4
1992	5,4	3,2	5,4	9,6	12,4	9,0	4,1	6,3	5,1	5,1	4,8	14,9	6,0	5,8	6,9	2,4	3,2
1993	4,7	2,5	3,6	:	11,3	7,3	3,9	5,9	4,1	6,0	3,3	9,9	3,7	4,4	:	2,1	1,9

Table 29

Real compensation per employee
Total economy, deflator GDP

(Annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (PPS)	EUR 12+ (PPS)	USA	J
1961	1,9	8,2	5,1	:	3,6	10,9	6,9	5,6	5,3	6,8	4,9	2,8	4,0	5,4	:	2,3	5,1
1962	5,5	4,2	4,9	:	2,2	8,9	6,6	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	4,7	4,4	6,0	2,8	4,8	:	2,6	7,3
1964	4,8	5,8	5,0	:	9,5	6,9	4,8	3,7	5,5	7,1	7,2	7,1	3,2	4,9	:	3,3	7,4
1965	4,2	5,9	5,6	:	8,2	5,6	3,7	0,8	3,4	1,3	5,2	6,5	1,6	3,9	:	0,9	6,4
1966	4,3	3,1	4,1	:	7,6	9,3	3,0	3,9	5,5	1,0	4,8	4,8	1,9	3,9	:	1,6	5,9
1967	4,1	4,4	1,7	:	7,1	6,5	3,6	4,6	5,5	2,3	4,8	10,0	3,1	3,6	:	1,2	6,2
1968	3,5	2,8	4,4	:	8,2	3,7	6,8	6,1	5,5	0,8	4,2	2,2	3,5	4,7	:	2,4	8,4
1969	4,2	3,7	5,1	:	6,3	7,1	4,2	4,4	3,4	0,3	6,3	3,7	1,7	4,1	:	2,2	10,9
1970	4,4	2,4	7,8	:	5,0	2,4	4,5	6,5	8,2	0,0	5,9	14,3	5,2	5,9	:	2,2	9,6
1961-70	4,2	3,9	4,6	:	6,4	7,3	4,9	4,1	6,0	2,5	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	1,7	4,1	:	1,6	8,6
1972	7,3	−1,1	4,1	:	7,5	8,4	2,5	2,1	3,9	3,7	3,2	7,6	4,5	4,2	:	2,6	8,0
1973	5,4	2,2	5,3	:	−1,6	5,7	3,4	3,1	4,0	−0,7	5,8	7,4	5,7	4,8	:	0,7	6,9
1974	5,0	4,7	4,1	:	−1,1	4,3	5,1	11,2	2,3	5,1	6,0	13,5	3,4	4,1	:	−0,6	4,7
1975	4,0	1,3	1,1	:	7,3	4,9	5,1	7,3	3,7	13,3	2,8	18,8	3,2	3,5	:	−0,5	8,2
1976	7,8	2,3	3,9	:	4,6	5,9	3,5	−1,2	2,2	−1,0	1,7	6,9	−0,4	2,9	:	1,8	3,1
1977	1,2	0,3	2,8	:	8,3	2,9	3,2	1,4	1,8	8,6	1,7	−2,6	−2,9	1,4	:	0,6	3,5
1978	2,7	−0,6	1,2	:	9,2	3,5	2,3	4,5	2,1	0,7	1,6	−3,0	1,9	2,0	:	−0,1	2,3
1979	1,0	1,7	1,8	:	4,0	1,6	2,6	4,6	4,0	0,3	2,0	0,5	0,8	2,1	:	0,1	3,2
1980	5,6	1,7	1,8	:	−1,3	2,7	3,3	5,6	1,2	1,0	−0,2	3,9	0,2	1,9	:	0,6	1,8
1971-80	4,6	1,6	2,9	:	4,1	4,5	3,6	4,2	3,1	3,9	3,0	6,1	1,8	3,1	:	0,7	5,0
1981	1,5	−0,8	0,7	:	1,4	3,0	2,7	0,6	3,0	1,2	−1,9	2,9	2,3	1,9	:	−0,4	2,6
1982	0,7	1,2	−0,2	:	2,1	−0,1	1,9	−0,8	−0,9	−3,5	−0,3	0,7	0,8	0,4	:	1,4	2,1
1983	0,7	0,5	0,1	:	1,9	1,9	0,5	1,9	0,8	0,1	1,3	−2,3	3,2	1,1	:	1,0	0,8
1984	1,3	−0,1	1,3	:	0,3	−0,9	0,9	4,1	0,2	2,6	−1,6	−2,8	0,5	0,5	:	−0,2	1,6
1985	−1,5	0,4	0,7	:	4,8	0,8	0,7	3,5	1,1	1,2	−0,4	0,6	1,8	0,9	:	0,5	1,3
1986	0,9	−0,2	0,3	:	−4,0	−1,4	−0,7	−1,2	−0,3	−0,2	1,2	0,9	4,2	0,6	:	1,2	1,4
1987	−0,5	3,0	1,2	:	−2,5	0,8	0,6	2,9	2,1	5,9	1,9	6,0	1,8	1,3	:	0,1	3,1
1988	0,6	1,5	1,5	:	3,0	1,1	1,2	3,1	2,0	−0,9	−0,3	1,5	1,1	1,2	:	1,3	3,3
1989	−1,1	−0,5	0,2	:	4,8	−0,7	1,2	1,4	2,5	0,7	−0,5	−0,2	1,1	0,8	:	−1,0	2,7
1990	4,9	1,3	1,3	:	−0,7	0,5	1,9	6,0	2,8	3,9	1,5	3,9	3,0	2,1	:	0,5	3,1
1981-90	0,7	0,6	0,7	:	1,1	0,5	1,1	2,1	1,3	1,1	0,1	1,1	2,0	1,1	:	0,5	2,2
1991	4,0	0,8	1,5	:	−3,7	1,7	1,1	3,1	1,3	2,3	1,3	4,1	2,0	1,7	:	1,0	2,4
1992	1,7	0,7	0,8	4,0	−2,8	2,5	1,2	3,3	−0,1	2,8	2,1	1,7	1,3	1,1	2,0	−0,2	1,3
1993	1,6	0,8	0,1	:	−1,2	2,5	1,0	3,4	−0,4	1,8	0,5	1,7	0,3	0,6	:	−0,5	0,1

Table 30

Real compensation per employee
Total economy, deflator private consumption

(Annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (PPS)	EUR 12 + (PPS)	USA	J
1961	0,6	9,0	6,5	:	4,0	10,9	7,0	5,9	6,4	2,4	4,9	4,5	3,7	5,8	:	1,9	6,5
1962	6,1	4,7	5,9	:	5,6	9,3	7,0	4,2	7,8	4,0	4,1	2,9	0,9	5,0	:	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	5,8	:	11,1	6,6	5,6	6,3	7,1	10,0	9,1	7,4	3,3	5,6	:	3,5	8,7
1965	4,7	7,3	5,9	:	7,6	5,4	3,9	0,9	4,0	0,8	7,4	5,4	1,8	4,2	:	1,7	4,7
1966	4,3	3,4	4,0	:	9,0	10,0	2,8	4,4	4,8	1,6	5,4	4,8	2,4	4,0	:	2,0	6,3
1967	4,7	3,2	1,7	:	7,6	8,4	3,7	5,1	5,1	0,5	6,1	12,0	3,5	3,9	:	1,7	7,8
1968	3,3	2,7	5,0	:	9,2	3,5	6,0	5,5	5,8	3,3	5,9	−0,7	3,0	4,7	:	2,9	8,2
1969	5,4	6,1	7,0	:	6,6	8,1	3,7	5,7	4,5	3,7	6,7	4,9	1,6	4,9	:	2,8	11,2
1970	6,5	4,1	11,5	:	5,8	2,7	5,0	4,0	10,1	10,3	7,7	14,5	6,6	7,7	:	3,1	8,9
1961-70	4,5	4,6	5,6	:	7,1	7,7	5,0	4,4	6,7	4,1	6,3	6,2	3,0	5,1	:	2,4	7,5
1971	6,0	3,1	5,6	:	5,4	5,4	4,8	4,9	7,4	3,0	5,4	7,8	2,4	5,0	:	2,3	7,3
1972	8,2	−0,2	3,7	:	9,3	9,4	3,5	5,6	4,0	4,4	4,2	9,1	6,1	4,8	:	4,3	7,9
1973	6,5	1,3	4,8	:	2,2	6,2	4,3	6,5	3,3	6,2	6,3	7,9	4,2	4,6	:	1,0	9,2
1974	4,9	3,0	3,6	:	−3,2	3,0	2,5	1,9	0,9	11,7	5,6	9,2	1,5	2,7	:	−2,1	3,9
1975	3,8	3,6	0,9	:	7,0	6,0	6,0	9,3	3,7	1,9	2,9	19,0	6,2	4,3	:	1,0	4,5
1976	7,6	1,6	3,3	:	6,4	5,9	4,4	−0,4	2,6	1,7	1,7	5,2	−0,9	2,9	:	2,3	1,4
1977	1,5	−0,8	3,1	:	9,3	2,4	2,6	0,6	2,7	4,0	2,2	−3,2	−3,6	1,4	:	0,9	2,6
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	:	0,7	2,9
1979	1,6	−0,9	1,5	:	5,9	2,1	1,9	3,5	4,7	1,6	1,6	−4,1	1,4	2,0	:	−0,2	2,4
1980	3,0	−0,6	0,9	:	−4,7	0,6	1,6	2,1	0,8	1,4	−1,3	3,3	3,0	1,3	:	−0,6	−0,9
1971-80	4,6	1,0	3,0	:	4,6	4,6	3,5	4,1	3,3	3,8	3,1	5,0	2,4	3,2	:	0,9	4,1
1981	−2,2	−2,5	−1,3	:	−1,0	0,8	0,9	−1,3	3,9	−0,1	−2,2	0,7	2,5	0,8	:	0,7	1,9
1982	0,0	1,5	−0,8	:	5,8	−0,7	2,0	−0,6	−0,8	−3,3	0,2	1,1	−0,2	0,2	:	1,9	1,1
1983	−0,8	1,3	0,3	:	2,8	1,3	0,4	3,2	1,1	−1,2	0,2	−3,2	3,6	1,1	:	1,1	0,2
1984	0,8	−0,8	0,7	:	2,4	−0,9	0,4	3,2	−0,3	0,5	−1,9	−5,6	0,1	0,0	:	0,2	1,4
1985	−1,3	0,4	0,8	:	4,3	1,1	0,6	3,7	1,0	0,0	−0,8	2,6	2,2	1,0	:	0,8	0,7
1986	4,1	1,5	3,9	:	−7,6	0,1	1,7	0,7	1,3	2,3	1,4	6,8	3,4	2,4	:	1,7	2,8
1987	−0,2	3,1	2,4	:	−3,7	0,9	0,4	2,4	2,8	3,1	2,4	7,2	2,4	1,8	:	−0,8	3,0
1988	0,9	1,0	1,6	:	4,2	1,8	1,4	3,5	2,9	0,4	0,3	3,1	2,5	1,9	:	1,0	3,7
1989	0,0	−1,2	−0,2	:	2,6	−0,3	1,0	2,4	2,2	3,0	−0,5	0,6	2,2	0,9	:	−1,3	2,7
1990	4,4	1,3	2,0	:	0,0	1,4	1,8	2,6	4,4	3,2	1,8	5,4	3,9	2,8	:	−0,2	2,7
1981-90	0,6	0,5	0,9	:	0,9	0,5	1,0	2,0	1,8	0,8	0,1	1,8	2,3	1,3	:	0,5	2,0
1991	3,8	1,2	1,8	:	−2,8	2,2	1,0	1,1	1,7	2,4	0,9	6,4	1,5	1,8	:	0,9	1,8
1992	2,9	1,1	1,3	4,7	−3,1	2,8	1,5	3,3	−0,2	1,6	1,7	5,3	0,8	1,3	2,2	−0,7	0,8
1993	1,8	0,9	0,0	:	−1,9	1,7	1,2	3,6	−1,6	1,2	0,6	2,8	−1,3	0,0	:	−0,6	−0,7

Table 31

Adjusted wage share[a]
Total economy

(Percentage of GDP at factor cost)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 − (PPS)	EUR 12 + (PPS)	USA	J
1960	69,0	71,4	70,6	:	97,0	71,1	72,8	87,4	74,2	66,1	63,6	70,2	71,2	73,7	:	72,4	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	74,1	:	71,9	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	74,1	:	71,2	77,1
1963	70,3	73,4	72,6	:	87,3	72,9	74,1	86,6	74,3	68,7	68,2	68,8	72,1	74,4	:	70,8	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	71,8	74,2	:	70,5	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	72,2	73,9	:	69,6	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	74,0	:	69,4	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	73,7	:	70,3	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	72,9	:	71,0	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	:	72,5	69,4
1970	68,7	78,1	72,1	:	82,5	75,4	71,5	88,6	71,8	63,3	72,6	73,7	74,8	73,6	:	73,8	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	:	71,1	73,5
1971	70,7	79,4	72,7	:	80,5	75,9	71,6	88,7	74,5	69,9	74,2	75,7	73,0	74,1	:	72,7	73,0
1972	71,2	76,0	72,8	:	79,5	76,5	71,0	84,9	74,4	70,4	73,5	75,0	72,9	73,9	:	72,5	73,1
1973	71,3	75,2	73,6	:	72,7	76,9	70,3	84,4	73,6	65,6	73,9	71,8	72,7	73,7	:	72,3	74,4
1974	73,2	78,0	75,2	:	73,4	75,8	72,3	90,0	72,8	67,1	74,9	79,4	75,3	75,0	:	73,5	77,5
1975	75,7	78,9	75,0	:	75,8	77,4	75,5	88,2	75,7	83,6	76,8	96,4	77,9	77,1	:	72,1	81,1
1976	77,0	77,6	73,6	:	76,2	78,5	75,8	87,7	74,3	80,0	74,1	96,6	75,3	76,0	:	71,7	81,0
1977	77,3	77,9	73,7	:	81,0	77,8	75,4	80,5	74,3	85,4	74,4	89,6	72,4	75,3	:	71,3	81,3
1978	77,4	77,9	73,0	:	83,3	77,2	75,2	78,5	73,4	82,8	74,4	81,9	71,6	74,6	:	71,2	80,0
1979	77,3	78,3	72,7	:	84,5	77,5	75,3	81,7	72,6	81,4	74,7	79,4	72,4	74,5	:	71,4	79,5
1980	78,3	79,3	74,5	:	81,2	76,2	76,8	86,6	72,2	83,1	74,5	79,8	74,5	75,3	:	72,5	78,6
1971-80	74,9	77,9	73,7	:	78,8	77,0	73,9	85,1	73,8	76,9	74,5	82,6	73,8	74,9	:	72,1	78,0
1981	78,8	78,3	74,8	:	84,8	77,2	77,1	85,3	73,7	84,1	72,4	81,6	75,0	75,9	:	71,7	78,6
1982	77,4	76,4	74,3	:	86,5	75,5	77,3	83,6	73,3	80,7	71,0	80,4	73,4	75,2	:	73,1	78,5
1983	76,7	75,2	72,3	:	89,7	75,8	76,6	84,0	74,1	79,7	69,6	78,7	71,8	74,5	:	72,0	78,0
1984	75,7	73,4	71,3	:	88,3	72,3	75,6	81,7	72,6	78,0	66,3	76,5	72,1	73,2	:	71,0	76,6
1985	74,4	72,9	70,7	:	89,4	70,8	74,6	79,2	72,2	78,1	65,4	75,1	71,6	72,5	:	71,0	74,6
1986	74,4	73,1	70,0	:	85,9	69,8	72,1	79,0	70,6	76,2	66,4	73,1	72,5	71,7	:	71,2	74,2
1987	73,5	75,5	70,4	:	85,2	69,6	71,3	77,2	70,7	80,7	68,2	73,0	72,0	71,6	:	71,6	74,7
1988	71,4	74,7	69,3	:	85,6	68,8	70,2	76,2	70,4	78,4	67,4	72,3	72,1	70,9	:	71,6	74,0
1989	69,4	72,4	68,5	:	85,4	67,7	69,1	74,6	70,3	77,2	65,2	68,9	73,1	70,2	:	70,9	73,9
1990	71,1	71,3	68,0	:	87,4	67,4	69,6	73,7	72,0	80,8	65,6	69,2	74,2	70,7	:	71,8	73,9
1981-90	74,3	74,3	71,0	:	86,8	71,5	73,3	79,5	72,0	79,4	67,8	74,9	72,8	72,6	:	71,6	75,7
1991	72,1	70,1	68,9	70,8	82,5	67,0	69,6	74,0	72,7	83,8	65,8	70,9	75,5	71,2	71,4	72,6	74,2
1992	72,6	69,0	69,3	71,5	80,3	67,5	68,8	74,1	71,9	86,0	66,7	71,6	75,3	71,0	71,4	71,7	74,4
1993	73,2	68,8	69,5	:	79,6	67,6	68,6	75,0	71,2	87,1	66,3	71,7	73,0	70,6	:	70,6	73,5

[a] Compensation of employees adjusted for the share of self-employed in occupied population.

Table 32

Nominal unit labour costs[a]
Total economy

(National currency; 1980 = 100)

	B	DK	WD	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (PPS)	USA	J
1960	31,2	20,1	38,4	24,1	12,0	23,5	15,6	15,9	29,2	24,9	15,1	17,6	22,3	35,8	27,9
1961	31,0	21,6	41,1	22,9	12,1	24,7	16,1	15,9	29,2	26,3	15,2	18,3	23,2	35,9	28,6
1962	32,1	23,0	43,0	23,9	12,9	25,8	17,0	16,8	30,3	27,6	15,0	19,1	24,2	36,3	30,3
1963	33,4	24,3	44,5	23,1	14,4	27,6	17,2	18,8	31,5	29,5	15,4	19,4	25,5	36,6	31,9
1964	34,7	25,1	45,2	24,0	15,5	28,6	18,9	20,4	33,7	32,3	15,5	19,9	26,6	37,1	32,8
1965	36,8	27,8	47,2	24,5	16,9	29,2	19,5	20,9	34,7	34,6	16,0	20,9	27,7	37,6	35,2
1966	39,0	30,0	49,3	25,8	18,8	29,6	20,9	21,0	36,2	37,7	16,9	22,0	28,8	39,1	36,1
1967	40,1	31,9	49,4	26,6	20,8	30,3	21,2	21,5	36,7	39,0	17,7	22,5	29,5	40,7	37,1
1968	40,9	34,0	50,0	27,1	21,4	32,3	21,7	21,6	37,2	40,1	16,7	23,2	30,3	43,0	38,0
1969	42,3	36,0	51,7	27,0	22,1	34,0	23,5	22,0	36,2	43,4	17,7	24,4	31,5	46,0	39,4
1970	43,2	39,4	57,8	27,3	23,4	36,0	26,4	24,2	41,8	46,7	20,4	26,8	34,3	49,2	42,0
1971	47,0	43,1	62,8	27,6	25,6	38,4	29,2	27,0	45,3	51,2	22,1	29,0	37,2	51,1	46,5
1972	50,8	45,1	66,2	28,8	28,0	40,9	31,8	28,9	47,9	55,4	23,7	31,6	39,9	53,5	49,3
1973	55,0	49,9	71,4	31,8	31,3	44,1	36,6	32,4	50,2	61,1	24,9	34,1	43,6	56,8	56,7
1974	63,3	59,4	78,4	39,6	36,3	51,2	42,0	38,4	60,9	68,1	33,0	41,4	50,6	62,7	71,4
1975	73,9	67,3	82,8	45,0	43,5	60,4	50,8	47,7	74,0	76,7	46,4	54,5	60,0	67,5	80,5
1976	80,7	71,8	84,2	52,2	51,5	67,0	59,4	55,0	80,2	80,9	53,8	60,4	65,9	71,5	86,5
1977	87,2	78,2	87,4	62,3	62,9	73,3	64,2	64,9	86,7	86,0	63,3	65,4	72,8	76,2	92,0
1978	91,1	85,0	90,2	72,3	76,0	80,2	70,8	73,3	87,7	90,6	72,0	72,0	79,7	82,5	95,2
1979	95,2	90,9	93,2	86,5	89,0	87,9	84,3	84,2	91,9	94,9	83,5	81,9	87,8	90,3	96,7
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	104,5	127,4	112,6	112,3	113,3	121,9	109,4	102,6	120,3	111,0	111,7	108,4	103,5
1982	110,4	118,7	108,7	160,9	125,3	125,4	126,5	142,1	115,4	107,4	140,5	116,3	122,1	117,5	105,1
1983	115,7	125,6	109,3	196,5	139,4	136,5	140,3	164,3	119,5	107,2	169,4	120,4	130,9	120,5	106,1
1984	120,5	129,1	110,1	231,6	147,0	144,3	146,1	179,5	121,2	104,1	206,1	126,9	137,6	124,1	106,1
1985	125,7	132,9	112,1	279,7	155,1	150,6	151,0	194,4	124,5	104,5	245,5	133,3	144,4	128,6	104,6
1986	130,6	137,4	115,2	311,5	166,9	153,9	159,9	204,7	126,3	106,2	278,8	138,2	150,3	132,6	106,1
1987	130,8	149,1	118,1	348,9	176,1	156,6	160,2	215,6	132,2	108,4	314,0	143,9	155,9	137,7	106,0
1988	129,5	153,8	118,2	405,5	184,9	158,1	163,7	227,3	132,8	108,3	342,7	153,5	160,9	143,4	105,2
1989	131,3	157,1	119,3	464,9	194,3	161,3	163,1	240,4	137,8	106,2	371,3	167,6	167,3	148,1	107,1
1990	138,1	158,9	122,4	563,0	208,0	167,3	162,4	262,8	148,9	108,9	426,0	183,9	177,6	156,1	109,5
1991	144,4	161,2	128,1	626,6	221,4	173,1	165,2	283,7	157,8	112,5	501,6	198,6	188,1	163,5	111,5
1992	149,6	163,7	134,1	690,3	234,7	176,4	170,7	295,1	164,6	116,9	565,9	207,6	196,0	165,4	113,9
1993	154,9	165,0	138,3	755,4	245,5	180,9	177,1	304,6	173,6	119,4	610,9	208,7	201,6	166,6	114,6

[a] Compensation of employees adjusted for the share of self-employed in occupied population per unit of GDP at constant prices.

Table 33

Real unit labour costs[a]
Total economy

(1980 = 100)

	B	DK	WD	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (PPS)	USA	J
1960	86,9	94,3	92,7	119,0	91,4	92,9	96,8	98,5	81,4	86,5	89,5	97,9	96,4	98,6	99,6
1961	85,1	97,3	94,5	111,4	90,8	94,2	97,1	96,1	84,6	89,3	87,9	99,6	96,9	97,9	94,7
1962	86,7	97,4	95,1	111,1	91,3	94,3	98,0	96,0	84,5	90,4	87,1	99,9	96,9	97,0	96,5
1963	87,7	96,9	95,4	105,9	94,2	94,7	96,3	98,9	85,2	92,3	87,1	99,0	97,3	96,4	96,3
1964	87,1	95,7	94,0	105,9	95,3	94,2	96,7	100,9	86,0	92,9	86,8	98,1	96,9	96,0	93,8
1965	87,8	98,8	94,8	104,0	95,2	93,5	95,4	99,2	86,2	93,7	86,3	98,2	96,7	94,9	95,8
1966	89,2	99,7	95,6	104,5	97,6	92,3	98,0	97,3	86,6	96,4	86,5	98,8	96,7	95,2	93,6
1967	89,1	100,0	94,3	104,9	100,4	91,6	96,4	96,8	87,5	95,7	87,5	98,2	96,1	96,3	91,2
1968	88,4	99,6	93,4	105,2	98,3	93,5	94,7	95,9	84,4	94,6	81,5	97,1	95,5	97,0	89,1
1969	87,8	98,4	92,8	101,4	97,5	92,5	93,7	93,9	78,0	96,1	81,2	96,8	94,6	98,8	88,5
1970	85,9	99,5	96,4	98,5	96,6	92,7	96,0	96,4	78,2	97,3	90,8	99,2	96,4	100,3	88,5
1971	88,4	101,1	97,1	96,8	97,7	93,0	95,9	100,5	85,5	98,8	93,7	98,1	97,3	98,7	92,9
1972	90,1	96,9	97,3	96,0	98,3	92,1	92,3	101,1	85,4	97,7	93,0	98,9	97,3	98,7	93,1
1973	90,8	96,8	98,7	88,9	98,4	91,6	92,1	100,3	79,8	98,9	89,3	99,7	97,5	98,6	94,6
1974	92,9	102,0	101,3	91,3	98,2	94,6	99,6	99,2	82,7	101,0	99,7	105,1	100,0	100,1	99,2
1975	96,8	102,7	101,1	92,5	100,8	98,9	100,3	105,8	101,4	103,3	120,6	108,9	103,3	98,3	104,1
1976	98,2	100,5	99,2	93,1	102,2	98,9	96,9	103,0	97,9	99,9	120,3	104,7	101,5	98,1	103,8
1977	98,7	100,0	99,3	98,2	101,4	99,3	92,5	102,4	104,6	99,5	111,9	99,5	100,4	97,8	103,8
1978	98,7	98,9	98,3	100,9	101,6	98,6	92,4	101,5	100,6	99,5	104,0	98,4	99,5	98,1	102,3
1979	98,8	98,4	97,8	101,8	101,7	98,1	96,7	101,1	99,1	100,3	101,0	97,9	99,1	98,8	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	100,4	106,4	100,5	100,8	96,5	102,4	102,1	97,3	102,3	99,7	100,7	98,6	99,9
1982	98,5	97,5	100,0	107,4	98,3	100,6	93,5	101,8	97,2	96,0	99,0	97,0	99,6	100,6	99,7
1983	97,7	95,9	97,2	110,1	98,0	99,8	93,7	102,3	94,2	94,1	95,8	95,5	98,5	99,2	99,3
1984	96,8	93,3	95,9	107,9	93,1	98,3	91,7	100,2	91,5	89,7	93,5	96,2	96,9	97,8	97,0
1985	95,1	92,1	95,5	110,7	90,6	97,0	90,1	99,6	91,2	88,4	91,4	95,6	95,9	97,7	94,2
1986	95,3	91,0	95,0	104,9	87,7	94,1	89,6	97,3	89,2	89,4	86,2	95,8	94,5	98,1	93,9
1987	93,2	94,3	95,5	102,9	87,5	93,0	87,7	96,7	94,3	91,7	87,3	95,0	94,2	98,8	93,8
1988	90,7	94,1	94,2	103,5	86,9	91,0	87,1	95,5	91,1	90,5	85,4	95,1	93,1	99,0	92,7
1989	87,8	92,2	92,6	105,3	85,3	89,7	82,9	95,2	89,1	87,7	81,9	96,9	92,2	97,8	92,7
1990	90,0	91,3	91,9	105,8	85,1	90,3	83,9	96,8	93,6	87,7	82,2	100,1	93,0	98,9	92,7
1991	91,6	90,0	92,3	98,5	84,8	90,7	84,3	97,4	96,3	88,0	84,7	101,2	93,4	99,6	92,7
1992	91,6	89,2	92,4	93,9	84,5	89,8	84,6	96,3	98,3	89,0	84,5	101,2	93,1	98,2	93,0
1993	92,0	88,4	92,1	91,2	84,4	89,5	85,8	95,2	99,6	88,5	84,4	98,4	92,2	96,4	91,9

[a] Nominal unit labour costs deflated by the GDP price deflator.

Table 34

Nominal unit labour costs[a]
Total economy
Relative to 19 industrial countries; double export weights

(USD; 1980 = 100)

	B	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12–[b]	USA	J
1960	95,1	77,9	81,2	166,9	66,5	101,4	95,6	108,5	66,1	123,5	98,3	76,4	167,8	67,8
1961	89,6	80,3	87,5	152,1	64,7	102,4	94,7	104,0	69,5	119,5	99,6	79,8	162,9	67,6
1962	89,1	82,2	88,2	152,1	66,3	103,1	96,7	105,7	70,4	113,9	100,7	81,3	160,1	70,0
1963	88,7	83,7	87,4	142,0	71,5	105,8	95,5	113,8	72,5	112,4	97,9	82,8	155,4	72,0
1964	89,0	83,6	85,5	142,5	74,6	105,8	101,8	119,4	76,8	109,4	96,8	83,4	152,3	71,9
1965	90,8	88,9	85,1	139,9	78,4	103,3	100,4	117,5	79,0	108,4	98,0	84,0	147,6	75,0
1966	92,0	91,8	85,2	141,9	83,6	100,3	102,8	113,0	82,4	110,1	99,0	84,3	147,2	73,9
1967	92,5	94,2	82,8	142,1	88,5	99,7	100,5	112,5	83,7	112,0	96,2	82,2	148,3	73,4
1968	92,0	93,9	82,4	143,4	78,5	105,0	93,6	111,8	85,0	106,1	84,6	78,1	156,1	73,8
1969	90,8	94,6	83,6	137,1	77,5	100,9	96,1	108,5	88,3	108,1	84,8	77,4	160,0	73,0
1970	85,9	95,6	95,2	126,1	75,7	90,9	99,4	109,4	86,5	115,3	86,5	81,0	157,5	72,0
1971	86,5	96,0	98,6	115,7	76,0	87,4	102,4	112,4	88,6	115,4	87,0	83,0	147,6	76,5
1972	90,3	94,8	100,0	106,0	79,6	89,3	101,8	112,3	91,4	114,3	86,1	85,4	135,3	85,1
1973	91,1	102,7	109,3	99,2	83,5	91,3	100,8	104,4	95,9	112,6	76,3	87,6	120,4	95,7
1974	93,5	107,3	109,4	108,0	86,7	86,3	96,7	97,9	98,5	128,1	77,9	86,3	115,6	99,0
1975	97,3	108,7	101,0	97,5	88,6	98,0	92,6	103,2	99,8	150,7	83,7	91,8	107,1	96,3
1976	101,2	109,2	99,2	99,6	89,1	97,3	89,6	92,1	100,6	147,2	73,5	83,4	110,2	101,0
1977	107,5	109,2	102,2	107,0	88,3	93,8	86,5	93,4	104,6	125,6	70,4	84,2	108,0	110,8
1978	107,9	110,7	103,3	105,4	89,9	94,5	89,1	92,7	105,7	105,7	72,6	85,8	99,9	129,9
1979	106,2	109,5	103,1	110,7	106,6	96,8	97,4	96,1	104,8	96,1	81,7	94,0	99,4	112,3
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	91,1	92,2	89,5	105,0	92,9	93,6	94,7	98,7	90,1	106,0	102,4	85,6	112,4	107,5
1982	80,5	89,8	89,9	113,4	89,9	89,2	97,7	99,8	92,3	100,1	95,0	80,3	127,5	95,6
1983	78,6	90,7	89,1	108,2	79,0	86,3	99,8	107,0	90,0	91,0	87,7	75,6	133,5	103,2
1984	77,6	86,8	84,8	105,5	78,4	83,9	96,1	106,8	83,0	88,3	85,4	69,6	144,6	105,5
1985	78,9	87,1	83,3	103,5	77,9	85,4	96,8	106,1	80,5	89,8	86,6	69,4	152,0	103,1
1986	83,7	92,1	91,3	87,7	79,7	87,9	102,7	112,1	85,0	90,8	80,3	76,0	123,0	128,4
1987	84,7	100,7	96,8	85,9	81,6	87,4	97,6	116,0	88,5	92,0	80,4	81,5	109,4	134,0
1988	80,9	99,0	93,4	90,5	86,1	83,8	95,2	115,4	86,0	92,8	88,7	79,8	104,6	141,6
1989	79,0	95,0	89,8	93,1	91,2	81,6	90,1	119,0	80,9	94,1	91,1	77,3	109,5	133,1
1990	83,4	97,8	92,1	98,7	97,4	85,0	89,7	128,6	81,9	101,1	94,7	86,3	103,3	115,7
1991	82,8	92,4	90,5	92,4	98,1	81,7	85,4	129,9	79,9	113,9	98,1	84,1	102,9	121,9
1992	85,0	93,6	95,1	90,9	98,9	83,2	87,8	127,3	82,1	128,9	96,1	88,0	98,9	127,8

For a detailed commentary on the method used see *European Economy* No 8, March 1981.
[a] Compensation of employees adjusted for the share of self-employed in occupied population per unit of GDP at constant prices.
[b] Against nine industrial non-member countries.

Table 35

Exports of goods and services at current prices
National accounts

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12− (ECU)	EUR 12+ (ECU)	USA	J
1960	39,9	32,2	19,0	:	9,1	9,9	14,5	31,8	13,0	86,7	45,0	17,5	20,9	19,6	:	5,2	10,7
1961	41,2	29,9	18,0	:	9,3	9,6	14,0	34,6	13,3	86,9	42,9	16,4	20,6	19,0	:	5,1	9,3
1962	42,8	28,5	17,4	:	9,7	9,8	12,9	32,3	13,2	79,9	42,3	18,7	20,1	18,4	:	5,0	9,4
1963	44,0	30,3	17,8	:	10,0	9,2	12,7	33,6	12,7	77,7	42,4	19,1	20,0	18,3	:	5,1	9,0
1964	44,9	29,7	18,1	:	9,2	10,5	12,7	33,4	13,3	78,8	41,1	25,6	19,4	18,5	:	5,3	9,5
1965	44,3	29,2	18,0	:	9,0	10,2	13,3	34,8	14,9	80,7	40,5	26,8	19,2	18,7	:	5,2	10,5
1966	46,1	28,4	19,2	:	11,3	10,7	13,4	37,2	15,3	77,2	39,4	27,1	19,4	19,2	:	5,3	10,6
1967	45,1	27,2	20,4	:	10,7	9,8	13,2	37,8	15,0	78,5	38,3	27,2	19,1	19,1	:	5,3	9,6
1968	47,3	27,5	21,4	:	9,6	11,3	13,3	38,8	15,8	80,5	38,7	25,0	21,4	20,1	:	5,3	10,1
1969	51,5	27,4	21,7	:	9,7	11,6	14,1	37,3	16,5	84,3	40,1	24,4	22,3	20,9	:	5,3	10,5
1970	53,9	27,9	21,2	:	10,0	12,9	15,8	37,0	16,4	88,9	42,3	24,4	23,1	21,7	:	5,8	10,8
1961-70	46,1	28,6	19,3	:	9,8	10,5	13,5	35,7	14,6	81,3	40,8	23,5	20,5	19,4	:	5,3	9,9
1971	52,5	27,6	20,8	:	10,3	13,8	16,4	36,1	16,9	88,1	42,9	25,1	23,2	21,9	:	5,7	11,7
1972	53,1	27,1	20,6	:	11,7	14,2	16,7	34,6	17,7	82,9	42,5	27,2	21,8	21,8	:	5,8	10,6
1973	57,8	28,5	21,8	:	14,2	14,2	17,6	38,0	17,4	89,3	44,8	26,7	23,7	23,0	:	6,9	10,0
1974	63,7	31,8	26,4	:	16,1	14,0	20,7	42,6	20,2	102,6	51,0	26,9	28,0	26,9	:	8,6	13,6
1975	55,8	30,1	24,7	:	16,9	13,2	19,1	42,7	20,5	92,5	47,1	20,4	25,9	25,0	:	8,6	12,8
1976	58,7	28,8	25,7	:	17,6	13,4	19,6	46,3	22,1	88,1	48,2	17,4	28,5	26,3	:	8,3	13,6
1977	57,6	28,8	25,5	:	16,8	14,1	20,5	49,4	23,2	86,9	44,9	18,4	30,1	26,7	:	8,0	13,1
1978	55,6	27,8	24,8	:	17,6	14,8	20,4	49,9	23,4	83,8	42,4	20,1	28,5	26,1	:	8,3	11,1
1979	60,8	29,2	25,1	:	17,5	14,6	21,2	49,7	24,3	90,9	46,4	27,1	28,0	26,8	:	9,1	11,6
1980	62,9	32,7	26,4	:	20,9	15,4	21,5	49,6	21,9	88,5	49,6	27,4	27,3	27,1	:	10,2	13,7
1971-80	57,8	29,2	24,2	:	16,0	14,2	19,4	43,9	20,8	89,4	46,0	23,7	26,5	25,2	:	8,0	12,2
1981	68,2	36,5	28,7	:	20,6	17,6	22,6	48,5	23,3	86,6	54,8	25,9	26,7	28,5	:	9,9	14,7
1982	71,9	36,4	29,9	:	18,4	18,2	21,8	48,1	23,0	89,0	54,4	26,4	26,3	28,5	:	8,9	14,6
1983	74,7	36,4	28,7	:	19,8	20,7	22,5	52,4	22,1	90,2	54,5	31,3	26,5	28,6	:	8,0	13,9
1984	79,1	36,7	30,6	:	21,7	23,0	24,1	59,5	22,8	101,1	58,7	37,2	28,5	30,5	:	7,9	15,0
1985	76,9	36,7	32,5	:	21,2	22,7	23,9	60,4	22,8	108,6	60,0	37,3	28,8	30,9	:	7,4	14,5
1986	70,7	32,0	30,2	:	22,4	19,9	21,2	54,8	20,2	100,7	51,2	33,2	25,8	27,8	:	7,4	11,4
1987	69,4	31,4	29,0	:	24,6	19,4	20,6	58,1	19,5	98,4	49,8	34,3	25,5	27,1	:	7,9	10,4
1988	72,5	32,6	29,6	:	23,9	18,9	21,3	61,8	19,2	99,6	52,5	35,5	23,1	27,0	:	9,0	10,1
1989	76,7	34,4	31,5	:	23,0	18,1	22,9	65,5	20,4	101,1	55,2	37,5	23,9	28,4	:	9,6	10,7
1990	73,9	35,1	32,2	:	21,6	17,1	22,6	61,3	20,9	96,9	54,4	36,4	24,5	28,4	:	10,0	10,8
1981-90	73,4	34,8	30,3	:	21,7	19,5	22,4	57,1	21,4	97,2	54,6	33,5	26,0	28,6	:	8,6	12,6
1991	72,5	36,4	34,1	25,4	22,6	17,3	22,6	61,7	19,5	94,3	54,1	31,6	23,7	28,4	26,2	10,5	10,3
1992	69,5	36,6	33,6	23,9	23,7	17,5	22,6	63,0	19,5	90,8	53,0	28,9	23,7	28,3	25,8	10,7	10,3
1993	69,4	36,5	33,8	23,7	25,2	18,5	22,9	63,1	21,0	88,8	53,6	27,9	26,1	29,4	26,6	10,9	10,1

Table 36

Exports of goods and services at constant prices
National accounts

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12– (PPS)	EUR 12+ (PPS)	USA	J
1961	9,2	4,3	5,2	:	14,5	7,9	5,1	17,2	14,7	3,5	2,3	1,9	3,1	5,8	:	0,7	5,3
1962	10,1	4,9	2,7	:	10,0	12,8	1,8	–1,0	10,3	–1,6	6,2	22,7	1,8	4,7	:	5,2	17,2
1963	8,2	10,0	7,9	:	6,7	3,8	7,1	9,6	6,5	3,8	6,0	7,2	1,5	5,8	:	7,1	7,0
1964	9,4	8,5	8,4	:	1,6	25,5	6,7	8,2	10,8	13,3	11,3	39,9	3,5	8,7	:	11,7	21,7
1965	6,1	7,9	6,5	:	12,7	6,9	11,5	8,9	20,0	5,8	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	–0,2	5,2	12,8	5,2	8,2	:	6,4	17,0
1967	4,3	4,0	8,3	:	5,1	–4,7	7,3	10,3	7,2	1,9	6,6	8,3	1,0	5,2	:	3,1	6,7
1968	12,2	9,3	13,1	:	–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	9,6	:	14,6	15,6	15,7	4,6	11,8	13,8	14,9	8,7	9,3	11,7	:	4,7	20,8
1970	10,2	5,6	5,5	:	12,4	17,4	16,1	18,8	5,8	9,0	11,9	5,4	5,4	8,6	:	9,4	17,5
1961-70	9,2	6,4	7,7	:	10,7	11,6	8,6	9,5	11,1	5,9	8,4	11,5	4,7	7,9	:	5,3	15,9
1971	4,5	5,6	4,6	:	11,9	14,2	9,8	4,1	7,0	4,0	10,7	11,9	6,8	7,3	:	0,1	16,0
1972	11,1	5,6	6,8	:	22,9	13,4	12,1	3,6	9,5	5,1	10,0	20,2	0,8	8,0	:	15,2	4,1
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	:	18,6	5,2
1974	3,8	3,5	12,3	:	0,1	–1,0	9,1	0,7	5,9	10,3	2,6	–13,3	6,9	6,6	:	7,8	23,2
1975	–8,2	–1,8	–6,4	:	10,6	–0,4	–1,1	7,6	1,8	–15,8	–3,1	–16,4	–3,2	–3,4	:	–1,1	–1,0
1976	12,9	4,1	9,6	:	16,4	5,0	8,5	8,1	10,2	1,0	9,9	–0,8	8,8	9,2	:	3,9	16,6
1977	2,2	4,1	3,9	:	1,8	12,1	8,0	14,0	11,6	4,2	–1,8	4,1	6,5	5,8	:	1,6	11,7
1978	2,3	1,2	2,9	:	16,4	10,7	6,6	12,3	9,4	3,4	3,3	9,1	1,6	4,8	:	9,8	–0,3
1979	7,0	8,4	4,3	:	6,7	5,6	7,7	6,5	8,7	9,4	7,4	33,0	3,8	6,5	:	8,8	4,3
1980	2,5	5,2	5,2	:	6,9	2,3	2,4	6,4	–8,5	–1,4	1,5	2,2	–0,2	1,0	:	10,8	17,0
1971-80	5,0	4,3	5,3	:	11,4	7,0	7,4	7,3	5,8	3,1	5,1	5,0	4,3	5,6	:	7,4	9,4
1981	2,6	8,2	7,2	:	–5,9	8,4	3,6	2,0	6,3	–4,8	2,1	–4,4	–0,8	3,8	:	–0,4	12,5
1982	1,3	2,5	3,7	:	–7,2	4,8	–1,8	5,5	–1,2	–0,3	–0,3	4,7	0,9	1,0	:	–8,4	0,9
1983	2,7	4,9	–0,7	:	8,0	10,1	3,7	10,5	2,6	5,3	3,3	13,6	2,0	2,8	:	–2,8	4,8
1984	5,3	3,5	8,2	:	16,9	11,7	6,7	16,6	7,7	18,0	7,2	11,6	6,6	7,7	:	6,6	14,8
1985	1,1	5,0	7,6	:	1,3	2,7	2,0	6,6	3,1	9,5	5,3	6,7	5,8	4,6	:	2,7	5,4
1986	5,6	0,0	–0,6	:	14,0	1,9	–1,3	2,9	1,1	3,2	3,4	6,8	4,7	1,8	:	12,0	–4,9
1987	6,6	5,1	0,4	:	16,0	6,3	2,8	13,4	4,6	6,3	4,0	8,6	5,7	4,1	:	16,4	0,1
1988	8,6	7,8	5,5	:	9,0	5,1	8,2	8,7	4,8	7,5	9,0	10,2	–0,1	5,6	:	18,8	7,0
1989	7,3	5,0	10,1	:	1,3	3,0	10,3	10,1	7,8	6,9	6,7	13,3	3,8	7,6	:	11,8	9,0
1990	4,1	8,0	10,4	:	0,9	3,2	5,4	8,8	9,5	2,6	5,5	9,5	4,9	6,9	:	8,1	7,3
1981-90	4,5	5,0	5,1	:	5,1	5,7	3,9	8,4	4,6	5,3	4,6	7,9	3,3	4,6	:	6,2	5,6
1991	3,1	6,0	12,8	:	2,6	8,4	4,1	4,9	–1,4	3,5	4,6	–0,6	0,3	5,0	:	5,8	5,2
1992	0,1	3,8	3,4	0,0	10,2	5,5	5,6	8,7	3,9	1,1	3,0	4,7	2,8	3,7	3,0	7,0	2,4
1993	1,0	2,2	1,8	1,5	8,2	5,3	2,4	3,1	6,0	1,3	2,5	3,0	7,0	3,6	3,6	5,8	2,7

Table 37

Intra-Community exports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12 – (ECU)
1960	19,6	14,1	6,4	2,5	3,6	4,3	19,6	3,7	20,6	5,1	3,3	6,0
1961	20,1	12,7	6,6	2,3	3,1	4,7	21,6	4,0	20,4	4,8	3,6	6,2
1962	21,7	12,0	6,6	2,8	2,7	4,6	18,5	4,3	20,7	5,3	3,7	6,3
1963	23,9	12,8	7,4	2,6	2,3	4,7	19,5	4,1	21,6	5,5	4,0	6,6
1964	25,0	12,3	7,4	2,7	2,7	4,9	20,3	4,7	22,1	6,5	3,8	6,8
1965	26,2	11,6	7,3	2,6	2,2	5,3	19,3	5,5	21,8	6,8	3,8	7,0
1966	26,2	10,9	7,9	2,7	2,2	5,4	19,0	5,7	20,9	6,6	3,8	7,2
1967	25,3	9,8	8,4	3,3	2,1	5,2	20,5	5,4	20,4	6,6	3,7	7,1
1968	27,5	9,5	8,9	3,2	2,3	5,3	20,8	5,9	21,6	6,4	4,2	7,7
1969	31,9	9,2	9,6	3,3	2,5	6,2	19,6	6,3	23,4	6,8	4,6	8,5
1970	33,1	9,1	9,2	3,5	3,1	7,2	20,3	6,4	24,9	6,7	5,0	8,9
1971	31,4	8,9	9,1	3,4	3,4	7,5	21,4	6,8	25,9	6,9	5,1	9,1
1972	33,4	8,9	9,1	3,7	3,4	8,0	22,2	7,4	26,4	7,5	5,0	9,4
1973	35,8	10,3	9,9	5,1	3,7	8,5	25,0	7,4	27,8	8,3	5,9	10,3
1974	36,1	10,7	11,3	5,7	4,0	9,6	28,8	8,2	30,8	8,5	7,2	11,6
1975	32,6	10,7	10,1	5,6	3,4	8,1	30,5	8,1	28,6	7,0	6,6	10,4
1976	35,8	10,1	11,2	5,8	4,0	8,6	30,6	9,1	30,4	6,3	7,9	11,6
1977	34,0	9,6	11,0	5,1	4,1	8,9	34,3	9,4	27,6	6,7	9,0	11,6
1978	33,3	10,0	10,8	5,5	4,4	8,9	34,5	9,7	26,0	7,9	9,0	11,5
1979	37,0	10,9	11,6	5,0	4,7	9,6	35,0	10,4	29,5	10,0	9,6	12,3
1980	38,3	12,6	12,1	6,2	5,1	9,2	33,5	8,8	31,3	10,8	9,5	12,2
1981	39,3	12,9	12,6	5,0	5,0	9,0	30,3	8,4	34,4	9,7	8,7	12,1
1982	42,3	13,1	13,5	5,3	5,5	8,8	30,7	8,8	34,6	10,9	8,8	12,5
1983	44,0	13,3	13,0	6,7	6,3	9,2	33,1	8,4	35,4	13,9	9,3	12,7
1984	45,0	12,3	13,9	7,9	7,5	9,8	37,8	8,4	37,7	16,8	10,2	13,4
1985	44,7	12,2	14,6	7,4	7,6	9,9	37,8	8,9	38,8	17,2	10,7	13,8
1986	42,9	11,3	13,9	9,1	7,1	9,4	35,8	8,6	33,5	16,5	9,1	12,9
1987	42,4	11,3	14,0	9,4	7,4	9,7	39,0	8,6	31,9	17,8	9,4	12,9
1988	42,0	11,9	14,7	6,2	7,7	10,3	41,7	8,7	31,4	18,9	8,7	13,0
1989	46,3	12,6	15,9	8,8	7,8	10,9	44,5	9,1	33,4	20,3	9,2	13,8
1990	44,0	13,1	14,5	7,7	7,8	11,0	41,3	9,0	33,3	20,3	10,1	13,5
1991	43,2	13,9	13,7	7,8	8,1	11,2	41,5	8,7	33,0	17,9	10,4	13,3
1992	41,0	14,4	13,1	7,5	8,1	11,0	42,3	8,4	32,1	16,3	10,2	13,0
1993	41,0	14,2	13,1	7,6	8,6	11,0	42,2	9,0	32,4	15,8	11,3	13,5

Table 38

Extra-Community exports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12 – (ECU)
1960	12,7	10,6	9,5	3,3	2,6	6,9	4,6	5,5	13,1	8,1	11,0	8,7
1961	11,6	10,2	8,9	3,4	2,2	6,2	4,9	5,5	12,4	7,4	10,4	8,1
1962	11,0	9,9	8,1	3,1	2,0	5,3	4,4	5,1	11,4	7,7	9,4	7,3
1963	10,1	10,8	7,9	3,6	1,7	5,0	4,6	4,8	10,4	8,0	9,4	7,0
1964	10,1	10,7	8,0	3,1	1,9	4,9	3,8	4,9	9,8	8,9	8,9	6,9
1965	10,7	10,7	8,3	2,9	1,9	4,9	3,5	5,2	9,6	8,6	9,3	7,1
1966	10,6	10,6	8,6	3,4	2,3	4,7	4,3	5,3	9,6	8,6	9,3	7,2
1967	10,2	10,6	9,2	3,6	2,4	4,6	4,5	5,5	9,5	8,7	8,8	7,1
1968	10,9	11,0	9,7	2,7	3,0	4,7	5,2	5,9	9,3	8,6	10,0	7,6
1969	10,7	11,4	9,5	3,0	3,0	4,6	5,4	6,0	9,2	8,6	10,3	7,6
1970	10,9	11,7	9,3	3,0	3,2	5,2	5,3	5,9	9,4	8,6	10,6	7,8
1971	10,4	11,4	9,0	2,6	3,4	5,2	6,9	6,0	8,9	8,1	10,8	7,8
1972	10,5	11,0	8,8	3,2	3,6	5,2	6,1	6,1	8,9	7,7	10,1	7,6
1973	11,7	11,0	9,6	3,9	3,4	5,5	7,2	6,0	9,2	7,9	10,9	8,0
1974	13,8	13,1	12,0	5,0	3,8	6,8	8,8	8,1	11,4	8,3	12,6	9,8
1975	12,2	12,3	11,4	5,3	3,7	7,0	7,4	8,3	10,6	6,0	12,1	9,4
1976	11,5	11,5	11,7	5,6	4,0	7,0	9,0	8,4	10,7	5,4	12,5	9,6
1977	12,4	11,7	11,9	5,4	4,2	7,4	9,9	9,2	10,4	5,6	13,6	10,1
1978	12,1	10,6	11,4	5,1	4,5	6,9	9,3	9,0	9,6	5,5	13,2	9,7
1979	12,6	10,8	11,0	5,0	4,5	7,2	9,2	9,0	9,9	6,6	11,9	9,5
1980	13,8	12,1	11,5	6,6	4,6	7,4	10,5	8,3	11,2	7,6	11,7	9,7
1981	15,6	14,4	13,1	6,4	5,9	8,3	12,1	10,0	12,9	7,4	11,2	10,7
1982	16,0	13,7	13,3	5,8	5,8	7,9	11,7	9,4	12,3	7,0	11,1	10,5
1983	17,3	14,5	12,8	5,9	6,3	8,1	13,7	9,0	12,6	8,3	10,7	10,5
1984	19,0	16,0	13,8	6,4	7,2	8,8	16,2	9,3	13,7	10,3	11,5	11,3
1985	18,7	15,9	14,7	6,2	7,0	8,5	16,9	9,6	13,6	10,3	11,2	11,4
1986	15,7	13,6	13,4	5,2	4,7	6,8	13,9	7,5	11,2	7,7	9,8	9,7
1987	14,5	12,8	12,5	4,6	4,2	6,4	13,9	6,7	10,7	7,2	9,6	9,1
1988	14,2	13,6	12,3	3,5	4,0	6,4	14,5	6,5	13,1	7,4	8,6	8,9
1989	16,4	14,0	12,9	4,8	3,9	6,9	15,3	7,0	13,8	8,0	9,0	9,3
1990	14,4	13,7	12,0	4,4	3,5	6,5	13,9	6,4	12,9	7,2	8,9	8,8
1991	14,0	13,5	11,1	4,5	3,3	6,5	14,2	6,0	12,8	5,9	7,9	8,2
1992	13,3	13,3	10,6	4,1	3,3	6,4	14,5	6,1	12,7	5,5	8,2	8,1
1993	13,1	13,4	10,7	4,3	3,6	6,6	14,6	6,8	13,0	5,3	9,2	8,5

Table 39

Imports of goods and services at current prices
National accounts

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (ECU)	EUR 12 + (ECU)	USA	J
1960	40,8	33,4	16,5	:	16,7	7,2	12,4	37,3	13,5	73,7	43,6	23,7	22,3	19,0	:	4,4	10,2
1961	42,1	31,5	15,8	:	16,4	9,1	12,2	39,8	13,5	80,2	43,1	27,7	20,9	18,4	:	4,3	10,9
1962	43,0	31,6	16,1	:	16,9	10,8	12,0	38,9	13,9	79,2	42,2	23,5	20,3	18,3	:	4,4	9,3
1963	45,2	30,0	16,3	:	18,0	11,5	12,3	40,8	15,1	77,5	43,3	24,3	20,4	18,6	:	4,3	9,8
1964	45,3	31,8	16,5	:	19,0	11,8	12,9	41,0	13,4	78,8	43,3	29,9	21,1	18,9	:	4,3	9,7
1965	44,5	30,7	17,8	:	20,3	13,5	12,4	43,9	12,7	79,9	41,4	31,5	20,0	18,8	:	4,5	9,1
1966	46,9	30,0	17,5	:	18,8	13,9	13,1	43,2	13,7	75,1	41,0	31,0	19,5	18,9	:	4,8	9,0
1967	44,7	29,2	16,8	:	18,0	12,3	13,0	40,9	14,2	70,6	39,4	29,5	20,2	18,7	:	4,9	9,4
1968	47,0	28,9	17,7	:	18,4	13,2	13,3	45,2	14,0	70,4	39,0	29,8	22,2	19,4	:	5,2	9,0
1969	50,4	29,6	18,9	:	18,7	13,8	14,6	46,3	15,3	69,7	40,6	28,6	21,8	20,4	:	5,3	8,9
1970	51,3	30,9	19,1	:	18,4	13,9	15,3	45,0	16,3	76,1	44,2	30,9	22,2	21,2	:	5,5	9,5
1961-70	46,1	30,4	17,3	:	18,3	12,4	13,1	42,5	14,2	75,8	41,7	28,7	20,9	19,2	:	4,7	9,5
1971	50,2	29,4	19,0	:	18,4	13,1	15,3	43,4	16,2	84,8	43,4	32,1	21,7	20,9	:	5,7	9,0
1972	49,4	26,5	18,6	:	20,0	14,1	15,7	39,9	16,9	77,2	40,1	31,9	21,8	20,9	:	6,1	8,3
1973	55,4	30,4	18,9	:	25,2	15,1	16,7	44,8	19,4	77,0	42,0	33,7	26,1	22,7	:	6,8	10,0
1974	63,0	34,7	22,0	:	25,6	18,8	21,7	57,2	24,3	81,7	48,7	42,2	33,0	27,7	:	8,7	14,3
1975	55,3	31,0	21,8	:	26,9	17,0	17,9	48,8	20,6	88,5	44,2	32,8	27,6	24,6	:	7,7	12,8
1976	58,2	33,5	23,4	:	25,8	17,8	20,3	54,2	23,2	82,7	45,2	30,9	29,6	26,6	:	8,5	12,8
1977	58,2	32,5	23,1	:	25,2	16,2	20,4	58,5	22,2	83,2	44,0	33,5	29,3	26,3	:	9,2	11,5
1978	56,3	29,9	22,3	:	24,6	14,1	19,1	59,8	21,2	82,8	42,6	32,5	27,1	24,9	:	9,5	9,4
1979	62,6	32,1	24,4	:	25,3	14,4	20,6	66,1	23,2	87,2	47,1	37,9	27,7	26,7	:	10,2	12,5
1980	65,4	33,8	26,9	:	26,2	17,8	22,7	63,0	24,6	89,2	50,4	42,0	25,0	28,1	:	10,9	14,6
1971-80	57,4	31,4	22,0	:	24,3	15,9	19,0	53,6	21,2	83,4	44,8	34,9	26,9	24,9	:	8,3	11,5
1981	69,8	35,8	27,9	:	27,1	19,8	23,5	62,7	25,3	89,5	51,8	45,2	23,8	28,6	:	10,5	13,9
1982	72,9	35,9	27,5	:	28,7	20,2	23,7	55,4	24,0	90,6	50,7	45,0	24,5	28,4	:	9,6	13,8
1983	72,8	34,4	26,7	:	30,1	21,4	22,6	55,2	21,4	90,0	51,2	44,1	25,6	27,9	:	9,7	12,2
1984	77,4	35,5	28,2	:	29,9	20,9	23,5	59,8	23,0	99,3	54,1	45,2	28,6	29,5	:	10,8	12,3
1985	74,4	36,3	29,0	:	32,8	20,8	23,2	58,4	23,2	103,3	55,8	41,4	27,8	29,5	:	10,4	11,1
1986	66,7	32,5	25,0	:	30,9	17,7	20,2	52,2	18,7	96,3	47,2	35,9	26,4	25,7	:	10,7	7,4
1987	66,2	29,6	23,9	:	31,9	19,2	20,5	51,6	18,9	99,2	47,1	41,5	26,5	25,6	:	11,3	7,2
1988	68,7	29,4	24,3	:	30,4	20,0	21,2	52,8	19,1	100,2	48,6	46,3	26,7	26,1	:	11,4	7,8
1989	73,3	31,0	26,1	:	32,0	21,4	22,8	56,1	20,4	98,8	51,3	46,2	27,9	27,7	:	11,3	9,3
1990	71,0	30,0	26,3	:	32,6	20,5	22,6	53,3	20,8	97,0	49,7	45,4	27,0	27,4	:	11,5	10,1
1981-90	71,3	33,0	26,5	:	30,6	20,2	22,4	55,8	21,5	96,4	50,7	43,6	26,5	27,7	:	10,7	10,5
1991	69,6	30,3	27,7	25,6	33,1	20,4	22,3	52,9	19,4	100,0	48,9	41,3	24,6	26,9	26,3	11,0	8,5
1992	66,4	29,1	26,5	23,8	32,5	20,5	21,3	51,5	19,3	98,7	47,7	37,9	25,3	26,3	25,6	11,3	7,6
1993	66,4	29,4	26,8	23,7	34,2	21,4	21,6	51,5	20,6	97,0	48,0	38,3	28,2	27,4	26,5	11,3	7,5

Table 40

Imports of goods and services at constant prices
National accounts

(National currency; annual percentage change)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 − (PPS)	EUR 12 + (PPS)	USA	J
1961	7,2	4,4	7,8	:	12,7	40,1	6,9	13,7	13,7	7,3	6,4	24,9	−0,6	7,0	:	0,7	26,4
1962	8,2	13,4	11,1	:	10,1	34,4	6,7	5,4	14,9	3,2	6,5	−8,7	2,1	8,3	:	11,5	−1,1
1963	8,6	−1,1	4,9	:	15,4	23,5	14,1	10,6	22,5	3,1	9,8	10,4	2,0	9,3	:	1,6	19,5
1964	8,9	19,6	9,3	:	15,3	13,0	15,1	12,9	−6,1	13,6	14,9	30,8	10,5	9,5	:	5,2	13,7
1965	6,6	6,9	14,3	:	21,2	33,1	2,2	11,0	2,0	4,5	6,1	14,3	1,1	7,3	:	9,4	5,6
1966	9,9	5,4	2,6	:	−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	−0,8	:	7,1	−3,3	8,3	3,7	13,5	−4,8	6,3	8,9	7,2	5,1	:	5,0	22,7
1968	11,7	4,9	13,9	:	10,3	8,1	12,9	15,7	5,9	9,1	13,0	14,6	7,9	10,5	:	14,0	12,1
1969	15,5	13,1	16,9	:	15,5	15,7	19,5	13,4	19,3	11,2	14,1	4,3	2,9	13,9	:	5,8	13,7
1970	7,6	9,3	15,9	:	6,2	7,0	6,3	8,6	16,0	19,0	14,7	9,9	5,1	10,6	:	4,1	22,9
1961-70	8,5	7,9	9,4	:	11,2	18,3	10,2	9,8	11,3	6,1	9,8	11,3	4,0	8,8	:	6,9	14,5
1971	3,6	−0,7	8,7	:	7,6	0,7	6,7	4,7	2,9	7,6	6,1	14,6	5,2	5,7	:	6,5	7,0
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	9,4	:	12,9	10,5
1973	18,5	12,8	4,5	:	32,2	16,7	13,7	19,0	9,3	10,6	11,0	12,7	11,5	11,3	:	10,4	24,3
1974	4,4	−3,8	0,4	:	−16,3	8,0	0,8	−2,3	1,4	5,9	−0,8	4,6	0,8	1,1	:	−3,9	4,2
1975	−9,0	−4,8	1,2	:	6,3	−0,9	−9,5	−10,2	−12,5	−9,4	−4,1	−24,2	−6,9	−6,3	:	−10,5	−10,3
1976	12,2	15,6	10,8	:	6,1	9,8	17,6	14,7	13,4	0,9	10,1	5,2	4,7	11,1	:	19,3	6,7
1977	4,8	0,0	3,4	:	8,0	−5,5	0,8	13,3	1,9	1,5	2,9	10,8	1,4	2,1	:	12,0	4,1
1978	2,6	0,1	5,6	:	7,2	−1,0	3,5	15,7	4,9	5,7	6,3	0,2	3,8	4,1	:	5,9	6,9
1979	9,0	5,0	9,3	:	7,2	11,4	10,4	13,9	11,5	6,7	6,0	12,6	9,7	9,6	:	1,3	12,9
1980	−0,4	−6,8	3,7	:	−8,0	3,3	2,3	−4,5	3,1	3,2	−0,4	6,9	−3,5	1,0	:	−8,2	−7,8
1971-80	5,3	1,7	5,3	:	5,9	6,3	5,7	6,5	4,3	3,4	4,1	4,9	3,5	4,8	:	4,2	5,4
1981	−2,9	−1,7	−3,3	:	3,6	−4,2	−2,3	1,7	−1,4	−2,9	−5,8	2,3	−2,8	−2,7	:	2,4	0,4
1982	0,2	3,8	−0,9	:	7,0	3,9	2,3	−3,1	−0,2	−0,3	1,1	3,9	4,9	1,5	:	−2,2	−2,5
1983	−1,3	1,8	1,6	:	6,6	−0,6	−2,7	4,7	−1,3	1,2	3,9	−6,1	6,3	1,0	:	12,2	−3,0
1984	5,6	5,5	5,4	:	0,2	−1,0	2,6	9,9	12,4	13,9	5,0	−4,4	9,9	6,0	:	23,0	10,4
1985	0,7	8,1	4,7	:	12,8	6,2	4,2	3,2	4,0	7,0	6,5	1,4	2,5	4,2	:	5,0	−1,4
1986	7,6	6,8	2,8	:	3,8	14,4	6,7	5,6	3,3	6,0	3,6	16,9	6,8	5,7	:	10,9	2,4
1987	8,8	−2,0	4,2	:	16,6	20,1	7,6	5,0	9,7	7,6	4,9	20,0	7,9	8,1	:	8,7	7,8
1988	8,0	1,5	5,1	:	8,0	14,4	8,5	3,9	7,3	8,5	7,6	16,1	12,5	8,6	:	5,6	18,7
1989	8,8	4,4	8,5	:	10,8	17,2	8,0	10,9	7,2	6,1	6,7	9,1	7,4	8,6	:	5,9	17,6
1990	4,2	2,1	10,2	:	12,0	7,8	6,4	6,0	10,5	4,3	4,9	10,1	1,0	6,7	:	3,0	8,6
1981-90	3,9	3,0	3,8	:	8,0	7,5	4,1	4,7	5,0	5,0	3,8	6,6	5,6	4,7	:	7,3	5,6
1991	2,7	3,9	11,7	:	3,6	9,4	2,9	0,7	1,6	8,3	3,7	5,6	−3,1	4,3	:	−0,1	−4,6
1992	1,1	1,1	2,8	1,5	6,8	7,0	1,8	4,5	4,2	2,1	1,7	8,6	5,6	3,6	3,4	7,9	−0,8
1993	1,1	3,1	2,0	1,8	6,3	2,2	2,5	3,5	1,4	1,5	2,1	7,0	3,6	2,5	2,4	5,5	2,8

Table 41

Intra-Community imports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12 – (ECU)
1960	19,2	16,5	5,6	9,0	2,2	3,6	22,9	4,4	20,5	11,3	3,9	6,0
1961	20,3	15,5	5,5	9,1	2,9	3,8	25,3	4,5	22,5	13,8	3,8	6,2
1962	20,8	15,1	5,7	9,5	4,2	4,2	25,1	4,9	22,1	11,0	3,8	6,4
1963	22,3	13,8	5,8	9,2	4,8	4,6	26,5	5,6	23,2	10,7	3,9	6,7
1964	23,2	14,5	6,1	9,2	5,2	5,0	26,3	4,8	23,5	11,5	4,2	7,0
1965	23,4	13,8	7,1	9,9	6,1	4,8	26,3	4,2	22,6	12,8	4,1	7,1
1966	25,0	13,2	6,9	9,7	6,3	5,4	24,8	4,7	22,3	13,1	4,3	7,3
1967	23,3	12,3	6,7	9,1	5,3	5,4	23,6	5,1	21,2	12,3	4,6	7,3
1968	25,1	12,2	7,4	9,7	5,1	6,0	27,0	5,1	21,5	12,1	5,2	7,8
1969	28,0	13,0	8,4	9,5	5,4	7,2	28,7	5,9	23,0	12,6	5,0	8,7
1970	28,6	13,5	8,4	10,0	5,1	7,4	29,1	6,6	24,7	13,6	5,0	9,0
1971	30,8	12,1	8,6	9,9	4,8	7,6	27,5	6,6	22,8	13,6	5,2	9,1
1972	31,0	11,1	8,7	10,4	5,3	8,0	26,5	7,2	22,0	13,3	5,8	9,4
1973	33,4	12,9	8,6	11,1	5,7	8,5	30,8	8,5	22,6	13,5	7,5	10,3
1974	35,3	14,3	9,1	10,2	6,2	9,6	37,9	9,7	24,3	16,4	9,7	11,5
1975	32,6	13,0	9,3	11,5	5,3	8,2	31,5	8,0	22,2	11,6	8,9	10,5
1976	35,0	14,5	10,0	11,1	5,2	9,5	35,3	9,3	22,7	12,8	9,6	11,6
1977	34,3	13,9	10,0	11,8	5,0	9,5	37,4	8,8	22,3	14,7	10,2	11,6
1978	34,4	13,2	9,8	11,1	4,4	9,3	39,1	8,8	22,2	15,0	10,4	11,5
1979	36,6	14,3	10,7	11,2	4,7	9,8	44,2	9,7	24,2	15,2	11,2	12,2
1980	37,3	14,4	11,2	10,7	4,9	10,0	41,7	10,1	24,2	16,7	9,5	12,1
1981	38,4	14,5	11,8	12,1	5,1	9,9	41,7	9,4	24,4	18,3	8,9	12,0
1982	41,6	14,9	11,8	12,3	5,5	10,7	36,3	9,3	24,6	19,4	9,6	12,3
1983	44,2	14,1	11,9	13,2	6,1	10,8	34,3	8,5	24,8	17,9	10,4	12,5
1984	46,9	14,4	12,4	13,8	6,2	11,3	35,9	9,2	26,7	17,9	11,6	13,2
1985	46,6	15,1	12,9	14,7	6,6	11,4	35,1	10,0	29,2	16,9	11,6	13,7
1986	42,3	14,2	11,2	16,7	7,7	10,5	30,7	9,2	26,8	18,7	11,6	12,7
1987	41,2	12,8	10,8	17,1	9,1	10,8	29,6	9,3	26,9	23,2	11,8	12,8
1988	42,0	12,4	10,8	14,1	10,0	11,1	30,8	9,5	27,4	28,8	11,9	13,0
1989	44,2	12,5	11,6	18,6	10,7	11,8	33,0	10,0	28,4	28,6	12,4	13,7
1990	43,6	12,5	11,9	18,9	10,6	11,6	32,0	9,4	27,9	29,2	12,0	13,5
1991	42,7	12,9	12,9	18,4	10,6	11,2	31,2	9,1	27,5	27,5	10,7	13,3
1992	40,2	12,2	12,0	18,2	10,7	10,6	30,8	9,1	26,5	25,9	11,3	13,0
1993	40,2	12,3	12,1	18,9	11,1	10,6	30,7	9,7	27,0	26,4	12,8	13,5

Table 42

Extra-Community imports of goods at current prices
Foreign trade statistics

(Percentage of GDP at market prices)

	B/L	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12– (ECU)
1960	14,7	13,7	8,5	11,0	4,0	6,7	12,9	7,5	17,4	10,6	13,6	9,9
1961	13,8	12,7	7,9	9,0	5,3	6,2	13,1	7,4	16,3	10,7	12,2	9,1
1962	13,7	13,4	7,9	7,2	5,9	6,0	12,1	7,3	15,4	9,6	11,8	8,9
1963	13,7	12,9	7,8	8,0	5,9	5,9	12,2	7,7	15,3	10,6	11,9	8,9
1964	14,0	14,3	7,8	7,6	5,7	6,0	12,3	6,9	15,2	11,6	12,4	8,9
1965	13,4	13,8	8,1	9,1	6,4	5,6	12,4	6,8	14,0	11,9	11,9	8,8
1966	13,6	13,5	7,8	8,7	6,6	5,6	12,1	7,2	13,8	11,9	11,3	8,6
1967	12,8	13,4	7,4	7,3	6,0	5,2	11,8	7,1	13,1	10,8	11,4	8,3
1968	14,1	13,3	7,7	8,1	6,6	5,0	12,3	6,8	12,9	11,1	12,9	8,5
1969	14,3	13,6	8,0	8,5	7,0	5,3	12,3	7,2	13,0	10,7	12,7	8,8
1970	14,5	14,2	7,8	9,6	7,3	5,8	11,2	7,3	14,3	12,1	12,5	8,9
1971	12,6	13,8	7,4	9,1	6,6	5,6	13,0	6,9	14,4	12,3	11,8	8,5
1972	11,7	12,1	6,8	8,2	7,0	5,6	11,1	6,9	13,0	12,8	11,5	8,1
1973	13,0	14,0	7,2	10,4	7,4	6,1	11,4	8,3	14,1	13,2	13,9	9,0
1974	17,0	16,1	8,9	12,9	10,7	9,3	16,7	12,3	17,6	17,7	17,9	12,1
1975	14,5	14,4	8,5	14,0	9,7	7,5	13,3	9,8	16,4	14,4	13,9	10,3
1976	15,7	15,3	9,7	15,8	10,5	8,5	14,8	11,0	17,7	14,9	15,3	11,5
1977	15,5	14,6	9,6	14,5	9,5	8,5	16,7	10,4	17,3	15,6	14,8	11,2
1978	14,5	12,9	9,0	13,1	8,1	7,6	15,7	9,6	15,5	14,2	13,9	10,3
1979	16,7	13,6	10,1	13,6	8,1	8,5	16,6	10,7	17,5	16,8	13,2	11,1
1980	20,6	14,6	11,7	15,6	10,8	10,2	16,1	11,5	20,0	20,3	12,4	12,4
1981	22,7	16,0	12,1	11,6	12,1	10,6	16,0	12,3	21,1	22,4	10,8	12,6
1982	22,9	15,3	11,7	13,6	11,8	10,2	14,7	11,5	19,6	21,9	10,8	12,2
1983	19,5	14,7	11,3	13,8	12,3	9,2	15,5	10,2	20,2	21,9	11,2	11,7
1984	21,2	15,8	12,4	14,5	11,9	9,4	18,3	10,6	21,8	23,7	12,8	12,5
1985	19,6	15,7	12,4	15,8	11,4	9,0	17,8	10,7	20,9	20,1	12,1	12,2
1986	15,8	13,3	10,1	11,8	7,6	7,0	14,9	7,2	15,2	13,1	10,7	9,5
1987	15,4	11,9	9,7	10,9	7,6	6,9	15,5	6,8	15,0	13,4	10,5	9,2
1988	15,4	11,9	10,0	8,4	7,6	7,2	15,8	6,7	15,6	14,1	10,8	9,4
1989	17,5	12,8	11,1	11,2	8,0	7,9	17,4	7,2	17,2	13,4	11,3	10,1
1990	15,7	11,8	10,9	10,6	7,2	7,8	16,0	6,6	16,4	13,1	10,9	9,7
1991	15,8	11,7	11,4	12,1	7,0	8,0	16,4	6,3	15,7	10,8	10,0	9,6
1992	14,9	11,3	10,6	11,5	6,9	7,3	15,3	6,1	15,0	9,4	10,1	9,2
1993	14,7	11,4	10,7	12,1	7,2	7,5	15,1	6,5	15,2	9,5	11,0	9,5

Table 43

Balance on current transactions with the rest of the world
National accounts

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12 – (ECU)	EUR 12 + (ECU)	USA	J
1960	0,1	−1,1	1,6	:	−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	−1,7	1,0	:	−2,2	1,9	1,1	0,2	1,2	6,5	1,4	−10,0	0,0	0,6	:	0,8	−1,6
1962	0,6	−3,2	−0,1	:	−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	0,1	0,2	:	−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	−2,2	0,2	:	−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	−1,8	−1,3	:	−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	−1,9	0,2	:	−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	−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	−1,7	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	−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	−3,9	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	−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	−2,4	0,4	:	−1,5	2,2	0,9	−3,8	1,4	6,2	−0,3	2,5	1,8	0,9	:	0,1	2,5
1972	3,6	−0,4	0,6	:	−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	−1,7	1,5	:	−3,8	0,8	0,6	−3,5	−1,6	16,1	3,8	3,0	−1,9	0,3	:	0,6	0,0
1974	0,4	−3,1	2,7	:	−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	−1,5	1,2	:	−3,7	−2,9	0,8	−1,5	−0,2	16,5	2,5	−5,5	−2,0	0,0	:	1,3	−0,1
1976	0,3	−4,9	0,8	:	−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	−4,0	0,8	:	−1,9	−1,7	−0,1	−5,4	1,1	21,2	0,8	−9,4	0,0	0,0	:	−0,5	1,5
1978	−1,3	−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	−4,7	−0,5	:	−1,9	0,5	0,9	−13,4	1,6	21,3	−1,2	−1,7	0,2	−0,1	:	0,0	−0,9
1980	−4,3	−3,7	−1,7	:	0,5	−2,4	−0,6	−11,8	−2,2	19,0	−1,5	−5,9	1,5	−1,2	:	0,4	−1,0
1971-80	−0,1	−2,9	0,7	:	−1,9	−0,8	0,3	−6,3	−0,1	17,7	1,2	−3,1	−0,6	0,0	:	0,2	0,6
1981	−3,8	−3,0	−0,6	:	−0,7	−2,7	−0,8	−14,7	−2,2	21,3	2,2	−12,2	2,5	−0,6	:	0,3	0,5
1982	−3,7	−4,2	0,8	:	−4,4	−2,5	−2,1	−10,6	−1,5	34,4	3,2	−13,5	1,5	−0,6	:	−0,1	0,7
1983	−0,8	−2,6	0,9	:	−5,0	−1,5	−0,8	−6,9	0,3	39,5	3,1	−8,3	0,9	0,1	:	−1,0	1,8
1984	−0,6	−3,3	1,4	:	−4,0	1,4	0,0	−5,8	−0,6	39,1	4,2	−3,4	−0,2	0,3	:	−2,5	2,8
1985	0,3	−4,6	2,4	:	−8,2	1,4	0,1	−3,9	−0,9	43,8	4,1	0,4	0,5	0,7	:	−2,9	3,6
1986	2,1	−5,4	4,3	:	−5,3	1,6	0,5	−2,9	0,5	38,8	2,7	2,4	−0,8	1,3	:	−3,3	4,3
1987	1,3	−2,9	4,1	:	−3,1	0,1	−0,2	1,2	−0,2	30,3	1,9	−0,4	−2,0	0,8	:	−3,4	3,6
1988	1,7	−1,3	4,3	:	−2,0	−1,1	−0,3	1,5	−0,7	30,8	2,8	−4,4	−4,8	0,1	:	−2,4	2,8
1989	1,7	−1,5	4,8	:	−5,0	−3,2	−0,4	0,8	−1,3	34,0	3,5	−2,3	−5,4	−0,1	:	−1,7	2,0
1990	0,9	0,5	3,5	:	−6,1	−3,7	−0,8	1,3	−1,4	34,2	4,0	−2,5	−4,2	−0,3	:	−1,4	1,3
1981-90	−0,1	−2,8	2,6	:	−4,4	−1,0	−0,5	−4,0	−0,8	34,6	3,2	−4,4	−1,2	0,2	:	−1,9	2,4
1991	1,7	1,3	1,2	−0,9	−5,1	−3,5	−0,5	6,0	−1,9	27,9	3,9	−3,5	−1,8	−0,5	−1,0	0,2	2,5
1992	1,8	3,0	0,9	−1,1	−3,3	−3,7	0,1	6,7	−2,4	19,9	3,6	−2,1	−2,7	−0,6	−1,1	−1,0	3,2
1993	1,8	3,0	−0,1	−1,1	−3,0	−3,4	0,2	6,6	−2,4	18,7	3,6	−4,2	−3,5	−0,9	−1,2	−1,0	3,3

Table 44

Structure of EC exports by country and region, 1958 and 1991

(Percentage of total exports)

Export of / to	B/L 1958	B/L 1991	DK 1958	DK 1991	D 1958	D 1991	GR 1958	GR 1991	E 1958	E 1991	F 1958	F 1991	IRL 1958	IRL 1991	I 1958	I 1991	NL 1958	NL 1991	P 1958	P 1991	UK 1958	UK 1991	EUR 12 1958	EUR 12 1991
B/L	—	—	1,2	2,1	6,6	7,3	1,0	2,3	2,1	2,9	6,3	8,5	0,8	4,9	2,2	3,4	15,0	14,2	3,7	3,2	1,9	5,7	4,8	6,4
DK	1,6	0,8	—	—	3,0	1,9	0,2	0,8	1,7	0,8	0,7	0,9	0,1	1,0	0,8	0,8	2,6	1,6	1,2	2,1	2,4	1,3	2,0	1,3
D	11,6	23,7	20,0	22,4	—	—	20,5	23,9	10,2	15,0	10,4	20,7	2,2	12,7	14,1	21,0	19,0	29,3	7,7	19,1	4,2	13,7	7,6	14,5
GR	0,8	0,6	0,3	0,8	1,3	1,0	—	—	0,1	0,7	0,6	0,7	0,1	0,6	1,9	1,8	0,6	1,0	0,6	0,4	0,7	0,6	0,8	0,9
E	0,7	2,5	0,8	1,9	1,2	4,0	0,2	1,7	—	—	1,6	6,4	0,8	2,3	0,7	5,1	0,8	2,5	0,7	14,9	0,8	4,1	1,0	4,1
F	10,6	19,1	3,0	5,9	7,6	13,1	12,8	7,5	10,1	18,8	—	—	0,8	9,5	5,3	15,2	4,9	10,6	6,6	14,4	2,4	11,0	4,7	11,2
IRL	0,3	0,4	0,3	0,5	0,3	0,4	0,4	0,1	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	6,0	5,3	4,8	5,0	9,1	6,0	16,7	2,7	10,7	3,4	11,1	0,4	4,3	—	—	2,7	6,4	4,3	4,0	2,1	5,8	3,1	7,2
NL	20,7	13,7	2,2	4,8	8,1	8,4	2,0	3,4	3,2	3,9	2,0	4,7	0,5	6,6	2,0	3,2	—	—	2,5	5,7	3,2	7,9	5,3	6,3
P	1,1	0,7	0,3	0,6	0,9	1,1	0,3	0,3	0,4	6,2	0,8	1,4	0,1	0,5	0,7	1,5	0,4	0,7	—	—	0,4	1,0	0,8	1,3
UK	5,7	7,7	25,9	10,3	3,9	7,6	7,6	6,8	15,9	7,1	4,9	8,9	76,8	32,0	6,8	6,7	11,9	9,3	11,3	10,8	—	—	5,9	7,4
Total intra-EC trade	55,4	75,2	59,3	54,1	37,9	53,8	50,9	63,5	46,8	66,4	30,9	63,6	82,4	74,4	34,5	59,0	58,3	76,2	38,9	75,1	21,7	56,3	37,2	61,6
Other European OECD countries	8,7	6,4	16,6	23,8	22,7	17,9	10,3	9,7	12,4	5,2	9,0	7,4	0,9	5,7	18,9	11,6	11,9	7,5	5,1	9,9	9,1	9,4	13,7	11,4
USA	9,4	3,8	9,3	4,8	7,3	6,3	13,6	5,6	10,1	4,6	5,9	6,0	5,7	8,7	9,9	6,9	5,6	3,8	8,3	3,8	8,8	11,0	7,9	6,4
Canada	1,1	0,3	0,7	0,5	1,2	0,8	0,3	0,6	1,3	0,6	0,8	1,0	0,7	1,0	1,2	0,8	0,8	0,4	1,1	0,8	5,8	1,6	2,3	0,8
Japan	0,6	1,2	0,2	3,6	0,9	2,5	1,4	1,0	1,7	0,8	0,3	2,0	0,0	2,3	0,3	2,2	0,4	0,9	0,5	0,9	0,6	2,2	0,6	2,0
Australia	0,5	0,2	0,3	0,4	1,0	0,5	0,1	0,8	0,3	0,2	0,5	0,5	0,1	0,6	0,8	0,6	0,7	0,4	0,6	0,2	7,2	1,3	2,4	0,6
Developing countries	18,0	10,0	9,3	9,0	20,9	11,0	7,2	13,5	18,4	18,6	46,9	16,7	1,6	5,4	26,2	14,3	17,6	7,8	42,3	7,4	33,6	15,8	27,4	12,8
of which:																								
OPEC	3,3	2,1	2,3	2,1	4,8	3,2	0,9	3,7	2,6	3,3	21,3	4,2	0,2	1,3	7,5	4,8	4,5	2,1	2,0	0,6	7,0	4,9	7,6	3,5
Other developing countries	14,7	7,9	7,0	6,9	16,1	7,8	6,3	9,8	15,8	15,3	25,6	12,5	1,4	4,1	18,7	9,5	13,1	5,7	40,3	6,8	26,6	10,9	19,8	9,3
Rest of the world and unspecified	6,3	2,6	4,3	3,1	8,1	5,4	16,2	5,9	9,0	3,7	5,7	2,6	8,6	2,2	8,2	4,6	4,7	3,0	3,2	2,3	13,2	2,9	8,5	3,8
World (excl. EC)	44,6	24,8	40,7	45,9	62,1	46,2	49,1	36,5	53,2	33,6	69,1	36,4	17,6	25,6	65,5	41,0	41,7	23,8	61,1	24,9	78,3	43,7	62,8	38,4
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

D: 1958: West Germany; 1991: unified Germany.

Table 45

Structure of EC imports by country and region, 1958 and 1991

(Percentage of total imports)

Import of / from	B/L 1958	B/L 1991	DK 1958	DK 1991	D 1958	D 1991	GR 1958	GR 1991	E 1958	E 1991	F 1958	F 1991	IRL 1958	IRL 1991	I 1958	I 1991	NL 1958	NL 1991	P 1958	P 1991	UK 1958	UK 1991	EUR 12 1958	EUR 12 1991
B/L	—	—	3,8	3,3	4,5	7,9	3,3	3,4	1,8	2,9	5,4	10,2	1,8	2,2	2,0	4,9	17,8	13,0	7,3	4,1	1,6	4,4	4,4	6,6
DK	0,5	0,6	—	—	3,4	2,2	0,7	1,1	1,3	0,7	0,6	0,9	0,7	0,9	2,2	1,0	0,7	1,1	0,8	0,8	3,1	1,9	2,0	1,4
D	17,2	22,3	19,9	23,1	—	—	20,3	19,4	8,7	16,1	11,6	20,7	4,0	8,0	12,0	20,9	19,5	23,5	17,6	14,8	3,6	14,7	8,7	14,3
GR	0,1	0,2	0,0	0,2	0,7	0,6	—	—	0,2	0,2	0,6	0,3	0,2	0,1	0,4	0,8	0,2	0,2	0,1	0,1	0,2	0,3	0,4	0,4
E	0,5	1,4	0,7	1,1	1,6	2,5	0,1	2,2	—	—	1,2	4,9	0,4	0,8	0,4	3,5	0,4	1,4	0,4	15,8	1,0	2,2	0,9	2,8
F	11,6	14,9	3,4	5,9	7,6	12,2	5,4	7,8	6,8	15,5	—	—	1,6	4,2	4,8	14,2	2,8	7,0	7,7	11,9	2,7	9,2	4,4	9,6
IRL	0,1	0,6	0,0	0,6	0,1	0,8	0,0	0,6	0,6	0,5	0,0	1,0	—	—	0,0	0,7	0,0	0,8	0,1	0,4	2,9	3,7	0,9	1,2
I	2,1	4,3	1,7	4,0	5,5	9,2	8,8	14,2	1,8	9,8	2,4	11,0	0,8	2,3	—	—	1,8	3,4	3,7	10,3	2,1	5,4	2,7	6,8
NL	15,7	17,9	7,3	7,2	8,1	11,8	4,8	6,0	2,6	3,9	2,5	6,6	2,9	5,1	2,6	5,7	—	—	2,9	6,1	4,2	7,6	5,2	8,2
P	0,4	0,4	0,3	1,1	0,4	0,8	0,3	0,3	0,3	2,8	0,4	1,0	0,2	0,4	0,4	0,4	0,2	0,6	—	—	0,4	0,9	0,3	0,8
UK	7,4	7,9	22,8	7,8	4,3	6,4	9,9	5,4	7,8	7,3	3,5	7,6	56,3	45,4	5,5	5,7	7,4	8,0	12,9	7,5	—	—	5,4	6,5
Total intra-EC trade	55,5	70,5	60,0	54,2	36,3	54,5	53,7	60,3	31,8	59,8	28,3	64,2	68,9	69,1	30,2	57,7	50,7	59,0	53,4	71,9	21,8	50,1	35,2	58,6
Other European OECD countries	7,7	5,8	18,6	23,6	15,2	14,9	11,5	7,6	8,4	6,0	6,7	7,3	3,4	4,8	13,1	10,9	7,2	6,8	8,6	6,3	8,7	11,8	10,1	10,4
USA	9,9	6,1	9,1	5,8	13,6	6,1	13,7	4,3	21,6	7,9	10,0	8,3	7,0	15,1	16,4	5,6	11,3	8,1	7,0	3,4	9,4	12,5	11,4	7,7
Canada	1,4	0,6	0,2	0,5	3,1	0,7	0,8	0,3	0,5	0,5	1,0	0,8	3,0	0,7	1,5	0,8	1,4	0,9	0,5	0,6	8,2	1,6	3,6	0,8
Japan	0,6	3,7	1,5	3,1	0,6	5,3	2,0	6,7	0,7	4,4	0,2	2,9	1,1	3,8	0,4	2,4	0,8	5,4	0,0	2,9	0,9	5,7	0,7	4,3
Australia	1,7	0,3	0,0	0,3	1,2	0,3	0,3	0,1	0,8	0,2	2,4	0,3	1,2	0,1	3,0	0,5	0,2	0,4	0,9	0,1	5,4	0,7	2,6	0,4
Developing countries	19,2	8,9	5,9	7,7	23,9	10,8	9,6	14,8	32,0	18,2	45,6	12,8	9,3	4,3	29,4	15,0	24,4	15,6	27,6	13,1	34,7	12,3	29,5	12,5
of which:																								
OPEC	5,7	1,9	0,3	0,6	6,7	2,3	1,7	7,3	17,7	6,9	19,7	4,5	0,7	0,5	13,9	7,1	11,5	6,1	6,3	4,8	11,3	2,2	10,8	3,9
Other developing countries	13,5	7,0	5,6	7,1	17,2	8,5	7,9	7,5	14,3	11,3	25,9	8,3	8,6	3,8	15,5	7,9	12,9	9,5	21,3	8,3	23,4	10,1	18,7	8,6
Rest of the world and unspecified	4,0	4,1	4,7	4,8	6,1	7,4	8,4	5,9	4,2	3,0	5,8	3,4	6,1	2,1	6,0	7,1	4,0	3,8	2,0	1,7	10,9	5,3	6,9	5,3
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

D: 1958: West Germany; 1991: unified Germany.

Table 46

Money supply (M2/M3)

(End year; annual percentage change)

	B/L	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 10 – [a]	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	10,8	:	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	12,4	:	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	11,5	:	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	12,3	12,5	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	23,4	18,0	12,9	17,2	9,0	21,0	16,2	15,3	15,8	13,5	24,3
1972	17,0	15,0	14,4	23,6	23,4	18,8	14,2	19,0	11,9	23,4	23,2	17,8	18,2	13,0	24,7
1973	15,4	12,6	10,1	14,5	25,8	14,7	26,0	23,1	21,9	28,9	21,8	16,1	16,9	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	12,8	13,3	5,5	11,5
1975	15,1	25,1	8,6	26,5	19,2	18,1	18,9	23,7	5,7	13,1	11,7	14,5	14,8	12,6	16,5
1976	14,3	10,9	8,4	26,7	18,6	12,3	14,5	20,8	22,7	16,4	11,3	13,2	13,6	13,7	15,4
1977	10,3	9,8	11,2	22,7	19,2	14,2	17,1	21,7	3,6	21,8	14,8	13,6	14,0	10,6	13,4
1978	10,2	8,3	11,0	26,0	19,9	12,4	29,0	22,6	4,2	26,0	15,0	13,4	13,9	8,0	14,0
1979	8,2	9,7	6,0	18,4	19,3	14,0	18,7	20,8	6,9	31,0	14,4	12,0	12,6	7,8	10,8
1980	6,5	8,8	6,2	24,7	16,6	9,6	17,7	12,7	4,4	28,4	17,1	10,3	10,9	8,9	9,5
1971-80	12,4	11,8	9,8	22,6	20,5	14,8	19,0	19,7	11,0	22,2	15,6	13,9	14,4	10,1	15,7
1981	5,9	10,0	5,0	34,7	16,6	11,1	17,4	10,0	5,3	24,1	20,4	11,0	11,5	10,0	11,0
1982	5,4	11,4	7,1	29,0	17,9	12,4	13,0	18,0	7,6	24,3	12,0	11,5	12,1	8,9	7,9
1983	9,0	25,4	5,3	20,3	15,6	13,1	5,6	12,3	10,7	17,0	13,3	10,9	11,3	12,0	7,3
1984	5,8	17,8	4,7	29,4	15,6	11,0	10,1	12,1	6,9	24,9	13,6	10,0	10,5	8,6	7,8
1985	7,8	15,8	5,0	26,8	13,8	7,4	5,3	11,1	10,7	28,6	13,0	9,2	9,6	8,3	8,7
1986	12,7	8,4	6,6	19,0	14,0	6,8	−1,0	10,7	5,1	26,3	15,9	9,3	9,7	9,4	9,2
1987	10,2	4,1	5,9	24,0	15,4	9,8	10,9	7,2	4,4	19,7	16,4	9,1	9,6	3,5	10,8
1988	7,7	3,5	6,9	23,2	14,4	8,4	6,3	7,6	10,6	17,7	17,6	9,7	10,1	5,5	10,2
1989	13,3	8,3	5,6	24,2	14,6	9,6	5,0	9,9	13,7	10,4	19,1	10,8	11,1	5,1	12,0
1990	4,5	7,1	4,2	15,3	15,3	8,9	15,4	8,2	8,2	11,3	11,5	7,8	8,5	3,5	7,4
1981-90	8,2	11,2	5,6	24,6	15,3	9,8	8,8	10,7	8,3	20,4	15,3	9,9	10,4	7,5	9,2
1991	5,3	6,4	6,3	12,3	10,9	2,5	3,1	9,0	4,7	19,0	5,8	5,9	6,5	3,0	2,3

B: M3H; DK: M2; D: M3, until 1990 WD, from 1991 onwards D; GR: M3; E: ALP; F: M3; IRL: M3; I: M2; NL: M2, breaks in series 1976, 1977, 1978 and 1982; P: L⁻; UK: M4; EUR: chain-weighted arithmetic mean; weights: GDP at current market prices and ECU; USA: M2; J: M2 plus certificates of deposit.

[a] EUR 12 excl. Spain and Portugal.

Table 47

Nominal short-term interest rates

(%)

	B	DK	WD	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	:	:	3,7	:	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	3,8	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	5,0	4,0	:
1966	5,6	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	9,4	:	:	8,6	:	5,3	6,2	4,0	8,1	8,0	6,3	:
1961-70	5,2	6,8	5,0	:	:	5,4	:	3,7	3,8	:	6,3	5,2	4,3	:
1971	5,4	7,6	7,1	:	:	6,0	6,6	5,7	4,5	4,3	6,2	6,2	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	:	:	9,3	12,2	7,0	7,5	4,4	11,8	9,9	7,2	8,3
1974	10,6	10,0	9,8	:	:	13,0	14,6	14,9	10,4	5,3	13,4	11,9	7,9	14,7
1975	7,0	8,0	4,9	:	:	7,6	10,9	10,4	5,4	6,8	10,6	7,6	5,8	10,1
1976	10,1	8,9	4,3	:	:	8,7	11,7	16,0	7,4	8,4	11,6	8,8	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	8,4	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	8,1	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	10,5	10,1	5,9
1980	14,2	16,9	9,5	:	16,5	12,0	16,2	16,9	10,6	16,3	16,8	13,4	11,6	10,7
1971-80	8,4	10,9	6,9	:	:	8,8	11,4	11,3	7,0	9,3	10,8	9,0	6,9	8,0
1981	15,6	14,9	12,4	16,8	16,2	15,3	16,7	19,3	11,8	16,0	14,1	14,8	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	13,4	10,6	6,9
1983	10,5	12,0	5,8	16,6	20,1	12,5	14,0	18,3	5,7	20,9	10,1	11,4	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	10,9	9,5	6,3
1985	9,6	10,0	5,4	17,0	12,2	10,0	12,0	15,0	6,3	21,0	12,2	10,2	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	8,7	6,0	5,0
1987	7,1	9,9	4,0	14,9	15,8	8,3	11,1	11,4	5,4	13,9	9,7	8,4	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	8,2	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	10,6	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	11,4	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	10,8	8,5	6,0
1991	9,4	9,5	9,2	22,7	13,2	9,6	10,4	12,2	9,3	17,7	11,5	10,8	5,5	7,4
1992	9,4	11,5	9,5	24,5	13,3	10,4	12,4	14,0	9,4	16,2	9,6	11,1	3,5	4,4

B: 1961-84 four-month certificates of 'Fonds des Rentes'; 1985-88 three-month treasury certificates; 1989-92 three-month interbank deposits. DK: 1961-76 discount rate; 1977-88 call money; 1989-92 three-month interbank deposits. D: three-month interbank deposits. GR: 1960-April 1980 credit for working capital to industry; May 1980-87 interbank sight deposits; 1988-92: three-month interbank deposits. E: three-month interbank deposits. F: 1960-68 call money; 1969-81 one-month sale and repurchase agreements on private sector paper; 1982-92 three-month sale and repurchase agreements on private sector paper. IRL: 1961-70 three-month interbank deposits in London; 1971-92 three-month interbank deposits in Dublin. I: 1960-70 12-month treasury bills; 1971-92 interbank sight deposits. NL: 1960-September 1972 three-month treasury bills; October 1972-92 three-month interbank deposits. P: 1966-July 1985 six-month deposits; August 1985-92 three-month treasury bills. UK: 1961-September 1964 three-month treasury bills; October 1964-92 three-month interbank deposits. EUR 12: weighted geometric mean; weights: gross domestic product at current market prices and ECU. USA: three-month treasury bills. J: bonds traded with three-month repurchase agreements; certificate of deposit three-months since January 1989.

Table 48

Nominal long-term interest rates

(%)

	B	DK	WD	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	:	:	5,5	:	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	6,6	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	7,6	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	:	7,1	:	8,9	8,3	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	11,3	7,0	8,1
1975	8,5	12,7	8,5	9,4	:	10,3	14,0	11,5	6,7	9,2	:	14,5	10,5	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	10,6	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	10,1	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	9,7	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	10,8	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	12,6	10,8	8,9
1971-80	8,7	14,6	8,0	:	:	10,3	12,8	11,6	:	8,7	:	12,5	10,1	7,3	:
1981	13,8	19,3	10,4	17,7	15,8	15,9	17,3	20,6	8,7	12,2	:	14,8	14,8	12,9	8,4
1982	13,5	20,5	9,0	15,4	16,0	15,7	17,0	20,9	10,4	10,5	:	12,7	13,9	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	12,3	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	11,5	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	10,6	10,8	6,5
1986	7,9	10,6	5,9	15,8	11,4	8,4	11,1	11,7	8,7	6,4	17,9	9,8	8,9	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	9,0	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	9,1	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	9,6	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	10,9	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	11,1	10,2	6,6
1991	9,3	10,1	8,6	:	12,4	9,0	9,2	13,0	8,2	8,9	17,1	9,9	10,2	8,1	6,7
1992	8,6	10,1	8,0	:	12,2	8,6	9,1	13,7	7,9	8,1	15,0	9,1	9,8	7,7	5,3

B: State bonds over five years, secondary market. DK: State bonds. D: public-sector bonds outstanding. GR: State bonds. E: 1979-87 State bonds of two to four years; 1988-92 State bonds of more than two years. F: 1960-79 public-sector bonds; 1980-92 State bonds over seven years. IRL: 1960-70 State bonds 20 years in London; 1971-92 State bonds 15 years in Dublin. I: 1960-84 Crediop bonds; 1985-91 rate of specialized industrial credit institutions (gross rate); from January 1992: public-sector bonds outstanding. NL: 1960-73 3,25% State bond 1948; 1974-84 private loans to public enterprises; 1985-92 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: weighted geometric mean; weights: gross domestic product at current market prices and ECU. USA: 1960-88 federal government bonds over 10 years; 1989-92 federal government bonds over 30 years. J: 1961-78 State bonds; 1979-June 1987: over-the- counter sales of State bonds; 1987-April 1989: benchmark: bonds No 111-1988; 1989-92: benchmark: bonds No 119-1999.

Table 49

Gross official reserves

(End year; Mrd ECU)

	B/L	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12–
1960	1,44	0,27	6,67	0,23	0,51	2,17	0,31	3,10	1,78	0,61	3,55	20,62
1961	1,69	0,26	6,68	0,25	0,83	3,14	0,32	3,55	1,83	0,52	3,10	22,15
1962	1,64	0,24	6,49	0,27	0,97	3,78	0,33	3,79	1,81	0,63	3,09	23,03
1963	1,84	0,44	7,13	0,27	1,07	4,58	0,38	3,38	1,96	0,68	2,94	24,66
1964	2,08	0,60	7,36	0,26	1,41	5,35	0,42	3,57	2,19	0,81	2,16	26,21
1965	2,18	0,55	6,94	0,23	1,33	5,93	0,38	4,48	2,26	0,88	2,81	27,97
1966	2,21	0,56	7,53	0,26	1,18	6,32	0,46	4,60	2,30	1,01	2,91	29,33
1967	2,52	0,52	7,92	0,28	1,07	6,80	0,43	5,30	2,55	1,20	2,62	31,20
1968	2,42	0,46	10,55	0,34	1,27	4,83	0,55	5,76	2,72	1,49	2,64	33,03
1969	2,35	0,44	7,01	0,31	1,26	3,78	0,68	4,96	2,49	1,42	2,48	27,17
1970	2,87	0,48	13,54	0,31	1,81	5,07	0,68	5,41	3,28	1,53	2,85	37,82
1971	3,37	0,66	17,47	0,48	3,03	7,98	0,90	6,59	3,71	1,89	8,10	54,18
1972	4,56	0,82	24,44	1,02	4,90	11,54	1,03	7,53	5,66	2,75	5,64	69,91
1973	6,82	1,23	35,07	1,09	6,58	13,21	0,89	10,34	8,77	4,04	6,73	94,76
1974	9,10	0,95	39,32	1,16	6,81	18,63	1,06	14,99	11,78	5,07	7,95	116,81
1975	8,58	0,91	36,70	1,27	6,45	19,43	1,35	11,14	10,75	3,68	6,49	106,74
1976	8,12	0,96	40,61	1,22	5,87	17,03	1,66	12,76	11,07	3,46	5,50	108,24
1977	8,95	1,56	44,29	1,36	6,83	18,49	1,98	17,79	12,05	3,55	19,42	136,27
1978	9,89	2,60	54,76	1,57	9,74	23,52	2,02	21,75	12,71	4,27	15,41	158,23
1979	10,41	2,59	57,59	1,47	12,28	29,44	1,62	26,69	14,52	5,32	17,39	179,33
1980	20,54	3,28	76,57	2,49	15,26	57,10	2,25	45,94	27,50	10,03	23,69	284,62
1981	18,28	3,01	79,81	2,19	15,84	52,52	2,59	45,48	26,26	9,41	22,13	277,53
1982	16,24	2,94	82,14	2,31	13,27	46,30	2,84	39,02	26,52	8,57	19,71	259,85
1983	20,94	5,17	98,20	2,95	15,92	63,69	3,33	56,31	33,25	10,21	23,17	333,13
1984	21,97	4,99	100,90	3,21	23,51	66,18	3,03	59,67	32,89	9,95	22,51	348,82
1985	19,02	6,78	88,94	2,63	19,62	62,53	3,45	44,24	29,55	9,74	21,02	307,52
1986	17,70	4,79	84,32	2,64	17,97	59,71	3,16	43,35	26,52	8,69	23,44	292,28
1987	20,55	8,30	96,13	3,38	28,31	57,53	3,83	49,45	29,44	10,27	37,64	344,84
1988	19,92	9,80	85,10	4,36	36,71	50,82	4,41	53,44	29,27	10,07	45,32	349,21
1989	19,09	5,89	82,27	3,86	39,99	47,42	3,46	61,17	28,34	13,66	39,09	344,24
1990	17,60	8,31	77,74	3,56	42,62	50,75	3,88	66,08	25,40	15,18	34,06	345,19
1991	17,21	5,96	72,11	4,81	53,06	44,89	4,26	60,69	24,70	19,51	37,85	345,05
1992	15,43	9,60	98,09	4,95	42,07	44,90	2,85	44,53	26,23	20,21	39,76	348,60

Source: 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	WD	GR	E	F	IRL	I	NL	P	UK	USA	J
1960	52,810	7,2954	4,4361	31,69	63,37	5,2145	0,37722	660,1	4,0136	30,37	0,37722	1,0562	380,23
1961	53,367	7,3722	4,3074	32,02	64,04	5,2695	0,38119	667,1	3,8985	30,69	0,38119	1,0673	384,24
1962	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1963	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1964	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1965	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1966	53,490	7,3893	4,2792	32,09	64,14	5,2817	0,38207	668,6	3,8727	30,76	0,38207	1,0698	385,13
1967	53,240	7,4229	4,2592	31,94	65,11	5,2570	0,38765	665,5	3,8546	30,61	0,38765	1,0648	383,33
1968	51,444	7,7166	4,1155	30,87	72,02	5,0797	0,42870	643,1	3,7246	29,58	0,42870	1,0289	370,40
1969	51,109	7,6664	4,0262	30,67	71,55	5,2903	0,42591	638,9	3,7003	29,39	0,42591	1,0222	367,99
1970	51,112	7,6668	3,7414	30,67	71,36	5,6777	0,42593	638,9	3,7005	29,38	0,42593	1,0222	368,00
1971	50,866	7,7526	3,6457	31,43	72,57	5,7721	0,42858	647,4	3,6575	29,64	0,42858	1,0478	363,83
1972	49,361	7,7891	3,5768	33,65	72,00	5,6572	0,44894	654,3	3,5999	30,48	0,44894	1,1218	339,72
1973	47,801	7,4160	3,2764	36,95	71,81	5,4678	0,50232	716,5	3,4285	30,27	0,50232	1,2317	333,17
1974	45,912	7,1932	3,0867	35,78	68,84	5,6745	0,51350	791,7	3,1714	29,93	0,51350	1,2021	339,68
1975	45,569	7,1227	3,0494	39,99	70,27	5,3192	0,55981	809,5	3,1349	31,44	0,56003	1,2408	360,73
1976	43,166	6,7618	2,8155	40,88	74,74	5,3449	0,62192	930,2	2,9552	33,62	0,62158	1,1180	331,21
1977	40,883	6,8557	2,6483	42,16	86,82	5,6061	0,65370	1 006,8	2,8001	43,62	0,65370	1,1411	305,81
1978	40,061	7,0195	2,5561	46,80	97,42	5,7398	0,66389	1 080,2	2,7541	55,87	0,66391	1,2741	267,08
1979	40,165	7,2079	2,5110	50,76	91,97	5,8298	0,66945	1 138,4	2,7488	67,01	0,64630	1,3705	300,46
1980	40,598	7,8274	2,5242	59,42	99,70	5,8690	0,67600	1 189,2	2,7603	69,55	0,59849	1,3923	315,04
1981	41,295	7,9226	2,5139	61,62	102,68	6,0399	0,69102	1 263,2	2,7751	68,49	0,55311	1,1164	245,38
1982	44,712	8,1569	2,3760	65,34	107,56	6,4312	0,68961	1 323,8	2,6139	78,01	0,56046	0,9797	243,55
1983	45,438	8,1319	2,2705	78,09	127,50	6,7708	0,71496	1 349,9	2,5372	98,69	0,58701	0,8902	211,35
1984	45,442	8,1465	2,2381	88,42	126,57	6,8717	0,72594	1 381,4	2,5234	115,68	0,59063	0,7890	187,09
1985	44,914	8,0188	2,2263	105,74	129,13	6,7950	0,71517	1 448,0	2,5110	130,25	0,58898	0,7631	180,56
1986	43,798	7,9357	2,1282	137,42	137,46	6,7998	0,73353	1 461,9	2,4009	147,09	0,67154	0,9842	165,00
1987	43,041	7,8847	2,0715	156,27	142,16	6,9291	0,77545	1 494,9	2,3342	162,62	0,70457	1,1544	166,60
1988	43,429	7,9515	2,0744	167,58	137,60	7,0364	0,77567	1 537,3	2,3348	170,06	0,66443	1,1825	151,46
1989	43,381	8,0493	2,0702	178,84	130,41	7,0239	0,77682	1 510,5	2,3353	173,41	0,67330	1,1017	151,94
1990	42,426	7,8565	2,0521	201,41	129,41	6,9141	0,76777	1 522,0	2,3121	181,11	0,71385	1,2734	183,66
1991	42,223	7,9086	2,0508	225,22	128,47	6,9733	0,76781	1 533,2	2,3110	178,61	0,70101	1,2392	166,49
1992	41,593	7,8093	2,0203	247,03	132,53	6,8484	0,76072	1 595,5	2,2748	174,71	0,73765	1,2981	164,22

Table 51

Central rates against the ecu

(National currency units per ECU)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
				a				b		c	d
13.3.1979[e]	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	1 350,27	2,57971	—	(0,560453)
21.3.1983	44,3662	8,04412	2,21515	—	—	6,79271	0,717050	1 386,78	2,49587	—	(0,629848)
18.5.1983	44,9008	8,14104	2,24184	—	—	6,87456	0,725690	1 403,49	2,52595	—	(0,587087)
17.9.1984[f]	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[g]	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[h]	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[i]	42,4032	7,84195	2,05586	(205,311)	133,631	6,89509	0,767417	1 538,24	2,31643	(178,735)	0,696904
14.9.1992	42,0639	7,77921	2,03942	(251,202)	132,562	6,83992	0,761276	1 636,61	2,29789	177,305	0,691328
17.9.1992[j]	41,9547	7,75901	2,03412	(250,550)	139,176	6,82216	0,759300	(1 632,36)	2,29193	176,844	(0,689533)
23.11.1992	40,6304	7,51410	1,96992	(254,254)	143,386	6,60683	0,735334	(1 690,76)	2,21958	182,194	(0,805748)
1.2.1993	40,2802	7,44934	1,95294	(259,306)	142,150	6,54988	0,809996	(1 796,22)	2,20045	180,624	(0,808431)

a Notional central rates.
b Temporary notional central rates as from 17 September 1992.
c Notional central rates until escudo entry into the exchange-rate mechanism (ERM) on 6 April 1992.
d Notional central rates until 8 October 1990 (sterling entry into ERM) and as from 17 September 1992 (suspension of sterling participation in the ERM).
e Initial parities at the start of the European monetary system.
f Revised composition of the ecu and inclusion of the drachma.
g Revised composition of the ecu and inclusion of the peseta and the escudo. The central rate of the peseta was fixed on 19 June 1989 when it entered the ERM.
h Accompanied by a narrowing of the Italian lira fluctuation band from 6% to 2,25%.
i Sterling entry into the ERM with a fluctuation margin of 6%.
j Accompanied by a suspension of their participation in the ERM by sterling and the Italian lira.

Table 52

Bilateral central rates since 1 February 1993

		BFR/LFR (Bruxelles)	DKR (København)	DM (Frankfurt)	PTA (Madrid)	FF (Paris)	IRL (Dublin)	HFL (Amsterdam)	ESC (Lisboa)
BFR/LFR 100	+ 2,25	100	18,4938	4,84837	352,903	16,2608	2,0109	5,46286	448,418
DKR 100	+ 2,25	540,723	100	26,2162	1 908,23	87,9257	10,8734	29,5389	2 424,69
DM 100	+ 2,25	2 062,55	381,443	100	7 278,77	335,386	41,4757	112,673	9 248,80
PTA 100	+ 6,00	28,3364	5,24047	1,37386	100	4,60772	0,569818	1,54798	127,065
FF 100	+ 2,25	614,977	113,732	29,8164	2 170,27	100	12,3666	33,5953	2 757,66
IRL 1	+ 2,25	49,7289	9,19676	2,41105	175,495	8,08631	1	2,71662	222,994
HFL 100	+ 2,25	1 830,54	338,537	88,7526	6 460,05	297,661	36,8105	100	8 208,49
ESC 100	+ 6,00	22,3006	4,12423	1,08122	78,6999	3,62626	0,448443	1,21825	100

The drachma does not participate in the exchange-rate mechanism (ERM). Italian lira intervention limits temporarily not applicable and sterling participation in the ERM suspended, as from 17 September 1992. Their notional central rates are DRA 259,306, LIT 1 796,22 and UKL 0,808431 respectively for one ecu.

Table 53

Nominal effective exchange rates
Relative to 19 industrial countries; double export weights

(1980 = 100)

	B	DK	WD	GR	E	F	IRL	I	NL	P	UK	EUR 12–[a]	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	92,4	95,7	123,3	24,2	74,4	79,0	86,7	72,4	116,4	37,8	79,1	76,7	97,9	185,1
1992	94,5	98,4	127,4	22,3	73,0	81,8	89,1	70,4	119,3	39,2	76,3	78,5	95,7	194,3

For a detailed commentary on the method used see *European Economy* No 8, March 1981.
[a] Against nine industrial non-member countries.

Table 54

Current receipts
General government

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E[a]	F	IRL	I	L	NL[b]	P	UK	EUR 9 – (ECU)[c]	EUR 12 – (ECU)	EUR 12 + (ECU)	USA	J
1960	27,9	27,3	35,5	:	21,1	:	34,9	24,8	28,8	31,0	33,9	19,1	29,9	32,3	:	:	27,6	:
1961	29,0	26,6	36,6	:	22,0	:	36,2	25,7	28,2	33,4	34,9	20,0	31,3	33,3	:	:	27,7	:
1962	29,8	28,2	37,0	:	23,2	:	36,3	25,2	29,1	31,7	34,4	20,8	32,8	34,0	:	:	27,9	:
1963	30,0	29,9	37,3	:	23,2	:	37,1	26,1	29,5	31,8	35,6	20,5	31,5	34,1	:	:	28,5	:
1964	30,6	29,7	36,8	:	24,0	:	38,0	26,9	30,6	31,8	35,7	20,7	31,4	34,4	:	:	27,4	:
1965	31,3	31,2	36,1	:	23,7	:	38,4	27,9	30,1	33,5	37,3	21,7	33,0	34,7	:	:	27,3	:
1966	33,1	33,5	36,7	:	25,3	:	38,4	30,0	30,1	33,9	39,2	22,2	34,2	35,4	:	:	28,0	:
1967	33,9	34,1	37,4	:	26,2	:	38,2	30,6	31,0	34,3	40,6	22,3	36,2	36,2	:	:	28,6	:
1968	34,5	36,9	38,4	:	27,3	:	38,8	31,0	31,6	33,2	42,4	23,1	37,7	37,2	:	:	30,2	:
1969	35,0	37,2	39,8	:	27,2	:	39,8	31,6	30,7	32,8	43,2	24,0	39,3	38,1	:	:	31,4	:
1970	35,9	41,7	38,9	:	26,8	22,2	39,0	35,3	30,4	34,4	41,2	26,0	40,2	37,9	:	:	30,5	21,1
1961-70	32,3	32,9	37,5	:	24,9	:	38,0	29,0	30,1	33,1	38,4	22,1	34,8	35,5	:	:	28,7	:
1970	35,9	46,1	38,9	:	:	22,2	39,0	33,2	28,8	36,4	41,2	26,0	39,8	37,5	:	:	30,5	21,1
1971	36,4	46,8	40,1	:	:	22,4	38,6	34,1	29,5	39,7	42,9	25,2	38,1	37,8	:	:	29,9	22,0
1972	36,2	46,4	40,4	:	:	22,9	38,9	32,9	29,4	39,8	44,0	25,3	36,0	37,6	:	:	31,0	21,9
1973	37,1	46,0	42,9	:	:	23,6	39,0	32,2	28,5	40,2	45,3	24,9	35,4	38,5	:	:	31,2	22,9
1974	38,5	47,9	43,4	:	26,7	22,9	39,7	36,8	28,0	41,3	46,3	25,0	39,3	39,6	38,1	:	32,0	24,9
1975	41,3	45,7	43,4	:	27,1	24,5	41,4	34,4	28,5	49,9	48,7	27,7	40,0	40,3	38,9	:	30,4	24,5
1976	41,1	46,1	44,7	:	29,2	25,3	43,5	38,0	29,7	51,4	49,0	30,7	39,4	41,6	40,2	:	31,3	24,0
1977	42,7	46,6	45,8	:	29,6	26,5	43,2	36,7	30,6	55,4	49,9	30,5	38,5	41,9	40,6	:	31,4	25,1
1978	43,6	48,4	45,4	:	29,9	27,2	43,1	35,1	31,8	56,5	50,2	29,5	37,1	41,9	40,6	:	31,7	25,0
1979	44,3	49,8	45,2	:	30,4	28,4	44,7	34,6	31,3	53,4	50,9	29,7	37,8	42,1	40,9	:	32,1	26,9
1980	43,8	51,6	45,6	:	30,2	29,9	46,5	37,8	33,3	55,1	52,5	30,9	39,7	43,2	42,0	:	32,4	28,1
1971-80	40,5	47,5	43,7	:	:	25,4	41,9	35,3	30,1	48,3	48,0	27,9	38,1	40,4	:	:	31,3	24,5
1981	44,6	51,7	45,7	:	28,8	31,3	47,3	38,7	34,3	55,8	53,1	32,4	41,7	43,9	42,7	:	33,2	29,6
1982	46,3	50,9	46,4	:	32,0	31,5	48,2	41,2	36,1	55,7	53,4	33,4	42,2	44,7	43,5	:	33,0	30,0
1983	45,6	53,2	46,0	:	33,2	33,6	48,8	42,7	37,9	58,3	54,7	37,0	41,5	45,0	44,0	:	32,7	30,3
1984	46,8	54,8	46,2	:	34,2	33,5	49,8	43,3	37,7	56,4	53,4	34,6	41,4	45,1	44,1	:	32,7	30,8
1985	47,0	56,1	46,5	:	34,2	34,7	49,9	42,5	38,3	58,2	53,7	33,4	41,3	45,4	44,4	:	33,3	31,5
1986	46,3	57,7	45,8	:	35,1	35,9	49,4	42,6	39,1	55,6	52,5	37,3	40,2	45,1	44,3	:	33,6	31,7
1987	46,6	58,2	45,5	:	36,0	37,7	49,8	42,6	39,2	57,5	53,5	36,2	39,5	45,0	44,3	:	34,3	33,3
1988	45,3	58,6	44,8	:	34,1	37,7	49,2	43,3	39,6	56,0	53,0	37,6	39,1	44,5	43,8	:	33,8	33,7
1989	44,0	57,6	45,6	:	31,7	39,4	48,7	39,5	41,5	53,9	50,1	39,5	38,7	44,6	44,0	:	34,3	34,0
1990	44,5	55,8	43,9	:	33,9	39,3	48,9	39,5	42,2	53,9	50,1	38,8	38,7	44,3	43,7	:	34,2	35,2
1981-90	45,7	55,5	45,6	:	33,3	35,5	49,0	41,6	38,6	56,1	52,7	36,0	40,4	44,8	43,9	:	33,5	32,0
1991	44,6	55,1	45,6	46,6	36,3	40,0	48,7	40,1	43,3	48,5	52,7	40,0	38,0	45,0	44,4	44,7	34,2	33,8
1992	44,6	55,8	46,4	47,4	37,8	41,4	48,5	40,5	44,8	49,7	51,6	41,3	37,2	45,4	44,9	45,2	33,9	:
1993	45,1	55,8	46,8	47,5	39,7	42,3	49,0	40,8	45,6	49,7	51,7	41,1	36,8	45,8	45,4	45,7	33,7	:

[a] Break in 1985/86.
[b] Break in 1968/69 and 1986/87.
[c] EUR 12 excl. Greece, Spain and Portugal.

Table 55

Total expenditure
General government

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E[a]	F	IRL	I	L	NL[b]	P	UK	EUR 9 – (ECU)[c]	EUR 12 – (ECU)	EUR 12 + (ECU)	USA	J
1960	30,7	24,8	32,5	:	:	:	34,6	28,0	30,1	29,1	33,7	18,5	32,2	32,3	:	:	27,0	:
1961	30,1	27,1	33,8	:	:	:	35,7	29,7	29,4	29,7	35,4	20,9	33,1	33,2	:	:	28,3	:
1962	30,9	28,1	35,6	:	:	:	37,0	29,5	30,5	30,5	35,6	20,3	33,9	34,4	:	:	28,4	:
1963	31,9	28,6	36,4	:	:	:	37,8	30,5	31,1	30,4	37,6	21,8	35,4	35,3	:	:	28,2	:
1964	31,3	28,4	36,1	:	:	:	38,0	31,8	31,8	30,7	37,8	21,8	33,5	35,0	:	:	27,6	:
1965	32,7	29,9	36,7	:	:	:	38,4	33,1	34,3	31,6	38,7	21,5	35,9	36,3	:	:	27,1	:
1966	33,9	31,7	36,9	:	:	:	38,5	33,6	34,3	33,1	40,7	21,7	35,2	36,4	:	:	28,2	:
1967	35,0	34,3	38,8	:	:	:	39,0	34,8	33,7	36,0	42,5	22,2	38,3	37,8	:	:	30,2	:
1968	36,9	36,3	39,2	:	:	:	40,3	35,2	34,7	35,8	43,9	22,4	39,3	38,8	:	:	30,7	:
1969	36,7	36,3	38,8	:	:	:	39,6	36,6	34,2	32,6	44,4	22,4	41,0	38,8	:	:	30,4	:
1970	37,0	40,2	38,7	:	:	21,5	38,9	39,6	34,2	32,5	42,4	23,2	38,8	38,2	:	:	31,6	19,3
1961-70	33,7	32,1	37,1	:	:	:	38,3	33,5	32,8	32,3	39,9	21,8	36,5	36,4	:	:	29,1	:
1970	38,3	42,0	38,7	:	:	21,5	38,1	37,4	32,1	33,2	42,4	23,2	36,8	37,4	:	:	31,6	19,3
1971	40,1	42,9	40,2	:	:	22,9	38,0	38,3	34,3	37,1	43,9	23,0	36,7	38,3	:	:	31,6	20,7
1972	41,0	42,5	40,9	:	:	22,5	38,3	37,0	36,4	37,5	44,4	24,5	37,3	39,1	:	:	31,3	21,8
1973	41,3	40,8	41,7	:	:	22,4	38,4	36,8	35,0	36,4	44,6	23,3	38,1	39,4	:	:	30,7	22,4
1974	41,6	44,8	44,7	:	:	22,6	39,4	45,0	34,4	36,0	46,6	26,4	43,1	41,6	:	:	32,3	24,5
1975	46,8	47,0	49,0	:	:	24,4	43,8	47,0	39,1	48,7	51,5	31,9	44,5	45,5	:	:	34,5	27,2
1976	47,4	46,4	48,1	:	:	25,6	44,3	46,6	37,8	49,4	51,7	36,6	44,4	45,2	:	:	33,4	27,7
1977	49,0	47,2	48,2	:	:	27,1	44,1	44,3	37,7	52,1	51,6	35,2	41,7	44,9	:	:	32,3	29,0
1978	50,4	48,7	47,9	:	:	28,9	45,2	44,8	40,4	51,5	52,9	36,4	41,5	45,6	:	:	31,5	30,5
1979	51,9	51,5	47,8	:	:	30,1	45,6	46,0	39,7	52,6	54,6	35,8	41,0	45,6	:	:	31,7	31,6
1980	53,1	54,8	48,5	:	:	32,5	46,6	50,5	41,9	55,9	56,5	:	43,1	46,8	:	:	33,7	32,6
1971-80	46,3	46,7	45,7	:	:	25,9	42,3	43,6	37,7	45,7	49,8	:	41,1	43,2	:	:	32,3	26,8
1981	58,1	58,6	49,4	:	39,6	35,2	49,2	52,1	45,8	59,8	58,6	41,7	44,4	48,8	47,7	:	34,2	33,4
1982	57,8	60,0	49,7	:	39,6	37,1	50,9	55,0	47,4	57,3	60,5	43,8	44,7	49,8	48,7	:	36,4	33,6
1983	57,4	60,4	48,5	:	41,3	38,4	52,0	54,4	48,6	56,9	61,0	46,1	44,8	50,0	49,1	:	36,8	33,9
1984	56,3	58,9	48,1	:	44,1	38,9	52,5	53,1	49,4	53,6	59,6	46,6	45,3	50,0	49,2	:	35,6	32,9
1985	56,0	58,1	47,7	:	47,9	41,6	52,7	53,7	50,9	51,9	58,5	43,5	44,2	49,9	49,3	:	36,4	32,3
1986	55,6	54,3	47,1	:	47,2	41,9	52,2	53,7	50,7	51,3	58,5	44,6	42,6	49,3	48,8	:	37,1	32,6
1987	54,1	55,7	47,4	:	47,7	40,8	51,7	51,5	50,2	55,2	59,4	43,0	40,8	48,9	48,3	:	36,8	32,8
1988	52,0	58,0	47,0	:	47,9	41,0	50,8	48,1	50,3	52,9	57,6	43,0	38,1	47,8	47,3	:	35,8	32,2
1989	50,8	58,1	45,5	:	49,4	42,2	49,8	41,3	51,4	48,6	54,8	42,9	37,8	47,1	46,7	:	35,8	31,5
1990	50,2	57,2	45,9	:	52,5	43,3	50,3	42,0	53,2	48,9	55,0	44,3	40,0	48,1	47,8	:	36,7	32,3
1981-90	54,8	57,9	47,6	:	45,7	40,0	51,2	50,5	49,8	53,6	58,4	43,9	42,3	49,0	48,3	:	36,2	32,8
1991	51,2	57,1	49,2	49,8	51,5	45,0	50,6	42,2	53,5	49,3	55,2	46,4	40,8	49,4	49,0	49,2	37,7	31,4
1992	51,5	58,1	49,9	50,7	51,2	46,0	51,3	43,2	55,4	50,1	55,1	46,9	43,5	50,7	50,3	50,5	38,7	:
1993	51,3	58,5	50,7	51,1	49,5	46,5	52,2	43,8	55,8	50,6	55,2	45,9	45,1	51,5	51,0	51,1	38,5	:

[a] Break in 1985/86.
[b] Breaks in 1968/69 and 1986/87.
[c] EUR 12 excl. Greece, Spain and Portugal.

Table 56

Net lending (+) or net borrowing (−)
General government

(Percentage of GDP at market prices)

	B	DK	WD	D	GR	E[a]	F	IRL	I	L	NL[b]	P	UK	EUR 9− (ECU)[a]	EUR 12− (ECU)	EUR 12+ (ECU)	USA	J
1960	−2,9	3,1	3,0	:	:	:	0,9	−2,4	−0,9	3,0	0,8	0,6	−1,0	0,6	:	:	0,7	:
1961	−1,3	0,1	2,8	:	:	:	1,0	−3,2	−0,8	4,7	0,1	−0,9	−0,7	0,6	:	:	−0,6	:
1962	−1,3	0,6	1,4	:	:	:	−0,1	−3,6	−1,0	2,2	−0,6	0,6	0,0	0,1	:	:	−0,5	:
1963	−2,2	1,9	0,9	:	:	:	−0,1	−3,6	−1,2	2,5	−1,3	−1,3	−2,8	−0,7	:	:	0,3	:
1964	−0,8	1,8	0,7	:	:	:	0,7	−4,1	−0,8	2,1	−1,5	−1,1	−1,1	−0,1	:	:	−0,2	:
1965	−1,6	1,8	−0,6	:	:	:	0,7	−4,3	−3,8	2,8	−0,8	0,3	−1,9	−1,1	:	:	0,2	:
1966	−1,0	2,3	−0,2	:	:	:	0,6	−2,8	−3,8	1,8	−0,9	0,5	0,0	−0,5	:	:	−0,1	:
1967	−1,3	0,4	−1,4	:	:	:	0,0	−3,3	−2,2	−0,7	−1,3	0,1	−1,0	−1,1	:	:	−1,7	:
1968	−2,6	1,1	−0,8	:	:	:	−0,8	−3,3	−2,8	−1,6	−0,9	0,7	−0,5	−1,1	:	:	−0,5	:
1969	−1,8	1,4	1,1	:	:	:	0,9	−4,2	−3,1	1,1	−0,5	1,6	−0,6	−0,2	:	:	1,0	:
1970	−1,3	2,1	0,2	:	:	0,7	0,9	−3,7	−3,5	2,8	−1,2	2,8	2,4	0,1	:	:	−1,1	1,8
1961-70	−1,5	1,3	0,4	:	:	:	0,4	−3,6	−2,3	1,8	−0,9	0,3	−0,6	−0,4	:	:	−0,3	:
1970	−2,4	4,1	0,2	:	:	0,7	0,9	−4,3	−3,3	3,2	−1,2	2,8	3,0	0,2	:	:	−1,1	1,8
1971	−3,7	3,9	−0,2	:	:	−0,5	0,6	−4,2	−4,8	2,6	−1,0	2,3	1,3	−0,6	:	:	−1,8	1,3
1972	−4,8	3,9	−0,5	:	:	0,3	0,6	−4,1	−7,0	2,3	−0,4	0,9	−1,3	−1,5	:	:	−0,3	0,2
1973	−4,2	5,2	1,2	:	:	1,1	0,6	−4,6	−6,5	3,8	0,8	1,6	−2,7	−0,9	:	:	0,5	0,5
1974	−3,1	3,1	−1,3	:	:	0,2	0,3	−8,2	−6,4	5,3	−0,2	−1,4	−3,8	−2,0	:	:	−0,3	0,4
1975	−5,5	−1,4	−5,6	:	:	0,0	−2,4	−12,5	−10,6	1,1	−2,9	−4,1	−4,5	−5,1	:	:	−4,1	−2,8
1976	−6,3	−0,3	−3,4	:	:	−0,3	−0,7	−8,6	−8,1	2,0	−2,6	−5,9	−4,9	−3,7	:	:	−2,2	−3,7
1977	−6,4	−0,6	−2,4	:	:	−0,6	−0,8	−7,6	−7,0	3,3	−1,8	−4,7	−3,2	−3,0	:	:	−0,9	−3,8
1978	−6,8	−0,4	−2,4	:	:	−1,7	−2,1	−9,7	−8,5	5,0	−2,8	−6,9	−4,4	−3,7	:	:	0,1	−5,5
1979	−7,6	−1,7	−2,6	:	:	−1,6	−0,8	−11,4	−8,3	0,7	−3,7	−6,1	−3,3	−3,5	:	:	0,4	−4,7
1980	−9,3	−3,3	−2,9	:	:	−2,6	0,0	−12,7	−8,6	−0,8	−4,0	:	−3,4	−3,6	:	:	−1,3	−4,4
1971-80	−5,8	0,9	−2,0	:	:	−0,6	−0,5	−8,4	−7,6	2,5	−1,9	:	−3,0	−2,8	:	:	−1,0	−2,3
1981	−13,4	−6,9	−3,7	:	−10,7	−3,9	−1,9	−13,4	−11,4	−3,9	−5,5	−9,3	−2,6	−4,9	−5,0	:	−1,0	−3,8
1982	−11,5	−9,1	−3,3	:	−7,6	−5,6	−2,8	−13,8	−11,3	−1,6	−7,1	−10,4	−2,5	−5,1	−5,2	:	−3,4	−3,6
1983	−11,8	−7,2	−2,6	:	−8,1	−4,7	−3,2	−11,8	−10,6	1,5	−6,4	−9,0	−3,3	−5,0	−5,1	:	−4,1	−3,6
1984	−9,5	−4,1	−1,9	:	−9,8	−5,4	−2,8	−9,8	−11,6	2,8	−6,3	−12,0	−3,9	−4,9	−5,1	:	−2,9	−2,1
1985	−9,0	−2,0	−1,2	:	−13,6	−6,9	−2,9	−11,2	−12,6	6,2	−4,8	−10,1	−2,9	−4,5	−4,9	:	−3,1	−0,8
1986	−9,4	3,4	−1,3	:	−12,0	−6,0	−2,7	−11,1	−11,6	4,3	−6,0	−7,2	−2,4	−4,3	−4,5	:	−3,5	−0,9
1987	−7,5	2,4	−1,9	:	−11,6	−3,1	−1,9	−8,9	−11,0	2,4	−5,9	−6,8	−1,3	−3,9	−4,0	:	−2,5	0,5
1988	−6,7	0,6	−2,2	:	−13,8	−3,3	−1,7	−4,8	−10,7	3,1	−4,6	−5,4	1,0	−3,3	−3,4	:	−2,0	1,5
1989	−6,7	−0,5	0,1	:	−17,7	−2,8	−1,1	−1,8	−9,9	5,3	−4,7	−3,4	0,9	−2,5	−2,7	:	−1,5	2,5
1990	−5,7	−1,4	−2,0	:	−18,6	−4,0	−1,4	−2,5	−10,9	5,0	−4,9	−5,5	−1,3	−3,8	−4,0	:	−2,5	3,0
1981-90	−9,1	−2,5	−2,0	:	−12,4	−4,6	−2,2	−8,9	−11,2	2,5	−5,6	−7,9	−1,8	−4,2	−4,4	:	−2,7	−0,7
1991	−6,6	−2,0	−3,6	−3,2	−15,2	−4,9	−1,9	−2,1	−10,2	−0,8	−2,5	−6,4	−2,8	−4,4	−4,6	−4,5	−3,4	2,4
1992	−6,9	−2,3	−3,5	−3,2	−13,4	−4,6	−2,8	−2,7	−10,5	−0,4	−3,5	−5,6	−6,2	−5,3	−5,3	−5,2	−4,8	:
1993	−6,2	−2,7	−3,9	−3,6	−9,8	−4,2	−3,2	−3,0	−10,2	−1,0	−3,5	−4,8	−8,3	−5,7	−5,6	−5,4	−4,8	:

[a] Break in series 1985/86.
[b] Break in series 1968/69, 1986/87.
[c] EUR 12 excl. Greece, Spain and Portugal.

Table 57

Budgetary expenditure of the European Communities

(Mio UA/EUA/ECU)[a]

	ECSC operational budget	European Development Fund	Euratom[b]	EC general budget: EAGGF[c]	EC general budget: Social Fund	EC general budget: Regional Fund	EC general budget: Industry, energy, research	EC general budget: Administration[d]	EC general budget: Other	EC general budget: Total EC	Total
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]	45 859,8	47 560,8
1990	488,0	1 256,5	—	27 233,8	3 212,0	4 554,1	1 738,7	2 298,1	7 567,9	46 604,6[m]	48 349,1
1991	495,0	1 191,1	—	35 458,0	4 069,0	6 309,0	2 077,1	2 827,7	6 681,2	57 422,0[n]	59 108,1
1992	536,0	:	—	38 461,6	4 817,2	7 578,7	2 423,7	2 927,4	6 619,0	62 827,6[o]	:

[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] Court of Auditors report 1991.
[n] Rectifying and supplementary budget No 1 of 1991.
[o] General budget of the EC for 1992.

Source: 1958-90: 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	1 256,5	—	—	4 840,2	2 084,1	11 427,9	29 252,4	47 604,6 [l]	49 349,1
1991	495,0	1 467,0	—	—	4 356,0	2 295,4	11 949,7	38 821,8	57 420,0 [m]	59 109,0
1992	536,0	:	—	—	385,9	2 328,6	11 599,9	48 513,2	62 827,6 [n]	:

[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] Court of Auditors report 1991.
[m] Rectifying and supplementary budget No 1 of 1990.
[n] General budget of the EC for 1992.

Note: From 1988 onwards agricultural levies, sugar levies and customs duties are net of 10 % collection costs previously included as an expenditure item.

Source: 1958-90: 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	—	350 [g]	76	12 508
1991	1 446	13 672	—	1 695 [g]	49	16 862

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 [h]	6 738	42 330	1 945	2 075	5 122	58 210
1990 [h]	6 673	48 459	1 687	2 045 [g]	4 542	63 406
1991 [h]	7 139	58 893	1 563	3 516 [g]	3 817	74928

[a] ECSC: 1958-74 UA, 1975-89 EUA/ECU. EIB: 1961-73 UA, 1974-89 EUA. 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.
[g] EEC balance-of-payments financing and financial assistance to non-member countries.
[h] Including short term, new EIB approach.

Source: European Economy: Report on the borrowing and lending activities of the Community.

Table 61

Main economic indicators 1961-93 [a]

EUR 12 – [b]

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	10,2	13,2	8,6	8,6	7,0	8,7	8,5	8,2	6,9	5,7	4,5
— at constant prices											
incl. West Germany	4,8	1,9	2,4	2,8	2,9	4,1	3,4	2,8	1,4	1,1	0,7
incl. Unified Germany	:	:	:	:	:	:	:	:	:	1,2	0,8
2. Gross fixed capital formation at constant prices											
— total	5,6	−0,3	2,2	4,3	5,5	8,8	7,1	4,0	0,0	−0,1	−1,0
— construction [c]	:	−1,3	−1,7	3,9	3,2	6,8	6,1	3,7	0,5	1,1	−0,5
— equipment [c]	:	1,4	8,0	4,3	8,5	10,6	9,0	4,8	−0,2	−1,3	−1,6
3. Gross fixed capital formation at current prices (% of GDP)											
— total	23,2	21,3	19,0	19,0	19,3	20,0	20,7	20,9	20,3	19,8	19,6
— general government [d]	:	3,2	2,8	2,8	2,6	2,6	2,8	2,9	2,9	2,8	2,8
— other sectors [d]	:	18,1	16,2	16,3	16,7	17,5	17,9	18,0	17,4	17,0	16,8
4. Final national uses incl. stocks											
— at constant prices	4,9	1,5	2,3	3,9	4,0	5,0	3,6	2,8	1,2	1,0	0,3
— relative against 9 other OECD countries	−0,6	−0,8	−1,7	0,2	−0,3	0,1	−0,2	1,3	1,8	0,4	−1,2
5. Inflation											
— price deflator private consumption	4,6	11,3	5,9	3,8	3,6	3,8	4,9	4,5	5,3	4,5	4,4
— price deflator GDP	5,2	11,1	6,0	5,6	4,1	4,5	5,0	5,3	5,4	4,6	3,8
6. Compensation per employee											
— nominal	9,9	13,3	7,0	6,3	5,5	5,8	5,8	7,5	7,2	5,8	4,4
— real, deflator private consumption	5,0	1,8	1,0	2,4	1,8	1,9	0,9	2,8	1,8	1,3	0,0
— real, deflator GDP	4,5	2,0	0,9	0,6	1,3	1,2	0,8	2,1	1,7	1,1	0,6
7. GDP at constant market prices per person employed	4,4	2,0	1,9	2,1	1,7	2,5	1,8	1,2	1,2	1,5	1,5
8. Real unit labour costs											
— 1961-73 = 100	100,0	103,4	99,3	97,8	97,5	96,4	95,4	96,3	96,7	96,3	95,4
— annual % change	0,1	−0,1	−1,0	−1,4	−0,3	−1,2	−1,0	0,9	0,4	−0,4	−0,9
9. Relative unit labour costs in common currency against 9 other OECD countries											
— 1961-73 = 100	100,0	103,4	84,3	92,4	99,0	97,0	93,9	104,8	102,2	106,9	104,2
— annual % change	1,1	−2,1	−0,3	9,6	7,2	−2,1	−3,2	11,7	−2,6	4,6	−2,5
10. Employment											
incl. West Germany	0,3	−0,1	0,5	0,7	1,2	1,6	1,6	1,6	0,2	−0,5	−0,8
incl. Unified Germany	:	:	:	:	:	:	:	:	:	−1,0	−0,8
11. Unemployment rate [e] (% of civilian labour force)	2,1	6,4	10,8	10,7	10,3	9,8	8,9	8,3	8,8	9,5	10,6
12. Current balance (% of GDP)											
incl. West Germany	0,4	−0,2	0,7	1,3	0,8	0,1	−0,1	−0,3	−0,5	−0,6	−0,9
incl. unified Germany	:	:	:	:	:	:	:	:	−1,0	−1,1	−1,2
13. Net lending (+) or net borrowing (−) of general government (% of GDP) [f]											
incl. West Germany	−0,5	−4,1	−4,9	−4,5	−4,0	−3,4	−2,7	−4,0	−4,6	−5,3	−5,6
incl. unified Germany	:	:	:	:	:	:	:	:	−4,5	−5,2	−5,4
14. Gross debt of general government [f] (% of GDP)	:	46,1	58,5	59,3	60,8	60,1	59,5	59,5	61,4	63,9	66,9
15. Interest payments by general government (% of GDP)	:	3,1	4,9	4,9	4,7	4,6	4,7	4,9	5,0	5,4	5,7
16. Money supply (end of year) [g]	12,6	12,6	9,6	9,7	9,6	10,1	11,1	8,5	6,5	:	:
17. Long-term interest rate (%)	7,1	11,7	10,6	8,9	9,0	9,1	9,6	10,9	10,2	9,8	:
18. Profitability (1961-73 = 100)	100,0	70,9	75,9	81,9	84,0	88,7	91,9	90,3	88,9	89,7	89,5

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] incl. West Germany, unless otherwise stated.
[c] 1974-84: EUR 12 excl. Portugal.
[d] EUR 12 excl. Greece.
[e] 1961-73: EUR 12 excl. Greece, Spain and Portugal.
[f] 1961-73, 1974-84: EUR 12 excl. Greece, Spain, Netherlands and Portugal.
[g] Broad money supply M2 or M3 according to country; 1961-73: EUR 12 excl. Spain, Portugal and United Kingdom.

Table 62

Main economic indicators 1961-93 [a]

Belgium

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	9,2	8,8	7,0	5,3	4,5	6,9	8,6	6,2	4,6	4,7	3,6
— at constant prices	4,9	1,9	0,8	1,5	2,0	5,0	3,8	3,4	1,9	1,0	0,5
2. Gross fixed capital formation at constant prices											
— total	5,1	−0,8	0,7	4,4	5,6	15,4	13,7	8,4	0,3	2,5	−3,3
— construction	:	−2,7	−0,6	3,0	3,0	14,7	7,5	7,1	2,0	3,8	−2,8
— equipment	:	3,4	2,3	5,3	7,1	15,9	21,2	10,9	−1,9	0,7	−4,0
3. Gross fixed capital formation at current prices (% of GDP)											
— total	21,8	20,0	15,6	15,7	16,0	17,6	19,3	20,2	19,8	19,9	19,1
— general government	:	3,8	2,2	2,0	1,8	1,8	1,6	1,5	1,6	1,5	1,5
— other sectors	:	16,2	13,4	13,7	14,2	15,8	17,7	18,7	18,2	18,3	17,5
4. Final national uses incl. stocks											
— at constant prices	4,8	1,3	0,5	2,8	3,8	4,5	5,1	3,5	1,6	1,9	0,6
— relative against 19 competitors	−0,1	−0,5	−2,1	−0,8	0,5	0,2	1,6	0,8	0,8	1,1	0,0
— relative against other member countries	0,0	−0,3	−1,7	−0,8	0,5	0,2	1,6	0,4	0,3	1,0	0,3
5. Inflation											
— price deflator private consumption	3,7	7,6	5,9	0,7	1,9	1,6	3,5	3,1	2,9	2,4	2,8
— price deflator GDP	4,1	6,8	6,1	3,8	2,4	1,8	4,7	2,7	2,7	3,6	3,1
6. Compensation per employee											
— nominal	8,9	9,8	4,5	4,7	1,8	2,4	3,5	7,7	6,8	5,4	4,7
— real, deflator private consumption	5,0	2,1	−1,3	4,1	−0,2	0,9	0,0	4,4	3,8	2,9	1,8
— real, deflator GDP	4,6	2,8	−1,5	0,9	−0,5	0,6	−1,1	4,9	4,0	1,7	1,6
7. GDP at constant market prices per person employed	4,3	2,3	0,2	0,8	1,6	3,5	2,2	2,3	2,2	1,7	1,2
8. Real unit labour costs											
— 1961-73 = 100	100,0	111,3	108,1	108,2	105,9	103,1	99,8	102,3	104,1	104,1	104,5
— annual % change	0,3	0,6	−1,7	0,1	−2,1	−2,7	−3,2	2,5	1,8	0,0	0,4
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	105,3	87,8	93,2	94,2	90,0	87,9	92,8	92,2	94,5	98,2
— annual % change	−0,3	−1,5	1,7	6,1	1,1	−4,5	−2,3	5,6	−0,7	2,6	3,9
• against other member countries											
— 1961-73 = 100	100,0	103,4	91,2	94,5	93,9	90,1	88,8	91,3	91,2	92,5	96,6
— annual % change	−0,8	−0,9	1,9	3,6	−0,7	−4,0	−1,4	2,8	0,0	1,4	4,5
10. Employment	0,6	−0,4	0,6	0,6	0,5	1,5	1,6	1,1	−0,3	−0,7	−0,7
11. Unemployment rate (% of civilian labour force)	:	7,7	11,8	11,7	11,3	10,2	8,6	7,6	7,5	8,2	9,3
12. Current balance (% of GDP)	1,1	−1,6	0,3	2,1	1,3	1,7	1,7	0,9	1,7	1,8	1,8
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	−2,2	−8,3	−9,0	−9,4	−7,5	−6,7	−6,7	−5,7	−6,6	−6,9	−6,2
14. Gross debt of general government (% of GDP)	:	79,0	119,7	123,9	131,0	131,9	127,9	128,3	130,1	132,2	134,3
15. Interest payments by general government (% of GDP)	3,1	6,2	10,8	11,4	10,7	10,3	10,6	10,9	10,6	10,9	10,3
16. Money supply (end of year) [b]	10,1	9,5	7,8	12,7	10,2	7,7	13,3	4,5	5,3	:	:
17. Long-term interest rate (%)	6,5	10,6	10,6	7,9	7,8	7,9	8,7	10,1	9,3	8,6	:
18. Profitability (1961-73 = 100)	100,0	65,5	67,9	69,7	75,1	81,7	90,1	85,7	80,3	79,6	76,8

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] M3H.

Table 63

Main economic indicators 1961-93 [a]

Denmark

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	11,7	11,4	8,8	8,4	5,0	4,6	5,2	3,9	4,1	3,5	3,5
— at constant prices	4,3	1,8	4,3	3,6	0,3	1,2	0,8	1,7	1,2	1,0	1,8
2. Gross fixed capital formation at constant prices											
— total	6,5	−2,0	12,6	17,1	−3,8	−6,6	−0,6	−0,5	−2,8	−8,3	1,9
— construction	:	−4,5	8,9	18,0	1,1	−5,5	−5,7	−4,6	−8,1	−4,5	4,5
— equipment	:	2,4	16,2	16,6	−8,9	−8,6	5,7	3,7	2,8	−12,0	−0,6
3. Gross fixed capital formation at current prices (% of GDP)											
— total	24,0	19,7	18,7	20,8	19,7	18,1	17,8	17,7	17,1	15,6	15,7
— general government	:	3,3	2,2	1,6	1,8	1,9	1,7	1,7	1,7	1,5	1,6
— other sectors	:	16,4	16,6	19,1	17,9	16,2	16,1	16,0	15,4	14,1	14,1
4. Final national uses incl. stocks											
— at constant prices	4,6	0,9	5,4	6,1	−2,2	−1,2	0,4	−0,8	0,1	−0,4	2,1
— relative against 19 competitors	0,1	−0,9	2,3	2,3	−5,5	−5,2	−2,8	−3,0	−0,1	−0,9	1,7
— relative against other member countries	0,2	−0,5	3,3	2,3	−5,5	−5,6	−2,9	−3,7	−1,1	−1,4	2,0
5. Inflation											
— price deflator private consumption	6,6	10,1	4,3	2,9	4,6	4,0	5,0	2,1	2,4	2,1	1,6
— price deflator GDP	7,0	9,4	4,3	4,6	4,7	3,4	4,3	2,1	2,9	2,5	1,7
6. Compensation per employee											
— nominal	10,7	10,6	4,7	4,4	7,9	5,0	3,8	3,4	3,7	3,2	2,5
— real, deflator private consumption	3,8	0,5	0,4	1,5	3,1	1,0	−1,2	1,3	1,2	1,1	0,9
— real, deflator GDP	3,4	1,1	0,4	−0,2	3,0	1,5	−0,5	1,3	0,8	0,7	0,8
7. GDP at constant market prices per person employed	3,2	1,4	1,7	1,0	−0,6	1,8	1,5	2,3	2,2	1,7	1,7
8. Real unit labour costs											
— 1961-73 = 100	100,0	100,6	93,6	92,5	95,9	95,7	93,8	92,8	91,6	90,7	89,9
— annual % change	0,2	−0,3	−1,3	−1,2	3,6	−0,2	−2,0	−1,0	−1,4	−0,9	−0,9
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	111,4	95,8	101,3	110,7	108,8	104,4	107,5	101,6	102,9	105,4
— annual % change	2,1	−1,5	0,4	5,7	9,3	−1,7	−4,0	2,9	−5,4	1,3	2,4
• against other member countries											
— 1961-73 = 100	100,0	109,0	100,3	102,3	109,0	108,3	105,7	104,5	99,7	98,8	101,0
— annual % change	1,7	−0,9	0,9	2,0	6,6	−0,6	−2,4	−1,1	−4,7	−0,8	2,2
10. Employment	1,1	0,4	2,5	2,6	0,9	−0,6	−0,7	−0,5	−0,9	−0,7	0,1
11. Unemployment rate (% of civilian labour force)	:	6,3	7,2	5,5	5,6	6,4	7,7	8,1	8,9	9,5	9,5
12. Current balance (% of GDP)	−2,0	−3,4	−4,6	−5,4	−2,9	−1,3	−1,5	0,5	1,3	3,0	3,0
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	2,2	−2,9	−2,0	3,4	2,4	0,6	−0,5	−1,4	−2,0	−2,3	−2,7
14. Gross debt of general government (% of GDP)	:	37,2	76,8	69,0	65,8	66,8	66,2	66,7	72,2	74,0	76,2
15. Interest payments by general government (% of GDP)	:	4,0	9,9	8,8	8,3	8,0	7,5	7,3	7,3	6,9	7,2
16. Money supply (end of year) [b]	10,6	13,3	15,8	8,4	4,1	3,5	8,3	7,1	6,4	:	:
17. Long-term interest rate (%)	9,0	16,4	11,6	10,6	11,9	10,6	10,2	11,0	10,1	10,1	:
18. Profitability (1961-73 = 100)	100,0	72,5	84,2	89,7	81,1	80,7	82,7	82,1	83,3	83,7	84,7

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] M2.

Table 64

Main economic indicators 1961-93 [a]

Germany [b]

(Aannual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	8,9	6,1	4,1	5,6	3,4	5,3	6,1	8,7	8,1	6,1	3,0
— at constant prices											
West Germany	4,3	1,7	1,9	2,2	1,4	3,7	3,4	5,1	3,7	1,5	−0,5
Unified Germany	:	:	:	:	:	:	:	:	:	1,9	0,0
2. Gross fixed capital formation at constant prices											
— total	4,0	−0,2	0,0	3,6	2,1	4,6	6,5	8,7	6,5	1,7	−1,7
— construction	:	−0,8	−5,6	2,7	0,0	3,1	4,8	5,3	4,1	4,5	0,5
— equipment	:	1,4	9,9	4,3	5,0	6,7	10,0	13,3	9,1	−2,0	−4,0
3. Gross fixed capital formation at current prices (% of GDP)											
— total	24,9	20,9	19,5	19,4	19,4	19,6	20,2	21,0	21,6	21,5	21,4
— general government	4,2	3,3	2,4	2,5	2,4	2,3	2,4	2,3	2,3	2,3	2,3
— other sectors	20,8	17,6	17,2	16,9	17,0	17,2	17,8	18,6	19,3	19,3	19,1
4. Final national uses incl. stocks											
— at constant prices	4,5	1,4	0,9	3,3	2,6	3,6	2,8	4,9	3,1	1,2	−0,5
— relative against 19 competitors	−0,5	−0,5	−2,1	−0,3	−1,0	−0,9	−0,8	2,8	3,0	0,5	−1,4
— relative against other member countries	−0,3	−0,2	−1,7	−0,5	−1,1	−1,1	−0,9	2,7	2,6	0,3	−1,1
5. Inflation											
— price deflator private consumption	3,5	4,7	2,1	−0,3	0,8	1,4	3,1	2,7	3,9	4,1	3,6
— price deflator GDP	4,4	4,3	2,2	3,3	1,9	1,5	2,6	3,4	4,2	4,5	3,5
6. Compensation per employee											
— nominal	9,1	6,1	2,9	3,6	3,2	3,0	2,9	4,7	5,8	5,4	3,6
— real, deflator private consumption	5,4	1,3	0,8	3,9	2,4	1,6	−0,2	2,0	1,8	1,3	0,0
— real, deflator GDP	4,5	1,7	0,7	0,3	1,2	1,5	0,2	1,3	1,5	0,8	0,1
7. GDP at constant market prices per person employed	4,0	2,0	1,1	0,8	0,7	2,9	1,9	2,0	1,1	0,7	0,4
8. Real unit labour costs											
— 1961-73 = 100	100,0	104,0	100,2	99,7	100,2	98,8	97,1	96,4	96,8	97,0	96,6
— annual % change	0,5	−0,3	−0,4	−0,5	0,5	−1,4	−1,7	−0,7	0,4	0,2	−0,3
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	108,2	92,5	101,4	107,5	103,6	99,7	102,2	100,5	105,6	110,1
— annual % change	2,3	−2,3	−1,8	9,6	6,0	−3,6	−3,8	2,6	−1,7	5,1	4,3
• against other member countries											
— 1961-73 = 100	100,0	108,3	99,6	106,1	110,0	106,3	103,1	101,1	100,2	103,9	110,5
— annual % change	2,2	−1,6	−1,9	6,6	3,6	−3,4	−3,0	−2,0	−0,9	3,7	6,4
10. Employment											
West Germany	0,3	−0,3	0,7	1,4	0,7	0,8	1,5	3,0	2,6	0,8	−1,0
Unified Germany	:	:	:	:	:	:	:	:	:	−1,5	−1,0
11. Unemployment rate (% of civilian labour force)	:	4,0	7,1	6,5	6,3	6,3	5,6	4,8	4,2	4,5	6,0
12. Current balance (% of GDP)											
West Germany	0,7	0,7	2,4	4,3	4,1	4,3	4,8	3,5	1,2	0,9	−0,1
Unified Germany	:	:	:	:	:	:	:	:	−0,9	−1,1	−1,1
13. Net lending (+) or net borrowing (−) of general government (% of GDP)											
West Germany	0,4	−2,9	−1,2	−1,3	−1,9	−2,2	0,1	−2,0	−3,6	−3,5	−3,9
Unified Germany	:	:	:	:	:	:	:	:	−3,2	−3,2	−3,6
14. Gross debt of general government (% of GDP)	:	32,1	42,5	42,5	43,8	44,4	43,2	43,6	45,0	45,9	48,5
15. Interest payments by general government (% of GDP)	0,9	2,0	3,0	3,0	2,9	2,9	2,7	2,6	2,8	3,1	3,2
16. Money supply (M3; end of year)	10,9	7,4	5,0	6,6	5,9	6,9	5,6	4,2	6,3	:	:
17. Long-term interest rate (%)	7,2	8,1	6,9	5,9	5,8	6,1	7,0	8,9	8,6	8,0	:
18. Profitability (1961-73 = 100)	100,0	72,9	73,3	76,8	75,9	80,5	84,8	88,8	88,2	86,8	84,5

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] West Germany, unless otherwise stated.

Table 65

Main economic indicators 1961-93 [a]

Greece

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	12,5	20,6	21,3	19,4	13,5	20,3	16,6	20,4	21,7	17,3	14,5
— at constant prices	7,7	2,5	3,1	1,6	−0,7	4,1	3,5	−0,1	1,8	1,5	1,6
2. Gross fixed capital formation at constant prices											
— total	10,0	−2,2	5,2	−6,2	−5,1	8,9	10,0	5,7	−2,0	0,6	4,5
— construction	:	−3,7	3,1	−0,8	−5,0	9,2	4,0	2,2	−6,4	−3,0	3,0
— equipment	:	0,1	7,7	−12,6	−5,2	8,4	18,1	7,9	3,3	4,5	6,0
3. Gross fixed capital formation at current prices (% of GDP)											
— total	22,7	22,0	19,1	18,5	17,2	17,5	19,2	19,4	18,2	17,5	17,9
— general government	:	:	4,4	4,1	3,2	3,2	3,4	3,1	3,6	3,6	3,9
— other sectors	:	:	14,7	14,3	14,0	14,3	15,9	16,4	14,7	13,9	14,0
4. Final national uses incl. stocks											
— at constant prices	8,1	1,5	5,4	−1,1	−1,5	6,7	3,8	0,9	2,7	1,1	1,6
— relative against 19 competitors	3,1	−0,3	2,6	−4,6	−4,8	2,2	0,4	−1,8	1,8	0,2	1,0
— relative against other member countries	3,3	0,0	3,3	−4,7	−4,7	2,2	0,5	−2,2	1,2	0,1	1,4
5. Inflation											
— price deflator private consumption	3,5	17,4	18,3	22,1	15,7	14,3	15,2	19,7	18,4	16,0	13,5
— price deflator GDP	4,5	17,7	17,7	17,5	14,3	15,6	12,7	20,5	19,5	15,6	12,7
6. Compensation per employee											
— nominal	10,4	21,5	23,4	12,8	11,4	19,1	18,1	19,7	15,1	12,4	11,3
— real, deflator private consumption	6,7	3,5	4,3	−7,6	−3,7	4,2	2,6	0,0	−2,8	−3,1	−1,9
— real, deflator GDP	5,7	3,3	4,8	−4,0	−2,5	3,0	4,8	−0,7	−3,7	−2,8	−1,2
7. GDP at constant market prices per person employed	8,1	1,5	2,2	1,3	−0,6	2,4	3,0	−1,2	3,5	2,0	1,7
8. Real unit labour costs											
— 1961-73 = 100	100,0	98,3	107,9	102,2	100,2	100,8	102,6	103,1	96,0	91,5	88,8
— annual % change	−2,2	1,8	2,6	−5,2	−1,9	0,6	1,7	0,5	−6,9	−4,7	−2,9
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	78,8	77,3	65,5	64,2	67,6	69,5	73,7	69,1	67,9	66,2
— annual % change	−3,9	0,6	−1,9	−15,2	−2,1	5,3	2,9	6,0	−6,3	−1,6	−2,5
• against other member countries											
— 1961-73 = 100	100,0	77,5	82,1	67,5	64,7	68,6	71,3	73,0	68,9	66,8	65,7
— annual % change	−4,4	1,4	−1,8	−17,7	−4,2	6,0	3,9	2,4	−5,6	−3,0	−1,7
10. Employment	−0,4	1,0	0,9	0,3	−0,1	1,6	0,4	1,1	−1,6	−0,5	−0,1
11. Unemployment rate (% of civilian labour force)	:	3,7	7,7	7,4	7,4	7,6	7,4	7,2	7,7	7,7	8,5
12. Current balance (% of GDP)	−2,9	−2,5	−8,2	−5,3	−3,1	−2,0	−5,0	−6,1	−5,1	−3,3	−3,0
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	:	:	−13,6	−12,0	−11,6	−13,8	−17,7	−18,6	−15,2	−13,4	−9,8
14. Gross debt of general government (% of GDP)	:	31,8	62,5	65,0	72,5	80,2	85,9	95,3	100,9	105,6	106,0
15. Interest payments by general government (% of GDP)	:	2,4	5,3	5,7	7,2	7,9	8,2	11,9	12,8	14,6	14,5
16. Money supply (end of year) [b]	18,2	25,4	26,8	19,0	24,0	23,2	24,2	15,3	12,3	:	:
17. Long-term interest rate (%)	:	13,4	15,8	15,8	17,4	16,6	:	:	:	:	:
18. Profitability (1961-73 = 100)	100,0	69,0	34,8	43,8	47,7	49,9	44,2	44,3	62,2	74,0	79,8

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] M3.

Table 66

Main economic indicators 1961-93 [a]

Spain

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	14,8	17,7	11,1	14,6	11,8	11,1	12,1	11,2	9,4	7,5	5,7
— at constant prices	7,2	1,7	2,3	3,2	5,6	5,2	4,8	3,6	2,4	1,2	1,0
2. Gross fixed capital formation at constant prices											
— total	10,4	−1,6	4,1	9,9	14,0	14,0	13,8	6,9	1,6	−2,0	−1,9
— construction	:	−1,8	2,0	6,5	9,9	12,4	15,1	10,8	4,3	−3,4	−3,3
— equipment	:	−1,3	9,1	15,8	23,2	16,6	12,9	1,4	−2,5	0,2	0,3
3. Gross fixed capital formation at current prices (% of GDP)											
— total	24,6	23,2	19,2	19,5	20,8	22,6	24,2	24,6	24,1	22,6	22,0
— general government [b]	:	2,4	3,7	3,6	3,4	3,8	4,4	4,9	5,2	5,1	5,0
— other sectors [b]	:	20,3	15,5	15,8	17,4	18,8	19,7	19,7	18,9	17,6	16,9
4. Final national uses incl. stocks											
— at constant prices	7,6	1,0	2,9	5,4	8,1	7,0	7,8	4,7	2,9	1,8	0,4
— relative against 19 competitors	2,7	−0,8	0,1	1,5	4,4	2,5	4,3	2,2	2,3	0,8	−0,4
— relative against other member countries	2,9	−0,5	0,8	1,5	4,5	2,4	4,3	1,7	1,7	0,8	0,0
5. Inflation											
— price deflator private consumption	6,6	16,1	8,2	9,4	5,7	5,0	6,6	6,4	6,3	6,0	5,5
— price deflator GDP	7,1	15,7	8,5	11,1	5,8	5,7	7,0	7,3	6,9	6,3	4,7
6. Compensation per employee											
— nominal	14,6	18,8	9,4	9,5	6,7	6,8	6,3	7,9	8,7	9,0	7,3
— real, deflator private consumption	7,5	2,3	1,1	0,1	0,9	1,8	−0,3	1,4	2,2	2,8	1,7
— real, deflator GDP	7,1	2,7	0,8	−1,4	0,8	1,1	−0,7	0,5	1,7	2,5	2,5
7. GDP at constant market prices per person employed	6,5	3,2	3,7	1,8	1,1	1,7	1,2	0,8	2,1	2,8	2,6
8. Real unit labour costs											
— 1961-73 = 100	100,0	103,5	94,1	91,1	90,8	90,3	88,6	88,4	88,0	87,8	87,7
— annual % change	0,6	−0,5	−2,8	−3,2	−0,3	−0,6	−1,8	−0,2	−0,4	−0,3	−0,1
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	117,1	101,4	103,8	106,3	112,1	118,7	126,8	127,7	128,7	123,8
— annual % change	1,8	−0,6	−0,6	2,3	2,4	5,5	5,9	6,8	0,7	0,8	−3,8
• against other member countries											
— 1961-73 = 100	100,0	113,0	106,7	105,1	104,8	111,2	119,4	122,6	124,6	123,5	119,9
— annual % change	1,2	0,2	−0,4	−1,5	−0,3	6,1	7,4	2,7	1,6	−0,8	−2,9
10. Employment	0,7	−1,4	−1,3	1,4	4,5	3,4	3,5	2,8	0,2	−1,6	−1,6
11. Unemployment rate (% of civilian labour force)	:	10,4	21,6	21,0	20,4	19,3	17,1	16,1	16,3	18,0	19,5
12. Current balance (% of GDP)	−0,2	−1,7	1,4	1,6	0,1	−1,1	−3,2	−3,7	−3,5	−3,7	−3,4
13. Net lending (+) or net borrowing (−) of general government (% of GDP) [b]	:	−2,4	−6,9	−6,0	−3,1	−3,3	−2,8	−4,0	−4,9	−4,6	−4,2
14. Gross debt of general government (% of GDP)	:	20,1	45,2	46,2	46,6	42,9	44,4	44,5	45,6	47,4	49,5
15. Interest payments by general government (% of GDP) [b]	:	0,8	3,1	4,0	3,5	3,4	3,5	3,5	4,0	4,3	4,7
16. Money supply (end of year) [c]	:	18,0	13,8	14,0	15,4	14,4	14,6	15,3	10,9	:	:
17. Long-term interest rate (%)	:	:	13,4	11,4	12,8	11,8	13,8	14,7	12,4	12,2	:
18. Profitability (1961-73 = 100)	100,0	71,7	84,5	101,6	108,3	112,4	122,0	123,5	123,5	123,6	120,4

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] Break in 1985/86.
[c] ALP: Liquid assets held by the public.

Table 67

Main economic indicators 1961-93 [a]

France

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	10,7	13,1	7,8	7,9	5,3	7,5	7,4	5,4	4,2	4,8	3,9
— at constant prices	5,4	2,2	1,8	2,4	2,2	4,3	3,8	2,2	1,1	1,9	1,0
2. Gross fixed capital formation at constant prices											
— total	7,5	−0,5	3,4	4,6	5,0	9,6	6,8	3,1	−1,3	−1,5	−0,7
— construction	:	−1,1	−0,4	3,6	3,2	6,7	7,2	2,7	0,6	2,3	0,2
— equipment	:	0,3	10,0	4,3	6,7	10,8	6,4	4,1	−2,5	−4,3	−1,4
3. Gross fixed capital formation at current prices (% of GDP)											
— total	24,0	22,5	19,3	19,3	19,8	20,7	21,2	21,2	20,8	20,0	19,6
— general government	:	3,4	3,2	3,2	3,0	3,3	3,3	3,5	3,4	3,4	3,3
— other sectors	:	19,1	16,0	16,1	16,7	17,4	17,9	17,8	17,4	16,6	16,2
4. Final national uses incl. stocks											
— at constant prices	5,6	1,6	2,3	4,3	3,3	4,4	3,3	2,6	0,8	1,0	1,0
— relative against 19 competitors	0,7	−0,2	−0,4	0,7	−0,3	−0,1	−0,2	0,0	0,1	0,1	0,5
— relative against other member countries	0,9	0,1	0,2	0,7	−0,3	−0,2	−0,2	−0,5	−0,6	−0,1	0,9
5. Inflation											
— price deflator private consumption	4,8	11,2	6,0	2,9	3,3	2,9	3,6	3,2	3,2	2,6	2,7
— price deflator GDP	5,1	10,7	5,8	5,3	3,0	3,1	3,5	3,1	3,1	2,9	2,9
6. Compensation per employee											
— nominal	9,9	13,8	6,6	4,6	3,7	4,4	4,7	5,0	4,2	4,1	3,9
— real, deflator private consumption	4,8	2,3	0,6	1,7	0,4	1,4	1,0	1,8	1,0	1,5	1,2
— real, deflator GDP	4,6	2,8	0,7	−0,7	0,6	1,2	1,2	1,9	1,1	1,2	1,0
7. GDP at constant market prices per person employed	4,7	2,2	2,1	2,3	1,9	3,4	2,6	1,2	0,7	2,2	1,3
8. Real unit labour costs											
— 1961-73 = 100	100,0	106,2	104,2	101,1	99,9	97,8	96,4	97,0	97,4	96,4	96,2
— annual % change	−0,1	0,6	−1,4	−2,9	−1,2	−2,1	−1,4	0,6	0,4	−0,9	−0,3
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	93,8	86,4	88,9	88,4	84,8	82,5	86,0	82,6	84,2	86,7
— annual % change	−0,8	−0,8	1,8	2,9	−0,5	−4,1	−2,7	4,2	−4,0	1,9	3,0
• against other member countries											
— 1961-73 = 100	100,0	93,0	93,1	92,5	89,6	86,3	84,9	85,1	82,3	82,5	85,9
— annual % change	−1,2	0,1	2,1	−0,6	−3,2	−3,7	−1,6	0,2	−3,3	0,2	4,2
10. Employment	0,7	0,0	−0,3	0,1	0,3	0,8	1,1	1,0	0,4	−0,2	−0,3
11. Unemployment rate (% of civilian labour force)	:	6,0	10,1	10,3	10,4	9,9	9,4	9,0	9,5	10,1	10,8
12. Current balance (% of GDP)	0,4	−0,3	0,1	0,5	−0,2	−0,3	−0,4	−0,8	−0,5	0,1	0,2
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	0,4	−1,6	−2,9	−2,7	−1,9	−1,7	−1,1	−1,4	−1,9	−2,8	−3,2
14. Gross debt of general government (% of GDP)	:	39,6	45,5	45,7	47,2	46,8	47,5	46,7	48,5	50,1	52,4
15. Interest payments by general government (% of GDP)	:	1,6	2,9	2,9	2,8	2,7	2,7	2,9	3,1	3,2	3,3
16. Money supply (end of year) [b]	13,7	13,1	7,4	6,8	9,8	8,4	9,6	8,9	2,5	:	:
17. Long-term interest rate (%)	6,9	12,3	10,9	8,4	9,4	9,0	8,8	9,9	9,0	8,6	:
18. Profitability (1961-73 = 100)	100,0	69,0	68,8	76,6	78,8	84,8	89,2	87,5	84,2	86,0	85,9

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992-93.
[b] M3.

Table 68

Main economic indicators 1961-93 [a]

Ireland

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	11,8	17,8	8,4	6,1	7,4	7,9	11,5	6,6	3,8	5,9	4,5
— at constant prices	4,4	3,8	3,1	−0,4	5,0	4,9	6,5	8,3	2,5	2,9	2,1
2. Gross fixed capital formation at constant prices											
— total	9,9	1,8	−7,7	−2,8	−3,2	1,5	15,1	10,2	−7,2	1,6	2,2
— construction	:	1,3	−7,1	−4,6	−7,6	1,9	15,1	11,7	−1,4	2,5	3,0
— equipment	:	2,3	−7,4	1,5	0,9	0,1	19,6	7,2	−11,6	0,5	1,2
3. Gross fixed capital formation at current prices (% of GDP)											
— total	21,2	25,9	19,0	18,0	16,4	16,3	17,7	18,6	17,1	16,8	16,7
— general government	:	5,1	4,0	3,7	2,7	1,9	1,9	2,2	2,4	2,4	2,4
— other sectors	:	20,7	15,0	14,3	13,7	14,4	15,8	16,4	14,7	14,4	14,3
4. Final national uses incl. stocks											
— at constant prices	5,1	2,3	1,1	1,1	−0,2	1,6	6,7	6,3	−0,7	−0,9	2,2
— relative against 19 competitors	1,1	0,7	−1,7	−2,6	−3,9	−3,2	3,2	4,3	−0,6	−1,6	1,5
— relative against other member countries	1,3	1,0	−1,1	−2,7	−3,9	−3,4	3,1	3,9	−1,1	−1,7	1,9
5. Inflation											
— price deflator private consumption	6,3	14,5	5,0	4,6	2,9	2,5	3,7	1,7	3,2	2,9	2,2
— price deflator GDP	7,2	13,5	5,2	6,5	2,3	2,9	4,7	−1,6	1,2	2,9	2,3
6. Compensation per employee											
— nominal	11,3	17,4	8,9	5,3	5,3	6,1	6,2	4,4	4,4	6,3	5,9
— real, deflator private consumption	4,7	2,5	3,7	0,7	2,4	3,5	2,4	2,6	1,1	3,3	3,6
— real, deflator GDP	3,9	3,5	3,5	−1,2	2,9	3,1	1,4	6,0	3,1	3,3	3,4
7. GDP at constant market prices per person employed	4,3	3,5	5,4	−0,6	5,1	3,9	6,6	4,8	2,6	2,8	2,0
8. Real unit labour costs											
— 1961-73 = 100	100,0	100,2	94,3	93,7	91,8	91,1	86,7	87,7	88,2	88,5	89,8
— annual % change	−0,4	0,0	−1,8	−0,6	−2,1	−0,7	−4,8	1,2	0,5	0,4	1,4
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	95,6	97,8	103,8	98,6	96,3	91,0	90,6	86,3	88,7	93,3
— annual % change	0,4	−0,4	0,7	6,1	−5,0	−2,4	−5,4	−0,4	−4,8	2,8	5,1
• against other member countries											
— 1961-73 = 100	100,0	94,1	102,5	105,4	97,9	95,8	91,7	88,3	84,5	85,7	90,9
— annual % change	0,2	0,1	0,8	2,8	−7,2	−2,1	−4,3	−3,7	−4,2	1,3	6,1
10. Employment	0,1	0,3	−2,2	0,2	−0,1	1,0	−0,1	3,3	−0,1	0,1	0,1
11. Unemployment rate (% of civilian labour force)	:	10,3	18,2	18,2	18,0	17,3	15,7	14,5	16,2	17,8	19,2
12. Current balance (% of GDP)	−2,5	−8,4	−3,9	−2,9	1,2	1,5	0,8	1,3	6,0	6,7	6,6
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	−3,8	−10,9	−11,2	−11,1	−8,9	−4,8	−1,8	−2,5	−2,1	−2,7	−3,0
14. Gross debt of general government (% of GDP)	:	76,0	107,9	119,9	120,6	118,2	108,0	101,6	100,9	99,0	98,7
15. Interest payments by general government (% of GDP)	:	6,6	10,3	9,7	9,6	8,9	8,1	8,2	8,0	7,2	7,2
16. Money supply (end of year) [b]	12,1	16,6	5,3	−1,0	10,9	6,3	5,0	15,4	3,1	:	:
17. Long-term interest rate (%)	:	14,7	12,7	11,1	11,3	9,4	9,0	10,1	9,2	9,1	:
18. Profitability (1961-73 = 100)	100,0	78,0	100,7	102,8	113,0	116,2	140,4	139,0	133,3	133,5	128,6

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992-93.
[b] M3.

Table 69

Main economic indicators 1961-93 [a]

Italy

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	11,0	20,1	11,7	11,0	9,3	11,0	9,3	9,9	8,8	6,3	5,3
— at constant prices	5,3	2,8	2,6	2,9	3,1	4,1	2,9	2,2	1,4	1,1	0,8
2. Gross fixed capital formation at constant prices											
— total	4,7	0,5	0,6	2,2	5,0	6,9	4,3	3,3	0,9	−0,2	−1,2
— construction	:	−1,4	−0,5	1,9	−0,7	2,3	3,9	2,5	1,2	0,4	−0,7
— equipment	:	3,6	1,9	2,6	11,9	11,6	5,1	3,5	0,7	−0,7	−1,6
3. Gross fixed capital formation at current prices (% of GDP)											
— total	24,4	23,3	20,7	19,7	19,7	20,1	20,2	20,2	19,8	19,4	19,3
— general government	:	3,2	3,7	3,5	3,5	3,4	3,4	3,4	3,3	3,1	3,1
— other sectors	:	20,1	16,9	16,2	16,2	16,7	16,8	16,8	16,4	16,3	16,2
4. Final national uses incl. stocks											
— at constant prices	5,3	2,4	2,8	3,4	4,3	4,7	2,9	2,7	2,2	1,3	−0,2
— relative against 19 competitors	0,4	0,6	0,0	−0,3	0,8	0,2	−0,6	0,1	1,6	0,4	−1,0
— relative against other member countries	0,6	1,0	0,8	−0,4	1,0	0,2	−0,6	−0,4	0,9	0,4	−0,5
5. Inflation											
— price deflator private consumption	4,9	16,6	9,0	6,2	5,3	5,7	6,5	5,9	6,8	5,3	5,8
— price deflator GDP	5,5	16,8	8,9	7,9	6,0	6,6	6,2	7,5	7,3	5,2	4,5
6. Compensation per employee											
— nominal	11,5	19,0	10,1	7,5	8,2	8,8	8,8	10,5	8,7	5,1	4,1
— real, deflator private consumption	6,3	2,0	1,0	1,3	2,8	2,9	2,2	4,4	1,7	−0,2	−1,6
— real, deflator GDP	5,7	1,8	1,1	−0,3	2,1	2,0	2,5	2,8	1,3	−0,1	−0,4
7. GDP at constant market prices per person employed	5,5	1,8	1,7	2,1	2,7	3,2	2,9	1,1	0,7	1,0	0,8
8. Real unit labour costs											
— 1961-73 = 100	100,0	103,9	101,7	99,3	98,7	97,6	97,2	98,8	99,4	98,4	97,2
— annual % change	0,1	0,0	−0,5	−2,4	−0,6	−1,2	−0,4	1,7	0,6	−1,1	−1,2
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	89,0	95,5	100,9	104,4	103,8	107,1	115,7	116,9	114,5	103,5
— annual % change	−0,3	0,2	−0,6	5,7	3,4	−0,5	3,1	8,1	1,0	−2,0	−9,6
• against other member countries											
— 1961-73 = 100	100,0	87,6	103,3	105,0	105,6	105,7	110,7	115,0	117,3	112,7	102,5
— annual % change	−0,8	1,2	−0,4	1,7	0,6	0,1	4,7	3,8	2,0	−3,9	−9,0
10. Employment	−0,2	0,9	0,9	0,8	0,4	0,9	0,1	1,1	0,8	0,1	0,0
11. Unemployment rate (% of civilian labour force)	:	7,1	9,6	10,5	10,3	10,8	10,6	9,9	10,2	10,2	10,6
12. Current balance (% of GDP)	1,4	−0,6	−0,9	0,5	−0,2	−0,7	−1,3	−1,4	−1,9	−2,4	−2,4
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	−3,1	−9,3	−12,6	−11,6	−11,0	−10,7	−9,9	−10,9	−10,2	−10,5	−10,2
14. Gross debt of general government (% of GDP)	:	60,9	82,2	86,2	90,4	92,6	95,5	97,8	101,3	106,8	112,2
15. Interest payments by general government (% of GDP)	:	5,4	8,0	8,5	7,9	8,1	8,9	9,6	10,2	11,5	12,6
16. Money supply (end of year) [b]	15,4	17,3	11,1	10,7	7,2	7,6	9,9	8,2	9,0	:	:
17. Long-term interest rate (%)	7,0	15,2	14,3	11,7	11,3	12,1	12,9	13,4	13,0	13,7	:
18. Profitability (1961-73 = 100)	100,0	64,3	66,6	76,5	80,3	85,5	87,1	83,5	82,3	84,2	84,2

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] M2.

Table 70

Main economic indicators 1961-93 [a]

Luxembourg

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	8,7	8,8	6,0	8,8	1,9	10,0	13,0	6,2	6,1	4,5	6,2
— at constant prices	4,0	1,7	2,9	4,8	2,9	5,7	6,7	3,2	3,1	2,2	2,0
2. Gross fixed capital formation at constant prices											
— total	4,9	−2,1	−9,5	31,2	14,7	14,1	8,9	2,5	9,8	4,5	2,3
— construction	:	−3,1	−2,1	5,7	8,9	8,8	4,6	8,0	7,1	6,0	3,3
— equipment	:	−0,8	−20,5	87,2	18,7	16,1	−16,9	10,9	11,4	3,5	1,7
3. Gross fixed capital formation at current prices (% of GDP)											
— total	26,4	24,5	17,7	22,1	25,5	27,0	27,1	26,9	29,0	29,7	29,6
— general government	:	6,2	4,6	4,3	4,9	5,0	4,8	4,7	4,4	4,5	4,7
— other sectors	:	18,3	13,1	17,8	20,7	22,0	22,3	22,2	24,6	25,2	24,9
4. Final national uses incl. stocks											
— at constant prices	4,0	1,6	0,1	8,0	4,2	6,8	5,7	5,1	8,4	3,3	2,2
— relative against 19 competitors	:	:	:	:	:	:	:	:	:	:	:
— relative against other member countries	:	:	:	:	:	:	:	:	:	:	:
5. Inflation											
— price deflator private consumption	3,0	7,7	4,3	1,3	1,7	2,7	3,6	3,6	2,9	3,4	4,7
— price deflator GDP	4,4	7,0	3,0	3,8	−1,0	4,0	6,0	2,9	3,0	2,2	4,1
6. Compensation per employee											
— nominal	7,4	9,7	4,2	3,6	4,8	3,1	6,7	6,9	5,4	5,1	6,0
— real, deflator private consumption	4,2	1,8	0,0	2,3	3,1	0,4	3,0	3,2	2,4	1,6	1,2
— real, deflator GDP	2,8	2,5	1,2	−0,2	5,9	−0,9	0,7	3,9	2,3	2,8	1,8
7. GDP at constant market prices per person employed	3,0	1,2	1,5	2,1	0,1	2,6	2,9	−1,1	−0,6	0,7	0,5
8. Real unit labour costs											
— 1961-73 = 100	100,0	115,9	108,6	106,2	112,2	108,4	106,1	111,4	114,7	117,1	118,6
— annual % change	−0,2	1,3	−0,3	−2,3	5,7	−3,4	−2,1	5,0	2,9	2,1	1,3
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	:	:	:	:	:	:	:	:	:	:	:
— annual % change	:	:	:	:	:	:	:	:	:	:	:
• against other member countries											
— 1961-73 = 100	:	:	:	:	:	:	:	:	:	:	:
— annual % change	:	:	:	:	:	:	:	:	:	:	:
10. Employment	1,1	0,4	1,4	2,6	2,8	3,1	3,7	4,3	3,6	1,5	1,5
11. Unemployment rate (% of civilian labour force)	:	1,6	2,9	2,6	2,5	2,0	1,8	1,7	1,6	1,9	2,0
12. Current balance (% of GDP)	6,8	25,3	43,8	38,8	30,3	30,8	34,0	34,2	27,9	19,9	18,7
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	2,0	1,4	6,2	4,3	2,4	3,1	5,3	5,0	−0,8	−0,4	−1,0
14. Gross debt of general government (% of GDP)	:	15,4	14,0	13,5	11,9	9,8	8,3	6,9	6,1	6,8	7,8
15. Interest payments by general government (% of GDP)	:	1,2	1,1	1,1	1,2	1,0	0,7	0,6	0,6	0,5	0,5
16. Money supply (end of year)	:	:	:	:	:	:	:	:	:	:	:
17. Long-term interest rate (%)	:	8,0	9,5	8,7	8,0	7,1	7,7	8,6	8,2	7,9	:
18. Profitability (1961-73 = 100)	100,0	51,8	63,6	71,9	56,7	68,1	76,8	65,6	57,1	50,9	47,0

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.

Table 71

Main economic indicators 1961-93 [a]

Netherlands

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	11,2	7,8	4,5	2,5	0,4	3,8	6,0	6,5	5,3	4,0	3,4
— at constant prices	4,8	1,7	2,6	2,0	0,8	2,6	4,7	3,9	2,2	1,3	0,6
2. Gross fixed capital formation at constant prices											
— total	5,3	−0,9	6,7	7,9	1,5	4,5	4,9	3,6	0,1	−0,4	−0,7
— construction	:	−2,0	−0,1	5,0	1,9	10,3	2,3	0,6	−2,1	0,0	−0,6
— equipment	:	1,3	15,5	10,1	1,9	5,0	5,3	7,6	2,6	−0,8	−0,8
3. Gross fixed capital formation at current prices (% of GDP)											
— total	25,7	20,6	19,7	20,6	20,8	21,3	21,5	21,3	20,8	20,6	20,4
— general government [b]	:	3,3	2,6	2,5	2,1	2,1	2,0	2,0	2,0	2,1	2,2
— other sectors [b]	:	16,8	16,6	17,6	18,7	19,2	19,5	19,2	18,8	18,5	18,3
4. Final national uses incl. stocks											
— at constant prices	4,9	1,3	3,2	2,1	1,2	1,8	4,6	3,5	1,7	0,6	0,3
— relative against 19 competitors	0,1	−0,4	0,8	−1,6	−2,2	−2,6	1,2	0,7	0,7	−0,4	−0,2
— relative against other member countries	0,3	−0,2	1,3	−1,6	−2,2	−2,7	1,3	0,3	0,3	−0,5	0,1
5. Inflation											
— price deflator private consumption	5,0	6,1	2,2	0,2	−0,9	0,5	1,2	2,3	3,3	3,1	2,7
— price deflator GDP	6,0	5,9	1,8	0,5	−0,4	1,2	1,2	2,5	3,0	2,7	2,8
6. Compensation per employee											
— nominal	11,4	7,2	1,4	1,6	1,5	0,9	0,7	4,1	4,3	4,8	3,3
— real, deflator private consumption	6,0	1,0	−0,8	1,4	2,4	0,3	−0,5	1,8	0,9	1,7	0,6
— real, deflator GDP	5,0	1,2	−0,4	1,2	1,9	−0,3	−0,5	1,5	1,3	2,1	0,5
7. GDP at constant market prices per person employed	3,9	2,1	1,0	0,0	−0,6	1,0	2,7	1,5	0,9	0,9	1,1
8. Real unit labour costs											
— 1961-73 = 100	100,0	103,5	93,2	94,2	96,6	95,3	92,3	92,4	92,7	93,8	93,2
— annual % change	1,0	−0,9	−1,4	1,1	2,5	−1,3	−3,1	0,0	0,3	1,2	−0,6
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	118,1	97,8	103,3	107,5	104,5	98,3	99,5	97,0	99,8	102,5
— annual % change	2,9	−1,3	−3,0	5,6	4,1	−2,8	−6,0	1,3	−2,5	2,8	2,7
• against other member countries											
— 1961-73 = 100	100,0	117,2	102,1	105,3	107,8	105,3	99,8	98,5	96,6	98,2	101,3
— annual % change	2,6	−0,8	−2,9	3,2	2,4	−2,3	−5,2	−1,4	−1,9	1,6	3,2
10. Employment	0,9	−0,3	1,5	2,0	1,4	1,6	1,9	2,3	1,3	0,4	−0,4
11. Unemployment rate (% of civilian labour force)	:	7,5	10,5	10,3	10,0	9,3	8,5	7,5	7,0	6,7	7,6
12. Current balance (% of GDP)	0,5	1,7	4,1	2,7	1,9	2,8	3,5	4,0	3,9	3,6	3,6
13. Net lending (+) or net borrowing (−) of general government (% of GDP) [b]	−0,8	−3,9	−4,8	−6,0	−5,9	−4,6	−4,7	−4,9	−2,5	−3,5	−3,5
14. Gross debt of general government (% of GDP)	:	:	71,6	73,1	75,6	78,8	78,8	78,8	78,3	79,8	81,7
15. Interest payments by general government (% of GDP) [b]	:	3,9	6,3	6,2	6,4	6,3	6,0	6,0	6,2	6,2	6,2
16. Money supply (end of year) [c]	10,3	8,9	10,7	5,1	4,4	10,6	13,7	8,2	4,7	:	:
17. Long-term interest rate (%)	5,9	9,6	7,3	6,4	6,4	6,3	7,2	9,0	8,9	8,1	:
18. Profitability (1961-73 = 100)	100,0	74,0	85,2	83,8	76,9	78,2	84,5	86,2	85,3	81,8	80,9

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] Break in 1986/87.
[c] M2.

Table 72

Main economic indicators 1961-93 [a]

Portugal

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	11,1	23,3	25,2	25,4	17,1	16,0	18,8	19,3	16,5	15,0	9,4
— at constant prices	6,9	2,1	2,8	4,1	5,3	3,9	5,2	4,4	1,9	1,7	1,3
2. Gross fixed capital formation at constant prices											
— total	7,9	−1,0	−3,5	10,9	15,1	15,0	5,6	5,9	2,8	3,6	3,3
— construction	:	:	−6,0	8,7	9,4	10,1	3,5	5,3	4,5	2,5	2,8
— equipment	:	:	−4,5	14,2	26,8	23,2	10,0	5,8	1,0	4,8	3,8
3. Gross fixed capital formation at current prices (% of GDP)											
— total	24,1	27,4	21,8	22,1	24,2	26,8	26,4	26,4	25,5	25,1	25,4
— general government	2,7	3,2	2,5	2,6	2,7	2,9	3,1	3,9	4,0	4,0	4,0
— other sectors	21,4	24,1	19,3	19,5	21,5	23,9	23,3	22,4	21,5	21,1	21,4
4. Final national uses incl. stocks											
— at constant prices	7,3	1,2	0,9	8,3	10,4	7,4	4,3	5,4	4,1	3,6	3,2
— relative against 19 competitors	2,5	−0,5	−1,8	4,3	6,5	2,9	0,7	2,9	3,6	2,9	2,6
— relative against other member countries	2,7	−0,2	−1,2	4,3	6,6	2,7	0,7	2,5	2,9	2,7	2,9
5. Inflation											
— price deflator private consumption	3,9	22,5	19,4	13,8	10,0	10,0	12,1	12,6	11,9	9,1	6,8
— price deflator GDP	3,9	20,7	21,7	20,5	11,2	11,6	13,0	14,3	14,3	13,1	8,0
6. Compensation per employee											
— nominal	10,8	24,4	22,5	21,6	17,9	13,4	12,8	18,7	19,0	14,9	9,9
— real, deflator private consumption	6,7	1,6	2,6	6,8	7,2	3,1	0,6	5,4	6,4	5,3	2,8
— real, deflator GDP	6,7	3,1	0,6	0,9	6,0	1,5	−0,2	3,9	4,1	1,7	1,7
7. GDP at constant market prices per person employed	6,7	2,7	2,8	7,0	4,7	3,9	4,1	3,5	1,0	1,9	1,8
8. Real unit labour costs											
— 1961-73 = 100	100,0	119,1	104,4	98,4	99,7	97,4	93,5	93,8	96,7	96,5	96,4
— annual % change	0,0	0,4	−2,2	−5,7	1,3	−2,2	−4,1	0,4	3,0	−0,2	−0,1
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	100,4	80,1	81,0	82,0	82,7	83,9	90,2	101,6	115,0	121,0
— annual % change	−0,7	−2,2	1,7	1,0	1,3	0,9	1,4	7,5	12,6	13,2	5,2
• against other member countries											
— 1961-73 = 100	100,0	98,1	83,0	81,6	81,1	82,2	84,3	88,3	100,1	111,7	117,8
— annual % change	−1,2	−1,6	2,0	−1,7	−0,6	1,4	2,6	4,7	13,3	11,6	5,5
10. Employment	0,2	−0,5	0,0	−2,7	0,5	0,1	1,0	0,9	0,9	−0,2	−0,5
11. Unemployment rate (% of civilian labour force)	:	6,8	8,8	8,3	6,9	5,7	5,0	4,6	4,1	4,8	5,4
12. Current balance (% of GDP)	0,4	−7,3	0,4	2,4	−0,4	−4,4	−2,3	−2,5	−3,5	−2,1	−4,2
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	0,6	:	−10,1	−7,2	−6,8	−5,4	−3,4	−5,5	−6,4	−5,6	−4,8
14. Gross debt of general government (% of GDP)	:	39,9	70,9	69,5	72,9	75,2	72,1	68,4	68,5	66,2	66,3
15. Interest payments by general government (% of GDP)	0,6	3,3	7,9	9,2	7,8	7,8	7,2	8,1	8,5	9,1	7,9
16. Money supply (end of year) [b]	:	21,7	28,6	26,3	19,7	17,7	10,4	11,3	19,0	:	:
17. Long-term interest rate (%)	:	:	25,4	17,9	15,4	14,2	14,9	16,8	17,1	15,0	:
18. Profitability (1961-73 = 100)	100,0	38,1	44,9	53,6	53,0	54,9	60,4	60,8	58,6	59,0	57,5

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] L^{-}: Liquid assets residents.

Table 73

Main economic indicators 1961-93 [a]

United Kingdom

(Annual percentage change, unless otherwise stated)

	1961-73	1974-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
1. Gross domestic product											
— at current prices	8,4	14,4	9,6	7,7	10,1	11,2	9,4	6,8	4,3	3,6	4,9
— at constant prices	3,2	1,2	3,7	4,1	4,8	4,3	2,1	0,5	−2,2	−0,9	1,4
2. Gross fixed capital formation at constant prices											
— total	4,6	0,4	4,0	2,4	9,6	14,2	7,2	−3,1	−9,9	−0,4	−0,8
— construction	:	−0,7	−2,4	6,1	11,0	13,4	5,4	−0,6	−8,4	−1,4	−1,5
— equipment	:	1,4	10,7	−0,9	8,7	13,0	11,6	−3,6	−11,9	0,6	0,0
3. Gross fixed capital formation at current prices (% of GDP)											
— total	18,5	18,1	16,9	16,8	17,5	19,1	20,1	19,3	16,7	15,6	15,5
— general government	:	3,0	2,1	1,9	1,7	1,3	1,8	2,3	2,2	2,1	2,2
— other sectors	:	15,1	14,9	14,9	15,9	17,8	18,3	17,0	14,5	13,5	13,4
4. Final national uses incl. stocks											
— at constant prices	3,2	1,1	2,9	4,7	5,4	8,0	3,3	−0,5	−3,2	0,0	0,5
— relative against 19 competitors	−1,9	−0,8	0,0	1,2	2,1	3,8	−0,3	−3,0	−3,9	−0,9	−0,4
— relative against other member countries	−1,8	−0,5	0,9	1,2	2,4	4,1	−0,3	−4,0	−5,1	−1,0	0,2
5. Inflation											
— price deflator private consumption	4,9	12,6	5,3	4,3	4,4	5,1	5,9	5,3	7,2	5,1	5,1
— price deflator GDP	5,1	13,0	5,7	3,5	5,0	6,6	7,1	6,3	6,7	4,6	3,4
6. Compensation per employee											
— nominal	8,3	14,4	7,6	7,8	6,9	7,8	8,3	9,5	8,9	6,0	3,7
— real, deflator private consumption	3,3	1,6	2,2	3,4	2,4	2,5	2,2	3,9	1,5	0,8	−1,3
— real, deflator GDP	3,0	1,2	1,8	4,2	1,8	1,1	1,1	3,0	2,0	1,3	0,3
7. GDP at constant market prices per person employed	2,9	1,5	2,5	4,0	2,7	1,0	−0,8	−0,2	0,9	1,4	3,1
8. Real unit labour costs											
— 1961-73 = 100	100,0	101,7	97,0	97,2	96,3	96,4	98,3	101,5	102,7	102,6	99,8
— annual % change	0,1	−0,3	−0,6	0,2	−0,9	0,1	2,0	3,2	1,2	−0,1	−2,8
9. Relative unit labour costs in common currency											
• against 19 competitors											
— 1961-73 = 100	100,0	92,1	94,3	87,5	87,5	96,5	99,2	103,1	106,8	104,7	93,4
— annual % change	−1,9	1,0	1,4	−7,2	0,0	10,3	2,7	3,9	3,6	−2,0	−10,8
• against other member countries											
— 1961-73 = 100	100,0	87,9	100,8	87,5	84,0	94,4	99,3	97,7	102,8	98,0	87,6
— annual % change	−3,0	2,3	1,8	−13,2	−4,0	12,4	5,2	−1,6	5,2	−4,6	−10,6
10. Employment	0,3	−0,3	1,3	0,1	2,1	3,3	3,0	0,7	−3,1	−2,3	−1,7
11. Unemployment rate (% of civilian labour force)	:	6,5	11,4	11,4	10,4	8,5	7,1	7,0	9,1	10,8	12,3
12. Current balance (% of GDP)	−0,1	−0,1	0,5	−0,8	−2,0	−4,8	−5,4	−4,2	−1,8	−2,7	−3,5
13. Net lending (+) or net borrowing (−) of general government (% of GDP)	−0,6	−3,6	−2,9	−2,4	−1,3	1,0	0,9	−1,3	−2,8	−6,2	−8,3
14. Gross debt of general government (% of GDP)	:	58,6	59,0	58,0	55,8	49,5	43,2	39,8	41,1	45,9	52,6
15. Interest payments by general government (% of GDP)	:	4,5	5,0	4,5	4,3	3,9	3,7	3,4	3,0	3,1	3,8
16. Money supply (end of year) [b]	:	14,0	13,0	15,9	16,4	17,6	19,1	11,5	5,8	:	:
17. Long-term interest rate (%)	7,6	13,2	10,6	9,8	9,5	9,3	9,6	11,1	9,9	9,1	:
18. Profitability (1961-73 = 100)	100,0	75,1	91,7	92,7	99,0	102,1	97,5	87,5	85,9	90,0	94,7

[a] 1961-91: Eurostat and Commission services; 1992-93: Economic forecasts winter 1992/93.
[b] M4.

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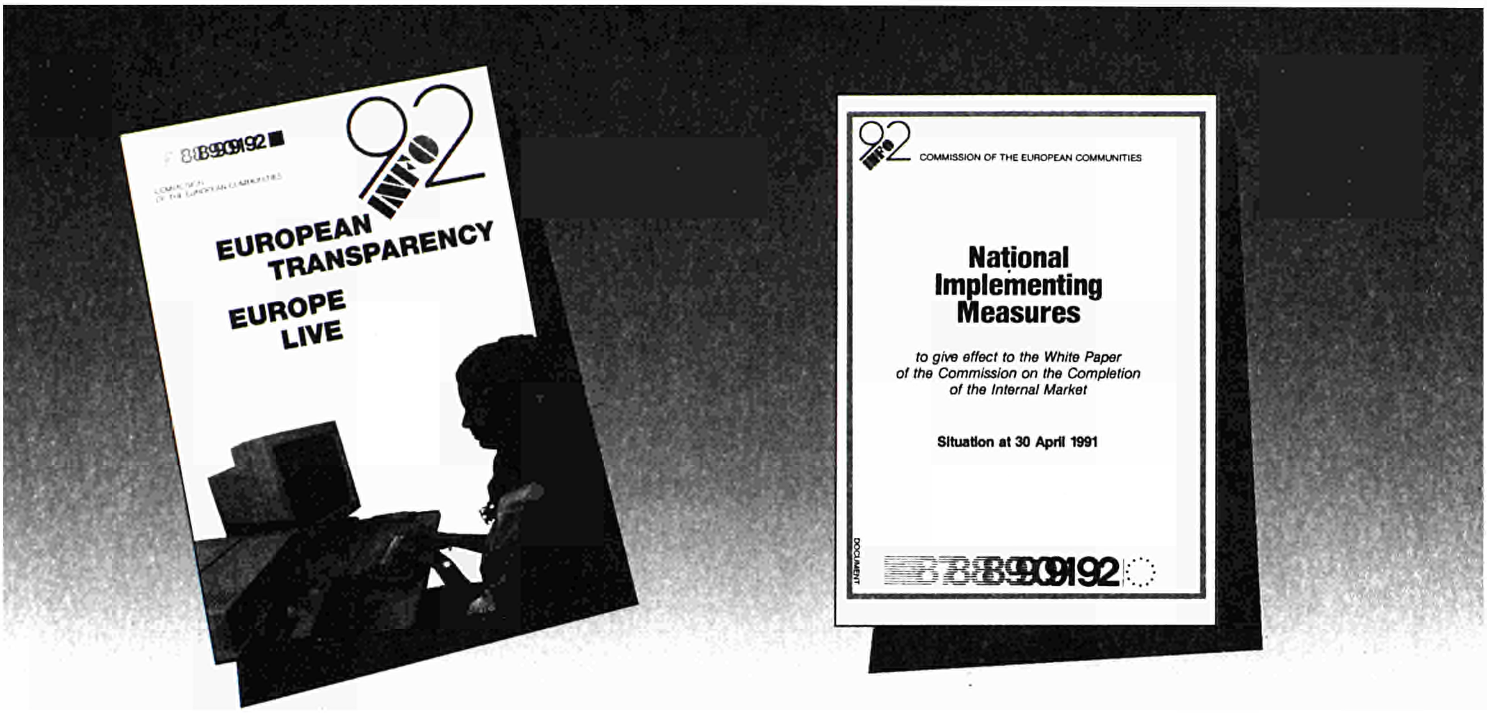

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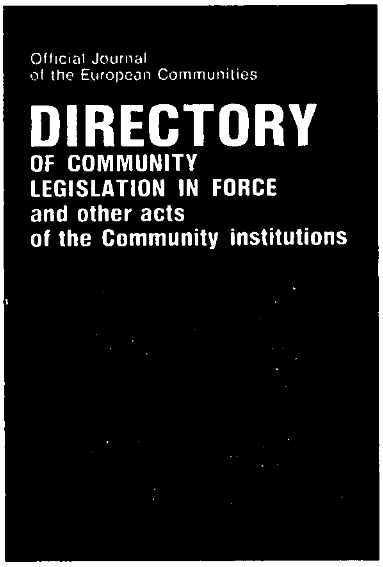

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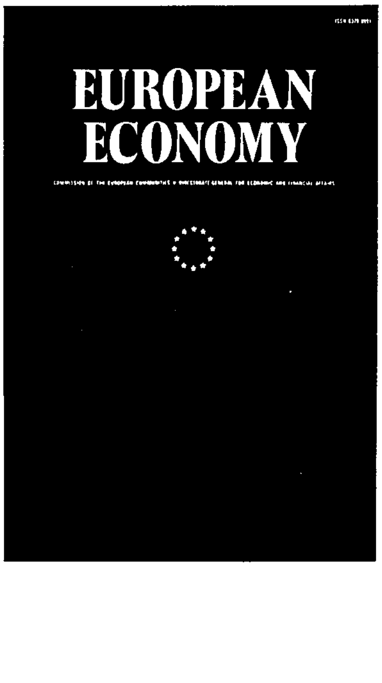

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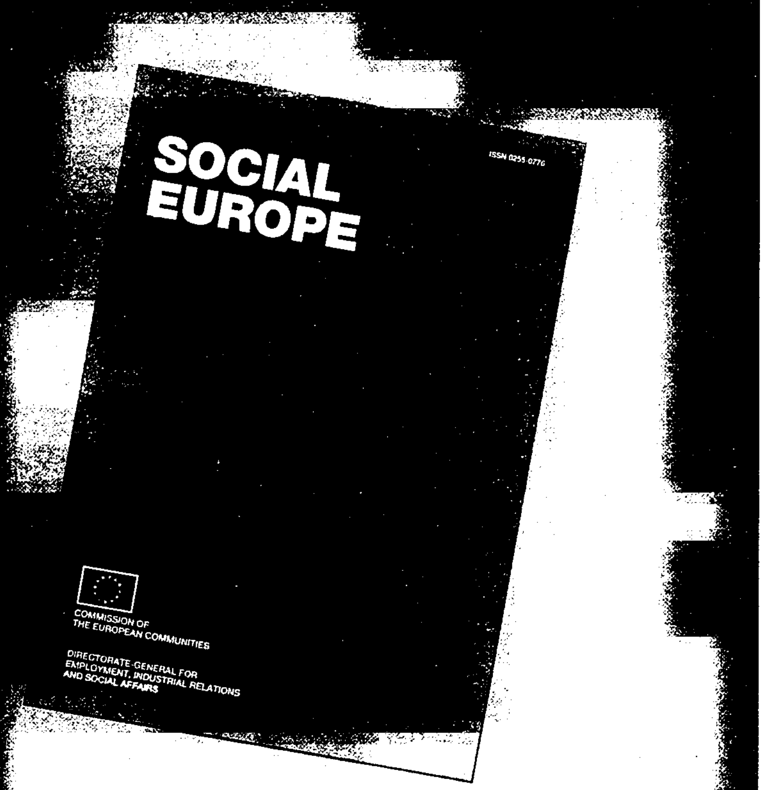

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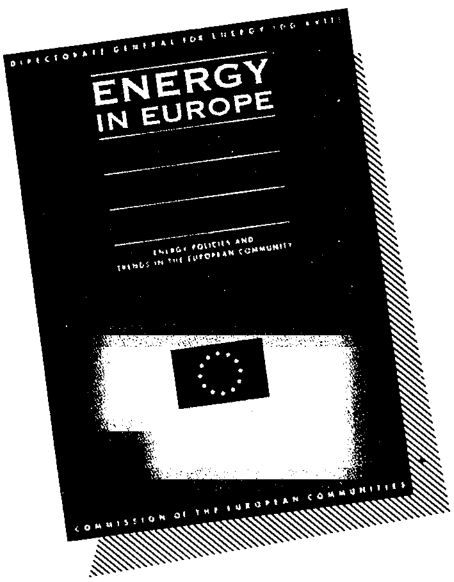

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