

Panorama of EC industry

Short-term supplement
Latest information on EC industry

bimonthly

5/1993





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OFFICE STATISTIQUE DES COMMUNAUTÉS EUROPÉENNES
ISTITUTO STATISTICO DELLE COMUNITÀ EUROPEE
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Theme
Energy and industry
Series
Short-term trends

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1. MACROECONOMIC OVERVIEW

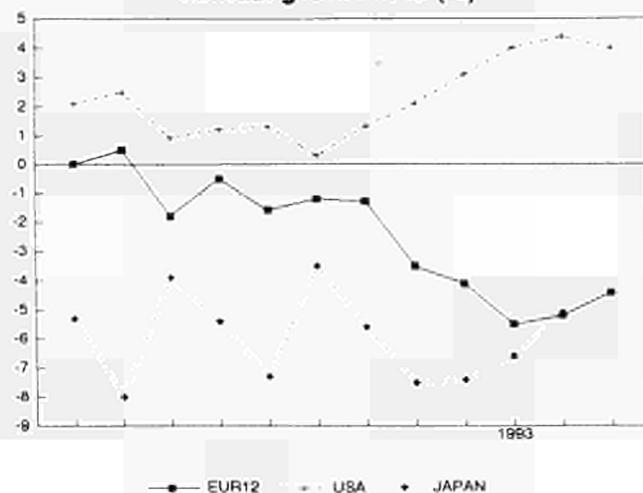
- Industrial production down 4.3% in April 1993
- Consumer price growth falls to 3.3% per annum in April 1993
- Japanese and American CPIs at even lower rates
- Unemployment up to 10.2% of the workforce
- Copenhagen summit brings new initiatives to solve the problem
- Interest rates are reduced gradually in most Member States
- Money growth figures slow in Germany
- American and United Kingdom recoveries seem patchy
- Hopes of a trade settlement following the G7 meeting in Japan

MACROECONOMIC OVERVIEW

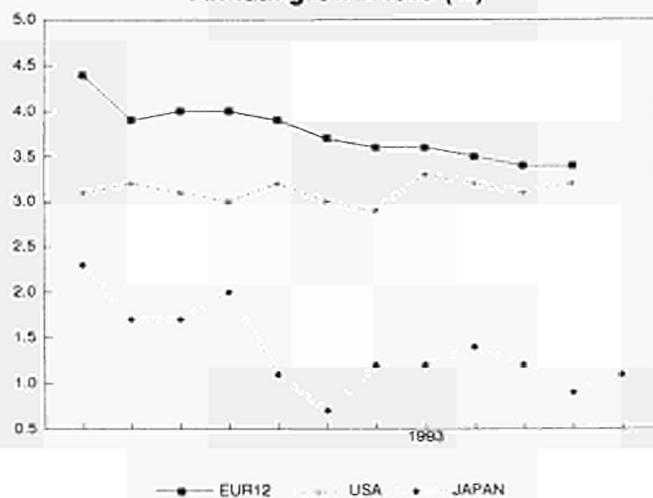
In May 1993 the EC annual inflation rate (as defined by the consumer price index) was down 0.1% on the April figure, to a growth rate of 3.3% per annum. A year before, the figure had stood at 4.7%. With the exception of Greece, all Member States showed levels below those seen a year before. The most sizeable reductions during the last year were recorded by Ireland (down to 0.9%), the United Kingdom (down to 1.3%) and Portugal (down to 5.7%). Applicant countries for the EC all displayed rates below five per cent, though with the exception of Austria all recorded rates in May 1993 above those of a year before. In the USA and Japan the C.P.I. also displayed moderate increases, being particularly low in Japan (up 1.1% in May 1993). In the United States, May saw a continuation of April levels of consumer price inflation (rising at 3.2% per annum).

Unemployment was estimated to have reached 10.2% of the workforce in March 1993 (seasonally-adjusted). This represented an increase of 0.1 percentage points on the figure of February 1993. Since the start of 1993 the Member States have witnessed a 0.3 percentage point increase in the rate of unemployment. Unemployment statistics show that more men (up 1.1 percentage points) have been made unemployed in the last year than women (up 0.8 percentage points). Nevertheless, in most Community countries young women (the under 25's) represent the category most badly affected by unemployment (20.4%). Youth unemployment levels were generally high, reaching an average of 18.4% across the Community (and ran at over twenty per cent in four Member States). At an individual country level Spain continued to see unemployment rates

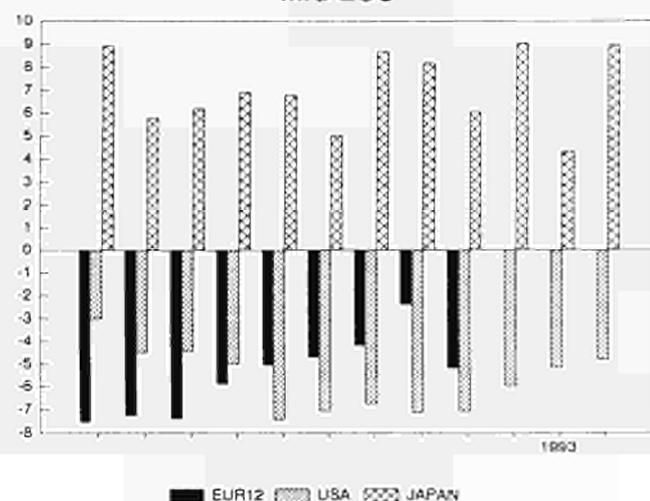
Industrial production
Annual growth rate (%)



Consumer prices
Annual growth rate (%)



Trade balance
mrd ECU



MAIN INDICATORS

rise (reaching 20.9% in March 1993 - an increase of 0.6 percentage points on the February figure). Irish unemployment rates were also considerably above the European average (though they showed no change in level since January 1993). Rates in France (10.5%), Italy (10.1%) and Denmark (10.2%) were all above ten per cent and since January consecutive increases were seen in their data. Only in the United Kingdom were figures seen to fall (from 11.5% in January 1993 to 11.3% in March).

Much of the latest summit meeting of EC leaders was spent discussing the problems of unemployment and how to promote growth in the economies of the Member States. EC leaders met in Copenhagen on June 21st and June 22nd and heard proposals from Mr. Jacques Delors. He outlined many ideas including environment and exchange-rate questions, increased spending on computer networks and telecoms, increased spending on infrastructure, raising R&D spending from 2 to 3% of GDP, taxing jobs less and increasing the tax burden on energy and natural resources.

Industrial production showed figures in decline (down at an annual rate of 4.3% in April 1993). Looking at the long-term trend of EC figures (compared to 1985) they were well below those of the Community's major competitors. Particularly badly hit was the intermediate goods sector (with figures fast declining towards 1985 levels). At an individual level, Germany, France, Italy, Denmark, the Netherlands and Portugal all per-

		EUR 12	USA	JAPAN
Industrial production	92.05	0.5	2.5	-8.0
Annual growth rate (%)	92.06	-1.8	0.9	-3.9
	92.07	-0.5	1.2	-5.4
	92.08	-1.6	1.3	-7.3
	92.09	-1.2	0.3	-3.5
	92.10	-1.3	1.3	-5.6
	92.11	-3.5	2.1	-7.5
	92.12	-4.1	3.1	-7.4
	93.01	-5.5	4.0	-6.6
	93.02	-5.2	4.4	-5.1
	93.03	-4.3	4.0	N/A
93.04	N/A	3.5	N/A	
Consumer prices	92.06	4.4	3.1	2.3
Annual growth rate (%)	92.07	3.9	3.2	1.7
	92.08	4.0	3.1	1.7
	92.09	4.0	3.0	2.0
	92.10	3.9	3.2	1.1
	92.11	3.7	3.0	0.7
	92.12	3.6	2.9	1.2
	93.01	3.6	3.3	1.2
	93.02	3.5	3.2	1.4
	93.03	3.4	3.1	1.2
	93.04	3.4	3.2	0.9
93.05	3.3	3.2	1.1	
Trade balance (mio ECU)	92.03	-7524.9	-3005.2	8914.8
	92.04	-7239.9	-4518.0	5788.9
	92.05	-7389.1	-4435.4	6193.9
	92.06	-5877.2	-4971.7	6894.1
	92.07	-5051.2	-7398.0	6779.0
	92.08	-4701.8	-7053.5	5044.8
	92.09	-4181.2	-6738.0	8693.8
	92.10	-2386.6	-7104.6	8190.2
	92.11	-5161.1	-7050.1	6067.0
	92.12	-4159.8	-5969.8	9036.9
93.01	N/A	-5142.2	4344.6	
93.02	N/A	-4793.8	8945.6	

Source: Eurostat

formed poorly in the second half of 1992.

German wage growth in the year to May 1993 was equal to 3.7%. Slightly higher increases were seen in the United Kingdom with wages rising by 4%.

The key French intervention rate was cut on June 21st, allowing the French rate to be below that seen in Germany for the first time in 26 years. Long-term rates remained above those in Germany, though the differential closed rapidly between January and the end of June. July saw renewed

pressure on the currency and interest rates rose. French broad-money growth was expanding by an annual rate of 3.8% compared to April 1992. At the same time the Dutch, Portuguese and Belgian central banks were able to reduce their interest rates and Ireland followed a few days later. In Germany the repo rate was cut by only one basis point to 7.59%, a very minor cut, but the first for several weeks, and this was followed on July 1st by a reduction of 0.25% in the key Lombard rate to 8.25%. With money supply growth slowing in May further gradual cuts may be expected in an attempt to stimulate demand. The growth of broad-money still however grew in Germany at an annual rate of 8% compared to a year before. However, in the meantime the Deutschmark saw quite large falls against the dollar and yen, which may prevent rapid reductions in German rates.

Prospects for the United Kingdom economy improved, with unemployment falling and the inflation rate at only 1.3%. Nevertheless, industrial production showed patchy indication of recovery with a 0.3% seasonally adjusted rise for the three months to March 1993, compared to the previous three months. At the same time United Kingdom producer prices were starting to expand at a faster rate (up 3.6% on the year to March 1993).

In America the latest indicators did not present a very healthy picture of the economy. The consumer confidence index fell sharply in June 1993 - with consumers suggesting they would scale down their purchases. Additionally, the index of leading economic indicators showed its third decline in five months in May 1993. Forecasts of GDP growth have accordingly been scaled down in the USA, with the first quarter only showing growth at an annual rate of 0.7%.

Nevertheless, many analysts still believe the economy will pick-up in the second half of the year. Industrial production in April 1993 showed annual gains of 3.5%. American broad-money growth was at a rate of -0.2% in the year to May 1993.

Japanese broad-money growth expanded by 1.5% in the year to May 1993. A survey of international competitiveness (by the World Economic Forum and IMD) showed Japan was again top of the national league. However, the USA climbed to second place (from fifth) and New Zealand moved swiftly up the ranking. Countries falling back included Germany and the United Kingdom. The Japanese trade surplus expanded in February 1993 to nearly 9 billion ECU, causing concern for its major trading partners, especially the widening trade gap with America.

2. TOTAL INDUSTRY (NACE 1-4)

- Eight Member States report declining industrial production in 1992
- Early 1993 figures suggest recession is worsening
- Three largest European economies will suffer badly in 1993
- Hopes of recovery in the United Kingdom seem well founded
- Capital goods sector reduced by four per cent in 1992
- Trade indicators show activity stagnating
- Terms of trade continue to benefit the EC, up by 3.6% in 1992
- Capacity utilisation figures depressed
- Producer price inflation down to 1.6% per annum

Total industry (Nace 1-4)

Index of production

1985 = 100		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Total	1992	113.9	115.4	112.0	118.9	100.7	113.3	113.1	162.1	113.6	117.4	113.4	132.1	105.8
Industry	Φ	113.3	114.8	106.2	109.8	92.3	187.1	116.2	280.7	117.3	117.5	79.0	131.0	112.2
Growth rate (%)	1992	-1.0	0.1	1.7	-1.9	-1.0	-1.7	-0.9	9.1	-1.6	-1.0	0.2	-2.2	-0.3
	Φ	-4.4	-7.0	N/A	-8.2	-5.3	-7.0	-2.9	8.1	-5.2	-7.6	N/A	-6.3	1.7
Intermediate	1992	110.7	115.3	114.9	114.6	97.5	106.6	115.0	155.5	113.2	114.0	110.2	118.4	101.6
Goods	Φ	113.1	113.9	107.5	110.1	93.8	175.9	118.6	264.5	118.5	113.9	83.7	115.4	110.1
Growth rate (%)	1992	-0.4	-0.2	2.8	-0.3	-2.9	-1.7	0.3	9.2	-1.0	-2.4	0.2	-3.0	-0.1
	Φ	-4.6	-8.6	N/A	-7.0	-7.9	-6.1	-3.4	3.6	-5.8	-6.4	1.6	-9.6	0.5
Capital	1992	115.2	108.0	109.9	120.9	122.0	127.8	108.0	226.0	110.8	111.4	108.6	107.0	111.6
Goods	Φ	111.5	110.4	101.3	106.2	109.4	218.3	97.9	407.0	113.4	115.5	69.1	110.7	120.5
Growth rate (%)	1992	-4.0	-9.5	1.3	-4.2	3.4	-1.9	-5.3	13.0	-6.2	-7.1	-0.5	-7.7	-2.4
	Φ	-4.5	-14.2	-2.5	-11.1	-6.0	-5.5	-8.0	12.4	-10.6	-27.8	-3.7	-11.4	5.1
Consumer	1992	117.8	118.3	112.0	123.2	100.9	118.7	114.2	139.8	116.2	142.6	124.2	126.8	110.9
Goods	Φ	116.8	117.9	108.9	113.3	85.9	193.7	122.3	233.1	128.4	141.1	80.3	125.3	110.5
Growth rate (%)	1992	0.0	0.3	1.4	-1.4	0.8	-1.4	1.0	6.8	0.2	10.9	0.9	-4.5	1.3
	Φ	-2.3	-4.8	0.8	-6.5	-0.5	-9.0	0.5	9.2	-0.8	1.9	N/A	-1.6	1.5

Source: Eurostat

The index of production fell to 113.9 in 1992 (down from a level of 115.1 in 1991). The European industrial economy was therefore seen to contract by one per cent. Data for 1992 showed the index at lower levels in eight of the twelve Member States, declines being greatest in Portugal (2.2%), Germany (1.9%) and Spain (1.7%).

The meeting of EC finance ministers in Luxembourg during the second week of June suggested that the outlook for the short-term future of the European economy was not too healthy. Indeed, the only economies with any hope of escaping the recession during 1993 would appear to be the United Kingdom, Ireland, Portu-

gal, Denmark and Greece. United Kingdom growth is likely to be strongest in the Community during 1993 (and maybe 1994 too). Yet, the United Kingdom recovery is forecast to only be of the magnitude of 1.7% for 1993, following the Council of Ministers meeting (a growth rate that corresponds exactly to the latest data available for March 1993, when average annual growth rose by 1.7%).

Figures for the first quarter of 1993 were more depressing than those seen in 1992. Prospects for the three largest European economies looked bleak with latest data (March 1993) showing contractions in total industrial production for Germany (8.2%), Italy (5.2%) and France

(2.9%). Spain (February 1993) and Belgium (December 1992) both displayed annual reductions of 7.0%. Only in the United Kingdom (March 1993) and Ireland (February 1993) did figures show signs of improvement compared to data from a year before.

As regards the different goods sectors, downward pressure for 1992 was felt most in the capital goods sector, as investment levels fell markedly. A reduction of 4.0% was recorded in 1992, and latest data for 1993 (March 1993) shows the trend continuing (with an annual rate of decline of 4.5%). Five of the Member States reported declines in the sector of more than ten per cent.

Added vigour was however given to the claims of recovery in the United Kingdom as the sector expanded at an annual rate of 5.1% (March 1993).

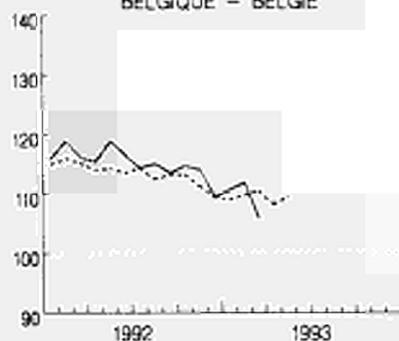
Intermediate and consumer goods' production stagnated in 1992 - latest data (March 1993) shows the situa-

tion deteriorating with levels falling by 4.6% and 2.3% respectively.

INDUSTRIELLE PRODUKTION

GESAMTE INDUSTRIE

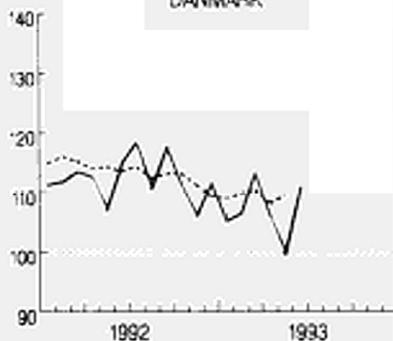
BELGIQUE - BELGIE



INDUSTRIAL PRODUCTION

TOTAL INDUSTRY

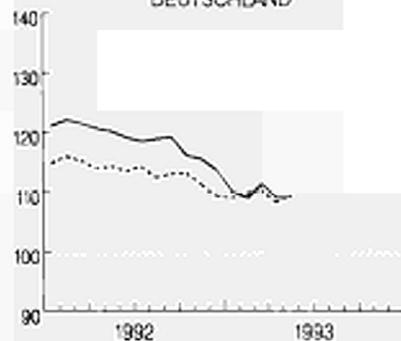
DANMARK



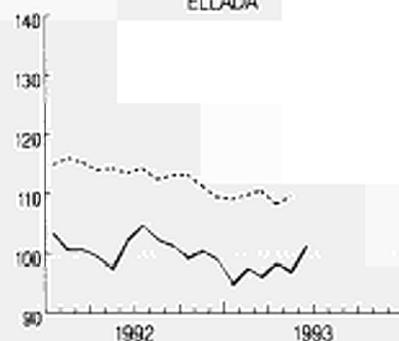
PRODUCTION INDUSTRIELLE

ENSEMBLE DE L'INDUSTRIE

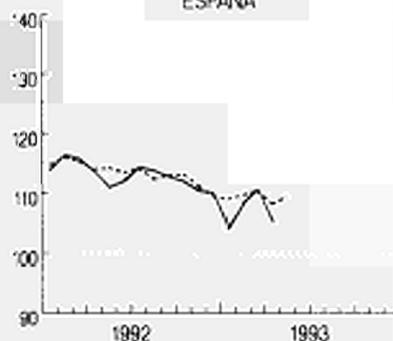
DEUTSCHLAND



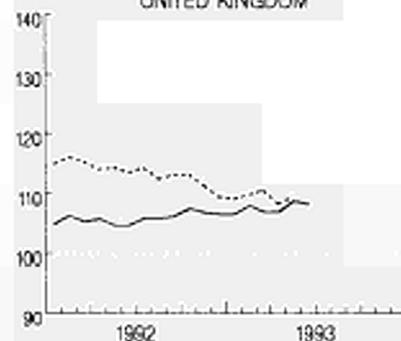
ELLADA



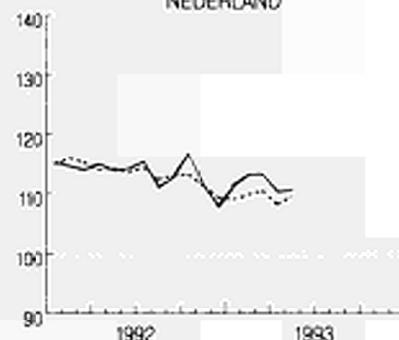
ESPAÑA



UNITED KINGDOM



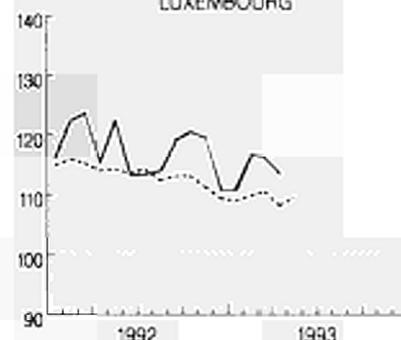
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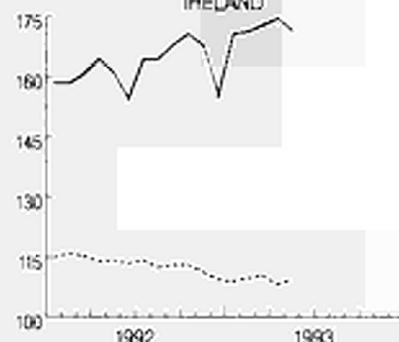
ITALIA



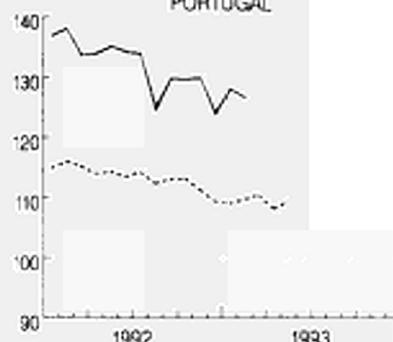
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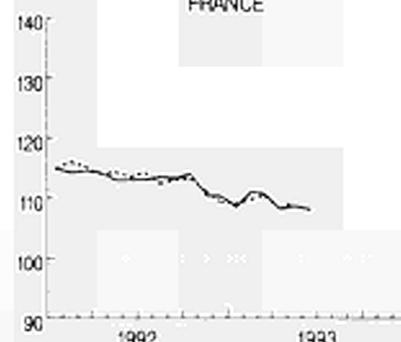
IRELAND



PORTUGAL



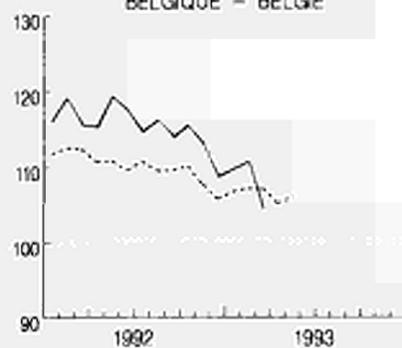
FRANCE



INDUSTRIELLE PRODUKTION

VORLEISTUNGSINDUSTRIE

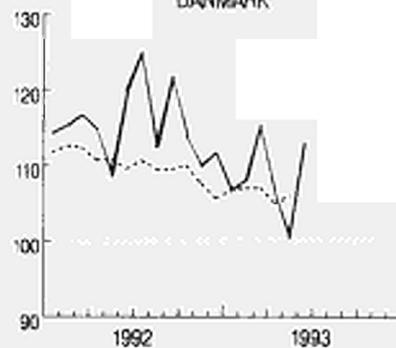
BELGIQUE - BELGIE



INDUSTRIAL PRODUCTION

INTERMEDIATE GOODS

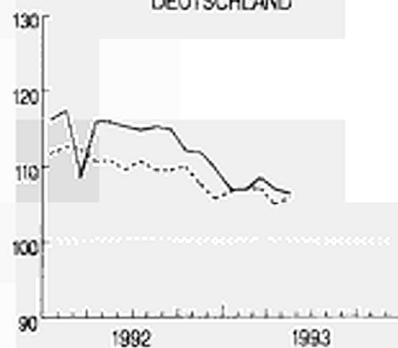
DANMARK



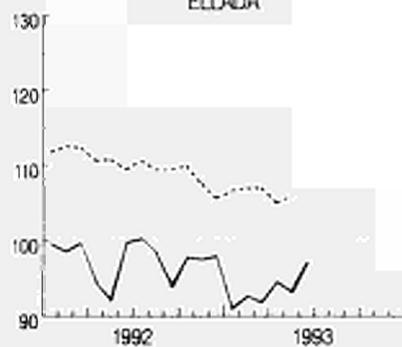
PRODUCTION INDUSTRIELLE

BIENS INTERMEDIAIRES

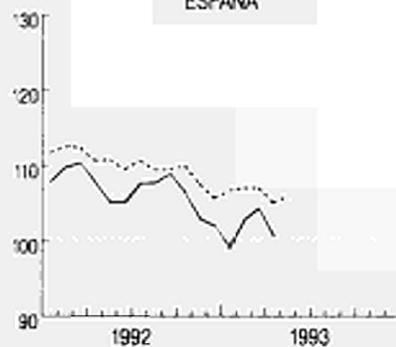
DEUTSCHLAND



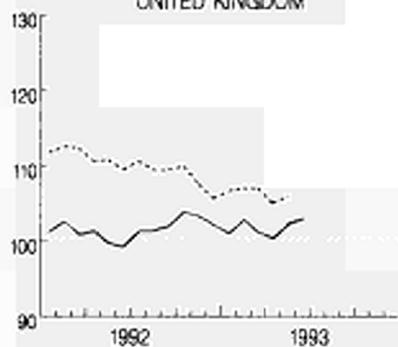
ELLADA



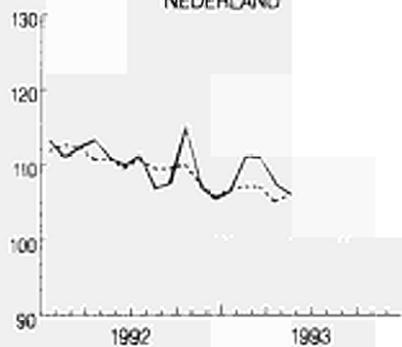
ESPAÑA



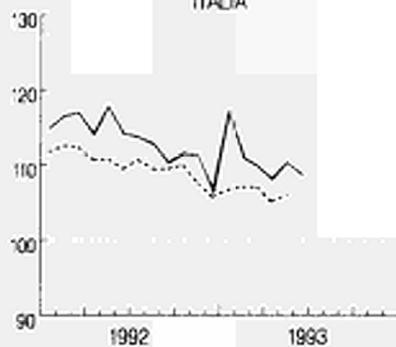
UNITED KINGDOM



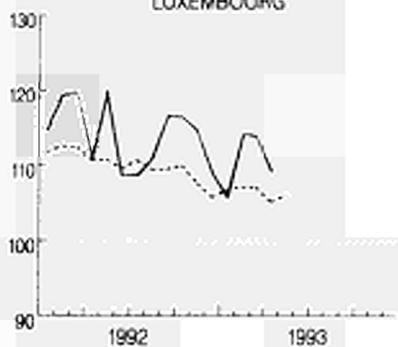
NEDERLAND



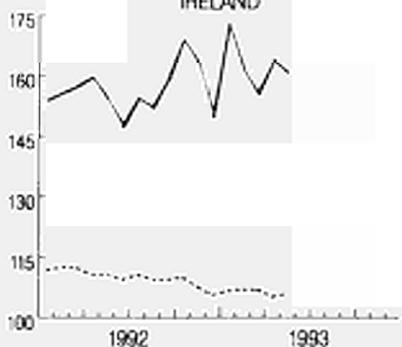
ITALIA



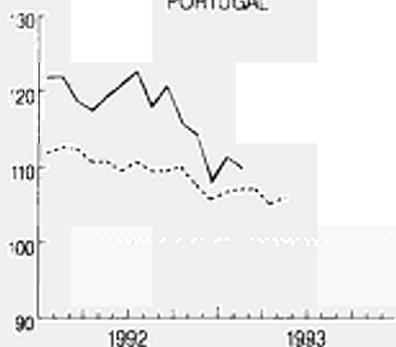
LUXEMBOURG



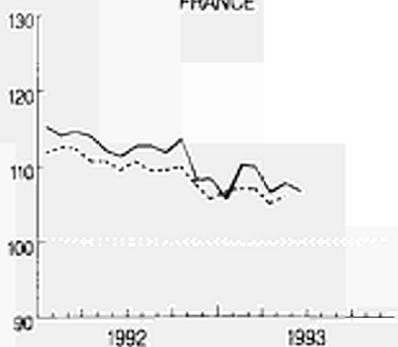
IRELAND



PORTUGAL



FRANCE



..... EUR 12

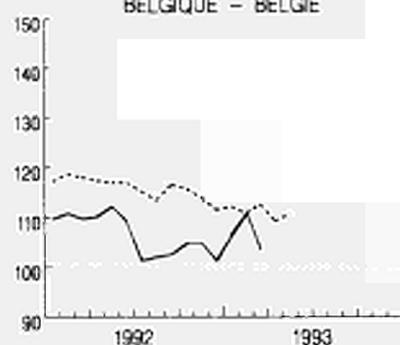
1985 = 100

INDUSTRIELLE PRODUKTION
INVESTITIONSGÜTERINDUSTRIE

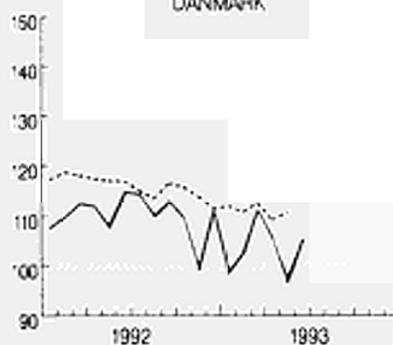
INDUSTRIAL PRODUCTION
CAPITAL GOODS

PRODUCTION INDUSTRIELLE
BIENS D'INVESTISSEMENT

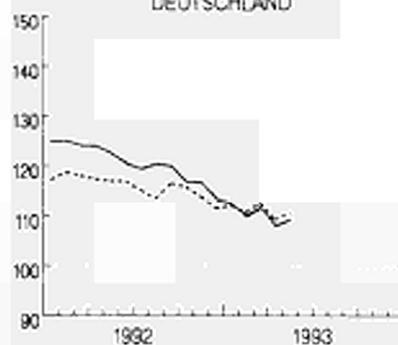
BELGIQUE - BELGIE



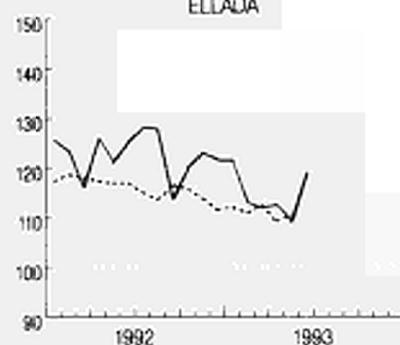
DANMARK



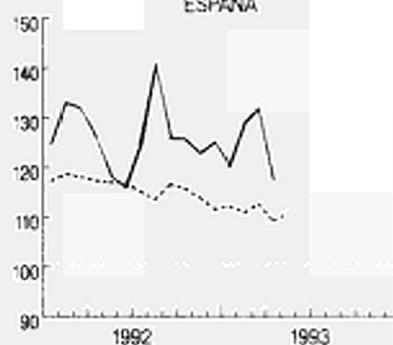
DEUTSCHLAND



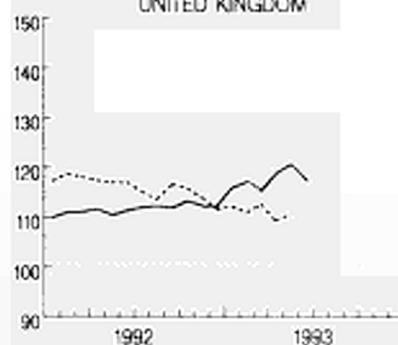
ELLADA



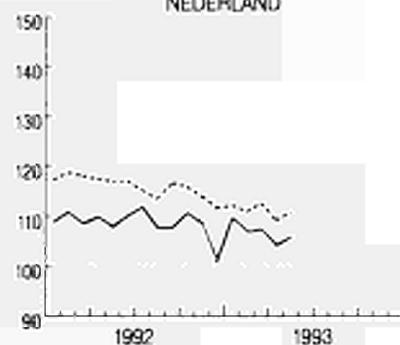
ESPAÑA



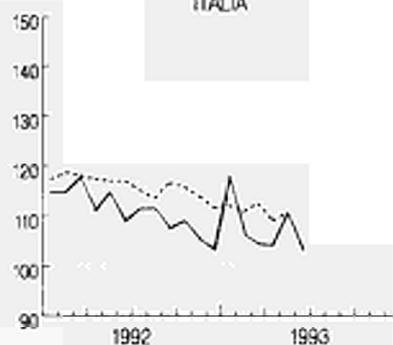
UNITED KINGDOM



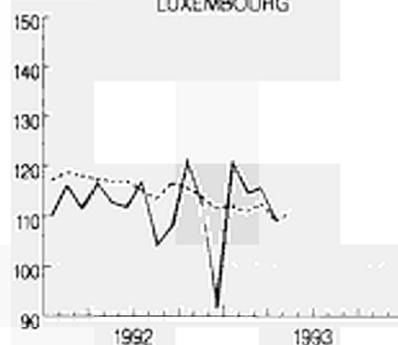
NEDERLAND



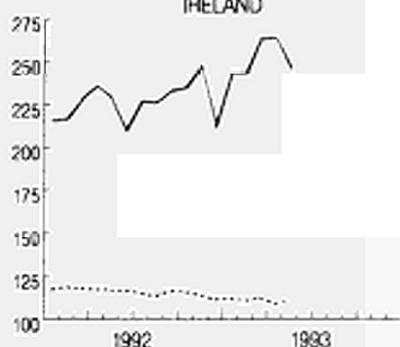
ITALIA



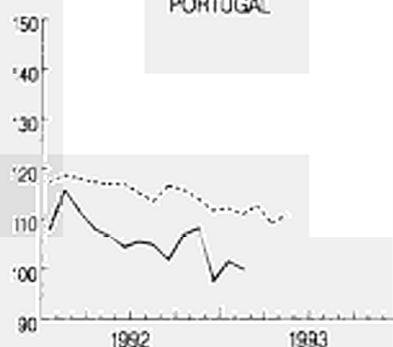
LUXEMBOURG



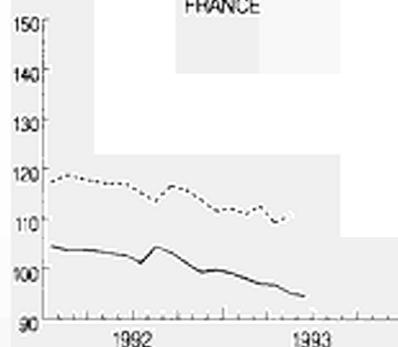
IRELAND



PORTUGAL



FRANCE

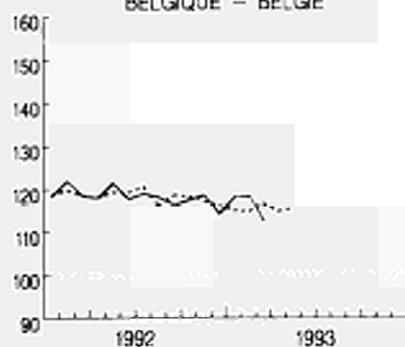


..... EUR 12

1985 = 100

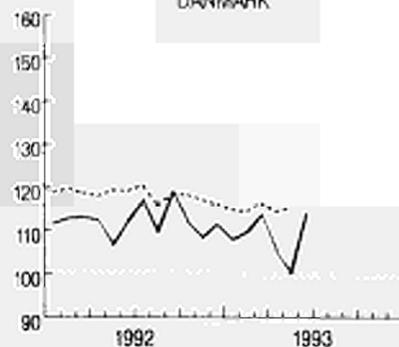
INDUSTRIELLE PRODUKTION
VERBRAUCHSGÜTERINDUSTRIE

BELGIQUE – BELGIE



INDUSTRIAL PRODUCTION
CONSUMER GOODS

DANMARK

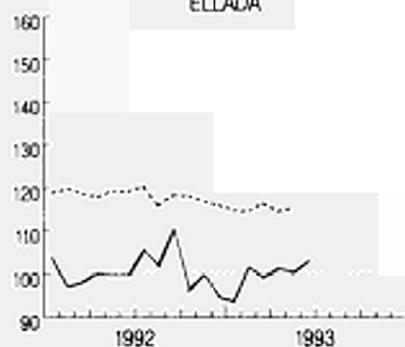


PRODUCTION INDUSTRIELLE
BIENS DE CONSOMMATION

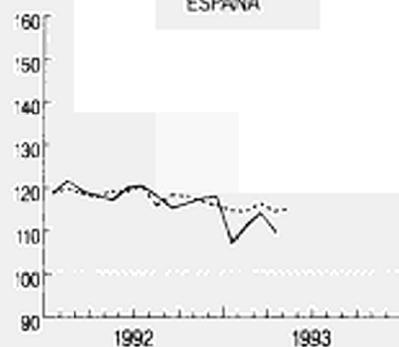
DEUTSCHLAND



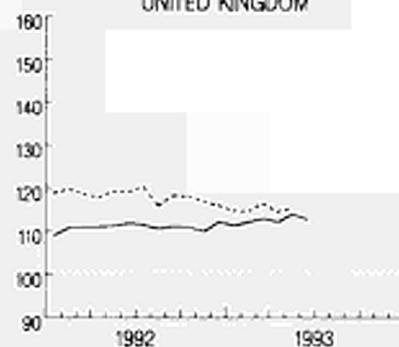
ELLADA



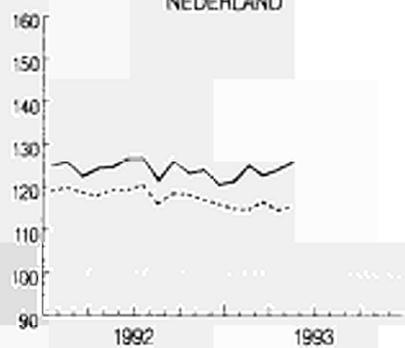
ESPAÑA



UNITED KINGDOM



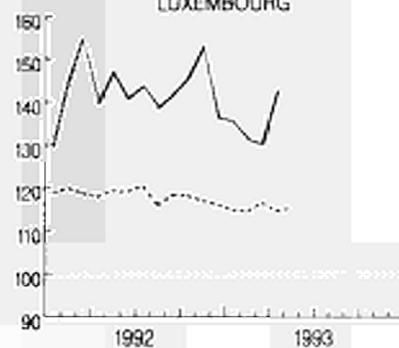
NEDERLAND



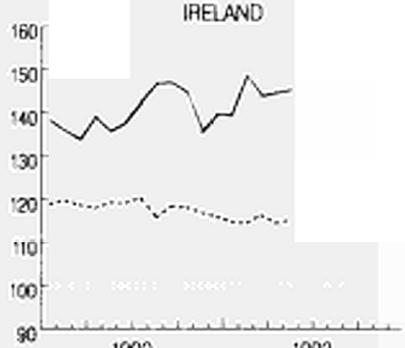
ITALIA



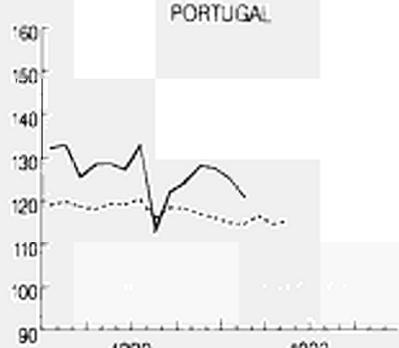
LUXEMBOURG



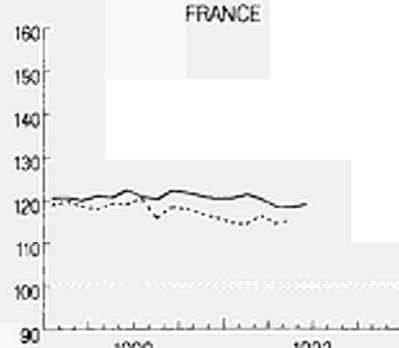
IRELAND



PORTUGAL



FRANCE



..... EUR 12

1985 = 100

Total industry (Nace 1-4)

Producer price index

1985 = 100		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Total	1992	114.7	92.8	108.7	104.8	247.9	114.6	109.0	116.6	124.0	93.7	90.1	N/A	126.1
Industry	Φ	115.2	91.5	107.7	104.8	269.0	116.1	108.7	117.9	127.0	91.1	89.0	N/A	129.3
Growth rate (%)	1992	1.7	0.2	-1.2	1.4	11.9	1.4	N/A	2.1	1.9	-2.6	0.5	N/A	2.6
	Φ	1.6	-1.0	-0.9	0.3	13.7	1.6	-0.4	2.1	3.4	-3.3	-1.1	N/A	4.3
Intermediate	1992	104.8	81.2	102.4	95.8	234.7	100.2	102.2	96.5	115.8	84.9	83.3	N/A	113.6
Goods	Φ	105.1	79.6	102.2	94.8	256.6	100.9	101.5	97.4	118.5	81.3	81.9	N/A	116.0
Growth rate (%)	1992	0.3	-1.9	-2.8	-0.3	10.8	0.0	-0.7	0.3	0.4	-5.1	-0.6	N/A	1.4
	Φ	0.8	-1.5	N/A	-1.0	15.4	0.9	-1.0	1.9	3.4	-5.4	-1.8	N/A	4.5
Capital	1992	126.3	117.0	120.2	119.0	247.0	134.3	N/A	117.3	134.5	122.0	110.1	N/A	139.5
Goods	Φ	126.9	117.6	122.0	120.5	271.4	135.3	N/A	117.9	137.2	121.9	110.4	N/A	142.8
Growth rate (%)	1992	2.5	2.4	-0.1	2.9	13.0	2.2	N/A	1.1	2.5	1.7	1.0	N/A	3.1
	Φ	2.3	0.8	2.5	2.1	15.1	1.5	N/A	N/A	3.2	0.6	0.4	N/A	3.0
Consumer	1992	123.9	108.2	109.2	111.5	266.3	129.4	113.4	118.7	131.0	124.7	99.4	N/A	138.5
Goods	Φ	124.6	107.1	106.6	112.5	285.7	132.2	113.2	120.7	134.3	126.3	98.9	N/A	142.8
Growth rate (%)	1992	3.3	2.8	-0.5	3.0	13.1	2.8	1.8	3.0	3.6	2.8	2.0	N/A	4.8
	Φ	2.4	-1.1	-2.7	1.1	11.4	2.7	0.0	3.0	3.6	2.5	-0.2	N/A	4.7

Source: Eurostat

Producer price inflation continued to slow in 1992. After having risen by 2.8% in 1991, producer prices increased by only 1.7% in 1992. Latest data (for December 1992) showed this trend to be continuing, as the annual rate of growth was equal to only 1.6%.

A tendency of negative price changes became apparent in Denmark, France and the Benelux countries towards the end of 1992, with latest data suggesting this downward pressure on prices was continuing (data for March 1993 for all countries except France - December 1992).

Amongst other Member States there were signs that the downward path in

the trend of price inflation for Greece and the United Kingdom observed since the start of 1991 was over. The rate of growth of Greek price increases started to climb (moving to an annual rate of 13.7% in March 1993). In the United Kingdom producer price inflation started to climb too, after having seen price inflation reduced to 2.1% in 1992. Figures showed that in early 1993 producer prices were rising at an annual rate of 4.3% (March 1993). United Kingdom, Irish and Italian price inflation may have been expected to show some signs of growth as import prices rose following the devaluations of last autumn.

In terms of the different goods sectors there was almost no change in the level of intermediate goods price inflation for 1992. Prices did however show a tendency to fluctuate more rapidly in this sector with distinct movements in growth rates.

Growth in the two other goods sectors was however more marked (rising 2.5% and 3.3% respectively for capital goods and consumer goods). German, French, Dutch and Danish capital goods price inflation followed the European average almost identically. There were only very slight reductions during the past two years with price inflation stable around the three per cent per annum level.

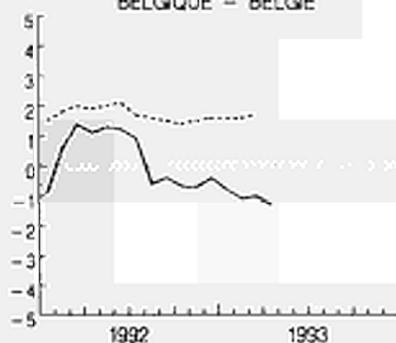
Consumer goods' prices were more volatile in their fluctuations. However, having peaked in March 1992, consumer goods' inflation has since fallen to an annual rate of 2.4% (December 1992). Some countries'

consumer goods price inflation rates were well below the European average: France, 0.0% (December 1992), the Netherlands, -0.2%, Belgium, -1.1% and Denmark, -2.7% (all March 1993). Irish consumer goods inflation

rose rapidly from the start of 1991 (when it displayed a -2.5% annual change) to flatten out around the three per cent level at the end of 1992.

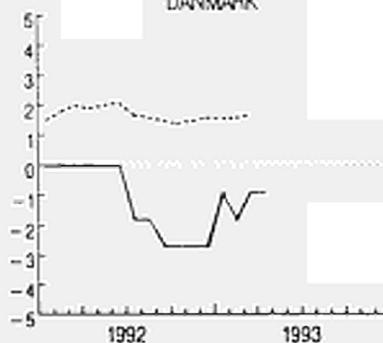
ERZEUGERPREISINDEX
GESAMTE INDUSTRIE
VERÄNDERUNGSRATE

BELGIQUE - BELGIE



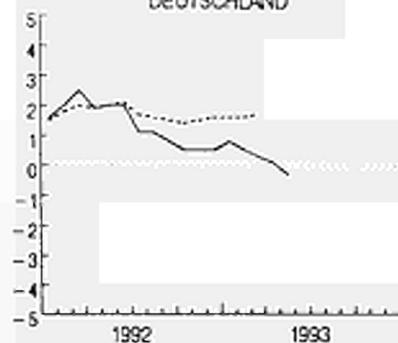
PRODUCER PRICE INDEX
TOTAL INDUSTRY
GROWTH RATE

DANMARK

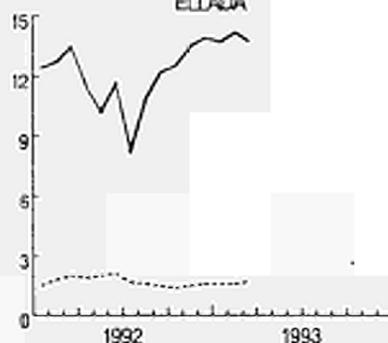


INDICE DES PRIX A LA PRODUCTION
ENSEMBLE DE L'INDUSTRIE
Taux de variation

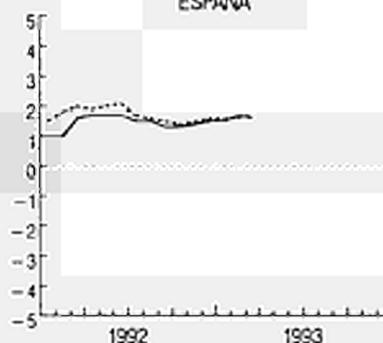
DEUTSCHLAND



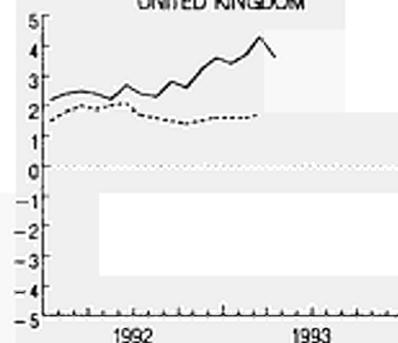
ELLADA



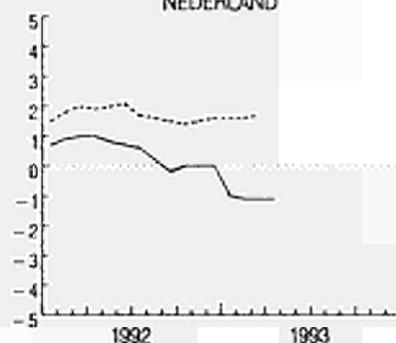
ESPAÑA



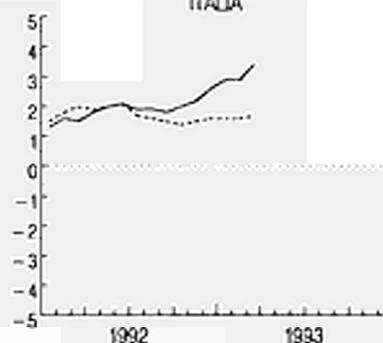
UNITED KINGDOM



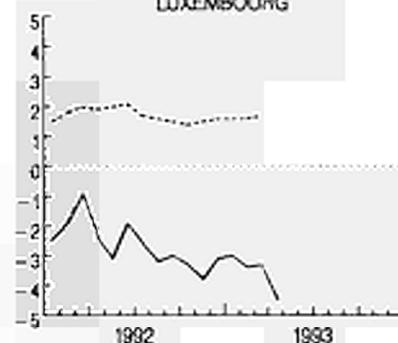
NEDERLAND



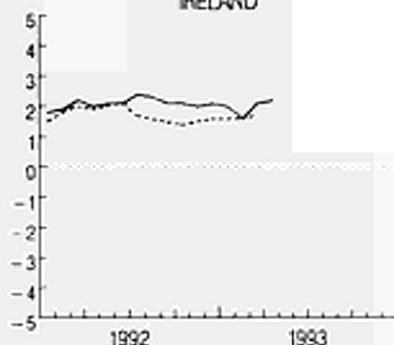
ITALIA



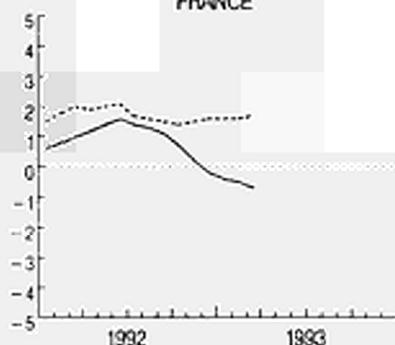
LUXEMBOURG



IRELAND

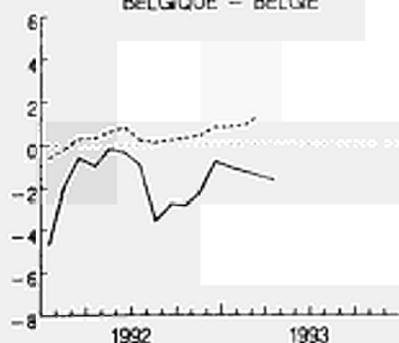


FRANCE



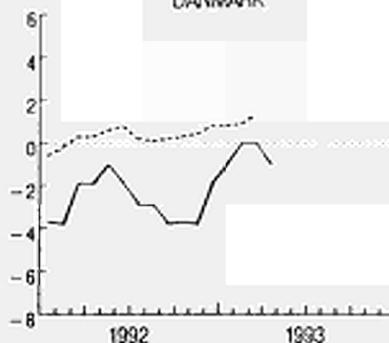
ERZEUGERPREISINDEX
VORLEISTUNGSINDUSTRIE
VERÄNDERUNGSRATE

BELGIQUE - BELGIE



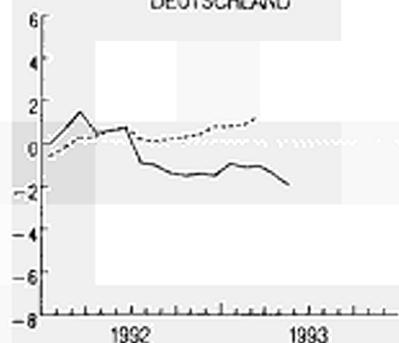
PRODUCER PRICE INDEX
INTERMEDIATE GOODS
GROWTH RATE

DANMARK

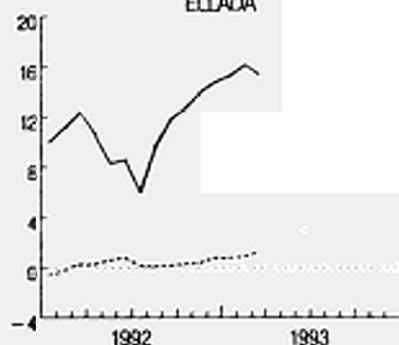


INDICE DES PRIX A LA PRODUCTION
BIENS INTERMEDIAIRES
TAUX DE VARIATION

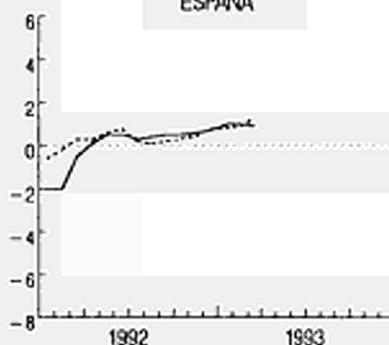
DEUTSCHLAND



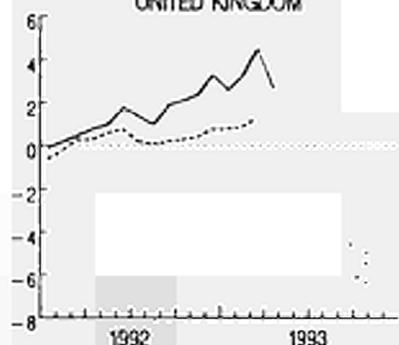
ELLADA



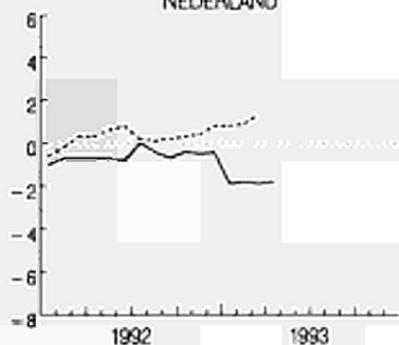
ESPAÑA



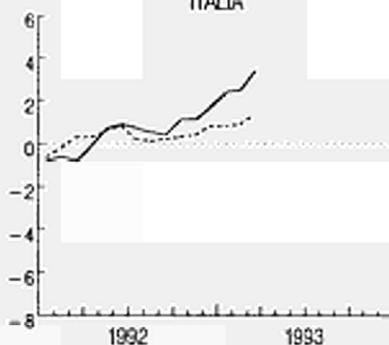
UNITED KINGDOM



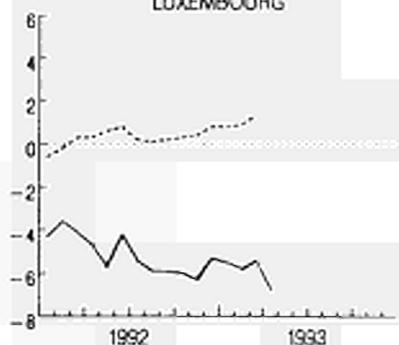
NEDERLAND



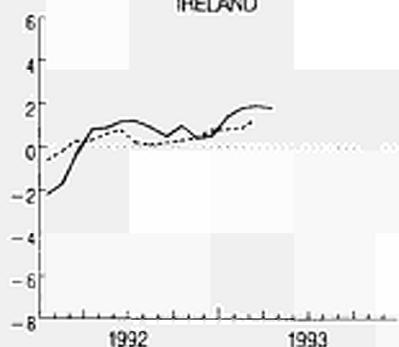
ITALIA



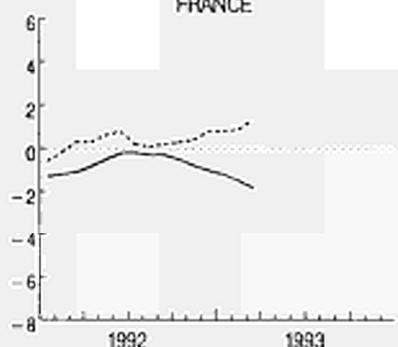
LUXEMBOURG



IRELAND



FRANCE

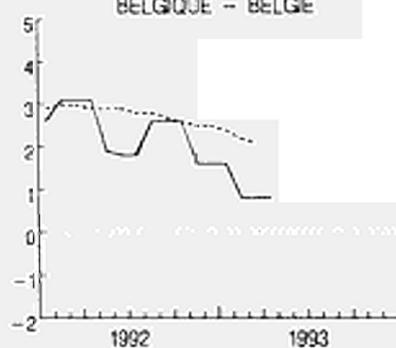


..... EUR 12

1985 = 100

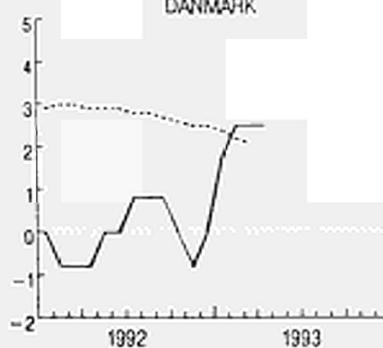
ERZEUGERPREISINDEX
INVESTITIONSGÜTERINDUSTRIE
VERÄNDERUNGSRATE

BELGIQUE - BELGIE



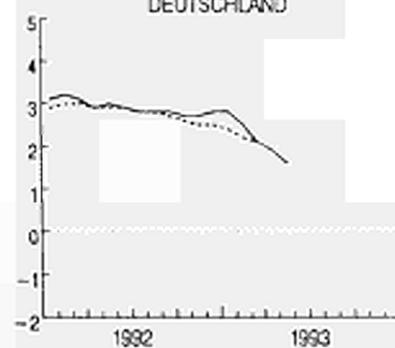
PRODUCER PRICE INDEX
CAPITAL GOODS
GROWTH RATE

DANMARK

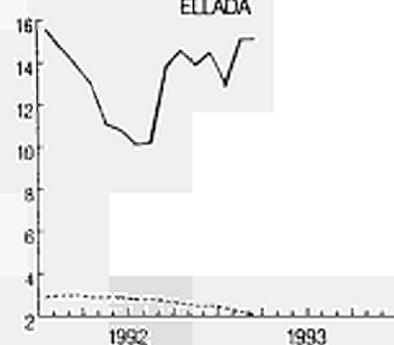


INDICE DES PRIX A LA PRODUCTION
BIENS D'INVESTISSEMENT
TAUX DE VARIATION

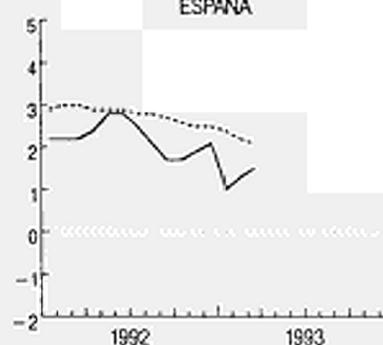
DEUTSCHLAND



ELLADA



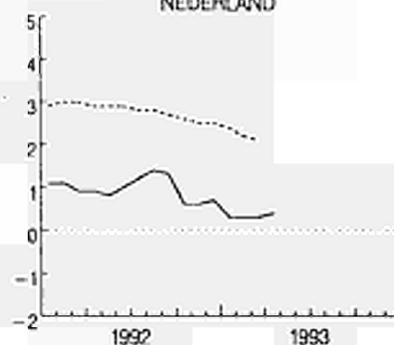
ESPAÑA



UNITED KINGDOM



NEDERLAND



ITALIA



LUXEMBOURG

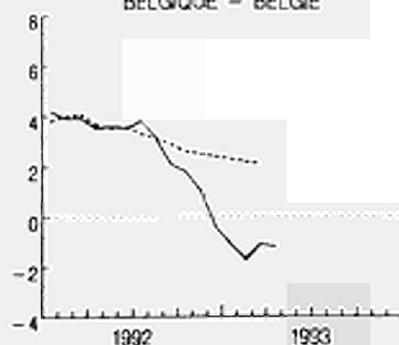


IRELAND



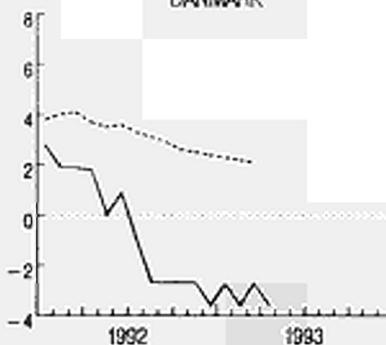
ERZEUGERPREISINDEX
VERBRAUCHSGÜTERINDUSTRIE
VERÄNDERUNGSRATE

BELGIQUE - BELGIE



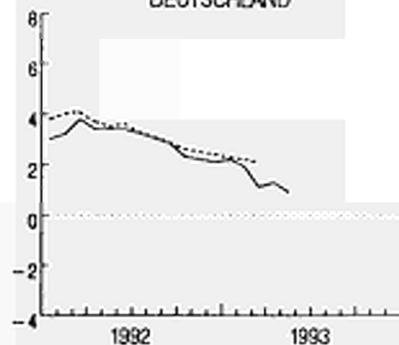
PRODUCER PRICE INDEX
CONSUMER GOODS
GROWTH RATE

DANMARK

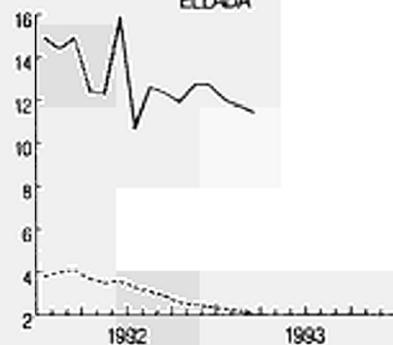


INDICE DES PRIX A LA PRODUCTION
BIENS DE CONSOMMATION
TAUX DE VARIATION

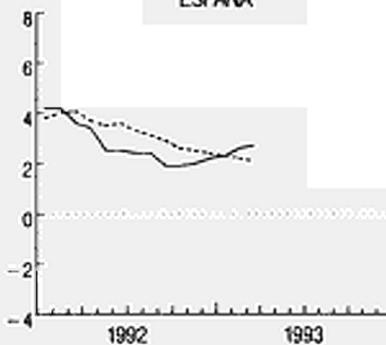
DEUTSCHLAND



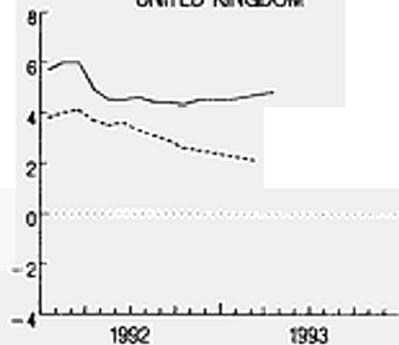
ELLADA



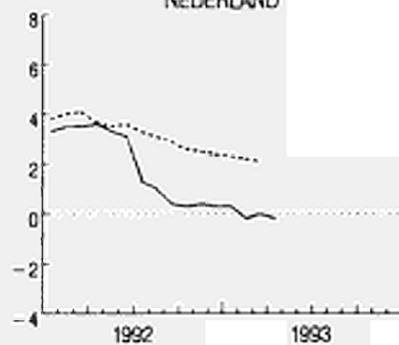
ESPAÑA



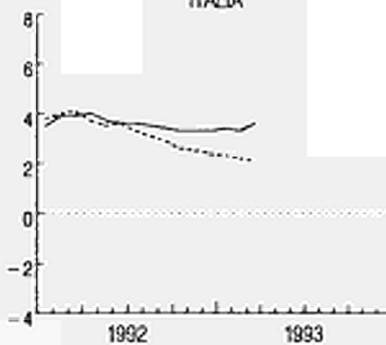
UNITED KINGDOM



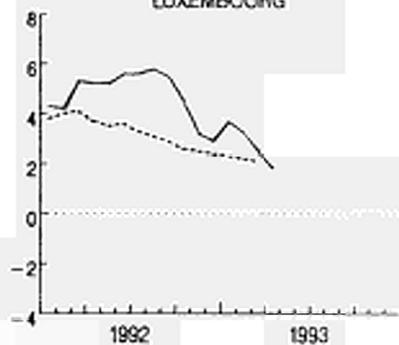
NEDERLAND



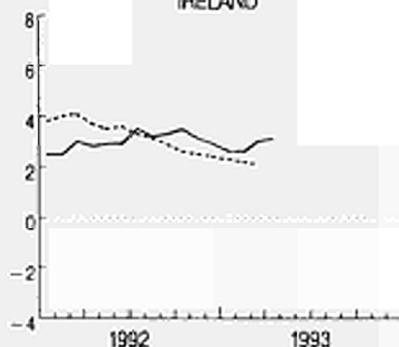
ITALIA



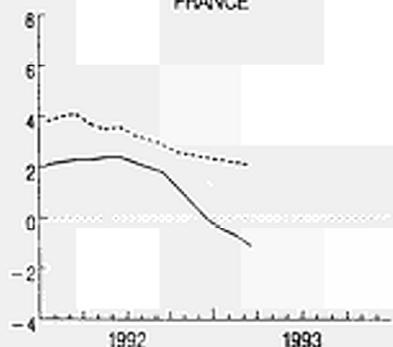
LUXEMBOURG



IRELAND



FRANCE



..... EUR 12

1985 = 100

Total industry (Nace 1-4)

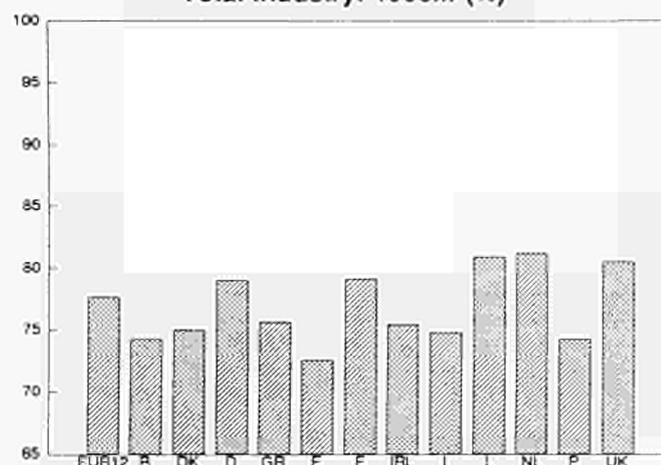
Capacity utilization

%		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Total Industry	92.III	80.9	78.2	80.0	85.1	77.2	79.0	82.6	76.1	76.4	80.0	84.5	78.2	78.9
	92.IV	79.5	76.6	79.0	83.2	79.4	76.3	82.1	77.3	74.3	79.0	83.0	77.1	78.4
	93.I	77.6	74.5	77.0	80.1	77.7	73.7	80.9	69.9	74.3	78.9	81.5	75.0	76.3
	93.II	77.6	74.3	75.0	79.0	75.6	72.6	79.1	75.4	74.8	80.9	81.2	74.3	80.5
Intermediate Goods	92.III	81.0	76.0	79.0	84.5	79.6	78.4	84.9	75.7	76.6	79.0	83.1	80.6	78.9
	92.IV	79.6	73.9	78.0	82.5	81.8	77.8	84.5	78.6	74.2	79.0	81.4	78.5	78.0
	93.I	77.5	71.4	74.0	77.9	79.1	75.1	82.8	69.4	74.2	79.3	79.4	77.2	77.2
	93.II	78.0	71.9	72.0	78.2	76.4	72.7	81.5	80.6	75.2	82.0	80.7	77.0	80.5
Capital Goods	92.III	79.2	80.2	79.0	82.8	71.8	80.1	80.6	80.0	73.9	8.5	85.1	80.2	75.9
	92.IV	78.1	79.3	78.0	80.5	67.2	75.4	80.1	80.8	72.6	82.0	84.2	80.4	76.8
	93.I	76.9	77.9	75.0	79.1	81.7	72.0	78.8	67.9	73.2	81.6	82.1	76.6	75.5
	93.II	76.6	74.7	74.0	76.5	72.3	72.1	75.3	77.0	74.6	82.3	79.6	75.0	80.1
Consumer Goods	92.III	81.8	79.4	81.0	89.1	75.9	78.4	81.1	72.3	77.2	82.0	82.7	79.6	81.0
	92.IV	81.1	76.5	80.0	87.6	77.0	75.2	81.5	71.3	75.3	79.0	84.5	76.7	82.2
	93.I	79.8	74.3	80.0	85.9	77.6	74.9	81.0	78.1	75.0	74.7	84.4	72.8	78.4
	93.II	79.7	76.6	79.0	84.1	78.0	73.7	79.9	70.5	74.5	74.5	83.2	75.2	81.6

Source: Eurostat

Estimates for the second quarter of 1993 show capacity utilization levels maintaining rates seen in the first quarter (77.6%). Thus, rates were down by some three per cent on 1992 levels across the EC. German levels were particularly badly hit, falling by more than six per cent (estimated) to 79.0%. Recent trends showed a marked deterioration in rates for Belgium, Denmark and Spain. Indeed, the lowest utilization rates for the Community were seen in Spain, where only 72.6% of capacity was estimated to be in use, confirming the marked downturn in the Spanish economy. However, there were signs that a recovery was underway in the United Kingdom (with levels rising to an estimated rate of 80.5%). This rise allowed the United Kingdom to report the third highest rates in the Community (behind the Netherlands and Luxembourg; 81.2% and 80.9%)

Capacity utilization
Total industry: 1993.II (%)



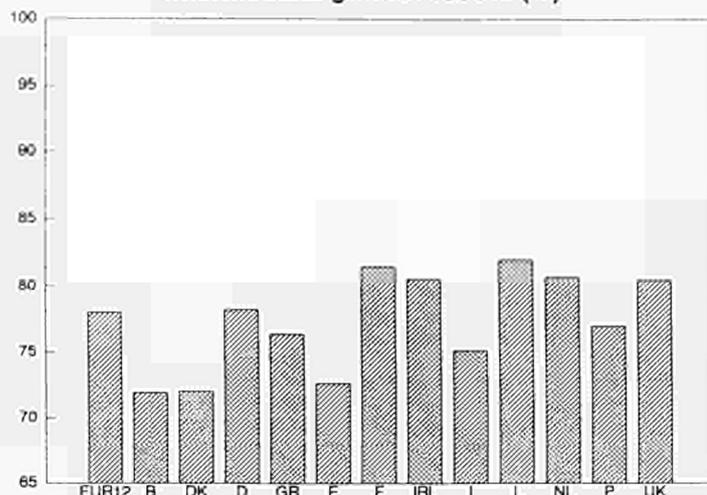
respectively). Other than the United Kingdom, only Italy, the Netherlands and Ireland were able to show signs of stabilisation or growth in their rates. After a marked deterioration in Irish levels during the first quarter of 1993, many of the losses were recovered during the second quarter.

Turning to the individual goods sectors, latest data showed there was little change on the previous quarter. The intermediate goods sector recorded estimated gains of 0.5% following disappointing figures in the first quarter of 1993.

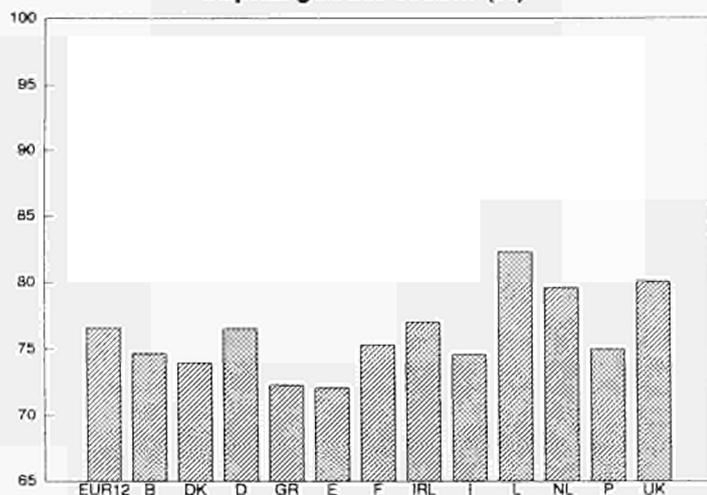
German capital goods levels were well down (by an estimated 2.6% on the previous quarter). This led to the German levels falling below the European average in this sector. The French capital goods' sector also saw low levels of activity (down to an estimated utilization rate of 75.3%). United Kingdom levels rose strongly, suggesting that investment levels were up in the economy in general.

However, in the consumer goods sector German rates were considerably healthier. Indeed, there remained a noticeable difference between the levels of Germany (84.1%) and the Netherlands (83.2%) compared to other European economies.

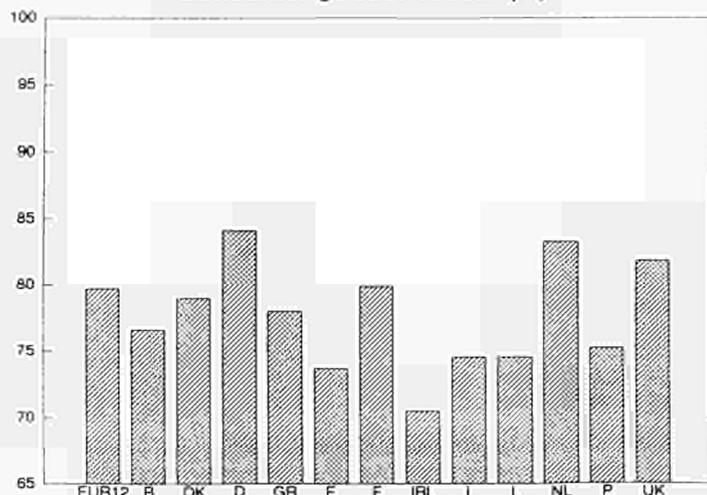
Capacity utilization
Intermediate goods: 1993.II (%)



Capacity utilization
Capital goods: 1993.II (%)



Capacity utilization
Consumer goods: 1993.II (%)



Total industry (Nace 1-4)

External trade indicators

1985 = 100			EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Exports	Volume	1992	97.9	129.6	133.2	109.4	149.6	138.8	133.3	168.5	103.0	123.1	175.6	115.9
		Φ	106.1	131.4	155.5	111.9	184.3	147.3	136.5	181.3	108.3	127.5	172.2	126.1
	Growth rate (%)	1992	1.2	6.0	5.9	-2.2	9.3	7.1	1.2	15.1	0.2	-0.8	2.8	-0.1
		Φ	-3.8	3.4	14.2	-6.9	16.4	-4.7	-4.8	12.7	-5.5	-3.5	-7.5	-2.9
	Value	1992	114.9	103.6	104.1	123.9	79.7	114.0	115.3	96.6	128.7	90.7	104.0	92.7
		Φ	114.4	105.1	105.6	126.6	79.0	111.6	116.8	92.5	124.0	91.3	101.9	87.4
Growth rate (%)	1992	2.1	0.4	1.2	4.2	-5.0	-0.4	2.8	-2.7	0.5	0.1	1.9	-1.2	
	Φ	1.9	1.8	3.1	6.2	-5.6	-2.8	4.0	-6.5	-3.0	1.6	1.2	-6.7	
Imports	Volume	1992	155.0	135.9	114.8	163.8	140.6	250.4	150.6	132.1	127.7	133.6	286.1	120.7
		Φ	154.9	134.5	128.0	170.0	165.1	246.8	153.2	140.3	124.1	134.2	305.5	120.2
	Growth rate (%)	1992	0.5	0.3	-0.7	-0.6	3.9	5.5	-0.5	-2.9	0.5	0.9	9.4	3.8
		Φ	-3.9	-2.8	4.2	-0.2	-8.0	-7.2	-3.1	-3.9	-8.7	-0.9	3.6	-1.8
	Value	1992	79.1	101.1	95.9	94.5	96.1	85.7	94.7	97.9	96.5	95.5	85.5	98.9
		Φ	79.7	102.5	97.3	95.7	93.1	84.2	96.0	95.4	95.0	96.7	85.3	96.2
Growth rate (%)	1992	-1.4	0.1	0.9	1.1	0.4	-2.1	0.3	3.1	-0.7	1.1	-0.3	-1.8	
	Φ	-0.9	1.3	2.5	1.7	-2.0	-3.2	1.9	1.4	-2.2	2.2	1.5	-4.1	
Terms of Trade	1992	Φ	145.2	102.4	108.5	131.1	82.9	133.0	121.7	98.6	133.3	94.9	121.6	93.7
		Φ	143.5	102.5	108.5	132.2	84.8	132.5	121.6	96.9	130.4	94.4	119.5	90.8
	Growth rate (%)	1992	3.6	0.2	0.2	3.1	-5.3	1.7	2.5	-5.7	1.2	-1.0	2.3	0.6
		Φ	2.8	0.4	0.4	4.3	-3.6	0.4	2.0	-7.9	-0.8	-0.6	-0.2	-2.6

Source: Eurostat

External trade indicators for 1992 showed export volumes growing by 1.2%, whilst import growth remained even more modest, recording annual gains of only 0.5%. This pattern was against that traditionally displayed as import volumes run at over fifty per cent (155.0, 1985 = 100) more than levels displayed in 1985, whereas export volumes continue to display a similar trend to that of the mid-eighties (97.9). Latest data available suggests that this considerable slowdown in trading activity is set to continue for some time, as volume indicators fell at an annual rate of just under four per cent for both exports and imports.

Value indicators followed historical trends more closely: with export values expanding slightly (2.1%

growth in 1992) and import values below those of a year before (down 1.4%). The reduction in import values was less than that traditionally recorded and may be explained by the strength of currencies (such as the yen) and the relative weakness of certain currencies amongst the Member States. As a result of these moderate movements in 1992, import values recorded a level of 79.1 (1985 = 100), with export values at 114.9.

Terms of trade grew by 3.6% in 1992 to a level of 145.2. This growth was above that seen in 1991, when the indicator gained 2.1% - however, recent growth remains well below that displayed in the mid to late eighties. Generally most countries saw their terms of trade follow historical trends. However, in Ireland levels fell rapidly

from the third quarter of 1992. Conversely, 1992 saw the deterioration of Greek terms of trade slow, due in part to lower levels of inflation.

Export values were seen to be falling in the United Kingdom (6.7%), Ireland (6.5%), Greece (5.6%), Italy (3.0%) and Spain (2.8%). These reductions may at least in part be explained by movements in currency markets. For the same reason with intra-Community trade accounting for a significant share of total trade, other Member States conversely saw export values grow quite rapidly. For example latest data (December 1992) shows German (+6.2%) and French (+4.0%) exports at significantly higher levels than a year before.

NACE 1 - 4

AUSSENHANDELSINDIKATOREN

EXTERNAL TRADE INDICATORS

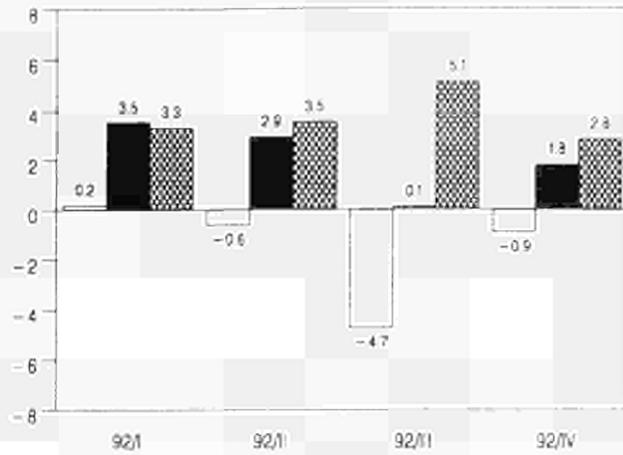
INDICATEURS COMMERCE EXTERIEUR

VERÄNDERUNGSRATE

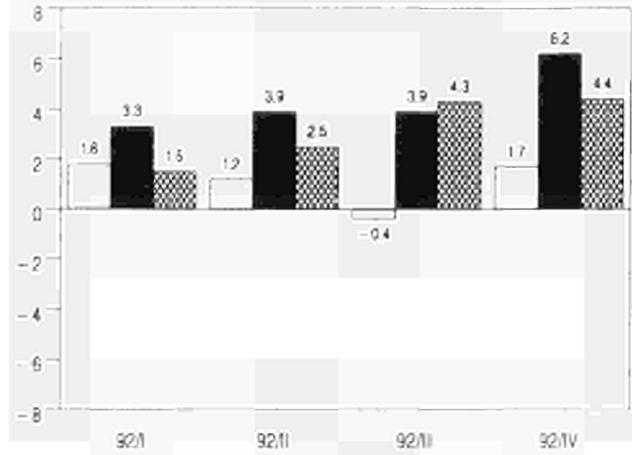
GROWTH RATE

TAUX DE VARIATION

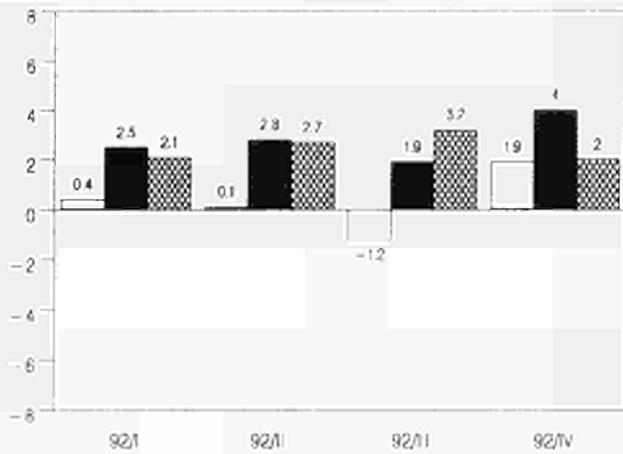
EUR 12



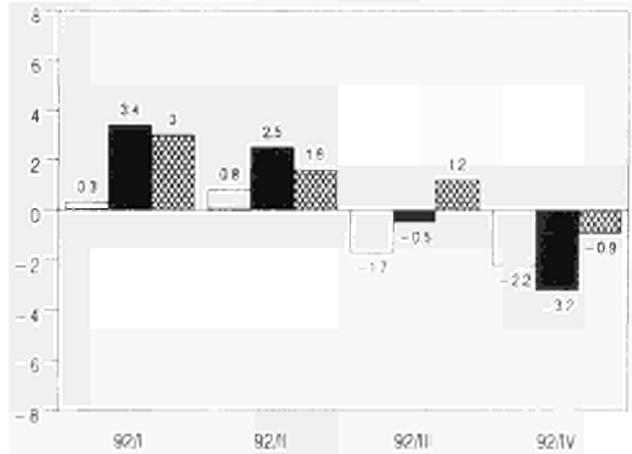
DEUTSCHLAND



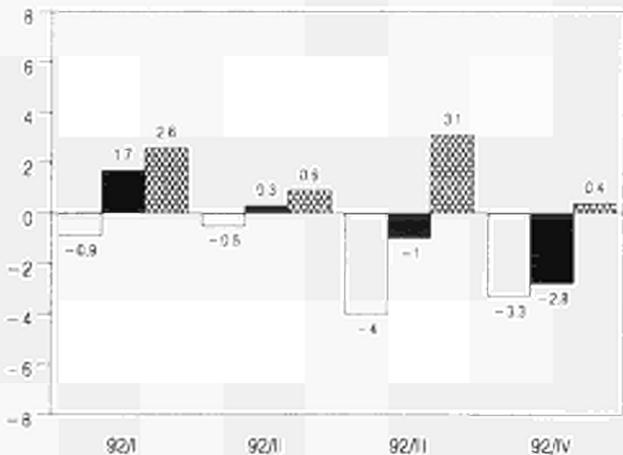
FRANCE



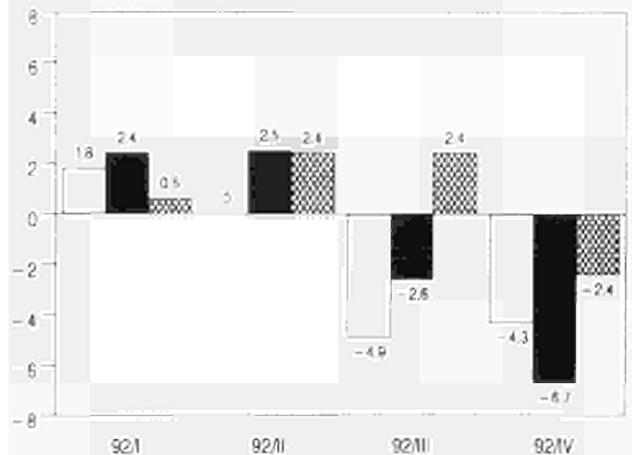
ITALIA



ESPAÑA



UNITED KINGDOM



Einfuhr
Ausfuhr

Austauschrelation

Import
Export

Terms of trade

Importation
Exportation

Termes de l'échange

NACE 1 - 4

AUSSENHANDELSINDIKATOREN

EXTERNAL TRADE INDICATORS

INDICATEURS COMMERCE EXTERIEUR

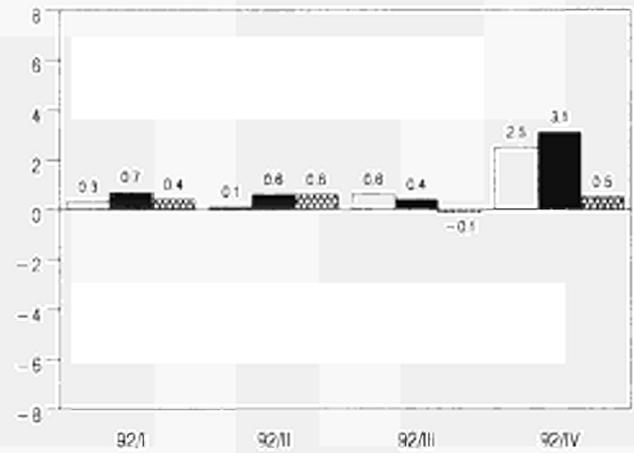
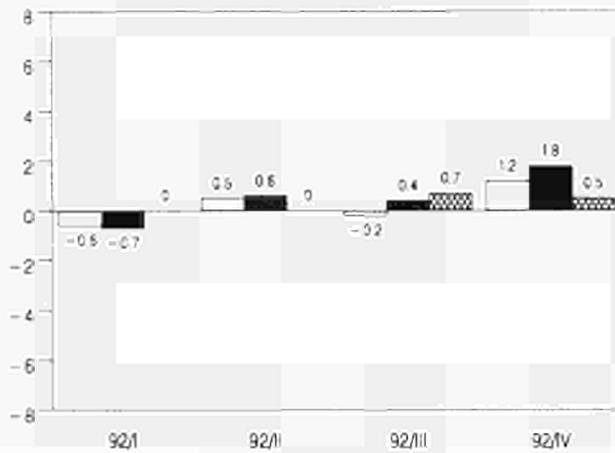
VERÄNDERUNGSRATE

GROWTH RATE

TAUX DE VARIATION

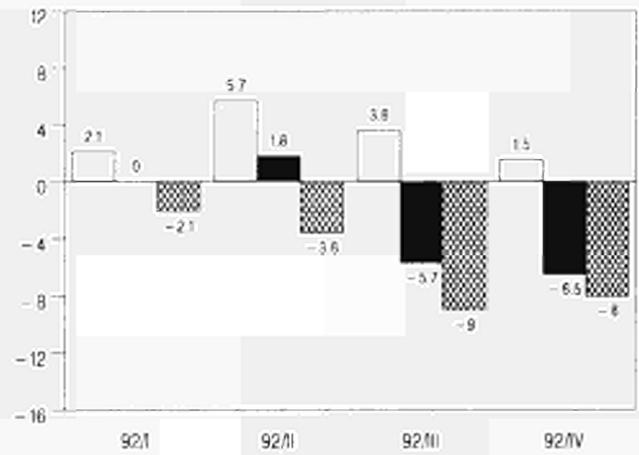
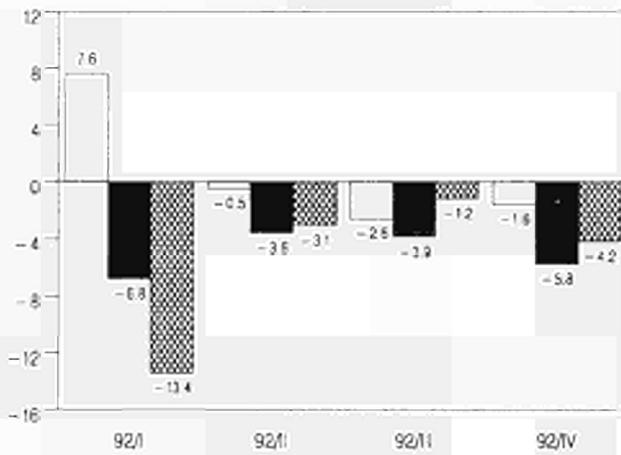
BELGIQUE - LUXEMBOURG

DANMARK



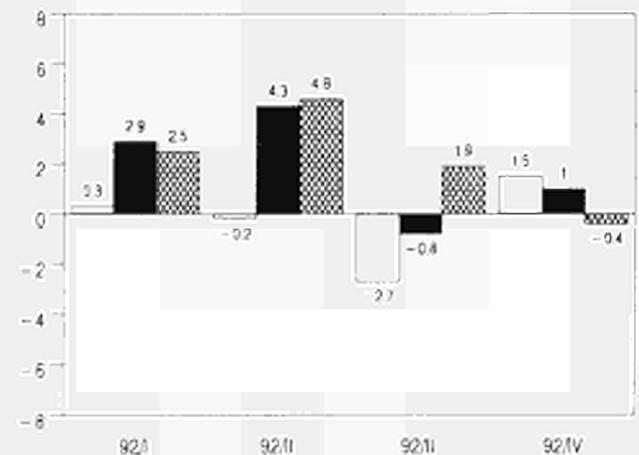
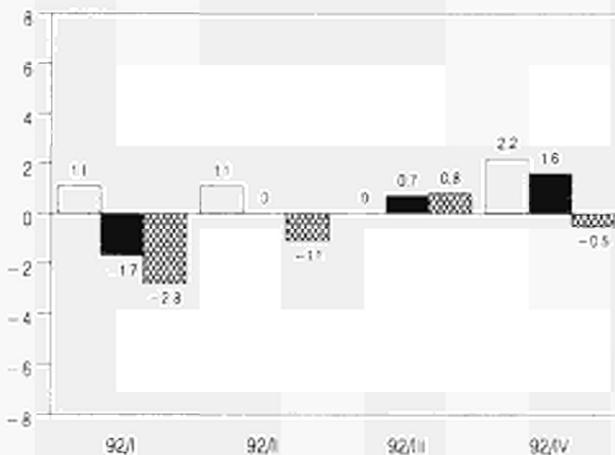
ELLADA

IRELAND



NEDERLAND

PORTUGAL



3. IRON AND STEEL INDUSTRY (NACE 221)

- World demand fell 2.3% in 1992
- EC steel consumption held up until the fourth quarter of 1992
- Collapse of industrial production in Eastern Europe
- Capacity utilization as low as 63% in the fourth quarter of 1992
- Producer prices fell 4.4% in 1992
- Poor delivery figures for the first quarter of 1993
- EC accounts for 15.7% of world trade
- Imports from Eastern Europe grew by 33% in 1992
- Three consecutive years of decreasing export prices

3.1. SHORT-TERM INDICATORS

Iron and Steel industry (Nace 221) Production, prices and capacity utilization

		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Production (1000 tonnes)	1992	132198	10331	592	39711	923	12254	17966	258	24814	3070	5437	775	16067
	Φ	34116	2803	141	9415	258	3139	4627	90	6834	883	1447	182	4297
Growth rate (%)	1992	-3.8	-9.0	-6.3	-5.8	-5.8	-4.2	-2.6	-12.2	-1.2	-9.1	5.1	33.4	-2.7
	Φ	-4.3	9.1	-4.1	-10.4	7.9	-5.9	-7.0	25.0	-2.1	2.9	3.3	-12.5	-1.6
Producer Price index	1992	92.5	85.8	N/A	97.7	81.1	93.2	98.2	N/A	100.0	87.1	106.7	N/A	91.0
	Φ	89.9	84.5	N/A	95.5	78.1	85.6	98.7	N/A	91.8	86.0	109.3	N/A	82.8
Growth rate (%)	1992	-4.4	-5.4	N/A	-1.8	-7.7	-4.4	0.3	N/A	-5.7	-6.7	1.4	N/A	-4.8
	Φ	-5.2	-2.9	N/A	-2.8	-9.6	-7.3	2.4	N/A	-11.5	-5.1	4.2	N/A	-11.3
Capacity Utilization %	92.II	74.4	72.9	75.3	75.7	32.0	70.8	80.8	50.4	72.4	54.0	82.6	93.8	80.0
	92.III	66.0	76.0	64.5	74.4	23.5	59.6	68.5	31.2	52.5	50.2	83.5	79.0	71.2
	92.IV	63.0	68.2	66.8	62.0	31.7	54.9	66.7	64.8	59.4	63.6	83.2	87.1	69.6
	93.I	68.6	76.0	65.4	65.7	32.7	61.1	71.9	58.4	66.7	65.9	88.8	82.1	77.6

Source: Eurostat

The steel industry as discussed in this chapter is defined by the listing of its products in the Annex 1 of the treaty establishing the European Coal and Steel Community (Treaty of Paris). Later on NACE 221 has been defined according to the same rules. The statistics used all pertain to this definition.

Steel is essentially an intermediate good, widely used in the consumer durables, capital goods and construction sectors. The main factors that influence the economic performance of the EC's steel industry are the development of consumption and trade relations with third countries outside the Community.

The slowdown in economic development in the European Community did not appear to affect steel consump-

tion in the first half of 1992 though the Gulf War in early 1991 may have distorted the picture. In the second quarter steel consumption reached a level 7.8% above the corresponding period in 1991 and even in the third quarter of 1992 figures were still above 1991 levels. It was only during the fourth quarter that a 9.5% decrease in consumption was registered, leading to a total reduction of 1.6% for the year 1992. Delivery figures, as far as they are available for the first quarter of 1993, showed few signs of improvement in the short-term.

Due to the recession in the USA and Japan, world steel demand declined by 2.3%¹⁾ in 1992, after a decrease of 4.5% the year before. Nevertheless, the EC steel industry could maintain a high export volume in 1991 due to

buoyant local demand on the Asian market and in the Middle East. Especially towards the end of 1992 and all through 1993, the Chinese market caused export volume to increase considerably.

Problems were caused by the collapse of industrial production in Eastern Europe. As steel consumption in the region declined by 17%¹⁾ in 1991, the Eastern European steel industry tried to compensate for losses by increasing their level of exports, mainly to the Community countries. Imports from Eastern Europe increased in 1991 by 7.1%, but in 1992 the increase soared to around 33%.

¹⁾ Source: ISSI International Iron and Steel Institute, Brussels

Iron and Steel industry (Nace 221)

Market structure

		EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Consumption (1000 tonnes)	1992	124561	5255	1883	39931	1734	11131	16289	279	28834	3920	1845	13460
	92.IV	28492	1248	452	8631	344	2702	3660	67	6839	991	461	3097
Growth rate (%)	1992	-1.6	8.9	17.7	-1.7	-27.0	-5.3	-4.8	-5.4	0.6	-7.4	4.4	1.1
	92.IV	-9.5	22.7	13.3	-10.3	-52.2	-10.4	-18.9	52.3	-3.5	-17.1	8.7	-9.8
Export share in steel production (%)	1992	17.3	96.3	93.2	40.8	72.8	36.9	59.5	105.0	26.9	100.8	25.3	47.5
	92.IV	23.2	91.5	85.2	50.8	75.2	41.8	69.3	108.6	30.1	100.2	25.1	51.2
Extra-EC exports share in steel production (%)	1992	17.3	19.6	31.6	17.6	27.4	17.2	16.1	5.8	12.6	31.8	7.0	17.8
	92.IV	23.2	24.9	31.0	25.3	29.1	22.0	26.8	7.4	16.3	38.1	13.8	19.4
Import share in steel consumption (%)	1992	10.8	85.0	96.6	40.2	86.0	31.2	54.2	104.7	34.9	98.7	70.4	35.4
	92.IV	11.0	78.2	96.7	43.4	90.4	26.3	54.6	110.4	32.3	90.8	68.1	36.4
Extra-EC imports share in steel consumption (%)	1992	10.8	9.8	54.2	13.2	27.7	5.5	3.8	14.7	12.1	10.6	8.3	6.5
	92.IV	11.0	11.6	55.1	14.9	21.8	4.0	3.4	22.4	11.0	10.1	8.9	7.7

Source: Eurostat

Imports from Eastern Europe:

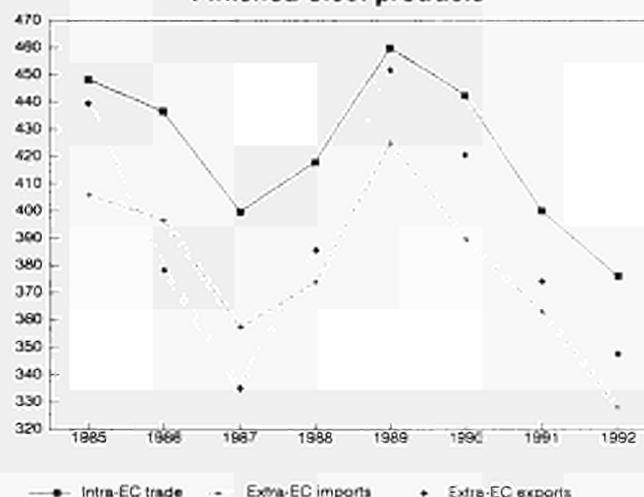
1000 t.	1991	1992	%
I	809	1106	36.6
II	938	1270	35.5
III	807	1103	37.2
IV	783	944	24.3

Despite increased export levels, steel production in the region declined by 16.1% in 1991 and by a further 15.4% in 1992.

Total imports from third countries increased by 16.3% in 1992, after a decrease of 9.2% in 1991. Hence, the reduction in EC steel production in 1992 of 3.8% (13.3% in the fourth quarter) was caused as much by the surge of imports from third countries (whose market share increased from 9.1% in 1991 to 10.8% in 1992) as by the decrease seen in levels of steel consumption.

Price developments (weighted average)

Finished steel products



However, the deterioration of the steel industry dates back to the beginning of 1991 (much earlier than when falls were seen in the level of steel production). The increase in export volumes for 1991 and 1992 was realised in a world market that showed increased world trade (of the magni-

tude 1.9%, after an increase of 1.6% in 1991 and a decrease of 1.0% in 1990). The rise in the volume of exports however was realised by accepting a decrease of 6.8% in their value. Hence, the average value of exports per tonne was reduced by 8.7%.

The same development occurred in 1991, with an 8% decrease in unit value of steel exports. Therefore, there have now been three consecutive years of decreasing export prices, including 1990 with a fall of 8.3%). The development in 1990 however need not to be judged entirely negatively, as the fall in prices measured in ECU was in fact an increase of 5.9% against the US dollar. The EC steel industry pays for a substantial amount (80-85%) of its imports of iron ore, coking coal, tin and zinc in dollars. Hence, a lower dollar will allow a lowering of prices to a certain extent.

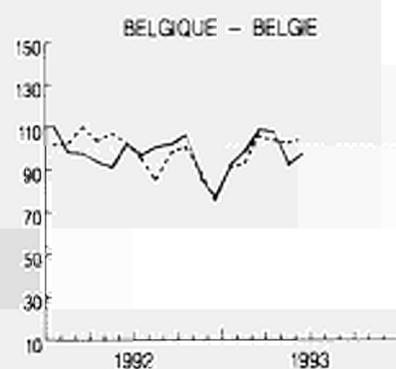
Due to growing difficulties in export markets and increasing imports, competition between European steel producers within the internal market intensified and internal prices started to weaken in 1991. The producer price index in 1991 was down 5.4% as compared to 1990, and 7.4% as compared to 1989 (values in ECU). In 1992 a further decrease of 4.4% (estimated) was recorded. The lowering of the producer price index in 1992 was seen in all countries except for the Netherlands and France.

Capacity utilization in 1990 was at a rate of over 72%, but has since fallen to 69% in 1992. Although the data for capacity utilization is estimated, such

a steep fall must have had a dramatic impact on the profitability of the industry, even more so when accompanied by a reduction in prices. Therefore, for the steel industry to return to acceptable levels of profitability, cuts in capacity would appear to have been unavoidable.

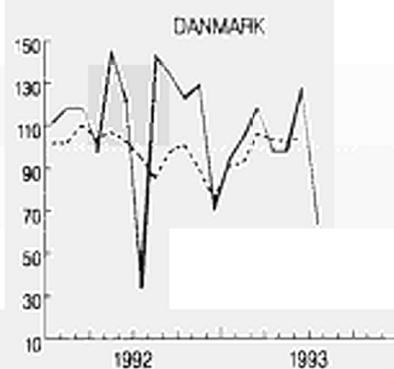
To keep the steel industry competitive continuous efforts have been made to improve labour productivity. Corrected for cyclical factors, steel production per employee increased by nearly 2% per annum. Capacity reductions were therefore accompanied by a decrease in employment levels.

INDUSTRIELLE PRODUKTION

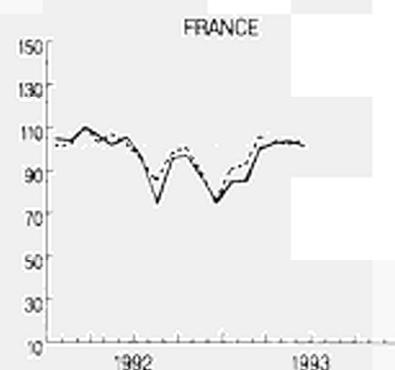
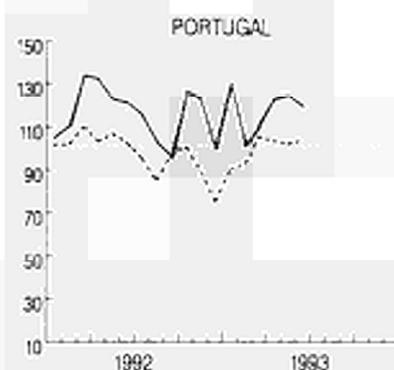
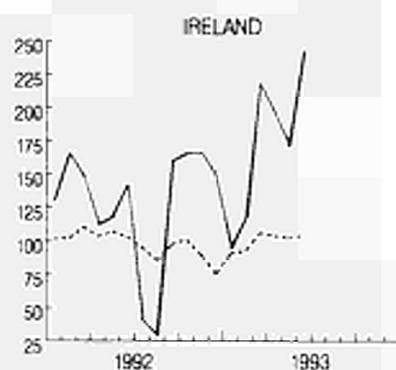
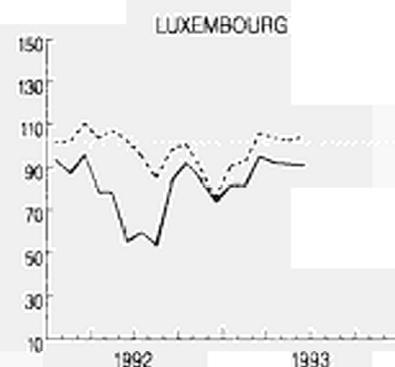
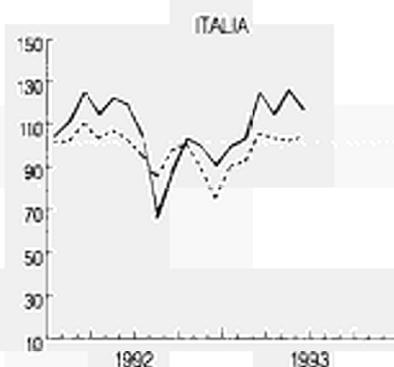
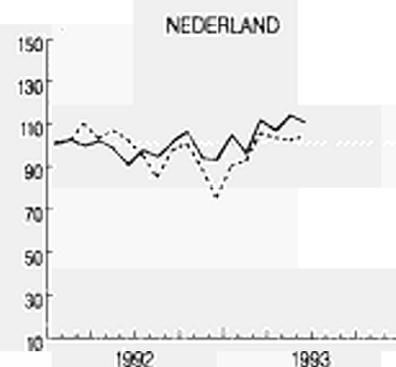
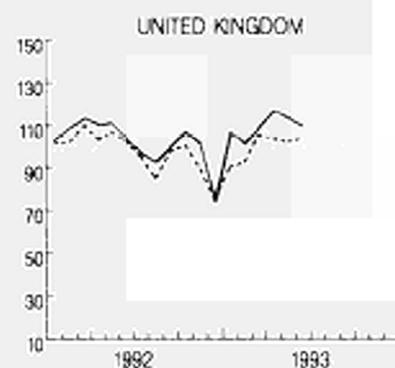
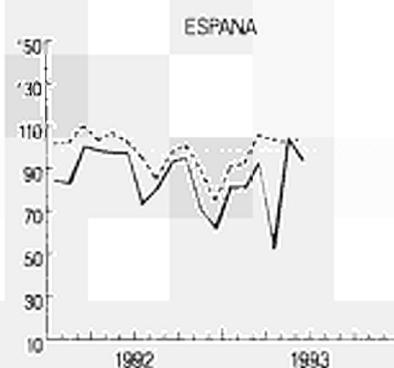
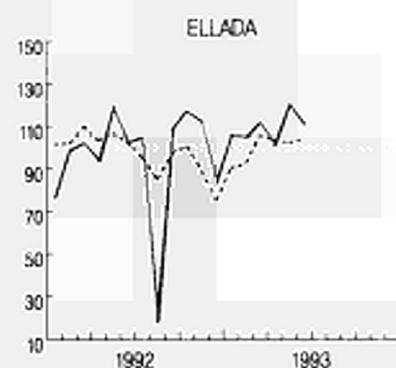
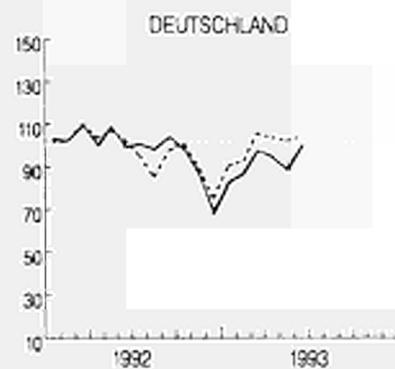


INDUSTRIAL PRODUCTION

NACE 221



PRODUCTION INDUSTRIELLE



----- EUR 12

1985 = 100

NACE 221

AUSSENHANDELSINDIKATOREN

EXTERNAL TRADE INDICATORS

INDICATEURS COMMERCE EXTERIEUR

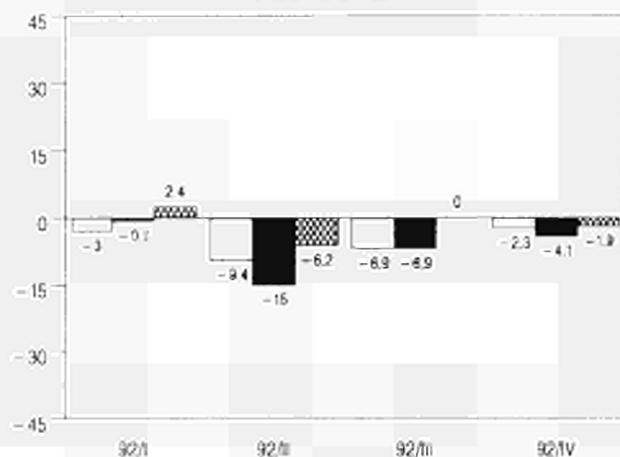
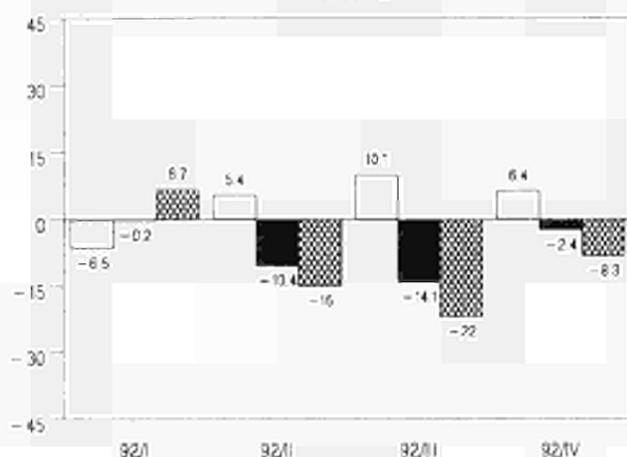
VERÄNDERUNGSRATE

GROWTH RATE

TAUX DE VARIATION

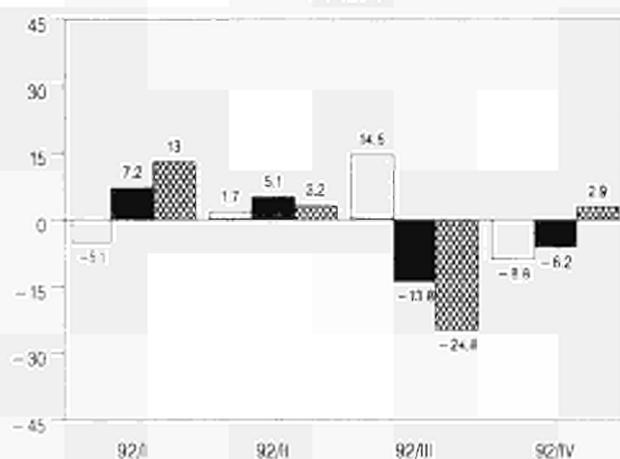
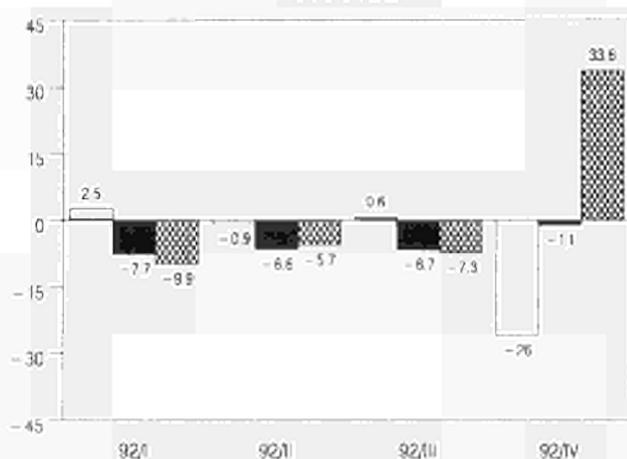
EUR 12

DEUTSCHLAND



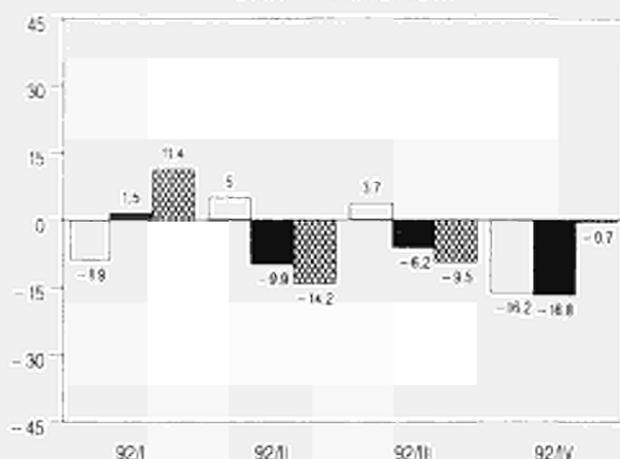
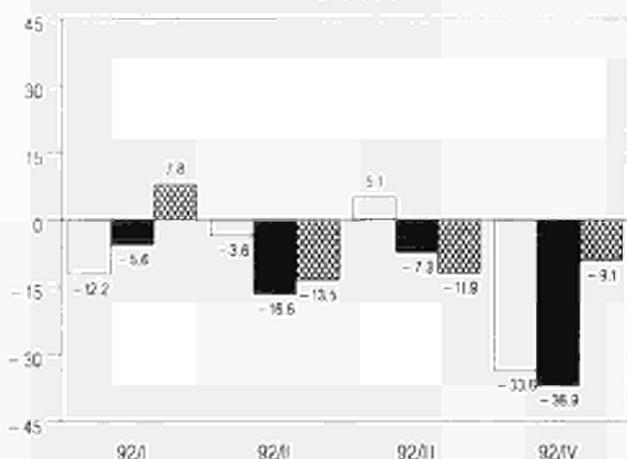
FRANCE

ITALIA



ESPAÑA

UNITED KINGDOM



Einfuhr
 Ausfuhr
 Austauschrelation

Import
 Export
 Terms of trade

Importation
 Exportation
 Termes de l'échange

NACE 221

AUSSENHANDELSINDIKATOREN

EXTERNAL TRADE INDICATORS

INDICATEURS COMMERCE EXTERIEUR

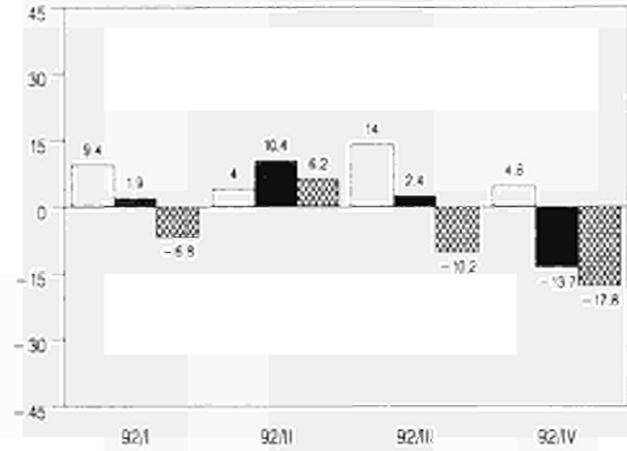
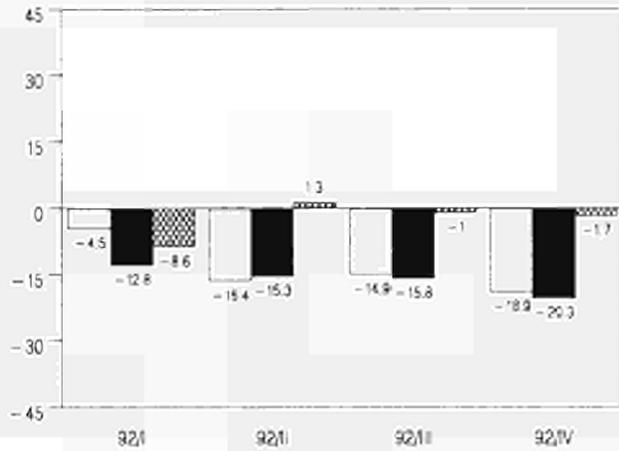
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TAUX DE VARIATION

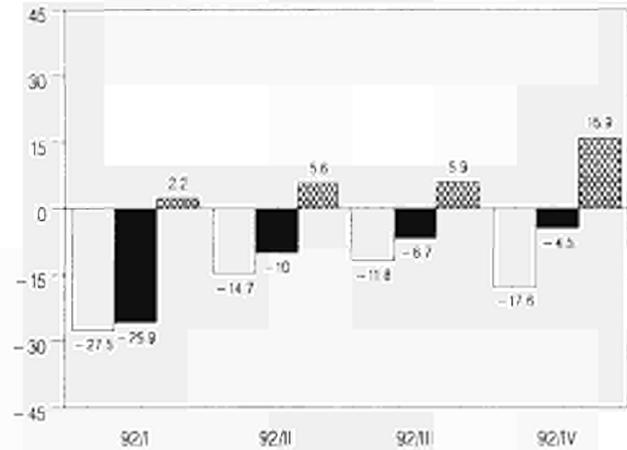
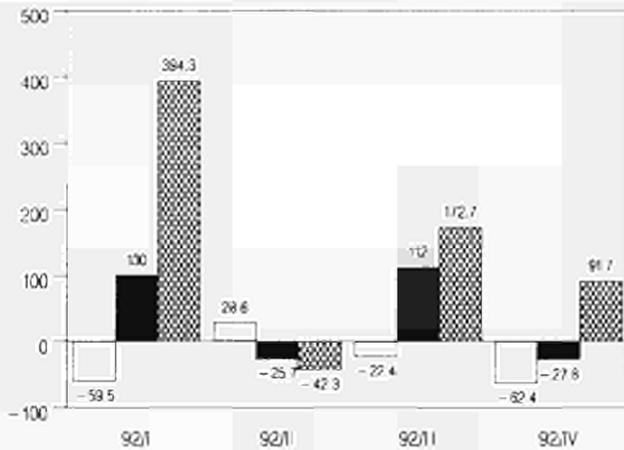
BELGIQUE – LUXEMBOURG

DANMARK



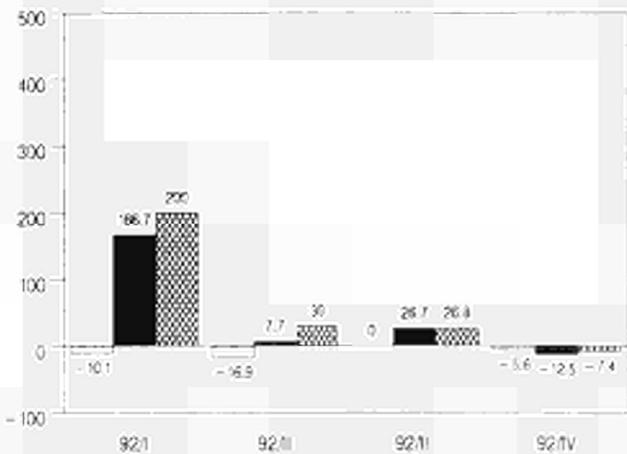
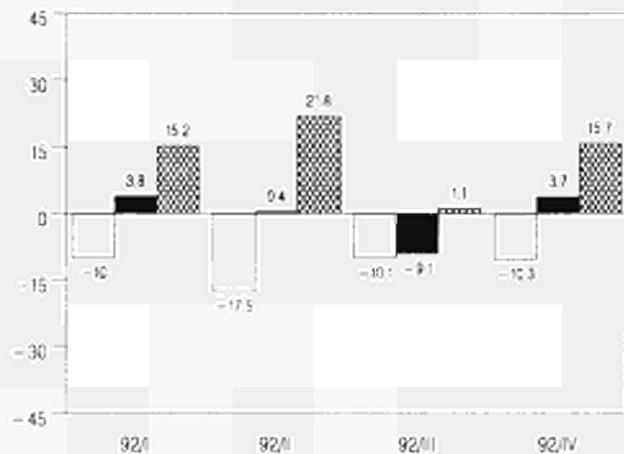
ELLADA

IRELAND



NEDERLAND

PORTUGAL



Einfuhr

Ausfuhr

Austauschrelation

Import

Export

Terms of trade

Importation

Exportation

Termes de l'échange

Iron and Steel industry (Nace 221)

External trade indicators

			EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Exports	Volume (1000 tonnes)	1992	20296	11652	481	14568	616	4062	9669	246	5968	4995	176	6910
		Φ	6224	2652	106	3877	173	1013	2522	80	1575	1241	44	1724
	Growth rate (%)	1992	1.9	-11.2	0.0	-1.0	10.0	-1.4	-3.3	-13.4	8.9	3.8	55.8	1.6
		Φ	14.0	-18.8	-17.8	3.2	-36.4	-15.8	8.1	-15.8	6.4	11.1	10.0	-2.3
	Value (mio ECU)	1992	7477	4835	194	6311	198	1383	3952	73	2079	1742	63	2594
		Φ	2104	1081	44	1625	57	274	980	21	518	418	14	600
Growth rate (%)	1992	-6.8	-15.9	0.0	-6.7	16.5	-17.9	-5.6	-13.1	-1.7	-0.3	26.0	-8.1	
	Φ	-2.4	-20.3	-13.7	-4.1	-27.8	-39.6	-1.1	-4.5	-6.2	3.7	-12.5	-16.8	
Imports	Volume (1000 tonnes)	1992	12451	4069	1623	14367	1416	3164	7966	261	9225	3459	1180	4259
		Φ	2876	890	388	3357	294	645	1802	66	2019	805	285	1008
	Growth rate (%)	1992	16.3	-4.7	17.4	5.0	-26.7	1.8	-4.7	-6.5	5.0	-6.5	-0.4	4.4
		Φ	11.2	-9.7	8.1	5.2	-61.7	-1.7	-26.3	-2.9	-2.5	-9.6	8.4	-1.9
	Value (mio ECU)	1992	4385	1723	704	5897	334	1126	3181	116	3344	1407	435	1987
		Φ	1009	385	173	1382	67	174	747	28	702	330	102	423
Growth rate (%)	1992	3.3	-13.6	7.8	-5.5	-35.5	-10.8	-7.1	-18.3	-0.2	-12.2	-8.4	-4.4	
	Φ	6.4	-18.9	4.8	-2.3	-62.4	-33.6	-26.0	-17.6	-8.8	-10.3	-5.6	-16.2	
Terms of Trade	1992	Φ	170.5	280.6	27.6	107.0	59.3	122.8	124.2	62.9	62.2	123.8	14.5	130.5
		Φ	208.5	280.8	25.4	117.6	85.1	157.5	131.2	75.0	73.8	126.7	13.7	141.8
	Growth rate (%)	1992	-9.8	-2.6	-7.1	-1.3	80.8	-8.0	1.6	6.2	-1.4	13.5	38.1	-4.0
		Φ	-8.3	-1.7	-17.8	-1.9	91.7	-9.1	33.6	15.9	2.9	15.7	-7.4	-0.7

Source: Eurostat

The European Community is a net exporter of steel products. The development of world trade (as described above) was the main reason for the troubles that have plagued the steel industry since 1991. The terms of trade have worsened considerably during the course of 1992, due to a lowering of exports and an increase in imports (in volume terms too). The decrease in exports was seen for all countries (except Greece and Portugal, where traditionally limited export volumes are recorded). The increase in imports from third countries was not reflected across all Member

States. Rather, significant rises in imports (as a share of steel consumption) were recorded only in Germany, Spain and the United Kingdom.

The increase of imports from third countries was most notable in the hot rolled coils sub-sector, rising from 2.4 to 3.1 million tons (this in a product category that has already been plagued with considerably overcapacity). For hot rolled strip and cold rolled sheets increases in imports were equal to 45% and 27% respectively. Other products were affected far less. For semi-products a

decrease was recorded in the level of imports.

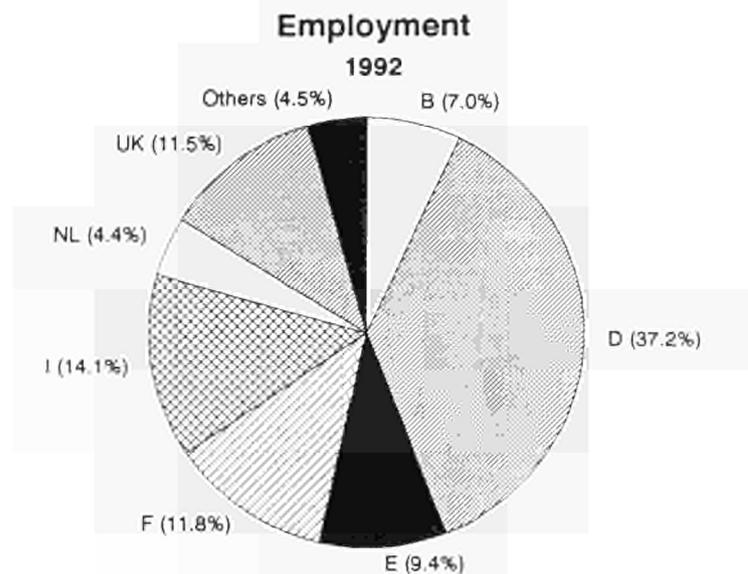
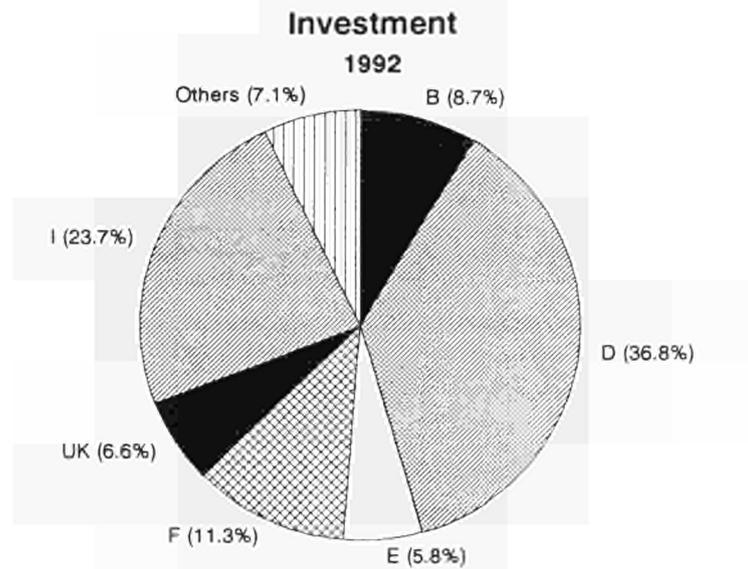
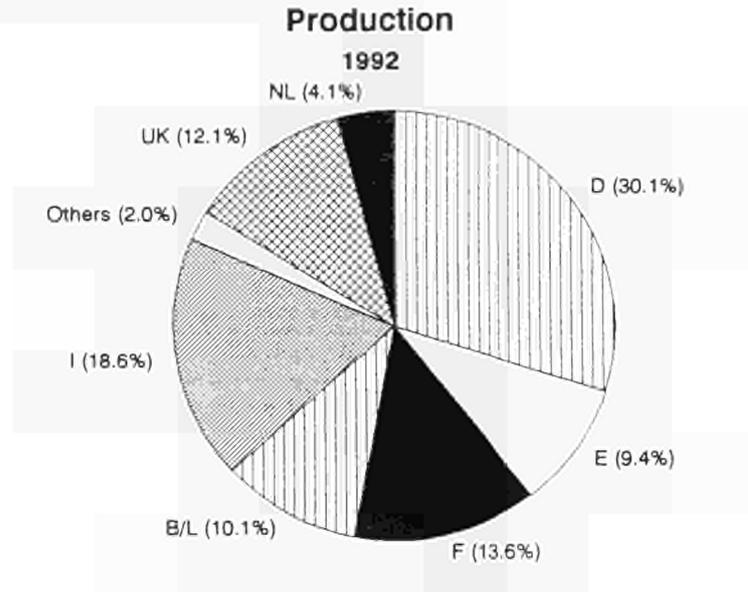
The growth in exports to third countries was probably caused by the increase in construction activity in third countries. The exports of long products displayed increases of more than 30%, whereas for flat products (an important element in exports to the United States) there was a deterioration in levels.

3.2. STRUCTURAL INDICATORS

The steel industry covers a number of operations such as coke manufacturing, ore preparation, iron making, steel making from pig iron in converters, or from scrap in electric arc furnaces, and steel processing by hot and cold rolling. Additionally, the metal and organic coating of rolled products forms part of the industry. The process of steel making from pig iron is performed in rather large integrated plants. In 1990 the 3 largest plants accounted for 17 % of Community production, 11 plants for over 3 million tonnes or 40 % of the production total. Within the plant, the hot strip mill (the basic installation to produce most flat products) often has an annual capacity of over 5 million tonnes. This high level of integration in the production process has led to considerable economic integration. The 4 largest companies accounted for 44% of production in 1990.

Steel may also be produced by electric arc furnace (where annual capacities vary from 150,000 to 1,200,000 tons). The nature of the production process implies that companies are smaller, yet more flexible, with greater freedom to react directly to changes in the market. So called "minimills" are dominant in the speciality steel sector, and for a number of long products such as concrete reinforcing bars, wire rods and light sections.

The number of products in the steel industry as compared to other industries like the chemical or electrotechnical industry is limited to a few semi-products and 15 product categories (often discerned only by dimension specifications). All further classifications are based on quality, dimension or type of coating.

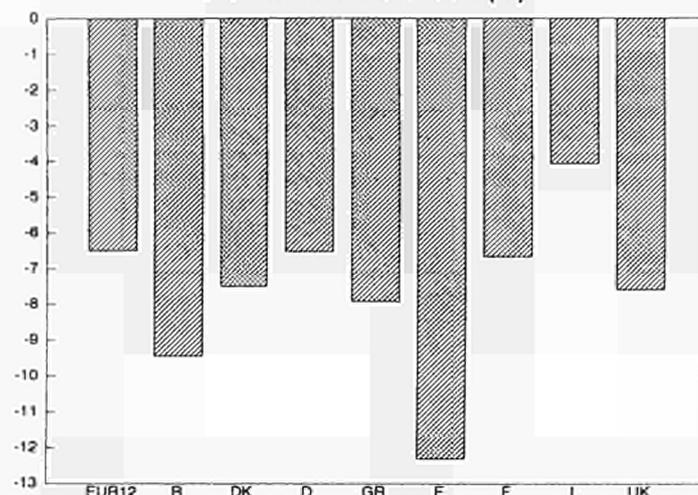


This homogeneity of product, together with the high capital intensity of production facilities, may explain the intensive price competition characteristic of the industry.

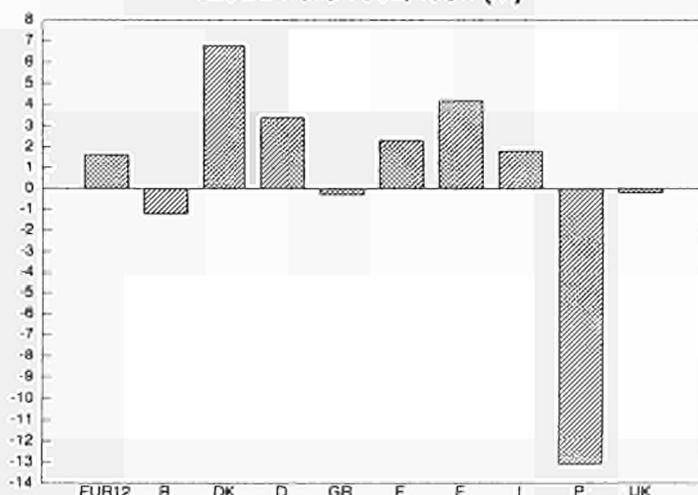
Steel has in general maintained its position very well as the most important structural material. In a recent study published by Eurostat reductions were observed for specific consumption in branches such as the electrotechnical industry and the production of vehicles, whereas there were increases in branches such as structural steel works and the building industry. Looking at the patterns of steel consumption, one may conclude that investment goods account for nearly 70% of all steel used (when considering 50% of vehicles to be in this category), making the steel industry extremely vulnerable to fluctuations in the business cycle.

To keep this position as a leading material, a continuous process of innovation has been adopted by the steel industry. Together with measures to make the product and the production process more environmentally friendly, innovation activity was only maintained by a fairly high level of investment. As a percentage of turnover, investment in the steel industry has been 6.9% (1990/1992) as compared to 5.8% for the chemicals industry (1988) and 6.2% for the rubber and plastics industry (1988). Such investment has several consequences, that are not all positive. Improvements in the production process yield considerable cost savings, but implicitly increase the capacity of the industry; and the improvements in the quality of the steel produced raised considerably the competitiveness of the material, but also enabled steel users to

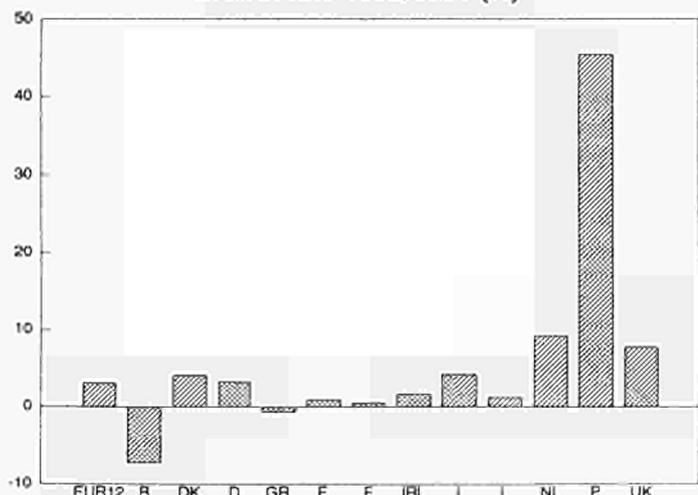
Profitability
Growth rate 1992/1991 (%)



Average labour unit cost
Growth rate 1992/1991 (%)



Productivity
Growth rate 1992/1991 (%)



economise on their steel consumption. The effect of such material savings may be as high as 1% per annum according to various studies.

The result of the structural developments outlined above will be on the one hand to continue the tendency of increasing capacity, whilst on the other hand it will lead (even given a world economy in expansion) to only fairly modest growth in steel consumption, and as such the structural tendency of recurrent overcapacity will probably continue.

Productivity in the steel industry is consistently improving. Production per man has grown from 272 tonnes/year in 1986 to 356 tonnes/year in 1990. The integration of Eastern Germany lowered the figure for 1991, but 1992 again showed further growth. Such an increase in productivity levels for a sector with only very modest production growth was realised through a declining labour force (on average by 20,000 people a year). In 1992 this figure may well have been considerably higher.

Due to the high concentration of production, such reductions often have a devastating regional impact. This has been one of the important arguments for strong government intervention within the steel industry. By artificially sustaining employment levels in the steel industry for political reasons, government policy has seriously aggravated capacity problems in the steel industry.

Iron and Steel industry (Nace 221)

Value added, turnover and investment

		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Gross	1988	21254.8	1714.6	102.0	6197.1	87.1	1474.0	3573.5	N/A	3317.3	N/A	N/A	126.3	3390.9
Value-added	1989	23338.9	1906.9	106.8	6937.6	117.0	1945.1	3713.5	N/A	3644.0	N/A	N/A	143.7	3353.6
at factor cost	1990	21003.3	2010.3	91.4	6378.2	112.8	1753.6	3328.2	N/A	3515.0	N/A	N/A	140.7	2423.8
(mio ECU)	1991	19172.6	1769.0	89.3	6032.4	107.4	1669.8	3062.0	N/A	3283.2	N/A	N/A	132.4	1896.3
	1992	18219.5	1582.1	88.2	5828.7	98.6	1498.4	2978.2	N/A	3094.5	N/A	N/A	190.5	1749.5
Gross	1988	26.2	33.2	32.8	19.2	122.8	5.4	46.9	N/A	28.0	N/A	N/A	7.5	26.5
Value-added	1989	9.8	11.2	4.7	11.9	34.3	32.0	3.9	N/A	9.8	N/A	N/A	13.8	-1.1
at factor cost	1990	-10.0	5.4	-14.4	-8.1	-3.6	-9.8	-10.4	N/A	-3.5	N/A	N/A	-2.1	-27.7
Δ%	1991	-8.7	-12.0	-2.3	-5.4	-4.8	-4.8	-8.0	N/A	-6.6	N/A	N/A	-5.9	-21.8
	1992	-5.0	-10.6	-1.2	-3.4	-8.2	-10.3	-2.7	N/A	-5.7	N/A	N/A	43.9	-7.7
Gross	1988	100	8.1	0.5	29.2	0.4	6.9	16.8	N/A	15.6	N/A	N/A	0.6	16.0
Value-added	1989	100	8.2	0.5	29.7	0.5	8.3	15.9	N/A	15.6	N/A	N/A	0.6	14.4
at factor cost	1990	100	9.6	0.4	30.4	0.5	8.3	15.8	N/A	16.7	N/A	N/A	0.6	11.5
share (%)	1991	100	9.2	0.5	31.5	0.6	8.7	16.0	N/A	17.1	N/A	N/A	0.7	9.9
	1992	100	8.7	0.5	32.0	0.5	8.2	16.3	N/A	17.0	N/A	N/A	1.0	9.6
Turnover	1988	65893.7	5122.3	299.3	19463.8	706.7	5218.3	10263.3	N/A	11450.8	N/A	N/A	375.8	9931.3
(mio ECU)	1989	75427.3	5863.4	363.4	22097.4	879.2	6459.0	11378.7	N/A	14076.2	N/A	N/A	478.2	10340.9
	1990	70273.6	6362.0	340.7	20878.0	785.2	6050.1	10198.2	N/A	13111.5	N/A	N/A	471.0	8962.6
	1991	64635.3	5762.0	286.0	19479.3	749.1	5556.3	9382.3	N/A	12246.8	N/A	N/A	443.0	7890.1
	1992	61255.4	5303.9	283.5	18821.4	687.5	4985.7	8936.6	N/A	11542.9	N/A	N/A	637.6	7243.4
Turnover	1988	17.0	22.7	15.4	13.6	21.4	18.0	12.5	N/A	20.3	N/A	N/A	14.4	22.5
Δ%	1989	14.5	14.5	21.4	13.5	24.4	23.8	10.9	N/A	22.9	N/A	N/A	27.2	4.1
	1990	-6.8	8.5	-6.2	-5.5	-10.7	-6.3	-10.4	N/A	-6.9	N/A	N/A	-1.5	-13.3
	1991	-8.0	-9.4	-16.1	-6.7	-4.6	-8.2	-8.0	N/A	-6.6	N/A	N/A	-5.9	-12.0
	1992	-5.2	-8.0	-0.9	-3.4	-8.2	-10.3	-4.8	N/A	-5.7	N/A	N/A	43.9	-8.2
Turnover	1988	100	7.8	0.5	29.5	1.1	8.0	15.6	N/A	17.4	N/A	N/A	0.6	15.1
share (%)	1989	100	7.8	0.5	29.3	1.2	8.6	15.1	N/A	18.7	N/A	N/A	0.6	13.7
	1990	100	9.1	0.5	29.7	1.1	8.8	14.5	N/A	18.7	N/A	N/A	0.7	12.8
	1991	100	8.9	0.4	30.1	1.2	8.8	14.5	N/A	18.9	N/A	N/A	0.7	12.2
	1992	100	8.7	0.5	30.7	1.1	8.3	14.6	N/A	18.8	N/A	N/A	1.1	11.8
Total	1988	3037.8	314.1	5.0	667.4	5.4	402.5	364.8	1.1	565.8	68.2	174.0	9.8	459.7
investment	1989	3408.2	384.0	7.5	762.5	11.9	359.8	467.7	1.2	529.0	60.5	181.4	24.9	617.6
(mio ECU)	1990	4504.7	405.8	12.9	984.1	14.5	422.4	634.3	0.9	1072.5	74.6	244.5	81.2	557.0
	1991	4971.4	517.0	11.7	1289.8	34.4	386.3	552.4	1.8	1421.3	62.2	192.6	117.1	384.7
	1992	4013.3	350.6	20.8	1477.9	19.1	234.7	453.8	10.4	952.3	96.5	120.0	13.0	264.2
Total	1988	-14.1	13.0	-16.7	-9.3	8.0	-33.7	-14.0	10.0	-23.6	-7.8	-27.2	40.0	10.5
investment	1989	12.2	22.3	50.0	14.2	120.4	-10.6	28.2	9.1	-6.5	-11.3	4.3	154.1	34.3
Δ%	1990	32.2	5.7	72.0	29.1	21.8	17.4	35.6	-25.0	102.7	23.3	34.8	226.1	-9.8
	1991	10.4	27.4	-9.3	31.1	137.2	-8.5	-12.9	100.0	32.5	-16.6	-21.2	44.2	-30.9
	1992	-19.3	-32.2	77.8	14.6	-44.5	-39.2	-17.8	477.8	-33.0	55.1	-37.7	-88.9	-31.3
Total	1988	100	10.3	0.2	22.0	0.2	13.2	12.0	0.0	18.6	2.2	5.7	0.3	15.1
investment	1989	100	11.3	0.2	22.4	0.3	10.6	13.7	0.0	15.5	1.8	5.3	0.7	18.1
share (%)	1990	100	9.0	0.3	21.8	0.3	9.4	14.1	0.0	23.8	1.7	5.4	1.8	12.4
	1991	100	10.4	0.2	25.9	0.7	7.8	11.1	0.0	28.6	1.3	3.9	2.4	7.7
	1992	100	8.7	0.5	36.8	0.5	5.8	11.3	3.0	23.7	2.4	3.0	0.3	6.6

Source: Eurostat, DEBA (estimates in bold).

Gross value-added: P = G.V.A. at market prices. Turnover: E, P = Production value.

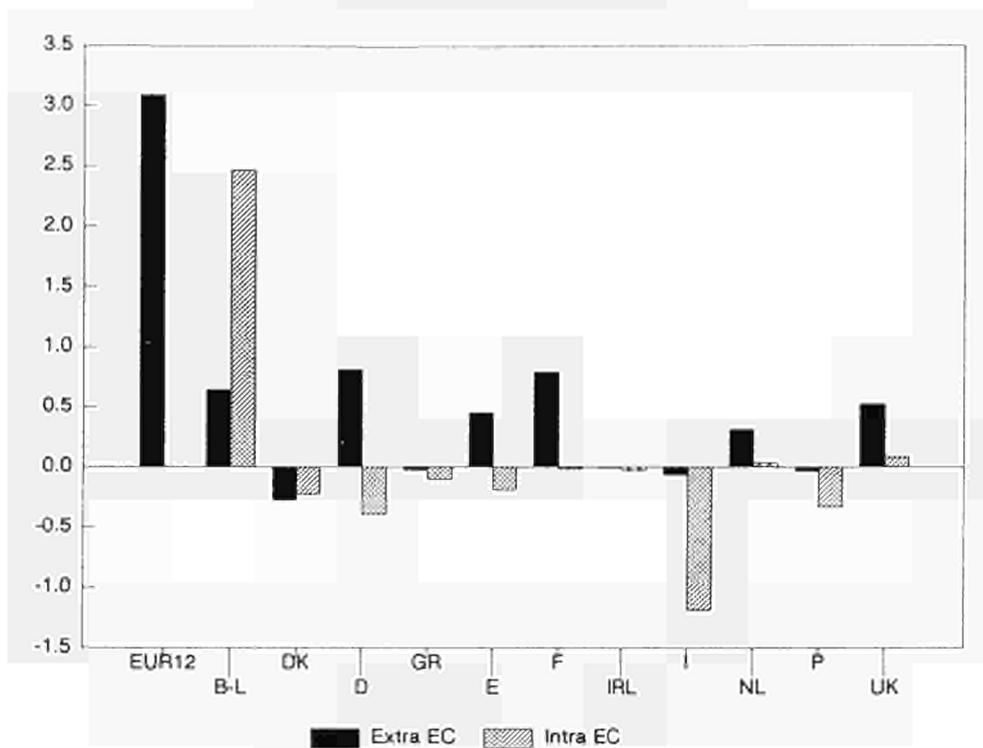
Iron and Steel industry (Nace 221)

Employment, labour cost and productivity

		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Labour cost (mio ECU)	1988	13134.6	990.2	56.3	4640.5	57.4	996.4	2170.8	N/A	2006.1	N/A	N/A	59.5	1412.1
	1989	13416.1	987.3	57.6	4742.6	64.0	1088.7	2067.4	N/A	2150.4	N/A	N/A	59.1	1457.0
	1990	13444.5	1140.3	61.4	4940.3	69.5	1111.6	1894.7	N/A	2105.8	N/A	N/A	60.6	1357.3
	1991	13424.3	1138.0	60.4	4906.6	72.2	1178.8	1853.0	N/A	2082.6	N/A	N/A	60.1	1348.4
	1992	13640.9	1124.0	64.5	5071.5	72.0	1206.1	1931.1	N/A	2046.0	N/A	N/A	52.2	1346.3
Labour cost Δ%	1988	0.7	1.1	2.6	0.6	10.4	9.2	-5.9	N/A	-3.5	N/A	N/A	-0.2	14.6
	1989	2.1	-0.3	2.3	2.2	11.5	9.3	-4.8	N/A	7.2	N/A	N/A	-0.7	3.2
	1990	0.2	15.5	6.6	4.2	8.6	2.1	-8.4	N/A	-2.1	N/A	N/A	2.5	-6.8
	1991	-0.2	-0.2	-1.6	-0.7	3.9	6.0	-2.2	N/A	-1.1	N/A	N/A	-0.8	-0.7
	1992	1.6	-1.2	6.8	3.4	-0.3	2.3	4.2	N/A	-1.8	N/A	N/A	-13.1	-0.2
Number of persons employed (1000)	1988	415.4	28.3	1.5	131.1	3.9	43.3	55.2	0.6	61.3	10.7	18.4	5.5	55.2
	1989	402.1	27.9	1.5	130.5	3.4	39.8	51.4	0.7	59.3	10.2	17.9	4.8	54.4
	1990	384.6	27.2	1.5	126.9	3.4	36.9	47.8	0.7	56.7	9.5	17.3	4.1	52.4
	1991	395.9	26.5	1.4	150.4	3.2	36.0	45.2	0.6	55.6	9.0	16.9	3.8	47.0
	1992	369.0	25.8	1.3	137.4	3.1	34.8	43.9	0.5	51.8	8.1	16.3	3.4	42.3
Number of persons employed Δ%	1988	-5.4	-2.1	-1.3	-4.5	-1.2	-8.6	-12	3.3	-5.8	-7.5	-2.0	-3.8	0.3
	1989	-3.2	-1.2	-3.8	-0.4	-14.8	-8.2	-7.0	11.1	-3.3	-4.5	-2.8	-11.4	-1.5
	1990	-4.3	-2.7	-0.7	-2.8	0.0	-7.3	-6.9	0.0	-4.3	-7.0	-3.2	-15.0	-3.7
	1991	-4.5	-2.6	-3.3	-3.9	-3.8	-2.4	-5.4	-7.1	-2.1	-5.4	-2.3	-9.6	-10.3
	1992	-6.8	-2.4	-10.3	-8.7	-5.2	-3.5	-3.0	-13.8	-6.6	-10.2	-3.7	-8.5	-9.9
Number of persons employed share (%)	1988	100	6.8	0.4	31.6	1.0	10.4	13.3	0.2	14.8	2.6	4.4	1.3	13.3
	1989	100	7.0	0.4	32.5	0.8	9.9	12.8	0.2	14.8	2.5	4.5	1.2	13.5
	1990	100	7.1	0.4	33.0	0.9	9.6	12.4	0.2	14.8	2.5	4.5	1.1	13.6
	1991	100	6.7	0.4	38.0	0.8	9.1	11.4	0.2	14.0	2.3	4.3	0.9	11.9
	1992	100	7.0	0.4	37.2	0.8	9.4	11.9	0.2	14.1	2.2	4.4	0.9	11.5
Average labour unit cost (1000 ECU per capita)	1988	29.1	32.4	25.9	31.1	14.4	21.8	35.8	N/A	26.7	N/A	N/A	10.2	25.6
	1989	31.1	32.6	26.3	32.6	17.5	26.0	38.4	N/A	30.0	N/A	N/A	11.5	26.6
	1990	32.4	36.7	28.0	33.5	18.6	28.7	38.4	N/A	31.6	N/A	N/A	13.2	26.7
	1991	34.1	37.4	24.8	35.1	19.7	33.4	38.4	N/A	32.7	N/A	N/A	14.5	30.1
	1992	36.6	39.1	27.6	37.7	20.1	34.6	41.8	N/A	35.1	N/A	N/A	13.5	34.3
Average labour unit cost Δ%	1988	7.8	1.2	4.9	6.5	16.1	13.5	10.2	N/A	4.7	N/A	N/A	5.2	16.4
	1989	6.9	0.6	1.5	4.8	21.5	19.3	7.3	N/A	12.4	N/A	N/A	12.7	3.9
	1990	4.2	12.6	6.5	2.8	6.3	10.4	0.0	N/A	5.3	N/A	N/A	14.8	0.4
	1991	5.2	1.9	-11.4	4.8	5.9	16.4	0.0	N/A	3.5	N/A	N/A	9.8	12.7
	1992	7.3	4.5	11.3	7.4	2.0	3.6	8.9	N/A	7.3	N/A	N/A	-6.9	14.0
Productivity (tonnes per capita)	1992	358	397	455	289	298	358	409	459	473	379	334	222	379
Productivity Δ%	1988	15.4	17.3	8.8	18.6	6.9	11.3	24.2	19.3	10.3	19.9	10.8	15.2	8.9
	1989	5.3	-1.1	-0.2	0.6	17.1	17.0	8.7	7.6	9.7	6.4	5.9	5.9	2.0
	1990	2.0	7.2	-1.6	-3.7	4.4	9.3	5.6	0.6	5.6	2.9	-1.5	15.4	-1.1
	1991	-2.4	1.7	7.3	-7.5	2.0	1.3	2.5	-3.2	1.3	0.3	-2.3	-15.1	2.9
	1992	3.1	-7.2	4.1	3.3	-0.7	0.9	0.5	1.8	4.2	1.2	9.2	45.4	7.7

Source: Eurostat, DEBA (estimates in bold)
Number of persons employed : D, territory as after 03.10.90

Trade balance (Nace 221) 1992 (mio ECU)



The steel industry operates within an intense international market. As a consequence, some countries display export rates higher than 90% (or even 100%). At the same time, import penetration rates may reach levels of more than 80% (even in countries such as BLEU where production is several times higher than consumption). This internationalisation is not limited to the Community, but is also true on a world level (with international trade in steel accounting for around 25% of world steel production).

The importance of the Single Market for the steel industry becomes clear when looking at the following indicators: intra-EC trade accounted for more than 32.5% of total steel produced in the EC, compared to 24% for the chemical industry and 22% for the production of rubber and plastics. However, the level of internal trade is very sensitive to changes in the level

of Community steel consumption; the decrease in the consumption of steel by 1.6% in 1992 being accompanied by a fall in internal trade of 3.8%.

There were increases in EC imports from third countries in 1992 of 1.7 million tonnes (the German market absorbing nearly half of the increase, 0.75 million tonnes). However, the German steel industry suffered most from the loss of export opportunities to Eastern Europe. As a consequence, the trade surplus of Germany moved from more than 1 million tonnes to 200,000 tonnes. In 1989, before the re-unification of Germany, the trade surplus of Western Germany had been more than 3.2 million tonnes.

The steel industry in BLEU has the highest dependency on exports of the Member States. With a trade surplus of about 7.6 million tonnes in 1992, the BLEU cover ratio ran as high as

2.86. Within the Community, BLEU exports to third countries share second place with France, following Germany. Despite the importance of exports to third countries in the total exports of BLEU, intra-EC trade accounted for 80%, far above the Community average.

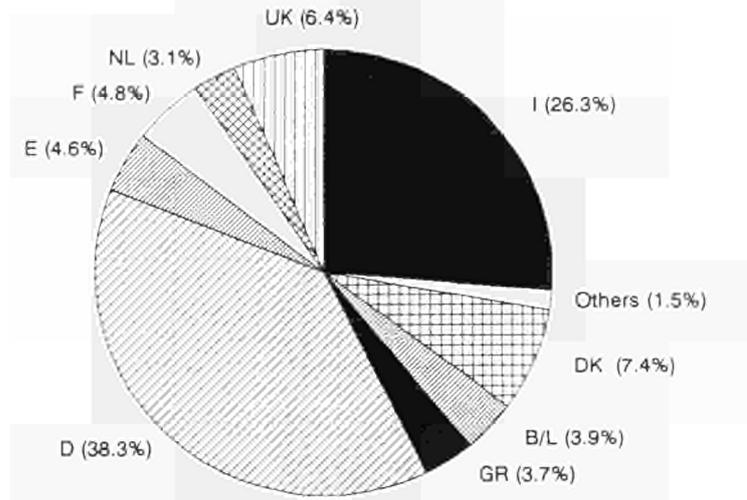
The Italian steel market recorded the largest deficit (3.3 million tonnes in 1992). Sixty five per cent of Italian steel imports were accounted for by other Community countries, (in Denmark 43% of imports were intra-EC). Italian imports from third countries represented 26% of the EC's imports.

The EC trade balance with third countries has consistently been in decline. Nevertheless, the share of the Community exports in the world total has increased from 14.7% in 1989 to around 15.7% in 1992 (equal to levels seen in 1988).

This result has been achieved despite an artificial limitation on exports to the USA due to the use of antidumping suits by the American steel industry. Increased imports have come mainly from Eastern Europe, due to the very low cost price of Eastern European steel. The competitive position of the EC steel industry is therefore reflected more clearly by its position in international trade, rather than by its competitive position regarding the Eastern European imports.

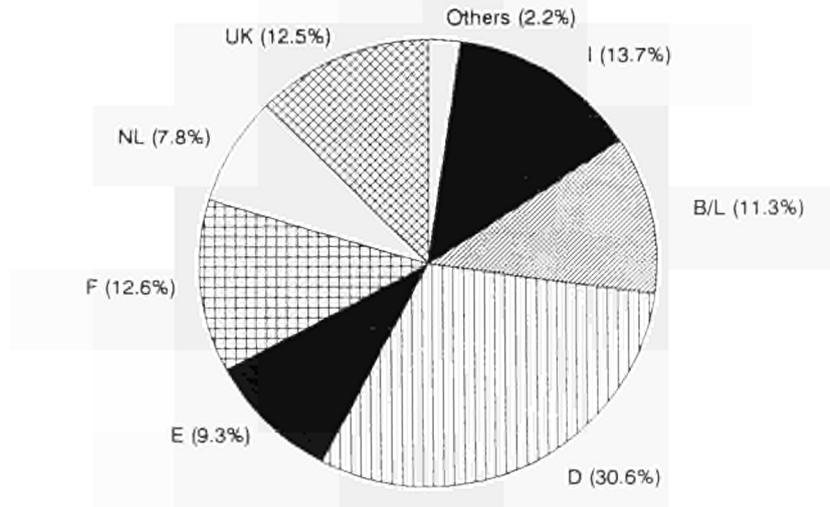
Extra-EC imports

1992



Extra-EC exports

1992



Iron and Steel industry (Nace 221)

External trade indicators

1000 tonnes			EUR12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Exports	Total trade	1988	54672	12773	493	12928	378	3373	9420	224	4302	4962	79	5740
		1989	57479	12734	498	14871	502	3108	9418	294	5365	5023	71	5598
		1990	58036	13350	458	13660	379	3654	9418	300	5695	4955	134	6036
		1991	60487	13124	481	14715	560	4118	9999	284	5481	4811	113	6801
		1992	59342	11652	481	14568	616	4062	9669	246	5968	4995	176	691
	Extra-EC trade	1988	21018	3080	181	6712	201	1751	3204	17	1503	1441	37	2891
		1989	19339	2837	187	6271	208	1524	2807	19	2166	1221	27	2074
		1990	19261	2791	186	5720	118	1525	2937	18	2313	1244	40	2371
		1991	19914	2624	160	6286	165	1948	2600	14	2176	1339	26	2575
		1992	20296	2300	161	6203	224	1887	2562	11	2774	1587	48	2540
	% share EC	1988	100	14.7	0.9	31.9	1.0	8.3	15.2	0.1	7.2	6.9	0.2	13.8
		1989	100	14.7	1.0	32.4	1.1	7.9	14.5	0.1	11.2	6.3	0.1	10.7
		1990	100	14.5	1.0	29.7	0.6	7.9	15.2	0.1	12.0	6.5	0.2	12.3
		1991	100	13.2	0.8	31.6	0.8	9.8	13.1	0.1	10.9	6.7	0.1	12.9
		1992	100	11.3	0.8	30.6	1.1	9.3	12.6	0.1	13.7	7.8	0.2	12.5
	Intra-EC trade	1988	61.6	75.9	63.3	48.1	46.8	48.1	66.0	92.4	65.1	71.0	53.2	49.6
		1989	66.4	77.7	62.4	57.8	58.6	51.0	70.2	93.5	59.6	75.7	62.0	63.0
		1990	66.8	79.1	59.4	58.1	68.9	58.3	68.8	94.0	59.4	74.9	70.1	60.7
		1991	67.1	80.0	66.7	57.3	70.5	52.7	74.0	95.1	60.3	72.2	77.0	62.1
		1992	65.8	80.3	66.5	57.4	63.6	53.5	73.5	95.5	53.5	68.2	72.7	63.2
Imports	Total trade	1988	43614	4558	1202	10823	876	2144	7283	295	7969	3403	822	4239
		1989	47588	4157	1324	11598	1514	2773	7755	344	9011	3702	980	4431
		1990	49529	4256	1316	12443	1471	2976	8118	346	9702	3576	1031	4293
		1991	50760	4268	1382	13683	1931	3109	8357	279	8785	3700	1185	4081
		1992	50990	4069	1623	14367	1416	3164	7966	261	9225	3459	1180	4259
	Extra-EC trade	1988	9694	694	605	3048	263	343	565	32	2804	320	84	936
		1989	10735	648	575	3235	462	451	562	44	3354	347	108	950
		1990	11624	701	628	3411	589	550	567	44	3762	336	144	892
		1991	10709	354	746	4010	654	419	527	39	2786	333	123	718
		1992	12451	488	922	4769	461	574	594	38	3269	385	147	803
	% share EC	1988	100	7.2	6.2	31.4	2.7	3.5	5.8	0.3	28.9	3.3	0.9	9.7
		1989	100	6.0	5.4	30.1	4.3	4.2	5.2	0.4	31.2	3.2	1.0	8.8
		1990	100	6.0	5.4	29.3	5.1	4.7	4.9	0.4	32.4	2.9	1.2	7.7
		1991	100	3.3	7.0	37.4	6.1	3.9	4.9	0.4	26.0	3.1	1.1	6.7
		1992	100	3.9	7.4	38.3	3.7	4.6	4.8	0.3	26.3	3.1	1.2	6.4
	Intra-EC trade	1988	77.8	84.8	49.7	71.8	70.0	84.0	92.2	89.2	64.8	90.6	89.8	77.9
		1989	77.4	84.4	56.6	72.1	69.5	83.7	92.8	87.2	62.8	90.6	89.0	78.6
		1990	76.5	83.5	52.3	72.6	60.0	81.5	93.0	87.3	61.2	90.6	86.0	79.2
		1991	78.9	91.7	46.0	70.7	66.1	86.5	93.7	86.0	68.3	91.0	89.6	82.4
		1992	75.6	88.0	43.2	66.8	67.4	81.9	92.5	85.4	64.6	88.9	87.5	81.1
Trade balance	Total trade	1988	11058	8215	-709	2105	-498	1229	2137	-71	-3667	1559	-743	1501
		1989	9891	8577	-826	3273	-1012	335	1663	-50	-3646	1321	-909	1167
		1990	8507	9094	-858	1217	-1092	678	1300	-46	-4007	1379	-897	1743
		1991	9727	8856	-901	1032	-1371	1009	1642	5	-3304	1111	-1072	2720
		1992	8352	7583	-1142	201	-800	898	1703	-15	-3257	1536	-1004	2651

Source: Eurostat

4. TRANSPORT INDUSTRY (NACE 35 + 36)

- Output reaches 350 billion ECU in 1992
- Motor vehicles account for 79% of transport industry
- Sales of new cars rising only in the United Kingdom
- Global procurement policies introduced to lower R&D costs
- Japanese "transplants" increase their European output
- New registrations decline by 18.5% in the year to May 1993
- Volkswagen leads the European market
- Aerospace and shipbuilding both hit by lower military spending
- Extension of TGV programme to other European countries

4.1. SHORT-TERM INDICATORS

Transport industry (Nace 35 + 36) Production, prices and capacity utilization

1985 = 100		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Index of Production	1992	122.9	129.2	126.2	124.7	151.1	N/A	126.2	97.2	124.9	108.5	116.1	N/A	113.1
	Φ	111.9	125.9	120.6	104.1	150.5	122.0	117.8	97.4	118.2	87.0	114.0	82.2	118.9
Growth rate (%)	1992	-2.3	-0.3	2.4	0.6	-1.0	N/A	-0.9	-6.4	-6.7	-21.9	1.5	N/A	-1.6
	Φ	-19.6	-10.3	7.8	-28.4	-15.0	3.7	-10.9	2.4	-17.3	-34.8	1.8	-4.5	-5.6
Producer Price index	1992	N/A	131.7	N/A	N/A	223.3	N/A	N/A	N/A	N/A	N/A	117.8	N/A	N/A
	Φ	N/A	131.0	N/A	125.0	246.8	N/A	N/A	N/A	N/A	N/A	120.2	N/A	N/A
Growth rate (%)	1992	N/A	4.5	N/A	N/A	18.0	N/A	N/A	N/A	N/A	N/A	3.0	N/A	N/A
	Φ	N/A	-0.8	N/A	N/A	18.2	N/A	N/A	N/A	N/A	N/A	3.4	N/A	N/A
Capacity Utilization	92.III	86.5	92.4	74.0	91.4	54.6	88.4	85.3	N/A	74.7	68.0	81.6	87.0	82.2
% %	92.IV	82.3	82.9	77.0	86.9	43.1	85.5	84.7	50.0	69.6	N/A	79.2	87.8	73.4
	93.I	78.5	83.7	77.0	81.1	76.7	83.2	78.5	25.0	69.7	60.0	76.6	85.0	73.4
	93.II	76.0	89.3	75.0	77.2	77.0	79.3	80.4	N/A	67.4	51.4	67.3	75.6	67.9

Source: Eurostat

The recent indicators for the industry showed that the car sector in particular has been badly hit during the last year. For example, new registrations of cars in western Europe in the year to May 1993 showed a decline of 18.5% to below 965 thousand. This figure suggested that the malaise experienced by the European car industry in 1993 could result in the worst set of figures for almost two decades.

Sales of new cars rose only in the United Kingdom where figures for the first five months of the year were up on the similar period in 1992 by 8.3%. This may be contrasted with the levels of decline seen in Spain (-31%), Benelux countries (-26%), Italy (-21%) and Germany (-20%).

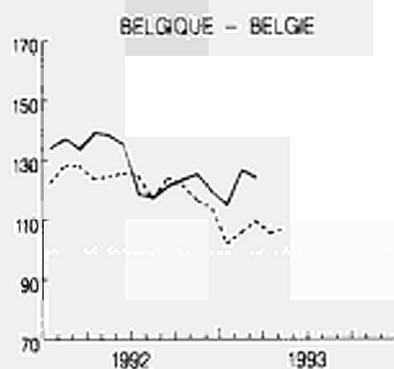
Latest production data for the automobile sub-sector showed European

levels from November 1992 onwards below those recorded a year before. This was due largely to the rapid deterioration in German performance. German output levels were noticeably below those of a year before from November 1992 through to March 1993 (the latest data available). The slowdown in activity in Germany came later than that experienced in most other European economies. For example, in France the downturn was seen from June 1992 onwards and in Italy the whole of the 1992 was poor. However, in the United Kingdom, Spain and Portugal there were patchy indicators with monthly performance showing more gains than declines compared to data from a year before. Increases in Spanish levels were due more to increased investment in Seat than to an expanding domestic market.

Other transport sub-sectors saw their production indices hold firmer than those of the car industry. Nevertheless, the first three months data for 1993 showed consistent declines compared to data from a year before.

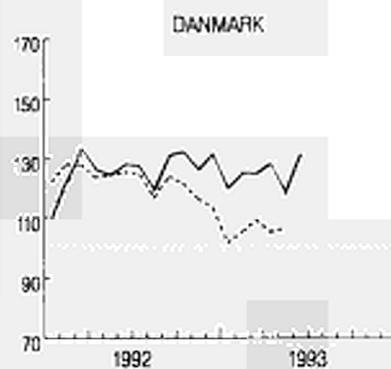
Prices in the car sub-sector were seen to grow by 3% between September 1991 and September 1992 (the last EC data available). The new year (1993) saw quite substantial price increases for Germany, Italy and Denmark. In other transport sectors moderate price inflation was experienced, except in the Netherlands and Denmark (where since October 1992 price levels remained constant and fell respectively).

INDUSTRIELLE PRODUKTION

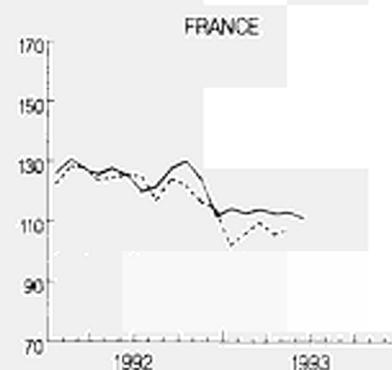
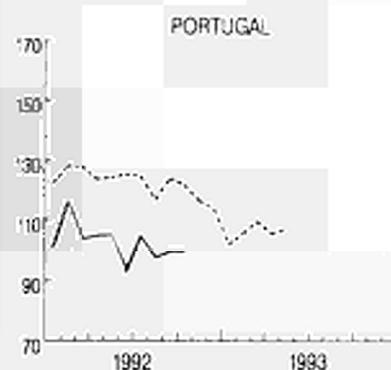
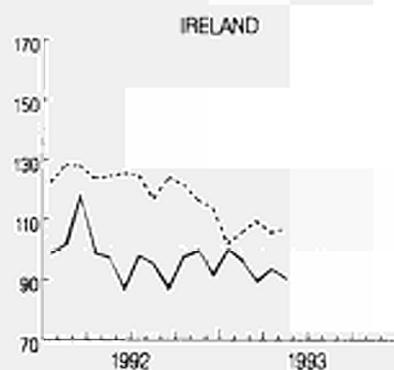
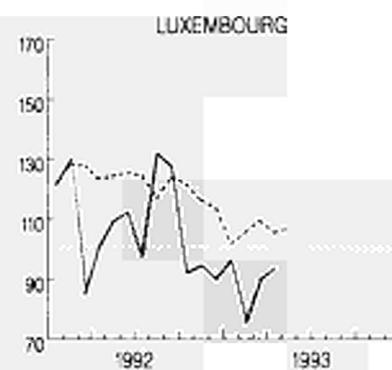
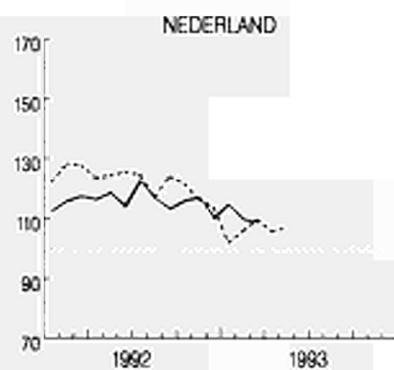
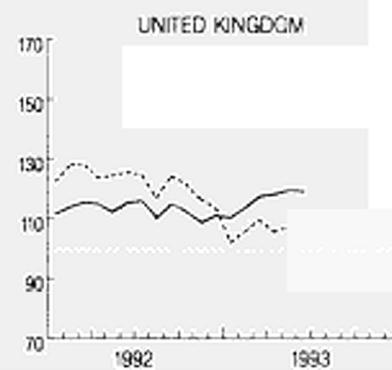
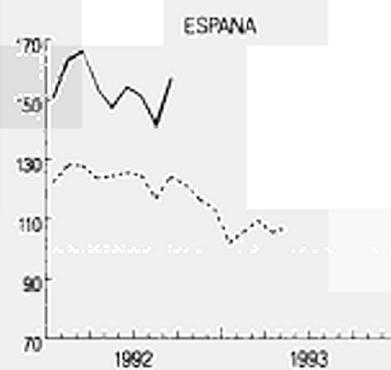
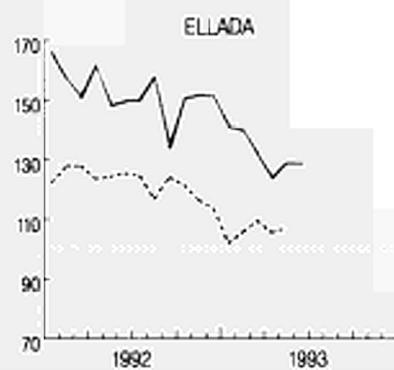


INDUSTRIAL PRODUCTION

NACE 35 + 36



PRODUCTION INDUSTRIELLE



NACE 35 + 36

AUSSENHANDELSINDIKATOREN

EXTERNAL TRADE INDICATORS

INDICATEURS COMMERCE EXTERIEUR

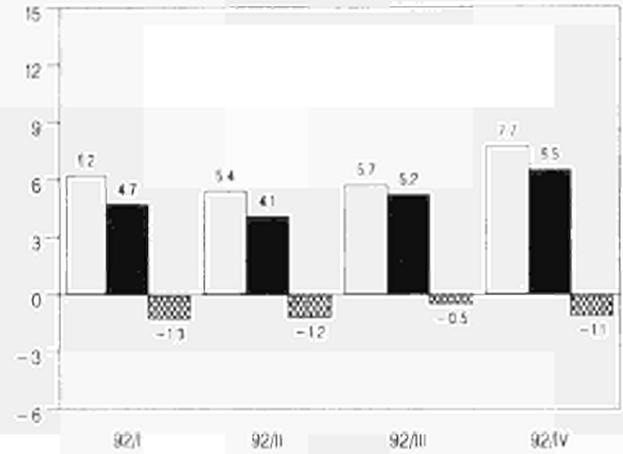
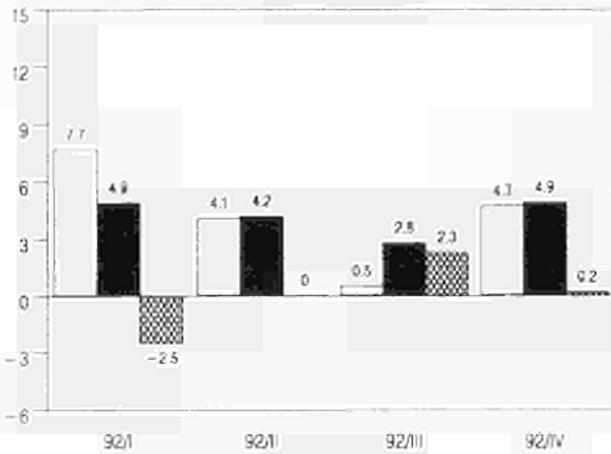
VERÄNDERUNGSRATE

GROWTH RATE

TAUX DE VARIATION

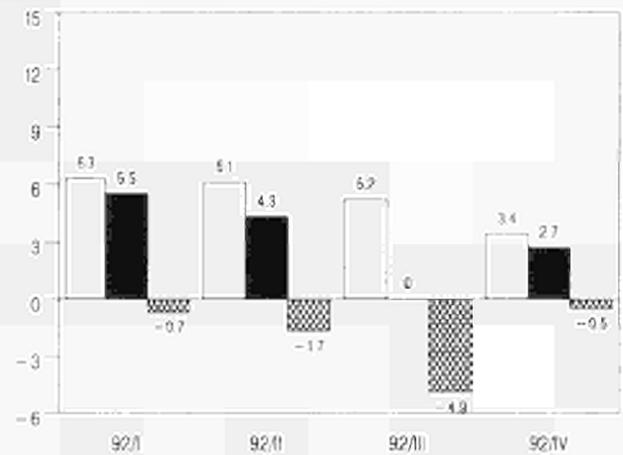
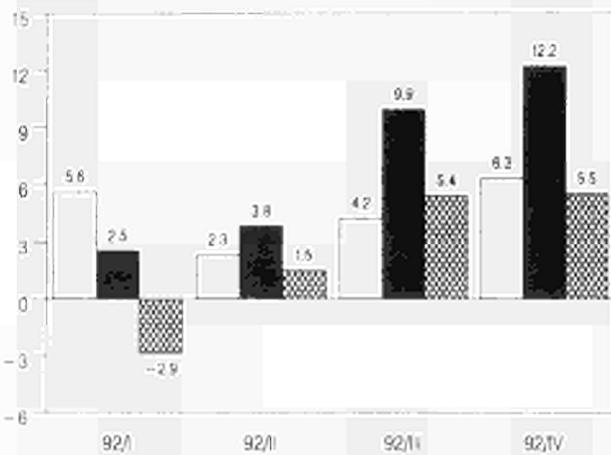
EUR 12

DEUTSCHLAND



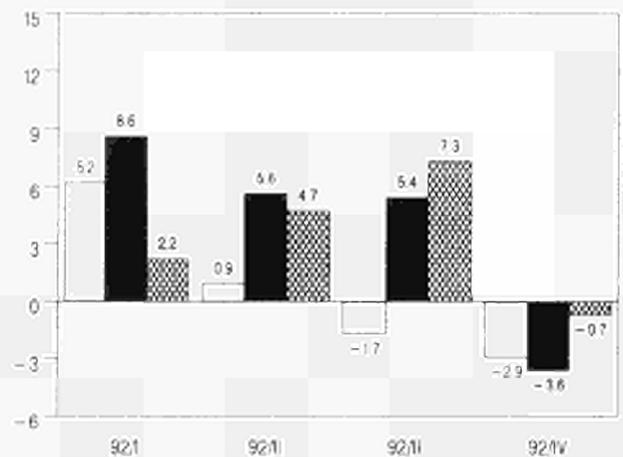
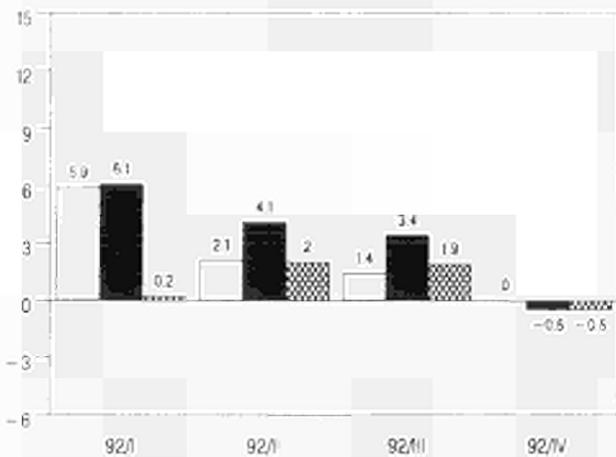
FRANCE

ITALIA



ESPAÑA

UNITED KINGDOM



Einfuhr
 Ausfuhr
 Austauschrelation

Import
 Export
 Terms of trade

Importation
 Exportation
 Termes de l'échange

NACE 35 + 36

AUSSENHANDELSINDIKATOREN

EXTERNAL TRADE INDICATORS

INDICATEURS COMMERCE EXTERIEUR

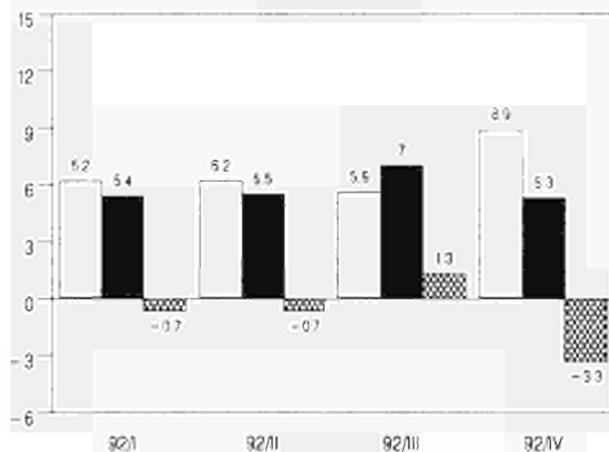
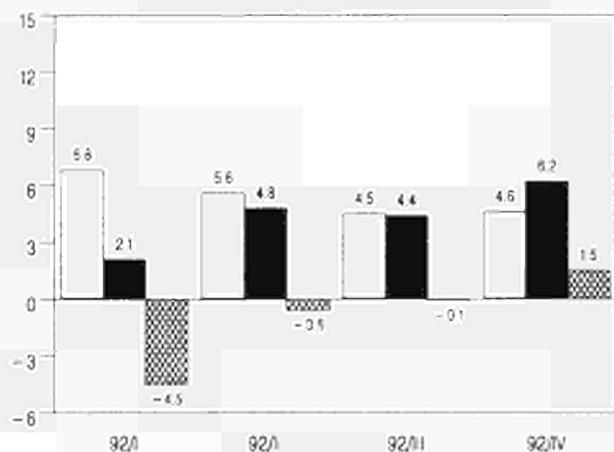
VERÄNDERUNGSRATE

GROWTH RATE

TAUX DE VARIATION

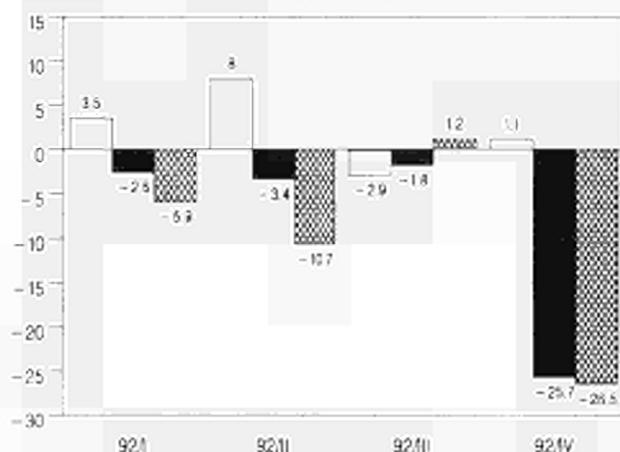
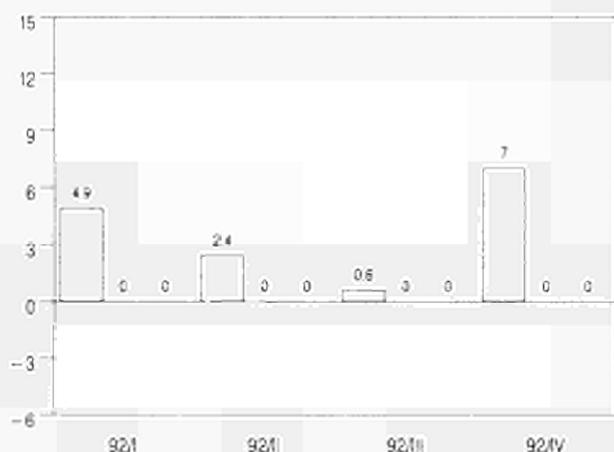
BELGIQUE – LUXEMBOURG

DANMARK



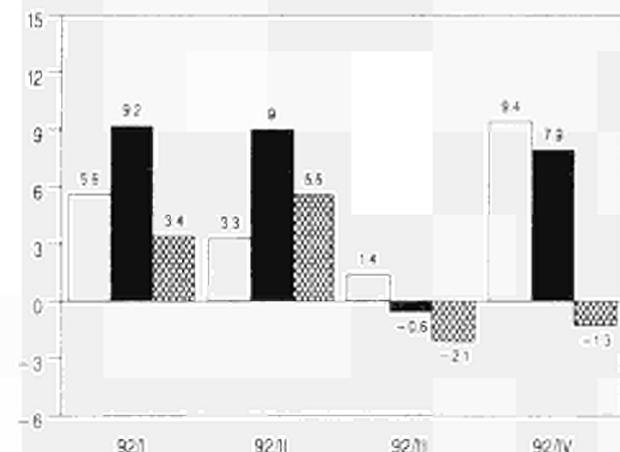
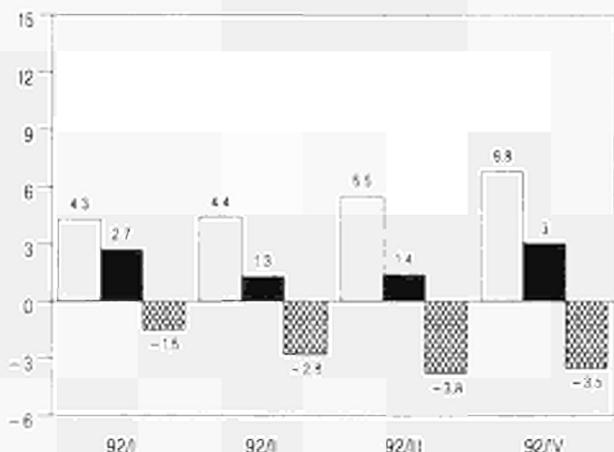
ELLADA

IRELAND



NEDERLAND

PORTUGAL



Einfuhr
 Ausfuhr
 Austauschrelation

Import
 Export
 Terms of trade

Importation
 Exportation
 Termes de l'échange

Transport industry (Nace 35 + 36)

External trade indicators

1985 = 100			EUR12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Exports	Volume	1992	85.7	119.3	119.6	92.4	N/A	187.2	184.5	197.8	108.1	136.9	248.7	114.4
		Φ	95.2	120.8	179.9	93.3	N/A	200.3	180.2	186.2	107.7	144.5	234.2	130.0
	Growth rate (%)	1992	2.2	-4.4	24.1	2.2	N/A	6.8	-0.8	-2.7	-7.8	3.9	20.5	-8.4
		Φ	-4.3	-1.9	63.1	-8.4	N/A	-3.7	-12.3	-1.9	-13.3	-5.8	0.3	-0.9
	Value	1992	139.8	141.5	146.0	142.4	N/A	151.0	134.9	99.2	150.3	149.3	116.9	137.7
		Φ	141.2	146.2	147.9	146.4	N/A	148.3	141.6	96.5	148.2	154.0	120.9	129.9
	Growth rate (%)	1992	4.2	4.3	5.5	5.0	N/A	3.0	6.8	-9.0	3.2	2.0	6.3	3.5
		Φ	4.9	6.0	5.2	6.6	N/A	-0.8	11.9	-23.3	2.9	2.8	8.1	-3.6
Imports	Volume	1992	168.2	77.6	76.4	166.3	155.5	343.5	240.6	115.9	165.6	123.8	411.4	103.9
		Φ	148.9	73.9	70.3	150.5	190.3	301.7	243.3	96.0	156.3	128.1	419.2	94.8
	Growth rate (%)	1992	-6.8	-9.9	-22.4	-9.7	3.0	7.4	-0.1	-18.4	3.5	-1.6	23.9	6.4
		Φ	-14.6	-8.5	-35.1	-9.6	-15.0	-25.2	-4.1	-3.0	-12.4	-4.2	11.2	-4.4
	Value	1992	136.9	166.6	147.7	143.1	144.7	149.7	142.2	133.6	134.8	156.4	144.3	136.0
		Φ	140.0	173.4	152.4	148.9	146.5	144.0	146.5	129.1	133.8	160.2	146.0	131.2
	Growth rate (%)	1992	4.1	5.3	6.4	6.1	3.9	2.6	4.6	3.1	5.3	5.1	5.0	0.6
		Φ	4.8	4.5	8.9	7.6	6.4	0.2	6.3	1.2	3.4	7.1	9.3	-2.9
Terms of Trade	1992	Φ	102.1	84.9	98.8	99.5	N/A	100.8	94.8	74.2	111.5	95.4	81.0	101.2
		Φ	100.8	84.3	97.0	98.2	N/A	102.9	96.6	74.7	110.7	96.0	82.8	98.9
	Growth rate (%)	1992	0.0	-0.9	-0.8	-0.9	N/A	0.3	2.0	-11.8	-1.9	-2.9	1.3	2.8
		Φ	0.0	1.4	-3.3	-0.9	N/A	-1.0	5.2	-24.4	-0.4	-4.0	-1.1	-0.6

Source: Eurostat

Terms of trade for European manufacturers of transport equipment remained around 1985 levels. Indeed, many European countries recorded figures below 1985 levels. This was due in part to the high amount of intra-Community trade and also to the large proportion of trade with other developed countries, especially EFTA. With strong competition in the automobile market for a much reduced consumer demand, price inflation was low. As a result of these influences, the terms of trade for automobile manufacture fell by 0.5% in 1992.

Trade in motor vehicles and motor vehicle parts grew by 2.8% in volume terms for imports, with increased

levels from Japan coming into European Member States (as tariff controls were relaxed, especially in Italy, Spain and France). In addition, Japanese owned producers within the EC increased their output. However, unlike in America where a significant amount of Japanese production is made using Japanese components, in the EC Japanese firms were seen to be increasing the percentage of national component suppliers, stimulating local economies.

On the other hand, the EC saw its export volumes reduced by 2.3% in the automobile industry. Latest data (for the last three months of 1992) showed annual reductions in export volumes running at 6.4%.

Looking at other transport sectors different trends were emerging. With export values increasing by at least seven per cent for the four largest European economies the sector did not seem to have been as badly hit as most by the slowdown in world trade (yet, with long lead-in times for many contracts the situation could be a lot worse than that reported). However, all four major European economies displayed declining export volumes (especially in the last three months of 1992). Imports followed a similar tendency with significant volume reductions (down sixteen per cent in 1992), whilst prices rose sharply. Import values were up by 3.3% in 1992 (with the largest increases in Germany, the Netherlands and Denmark).

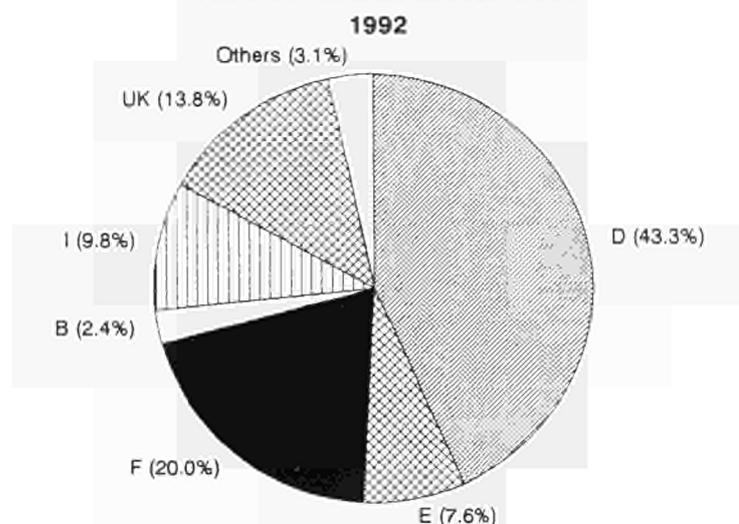
4.2. STRUCTURAL INDICATORS

Output in this sector reached 350 billion ECU in 1992 and was dominated by the motor vehicles sub-sector which accounted for 79.1% of the total. Other industries in order of magnitude were: the aerospace industry (12.5%), shipbuilding (5.2%) and railway stock (1.5%). Real output has been in decline since 1990 for the aerospace and cycles and motorcycles industries, whereas it peaked as early as 1982 for shipbuilding and railway stocks.

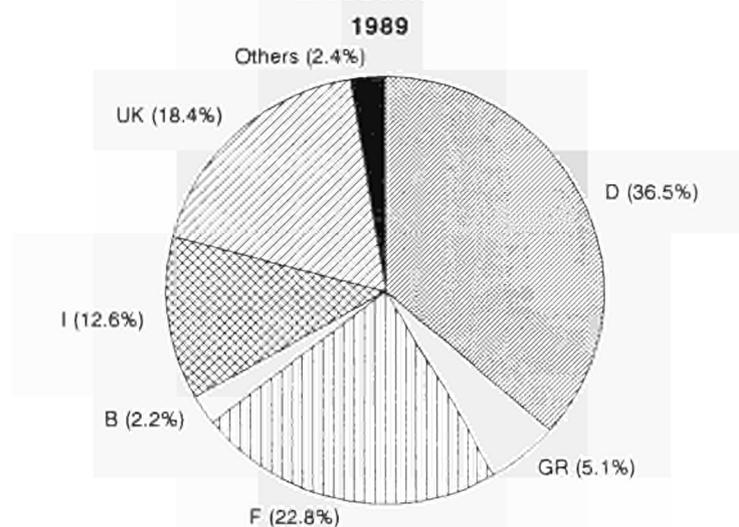
The motor vehicles sub-sector experienced no growth in output levels during the early nineties. Problems were compounded by low levels of disposable income following the downturn in the global economy and by high levels of excess capacity in the industry. This has resulted in restructuring and the loss of many jobs (down by over forty thousand workers in 1992). Capacity levels have risen as a result of Japanese "transplants", first introduced to the United States, and more recently the United Kingdom. Manufacturers also face lengthy product life cycles, though they are trying to reduce these by innovations in design and manufacturing. Nevertheless, performance across the Member States was mixed up to 1992, with Italy, the United Kingdom Belgium and Ireland showing considerable falls in real output since 1989, whilst other Member States continued to record expanding figures (albeit at more modest rates of growth).

In terms of the major European producers the Volkswagen group accounted for 17.3% of the western European market in the first five months of 1993, followed by General Motors (12.5%), the Peugeot group (12.2%), the Fiat group (12.4%), the

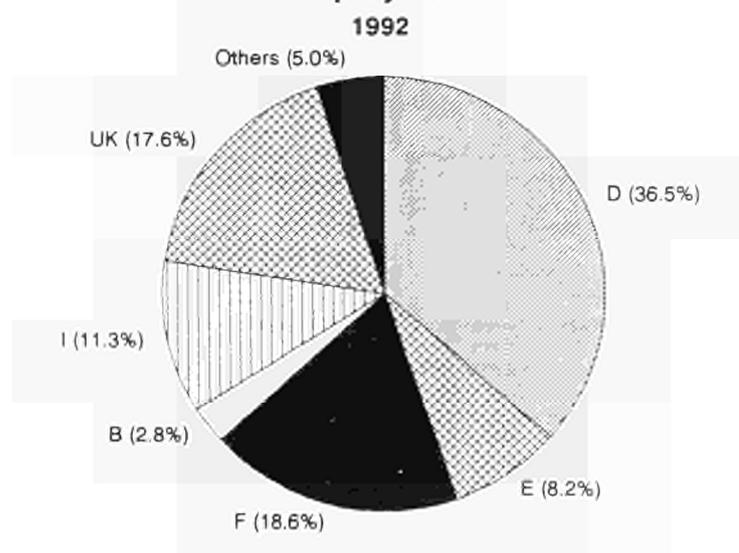
Value added at factor cost



Investment



Employment

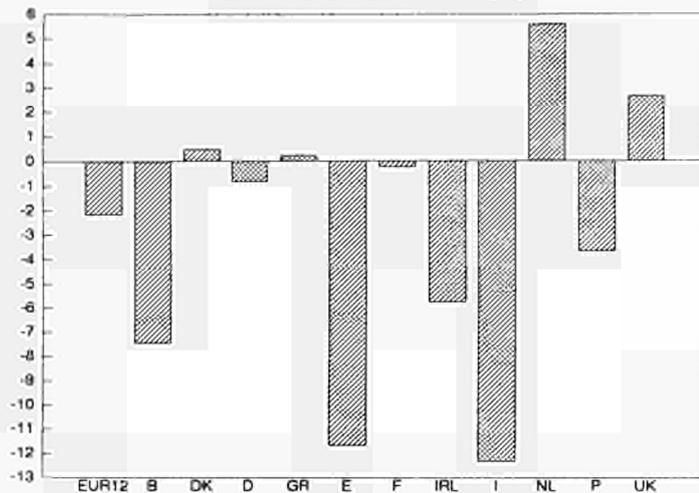


Ford group (11.6%) and Renault (10.6%).

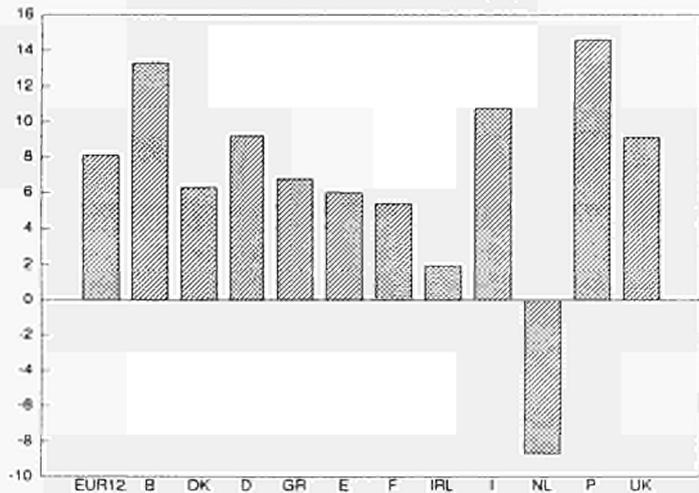
Producers have turned to two prescriptive measures to reduce their costs, both linked to the concept of scale economies. Firstly, they have encouraged alliances, joint ventures and collaborations with other firms (for example, the proposed Renault-Volvo merger and tie-ups such as Rover-Honda). Secondly, they have introduced global procurement policies, whereby world-wide supply contracts are offered to suppliers for the whole of a model's production life, in return for substantial cost reductions. Hence, the number of component suppliers has been reduced, lowering transactions costs but leading to concentration in the components market. At the same time many motor vehicles' manufacturers are passing on their R&D burden by sourcing component requirements in the form of already built-up systems. Other means employed to reduce costs and increase economies of scale include an increasing tendency to use the same underbody for several different models.

As a result of these initiatives from within the industry, there is now a highly concentrated industry structure, oligopolistic in nature. This market structure may well have evolved as a means to combat the competition provided by Japanese producers. By the year 2000, Japanese "transplants" (Nissan, Honda and Toyota all now have plants in the United Kingdom) are set to make around two million cars per year. At the same time, the last EC import restrictions with respect to Japanese motor manufacture are to be relaxed (with incremental increases up to this date). This legislation will affect some

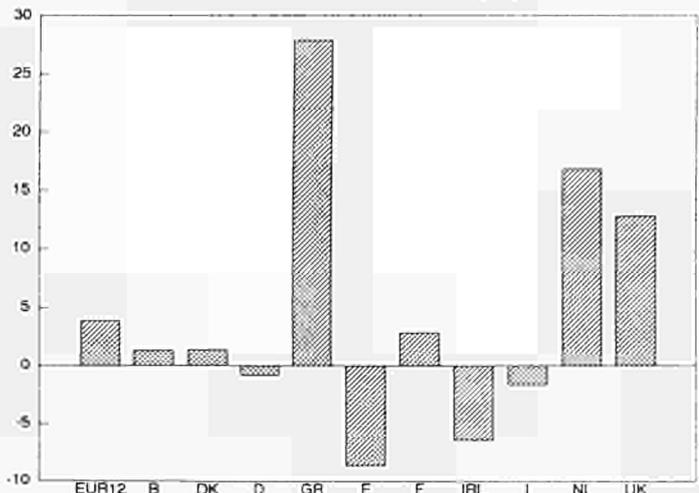
Profitability
Growth rate 1992/1991 (%)



Average labour unit cost
Growth rate 1992/1991 (%)



Productivity
Growth rate 1992/1991 (%)



domestic European markets more than others: for example, in 1990 Japanese imports into France, Italy and Spain were below the 3% level. Some analysts believe that Japanese firms could capture around 20% of the EC market by the turn of the century. There are, in addition, signs that some Japanese producers are now moving into the luxury car market (until recently untouched).

The aerospace industry has been hit by the large reductions in defence spending post Cold War. For the first

time in history there has been a recession in both civil and military sub-sectors at the same time (this in an industry that has traditionally displayed cyclical patterns of growth). Demand for airline seats is strongly linked to the level of fuel prices, disposable income and consumer morale (in the face of the threat of terrorism). The shipbuilding industry was also touched by reduced activity in the military sub-sector. It additionally faced over capacity due to intense competition from Japan and South Korea.

Railway development may be seen as an environmentally friendly solution to the growing problems of freight and public transport. Most new investment in the railways sub-sector has been directed to the development of high-speed rail links (notably the French TGV programme, which is extending into other European countries). Large sums of capital investment are required for such projects - and although they would stimulate growth, there are difficulties in financing expanded investment given the present economic climate.

Transport industry (Nace 35 + 36)

Value added, turnover and investment

		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Gross	1988	93.7	2.0	0.5	35.4	0.2	6.9	19.8	0.1	10.9	N/A	1.5	0.4	16.1
Value-added	1989	102.7	2.3	0.4	38.1	0.2	8.1	20.0	0.1	12.0	N/A	1.9	0.4	19.1
at factor cost	1990	107.4	2.5	0.5	41.4	0.3	8.1	21.3	0.1	12.2	N/A	2.0	0.5	18.8
(mrd ECU)	1991	107.9	2.6	0.6	45.5	0.3	8.5	21.6	0.1	11.8	N/A	2.0	0.5	14.7
	1992	110.6	2.7	0.6	47.9	0.3	8.5	22.1	0.1	10.9	N/A	2.2	0.6	15.3
Gross	1988	6.2	-16.5	-3.3	1.0	20.5	9.7	6.9	N/A	10.9	N/A	9.2	29.6	17.3
Value-added	1989	9.6	13.4	-2.4	7.8	35.9	16.7	0.9	8.8	10.2	N/A	22.9	15.8	19.2
at factor cost	1990	4.6	8.5	24.9	8.6	4.4	0.9	6.7	0.8	2.1	N/A	5.2	5.0	-2.0
Δ%	1991	0.4	2.2	9.8	9.8	10.5	4.1	1.3	-7.8	-3.3	N/A	1.2	13.8	-21.7
	1992	2.5	4.3	4.3	5.2	6.4	-0.1	2.2	-7.0	-8.2	N/A	10.5	8.4	4.1
Gross	1988	100.0	2.2	0.5	37.8	0.2	7.4	21.1	0.1	11.6	N/A	1.6	0.4	17.1
Value-added	1989	100.0	2.3	0.4	37.1	0.2	7.8	19.4	0.1	11.7	N/A	1.8	0.4	18.6
at factor cost	1990	100.0	2.3	0.5	38.5	0.2	7.6	19.8	0.1	11.4	N/A	1.8	0.4	17.5
share (%)	1991	100.0	2.4	0.6	42.2	0.3	7.9	20.0	0.1	11.0	N/A	1.9	0.5	13.6
	1992	100.0	2.4	0.6	43.3	0.3	7.6	20.0	0.1	9.8	N/A	2.0	0.5	13.8
Turnover	1988	304.6	11.7	1.4	105.8	0.5	22.9	69.5	0.2	36.9	N/A	6.4	1.2	48.1
(mrd ECU)	1989	338.9	13.1	1.4	115.1	0.6	26.8	77.1	0.3	42.8	N/A	7.0	1.5	53.1
	1990	360.7	14.0	1.6	128.1	0.7	27.9	81.9	0.3	43.2	N/A	7.7	1.7	54.0
	1991	370.3	14.2	1.8	139.7	0.7	29.2	82.8	0.3	41.2	N/A	8.0	1.9	50.9
	1992	379.3	14.7	1.9	147.6	0.8	29.4	88.4	0.2	37.6	N/A	8.3	2.2	48.6
Turnover	1988	9.0	2.7	3.1	3.1	21.5	20.6	10.1	31.1	9.2	N/A	18.1	19.3	18.3
Δ%	1989	11.3	12.3	3.0	8.7	24.5	17.4	11.0	26.0	15.9	N/A	9.4	21.7	10.5
	1990	6.4	6.7	15.2	11.3	1.8	3.9	6.2	4.2	0.9	N/A	10.0	12.1	1.6
	1991	2.6	1.9	13.8	9.0	5.4	4.9	1.1	-7.4	-4.6	N/A	4.3	14.5	-5.6
	1992	2.4	3.1	4.6	5.7	14.9	0.6	6.8	-6.8	-8.8	N/A	3.3	15.1	-4.6
Turnover	1988	100.0	3.8	0.4	34.8	0.2	7.5	22.8	0.1	12.1	N/A	2.1	0.4	15.8
share (%)	1989	100.0	3.9	0.4	34.0	0.2	7.9	22.8	0.1	12.6	N/A	2.1	0.4	15.7
	1990	100.0	3.9	0.4	35.5	0.2	7.7	22.7	0.1	12.0	N/A	2.1	0.5	15.0
	1991	100.0	3.8	0.5	37.7	0.2	7.9	22.4	0.1	11.1	N/A	2.2	0.5	13.8
	1992	100.0	3.9	0.5	38.9	0.2	7.8	23.3	0.1	9.9	N/A	2.2	0.6	12.8
Total	1987	13550.9	297.3	50.0	6247.1	10.7	298.9	2534.5	9.8	2132.1	N/A	272.4	30.3	1663.7
investment	1988	14649.6	325.9	59.4	5879.2	12.1	392.3	3392.6	10.7	2132.1	N/A	222.6	40.4	2178.5
(mio ECU)	1989	17061.1	370.4	44.4	6220.0	16.4	863.0	3886.7	14.4	2150.5	N/A	309.4	42.4	3138.8
	1990	N/A	N/A	58.4	7464.8	17.4	961.8	4784.1	N/A	N/A	N/A	245.1	N/A	3052.8
	1991	N/A	N/A	80.3	N/A	42.2	N/A	4548.9	N/A	N/A	N/A	277.4	N/A	N/A
Total	1987	13.2	-26.0	-17.1	10.5	N/A	2.5	21.6	-11.7	53.5	N/A	1.8	4.5	-6.4
investment	1988	8.1	9.6	18.8	-5.9	13.1	31.2	33.9	9.2	0.0	N/A	-18.3	33.3	30.9
Δ%	1989	16.5	13.7	-25.3	5.8	35.5	120.0	14.6	34.6	0.9	N/A	39.0	5.0	44.1
	1990	N/A	N/A	31.5	20.0	6.1	11.4	23.1	N/A	N/A	N/A	-20.8	N/A	-2.7
	1991	N/A	N/A	37.5	N/A	142.5	N/A	-4.9	N/A	N/A	N/A	13.2	N/A	N/A
Total	1986	100.0	3.4	0.5	47.2	0.0	2.4	17.4	0.1	11.6	N/A	2.2	0.2	14.8
investment	1987	100.0	2.2	0.4	46.1	0.1	2.2	18.7	0.1	15.7	N/A	2.0	0.2	12.3
share (%)	1988	100.0	2.2	0.4	40.1	0.1	2.7	23.2	0.1	14.6	N/A	1.5	0.3	14.9
	1989	100.0	2.2	0.3	36.5	0.1	5.1	22.8	0.1	12.6	N/A	1.8	0.2	18.4
	1990	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Eurostat, DEBA (estimates in bold).

Gross value-added: P = G.V.A. at market prices Turnover: E, P = Production value. Total investment: E, P = Investments minus disposals

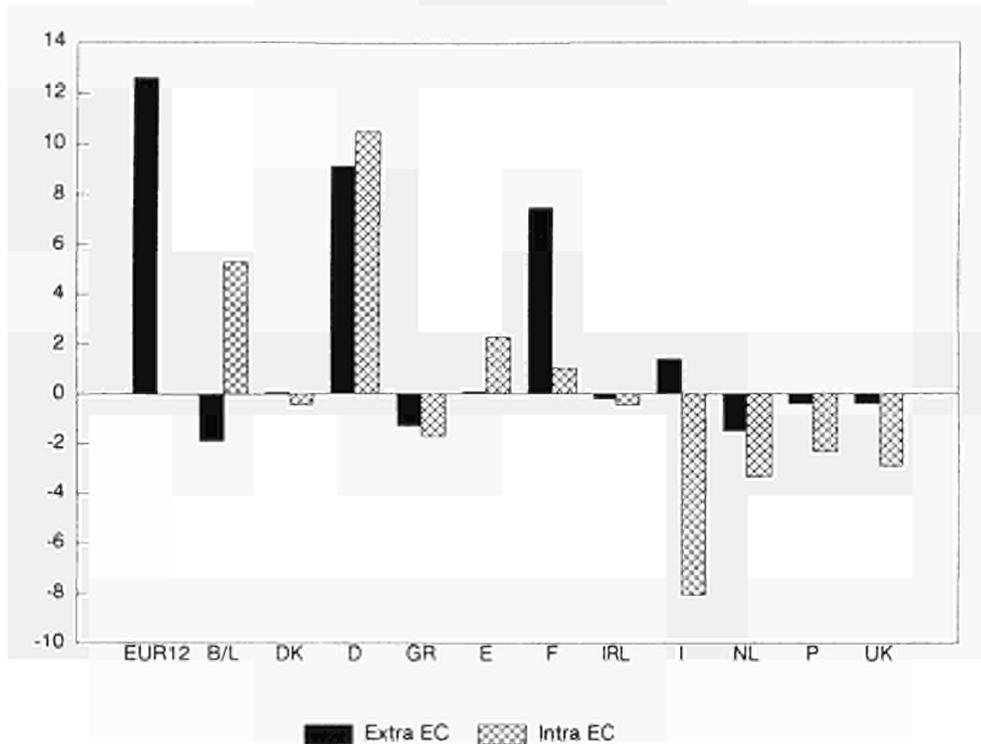
Transport industry (Nace 35 + 36)

Employment, labour cost and productivity

		EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Total labour cost (mrd ECU)	1988	67.2	1.8	0.5	28.2	0.2	3.7	13.1	0.0	7.3	N/A	1.3	0.2	10.6
	1989	72.2	1.8	0.4	29.7	0.3	4.8	13.6	0.0	8.4	N/A	1.4	0.3	11.4
	1990	77.0	2.0	0.5	32.9	0.3	5.0	13.9	0.1	8.6	N/A	1.4	0.3	12.0
	1991	80.4	1.8	0.5	35.7	0.3	5.3	13.6	0.1	8.6	N/A	1.6	0.4	12.4
	1992	84.2	2.1	0.5	37.9	0.3	6.0	13.9	0.1	9.1	N/A	1.3	0.4	12.6
Total labour cost Δ%	1988	4.1	1.6	5.9	1.5	16.9	8.4	-0.8	28.7	11.4	N/A	-2.8	11.0	12.7
	1989	7.4	-1.2	-6.0	5.0	22.0	30.2	3.6	16.9	14.5	N/A	4.8	28.2	7.2
	1990	6.7	9.1	9.4	11.0	11.4	4.1	2.6	14.9	2.8	N/A	-1.1	6.4	4.9
	1991	4.3	-6.7	5.7	8.4	-12.0	5.6	-2.3	13.2	0.2	N/A	15.3	17.0	3.8
	1992	4.8	12.7	3.8	6.1	6.2	13.1	2.5	-1.3	4.7	N/A	-17.0	12.5	1.4
Number of persons employed (1000)	1988	2598.5	66.0	17.4	898.1	21.0	190.2	493.8	2.2	304.7	N/A	N/A	32.1	519.3
	1989	2625.4	68.2	16.6	910.4	20.1	204.2	488.6	2.4	309.5	N/A	N/A	34.2	514.5
	1990	2687.0	70.6	16.8	948.7	20.6	203.2	500.1	2.5	312.3	N/A	57.1	35.3	519.7
	1991	2632.1	71.9	17.3	957.1	23.8	196.2	487.7	2.6	304.5	N/A	56.9	34.1	482.7
	1992	2551.7	71.5	16.9	930.3	23.7	209.4	474.2	2.5	288.0	N/A	51.7	33.5	449.0
Number of persons employed Δ%	1988	-1.1	3.6	-1.4	-0.4	9.0	-6.2	-2.6	22.2	1.1	N/A	N/A	-0.1	-1.2
	1989	1.0	3.2	-4.3	1.4	-4.3	7.4	-1.1	11.6	1.6	N/A	N/A	6.6	-0.9
	1990	2.3	3.6	1.2	4.2	2.4	-0.5	2.4	3.2	0.9	N/A	N/A	3.1	1.0
	1991	-2.0	1.9	2.9	0.9	15.4	-3.4	-2.5	4.5	-2.5	N/A	-0.4	-3.2	-7.1
	1992	-3.1	-0.6	-2.4	-2.8	-0.6	6.7	-2.8	-3.2	-5.4	N/A	-9.1	-1.8	-7.0
Number of persons employed share (%)	1988	100.0	2.5	0.7	34.6	0.8	7.3	19.0	0.1	11.7	N/A	N/A	1.2	20.0
	1989	100.0	2.6	0.6	34.7	0.8	7.8	18.6	0.1	11.8	N/A	N/A	1.3	19.6
	1990	100.0	2.6	0.6	35.3	0.8	7.6	18.6	0.1	11.6	N/A	2.1	1.3	19.3
	1991	100.0	2.7	0.7	36.4	0.9	7.5	18.5	0.1	11.6	N/A	2.2	1.3	18.3
	1992	100.0	2.8	0.7	36.5	0.9	8.2	18.6	0.1	11.3	N/A	2.0	1.3	17.6
Average labour unit cost (1000 ECU/capita)	1988	25.8	27.5	26.0	31.4	11.5	19.6	26.5	17.9	24.1	N/A	N/A	7.5	20.5
	1989	27.5	26.3	25.6	32.6	14.7	23.7	27.8	18.7	27.1	N/A	N/A	9.0	22.1
	1990	28.7	27.7	27.6	34.7	16.0	24.8	27.9	20.9	27.6	N/A	24.1	9.3	23.0
	1991	30.5	25.4	28.4	37.3	12.2	27.2	27.9	22.6	28.4	N/A	27.9	11.2	25.7
	1992	33.0	28.7	30.2	40.7	13.0	28.8	29.4	23.0	31.5	N/A	25.5	12.8	28.0
Average labour unit cost Δ%	1988	5.3	-1.9	7.4	2.0	7.3	15.5	1.8	5.4	10.1	N/A	N/A	11.1	14.1
	1989	6.3	-4.3	-1.8	3.6	27.5	21.2	4.8	4.8	12.8	N/A	N/A	20.2	8.2
	1990	4.3	5.3	8.1	6.6	8.8	4.7	0.2	11.4	1.8	N/A	N/A	3.3	3.9
	1991	6.5	-8.4	2.7	7.5	-23.8	9.4	0.2	8.3	2.8	N/A	15.9	20.8	11.7
	1992	8.1	13.3	6.3	9.2	6.8	6.0	5.4	1.9	10.8	N/A	-8.7	14.6	9.1
Productivity Δ%	1988	3.9	-21.1	-6.2	-0.8	4.2	8.4	8.4	N/A	9.9	N/A	9.3	N/A	6.7
	1989	3.6	4.2	-1.9	3.8	28.6	0.1	-2.5	-6.4	0.8	N/A	12.6	N/A	13.9
	1990	-0.9	-2.3	14.0	0.3	2.6	-2.4	1.4	-4.4	-1.8	N/A	-0.7	N/A	-4.9
	1991	-0.7	-4.6	3.5	5.0	-5.6	2.9	4.1	-12.2	-2.8	N/A	0.0	N/A	-19.7
	1992	3.0	-1.4	-0.7	2.9	1.5	-6.0	3.4	-6.4	-2.5	N/A	8.0	N/A	12.0

Source: Eurostat, DEBA (estimates in bold)

Trade balance (Nace 35 + 36) 1992 (mrd ECU)



The trade surplus in the motor vehicles sub-sector has been reduced rapidly from almost 20 billion ECU in 1987 to 8 billion ECU in 1992. As a result the EC cover ratio has fallen from 2.4 in 1987 to 1.4 in 1992. The majority of EC exports of motor vehicles go to two destinations, EFTA and the USA (with the EFTA share increasing annually and the American share declining in recent years). Import penetration for EC producers into Japan was at the moderately low level of 4.5% in 1992. The Community export rate for motor vehicles was equal to 11.6%, whilst import penetration remained lower at 8.8% in 1992. The export rate has however recently been as high as 17% in 1987. With intra-Community trade rising in progressive years, individual Member States have tended to grow over the years (due more to internal Community trade rather than trade with third countries). The exception to this rule for the major producers was Ger-

many: where the export rate has fallen from 52.8% in 1987 to 39.2% in 1992. Otherwise, French, Italian, United Kingdom and Spanish export rates have all risen over the past six years. France and Germany displayed almost identical import penetration rates in the period 1988-1992 (just under the thirty per cent level). Yet, imports have traditionally been a lot higher in Italy, the United Kingdom (both at just over fifty per cent in 1992) and Spain, as home production failed to capture as great a share of the domestic market. Germany ran an 18.7 billion ECU surplus in 1992 for the sector (down 7 billion ECU since 1988). Surpluses were seen to be expanding in France and Spain (to 4.3 and 3.4 billion ECU respectively). However, in Italy and the United Kingdom, deficits of 7.3 and 4.0 billion ECU were recorded. As regards other transport sectors, results showed all major sectors running surpluses in 1992. Nevertheless, such strong per-

formance was not typical of past years. Just a year before, the EC ran a deficit of some 1.6 billion ECU for other transport sectors. At a level of the individual countries France and the United Kingdom were the only two countries to display consistent surpluses (due to their comparative strength in the aerospace industry). In 1992 they ran surpluses of 4.2 and 2.4 billion ECU respectively. The major trading partner with the Community for the aerospace sector was the United States (accounting for around forty per cent of EC exports and more than seventy per cent of imports into the EC). For the railway stock sector the former Soviet Union was the EC's largest individual export market in 1991, whilst over half of the EC's imports came from the EFTA countries. The surplus for this sub-sector was just over one billion ECU in 1992. Finally, in shipbuilding the Community ran a surplus of just over two billion ECU in 1992.

Transport industry (Nace 35 + 36)

External trade indicators

			EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Exports	Total trade (mrd ECU)	1988	126.0	11.5	1.2	46.0	0.0	7.2	28.5	0.2	10.4	4.6	0.7	15.6
		1989	150.3	13.0	1.3	52.9	0.0	9.0	35.4	0.3	12.6	5.5	1.0	19.3
		1990	157.4	14.3	1.6	53.6	0.0	10.7	35.2	0.3	14.2	6.0	1.0	20.5
		1991	170.6	14.8	1.6	54.8	0.1	12.9	42.2	0.4	14.4	5.9	0.9	22.6
		1992	177.4	14.8	2.0	58.9	0.1	14.0	44.7	0.3	13.7	6.2	1.1	21.4
	Extra-EC trade (mrd ECU)	1988	44.8	1.8	0.8	19.3	0.0	1.4	11.1	0.0	3.6	1.6	0.1	5.0
		1989	49.5	2.3	0.7	20.4	0.0	1.6	13.2	0.1	4.2	1.5	0.2	5.5
		1990	51.6	2.4	1.0	21.9	0.0	1.8	12.5	0.1	4.8	1.5	0.1	5.5
		1991	52.9	2.2	0.8	21.2	0.0	1.9	15.1	0.1	4.8	1.7	0.1	4.9
		1992	56.2	2.4	1.2	21.5	0.0	2.3	16.8	0.1	4.8	2.4	0.2	4.6
	Extra-EC trade % share EC	1988	100.0	4.1	1.8	43.2	0.0	3.2	24.8	0.1	8.0	3.5	0.2	11.1
		1989	100.0	4.6	1.5	41.1	0.0	3.2	26.6	0.1	8.4	3.0	0.4	11.1
		1990	100.0	4.7	1.9	42.5	0.0	3.4	24.2	0.1	9.3	2.9	0.2	10.7
		1991	100.0	4.2	1.5	40.1	0.1	3.7	28.6	0.1	9.2	3.2	0.1	9.2
		1992	100.0	4.2	2.1	38.3	0.1	4.1	29.9	0.1	8.5	4.2	0.3	8.1
	Intra-EC trade % share total trade	1988	60.1	83.9	32.0	58.1	41.4	79.1	61.0	82.2	65.4	65.7	87.1	33.4
		1989	62.5	82.4	39.3	61.5	38.1	82.6	62.9	80.4	67.0	72.5	81.0	36.6
		1990	63.0	83.1	36.1	59.1	49.3	83.6	64.6	75.6	66.1	74.7	87.8	40.8
		1991	64.8	84.9	45.9	61.3	49.7	85.0	64.2	79.3	66.4	71.0	91.3	46.8
		1992	65.0	84.0	40.6	63.5	42.5	83.5	62.4	73.9	65.2	61.9	84.3	51.6
Imports	Total trade (mrd ECU)	1988	105.7	8.0	1.8	19.0	1.3	6.8	23.6	0.9	12.1	6.8	2.3	23.1
		1989	128.7	9.4	2.3	23.8	1.8	9.0	29.8	1.3	15.2	8.5	2.4	25.0
		1990	138.4	10.6	2.5	28.6	2.0	9.6	29.7	1.4	16.9	9.3	2.7	25.2
		1991	158.7	11.8	2.8	40.8	2.9	10.5	34.8	1.2	18.8	10.7	2.9	21.5
		1992	163.1	11.4	2.3	39.1	3.1	11.6	36.3	1.0	20.4	11.1	3.8	23.0
	Extra-EC trade (mrd ECU)	1988	28.9	2.8	0.8	6.8	0.8	1.3	6.4	0.3	1.8	1.9	0.4	5.5
		1989	35.3	3.4	1.2	8.6	1.0	2.1	7.3	0.5	2.4	2.6	0.4	5.8
		1990	37.4	3.8	1.3	9.8	0.9	2.2	7.4	0.6	2.6	2.9	0.4	5.4
		1991	44.8	4.6	1.4	12.4	1.5	2.1	10.1	0.6	3.3	3.8	0.4	4.7
		1992	43.6	4.3	1.1	12.3	1.3	2.2	9.3	0.3	3.4	3.9	0.6	5.0
	Extra-EC trade % share EC	1988	100.0	9.7	2.9	23.6	2.8	4.6	22.0	1.2	6.4	6.5	1.3	19.0
		1989	100.0	9.6	3.5	24.3	2.9	6.0	20.7	1.5	6.8	7.3	1.2	16.3
		1990	100.0	10.3	3.6	26.2	2.4	6.0	19.8	1.6	6.9	7.8	1.0	14.4
		1991	100.0	10.3	3.0	27.7	3.3	4.8	22.5	1.2	7.4	8.6	0.9	10.4
		1992	100.0	9.8	2.4	28.1	3.1	5.0	21.4	0.8	7.8	9.0	1.3	11.4
	Intra-EC trade % share total trade	1988	69.1	64.8	53.3	64.0	37.9	80.6	72.9	61.7	84.7	72.3	83.2	60.5
		1989	70.0	64.0	46.7	64.1	44.5	76.8	75.4	59.8	84.2	69.9	82.7	63.7
		1990	69.4	63.9	46.5	65.7	54.4	76.5	74.8	55.9	84.8	68.7	86.0	59.2
		1991	68.9	60.9	50.7	69.6	49.8	79.7	70.7	54.2	82.2	64.2	86.3	57.9
		1992	70.7	62.4	53.9	68.7	56.7	81.2	74.0	67.1	83.3	64.5	85.3	60.5
Trade balance	Total trade (mrd ECU)	1988	20.3	3.5	-0.6	27.0	-1.3	0.4	4.8	-0.7	-1.7	-2.2	-1.6	-7.5
		1989	21.6	3.6	-1.1	29.1	-1.8	-0.0	5.7	-1.1	-2.6	-3.0	-1.4	-5.7
		1990	18.9	3.7	-0.9	25.0	-2.0	1.2	5.5	-1.1	-2.8	-3.3	-1.7	-4.7
		1991	11.9	3.0	-1.2	14.0	-2.8	2.4	7.5	-0.9	-4.3	-4.9	-2.0	1.2
		1992	14.4	3.5	-0.3	19.8	-3.0	2.4	8.4	-0.7	-6.7	-4.9	-2.6	-1.6

Source: Eurostat

METHODOLOGICAL NOTES

Industry Classification System

The industry groupings used in this publication are based on the NACE classification system. This classifies economic activity in terms of the nature of goods and services produced or by the nature of the production process employed. It is arranged on the decimal system and is subdivided into divisions (1-digit codes), classes (2-digit codes), groups (3-digit codes), sub-groups (4-digit codes) and items (5-digit codes). More information is contained in the General Industrial Classification of Economic Activities within the European Community published by Eurostat (1985 reprint of the 1970 edition). This publication is available from the usual outlets for Community publications. A major revision to the NACE classification has been incorporated in a Council Regulation (OJ L293 24th October 1990) and will start being used for data collection over the next few years.

The broad groups used in Section 1 of this publication have the following definitions in terms of NACE:

Total industry

1, 2, 3, 4

Intermediate goods industries

1, 211-246, 247, 2474-2476, 2481-2485, 2488, 2489, 251-256, 26, 311-313, 3161-3164, 3167-319, 353, 422, 431-435, 437, 439, 441, 461-466, 471, 472, 481, 483

Capital goods industries

314, 315, 32, 33, 341-344, 347, 348, 352, 361, 362, 364, 365, 371, 372

Consumer goods industries

2472, 2473, 2477, 2486, 2487, 257-259, 3165, 363, 373, 374, 411-421, 423-429, 436, 438, 442, 45, 467, 473, 474, 482, 49

Statistical Sources

Most of the data in this publication is harmonized data supplied to Eurostat by Member States. The exceptions are:

1) The capacity utilisation series which come from the business surveys carried out on behalf of the Directorate General for Economic Affairs of the Commission.

2) The estimates for the latest years' structural data, which are supplied by the DEBA European Economic Interest Group.

3) The OECD has supplied the indices of industrial production for the USA and Japan.

Data sources are indicated for each statistical table.

Every effort has been made to include data for all 12 Member States. The indices from 1991 onwards are on a post-unification basis and include East-Germany. However the structural data is still on a pre-unification basis unless otherwise stated.

Short term indicators

The index of production measures changes in the volume of the gross value added created by industry, the branch indices being aggregated by means of a system of weighting according to gross value added (in prin-

ciple, at factor cost). The indices are adjusted in two stages; firstly to take account of the varying number of working days in the month (except for Spain and Japan) and secondly by seasonal adjustment. The other short term indices in this publication are not adjusted for working days.

The index of producer prices shows (in the national currency of the Member State in question) changes in the ex-works selling prices of all products sold on the domestic markets of the various countries. The Community indices (EUR11, since there are no producer price indices for Portugal) refer to overall weighted price changes. No seasonal adjustment is carried out on them.

For the indices of imports and exports, external trade data of industrial products were grouped according to the industrial NACE branch to which they belong. The value indices are all in ECU terms. The indices for EUR12 refer only to extra Community trade, whilst the indices for Member States reflect also intra Community trade. The indices are seasonally adjusted.

The capacity utilization series come from quarterly European Community business surveys, and are not seasonally adjusted.

The changes which are given in the tables for the latest three months on the corresponding period of the year before, are calculated from non seasonally adjusted series.

Structural data

Data for value added at factor cost, turnover, investment, labour costs, and employment come from annual

enquiries conducted by Member States involving all enterprises with 20 or more employees. The exceptions to this are Spain and Portugal where the coverage is for local units of all sizes. The employment data relates to persons employed excluding home workers. The definitions are standardized and so the figures are

comparable across industries and countries.

Estimates are not supplied to Eurostat by Member States for the smaller firms not covered by the enquiries, and the figures under-report the actual values. Where this is particularly significant, a note is made in the commentary.

Gaps in Eurostat's data have been filled by estimates supplied by DEBA. Thus EC totals often contain estimates for missing countries.

Data in the structural tables are in current ECU unless otherwise stated. The productivity measure used is based on value added at factor cost in 1985 prices per person employed.

Signs and abbreviations

EUR 12:	Community of 12
B/L:	Belgo-Luxembourg Economic Union
ECU:	European currency unit
Mio:	millions
Mrd:	thousand million
N/A:	not available
0.0:	Figure less than half of the chosen unit
%:	percent
1985 = 100:	reference year
Φ:	moving average (01/02/03.93)
	2. NACE 1-4 Index of production :B, L, P: 10/11/12.92; E, IRL, NL : 92.12/01/02.93
	2. NACE 1-4 Producer Price Index: EUR, F: 10/11/12.92
	3.1 and 4.1 Short-term indicators: IRL, NL : 11/12.92/01.93; B, L : 10/11/12.92; E: 07/08/09.92; P: 08/09/10.92
Δ:	growth rate

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