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and Financial Affairs

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Recent economic trends

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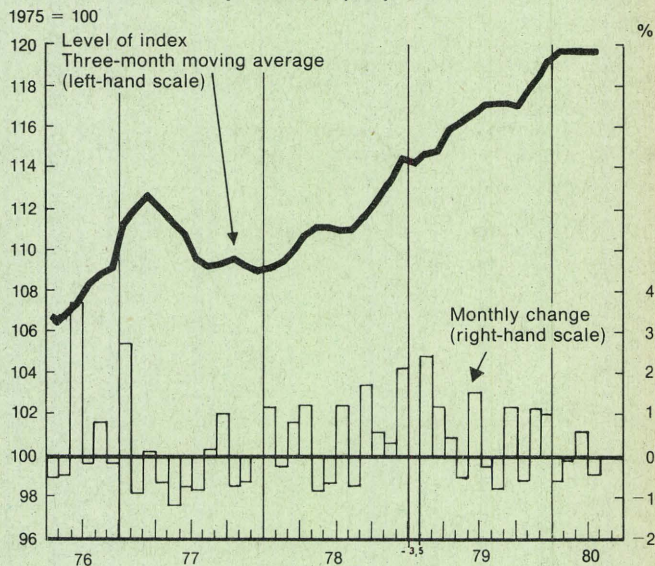
Gathering signs of weaker activity. — Industrial production fell in April and on the basis of business survey results the following months may also see a decline in output. The upturn in unemployment continued in May but the rate of inflation and the trade deficit of the Community may now have peaked. A deceleration of monetary expansion has been accompanied by a lowering of interest rates and general exchange rate stability with, however, a further depreciation of the lira.

Trend of industrial production remains flat. — Industrial production in the Community (as seasonally adjusted by the SOEC) fell by 0,4% in April; the April figure was 2,6% above the level of twelve months earlier but the trend, as shown by the three-month moving average, has shown little change since January (Graph 1). The April data for individual Member States show more substantial declines in Denmark, the Federal Republic of Germany, the Netherlands and Belgium, but only a modest further drop in United Kingdom and rather unchanged levels in France and Luxembourg, whereas an increase of 1,2% was recorded in Italy. Data by commodity group show a particularly sharp decline in output of intermediate products whereas output of finished goods held up better.

Upward trend in unemployment continues. — In May, the seasonally adjusted unemployment rate for the Community as a whole rose again to reach 5,9%; unemployment is now 7,7% higher than in May of last year. With the exception of Luxembourg, the rate of unemployment is increasing in all Member States, the sharpest increases having occurred in Ireland and the Netherlands. In Italy and the United Kingdom there has been a sharp rise since the beginning of the year, whereas in France and Germany the rise began later and has been less steep (Graph 6). As confirmation of the overall worsening of the labour market situation, male unemployment rates are continuing to rise faster than female unemployment rates (Graph 2). The number of unfilled vacancies fell sharply in May, thus suggesting that the recent deterioration of the labour market is principally of a cyclical nature coming in addition to an already significant structural and frictional component.

Slowdown of inflation. — The rise in the index of consumer prices in the Community in May was, at 0,8%, the lowest monthly increase since December of last year. The rate of increase was particularly low in Germany (0,4), Netherlands (0,4), Belgium (0,3) and Luxembourg (0,6). In these countries the change over 12 months still remains in the 6-7% range. Substantial cuts in the month-to-month inflation rates were recorded for Italy and United Kingdom where prices in May rose by 0,9% after much larger increases the two preceding months. France saw a small deceleration (from 1,2% in April to 0,9% in May) whereas price increases remained high in Ireland (reflecting in part increases in indirect taxation) and accelerated to 1,3% in Denmark partly as a result of the semi-annual revision of rents (Table 3). The inflation trend in the Community, as measured by the seasonally adjusted increase over six months expressed at annual rate, in May edged slightly further upwards, to reach 16% (Graph 3). This particular measure has been influenced in recent months by changes in indirect taxes and public utility tariffs and may drop back in the

GRAPH 1: Industrial production (s.a.), EC total



GRAPH 2: Unemployment (s.a.), EC total



months to come. However, the recent partial information on wholesale prices (Table 4) and salaries in industry (Table 5) which has become available over the past month does not, as of yet, show any slowdown in key cost factors.

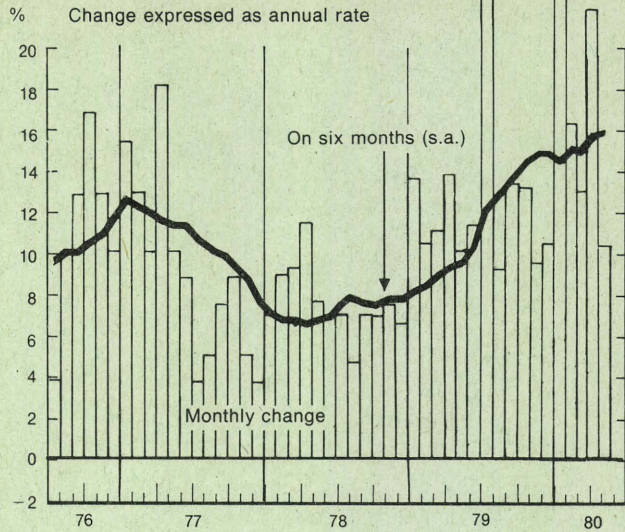
Stabilization of the trade deficit. — The pronounced widening of the Community's trade deficit (fob/cif) seen in the period October 1978 to February 1980 seems to have given way to a stabilization. The deficit is estimated to have reached some 3 900 million ECU in April, only 200 million more than in March and hardly more than the definitive result for February (3 895 million). The April figure, moreover, was influenced by an exceptionally high deficit for United Kingdom (906 million ECU), resulting in part from the steel strike; in May the UK deficit fell back to below 500 million ECU. Although the month-to-month fluctuations have been irregular, the recent tendency towards stabilization of the trade balance is found in all Member States for which data are available except in France, where a high deficit was recorded in May (figures on foreign trade of the BLEU only cover the period up to February). The trade surplus of Germany, has been approximately unchanged for several months now and the deficits of Ireland, Italy and the Netherlands also seem to be fluctuating around a stable trend, whereas there are signs of a reduction of the Danish deficit.

Slowdown of the expansion of money supply. — The rate of growth over 12 months of the money supply (M2) has slowed down considerably in March and April in the Member States for which data are available, Denmark, Germany, Ireland and the United Kingdom, although in the latter country an acceleration was seen in May. The slowdown of monetary expansion is probably explained by the deterioration in the balance of payments which resulted in a substantial absorption of liquidity during the first months of the year. In contrast, domestic credit to the private sector probably contributed importantly to the growth of liquidity. Short-term interest rates which declined in April and May seem to have moved somewhat further down in June. In Germany, France and the United Kingdom, the long-term end of financial markets in May seems to have benefited from a new inflow of funds from non-residents, which led to a rather pronounced decline in long-term rates.

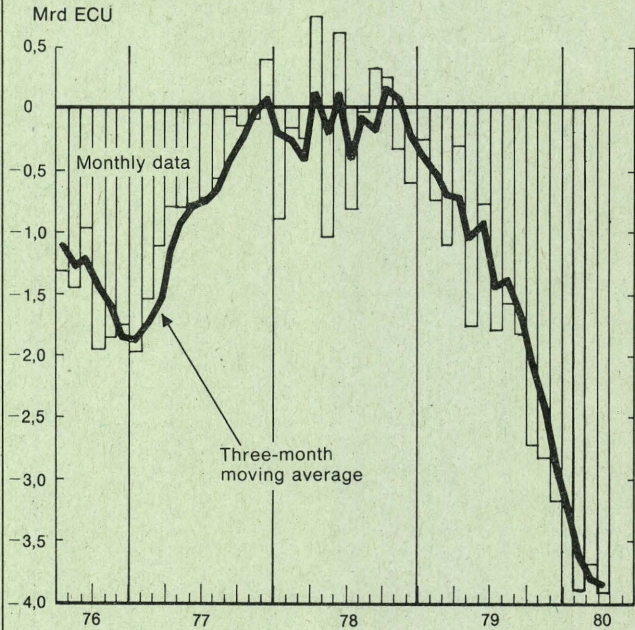
The ECU between the yen and the dollar. — The ECU in June gained some further ground against the dollar but remained for the month on average below the previous peak reached in January. The yen, on the other hand, firmed against the ECU for the fourth consecutive month and is now some 12,5% above the low of February 1980 (Table 10 and Graph 5). Within the Community the German mark and pound sterling maintained their value relative to the ECU whereas the ECU value of the lira continued the modest decline seen in the preceding three months, with the other currencies strengthening marginally. At the end of June the lira was the most divergent currency within the EMS.

4 June 1980.

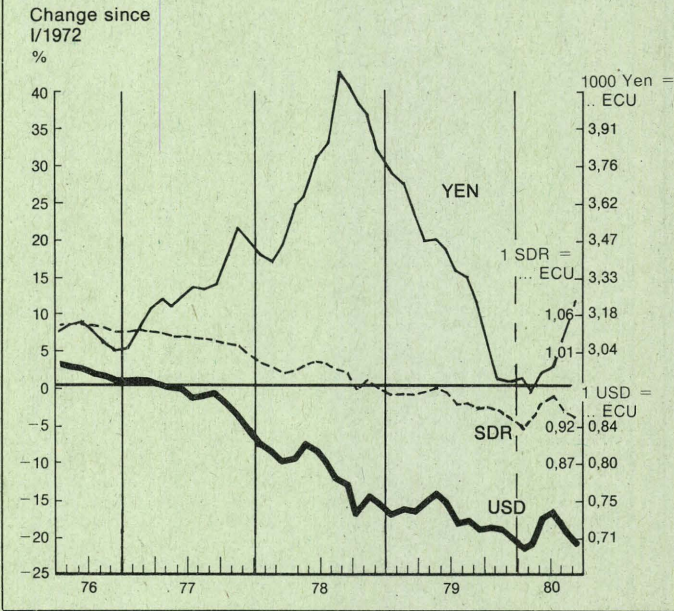
GRAPH 3: Consumer prices, EC total



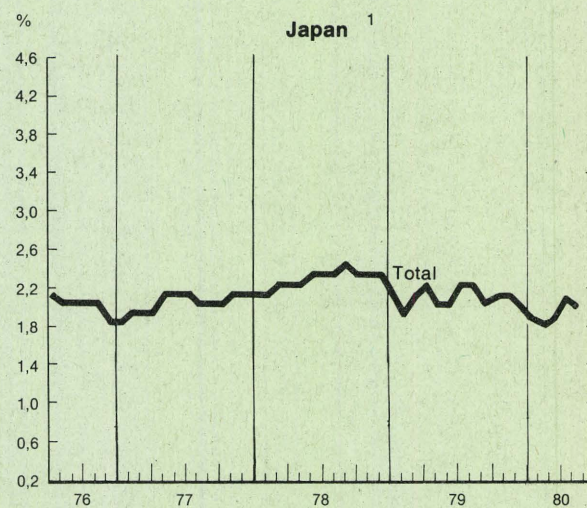
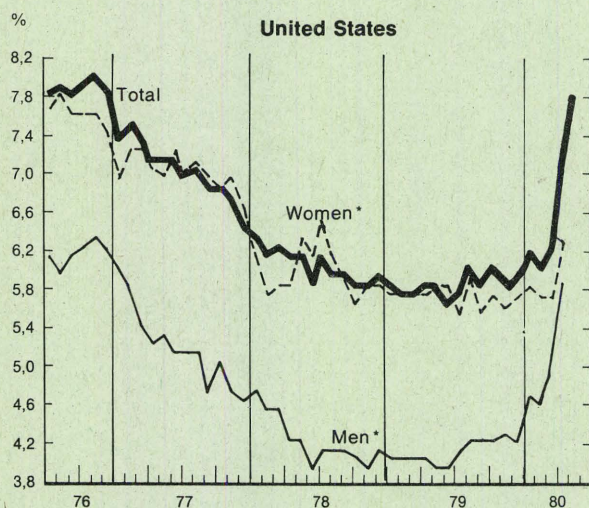
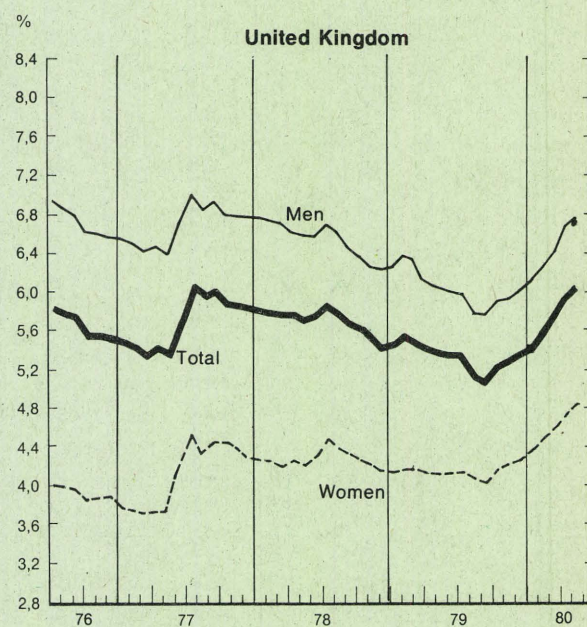
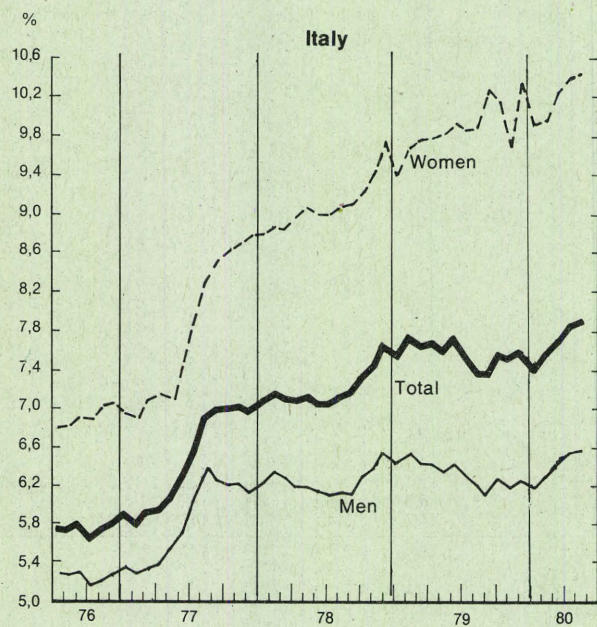
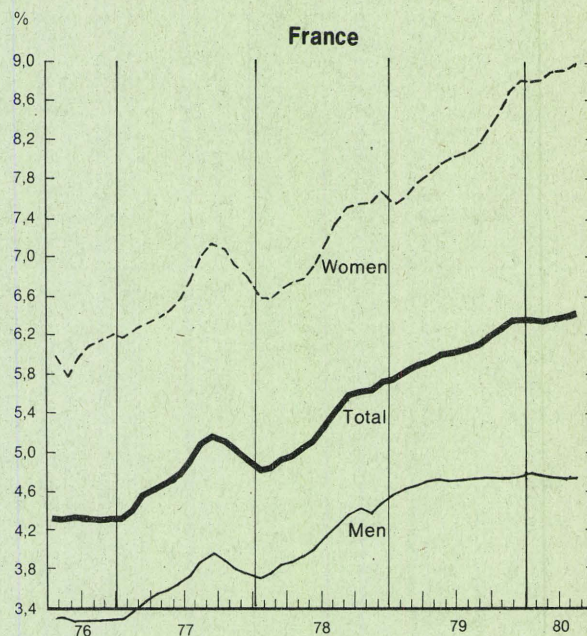
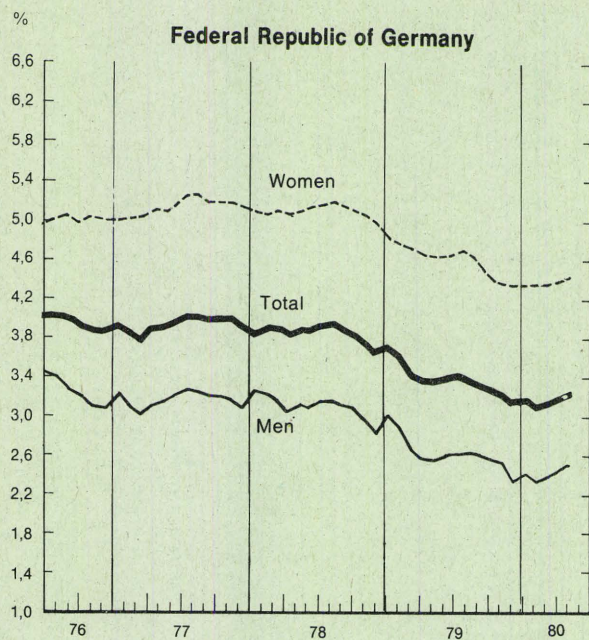
GRAPH 4: Trade balance (s.a.), EC total



GRAPH 5: Value of USD, yen and SDR in ECUs



GRAPH 6: Unemployment (s.a.)
Number of unemployed as % of civilian labour force



* Unemployed persons aged 20 or over.
¹ Number unemployed as % of labour force.

TABLE 6: Trade balance - fob/cif, million ECUs (s.a.)

	1975	1976	1977	1978	1979	1979				1980	1979		1980						Change over 12 months 2
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May		
DK	- 1 359	- 2 954	- 2 801	- 2 198	- 2 806	- 548	- 779	- 780	- 799	- 859	- 221	- 298	- 293	- 306	- 269	- 111	:	+ 117	
D	12 224	12 243	14 514	15 934	8 933	3 394	3 001	1 770	993	123	536	103	429	309	385	336	:	- 1 036	
F	- 1 700	- 7 732	- 6 117	- 4 097	- 6 490	- 1 265	- 1 423	- 1 820	- 2 083	- 4 047	- 614	- 525	- 1 222	- 1 307	- 1 519	- 1 219	- 1 805	- 1 168	
IRL	- 461	- 772	- 876	- 1 132	- 1 955	- 422	- 554	- 533	- 503	- 565	- 179	- 105	- 221	- 214	- 133	- 202	:	- 35	
I	- 2 882	- 5 981	- 2 444	- 336	- 4 151	- 244	- 463	- 774	- 2 012	- 3 210	- 1 195	- 804	- 1 073	- 1 228	- 909	- 1 263	:	- 1 418	
NL	203	317	- 1 687	- 2 240	- 2 619	- 140	- 512	- 797	- 1 110	- 576	- 372	- 473	- 120	- 152	- 304	- 179	:	- 70	
B/L	- 1 626	- 2 375	- 2 526	- 2 890	- 3 022	- 372	- 443	- 391	- 885	:	- 242	- 452	- 525	- 376	:	:	:	- 312	
UK	- 7 617	- 8 664	- 5 246	- 5 548	- 8 695	- 2 490	- 1 658	- 1 921	- 1 966	- 2 043	- 547	- 270	- 800	- 709	- 589	- 906	- 496	+ 115	
EC ⁸	- 3 216	- 15 919	- 7 184	- 2 508	- 20 804	- 2 109	- 2 864	- 5 245	- 8 757	(- 11 000)	- 2 849	- 3 196	- 3 769	- 3 895	(- 3 700)	(- 3 900)	:	(- 3 595)	
USA	- 3 017	- 13 189	- 31 907	- 31 014	- 27 206	- 6 083	- 6 977	- 6 844	- 7 292	- 8 619	- 1 955	- 2 845	- 3 297	- 3 896	- 2 326	- 1 387	:	+ 760	
JAP	- 1 700	2 171	8 488	14 285	- 5 574	789	- 477	- 2 356	- 3 505	- 3 256	- 1 318	- 1 022	- 847	- 1 111	- 1 298	(- 1 485)	(- 479)	- 543	

TABLE 7: Money supply⁹ - Percentage change on corresponding period of preceding year

		1979								1980		1979			1980				
		1975	1976	1977	1978	1979					I	Nov.	Dec.	Jan.	Feb.	March	April	May	
							I	II	III	IV									
DK	(M2)	25,5	11,4	9,8	6,7	9,9	10,1	9,3	9,5	9,9	8,5	10,8	9,9	9,6	8,3	8,5	6,7	:	
D	(M3)	8,5	8,4	11,1	11,0	6,0	11,1	10,8	7,8	6,0	5,9	5,2	6,0	5,7	5,6	5,9	4,8	:	
F	(M2)	15,7	12,8	13,9	12,2	14,3	14,0	13,6	13,0	14,3	:	13,0	14,4	13,2	13,0	:	:	:	
IRL	(M3)	19,1	14,3	16,3	28,7	19,0	32,2	36,0	26,2	19,0	:	24,5	19,0	16,6	16,3	14,6	13,4	:	
I	(M2)	23,5	20,8	21,8	22,8	19,6	20,4	19,9	19,7	19,6	:	21,6	20,4	19,3	:	:	:	:	
NL	(M2)	5,7	22,7	3,6	4,2	6,8	2,3	4,8	3,8	6,8	:	5,3	6,9	6,5	6,6	:	:	:	
B	(M2)	17,2	13,4	9,9	9,7	6,1	9,1	8,9	6,6	6,0	4,2	:	6,0	:	:	4,2	:	:	
UK	(£M3)	7,8	11,3	9,3	13,3	11,7	11,1	11,1	11,8	11,7	11,9	12,9	11,7	11,4	11,2	12,0	10,4	11,3	
EC ¹⁰		12,9	12,9	12,3	12,7	11,0	12,4	12,3	11,1	11,0	:	10,8	11,0	10,4	:	:	:	:	
USA	(M2)	8,5	11,3	9,3	8,2	(7,9)	7,0	7,6	8,0	(7,9)	:	7,9	(7,9)	:	:	:	:	:	
JAP	(M2)	14,5	13,5	11,1	13,1	9,1	12,9	11,8	12,1	9,1	9,7	10,6	9,1	10,1	10,2	9,7	10,4	:	

TABLE 8: Short-term interest rates¹¹

	1975	1976	1977	1978	1979	1979			1980		1979	1980						Change over 12 months
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May	June	2
DK	14,5	10,3	14,5	15,4	12,5	9,8	17,4	16,5	19,1	:	16,5	16,3	18,3	19,1	18,9	19,2	:	11,9
D	5,0	4,2	4,4	3,7	6,7	6,6	8,0	9,6	9,8	9,5	9,6	8,9	9,1	9,8	10,1	10,2	9,5	2,9
F	8,0	8,8	9,3	8,1	9,5	9,3	11,6	12,6	13,8	12,5	12,6	12,3	13,8	13,8	13,0	12,8	12,5	3,2
IRL	11,0	11,8	8,4	9,9	15,9	17,6	17,4	18,5	19,0	17,6	18,5	18,9	18,1	19,0	18,6	18,0	17,6	0,0
I	10,4	17,6	14,5	11,3	11,5	11,1	10,9	16,5	15,8	:	16,5	15,1	15,8	15,8	15,6	16,0	:	5,4
NL	5,3	7,1	4,8	6,6	9,5	8,4	9,8	13,0	11,2	10,5	13,0	11,3	12,9	11,2	10,5	11,2	10,5	2,1
B	7,4	10,0	7,6	7,3	10,1	9,8	12,5	14,5	17,5	14,0	14,5	14,5	15,0	17,5	17,0	15,8	14,0	4,2
UK	10,6	10,6	8,1	8,3	13,7	14,1	14,2	17,1	18,5	17,0	17,1	17,9	18,2	18,6	17,1	17,1	17,0	2,8
EC ¹⁰	7,7	7,5	8,0	7,2	9,6	9,4	10,9	13,1	13,7	(12,8)	13,1	12,7	13,3	13,7	13,3	13,2	(12,8)	(3,4)
USA	5,8	5,0	5,3	7,2	10,1	8,8	10,1	12,0	(15,6)	:	12,0	12,2	13,4	15,6	(12,2)	(7,7)	:	(-2,0)
JAP	:	:	6,2	5,1	5,9	5,3	6,5	8,0	12,7	:	8,0	8,0	9,9	12,7	:	:	:	7,7

TABLE 9: Long-term interest rates¹²

	1975	1976	1977	1978	1979	1979				1980	1979		1980					Change over 12 months 2
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	
DK	13,1	13,6	16,6	16,7	15,9	14,5	16,1	16,6	17,1	18,6	17,2	17,1	17,4	18,7	18,6	:	:	4,1
D	8,5	7,8	6,2	5,7	7,4	6,9	7,8	7,5	7,9	9,4	8,1	7,9	8,1	8,5	9,4	9,4	8,7	1,1
F	10,3	10,5	11,0	10,6	10,0	9,6	10,7	11,6	12,6	14,4	12,1	12,6	12,5	12,5	14,4	14,0	13,5	3,5
IRL	14,0	14,7	12,9	12,8	14,9	13,3	15,4	15,7	16,3	16,8	16,4	16,3	16,0	16,4	16,8	16,2	:	2,7
I	10,4	12,5	15,2	14,2	14,3	14,2	13,9	14,4	15,3	:	15,0	15,3	15,3	15,4	:	:	:	1,5
NL	8,8	9,0	8,1	7,7	8,8	8,5	9,0	8,7	9,4	11,4	9,2	9,4	9,4	10,4	11,4	10,6	:	2,0
B	8,5	9,0	8,8	8,5	9,7	8,9	9,4	9,9	11,1	12,5	11,0	11,1	11,4	11,9	12,5	12,0	12,3	3,1
L	6,7	7,2	7,0	6,6	6,8	6,8	6,8	6,8	6,8	7,3	6,8	6,8	6,9	7,1	7,3	7,4	:	0,7
UK	14,4	14,4	12,7	12,5	13,0	12,4	12,7	12,6	14,7	14,7	14,5	14,7	14,2	14,5	14,7	14,3	:	2,6
EC ¹⁰	10,3	10,4	10,1	9,7	10,3	9,8	10,5	10,7	11,6	(12,8)	11,5	11,6	11,6	11,9	(12,8)	(12,6)	:	(2,7)
USA	7,0	6,8	7,1	7,9	8,7	8,5	8,3	8,7	9,6	(11,9)	9,8	9,6	10,0	11,6	11,9	(10,8)	:	(2,4)
JAP	9,2	8,7	7,3	6,1	7,7	7,0	8,1	7,9	8,6	10,0	8,8	8,6	8,5	9,3	10,0	:	:	3,1

TABLE 10: Value of ECU — 1 ECU = units of national currency or SDR

	1975	1976	1977	1978	1979	1979			1980		1979	1980						Change over 12 months % 2	
						II	III	IV	I	II	Dec.	Jan.	Feb.	March	April	May	June		
DKR	7,12	6,76	6,86	7,02	7,21	7,15	7,28	7,42	7,80	7,84	7,68	7,77	7,80	7,83	7,85	7,85	7,81	7,5	
DM	3,05	2,82	2,65	2,56	2,51	2,52	2,52	2,48	2,50	2,52	2,48	2,49	2,50	2,51	2,52	2,51	2,51	0,2	
FF	5,32	5,34	5,61	5,74	5,83	5,83	5,88	5,82	5,85	5,85	5,81	5,83	5,86	5,85	5,84	5,86	5,85	0,2	
IRL	0,560	0,622	0,654	0,664	0,669	0,665	0,670	0,670	0,675	0,675	0,672	0,673	0,675	0,677	0,674	0,676	0,674	0,8	
LIT	810	930	1 007	1 080	1 138	1 128	1 135	1 154	1 162	1 182	1 160	1 161	1 158	1 166	1 176	1 181	1 188	5,0	
HFL	3,13	2,96	2,80	2,75	2,75	2,75	2,78	2,76	2,75	2,76	2,74	2,75	2,75	2,75	2,77	2,77	2,76	-0,3	
BFR/LFR	45,57	43,17	40,88	40,06	40,17	40,35	40,45	40,22	40,54	40,36	40,34	40,43	40,58	40,63	40,46	40,34	40,27	-0,5	
UKL	0,560	0,622	0,654	0,664	0,646	0,640	0,622	0,652	0,626	0,608	0,650	0,637	0,625	0,615	0,608	0,609	0,609	-3,9	
USD	1,241	1,118	1,141	1,274	1,371	1,332	1,389	1,405	1,411	1,391	1,429	1,444	1,430	1,358	1,347	1,402	1,423	6,4	
YEN	367,7	331,2	305,8	267,1	300,5	290,0	303,8	335,8	343,1	321,9	343,5	349,0	349,0	337,3	336,0	319,7	310,0	5,9	
SDR	1,022	0,968	0,977	1,018	1,061	1,045	1,067	1,080	1,082	1,071	1,089	1,093	1,089	1,064	1,060	1,074	1,078	2,9	

⁸ The seasonally-adjusted net balance for the Community does not tally with the total of the net balances of the Member States; this is because it is obtained by seasonally adjusting the total of the gross export and import figures for the various countries.

⁹ National sources; last month of the year or quarter; EC excluding Luxembourg.

¹⁰ Average weighted by GDP at current prices and exchange rates.

¹¹ National sources; EC excluding Luxembourg; three-month interbank rate except: Denmark, call-money rates on the money market (monthly average); Italy, yield of three-month Treasury bills; Belgium, yield at issue of four-month certificates issued by the Fonds des Rentes. Annual average, end of quarter and end of month.

¹² Yield of public-sector bonds. Annual average and average of last month of the quarter, monthly average except

TABLE 1: Industrial production¹ - Percentage change on preceding period (s.a.)

	1975	1976	1977	1978	1979	1979				1980	1979			1980				Change over 12 months % 2
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
DK	- 5.7	9.3	0.8	2.3	3.6	-3.1	2.7	0.6	6.0	-0.2	12.2	-2.9	-2.3	2.7	0.2	-1.2	-0.9	7.0
D	- 6.2	7.4	2.8	2.0	5.5	0	2.5	1.6	0	2.4	0.8	0.8	-0.8	1.6	0.8	0	-0.8	2.5
F	- 8.9	9.7	1.6	1.6	3.7	0	0.5	4.3	-2.4	1.5	-2.2	1.5	0.7	0	0.7	0	0	4.5
IRL	- 6.1	9.0	8.1	9.4	6.7	0.8	3.0	0.8	0.4	:	-0.7	0.9	-5.2	3.6	:	:	:	8.9
I	- 8.8	11.6	0	2.1	7.7	1.5	-3.2	1.4	8.6	3.1	4.9	0.3	-1.5	1.3	4.3	-0.4	1.2	11.1
NL	(- 4.8)	8.0	0	0.9	2.8	-0.9	1.5	0.6	-0.6	2.7	-2.6	3.6	-4.3	5.5	-2.6	2.7	-0.9	0.8
B	- 9.8	8.1	0.4	2.4	4.0	-3.4	5.9	-1.0	-1.5	4.6	-5.6	0.4	3.3	3.7	-3.0	3.0	-3.8	0
L	-21.9	3.8	0.5	3.2	3.4	1.4	1.2	-1.3	2.0	1.8	-4.6	4.0	6.3	-4.6	1.6	0.6	0.1	2.8
UK	- 4.8	2.9	4.6	3.0	3.7	1.8	3.9	-2.6	0	-2.1	1.2	2.6	-2.1	-0.2	-1.4	-1.7	-0.3	-5.0
EC	- 6.6	7.4	2.4	2.3	4.9	0.7	1.7	0.8	1.0	0.4	-0.3	1.1	0.8	-0.6	-0.1	0.7	-0.4	2.6
USA	- 8.2	10.2	6.5	5.7	4.2	1.0	-0.2	0.2	0.1	0	-0.1	-0.1	0.1	0.3	-0.2	-0.5	-2.0	-1.5
JAP	-11.0	11.1	4.1	6.2	8.3	1.8	2.4	2.0	2.6	4.1	2.5	1.3	-0.2	1.2	5.7	-3.3	1.8	12.1

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

	1975	1976	1977	1978	1979	1979				1980	1979		1980					Change over
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	12 months % 2
DK	4,6	4,7	5,8	6,6	5,3	6,0	5,4	5,1	4,7	5,0	4,7	4,8	4,8	5,1	5,0	5,2	5,3	6,1
D	4,2	4,1	4,0	3,9	3,4	3,6	3,4	3,4	3,2	3,1	3,2	3,1	3,2	3,1	3,1	3,2	3,3	- 1,1
F	3,9	4,3	4,9	5,3	6,1	5,9	6,0	6,1	6,3	6,4	6,3	6,4	6,4	6,3	6,4	6,4	6,4	6,2
IRL	8,5	9,6	9,4	8,8	7,9	8,1	7,9	7,8	7,5	7,6	7,5	7,5	7,5	7,6	7,7	7,9	8,2	4,4
I	5,3	5,6	6,4	7,1	7,5	7,5	7,5	7,4	7,6	7,6	7,4	7,7	7,4	7,5	7,7	7,8	7,8	7,1
NL	4,0	4,3	4,1	4,1	4,2	4,1	4,2	4,2	4,1	4,2	4,1	4,1	4,2	4,2	4,2	4,3	4,5	9,1
B	5,3	6,8	7,8	8,4	8,8	8,6	8,7	8,9	8,9	8,9	8,9	9,0	8,8	8,8	8,9	9,0	9,1	4,3
L	0,2	0,3	0,5	0,8	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,6	- 6,9
UK	3,8	5,3	5,7	5,7	5,3	5,5	5,3	5,2	5,3	5,6	5,3	5,3	5,4	5,6	5,7	5,9	6,1	16,2
EC	4,3	4,9	5,3	5,5	5,6	5,6	5,5	5,5	5,5	5,6	5,5	5,6	5,5	5,6	5,7	5,8	5,9	7,7
USA	8,5	7,7	7,0	6,0	5,8	5,7	5,7	5,8	5,9	6,1	5,8	5,9	6,2	6,0	6,2	(7,0)	(7,8)	(38,9)
JAP ⁴	1,9	2,0	2,0	2,2	2,1	2,0	2,1	2,1	2,1	1,9	2,1	2,0	1,9	1,8	1,9	:	2,0	(- 6,0)

TABLE 3: Consumer price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1979				1980	1979		1980					Change over 12 months % 2	
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May		
DK	9.6	9.0	11.1	10.1	9.6	0.9	2.5	5.1	2.6	2.5	1.0	0.2	0.8	1.0	1.4	0.8	(1.3)	(13.9)	
D	5.9	4.6	3.7	2.7	4.1	1.8	1.4	1.3	0.8	1.8	0.4	0.4	0.5	1.1	0.6	0.6	0.4	6.0	
F	11.7	9.6	9.5	9.3	10.7	2.2	2.8	3.2	2.8	3.9	0.7	0.8	1.9	1.1	1.2	1.2	0.9	13.7	
IRL	20.9	17.9	13.7	7.7	13.2	4.1	3.2	4.1	3.7	3.7	1.2	1.3	1.2	1.2	2.5	2.4	2.4	20.3	
I	17.0	16.7	18.5	12.1	14.7	3.9	3.7	3.5	5.6	6.5	1.4	1.8	3.2	1.7	1.0	1.6	(0.9)	(20.7)	
NL	9.9	8.9	6.8	4.2	4.5	0.3	2.0	0.8	2.0	1.8	0.2	0.2	0.5	1.0	0.9	1.3	(0.4)	(7.4)	
B	12.8	9.2	7.1	4.5	4.4	1.2	0.7	1.7	1.4	2.4	0.4	0.4	1.4	0.8	0.2	0.1	0.3	6.5	
L	10.8	9.8	6.7	3.1	4.6	1.3	1.1	1.4	1.7	1.7	0.7	0.4	0.5	0.8	0.4	0.6	0.6	6.7	
UK	24.2	16.5	15.9	8.2	13.4	3.1	3.7	6.7	2.8	4.7	0.9	0.7	2.5	1.4	1.4	3.4	0.9	21.9	
EC	13.3	10.9	10.8	7.5	9.9	2.5	2.8	3.6	2.8	4.0	0.8	0.8	2.0	1.3	1.0	1.7	(0.8)	(14.8)	
USA	9.1	5.8	6.5	7.6	11.5	2.6	3.5	3.4	2.8	3.9	0.9	1.2	1.4	1.4	1.4	0.9	(0.9)	(13.8)	
JAP	10.2	9.3	8.1	3.8	3.6	-0.3	2.5	1.0	1.7	2.1	-0.4	0.6	0.9	0.9	0.8	1.7	0.9	8.2	

TABLE 4: Wholesale price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1979				1980	1979		1980					Change over	
						I	II	III	IV		I	Nov.	Dec.	Jan.	Feb.	March	April	May	12 months % 2
DK	5,7	8,2	7,9	4,4	9,0	2,3	3,8	3,4	3,8	6,3	1,2	1,2	2,7	1,9	3,0	0,4	0,4	18,3	
D	1,2	5,8	1,8	-0,8	6,9	3,1	3,6	1,7	1,1	3,9	0,4	1,2	1,9	1,2	0,5	0,3	0,8	9,0	
F ⁵	1,0	10,1	6,5	4,6	11,8	3,3	3,8	2,5	3,3	:	0,7	0,4	:	:	:	:	:	13,1	
IRL	24,2	19,6	17,2	8,9	(12,5)	5,6	3,2	1,5	0,4	:	-0,3	0,5	1,8	:	:	:	:	9,6	
I	8,5	22,9	17,4	8,4	15,4	4,4	4,6	4,3	5,6	6,6	1,2	1,9	3,2	1,8	1,0	1,3	:	22,1	
NL ⁵	6,8	6,9	5,4	2,0	(2,9)	0,8	0,8	2,0	1,3	:	0,1	0,5	3,4	0,6	:	:	:	9,6	
B	1,2	7,1	2,4	-1,9	6,3	2,4	2,0	1,2	1,4	3,4	0,7	0,1	2,0	1,3	0,5	-0,7	:	7,2	
UK	24,1	16,4	19,2	10,5	12,1	2,7	4,0	5,0	3,0	5,3	0,7	1,0	2,8	1,6	1,5	1,4	1,2	18,8	
EC ⁶	7,4	12,0	9,3	4,4	10,3	3,1	3,7	3,0	(2,7)	:	0,6	(1,0)	(2,1)	:	:	:	:	(15,2)	
USA	9,2	4,6	6,1	7,8	12,5	3,6	3,6	3,1	3,5	4,5	0,7	1,0	2,1	2,0	0,7	0,3	(0,5)	(13,7)	
JAP	3,0	5,5	1,9	-2,5	7,3	1,9	4,1	4,9	4,3	6,5	1,5	1,8	2,1	2,6	2,0	2,7	-0,2	21,9	

TABLE 5: Gross hourly wages in industry⁷ — Percentage change

	On preceding period										On corresponding quarter of preceding year								
	1975	1976	1977	1978	1979	1978					1980	1978					1980		
						IV	1979					IV	I	II	III	IV			
							I	II	III	IV									
DK	16,7	11,5	9,0	10,9	13,0	2,3	2,9	3,6	:	:	:	11,0	11,2	11,0	:	:	:		
D	7,6	6,3	7,1	5,2	6,0	0,3	1,6	1,7	2,0	0	:	5,1	6,6	6,0	5,7	5,3	:		
F	16,7	15,4	14,4	12,1	13,4	2,8	3,0	3,4	3,6	3,5	3,4	12,0	12,1	13,0	13,4	14,2	14,6		
IRL	27,7	17,1	16,6	13,6	13,2	3,1	2,3	:	:	:	:	14,0	13,7	:	:	:	:		
I	24,8	20,9	26,4	16,9	19,0	4,2	3,6	4,2	5,9	6,0	:	16,7	16,2	17,1	19,2	21,2	:		
NL	13,0	10,5	8,2	7,7	6,6	1,3	2,0	1,7	1,8	0,8	:	6,7	6,6	6,8	7,0	6,4	:		
B	17,4	12,2	10,2	7,6	8,4	1,9	2,6	1,9	1,3	2,0	1,6	8,1	9,4	9,5	7,9	8,0	6,9		
L	12,0	14,0	10,1	9,1	9,4	-1,5	2,7	3,8	:	:	:	7,0	4,6	3,9	:	:	:		
UK	27,4	15,9	9,2	12,8	14,9	2,3	1,8	5,1	6,5	2,5	:	13,9	11,6	12,6	16,6	16,8	:		
EC	17,5	13,3	12,1	10,9	12,5	2,2	2,3	3,2	(4,0)	(2,5)	:	11,2	10,9	10,6	(11,9)	(12,3)	:		
USA	9,1	7,9	9,2	8,6	8,4	3,1	2,0	1,4	1,9	2,2	1,7	9,8	9,0	8,9	8,6	7,6	7,3		
JAP	11,5	12,3	8,5	5,9	7,4	2,1	1,5	2,3	3,0	0,4	1,8	5,6	5,7	7,1	8,4	8,0	7,9		

Source: For the Community countries: Eurostat, unless otherwise stated; for the United States and Japan: national sources.

¹ National sources, except in the cases of the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in the methods of seasonal adjustment, the change in the EC index, adjusted by Eurostat and given in Table 1, may differ from the change in the EC index obtained by aggregation of the national indices. The figures are corrected for the number of working days. Excluding building and construction and, in the case of France, the foodstuffs and beverages industry.

² For the most recent figure given in the Table.

³ From January 1979: new series.

⁴ As percentage of the total labour force.

⁵ National source.

⁶ Excluding Luxembourg; weighted average.

⁷ United States and Japan: manufacturing industry. Japan: quarterly figures s.a.

Major economic policy measures — June 1980

Community (EC)

None.

Denmark (DK)

29.5 and 3.6. The pluriannual economic policy programme adopted in December 1979 is extended and adjusted.

- (a) Public revenue. The VAT rate is raised from 20,25% to 22% with effect from 30 June (annual yields to rise by 3,1 mrd kr, social compensations of the order of 0,5 mrd kr will be paid to pensioners e.a.). With a view to reducing the consumption of energy, in particular oil products, excise duties on petrol and electricity are raised as from 30 June (tax on gas is lowered) and excise duties on other products are raised as from 1 October (annual yield 0,9 mrd kr net, including the loss due to the cut of the tax on gas). The tax on chartered flights is raised from 1 August (annual yields to rise by some 50 million kr). Direct personal taxation will be increased in the fiscal year 1981 (tax bands and allowances will be raised by less than the envisaged rise in incomes, tax rates applied by the central government will be increased; annual yield estimated at 1 mrd kr).
- (b) Public expenditure. Central government expenditure cuts decided in June 1979 will be implemented in the amounts of 2 mrd kr in 1980 and 2,5 mrd kr in 1981; further expenditure cuts of the order of 2,2 mrd are envisaged for 1981. Ceilings of 2% and 1% are imposed on the volume increase in local government expenditure in 1981 and 1982 respectively. The overall impact should be a considerable slowdown in future general government expenditure through modifications of certain social transfers, reduced public investment and purchase of goods and services.
- (c) The industrial and employment programme for 1981-83 adopted in December 1979 is increased to 5,5 mrd kr in 1981, of which 1,2 mrd kr as fiscal concessions to the business sector, 1,3 mrd kr for specific sectoral problems, 1,5 mrd kr to improve the functioning of the labour market, 0,8 mrd kr to improve the exploitation and the utilization of energy, 0,7 mrd kr for urban renovation, collective transport, etc.

11.6. The ceiling imposed by the Central Bank upon bank lending is raised by 3% from end of May. This adjustment takes place two months later than earlier years, implying thus a more restrictive stance.

Federal Republic of Germany (D)

None.

France (F)

4.6. The Government adopted the expenditure ceiling for the 1981 budget, as a whole and for each Ministry, with the twin objective of stabilizing tax pressure and of cutting the budget deficit (which stood at FF 34 000 million in the initial budget for 1980).

18.6. With effect from 1 July, retirement pensions were increased by 6,4% bringing the overall increase granted in the last year to 12,1%.

19.6. The investments of national enterprises planned for this year increase from FF 48 500 million to FF 51 500 million. The increase over the 1979 financial year is 30% in value and 17% in volume.

21.6. The Minister of Labour and Participation launched the 1980-81 season of the third employment compact: 534 000 positions are to be offered in 1981, as against 465 000 (planned) in 1980, 313 000 in 1979 and 579 000 in 1978.

25.6. Exchange control was relaxed for firms and private individuals. For firms, the main measure was the abolition of any time limit for forward exchange cover operations on raw materials purchases; the amount above which import and export operations must be domiciled with a bank was raised from FF 50 000 to FF 125 000; lastly, authorization for direct investment abroad will in future be required only for sums in excess of FF 5 million.

26.6. Family allowances were increased by 15,2% (and by almost 17% for the third and any additional children) with effect from 1 July.

Ireland (IRL)

21.6. The Government decided to forego certain increases under the Devlin pay recommendations for the Public Service until 1 January 1981 and to review the situation again then, in order to underline the need of securing restraints in income demands. In addition it was decided to ask certain groups of higher civil servants and the judiciary to agree to a similar postponement.

Italy (I)

14.6. The Government raised the price of petrol and other petroleum products, and electricity rates. Premium grade petrol will now cost LIT 700 a litre (up 2,9%) and standard grade LIT 685 a litre. The average price of fertilizers also went up by 7,5%.

19.6. The period between cash sale operations of government securities and their forward repurchase by the Central Bank was extended from 10 to 70 days. This technical measure is intended to reduce demand for Treasury bills at the monthly tender and thus to prevent a drop in yields.

Netherlands (NL)

29.5 and 4.6. The rate for capital investment subsidies was raised from 7% to 10% for the period 15 May 1980 to 30 June 1981.

Belgium (B)

30.5. The Banque Nationale reduced the interest rate for special advances from 16,5% to 16%.

4.6. The Banque Nationale reduced from 15% to 14,5% the discount rate for bills included under sub-ceiling B and the rate applicable to advances against securities. The rate for special advances (outside the quota) came down from 16% to 15,5%.

13.6. The Government decided to freeze public service staff levels at their 15 March level. Unemployed persons put to work in public departments and members of the special temporary service can be replaced by established staff.

25.6. Between the end of May and the end of June, the Banque Nationale lowered interest rates for one- or three-month Treasury certificates four times in succession. The rate for one-month certificates thus came down from 15,75% to 14,25%.

25.6. The Banque Nationale decided to discontinue the subdivision of its discount rate (sub-ceilings A and B). The reunified discount rate was reduced to 13% (as against 14% and 14,5%). The rate for advances on securities came down from 14% to 13%, and the rate for special advances from 15,50% to 14%.

26.6. The Government tabled a number of amendments to the draft programme law introduced by the previous Government. The main ones are the abolition of the 5% VAT on investments, the raising of the exempt amount of savings book interest (from BFR 15 000 to BFR 30 000), an exemption from tax on new share dividends (up to BFR 30 000), a special tax on exceptional company profits (exceeding BFR 100 million and 5% of company capital), the gradual disaggregation of the incomes of married couples and the introduction of a 'family quotient' system for households with a single earned income (this being notionally split into two fractions: (80% and 20%), the increase of reliefs applied for the incorporation of the income according to the land register into total income (the amount is raised from BFR 60 000 to BFR 80 000) and the replacement of the proposed 'motorway tax disc' by a 54% increase in the tax on motor vehicles. The text provides for a shift from direct to indirect taxation. Certain increases in indirect taxes will enter into force on 1 July. They concern petrol (up BFR 1,5 a litre), spirits, champagne and sparkling wines, shellfish, cigars and margarine. The excise duties or special taxes on luxury goods (furs, gold watches, arms, etc.), the betting and gambling tax and the introduction of a tax for the sale of spirits will be examined later. The measures already decided regarding indirect taxes are expected to yield BFR 8 000 million in 1980 and BFR 12 800 million in 1981.

26.6. The Government decided to increase small pensions by BFR 4 500 a year (cost: BFR 500 million), to reduce the difference in minimum pensions for men and women (cost: BFR 100 million), but also to limit, from 1 October, the indexation of very high pensions (saving: BFR 100 million). In addition, the public bodies ('semi-public financial institutions and others') will have to refund to the Treasury a total of BFR 1 200 million chargeable to their pension funds.

Luxembourg (L)

None.

United Kingdom (UK)

None.

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