



EUROPEAN ECONOMY

Supplement — Series A

No 11 — November 1980

Recent economic trends

On 15 October the Commission adopted its Annual Economic Report 1980-81 with a review of the current trends and prospects for 1981. The decline in output which started in the first half of 1980 is expected to continue up to the end of the year followed by a gradual upturn in the course of 1981 led by foreign demand, private consumption and inventory formation. GDP is forecast to increase by 0,6% in real terms in 1981 after a 1,3% increase in 1980 and the rise in consumer prices to fall below 10%. The deficit on the current account of the balance of payments is expected to decline from 1,5% of GDP in 1980 to 1,2% in 1981 and unemployment may reach 6,8% of the labour force on average for the year.

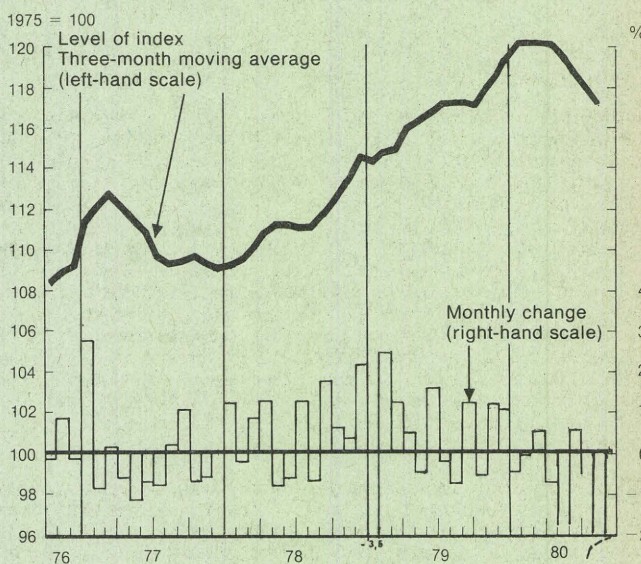
The Community economy 1979-1981

	1979	1980	1981
	% volume change		
Gross domestic product	3,4	1,3	0,6
Imports of goods and services	10,3	2,9	0,7
Exports of goods and services	5,9	3,5	1,9
Final domestic demand	4,6	1,1	0,3
	% change		
Consumer prices	8,6	12,0	9,7
	% of GDP		
Current account of balance of payments	-0,5	-1,5	-1,2
General government, financial deficit	-3,6	-3,5	-3,9
	% of labour force		
Unemployment	5,6	6,0	6,8

Industrial production falls sharply. — The trend of industrial production in the Community, as measured by the three-monthly moving average (seasonally-adjusted) fell again in both July and August, continuing the sharp downward movement which set in at the end of the first quarter (Graph 1). On a month-to-month basis, the index of industrial production fell by 2,0% in August following a 0,5% fall in July (Table 1). The figures are however almost certainly influenced by holiday patterns in the various Member States which have not been fully compensated for by the adjustment for seasonal factors and must not therefore be regarded as a fully reliable indicator towards future developments. Taking the two summer months together, there is a downward tendency in most Member States. In Italy, in particular, the trend of industrial production has been falling sharply since the end of the first quarter, and in the United Kingdom, apart from a slight recovery towards the end of 1979, it has been falling since the middle of that year (Graph 6). In France and the FR of Germany, the picture is less clear. Both countries experienced a falling trend over the second quarter, but in the summer months a certain stabilization took place. Judging from the business survey indicator of production expectations, the decline in output may have resumed, however, in both countries in September/October.

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



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



Unemployment tops 7 million. — In September the number of unemployed persons in the Community passed the 7 million mark for the first time, representing a rise of 18,3% over September 1979. The rate of unemployment, seasonally-adjusted, jumped to 6,4%. Over the last twelve months, the divergence between unemployment rates within the Community has widened sharply: unemployment has risen fastest in the United Kingdom, followed by Denmark, Ireland and Belgium, whereas in the other Member States the rise has been much more modest (Table 2). In the FR of Germany, in particular, the rate of unemployment in September was still below the average for the whole period 1975-1978. At the same time, while the number of unfilled vacancies has fallen again in all Member States, being, for the Community as a whole, now at a level of less than 10% of the number of unemployed, this decline is also much less severe for the FR of Germany, France and the Netherlands than for the others.

Inflation slowdown uncertain. — The index of consumer prices in the Community rose by 0,8% in September, as against 0,7% in the previous month. The twelve-month increase stood at 13,3% in September, compared with 13,5% in August (see Table 3). On a twelve-month basis the gap between the highest and lowest rates among Member States was around 16 points, as against a gap of 10,7 points for the average of the year 1979. The monthly increase in September was particularly sharp in Italy, a result of, notably, increases in public tariffs but also of substantial increases in clothes prices after the end of the summer sales. In the United Kingdom the monthly increase in September was higher than that in August, but the very pronounced deceleration in the trend of consumer price increases nonetheless seems to be confirmed by the latest figures, as is also the case for the FR of Germany and Luxembourg. However, there is no clear change in trend in the other Member States. Indeed, the persistence of rapid increases in hourly wages (see Table 5), new worries about the price of energy products and the recent recovery of the dollar are all factors which could interrupt the slowdown, in evidence over the last few months, in consumer price rises.

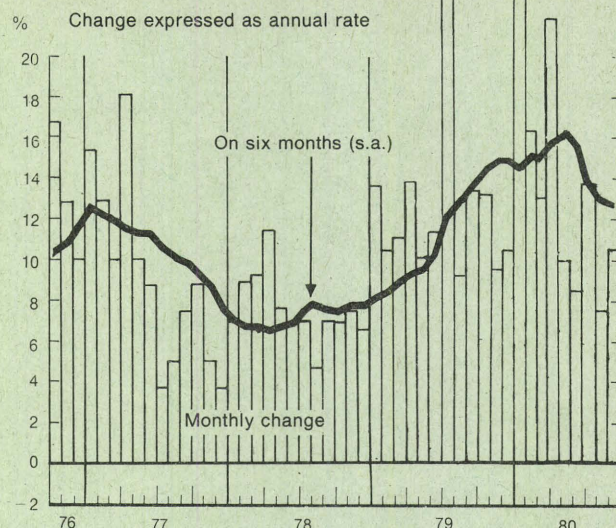
Community trade deficit stabilizes. — On provisional estimates the Community's trade deficit (s.a.) in August was approximately the same as in June and July. Figures for the external trade of the Member States show considerable fluctuations from one month to another; there is no significant change in trend, however, except in the United Kingdom, where a clear improvement has become apparent in recent months, and in Italy, where the trade deficit widened substantially in June and July. The recent development of the Community's trade balance is in striking contrast with the significant improvement enjoyed by the United States and Japan.

Cautious reduction in short-term interest rates. — Except in the United Kingdom, a slight easing of short-term interest rates was observed during October in the Community countries, largely at the initiative of the monetary authorities, who are seeking to reduce the cost of money. Further, discount rates were again lowered in the Netherlands and Denmark. In the other countries reductions are proceeding with caution in the light of balance of payments, exchange rate or inflation considerations. The average of short-term rates in the Community also remains higher than rates in force in the United States, despite the recent rise in the latter. Long-term rates for their part, rose in most of the Member States in September, but the rise was limited in October. Finally, latest statistics show an acceleration in the growth of the money supply in Denmark, France and the FR of Germany in August; in September monetary growth seems to have slowed down in the United Kingdom but may have quickened in Ireland.

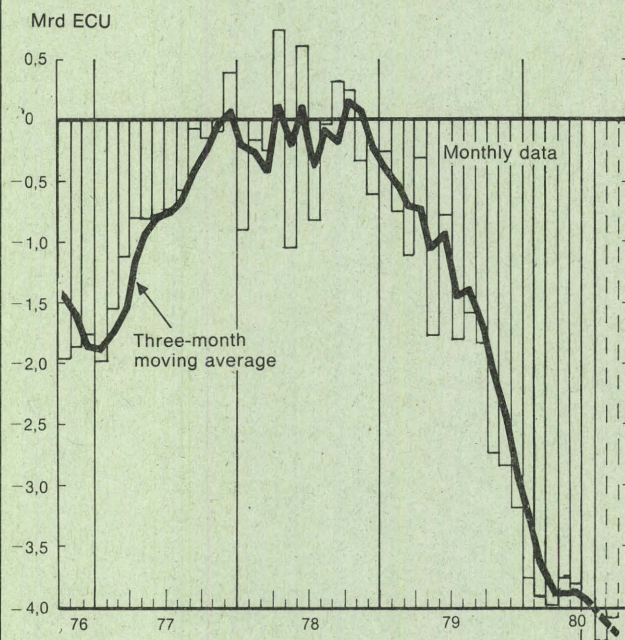
Dollar and yen appreciate strongly. — The upward movement of the dollar, begun in August, quickened in October, especially in the second half of the month. On average for the month, it rose by nearly 2% against ECU. The yen continued to climb, again gaining more than 4%. After several months of relative calm, exchange-rate movements among the Community currencies increased. Sterling's rise against the other Community currencies accelerated. The French franc gradually moved to the top of the European Monetary System's exchange-rate mechanism. The weakening of the German mark, which by the end of the month was at the floor of the bilateral margin of $\pm 2,25\%$ vis-à-vis the French franc, led to support interventions. At the end of October both the French franc and the German mark were close to their divergence limits, positive in the case of the franc and negative in the case of the mark.

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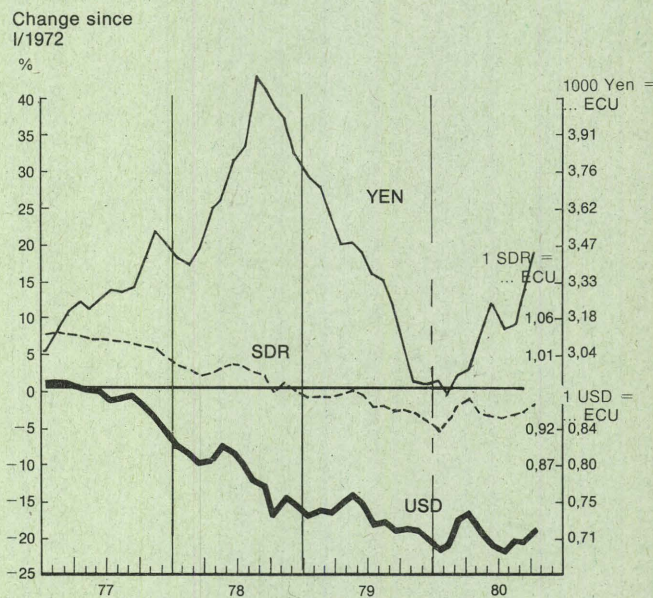
GRAPH 3: Consumer prices, EC total



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



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



GRAPH 6: Industrial production (s.a.)

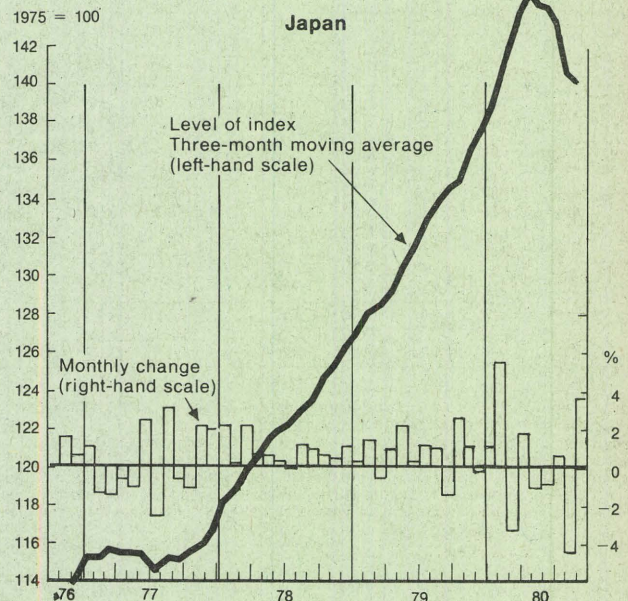
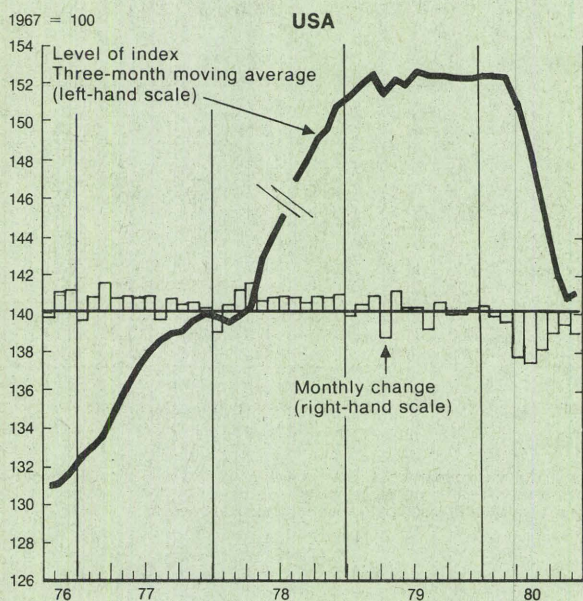
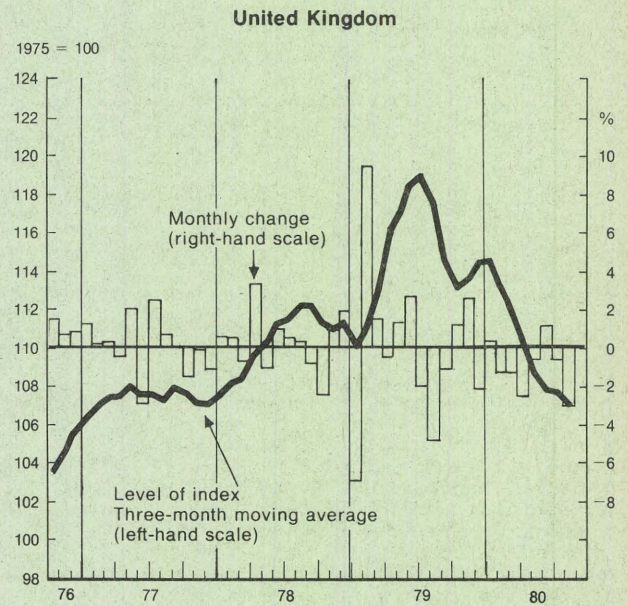
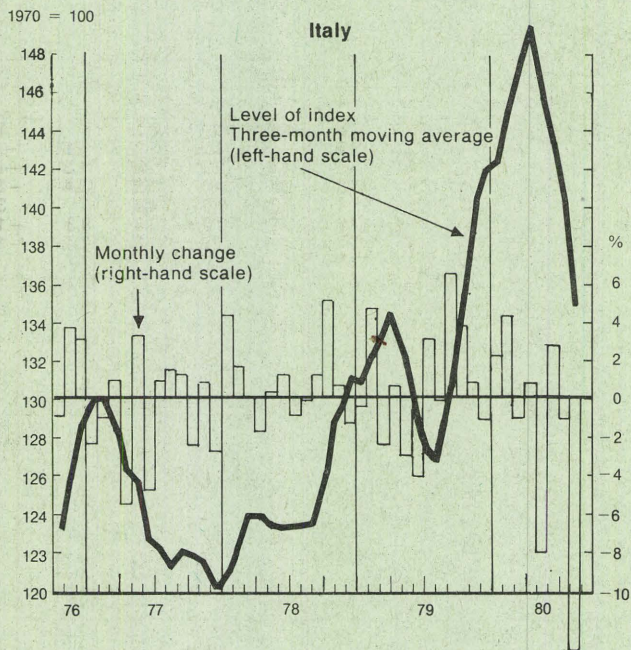
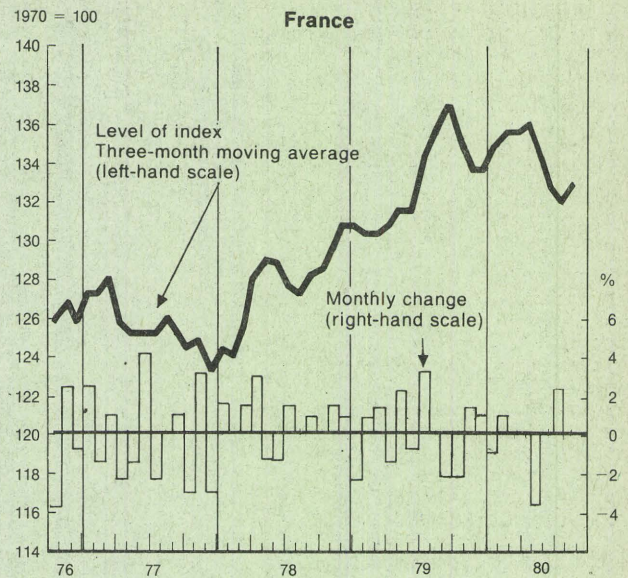
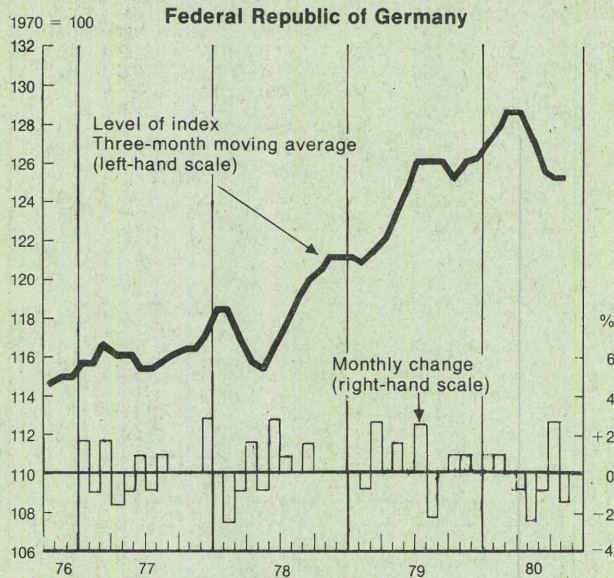


TABLE 6: Trade balance - fob/cif, million ECUs (s.a.)

	1975	1976	1977	1978	1979	1979			1980			1980							Change over 12 months ²
						III	IV		I	II	III	March	April	May	June	July	August	Sept.	
DK	-1 359	-2 954	-2 801	-2 198	-2 806	-781	-801	-867	-618	-390	-374	-268	-286	17	-349	-234	-20	-137	55
D	12 224	12 243	14 514	15 934	8 933	1 778	986	1 122	559	834	374	374	341	95	123	385	184	266	184
F	-1 700	-7 732	-6 117	-4 097	-6 490	-1 813	-2 077	-4 056	-4 438	:	:	-1 522	-1 223	-1 804	-1 411	-1 780	-1 252	:	-514
IRL	-461	-772	-876	-1 132	-1 955	-539	-503	-567	-378	-386	:	-133	-138	-168	-72	-154	-106	-126	77
I	-2 882	-5 981	-2 444	-336	-4 151	-778	-2 012	-3 210	-3 431	:	:	-909	-1 265	-996	-1 169	-1 534	-1 782	:	-1 797
NL	203	317	-1 687	-2 240	-2 619	-798	-1 138	-576	-857	:	:	-304	-179	-177	-501	-316	-300	:	48
B/L	-1 626	-2 375	-2 526	-2 890	-3 022	-391	-884	-1 468	-941	:	:	-567	-164	-252	-525	:	:	:	-415
UK	-7 617	-8 664	-5 246	-5 548	-8 695	-1 924	-1 968	-2 094	-1 905	-529	-587	-908	-455	-542	-140	-301	-88	:	535
EC ⁸	-3 216	-15 919	-7 184	-2 508	-20 804	-5 242	-8 760	-11 643	-11 904	:	:	-3 985	-3 760	-3 797	-4 347	(-4300)	(-4100)	:	(-2500)
USA	-3 017	-13 189	-31 907	-31 014	-27 206	-6 844	-7 292	-9 518	-5 813	(-3198)	-2 326	-1 387	-2 824	-1 602	-1 285	(-751)	(-1162)	:	(1 471)
JAP	-1 700	2 171	8 488	14 285	-5 574	-2 356	-3 505	-3 257	-3 289	(-1158)	-1 298	-1 491	-491	-1 307	(-1185)	(-171)	(247)	:	(1 130)

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

		1975	1976	1977	1978	1979	1979		1980			1980							
							III	IV	I	II	III	Feb.	March	April	May	June	July	August	
DK	(M2)	25,5	11,4	9,8	6,7	9,9	9,5	9,9	8,5	6,8	:	8,3	8,5	6,7	6,0	6,8	5,6	6,6	:
D	(M3)	8,5	8,4	11,1	11,0	6,0	7,8	6,0	5,9	4,3	:	5,6	5,9	4,8	4,7	4,3	4,3	4,9	:
F	(M2)	15,7	12,8	13,9	12,2	14,4	13,0	14,4	13,0	11,5	:	13,0	13,0	12,5	12,1	11,5	11,3	11,5	:
IRL	(M3)	19,1	14,3	16,3	28,7	19,0	26,2	19,0	14,6	9,2	16,3	16,3	14,6	13,4	9,4	9,2	8,6	12,9	16,3
I	(M2)	23,5	20,8	21,8	22,8	20,4	20,0	20,4	17,6	16,1	:	17,9	17,6	17,2	15,6	16,1	:	:	:
NL	(M2)	5,7	22,7	3,6	4,2	7,0	3,8	7,0	5,7	5,0	:	6,7	5,7	6,0	8,0	5,0	6,7	:	:
B	(M2)	17,2	13,4	9,9	9,7	6,1	6,6	6,1	4,5	3,1	:	:	4,5	:	:	3,1	:	:	:
UK	(M3)	7,8	11,3	9,3	13,3	11,7	11,8	11,7	12,0	11,6	17,1	11,2	12,0	10,4	11,3	11,6	16,4	18,2	17,1
EC ¹⁰		12,9	12,9	12,3	12,7	11,0	11,1	11,0	10,1	8,8	:	10,0	10,1	9,3	9,1	8,8	:	:	:
USA	(M2)	12,8	14,1	10,8	8,3	8,8	9,4	8,8	8,9	8,1	:	9,5	8,9	7,5	7,8	8,1	8,8	9,1	:
JAP	(M2)	14,5	13,5	11,1	13,1	9,1	12,1	9,1	9,7	8,5	:	10,2	9,7	9,0	9,1	8,5	8,0	(8,9)	:

TABLE 8: Short-term interest rates¹¹

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

TABLE 9: Long-term interest rates¹²

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

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

	1975	1976	1977	1978	1979	1979			1980			1980							Change over 12 months ²
						III	IV		I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
DKR	7,12	6,76	6,86	7,02	7,21	7,28	7,42	7,80	7,84	7,81	:	7,85	7,85	7,81	7,79	7,82	7,83	7,85	7,7
DM	3,05	2,82	2,65	2,56	2,51	2,52	2,48	2,50	2,52	2,53	:	2,52	2,51	2,51	2,52	2,53	2,53	2,55	2,4
FF	5,32	5,34	5,61	5,74	5,83	5,88	5,82	5,85	5,85	5,86	:	5,84	5,86	5,85	5,84	5,86	5,88	5,89	0,8
IRL	0,560	0,622	0,654	0,664	0,669	0,670	0,670	0,675	0,675	0,671	:	0,674	0,676	0,674	0,671	0,670	0,672	0,678	1,5
LIT	810	930	1 007	1 080	1 138	1 135	1 154	1 162	1 182	1 200	:	1 176	1 181	1 188	1 198	1 197	1 204	1 210	5,3
HFL	3,13	2,96	2,80	2,75	2,75	2,78	2,76	2,75	2,76	2,75	:	2,77	2,77	2,76	2,75	2,75	2,75	2,76	0,1
BFR/LFR	45,57	43,17	40,88	40,06	40,17	40,45	40,22	40,54	40,36	40,44	:	40,46	40,34	40,27	40,27	40,44	40,60	40,85	1,7
UKL	0,560	0,622	0,654	0,664	0,646	0,622	0,652	0,626	0,608	0,597	:	0,608	0,609	0,609	0,607	0,596	0,589	0,573	-11,7
USD	1,241	1,118	1,141	1,274	1,371	1,389	1,405	1,411	1,391	1,423	:	1,347	1,402	1,423	1,441	1,413	1,415	1,385	-0,5
YEN	367,7	331,2	305,8	267,1	300,5	303,8	335,8	343,1	321,9	312,8	:	336,0	319,7	310,0	318,3	316,5	303,6	289,7	-9,6
SDR	1,022	0,968	0,977	1,018	1,061	1,067	1,080	1,082	1,071	1,078	:	1,060	1,074	1,078	1,085	1,076	1,073	1,059	-1,2

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

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

	1975	1976	1977	1978	1979	1979			1980		1980								Change over 12 months % 2
						II	III	IV	I	II	Feb.	March	April	May	June	July	August		
DK	- 5.7	9.3	0.8	2.3	3.6	2.7	0.6	6.0	-0.2	-4.1	0.2	-1.2	-1.6	-3.7	2.1	3.7	-10.3	- 8.6	
D	- 6.2	7.4	2.8	2.0	5.5	2.5	1.6	0.8	1.6	-2.3	0.8	0	-0.8	-2.3	-0.8	2.4	- 1.6	1.7	
F	- 8.9	9.7	1.6	1.6	4.4	1.3	3.8	-2.2	0.5	-2.2	0.7	0	0	-3.7	0	2.3	0	- 7.6	
IRL	- 6.1	9.0	8.1	9.4	6.7	3.0	0.8	0.4	.	.	1.8	
I	- 8.8	11.6	0	2.1	7.7	-3.2	1.4	8.6	4.0	-3.0	4.3	-0.9	0.7	-8.0	2.8	-1.1	-13.3	- 8.9	
NL	(- 4.8)	8.0	0	0.9	2.8	1.5	0.6	-0.6	3.0	-3.2	-3.4	1.8	-3.4	0.9	-2.7	1.8	- 2.7	- 3.1	
B	- 9.8	8.1	0.4	2.4	4.3	5.4	-0.1	-0.8	3.5	-2.3	-2.7	2.4	-4.5	1.7	1.6	-5.7	4.3	1.1	
L	-21.9	3.8	0.5	3.2	3.4	1.2	-1.3	2.0	1.8	-2.4	1.6	0.6	-0.1	-3.4	-2.7	-0.3	- 6.1	-11.8	
UK	- 4.8	2.7	4.8	3.1	3.7	3.9	-2.6	-0.1	-1.8	-4.1	-1.6	-1.6	-1.6	-0.6	1.0	-0.6	- 3.0	- 7.9	
EC	- 6.6	7.4	2.4	2.3	4.8	1.7	0.8	1.1	0.5	-1.6	-0.1	0.4	-0.8	-1.8	0.5	-0.5	- 2.0	- 3.1	
USA	- 8.2	10.2	6.5	5.7	4.2	-0.2	0.2	0.1	0	-5.0	-0.1	-0.3	-2.3	-2.6	-1.8	-1.1	(0.6)	(- 7.6)	
JAP	-11.0	11.1	4.1	6.2	8.3	2.4	2.0	2.6	4.1	0.1	5.4	-3.3	1.8	-1.2	-0.9	0.5	- 4.5	1.3	

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

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	March	April	May	June	July	August	Sept.	
DK ³	4,6	4,7	5,8	6,5	5,3	5,1	4,7	5,0	5,5	6,1	5,1	5,3	5,4	5,8	5,6	6,3	6,5	37,9
D	4,2	4,1	4,0	3,9	3,4	3,3	3,2	3,1	3,3	3,5	3,1	3,1	3,2	3,4	3,5	3,5	3,6	11,6
F	3,9	4,3	4,8	5,2	6,0	6,1	6,2	6,3	6,3	6,4	6,3	6,3	6,3	6,3	6,4	6,4	6,4	6,7
IRL	8,5	9,5	9,4	8,7	7,9	7,8	7,5	7,6	8,2	9,2	7,7	7,9	8,2	8,6	8,9	9,2	9,6	27,8
I	5,3	5,6	6,4	7,1	7,5	7,4	7,5	7,7	7,9	7,8	7,7	7,9	7,9	7,9	7,8	7,9	7,8	6,2
NL	4,0	4,3	4,1	4,1	4,1	4,2	4,1	4,1	4,4	4,9	4,1	4,2	4,4	4,6	4,8	4,9	5,1	26,6
B	5,3	6,8	7,8	8,4	8,7	8,8	8,8	8,8	9,0	9,6	8,9	8,9	9,0	9,1	9,4	9,5	9,8	12,0
L	0,2	0,3	0,5	0,7	0,7	0,7	0,7	0,7	0,6	0,7	0,6	0,6	0,6	0,7	0,7	0,7	0,7	5,6
UK	3,8	5,3	5,7	5,7	5,3	5,2	5,3	5,6	6,2	7,1	5,7	6,0	6,1	6,4	6,8	7,1	7,5	46,2
EC	4,3	4,9	5,3	5,5	5,5	5,5	5,5	5,6	5,9	6,3	5,7	5,8	5,9	6,0	6,1	6,3	6,4	18,3
USA	8,5	7,7	7,0	6,0	5,8	5,8	5,9	6,1	7,5	7,6	6,2	7,0	7,8	7,7	7,8	7,6	(7,5)	(30,2)
JAP ⁴	1,9	2,0	2,0	2,2	2,1	2,1	2,1	1,9	2,0	2,1	1,9	2,1	2,0	1,9	2,1	2,1	(2,0)	(0,9)

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

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	March	April	May	June	July	August	Sept.	
DK	9.6	9.0	11.1	10.1	9.6	5.1	2.6	2.5	3.1	2.8	1.4	0.8	1.4	0.2	1.8	0.4	0.5	10.6
D	5.9	4.3	3.7	2.7	4.1	1.3	0.8	1.8	1.8	0.7	0.6	0.6	0.4	0.5	0.2	0.1	0	5.2
F	11.7	9.6	9.5	9.3	10.7	3.2	2.8	3.9	3.2	3.2	1.2	1.2	0.9	0.6	1.5	1.0	0.9	13.6
IRL	20.9	17.9	13.7	7.7	13.2	4.1	3.7	3.7	7.4	:	2.5	2.4	2.4	1.0	1.0	1.0	:	18.8
I	17.0	16.8	17.0	12.2	14.8	3.5	5.6	6.5	3.9	4.3	1.0	1.6	1.0	0.9	1.8	1.2	(2.0)	(21.4)
NL	9.9	9.0	6.4	4.2	4.3	0.8	2.0	1.8	2.5	1.1	0.9	1.3	0.4	-0.1	0.6	0.4	0.7	7.0
B	12.8	9.2	7.1	4.5	4.5	1.7	1.4	2.4	0.8	1.8	0.2	0.1	0.3	0.2	1.2	0.3	0.6	6.7
L	10.7	9.8	6.7	3.1	4.5	1.4	1.7	1.7	1.6	1.0	0.4	0.6	0.6	0.2	0.4	0.3	0.1	5.9
UK	24.2	16.5	15.9	8.3	13.4	6.7	2.8	4.7	5.8	2.1	1.4	3.4	0.9	0.9	0.8	0.3	0.6	15.8
EC	13.3	10.8	10.5	7.5	9.9	3.6	2.8	4.0	3.6	2.5	1.0	1.7	0.8	0.7	1.0	0.7	0.8	13.3
USA	9.1	5.8	6.5	7.6	11.5	3.4	2.8	3.9	3.6	:	1.4	1.1	1.0	1.1	0.1	0.6	:	12.7
JAP	10.2	9.3	8.1	3.8	3.6	1.0	1.7	2.1	3.3	(1.3)	0.8	1.7	0.9	0.3	0.3	-0.2	(1.5)	(8.9)

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

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months %
						III	IV	I	II	III	March	April	May	June	July	August	Sept.	
DK	5.7	8.2	7.9	4.4	9.0	3.4	3.8	6.3	3.7	:	3.0	0.4	0.4	1.1	0	0	:	15.6
D	1.2	5.8	1.8	-0.8	6.9	1.7	1.1	3.9	1.7	-0.2	0.5	0.3	0.8	0.2	0.4	-1.0	-0.9	5.2
F ⁵	1.0	10.1	6.5	4.6	11.8	2.5	3.3	:	:	:	:	:	:	:	:	:	:	13.1
IRL	24.2	19.6	17.2	8.9	(12.5)	1.5	0.4	4.7	4.1	:	4.0	1.0	-0.2	0.2	:	:	:	9.6
I	8.5	22.9	17.4	8.4	15.4	4.3	5.6	6.6	3.5	:	1.0	1.3	0.8	1.1	0.3	0.9	:	19.0
NL ⁵	6.8	6.9	5.4	2.0	(2.9)	2.0	1.3	4.3	:	:	0.5	0.3	0.8	:	:	:	:	10.4
B	1.2	7.1	2.4	-1.9	6.3	1.2	1.5	3.4	-0.5	-0.1	0.5	-0.7	-0.8	-0.1	0.2	-0.7	1.5	4.7
UK	24.1	16.4	19.2	10.5	12.1	5.0	3.1	5.2	4.0	2.4	1.5	1.4	1.2	1.0	0.9	0.4	0.4	14.8
EC ⁶	7.4	12.0	9.3	4.4	10.3	3.0	2.7	:	:	:	:	:	:	:	:	:	:	(16.1)
USA	9.2	4.6	6.1	7.8	12.5	3.1	3.5	4.6	1.9	3.2	0.7	0.2	0.5	0.6	1.7	1.5	(-0.2)	(12.9)
JAP	3.0	5.5	1.9	-2.5	7.3	4.9	4.3	6.5	4.8	0.7	2.0	2.7	-0.2	-0.1	0.4	0.7	-0.3	(15.5)

TABLE 5: Gross hourly wages in industry⁷ — Percentage change

	On preceding period									On corresponding quarter of preceding year								
	1975	1976	1977	1978	1979	1979			1980			1979			1980			
						II	III	IV	I	II	III	II	III	IV	I	II	III	
DK	16,7	11,7	9,1	12,0	12,0	4,7	3,4	3,3	2,7	2,7	:	10,7	10,6	13,5	14,8	12,6	:	
D	7,6	6,4	7,1	5,3	5,7	2,4	2,0	0,1	0,4	4,1	:	6,1	5,4	5,5	4,9	6,6	:	
F	16,7	15,1	14,7	12,3	12,2	3,6	2,1	2,3	3,4	3,9	4,3	12,9	11,9	12,2	11,8	12,1	14,5	
IRL	27,7	18,9	16,7	14,6	15,2	2,1	4,2	7,9	3,0	:	:	15,1	11,6	18,0	18,2	:	:	
I	24,8	20,8	26,7	22,7	16,5	2,9	7,1	5,1	4,8	3,8	6,8	13,3	17,8	19,3	21,5	22,6	22,2	
NL	13,0	11,3	7,9	8,3	6,8	1,7	1,8	0,9	3,5	0,8	1,5	6,7	7,2	7,2	8,2	7,3	6,9	
B	17,4	13,6	10,1	6,6	6,7	1,8	1,0	2,5	1,5	3,3	1,6	7,0	5,7	8,0	7,0	8,6	9,3	
L	12,0	13,9	10,4	7,7	4,0	3,4	-1,2	-1,2	:	:	:	3,2	3,9	4,6	:	:	:	
UK	27,4	16,4	9,4	12,5	14,4	6,3	6,8	1,5	3,1	6,2	5,7	12,9	17,5	16,3	18,7	18,6	17,4	
EC	17,5	13,6	12,3	11,8	11,6	3,8	4,2	2,0	(2,6)	(4,4)	:	10,9	12,4	12,7	(12,7)	(13,2)	:	
USA	9,1	7,9	9,2	8,6	8,4	1,4	2,0	2,2	1,8	1,9	(2,5)	8,9	8,7	7,8	7,4	8,0	(8,5)	
JAP	11,5	12,3	8,5	5,9	7,4	2,3	3,0	0,4	1,8	3,2	:	7,1	8,4	8,0	7,9	8,8	:	

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 — October 1980

Community (EC)

15.10 The Commission adopted its Annual Economic Report, which summarizes the economic situation in the Community and puts forward guidelines for economic policy to be recommended to the Member States for the year to come.

15.10 The Commission adopted a Communication to the Council on energy and economic policy.

20.10 The Council approved in full the guidelines on recycling set out in the report of the Monetary Committee and reached agreement that, as an exceptional case and subject to certain conditions and limits, plants constructed with future needs in view, together with housing projects, should be included in the area of application of loans to be granted under the second tranche of the NCI (New Community Instrument).

Denmark (DK)

27.10 The Central Bank reduces the official discount rate by 1% to 11%, following upon a similar reduction which took place in September.

31.10 The Parliament adopts a number of measures intended to sustain the activity in the building sector: a) an extension of the annual quota for social residential construction from 3 000 units to 10 000 units, b) an extension and a simplification of the mortgage credit system intended to reduce the overall financial costs of construction, c) state subsidies and loans to residential renovation and maintenance works, d) specific subsidies to lower income categories for energy-saving measures (prorogation of existing provisions).

Federal Republic of Germany (D)

16.10 The Central Bank Council of the Bundesbank decided to raise rediscount quotas by DM 3 000 million, with effect from 20 October. In addition, the ceiling for prime acceptances was raised by DM 500 million.

France (F)

1.10 Unemployment benefits were raised from 1 October. The increase relates both to the reference wage (the maximum of which is raised to FF 240 480 a year, an 8,24% increase over 1 April 1980, the last time it was raised) and daily rates.

8.10 Public undertakings' investment programmes were adopted. The amount involved is FF 54 400 million which is equivalent to a 10% rise in value and a stabilization in volume terms in relation to 1980.

8.10 For 1981, the maximum rate of growth of the money supply was set at 10%. Lending subject to ceilings may not grow by more than 2,5% during the year in the case of major banks (those whose lending subject to ceilings was over FF 9 000 million on 1 July 1980), i.e. one point less than in 1980. In the case of medium-sized banks, the rise is limited to 5%, compared with 6% last year. For establishments specializing in hire purchase credit, the rate of increase was set at 7%, as in 1980.

16.10 The third 1980 loan was floated; the amount had originally been set at FF 9 000 million, but was raised to FF 10 500 million; the loan is for seven years at a rate of 13,80%. This brings the Treasury's calls on the financial market since 1 January 1980 to FF 31 000 million.

31.10 The ceiling on A-type savings books was raised from FF 45 000 to FF 49 000 from 1 November.

Ireland (IRL)

17.10 After consultation with the Central Bank, the Associated Banks (the major clearing banks) reduced their interest rates by 1 percentage point. At the same time the Central Bank brought 'on lending' by banks of foreign currency borrowing within the 13% credit guideline.

Italy (I)

14.10 FIAT and the trade unions concluded an agreement aimed at overcoming the crisis besetting the firm. FIAT is to abandon its plans for redundancies and the trade unions have agreed to 23 000 workers being put on short time until the end of 1981. Workers who have not found other employment by that date will have to be reinstated. Regular meetings are planned between management and unions to follow developments in the firm's situation.

22.10 The Prime Minister, Mr. Forlani, presented the new Government's programme. After stressing that the priority of economic policy must continue to bring down the rate of inflation so that the basis for balanced growth can be assured, Mr. Forlani outlined some general lines of action:

1. The stabilization of public finance, with the emphasis on the need for better control over the growth and structure of expenditure;

2. A shift in resources to assist investment (industrial redeployment measures);
3. Exchange-rate stability and refusal to make exchange-rate policy an instrument serving sectoral interests.

In the light of these objectives the absolute priority was the rapid return to implementation of the main measures contained in last July's budget. Some of these measures might even be strengthened. A considerable proportion of the government programme is devoted to sectoral policies which will form part of the medium-term programme to be presented by the end of the year.

22.10 Parliament approved the draft law which aims at preventing the retroactive effects of the rejection, at the end of September, of the budget package which had been implemented at the beginning of last July.

29.10 The ABI (Italian Banking Association) decided to reduce the preferential interest rate on export credits from 20,5% to 19,5%.

31.10 The new government adopted an emergency package of budgetary measures including most of the measures which had become null and void at the end of September following the resignation of the previous government. The measures include, notably: an adjustment of the VAT scales, giving rise to a higher average rate of taxation; an increase (from 75% to 90%) in the advance to be paid in November on income taxes (self-assessment); and increase in the excise duty on spirits and oil products (taking the price of super-grade petrol to LIT 775 per litre).

Netherlands (NL)

21.10 The Nederlandsche Bank brought the discount rate down from 8,5% to 8%.

Belgium (B)

24.10 The Prime Minister, Mr. Martens, presented the new Government's programme to Parliament. The programme contains a 'plan for socio-economic recovery', the main points of which are the following:

Tax measures:

- new tougher measures against tax evasion and measures to stop tax avoidance (probably yield: FB 15 000 million);
- implementation of the previous government's decisions on excise duties and VAT;
- the disaggregation of married couples' incomes is to be limited to FB 1 500 million (instead of FB 2 500 million);
- the tax treatment of sums received in lieu of income (in particular unemployment benefit) is to be amended.

Employment policy:

- continuation of concerted social planning concerning work apportionment and execution of programmes for the steel, textile and clothing industries, and for shipbuilding;
- specific measures of support in the construction industry (partial refund of VAT);
- stimulation of employment in small and medium-sized enterprises (cost: FB 3 000 million);
- revision of specific employment measures (Spitaels plan and De Wulf plan), measures to combat plurality of employment, undeclared work and overtime.

Moderation of incomes:

Real moderation of incomes will be introduced in all industries and will be subjects of consultation between government, management and unions:

- the indexation system will be maintained for wages and salaries;
- similar moderation will be applied in the public sector;
- other incomes will either be frozen (e.g. professional fees), or cut by 5% (directors' fees, remuneration for political and public office).

Industrial policy:

- enterprises will be able to set aside tax-exempt reserves of up to 5% of their taxable profits, provided that these funds are spent on investment within three years.

Luxembourg (L)

30.9 A Grand-Ducal regulation prolonged by one year the provision authorizing the Government to take measures to prevent redundancies for 'cyclical causes' and to ensure that employment is maintained.

United Kingdom (UK)

23.10 In response to evidence that local authorities are likely to overspend significantly on the housing programme for the current financial year, the Government imposed a freeze on all forms of local authority housing expenditure.

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OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

Boîte postale 1003 — Luxembourg.

ISSN 0379-2056

Catalogue number: CB-AS-80-011-EN-C