

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

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Supplement A

Recent economic trends

Trough of the cycle in sight? — A stabilization of production expectations and of the level of industrial production seems to suggest that the decline in output, which started in the second quarter of 1980, is drawing to its end. But the rise in unemployment may continue for some time and the rate of inflation remains high. The Community's trade deficit seems to be declining. With the doubling of US short-term rates since June 1980 short-term capital flows have favoured the dollar. The fall in the Community short-term rates has been brought to a halt and the rise in long-term rates has continued. Moreover, the pronounced strengthening of the US dollar has led to tensions in the European Monetary System.

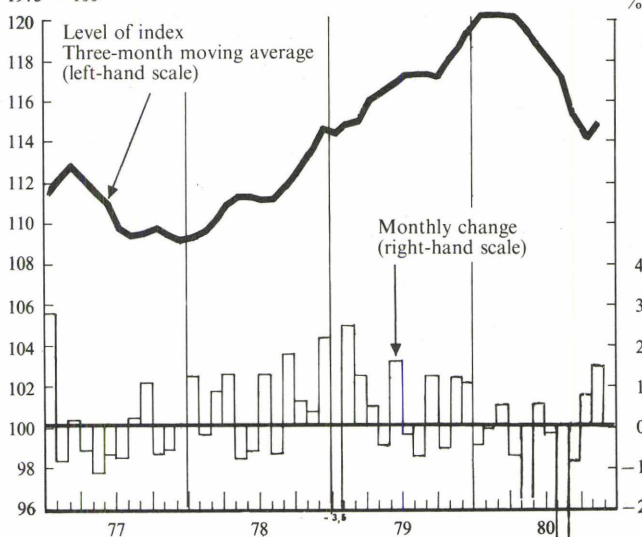
Stabilization of industrial production. — The index of industrial production in the Community (seasonally adjusted) rose in November by 1,5%, following a rise of 0,8% in October (revised figure). For the first time since the beginning of the year, the underlying trend, as shown by the three-monthly moving average, turned upwards (see Graph 1). In contrast to developments in October, when all Member States shared the same upward tendency, the data for November show a more mixed picture, with large rises in Italy and the three Benelux countries, small rises or stagnation in the Federal Republic of Germany and the United Kingdom and declines in Denmark and France. The change over 12 months in November ranged from rises of 0,7% in France and 0,2% in the Federal Republic of Germany and the Netherlands to a decline of more than 11% in Denmark and the United Kingdom. Although industrial production has shown a rise in two consecutive months, this cannot be taken as an indication that the upturn is under way. Given that, according to the Community business survey, production expectations have tended to stabilize in recent months, a trough in the production cycle may, however, have been reached at the end of 1980 or at the beginning of 1981.

Unemployment rate still rising. — The rate of unemployment in the Community (seasonally adjusted) rose by a further 0,2 percentage points in December to reach 7,0% of the active population. On a 12-monthly basis, the number of unemployed in the Community at the end of 1980 was 27% higher than at the end of 1979, and among the Member States, the highest rises occurred in the United Kingdom (65,6% up), Denmark (55,6% up) and the Netherlands (48,8% up), whereas Italy recorded the lowest increase (6,4%) followed by France (11,1%) and Belgium (17,4%). The weakening of the labour-market situation in December was reflected in a further drop in the number of unfilled vacancies in all Member States for which data are available.

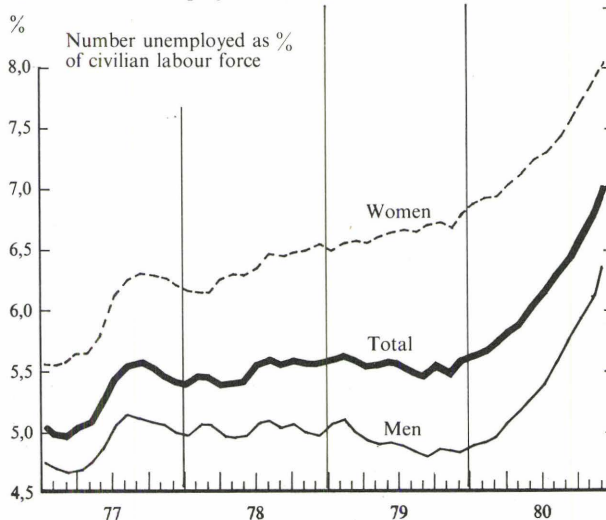
Price rise uncertainties. — After a 1% rise in November, the consumer price index in the Community slowed slightly in December, with a 0,8% rise over the November figure (Table 3). However, the underlying rise, estimated by the change over six months, seasonally adjusted, accelerated slightly, to 1,2% in December. Compared with December 1979 consumer prices in the Community rose by 13,3%. The Federal Republic of Germany is still the Member State with by far the best performance on prices: although they picked up speed in the fourth quarter, the rise over 12 months was only 5,5% in December (provisional figures for January, however, indicate a rise of 1%). Germany's performance is closely followed by the Benelux countries although Belgium and Luxembourg recorded fairly rapid rises in the

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

1975 = 100



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



fourth quarter. The December rise was small in Denmark but is nevertheless 10.9% over 12 months. Prices would seem to be slowing in France and Ireland, but have quickened very noticeably in Italy in the fourth quarter, despite a relatively favourable result in December. There was a renewed confirmation of the very marked deceleration of price rises in the United Kingdom, with the figure over six months, s.a., standing at some 10% in December (Graph 6).

Community's trade deficit narrows. — Estimates based on incomplete statistics show that the Community's trade deficit (s.a.) was sharply down, from 3 900 million ECU in October to 3 300 million in November (Table 6). This Community result mainly reflects a marked narrowing of the deficits for France and Italy and a small drop in the Danish deficit, while in Ireland and the Netherlands the deficits worsened and in the Federal Republic of Germany and the United Kingdom the surpluses fell. Preliminary data on external trade in December generally seem, however, to indicate a renewed deterioration.

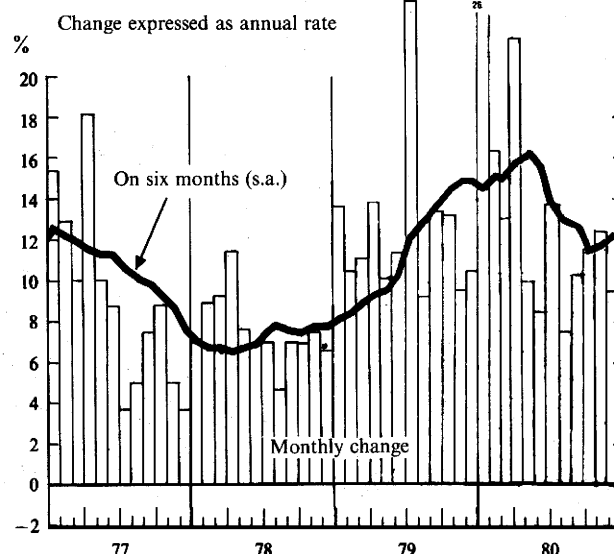
Persistent expansion of money supply. — The monthly increase in the money supply (s.a.) which on average for the Community went up from 0.5% in September to 0.7% in October, was high in November in several Member States. This was the case particularly in Denmark and the Federal Republic of Germany: in the Federal Republic money supply picked up distinctly after the pause in October. In both these Member States, credit expansion was the dominant factor in the increase. It is also one of the reasons for the sharp spurt in money supply in Ireland, the other being a large Treasury monetary financing. In the United Kingdom the Treasury's monetary financing was substantial in November, and this drove up the money supply. In December, however, the Treasury again moderated its calls for funds from the banks, so that the rate of monetary expansion fell back appreciably.

Long-term rates firm. — December ended with a slight advance in long-term yields in all the Member States, with the Community average standing at 12.7% as against 12.5% in November and 11.6% in December 1979. Revised data show that short-term rates, after dropping slightly in November, were in December back to their October level. They seem to have eased again in January in the Federal Republic of Germany, France, Belgium and the United Kingdom, while a rise was recorded in Ireland and Italy.

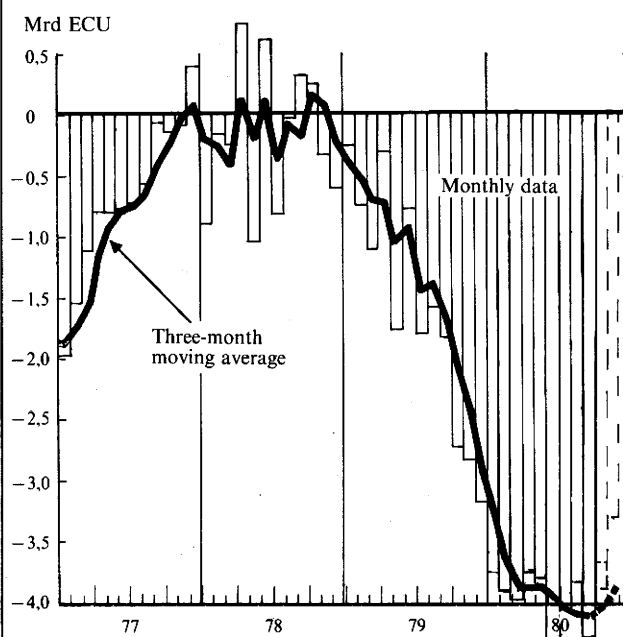
Dollar rises sharply, strains within the EMS. — Although the dollar's average advance against the ECU was moderate in January (up 1%) it in fact increased sharply in value from the second week of the month (the appreciation in the course of January and the first two days of February amounted to 7.5%). Sterling also rose, gaining an average of 3.6% against the ECU. The wide exchange-rate fluctuations brought strains within the EMS, with the German mark the European currency coming under heaviest pressure. By the end of the month the German mark and the Belgian franc had fallen several times to the floor of their bilateral margin against the French franc and support interventions had to be made. The yen again leapt ahead in relation to the European currencies (up 4.6% on average).

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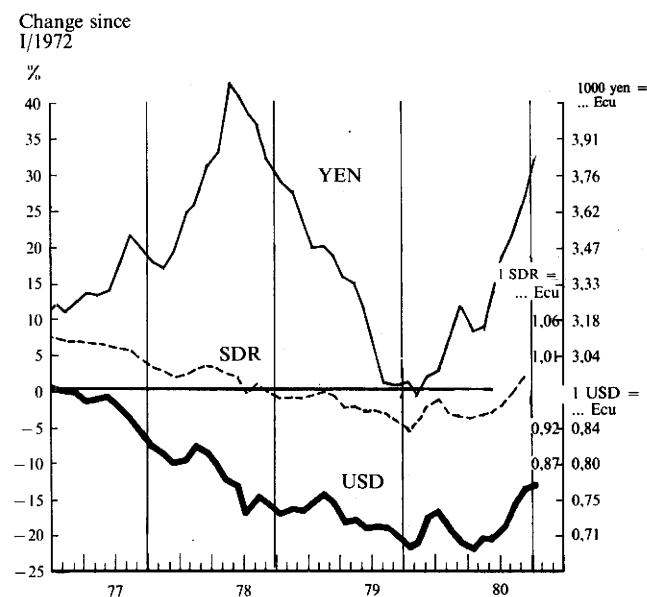
GRAPH 3: Consumer prices, EC total



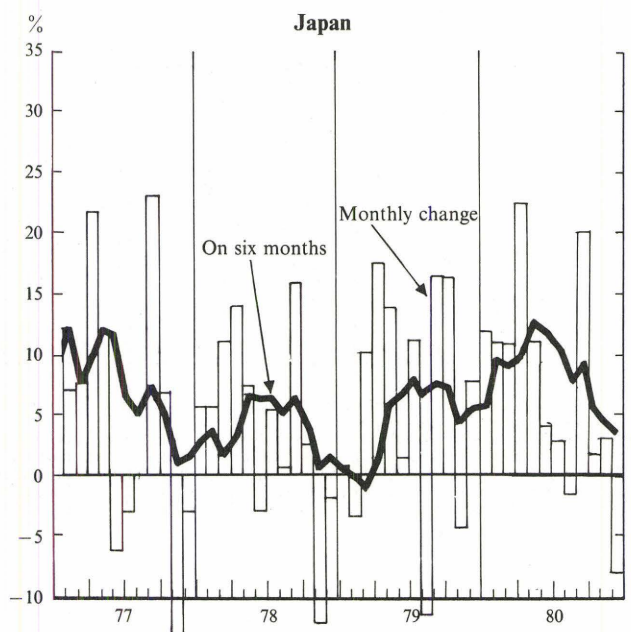
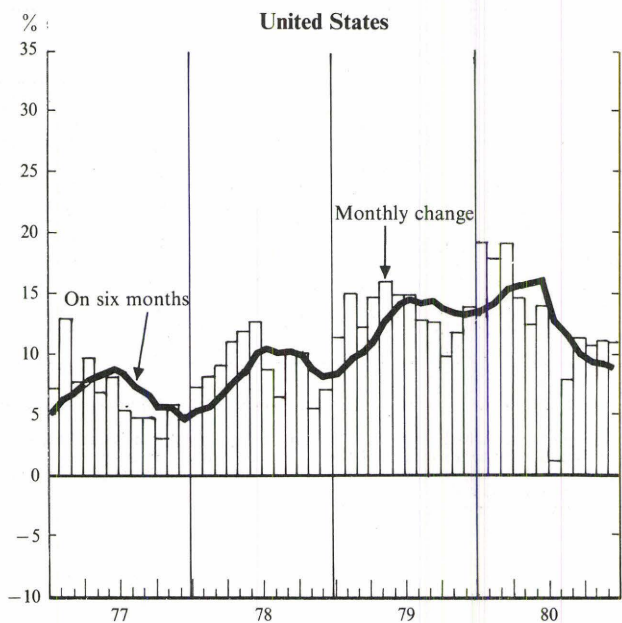
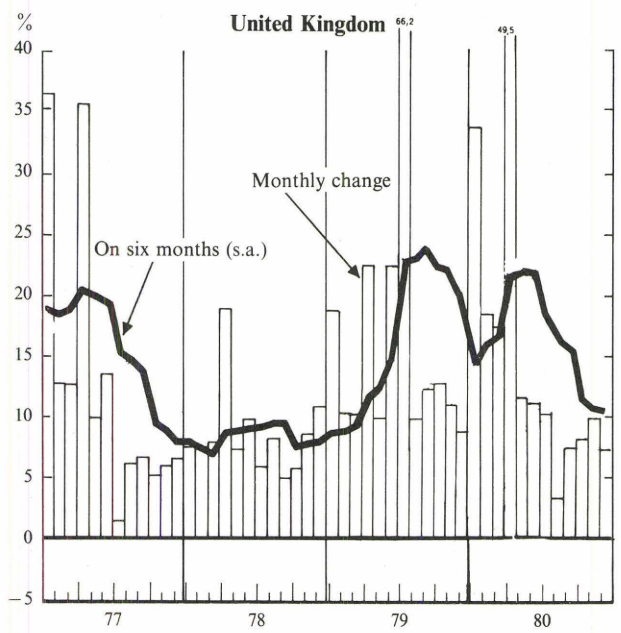
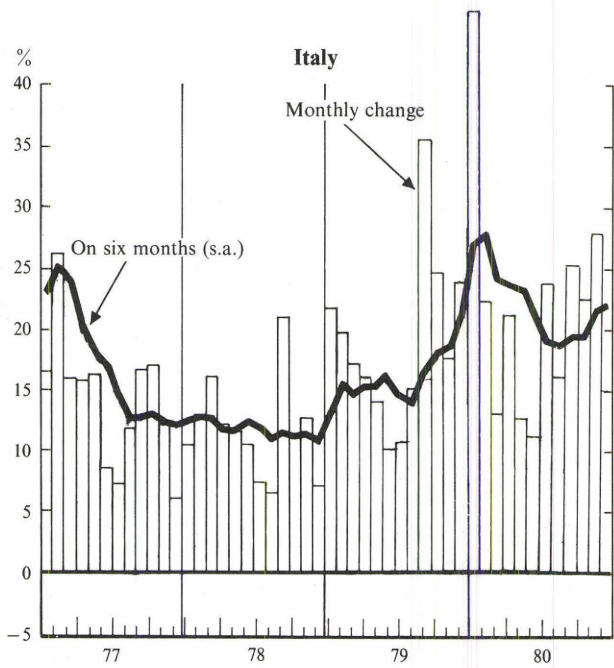
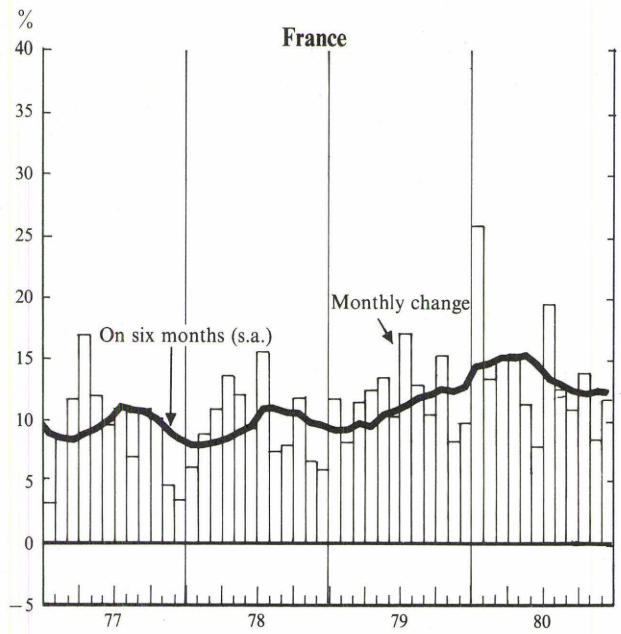
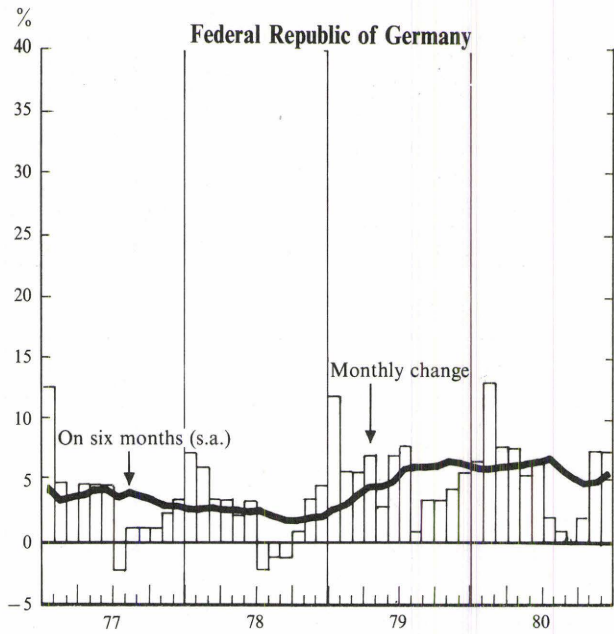
GRAPH 4: Trade balance (s.a.), EC total



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



GRAPH 6: Consumer prices, EC total. Change expressed as annual rate



Source: National data.

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

	1979																	Change over 12 months 2
	1976	1977	1978	1979	1980	1979				1980				1980				
						IV	I	II	III	IV	June	July	August	Sept.	Oct.	Nov.	Dec.	
DK	-2 954	-2 801	-2 198	-2 806	-2 064	810	-868	-616	-392	-312	-348	-232	-20	-140	-92	-78	-142	158
D	12 243	14 514	15 934	8 933	3 494	987	1 122	558	835	400	121	384	184	266	221	82	98	3
F	-7 732	-6 117	-4 097	-6 490	-16 623	-2 073	-4 053	-4 446	-4 565	-4 430	-1 415	-1 779	-1 251	-1 534	-1 652	-1 216	-1 563	-1 042
IRL	-772	-876	-1 132	-1 955	-1 898	503	-567	-378	-390	-552	-73	-154	-106	-130	-65	-191	-296	191
I	-5 981	-2 444	-336	-4 151	:	-2 012	-3 210	-3 431	-5 285	:	-1 169	-1 534	-1 786	-1 968	-2 084	-1 342	:	-147
NL	317	-1 687	-2 240	-2 619	:	-1 138	-576	-857	-820	:	-501	-316	-300	-204	-131	-314	:	86
B/L	-2 375	-2 526	-2 890	-3 022	:	-884	-1 468	-941	:	:	-525	-336	-262	-679	:	:	:	-597
UK	-8 664	-5 246	-5 548	-8 695	-3 352	-1 972	-2 097	-1 902	-552	751	-541	-139	-301	-112	360	225	184	456
EC ⁸	-15 919	-7 184	-2 508	-20 804	:	-8 760	-11 642	-11 907	-12 330	:	-4 351	-4 069	-3 796	-4 466	(-3 900)	(-3 300)	:	(-500)
USA	-13 189	-31 907	-31 014	-27 206	:	-7 292	-9 449	-5 697	-3 198	:	-1 602	-1 285	-751	-1 162	-1 343	-1 426	:	527
JAP	2 171	8 488	14 285	-5 574	-10 721	-3 505	-3 257	-3 289	-1 179	-359	-1 307	-1 234	-146	201	(-396)	(183)	(-146)	(876)

TABLE 7: Money supply⁹ - Percentage change on preceding period (s.a.)

		1979					1980					1980							Change over
		1976	1977	1978	1979	1980	IV	I	II	III	IV	June	July	August	Sept.	Oct.	Nov.	Dec.	12 months % 2
DK	(M2)	11,4	9,8	6,7	9,9	:	2,9	1,8	0,7	2,0	:	1,3	-0,8	1,1	1,7	1,5	1,8	:	9,9
D	(M3)	8,4	11,1	11,0	6,0	:	1,2	2,1	0,6	0,9	:	0,4	0,3	0,5	0,2	0,0	1,5	:	6,2
F	(M2)	12,8	13,9	12,2	14,4	:	3,7	3,1	1,4	2,3	:	1,0	0,4	1,4	0,5	0,8	:	:	10,5
IRL	(M3)	14,3	16,3	28,7	19,0	16,9	4,8	1,5	3,3	6,0	5,1	2,3	1,8	2,6	1,5	1,7	5,1	-1,7	16,9
I	(M2)	20,8	21,8	22,8	20,4	:	5,7	2,0	3,1	2,2	:	1,7	1,1	0,3	0,8	0,9	:	:	12,3
NL	(M2)	22,7	3,6	4,2	7,0	:	3,0	-0,2	2,5	0,8	:	-0,3	-0,4	1,0	0,2	:	:	:	6,3
B	(M2)	13,4	9,9	9,7	6,1	:	1,2	0,5	0,4	0,4	:	:	:	:	:	:	:	:	2,6
UK	(£M3)	11,3	9,3	13,3	11,7	19,5	2,9	2,0	3,3	8,7	4,6	0,8	5,0	3,0	0,6	1,9	2,1	0,5	19,7
EC ¹⁰		12,9	12,3	12,7	11,0	:	2,8	2,1	1,7	2,6	:	0,7	1,1	1,1	0,5	(0,7)	:	:	9,8
USA	(M2)	14,1	10,8	8,3	8,8	:	1,5	1,8	2,1	3,5	:	1,5	1,5	1,4	0,7	0,8	(0,9)	:	(10,5)
JAP	(M2)	13,5	11,1	13,1	9,1	:	0,7	2,9	1,5	0,9	:	0,3	0,2	1,9	-1,1	0,9	:	:	7,3

TABLE 8: Short-term interest rates¹¹

	1976	1977	1978	1979	1980	1979	1980					1980						1981	Change over 12 months 2
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.		
DK	10,3	14,5	15,4	12,5	16,9	16,5	19,1	18,9	17,9	12,0	17,8	18,1	17,9	15,5	10,3	12,0	:	-4,3	
D	4,2	4,4	3,7	6,7	9,5	9,6	9,8	9,9	9,2	10,2	9,3	9,0	9,2	9,2	9,7	10,2	9,6	0,7	
F	8,8	9,3	8,1	9,5	12,4	12,6	13,8	12,5	12,6	11,6	11,6	12,2	12,6	11,4	11,4	11,6	11,4	-0,9	
IRL	11,8	8,4	9,9	15,9	16,3	18,5	19,0	17,6	13,6	13,6	16,6	14,8	13,6	13,3	13,7	13,6	13,8	-5,1	
I	17,6	14,5	11,3	11,5	15,9	16,5	15,8	15,6	14,8	16,5	16,0	16,0	14,8	17,0	17,0	16,5	17,6	2,5	
NL	7,1	4,8	6,6	9,5	10,6	13,0	11,2	10,5	10,3	9,4	9,5	10,7	10,3	9,3	10,0	9,4	9,4	-1,9	
B	10,0	7,6	7,3	10,1	14,2	14,5	17,5	14,0	12,6	13,1	13,0	12,6	12,6	12,5	13,0	13,1	12,4	-2,1	
UK	10,6	8,1	8,3	13,7	16,8	17,1	18,5	17,1	15,9	14,9	15,9	16,9	15,9	16,9	14,6	14,9	13,7	-4,2	
EC ¹⁰	7,5	8,0	7,2	9,6	12,7	13,1	13,7	12,9	12,3	12,3	12,2	12,5	12,3	12,3	12,0	12,3	(11,9)	(-0,8)	
USA	5,0	5,3	7,2	10,1	(11,4)	12,0	13,6	7,4	10,5	(14,6)	7,9	10,0	10,5	12,5	14,3	(14,6)	(14,9)	(2,7)	
JAP	:	6,2	5,1	5,9	:	8,0	12,7	10,9	11,5	:	11,5	10,9	11,5	9,6	9,8	:	:	:	

TABLE 9: Long-term interest rates¹²

	1976	1977	1978	1979	1980	1979	1980				1980						Change over 12 months	
						IV	I	II	III	IV	June	July	August	Sept.	Oct.	Nov.	Dec.	2
DK	13,6	16,6	16,7	15,9	18,9	17,1	19,3	19,3	18,9	18,4	19,3	18,7	20,0	18,9	17,7	18,0	18,4	1,3
D	7,8	6,2	5,7	7,4	8,5	7,9	9,4	8,2	8,1	8,9	8,2	7,9	7,8	8,1	8,3	8,7	8,9	1,0
F	10,5	11,0	10,6	10,0	13,7	12,6	14,4	13,3	13,9	14,3	13,3	13,4	13,5	13,9	14,3	14,2	14,3	1,7
IRL	14,7	12,9	12,8	14,9	15,4	16,3	16,8	14,6	14,6	15,6	14,6	14,1	14,5	14,6	14,8	14,9	15,6	-2,9
I	12,5	15,2	14,2	14,3	16,4	15,3	16,2	15,4	17,0	17,9	15,4	16,1	16,3	17,0	17,2	17,4	17,9	2,6
NL	9,0	8,1	7,7	8,8	10,2	9,4	11,5	10,0	10,3	10,5	10,0	9,7	9,7	10,3	10,3	10,5	10,5	1,1
B	9,0	8,8	8,5	9,7	12,2	11,1	12,5	11,8	12,4	13,0	11,8	11,8	12,1	12,4	12,6	12,6	13,0	1,9
L	7,2	7,0	6,6	6,8	7,4	6,8	7,3	7,5	7,5	7,9	7,5	7,5	7,5	7,5	7,6	7,7	7,9	1,1
UK	14,4	12,7	12,5	13,0	13,8	14,7	14,6	13,8	13,3	13,8	13,8	13,1	13,9	13,3	13,2	13,4	13,8	-0,9
EC ¹⁰	10,4	10,1	9,7	10,3	12,2	11,6	12,9	11,9	12,2	12,7	11,9	11,7	11,9	12,2	12,3	12,5	12,7	1,1
USA	6,8	7,1	7,9	8,7	10,7	9,6	11,9	9,4	10,9	11,9	9,4	9,8	10,5	10,9	11,2	11,8	11,9	2,3
JAP	8,7	7,3	6,1	7,7	:	8,6	10,0	8,6	9,2	:	8,6	8,9	9,1	9,2	:	:	:	1,4

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

						1979					1980						1981	Change over 12 months % 2
	1976	1977	1978	1979	1980													
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.		
DKR	6,76	6,86	7,02	7,21	7,83	7,42	7,80	7,84	7,81	7,86	7,79	7,82	7,83	7,85	7,87	7,86	7,94	2,2
DM	2,82	2,65	2,56	2,51	2,53	2,48	2,50	2,52	2,53	2,56	2,52	2,53	2,53	2,55	2,56	2,56	2,58	3,7
FF	5,34	5,61	5,74	5,83	5,87	5,82	5,85	5,85	5,86	5,92	5,84	5,86	5,88	5,89	5,93	5,93	5,97	2,3
IRL	0,622	0,654	0,664	0,669	0,676	0,670	0,675	0,675	0,671	0,684	0,671	0,670	0,672	0,678	0,685	0,687	0,692	2,7
LIT	930	1 007	1 080	1 138	1 189	1 154	1 162	1 182	1 200	1 213	1 198	1 197	1 204	1 210	1 214	1 215	1 226	5,5
HFL	2,96	2,80	2,75	2,75	2,76	2,76	2,75	2,76	2,75	2,77	2,75	2,75	2,75	2,76	2,78	2,78	2,80	2,1
3FR/LFR	43,17	40,88	40,06	40,17	40,60	40,22	40,54	40,36	40,44	41,07	40,27	40,44	40,60	40,85	41,14	41,22	41,49	2,6
UKL	0,622	0,654	0,664	0,646	0,598	0,652	0,626	0,608	0,597	0,562	0,607	0,596	0,589	0,573	0,557	0,555	0,535	-16,1
USD	1,118	1,141	1,274	1,371	1,391	1,405	1,411	1,391	1,423	1,340	1,441	1,413	1,415	1,385	1,335	1,299	1,286	-10,9
YEN	331,2	305,8	267,1	300,5	315,0	335,8	343,1	321,9	312,8	282,1	318,3	316,5	303,6	289,7	284,3	272,3	259,8	-24,3
SDR	0,968	0,977	1,018	1,061	1,068	1,080	1,082	1,071	1,078	1,042	1,085	1,076	1,073	1,059	1,041	1,025	:	-5,9

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

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % ²
						III	IV	I	II	III	May	June	July	August	Sept.	Oct.	Nov.	
DK	- 5,7	9,3	0,8	2,3	3,6	0,6	6,0	-0,2	-4,1	-1,3	-3,7	2,1	3,7	- 9,6	5,0	0,5	-6,7	-11,5
D	- 6,2	7,4	2,8	2,0	5,5	1,3	0,5	1,6	-2,3	-2,4	-2,3	-0,8	2,4	- 1,6	-0,8	1,6	0,8	0,2
F	- 8,9	9,7	1,6	1,6	4,7	3,8	-2,2	0,5	-2,2	0	-3,7	0	2,3	0	-5,2	2,3	-2,3	- 7,0
IRL	- 6,1	9,0	8,1	9,4	6,7	0,9	0,4	0,7	-1,0	:	1,4	-4,8	-0,7	0,3	:	:	:	- 2,8
I	- 8,8	11,6	0	2,1	7,7	1,4	8,6	4,1	-2,7	-7,6	-7,9	3,1	-1,6	-13,7	12,9	1,5	4,0	0,7
NL	(- 4,8)	8,0	0	0,9	2,8	0,6	-0,3	2,7	-2,6	-3,9	0	-1,8	0	- 2,7	-2,8	5,7	2,7	- 0,8
B	- 9,8	8,1	0,4	2,4	4,5	-0,1	-0,5	3,4	-2,8	-3,0	0,9	2,0	-5,2	3,8	-5,5	2,1	2,0	0,2
L	-21,9	3,8	0,5	3,2	3,4	-1,3	2,0	1,8	-2,4	-7,5	-3,4	-2,7	-0,3	- 6,1	-1,0	2,3	1,9	- 6,0
UK	- 4,8	2,7	4,8	3,1	3,7	-2,6	0	-2,6	-3,0	-3,4	-0,2	0,1	-1,0	- 3,0	-1,5	0,5	0	-11,1
EC	- 6,6	7,4	2,4	2,3	5,0	0,8	1,1	0,5	-1,3	-2,9	-1,6	0,6	-0,5	- 3,0	-0,9	0,8	1,5	(- 2,8)
USA	- 8,2	10,2	6,5	5,7	4,4	0,4	0,1	0	-5,2	-1,8	-2,9	-1,7	-0,8	1,0	1,3	1,9	(1,4)	(- 2,5)
JAP	-11,0	11,1	4,1	6,2	8,3	2,0	2,6	4,1	0,1	-2,3	-1,2	-0,9	0,5	- 4,5	3,9	(0,8)	(-1,1)	(7,6)

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

	1976	1977	1978	1979	1980	1979		1980				1980							Change over 12 months % ²
						IV		I	II	III	IV	June	July	August	Sept.	Oct.	Nov.	Dec.	
DK ³	4,7	5,8	6,5	5,3	6,2	4,7		5,0	5,5	6,2	7,4	5,8	5,6	6,3	6,6	7,0	7,5	7,6	55,6
D	4,1	4,0	3,9	3,4	3,4	3,2		3,1	3,3	3,5	3,8	3,4	3,5	3,5	3,6	3,7	3,8	4,0	29,0
F	4,3	4,8	5,2	6,0	6,4	6,2		6,3	6,3	6,4	6,6	6,3	6,3	6,4	6,4	6,5	6,6	6,8	11,1
IRL	9,5	9,4	8,7	7,9	8,9	7,5		7,6	8,2	9,2	10,2	8,6	8,9	9,2	9,6	9,9	10,1	10,4	37,9
I	5,6	6,4	7,1	7,5	7,8	7,5		7,7	8,0	7,9	8,1	8,0	7,8	7,9	8,0	8,0	8,1	8,1	6,4
NL	4,3	4,1	4,1	4,1	4,8	4,1		4,1	4,4	4,9	5,7	4,6	4,8	4,9	5,1	5,4	5,7	5,9	48,8
B	6,8	7,8	8,4	8,7	9,4	8,8		8,8	9,0	9,5	10,1	9,1	9,3	9,5	9,8	9,9	10,0	10,3	17,4
L	0,3	0,5	0,7	0,7	0,7	0,7		0,7	0,6	0,7	0,8	0,7	0,7	0,7	0,7	0,8	0,8	0,8	19,2
UK	5,3	5,7	5,7	5,3	6,9	5,3		5,6	6,2	7,1	8,3	6,4	6,8	7,1	7,5	7,9	8,3	8,7	65,8
EC	4,9	5,3	5,5	5,5	6,2	5,5		5,6	5,9	6,3	6,8	6,0	6,2	6,3	6,4	6,6	6,8	7,0	27,3
USA	7,7	7,0	6,0	5,8	7,2	5,9		6,1	7,5	7,6	7,5	7,7	7,8	7,6	7,5	7,6	7,5	7,4	(28,0)
JAP ⁴	2,0	2,0	2,2	2,1	:	1,9		2,0	2,1	1,9	:	1,9	2,1	2,1	2,0	2,2	2,3	:	:

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

	1976	1977	1978	1979	1980	1979		1980				1980							Change over 12 months % ²
						IV		I	II	III	IV	June	July	August	Sept.	Oct.	Nov.	Dec.	
DK	9,0	11,1	10,1	9,6	12,4	2,6		2,5	3,1	2,8	1,9	0,2	1,8	0,4	0,5	0,7	0,9	0,4	10,9
D	4,3	3,7	2,7	4,1	5,5	0,8		1,8	1,8	0,7	0,8	0,5	0,2	0,1	0	0,2	0,6	0,6	5,5
F	9,6	9,5	9,3	10,7	13,6	2,8		3,9	3,2	3,2	2,8	0,6	1,5	1,0	0,9	1,1	0,7	0,9	13,6
IRL	17,9	13,7	7,7	13,2	18,2	3,7		3,8	7,4	2,9	3,1	1,0	1,0	0,9	1,0	1,0	1,0	:	18,2
I	16,8	17,0	12,2	14,8	21,2	5,6		6,5	3,9	4,3	5,3	0,9	1,8	1,2	1,9	1,7	2,1	1,2	21,2
NL	9,0	6,4	4,2	4,3	(7,0)	1,7		1,8	2,5	1,1	(1,4)	-0,1	0,7	0,3	0,7	0,6	0,3	(0,1)	(7,0)
B	9,2	7,1	4,5	4,5	6,4	1,4		2,4	0,8	1,8	2,2	0,2	1,2	0,3	0,6	0,9	1,0	0,3	7,5
L	9,8	6,7	3,1	4,5	6,3	1,7		1,7	1,6	1,0	1,9	0,2	0,4	0,3	0,1	0,8	0,9	1,1	7,0
UK	16,5	15,9	8,3	13,4	18,0	2,8		4,7	5,8	2,1	1,9	0,9	0,8	0,3	0,6	0,6	0,8	0,6	15,1
EC	10,8	10,5	7,5	9,9	13,9	2,8		4,0	3,6	2,5	2,6	0,7	1,1	0,6	0,8	0,9	1,0	0,8	13,3
USA	5,8	6,5	7,6	11,5	(13,5)	2,8		3,9	3,6	1,9	(2,6)	1,1	0,1	0,6	0,9	0,9	0,9	(0,9)	(13,5)
JAP	9,3	8,1	3,8	3,6	(8,0)	1,7		2,1	3,3	1,3	(1,0)	0,3	0,3	-0,2	1,5	0,1	0,2	(-0,7)	(0,6)

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

	1976	1977	1978	1979	1980	1979		1980				1980							Change over 12 months % ²
						IV		I	II	III	IV	June	July	August	Sept.	Oct.	Nov.	Dec.	
DK	8,2	7,9	4,4	9,0	:	3,8		6,3	3,7	1,2	:	1,1	0	0	1,1	1,0	1,1	:	14,6
D	5,8	1,8	-0,8	6,9	:	1,1		3,9	1,7	-0,2	:	0,2	0,4	-1,0	-0,9	2,4	1,4	:	6,5
F ⁵	10,1	6,5	4,6	11,8	:	3,3		:	:	:	:	:	:	:	:	:	:	:	13,1
IRL	19,6	17,2	8,9	(12,5)	:	0,4		4,7	4,1	0,7	:	0,4	0,5	0,5	0,6	:	:	:	9,8
I	22,9	17,4	8,4	15,4	:	5,6		6,6	3,5	2,3	:	1,1	0,3	0,9	1,2	0,7	2,2	:	17,7
NL ⁵	6,9	5,4	2,0	(2,9)	:	1,3		4,3	1,4	1,1	:	-0,1	0,9	-0,2	0,2	:	:	:	7,4
B	7,1	2,4	-1,9	6,3	5,8	1,5		3,4	-0,5	-0,1	2,5	-0,1	0,2	-0,7	1,5	0,7	1,3	0,3	5,6
UK	16,4	19,2	10,5	12,1	16,3	3,1		5,2	4,0	2,4	1,2	1,0	0,9	0,4	0,4	0,4	0,4	0,2	13,5
EC ⁶	12,0	9,3	4,4	10,3	:	2,7		:	:	:	:	:	:	:	:	:	:	:	:
USA	4,6	6,1	7,8	12,5	:	3,5		4,6	2,0	3,1	:	0,4	1,7	1,2	0,4	1,1	(0,4)	:	(12,5)
JAP	5,5	1,9	-2,5	7,3	17,8	4,3		6,5	4,8	0,7	-0,7	-0,1	0,4	0,7	-0,3	-0,7	-0,1	-0,2	9,6

TABLE 5: Gross hourly wages in industry⁷ — Percentage change

	On preceding period										On corresponding quarter of preceding year							
	1976	1977	1978	1979	1980	1979		1980				1979		1980				
						III	IV	I	II	III	IV	III	IV	I	II	III	IV	
DK	11,7	9,1	12,0	12,0	:	3,4	3,3	2,7	2,7	:	:	10,6	13,5	14,8	12,6	:	:	
D	6,4	7,1	5,3	5,7	:	2,0	0,1	0,4	4,1	2,7	:	5,4	5,5	4,9	6,6	7,4	:	
F	15,1	14,7	12,3	12,2	13,7	2,1	2,3	3,4	3,9	4,3	3,6	11,9	12,2	11,8	12,1	14,5	16,0	
IRL	18,9	16,7	14,7	15,1	:	4,2	7,9	3,0	6,4	:	:	11,6	18,0	18,5	23,2	:	:	
I	20,8	26,7	20,6	17,9	:	7,1	5,1	4,8	3,8	6,8	:	20,2	24,8	24,3	22,6	22,2	:	
NL	11,3	7,9	8,3	6,5	7,4	1,4	0,7	4,2	0,8	1,5	0	6,7	6,5	8,2	7,3	7,4	6,6	
B	13,6	10,1	6,6	6,7	8,4	1,0	2,5	1,5	3,3	1,6	2,1	5,7	8,0	7,0	8,6	9,3	8,7	
L	13,9	10,4	7,7	4,0	:	-1,2	-1,2	4,2	4,0	:	:	3,9	4,6	5,2	5,8	:	:	
UK	16,7	9,4	12,5	14,4	:	6,8	1,5	3,1	6,2	5,8	:	17,5	16,3	18,7	18,6	17,5	:	
EC	13,6	12,3	11,4	11,8	:	4,2	2,0	2,8	4,5	(4,3)	:	12,8	13,5	14,0	14,2	(13,8)	:	
USA	7,9	9,2	8,6	8,4	:	2,0	2,2	1,8	1,9	2,8	:	8,7	7,8	7,4	8,0	8,9	:	
JAP	12,3	8,5	5,9	7,4	:	3,0	0,4	1,8	3,2	2,5	:	8,4	8,0	7,9	8,8	8,3	:	

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 — January 1981

Community (EC)

None.

Belgium (B)

1.1 Entry into force of the law containing interim and transitional income restraint measures ('mini-law on restraint'). This freezes private and public sector wages and other occupational incomes in excess of BFR 35 000 a month at their 31 December 1980 level (except for index-linked increases) until the various draft laws on this subject are voted. The provisional legislation applies from 1 January to 15 February 1981.

9.1 The Banque Nationale lowered the rates for short-term Treasury certificates in several stages, bringing the rate for one-month certificates down from 12.25% to 11.60%.

Denmark (DK)

None.

FR of Germany (D)

9.1 The Federal Government presented the Federal budget proposals for 1981 to the Bundestag. Total expenditure is planned to increase to DM 224 600 million, a rise of 4.3% compared to the provisional outturn of 1980. The net borrowing requirement is estimated at DM 27 440 million, DM 440 million higher than the provisional outturn for 1980.

28.1 The Federal Government adopted the 1981 annual economic report laying down the objectives for its economic and budgetary policy: real gross domestic product is projected to be at a level, for the average of the year, which is equal to or up to 1% lower than that of 1980, unemployment is projected to rise to 1 200 000 (annual average) and consumer prices are projected to increase by 4½%. The current balance of payments is not foreseen to show any major improvement.

France (F)

15.1 The State floated an eight-year, 13.8%, FF 10 000 million loan, half of which is repayable at the end of the fourth year and half at the end of the eighth year.

16.1 Firms are to be granted loans totalling FF 4 500 million in 1981 and carrying a two-point interest-rate subsidy. They are to assist the following types of investment:

- job-creating investment (FF 1 100 million) (in small- and medium-sized enterprises);
- investment to increase export capacity (FF 2 000 million);
- investment in automation (small- and medium-sized enterprises) (FF 1 000 million);
- investment encouraging economies in raw materials and the use of coal (FF 400 million).

Greece (GR)

30.1 The credit expansion authorized by the monetary authorities for 1981 is to correspond to a total of DRA 363 000 million (compared with a DRA 313 000 million increase for 1980). Of this amount DRA 168 000 million is intended for the private sector (as against DRA 135 000 million last year); the construction industry is to receive DRA 24 500 million (as against DRA 16 000 million in 1980).

Ireland (IRL)

28.1 The Minister for Finance presented his budget for 1981 on 28 January; the main measures included:

- severe pruning of current expenditure on goods and services (excluding social benefits) in 1981. Non-pay expenditure is budgeted to rise by only 3% in money terms and the increase in spending on public-service pay is limited to 14.5%;
- rationalization of the public sector (saving IRL 25 million);
- increases in Post Office charges (revenue IRL 35 million);
- provision for balances held in departmental funds (saving IRL 45 million);
- increases in social welfare benefits of between 20 and 25% (cost IRL 111 million);
- increases in excise duties on tobacco, alcoholic drink, colour TV and petrol (extra revenue IRL 129 million);
- doubling of motor-vehicle registration charges (revenue IRL 6 million);
- higher income tax allowances (cost IRL 60 million);
- cuts in agricultural taxation (cost IRL 35 million);
- acceleration in the collection of corporation tax (revenue IRL 66 million);
- continuation of relief from taxation of the effects of inflation on the value of stocks (cost IRL 3 million).

The 1981 investment plan provides for an increase in capital expenditure of 36% to IRL 1 733 million, the main areas of increase being infrastructural investment and industrial promotion. It is envisaged that the private sector will participate in this programme by financing up to IRL 200 million of this investment. Overall, the current budget deficit is projected to fall from IRL 547 million in 1980 to IRL 515 million in 1981 and the exchequer borrowing requirement from 14.5% to 13% of GNP.

Italy (I)

None.

Luxembourg (L)

7.1 With a view to extending the Belgo-Luxembourg Economic Union (BLEU), Belgium and Luxembourg concluded an agreement concerning the creation of a Luxembourg Monetary Institute. The Institute would hold the international means of payment of the Grand Duchy of Luxembourg, in particular gold, SDRs, ECUs and the position in the IMF. It would be entitled to issue Luxembourg notes on behalf of the Luxembourg State to a maximum of 10% of the money supply in circulation in Luxembourg (equal to 1/29th of the money supply in circulation in Belgium). The Luxembourg State could thus issue, alongside existing notes, LFR 1 000 notes and possibly LFR 5 000 notes. The Luxembourg Monetary Institute would not, however, be empowered to create money on the basis of the needs of the Luxembourg economy (i.e. it could not rediscount commercial bills or make Treasury advances); these tasks would remain the responsibility of the Banque Nationale de Belgique.

Netherlands (NL)

14.1 In a letter to the Minister for Finance, the President of the Nederlandsche Bank stated that, as part of the necessary restriction on liquidity creation, monetary financing of the general government deficit in 1981 was not to exceed HFL 3 000 million. An extra budgetary effort would have to be made to keep to this limit.

United Kingdom (UK)

2.1 The Bank of England announced that as from 5 January 1981 the minimum reserve asset ratio, which requires banks to hold a certain proportion of their eligible liabilities in the form of money at call and certain public sector and commercial bills, is reduced from 12½% to 10%.

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