

EUROPEAN ECONOMY

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

No 12 — December 1982 Recent economic trends

Supplement A

Further and strong downturn in activity in the Community in the third quarter. — Estimates based on national accounts data for the four major Member States suggest that GDP may have fallen by as much as 4,8% at an annual rate (seasonally adjusted) in the third quarter of 1982. The United Kingdom was the only major country to register positive GDP growth in the third quarter (on the output measure); a particularly marked decline occurred in Italy. Results for the last three years are shown in the table below. This figure brings average GDP growth in the four major countries over the first nine months of 1982 to -1,6% (seasonally adjusted, annual rate). On the not unrealistic assumption that GDP in the fourth quarter would remain on the level of the third quarter, GDP may, for the year 1982 as a whole, be estimated to show little change from the average level of 1981.

The downturn in activity is particularly marked in the trend of industrial production (see Graph 1). After remaining approximately stable from the second quarter of 1981 to the middle of 1982, it turned down sharply during the third quarter. The monthly index of industrial production fell for the fourth consecutive month in September, (by 0,5%) and the underlying trend, as measured by the three-monthly moving average was also down considerably to reach its lowest level since the third quarter of 1978. While there are often marked fluctuations in the month-to-month figures in the third quarter for seasonal reasons, the results for the average of the third quarter over the second quarter, with a fall of 2,2% in the Community as a whole, are remarkably uniform for those Member States for which results are available. Among the major four Member States, only the United Kingdom has a positive result, the others all recording substantial falls.

Gross domestic product at constant market prices (percentage change on preceding period, annual rates, seasonally adjusted)

	EC ¹	FR of Germany ²	France	United Kingdom	Italy
1979 Q1	1,1	2,3	0,6	-3,5	5,1
Q2	6,5	9,4	3,5	14,4	-2,7
Q3	1,3	-1,0	6,7	-5,1	4,9
Q4	5,5	6,5	1,4	0,8	16,8
1980 Q1	3,9	6,5	2,1	-2,0	8,4
Q2	-5,2	-6,5	-2,8	-8,3	-3,2
Q3	-2,6	-1,3	-0,8	-0,2	-10,8
Q4	1,4	0,8	-0,5	-1,4	9,5
1981 Q1	1,0	1,9	-2,0	1,8	3,3
Q2	-2,3	-3,2	4,3	-8,8	-4,1
Q3	-0,4	2,8	0,8	-2,6	-6,6
Q4	4,3	0,6	3,8	7,2	10,6
1982 Q1	1,0	-1,5	-0,4	4,4	5,1
Q2	-1,0	-1,3	3,8	-3,2	-5,8
Q3 (2)	-4,8	-5,0	-3,9	0,8	-11,6

¹ Provisional figures.

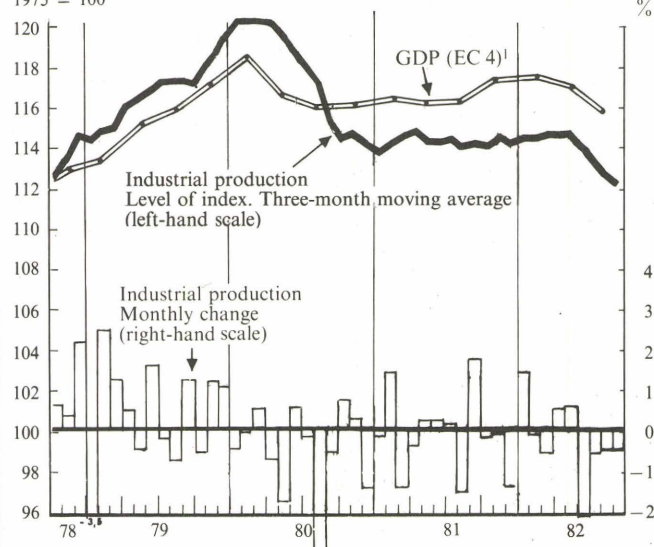
² F.R. of Germany: GNP.

Source: Estimates by the Commission services based on national accounts data for the Federal Republic of Germany, France, Italy and the United Kingdom.

Unemployment also returned to its upward path in recent months after declining slightly in July (partly due to an under-recording in the United Kingdom), a rise of 0,3% points in September (revised figure) was followed by a further increase of 0,1% points in October, to 0,2% of the civilian labour force. The rise of 143 000 in October, bringing the number of jobless in the Community to nearly 11½ million, is nearly twice as high as the monthly increases earlier this year, although considerably lower than the average during the second half of 1981. On a year-to-year basis, particularly large increases are still occurring in the Federal Republic of Germany, the Netherlands and Ireland.

Further slowdown in the trend of inflation and improvement of the trade balance. — The index of consumer prices in the Community rose by 0,9% in October, against a rise of 0,7% in September. This is the result of opposing trends among the Member States, with inflation slowing in Greece, France, the Netherlands and the United Kingdom (where it is now at its lowest rate for more than 10 years) and rising in Belgium, Denmark, Italy and Luxembourg. Many of the increases in the most recent months, however, have been due to the excessive influence of seasonal adjustment in items such as food and rents. For the third quarter as a whole, the average rate of inflation was considerably down

GRAPH 1: Industrial production and gross domestic product (s.a.) - EC total
1975 = 100



¹ France, Germany, Italy and UK: quarterly figures

on the rate in both the two previous quarters and the trend, as measured by the seasonally-adjusted change over six months, fell slightly from September to October.

There was also a considerable improvement in the Community's trade balance in the third quarter, the deficit falling by more than 3 000 million ECU from 8 800 million in the second quarter to an estimated 5 700 million ECU in the third. This is largely due to large falls in the trade deficit in BLEU and the United Kingdom, and an increase in the surplus in the Federal Republic of Germany, offsetting small increases in the deficits in most other Member States.

Hesitant movement of interest rates in November. — After having declined regularly since the month of April, the average level of short-term interest rates in the Community in November rose to 11.9 %, up 0.2 points from the level of October. The Community average of short-term interest rates is now some 4 points below the peak of 16% reached in June 1981 (Table 7).

The downward movement of short-term interest rates has been particularly pronounced in Germany, the Netherlands and the United Kingdom; in the FR of Germany the decline has now more than cancelled the effects of the abrupt increase operated in early 1981 in reaction to the weakness of the DM in the exchange markets (see Graph 2). In the Netherlands and the United Kingdom short-term rates are now lower than at any time since 1979, although some increase took place in both countries in November.

The leeway created within the EMS by the reduction of interest rates for the DM has been used to a varying degree by other participants depending upon their particular situation and adjustment problems. In Belgium, where rates had been increased in 1981 in the wake of the tightening of monetary policy in Germany, some decline has been effected in recent months but the level remains considerably higher than in 1978/79. In Denmark, short-term rates have fluctuated sharply in response to fluctuations in the Danish balance of payments and the devaluation of the Swedish Krona and resultant tightening (September) or relaxation (November) of the stance of monetary policy. In Greece, the level of short-term interest rates, after having been on a rising trend through most of 1981 and 1982, fell considerably in October and is now substantially below the trend rate of inflation (20%). In France, on the other hand, the level of short-term rates, despite a certain decline, is still above the previous low of some 11% seen at the end of 1980 — before the major increase in the Spring of 1981. In Ireland, interest rates have also come down fast in recent months in sharp contrast to developments in Italy where the level in November (following a small rise over October) was only marginally lower than the previous peak of December 1981. As a consequence, the interest rate differential in favour of the lira has widened considerably in recent months, giving additional strength to the lira within the EMS.

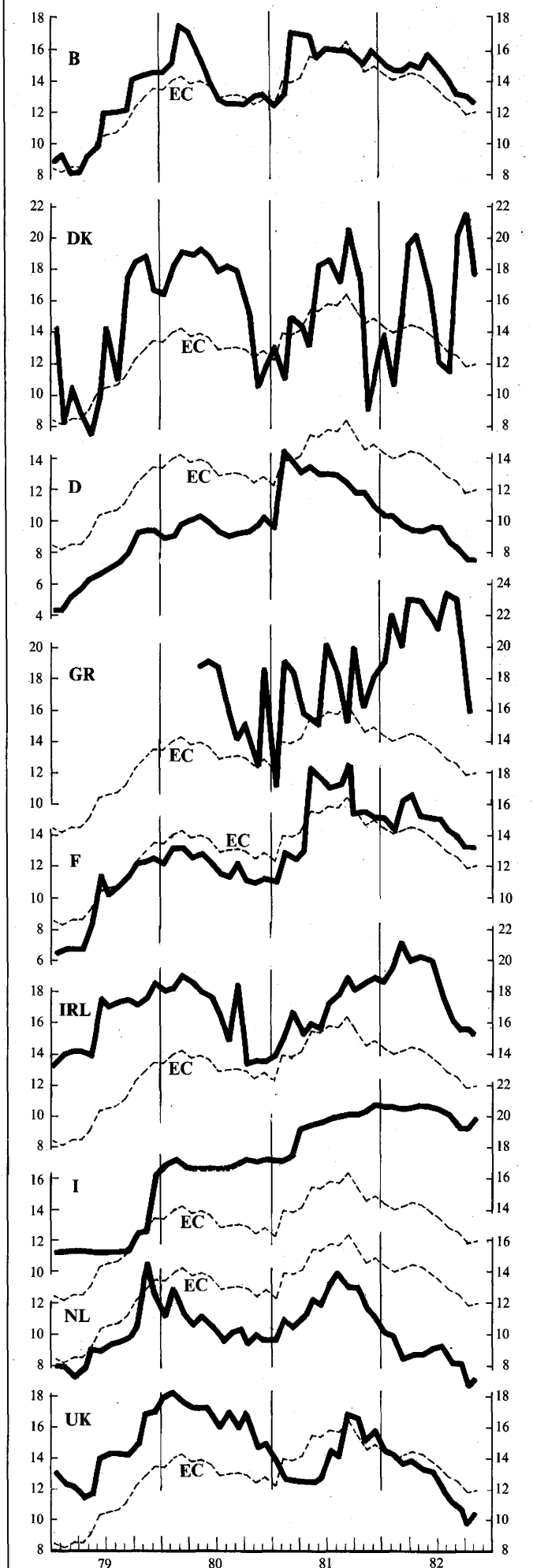
Real interest rates remain positive despite the decline in real output. — As illustrated in Graph 3, the rate of inflation in the Community, as measured by the increase in consumer prices over 12 months has been falling about in line with interest rates since the beginning of 1982; as the average level of interest rates in the Community was around 15% in October 1981 and as consumer prices have risen by about 10% between October 1981 and October 1982, the real *ex-post* rate of interest can be estimated at some 5% on average for the Community. Calculated on the basis of the current level of the nominal interest rate and the *current* rate of inflation, the real rate of interest is of course lower, but this comparison does not take account of the fact that the rate of inflation may fall further in the future.

It is thus difficult to determine the real *ex ante* rate of interest at present. With respect to real interest rates in relation to real GDP growth, developments in the Community and the United States have followed broadly similar patterns with the rate of inflation falling steadily from the peak of 1980 and with the real rate of interest rising in 1981 and remaining on a rather high level up to recently (see Graph 4).

Weakening of the dollar — rise of the yen. — With the closing of interest rate differentials and presumably also the recent deterioration of the trade balance of the United States the dollar fell against the ECU from about mid-November and into the month of December. Nevertheless, given the rise which had occurred in the previous period, the dollar appreciated a little against the ECU on average for November over October (see Table 9). The yen, which had been losing value against the ECU since the beginning of 1982, rose considerably in the course of November. On average for the month compared to October, the ECU thus depreciated by close to 4% against the yen and by 6 December had fallen some 7½% below the average for October. On a trade-weighted basis the ECU in November depreciated by 1.2%, while the dollar, on the same basis, appreciated by 0.4% and the yen by 3.3%.

Within the European Monetary System, the Belgian franc remained close to the limit of its bilateral fluctuations against the Dutch Guilder, which was the strongest currency throughout November — gradually joined, however, by the other currencies. The only exception in this movement was the Irish pound which weakened towards the end of the month, presumably in response to the relative interest movements. According to the divergence indicator — which shows the performance of each currency against the weighted average of other currencies — the Belgian franc at the end of November recorded the highest degree of (negative) divergence followed by the Irish pound and with the other EMS currencies showing relatively modest degrees of positive divergence. With respect to the Belgian franc, the spread between the exchange rates for the financial and the commercial franc has narrowed considerably suggesting a return of confidence in this currency.

GRAPH 2: Short-term interest rates in EC Member States

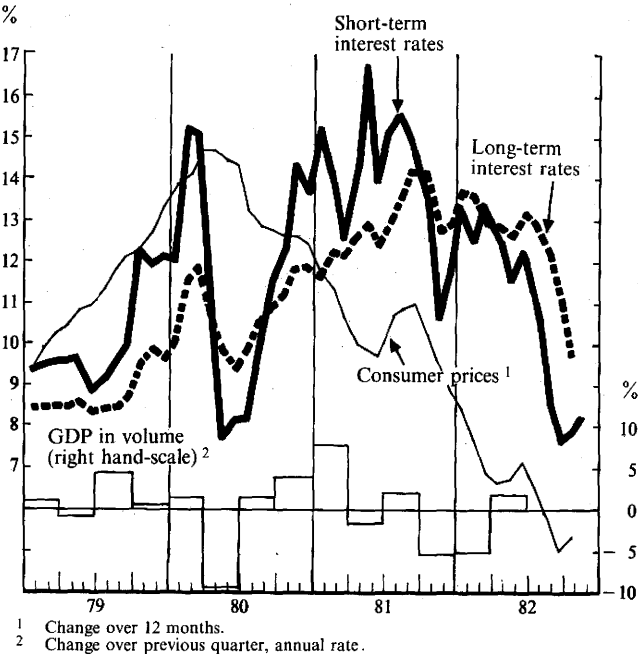


Some further easing of monetary conditions. — That some easing of liquidity has taken place for the Community in 1981 and 1982 as a whole is illustrated in Graph 6. The growth of money supply, which, during most of 1979 and 1980, fell considerably short of the growth of nominal GDP, in a scissors movement rose above the growth of nominal GDP in 1981 and is likely to have remained above the GDP growth in early 1981. On the basis of the partial information available for the second half of 1982, money supply growth would seem likely to have been broadly maintained on the trend of the first half year (see also Table 6) while the growth of nominal GDP is likely to have dropped somewhat.

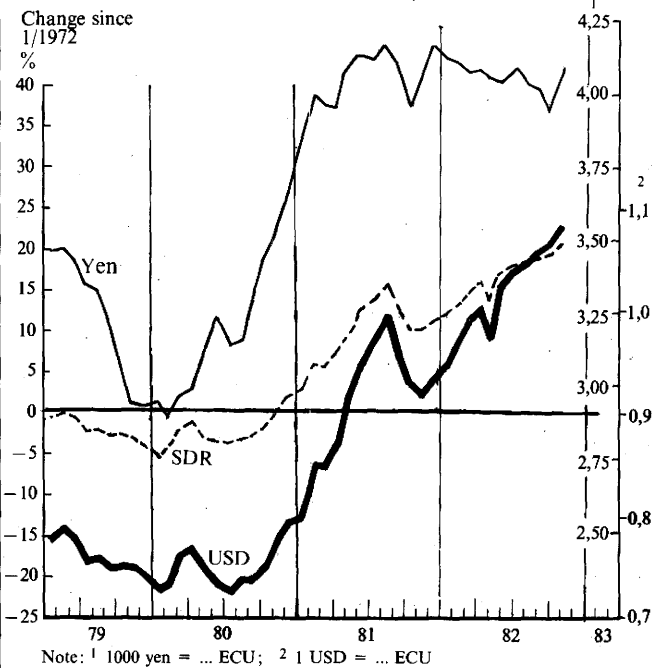
The narrowing of the interest rate differential *vis-à-vis* the dollar and the recent decline in the international value of this currency has lifted, or at least eased, one of the most important constraints on European monetary policy. The additional leeway thus created was utilized by the Bundesbank in late November in the form of a full percentage point reduction in the discount rate (from 6 to 5%) and the Lombard rate (from 7 to 6%). At the same time, the Bundesbank announced that the target growth range for central bank money for the year to the fourth quarter of 1983 would be 4-7% and that the Bundesbank will aim for the upper half of the target range so long as the weakness of economic activity continues and external conditions allow. Given that the present forecasts suggest that the growth of gross domestic product in nominal terms between 1982 and 1983 may not exceed 5%, the implementation of the Bundesbank's monetary policy objectives could be expected to lead to a continued easing of monetary conditions in Germany and — by extension — within the European Monetary System.

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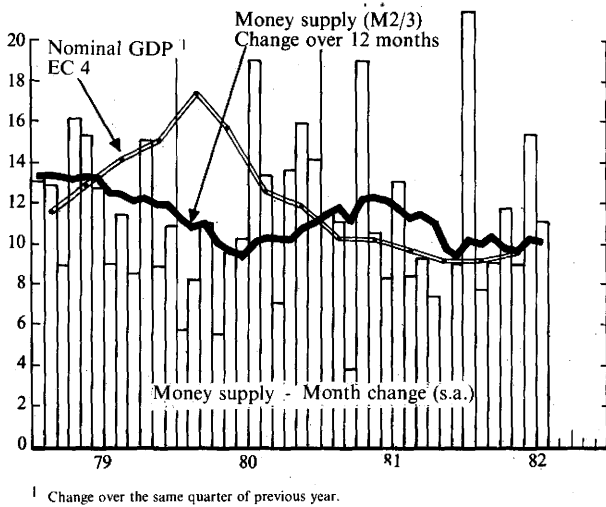
GRAPH 4: Interest rates, rate of inflation and GDP growth, United States



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



GRAPH 6: Money supply (EC total) and nominal GDP (EC 4)



GRAPH 3: Interest rates, rate of inflation and GDP growth, EC average
European Community

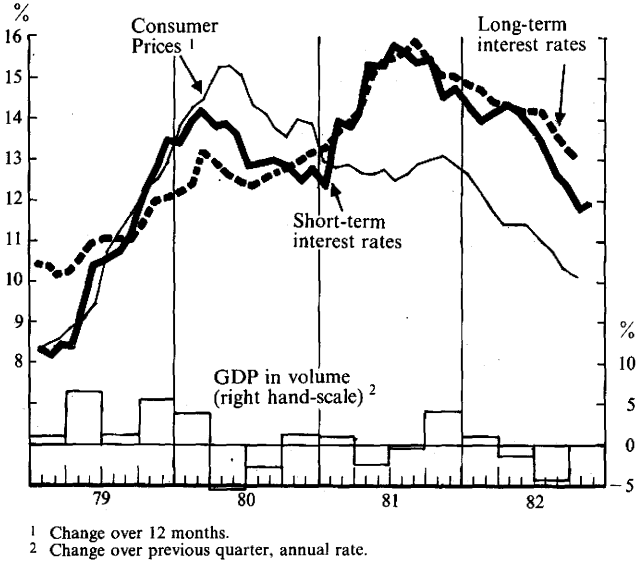


TABLE 6: Money stock⁸ - Percentage change on preceding period (s.a.)

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B (M2)	9.9	9.6	6.2	2.7	6.0	0.4	1.3	0.9	2.0	...	...	...	...	...	...	...	...	4.6
DK (M2)	9.5	6.6	9.4	10.6	10.0	1.8	2.6	3.0	1.3	3.9	0.1	0.7	0.6	2.1	0.8	1.0	...	11.2
D (M3)	11.1	11.0	6.0	6.2	4.8	1.1	0.3	3.0	2.3	1.3	0.8	0.2	1.3	0.2	0	1.2	-0.1	7.5
GR (M3)	22.7	26.0	18.4	24.7	34.7	7.4	8.9	5.6	9.5	...	2.3	2.0	5.0	1.8	1.0	...	...	33.0
F (M2)	13.9	12.2	14.4	9.7	11.4	2.6	0.7	4.3	3.9	2.6	1.3	1.5	1.0	1.4	0.8	0.4	...	12.2
IRL (M3)	16.3	28.7	19.0	18.0	18.8	4.6	3.2	2.1	1.7	4.9	1.8	-0.4	0.2	2.2	0.9	1.7	0.7	12.4
I (M2)	21.8	22.8	20.4	12.3	10.0	1.0	4.4	1.5	3.3	...	0.9	1.5	0.8	1.3	1.3	...	...	13.4
NL (M2)	3.6	4.2	7.0	3.6	5.6	1.4	-0.4	5.7	0.9	...	0.5	0.2	0.2	1.2	-0.3	...	...	7.5
UK (EM3)	9.3	13.3	11.7	19.6	13.9	5.6	2.3	1.7	2.5	3.3	0.5	1.1	0.8	0.8	1.4	1.1	1.7	10.5
EC 9 ⁹	12.9	13.5	11.8	10.8	9.7	2.4	1.7	2.9	2.9	...	0.9	0.9	1.0	0.9	(0.7)	...	...	10.3
USA (M2)	10.8	8.3	8.8	9.6	10.0	2.1	2.5	2.3	2.3	...	0.8	0.9	0.5	0.8	...	...	...	9.6
JAP (M2)	11.1	13.1	9.1	7.2	11.0	2.4	2.8	2.0	1.7	...	-0.2	1.1	0.9	0.8	0.7	...	...	8.9

TABLE 7: Short-term interest rates¹⁰

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months %
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B	7.3	7.3	10.9	14.2	15.6	16.0	16.0	14.5	15.8	12.9	14.8	15.8	14.8	13.9	12.9	12.8	12.5	-2.5
DK	14.5	15.4	12.5	16.9	14.9	20.6	11.6	14.8	16.8	20.2	20.7	16.8	12.0	11.4	20.2	21.6	17.5	8.7
D	4.3	3.7	6.9	9.5	12.3	12.3	10.8	9.6	9.5	8.0	9.2	9.5	9.4	8.4	8.1	7.4	7.3	-3.5
GR	...	...	...	...	11.0	15.0	18.0	20.0	22.9	23.0	22.9	22.9	21.0	23.4	23.0	15.5	...	4.5
F	9.1	7.8	9.7	12.0	15.3	18.6	15.1	16.3	15.0	13.9	16.1	15.0	14.9	14.3	13.9	13.1	13.1	-3.3
IRL	8.4	9.9	16.0	16.2	16.6	18.9	18.8	21.1	19.9	15.4	20.1	19.9	17.4	16.0	15.4	13.6	13.6	-4.9
I	14.0	11.5	12.0	16.9	19.1	20.0	20.7	20.3	20.4	18.9	20.5	20.4	20.1	19.6	18.9	(19.2)	(19.7)	(-0.5)
NL	4.8	7.0	9.6	10.6	11.8	12.9	10.9	8.4	9.1	7.9	8.7	9.1	9.1	8.1	7.9	6.5	6.8	-4.4
UK	8.0	9.4	13.9	16.8	14.2	16.9	15.8	13.6	13.1	10.6	13.4	13.1	11.9	10.9	10.6	9.6	10.4	-4.7
EC 9 ⁹	8.1	7.7	10.3	13.2	14.7	16.4	14.8	14.2	13.9	12.4	14.2	13.9	13.3	12.6	12.4	(11.7)	(11.9)	(-2.6)
USA	5.3	7.4	10.8	11.6	14.0	14.7	11.7	13.4	12.6	7.6	11.5	13.3	9.6	8.4	7.6	7.8	8.2	-2.4
JAP	6.2	5.1	5.9	10.7	7.4	7.2	6.9	6.4	7.1	7.2	6.8	7.1	7.1	7.1	7.2	...	...	0

TABLE 8: Long-term interest rates¹¹

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months %
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	8.8	8.5	9.7	12.2	13.8	14.0	14.0	13.9	13.6	13.2	13.7	13.6	13.6	13.4	13.1	13.2	13.2	-0.6
DK	16.2	16.8	16.7	18.7	19.3	20.4	19.5	20.6	21.2	21.2	20.8	21.3	21.2	20.6	20.9	21.2	20.1	0.9
D	6.2	5.7	7.4	8.5	10.4	11.1	9.7	9.5	9.1	8.7	9.0	8.8	9.1	9.3	9.0	8.7	8.3	-2.1
GR	9.5	10.0	11.2	17.1	17.7	16.6	16.9	16.4	15.8	14.9	15.4	15.6	15.8	16.0	15.5	14.9	13.8	-1.0
F	11.0	10.6	10.9	13.7	16.3	17.1	16.5	16.4	16.0	15.8	16.3	16.1	16.0	16.0	15.8	15.8	15.9	-1.0
IRL	12.9	12.8	15.1	15.4	17.2	18.2	18.2	18.8	18.6	15.2	18.3	18.3	18.6	17.3	15.9	15.2	13.9	-4.3
I	14.6	13.7	14.1	16.1	20.6	22.4	21.4	20.9	21.2	20.4	21.0	21.2	21.2	21.2	21.1	20.4	20.4	-0.7
L	7.0	6.6	6.8	7.4	8.6	9.2	9.3	10.0	10.7	10.5	10.2	10.7	10.7	10.8	9.7	10.5	10.7	1.5
NL	8.5	8.1	9.2	10.7	12.2	13.1	11.8	10.8	10.9	10.4	10.6	10.4	10.9	11.2	10.7	10.4	9.9	-2.8
UK	12.5	12.6	13.0	13.9	14.8	16.1	15.8	13.6	13.6	11.1	13.9	13.6	13.6	13.0	11.6	11.1	10.3	-5.7
EC 10 ⁹	10.5	10.1	10.9	12.7	14.9	15.9	15.1	14.4	14.3	13.4	14.3	14.2	14.3	14.2	13.7	13.4	13.1	-3.3
USA	7.1	7.9	8.7	10.8	12.9	14.1	12.9	13.0	13.2	11.0	12.8	12.7	13.2	13.0	12.2	11.0	9.7	-4.4
JAP	7.3	6.1	7.7	9.2	8.7	9.0	7.9	7.6	8.5	...	7.6	8.0	8.5	8.3	8.4	...	...	-0.8

TABLE 9: Value of ECU — 1 ECU = units of national currency or SDRs

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months %
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
BFR/LFR	40.88	40.06	40.17	40.60	41.29	41.07	41.10	42.97	45.11	45.19	45.03	45.14	45.05	45.16	45.36	45.60	45.45	10.8
DKR	6.86	7.02	7.21	7.83	7.92	7.88	7.88	8.06	8.13	8.22	8.09	8.16	8.18	8.22	8.28	8.28	8.20	4.2
DM	2.65	2.56	2.51	2.53	2.51	2.51	2.44	2.43	2.38	2.36	2.39	2.37	2.36	2.36	2.35	2.35	2.34	-4.3
DR	42.04	46.80	50.78	59.24	61.62	61.47	61.74	62.72	64.82	66.70	64.97	65.99	66.58	66.76	66.76	66.81	66.66	7.8
FF	5.61	5.74	5.83	5.87	6.04	5.99	6.15	6.21	6.30	6.60	6.21	6.42	6.57	6.59	6.65	6.65	6.61	7.2
IRL	0.654	0.664	0.669	0.676	0.691	0.688	0.688	0.691	0.690	0.687	0.689	0.688	0.686	0.686	0.688	0.691	0.689	-0.1
LIT	1.007	1.080	1.138	1.189	1.263	1.254	1.302	1.308	1.323	1.325	1.324	1.327	1.324	1.324	1.326	1.338	1.345	3.0
HFL	2.80	2.75	2.75	2.76	2.78	2.79	2.69	2.67	2.64	2.59	2.65	2.62	2.61	2.60	2.58	2.56	2.55	-4.8
UKL	0.654	0.664	0.646	0.598	0.553	0.562	0.578	0.561	0.563	0.551	0.570	0.556	0.552	0.552	0.549	0.548	0.561	-2.8
USD	1.141	1.274	1.371	1.391	1.116	1.033	1.090	1.038	1.002	0.951	1.033	0.978	0.959	0.952	0.941	0.930	0.916	-16.6
YEN	305.8	267.1	300.5	315.0	245.4	239.1	244.4	242.1	244.4	245.9	244.3	245.5	244.2	246.4	247.2	252.0	242.3	-1.2
SDR	0.977	1.018	1.061	1.068	0.946	0.911	0.938	0.912	0.885	0.875	0.910	0.887	0.878	0.876	0.872	0.868	0.858	-8.9

TABLE 10: Effective exchange rates: export aspect¹² - Percentage change on preceding period

	Percentage change on preceding period																	Change over 12 months % 2
	1977	1978	1979	1980	1981	1981		1982			1982							
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B/L	6.1	3.5	1.5	-0.4	-0.6	-0.9	1.1	-5.2	-5.5	-0.9	0.9	-0.8	0.1	-0.3	-1.7	1.1	-0.1	-11.7
DK	-0.3	0	-0.7	-8.0	-7.5	-0.1	2.0	-3.5	-1.4	-2.4	1.4	-2.0	-0.7	-0.6	-1.3	2.0	1.1	-5.5
D	8.5	6.5	5.2	0.5	-6.2	-1.1	5.1	-0.6	2.2	0.2	1.4	-0.4	0.3	0.1	-0.9	1.9	0.2	3.1
F	-4.7	-1.3	0.7	0.4	-8.5	-1.1	-1.7	-2.1	-1.7	-4.1	1.0	-4.5	-2.7	-0.4	5.0	-5.4	0.2	-9.6
IRL	-3.1	1.2	0.4	-2.5	-9.9	0.5	2.1	-2.4	-0.2	-1.3	1.4	-1.6	-0.3	-0.1	-1.0	0.2	0.6	-3.5
I	-7.7	-5.9	-3.2	-3.7	-12.2	-1.3	-2.6	-1.5	-1.6	-1.2	0.4	-1.0	-0.2	0	-1.3	0.5	-1.1	-5.7
NL	5.8	2.9	1.7	0.1	-4.8	-0.5	5.0	-0.2	0.6	1.1	0.9	0.4	0.4	0.5	-0.3	2.0	0.2	3.3
UK	-4.8	0.9	6.5	10.0	-0.9	-7.5	-0.9	1.7	-1.0	1.0	0	1.2	0.2	0.2	-0.4	1.6	-3.2	-0.5
ECU	0.9	2.5	5.9	2.3	-15.2	-4.4	3.0	-2.5	-0.9	-2.1	1.9	-2.2	-1.1	0	-0.3	1.5	-1.2	-5.7
USA	-1.3	-9.8	-2.6	0	12.1	5.8	-3.6	3.9	3.7	4.5	-2.4	5.2	1.4	0.5	0.4	2.3	0.4	17.0
JAP	10.7	21.6	-7.1	-4.1	13.8	-1.6	0.9	-1.4	-2.5	-3.1	2.0	-3.1	-0.5	-1.1	-1.3	-1.7	3.3	-6.4

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

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	0.4	2.4	4.3	-1.0	-2.9	-0.8	1.4	0	1.8	:	-4.7	5.4	3.5	-1.5	-3.0	-2.6	:	-4.5
DK	0.8	2.3	3.6	0.2	0.3	3.2	3.2	3.4	2.4	-3.3	3.6	-1.1	-4.6	9.7	-8.9	-0.4	4.9	-0.7
D	2.8	2.0	5.5	-0.8	-1.4	0.9	0.9	0.9	-0.9	-3.7	0	-0.9	-0.9	-1.9	-3.8	4.0	-1.9	-4.6
GR	1.5	7.5	6.0	0.9	-0.6	1.9	0.3	-0.6	-4.6	:	-2.6	-1.3	-1.5	-2.8	-1.7	-4.2	:	-4.4
F	1.6	1.6	4.7	-0.7	-2.3	0.3	1.2	-2.3	0.8	-3.6	0.8	-0.8	1.6	0	-3.8	0	0.8	-3.8
IRL	7.6	8.4	6.2	-1.0	1.9	1.6	0.4	-0.2	0.7	:	1.2	-1.7	0.2	-1.3	1.5	-3.0	:	-3.0
I	0	2.1	6.7	5.0	-2.2	-4.3	5.5	2.5	-4.0	-7.0	-2.8	-0.6	-3.4	-4.9	2.3	-12.7	12.8	-5.8
L	0.5	3.2	3.4	-3.3	-6.8	1.1	1.2	0.5	-4.7	-0.1	-8.5	-2.4	3.3	-1.4	0.6	1.6	-2.0	-6.0
NL	0	0.9	2.8	0	-1.8	-1.5	3.1	-1.2	-3.0	-3.1	-1.8	0.9	-2.8	-0.9	1.9	-4.7	-1.0	-2.9
UK	4.9	3.4	3.8	-6.6	-3.9	0.3	1.1	-0.7	-0.5	0.1	0.3	0.2	0.7	-1.9	1.1	0.1	0	0.5
EC 10	2.3	2.5	4.9	-0.8	-2.1	0.1	0.1	0.3	-0.2	-2.2	-0.6	0.6	0.6	-2.1	-0.6	-0.5	(-0.5)	(-3.8)
USA	6.5	5.7	4.4	-3.6	2.7	0.3	4.4	-3.1	-1.7	-0.9	-0.8	-1.1	-0.7	-0.4	0.1	-0.5	(-0.5)	(-10.3)
JAP	4.1	6.2	8.4	7.1	3.1	2.1	2.0	-0.9	-1.7	-1.5	0.4	-2.0	-1.7	2.4	0.6	-0.5	1.2	0.6

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

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	7.8	8.4	8.7	9.4	11.6	12.0	12.5	13.2	13.5	14.0	13.4	13.5	13.8	13.8	14.0	14.1	14.3	16.4
DK ³	5.8	6.5	5.3	6.1	8.3	8.3	8.9	8.9	9.0	8.5	9.1	9.0	(8.8)	(8.7)	(8.8)	(8.8)	(9.2)	(10.1)
D	4.0	3.9	3.4	3.4	4.8	5.1	5.8	6.3	6.9	7.3	6.6	6.9	7.0	7.1	7.2	7.6	7.7	40.6
F	4.8	5.2	6.0	6.4	7.8	8.0	8.5	8.6	8.8	8.9	8.7	8.8	8.9	8.9	8.8	8.9	8.9	9.7
IRL	9.2	8.4	7.4	8.3	10.4	10.7	11.0	11.5	12.1	12.9	11.9	12.0	12.3	12.6	12.9	13.1	13.4	27.7
I	6.4	7.1	7.5	8.0	8.8	8.8	9.4	9.7	10.3	10.5	10.1	10.3	10.4	10.4	10.5	10.7	10.8	16.9
L	0.5	0.7	0.7	0.7	1.0	1.0	1.1	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	1.3	1.4	33.9
NL	4.1	4.1	4.1	4.7	7.2	7.5	8.3	8.9	9.6	10.4	9.3	9.5	9.9	10.2	10.3	10.7	10.9	38.6
UK	5.7	5.7	5.3	6.9	10.6	11.1	11.8	12.0	12.2	12.4	12.1	12.1	12.2	12.2	12.4	12.7	12.8	10.3
EC 9	5.3	5.5	5.5	6.2	8.1	8.3	9.0	9.3	9.7	9.9	9.6	9.7	9.8	9.7	9.8	10.1	10.2	17.4
USA	7.0	6.0	5.8	7.1	7.6	7.4	8.4	8.8	9.5	9.9	9.4	9.5	9.5	9.8	9.8	10.1	:	35.7
JAP ⁴	2.0	2.2	2.1	2.0	2.2	2.2	2.2	2.3	2.4	2.4	2.4	2.4	2.5	2.4	2.3	2.4	:	16.5

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

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	7.1	4.5	4.5	6.6	7.6	2.6	2.1	1.9	2.3	2.5	1.2	0.9	0.9	0.7	0.6	1.2	0.8	9.8
DK	11.1	10.0	9.6	12.3	11.7	2.4	2.2	2.1	2.4	2.5	0.6	1.1	0.8	0.8	0.6	1.0	1.0	10.3
D	3.7	2.7	4.1	5.5	5.9	1.2	1.2	1.5	1.4	1.1	0.5	0.6	1.0	0.2	-0.2	0.3	0.3	4.9
GR	12.2	12.5	19.0	24.9	24.5	1.9	7.5	4.2	7.0	1.6	3.0	1.3	2.6	-0.5	-1.3	2.7	2.4	20.0
F	9.4	9.1	10.7	13.6	13.4	3.9	3.2	2.8	3.1	1.4	1.2	0.8	0.7	0.3	0.3	0.5	0.5	9.4
IRL ⁵	13.6	7.6	13.2	18.2	20.4	5.6	5.9	2.3	5.8	2.1	(1.9)	(1.9)	(0.7)	(0.7)	:	:	:	17.0
I	17.0	12.2	14.8	21.2	19.6	3.0	4.6	4.0	3.0	4.1	0.8	1.1	1.0	1.3	1.8	1.5	2.0	(17.4)
L	6.7	3.1	4.5	6.3	8.1	2.0	1.6	2.7	2.0	2.9	0.3	1.4	1.1	1.0	0.5	0.7	1.1	10.4
NL	6.4	4.2	4.3	7.0	6.9	1.6	1.9	1.1	1.6	0.7	0.7	0.2	0.2	0.3	0.1	0.7	(0.3)	(4.7)
UK	15.9	8.3	13.4	18.0	11.9	1.7	2.5	1.7	3.2	0.5	2.0	0.7	0.3	0	0	0	0.5	6.8
EC 10	10.5	7.6	10.2	14.1	12.6	2.5	3.1	2.5	2.9	1.8	1.3	0.8	0.8	0.5	0.5	0.7	(0.9)	(10.1)
USA	6.5	7.6	11.5	13.5	10.2	2.9	1.4	0.8	1.5	1.9	0.4	1.0	1.2	0.6	0.2	0.2	0.5	5.3
JAP	8.1	3.8	3.6	8.0	5.0	0.2	1.2	0	1.0	0.4	0.8	0.3	0	-0.7	0.7	1.8	:	3.2

TABLE 4: Volume of retail sales - Percentage change on preceding period (s.a.)

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months % ²
						III	IV	I	II	III	March	April	May	June	July*	Aug.	Sept.	
B	1.2	2.3	3.9	1.2	-3.3	-1.2	0.4	-0.7	-1.4	:	2.1	1.2	-6.6	0.5	3.2	:	:	-1.5
DK	1.1	-2.4	2.2	-1.5	-0.6	0.6	-1.2	1.9	2.0	-1.9	0	2.0	-1.7	0.1	-0.9	-2.3	3.1	4.3
D	3.1	2.8	2.6	0.3	-2.6	1.2	0.2	-2.3	-2.4	0.9	1.4	-1.0	-4.7	-0.4	0.8	0.8	-1.0	-5.6
GR	5.9	4.9	-2.1	-3.0	-3.3	1.2	11.5	-15.2	-1.0	:	0.8	0.1	1.2	-0.7	:	:	:	-4.5
F	0.1	2.1	2.3	-0.4	0.7	0.6	1.7	0.6	-0.2	-1.2	0.2	-0.3	-4.5	6.3	-3.6	0.9	-2.3	-1.0
IRL	4.9	8.7	3.3	-0.7	-0.7	1.3	-4.9	0	-2.6	:	-0.1	2.1	-9.8	1.9	-3.1	:	:	-8.5
I	2.9	2.6	7.3	3.1	2.0	0.2	2.4	1.0	3.0	:	4.4	2.9	-3.2	0.9	:	:	:	7.3
NL	4.7	4.7	-0.3	-4.1	-5.2	-1.2	-3.6	-0.7	0.3	:	-3.0	4.9	-4.6	0	3.9	-3.7	:	-1.0
UK	-1.7	5.5	4.3	0.1	1.1	0.7	0	1.1	-0.4	2.3	0.5	-0.7	-0.1	0.8	0.9	1.4	-0.1	3.2
EC 9 ⁶	1.5	3.2	3.4	0.2	-0.4	0.5	0.6	-0.1	-0.2	:	1.2	0.4	-3.5	1.7	:	:	:	0.8
USA	3.7	3.1	0.1	-6.2	-1.1	-1.6	-2.7	-1.7	1.2	-1.7	-0.1	0.7	1.9	-4.3	1.0	-1.2	0.9	-2.1
JAP	2.9	4.4	5.5	-0.2	-2.8	0.4	-1.1	-0.8	-1.7	:	1.1	-3.3	3.0	-1.3	-2.5	2.6	:	-4.3

TABLE 5: Visible trade balance - fob/cif, million ECU (s.a.)

	1977	1978	1979	1980	1981	1981		1982			1982							Change over 12 months % ²
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B/L	-2523	-2890	-2064	-4993	-5418	-1758	-722	-1446	-1388	-343	-597	-429	-363	-115	-369	142	:	389
DK	-2809	-2198	-3022	-2116	-1475	-313	-451	-420	-413	-445	-171	-113	-129	-68	-221	-156	-128	-22
D	14520	15967	8939	3615	11239	2983	5204	5168	5542	5872	1262	2168	2113	1956	1934	1982	1259	-344
GR	-3589	-3340	-4162	-3853	-3951	-943	-1212	-2000	-1296	:	-486	-495	-315	-232	-335	:	:	50
F	-6128	-4081	-6194	-16948	-17283	-4276	-5136	-4771	-6043	-6270	-2223	-1141	-2679	-1939	-1849	-2482	:	-607
IRL	-876	-1137	-1947	-1893	-2467	-742	-573	-627	-353	-330	-215	-98	-40	-94	-181	-55	:	213
I	-2239	-319	-3893	-15307	-13554	-3460	-1980	-3724	-2909	-2968	-855	-947	-1108	-649	-1060	-1259	:	201
NL	-1680	-2198	-2622	-2981	1320	317	1342	1823	1039	:	401	356	283	26	:	:	:	-45
UK	-5516	-5588	-7998	-3353	-446	-1645	-334	-1270	-1943	-810	-460	-742	-741	-134	-209	-467	-320	-602
EC 10 ⁷	-10840	-5782	-22961	-47829	-32034	-9167	-3877	-7671	-8814	(-5684)	-3430	-1538	-3446	-1249	(-2068)	(-2367)	:	(885)
USA	-31907	-31014	-27146	-26113	-35538	-9672	10326	-8571	-7022	-14418	-322	-3185	-3515	-2526	-7437	-4445	-5727	-1094
JAP	8488	14285	-5574	-7700	7831	3559	2104	1443	2831	(2103)	747	979	1105	863	506	(734)	:	(-551)

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.

Major economic policy measures — November 1982

Community (EC)

16.11 The joint Council (Economic and Financial Affairs, Employment and Social Affairs) met with the aim of developing a higher degree of mutual understanding of all aspects of the unemployment problem and examining in common the economic and social situation and the scope for Community initiatives. In the Council's opinion, the gravity of the economic situation makes it imperative that all efforts must continue towards a general strategy to promote economic and financial equilibrium, increase investment, and improve industrial competitiveness and labour market flexibility with a view to substantially improving the employment situation. The Council stressed its deep concern about the employment situation among young people, and reaffirmed its commitment to ensure that over the next five years all young people entering the labour market for the first time should be given the opportunity of taking vocational training or a first job experience. (See 'Economic briefs' in the preceding issue, Supplement A).

Belgium (B)

20.10 The Government adopted a series of tax measures. The standard deduction of BFR 10 000 from earned income was abolished, while the basic deduction from rateable income from dwellings was raised from BFR 80 000 to BFR 120 000. The amount up to which the notional splitting of earned income between spouses is permissible was raised from BFR 750 000 to BFR 1 500 000 for households with only one such income. A new intermediate rate of VAT at 19% was introduced on most of the goods and services previously taxed at 17%, while other goods and services will also be heavily taxed; this measure should yield BFR 15 000 million over a complete year.

12.11 The Government adopted draft decrees on wage restraint in 1983. The present system of flat-rate indexation will be continued until the month when public sector wages and salaries are adjusted for the second time, since the public sector provides the reference figure. The system of automatic percentage indexation will then be restored, with two changes: first, index-linked increases will be triggered only when the arithmetic mean of the consumer price index for the previous four months exceeds the trigger point, and secondly, the composition of the index will be revised before 1 July 1983.

12.11 The Banque Nationale reduced the basic discount rate to 11.5%, and the rate on advances from 13% to 12.5%.

19.11 The Government adopted a draft law intended to maintain the competitiveness of Belgian firms in exceptional situations. The draft law provides that wage increases may exceed neither the average increase in the seven main trade partners, nor the rate obtained from applying the indexation mechanism to existing wage scales.

Denmark (DK)

4.11 'Folketinget' adopts various measures concerning i.a. social welfare, health and education, with a view to reducing the general grants-in-aid to local government by DKR 3 000 million in 1983. The measures were included in the economic package presented by the Government on 5 October.

10.11 The central government decides to halt new employment (with certain exemptions) in the central administration until the end of 1982.

30.11 'Nationalbanken' lowered the official discount rate by 1 percentage point to 10%.

Federal Republic of Germany (D)

None.

Greece (GR)

2.11 The Government took the following measures to encourage the development of exports:

- (i) refunds on exports for small- and medium-sized firms will be made immediately for at least 80% of the amount;
- (ii) exporting firms will be granted financing at an advantageous interest rate (10.5%) on three-month loans which may be prolonged if a longer period has been agreed for settlement;
- (iii) exporting firms' expenditure will be exempt from tax up to an amount equivalent to 3% of the annual value of their exports; no documentary evidence of such expenditure will be required.

3.11 The Minister of the National Economy announced seven major industrial programmes to be launched imminently, for a total of DR 43 000 million. The investments, part of the five-year economic development plan (1983-87) in course of preparation, are intended to revive and restructure the Greek economy, and to help control unemployment. The seven programmes relate to the following sectors: metallurgy, coke and oil, fertilizers, ship-breaking and scrap metal, lignite, ore extraction and data-processing. The Minister also said that the public investment programme for 1983 would represent a real increase of 15 to 16% in relation to 1982.

France (F)

6.11 An amendment to the Finance Act for 1983, intended to encourage productive investment, was presented to Parliament. It introduces an option for firms to write off 30 to 40% of an investment in the first year. This system would

replace that introduced in 1979 and reapplied, with slight changes, in the 1982 Finance Act. The rate of depreciation is still to be determined.

15.11 After negotiations, civil servants obtained a clause to safeguard purchasing power in 1982 and 1983 for annual salaries up to FF 250 000. They will receive an increase of 18% over two years.

17.11 The Council of Ministers adopted the 1983 investment programme for nationalized companies in the competitive sector. The programme totals FF 27 000 million, which represents an increase of 50% over two years. The firms involved will receive a capital endowment of FF 7 000 million from the State, and contribute FF 20 000 million to financing the programme.

17.11 On 30 November the State will float a seven-year loan of FF 10 000 million at 15.30%, with an option for the bearer to extend the maturity to ten years.

18.11 The employers' organizations gave official notification of their refusal to renew the convention governing unemployment insurance (UNEDIC).

20.11 The National Assembly adopted the draft budget for 1983.

22.11 From 1 January 1983, wage and salary earners retiring on a bridging pension will receive only 55 to 65% of their net wage (instead of 75% at present). This measure will not apply retroactively.

24.11 The Government definitively adopted the amount to be economized to retrieve the financial situation of the UNEDIC. Unemployment benefits would be reduced by about FF 12 000 million.

Ireland (IRL)

None.

Italy (I)

9.11 New exchange-control measures were enacted. They oblige importers and exporters to contract foreign-currency financing with an approved bank for advance or deferred payments:

- (i) advance settlement for imported goods and services for an amount exceeding LIT 5 million must be made wholly by means of a foreign-currency loan;
- (ii) exported goods invoiced in foreign currency for an amount exceeding LIT 5 million are subject, when settlement is made 360 days after dispatch, to a compulsory foreign-currency loan of 70% of the amount involved. The foreign currency must be converted immediately into lira with the Italian Foreign Exchange Office.

15.11 Interest rates on Treasury bonds were increased; the yield from 3-month bonds issued on this date was 19.54%, compared with 18.04% previously.

Luxembourg (L)

17.11 The tripartite steel conference reached agreement on a series of measures, in particular a reduction in working hours accompanied by a wage cut. All wage-earners will be granted 12 days' extra unpaid holiday in 1983 and in 1984. The rate of the wage cut is a function of the monthly wage: from 4.6% for wages below LFR 50 000 a month to 24.6% for wages over LFR 300 000, with an average of 6%. The option of retiring on a bridging pension in 1983 and 1984 was also agreed for workers aged 57, as was further assistance to the DAC (anti-crisis division) amounting to LFR 450 million in 1982 and LFR 600 million in 1983 and a reduction in DAC staff of 1 500 in 1984.

Netherlands (NL)

8.11 The Nederlandsche Bank reduced the discount rate and the rates on advances and promissory notes by half a point. The new rates are: discount rate: 5.5%; advances: 6%; promissory notes: 6.5%.

19.11 The central employers' and workers' organizations reached an agreement enabling the two sides of industry to suspend wage indexations on 1 January 1983, by branch or by firm, with a corresponding reduction in working hours. The Government gave up plans for a wages and prices freeze.

United Kingdom (UK)

8.11 The Government announced a number of economic policy measures and presented revised public expenditure plans for the financial year 1983-84. The main economic measures were:

- a further reduction in the level of the National Insurance Surcharge (a form of payroll tax paid by companies) to 1½% in 1983, following an effective average level of 2% in 1982-83;
- an increase in April, in both employers' and employees' national insurance contributions.

Overall, the measures are estimated to increase public sector borrowing by about UKL 400 million in 1982-83 and UKL 1 000 million in 1983-84. The revised planning total for public expenditure in 1983-84, at UKL 120 100 million (cash terms) is less than the level foreseen at the time of the March 1982 budget. After allowing for a further reduction in taxation or increase in expenditure of UKL 1 000 million, the Public Sector Borrowing Requirement for 1983-84 is estimated to be UKL 8 000 million, 2¾% of GDP.

15.11 The Government announced 10 new enterprise zones and the extension of two existing zones.

