

EUROPEAN ECONOMY

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

Supplement A — No 8-9 — August-September 1983

Economic trends

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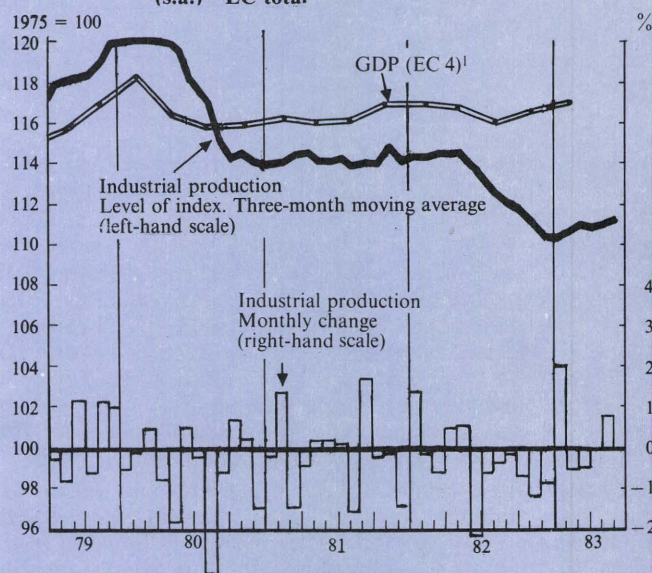
Slow improvement of the economic climate in the Community.

The slow cyclical recovery which has been under way in the Community since the fourth quarter of 1982 continued through the second quarter of 1983 but remains much more timid than in earlier cyclical upturns. Real gross domestic product which rose at 1,8% annual rate from the fourth quarter of 1982 to the first quarter of 1983 may, according to preliminary estimates, have expanded at about the same rate in the second quarter. The trend in industrial production has been rising—albeit modestly—since the beginning of 1983 and unemployment shows signs of levelling off. The slowdown of inflation seems to have been brought to a halt in the early summer months, presumably, to a large extent, as a result of the rise in the cost of imported goods following the depreciation of European currencies against the US dollar. Currency movements may also be one of the factors behind the failure of the Community's trade balance to improve since March 1983. The distribution of trade balances within the Community has, however, continued to improve. The monetary expansion in the Community remained higher than the growth of nominal GDP but the interest rate margin for the Community on average over the dollar has narrowed considerably as a consequence of the increase in short-term interest rates in the United States since the spring. The upward movement of the dollar therefore continued in August.

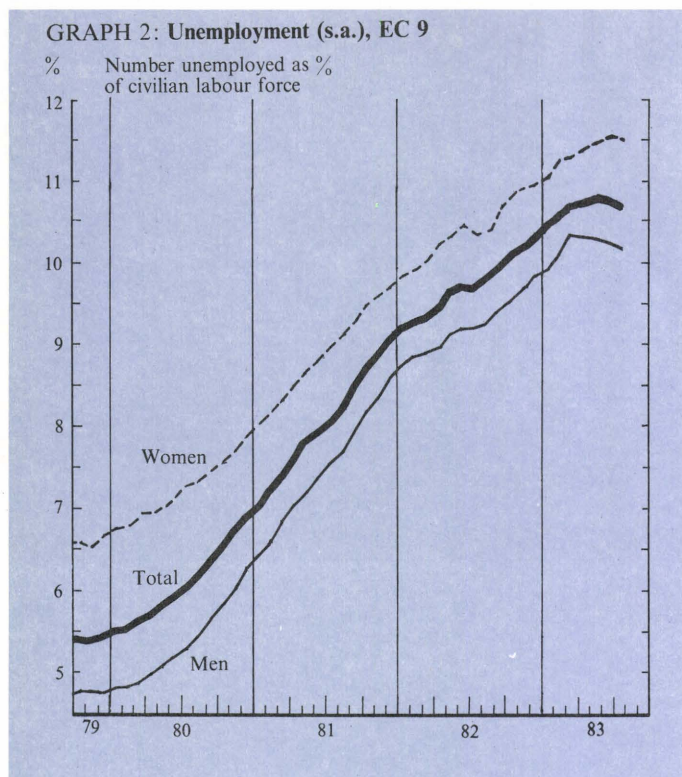
Slightly improved trend of industrial output. — After increasing by 0,8% from April to May of this year, the seasonally adjusted index of industrial output in the Community remained stable in June (Table A.1). However, the trend as expressed by the three-month moving average of the seasonally adjusted index improved slightly. This confirms that, on the whole, the recovery is still more hesitant in Europe than in the United States, where industrial output increased by 1,1% in June after 1,3% from April to May. The Community figure for June results from figures available for seven countries, comprising reductions in the index for France (−2,3%), Italy (−2,6%), Luxembourg (−4,6%), the Netherlands (−3,7%) and the United Kingdom (−2,1%), and increases for Germany (+2,9%) and Denmark (+1,8%). Industrial output indices for the first half of 1983 have been somewhat irregular in several countries.

The Community index of industrial output is 0,4% down on that for June 1982, in contrast to the increase of 6,3% for US output over the same period. Increases over twelve months occurred in four countries: Denmark (+1,4%), Germany (+2,4%), Ireland (+0,8%) and the United Kingdom (+0,8%); apart from the Netherlands, where the index is identical to that of a year earlier, all the other countries show reductions ranging from 1,5% in France to 6,8% in Greece.

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



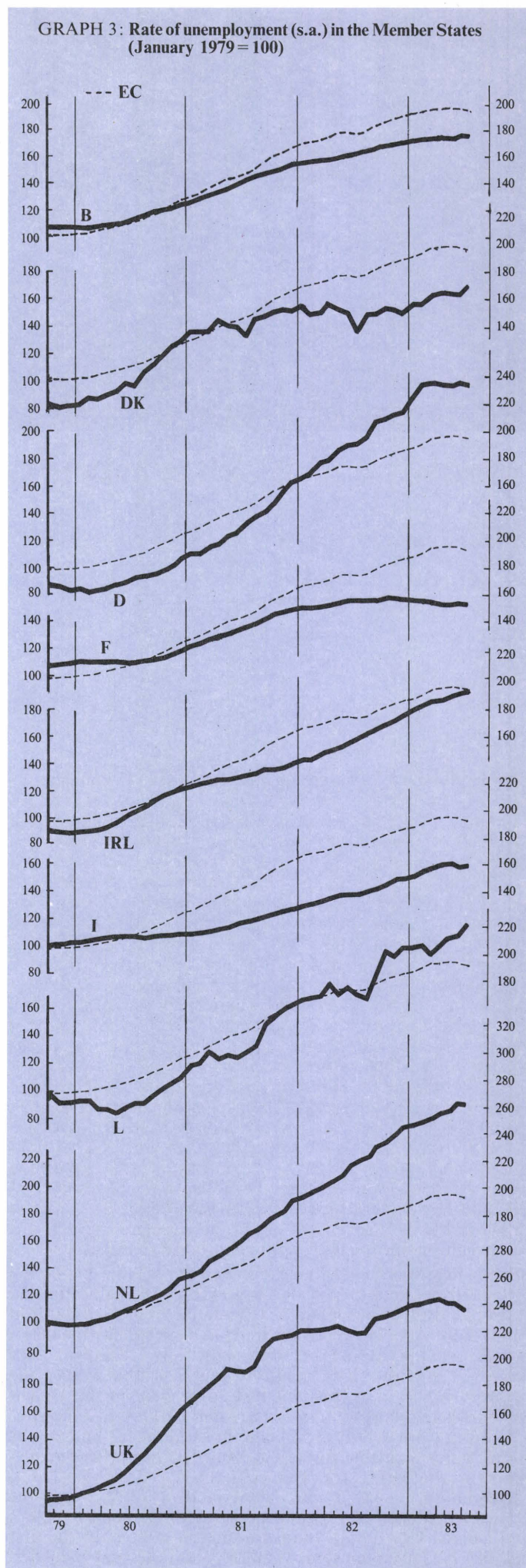
¹ France, Germany, Italy and UK; quarterly figures



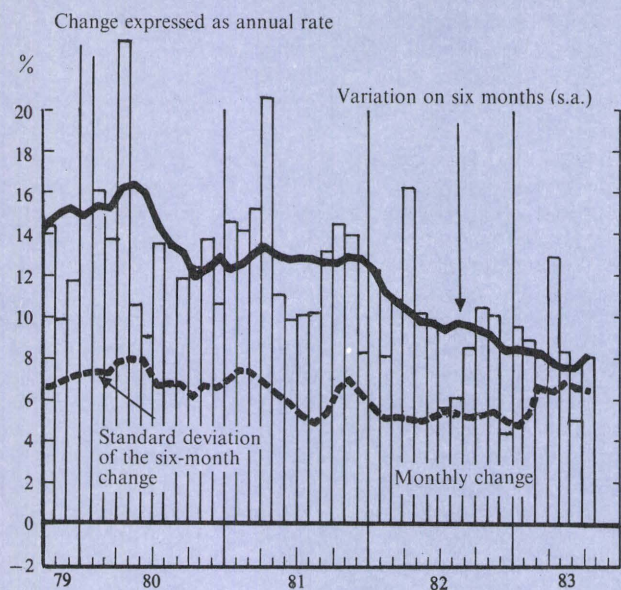
Unemployment stabilises. — Unemployment in the Community seems to have reacted favourably to the combined effects of incipient recovery and—most probably—the specific anti-unemployment measures in certain Member States. The seasonally-adjusted rate of unemployment, the number of unemployed as a percentage of the civilian labour force, remained unchanged at 10,7% from March to June and then declined by one tenth of a point in July (see Table A.2). However, this stable aggregate rate masks divergences between the trends of male and female unemployment over the past few months: the rate of male unemployment began to decline in March (although the rapid climb in earlier months should be borne in mind), and the developments observed in July merely continue the same trend; female unemployment, on the other hand, went on rising until June. The decline observed in July was the first sign of change in the trend since the temporary drop of mid-1982. It is still too early to judge whether the July results constitute a temporary phenomenon or a change in the underlying trend.

The decline in aggregate unemployment in the Community in July resulted from a fairly pronounced drop in the United Kingdom, a slighter reduction in Belgium and stable or steadily rising rates in the other Member States. For the United Kingdom, where the trend has been declining since April, the unemployment rate fell from 12,1% in June to 11,9% in July (see Graph 3). In Belgium, the seasonally adjusted rate of unemployment had expanded considerably in June, so that the July result cannot yet be hailed as the sign of a new trend. However, the expansion of unemployment has been losing momentum in comparison with 1982 even in Belgium. In Denmark, where the trend has been strongly rising since the beginning of the year, unemployment once more expanded sharply in July. The German rate has been practically stable at 8,5% since February, while the French rate has changed little since the second quarter of 1982. In both Ireland and the Netherlands, unemployment continued to expand rapidly from January to July 1983; while it seems to have stabilised in Italy and Luxembourg since the beginning of the year after increasing rapidly during 1982.

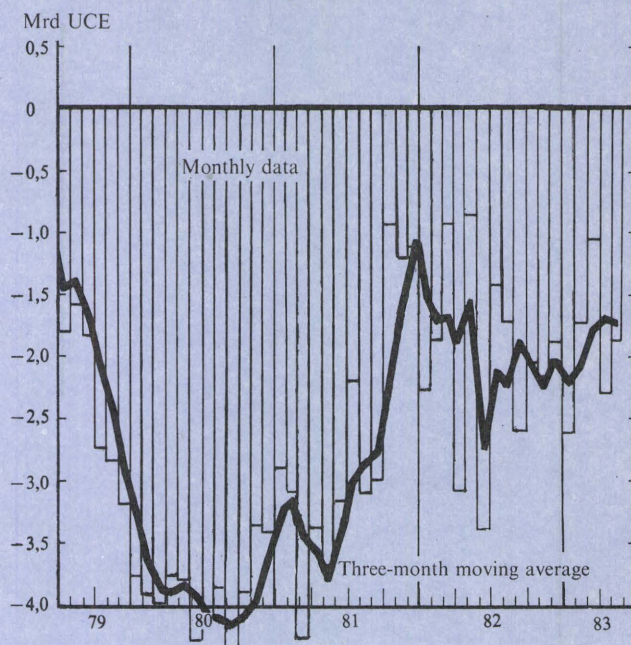
Retail sales highly irregular. — The recent trend of the seasonally adjusted Community index of retail sales in volume has continued to be very variable. After increasing by 4,8% from February to March, and declining by 5,7% from March to April, the overall index increased by 1,8% in May (Table A.4). The Community index was 1,6% up on that for the same month of



GRAPH 4: Consumer prices EC 10



GRAPH 5: Trade balance (s.a.) EC 9



1982, with the fairly marked rises in Denmark (+3,1%), Germany (+6,8%), Greece (+7,1%) and the United Kingdom (+6,2%) being partially offset, for the Community as a whole, by reductions in the other Member States.

Fall in inflation loses momentum. — The index of consumer prices in the Community rose by 0,4% in June and 0,6% in July. These monthly rates are lower than those recorded earlier in the year, but the slowdown is principally seasonal in nature. The trend rate, estimated as the seasonally adjusted change over six months at an annual rate, actually picked up marginally over the summer. This upward movement of the trend is mainly attributable to the effects of the depreciation of the ECU against the dollar since the beginning of 1983 (see below) and more recently to rising food prices due to climatic conditions. Some fall in the divergence of inflation rates in the Community (measured as the standard deviation of the seasonally adjusted six-month trend rate) was registered in both months as the trend in prices in the higher inflation countries (Greece and Italy) eased, while it picked up in countries with lower rates (Netherlands and the United Kingdom, and in August in the Federal Republic of Germany). The spread of inflation rates over twelve months now ranges from 18,7% in Greece to 2,5% in the Federal Republic of Germany with the Community average standing at 8,4% in August, slightly above the 8,2% figure in July which was the lowest recorded for nearly five years.

Reduction of trade imbalances within the EC. — The deficit on the Community's visible trade balance (seasonally adjusted) in May was reduced to ECU 1 866 million from a 2 302 million deficit the previous month (Table A.5). The trend, as measured by the moving three-month average of the monthly observations, remained close to the level of March and April suggesting that the improvement which took place in the early months of the year may have come to a temporary halt. Nevertheless, the Community's trade deficit now has been brought down to only about two-fifths of the most recent peak of some ECU 4 000 million (at monthly rate) reached in 1980 (Graph 5).

While the Community's trade deficit with the rest of the world has changed only little in recent months, there has been a predominant, although not universal, tendency towards reduction in both deficits and surplus within the Community. Among the four major Member States, *Germany* increased its trade surplus considerably in May and somewhat further in

June (to ECU 1 748 million s.a.). However, since the month of January—where the trend value of the trade surplus (calculated as above) reached a peak—the surplus has been on the downturn again and is now approximately back to the level of the beginning of 1982 (Graph 6.A).

In *France*, on the other hand, the trade balance seems to have reacted vigorously to the stabilisation measures taken in late 1982 and, notably, in March 1983: in June the trade deficit, after a relatively unfavourable result in May, was brought down to ECU 1 243 million s.a. or about the same as in April. The trend value of the deficit (the three-month moving average (Graph 6.A) has now been reduced to close to ECU 1 400 million, down almost ECU 1 000 million from the peak in January 1983 and equivalent to the average level of 1981. The French trade deficit, however, is still considerably higher than before the second oil price shock in 1979.

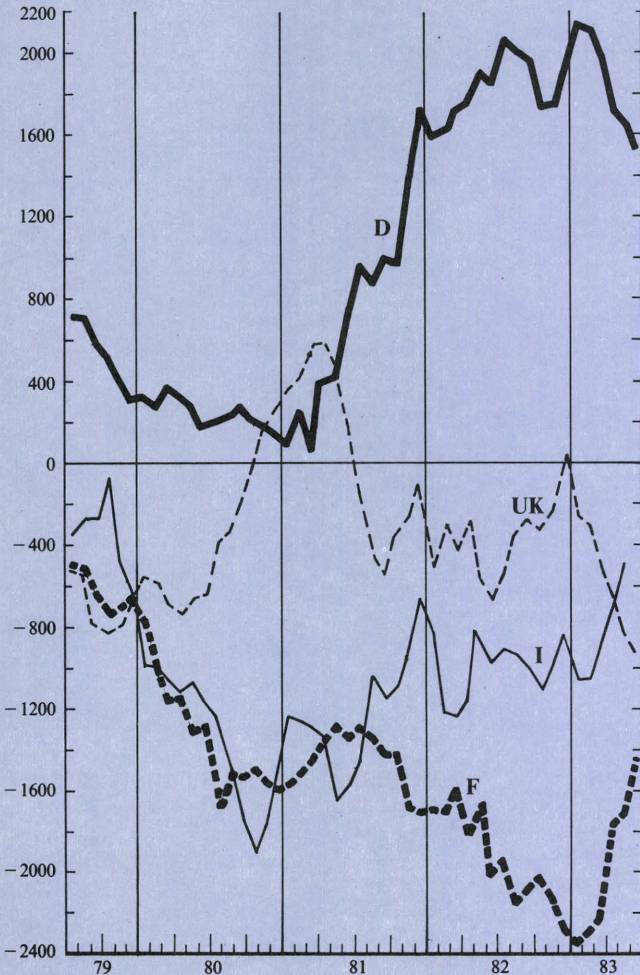
In *Italy* where the month of April had shown a much larger deficit than the previous two months, the May result was somewhat more favourable. The trend seems to exhibit a less pronounced tendency towards improvement than 1981, but month-to-month fluctuations are still too large to allow a firm judgement.

In the *United Kingdom* the trade deficit s.a. was somewhat reduced in June—to ECU 600 million from 1 210 million in May. The deterioration in the trend continued, however, with the three-month moving average exceeding ECU 900 million as compared with approximate equilibrium in December 1982. Among the remaining countries the *Belgium-Luxembourg Economic Union* seems to have experienced some deterioration in its trade balance in recent months but the position remains substantially stronger than a year ago. The same is the case for *Denmark*, although also in this country the trend has shown a more hesitant development. The second quarter of 1983, in particular, showed a slightly higher deficit than seen in the first quarter. In *Greece*, on the other hand, the trade deficit was very large in June (ECU 688 million) and the trend value reached ECU 555 million or not far from the average value of 1982. The marked devaluation of the Drachma in January 1983 thus does not seem to have so far led to an improvement in the balance of trade. In *Ireland*, the trade deficit widened in May but the trend remained more favourable than at any point since 1978 (in current ECU), and the *Netherlands* in May recorded large trade surplus—ECU 425 million—with the trend appearing to be improving again after the weakening in 1982.

GRAPH 6: Visible trade balance

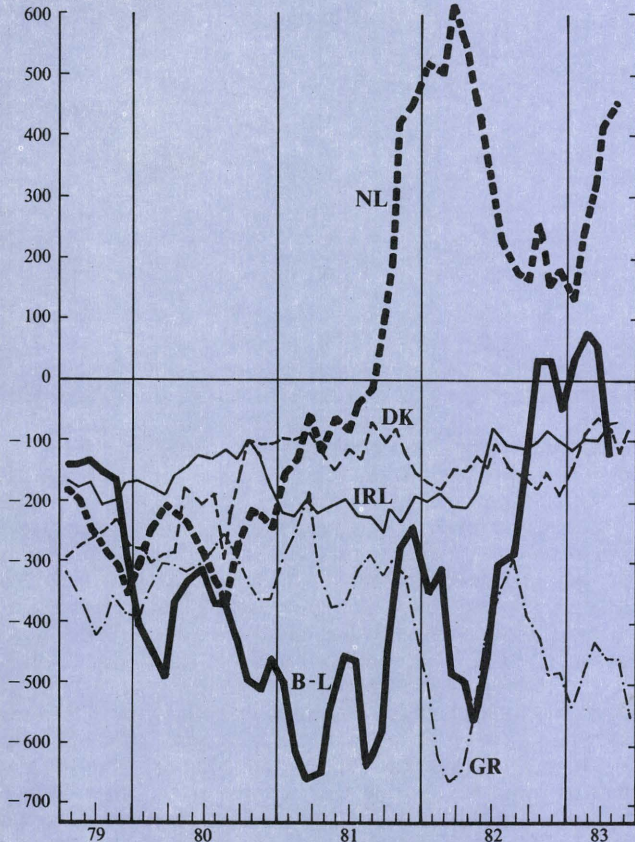
A: Germany, France, Italy, United Kingdom

ECU 1000 million



B: Belgium-Luxembourg, Denmark, Ireland, Netherlands, Greece

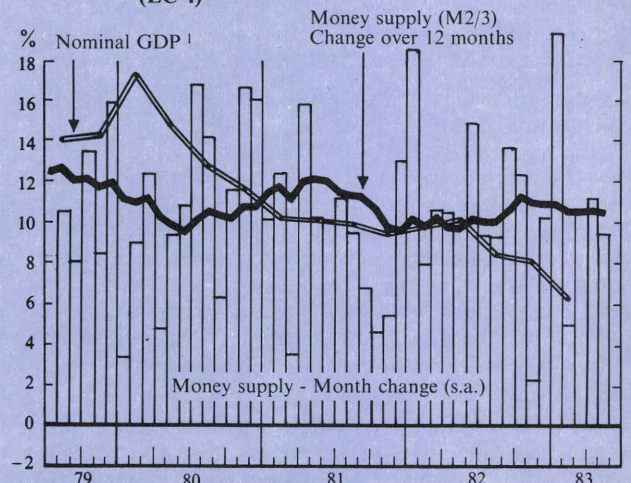
ECU 1000 million



Slightly slower monetary expansion in second quarter. — After rising by 2,8% between the fourth quarter of 1982 and the first quarter of 1983, the Community's money supply, in seasonally adjusted terms, seems to have expanded slightly more slowly in the second quarter of 1983. This result is mainly due to the considerably slower rate of expansion in Germany, where money supply M3 expanded by only 1,1% in the second quarter, compared with 3,3% in the first. However, expansion was relatively rapid in Germany in June (0,7%) and July (0,9%), mainly because of fairly marked growth in bank lending to the economy. In July, German money supply (M3) was 6,8% up on the figure for a year previously, and in August, central bank money (Zentralbankgeld) was 8,5% up on a year previously. Monetary growth was once more fairly strong in France in the second quarter (2,7% seasonally adjusted), probably because the external counterpart expanded following the alignment of European Monetary System central rates in March, while in Italy the growth rate of money supply (M2) was slightly faster in April and May (June figures are not available) than during earlier months. Seasonally adjusted monetary expansion in the United Kingdom amounted to 3,9% during the second quarter. Over the twelve months to July, the growth rate was 12,2%, which is outside the target range of 7% to 11%. Among the other Member States, Denmark recorded particularly rapid growth in M2 over the first half-year, and a rate of 20,8% in the twelve months to July—even higher than the rates observed in Greece (19,0%) and Italy (16,7%). Monetary growth has been fairly rapid even in the Netherlands, with a rise of 8,7% in the twelve months to March.

Reduction in interest-rate differential between Europe and the USA. — The short-term US interest rate remained stable from July to August at 9,3%, a rate well above last February's figure of 7,9%. The average Community short-term interest rate increased during the summer from 10,3% in June to 10,5% in August, but it is still much lower than at the beginning of 1983. The differential between the average Community rate and the US rate was thus 1,2 points in August, compared with 2,5 points last February and over 4 points in September 1982 (see Table A.7 and Graph 8). The recent rise in the average Community rate is mainly due to the increase in Germany following the alignment of EMS central rates in March. Before the alignment, the short-term rate in Germany was kept very low to discourage demand for marks on exchange markets; the subsequent increase largely reflected a return to a more normal differential between the rate for the mark on the one hand, and the dollar and average Community rates on the other. A more balanced structure of interest rates was restored as the short-

GRAPH 7: Money supply (EC total) and nominal GDP (EC 4)



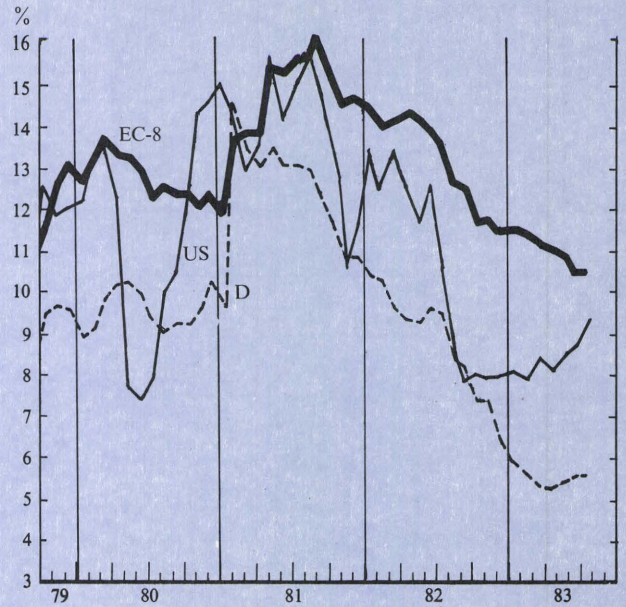
¹ Change over the same quarter of previous year.

term rate declined considerably in Belgium (by 3 points from March to August), the United Kingdom (by 1,1 points), Greece (by 3,1 points) and Italy (by 1,8 points), while in the Netherlands the rate rose to 6,3% (2 points above the March figure) in August after falling in June. In France, an exception to the general trend, the short-term rate has fallen only slightly since February, probably because the sharp rise in short-term Eurofranc rates prior to the alignment was not passed on to the domestic money market. The short-term rate declined in Denmark in August after rising in July; the August level of 7,1% was only a fraction of the rate observed at the beginning of 1983. The differential between long-term rates in the Community and the USA also narrowed: a 0,5 point increase in July brought the long-term US rate to 11,1%, only 1,1 points below the Community average of 12,2%, which remained unchanged from June to July (see Graph 9). Among the Member States, long-term rates in July were higher than those recorded in March only in Germany, Greece and the Netherlands.

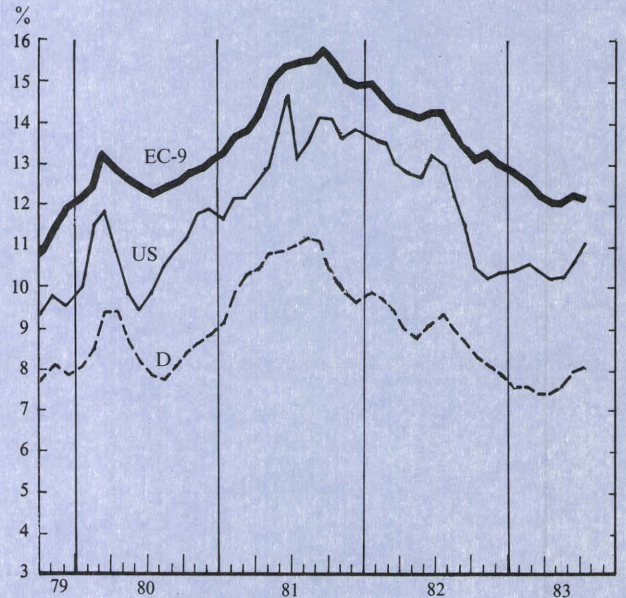
Further rise in the dollar and the yen. — The average value of the US dollar against the ECU rose by 3,2% between July and August. In comparison with the level of August 1982 the value of the dollar in August 1983 was up by 11,7%. The movements during the month were somewhat irregular with a decline in the second week followed by a sharper upturn towards the end of the month (and a levelling-off in early September). The yen rose by 1,5% against the ECU between July and August with the appreciation over 12 months as high as 18,2%. The August appreciation of the yen, however, was wholly a reflection of the trend during July. In fact, like the dollar, the yen declined somewhat during the second week of the month and subsequently remained rather stable. Sterling was steady against the ECU during August, but on average for the month nevertheless, showing a certain rise as reflection of the rise during July. The value of the Drachma depreciated somewhat. Within the European Monetary System the IRL was the strongest currency up to the last week of the month when it was replaced by the FF. The DM which, together with the FB, had been close to the lower intervention limit during the summer, strengthened somewhat towards the end of August as did, in fact, also the DKR and the HFL in the middle of the band (Table A.9).

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GRAPH 8: Short-term interest rates



GRAPH 9: Long-term interest rates



GRAPH 10: Exchange rates
Value of USD, yen and some EC currencies in ECU

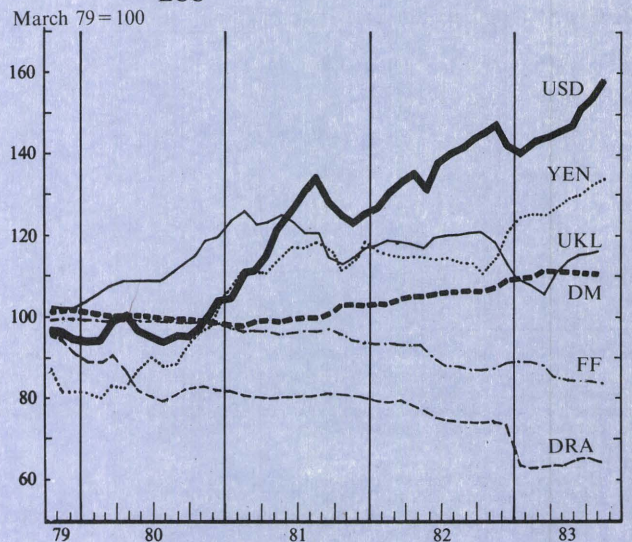


TABLE A.1: Industrial production¹ - Percentage change on preceding period (s.a.)

	1978	1979	1980	1981	1982	1982			1983		1982 Dec.	1983						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	2.4	4.3	-1.0	-2.9	-0.2	0.8	-1.1	-0.1	1.1	:	-4.3	6.4	-0.7	0	0	-1.0	:	-2.0
DK	2.3	3.6	0.2	0.3	2.4	2.4	-3.1	1.2	1.4	2.0	0	-2.2	0.8	2.0	-3.6	5.3	1.8	1.4
D	2.0	5.5	-0.8	-1.4	-2.8	-0.9	-3.7	-1.9	2.0	2.9	-1.0	2.0	0	1.9	-1.0	1.0	2.9	2.4
GR	7.5	6.0	0.9	-0.6	-4.2	-3.8	-4.4	2.4	2.4	:	-2.7	4.8	-1.9	-0.1	0.5	-4.8	:	-6.8
F	1.6	4.7	-0.7	-2.3	-1.5	0.5	-2.3	0.8	0.8	0	0.6	1.6	0	0	0	2.3	-2.3	-1.5
IRL	7.7	6.9	-1.8	1.4	0.4	1.5	-1.1	0.8	4.4	:	-1.1	7.5	-2.1	-0.4	-2.1	-0.1	:	0.8
I	2.1	6.7	5.0	-2.2	-2.6	-3.1	-4.7	-0.7	0.6	-4.6	-2.3	0.2	2.2	-1.8	-4.8	2.6	-2.6	-5.8
L	3.2	3.4	-3.3	-6.8	-3.7	-4.7	-0.1	-4.2	-1.2	2.6	-8.9	9.6	1.5	-4.2	9.1	-3.3	-4.6	-6.3
NL	0.9	2.8	0	-1.8	-2.7	-3.0	-3.1	0.3	2.9	0	2.9	0.9	1.9	-2.8	1.9	0.9	-3.7	0
UK	3.4	3.8	-6.5	-4.0	0.7	0.5	0	-0.4	1.9	-0.3	2.2	0.4	1.6	-1.3	0.4	0.6	-2.1	0.8
EC 10	2.5	4.9	-0.9	-2.2	-1.6	-0.1	-1.8	-1.7	0.7	(0.2)	-0.8	2.0	-0.4	-0.3	0	(0.8)	(0.0)	(-0.4)
USA	6.1	4.7	-4.5	2.5	-8.5	-1.2	-0.3	-2.3	(2.9)	(4.7)	0.4	1.6	1.1	(1.3)	(1.9)	(1.3)	(1.1)	(6.3)
JAP	6.3	8.4	7.1	3.2	1.1	-1.2	0.5	-1.2	0.9	(1.6)	-1.0	0.4	-0.6	(1.1)	-0.2	(0.2)	(1.0)	(1.9)

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

	1978	1979	1980	1981	1982	1982			1983		1982 Dec.	1983						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	(8.1)	(8.4)	(9.1)	(11.2)	(13.1)	12.9	13.4	13.8	14.2	14.3	14.1	14.2	14.2	14.2	14.2	14.5	14.4	9.4
DK ³	6.5	5.3	6.1	8.3	8.9	9.0	9.0	9.0	(9.5)	(9.7)	9.3	9.3	(9.7)	(9.8)	(9.7)	(9.7)	(10.1)	(14.0)
D	3.8	3.3	3.3	4.7	6.8	6.8	7.2	7.7	8.4	8.5	8.2	8.5	8.6	8.5	8.5	8.6	8.6	25.3
F	5.2	6.0	6.4	7.8	8.8	8.9	9.0	9.1	9.0	8.9	9.0	9.0	8.9	8.9	8.9	8.9	8.9	-0.3
IRL	8.4	7.4	8.3	10.2	12.5	11.9	12.6	13.4	14.2	14.8	13.9	14.2	14.5	14.6	14.8	15.0	15.0	23.0
I	7.1	7.5	8.0	8.8	10.5	10.4	10.6	11.2	11.7	11.9	11.4	11.7	11.8	12.0	12.0	11.8	11.9	13.9
L	0.7	0.7	0.7	1.0	1.3	1.2	1.2	1.4	1.5	1.5	1.5	1.5	1.5	1.4	1.5	1.5	1.6	35.0
NL	(5.4)	(5.5)	(6.2)	(8.8)	(11.7)	11.4	12.1	13.0	13.5	14.0	13.4	13.5	13.7	13.8	13.9	14.3	14.3	21.8
UK	5.3	4.9	6.3	9.6	11.2	11.2	11.2	11.8	12.1	12.2	12.1	12.1	12.2	12.3	12.1	12.1	11.9	5.9
EC 9	(5.4)	(5.5)	(6.1)	(7.9)	(9.6)	9.5	9.7	10.1	10.5	10.7	10.3	10.5	10.7	10.7	10.7	(10.7)	(10.6)	(11.5)
USA	6.0	5.8	7.1	7.6	9.7	9.4	10.0	10.7	10.4	10.1	10.4	10.4	10.3	10.2	10.1	10.0	(9.5)	(-3.1)
JAP ⁴	2.2	2.1	2.0	2.2	2.4	2.4	2.4	2.7	2.4	2.8	2.7	2.7	2.6	2.7	2.7	2.9	:	10.2

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

	1978	1979	1980	1981	1982	1982			1983		1982 Dec.	1983						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	4.5	4.5	6.6	7.6	8.7	2.3	2.5	1.9	1.7	1.3	1.2	0.6	0.4	0.3	0.5	0.6	1.0	7.5
DK	10.0	9.6	12.3	11.7	10.1	2.4	2.6	2.5	0.8	1.5	0.8	0.2	-0.2	0.7	1.1	0.3	0	6.2
D	2.7	4.1	5.5	5.9	5.3	1.4	1.1	0.7	0.5	0.6	0.2	0.1	-0.1	0.2	0.4	0.4	0.4	2.5
GR	12.5	19.0	24.9	24.5	21.0	7.0	1.6	5.6	5.4	6.9	0.8	1.9	4.8	1.7	1.8	0.1	-0.9	18.7
F	9.1	10.7	13.6	13.4	12.0	3.1	1.4	1.9	2.6	2.8	0.9	0.7	0.9	1.3	0.7	0.5	0.9	9.5
IRL ⁵	7.6	13.2	18.2	20.4	17.2	5.8	2.1	1.6	2.5	2.8	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	:	:	9.2
I	12.1	14.8	21.2	19.5	16.4	3.0	4.1	4.5	3.6	2.9	1.5	1.3	0.9	1.0	0.9	0.6	1.0	15.2
L	3.1	4.5	6.3	8.1	9.4	2.0	2.9	2.5	2.0	0.9	1.2	0.3	0.2	0.3	0.5	0.3	1.5	8.1
NL	4.2	4.3	7.0	6.8	6.0	1.6	0.8	0.9	0	0.7	0	0.2	0.2	0.4	0.1	0.1	0.5	2.6
UK	8.3	13.4	18.0	11.9	8.6	3.2	0.5	0.7	0.5	2.0	0.1	0.5	0.2	1.4	0.4	0.2	0.5	4.2
EC 10 ⁷	7.7	10.4	14.3	12.9	11.0	2.9	1.8	2.1	2.0	2.3	0.8	0.7	0.7	1.0	0.6	0.4	0.6	8.4
USA	7.6	11.3	13.5	10.3	6.2	1.5	1.9	0.2	0	1.3	0.2	0	0.1	0.7	0.5	0.3	:	2.6
JAP	3.8	3.6	8.0	5.0	2.6	1.0	0.4	0.9	-0.4	1.1	0.2	-0.4	0.6	0.4	1.1	-0.7	:	1.9

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

	1978	1979	1980	1981	1982	1982			1983		1982 Dec.	1983						Change over 13 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	2.3	3.9	1.2	-3.3	-1.3	-1.4	0.3	0.9	-4.2	:	6.0	-7.9	-0.5	-0.3	-4.7	-0.7	:	-7.4
DK	-2.4	2.2	-1.5	-0.6	1.5	2.0	-2.1	-0.2	2.6	-2.6	-0.9	-0.4	0.5	7.4	-11.1	4.8	3.5	3.1
D	2.8	2.6	0.3	2.6	-2.7	-1.6	-1.2	-0.6	2.3	0.4	0.4	-1.9	1.5	8.2	-8.1	1.8	5.9	6.8
GR	4.9	-2.1	-3.5	-3.3	-3.7	-3.7	0.3	1.9	-0.7	:	-8.2	11.4	-7.5	-2.3	-6.0	17.0	:	7.1
F	2.1	2.3	-0.4	0.7	1.8	-0.2	-1.7	2.7	-0.1	-4.0	2.5	-3.7	1.3	4.7	-8.7	2.9	-0.9	-4.3
IRL	8.7	3.3	-0.7	-0.7	-5.4	-2.6	-2.1	3.1	-1.5	:	2.8	-3.5	11.1	-19.1	1.8	:	:	-14.2
I	2.6	7.3	2.7	2.2	4.6	3.0	-2.5	1.9	-1.3	:	2.5	-6.0	0.4	6.6	-6.2	1.3	:	-1.3
NL	4.7	-0.3	-4.1	-4.8	-3.1	0.6	0.7	-0.2	0.4	:	4.0	-5.2	3.3	3.7	-2.5	:	:	-1.1
UK	5.5	4.3	0	1.2	2.6	0.2	2.0	1.4	0.5	2.3	1.9	-1.8	0.9	0.7	0.9	0.7	0.3	6.2
EC 9 ⁶	3.2	3.4	0.2	-0.5	0.7	0	-0.8	1.1	0.3	:	2.0	-3.7	1.2	4.8	-5.7	(1.8)	:	(1.6)
USA	3.4	0.2	-5.8	1.4	-3.2	0.4	-1.7	2.5	0.4	:	0.4	-0.4	-1.3	2.2	1.0	1.6	:	2.3
JAP	4.4	5.5	-0.2	-2.8	-4.0	-1.7	-1.2	0.8	-1.2	:	0.4	-0.1	-2.1	-0.2	:	:	:	-4.2

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

	1978	1979	1980	1981	1982	1982			1983		1982 Dec.	1983						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B/L	-2890	-2064	-4993	-5418	-3082	-1388	-343	-133	170	:	-83	553	-231	-152	19	-132	:	297
DK	-2198	-3022	-2116	-1475	-1866	-413	-445	-571	-174	-240	-269	6	0	-179	-40	-137	-63	66
D	15967	8939	3615	11239	21599	5542	5872	5718	5945	4614	2481	1971	1905	2069	1197	1669	1748	-365
GR	-3340	-4162	-3853	-3951	-5826	-1295	-1163	-1457	-1270	-1664	-587	-463	-386	-422	-582	-395	-688	-373
F	-4081	-6194	-16948	-17283	-24457	-6043	-6243	-6850	-6095	-4301	-2924	-2019	-2005	-2072	-1198	-1860	-1243	1436
IRL	-1137	1947	-1893	-2467	-1574	-353	-332	-300	-298	:	-115	-97	-82	-119	-6	-70	:	28
I	-319	-3893	-15307	-13554	-12513	-2909	-2968	-2502	-2651	:	-775	-1697	-675	-280	-1136	-29	:	918
NL	-2198	-2622	-2981	1320	3500	1039	523	548	944	:	312	119	301	524	413	425	:	69
UK	-5588	-7998	-3353	-446	-3295	-1943	-810	118	-2182	-2781	336	-1187	-692	-303	-971	-1210	-600	141
EC 10 ⁷	-5782	-22962	-47829	-32034	-27515	-8531	-6015	-6077	-5396	:	-1869	-2632	-1727	-1036	-2302	-1866	:	-283
USA	-31014	-27146	-26113	-35538	-43518	-7076	-14131	-13727	-11374	-18045	-3829	-3711	-3793	-3870	-4974	-7515	-5556	-2176
JAP	14285	-5574	-7707	7832	7034	2519	2061	1097	4385	:	387	1213	1674	1498	2422	:	:	1879

Source: For the Community countries: Eurostat,

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

	1978	1979	1980	1981	1982	1982			1983		1983							Change over 12 months % ²
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B (M2)	9,6	6,2	2,7	5,9	5,9	2,0	3,1	0,0	-0,2	..	..	..	..	..	..	..	..	5,0
DK (M2)	8,6	10,6	7,8	9,0	11,5	2,5	3,1	2,5	6,1	7,6	1,9	1,4	2,7	1,7	..	3,0	..	20,8
D (M3)	11,0	6,0	6,2	4,8	7,1	2,3	1,3	0,4	3,3	1,1	2,1	0,6	0,7	0,5	-0,1	0,7	0,9	6,8
GR (M3)	26,0	18,4	24,7	34,7	29,0	9,7	5,0	6,4	1,8	(4,6)	1,0	0,2	0,6	1,6	2,2	(0,8)	..	(19,0)
F (M2)	12,4	14,7	10,0	11,5	11,7	3,7	2,4	1,4	2,6	2,7	2,1	0	0,4	0,8	1,6	0,4	..	9,4
IRL (M3)	28,7	19,0	17,9	17,6	12,9	2,1	4,7	2,4	-0,9	1,7	-0,3	0,6	-1,2	0	2,1	-0,4	0,6	..
I (M2)	22,1	20,3	12,7	10,0	17,0	3,2	4,3	6,5	2,0	..	0,8	0,6	0,6	1,0	0,8	..	..	16,7
NL (M2)	4,2	7,0	3,8	5,3	8,8	1,7	1,6	-0,1	5,5	..	1,5	0	3,9	0,3	0,6	..	..	8,7
UK (£M3)	13,3	11,7	19,6	13,9	10,3	2,5	2,4	2,1	2,4	3,9	0,8	0,6	1,0	1,7	0,5	1,7	0,8	12,2
EC 10 ⁹	13,5	11,9	10,9	9,7	10,9	2,9	2,5	2,1	2,8	..	1,5	0,4	0,9	0,9	0,7	..	..	(10,4)
USA (M2)	8,3	8,8	9,6	10,0	9,1	2,0	2,8	2,2	5,6	2,2	2,5	2,0	0,9	0,2	1,1	0,9	..	13,4
JAP (M2)	13,1	9,1	7,2	11,0	8,0	1,7	2,6	1,4	1,5	..	0,2	0,7	0,6	-0,2	..	..	..	7,1

TABLE A.7: Short-term interest rates¹⁰

	1978	1979	1980	1981	1982	1982			1983		1983							Change over 12 months % ²
						II	III	IV	I	II	Feb.	March	April	May	June	July	August	
B	7,3	10,9	14,2	15,6	14,1	15,8	13,0	12,4	12,3	9,5	12,3	12,3	10,5	10,0	9,5	9,3	9,3	-4,6
DK	15,4	12,5	16,9	14,9	16,4	16,8	20,2	17,5	18,2	5,4	16,3	18,2	15,1	8,4	5,4	7,9	7,1	-4,3
D	3,7	6,9	9,5	12,3	8,8	9,5	8,0	6,4	5,3	5,6	5,7	5,3	5,3	5,5	5,6	5,6	5,9	-2,5
GR	..	..	11,0	16,8	20,2	22,9	23,0	15,8	19,6	14,0	19,3	19,6	22,4	22,3	14,0	16,8	16,5	-6,9
F	7,8	9,8	12,3	15,6	14,6	15,1	13,9	12,7	12,3	12,6	12,9	12,3	12,4	12,6	12,6	12,2	12,4	-1,9
IRL	9,9	16,0	16,2	16,6	17,5	19,9	15,4	15,5	17,3	13,7	14,2	17,3	15,1	14,7	13,7	13,8	13,4	-2,6
I	11,5	12,0	17,6	20,0	20,1	20,5	18,6	19,1	19,4	17,8	19,3	19,4	17,9	17,9	17,8	17,6	17,6	-2,0
NL	7,0	9,6	10,6	11,8	8,3	9,1	7,9	5,3	4,3	5,4	4,6	4,3	6,0	6,2	5,4	5,6	6,3	-1,8
UK	9,4	13,9	16,8	14,2	12,2	13,1	10,6	10,6	10,9	9,7	11,4	10,9	10,2	10,3	9,7	10,0	9,8	-1,1
EC 10 ⁹	7,7	10,3	13,4	15,0	13,2	14,0	12,4	11,4	11,1	10,3	11,4	11,1	10,3	10,8	10,3	10,4	10,5	-2,1
USA	7,4	10,1	11,6	14,0	10,6	13,3	7,8	8,1	8,6	8,7	7,9	8,6	8,1	8,6	8,7	9,3	9,3	0,9
JAP	4,4	5,9	10,9	7,4	6,9	7,2	7,0	6,9	6,7	6,2	6,6	6,7	6,3	6,1	6,2	..	..	-0,3

TABLE A.8: Long-term interest rates¹¹

	1978	1979	1980	1981	1982	1982			1983		1983							Change over 12 months % ²
						II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	8,5	9,7	12,2	13,8	13,5	13,6	13,2	12,7	12,5	11,6	12,5	12,6	12,5	11,6	11,6	11,6	11,4	-2,0
DK	16,8	16,7	18,7	19,3	20,5	21,2	21,2	19,4	14,7	14,3	18,0	15,6	14,7	13,5	13,7	14,3	14,5	-6,1
D	5,7	7,4	8,5	10,4	9,0	9,1	8,7	7,9	7,4	8,0	7,6	7,6	7,4	7,4	7,6	8,0	8,1	-1,2
GR	10,0	11,2	17,1	17,7	15,4	15,8	14,9	13,8	17,9	18,0	14,8	17,8	17,9	18,2	18,2	18,0	18,2	2,2
F	10,6	10,9	13,7	16,3	16,0	16,0	15,8	15,5	14,7	14,5	15,0	14,9	14,7	14,6	14,6	14,5	14,0	-1,9
IRL	12,8	15,1	15,4	17,2	17,0	18,6	15,2	14,5	14,0	13,6	14,9	14,3	14,0	13,6	13,5	13,6	13,8	-3,5
I	13,7	14,1	16,1	20,6	20,9	21,2	20,4	20,5	18,2	17,9	19,9	19,2	18,2	17,9	17,8	17,9	17,9	-3,4
L	6,6	6,8	7,4	8,6	10,4	10,7	10,5	10,9	10,4	9,8	10,7	10,4	10,4	10,4	10,2	9,8	9,3	-1,5
NL	8,1	9,2	10,7	12,2	10,5	10,9	10,4	8,4	8,0	9,7	7,8	8,1	8,0	8,7	9,2	9,7	9,3	-1,9
UK	12,6	13,0	13,9	14,8	12,7	13,6	11,1	11,0	10,8	10,5	12,0	11,2	10,8	10,6	10,4	10,5	11,2	-1,8
EC 10 ⁹	10,1	10,9	12,7	14,9	14,0	14,3	13,4	12,9	12,1	12,2	12,8	12,5	12,1	12,0	12,1	12,2	12,2	-2,0
USA	7,9	8,7	10,8	12,9	12,2	13,2	11,5	10,3	10,3	10,6	10,4	10,6	10,3	10,2	10,2	10,6	11,1	-1,9
JAP	6,1	7,7	9,2	8,7	8,1	8,5	8,4	7,5	7,6	..	7,8	7,5	7,6	7,5	7,6	..	..	-0,1

TABLE A.9: Value of ECU — 1 ECU = ... units of national currency or SDR

	1978	1979	1980	1981	1982	1982			1983		1983							Change over 12 months % ²
						II	III	IV	I	II	Feb.	March	April	May	June	July	August	
BFR/LFR	40,06	40,17	40,60	41,29	44,68	45,11	45,19	45,45	44,87	45,22	45,03	44,52	44,96	45,27	45,43	45,54	45,68	1,2
DKR	7,02	7,21	7,83	7,92	8,15	8,13	8,22	8,21	8,09	8,08	8,10	8,09	8,02	8,09	8,14	8,17	8,20	-0,2
DM	2,56	2,51	2,53	2,51	2,38	2,38	2,36	2,33	2,28	2,27	2,29	2,26	2,26	2,27	2,27	2,27	2,28	-3,5
FR	46,80	50,78	59,24	61,62	65,30	64,82	66,70	67,01	78,32	76,67	78,84	78,57	77,61	77,10	75,30	74,44	76,01	13,9
FF	5,74	5,83	5,87	6,04	6,43	6,30	6,60	6,60	6,53	6,81	6,50	6,58	6,77	6,82	6,84	6,84	6,86	4,1
IRL	0,664	0,669	0,676	0,691	0,690	0,690	0,687	0,691	0,692	0,71	0,690	0,695	0,715	0,718	0,720	0,721	0,722	5,2
LIT	1 080	1 138	1 189	1 263	1 324	1 323	1 325	1 339	1 326	1,34	1 320	1 339	1 344	1 349	1 348	1 346	1 354	2,3
HFL	2,75	2,75	2,76	2,78	2,62	2,64	2,59	2,55	2,52	2,55	2,53	2,52	2,54	2,55	2,55	2,54	2,55	-1,8
UKL	0,664	0,646	0,598	0,553	0,561	0,563	0,551	0,566	0,619	0,58	0,616	0,630	0,600	0,583	0,576	0,575	0,568	2,9
USD	1,274	1,371	1,391	1,116	0,981	1,002	0,951	0,934	0,948	0,91	0,944	0,938	0,925	0,919	0,892	0,879	0,852	-10,5
YEN	267,1	300,5	315,0	245,4	243,5	244,4	245,9	241,7	223,2	216,6	222,9	219,8	216,0	214,1	211,4	208,3	..	-15,4
SDR	1,018	1,061	1,068	0,946	0,888	0,885	0,875	0,866	0,868	0,84	0,866	0,864	0,855	0,848	0,835	0,827	0,812	-7,3

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

	1978	1979	1980	1981	1982	1982			1983		1983							Change over 12 months % ²
						II	III	IV	I	II	Feb.	March	April	May	June	July	August	
B/L	2,9	1,2	-0,5	-5,3	-9,2	-5,3	-0,4	-0,3	1,2	-1,0	-0,2	1,4	-1,1	-0,9	-0,7	-0,5	-0,8	-2,3
DK	-0,1	-0,8	-7,9	-6,8	-4,2	-1,4	-1,9	2,0	2,2	-1,2	-0,4	0,3	0,0	-1,4	-1,3	-0,8	-1,1	-0,4
D	6,0	4,8	0,4	-5,2	5,1	2,3	0,7	1,8	2,6	0,2	-0,1	2,0	-0,2	-0,8	-1,0	-0,4	-0,9	2,4
GR	-8,7	-5,4	-13,5	-9,4	-7,2	-3,4	-3,4	-0,3	-15,3	2,3	0,1	0,6	1,0	0,4	1,8	0,8	-2,8	-14,2
F	-1,0	0,9	0,4	-8,6	-8,1	-1,4	-5,8	0,5	1,5	-5,3	-0,1	-1,0	-3,6	-1,2	-0,9	-0,3	-1,0	-5,9
IRL	0,7	0,2	-2,0	-8,3	-1,3	0	-0,7	0,3	2,2	-5,4	0	-0,1	-4,1	-1,3	-1,2	-0,3	-1,1	-5,6
I	-6,1	-3,2	-3,7	-12,2	-6,8	-1,3	-0,8	-0,9	1,2	-2,5	-0,2	-1,2	-0,9	-0,8	-0,6	-0,2	-1,4	-4,4
NL	2,8	1,8	0,1	-5,0	5,5	1,1	1,5	2,2	1,4	-1,6	-0,2	0,6	-1,4	-0,5	-0,4	-0,1	-0,7	0,8
UK	0,4	6,2	10,1	1,1	-5,0	-0,6	1,5	-2,4	-9,2	4,9	-1,4	-2,0	4,7	2,8	0,5	-0,3	0,4	-5,7
ECU	2,9	5,9	2,2	-14,9	-5,5	-0,9	-2,0	0,9	-0,7	-2,3	-0,9	0,4	-1,2	-0,8	-1,6	-1,0	-1,9	-6,3
USA	-8,7	-3,3	-0,3	14,0	12,0	3,8	4,9	1,9	-1,9	2,8	1,5	1,2	0,8	0	2,2	1,0	2,1	7,7
JAP	21,7	-7,1	-4,1	14,0	-4,3	-2,4	-2,9	1,6	9,7	1,3	-0,4	0,2	0,8	1,2	-0,7	0,5	-0,2	13,2

Principal economic policy measures — July/August 1983

Community (EC)

11.7 The Council (ECO/FIN) on the basis of a Commission communication on the budgetary policy in 1984 undertakes the second quarterly examination of the economic situation in the Community in accordance with the 1974 decision concerning the realisation of a high degree of convergence of the economic policies of the Member States. The Commission communication, as well as the conclusions of the Council, were published in the July number of Supplement A.

Belgium (B)

1.8 The Government announced the main thrust of the draft budget for 1984. With estimated expenditure of BFR 1 817 000 million and estimated revenue of BFR 1 321 000 million, the deficit stands at an estimated BFR 496 000 million. If the balance on cash transactions is included, the deficit rises to BFR 503 000 million, or 11,5% of gross domestic product. The ceiling on the expansion of current expenditure is lower, at 5,3% than the expected inflation rate of 5,5%. The budget includes proposals for a package of tax measures:

- withholding tax on interest earnings is to be raised from 20% to 25%, but will constitute full settlement of liability;
- no justification of the source of finance used for any form of new building, home improvement or industrial investment with an effect on employment will be required in 1984 and 1985 (tax amnesty);
- the maximum flat-rate tax allowance for occupational expenses will be raised from BFR 75 000 to BFR 125 000;
- the minimum tax allowance for dependent children will be increased (BFR 1 200 for the first child);
- a tax reduction of BFR 1 200 will be granted to households whose disposable income does not exceed BFR 400 000;
- measures to eliminate tax evasion are expected to yield BFR 7 000 million.

The Government is also planning the following social security measures:

- restraint will continue to apply to fees for medical and related services (saving: BFR 10 800 million);
- occupational contributions will be increased by 0,75% for wage and salary earners, civil servants and pensioners (yield: BFR 12 000 million) and for the self-employed (yield: BFR 2 000 million);
- the flat-rate deduction for family allowances will be reduced from BFR 500 to BFR 375 (BFR 1 100 million), and the flat-rate contribution for one person and childless households from BFR 900 to BFR 675 (BFR 2 100 million);
- twice-yearly holiday bonuses will be subject to the same rate of personal and employers' contributions as wages (respectively, 12,07% and 24,04%);
- a special contribution of 0,5% to the Fund to balance social security finances will be levied on the remuneration of workers and civil servants;
- indexation of pensions will apply only up to an amount of BFR 33 000; where public sector pensions are concerned, indexation will take the form of a flat-rate increase for amounts exceeding BFR 30 205;
- under the scheme of benefits for short-time workers, a distinction will be made (with adjustment of benefits) between heads of household living alone and others.

The Government also decided on further savings of BFR 8 300 million in the civil service, to be obtained by various means, including a 12% levy on the holiday bonus, a freeze on two-yearly wage increases for 1984-85, the elimination of non-essential committees and departments, harmonization of bonuses and special allowances, and the reduction of working hours by one-fifth (four-day week) during the first year for new recruits.

22.8 The *Banque Nationale* reduced interest rates on very short-term Treasury certificates by 0,25%, bringing the rate on one-month certificates down from 9% to 8,75%.

Denmark (DK)

17.8 The Government presented its draft budget for 1984. The budget reflects a continuation of the restrictive policy stance pursued during 1983. The deficit on the current investment and lending account should fall by 4,2 mrd DKR to 59,3 mrd DKR (10,9% of GDP against 12,4%). Disregarding the automatic rise in interest payments by 6,3 mrd DKR, the improvement on other budgetary items is 10,5 mrd DKR. Total expenditure (excluding interest payments of 44,9 mrd DKR) should increase by 3,1 mrd DKR (1,7%) to 187,7 mrd DKR in 1984 as a result of proposed cuts in the order of 5 mrd DKR:

- general grants-in-aid to local government should be reduced by 1,4 mrd DKR;
- other government expenditure subject to direct control should be lowered by 2%;
- various statutory expenditure could be cut by 0,9 mrd DKR;
- a rise in revenue on the expenditure budget of 0,6 mrd DKR is envisaged (e.g. higher rates for public utilities). Total revenue might, on the other hand, grow by 13,6 mrd DKR (8,5%) to 173,2 mrd DKR in 1984: direct personal taxation should rise by 5,2 mrd DKR (or 2,8 mrd DKR if the still uncertain temporary tax cut in 1983 is abolished) due to a smaller adjustment of tax brackets and allowances than otherwise anticipated; the contribution to the sickness benefit scheme should be raised to 1,9% of taxable income yielding another 2,1 mrd DKR;
- the contribution to the unemployment insurance scheme should be raised by 1,4 mrd DKR;
- the proceeds from corporate taxes might increase by 2,5 mrd DKR in 1984 as a result of capital gains from lower interest rates accruing in 1983;
- the subsidies on VAT-taxed dairy products should be abolished.

The draft budget will be retabulated at the start of the new parliamentary session on the 4 October.

Federal Republic of Germany (D)

None.

Greece (GR)

11.8 The Government, with the agreement of the European Community, prepared for the introduction of a temporary 'adjustment tax' to replace various tax mechanisms designed to protect national products, such as different bases of assessment for similar products, flat-rate exemptions set against value for tax purposes, differentiated coefficients, or taxation on the basis of a value different from that invoiced. The new tax is a mechanism to adapt the Greek tax system to the obligation arising from the Treaty of Rome; it is meant to harmonize the taxation of imports with that of national products. The new arrangements come into force on 1 January 1984, and are to be phased out over a five-year period. The following schedule for reducing the coefficients has been adopted: 10% on 1.6.1984; 10% on 1.6.1985; 15% on 1.6.1986; 20% on 1.3.1987; 20% on 1.1.1988; 25% on 1.1.1989.

France (F)

29.7 The CODIS (Committee for the development of strategic industries) is to be replaced by the FIM (*Fonds industriel de modernisation*: industrial modernisation fund), which will come into operation on 1 September. The fund will have FF 3 000 million at its disposal this year, and at least FF 5 000 million a year in future. FIM financing will be offered to firms as loans in quasi-equity form (at 9,75% in 1983), with a redemption period of up to ten years. The FIM will finance investments in priority sectors such as bureaucraties, advanced-technology installations and the development of low-energy vehicles. The initial endowment of FF 3 000 million will be put at the disposal of the FIM by the *Caisse des Dépôts*. Subsequently, resources will be provided from the *Codevi* (industrial development accounts).

17.8 A system of loans at preferential rates was introduced to enable the spouses of deceased entrepreneurs to pay off other legacies, thus facilitating the legacy of family firms. To be eligible for the loans, the spouse must undertake to participate in running the firm as a principal activity for at least nine years.

26.8 The Government will shortly be launching a new loan amounting to FF 15 000 million, with a new feature: two instalments, for amounts yet to be determined, will be offered to subscribers; the first, with a ten-year maturity, will be fully redeemable at the end of the period with interest of 13,7%, while the second, with a twelve-year maturity, will be redeemable on the same terms with an interest-rate of 13,2%. Two years later, bearers will be entitled to exchange their securities for variable-rate bonds.

Ireland (IRL)

21.7 The authorities announced that measures were being put in hand to achieve savings of about IRL 50 million and IRL 20 million on current and capital spending respectively in view of an expected budgetary overrun. Excise duties on alcoholic drinks and tobacco are also being increased in order to yield an additional IRL 4 million revenue in 1983.

Italy (I)

None.

Luxembourg (L)

13.7 With a view to encouraging building, the Government adopted a package of measures including an increase in the maximum taxable income governing eligibility for building and home-purchasing premiums, an increase in the amount of tax-deductible mortgage interest payments and a higher interest rate on savings accounts for prospective home purchasers.

22.7 The Government adopted measures to encourage geographical mobility among workers (reimbursement of transport expenses, housing premiums and removal grants). Further, a premium was introduced for employers recruiting long-term unemployed.

23.7 Parliament adopted a law providing tax exemption for profits resulting from exchange-rate fluctuations earned by banks on own funds invested in foreign currency.

1.8 The Government presented its draft budget for 1984; it provides for a reduction of 1,5% in expenditure and an increase of 7,6% in revenue. Altogether, expenditure amounts to LFR 67 300 million and revenue to LFR 65 100 million. Net borrowing will therefore stand at LFR 2 200 million, compared with LFR 7 800 million in the 1983 budget. The Government will be issuing loans amounting to LFR 3 000 million, which should leave LFR 800 million with which to reconstitute its budget reserves.

Netherlands (NL)

1.7 Family allowances were reduced by 1%.

1.7 Minimum wages and social security benefits, which are linked to the minimum wage, were frozen at the level of January 1983.

1.7 Minimum wages for young people (aged between 15 and 23) were reduced by an average of 10%.

6.7 The percentage of the accounting value of stocks and taxable capital deductible from business profits for the purpose of calculating taxable profits was raised from 2,25% to 3,25% for 1982 and to 4% for 1983.

United Kingdom (UK)

7.7 Following signs of upward pressure on public sector expenditure and borrowing the Chancellor of the Exchequer announced measures to ensure that the public expenditure planning total of UKL 119 600 million, for the financial year 1983-84, given in the February 1983 White Paper (Cmnd 8789), and the official figure for the Public Sector Borrowing Requirement (PSBR) of UKL 8 200 million, would be met. The cuts in spending programmes amount to some UKL 500 million while the PSBR is to be reduced by a further UKL 500 million by additional sales of public assets mainly in the energy sector.

Price (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD
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