

EUROPEAN ECONOMY

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

Supplement A

Recent economic trends

No 11/12 – November/December 1991



*In this number:
Economic Forecasts
for 1992 and 1993¹*

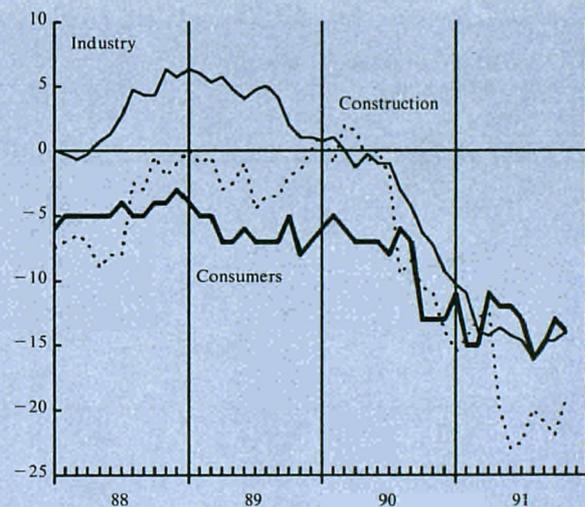
THE 1991-1993 ECONOMIC SITUATION IN BRIEF

The main features of the Commission services' Autumn 1991 Economic Forecasts are as follows:

- In the Community, the pace of economic activity slows down strongly to 1.3% in 1991 after having grown at a buoyant rate of 3¼ % in the four preceding years. A moderate recovery to 2.2% is forecast for 1992, accelerating to 2.4% in 1993.
- The expected recovery is based on a pick-up in private consumption which in turn should feed into a resumption of investment growth. No acceleration in total exports is forecast because the acceleration in exports to the rest of the world is expected to be outweighed by a deceleration in intra-EC exports following the fading-out of the German import-demand boom.
- Employment growth slows down sharply to 0.5% in 1991 and will almost reach a standstill in 1992. A marginal pick-up to 0.5% is expected for 1993. As a result, given continued strong growth of the labour force, the rate of unemployment is forecast to increase steadily over the period 1991-93, reaching 9.2% of the civilian labour force in 1993.
- Inflation (measured by the deflator of private consumption) is expected to moderate throughout the forecasting period, edging down from 5.0% in 1991 to 4.5% and 4.2% in 1992 and 1993, respectively.
- Net borrowing by general government in the Community is expected to widen further to 4.4% of GDP in 1991. In 1992-93, the budgetary position of the Community is forecast to remain broadly unchanged.
- The deficit on the current account, which widened significantly in 1991, basically as a result of the surge in German imports, is forecast to remain virtually unchanged at circa 0.8% of Community GDP in the next two years.
- World output growth, after stagnating in 1991, is forecast to recover to 2.1% and 3% in 1992 and 1993, respectively. Consequently, the rate of growth of world trade (measured by import volumes) is expected to almost double from 2.9% in 1991 to 5.5% on average over the years 1992-93.
- Uncertainties are high with risks being on the downside. The hoped-for recovery is essentially predicated on a rebound in private sector confidence in the Community, which remains so far unexpectedly weak.

(1) This is a summary of the results of the Commission services' Autumn forecasting exercise, based on data up to 12 November 1991. The earlier forecasts for 1991-1992 were summarized in Supplement A, No 5 of May 1991.

GRAPH 1: Confidence indicators - EUR



Source: EC business and consumer surveys.

Main features of Autumn 1991 Economic Forecasts* - EUR (a)

	1988-89	1990	1991	1992	1993
GDP growth	3.7	2.8	1.3	2.2	2.4
Investment	7.8	4.1	-0.5	2.2	3.7
Employment	1.6	1.4	0.5	0.3	0.5
Unemployment rate (b)	9.3	8.4	8.6	9.1	9.2
Inflation (c)	4.3	5.2	5.0	4.5	4.2
Net borrowing (d)	-3.3	-4.1	-4.4	-4.4	-4.3
Current balance (e)	0.0	-0.2	-0.8	-0.9	-0.8

(*) Real % change p.a. unless otherwise stated.

(a) EUR including West Germany, unless for the current balance which includes unified Germany from 1991 onwards (see box for more details).

(b) As a percentage of civilian labour force.

(c) Deflator of private consumption, % change p.a.

(d) General government; as a percentage of GDP.

(e) As a percentage of GDP.

OVERVIEW

The economy of the European Community is undergoing a phase of slower growth. The present forecast confirms the strong cooling off during 1991 but suggests a moderate upswing for 1992 and 1993. Seen against the backdrop of the strong-growth phase which preceded it and against the background of a stagnating world economy, the current economic slow-down, while discomfiting, should not be exaggerated.

On average, economic activity in the twelve member countries is estimated to increase by only 1.3% in real terms in 1991, against 2.8% in 1990. This is the weakest rate of growth recorded since 1982 for the Community. A moderate upswing is expected during 1992 and 1993, when economic activity should expand by 2.2% and 2.4% respectively(1). Growth in employment is expected to slowdown significantly to 0.5% per annum in 1991, to virtually stagnate in 1992 and to pick up gently in 1993. As a result, the rate of unemployment is increasing again and is forecast to increase from 8.4% in 1990 to 9.2% in 1993. Inflation, at 5% in 1991, is expected to moderate, albeit remaining relatively high at around 4.5% in 1992. A further easing is forecast for 1993.

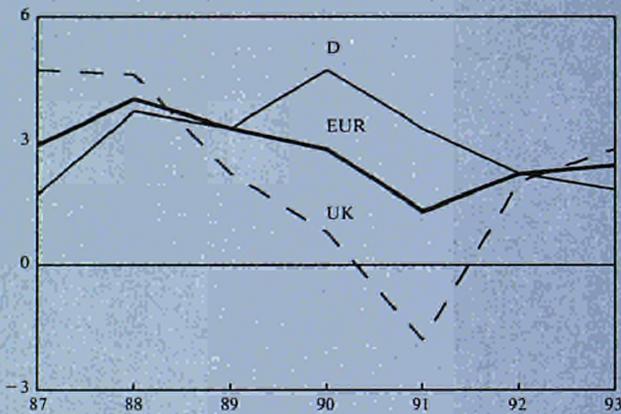
¹ These growth rates refer to the EC including West Germany only. When estimates for output growth in East Germany, though very tentative yet, are also included in the aggregation, real GDP growth in the EC, as it exists since October 1990, could amount to 0.9 % in 1991, 2.2 % in 1992, and 2.5 % in 1993. For more details see box on treatment of Germany.

The cumulative effect of basically three elements explains the pronounced slowdown of the Community economy in 1991. Firstly, after four years of buoyant economic activity, a pause was inevitable and a correction of certain internal disequilibria was imperative. Secondly, the international environment became very unfavourable under the impact of the Gulf crisis, the recession in North America and the momentous transformation occurring in Central and Eastern Europe. Thirdly, the influence of exceptional factors underpinning economic activity in the recent past, for instance the positive impact on investment of the announcement of the internal market programme and German unification, has tapered off in the course of the year.

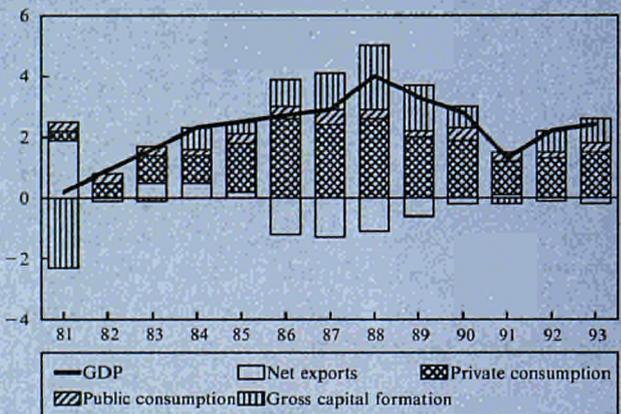
As the fundamentally positive growth conditions in the Community have remained broadly unaffected, a recovery in economic activity is expected for 1992 and thereafter. The upswing is likely to be moderate, essentially for three reasons. Consumer and business confidence is improving only hesitantly, not presaging a strong rebound in consumption and capital spending in the Community in the coming months. In addition, the contribution of the foreign balance to GDP growth might be limited, because the benefits from a more supportive international environment from 1992 onwards, risk being outweighed by the fall-off of unification-related German import-demand growth. Finally, the required restrictive stance of both fiscal and monetary policy is likely to impede a vigorous rebound in economic activity.

A comparison with the Spring 1991 forecast shows a downward revision in the 1991 and 1992 growth figures, but only limited differences for the inflation outlook. The general tendency is for scaling down rates of growth for real GDP and of all major components of domestic demand in most member countries, the notable exception being Germany.

GRAPH 2: GDP growth in the Community
(real % change p.a.)



GRAPH 3: Contributions to change in real GDP, EUR
(as % of real GDP of previous period)



Treatment of Germany

In this document all historical data labelled Germany are for West Germany only. As a general rule, data covering the forecasting period 1991-1993 also relate to West Germany since major statistical problems impede at present a reliable outlook for the whole of Germany. However, there are a few noteworthy exceptions to this general rule, implying a methodological break in the time-series concerned. First, trade figures based on customs data cover exports and imports of goods of Unified Germany (this applies in particular to tables 24, 27, 28, 29, 32, 33, 34 and 35). Second, the forecast of the general government account includes public transfers from West to East Germany as well as the deficit of the East German territorial authorities from 1991 onwards. Third, current account data relate also to Unified Germany (table 30). When expressed as a percentage of GDP, in these three cases, the GDP of Unified Germany is used. Obviously, the aggregation of an EC total from national data takes into account the treatment outlined above for Germany.

OUTLOOK FOR THE COMMUNITY ECONOMY

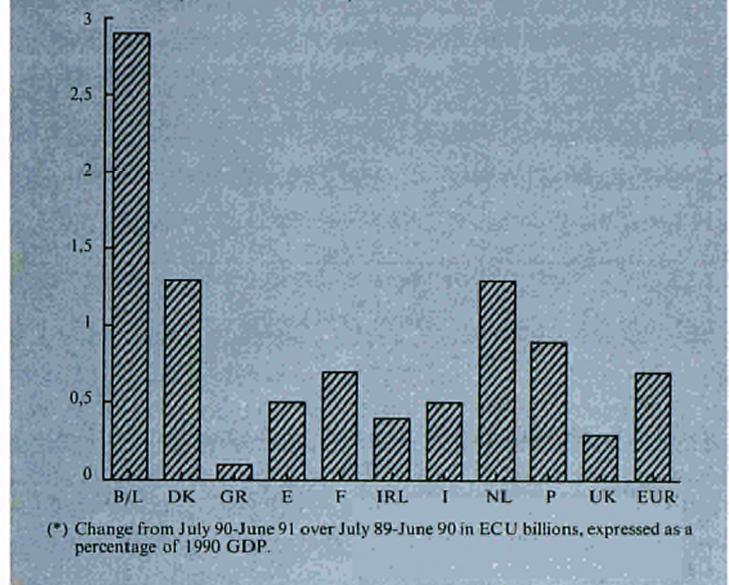
Slow-down in real GDP growth in 1991, but moderate upturn in 1992-93. — After having grown at a buoyant rate of around 3 ¼% on average over the period 1987-1990, the pace of economic growth in the Community has markedly slowed down in the course of 1991. For the Community as a whole, GDP is now estimated to expand by 1.3% in 1991. The present estimate of the 1991 growth rate constitutes the third successive downward revision. In Spring of last year — before the outbreak of the Gulf crisis — growth in 1991 was forecast at 3.1%. The consistency in revising downward output growth highlights the difficulty forecasters have been encountering in predicting turning points.

The overall Community picture for 1991 hides, however, a very diversified growth pattern among the member countries. In West Germany, despite a deceleration from the very brisk rates of expansion during 1990, when GDP grew by 4.7%, the economy continued to expand at a high rate in the first half of this year under the impact of the significant expansionary, unification-induced, fiscal impulse. For 1991, real GDP growth is estimated at 3.3%. The United Kingdom, on the contrary, registered a deep recession in 1991, with GDP declining in real terms by 1.8%. The growth performance of the other member countries lay between these extremes. In France and Italy, where GDP is expected to rise only by about 1 ¼%, economic activity was rather weak since the cyclical downswing was exacerbated by structural weaknesses. Albeit clearly slowing down, real GDP continued to grow at a moderate pace in Denmark, the Netherlands and Portugal, supported by the surge in German imports. In Spain, relatively sustained domestic demand growth was responsible for maintaining output growth at a satisfactory level.

With the slowdown in Community output growth probably bottoming out during the second half of this year, economic activity is expected to recover from the first half of 1992 onwards, basically under the impulse of a gradual strengthening of domestic growth factors. Although the external environment should also start to improve as a result of a pick-up in world output growth and trade, the foreign balance is not expected to contribute positively to GDP growth in the years ahead. The anticipated acceleration in exports of goods and services to the rest of the world might be offset by a deceleration of intra-Community exports. The unification-related adjustment in East German demand for western products appears indeed to be largely completed. Moreover, the composition of East German imports is likely to switch from consumer to investment goods, the latter being probably more easily supplied by West Germany. Consequently, the German demand effect on intra-EC trade should taper off. Overall, Community GDP growth is forecast to recover moderately in 1992 and 1993, at rates of 2.2% and 2.4%, respectively.

Divergences in economic growth are set to narrow substantially in 1992 and beyond, with the growth performance of the extremes, Germany and the United Kingdom, converging to those of the other member countries. However, the other member countries are expected in turn to experience a moderate recovery.

GRAPH 4: Increase in exports to Germany (*)
(as a % of GDP)



Growth in consumption decelerates sharply in 1991, but should resume at higher rates from 1992 onwards — In 1991, real *household disposable income* is estimated to grow at 1.7%, basically under the influence of continued high increases in nominal wages per head. Given the worsening of unemployment expectations and the growing reluctance to borrow, the household savings ratio is expected to remain unchanged at about 14% of disposable income. Consequently, growth in *private consumption* is expected to decelerate from 3% in 1990 to 1.7% in 1991.

In 1992, in spite of the expected moderation of nominal wage increases and the virtual stagnation of job creation, real disposable income should decelerate only slightly to 1.6% thanks to the expected reduction in inflation. However, the improving overall economic climate is assumed to encourage households to draw on their savings with the savings ratio falling to 13.5% of disposable income. Private consumption, therefore, should increase by around 2%. A further acceleration in private consumption to 2.4% is expected for 1993. This should result from a higher rate of growth of real disposable income and a further slight fall in the household savings ratio.

The growth of real *public consumption* is expected to decelerate from 2.2% in 1990 to 1.4% in 1991. This marked deceleration is largely attributable to the real decline in public consumption in West Germany in 1991, as a result of national accounts procedures which distribute public outlays between West and East Germany according to population. Public consumption in the Community is forecast to remain broadly unchanged in 1992 and 1993. In all member countries, with the exception of Spain, the growth in public consumption is assumed to remain below the rate of expansion of output as budgetary consolidation efforts continue.

TABLE 1: Gross domestic product, volume (percentage change at constant prices on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	4.9	1.8	2.1	0.8	1.5	2.2	4.6	3.9	3.7	1.3	2.1	2.5
DK	4.3	1.5	4.4	4.3	3.6	0.3	0.5	1.2	2.1	1.8	3.0	3.3
D	4.4	1.6	2.8	2.0	2.3	1.7	3.7	3.3	4.7	3.3	2.2	1.8
GR	7.7	2.5	2.8	3.1	1.4	-0.5	4.1	2.8	-0.3	0.7	1.2	2.1
E	7.2	1.7	1.8	2.3	3.2	5.6	5.2	4.8	3.7	2.5	3.1	3.2
F	5.4	2.2	1.5	1.8	2.4	2.0	3.6	3.6	2.8	1.3	2.3	2.5
IRL	4.4	3.8	4.4	2.5	-0.4	4.4	3.9	5.9	5.7	1.3	2.3	2.8
I	5.3	2.9	3.0	2.6	2.5	3.0	4.2	3.2	2.0	1.1	2.0	2.5
L	4.1	1.2	6.2	2.9	4.3	3.4	5.5	6.1	0.9	3.0	3.4	3.4
NL	4.8	1.6	3.1	2.6	2.0	0.8	2.7	4.0	3.9	2.3	1.3	1.9
P	6.9	2.5	-1.9	2.8	4.1	5.3	3.9	5.4	4.0	2.0	1.7	2.0
UK	3.2	1.1	2.1	3.6	3.9	4.7	4.6	2.2	0.8	-1.8	2.0	2.8
EUR	4.8	1.9	2.3	2.5	2.7	2.9	4.0	3.3	2.8	1.3	2.2	2.4
USA	4.0	1.8	7.2	3.8	3.2	3.5	4.5	2.8	0.9	-0.4	2.1	2.2
JAP	9.6	3.6	5.0	4.7	2.5	4.4	5.7	4.9	5.6	4.6	3.5	3.5

TABLE 2: Deflator of gross domestic product (percentage change on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	4.1	6.9	5.2	6.1	3.7	2.3	1.7	4.6	3.0	3.1	3.6	3.8
DK	7.0	9.8	5.7	4.3	4.6	4.7	4.5	4.3	2.3	1.9	2.2	2.3
D	4.3	4.5	2.0	2.2	3.1	2.0	1.6	2.6	3.4	4.3	4.5	4.2
GR	4.5	17.4	20.3	17.7	17.4	13.8	15.7	14.0	18.2	20.0	13.3	10.4
E	7.1	16.2	10.9	8.5	11.1	5.9	5.6	6.9	7.3	6.6	5.8	5.4
F	5.1	11.0	7.3	5.8	5.3	2.9	3.3	3.6	2.7	3.1	2.9	2.9
IRL	7.2	14.2	6.4	5.2	6.3	2.5	3.2	5.1	1.6	2.1	3.1	2.7
I	5.5	17.3	11.4	8.9	7.7	5.9	6.2	6.3	7.5	7.2	5.2	5.2
L	4.4	7.3	4.4	3.0	4.4	-0.2	2.0	5.1	3.7	3.3	3.5	2.9
NL	6.0	6.3	1.9	1.8	0.5	-0.4	1.7	1.5	2.8	3.6	2.7	3.4
P	3.9	20.3	24.7	21.7	20.5	11.2	11.6	12.8	15.0	14.6	11.4	8.8
UK	5.1	13.9	4.6	5.7	3.6	5.0	6.7	6.9	8.4	6.5	4.8	4.9
EUR	5.2	11.6	6.8	6.1	5.6	4.1	4.6	5.1	5.7	5.5	4.6	4.4
USA	3.6	7.6	3.6	2.7	2.1	3.0	3.3	3.8	4.1	4.1	4.0	4.2
JAP	6.0	5.8	1.2	1.4	1.8	-0.3	0.6	1.5	1.9	1.8	2.0	2.0

TABLE 3: Final domestic demand, volume (percentage change at constant prices on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	4.8	1.1	2.3	0.5	2.8	3.9	4.1	4.9	3.4	1.2	2.2	2.3
DK	4.6	0.5	5.1	5.4	6.1	-2.2	-1.7	0.3	-0.7	0.4	2.0	3.2
D	4.5	1.4	2.0	0.8	3.5	2.7	3.8	2.7	5.0	3.0	2.1	2.0
GR	8.1	1.7	0.0	5.4	-1.7	-1.6	7.0	3.3	3.3	-0.3	1.1	2.1
E	7.6	1.2	-0.7	2.9	6.0	8.1	7.1	7.8	4.6	3.1	3.4	3.5
F	5.5	1.7	0.5	2.3	4.3	3.1	3.8	3.2	3.2	1.1	1.9	2.3
IRL	5.1	2.4	1.1	0.6	1.2	-0.9	0.4	6.0	5.4	0.6	1.1	1.8
I	5.3	2.2	4.1	2.9	3.2	4.9	5.0	3.6	1.9	1.5	2.3	2.7
L	4.0	1.5	2.6	-0.3	6.7	5.9	3.6	7.8	2.2	4.3	3.9	3.6
NL	4.9	1.2	1.7	3.2	2.1	1.2	1.6	4.9	3.6	2.1	0.2	1.5
P	7.2	2.0	-6.7	0.9	8.3	10.4	7.4	4.0	5.8	4.6	3.3	3.3
UK	3.2	0.9	2.5	2.8	4.6	5.3	8.0	3.1	-0.1	-3.0	2.3	3.0
EUR	4.9	1.5	1.8	2.3	3.9	4.1	5.0	3.7	2.9	1.1	2.2	2.6
USA	4.1	1.8	9.0	4.0	3.5	3.1	3.3	2.2	0.5	-1.0	2.1	2.1
JAP	9.9	2.6	3.8	4.0	4.0	5.2	7.3	5.7	5.8	3.4	3.7	3.7

TABLE 4: Gross national product at current market prices (percentage change on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	9.2	8.7	7.6	6.7	5.5	4.8	6.3	8.6	6.4	4.5	5.7	6.2
DK	11.6	11.1	9.6	8.8	8.5	5.2	5.3	5.2	4.4	4.1	5.8	6.1
D	8.9	6.2	5.3	4.2	5.5	3.6	5.3	6.5	8.0	7.7	6.4	5.9
GR	12.5	20.1	22.4	20.4	18.5	13.5	20.8	17.0	18.5	20.2	14.5	12.6
E	14.8	18.0	13.0	11.5	14.9	11.8	11.0	12.3	11.2	9.3	9.0	8.8
F	10.7	13.4	8.6	7.7	8.1	5.1	7.0	7.4	5.5	4.4	5.2	5.5
IRL	11.7	17.5	8.6	6.5	6.7	7.8	4.7	10.2	9.7	3.3	5.1	5.3
I	11.0	20.6	14.8	11.7	10.3	9.2	10.6	9.5	9.2	8.3	7.3	7.7
L	9.0	11.9	9.4	6.9	5.8	1.4	7.7	11.5	4.3	5.0	5.6	5.4
NL	11.1	8.0	4.8	4.8	2.1	0.4	4.2	5.7	6.9	5.9	4.0	5.4
P	11.2	22.6	21.1	26.1	28.1	18.2	16.5	19.4	21.1	17.2	13.5	11.0
UK	8.5	15.1	6.8	9.3	7.6	9.4	11.4	9.4	9.4	3.9	7.3	7.9
EUR	10.1	11.4	8.0	7.4	6.1	5.3	8.4	8.9	7.7	6.5	6.6	6.8
USA	7.7	9.6	10.8	6.3	5.2	6.4	8.0	6.7	5.1	3.7	6.1	6.4
JAP	16.2	9.6	6.4	6.4	4.4	4.3	6.3	6.5	7.6	6.5	5.6	5.6

* Notes: see page 19.

Investment drops in 1991, but should bounce back in 1992, becoming again the most dynamic component of domestic demand. — In 1991, gross investment in the Community is expected to decline in real terms for the first time since the recession of 1981-82. This fall, half a percentage point, is largely attributable to the very sharp contraction of gross investment in the United Kingdom (-12.8%). However, Denmark, Greece, France, Ireland and Italy should also experience a decline this year. Only in Germany, Luxembourg and Portugal, gross investment is estimated to expand at a substantial rate in 1991.

Several factors explain this marked worsening of investment performance in 1991:

- The economies of the Community experienced a very strong investment boom during the second half of the 1980s. In the Community as a whole, gross fixed capital formation grew by almost 32% in real terms between 1985 and 1990. Markedly stronger increases took place in Spain (+ 74%), Portugal (+ 70%) and Belgium (+ 54%). After such a period of strong capital formation, some pause was inevitable.
- Expectations created by the planned completion of the internal market by 1993 strongly supported investment in recent years. This occurred through two channels: by improving overall business confidence and, more importantly, by bringing investment forward in anticipation of the actual internal market effects which will be felt as non-tariff barriers are dismantled.
- Since late 1989, demand prospects have deteriorated, both internally and externally, and world trade growth has practically stalled in 1991. As a result, the rate of capacity utilization has gradually decreased. These developments

have discouraged companies from increasing capital investment.

- After having improved steadily and significantly over the period 1982-1989, thanks to the moderation of real wage increases, the profitability of capital has witnessed a certain deterioration since 1990. Indeed, real unit labour costs have started rising again in 1990 (+0.5%) and 1991 (+0.6%).

From 1992 onwards, investment is expected to resume a positive growth path given the gradual improvement in its determinants. In line with the expected improvement in the international environment and the acceleration of world trade growth, export prospects should improve considerably. Real unit labour costs should decline (-0.7% in both 1992 and 1993), contributing to the restoration of the profitability of capital. In addition, the expected gradual reduction of long-term interest rates over the forecasting period, should be conducive to increased investment demand. These combined effects should lead to increases in gross fixed capital formation in the Community of 2.2% in 1992 and 3.7% in 1993.

What is true for investment in general, is particularly true for *investment in equipment*. After an exceptional annual rate of expansion of around 9½% in real terms over the period 1987-1989, the rate of growth of investment in equipment slowed down to 4.7% in 1990 and is expected to fall to -0.4% in 1991. The United Kingdom predominantly influences this result, with an exceptional real drop of 12.8% in 1991, but investment in equipment also declined in real terms in Spain, France and Italy. In Germany, thanks to unification, it expanded strongly by 10%. While it should decelerate in Germany to 5.1% and 4.5% in 1992 and 1993 respectively, in most member countries a moderate recovery in investment in equipment is forecast for 1992, strengthening further in 1993.

TABLE 5: Investment in construction, volume (percentage change on preceding year, 1974-93) *

	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	-2.4	-6.1	-0.6	3.0	3.3	13.2	8.9	6.7	-1.4	3.3	2.7
DK	-5.7	8.8	8.9	18.0	1.1	-4.5	-4.6	-6.1	-6.5	-1.0	4.0
D	-1.0	1.6	-5.6	2.7	-0.3	3.3	5.1	5.3	3.5	2.5	1.7
GR	-3.4	-6.9	3.1	-0.8	-7.7	8.3	2.0	2.1	-5.0	2.5	5.0
E	-1.4	-5.2	2.0	6.5	9.9	12.2	14.9	10.7	5.3	4.0	4.0
F	-0.9	-2.9	-0.4	3.6	3.2	7.3	5.3	2.3	1.2	2.1	2.9
IRL	1.7	-2.0	-7.1	-2.7	-8.3	-0.7	9.8	8.4	-2.9	3.9	4.0
I	-1.5	-1.0	-0.5	1.1	-1.1	1.2	3.6	2.5	0.4	1.2	1.2
L	-3.0	-3.1	-3.1	5.5	10.8	7.1	4.4	0.9	5.8	4.4	2.9
NL	-2.6	3.8	-0.1	5.0	1.9	12.0	1.6	1.3	-0.6	-1.0	1.3
P	-	-9.2	-6.0	8.7	9.4	10.1	3.5	6.5	4.5	3.0	4.0
UK	-1.3	6.1	-2.4	5.8	11.1	9.8	2.5	-1.1	-12.9	-0.7	4.7
EUR¹	-1.4	-0.3	-1.7	3.8	3.1	6.3	5.3	3.6	-0.5	1.8	2.7

¹ EUR without Portugal up to 1983.

TABLE 6: Investment in equipment, volume (percentage change on preceding year, 1974-93) *

	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	2.4	13.6	2.3	5.3	7.2	13.8	18.2	10.3	3.0	2.8	2.8
DK	1.0	17.9	16.2	16.6	-8.9	-9.8	6.3	3.0	3.0	5.0	10.0
D	1.5	-0.2	9.9	4.3	5.6	7.7	10.0	12.9	10.0	5.1	4.5
GR	0.5	-4.2	7.7	-12.6	-9.9	9.5	17.4	7.9	3.0	4.5	6.0
E	-0.7	-7.3	9.1	15.8	21.2	16.7	13.0	1.2	-2.5	3.0	4.0
F	0.4	-0.6	10.0	4.3	5.4	9.7	5.8	5.0	-1.8	1.6	3.5
IRL	2.7	-2.0	-6.7	1.1	1.3	4.8	15.3	6.8	1.8	3.7	4.5
I	2.9	12.0	4.0	1.6	12.8	11.2	6.2	3.5	-1.1	3.5	4.5
L	-1.2	2.7	-20.5	87.4	16.7	-19.0	26.3	6.0	6.7	5.0	5.0
NL	0.6	8.8	15.5	10.1	1.9	5.8	4.5	7.7	3.0	-1.2	2.6
P	-	-29.6	-4.5	14.2	26.8	23.2	10.0	8.5	4.5	3.0	3.5
UK	0.5	11.3	10.7	-1.7	8.4	17.5	8.3	-3.6	-12.8	-1.1	8.1
EUR¹	1.1	3.9	8.5	3.9	8.4	11.3	8.5	4.7	-0.4	2.6	4.7

¹ EUR without Portugal up to 1983.

* Notes: see page 19.

TABLE 7: Total investment, volume (percentage change on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	5.1	-1.0	1.7	0.7	4.4	5.8	13.5	13.6	8.3	0.6	3.0	2.8
DK	6.5	-3.4	12.9	12.6	17.1	-3.8	-6.6	0.2	-1.9	-1.9	2.0	7.1
D	4.0	-0.1	0.8	0.1	3.3	2.2	5.1	7.1	8.8	6.6	3.8	3.1
GR	10.0	-1.9	-5.7	5.2	-6.2	-8.7	8.8	8.6	4.8	-1.2	3.5	5.5
E	10.4	-1.2	-5.8	4.1	10.1	14.0	14.0	13.7	6.7	2.2	3.6	4.0
F	7.5	-0.3	-2.6	3.4	4.6	4.2	8.5	5.8	3.8	-0.6	1.8	3.3
IRL	9.9	2.2	-2.5	-7.4	-2.3	-2.5	4.6	11.3	7.5	-0.4	3.8	4.2
I	4.7	0.1	4.5	1.4	1.6	5.8	6.7	5.1	3.0	-0.4	2.4	2.9
L	4.9	-2.3	0.5	-10.0	31.5	15.0	-5.5	13.4	3.3	6.2	4.7	3.9
NL	5.3	-1.5	5.2	6.7	7.9	1.5	9.4	3.0	4.2	1.1	-1.1	1.9
P	7.9	0.8	-17.4	-3.5	10.9	15.1	15.0	7.5	7.5	4.5	3.0	3.7
UK	4.6	-0.4	8.5	4.0	1.9	9.5	14.8	4.8	-2.4	-12.8	-0.9	6.4
EUR	5.7	-0.4	1.2	2.4	4.0	5.5	9.0	6.7	4.1	-0.5	2.2	3.7
USA	4.5	0.3	15.9	6.9	2.0	2.9	5.0	2.7	0.9	-4.4	4.6	5.4
JAP	14.1	1.2	4.9	5.8	5.8	10.4	12.6	11.0	10.9	4.6	3.4	3.9

TABLE 8: Private consumption, volume (percentage change on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	4.3	1.8	1.2	2.0	2.4	3.0	2.8	3.7	2.6	1.3	2.2	2.5
DK	3.8	0.9	3.4	5.0	5.7	-1.5	-0.8	-0.8	1.0	1.2	2.8	3.2
D	5.0	2.2	1.9	1.6	3.4	3.1	3.0	1.1	4.7	2.8	2.0	1.9
GR	6.7	3.0	1.7	3.9	0.7	0.8	3.4	3.9	1.9	0.3	0.9	1.9
E	7.2	1.6	-0.4	2.4	4.1	5.8	4.7	5.5	3.7	3.1	3.3	3.2
F	5.2	2.4	0.9	2.2	3.7	2.6	2.9	3.0	3.1	1.6	1.7	2.1
IRL	3.8	2.1	2.0	3.5	2.0	2.2	2.4	5.2	2.7	1.8	2.4	2.4
I	6.0	3.1	2.3	3.2	4.5	4.5	4.5	4.2	2.7	2.2	2.5	3.0
L	4.5	2.7	1.4	2.7	2.6	5.6	3.7	3.7	3.1	4.0	3.7	3.8
NL	5.6	2.1	0.8	2.4	3.2	4.0	1.5	1.7	3.8	2.6	0.9	1.9
P	6.0	1.9	-2.9	0.7	5.6	5.4	6.6	3.1	4.9	5.3	4.0	3.0
UK	3.0	1.4	1.6	3.5	6.3	5.3	7.2	3.9	1.0	-0.8	1.4	2.3
EUR	4.9	2.2	1.4	2.6	4.2	3.9	4.1	3.2	3.0	1.7	2.0	2.4
USA	4.2	2.4	4.8	4.7	4.1	2.8	3.7	2.0	0.9	0.2	1.6	1.5
JAP	8.8	3.4	2.7	2.7	3.1	4.3	5.1	3.5	4.0	2.8	3.9	3.8

TABLE 9: Real compensation of employees per head¹ (percentage change on preceding year 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	5.0	2.2	0.8	-1.3	4.0	0.1	0.8	0.1	2.8	1.9	2.2	1.9
DK	3.8	0.6	-0.8	0.4	1.5	3.1	-0.9	-1.6	1.0	1.1	1.3	1.4
D	5.3	1.2	0.9	0.9	3.7	2.2	1.7	-0.2	1.5	2.6	1.5	1.6
GR	6.7	3.7	2.4	4.3	-7.9	-5.0	4.0	2.9	0.0	-1.7	-2.4	-0.7
E	7.5	2.6	-0.9	1.1	0.8	0.9	1.1	-0.5	1.2	1.8	1.3	1.2
F	4.8	2.6	0.4	0.6	1.7	0.3	1.1	1.2	1.9	1.5	0.9	1.0
IRL	4.7	2.5	3.2	2.7	0.3	2.4	2.9	2.2	5.9	3.5	3.0	2.4
I	6.3	2.2	-0.1	1.0	1.8	3.3	4.0	3.0	3.9	1.7	1.5	1.5
L	4.0	1.9	0.5	-0.7	4.0	2.3	0.5	3.0	0.8	1.3	1.2	1.9
NL	6.0	1.3	-1.9	-0.8	1.4	2.4	1.1	-2.4	1.1	1.5	1.5	1.9
P	6.7	2.4	-5.6	2.6	6.8	7.2	3.1	0.8	3.7	6.6	4.5	2.0
UK	3.3	1.8	0.6	1.8	3.8	3.0	2.9	2.8	2.7	1.7	1.1	1.4
EUR	5.0	1.9	0.2	1.0	2.5	2.0	2.1	1.1	2.3	2.0	1.3	1.4

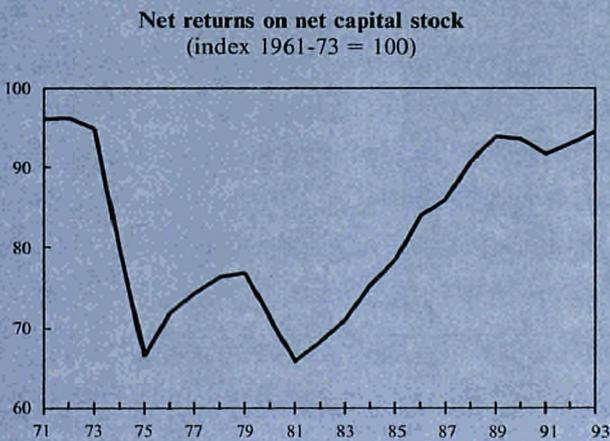
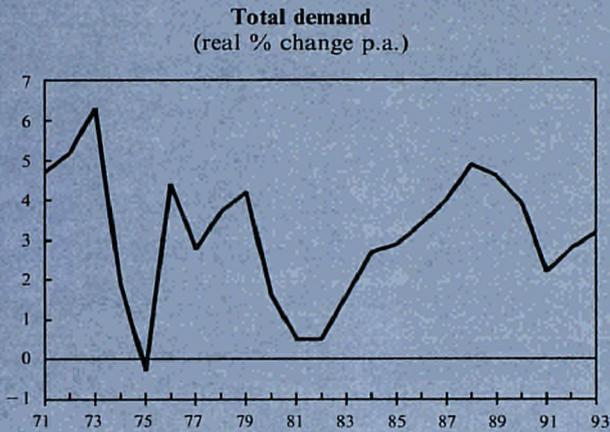
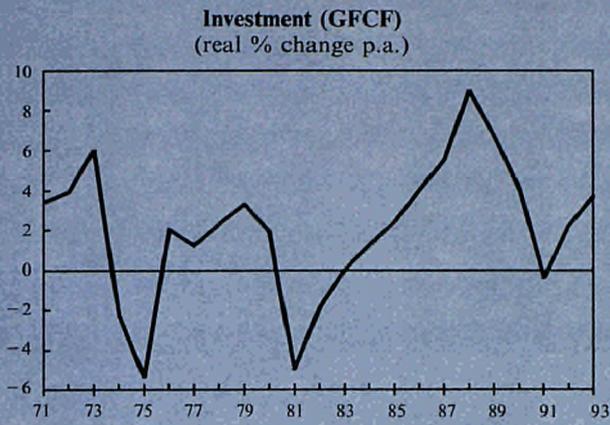
¹ Deflated by the price deflator of private consumption.

TABLE 10: Public consumption, volume (percentage change on preceding year 1961-93)*

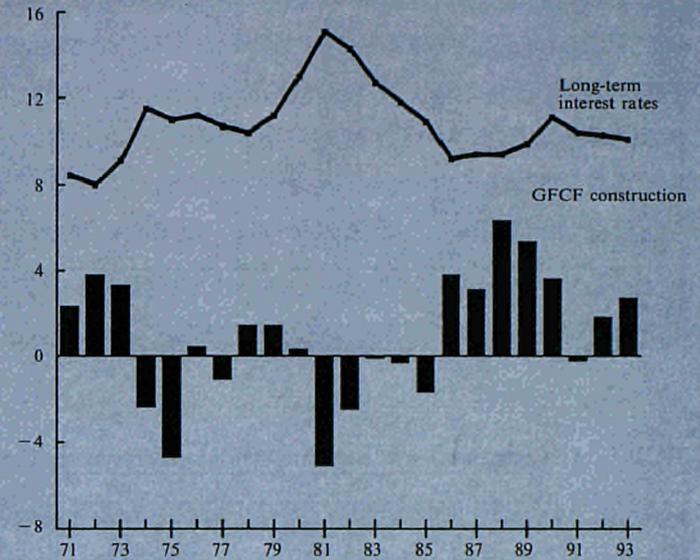
	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	5.5	2.3	0.2	2.4	1.6	0.7	-1.1	-1.2	1.0	1.5	1.1	1.0
DK	5.8	3.4	-0.4	2.5	0.5	2.5	0.2	-1.3	-0.4	-1.3	-0.2	-0.5
D	3.8	1.5	1.1	1.6	2.3	1.3	0.6	0.6	2.1	-0.5	0.5	1.4
GR	6.2	5.6	3.0	3.2	-0.8	1.3	6.6	5.3	0.6	-0.5	-0.5	0.0
E	4.5	5.0	2.9	4.6	5.8	8.9	4.0	7.6	4.4	4.2	3.8	3.6
F	4.0	3.2	1.2	2.2	1.7	2.8	2.8	1.7	3.1	2.0	1.9	1.8
IRL	5.2	4.3	-0.7	1.8	2.5	-4.9	-4.2	-3.5	1.0	0.2	0.0	0.0
I	4.0	2.7	2.5	3.5	2.9	3.7	2.8	0.5	1.0	1.2	1.1	1.2
L	3.4	2.5	2.2	2.0	3.1	2.7	4.0	3.7	0.1	3.1	3.2	3.0
NL	2.8	2.5	-0.8	1.3	2.5	2.9	0.6	-0.9	0.2	-0.4	-0.7	-0.2
P	9.1	7.3	0.1	0.1	7.2	4.9	5.3	2.0	3.3	3.8	1.0	1.5
UK	2.5	1.6	0.9	0.0	1.9	1.3	0.5	0.8	2.8	2.8	2.0	2.0
EUR	3.7	2.6	1.3	2.0	2.4	2.7	1.8	1.4	2.2	1.4	1.4	1.6
USA	3.1	1.8	4.5	5.3	4.9	3.4	2.1	0.3	1.6	0.0	-1.7	-0.2
JAP	5.8	4.1	2.8	1.7	6.2	-0.5	2.2	2.1	1.4	2.9	3.1	2.8

* Notes: see page 19.

GRAPH 5: Investment and its determinants in the Community



GRAPH 6: Investment in construction (real % change p.a.) and long-term interest rates in the Community



Investment in construction should also contract by 0.5% in 1991. Investment in residential construction is especially hard hit (-1.5%). The period 1986-90 represented a record period for construction with an average annual rate of growth of almost 4.5%. However, the deterioration in the economic situation and high real interest rates in particular have constrained construction demand. In the United Kingdom, Denmark, Greece, Ireland, Belgium and the Netherlands, investment in residential construction has been declining. In 1992 and 1993, the forecast sees investment in construction resuming a positive growth path (1.8% and 2.7% respectively), essentially under the impact of a general improvement in the economic climate and a reduction in long-term interest rates.

Employment growth slows down sharply and unemployment rises again. — Following average annual increases in employment of 1 1/2% in the three years up to and including 1990, employment growth is decelerating sharply. Employment growth is now expected to slow down to the low rate of 0.5% in 1991 due to the depressed economic conditions prevalent since the second half of 1990. The expected pick-up in output growth will be insufficient to significantly affect employment opportunities in 1992. As a result, job creation will fall further to 0.3% in 1992. A certain resumption in employment growth is forecast for 1993 (0.5%). The slow pace of employment growth over the forecasting period is seen as a short-lived, mainly cyclical phenomenon.

The overall Community picture for employment conceals important divergences in the performances of the individual member countries. With the timing and the pace of the slowdown in economic activity not being symmetric among member countries over the past year, employment patterns

TABLE 11: Real unit labour costs¹ (index 1980 = 100) *

	1961-70	1975	1979	1981	1991	1992	1993
B	87.5	96.8	98.8	100.6	89.3	89.3	88.9
DK	98.3	102.7	98.4	98.8	88.4	87.0	86.3
D	97.1	102.8	98.1	100.2	91.2	91.3	91.1
GR	105.3	92.5	101.8	106.4	100.3	97.5	95.5
E	95.7	100.8	101.7	100.5	83.6	83.1	82.6
F	93.4	98.9	98.1	100.8	91.1	89.8	88.8
IRL	96.2	100.3	96.7	96.5	87.7	88.4	88.6
I	97.1	105.8	101.1	102.4	98.9	98.9	98.7
L	84.1	101.4	99.1	102.1	96.0	95.2	95.4
NL	93.9	103.3	100.3	97.3	86.3	87.1	87.0
P	86.3	120.6	101.0	102.3	84.7	85.5	84.4
UK	98.5	109.0	97.9	99.7	101.3	99.5	97.9
EUR	97.2	103.9	99.2	100.6	93.3	92.7	92.0
USA	96.8	98.2	99.0	98.6	98.7	98.3	98.3
JAP	92.8	104.1	101.1	99.8	92.0	91.6	91.1

¹ Nominal unit labour costs divided by GDP price deflator.

* Notes: see page 19.

TABLE 12: Price deflator of private consumption (percentage change on preceding year, 1961-93) *

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	3.7	7.8	5.7	6.0	0.5	2.0	1.6	3.5	3.5	3.2	3.4	3.6
DK	6.6	10.5	6.4	4.3	2.9	4.6	4.9	5.1	2.5	2.4	2.2	2.4
D	3.6	4.8	2.5	2.1	-0.2	0.8	1.3	3.1	2.6	3.5	4.2	4.0
GR	3.5	17.3	17.9	18.3	22.1	15.5	14.2	14.7	20.2	18.3	14.3	11.0
E	6.6	16.6	11.0	8.2	8.6	5.7	5.1	6.6	6.4	5.8	5.6	5.2
F	4.8	11.5	7.9	6.0	2.9	3.3	2.9	3.5	2.9	3.0	2.9	2.8
IRL	6.3	15.2	7.3	5.0	4.3	3.2	2.5	3.9	2.6	3.0	3.0	2.8
I	4.9	17.1	11.9	9.0	5.7	4.9	5.2	5.8	6.2	6.4	5.2	5.2
L	3.2	7.8	6.5	4.3	1.1	1.6	2.8	3.4	4.2	3.4	3.7	3.2
NL	5.0	6.4	2.2	2.2	0.2	-0.9	0.4	2.9	2.5	3.2	3.5	3.3
P	3.9	21.9	28.5	19.4	13.8	10.0	10.0	12.8	13.6	11.7	9.5	7.8
UK	4.9	13.4	5.0	5.4	4.4	4.3	4.9	5.9	8.4	6.5	4.6	4.1
EUR	4.7	11.8	7.3	6.0	3.8	3.6	3.7	4.9	5.2	5.0	4.5	4.2
USA	3.1	7.7	3.9	3.1	2.0	4.4	4.0	4.5	5.0	4.4	4.8	5.0
JAP	6.1	7.2	2.1	2.2	0.6	-0.2	-0.1	1.7	2.4	2.8	2.6	2.5

TABLE 13: Compensation of employees per head (percentage change on preceding year, 1961-93) *

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	8.9	10.1	6.5	4.6	4.6	2.1	2.4	3.6	6.4	5.2	5.7	5.6
DK	10.7	11.1	5.5	4.7	4.4	7.9	3.9	3.3	3.5	3.5	3.5	3.9
D	9.1	6.0	3.3	3.0	3.5	3.0	3.0	2.8	4.2	6.2	5.8	5.6
GR	10.4	21.6	20.7	23.4	12.5	9.8	18.8	18.1	20.2	16.2	11.6	10.2
E	14.6	19.7	10.0	9.4	9.5	6.7	6.2	6.1	7.7	7.8	7.0	6.5
F	9.9	14.3	8.2	6.6	4.6	3.6	4.1	4.8	4.9	4.6	3.8	3.8
IRL	11.3	18.1	10.7	7.8	4.7	5.6	5.5	6.2	8.6	6.6	6.1	5.2
I	11.5	19.7	11.8	10.1	7.5	8.4	9.3	9.0	10.4	8.2	6.8	6.7
L	7.4	9.9	7.1	3.5	5.2	3.9	3.3	7.1	6.5	5.1	4.8	5.1
NL	11.4	7.9	0.2	1.4	1.6	1.5	1.5	0.5	3.6	4.7	5.0	5.3
P	10.8	24.8	21.2	22.5	21.6	17.9	13.4	13.8	17.8	19.1	14.4	9.9
UK	8.3	15.4	5.6	7.3	8.4	7.4	7.9	8.9	11.3	8.3	5.8	5.6
EUR	9.9	13.9	7.5	7.0	6.4	5.6	5.9	6.1	7.6	7.1	5.8	5.6

TABLE 14: Real GDP per occupied person (percentage change on preceding year, 1961-93) *

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	4.3	2.2	2.3	0.3	0.8	1.8	3.1	2.2	2.7	1.6	2.1	2.2
DK	3.2	1.3	2.6	1.7	1.0	-0.6	0.5	1.8	2.5	2.8	3.0	2.3
D	4.1	1.9	2.7	1.2	0.9	1.0	2.9	1.9	1.8	0.5	1.1	1.5
GR	8.1	1.4	2.4	2.2	1.0	-0.4	2.5	2.5	-0.5	1.6	1.3	1.9
E	6.5	3.1	4.3	3.7	1.8	1.0	1.7	1.2	1.0	1.8	1.8	1.7
F	4.6	2.1	2.4	2.1	2.3	1.7	2.8	2.5	1.6	0.9	2.3	2.0
IRL	4.3	3.3	6.3	5.1	-0.7	3.7	3.5	6.0	4.3	1.3	2.1	2.2
I	5.5	1.9	2.6	1.7	1.8	2.6	3.2	3.0	1.0	0.3	1.5	1.8
L	3.0	0.8	5.6	1.5	1.6	0.7	2.4	2.0	-3.2	1.1	2.3	2.0
NL	3.9	2.0	3.2	1.0	0.0	-0.6	1.3	2.3	1.8	1.3	1.4	1.9
P	6.7	3.0	-0.4	2.8	7.0	4.7	3.9	4.3	2.9	0.8	1.7	2.4
UK	2.9	1.7	0.2	2.3	4.0	2.9	1.3	-0.6	0.4	0.5	2.7	2.3
EUR	4.4	2.0	2.3	1.9	2.1	1.7	2.4	1.7	1.3	0.8	1.9	1.9
USA	2.0	0.4	2.2	1.3	1.4	0.6	1.6	0.5	0.5	0.4	1.1	0.7
JAP	8.2	2.9	4.7	4.1	1.6	3.5	4.0	2.9	3.6	3.0	2.0	2.0

TABLE 15: Unit labour costs, whole economy¹ (percentage change on preceding year, 1961-93) *

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	4.4	7.7	4.1	4.3	3.8	0.3	-0.6	1.4	3.6	3.5	3.6	3.3
DK	7.3	9.7	2.8	2.9	3.3	8.5	3.3	1.5	1.0	0.6	0.5	1.6
D	4.8	4.0	0.7	1.7	2.5	2.1	0.1	0.9	2.3	5.7	4.6	4.0
GR	2.1	20.0	17.9	20.7	11.3	10.2	15.9	15.3	20.8	14.5	10.1	8.1
E	7.7	16.1	5.5	5.6	7.6	5.6	4.5	4.8	6.6	5.9	5.1	4.7
F	5.0	12.0	5.7	4.4	2.2	1.9	1.2	2.2	3.2	3.7	1.5	1.7
IRL	6.8	14.4	4.1	2.6	5.4	1.9	1.9	0.2	4.1	5.3	3.9	3.0
I	5.6	17.5	8.9	8.2	5.7	5.6	6.0	5.9	9.3	7.9	5.2	4.9
L	4.2	9.1	1.5	2.0	3.5	3.2	0.9	4.5	8.5	2.9	2.8	1.3
NL	7.1	5.8	-2.9	0.4	1.6	2.1	0.2	-1.8	1.8	3.4	3.5	3.4
P	3.9	21.2	21.7	19.1	13.6	12.6	9.1	9.1	14.5	18.1	12.5	7.4
UK	5.2	13.4	5.4	4.9	4.3	4.4	6.5	9.6	10.8	7.8	3.0	3.2
EUR	5.3	11.7	5.1	5.0	4.3	3.8	3.4	4.3	6.2	6.2	3.9	3.7

¹ Compensation of employees per head divided by labour productivity per head, defined as GDP volume divided by total employment.

TABLE 16: Total employment (percentage change on preceding year, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	0.6	-0.4	-0.2	0.6	0.6	0.5	1.5	1.6	0.9	-0.3	0.0	0.3
DK	1.1	0.2	1.7	2.5	2.6	0.9	0.0	-0.6	-0.4	-1.0	0.0	1.0
D	0.3	-0.3	0.2	0.7	1.4	0.7	0.8	1.4	2.8	2.8	1.0	0.3
GR	-0.4	1.1	0.3	0.9	0.3	-0.1	1.6	0.4	0.2	-0.8	-0.1	0.2
E	0.7	-1.3	-2.4	-1.3	1.4	4.5	3.5	3.6	2.6	0.7	1.2	1.5
F	0.7	0.1	-0.9	-0.3	0.1	0.3	0.7	1.1	1.2	0.4	0.0	0.5
IRL	0.1	0.5	-1.9	-2.4	0.4	0.6	0.4	-0.1	1.3	0.0	0.3	0.6
I	-0.2	1.0	0.4	0.9	0.8	0.4	1.0	0.2	1.0	0.9	0.5	0.7
L	1.1	0.4	0.6	1.4	2.6	2.7	3.1	4.0	4.2	1.9	1.1	1.4
NL	0.9	-0.4	-0.1	1.5	2.0	1.4	1.4	1.6	2.1	1.0	-0.1	0.0
P	0.2	-0.4	-1.5	0.0	-2.7	0.5	0.1	1.0	1.1	1.1	0.0	-0.4
UK	0.3	-0.6	1.9	1.2	-0.1	1.8	3.3	2.8	0.4	-2.3	-0.7	0.4
EUR	0.3	0.1	0.1	0.5	0.6	1.1	1.6	1.5	1.4	0.5	0.3	0.5
USA	1.9	1.4	4.9	2.4	1.7	2.9	2.8	2.3	0.5	-0.8	1.0	1.5
JAP	1.3	0.7	0.3	0.6	0.9	0.9	1.7	1.9	2.0	1.6	1.5	1.5

TABLE 17: Employment in manufacturing industries (percentage change on preceding year, 1974-93)*

	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	-3.5	-1.0	-1.7	-1.8	-2.5	-0.7	2.0	1.2	-1.0	0.1	0.4
DK	-1.7	5.6	6.1	3.8	-1.3	-1.8	-0.2	0.3	-1.9	0.6	3.0
D	-1.9	-1.1	1.1	1.7	-0.2	0.1	1.3	3.6	2.8	0.7	0.2
GR	-	-1.0	0.4	3.6	-4.2	-1.4	-1.1	-1.6	-1.0	0.5	1.0
E	-2.3	-3.1	-0.8	1.5	2.6	2.7	3.8	2.9	-2.6	0.0	0.8
F	-1.4	-3.1	-3.0	-2.0	-2.6	-2.0	0.0	1.0	-0.7	-0.9	0.2
IRL	-0.0	-4.1	-4.3	4.0	-3.4	0.0	2.5	2.4	0.0	0.5	0.5
I	-0.5	-4.9	-1.4	-1.2	-0.4	1.2	0.5	0.5	-1.1	-0.6	0.1
L	-2.2	-1.0	-0.1	1.8	-1.5	-3.3	-0.2	0.3	1.9	1.0	1.3
NL	-2.7	-1.2	2.1	2.1	0.8	0.8	1.8	2.0	0.7	-1.1	1.1
P	-	-4.2	-1.0	-2.5	-1.7	-1.7	1.5	1.2	0.9	0.0	-0.5
UK	-3.5	-3.1	0.4	-2.5	-1.4	1.4	0.3	-1.3	-4.3	-2.2	-1.2
EUR	-2.1 ¹	-2.6	-0.3	-0.3	-0.8	0.3	1.0	1.4	-0.5	-0.4	0.1

¹ EUR without Greece and Portugal.TABLE 18: Number of unemployed (as percentage of civilian labour force, 1964-93)¹*

	1964-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	2.0	7.3	12.5	11.6	11.6	11.4	10.0	8.5	8.1	8.6	8.6	8.4
DK	0.9	6.1	8.7	7.2	5.6	5.7	6.5	7.7	7.9	9.2	9.0	8.5
D	0.7	3.7	7.1	7.1	6.3	6.2	6.1	5.5	5.1	4.6	5.0	5.6
GR	4.2	3.2	8.1	7.8	7.4	7.4	7.6	7.5	7.5	8.8	9.3	9.7
E	2.8	9.4	20.6	21.8	21.1	20.4	19.3	17.1	16.1	15.8	15.5	15.3
F	2.2	5.7	9.8	10.2	10.3	10.4	9.9	9.4	9.0	9.5	10.1	10.2
IRL	5.7	9.7	16.8	18.2	18.2	18.0	17.4	16.0	15.6	16.8	18.1	18.6
I	5.2	6.9	9.5	9.4	10.5	10.2	10.8	10.7	9.8	9.4	9.5	9.3
L	0.0	1.4	3.1	2.9	2.6	2.6	2.1	1.8	1.6	1.6	1.6	1.6
NL	1.3	7.1	12.3	10.5	10.2	10.0	9.3	8.7	8.1	7.2	7.7	7.8
P	2.5	6.6	8.7	8.8	8.2	6.8	5.6	4.8	4.6	4.0	4.2	4.7
UK	2.0	6.1	11.3	11.4	11.4	10.4	8.5	7.0	6.4	8.4	9.8	10.0
EUR	2.4	6.0	10.7	10.8	10.7	10.3	9.7	8.9	8.4	8.6	9.1	9.2
USA ²	4.6	7.5	7.5	7.2	7.0	6.2	5.5	5.3	5.5	6.7	6.9	6.7
JAP ²	1.2	2.1	2.7	2.6	2.8	2.8	2.5	2.3	2.1	2.2	2.2	2.2

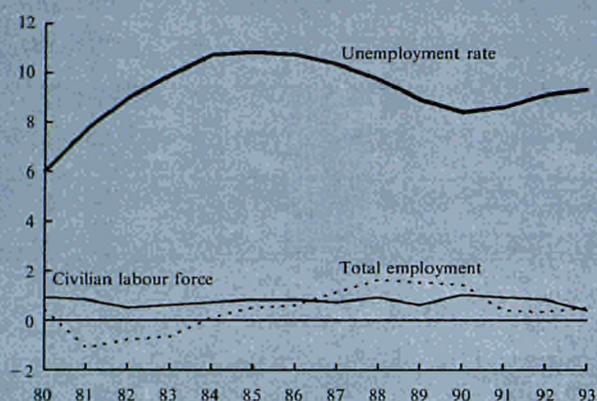
¹ Series following SOEC definition, based on the labour force survey.² In percentage of total labour force.TABLE 19: General government lending (+) or borrowing (-) (as a percentage of GDP, 1974-93)¹*

	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	-7.6	-9.0	-8.5	-9.1	-7.1	-6.9	-6.7	-5.6	-6.3	-6.2	-5.8
DK	-2.7	-4.1	-2.0	3.4	2.4	0.5	-0.5	-1.5	-1.7	-1.5	-0.5
D ²	-2.9	-1.9	-0.9	-1.3	-1.8	-2.1	0.2	-1.9	-3.6	-3.4	-3.7
GR	-	-10.0	-13.8	-12.6	-12.2	-14.4	-18.3	-19.8	-17.3	-14.0	-10.1
E	-2.1	-5.4	-6.9	-6.0	-3.2	-3.3	-2.7	-4.0	-3.9	-3.6	-3.2
F	-1.4	-2.8	-2.9	-2.7	-1.9	-1.8	-1.2	-1.6	-1.5	-1.7	-1.5
IRL	-11.0	-9.8	-11.2	-11.2	-9.1	-5.2	-3.5	-3.6	-4.1	-4.1	-3.9
I	-9.1	-11.6	-12.5	-11.7	-11.0	-10.9	-10.1	-10.6	-9.9	-9.3	-9.4
L	1.5	3.4	5.3	3.5	1.6	2.4	4.3	4.7	1.9	2.0	2.1
NL	-3.7	-6.3	-4.8	-6.0	-6.6	-5.2	-5.2	-5.3	-4.4	-4.1	-3.7
P	-	-12.0	-10.1	-7.2	-6.8	-5.4	-3.4	-5.8	-5.4	-4.6	-4.0
UK	-3.6	-4.0	-2.8	-2.4	-1.3	1.1	1.3	-0.7	-1.9	-3.6	-3.3
EUR	-4.0 ¹	-5.3	-5.2	-4.8	-4.2	-3.7	-2.9	-4.1	-4.4	-4.4	-4.3
USA	-1.7	-2.8	-3.3	-3.5	-2.4	-2.0	-1.7	-2.4	-2.3	-2.1	-1.4
JAP	-3.6	-2.1	-0.8	-0.9	0.5	1.5	2.5	2.2	1.8	1.9	1.9

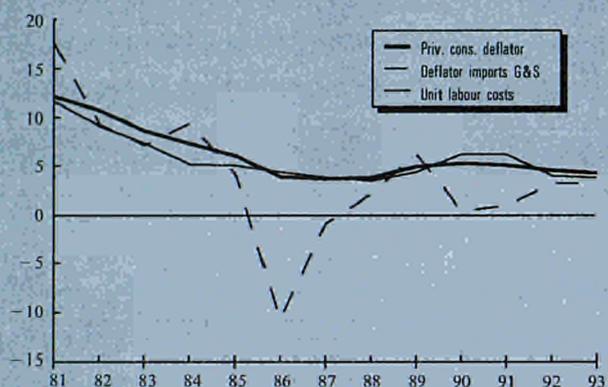
¹ EUR without Greece and Portugal.² Including current transfers to East Germany and the deficit of East German territorial authorities and as a percentage of GDP of unified Germany from 1991 onwards.

* Notes: see page 19.

GRAPH 7: Labour force, employment and unemployment in the Community
(% change p.a., except unemployment rate)



GRAPH 8: Inflation in the Community
(% change p.a.)



have also been divergent. Employment growth remained very strong in Germany in 1991 (2.8%). It was close to or exceeded 1% in Luxembourg, Portugal and the Netherlands and, notwithstanding weak output growth, in Italy. On the other hand, employment fell in Belgium, Denmark, Greece and the United Kingdom in particular (-2.3%). In 1992, the rate of job creation is forecast to virtually stagnate in many member countries. Exceptions are Germany, Spain and Luxembourg, where employment growth should exceed 1%, on the one hand and the United Kingdom where it should fall by 0.7%, on the other.

The lower rates of increase in employment and the continued strong expansion in the Community's labour force (0.6% in 1991 and 0.7% in 1992) are leading to a worsening of the unemployment situation. Consequently, the rate of unemployment is expected to rise again to 8.6% in 1991, up from 8.4% in 1990, reversing a downward trend which has been evidenced since 1986. Due to lag effects, a further and more significant rise in unemployment is likely in 1992 (to 9.1%). A further marginal increase to 9.2% is forecast for 1993.

The upward trend in the average Community unemployment rate is due to a significant rise in unemployment in a number of

member countries. In 1991, unemployment is expected to increase by 2 percentage points in the United Kingdom, by circa 1 ¼ points in Denmark, Greece, and Ireland and by ½ a point in Belgium and France. Conversely, unemployment is expected to decline in Germany, Spain, Italy and Portugal by ½ a point, and by ¾ of a point in the Netherlands. In 1992 and 1993, an increase in unemployment is expected in Germany, Greece, France, Ireland, the Netherlands, Portugal and the United Kingdom.

Inflationary pressures are abating, though remain strong. — In the Community as a whole, inflation (private consumption price deflator) is forecast to fall from 5.2% in 1990 to 5.0% in 1991. During 1992 and 1993 inflationary pressures are expected to moderate, leading to further falls to 4.5% and 4.2% respectively.

The somewhat disappointing inflation performance in 1991 is basically the outcome of continued high increases in nominal unit labour costs and of tax increases in several countries. In 1992, cost performance is expected to improve with wages per head decelerating significantly and tax-push pressures largely disappearing. On the other hand, imported inflation is likely to increase.

In 1991, prices of imported goods and services, which had been an important factor behind the rapid acceleration of price increases in 1989, have risen very moderately for the second consecutive year (+1.1%). For 1992 and 1993, a higher price increase for imported goods and services is expected (slightly above 3% in both years).

Continuing high rates of increase in nominal wages per head and nominal unit labour costs are the main factors responsible for the persistence of relatively high inflationary pressures in the Community. Nominal wages per head in the Community are forecast to increase by 7.1% in 1991. Albeit ½ a point lower than in 1990, this is still disquieting. The rate of increase in the group of the seven original narrow-band countries has been particularly unsatisfactory in 1991. In Germany and the Netherlands, wage increases per head accelerated markedly. They remained broadly unchanged in Denmark, France and Luxembourg. Only in Belgium and Ireland, they decelerated substantially. Wage increases per head are forecast to moderate by around ½ a point on average in the original narrow-band countries in 1992. In the four countries with traditionally high nominal wage increases, Greece, Italy, Portugal and the United Kingdom, they are expected to abate very significantly in 1992. Only in Greece and Portugal, a further strong deceleration is forecast for 1993.

Given projected productivity increases, about 1% in 1991 and 2% in 1992 and 1993, nominal unit labour costs should increase by 6.2% in 1991 and almost 4% in 1992 and 1993. Real unit labour costs are expected to rise for the second consecutive year by 0.6% in 1991 and to decrease by 0.7% in each of the following two years, more than recouping the deterioration incurred over the period 1990-91.

TABLE 20: World export prices¹
(Percentage change on preceding year)*

	1988	1989	1990	1991	1992	1993
Fuels	-15.6	16.9	27.3	-16.5	2.4	4.9
Other primary commodities	20.0	-0.2	-0.6	-6.0	-0.1	4.2
Manufactures	5.7	-0.2	8.3	-1.1	2.2	2.5

¹ In US dollars.

Source: United Nations and forecasts by Commission services.

* Notes: see page 19.

Indirect taxation has also contributed to keeping inflation high, but its impact should be limited to 1991 when it should account for about 1 point of the increase in the price deflator of private consumption.

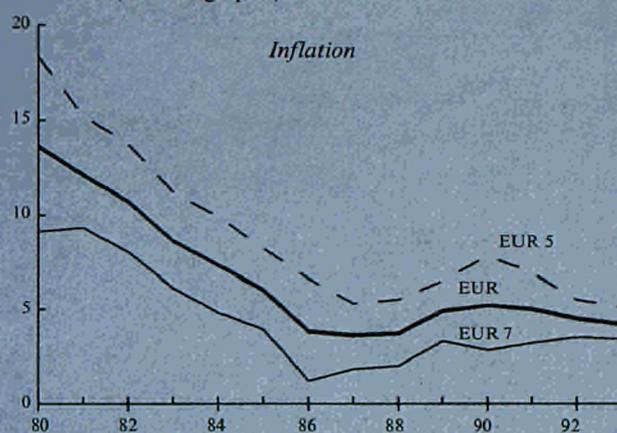
After deteriorating significantly in 1990, *price convergence* is expected to improve with the gap between the highest and the lowest rate falling significantly over the forecasting period. Price convergence is taking place, however, at a higher average rate of inflation than in the period 1987-89. This is the combined result of higher average inflation in the original narrow-band countries and decelerating price increases in the other countries.

Net borrowing by general government: further widening in 1991 but slight narrowing over the period 1992-93. — Following five years of limited but steady consolidation efforts whereby net borrowing by general government in the Community as a whole was almost halved from 5.3% of GDP in 1984 to 2.9% in 1989, the budgetary position of the Community deteriorated in 1990 and 1991 under the combined impact of German unification, a worsening economic climate and higher interest rates. However, the widening of the budget deficit in 1991 has in part been limited by efforts in most member countries to adhere to stated budget objectives despite the stronger than expected downswing

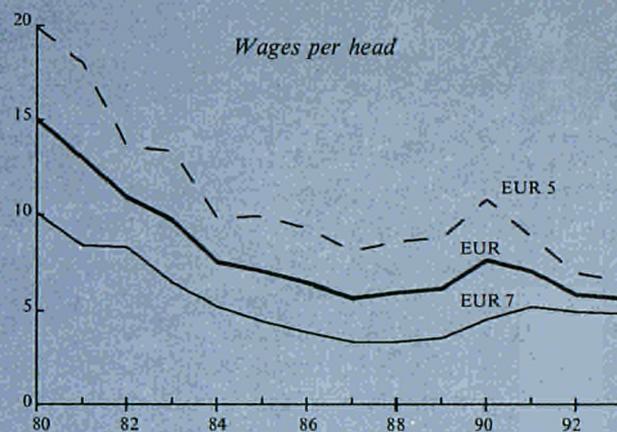
The increase in the overall Community budget deficit to 4.4% of GDP in 1991, up from 4.1% in 1990, has been primarily generated by a further substantial widening of budget deficits in Germany and the United Kingdom. In Germany, under the fiscal impact of unification, net borrowing is estimated to increase from 1.9% of GDP in 1990 (West Germany) to 3.6% of GDP in 1991 (Unified Germany). In the United Kingdom the deep recession has caused a marked worsening of the budget deficit to an estimated 1.9% in 1991. In several other member countries, the negative fiscal effects of slackening economic activity and rising interest rates have engendered a certain deterioration in the budgetary position. This is particularly the case in Belgium, Ireland and Luxembourg. A reduction in net borrowing is instead foreseen in Greece, though substantially less than envisaged, Italy, the Netherlands and Portugal.

1992 is forecast to see no change in net borrowing by general government for the Community as a whole. This picture masks, however, divergent developments at the country level. In the majority of member countries (particularly in Greece, Italy and Portugal) a certain reduction in net borrowing is expected,

GRAPH 9: Price and cost convergence
(% change p.a.)



EUR 5: GR, E, I, P, UK
EUR 7: B, DK, D, F, IRL, L, NL



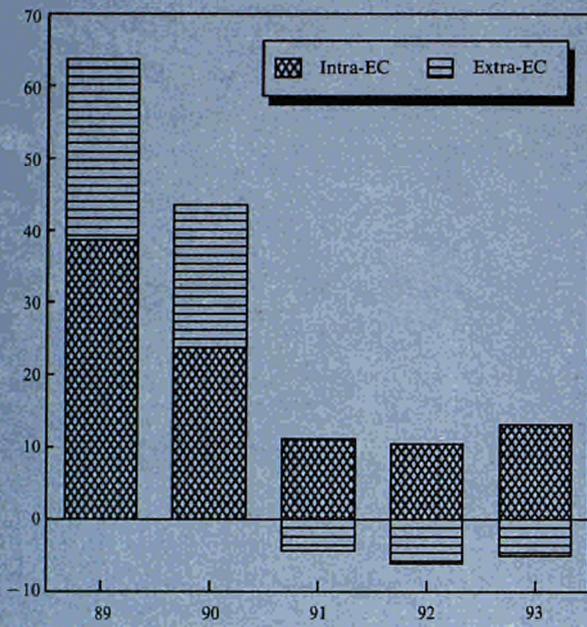
EUR 5: GR, E, I, P, UK
EUR 7: B, DK, D, F, IRL, L, NL

primarily because of the anticipated uptake in output growth and because of some deficit-reducing discretionary measures. Only in the United Kingdom and, to a lesser extent, in France are budgetary positions expected to turn somewhat less favourable. In 1993 a marginal reduction to -4.3% of Community GDP is forecast.

Deterioration in the external position following German unification. — The external position of the EC has changed significantly under the impact of German unification. The *trade balance* of the Community with the rest of the world is forecast to move from a surplus of 0.3% of GDP in 1990 to a deficit of circa 0.5% of GDP in 1991 and in the following two years. This abrupt change is entirely due to the rapid narrowing of the German trade surplus in 1991 following the acceleration of domestic demand provoked by the unification process.

As a percentage of GDP, the deficit on the *current account balance* is forecast to widen to -0.8% in 1991, and to remain

GRAPH 10: German trade balance
(in billions of ECU)



unchanged in 1992 and 1993. Again, the deterioration is attributable to developments in Germany where the current account is expected to swing from a surplus of 3.2% of GDP in 1990 (West Germany) to a deficit of 1.1% in 1991 (Unified Germany). In the United Kingdom, the deficit is expected to narrow in line with the fall in domestic demand, but to widen again in 1992 when recovery gets under way. No improvement is expected in the current account deficit of Spain, while that of Greece is set to narrow significantly as a result of the assumed implementation of its adjustment programme.

Growth in world output and trade. — The slowdown in world economic activity has proved to be more protracted than expected. *World output growth* is forecast to practically grind to a halt in 1991, growing at only 0.2% in real terms. The forecast for the OECD countries excluding the Community suggests GDP growth of a mere 0.8%. This is in keeping with the Commission assessment in its Spring forecast that the external environment would be unfavourable to growth prospects in 1991.

The poor outlook for 1991 is more a question of the timing of the expected recovery in world output than a change in the basic economic fundamentals. In general the extent of the slowdown in economic activity was foreseen but its duration has been underestimated. This is particularly true of the United States where expectations of a rapid and strong emergence from recession have not yet been realised. The recession in the other anglo-saxon countries and the slowdown in overall economic activity within EFTA have also retarded a resumption of world economic growth. There are nonetheless strong indications that the recovery will get underway in 1992 following this unanticipated time-lag. Given that basic economic fundamentals remain unchanged, the Commission services have only marginally adjusted their forecasts for 1992. World output is now forecast to increase by 2.1 % in 1992 and 3.0% in 1993 whereas output within the OECD (excluding Community Member States) might increase by 2.5 % over the next two years. The rate of growth of world trade (measured by import volumes) is expected to almost double from 2.9% in 1991 to 5.1% in 1992 and 5.8% in 1993.

TABLE 21: Total public expenditure (as percentage of GDP, 1974-93) *

	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	50.9	56.1	55.8	55.7	54.0	52.7	51.2	49.3	49.8	49.5	48.9
DK	53.3	60.3	59.3	55.7	57.3	59.0	58.7	57.6	57.5	56.8	55.5
D²	48.0	48.0	47.3	46.9	47.0	46.6	45.2	46.0	46.1	45.5	45.1
GR	—	44.3	48.1	47.9	48.4	48.7	49.9	53.0	51.4	48.8	45.9
E	30.5	39.4	42.1	41.7	40.6	40.5	41.8	42.7	43.5	43.9	44.3
F	45.6	51.9	52.1	51.3	51.0	50.4	49.5	49.9	50.2	49.7	49.2
IRL	47.9	52.3	53.6	53.4	51.7	48.8	43.1	43.1	44.5	44.5	44.2
I	41.3	49.3	50.8	50.9	50.5	50.8	51.7	53.0	53.5	53.6	53.7
L	52.2	53.2	53.0	52.4	55.3	54.2	50.8	51.2	51.3	50.8	50.6
NL	55.7	60.9	59.8	59.9	61.6	59.8	57.4	56.4	56.1	56.5	56.0
P	—	46.6	43.5	44.6	43.0	43.0	42.9	44.1	45.3	45.5	44.9
UK	43.3	45.4	44.3	42.8	41.1	38.2	37.7	39.1	40.0	40.9	40.8
EUR	44.4 ¹	48.8	48.9	48.3	47.8	47.0	46.5	47.3	47.7	47.6	47.4

¹ EUR without Greece and Portugal.

² Including current transfers to East Germany and the deficit of East German territorial authorities and as a percentage of GDP of unified Germany from 1991 onwards.

TABLE 22: Total public receipts (as percentage of GDP, 1974-93) *

	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	43.3	47.1	47.3	46.6	46.9	45.8	44.5	43.7	43.5	43.3	43.1
DK	50.6	56.2	57.3	59.1	59.7	59.5	58.2	56.1	55.9	55.3	55.0
D²	45.1	46.1	46.4	45.6	45.2	44.5	45.4	44.1	42.5	42.1	41.4
GR	29.7	34.2	34.2	35.3	36.2	34.2	31.6	33.2	34.0	34.9	35.8
E	28.5	34.0	35.2	35.7	37.4	37.2	39.0	38.6	39.5	40.3	41.1
F	44.2	49.2	49.3	48.6	49.1	48.7	48.3	48.2	48.7	48.0	47.7
IRL	36.9	42.5	42.4	42.3	42.6	43.6	39.6	39.5	40.4	40.4	40.3
I	32.2	37.7	38.2	39.2	39.4	39.9	41.6	42.4	43.6	44.2	44.3
L	53.7	56.6	58.2	55.8	56.9	56.5	55.1	56.0	53.3	52.8	52.7
NL	52.0	54.7	55.1	53.9	55.0	54.7	52.2	51.2	51.7	52.4	52.3
P	—	34.6	33.4	37.3	36.2	37.6	39.5	38.3	40.0	40.8	40.9
UK	39.7	41.4	41.4	40.4	39.7	39.3	39.1	38.4	38.1	37.3	37.5
EUR	40.3 ¹	43.5	43.8	43.5	43.6	43.3	43.6	43.2	43.3	43.2	43.1

¹ EUR without Portugal.

² As percentage of GDP of unified Germany from 1991 onwards.

* Notes: see page 19.

TABLE 23: Rates of change of demand components, EUR (1991-93)¹*

	Percentage change on preceding period at constant prices						
	1991	1992	1993	92-I	92-II	93-I	93-II
Private consumption	1.7	2.0	2.4	2.4	2.7	2.2	2.6
Government consumption	1.4	1.4	1.6	1.6	1.7	1.6	1.5
Fixed capital formation	-0.5	2.2	3.7	2.6	4.0	3.3	4.3
— Construction	-0.5	1.8	2.7	1.2	3.8	1.9	3.4
— Equipment	-0.4	2.6	4.7	4.0	4.2	4.7	5.2
Change in stocks as % of GDP	0.6	0.9	0.9	0.9	0.8	0.9	0.9
Domestic demand	1.1	2.2	2.6	2.4	2.6	2.4	2.8
Exports of goods and services	5.5	5.3	5.1	4.4	5.0	5.1	5.3
Imports of goods and services	4.6	5.3	5.3	4.8	5.8	5.0	5.4
Gross domestic product	1.3	2.2	2.4	2.2	2.3	2.4	2.7

¹ Half-yearly figures at annual rates, seasonally adjusted (92-I = first half of 1992 etc.).

TABLE 24: Export markets and export performance (percentage change on preceding year, 1991-93)*

	Export markets			Export performance ¹		
	1991	1992	1993	1991	1992	1993
B	4.1	4.8	5.6	-0.2	-0.1	-0.4
DK	2.6	4.0	5.0	3.0	2.8	1.4
D³	0.5	4.6	5.9	-4.3	-0.4	0.2
GR	3.7	3.7	5.0	-0.6	0.4	0.1
E	3.1	4.7	5.4	5.2	2.7	2.1
F	4.0	5.0	5.6	-1.1	0.1	0.2
IRL	2.1	5.1	5.4	2.3	0.9	0.8
I	2.9	4.7	5.6	-0.6	-0.6	-0.7
L²	—	—	—	—	—	—
NL	4.3	4.5	5.0	-0.4	0.4	0.1
P	3.6	5.2	5.7	-3.8	-1.3	-0.8
UK	3.6	4.8	5.6	-1.0	1.0	-0.6
EUR	2.7	4.7	5.6	-1.0	0.2	-0.0
USA	2.5	5.7	6.0	4.1	0.2	0.2
JAP	3.5	5.9	6.4	2.4	0.5	0.1

¹ Indices of export volume growth divided by indices of market growth (includes intra-EC trade).

² Included in the figures for Belgium.

³ Unified Germany.

TABLE 25: Imports of goods, volume (percentage change on preceding year, 1961-93)*

	1961-73	1974-81	1982-89	1990	1991	1992	1993
B	9.3	1.8	4.4	5.1	3.5	4.8	4.9
DK	7.9	-0.2	3.3	1.6	4.7	5.9	6.5
D	8.8	4.0	4.6	11.4	15.2	5.7	5.0
GR	12.8	0.4	9.0	11.9	-0.8	3.0	4.8
E	—	1.7	9.6	7.4	8.5	7.8	7.2
F	11.4	2.4	4.7	5.8	1.8	3.8	5.1
IRL	9.2	4.5	4.8	6.5	3.9	5.0	5.4
I	10.2	2.2	5.3	2.8	3.7	4.9	5.6
L	6.2	1.0	6.1	3.2	3.2	4.0	4.5
NL	9.4	1.3	5.0	5.1	3.9	3.5	4.9
P	—	—	7.2	13.0	5.3	6.0	6.3
UK	5.2	0.4	8.0	1.2	-2.6	6.5	5.4
EUR¹	9.0	2.3	5.8	5.9	5.1	5.3	5.4
USA	9.3 ²	2.1	8.7	3.5	0.5	5.6	5.2
JAP	—	—	—	9.8	4.5	6.5	7.0

¹ Excluding Spain up to 1973 and Portugal up to 1981.

² Average 1964-73.

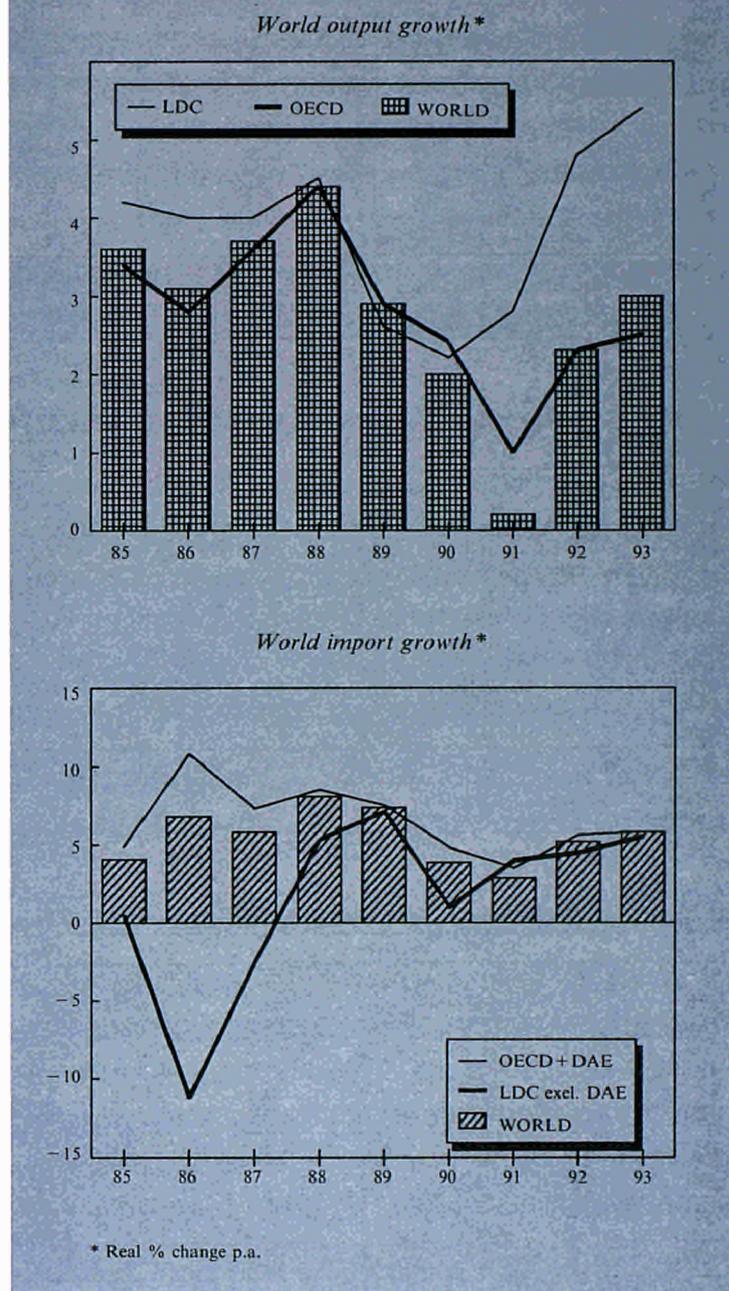
TABLE 26: Exports of goods, volume (percentage change on preceding year, 1961-93)*

	1961-73	1974-81	1982-89	1990	1991	1992	1993
B	10.2	2.2	4.7	5.8	4.0	4.8	5.1
DK	6.8	4.7	4.4	6.9	5.6	7.0	6.5
D	8.0	4.7	4.3	7.0	12.9	6.1	5.5
GR	12.0	5.6	9.3	-6.9	3.1	4.1	5.1
E	—	8.9	6.4	8.3	8.5	7.4	7.6
F	10.1	5.5	3.7	5.4	2.9	5.1	5.8
IRL	8.1	7.9	9.8	5.8	4.4	6.0	6.2
I	11.5	6.4	4.4	4.2	2.2	4.0	4.9
L	5.3	-1.1	7.4	1.5	1.4	3.3	4.1
NL	10.3	2.8	4.7	5.2	3.9	4.9	5.1
P	—	—	11.6	12.0	-0.3	3.9	4.8
UK	5.0	3.5	4.4	6.6	2.5	5.8	5.0
EUR¹	8.8	4.8	4.7	6.0	5.7	5.4	5.4
USA	6.8 ²	5.2	6.8	8.5	6.7	5.9	6.3
JAP	—	—	—	6.7	6.0	6.5	6.5

¹ Excluding Spain up to 1973 and Portugal up to 1981.

² Average 1964-73.

* Notes: see page 19.

GRAPH 11: International environment

United States: a hesitant recovery in perspective. — The United States is expected to register a negative growth rate of 0.4 % of GDP in 1991, despite a commencement of recovery in economic activity in the course of the second quarter of the year. The fragility of the recovery in contrast to previous cycles is giving cause for concern. The relatively slow up-turn is attributed to weaknesses in certain regions and key sectors (retail sales and business construction) and the cautious lending policies of the banking sector owing to high levels of indebtedness and poor balance sheets. The scope for government intervention to boost output, at least in the short-term, is also limited. A fiscal boost is constrained by the continued high level of the federal deficit and the possible adverse effects on interest rates, investment and the dollar of any fiscal expansion. Monetary policy, on the other hand, has already been significantly eased in an endeavour to revive economic activity.

TABLE 27: Trade balance total (fob/cif) (in billions of ECU, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	-0.1	-3.4	-4.8	-3.7	-0.2	-0.7	-2.9	-2.2	-5.6	-1.3	-1.3	-1.1
DK	-0.7	-1.9	-0.7	-1.5	-1.5	0.2	0.9	1.2	2.4	3.2	3.8	4.0
D²	3.6	13.5	24.1	33.0	53.1	57.0	61.0	64.0	44.0	6.8	4.4	8.1
GR	-0.9	-3.9	-6.1	-7.4	-5.8	-5.6	-5.9	-7.8	-9.2	-7.8	-8.4	-9.2
E	-1.9	-7.9	-4.7	-5.6	-6.3	-8.7	-11.9	-19.3	-20.1	-26.8	-29.9	-32.9
F	-0.8	-10.5	-13.1	-13.5	-9.2	-12.6	-12.2	-14.9	-17.3	-13.2	-12.1	-11.6
IRL	-0.4	-1.3	-0.0	0.5	1.0	2.0	2.7	3.1	2.3	2.3	2.6	2.9
I	-1.3	-7.6	-13.9	-16.0	-2.5	-7.5	-8.4	-11.2	-9.3	-8.7	-10.2	-12.7
L¹												
NL	-1.0	0.2	4.3	3.9	4.6	1.1	1.2	3.5	0.3	5.9	8.1	9.5
P	-0.5	-3.1	-3.5	-2.7	-2.3	-3.7	-5.8	-5.6	-6.7	-7.9	-8.9	-10.0
UK	-2.7	-6.6	-14.2	-11.9	-19.9	-20.9	-42.6	-41.1	-31.9	-19.9	-25.0	-27.0
EUR	-6.6	-32.4	-32.6	-24.7	11.0	0.8	-23.9	-30.3	-51.0	-67.3	-76.9	-79.9

¹ Included in the figures for Belgium.² Unified Germany from 1991 onwards.

TABLE 28: Trade balance intra-EC (fob/cif) (in billions of ECU, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	0.5	0.7	0.1	-1.4	1.9	1.0	0.9	2.7	0.1	1.6	1.9	2.1
DK	-0.3	-1.1	-1.2	-2.1	-2.2	-1.0	-0.4	0.2	0.8	1.8	2.3	2.8
D²	1.4	5.2	7.8	9.5	20.3	26.2	34.7	38.6	23.8	11.2	10.5	13.2
GR	-0.5	-1.7	-2.6	-3.2	-3.1	-3.1	-3.6	-4.7	-5.9	-3.8	-4.0	-4.4
E	-0.7	-0.5	3.2	2.6	-0.6	-3.5	-5.3	-8.9	-9.2	-10.3	-11.8	-13.2
F	-0.1	-5.1	-13.4	-15.3	-14.0	-14.7	-13.1	-15.4	-14.9	-4.7	-3.7	-2.9
IRL	-0.2	-0.9	-0.2	-0.1	0.6	1.8	2.4	3.0	2.4	3.4	3.8	4.2
I	0.0	-0.8	-4.2	-6.4	-3.3	-4.8	-5.3	-6.8	-4.3	-2.6	-3.2	-4.1
L¹												
NL	0.2	8.3	19.5	19.9	15.5	12.4	12.4	18.5	18.0	17.8	19.1	22.3
P	-0.3	-1.1	-0.3	-0.0	-0.7	-1.7	-3.5	-3.4	-4.1	-5.4	-6.2	-6.9
UK	-0.4	-1.6	-4.5	-3.6	-12.7	-13.0	-20.2	-22.5	-14.0	-3.0	-4.4	-5.4
EUR	-0.4	1.4	4.2	-0.1	1.6	-0.6	-0.8	1.2	-7.0	5.8	4.5	7.6

¹ Included in the figures for Belgium.² Unified Germany from 1991 onwards.

TABLE 29: Trade balance extra-EC (fob/cif) (in billions of ECU, 1961-93)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	-0.6	-4.4	-5.1	-2.6	-2.6	-2.0	-4.2	-5.4	-6.3	-2.9	-3.2	-3.2
DK	-0.3	-0.9	0.5	0.6	0.7	1.2	1.3	1.0	1.6	1.4	1.5	1.2
D²	2.2	8.1	15.8	22.9	32.5	30.5	26.0	25.0	19.7	-4.3	-6.1	-5.1
GR	-0.4	-2.2	-3.6	-4.2	-2.7	-2.6	-2.3	-3.2	-3.3	-4.1	-4.5	-4.8
E	-1.2	-7.5	-7.9	-8.3	-5.9	-5.7	-6.9	-10.8	-11.5	-16.5	-18.1	-19.7
F	-0.7	-5.4	0.3	1.9	5.0	2.4	1.1	0.9	-2.0	-8.4	-8.5	-8.7
IRL	-0.2	-0.4	0.1	0.4	0.4	0.2	0.3	0.1	-0.1	-1.0	-1.2	-1.3
I	-1.3	-7.1	-10.3	-10.2	0.6	-3.0	-3.3	-4.4	-5.0	-6.1	-7.0	-8.6
L¹												
NL	-1.2	-8.6	-16.6	-17.4	-11.7	-11.9	-11.9	-15.7	-18.5	-11.9	-11.1	-12.8
P	-0.2	-2.0	-3.2	-2.7	-1.7	-2.0	-2.4	-2.3	-2.8	-2.5	-2.8	-3.1
UK	-2.3	-5.0	-9.7	-8.2	-7.2	-8.0	-22.6	-18.8	-18.0	-16.9	-20.6	-21.6
EUR	-6.3	-35.2	-39.8	-27.8	7.4	-0.7	-25.0	-33.7	-46.2	-73.1	-81.5	-87.5

¹ Included in the figures for Belgium.² Unified Germany from 1991 onwards.

TABLE 30: Balance on current account (as a percentage of GDP)*

	1961-73	1974-83	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
B	1.1	-1.7	-0.6	0.3	2.1	1.4	1.5	1.1	1.0	1.0	1.1	1.2
DK	-2.0	-3.4	-3.3	-4.6	-5.4	-2.9	-1.2	-1.2	0.8	1.4	2.2	2.5
D¹	0.7	0.6	1.3	2.6	4.4	4.2	4.2	4.7	3.2	-1.1	-0.9	-0.7
GR	-2.9	-2.3	-4.0	-8.2	-5.3	-3.1	-2.0	-4.8	-6.1	-4.1	-3.4	-2.8
E	-0.2	-2.0	1.4	1.4	1.6	0.0	-1.1	-3.2	-3.5	-3.1	-3.2	-3.2
F	0.4	-0.3	-0.0	0.1	0.5	-0.1	-0.3	-0.1	-1.0	-0.7	-0.8	-0.7
IRL	-2.5	-8.6	-5.8	-4.0	-2.9	1.3	1.7	1.3	3.4	2.3	2.0	1.7
I	1.4	-0.6	-0.6	-0.9	0.5	-0.2	-0.8	-1.4	-1.4	-1.3	-1.5	-1.7
L	6.8	23.9	38.9	44.1	39.4	31.8	33.5	34.4	31.2	28.1	26.1	25.4
NL	0.5	1.4	4.2	4.1	2.7	1.4	2.5	3.3	3.8	4.1	4.4	4.8
P	0.4	-7.7	-3.4	0.4	2.4	-0.4	-4.4	-2.9	-0.3	-1.1	-1.5	-2.4
UK	-0.1	-0.1	-0.2	0.5	-0.9	-2.0	-4.6	-4.8	-2.6	-1.1	-1.4	-1.3
EUR	0.4	-0.3	0.3	0.7	1.4	0.8	0.1	-0.1	-0.2	-0.8	-0.9	-0.8
USA	0.5	0.1	-2.4	-2.9	-3.3	-3.5	-2.5	-1.9	-1.6	-0.1	-0.7	-0.7
JAP	0.6	0.4	2.8	3.7	4.3	3.7	2.8	2.1	1.2	1.5	1.6	1.7

¹ Current account of unified Germany as a percentage of GDP of unified Germany from 1991 onwards.

* Notes: see page 19.

TABLE 31: World GDP/GNP (at constant prices)*
(Percentage change on preceding year)

	1988	1989	1990	1991	1992	1993
EUR	4.0	3.3	2.8	1.3	2.2	2.4
USA	4.5	2.8	0.9	-0.4	2.1	2.2
Canada	5.0	2.9	0.8	-1.2	2.8	3.3
Japan	5.7	4.9	5.6	4.6	3.5	3.5
EFTA	2.9	3.5	1.9	0.1	1.5	2.3
Total OECD	4.4	2.9	2.4	1.0	2.3	2.6
CCEEs	—	—	-2.6	-17.9	-8.6	0.5
OPEC	2.3	-1.4	1.2	-1.1	5.0	5.7
Other developing countries	4.5	2.6	2.2	3.8	4.7	5.3
— DAE's	9.5	7.0	6.7	6.0	6.3	6.8
— other Asia	8.4	3.7	4.1	5.8	5.8	6.2
— Latin America	0.1	2.1	-1.6	0.6	3.4	4.1
— Africa	2.7	2.1	1.1	1.4	2.0	3.0
World	4.4	2.9	2.0	0.2	2.1	3.0

TABLE 32: World imports of goods (at constant prices)*
(Percentage change on preceding year)

	1988	1989	1990	1991	1992	1993
EUR ¹	8.9	8.9	5.9	4.9	5.1	5.3
USA	6.7	6.7	3.5	0.5	5.6	5.2
Canada	15.1	5.1	1.0	-2.5	6.5	5.5
Japan	16.7	7.4	9.8	4.5	6.5	7.0
EFTA	4.5	6.5	3.4	-0.8	3.1	4.9
Total OECD	7.1	6.9	4.2	2.8	5.2	5.4
CCEEs	—	—	-5.3	-15.3	-3.1	6.1
OPEC	-1.1	8.5	1.2	5.8	4.7	5.6
Other developing countries	11.6	9.3	4.7	6.8	6.8	7.2
— DAE's	22.7	12.7	9.9	9.9	9.0	9.0
— other Asia	10.6	4.5	-1.3	5.2	6.2	6.8
— Latin America	5.7	9.6	4.2	3.2	3.5	4.5
— Africa	5.4	7.8	1.7	-0.1	1.5	3.4
World	8.1	7.4	3.9	2.9	5.1	5.8
World excluding EUR	8.5	7.5	3.0	1.8	5.1	6.1

¹ Including unified Germany from 1991 onwards.**TABLE 33: World balances of current account**
(in billions of USD)*

	1988	1989	1990	1991	1992	1993
EUR ¹	15.9	-4.1	-8.7	-53.3	-59.6	-59.4
USA ²	-126.4	-106.4	-92.2	-3.9	-44.9	-42.4
Canada	-11.2	-17.5	-18.8	-16.3	-15.0	-14.6
Japan	79.6	57.0	35.9	52.1	57.6	57.9
EFTA	-1.0	-2.0	0.8	7.8	11.0	14.6
Total OECD	-52.5	-91.8	-100.0	-29.2	-66.2	-59.7
CCEEs	—	0.4	-5.6	-14.8	-10.0	-13.3
OPEC	-24.8	-0.5	23.8	-31.8	9.1	17.8
Other developing countries	-22.1	-11.8	-1.5	-34.3	-38.5	-45.8
— DAE's	29.3	21.4	5.9	1.7	0.2	-2.6
— other Asia	-16.9	-17.1	-11.9	-15.4	-19.1	-23.9
— Latin America	-3.4	-9.3	-9.0	-8.8	-7.8	-6.8
— Africa	-6.3	-6.4	-10.3	-11.8	-11.9	-12.5
Errors and omissions	-74.6	-103.3	-107.2	-110.1	-105.6	-101.0

¹ Including unified Germany from 1991 onwards.² The balance takes into account as public transfers to the USA the contributions of foreign governments to the cost of the Gulf war in 1991.**TABLE 34: World trade balances**
(fob-fob, in billions of USD)*

	1988	1989	1990	1991	1992	1993
EUR ¹	18.7	8.8	6.4	-34.5	-40.7	-36.5
USA	-127.0	-115.9	-108.1	-70.2	-76.5	-79.0
Canada	9.4	6.7	10.0	11.2	14.0	15.9
Japan	95.0	76.9	63.6	81.1	90.4	94.4
EFTA	-5.2	-3.1	-0.5	5.5	8.0	9.9
Total OECD	-9.9	-34.0	-37.5	-10.5	-8.1	0.5
CCEEs	—	-0.7	-5.5	-5.7	-5.7	-10.5
OPEC	24.4	47.0	75.6	53.2	59.1	67.8
Other developing countries	45.8	62.6	77.7	-7.8	-11.7	-18.2
— DAE's	25.7	19.0	3.9	-2.8	6.3	-10.6
— other Asia	-24.7	-20.0	-14.5	-18.4	-21.1	-24.9
— Latin America	25.2	23.0	21.0	20.2	22.2	24.2
— Africa	-4.8	-6.4	-8.3	-6.8	-6.6	-6.9
Errors and omissions	35.9	27.9	34.7	29.3	33.6	39.6

¹ Including unified Germany from 1991 onwards.

* Notes: see page 19.

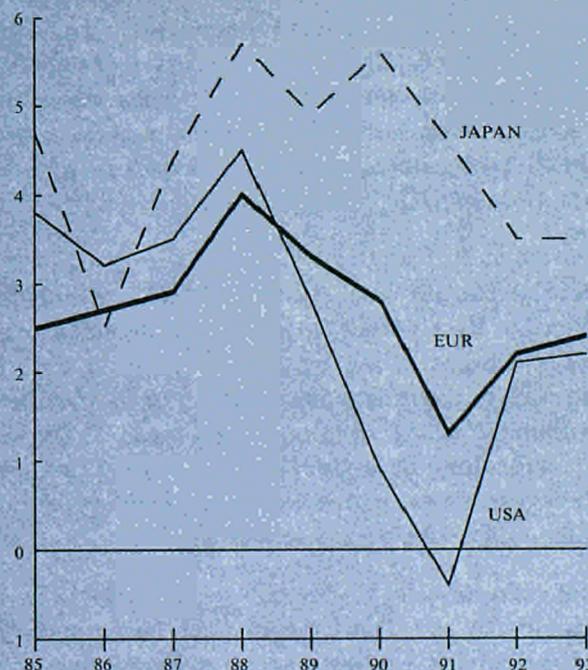
TABLE 35: Trade balances (fob-fob) EUR, USA and Japan*

	1988	1989	1990	1991	1992	1993
as a % of GDP						
EUR ¹	0.3	0.0	0.3	-0.5	0.6	0.5
USA	-2.6	-2.3	-1.9	-1.2	-1.3	-1.4
Japan	3.3	2.7	2.1	2.4	2.5	2.6
in billions of USD						
EUR ¹	18.7	8.8	6.4	-34.5	-40.7	-36.5
USA	-127.0	-115.9	-108.1	-70.2	-76.5	-79.0
Japan	95.0	76.9	63.6	81.1	90.4	94.4
in billions of ECU						
EUR ¹	15.8	8.0	5.0	-28.0	-33.2	-29.8
USA	-107.4	-105.2	-85.0	-57.0	-62.4	-64.5
Japan	80.3	69.8	50.0	65.8	73.8	77.0

¹ Including unified Germany from 1991 onwards.

* Notes: see page 19.

However, there are several factors which point to a recovery. Manufacturing output has picked-up strongly aided by low stock levels and increased exports. This is in turn contributing to increases in real wages which should lead to a growth in consumer spending. Housing construction has also shown signs of recovery. The prospects for inflation are also good. Inflationary pressures are weak given the current low level of capacity utilisation, the relative slack in labour markets and weak domestic demand. This in turn has led to recent falls in long-term interest rates. The combination of these factors leads to a forecast of resumed growth of 2.1% in 1992, increasing marginally to 2.2% in 1993. While modest in comparison with the strong rebounds from previous recessions, the resumption of U.S. growth will nonetheless provide a useful stimulus to Community exports and output after the normal six to nine month time-lag.

GRAPH 12: GDP/GNP growth: EUR, USA and Japan
(real % change p.a.)

Japan: growth decelerates but remains robust. — The forecast growth in output of 4.6% of GNP in 1991 is proof of the resilience of the Japanese economy in the face of the slowdown in world economic activity. However this impressive performance obscures a slowdown in domestic activity in recent months, reflected in a sharp increase in the trade surplus mainly due to an improvement in the terms of trade resulting from the appreciation of the yen and from the decrease in oil prices. This weakening domestic situation is in turn attributed to tight monetary policy and the adverse effects on business and consumer confidence of recent scandals in the financial sector.

However, there are several factors which suggest that this slowdown is only transitory. Firstly the extremely tight labour market should boost consumption through continuing increases in real wages and labour-replacing capital investment. Secondly there is ample room for a more accommodating fiscal and/or monetary policy. The government's budgetary situation is very healthy and inflation is safely under control as evidenced by the modest year-on-year increase (circa 3.4%) in consumer prices and the slow rate of growth in the principal monetary aggregates. In these circumstances the forecast for 1992 is for only a moderate slowdown in growth to 3.5% of GNP, remaining unchanged in 1993. This forecast is only marginally below the estimated growth potential of about 4%.

EFTA countries: from stagnation to moderate recovery. — Output in the EFTA is forecast to stagnate in 1991. This forecast hides wide divergences in individual country performances which range from recession in Sweden and Finland to robust growth in Norway and Austria. Externalities have been a major factor in these divergent performances with Austria benefiting strongly from German unification whereas Finland has suffered from the collapse and re-orientation of imports of the former U.S.S.R.

A resumption of growth would be of obvious benefit to the Community given the close economic integration with EFTA, recently confirmed by the agreement on an European Economic Area. Prospects for 1992 will be strongly influenced by the adjustment programmes currently underway in recession-hit Sweden and Finland. These are expected to restore price stability and export competitiveness and reverse recent falls in output. Allied to the expectation of continued strong growth in other key EFTA members, the overall forecast is for resumed growth of 1.5% of GDP in 1992, increasing to 2.3% in 1993.

Countries of Central and Eastern Europe: sharp output contraction. — Real output in the former centrally planned countries is forecast to fall by 18% of GDP in 1991. This collapse is due to the radical restructuring of these economies and the dramatic fall-off in intra-CMEA trade. In the former U.S.S.R. difficulties have been further exacerbated by the virtual break-up of the Union and its adverse effect on internal distribution and hard-currency export earnings.

The small share of total Community exports (3.7% in 1990) accounted for by the CCEE belies their importance. Their growth potential and emerging strong economic and political ties with the Community are certain to lead to important trade

developments. A number of measures are already underway which are expected to contribute to the resolution of temporary balance of payments difficulties and to the stabilisation of output. Similarly, the increased willingness of OECD members to increase market access for imports from CCEE and the negotiation of association agreements with the Community will improve trade prospects. These measures are expected to start paying dividends in 1992 when the fall in output is forecast to moderate to about 9% , stabilising further to around zero in 1993. As a corollary, import growth should recover to about 5% in 1993 after having fallen at an average annual rate of about 9% over the period 1990-92.

MAIN ASSUMPTIONS AND RISKS

Assumptions. — *Oil price* — The situation in the petroleum market has remained rather stable in 1991. During the first three quarters of the year, the price of Brent UK oil has hovered within a \$ 2 per barrel margin, attaining \$ 20.2 in September. The absence of upward pressures on oil prices is partly due to the failure of the OPEC countries to agree on new quotas and partly to the marked slackening of economic activity in the industrial countries. Market conditions are expected to remain soft but in line with some edging up of oil prices over recent months, a slight strengthening of oil markets is assumed over the forecasting period, implying the following assumptions for UK Brent per barrel: 1991: \$ 20.0; 1992: \$ 20.5; 1993: \$ 21.5.

Non-oil commodity prices — Dollar prices of non-oil commodities are assumed to decrease by 6% in 1991 and by 0.1% in 1992 but to increase by 4.2% in 1993 because of the expected increase in world demand.

Exchange rates — As usual, the assumption made is of constant exchange rates throughout the forecast period. More precisely, the assumption is of stability in real terms at the levels of end September between the ERM currencies, the US dollar and the yen. Between the ERM currencies and the Portuguese escudo, stability in nominal terms is assumed. For the Greek drachma, a nominal depreciation is assumed which will not fully offset the inflation differential. These assumptions result in the following exchange rate for the US dollar against the DM: 1991: DM 1.667; 1992 and 1993: DM 1.671.

TABLE 36: Interest and exchange rates assumptions *

	1988	1989	1990	1991	1992	1993
	Annual average in % points					
Interest rates (US)						
— Short-term ¹	6.9	8.4	7.8	5.5	6.0	7.1
— Long-term ²	9.0	8.5	8.6	8.2	8.2	8.7
	% change on preceding year					
Exchange rate of USD						
— Vis-à-vis ECU ³	-3.1	7.4	-13.3	3.2	0.5	0.0
— Vis-à-vis YEN ³	-12.0	7.6	4.9	-6.4	-3.3	-2.0

¹ 13-week US treasury bills.

² US 10 year-bonds.

³ + (-) signifies an appreciation (depreciation) of the USD.

* Notes: see page 19.

Interest rates — In the United States, in an attempt to boost economic activity, monetary conditions have been loosened on several occasions over the last year and a half. Through successive cuts, short-term interest rates fell from 8.2% in March 1990 to 5.1% in October 1991. Long-term rates declined in parallel, but to a much lesser extent. No further significant cuts in short-term interest rates are expected. On the contrary, a gradual tightening in the course of 1992 is expected in order to avoid the re-emergence of inflationary pressures.

In the Community, the downward convergence of short-term interest rates to the German level has continued in the course of the year and is particularly impressive for the initial narrow-band participants. This evolution is the combined result of the rekindling of inflationary pressures in Germany on the one hand and of relatively favourable inflation performances in the other initial narrow-band countries on the other. The monetary framework for the present forecast is the assumption of a further slight tightening of monetary conditions in Germany in the first half of 1992 and some loosening thereafter.

Policies — The assumption made is the traditional 'no-policy change'. This implies that both monetary and budgetary policies for 1992 and 1993 are assumed to be an extrapolation of present stances except where discretionary measures have already been decided or concretely announced.

Risks and uncertainties. — The forecast for the Community economy which is presented in this document is, as always, a central one, representing the most likely outcome on the basis of a reasonable set of assumptions.

Apart from the traditional risks embodied in the assumptions on the international environment, the single most important source of uncertainty lies within the Community and had already appeared in the Spring forecast, namely the domestic behaviour of the Community economy.

To recover from the current economic slow-down, the Community has to rely on its own strengths. No significant solace is expected from the outside world. In addition, given the required correction of macroeconomic imbalances, there is little scope for supportive monetary and fiscal policies. Therefore the moderate recovery should be triggered by private consumption which in turn should boost investment.

The forecast pick-up in Community output growth is essentially predicated on an improvement in consumer confidence. It is assumed that the recovery will get underway once confidence is restored. In this regard, the rather muted and hesitant rebound in consumer confidence after the cessation of the Gulf crisis is of particular concern. If the recovery in consumption spending were to take place more slowly than expected, the overall pattern and strength of Community activity would be adversely affected. However, with the growth fundamentals in the Community remaining favourable, the risk is essentially a question of the timing and the robustness of the hoped-for recovery.

Although the balance of risks is clearly on the downside, given the predominant role being played by consumer and business confidence in the present conjunctural situation, a better than anticipated growth performance cannot entirely be ruled out. Favourable 'systemic' developments both in the Community (particularly a successful conclusion of the two intergovernmental Conferences in Maastricht and the completion of the legal framework for the Community's internal market augmented recently by the agreement on an European Economic Area) and in the world economy (successful conclusion of the Uruguay round, reforms in Eastern Europe and the Soviet Union) may unleash a bout of confidence. The resulting growth momentum of the Community economy might favourably surprise forecasters as was the case in the late 1980s.

14 November 1991

TABLE 37: Demand components at constant prices⁽¹⁾ and contributions to real GDP growth⁽²⁾, EC Countries and EC, 1987-93 *

	1987	1988	1989	1990	1991	1992	1993
B⁵ Demand components							
Private consumption	3.0	2.8	3.7	2.6	1.3	2.2	2.5
Government consumption	0.7	-1.1	-1.2	1.0	1.5	1.1	1.0
Fixed capital formation	5.8	13.5	13.6	8.3	0.6	3.0	2.8
— Construction	3.3	13.2	8.9	6.7	-1.4	3.3	2.7
— Equipment	7.2	13.8	18.2	10.3	3.0	2.8	2.8
Exports of goods and services	6.4	8.3	6.9	5.0	3.6	4.4	4.8
Imports of goods and services	8.5	7.8	8.1	4.6	3.4	4.5	4.6
GDP	2.2	4.6	3.9	3.7	1.3	2.1	2.5
Contributions to growth							
Final domestic demand	3.0	3.9	4.7	3.5	1.2	2.2	2.4
Stockbuilding	0.8	0.2	0.2	-0.2	0.0	0.0	0.0
Foreign balance	-1.6	0.4	-1.0	0.3	0.1	-0.1	0.1
DK⁴ Demand components							
Private consumption	-1.5	-0.8	-0.8	1.0	1.2	2.8	3.2
Government consumption	2.5	0.2	-1.3	-0.4	-1.3	-0.2	-0.5
Fixed capital formation	-3.8	-6.6	0.2	-1.9	-1.9	2.0	7.1
— Construction	1.1	-4.5	-4.6	-6.1	-6.5	-1.0	4.0
— Equipment	-8.9	-9.8	6.3	3.0	3.0	5.0	10.0
Exports of goods and services	5.1	7.3	6.0	8.7	6.2	7.3	6.2
Imports of goods and services	-2.0	1.4	4.2	2.1	3.5	5.7	6.7
GDP	0.3	0.5	1.2	2.1	1.8	3.0	3.3
Contributions to growth							
Final domestic demand	-1.0	-1.7	-0.7	0.1	-0.0	1.7	2.7
Stockbuilding	-1.2	0.1	1.0	-0.8	0.4	0.1	0.2
Foreign balance	2.5	2.2	0.8	2.8	1.4	1.2	0.3
D⁵ Demand components							
Private consumption	3.1	3.0	1.1	4.7	2.8	2.0	1.9
Government consumption	1.3	0.6	0.6	2.1	-0.5	0.5	1.4
Fixed capital formation	2.2	5.1	7.1	8.8	6.6	3.8	3.1
— Construction	-0.3	3.3	5.1	5.3	3.5	2.5	1.7
— Equipment	5.6	7.7	10.0	12.9	10.0	5.1	4.5
Exports of goods and services	0.7	5.1	10.0	9.1	13.7	5.7	4.5
Imports of goods and services	4.3	5.8	8.6	10.4	13.4	5.8	5.0
GDP	1.7	3.7	3.3	4.7	3.3	2.2	1.8
Contributions to growth							
Final domestic demand	2.6	3.0	2.3	5.1	2.9	2.1	2.0
Stockbuilding	0.1	0.7	0.3	-0.1	0.0	0.0	-0.1
Foreign balance	-1.0	-0.1	0.6	-0.2	0.3	0.1	-0.1
GR³ Demand components							
Private consumption	0.8	3.4	3.9	1.9	0.3	0.9	1.9
Government consumption	1.3	6.6	5.3	0.6	-0.5	-0.5	0.0
Fixed capital formation	-8.7	8.8	8.6	4.8	-1.2	3.5	5.5
— Construction	-7.7	8.3	2.0	2.1	-5.0	2.5	5.0
— Equipment	-9.9	9.5	17.4	7.9	3.0	4.5	6.0
Exports of goods and services	16.0	9.0	2.1	-0.3	1.6	4.0	5.8
Imports of goods and services	16.6	8.0	9.9	11.3	-1.8	2.8	4.8
GDP	-0.5	4.1	2.8	-0.3	0.7	1.2	2.1
Contributions to growth							
Final domestic demand	-0.7	5.0	5.1	2.2	-0.1	1.1	2.3
Stockbuilding	-1.0	2.2	-1.6	4.6	-0.3	0.1	0.1
Foreign balance	-1.8	-0.7	-3.4	-5.0	1.1	0.0	-0.2
E⁶ Demand components							
Private consumption	5.8	4.7	5.5	3.7	3.1	3.3	3.2
Government consumption	8.9	4.0	7.6	4.4	4.2	3.8	3.6
Fixed capital formation	14.0	14.0	13.7	6.7	2.2	3.6	4.0
— Construction	9.9	12.2	14.9	10.7	5.3	4.0	4.0
— Equipment	21.2	16.7	13.0	1.2	-2.5	3.0	4.0
Exports of goods and services	6.1	5.2	2.9	4.2	6.6	7.0	7.1
Imports of goods and services	20.2	14.3	17.0	8.1	8.1	7.5	7.0
GDP	5.6	5.2	4.8	3.7	2.5	3.1	3.2
Contributions to growth							
Final domestic demand	8.0	6.8	8.0	4.9	3.2	3.6	3.7
Stockbuilding	0.2	0.5	0.2	0.1	0.1	0.0	0.0
Foreign balance	-3.3	-2.6	-4.2	-1.7	-0.8	-0.6	-0.5
F⁴ Demand components							
Private consumption	2.6	2.9	3.0	3.1	1.6	1.7	2.1
Government consumption	2.8	2.8	1.7	3.1	2.0	1.9	1.8
Fixed capital formation	4.2	8.5	5.8	3.8	-0.6	1.8	3.3
— Construction	3.2	7.3	5.3	2.3	1.2	2.1	2.9
— Equipment	5.4	9.7	5.8	5.0	-1.8	1.6	3.5
Exports of goods and services	2.9	8.0	10.8	5.2	2.6	5.2	5.8
Imports of goods and services	7.6	8.4	8.5	6.4	1.9	3.7	4.9
GDP	2.0	3.6	3.6	2.8	1.3	2.3	2.5
Contributions to growth							
Final domestic demand	2.9	4.1	3.4	3.3	1.2	1.8	2.3
Stockbuilding	0.2	-0.2	-0.1	0.5	-0.1	0.2	0.0
Foreign balance	-1.2	-0.3	0.3	-0.4	0.1	0.3	0.2
IRL⁵ Demand components							
Private consumption	2.2	2.4	5.2	2.8	1.8	2.4	2.4
Government consumption	-4.9	-4.2	-3.5	1.0	0.2	0.0	0.0
Fixed capital formation	-2.5	4.6	11.3	7.5	-0.4	3.8	4.2
— Construction	-8.3	-0.7	9.8	8.4	-2.9	3.9	4.0
— Equipment	1.3	4.8	15.3	6.8	1.8	3.7	4.5
Exports of goods and services	13.4	8.7	10.1	6.3	4.6	6.2	6.1
Imports of goods and services	5.0	3.9	10.9	6.0	4.0	5.1	5.4
GDP	4.4	3.9	5.9	5.7	1.3	2.3	2.8
Contributions to growth							
Final domestic demand	-0.1	1.5	4.5	3.1	10.0	2.1	2.1
Stockbuilding	-0.9	-1.1	1.1	2.1	-0.5	-1.0	-0.5
Foreign balance	5.3	3.5	0.4	0.7	0.7	1.3	1.2
I⁴ Demand components							
Private consumption	4.5	4.5	4.2	2.7	2.2	2.5	3.0
Government consumption	3.7	2.8	0.5	1.0	1.2	1.1	1.2
Fixed capital formation	5.8	6.7	5.1	3.0	-0.4	2.4	2.9
— Construction	-1.1	1.2	3.6	2.5	0.4	1.2	1.2
— Equipment	12.8	11.2	6.2	3.5	-1.1	3.5	4.5
Exports of goods and services	3.2	4.2	9.2	7.5	2.6	4.2	4.9
Imports of goods and services	10.6	7.4	9.9	6.7	3.9	5.0	5.6
GDP	3.0	4.2	3.2	2.0	1.1	2.0	2.5
Contributions to growth							
Final domestic demand	4.6	4.7	3.8	2.5	1.5	2.3	2.8
Stockbuilding	0.3	0.4	-0.2	-1.1	0.0	0.1	0.1
Foreign balance	-1.8	-0.9	-0.5	-0.1	-0.4	-0.4	-0.4

	1987	1988	1989	1990	1991	1992	1993
L⁵ Demand components							
Private consumption	5.6	3.7	3.7	3.1	4.0	3.7	3.8
Government consumption	2.7	4.0	3.7	0.1	3.1	3.2	3.0
Fixed capital formation	15.0	-5.5	13.4	3.3	6.2	4.7	3.9
— Construction	10.8	7.1	4.4	0.9	5.8	4.4	2.9
— Equipment	16.7	-19.0	26.3	6.0	6.7	5.0	5.0
Exports of goods and services	5.5	8.1	7.2	2.3	2.2	3.7	4.3
Imports of goods and services	7.8	6.3	8.8	3.4	3.4	4.1	4.5
GDP	3.4	5.5	6.1	0.9	3.0	3.4	3.4
Contributions to growth							
Final domestic demand	7.0	1.4	5.7	2.5	4.3	3.9	3.7
Stockbuilding	-1.3	2.1	1.9	-1.7	-0.0	0.0	0.0
Foreign balance	-2.3	2.0	-1.5	-1.3	-1.4	-0.5	-0.3

	1987	1988	1989	1990	1991	1992	1993
NL⁴ Demand components							
Private consumption	4.0	1.5	1.7	3.8	2.6	0.9	1.9
Government consumption	2.9	0.6	-0.9	0.2	-0.4	-0.7	-0.2
Fixed capital formation	1.5	9.4	3.0	4.2	1.1	-1.1	1.9
— Construction	1.9	12.0	1.6	1.3	-0.6	-1.0	1.3
— Equipment	1.9	5.8	4.5	7.7	3.0	-1.2	2.6
Exports of goods and services	4.0	8.1	4.6	5.2	3.9	4.8	5.0
Imports of goods and services	4.9	6.8	5.9	4.6	3.7	3.4	4.7
GDP	0.8	2.7	4.0	3.9	2.3	1.3	1.9
Contributions to growth							
Final domestic demand	3.2	2.9	1.5	3.2	1.7	0.2	1.5
Stockbuilding	-2.0	-1.4	3.1	1.0	0.3	0.0	-0.0
Foreign balance	-0.4	1.1	-0.6	0.7	0.3	1.1	0.4

	1987	1988	1989	1990	1991	1992	1993
P⁷ Demand components							
Private consumption	5.4	6.6	3.1	4.9	5.3	4.0	3.0
Government consumption	4.9	5.3	2.0	3.3	3.8	1.0	1.5
Fixed capital formation	15.1	15.0	7.5	7.5	4.5	3.0	3.7
— Construction	9.4	10.1	3.5	6.5	4.5	3.0	4.0
— Equipment	26.8	23.2	10.0	8.5	4.5	3.0	3.5
Exports of goods and services	8.6	10.2	16.5	10.9	-0.3	3.3	4.3
Imports of goods and services	20.0	16.1	10.5	13.6	5.8	6.2	6.3
GDP	5.3	3.9	5.4	4.0	2.0	1.7	2.0
Contributions to growth							
Final domestic demand	8.0	9.2	4.6	6.1	5.3	3.7	3.4
Stockbuilding	3.2	-0.8	0.1	0.9	-0.2	0.0	0.4
Foreign balance	-6.0	-4.5	0.7	-3.4	-3.1	-2.0	-1.8

	1987	1988	1989	1990	1991	1992	1993
UK⁵ Demand components							
Private consumption	5.3	7.2	3.9	1.0	-0.8	1.4	2.3
Government consumption	1.3	0.5	0.8	2.8	2.8	2.0	2.0
Fixed capital formation	9.5	14.8	4.8	-2.4	-12.8	-0.9	6.4
— Construction	11.1	9.8	2.5	-1.1	-12.9	-0.7	4.7
— Equipment	8.4	17.5	8.3	-3.6	-12.8	-1.1	8.1
Exports of goods and services	5.8	0.3	4.3	4.8	1.6	5.7	4.8
Imports of goods and services	7.9	12.8	6.9	1.3	-2.5	6.4	5.2
GDP	4.7	4.6	2.2	0.8	-1.8	2.0	2.8
Contributions to growth							
Final domestic demand	5.2	7.2	3.6	0.7	-2.4	1.2	3.0
Stockbuilding	0.1	0.8	-0.4	-0.8	-0.7	1.2	0.1
Foreign balance	-0.6	-3.7	-1.0	1.0	1.3	-0.4	-0.3

	1987	1988	1989	1990	1991	1992	1993
EUR Demand components							
Private consumption	3.9	4.1	3.2	3.0	1.7	2.0	2.4
Government consumption	2.7	1.8	1.4	2.3	1.4	1.4	1.6
Fixed capital formation	5.5	9.0	6.7	4.1	-0.5	2.2	3.7
— Construction	3.1	6.3	5.3	3.6	-0.5	1.8	2.7
— Equipment	8.4	11.3	8.5	4.7	-0.4	2.6	4.7
Exports of goods and services	4.1	5.4	7.7	6.3	5.5	5.3	5.1
Imports of goods and services	8.3	8.7	8.9	6.3	4.6	5.3	5.3
GDP	2.9	4.0	3.3	2.8	1.3	2.2	2.4
Contributions to growth							
Final domestic demand	4.0	4.7	3.6	3.2	1.2	2.0	2.6
Stockbuilding	0.1	0.3	0.1	-0.1	-0.1	0.3	0.0
Foreign balance	-1.3	-1.1	-0.6	-0.2	0.1	-0.1	-0.2

¹ Percentage change on preceding year.

² Change as a percentage of GDP of preceding period.

³ 1970 prices.

⁴ 1980 prices.

⁵ 1985 prices.

⁶ 1986 prices.

⁷ 1988 prices.

* Notes: see below.

Notes on technicalities, concepts and sources

1. Directorate General II 'Economic and Financial Affairs' regularly produces, under its own responsibility, short-term economic forecasts. These forecasts cover the principle macro-economic aggregates of the Member States and of the Community as a whole, in addition to the international environment. Although the forecasts primarily serve as a support to the internal work of the Commission and its services, they also form the subject-matter of a regular publication in the Supplement A series 'Economic Trends' of 'European Economy'.

2. Concepts and sources

The sources for the tables and graphs are the Commission's services, except where otherwise indicated.

The historical part of the time series presented in the tables (in the present case, until 1989) is based on ESA national accounts (European System of Integrated Economic Accounts) which are published once a year by Eurostat. In the prospective part (1991 estimates, 1992 and 1993 forecasts) the concepts are generally in line with national economic accounting practice and, therefore, do not always follow the ESA definitions.

Since October 1989, the rates of unemployment presented in table 18, both for the historical part and the forecast, are based on the definition of the Statistical Office of the European Communities (SOEC), which relies on labour survey data.

3. Community (EC) data are generally aggregated using Purchasing Power Standards (PPS). For aggregates at constant prices, 1985 PPS are used. The aggregation in the tables 'Current Balance as % of GDP' and 'GNP at Market Prices' is made using current exchange rates.

4. Technical Notes

The world *geographical zones* are defined as follows:

- EFTA: Austria, Finland, Iceland, Norway, Sweden and Switzerland
- OECD: EC, EFTA, USA, Canada, Japan, Australia, New Zealand and Turkey
- Countries in Central and Eastern Europe (CCEE): Bulgaria, Czechoslovakia, Hungary, Poland, Romania, USSR and Yugoslavia
- OPEC: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela
- Dynamic Asian Economies (DAE): Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand
- Other Asia: all except DAE's, Indonesia, Iran, Iraq, Kuwait, Qatar, Saudi Arabia and UAE.
- Latin America: all except Ecuador and Venezuela
- Africa: all except Algeria, Gabon, Libya and Nigeria.

In the ESA definition of 'General Government' social security is included but public enterprises are excluded.

The employment statistics refer to the number of occupied persons except in the Netherlands where they refer to man-years.

In the 'imports and exports' tables, the EC figures include both intra- and extra-Community trade.

Principal economic policy measures — October 1991

Community (EUR 12)

22.10 Agreement is reached between the EC and the EFTA countries on the establishment of the European Economic Area (EEA).

29.10 Fisheries Council reaches a consensus on a series of measures aimed at conserving EC fishing resources.

Belgium (B)

None.

Denmark (DK)

21.10 Danish Nationalbank lowers interest rates on banks' borrowing from and deposits with the Nationalbank by ½% to 9¼% for drawings on current account and 9% for deposits. Likewise, the discount rate is lowered by ½% to 9%.

Germany (D)

1.10 In East Germany, a first adjustment of rents, which have been frozen at the level of the mid 1930s, comes into effect. Market prices are also introduced for charges made for running costs of accommodation.

Greece (GR)

8.10 By decision of the Bank of Greece credit institutions are allowed as from 1 January 1992 to carry out foreign exchange operations.

11.10 By decision of the Bank of Greece taking effect on 1 November credit institutions become more responsible for the financing of handicraft businesses from a special fund reserved for this purpose.

25.10 The Bank of Greece issues a Treasury bond of Yen 50 billion with 7,1% annual interest rate and nine years duration.

31.10 The Treasury issues three series of bills with an interest rate reduced by 0,5 percentage point. The Treasury bills with a maturity of three, six and twelve months bear an interest rate of 18,5%, 21,5% and 23% p.a. respectively. By a joint decision of the Ministers of National Economy and Finance, based on law 1914/90, a new series of Treasury bonds was issued. They have a duration of 6 years and will replace 3-month Treasury bills held compulsorily by the commercial banks and coming to maturity at that date. The interest rate is floating and is pegged to the interest rate on the 12-month Treasury bills. Especially for the first year, the interest rate is fixed at 21% p.a. and the interest accrued until 31 October 1992 will be capitalized.

Spain (E)

3.10 The Treasury cuts the official interest rates on Treasury bills: the rate for 3-year bills is cut by 0,1 point to 11,6%, the rate for 5-year bills by 0,3 point to 11,4%, and the rate for 10-year bills by 0,4 point to 11,3%.

France (F)

4.10 The French Government asks leading public enterprises to review their plans for redundancies following several announcements of substantial cuts in staff.

17.10 The Bank of France lowers key rates by a quarter point, taking the rate for tenders to 8,75% and the rate for 5 to 10 day sale and repurchase agreements to 9,75%.

22.10 At the end of three negotiating sessions, the Government proposes increasing civil servants' salaries by 6,5% between now and 1 February 1993: this will be done in four stages, on 1 November 1991, 1 February and 1 October 1992 and 1 February 1993.

Ireland (IRL)

31.10 A series of exchange control liberalization measures are announced, with effect from January 1992. Among the restrictions being lifted, is the so called 'three month rule', requiring overseas investors with banks deposits in Ireland to hold such deposits for a minimum of three months. The measures represent a further important step in the phased deregulation of capital markets in advance of the 1992 deadline.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

None.

Portugal (P)

None.

United Kingdom (UK)

None.

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