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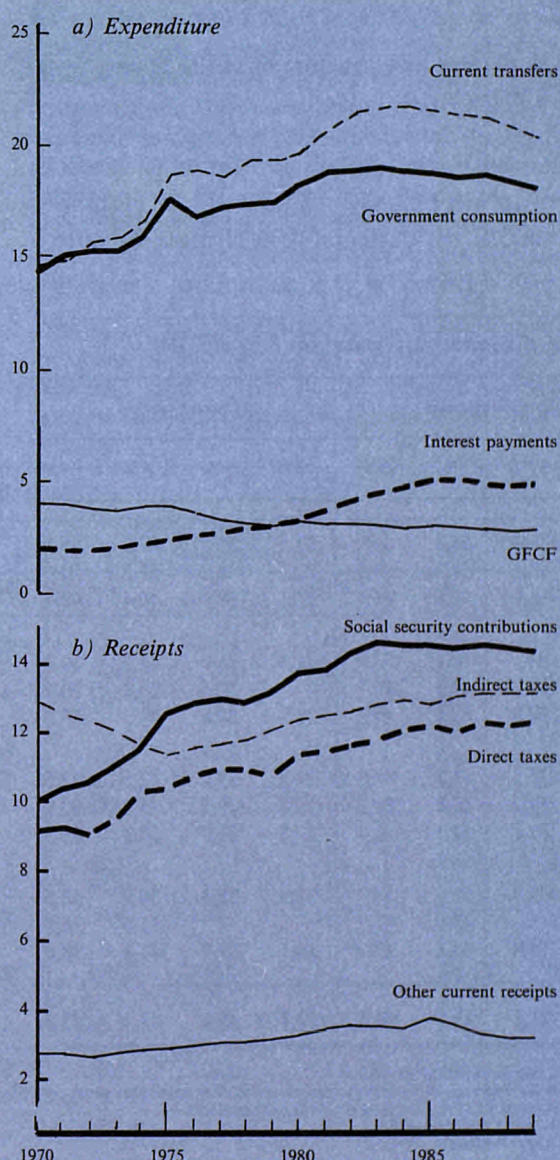


*In this number:
Structure of public finance
in the Community*

MAIN POINTS IN BRIEF

- The objective of a progressive realisation of EMU imparts a central importance to the restoration of sound public finances in the member countries. In this respect, attention is now being focused on coordinated budgetary discipline in terms of reduction of budget imbalances and control of public indebtedness. Beyond these considerations, greater attention needs also to be given to the size and structure of public finance in the Community, in the perspective of increasing integration of the EC economies.
- Following the progressive re-orientation of budgetary policies in the early 1980s in the Community as a whole, the share of general government expenditure to GDP has gradually fallen since 1985 but still amounted to some 46 % in 1989. The decline of the expenditure ratio served to re-establish sounder budget balances while the lowering of the tax burden has been far less pronounced and more recent.
- The reduction in the government spending ratio is reflected in all categories, except interest payments which introduced a growing element of rigidity into budgetary management in several countries. For the Community as a whole, the weight of the various revenue categories has remained largely unchanged since 1985, with indirect taxes, direct taxes and social security contributions each roughly accounting for some 12-14 % of GDP or one third of general government current receipts.
- However, wide differences still persist among member countries, particularly on the revenue side. It is only recently that some member countries, in anticipation of the completion of the EC single market, have begun to adjust their taxation systems.

GRAPH 1: Structure of general government in the Community (as a % of GDP)



STRUCTURE OF PUBLIC FINANCE IN THE COMMUNITY

Size and structure of public finance in the Community

In recent months, the perception has grown that the first stage of EMU will only be crowned by success if a greater convergence of budgetary positions in the Community can be brought about. Thus far, attention has predominantly focused on the requirement of restoring sound budgetary balances in the Community. In particular, significant progress in reducing budget deficits and public debt GDP ratios, in the member countries where these are still too high, is of vital importance in the drive towards EMU.

Over and above that, the size and the structure of public finance in the Community will have to play a bigger role in the creation of conditions which are instrumental to strong and sustainable output and employment growth in the Community. As such, the ECO/FIN Council of July 1989 noted in its conclusions that controlling the share of public finance in GDP and improving the structure of general government expenditure and receipts were important medium-term principles for budgetary policies. Furthermore, the gradual completion of the internal market, by opening national markets, is bound to affect the size and the structure of public finance in the member countries. Increased competition between national public finances relates both to the scale and the composition of the provision of public goods and to the way this is financed.

General trends in the size and structure of public finance in the Community as a whole

Size

Between 1960 and 1985, public finance gained steadily in importance. Thus, for the Community as a whole the ratio of

total spending by general government to gross domestic product grew from some 32 % in 1960 to just under 50 % in 1985, i.e. yearly by 1 3/4 percentage points. In countries like Denmark, Ireland, Belgium and the Netherlands, the ratio grew at an even faster pace, so that general government absorbed more than half of the GDP of these countries in 1985 (almost 60 % in Denmark and the Netherlands).

Following a progressive re-orientation of budgetary policies in the early eighties, the upward trend in total spending of general government was reversed in 1985. Various factors lay behind the shift in policy posture in the early 1980s. Firstly, there was a growing awareness about the potentially adverse economic effects emanating from too large a public sector. The expansion of government expenditure in the sixties and seventies was built on a widespread belief in the efficacy of demand management to stimulate economic activity and employment. At the beginning of the previous decade, however, as economic growth slowed down and unemployment rose sharply, this conviction waned. Particularly, the sheer size of government involvement in the economy gave rise to major concerns. It was felt that the expansion of general government introduced a growing element of rigidity in the resource allocation mechanism, while the increase in taxation heightened the pressures on wage costs and prices which in the disinflation process adversely affected company profitability, growth, investment and employment. Secondly, many countries faced increasing difficulties in financing the continuous expansion of general government expenditure through a commensurate rise in taxation. Budget deficits and public debt therefore assumed increased proportions of GDP as the period progressed, which in turn threatened the pursuit of a stability-oriented monetary policy and reduced budgetary flexibility as a result of a mounting debt-service burden. In addition, in some countries, the combination of excessive budget deficits, slow economic growth and high interest rates risked putting public indebtedness on an unsustainable trajectory.

TABLE 1: Size of general government (as a % of GDP)¹

	Total expenditure				Current receipts			
	1960	1970	1985	1989*	1960	1970	1985	1989*
B	30,3	38,6	55,8	51,2	27,5	36,5	47,2	45,2
DK	24,8	42,1	59,3	59,9	27,3	46,2	57,3	60,0
D	32,5	38,7	47,5	45,1	35,1	38,9	46,4	45,1
GR	:	:	48,1	53,9	21,1	26,5	34,3	34,1
E	:	21,7	42,1	40,7	:	22,5	35,1	38,1
F	34,6	38,9	52,1	49,8	34,9	39,8	49,3	48,5
IRL	28,0	37,5	53,7	44,3	24,8	33,2	42,5	40,6
I	30,1	29,7	50,8	51,2	28,8	26,7	38,2	40,9
L	30,5	33,1	51,1	51,1	32,5	35,8	56,3	53,5
NL	33,7	42,3	59,6	56,9	33,9	41,1	54,9	52,5
P	:	:	43,5	41,7	:	:	33,4	35,8
UK	32,4	36,8	44,1	37,1	30,1	39,7	41,4	38,6
EC	32,3 ²	35,5 ³	49,0	46,3	32,1 ²	35,8 ³	43,8	43,4

* Economic Forecasts, September-October 1989.

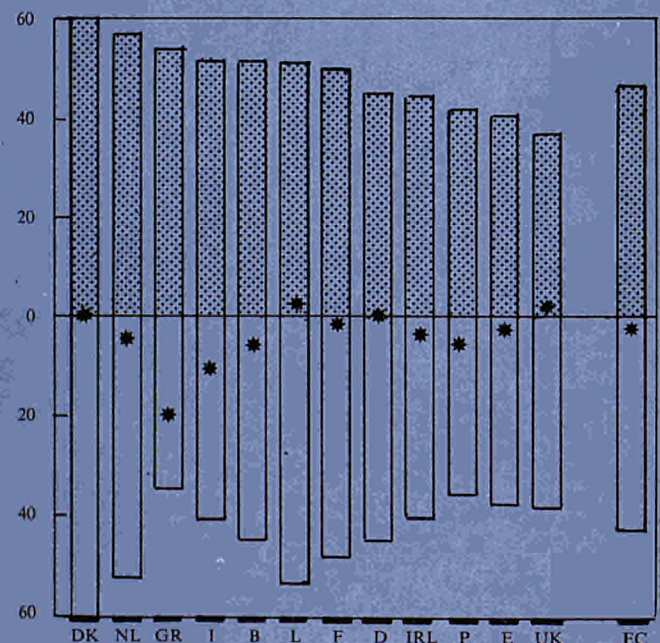
¹ There is a break in the serie in 1970, mainly due to a different statistical source and methodology (OECD prior to 1970, Commission services thereafter).

² EC excluding Greece, Spain and Portugal.

³ EC excluding Greece and Portugal.

Source: Commission services.

GRAPH 2: Size of general government in the Community in 1989* (as a % of GDP)



* Economic Forecasts, September-October 1989

Source: Commission services.

TABLE 2: Share of selected categories of general government receipts, % of GDP

	Current transfers			Government consumption			Interest payments			Gross fixed capital formation		
	1970	1985	1989*	1970	1985	1989*	1970	1985	1989*	1970	1985	1989*
B	17,0	24,8	23,0	13,7	17,6	15,7	3,4	10,6	10,5	4,2	2,2	1,6
DK	14,9	21,3	24,2	20,0	25,3	25,7	1,3	9,9	7,6	5,0	2,2	1,9
D	15,9	20,7	20,2	15,8	20,0	18,7	1,0	3,0	2,7	4,6	2,3	2,3
GR	8,5	17,6	17,3	12,6	20,4	22,0	0,9	5,4	9,6	:	4,4	3,1
E	9,3	19,3	17,7	8,4	14,0	14,2	0,6	3,2	3,4	2,5	3,7	4,2
F	20,1	26,5	25,3	13,4	19,4	18,5	1,1	2,9	2,7	3,9	3,2	3,2
IRL	13,5	20,3	17,5	14,0	18,7	15,7	3,9	10,3	8,9	4,3	4,1	2,0
I	12,7	20,8	20,5	12,0	16,4	17,0	1,5	8,0	9,0	2,7	3,7	3,5
L	17,0	28,2	27,3	10,5	15,6	16,5	1,1	1,1	0,8	3,6	5,2	5,6
NL	18,4	32,2	31,9	15,4	16,2	15,2	2,9	6,3	6,0	4,7	2,6	2,3
P	:	16,2	15,0	:	15,5	14,8	:	7,9	7,9	:	2,5	3,1
UK	10,4	16,1	12,9	17,5	20,8	19,6	3,9	4,9	3,5	4,7	2,0	1,5
EC	14,6 ¹	21,4	20,2	14,3 ¹	18,6	17,9	1,9 ¹	5,0	4,8	4,0 ¹	2,9	2,7

* Economic Forecasts, September-October 1989.

¹ EC excluding Greece and Portugal.

Source: Commission services.

As a result of the quest of restraining public spending, between 1985 and 1989, the share of general government as a percentage of GDP declined by some 3 points in the Community as a whole.

The decline was more pronounced in Ireland (more than 9 points), the UK (7 points) and Belgium (about 4.5 points). In Greece and Italy, on the other hand, the expansion of public finance continued after 1985.

Despite recent retrenchment efforts, general government expenditure in the Community as a whole still amounted to over 46 % of GDP in 1989. As can be seen from Graph 2 — which depicts member countries in a descending order with respect to public spending as a percentage of GDP — the size of general government varied widely among the member countries, basically reflecting differences in economic structures, traditions and national choices. This graph also shows that the size of expenditure and the level of receipts of general government are

not very strongly correlated with the implication of high budget deficits in some member countries.

Composition

As can be gauged from Graph 1a, up to the early 1980s the steady rise in government spending mainly stemmed from growing expenditure on current transfers and government consumption, while the growing relative importance of interest payments is clearly a phenomenon of the eighties. The recent tendency of a relative decline was supported by all main categories of expenditure and was most pronounced with respect to current transfers particularly transfers to households, while the burden of interest payments diminished only very slightly as a proportion of GDP between 1985 and 1989.

Cuts in public expenditure did not result in a corresponding lowering of the burden of taxation, since these cuts were primarily used to trim budget deficits. Consequently, on the revenue side, the main tendency since 1985 has been towards a

TABLE 3: Share of selected categories of general government receipts, % of GDP

	Indirect taxes			Direct taxes			Social security contributions			Other receipts		
	1970	1985	1989*	1970	1985	1989*	1970	1985	1989*	1970	1985	1989*
B	12,9	11,5	11,7	11,0	19,0	17,3	10,3	14,4	14,3	2,2	2,2	1,9
DK	18,4	18,4	18,7	22,6	28,6	31,2	2,5	2,9	2,2	2,6	7,5	8,0
D	13,2	12,6	12,4	10,8	12,5	12,4	12,6	17,5	17,1	2,4	3,8	3,2
GR	14,5	15,3	16,5	3,5	5,6	5,6	6,6	11,3	10,7	1,9	2,0	1,3
E	7,8	9,6	10,3	3,4	8,5	11,0	6,4	13,1	12,9	4,7	3,8	3,9
F	15,2	15,0	14,4	7,2	9,1	9,1	14,6	21,1	21,0	2,9	4,1	4,0
IRL	18,8	17,2	16,6	8,5	14,5	14,7	2,5	5,7	5,4	3,4	5,1	3,8
I	9,7	8,9	10,6	4,7	13,0	13,6	10,4	13,6	14,1	1,9	2,8	2,7
L	9,1	15,8	15,8	12,1	20,0	17,5	9,9	14,1	14,7	4,6	6,4	5,5
NL	10,8	11,9	12,6	13,0	12,6	14,8	13,8	20,6	19,0	3,5	9,8	6,2
P	:	14,1	15,8	:	8,3	6,9	:	9,7	10,7	:	1,3	2,4
UK	16,2	15,9	16,2	14,3	14,5	13,2	5,1	6,8	6,5	4,1	4,1	2,7
EC	13,1 ¹	12,9	13,2	9,4 ¹	12,3	12,4	10,2 ¹	14,6	14,4	3,0 ¹	4,0	3,4

* Economic Forecasts, September-October 1989.

¹ EC excluding Greece and Portugal.

Source: Commission services.

stabilization of direct taxes and social security contributions as a share of GDP, a slight increase in indirect taxes and a decline in other revenues (see Graph 1b). In 1989, indirect taxes, direct taxes and social security contributions roughly accounted for one third of total general government receipts each, or some 12-14 % of GDP.

Structure of public finance in the member countries

Expenditure

In most member countries, *current transfers* formed the largest expenditure category in 1989 (see Tables 2 and 4), its share ranging from just under 13 % of GDP in the United Kingdom to close to 32 % in the Netherlands. Exceptions were Denmark, Greece and the United Kingdom where government consumption was the most important category, mainly reflecting the relatively high share of government employment in the first two countries and the organisation of the national health service in the case of the United Kingdom.

The category of 'current transfers' includes items such as social security benefits and state aids to industries, both of which were heavily called upon in an endeavour to mitigate the adverse impact of poor growth performance in the seventies and early eighties. As a result, the ratio of current transfers to GDP increased strongly between 1970 and 1985, particularly in Greece and Spain — where it doubled — and to a lesser extent in the Netherlands, Belgium and Italy. The steep rise in current transfers, particularly to households, was the driving force behind the upsurge in total government spending over the period concerned. It accounted for more than 50 % of the rise in the size of general government. From 1985 onwards the relative size of this category has fallen slightly throughout the Community, except in Denmark where it has risen uninterruptedly.

Among member countries, the ratio of *government consumption* to GDP was rather similar in 1989. Apart from Denmark where the ratio amounted to 25 % of GDP, it ranged between 14 and 20 % of GDP in the other member countries. Since 1985, in all member countries, except in Denmark, Greece, Italy and

Luxembourg, the share of government consumption has fallen slightly, after having shown a significant increase in the period 1970-1985 throughout the Community. This increase was mainly a consequence of an adverse change in relative prices and of the growing importance of the government as an employer. The latter development has been reversed since the mid-1980s in many member countries.

In 1989 *interest payments* on public debt absorbed about 10 % of GDP or some 20 % of total government spending in countries such as Belgium, Greece, Ireland and Italy, introducing an important element of rigidity into budgetary management. Large and widening budget deficits together with high interest rates led in several countries (Belgium, Denmark, Greece, Spain, Ireland, Italy and Portugal) to an explosion of interest payments on public debt between 1980 and 1985. Thereafter, due to consolidation efforts and some easing of interest rates, the relative size of interest payments declined in almost all member countries, particularly in Denmark, Ireland, and the United Kingdom. Only in Greece and Italy has this interest snowball effect on public debt not yet been halted.

Although already on a downward path since the early 1970s, general government *gross fixed capital formation (GFCF)* suffered the most, relative to its GDP share, from the shift towards a more restrictive stance of budgetary policies in the early eighties. Despite the stated objective of changing the structure of expenditure in the direction of higher public investment, progress in this field has been quite limited in most member countries. As a result, in 1989 GFCF accounted for less than 2.5 % of GDP in many member countries, notable exceptions being Spain (4.2 %) and Luxembourg (5.6 %).

Receipts

On the receipts side, the structure seems to be even more disparate among member countries than with respect to expenditure, as can be gauged from Tables 3 and 5. These disparities largely reflect differences in the design of the taxation systems. Since 1985, various measures have been taken to modify the burden and the structure of taxation with a view to reducing the distorting effects of taxation on the one hand and

TABLE 4: Structure of general government expenditure in 1989* (as % of total expenditure)¹

	Current transfers	of which		Government consumption	Interest payments	Gross fixed capital formation	
		to enterprises	to households				
B	45,0	3,5	39,7	30,6	20,6	3,1	100,0
DK	40,5	5,8	31,1	42,9	12,7	3,2	100,0
D	44,8	5,1	35,8	41,4	6,0	5,2	100,0
GR	32,1	2,4	29,6	40,7	17,7	5,8	100,0
E	43,6	4,4	35,5	35,0	8,3	10,2	100,0
F	50,9	3,7	43,6	37,1	5,4	6,5	100,0
IRL	39,6	6,8	32,2	35,5	20,0	4,5	100,0
I	40,0	4,9	33,7	33,2	17,6	6,7	100,0
L	53,4	6,6	46,5	32,3	1,7	10,9	100,0
NL	56,0	5,9	45,9	26,6	10,5	4,0	100,0
P	35,9	3,5	:	35,4	18,9	7,3	100,0
UK	34,9	3,0	30,2	52,9	9,3	4,0	100,0
EC	43,6	4,3	36,6	38,7	10,3	5,9	100,0

* Economic Forecasts, September-October 1989.

¹ Net capital transfers are not presented in the table. As a result, the sum of the components does not add up to 100.

Source: Commission services.

to prepare for the large internal market on the other. While some governments expressed the wish to reduce the relative weight of taxation, most tax reforms or modifications were designed to be basically revenue neutral. Up to now, these actions have only resulted in marginal changes in the broad aggregates of government revenue.

Among the member countries, *indirect taxes*, mainly composed of value-added taxes and various excise duties, ranged between 10 % (in Spain) and just under 19 % (in Denmark) of GDP in 1989. In many member countries this ratio declined in the period 1970-1985, but remained roughly constant or increased slightly thereafter. This type of revenue will be mostly affected by the internal market programme. In anticipation of the attempt to achieve a higher degree of indirect tax approximation in the Community, several member countries have already adjusted their value added taxes (Greece, France, Italy), or have modified their excise duties (increases in Belgium, Germany and the United Kingdom). Without prejudging the decisions eventually to be taken, it is expected that in some member countries (Denmark and Ireland) the impact of approximation would be reflected in a fall in indirect tax revenue, probably implying compensatory measures in other areas of taxation.

Direct taxes in relation to GDP differed significantly across the member countries in 1989, varying between 6 % in Greece and 31 % in Denmark, representing some 16 % and 52 % of total current revenue respectively (see Table 5). The high ratio in Denmark reflects the predominant financing of social security benefits by general taxation. Except in the Netherlands, between 1970 and 1985, the share of direct taxes in GDP rose in all member countries. The increase was particularly high in Belgium, Italy and Luxembourg (8 points). Since 1985, reforms of personal tax systems (Belgium, Portugal, the United Kingdom) and/or corporate tax systems (Belgium, Luxembourg, Portugal and the United Kingdom) seem to have resulted in a decline in the proportion of direct taxes to GDP.

Consequently, there was quite a different split of tax revenue between direct and indirect taxes. In Belgium, Denmark, Italy and Luxembourg direct taxes provided the largest share. In Greece, France, Ireland, Portugal and the United Kingdom, the

TABLE 5: Structure of general government receipts in 1989* (as % of total receipts)

	Indirect taxes	Direct taxes	Social security contributions	Other receipts	
B	25,8	38,4	31,6	4,2	100,0
DK	31,1	52,0	3,6	13,3	100,0
D	27,5	27,4	37,9	7,2	100,0
GR	48,4	16,4	31,4	3,8	100,0
E	27,0	29,0	33,9	10,1	100,0
F	29,6	18,8	43,3	8,3	100,0
IRL	41,0	36,3	13,2	9,4	100,0
I	25,8	33,2	34,4	6,6	100,0
L	29,6	32,6	27,4	10,4	100,0
NL	23,9	28,1	36,1	11,9	100,0
P	44,2	19,2	30,0	6,6	100,0
UK	42,0	34,2	16,8	7,0	100,0
EC	30,4	28,7	33,1	7,8	100,0

* Economic Forecasts, September-October 1989.

Source: Commission services.

lion's share was taken by indirect taxation, while in Germany, Spain and the Netherlands, the respective revenue components were broadly equivalent.

Disparities in the share of *social security contributions* reflected profound differences in the way social security systems were funded. In this respect, three groups of countries can be distinguished. In the United Kingdom, Ireland and especially Denmark, there was a relatively low funding through social security contributions (ranging from 4 to about 17 % of general government total current receipts); at the other extreme, social security funding was substantial in Germany, the Netherlands and France with social security contributions ranging from 36 to 43 % of total general government current receipts.

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TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1984	1985	1986	1987	1988	1988		1989				1989					Change over 12 months (%) (b)	
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.		Nov.
B	2,5	2,5	0,8	2,1	5,8	1,4	0,8	1,7	-1,0	0,9	-3,2	1,1	2,5	-2,1	0,4	-1,0	:	-0,3
DK	9,7	4,2	6,5	-3,4	1,9	-4,2	4,4	0,2	3,3	-3,3	2,0	-0,7	-5,1	4,1	-3,2	1,9	2,8	0,9
D	3,3	4,9	2,2	0,3	3,6	1,8	0,7	2,3	-0,7	2,3	-4,3	4,1	1,0	0,2	-0,2	0,0	0,4	4,3
GR	1,6	3,4	-0,2	-1,7	5,7	0,2	-1,1	3,5	-0,3	-1,2	0,7	-2,6	0,7	0,7	-2,5	:	:	-0,5
E	0,8	2,0	3,1	4,6	3,1	-0,6	0,4	2,9	2,7	-1,1	-0,8	4,1	-3,8	-0,2	1,7	-1,3	:	6,5
F	2,0	1,0	0,6	2,2	4,3	2,6	-0,1	1,1	1,9	0,8	-1,4	1,2	1,2	0,0	-2,2	1,2	1,1	4,6
IRL	9,9	3,5	3,2	9,7	10,9	0,8	6,9	3,1	2,1	0,2	5,2	0,1	5,3	-11,4	3,9	2,8	:	6,0
I	3,4	1,3	2,7	3,9	10,8	3,2	4,2	0,5	0,1	2,9	-0,7	1,7	0,3	3,2	-1,2	-0,4	0,0	2,6
L	13,3	6,8	2,1	-0,9	8,7	3,9	3,5	1,2	3,0	0,7	-5,2	-1,4	2,5	2,6	-2,2	-2,1	:	3,1
NL	5,4	3,1	0,0	1,0	0,0	3,3	1,0	-4,4	7,7	-0,8	-4,5	-1,1	1,0	0,4	0,8	0,6	2,5	1,4
P	-0,1	10,9	5,7	2,4	6,2	-0,1	3,6	0,0	1,5	0,5	-0,6	2,7	-3,0	1,9	2,2	:	:	9,2
UK	0,2	5,4	2,1	3,5	3,7	1,1	-0,5	-0,5	-0,3	1,4	-1,9	0,7	0,8	1,5	-0,6	0,9	-0,5	1,3
EUR 12	2,3	3,4	2,2	2,1	4,4	1,5	1,7	0,3	1,2	0,3	-2,2	2,1	-0,8	0,4	(0,5)	(0,4)	(0,5)	(2,7)
USA	11,9	2,5	2,1	4,3	6,0	1,7	1,2	0,9	0,9	0,3	0,1	0,3	-0,1	0,4	-0,3	-0,8	0,2	1,5
JAP	9,4	3,7	-0,2	3,0	9,8	2,0	1,8	3,1	0,0	0,2	0,5	2,0	-2,6	3,0	-2,0	0,4	0,9	5,4

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

	1985	1986	1987	1988	1989	1988		1989				1989					Change over 12 months (c)	
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.		Dec.
B	11,8	11,8	11,5	10,5	9,6	10,1	9,9	9,6	9,7	9,4	9,5	9,7	9,8	9,5	9,4	9,4	9,3	-0,7
DK	7,5	5,8	5,8	6,4	7,0	6,8	6,8	7,1	7,2	7,1	7,2	7,1	7,3	7,2	7,2	7,1	7,0	0,1
D	7,2	6,6	6,3	6,3	5,7	6,1	5,8	5,7	5,7	5,7	5,7	5,7	5,7	5,6	5,6	5,8	5,7	-0,3
GR	7,7	7,4	7,4	7,7	7,7	:	:	:	:	:	:	:	:	:	:	:	:	:
E	21,9	21,2	20,5	19,5	17,0	18,6	18,0	17,3	16,5	16,3	17,1	16,7	16,6	16,1	16,5	16,2	16,2	-2,3
F	10,3	10,4	10,5	10,0	9,6	9,9	9,7	9,6	9,7	9,6	9,6	9,7	9,7	9,6	9,6	9,6	9,5	-0,3
IRL	18,4	18,3	18,1	17,8	17,2	17,6	17,5	17,3	17,1	16,8	17,3	17,1	17,1	17,0	16,9	16,8	16,8	-0,7
I	9,5	10,5	10,2	10,7	11,0	10,9	10,7	11,0	11,1	11,0	11,0	11,1	11,2	11,1	11,0	11,0	11,1	0,2
L	2,9	2,6	2,7	2,2	1,9	2,0	1,9	1,9	2,0	2,0	1,9	2,0	2,0	2,0	2,0	1,9	1,9	0,0
NL	10,6	10,3	10,0	9,5	9,3	9,5	9,4	9,4	9,3	9,1	9,5	9,3	9,4	9,3	9,2	9,1	8,9	-0,6
P	8,6	8,3	6,9	5,5	5,0	5,1	5,1	5,0	4,9	4,8	8,1	5,0	5,0	4,9	4,8	4,8	4,8	-0,2
UK	11,5	11,5	10,6	8,5	6,5	7,6	7,2	6,6	6,3	6,0	6,5	6,5	6,4	6,1	6,0	6,0	6,0	-1,5
EUR 12	10,8	10,8	10,4	9,8	9,0	9,5	9,2	9,1	8,9	8,8	9,0	9,0	9,0	8,8	8,8	8,8	8,8	-0,7
USA (g)	7,2	7,0	6,2	5,5	(5,3)	5,3	5,2	5,3	5,3	5,3	5,3	5,3	5,3	5,3	5,3	5,3	5,3	0,0
JAP (g)	2,6	2,8	2,8	2,5	2,3	2,4	2,3	2,3	2,2	2,2	2,2	2,2	2,2	2,2	2,2	2,2	2,1	-0,3

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

	1985	1986	1987	1988	1989	1988		1989				1989					Change over 12 months (%) (b)	
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.		Dec.
B	4,9	1,3	1,6	1,2	3,1	0,3	1,0	1,1	0,9	0,6	0,2	0,3	0,3	0,5	0,1	-0,1	0,4	3,6
DK	4,7	3,7	4,0	4,5	4,8	1,2	1,4	1,6	0,5	1,3	-0,3	0,0	0,6	0,3	0,6	0,5	0,0	4,8
D	2,2	-0,1	0,2	1,3	2,8	0,3	1,5	0,9	0,0	0,6	0,1	-0,1	0,1	0,4	0,2	0,3	0,3	3,0
GR	19,3	23,0	16,4	13,5	13,7	5,4	1,3	4,1	2,4	5,8	1,6	-0,2	0,3	3,6	2,0	0,9	1,8	14,8
E	7,8	8,8	5,3	4,8	6,8	1,3	1,9	1,1	2,5	1,4	0,5	1,6	0,2	1,1	0,4	0,2	0,4	6,9
F	5,9	2,7	3,1	2,7	3,6	0,6	0,8	1,2	0,7	0,8	0,1	0,3	0,2	0,2	0,4	0,2	0,1	3,6
IRL (h)	5,4	3,8	3,1	2,2	4,1	0,6	1,4	1,0	1,5	0,7	(0,5)	(0,5)	(0,5)	(0,2)	(0,2)	(0,2)	:	(4,6)
I	9,2	5,8	4,7	5,1	(6,2)	1,9	1,8	1,6	0,9	(1,6)	0,4	0,2	0,2	0,5	0,8	(0,4)	(0,5)	(6,2)
L	4,1	0,3	-0,1	1,4	3,4	0,6	1,1	1,0	0,8	1,0	0,3	0,3	0,1	0,3	0,6	0,2	0,1	3,9
NL	2,3	0,2	-0,4	0,9	1,1	0,4	-0,6	0,8	0,5	0,5	-0,1	0,2	(0,3)	(0,5)	(0,1)	(0,0)	(0,0)	(1,3)
P	19,3	11,7	9,4	9,6	:	3,6	3,9	2,5	2,8	(2,3)	0,7	1,0	1,8	0,2	(0,5)	(1,0)	(1,1)	(11,6)
UK	6,1	3,4	4,1	4,9	7,8	2,1	1,6	2,9	0,9	2,0	0,3	0,1	0,3	0,7	0,8	0,9	0,3	7,7
EUR 12	6,1	3,5	3,2	3,6	(5,2)	1,2	1,4	1,6	0,9	(1,3)	(0,3)	(0,3)	(0,2)	(0,5)	(0,6)	(0,4)	(0,3)	(5,2)
USA	3,6	1,9	3,7	4,1	4,8	1,0	1,1	1,6	0,8	1,0	0,2	0,2	0,2	0,3	0,5	0,2	0,2	4,6
JAP	2,0	0,6	0,1	0,7	(2,3)	0,8	-0,6	2,4	0,2	(0,6)	-0,1	-0,2	-0,1	0,9	0,8	-1,0	(0,1)	(2,6)

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

	1984	1985	1986	1987	1988	1988		1989			1989					Change over 12 months (%) (d)		
						III	IV	I	II	III	May	June	July	Aug.	Sept.		Oct.	Nov.
B/L	-4897	-3514	146	-580	-2543	-987	-605	126	-619	:	-493	-146	-471	-106	:	:	:	301
DK	-1108	-1538	-1714	96	926	139	349	229	197	228	29	-76	23	47	158	141	72	34
D	24136	32986	53044	56960	60936	15407	15870	18119	16329	16920	5037	6268	5051	6270	5599	4528	(4830)	(-925)
GR	-6048	-7266	-5809	-5694	-5824	-2065	-1283	-1711	-1603	:	-447	-567	-1000	:	:	:	:	-265
E	-4711	-5582	-6306	-8749	-11974	-2963	-3537	-4235	-6099	-5653	-2382	-1821	-1710	-1883	-2061	-1195	-1696	-443
F	-13130	-13428	-9699	-12473	-11856	-3065	3470	-2995	-3497	-3421	-1629	-1313	-1072	-1496	-853	-1730	(-1307)	(18)
IRL	81	430	983	2047	2740	740	684	670	710	809	211	161	266	155	388	189	(265)	(37)
I	-13849	-16130	-2459	-7427	-8390	-3230	-2165	-3956	-2529	-3195	-1120	-450	-517	-1725	-952	-697	-1200	-649
NL	4740	3874	4161	1088	1296	582	1023	749	-29	1084	258	-111	85	373	627	145	:	-155
P	-3467	-2735	-1297	-2955	-3474	-894	-1041	-1004	-1287	-1279	-436	-350	-535	-426	-319	-512	:	-198
UK	-14005	-11540	-19868	-20890	-42385	-10856	-13031	-11627	-11644	-11523	-3545	-3620	-3953	-3984	-3587	-3249	-2872	1349
EUR 12 (i)	-32257	-24696	10526	1187	-21901	-7072	-7037	-5902	-10411	-8713	-4564	-2179	-3664	(-3032)	(-2017)	(-3653)	:	(11)
USA	-154992	-194856	-157829	-132116	-100199	-24954	-26119	-24547	-24703	-24908	-9448	-7649	-7529	-9371	-8008	-9292	-9381	-481
JAP	42599	60497	84010	69636	65349	15997	18791	19420	15132	13855	4210	4863	4614	4057	5184	3413	4198	-2238

TABLE A.5: Money stock (j) — Percentage change on preceding period (s.a.)

	1985	1986	1987	1988	1989	1988		1989				1989					Change over 12 months (%) (e)	
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.		Dec.
B (M2)	7,2	12,7	10,1	6,6	:	1,0	3,2	1,5	3,5	:	:	:	:	:	:	:	:	9,5
DK (M2)	15,8	8,4																

TABLE A.6: Short-term interest rates (l)

	1985	1986	1987	1988	1989	1988					1989					1990				Change over 12 months % (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct	Nov.	Dec.	Jan.			
B	9,6	8,1	7,1	6,7	8,8	7,5	8,2	8,5	8,7	10,3	8,5	8,5	8,7	9,7	9,8	10,3	10,4	2,7		
DK	10,0	9,1	9,9	8,3	9,4	8,0	8,0	9,0	9,5	12,1	9,7	9,1	9,5	11,3	11,3	12,1	12,1	4,2		
D	5,4	4,6	4,0	4,3	7,1	5,3	6,5	7,0	7,5	8,1	6,9	7,0	7,5	8,1	8,1	8,1	8,0	2,2		
GR	17,0	19,8	14,9	15,9	18,7	20,9	19,7	21,0	14,9	19,3	21,2	18,7	14,9	15,4	18,8	19,3	:	-1,6		
E	12,2	11,7	15,8	11,6	15,0	14,0	14,9	15,5	14,9	16,2	15,4	15,2	14,9	15,0	15,5	16,2	15,4	1,4		
F	10,0	7,7	8,3	7,9	9,4	8,6	8,9	9,3	9,6	11,3	8,9	9,1	9,6	10,3	10,7	11,3	11,1	2,3		
IRL	12,0	12,4	11,1	8,1	9,8	8,4	8,2	10,5	10,7	12,1	9,9	10,5	10,7	11,8	11,8	12,1	12,0	3,8		
I	15,0	12,8	11,4	11,3	12,7	11,8	12,5	12,6	12,6	13,0	12,8	12,8	12,6	13,0	13,0	13,0	13,4	1,0		
NL	6,3	5,7	5,4	4,8	7,4	5,8	6,8	7,4	7,8	8,6	7,1	7,4	7,8	8,3	8,5	8,6	8,8	2,5		
P	21,0	15,6	13,9	13,0	12,6	12,5	12,5	10,0	12,9	13,8	12,9	12,9	12,9	12,9	13,0	13,8	13,8	1,3		
UK	12,2	10,9	9,7	10,3	13,9	13,2	13,0	14,2	14,3	15,1	13,9	14,0	14,3	15,3	15,2	15,1	15,1	2,1		
EUR 12 (m)	10,6	9,2	8,9	8,6	10,9	9,9	10,4	10,9	11,1	12,1	10,9	10,9	11,1	11,7	11,8	12,1	(12,0)	(2,0)		
USA	7,5	6,0	5,9	6,9	8,4	8,4	9,2	8,3	8,1	7,9	8,1	8,1	8,1	7,9	7,9	8,0	8,0	-0,7		
JAP	6,5	5,0	3,9	4,0	5,4	4,7	4,7	5,4	5,7	7,0	5,4	5,5	5,7	6,5	6,7	7,0	7,0	2,5		

TABLE A.7: Long-term interest rates (n)

	1985	1986	1987	1988	1989	1988					1989					1990				Change over 12 months % (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct	Nov.	Dec.	Jan.			
B	10,6	7,9	7,8	7,9	8,7	8,1	8,5	8,4	8,6	9,7	8,4	8,4	8,6	9,0	9,4	9,7	10,2	2,0		
DK	11,6	10,5	11,9	10,6	10,2	9,8	10,0	10,1	10,3	10,8	9,8	10,0	10,3	10,8	10,8	10,8	11,0	1,2		
D	6,9	5,9	5,8	6,1	7,0	6,3	6,9	6,9	7,1	7,6	6,8	6,8	7,1	7,3	7,6	7,6	7,9	1,4		
GR	15,8	15,8	17,4	16,6	:	13,9	:	:	:	:	:	:	:	:	:	:	:	:		
E	13,4	11,4	12,8	11,8	13,8	12,8	13,7	13,8	13,9	14,6	13,9	13,9	13,9	13,9	14,1	14,6	14,6	1,3		
F	10,9	8,4	9,4	9,0	8,8	8,5	9,0	8,7	8,9	9,3	8,5	8,5	8,9	8,9	9,1	9,3	9,6	1,0		
IRL	12,7	11,1	11,3	9,4	9,0	8,3	8,8	9,0	8,9	9,3	8,5	9,9	8,9	9,2	9,2	9,3	9,5	0,9		
I	14,3	11,7	11,3	12,1	12,9	12,3	12,9	13,2	13,0	13,3	13,1	13,0	13,0	12,9	13,0	13,3	13,1	0,8		
L	9,5	8,7	8,0	7,1	7,7	6,1	7,5	7,3	7,7	8,4	7,4	7,5	7,7	8,2	8,4	8,4	:	2,3		
NL	7,3	6,4	6,4	6,3	7,2	6,4	7,1	7,2	7,2	7,8	7,1	7,0	7,2	7,4	7,7	7,8	8,2	1,6		
P	25,4	17,9	15,4	14,2	14,9	14,4	14,4	15,1	15,0	15,7	15,5	15,9	15,0	14,8	15,5	15,7	15,4	1,3		
UK	10,6	9,8	9,5	9,3	9,6	9,5	9,4	9,7	9,8	9,9	9,3	9,5	9,8	9,9	10,2	9,9	10,5	1,3		
EUR 12 (m)	10,9	9,2	9,4	9,4	9,9	9,4	9,9	10,0	9,9	10,4	9,8	9,8	9,9	10,0	10,2	10,4	(10,6)	(1,1)		
USA	10,8	8,1	8,7	9,0	8,5	9,1	9,2	8,3	8,1	7,9	8,1	8,1	8,1	8,0	7,9	7,9	8,3	-0,7		
JAP	6,5	5,2	4,7	4,7	5,2	4,5	5,2	5,4	5,3	5,6	5,2	5,1	5,3	5,4	5,5	5,6	6,5	1,9		

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1985	1986	1987	1988	1989	1988					1989					1990				Change over 12 months % (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct	Nov.	Dec.	Jan.			
BFR/LFR	44,91	43,80	43,04	43,43	43,38	43,49	43,64	43,50	43,41	42,96	43,39	43,42	43,43	43,19	42,97	42,72	42,63	-2,3		
DKR	8,02	7,94	7,88	7,95	8,05	8,00	8,10	8,09	8,06	7,95	8,05	8,06	8,06	8,01	7,95	7,90	7,88	-2,3		
DM	2,23	2,13	2,07	2,07	2,07	2,08	2,08	2,08	2,07	2,05	2,07	2,08	2,07	2,06	2,05	2,03	2,03	-2,4		
DR	104,8	137,4	156,1	167,5	178,8	171,4	174,1	177,4	179,2	184,7	179,2	178,9	179,7	182,6	184,5	187,2	189,9	9,7		
PTA	129,0	137,5	142,2	137,6	130,4	136,0	130,1	130,6	130,0	130,8	130,2	129,9	129,9	130,8	130,4	131,2	131,9	1,0		
FF	6,80	6,80	6,93	7,04	7,02	7,09	7,08	7,04	7,02	6,96	7,03	7,01	7,00	6,98	6,96	6,94	6,92	-2,5		
IRL	0,715	0,733	0,775	0,776	0,777	0,776	0,780	0,778	0,777	0,772	0,776	0,778	0,778	0,773	0,773	0,771	0,769	-1,2		
LIT	1447	1462	1495	1537	1511	1539	1527	1514	1494	1507	1499	1491	1493	1508	1504	1509	1517	-0,7		
HFL	2,51	2,40	2,33	2,34	2,34	2,34	2,35	2,34	2,34	2,31	2,34	2,34	2,34	2,32	2,31	2,29	2,29	-2,5		
ESC	130,0	146,9	162,5	170,1	173,4	171,7	171,2	172,3	173,7	176,6	173,5	173,5	173,9	175,4	176,3	178,1	179,3	4,9		
UKL	0,589	0,670	0,705	0,664	0,673	0,653	0,644	0,661	0,675	0,712	0,674	0,675	0,677	0,694	0,712	0,731	0,728	13,6		
USD	0,759	0,983	1,154	1,183	1,102	1,170	1,126	1,075	1,078	1,129	1,094	1,077	1,063	1,103	1,119	1,167	1,202	5,6		
YEN	180,4	165,0	166,5	151,5	151,8	146,4	144,6	148,4	153,4	161,6	153,8	152,2	154,2	156,6	160,6	167,7	174,3	20,5		
DTS	0,749	0,838	0,892	0,880	0,860	0,870	0,856	0,848	0,856	0,880	0,844	0,861	0,854	0,8527	0,876	0,896	0,896	2,6		

TABLE A.9: Effective exchange rates: export aspect (o) — Percentage change on preceding period

	1985	1986	1987	1988	1989	1988					1989					1990				Change over 12 months % (c)
						IV	I	II	III	IV	July	Aug.	Sept.	Oct	Nov.	Dec.	Jan.			
B/L	0,9	5,5	4,1	-1,3	-0,9	0,6	-1,0	-0,1	0,4	2,0	0,6	-0,4	-0,1	1,1	0,9	1,4	0,8	4,3		
DK	1,2	6,3	4,2	-1,9	-2,7	-0,2	-2,2	-0,4	0,8	3,1	1,2	-0,5	-0,1	1,6	1,5	2,1	1,1	6,1		
D	0,3	10,7	6,9	-0,8	-1,3	0,9	-1,5	-0,2	0,4	3,2	1,0	-0,6	-0,1	2,0	1,1	2,2	0,8	6,1		
GR	-15,9	-21,3	-9,9	-7,2	-7,5	-2,0	-2,3	-2,3	-0,9	-1,9	-0,2	-0,2	-0,5	-0,9	-0,6	-0,5	-0,7	-6,9		
E	-2,3	-1,5	0,2	3,1	4,1	1,9	3,6	-1,0	0,8	0,8	2,8	-0,2	-0,1	0,1	0,9	0,6	0,3	1,7		
F	1,1	4,5	1,1	-2,3	-1,3	-0,2	-1,0	0,3	0,5	2,3	0,9	-0,1	0,0	1,3	0,8	1,5	1,2	6,0		
IRL	1,2	3,7	-2,1	-1,4	-1,3	0,3	-1,6	0,1	0,7	2,7	0,9	-0,5	-0,1	1,8	0,8	1,7	0,8	5,7		
I	-5,2	3,7	1,1	-3,5	0,4	1,0	-0,1	0,5	1,6	0,5	1,2	0,1	-0,3	-0,2	0,9	0,9	0,4	3,8		
NL	0,3	7,7	5,1	-0,4	-1,0	0,6	-1,1	0,1	0,3	2,2	0,5	-0,4	0,0	1,3	0,8	1,5	0,6	4,5		
P	-11,5	-7,8	-7,1	-5,1	-3,2	-0,7	-0,6	-1,0	-0,6	-0,5	0,2	-0,3	-0,3	-0,1	0,0	0,0	-0,1	-2,5		
UK	-0,2	-7,3	-1,0	5,7	-3,4	1,5	0,2	-3,6	-1,9	-3,9	1,2	-0,7	-0,4	-1,7	-2,0	-1,4	1,7	-9,7		
EUR 12	-1,9	9,6	7,0	-1,6	-3,0	1,8	-1,8	-1,3	0,8	3,3	2,7	-1,0	-0,3	2,0	1,3	3,1	2,4	7,4		
USA	4,1	-19,1	-12,1	-6,1	4,9	-4,5	2,3	4,8	0,5	-2,3	-3,1	0,7	1,5	-2,5	-0,5	-2,1	-1,2	0,9		
JAP	3,0	27,2	8,2	10,4	-4,4	4,3	-1,1	-4,7	-3,1	-2,5	0,4	0,1	-2,1	0,6	-1,7	-1,8	-2,1	-13,7		

Sources: For Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.
(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EUR index, adjusted by Eurostat and given in Table 1 may differ from the change in the EUR index obtained by aggregating national indices. Data are adjusted for working days. They do not include building.
(b) % change over 12 months on the basis of the non-adjusted series of the most recent figure given.
(c) Change with respect to the corresponding month of the previous year.
(d) Change on corresponding month in previous year; seasonally adjusted.
(e) Change over 12 months in the s.a. figure of the most recent figure given for each country.
(f) Number of unemployed estimated on the basis of the results of Community labour force surveys; annual average and quarterly average.
(g) Number of registered unemployed according to national legislation, as % of total labour force.
(h) Monthly series calculated by linear interpolation.
(i) The deseasonalized series for EUR 12 is the result of a deseasonalization of the gross export and import figures of the Community.
(j) National sources for Belgium, Denmark, Germany, Spain, France, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.
(k) Average of monthly changes s.a. weighted by 1985 GDP prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.
(l) National sources; three-month interbank rate except: Belgium, yield on issue of four-month *Fonds des Rentes* certificates; Denmark, daily money market rate (monthly average); Greece, monthly average; Portugal, rate on 6 month deposits; from 8/85, 3 month Treasury Bills (months average). Annual average, end quarter and end month.
(m) Average weighted by 1985 GDP prices and purchasing power parities.
(n) Yield on public sector bonds, annual average. Average of last month of quarter and annual average for Germany, Spain, Italy, Luxembourg, the Netherlands and Portugal. End of quarter and end of month for other Member States.
(o) Weighting coefficients are calculated so as to allow not only for bilateral trade but also for competition on third markets and on the domestic market of the exporting country.

Notes: (s.a.) = seasonally adjusted ; = data not available () = estimated.

Principal economic policy measures — January 1990

Community (EUR 12)

5.1 The margin of fluctuation of the Italian lira was narrowed from $\pm 6\%$ to $\pm 2.25\%$ around the central rates; this narrowing was done in such a way as to leave the lower intervention rate vis-à-vis the narrow band currencies unchanged. This implies a devaluation of 3.677 % of the Italian lira, with respect to the previous central rates.

16.1 The Commission approved the granting of 822.6m ecus in aid to Portugal under the Social Fund.

18.1 Pursuant to article 115 of the EEC, four decisions affecting the 1990 import regulations of automobiles originating in Japan, U.S.S.R. and South Korea into Italy and Spain were taken by the Commission.

19.1 The European Parliament approved the 18th Report of the European Commission on competition policy.

23.1 The Commission adopted a regulation concerning price undertakings offered by Japanese exporters of DRAM (Dynamic Random Access Memories) semi-conductors.

26.1 Community Social Dialogue: the Val Duchesse steering group adopted an agreed opinion on training and education.

29.1 The Commission established the guiding principles for 'RECHAR' (conversion of coal-mining areas) operational programmes.

Belgium (B)

22.1 With effect from 1 March, the Government reduces the rate of withholding tax on interest from 25 % to 10 %; the reduction applies to interest from new financial assets. The withholding tax will continue to be a definitive tax. Since the Government wishes this operation to have a neutral effect on the budget, it has taken compensatory measures, reducing certain tax advantages granted to firms.

Denmark (DK)

None.

Federal Republic of Germany (D)

23.1 On the occasion of the first meeting of the Inter-German Economic Commission in East Berlin, the GDR makes known its acceptance of modernization credits of DM 6 billion granted by the Federal Republic.

25.1 The Bundestag finally adopts the law abolishing taxes on financial transactions, which represents the fourth stage in the comprehensive reform of company taxation. Abolition of the stock exchange turnover tax ('Börsenumsatzsteuer'), which is charged as a percentage of the amount of the stock exchange transaction, will take effect on 1 January 1991 and capital duty ('Gesellschaftsteuer'), paid on capital contributions to companies situated in Germany, and the bills of exchange tax ('Wechselsteuer') will be ended on 1 January 1992.

25.1 With effect from 1990, enterprises situated in the GDR will be eligible for credits from the Reconstruction Loan Corporation (KiW), a public institution established after the second world war.

Greece (GR)

10.1 On the basis of the indexation system in force, the Government increases wages for the first four-month period of 1990. The structure of wages is modified in that the system applied is made less depressive. With effect from 1 January, wages of up to DRA 130 000 will be increased by 5.8 % (including the 0.1 % corrective amount for the last four months of 1989), while the share of wages in excess of DRA 130 000 will go up by 3.8 %.

16.1-31.1 The Government offers a new series of one-year, 12 % bonds index-linked to the ecu.

Spain (E)

25.1 The trade unions and the Government reach agreement on an increase in pensions. The increases, averaging 10 %, will range from some 15 % for pensions equal to or below the minimum wage, to around 6 % for the higher pensions. Additional increases of between 2 % and 3 % have been granted to offset the losses of purchasing power suffered last year. Civil servants will have their pay increased by 2.5 % for the same reason.

26.1 The Government approves the issue of ecu-denominated medium term public securities on the Euromarket.

France (F)

19.12 The Minister for Finance announces, before the National Credit Council, that the target range for the growth of money supply (M2) for 1990 is reduced by half a percentage point: it is now 3.5 %-5.5 % compared with 4.0 %-6.0 % for 1989.

1.1 Increases are announced for a list of publicly provided goods and services: postage stamps go up from FF 2.20 to FF 2.30; electricity by 1.5 % from 20 December 1989; the domestic duty on petroleum products by 2.48 % from 1 February; TV licences by 3.5 %; the upper limit of social security is raised by 4.5 %; family allowances by 2.24 %; retirement pensions by 2.15 %; other social security pensions have also been increased, as well as the minimum starting wage, up-valued by 2.7 %. On the other hand, the price to the public of medical products fell by 3.2 % on 1 January, as a result of the rate of VAT for such products being cut from 5.5 % to 2.1 %, as stated in the Finance Law for 1990.

10.1 The Minister for Finance announces the reform of the rules governing foreign investment in France. The new rules are less restrictive for both Community and non-Community investors.

12.1 The rate of family allowance contribution, charged to employers on the remuneration and other payments made to employees, is set at 7 % with effect from 1 January. This represents the second stage in the process of removing the upper limit from family allowance contributions envisaged by the Government's second employment plan, presented in mid-September.

31.1 Two new measures to combat unemployment come into force with effect from 1 February: the return to employment contract and the employment solidarity contract. The return to employment contract applies, first, to the long-term unemployed, and second, to recipients of the minimum starting wage. The employment solidarity contract applies to young unemployed people, the long-term unemployed, unemployed persons over 50 years of age and recipients of the minimum starting wage.

Ireland (IRL)

30.1 The Minister for Finance presents the Budget 1990 to Parliament. Principal features include: a reduction in the standard rate of income tax by two percent to 30 % and in the top rate by three percent to 50 %, a reduction in the corporation profits tax rate by three percent to 40 %, a reduction in the standard rate of VAT by two percent to 23 %, increased VAT on electricity and telecommunications, the abolition of some minor excise duties and substantial increases in social welfare expenditure. The Budget is framed in the context of a new medium-term fiscal strategy designed to reduce the national debt/GDP ratio to 100 % of GNP (about 95 % of GDP). This implies a phased elimination of current borrowing and a low total budget deficit.

Italy (I)

6.1 Italy requests and obtains from its Community partners a realignment of the central parities of the lira in the EMS: the lira is devalued by 3.7 % against the currencies participating in the exchange rate mechanism, whereas the minimum limit which triggers automatic intervention remains unchanged because the lira's fluctuation band is narrowed to 2.25 %.

8.1 The Government adopts an exchange rate policy decision under which foreign currencies arising out of commercial transaction with other countries will no longer have to be converted into lire within 120 days.

11.1 The Government adopts a number of administrative measures with the purpose of greater budget austerity during the first part of the year, particularly as regards the initiation of public expenditure.

19.1 By decree law the government prolongs until 31 May the present system under which the social security charges of manufacturing industry are charged to general taxation.

20.1 The Government adopts an exchange rate policy measure authorizing residents to purchase obligations issued in other currencies with maturities of less than 180 days.

Luxembourg (L)

None.

Netherlands (NL)

23.1 The Nederlandsche Bank makes a 0.2 % cut in its secured loans rate in two stages. The rate is set at 8.3 %.

Portugal (P)

9.1 The Government increase the minimum wage by 11.1 % in industry and the service sector; the increase in the minimum wage in agriculture and for domestic services is slightly higher. The Government also announces that in 1990 the minimum wage will be the same for industry and agriculture.

17.1 The Bank of Portugal increases from 12.75 % to 13.75 % the interest rates on monetary regularization certificates (TRMs) placed with commercial banks. The purpose of this measure is to mop up the banks' liquidity surplus and represents a further step towards ending the system of credit ceilings.

United Kingdom (UK)

2.1 As part of the restructuring of local government finances, the government announces that tax bill changes from the new uniform business rates, to be introduced in April, and the corresponding revaluation of commercial properties — the first in seventeen years — are to be phased in over a period of five years. The maximum increase in rates in any one year will be 20 % plus inflation for larger properties and 15 % plus inflation for smaller properties.

30.1 Public expenditure white papers published, showing planned expenditure to 1992-93. Aggregate planning totals unchanged from outline plans announced November 1989: as a percentage of GDP general government expenditure is forecast to rise from 38 3/4 % in financial year 1989-90 to 39 % in 1990-91 (starting March 1990) before declining slowly in subsequent years.

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