

EUROPEAN ECONOMY

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

Supplement A — No 10 — October 1987

*In this number:
Economic forecasts
for 1987 and 1988¹*

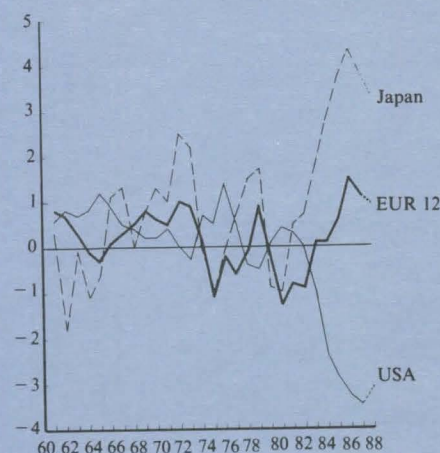
Recent economic trends

The main features of Commission departments' economic forecasts for 1987 and 1988 are as follows:

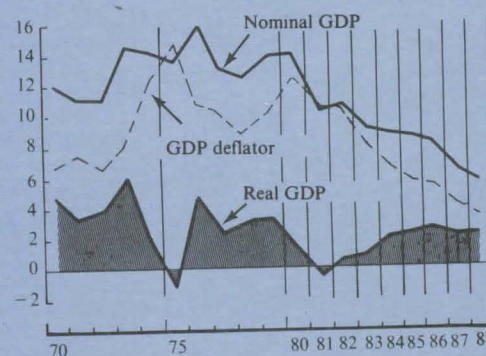
- Real growth in the Community will be moderate over the forecast period, reaching some 2 1/4 % each year.
- Growth will be unevenly spread between Member States, with rates of over 3 % for Italy, Spain, Portugal and the United Kingdom, whereas in the Federal Republic of Germany and in France growth will be limited to 1 1/2 %.
- Domestic demand will expand faster than gross domestic product, with the Community thus making a net positive contribution to world demand.
- Global current payments imbalances, in particular those of the United States and Japan, are being reduced very slowly; the Community's current account surplus will nevertheless fall from 1,5 % of GDP in 1986 to 1,1 % in 1987 and 0,8 % in 1988.
- Employment in the Community is forecast to increase by 0,8 % in 1987 and by 0,6 % in 1988, a rate which is moderated by the weakness of growth. The unemployment rate will remain at an unacceptable ceiling of almost 12 % during the two years.
- Thanks to the moderate trend of domestic costs, progress on the inflation front will be consolidated in 1987, but will not be confirmed in 1988; in some Member States there are signs of a resurgence of inflation.
- The small decline in the general expenditure of public departments should keep borrowing requirements at a relatively high level (4 1/2 % of GDP).

¹ This is a summary of the results of Commission departments' September forecasting exercise, based on data up to 28 September. The earlier forecasts for 1987 and 1988 were summarized in Supplement A, No 5, of May 1987.

GRAPH 1: Balance on current transactions with rest of the world as a percentage of GDP¹



GRAPH 2: Nominal GDP, Deflator of GDP, real GDP (percentage change on preceding year, EC, 1970-1988)¹



¹ 1987-1988: forecasts.
Source: Commission services.

TABLE 1: World GDP/GNP (at constant prices)

	Percentage change on preceding year					
	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	1,4	2,4	2,5	2,6	2,2	2,3
USA	3,6	6,8	3,0	2,9	2,3	2,7
Canada	3,1	5,6	4,0	3,2	3,2	2,9
Japan	3,2	5,1	4,7	2,4	2,9	3,5
Other OECD	1,0	4,5	2,6	2,6	2,2	2,3
OECD total	2,3	4,5	3,0	2,7	2,4	2,7
OPEC	-1,0	1,5	-0,5	-2,8	1,8	3,0
Other developing countries	2,4	4,8	3,9	4,5	3,3	4,0
of which: NICS ²	1,3	4,5	2,5	6,4	3,1	4,1
: Other LDCS	3,5	5,0	5,3	2,7	3,5	3,9
CPE ³	3,9	3,9	3,3	4,2	3,5	3,0

¹ Forecasts.² Newly industrialized countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.³ Centrally planned economies: Excluding China, which is in other LDCS.

Source: Commission services.

TABLE 2: World export prices¹

	Percentage change on preceding year					
	1983	1984	1985	1986	1987 ²	1988 ²
Fuels	-11,0	-3,5	-2,4	-46,9	20,6	5,1
Other primary commodities	-1,5	-1,5	-10,5	5,1	4,1	4,8
Manufactures	-3,3	-3,7	-1,2	19,2	11,4	5,9

¹ Based on export prices in US dollars.² Forecasts.

Source: United Nations and forecasts by Commission services.

TABLE 3: World imports (at constant prices)

	Percentage change on preceding year					
	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	1,9	6,7	4,7	6,7	5,7	4,6
USA	13,1	24,4	5,4	13,9	2,5	2,6
Canada	11,0	19,6	9,8	8,0	3,9	3,6
Japan	1,2	10,8	-1,9	10,1	6,2	5,2
Other OECD	0,9	10,7	6,8	5,1	1,1	2,8
OECD total	3,8	11,7	5,1	8,5	4,3	3,9
OPEC	-7,9	-9,2	-12,5	-20,5	-17,0	0,0
Other developing countries	-1,1	5,3	4,6	-0,9	4,3	4,9
of which: NICS ²	2,9	6,1	-1,3	6,8	8,4	6,6
: Other LDCS	-5,0	4,4	11,0	-8,2	-0,2	2,8
CPE ³	2,6	4,7	3,0	-2,0	4,5	3,0
World	1,9	8,7	3,8	4,9	3,5	3,9
World (excluding EUR)	1,8	9,6	2,8	3,8	2,1	3,5

¹ Forecasts.² Newly industrialized countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.³ Centrally planned economies: Excluding China, which is in other LDCS. Excluding intra-Comecon trade.

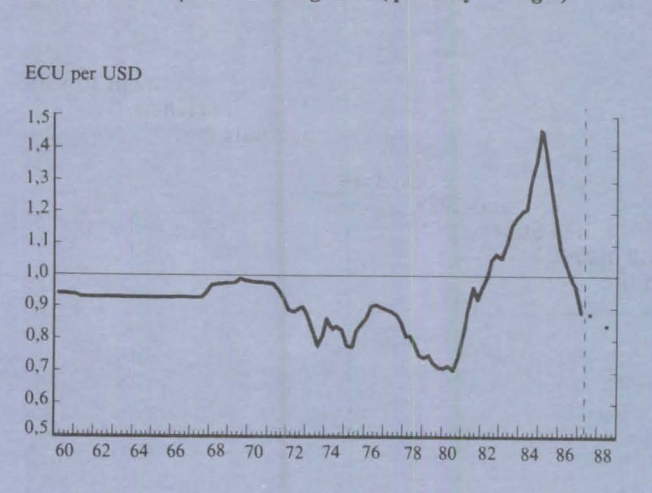
Source: Commission services.

TABLE 4: World trade balances fob-fob
(in billions of US dollars)

	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	-0,8	1,8	9,9	45,2	38,3	28,9
USA	-67,1	-112,5	-124,4	-150,3	-159,0	-155,2
Canada	15,0	16,7	13,3	7,7	9,7	14,0
Japan	31,5	44,3	56,0	92,8	89,1	87,2
Other OECD	-5,3	-0,4	-2,1	-8,5	-2,1	-1,1
OECD Total	-26,8	-50,1	-47,3	-13,2	-23,8	-26,3
OPEC	44,4	55,2	57,0	10,8	37,1	43,6
Other developing countries	-20,2	0,2	-4,4	4,9	1,4	-2,4
of which: NICS ²	-1,6	16,3	26,5	34,4	33,1	30,9
: Other LDCS	-18,6	-16,1	-30,9	-29,5	-31,7	-33,3
CPE ³	16,5	15,8	9,1	3,5	5,9	7,2
Errors and omissions	13,9	21,1	14,4	6,0	20,5	22,1

¹ Forecasts.² Newly industrialized countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.³ Centrally planned economies: Excluding China, which is in other LDCS. Excluding intra-Comecon trade.

Source: Commission services.

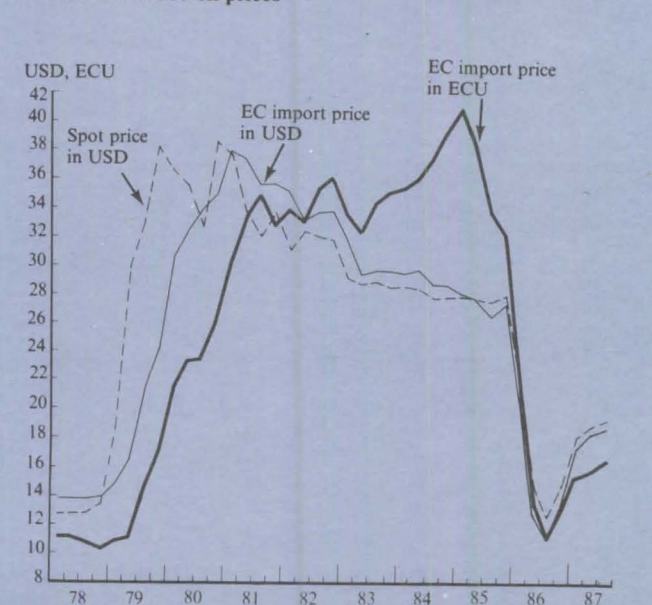
GRAPH 3: ECU/USD exchange rate (quarterly averages)¹

World economic trends still unsatisfactory.—The expansion of the volume of world trade (imports, including the Community) has slowed down and should fall from 4,9 % in 1986 to 3,5 % in 1987, picking up slightly to 3,9 % in 1988. Import growth outside the Community should fall from 3,8 % in 1986 to 2,1 % in 1987, and then increase to 3,5 % in 1988 (table 3).

The adjustment of global current payments imbalances (Graph 1) will be no more than slight during the forecast period (table 5); the United States' current account deficit will persist at a level of USD 154 bn in 1987 and will improve only to USD 147 bn in 1988; Japan's current account surplus will stand at USD 85 bn in 1987 and will fall only to USD 79 bn in 1988. For the Community, however, the adjustment should be significant, with the surplus falling from USD 45 bn in 1987 to USD 36 bn in 1988. The OPEC countries should see an improvement in their current payments position, with their deficit of USD 7 bn in 1987 falling to USD 2,5 bn in 1988. As regards the pattern of trade in real terms, 1987 should be marked by a tendency for balance to be restored between industrialized countries, though this tendency will nevertheless weaken in 1988 (tables 12 and 13).

According to the forecasts, in 1987 the relative volume increase in final demand in the main industrialized countries (table 9)

GRAPH 4: Crude oil prices



Source: Commission services.

should make for the desired international adjustment with steady growth in the Community and Japan and a slackening of the rise in the United States; next year, however, the growth rate differential will probably tend to narrow.

In view of the industrialized countries' commitment to stabilize the exchange rates between the major currencies, it has been assumed that the dollar will not fluctuate markedly (table 6).

Present forecasts are based on a two percentage point increase, between 1987 and 1988, in the interest rate differential between the United States and Germany¹; the increase in the differential will mainly be achieved by an increase of this order of magnitude in the United States. This should facilitate adjustment between industrialized countries, but will exacerbate the problems of the heavily indebted countries. However, for the Community as a whole, the fall in short-term interest rates will be slight - from 8,9 % to 8,3 % between 1987 and 1988. For Japan, it has been possible to revise the interest rate forecast slightly downwards, so that the differential with the United States should also widen by around two percentage points.

As far as oil prices are concerned, following the increase in recent months, it has been assumed that the price per barrel would be USD 18 for the second half of 1987, which presumes that the danger of a break in oil supplies will not materialize. The prices of other raw materials have also been revised upwards, although to a lesser extent.

Slight improvement in growth in the United States. — Economic activity should speed up slightly in the United States over the period of the forecast: the volume of gross domestic product should expand by 2,3 % in 1987 and by 2,7 % in 1988 (table 1). Growth should benefit, in particular, from more buoyant private consumption, partly as a result of the second stage of the reform of personal income tax being implemented. Fixed capital formation should strengthen overall, since corporate investment will start up again after its spectacular contraction in the first quarter of 1987. Also, as a result of improved price competitiveness (table 11) net exports should go on making a positive contribution to growth. The current account deficit as a percentage of GNP will increase slightly this year (3,5 %), but will diminish in 1988 (3,1 %), when the positive volume effects on the trade balance will begin to outweigh the negative price

TABLE 5: World balances of current account
(in billions of US dollars)

	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	0,2	3,0	14,4	52,8	44,8	36,3
USA	-46,7	-106,5	-111,8	-141,3	-154,3	-147,3
Canada	2,4	2,5	-0,4	-6,3	-4,0	-1,5
Japan	20,8	35,0	49,2	85,8	84,9	79,0
Other OECD	-7,3	-4,2	-4,4	-25,9	-21,5	-20,0
OECD Total	-30,6	-70,2	-53,0	-35,0	-50,1	-53,6
OPEC	-21,8	-8,0	3,2	-33,0	-6,9	-2,4
Other developing countries	-38,4	-24,2	-24,3	-7,2	-8,6	-14,4
of which: NICs ²	-13,3	-2,6	11,2	22,1	23,1	19,2
: Other LDCs	-25,1	-21,6	-35,5	-29,3	-31,7	-33,6
CPE ³	10,9	12,9	4,1	-2,5	-0,6	-0,3
Errors and omissions	-79,9	-89,4	-90,5	-77,7	-66,2	-70,7

¹ Forecasts.

² Newly industrialized countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.

³ Centrally planned economies: Excluding China, which is in other LDCs. Excluding intra-Comecon trade.

Source: Commission services.

TABLE 6: Interest and exchange rates assumption

	1983	1984	1985	1986	1987 ¹	1988 ¹
Annual rates (percentage)						
Rates of interest (US)						
— Short-term ²	8,7	9,5	7,5	6,0	6,1	7,5
— Long-term ³	10,8	12,1	10,8	8,1	8,5	9,3
Change on preceding year (percentage)						
Exchange rate of USD						
— Vis-à-vis ECU ⁴	9,8	13,4	3,7	-22,7	-13,4	-3,7
— Vis-à-vis YEN ⁴	-4,5	0,0	0,1	-29,3	-12,6	-5,5

¹ Forecasts.

² 13-week US treasury bills.

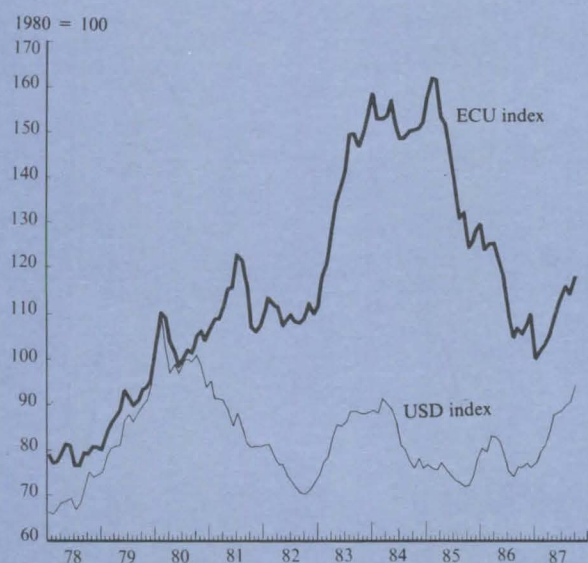
³ US bonds over 10 years.

⁴ + (-) signifies an appreciating (depreciating) USD.

Source: Commission services.

¹ These forecasts do not yet take account of the events which have occurred since 19 October 1987 on the international capital markets.

GRAPH 5: Non-oil commodity price indices in ECU's and US dollars



Source: Commission services.

TABLE 7: Rates of change of demand components and contributions to GDP growth (EUR, 1975-88)

	Percentage change on preceding period at constant prices				
	1975-84	1985	1986	1987 ¹	1988 ¹
Private consumption	2,0	2,5	3,9	3,1	2,7
Government consumption	2,3	1,8	2,4	1,8	2,0
Fixed capital formation	0,1	2,3	3,4	3,6	3,3
— Construction	—	-3,1	2,7	2,0	2,6
— Equipment	—	9,2	4,2	5,3	4,0
Exports of goods and services	4,2	4,8	1,6	1,9	3,2
Imports of goods and services	3,3	4,6	5,9	5,3	4,4
GDP	1,8	2,5	2,6	2,2	2,3
	8602	8701	8702	8801	8802 ²
Private consumption	3,6	2,7	3,2	2,5	2,5
Government consumption	2,4	0,9	2,8	1,5	2,0
Fixed capital formation	5,1	1,7	5,9	1,9	3,5
— Construction	6,5	-2,6	7,2	0,3	3,0
— Equipment	3,6	6,6	4,5	3,7	4,0
Exports of goods and services	2,6	0,6	4,0	2,8	3,0
Imports of goods and services	9,5	2,9	6,2	3,9	3,8
GDP	2,4	1,7	2,9	2,0	2,3
Contributions to changes in GDP ³					
	1975-84	1985	1986	1987 ¹	1988 ¹
Final domestic demand	1,6	2,3	3,5	2,9	2,7
Stockbuilding	-0,1	0,0	0,3	0,3	0,1
Foreign balance	0,2	0,1	-1,2	-1,0	-0,4
	8602	8701	8702	8801	8802 ²
Final domestic demand	3,7	2,2	3,7	2,2	2,6
Stockbuilding	0,7	0,2	-0,1	0,2	0,0
Foreign balance	-1,9	-0,7	-0,7	-0,4	-0,3

¹ Forecasts.

² Half-yearly figures at annual rates, seasonally adjusted (8602 = second half of 1986 etc.).

³ Change as percentage of GDP of preceding period.

Source: Commission services.

TABLE 8: Gross domestic product, volume (percentage change at constant prices on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	2,6	-0,3	1,7	1,5	2,3	1,3	1,8
DK	2,0	2,0	3,4	3,8	3,4	-0,2	0,9
D	2,1	1,5	2,7	2,6	2,6	1,4	1,9
GR	3,6	0,4	2,8	2,1	1,3	-0,8	0,5
E	3,0	1,8	1,9	2,2	3,5	4,1	3,7
F	3,0	0,7	1,5	1,1	2,0	1,2	1,9
IRL	4,4	-1,9	4,2	2,0	-0,3	2,5	1,3
I	2,8	0,5	3,5	2,7	2,7	3,0	2,8
L	2,4	3,2	5,5	2,9	2,5	2,0	1,8
NL	2,1	1,4	2,4	1,7	2,4	1,7	1,2
P	4,4	-1,4	-2,8	4,1	4,3	3,7	3,0
UK	1,5	3,8	2,1	3,7	2,9	3,2	2,7
EUR	2,5	1,4	2,4	2,5	2,6	2,2	2,3
USA	2,3	3,6	6,8	3,0	2,9	2,3	2,7
JAP	4,4	3,2	5,1	4,7	2,4	2,9	3,5

¹ Forecasts.

Source: Commission services.

TABLE 9: Final domestic demand, volume (percentage change at constant prices on preceding year, EC countries, EC, USA, Japan, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	2,4	-2,5	1,8	1,2	3,4	1,6	1,7
DK	1,2	0,9	4,0	5,3	5,7	-1,9	-0,7
D	1,7	2,3	1,9	1,5	3,7	2,5	2,3
GR	3,4	-0,4	1,9	2,3	-0,3	-0,6	0,3
E	2,9	-0,1	-0,5	2,7	6,5	6,2	4,8
F	3,2	-0,5	0,5	1,9	3,5	2,2	2,0
IRL	3,8	-4,1	1,0	-0,4	0,8	0,0	0,2
I	2,4	-0,5	4,5	3,2	3,2	4,5	3,3
L	2,3	0,5	1,7	0,8	3,8	3,3	2,1
NL	1,5	1,5	1,4	2,2	3,9	2,3	1,0
P	4,4	-7,4	-8,5	1,3	8,5	8,3	5,0
UK	1,3	4,7	2,8	2,8	3,8	3,2	3,3
EUR	2,2	0,9	1,9	2,3	3,8	3,2	2,7
USA	2,2	5,5	8,5	3,5	3,9	1,7	2,0
JAP	3,9	1,8	3,8	3,8	4,0	3,9	4,1

¹ Forecasts.

Source: Commission services.

TABLE 10: Export markets and export performance (percentage change on preceding year, 1986-88)

	Export markets			Export performance ¹		
	1986	1987 ²	1988 ²	1986	1987 ²	1988 ²
B	5,0	4,1	4,0	0,0	-1,1	-0,4
DK	4,5	2,6	3,2	-4,2	-2,0	-1,2
D	4,7	3,9	4,1	-4,9	-4,1	-2,0
GR	1,9	2,0	3,5	14,8	0,5	0,0
E	2,7	2,9	3,8	-4,4	2,5	0,2
F	3,4	3,6	4,1	-3,6	-3,5	-0,0
IRL	5,5	4,0	4,0	-1,7	7,2	2,0
I	3,6	2,8	3,8	1,3	-2,3	0,0
L ³	—	—	—	—	—	—
NL	3,7	2,5	3,4	-2,8	0,4	0,1
P	5,2	4,2	3,7	3,6	3,2	2,7
UK	4,0	2,5	3,6	-0,3	2,7	-0,7
EUR	4,1	3,3	3,9	-2,0	-1,3	-0,6
USA	2,7	3,0	4,4	4,9	8,6	6,4
JAP	3,8	2,6	3,4	-6,3	-7,3	-2,7

¹ Indices of export volume growth divided by indices of market growth (includes intra community trade).² Forecasts.³ Included in the figures for Belgium.

Source: Commission services.

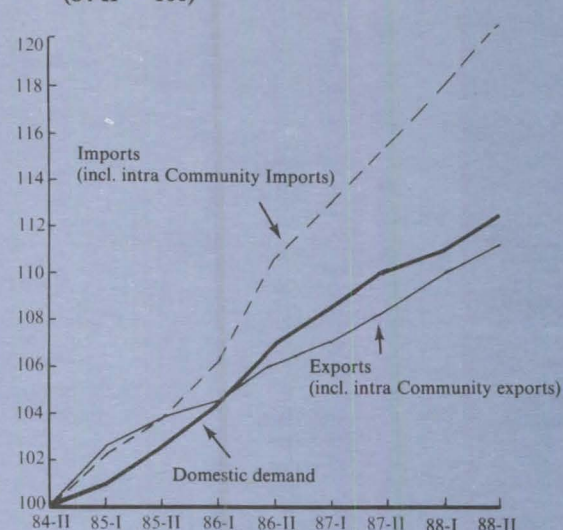
TABLE 11: Export price competitiveness¹ (1986-88)

	B	DK	D	GR	E	F	IRL
1986	4,6	6,2	11,9	-3,5	5,3	7,8	0,1
1987 ²	2,7	5,1	3,3	4,2	3,4	4,9	-1,0
1988 ²	-0,1	-0,5	-0,1	0,4	-0,2	0,2	-0,1
	I	NL	P	UK	EUR	USA	JAP
1986	3,5	9,9	2,2	-4,2	6,1	-18,2	4,2
1987 ²	1,7	0,8	1,8	1,9	2,8	-10,3	-1,0
1988 ²	-2,0	0,6	-1,6	1,9	0,0	-1,8	3,2

¹ Percentage increase of country's export prices over that of competitor's export prices.² Forecasts.

Source: Commission services.

GRAPH 6: Domestic and external demand, EUR 12, volumes (84-II = 100)



Source: Commission services.

effects resulting from the depreciation of the dollar. The general government borrowing requirement will remain high during the forecast period at around 3 % of GNP.

Increase in domestic demand in Japan. — Since early 1986, domestic demand in Japan has expanded more rapidly than exports; export volume has contracted over the past eighteen months as a result of the appreciation of the yen since 1985. However, because of the J-curve effects, the trade surplus will decline slowly during the forecast period; the current account surplus will still stand at 3,8 % of GNP in 1987 and will fall very slightly in 1988 (3,2 %). The Diet has adopted a Yen 6 540 000 million programme to support domestic demand, under which the Government in July introduced a supplementary budget with additional expenditure worth Yen 2 100 000 million. Further measures have been announced to support domestic demand such as reducing income tax and tax exemptions on savings accounts, and increasing public works and local authority expenditure.

Varied prospects in the other areas of the world economy. — As far as the other world economic areas are concerned, export-led growth continues at a very rapid rate in the fast-growing Far Eastern economies. Among the Latin American debtor countries the situation is less favourable. The total trade surplus of the newly-industrialized countries is expected to decline slightly from the 1986 level (USD 34 bn), to around USD 30 bn in 1988; the deficit of the less developed countries could increase

TABLE 12: Exports of goods, volume (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	4,6	2,4	4,9	2,2	5,0	3,0	3,5
DK	4,9	6,2	5,4	3,9	0,1	0,5	2,0
D	5,5	-1,0	8,5	7,9	-0,4	-0,4	2,0
GR	8,4	14,2	21,4	-0,1	16,9	2,5	3,5
E	9,5	10,2	13,1	2,9	-1,9	5,5	4,0
F	6,8	4,9	7,6	2,3	-0,3	-0,0	4,0
IRL	7,9	12,0	17,6	6,7	3,8	11,5	6,1
I	6,6	4,0	7,9	2,7	5,0	0,5	3,8
L	0,8	4,3	21,7	10,3	2,7	0,6	1,9
NL	4,3	4,6	6,9	5,1	0,8	3,0	3,5
P	—	22,8	15,2	10,7	9,0	7,5	6,5
UK	3,9	1,8	8,4	5,4	3,7	5,2	2,9
EUR	5,5 ²	3,5	8,5	4,8	2,0	2,0	3,3
USA	5,5	-3,0	7,8	3,3	7,7	11,8	11,1
JAP	6,9	8,7	16,0	4,0	-2,7	-4,9	0,6

¹ Forecasts.² Total excluding Portugal.

Source: Commission services.

TABLE 13: Imports of goods, volume (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	4.3	-0.4	5.0	1.1	7.0	3.7	3.5
DK	1.2	1.7	6.6	8.0	6.5	-4.8	-2.6
D	3.7	2.5	6.6	5.2	3.8	3.2	3.1
GR	5.2	9.4	-0.1	13.4	4.2	2.5	2.0
E	5.1	-0.1	-1.0	5.0	18.0	17.5	10.0
F	7.8	-0.8	3.6	5.8	7.1	4.8	4.2
IRL	5.1	4.5	10.5	3.0	3.5	7.1	4.5
I	4.7	-1.9	10.8	4.4	7.5	7.0	5.6
L	1.8	1.5	14.6	5.5	4.3	2.4	2.4
NL	2.6	4.5	6.1	5.9	3.1	3.7	3.0
P	-	-7.2	-2.7	3.0	18.1	18.5	10.0
UK	2.9	8.0	11.1	3.2	6.5	5.4	5.3
EUR	4.4 ²	1.9	6.7	4.7	6.7	5.7	4.6
USA	3.8	13.1	24.4	5.4	13.9	2.5	2.6
JAP	3.4	1.2	10.8	-1.9	10.1	6.2	5.2

¹ Forecasts.² Total excluding Portugal.

Source: Commission services.

TABLE 14: Balance on current account (as percentage of GDP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-1.1	-0.5	-0.4	0.4	2.4	2.3	2.3
DK	-3.1	-2.6	-3.3	-4.7	-5.1	-2.9	-2.2
D	0.6	0.6	1.1	2.4	4.1	3.7	3.2
GR	-2.3	-5.1	-4.0	-8.2	-5.4	-4.2	-4.1
E	-1.5	-1.5	1.3	1.7	2.0	0.6	-0.4
F	-0.9	-1.7	-0.8	0.0	0.6	-0.0	0.0
IRL	-7.7	-7.0	-6.1	-3.2	-1.8	-1.1	-0.3
I	-0.7	0.3	-0.6	-0.7	0.8	0.2	0.0
L	20.8	38.5	38.9	41.9	40.4	38.7	37.8
NL	1.6	3.1	4.1	4.3	2.8	1.9	1.8
P	-5.2	-6.3	-1.9	1.7	3.9	1.4	-1.0
UK	-0.4	0.7	-0.3	0.8	-0.3	-0.5	-0.8
EUR	-0.4	-0.1	0.1	0.8	1.5	1.1	0.8
USA	0.2	-1.4	-2.8	-2.9	-3.3	-3.5	-3.1
JAP	0.4	1.8	2.8	3.7	4.5	3.8	3.2

¹ Forecasts.

Source: Commission services.

TABLE 15: Deflator of private consumption (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	7.4	7.5	6.2	4.8	1.3	1.8	2.5
DK	10.7	7.2	6.5	5.0	3.6	4.1	4.0
D	5.2	3.2	2.4	2.1	-0.5	0.7	1.8
GR	15.7	17.9	18.4	18.6	22.1	16.0	12.0
E	15.7	12.3	10.7	8.3	8.9	5.4	4.2
F	10.2	9.5	7.2	5.5	2.5	3.1	2.6
IRL	15.0	10.0	7.5	4.2	3.6	3.0	3.2
I	15.9	14.8	11.4	9.3	6.3	4.8	4.9
L	7.4	8.1	6.4	3.3	0.3	0.5	2.3
NL	7.1	2.7	2.5	2.6	0.1	-0.8	1.0
P	18.3	28.6	33.3	16.7	12.1	9.3	6.5
UK	13.1	5.0	4.8	5.2	3.6	3.0	3.9
EUR	11.2	8.6	7.0	5.9	3.7	3.2	3.4
USA	7.5	4.1	3.8	3.4	2.2	4.1	4.9
JAP	7.8	1.9	2.1	2.1	0.7	0.2	1.5

¹ Forecasts.

Source: Commission services.

TABLE 16: Deflator of gross domestic product (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	7.0	6.4	5.3	5.1	4.4	2.1	2.2
DK	10.0	8.1	5.7	5.5	4.9	4.6	4.1
D	4.9	3.3	2.0	2.2	3.1	1.9	1.8
GR	16.3	19.1	20.1	17.6	19.0	16.7	11.6
E	15.4	11.6	10.9	8.7	11.2	5.7	4.1
F	10.3	9.5	7.2	5.9	4.8	3.3	2.6
IRL	14.6	11.3	6.3	5.0	5.7	2.9	2.7
I	15.9	15.3	10.2	8.8	8.0	5.5	4.7
L	7.5	7.7	6.3	3.4	4.1	2.5	2.2
NL	7.2	1.9	2.2	2.4	0.8	-1.0	0.5
P	17.4	25.5	26.6	20.9	18.0	11.2	7.3
UK	13.6	5.0	4.1	5.8	3.5	4.0	4.7
EUR	11.2	8.6	6.5	6.1	5.6	3.9	3.5
USA	7.5	3.9	3.7	3.2	2.6	3.3	4.4
JAP	6.8	0.8	1.2	1.5	1.9	0.7	1.6

¹ Forecasts.

Source: Commission services.

TABLE 17: Compensation of employees per head (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	11.1	6.0	5.8	4.4	2.5	3.7	3.0
DK	11.3	8.1	5.1	4.4	5.1	7.2	5.2
D	7.5	3.8	3.4	3.0	3.9	3.3	2.9
GR	20.5	21.3	21.2	21.7	13.7	12.5	12.0
E	19.7	14.6	12.9	10.4	8.7	6.5	5.3
F	14.0	10.6	8.1	5.8	4.0	3.0	3.5
IRL	18.6	11.5	11.8	7.4	6.1	6.1	4.9
I	19.2	16.0	11.4	10.2	7.7	8.3	6.0
L	10.3	6.9	7.2	5.3	4.0	4.4	4.2
NL	9.4	3.2	0.4	1.4	1.6	1.9	1.6
P	22.5	19.3	13.9	19.9	16.7	11.9	8.5
UK	15.5	9.1	5.1	7.3	7.2	6.8	6.6
EUR	14.1	9.6	7.4	6.8	6.0	5.4	4.7

¹ Forecasts.

Source: Commission services.

TABLE 18: Real compensation of employees per head¹ (percentage change on preceding year 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	3.5	-1.4	-0.4	-0.3	1.2	1.9	0.5
DK	0.5	0.9	-1.3	-0.5	1.5	2.9	1.2
D	2.2	0.6	1.0	0.9	4.4	2.6	1.1
GR	4.1	2.9	2.4	2.6	-6.9	-3.0	0.0
E	3.4	2.0	2.0	1.9	-0.2	1.0	1.1
F	3.4	1.0	0.8	0.4	1.4	-0.1	1.0
IRL	3.1	1.3	4.0	3.1	2.4	3.0	1.6
I	2.8	1.0	0.0	0.8	1.3	3.3	1.0
L	2.8	-1.1	0.8	1.9	3.6	3.9	1.9
NL	2.1	0.4	-2.0	-1.2	1.4	2.7	0.6
P	3.5	-7.2	-14.6	2.7	4.1	2.4	1.9
UK	2.2	3.9	0.4	2.0	3.5	3.6	2.6
EUR	2.6	0.9	0.3	0.9	2.2	2.1	1.3

¹ Deflated by private consumption prices.² Forecasts.

Source: Commission services.

TABLE 19: Unit labour costs, whole economy¹ (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	8.1	5.2	4.1	3.7	1.2	2.5	1.4
DK	9.6	6.1	4.1	3.7	3.9	8.0	3.9
D	4.9	0.7	0.8	1.1	2.1	2.5	1.3
GR	17.5	22.1	18.3	20.4	13.4	12.4	11.8
E	14.8	11.5	6.6	6.6	7.1	4.8	3.3
F	11.0	9.4	5.5	4.4	2.2	1.6	1.6
IRL	14.4	11.3	5.5	2.4	6.0	3.2	3.7
I	16.5	16.1	8.5	8.7	5.7	5.1	3.8
L	8.7	3.6	1.7	3.0	3.6	4.1	2.9
NL	7.0	-0.2	-2.3	0.8	1.0	1.1	0.6
P	19.1	22.4	18.5	14.6	12.2	10.5	6.4
UK	13.6	3.8	4.9	4.8	4.8	4.9	4.7
EUR	11.4	7.3	5.0	4.9	4.1	3.8	2.9

¹ Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.² Forecasts.

Source: Commission services.

TABLE 20: Real unit labour costs¹ (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	1.0	-1.1	-1.2	-1.4	-3.1	0.4	-0.8
DK	-0.3	-1.9	-1.5	-1.6	-1.0	3.3	-0.2
D	0.0	-2.5	-1.2	-1.1	-1.0	0.6	-0.5
GR	1.0	2.5	-1.6	2.4	-4.8	-3.7	0.2
E	-0.5	-0.1	-3.9	-2.0	-3.7	-0.9	-0.7
F	0.6	-0.1	-1.6	-1.4	-2.5	-1.7	-1.0
IRL	-0.2	0.0	-0.7	-2.5	0.3	0.3	1.0
I	0.5	0.6	-1.6	-0.1	-2.1	-0.3	-0.8
L	1.1	-3.9	-4.3	-0.4	-0.5	1.5	0.7
NL	-0.3	-2.0	-4.4	-1.6	0.2	2.1	0.1
P	1.5	-2.5	-6.4	-5.2	-4.9	-0.7	-0.8
UK	-0.0	-1.1	0.8	-1.0	1.2	0.8	-0.0
EUR	0.2	-1.2	-1.4	-1.1	-1.4	-0.2	-0.6

¹ Nominal unit labour costs divided by GDP deflator.² Forecasts.

Source: Commission services.

TABLE 21: **Total employment** (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-0,2	-1,0	0,0	0,7	1,0	0,1	0,2
DK	0,5	0,1	2,4	3,1	2,0	0,8	-0,1
D	-0,4	-1,5	0,1	0,7	1,0	0,6	0,3
GR	1,0	1,0	0,3	1,0	0,3	-1,0	0,3
E	-1,2	-0,9	-3,9	-1,3	2,0	2,4	1,7
F	0,3	-0,4	-0,9	-0,3	0,3	-0,2	-0,0
IRL	0,8	-2,1	-1,6	-2,7	-0,4	-0,3	0,2
I	0,5	0,5	0,8	1,4	0,6	0,6	0,8
L	0,8	-0,1	0,0	0,6	2,4	1,0	0,4
NL	-0,2	-1,9	-0,4	1,1	1,8	0,9	0,2
P	1,6	1,1	1,1	-0,5	0,2	2,3	1,0
UK	-0,2	-1,2	2,0	1,3	0,6	1,4	0,9
EUR	-0,0	-0,7	0,1	0,6	0,8	0,8	0,6
USA	1,9	1,3	4,1	2,0	2,3	2,5	1,9
JAP	0,8	1,7	0,5	1,5	—	—	—

¹ Forecasts.

Source: Commission services.

TABLE 22: **Employment in manufacturing industries** (percentage change on preceding year)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-3,0	-2,1	-1,0	-1,4	-1,4	-1,4	-0,9
DK	-1,2	0,2	2,1	6,8	0,4	-0,7	-0,8
D	-1,5	-4,0	-1,0	1,1	1,7	-0,5	-0,5
GR	—	-1,0	-2,4	-0,6	0,0	-1,8	0,0
E	—	-2,1	-2,6	-2,1	1,6	1,8	1,4
F	-0,7	-2,3	-2,9	-2,9	-2,5	-2,2	-2,2
IRL	0,9	-5,6	-3,6	-3,3	0,0	-0,5	1,5
I	-0,1	-2,9	-3,6	-2,0	-0,9	-0,3	0,1
L	-1,3	-3,5	-1,8	-0,3	1,3	-1,0	-0,8
NL	-2,5	-4,3	-1,9	1,5	1,6	0,8	0,3
P	—	—	—	-0,5	0,4	2,2	0,8
UK	-2,8	-5,5	-1,9	-0,7	-2,1	-1,1	-0,4
EUR	-1,5 ²	-3,6	-2,1	-0,7	-0,2	-0,5	-0,3

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 23: **Number of unemployed as percentage of civilian labour force** (1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	7,0	14,3	14,4	13,7	12,6	12,4	12,1
DK	5,3	10,1	9,9	8,7	7,6	7,7	8,6
D	3,5	8,4	8,4	8,4	8,1	8,1	8,3
GR	—	7,8	8,1	7,8	7,4	7,4	7,5
E	—	17,7	20,6	21,9	21,5	20,7	20,3
F	4,8	8,9	10,0	10,8	11,1	11,3	11,7
IRL	8,2	14,9	16,6	17,9	18,4	18,5	18,2
I	6,3	11,0	12,0	12,9	13,0	14,2	14,3
L	0,5	1,6	1,8	1,6	1,4	1,5	1,4
NL	5,8	14,2	14,5	13,1	12,1	11,4	10,9
P	—	—	8,5	8,7	8,6	7,2	6,8
UK	5,2	11,6	11,8	12,0	12,1	11,0	10,4
EUR-12	—	—	11,7	12,1	11,9	11,8	11,7
EUR-9	5,1	10,4	10,9	11,2	11,1	11,1	11,1
USA	6,9	9,6	7,5	7,2	7,0	6,3	6,0
JAP	1,9	2,7	2,7	2,6	2,8	3,0	2,9

¹ Forecasts.

Source: Commission services.

TABLE 24: **General government lending or borrowing (-) as percentage of GDP** (EC countries, EC, USA, JAP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-6,2	-11,7	-9,8	-8,4	-8,7	-6,6	-6,1
DK	-0,7	-7,2	-4,2	-2,1	3,3	1,9	1,7
D	-2,3	-2,5	-1,9	-1,1	-1,2	-1,6	-2,0
GR	—	-8,9	-10,1	-13,6	-10,7	-10,6	-9,8
E	-1,2	-5,6	-5,0	-6,7	-5,7	-5,0	-4,9
F	-0,6	-3,1	-2,9	-2,9	-3,0	-2,8	-2,3
IRL	—	-11,8	-9,7	-15,6	-11,2	-10,0	-7,5
I	-9,0	-11,7	-13,0	-12,3	-11,3	-10,4	-10,4
L	1,4	-0,6	1,5	4,4	3,9	2,8	3,1
NL	-2,6	-6,5	-6,3	-4,8	-4,6	-5,7	-6,0
P	—	-7,1	-7,7	-10,0	-8,2	-8,8	-7,8
UK	-3,0	-3,7	-4,2	-2,9	-2,7	-2,0	-2,0
EUR	-3,3 ²	-5,5	-5,4	-5,2	-4,8	-4,5	-4,5
USA	-1,3	-3,8	-0,8	-3,3	-3,5	-2,5	-2,8
JAP	-2,5	-3,7	-2,2	-1,2	-1,5	-1,7	-1,9

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 25: **Total public expenditure** (as percentage of GDP)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	48,9	57,5	56,7	56,2	54,9	53,1	52,4
DK	50,6	61,6	60,7	59,5	55,4	56,6	57,3
D	46,8	48,4	48,0	47,5	46,7	47,0	47,1
GR	—	41,5	44,3	48,1	46,7	47,6	47,3
E	28,4	38,8	39,3	42,2	42,1	42,2	42,1
F	44,1	51,4	51,8	52,1	51,8	51,5	51,3
IRL	—	54,5	52,9	58,6	54,3	54,1	52,3
I	44,2	48,8	49,5	50,8	50,5	50,1	50,3
L	48,2	56,2	52,5	52,5	51,4	51,4	51,2
NL	52,9	62,0	60,7	59,9	58,0	58,8	58,2
P	—	46,2	46,2	43,1	43,7	42,7	41,7
UK	42,1	45,2	45,9	44,6	43,6	42,6	41,7
EUR	43,7 ²	48,7	49,0	49,1	48,4	48,2	47,9

¹ Forecasts.² EUR-9.

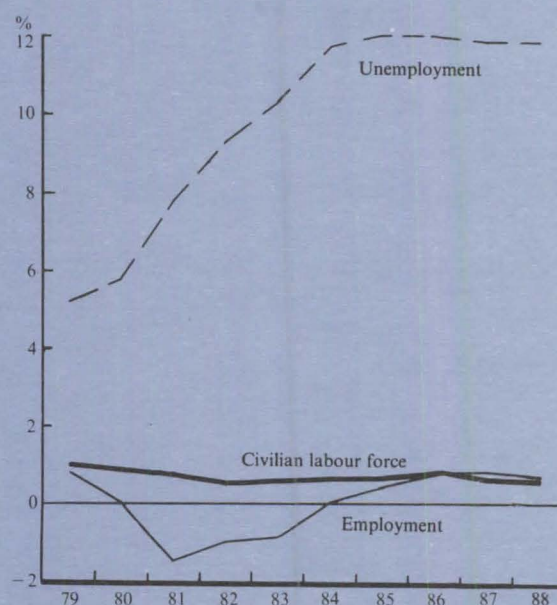
Source: Commission services.

TABLE 26: **Public debt¹** (as percentage of GDP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	69,5	105,1	111,0	117,1	120,8	124,9	128,5
DK	22,2	62,6	67,6	65,8	59,8	57,9	54,7
D	27,9	41,7	42,0	42,5	42,2	43,5	44,8
GR	—	41,6	49,9	57,9	55,1	59,3	65,0
E	15,6	33,0	39,8	45,1	46,5	49,0	51,2
F	25,9	30,7	32,9	34,9	37,0	38,9	40,3
IRL	79,9 ³	108,5	114,8	118,2	133,2	140,0	145,0
I	60,1	75,0	80,6	85,0	88,5	92,3	96,5
L	16,8	14,8	14,7	14,2	14,2	14,4	14,7
NL	44,4	61,9	66,4	70,1	72,8	79,0	83,1
P	—	56,2	61,2	64,8	67,0	72,7	78,7
UK	57,8	57,5	59,2	57,7	58,0	56,7	55,7
EUR	40,4 ⁴	51,4	54,8	56,9	58,3	60,4	62,3

¹ Gross public debt. DK, F, I, NL: General Government; B, D, NL: General Government excl. social security; GR, IRL: State; I: public sector. End-of-year figures.² Forecasts.³ 1974-82.⁴ EUR-9.

Source: Commission services.

GRAPH 7: **Labour force, employment and unemployment, EUR 12, annual change in % except unemployment rate**

Source: Commission Services.

slightly to USD 33 bn in 1988 (1986 : USD 30 bn). OPEC countries will see their imports decline in 1987 and 1988; their trade surplus will be over USD 40 bn in 1988 (table 4), compared with USD 11 bn in 1986.

Moderate growth on average for the Community. — Economic growth has turned out to be fairly moderate in the Community in 1987, and there will be no great improvement in 1988: gross domestic product will increase by only 2 1/4 % over the two years (table 7). The Community is suffering from the combined effects of the slow growth of world trade and the weakening of its exports, as a result of the deterioration in its competitiveness caused by the 30 % depreciation against the ECU of dollar between 1985 and 1987 (table 6). It is also affected by a slowdown in private investment, partly attributable to the trend of external trade.

Domestic demand in the Community as a whole will increase at a rate of 3.2 % in 1987 and 2.7 % in 1988 (table 7). It will thus outstrip the growth of gross domestic product by 1 percentage point in 1987 and 0.5 of a point in 1988: the Community is therefore making a positive contribution to the volume growth of world demand, particularly in 1987.

Growth rate differentials between Member States. — In 1987, the gap between growth rates in the Community will be marked (table 27). In particular, the outlook for Germany and France is only in the region of 1 1/2 %, whereas a fairly high increase in gross domestic product (over 3 %) will be achieved in Italy, Spain, Portugal and the United Kingdom. In 1988, the disparities will tend to narrow in the Community: in order to safeguard their balances of payments, some countries with high economic activity could decide to rein back their growth.

Continuing improvement in supply-side conditions. — Because nominal wages have adjusted to the slowdown in price rises, the trend of domestic costs has been favourable; over the forecasting period, this trend should continue, though it will be less pronounced: for the economy as a whole, nominal wage costs per unit of output should increase by 3.8 % in 1987 and 2.9 % in 1988 (table 19) and real unit wage costs (nominal values divided by the GDP deflator) should fall by 0.2 % in 1987 and 0.6 % in 1988 (table 20) which would be a little more pronounced than previously forecast. These are factors which may produce a favourable effect on investment by increasing its profitability.

Slightly slower dynamic of domestic aggregates of demand. — Although the Community's domestic demand will remain buoyant, it will slow down slightly during the period covered by the forecast.

In 1986, the improvement in the terms of trade boosted real incomes, but as these effects run out, **private consumption** will moderate even though the development of real remuneration is still favourable and the savings ratio falls from 15.8 % in 1986 to 15.5 % in 1987 and 15.1 % in 1988; the increase in private consumption should thus decline from 3.9 % in 1986 to 3.1 % in 1987 and 2.7 % in 1988 (table 7).

The Spring forecasts for **gross fixed capital formation** (table 7) have had to be revised downwards despite the positive contribution from the costs side; it should grow by no more than 3.6 % in 1987 and 3.3 % in 1988. This is likely to exacerbate even further the problem to which the Commission has drawn attention on many occasions, namely that this rate is too low to create a sufficient number of jobs and to scale down unemployment. This weakening is largely attributable to the disruptions which have occurred on the external trade front; in 1988 it will take the form of a slight slowdown in equipment investment, which should increase by only 4.0 % next year compared with 5.3 % in 1987, and an increase of only 2 % in investment in the construction industry in 1987 before it picks up again at 2.6 % in 1988.

For **public consumption** no appreciable change is foreseeable: it will increase by 1.8 % in 1987 and 2.0 % in 1988 (table 7).

Stockbuilding is expected to make a positive contribution to GDP growth in the current year (+0.3 percentage point); in 1988 the contribution should decline to 0.1 percentage point (table 7).

Reduction in the negative contribution of the external balance in goods and services. — Like domestic demand, import demand is expected to remain buoyant. At constant prices, imports (goods and services) will grow by 5.3 % in 1987 and 4.4 % in 1988, and exports (goods and services) by 1.9 % in 1987 and 3.2 % in 1988 (table 7). The negative contribution of the external balance to the growth of GDP in real terms will diminish over time from 1 percentage point in 1987 to 0.4 percentage point in 1988: this is in line with the Spring forecasts.

Very moderate recovery of exports in 1988. — The slowdown in the expansion of world trade and the dollar's weakness are combining to hold back the increase in the Community's export volume.

However, the Community's third country export markets, which stagnated in 1988, should expand slightly this year (+3/4 %) and next (+3 %). Overall, export markets will continue to grow at a rate of between 3 % and 4 % over the forecast period thanks to the buoyancy of demand within the Community (table 10). The expected increase in the volume of total goods exports will be about 2 % in 1987 and over 3 % in 1988 (table 12).

On a customs basis, the Community's trade surplus is expected to decline from ECU 24 bn in 1986 to ECU 17 bn in 1987 and ECU 10 bn in 1988. Since transactions concerned with services and unrequited transfers will be relatively stable, in 1988, the Community's positive balance on current account should decline from 1.5 % of GDP in 1986 to 1.1 % in 1987 and 0.8 % in 1988 (table 14).

Unemployment rate at an unacceptably high ceiling. — The Community's main economic and social problem, unemployment, will not fall greatly during the period of the forecast. With moderate real growth of GDP, and its composition providing no more than a weak stimulus to job creation, progress in this area, in the Community as a whole, will be only 0.8 % in 1987 and 0.6 % in 1988 (table 21). Because of the increase in the civilian labour force, the fall in the unemployment rate will be only marginal, to 11.8 % in 1987 and 11.7 % in 1988 (table 23).

Slower progress on the inflation front. — As a result of the stabilization policies which have been implemented and the favourable trend of costs, consumer price inflation fell to 3.7 % in the Community in 1986. During the forecast period, the movements in the various components of the index of private consumption will largely cancel each other out; in the Community as a whole, consumer price inflation should therefore decelerate further to 3.2 % in 1987. However, for 1988 there are signs of a slight acceleration of inflation (3.4 %), attributable to upward trends in some Member States (table 15). On the other hand, the tendency for the GDP deflator to fall will continue: 3.9 % in 1987 and 3.5 % in 1988. Altogether, economic activity in the Community should benefit from the fact that inflation rates have fallen to a level close to that of the 1960s, and that a high degree of price convergence has been achieved (table 16).

Decline in the general government borrowing requirement. — As far as public finances are concerned, the general government borrowing requirement as a percentage of GDP is forecast to decline from 4.8 % in 1986 to 4.5 % in 1987, and to remain at that level in 1988 (table 24). The decline in expenditure which

TABLE 27: Demand components at constant prices (percentage change on preceding year, EC countries, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B³							
Private consumption	3.0	-1.6	1.2	1.5	3.1	1.5	1.5
Government consumption	3.2	-0.0	0.6	1.4	1.5	-1.4	-0.6
Fixed capital formation	0.3	-4.2	2.1	1.2	4.8	5.0	4.4
— Construction	-1.1	-6.3	-5.9	-0.5	1.6	1.6	3.1
— Equipment	3.2	-2.8	13.4	3.1	9.1	9.2	6.0
Exports of goods and services	4.9	3.0	4.5	2.1	5.3	3.0	3.4
Imports of goods and services	4.5	-0.3	4.9	1.7	7.0	3.6	3.2
GDP	2.6	-0.3	1.7	1.5	2.3	1.3	1.8
DK³							
Private consumption	1.2	2.0	2.7	4.3	4.2	-0.4	0.3
Government consumption	4.0	-0.8	-0.7	1.7	-0.7	2.2	1.3
Fixed capital formation	-2.2	0.9	11.0	14.6	16.8	-6.6	-3.2
— Construction	-4.2	1.9	6.7	9.9	19.4	-7.1	-4.3
— Equipment	1.5	2.3	13.9	16.3	13.9	-6.1	-1.9
Exports of goods and services	4.4	3.7	4.1	3.6	0.2	0.8	2.2
Imports of goods and services	1.8	0.5	6.0	7.8	6.5	-4.2	-2.4
GDP	2.0	2.0	3.4	3.8	3.4	-0.2	0.9
D³							
Private consumption	2.6	1.6	1.9	1.9	4.3	2.5	2.6
Government consumption	1.9	0.1	1.1	1.7	2.3	2.1	2.0
Fixed capital formation	-0.2	3.2	0.8	-0.3	3.1	1.4	1.4
— Construction	-0.6	1.8	1.5	-6.2	2.4	-0.4	0.8
— Equipment	0.6	5.6	-0.2	10.0	4.1	3.8	2.3
Exports of goods and services	5.3	-0.9	8.0	7.8	-0.5	-0.6	1.9
Imports of goods and services	3.6	1.8	5.3	4.6	3.0	3.2	3.2
GDP	2.1	1.5	2.7	2.6	2.6	1.4	1.9
GR²							
Private consumption	3.8	1.0	1.7	2.9	1.0	-0.7	0.1
Government consumption	6.0	2.7	3.9	2.3	0.0	2.9	-0.2
Fixed capital formation	0.4	-1.3	-6.3	3.4	-4.8	-2.0	3.7
— Construction	-1.8	5.4	-6.9	2.9	-3.4	-5.5	3.7
— Equipment	3.7	-8.6	-4.1	7.6	-6.5	2.2	3.8
Exports of goods and services	7.2	8.0	16.9	1.3	16.2	2.5	3.5
Imports of goods and services	5.7	6.6	0.2	12.8	3.8	2.3	2.0
GDP	3.6	0.4	2.8	2.1	1.3	-0.8	0.5
E³							
Private consumption	3.1	0.3	-0.5	1.8	4.1	4.4	3.7
Government consumption	5.1	3.9	2.9	4.4	7.1	6.0	4.8
Fixed capital formation	1.8	-2.5	-5.1	3.9	11.9	12.5	9.0
— Construction	0.9	-2.0	-5.4	1.9	6.9	9.4	6.9
— Equipment	3.2	-4.8	-4.5	7.7	20.2	17.0	12.0
Exports of goods and services	6.3	10.1	11.1	2.9	-1.3	4.8	3.8
Imports of goods and services	5.8	-0.6	-1.0	5.4	16.2	16.2	9.5
GDP	3.0	1.8	1.9	2.2	3.5	4.1	3.7
F³							
Private consumption	3.7	0.9	0.8	2.3	3.0	1.6	1.7
Government consumption	2.9	1.5	1.1	1.4	2.7	1.5	2.2
Fixed capital formation	2.0	-2.3	-1.3	3.4	3.0	2.2	2.7
— Construction	0.0	-3.5	-4.1	-0.6	1.4	1.8	2.3
— Equipment	4.1	-0.8	2.1	6.8	4.3	2.5	3.0
Exports of goods and services	7.1	4.2	7.6	1.7	-0.2	-0.3	3.7
Imports of goods and services	8.0	-0.6	3.5	5.0	6.9	4.3	3.9
GDP	3.0	0.7	1.5	1.1	2.0	1.2	1.9
IRL³							
Private consumption	2.9	-1.7	-0.5	1.6	2.1	0.8	0.8
Government consumption	5.3	0.4	0.1	0.8	3.2	-1.9	-3.2
Fixed capital formation	4.8	-9.5	-2.7	-0.4	-2.3	-0.7	1.0
— Construction	3.6	-12.2	-13.5	-7.5	-5.3	-5.0	-4.1
— Equipment	6.4	-5.0	9.2	5.5	0.3	3.0	5.0
Exports of goods and services	7.0	10.5	16.4	6.7	2.7	10.5	5.9
Imports of goods and services	5.3	4.7	9.9	2.8	4.3	6.8	4.5
GDP	4.4	-1.9	4.2	2.0	-0.3	2.5	1.3
I³							
Private consumption	2.7	0.2	2.4	2.9	3.2	4.3	3.1
Government consumption	2.8	2.8	1.9	3.4	3.0	3.0	2.9
Fixed capital formation	0.6	-1.6	4.4	3.3	1.2	3.5	2.8
— Construction	-0.1	-2.0	-0.4	-1.7	-0.7	1.0	2.1
— Equipment	2.8	-5.7	15.1	11.4	3.1	6.0	3.5
Exports of goods and services	6.1	2.6	6.8	3.7	3.1	0.7	3.8
Imports of goods and services	4.6	-1.4	11.3	5.4	5.1	7.0	5.6
GDP	2.8	0.5	3.5	2.7	2.7	3.0	2.8
L³							
Private consumption	3.3	0.8	0.8	2.5	3.3	4.0	2.5
Government consumption	3.2	2.2	0.4	2.5	1.7	1.4	0.8
Fixed capital formation	0.9	-8.3	-1.3	2.1	4.8	2.7	1.7
— Construction	1.5	—	—	—	3.2	3.0	1.8
— Equipment	-0.2	—	—	—	7.9	2.0	1.5
Exports of goods and services	2.3	5.0	17.3	7.8	2.8	1.3	2.1
Imports of goods and services	2.2	1.8	13.1	5.8	4.1	2.6	2.4
GDP	2.4	3.2	5.5	2.9	2.5	2.0	1.8
NL³							
Private consumption	2.5	0.9	-0.4	1.6	3.1	2.8	1.5
Government consumption	2.3	1.2	-0.7	1.1	1.8	-0.2	-0.1
Fixed capital formation	-1.4	2.1	4.3	3.7	7.2	3.3	0.7
— Construction	-2.4	-3.4	2.9	-3.6	4.9	2.6	0.6
— Equipment	0.5	10.1	8.3	14.1	9.9	4.1	0.9
Exports of goods and services	3.8	3.5	7.0	4.6	0.7	2.5	3.3
Imports of goods and services	2.7	3.9	5.5	5.7	3.2	3.7	2.9
GDP	2.1	1.4	2.4	1.7	2.4	1.7	1.2
P⁴							
Private consumption	2.8	-3.3	-6.4	3.0	6.8	6.8	4.0
Government consumption	7.1	2.8	3.4	3.8	2.0	2.0	2.0
Fixed capital formation	6.7	-8.3	-19.0	-2.3	9.9	14.6	10.5
— Construction	—	—	—	—	4.7	9.5	9.0
— Equipment	—	—	—	—	16.0	20.0	12.0
Exports of goods and services	5.4	14.0	15.0	9.5	6.9	8.3	6.4
Imports of goods and services	4.9	-7.3	-3.7	2.1	17.0	18.1	9.9
GDP	4.4	-1.4	-2.8	4.1	4.3	3.7	3.0
UK³							
Private consumption	1.7	4.0	2.1	3.5	5.8	4.0	3.7
Government consumption	2.0	1.9	0.8	0.5	0.9	0.1	1.1
Fixed capital formation	-0.3	5.7	9.1	1.8	0.3	3.8	3.9
— Construction	-1.8	6.6	8.5	-3.3	4.3	3.5	4.0
— Equipment	1.1	4.6	10.2	7.8	-4.0	4.2	3.7
Exports of goods and services	3.2	2.2	6.6	6.1	3.1	5.0	2.9
Imports of goods and services	2.9	5.5	9.0	2.9	6.2	4.9	4.9
GDP	1.5	3.8	2.1	3.7	2.9	3.2	2.7

¹ Forecasts.² 1970 prices.³ 1980 prices.⁴ 1985 prices.

Source: Commission services.

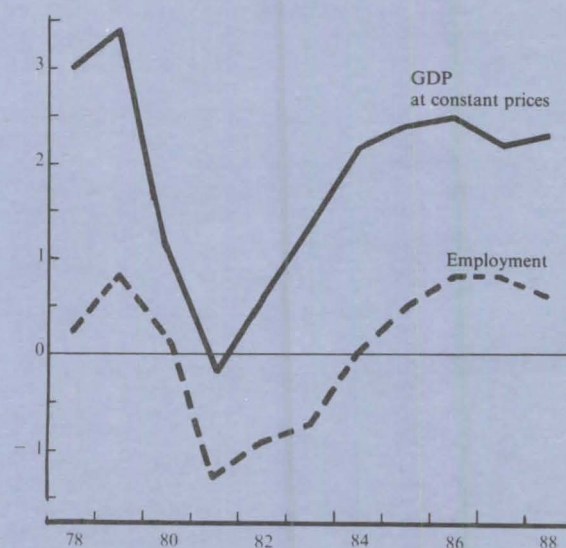
TABLE 28: Contributions to real GDP growth¹ (EC countries and EC, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B							
Final domestic demand	2.6	-1.8	1.2	1.4	3.0	1.5	1.6
Stockbuilding	-0.1	-0.7	0.6	-0.2	0.3	0.1	0.0
Foreign balance	0.1	2.1	-0.0	0.3	-0.9	-0.3	0.2
DK							
Final domestic demand	1.3	1.0	3.0	5.2	5.1	-1.0	-0.1
Stockbuilding	-0.0	-0.1	1.0	-0.1	0.5	-0.9	-0.6
Foreign balance	0.7	1.2	-0.5	-1.3	-2.2	1.8	1.6
D							
Final domestic demand	1.8	1.7	1.5	1.3	3.4	2.1	2.1
Stockbuilding	-0.1	0.6	0.3	0.1	0.1	0.3	0.1
Foreign balance	0.4	-0.7	0.9	1.1	-1.0	-1.1	-0.3
GR							
Final domestic demand	3.7	0.9	0.5	3.0	-0.1	-0.3	0.6
Stockbuilding	0.1	-1.3	1.2	-0.5	-0.3	-0.3	-0.2
Foreign balance	-0.4	-0.5	3.3	-3.6	1.6	-0.1	0.1
E							
Final domestic demand	3.1	0.2	-1.0	2.5	6.1	6.4	5.2
Stockbuilding	-0.1	-0.3	0.5	0.1	0.4	-0.1	-0.2
Foreign balance	-0.0	1.9	2.3	-0.3	-3.0	-2.3	-1.4
F							
Final domestic demand	3.2	0.3	0.4	2.4	2.9	1.7	2.0
Stockbuilding	0.0	-0.8	0.1	-0.5	0.6	0.5	0.0
Foreign balance	-0.3	1.1	0.9	-0.8	-1.5	-1.0	-0.1
IRL							
Final domestic demand	4.3	-3.6	-1.0	1.0	1.2	-0.1	0.1
Stockbuilding	0.2	-0.9	2.1	-1.4	-0.5	0.1	0.1
Foreign balance	-0.0	2.6	3.1	2.4	-1.1	2.5	1.1
I							
Final domestic demand	2.3	0.2	2.8	3.0	2.7	3.9	3.1
Stockbuilding	0.1	-0.7	1.8	0.2	0.6	0.7	0.3
Foreign balance	0.2	0.9	-1.0	-0.4	-0.5	-1.6	-0.6
L							
Final domestic demand	2.6	-1.2	0.2	2.2	3.1	3.0	1.9
Stockbuilding	-0.3	1.7	1.4	-1.5	0.4	0.1	0.1
Foreign balance	0.2	2.7	3.8	2.1	-1.0	-1.1	-0.2
NL							
Final domestic demand	1.6	1.1	0.5	1.8	3.5	2.3	1.0
Stockbuilding	-0.1	0.4	1.0	0.3	0.3	0.0	-0.1
Foreign balance	0.5	-0.1	1.0	-0.4	-1.4	-0.6	0.3
P							
Final domestic demand	5.0	-4.3	-9.0	2.0	7.1	8.4	5.9
Stockbuilding	0.3	-4.4	-0.4	-0.6	1.7	0.5	-0.2
Foreign balance	-0.6	7.3	6.5	2.8	-4.5	-5.2	-2.7
UK							
Final domestic demand	1.4	3.8	3.0	2.5	3.7	3.2	3.2
Stockbuilding	-0.0	0.8	-0.3	0.3	0.0	0.0	0.1
Foreign balance	0.1	-0.8	-0.6	0.9	-0.8	0.0	-0.6
EUR							
Final domestic demand	2.3	1.1	1.3	2.3	3.5	2.9	2.7
Stockbuilding	-0.0	-0.2	0.5	0.0	0.3	0.3	0.1
Foreign balance	0.1	0.5	0.5	0.1	-1.2	-1.0	-0.4

¹ Change as percentage of GDP of preceding period.² Forecasts.

Source: Commission services.

GRAPH 8: GDP and employment growth in the Community, EUR 12, annual percentage growth rate



Source: Commission services.

will increase by 5,7 % in 1987 and 5,4 % in 1988 is less pronounced than in previous forecasts. The increase in receipts will remain more or less unchanged, which means that governments will have to make greater use of borrowing in order to finance their budgets.

Uncertainties associated with the forecasts. — The forecasts are subject to a number of uncertainties. From the point of view of

external relations, the future exchange rates of Community currencies against the dollar are of great importance. Interest-rate movements at the short end will be largely determined by external factors. The movement of prices of raw materials and of oil, which may be volatile, is another factor of uncertainty. Among the risks within the Community, attention must be drawn to the external deficits which are re-emerging in some countries, and some signs of a possible resurgence of inflation.

30 October 1987

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months % (b)
						II	III	IV	I	II	Jan.	Feb.	March	Apr.	May	June	July	
B	0	2.0	2.5	2.5	1.0	-2.1	2.1	-1.5	-0.5	:	1.1	0.4	-1.4	4.2	2.6	:	:	7.8
DK	2.7	3.2	9.7	4.2	4.2	4.6	-3.4	0.9	-3.0	:	-8.8	4.8	4.9	-2.9	-4.6	:	:	-5.5
D	-2.9	0.6	3.0	5.7	2.1	0.7	0.6	-1.0	-1.2	1.9	-1.5	2.1	-0.4	2.1	0.5	-1.4	-1.5	-2.9
GR	1.1	-0.1	1.6	3.4	0.2	4.6	-1.7	-0.9	-1.6	-0.9	-3.9	6.1	-4.0	0.9	-1.5	-0.4	:	-5.4
E	-1.1	2.7	0.8	2.0	3.1	5.5	-2.0	2.2	-0.6	2.6	-2.3	5.0	1.1	-2.2	1.5	4.2	:	5.5
F	-0.5	0	2.0	1.0	1.0	1.3	1.3	-1.3	-0.3	2.0	-2.0	3.0	1.0	1.0	1.0	1.9	:	2.9
IRL	0.9	6.6	12.4	2.3	2.7	-0.4	0	3.7	-0.6	8.2	-2.1	4.5	0.4	4.3	4.2	-2.3	:	10.6
I	-3.0	-3.2	3.4	1.2	2.8	0.3	-0.1	1.5	-0.4	1.8	-0.9	-0.1	0.4	0.9	2.3	-2.6	0.9	2.4
L	0.9	5.4	13.3	6.9	2.8	-0.8	-2.1	-0.6	-1.4	3.0	5.6	-2.5	-2.5	2.7	4.2	0.1	:	1.8
NL	-4.1	3.2	4.1	4.0	1.0	-2.5	2.2	-1.2	3.2	-3.7	3.8	-1.8	2.8	-5.5	1.9	-1.9	1.9	2.4
P	4.6	1.6	-0.1	10.9	4.7	6.6	2.9	-2.1	-3.7	:	-4.5	3.1	-4.2	6.8	1.8	:	:	5.7
UK	1.9	3.6	1.4	4.6	2.0	0.7	1.0	0.1	1.0	0.7	0.1	1.7	0.4	-0.2	0.8	-1.3	2.2	4.0
EUR 12	1.2	0.9	2.2	3.3	2.0	1.9	-0.4	0.6	-0.6	(1.4)	-1.8	2.4	0.3	-0.3	1.0	(0.1)	:	(1.5)
USA	-7.4	7.8	12.3	2.1	2.1	0	0.8	0.8	1.1	(1.0)	0	0.7	0.2	0.1	0.5	(0.4)	(0.8)	(3.8)
JAP	0.3	3.6	11.1	4.6	-0.3	-0.3	-0.3	0	1.3	-0.2	-0.4	-0.6	1.7	-1.6	-1.4	(4.3)	(1.0)	(4.1)

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months % (b)
						II	III	IV	I	II	Feb.	March	Apr.	May	June	July	Aug.	
B (f)	13.0	14.3	14.4	13.6	12.6	12.6	12.3	12.5	12.4	12.4	12.3	12.4	12.4	12.4	12.5	12.5	12.1	-2.6
DK	9.3	10.1	9.9	8.7	(7.6)	7.4	7.5	7.3	7.7	7.7	7.4	7.8	7.7	(7.6)	(7.7)	(7.8)	(7.6)	(2.3)
D	6.9	8.4	8.4	8.4	8.1	8.2	8.0	7.8	8.0	8.0	7.9	8.1	8.0	8.0	8.1	8.1	8.1	2.1
GR	1.4	1.6	1.8	2.2	2.8	2.8	2.8	2.7	2.9	2.9	3.0	2.8	2.9	2.9	2.9	2.9	2.9	11.2
E	14.2	16.5	18.4	19.5	20.2	20.1	20.0	20.5	20.9	21.1	20.9	21.0	21.0	21.1	21.1	21.1	21.1	6.4
F	8.7	8.9	10.0	10.5	10.7	10.6	10.8	10.9	11.3	11.3	11.3	11.4	11.3	11.3	11.2	11.2	11.4	3.9
IRL	12.3	14.9	16.6	17.9	18.6	18.4	18.7	19.0	19.3	19.7	19.3	19.3	19.7	19.7	19.7	19.8	19.7	4.5
I	9.7	11.0	12.0	12.9	13.6	13.7	13.8	13.8	13.9	13.6	14.0	13.9	13.3	13.8	13.8	14.0	14.3	6.5
L	1.3	1.6	1.8	1.7	1.5	1.5	1.4	1.4	1.6	1.7	1.6	1.8	1.7	1.7	1.7	1.7	1.7	21.5
NL (f)	(11.8)	(14.2)	14.5	13.3	12.4	12.4	12.2	12.1	12.0	11.9	12.0	12.1	12.0	12.0	11.8	12.0	11.9	-2.4
P	5.7	5.6	6.7	7.7	8.3	8.3	8.3	8.4	8.3	7.3	8.3	8.0	7.7	7.3	6.9	6.5	6.5	-21.4
UK	(10.6)	(11.6)	11.8	12.0	11.9	12.1	12.0	11.8	11.5	11.1	11.5	11.4	11.3	11.0	10.9	10.7	10.6	-12.6
EUR 12	(9.4)	(10.6)	11.2	11.6	11.7	11.7	11.7	11.7	11.8	(11.7)	11.8	11.8	11.7	(11.7)	(11.7)	(11.7)	(11.7)	(0.1)
USA	9.7	9.6	7.5	7.2	7.0	7.1	6.9	6.8	6.7	6.2	6.7	6.6	6.3	6.3	6.1	6.0	6.0	-10.9
JAP (g)	2.4	2.7	2.7	2.6	2.8	2.8	2.9	2.8	2.9	3.0	2.9	2.9	3.0	3.2	3.0	2.7	2.8	-5.1

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months % (b)
						II	III	IV	I	II	Feb.	March	Apr.	May	June	July	Aug.	
B	8.7	7.7	6.3	4.9	1.3	0.1	0.2	0.1	0.6	0.7	0.2	0.1	0.5	0	0.1	0.4	0.3	2.3
DK	10.1	6.9	6.3	4.7	3.6	3.3	0.1	1.0	0.5	1.6	-0.1	0.9	0.4	1.0	-0.1	0	(0.3)	(3.9)
D	5.3	3.3	2.4	2.2	0.2	0.3	-0.5	-0.3	0.6	0.4	0.1	0	0.2	0.1	0.2	0	-0.1	0.8
GR	21.0	20.5	18.3	19.4	23.1	4.3	2.0	5.9	3.2	5.6	0.4	3.2	2.3	0.6	2.0	-1.5	-0.5	16.4
E	14.4	12.2	11.2	8.8	8.8	1.1	2.3	1.2	1.4	0.7	0.4	0.6	0.2	-0.1	0	1.0	-0.1	4.6
F	11.8	9.6	7.3	5.9	2.7	0.7	0.6	0.7	1.2	0.9	0.2	0.1	0.5	0.2	0.2	0.2	0.2	3.5
IRL (h)	17.2	10.4	8.6	5.4	3.8	1.2	0.2	0.2	1.8	0.6	0.6	0.2	0.2	0.2	0.2	0.2	0.2	3.2
I	16.5	14.7	10.8	9.2	5.8	1.0	0.6	1.2	1.4	1.2	0.5	0.3	0.4	0.4	0.4	0.3	(0.3)	(4.8)
L	9.4	8.7	5.6	4.2	0.3	0.6	-0.3	0.2	0.2	-0.3	0.2	0	-0.2	-0.1	-0.1	-0.1	0.3	0.3
NL	5.7	2.7	3.2	2.3	0.3	0.4	-0.9	1.0	-1.3	0.6	0.2	0.2	0.3	0.1	-0.2	-0.1	(0.2)	(0.5)
P	22.7	25.1	28.9	19.6	11.8	2.3	0.8	2.4	3.8	1.7	1.0	1.4	0.5	0.1	-0.3	0.3	1.1	9.4
UK	8.6	4.6	5.0	6.1	3.4	1.3	0.1	1.3	1.2	1.5	0.4	0.2	1.2	0.1	0	-0.1	0.3	4.4
EUR 12	10.7	8.6	7.4	6.1	3.6	0.8	0.4	0.8	1.0	1.0	0.3	0.2	0.6	0.2	0.2	0.1	(0.2)	(3.4)
USA	6.2	3.2	4.3	3.6	1.9	-0.2	0.7	0.6	1.1	1.3	0.4	0.4	0.5	0.3	0.4	0.2	0.6	4.3
JAP	2.9	1.8	2.4	2.0	0.7	0.2	-0.5	-0.1	-0.6	1.3	0	0.4	0.9	0.3	-0.2	-0.5	0.1	0.4

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

	1982	1983	1984	1985	1986	1986			1987		1987							Change over 12 months % (b)
						II	III	IV	I	II	Jan.	Feb.	March	Apr.	May	June	July	
B/L	3082	2435	-4897	-3514	146	-312	-52	930	-108	414	8	-177	77	67	138	208	153	-487
DK	1866	-740	-1108	-1538	1714	-576	-579	-226	72	72	32	-26	65	37	71	:	:	207
D	21599	18501	24136	32986	53044	13308	14718	14502	14373	13818	4479	5224	4669	4542	4914	4362	4846	-417
GR	5826	5800	6048	-7266	-5809	1452	1631	1126	-1661	:	-316	-467	-879	-389	-495	:	:	9
E	:	:	-4711	5582	-6306	-1437	1750	-1981	-1934	-2181	-256	-786	-892	-873	-611	-698	-870	-325
F	-24457	-15628	-13130	-13428	-9699	-3563	-2583	-1819	-2588	-3567	-744	-691	-1153	-1033	-1247	-1288	-1041	-204
IRL	-1574	-621	81	430	983	134	242	262	338	511	178	111	49	164	251	96	147	111
I	12513	-8516	-13849	-16130	-2459	-149	502	473	-1117	-2360	-291	-621	-206	-468	-416	-1476	-702	-418
L	3500	4499	4740	3874	4161	1531	1554	206	470	140	-158	-289	-24	-155	-8	303	-31	-689
NL	:	:	3467	2735	-1297	-334	-329	-271	716	-827	166	-269	-281	-262	-190	-376	-219	-130
P	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
UK	3295	-9681	-14005	-11540	-19868	-3904	-5756	-6180	3705	-4911	-1409	-1108	-1187	-1357	1844	-1710	-1735	-289
EUR 12 (i)	:	:	32258	24444	11161	3201	2722	4314	2832	-802	1434	890	508	65	460	(-1327)	(-733)	(-2454)
USA (i)	-43435	77911	-154992	194856	-169039	42412	-44291	-41331	-34862	-37149	-10735	-12713	-11414	-11301	-12077	-13771	-14659	1555
JAP	7034	23072	42599	60497	84010	20300	23688	21839	21512	16544	8103	7283	6126	6177	5539	4828	5495	-2009

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

		1986												1987							Change over 12 months % (b)
		1982	1983	1984	1985	1986	II	III	IV	I	II	Feb.	March	Apr.	May	June	July	Aug.			
B	(M2)	5.8	8.7	5.9	7.6	11.5	2.4	3.0	3.6	3.1	3.6	14.0			
DK	(M2)	11.5	25.5	17.8	15.8	8.4	1.5	0.1	3.5	-0.8	3.7	-0.3	3.3	0.3	0.1	3.3	-0.7	0.3			
D	(M3)	7.1	5.3	4.7	5.1	6.8	1.4	1.8	1.9	2.0	1.4	0.3	0.3	0.5	0.8	0.1	0.3	0.8			
GR	(M3)	29.0	20.3	29.4	26.8	19.0	4.4	4.1	4.3	5.5	5.2	1.3	1.3	1.5	0.9	2.6	2.0	22.3			
E	(ALP)	16.6	15.9	13.2	12.8	11.4	3.6	1.3	2.8	3.3	3.2	1.4	1.1	1.3	1.1	0.9	0.7	11.7			
F	(M3)	11.4	11.5	9.4	5.0	4.3	0.1	1.3	0.4	3.0	2.9	-0.1	0.9	1.1	0.8	1.0	0.8	0.4			
IRL	(M3)	13.0	5.6	10.1	5.3	-1.0	-1.5	1.4	0.1	2.2	4.4	-2.8	0.7	2.3	1.1	0.9	0	1.9			
I	(M2)	16.9	13.3	12.1	10.8	9.4	2.0	2.0	3.1	2.8	3.3	1.0	1.0	1.2	1.3	0.8	0.3	11.7			
NL	(7.6)	(10.7)	(6.8)	(10.5)	4.5	2.1	1.1	2.2	-1.4	.	-0.4	-0.1	0.5	1.1	.	.	.	3.4			
P	(L)	23.9	16.1	23.9	(28.8)	(26.6)	(4.9)	(7.5)	(5.8)	(5.3)	(4.4)	(2.4)	(1.3)	(0.7)	(2.1)	(1.5)	(2.0)	(24.5)			
UK	(LM3)	(8.9)	11.1	10.0	13.4	18.8	5.0	4.2	2.3	6.7	5.1	2.3	3.2	1.9	2.1	1.0	2.3	1.5			
EUR 12	(b)	(11.5)	(10.8)	(9.7)	(9.8)	(9.9)	2.2	2.2	2.1	(3.2)	(3.1)	0.8	1.2	1.1	1.2	(0.8)	(0.9)	(11.5)			
USA	(M2)	9.4	11.7	8.2	8.1	9.1	3.1	2.6	2.1	0.9	0.6	0	0.1	0.5	0	0	0.2	0.5			
JAP	(M2)	7.9	7.3	7.8	8.7	9.2	1.8	1.4	3.5	1.9	2.8	0.8	0.5	1.3	2.2	-0.6	1.8	11.1			

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months % (e)
						III	IV	I	II	III	March	Apr.	May	June	July	Aug.	Sept.	
B	14.1	10.5	11.5	9.6	8.0	7.3	7.5	7.4	6.8	6.7	7.4	7.3	7.1	6.8	6.7	6.7	6.7	-0.6
DK	16.4	12.1	11.5	10.0	9.1	9.2	9.2	10.7	9.6	9.4	10.7	10.0	10.0	9.6	9.5	9.3	9.4	0.2
D	8.8	5.8	6.0	5.4	4.6	4.6	4.8	4.0	3.8	4.0	4.0	3.9	3.8	3.8	4.1	4.0	4.0	-0.6
GR	20.2	19.4	15.7	17.1	19.9	15.8	18.9	23.3	13.9	11.6	23.3	16.6	16.4	13.9	11.1	8.0	11.6	-4.2
E	16.3	20.1	14.9	12.2	11.6	11.5	12.1	16.2	17.8	17.0	16.2	20.6	17.9	17.8	17.4	16.7	17.0	5.5
F	14.6	12.5	11.7	9.9	7.8	7.3	8.5	7.9	8.2	8.0	7.9	8.1	8.2	8.2	7.9	7.9	8.0	0.7
IRL	17.5	14.1	13.3	11.9	12.6	11.0	13.9	13.3	10.4	9.2	13.3	10.7	11.1	10.4	9.8	10.0	9.2	-1.8
I	20.1	18.1	17.2	15.1	12.7	10.9	11.6	10.6	11.3	12.8	10.6	10.3	10.8	11.3	11.6	13.0	12.8	1.9
NL	8.3	5.7	6.1	6.4	5.7	5.4	6.4	5.5	5.2	5.6	5.5	5.2	5.2	5.2	5.3	5.3	5.6	0.2
P	16.8	20.9	22.5	21.0	15.4	14.9	14.1	13.2	15.0	14.8	13.2	13.3	13.2	15.0	15.0	14.8	14.8	-0.1
UK	12.2	10.1	10.1	12.3	10.9	10.9	11.2	9.9	9.2	10.3	9.9	9.2	8.9	9.2	9.4	10.4	10.3	-0.6
EUR 12 (n)	13.8	12.0	11.2	10.5	9.0	8.5	9.1	8.8	8.7	9.1	8.8	8.9	8.7	8.8	8.8	9.0	9.1	0.6
USA	10.6	8.7	9.5	7.5	6.0	5.4	5.8	5.8	6.0	6.8	5.8	5.7	5.8	6.0	6.3	6.5	6.8	1.4
JAP	6.8	6.5	6.3	6.5	5.0	4.8	4.3	4.0	3.7	3.9	4.0	4.0	3.7	3.7	3.7	3.7	3.9	-0.9

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months % (e)
						II	III	IV	I	II	Feb.	March	Apr.	May	June	July	Aug.	
B	13.5	11.8	12.0	10.6	7.9	7.9	7.4	7.5	7.7	7.8	7.6	7.6	7.7	7.8	7.8	7.6	7.8	0.6
DK	20.5	14.4	14.0	11.6	10.6	10.2	11.1	11.6	12.1	11.6	12.4	12.1	11.9	11.7	11.6	11.8	11.5	0.1
D	9.0	7.9	7.8	6.9	5.9	5.9	5.8	5.9	5.6	5.6	5.7	5.6	5.5	5.4	5.6	5.8	6.0	0.3
GR	15.4	18.2	18.5	15.8	15.8	17.1	13.6	14.7	17.5	16.2	17.2	17.5	17.8	18.1	16.2	.	.	-1.7
E	16.0	16.9	16.5	13.4	11.4	11.0	11.1	10.4	11.0	13.2	10.6	11.0	12.0	13.4	13.2	13.6	13.7	2.2
F	15.6	13.6	12.5	10.9	8.4	8.0	7.8	8.9	8.5	9.4	8.8	8.5	8.7	8.9	9.4	9.5	9.8	2.2
IRL	17.0	13.9	14.6	12.7	11.1	9.3	12.5	13.0	11.2	10.9	12.4	11.2	(10.5)	(11.3)	10.9	11.8	11.9	1.1
I	20.9	18.0	14.9	13.0	10.5	9.7	9.3	8.9	8.7	9.5	8.7	8.7	8.8	9.2	9.5	10.2	10.6	0.7
L	10.4	9.8	10.3	9.5	8.7	8.7	8.5	8.1	8.2	8.2	8.3	8.2	8.1	8.1	8.2	8.1	8.0	-0.1
NL	10.5	8.8	8.6	7.8	6.8	6.9	6.5	6.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	7.0	7.1	0.6
P	25.3	30.4	32.5	25.4	17.9	19.4	15.6	16.0	15.4	15.4	15.0	15.4	15.4	15.1	15.4	15.3	15.3	-0.7
UK	12.7	10.8	10.7	10.6	9.8	9.3	10.6	10.3	9.2	9.1	9.6	9.2	8.9	8.8	9.1	9.7	10.1	0.7
EUR 12 (n)	14.4	12.8	12.1	10.6	8.9	8.6	8.6	8.7	8.4	(8.8)	8.6	8.4	8.5	8.7	8.9	(9.2)	(9.5)	(0.9)
USA	12.2	10.8	12.0	10.8	8.1	8.2	8.1	7.7	8.5	8.6	7.7	7.6	8.5	9.0	8.6	8.7	9.0	1.3
JAP	8.3	7.8	7.3	6.5	5.2	5.1	5.7	5.2	4.0	4.6	4.9	4.4	4.0	3.8	4.6	5.4	5.6	0.6

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months % (b)
						III	IV	I	II	III	March	Apr.	May	June	July	Aug.	Sept.	
BFR/LFR	44.68	45.44	45.44	44.91	43.78	43.65	43.27	42.87	43.04	43.07	42.99	43.05	43.06	43.01	43.05	43.06	43.09	-0.8
DKR	8.15	8.13	8.15	8.02	7.94	7.94	7.86	7.81	7.82	7.94	7.81	7.83	7.81	7.81	7.88	7.95	7.99	0.8
DM	2.38	2.27	2.24	2.23	2.13	2.11	2.08	2.07	2.08	2.07	2.08	2.08	2.08	2.07	2.08	2.07	2.07	-1.1
DR	65.30	78.09	88.44	105.7	137.4	137.9	143.4	151.1	154.4	157.4	152.1	152.9	154.8	155.4	156.4	157.2	158.5	14.1
PTA	107.6	127.5	126.6	129.1	137.5	137.0	139.7	145.0	145.0	140.6	145.7	145.6	145.4	144.1	142.6	140.2	138.9	0.8
FF	6.43	6.77	6.87	6.80	6.80	6.87	6.82	6.89	6.93	6.92	6.81	6.92	6.94	6.93	6.91	6.92	6.93	0.9
IRL	0.690	0.715	0.726	0.715	0.734	0.745	0.765	0.775	0.776	0.775	0.777	0.777	0.776	0.775	0.775	0.775	0.776	1.6
LIT	1324	1350	1381	1447	1462	1454	1443	1469	1494	1502	1476	1482	1500	1501	1503	1502	1500	3.6
HFL	2.62	2.54	2.52	2.51	2.40	2.38	2.35	2.33	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.34	-1.4
ESC	78.0	98.7	116.3	130.2	147.1	149.0	153.9	159.4	161.4	162.8	159.9	160.7	161.5	161.9	162.4	162.6	163.5	8.4
UKL	0.561	0.587	0.591	0.589	0.672	0.681	0.727	0.729	0.700	0.698	0.711	0.704	0.696	0.700	0.698	0.699	0.696	0.3
USD	0.981	0.890	0.789	0.762	0.984	1.013	1.038	1.125	1.150	1.128	1.132	1.147	1.162	1.141	1.123	1.116	1.145	11.4
YEN	243.5	211.4	187.0	180.5	165.0	157.8	166.4	172.2	164.0	165.9	171.3	163.9	163.1	164.9	168.9	164.7	163.9	3.1
DTS	0.888	0.833	0.767	0.749	0.838	0.842	0.859	0.895	0.889	0.884	0.892	0.888	0.891	0.887	0.885	0.879	0.887	4.5

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

	1982	1983	1984	1985	1986	1986		1987			1987							Change over 12 months % (b)
						III	IV	I	II	III	March	Apr.	May	June	July	Aug.	Sept.	
B/L	-9.2	-2.8	-2.2	0.9	6.4	1.5	1.7	2.6	-0.6	-0.4	0.8	-0.3	0.1	-0.1	-0.2	-0.3	0.2	2.6
DK	-4.4	-0.6	-3.7	1.2	7.5	0.6	2.7	2.7	-0.6	1.9	-0.8	-0.5	0.4	-0.3	-1.0	-1.3	-0.1	1.6
D	5.0	4.0	-1.5	0.4	11.3	1.9	2.9	3.1	-0.6	-0.3	-0.9	0.3	0.3	-0.2	-0.2	-0.2	0.4	3.9
GR	-8.0	-18.1	14.2	-15.7	-20.4	3.4	-3.1	-3.2	-2.1	2.2	-0.7	-0.6	0.9	-0.7	-0.8	0.9	-0.5	-10.4
E	-6.0	-17.2	-2.3	-2.2	-0.5	1.4	-0.8	-1.4	-0.1	2.8	-0.5	-0.1	0.5	0.6	0.9	1.4	1.5	2.0
F	-8.3	-7.1	-4.7	1.1	5.5	0.7	1.9	1.2	-0.8	-0.3	-0.8	-0.4	0	-0.1	0.1	-0.6	0.3	1.7
IRL	-1.1	-4.1	4.2	1.1	4.8	-2.6	-0.7	0.6	-0.9	-0.4	-1.1	-0.3	0.2	0	0.3	-0.3	0.2	0.4
I	-6.9	3.8	-5.7	-5.1	4.7	2.8	2.1	0.3	-1.9	-0.9	-0.8	-0.6	1.0	-0.5	-0.3	-0.4	0.6	-1.1
NL	5.1	2.0	-1.5	0.3	8.2	2.5	1.9	2.2	-0.4	-0.1	-0.8	-0.1	0.3	-0.1	-0.1	-0.2	0.3	3.0
P	-12.9	-21.1	-17.3	11.4	-6.7	-2.1	-2.0	-1.7	-1.5	-1.3	-0.3	-0.7	-0.4	-0.5	-0.5	-0.4	-0.3	-6.0
UK	-4.4	-7.0	-4.7	0.2	-6.7	-5.5	-5.6	2.2	4.5	-0.2	4.2	0.9	1.6	-1.1	0	0.5	1.0	3.4
EUR 12	-7.0	-8.5	-9.1	1.8	10.8	2.0	2.0	4.4	-0.2	-0.7	0.2	-0.5	0.6	-0.7	-0.2	0.9	1.2	5.3
USA	12.0	5.7	7.8	4.0	-18.4	-4.1	-0.3	-5.7	3.4	1.5	-0.9	-2.3	-0.8	1.6	1.6	0.2	-2.3	-8.4
JAP	-5.0	10.9	5.5	3.0	28.8	7.6	-3.8	1.2	5.9	-2.3	0.9	5.1	1.3	2.2	-3.3	2.1	1.8	2.5

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 nominal series of the most recent figure given.

(c) Change on corresponding month in previous year; seasonally adjusted.

(d) Change over 12 months in seasonally adjusted figures of the most recent figure given for each country.

(e) Difference in relation to the same month of the previous year.

(f) Changes in the coverage of these series occurred in 1984 for the Netherlands and in 1985 for Belgium.

(g) As % of total labour force.

(h) Monthly series calculated by linear interpolation.

(i) Unadjusted figures.

(j) The seasonally adjusted position for the Community does not correspond to the sum of other Member States; it is obtained by seasonal adjustment of the sum of gross figures for the various countries' exports and imports.

(k) National sources for Belgium, Denmark, Germany, Spain, France, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.

(l) Average of monthly changes, seasonally adjusted, weighted by GDP at 1980 prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.

(m) 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); Portugal, 6 month deposits; from 8.85, 3 month Treasury Bills. Annual average, end quarter and end month.

Principal economic policy measures - September 1987

Community (EUR)

None.

Belgium (B)

None.

Denmark (DK)

None.

Federal Republic of Germany (D)

None.

Greece (GR)

1.9 By decision of the Governor of the Bank of Greece, commercial banks' compulsory deposits with the Bank of Greece, equivalent to 6.5 % of their total private deposits, will bear an interest rate of 14 % for the first 4.5 % and 0 % for the remainder. The interest rate was previously 15.5 %.

15.9 The basis for wage indexation in the third quarter of 1987 is set at 4.5 %.

22.9 By decision of the Governor of the Bank of Greece, the commercial banks are authorized to grant loans at a minimum interest rate of 21 % for building repair and maintenance.

Spain (E)

25.9 The Government tables the draft central government budget for 1988 in Parliament. Expenditure, at PTA 8 626 800 million, will be 11 % up on the 1987 budget and revenue, at PTA 7 295 800 million, will be 16.3 % up. The central government deficit is projected to fall from 3.8 % of GDP in 1987 (according to the most recent calculations) to 3.5 % next year, on the basis of real GDP growth of 4.2 % and 3.8 % respectively. The tax scales will be adjusted, with retroactive effect in 1987, in order to compensate for the effects of inflation and to restructure income tax to the advantage of low and middle incomes.

France (F)

2.9 The Minister for Economic Affairs and Finance announces that the rate of VAT on motor cars is to come down from 33.33 % to 28 %, with effect from 17 September; this measure will cost the budget FF 6 200 million in a full year.

2.9 The Minister for Social Affairs announces that, between now and the end of 1987, training courses will be offered to 500 000 of the 830 000 long-term unemployed.

5.9 A decree published in the official gazette of 5 September fixes at FF 9 099.52 the exchange value of the 1973 7 % central government bond (the 'Giscard bond') surrendered, within the limit of 100 %, to pay for subscriptions to the central government bonds issued in September 1987.

16.9 The draft budget for 1988 presented to the Cabinet envisages expenditure of FF 1 084 000 million, i.e. a 2.8 % increase on 1987. The central government deficit is cut from FF 130 000 million to FF 115 000 million. Taxes will be reduced by FF 31 800 million; this represents a FF 10 300 million reduction for private individuals, a FF 6 900 million cut in VAT (motor cars, motor cycles, discs) and a FF 14 500 million reduction for enterprises. Privatization operations planned for 1988 are expected to yield FF 50 000 million, of which FF 35 000 million will be used to reduce government debt and FF 15 000 million to strengthen the capital of companies remaining in the state sector. The draft budget is based on the assumption that the growth of market GDP will be 2.2 % up on 1987.

28.9 Unemployment benefits are increased from 1 October. The fixed part of the basic allowance will go up from FF 45.55 per day to FF 46.32 and the minimum from FF 109.65 to FF 111.51. The flat-rate benefit paid when entitlement to ordinary benefit runs out is set at FF 67.94 compared with FF 66.80. The reference wage is also increased by 1.7 % from 1 October.

Ireland (IRL)

3.9 Social Insurance Scheme to be extended. The Government has decided to extend the pay-related social insurance scheme (PRSI) to farmers and the self-employed which will bring a further 250 000 people (20 % of the labour force) under the scheme. These two categories

had been exempted from the scheme under which employees must pay a fixed percentage of their income to help finance social welfare costs. The extension of the scheme to these two categories will take place in the autumn and can be seen as an attempt to distribute the burden of social welfare costs more equitably.

Italy (I)

13.9 The Government takes a number of credit and foreign exchange measures with a view to preventing the stability of the exchange rate being endangered by the use for speculative operations of the abnormal increase in credit. The quantitative ceiling on bank lending was restored until March 1988 for all banks with advances of LIT 10 000 million or above. On this basis, credit may not be increased by more than 2.5 % in September 1987, 4.0 % in October, 8.0 % in November, 7.5 % in December, 6.0 % in January 1988 and 6.5 % in February. Exchange restrictions relate solely to the foreign currency financing of exports and imports; they do not affect individuals' rights to purchase foreign securities, nor do they involve additional charges for operations.

24.9 The Government adopts the draft finance law for 1988, which sets the following principal targets: GDP to grow by 2.8 %; inflation up 4.5 %; employment up 1 %; domestic consumption up 3.1 %; private sector wages up 5.5 % and public sector wages up 5 %; Treasury borrowing requirement LIT 109 000 000 million; revenue LIT 16 000 000 million (direct taxes LIT 8 350 000 million, and indirect taxes LIT 7 706 000 million). In order to achieve these targets, the law in particular:

- increases the existing 9 % and 18 % VAT rates by 1 percentage point from 1 January 1988;
- increases the road tax and the surcharge on diesel fuel and LPG by 25 % from the same date;
- extends the law preventing the evasion of VAT on motor vehicle purchases;
- doubles stamp duty on stock exchange contracts;
- revises personal income tax rates to the advantage of single income families (costing the State LIT 5 470 000 million, LIT 1 000 000 million of which will boost family allowances);
- extends the 'Formica' law (which reduces taxation on the purchase and sale of immovable property);
- reduces the deficit on the sickness insurance budget (INPS) by LIT 3 500 000 million; the health tax remains set at 7.5 %, but 2.5 % of this rate will be considered as an advance on the 5.5 % rate fixed for 1988.

Luxembourg (L)

None.

Netherlands (NL)

15.9 The Government tables the draft budget for 1988 in the Second Chamber. Central government revenue in 1988 is estimated at HFL 166 000 million compared with HFL 172 000 million in 1987. The lower revenue is influenced by the fall in natural gas revenue and the reduction of taxes payable by households (by HFL 1 350 000 million). Expenditure will fall from HFL 172 000 million in 1987 to HFL 168 000 million in 1988. For 1988, the Government decides to make additional expenditure cuts in order to compensate for some overruns of appropriations. As a result of the measures decided, the central government borrowing requirement, excluding early repayments of loans to subsidized housing corporations, should fall to HFL 26 500 million, or 7.2 % of NNI in 1988 (7.6 % in 1987).

Portugal (P)

1.9 With retroactive effect on 1 January 1987, the Minister for Finance suspends the tax allowances on the purchase of shares by natural persons.

27.9 The Government increases the prices of petroleum products by between 2.9 % and 9.0 %. The purpose of this measure, written into the budget, is to prevent the rise in oil import prices from eroding the revenue from the tax on petroleum products.

30.9 The Government increases the tax on sales of tobacco by 5 %. It is considered that this measure will improve budget receipts by some ESC 1 000 million.

United Kingdom (UK)

None.

Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
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