

EUROPEAN ECONOMY

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



**The borrowing and lending activities
of the Community in 1988**

**Economic convergence in the Community:
a greater effort is needed**

European Economy appears four times a year, in March, May, July and November. It contains important reports and communications from the Commission to the Council and to the Parliament on the economic situation and developments, as well as on the borrowing and lending activities of the Community. In addition, *European Economy* presents reports and studies on problems concerning economic policy.

Two supplements accompany the main periodical:

- Series A—‘Economic trends’ appears monthly except in August and describes with the aid of tables and graphs the most recent trends of industrial production, consumer prices, unemployment, the balance of trade, exchange rates, and other indicators. This supplement also presents the Commission staff’s macroeconomic forecasts and Commission communications to the Council on economic policy.
- Series B—‘Business and consumer survey results’ gives the main results of opinion surveys of industrial chief executives (orders, stocks, production outlook, etc.) and of consumers (economic and financial situation and outlook, etc.) in the Community, and other business cycle indicators. It also appears monthly, with the exception of August.

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Commission report to the Council and to Parliament on the borrowing and lending activities of the Community in 1988

**Economic convergence in the Community:
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Short-term economic outlook and budgetary policies 1989-90

Abbreviations and symbols used

Countries

B	Belgium
DK	Denmark
D	Federal Republic of Germany
GR	Greece
E	Spain
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	The Netherlands
P	Portugal
UK	United Kingdom
EUR 9	European Community excluding Greece, Spain and Portugal
EUR 10	European Community excluding Spain and Portugal
EUR 12	European Community, 12 Member States

Currencies

ECU	European currency unit
BFR	Belgian franc
DKR	Danish krone
DM	Deutschmark
DR	Greek drachma
ESC	Portuguese escudo
FF	French franc
HFL	Dutch guilder
IRL	Irish pound (punt)
LFR	Luxembourg franc
LIT	Italian lira
PTA	Spanish peseta
UKL	Pound sterling
USD	US dollar
SFR	Swiss franc
YEN	Japanese yen
CAD	Canadian dollar
ÖS	Austrian schilling

Other abbreviations

ACP	African, Caribbean and Pacific countries having signed the Lomé Convention
ECSC	European Coal and Steel Community
EDF	European Development Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMS	European Monetary System
ERDF	European Regional Development Fund
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
GDP (GNP)	Gross domestic (national) product
GFCF	Gross fixed capital formation
LDCs	Less-developed countries
Mio	Million
Mrd	1 000 million
NCI	New Community Instrument
OCTs	Overseas countries and territories
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PPS	Purchasing power standard
SMEs	Small and medium-sized enterprises
SOEC	Statistical Office of the European Communities
toe	Tonne of oil equivalent
:	Not available

**Commission report to the Council and to Parliament
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of the Community in 1988**

1. The first part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

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Methodological comments

The ecu

The ecu is a 'basket-type' currency unit made up of specific amounts of Member States' currencies, determined among other things by reference to the size of each Member State's economy and fixed for at least five years.

The composition of the ecu at the end of 1988 was that adopted at the previous revision of the composition of the ecu on 17 September 1984; the basket was made up of: BFR 3,71; DKR 0,219; DM 0,719; DR 1,15; FF 1,31; HFL 0,256; IRL 0,00871; LFR 0,14; LIT 140; UKL 0,0878.¹ Values in ecus in this report refer to the value on 31 December 1988 unless otherwise specified.

Value of the ecu on 31 December 1988

BFR/LFR (convertible)	43,5760
DKR	8,02983
DM	2,07781
DR	172,909
ESC	171,704
FF	7,09821
HFL	2,34586
IRL	0,778450
LIT	1 531,10
PTA	132,877
UKL	0,648551
SFR	1,76063
USD	1,17258
YEN	146,455

¹ A review of the weighting of the basket took effect on 21 September 1989. On that occasion the peseta and the escudo were also included in the ecu.

Balance between borrowing and lending

This report is not an accounting document concerned with depicting the financial balance over time between borrowing and lending for all the instruments examined. That purpose is served by specific documents such as the EIB annual report (together with its balance sheet and details of activities under the special section), the ECSC financial report and, as far as the NCI, Euratom and balance-of-payments facilities are concerned, Part II of the preliminary draft general budget of the European Communities, together with its Statistical Annex II.

Generally speaking, the imbalance in this report between lending and borrowing is due to the following main factors:

- (i) Loans contracted during a particular year may give rise to payments, and thus entail borrowing, only in subsequent years.
- (ii) Conversely, funds may need to be borrowed in a particular year in order to pay out loans contracted in previous years.
- (iii) Movements in the cash position may produce a temporary increase or reduction in the funds available out of borrowings.
- (iv) Lending and borrowing operations give rise to costs, premiums and discounts before settlement.
- (v) The EIB and ECSC have sources of revenue which go into their cash holdings.

In addition, some of the discrepancies between the figures given in the different accounting documents are due to the special methodological features of certain instruments, including:

- (i) the dates on which operations are recorded;
- (ii) the periods for which interim sub-totals are calculated;
- (iii) the dates on which conversion into ecus takes place and therefore the conversion rates applied;
- (iv) the rounding of figures and their totals.

Foreword

This is the ninth comprehensive report drawn up by the Commission to provide the Council and Parliament with information on the Community's borrowing and lending activities. It covers the year 1988.

It was drawn up to meet the wishes expressed by Parliament on various occasions, and in particular in its Resolution on improving political monitoring of the Community's borrowing and lending activities.¹

The report reviews all the borrowing and lending activities for structural purposes — making also a brief reference to those intended to support the balance of payments of Member States — including those of the ECSC and the EIB.² It thus fulfils the Commission's obligation to inform the Council and Parliament each year about:

- (i) the activities of Euratom, in accordance with Article 4 of the Council Decision of 29 March 1977;³
- (ii) the activities of the NCI, in accordance with Article 6 of the Council Decision of 16 October 1978 (NCI I),⁴ Article 6 of the Council Decision of 15 March 1982 (NCI II),⁵ Article 7 of the Council Decision of 19 April 1983 (NCI III)⁶ and Article 9 of the Council Decision of 9 March 1987 (NCI IV);⁷

¹ Doc. PE 67134 of 5 March 1981; OJ C 287, 9.11.1981.

² An independent Community institution governed by public law and enjoying operational autonomy in its role as a bank.

³ Decision 77/270/Euratom: OJ L 88, 6.4.1977.

⁴ Decision 78/870/EEC: OJ L 298, 25.10.1978.

⁵ Decision 82/169/EEC: OJ L 78, 24.3.1982.

⁶ Decision 83/200/EEC: OJ L 112, 28.4.1983.

⁷ Decision 87/182/EEC: OJ L 71, 14.3.1987.

(iii) the Community aid granted by way of exception for the reconstruction of the regions affected by the Italian earthquake in November 1980, in accordance with Article 7 of the Council Decision of 20 January 1981;⁸

(iv) the Community aid granted by way of exception for the reconstruction of the regions affected by Greek earthquakes in February/March 1981, in accordance with Article 7 of the Council Decision of 14 December 1981.⁹

Like the previous reports, this report, which covers the 1988 financial year, provides a complete picture of the borrowing and lending activities for structural purposes of the Community instruments within the European Community. It reviews not only the activities of Euratom and the NCI, but also those of the ECSC and, in brief, those of the EIB.

It also includes loans granted by the EIB in third countries from its own capital market borrowing and from the Community's budgetary resources. These loans concern the ACP States and OCTs, and the Mediterranean countries linked to the Community through agreements establishing different forms of economic and/or financial cooperation (Maghreb and Mashreq countries, Israel, Cyprus, Malta and Turkey).

The ECSC's financial report and the EIB's annual report will be sent to Parliament and the Council as usual.

⁸ Decision 81/19/EEC: OJ L 37, 10.2.1981.

⁹ Decision 81/1013/EEC: OJ L 367, 23.12.1981.

1. The creation of a Community financial area

1.1. Financial integration

A European financial area is an essential requirement if the large internal market is to be completed by 1992. In order to carry out effectively their task of mobilizing savings for the financing of projects or activities of Community interest, the Community institutions' borrowing and lending instruments must themselves be able to benefit from the dimension and depth of an integrated European financial market.

The communication on financial integration¹ presented by the Commission to the Council in April 1983 gave new impetus to Community discussions on this topic. The first stage of the programme for the liberalization of capital movements,² which was presented by the Commission to the Council in May 1986, was completed with the adoption of a Directive (which came into force on 1 March 1987) extending the list of liberalized transactions.

Several Member States have already taken measures which go beyond their Community obligations, while the relaxation of exchange controls in Ireland has made it possible to repeal the decisions authorizing that country to take protective measures under Article 108 of the Treaty. Against this, in addition to the transitional arrangements for Spain and Portugal based on the Act of Accession, Greece is currently benefiting from a safeguard clause which has been strictly limited in terms of scope and duration (end of 1989).

As part of the second and final stage of the capital liberalization programme, two instruments were adopted on 24 June 1988:

- (i) Directive on the complete liberalization of capital movements;³
- (ii) Regulation establishing a single facility providing medium-term financial support for Member States' balances of payments.⁴

Under the terms of the liberalization Directive, all restrictions on capital movements between residents of Member States are to be abolished. Compared to the current legal position, this means in particular that monetary or quasi-

monetary transactions (financial loans and credits, current and deposit account operations, and operations in securities and other instruments normally dealt in on the money market) will be liberalized. The new Directive will come into force within one year (on 1 July 1990). Four Member States (Spain, Greece, Ireland and Portugal) may make use of a derogation and maintain certain restrictions until the end of 1992. The same applies to Belgium and Luxembourg, which have been authorized on certain conditions to continue to operate their dual foreign-exchange markets until that time.

A timetable is also laid down for accompanying measures which might become necessary — to combat distortions and tax avoidance and evasion induced by differences between national tax rules on savings — once capital movements have been fully liberalized. The Commission has accordingly presented to the Council proposals⁵ for the introduction of a minimum 15% withholding tax on interest payments made to Community residents and for a strengthening of cooperation between national tax authorities with a view to facilitating the exchange of information where there is a presumption of fraud by removing any administrative obstacles to such exchange. Following the Madrid European Council in June 1989, the Council will have to come up with solutions in order to reach an agreement by 1 July 1990.

The medium-term financial support facility (MTFS) introduced is the result of a merging of two existing instruments: medium-term financial assistance⁶ and the Community loan mechanism.⁷

The purpose of the new facility is to grant medium-term loans to Member States confronted or seriously threatened with balance-of-payments difficulties. Financial assistance may also be granted to help a Member State implement a capital movements liberalization programme despite a precarious balance-of-payments situation.

On a proposal from the Commission, the Council, acting by a qualified majority, will decide whether a loan should be granted and, if so, what its duration is to be and what economic policy conditions are to be attached. The Commission, in collaboration with the Monetary Committee, will monitor compliance with those conditions. The normal procedure is therefore for the loan to be disbursed in instalments.

¹ COM(83) 207 final.

² COM(86) 292 final.

³ Council Directive 88/361/EEC for the implementation of Article 67 of the Treaty.

⁴ Council Regulation (EEC) No 1969/88 of 24 June 1988.

⁵ COM(89) 60.

⁶ Decision 71/143/EEC, as last amended by Decision 86/656/EEC: OJ L 382, 31.12.1986.

⁷ Regulation (EEC) No 682/81, as amended by Regulation (EEC) No 1131/85: OJ L 118, 1.5.1985.

The outstanding amount of loans granted under this facility may not exceed ECU 16 billion; the loans will normally be financed by Community borrowing on capital markets of up to ECU 14 billion. If market borrowing should prove difficult or if the ECU 14 billion ceiling for this type of funding has been reached, the Member States will be called upon to contribute, within the limits of the ceilings laid down for the previous medium-term financial assistance facility (ECU 13,925 billion in total).

In tandem with the steps taken to liberalize capital movements, the programme of legislation initiated to harmonize national rules on the prudential supervision of financial institutions, which is designed to facilitate freedom to supply services in the financial field, has been actively pursued in accordance with the guidelines laid down in the White Paper on completing the internal market.

In the field of banking, the Commission transmitted to the Council in January 1988 a proposal for a second coordinating Directive¹ based on the principle of a single licence valid throughout the Community. This would enable credit institutions to operate in all Member States either through branches or through the supply of cross-border services. The single licence is based on minimum harmonization of supervisory standards, on the principle of mutual recognition of the rules applicable in Member States and on home-country control of credit institutions. The Commission also presented to the Council in May 1988 a proposal for a Directive on a minimum solvency ratio for credit institutions.²

¹ COM(87) 715.

² COM(88) 194.

In the case of securities markets, the Council adopted in December 1988 a Directive on the information to be published when a major holding in a listed company is acquired or disposed of.³ In addition, the Commission transmitted to the Council a proposal for a Directive on investment services in the securities field⁴ which provides for mutual recognition of authorization and supervision systems and which, in the same way as the proposed system for credit institutions, is based on prior harmonization of the essential supervisory rules. It thus lays down the bases for cooperation between the supervisory authorities in the individual Member States and reinforces harmonization of the rules on professional secrecy. Furthermore, discussions continued on the proposals for Directives aimed at curbing insider trading⁵ and coordinating the requirements for the prospectus to be published when transferable securities are offered for subscription or sale to the public.⁶ Lastly, the Commission sent to the Council in January 1989 a proposal for a company law Directive concerning takeover and other general bids which will inevitably have an influence on the securities markets.

In the insurance sector, the Council adopted in June 1988 a Directive on the coordination of the provisions relating to direct insurance other than life assurance.⁷ In addition, in December 1988, the Commission laid before the Council a proposal for a Directive on the coordination of the provisions relating to direct life assurance.⁸

³ Council Directive 88/627/EEC.

⁴ COM(88) 778.

⁵ COM(87) 111.

⁶ COM(80) 893 and COM(82) 441.

⁷ Council Directive 88/357/EEC.

⁸ COM(88) 729.

Operations in 1988 under the single facility providing medium-term financial support

Established in 1988,¹ this facility combines the two mechanisms previously in operation: the Community loan mechanism designed to support Member States' balances of payments,² and the medium-term financial assistance mechanism.³ It serves a different purpose from that of the other borrowing and lending instruments discussed in this report and intended to finance investment projects. The Community uses its creditworthiness to borrow on international markets and then on-lend the proceeds on identical terms to any Member State experiencing balance-of-payments difficulties (or undertaking to put into effect a capital movements liberalization programme despite a precarious balance-of-payments situation).

¹ Council Regulation (EEC) No 1969/88 of 24 June 1988 (see point 1.1. above).

² Regulation (EEC) No 682/81, as amended by Regulation (EEC) No 1131/85 of 1 May 1985.

³ Decision 71/143/EEC, as last amended by Decision 86/656/EEC of 31 December 1986.

Under these mechanisms the Council, acting on a proposal from the Commission and after consulting the Monetary Committee, decided on 16 May 1983 to grant the French Republic a loan equivalent to ECU 4 billion.⁴

In 1988, France repaid part (USD 240 million) of the outstanding balance of that loan. The Commission accordingly repaid the corresponding Community borrowing. On 31 December 1988, France still owed the Community USD 350 million and ECU 70 million.

The mechanism was used again when the Council decided on 9 December 1985, on a proposal from the Commission and after consulting the Monetary Committee, to grant Greece a loan worth ECU 1,750 billion.⁵ The first tranche (equivalent to ECU 875 million) was disbursed to Greece at the beginning of 1986 (see report on the 1986 activities). The operations relating to the second tranche were carried out in February, March and April 1987 (see report on the 1987 activities).

⁴ Council Decision 83/298/EEC.

⁵ Council Decision 85/543/EEC.

1.2. Financial engineering activities

Objectives

Financial engineering, which relies on a whole range of techniques, is designed to channel saving into investment under the best possible conditions.

The reasoning that led the Commission to move into this field is simple. First, the Commission has the right, and is under an obligation, to determine Community priorities, e.g. closing the technology gap, strengthening the spirit of enterprise, achieving regional objectives, etc. The needs in this respect are enormous. Second, public money is becoming increasingly scarce while private saving is very plentiful in Europe. For the Commission, therefore, the role of financial engineering is to harness private saving to these Community priorities. The basic rule is to become active only in those areas where the market does not provide funding of its own accord or does not provide enough funding. The aim is to minimize the budgetary cost and maximize the impact of Community financing.

In another context, the Community has taken a large number of important financial initiatives; the structural Funds, the EIB and the other instruments, for instance, provide a substantial volume of finance. Hence the need to examine the effectiveness of such funding, especially that of the financial techniques employed. In this traditional area of Community action, the purpose of financial engineering is to encourage in certain cases a return to aid techniques that are more effective as a means of attaining the objectives set and more economical from a budgetary viewpoint than outright grants or transfers.

Main focus

On the one hand, financial engineering involves activities designed to overcome the mismatch between existing private saving and the financing needs of a number of projects of vital importance to the Community (high technology, large-scale infrastructures, SMEs, etc.). On the other, it has developed into a tool for the different Community activities and initiatives that come under the Commission's direct authority, helping to optimize the impact of Community financial measures.

The main fields in which financial engineering has sought to provide a fresh stimulus are the following:

(i) *Reviving the spirit of enterprise: financing of SMEs*

In this field, the Commission has explored new approaches both under existing Community programmes and for European financial markets, which it has endeavoured to stimulate:

- (a) A special effort has been made to assist firms in the regions covered by the IMPs (integrated Mediterranean programmes). The Community has committed a total of ECU 43 million for the period up to 1992 with a view to supporting the activities of five local venture-capital companies and setting up four new companies of this type. Finance is also being provided for four funds that guarantee investment in SMEs by institutional investors and for 11 loan guarantee schemes intended for SMEs (four of which will also put up guarantees for equity capital investment). In all, 20 out of a total of 29 IMPs approved by the Commission will benefit.
- (b) An analysis of the situation of SMEs in Portugal has revealed the major problems that exist, especially as regards their financing and, more particularly, their endowment with equity capital and access to bank lending. The financial engineering departments, which participated from the outset in the framing of the specific programme for the development of Portuguese industry (Pedip), have proposed ways of overcoming these handicaps. Discussions with the Portuguese authorities produced a detailed project for setting up two venture-capital companies (financed in equal proportions with public and private money, each with a total capital of ECU 32 million, of which ECU 12 million from commitments in the Community budget for 1988). At the request of the Portuguese authorities, a guarantee fund for high-technology projects is to be financed at the same time. It will be allocated ECU 12 million, with ECU 9 million likewise to come from commitments in the Community budget for 1988. In addition, a study undertaken at the Commission's request is very positive about the conditions for, and usefulness of, establishing a mutual guarantee scheme.
- (c) Financial cooperation with developing countries (EC International Investment Partners, formerly known as the Cheysson facility) has, among other things, led to co-financing agreements between the Community and a number of financial intermediaries (13 framework agreements signed by the end of 1988, primarily with official development banks and private banks) which are to help promote joint investment by European and local SMEs in those countries (12 projects approved by the end of

1988). The Community contribution to these joint ventures is mainly in the form of financial aid towards technical assistance and equity capital investment. This scheme, which has been operational since 1 September 1988, has already met with a favourable response from specialized interests. An amount of ECU 5 million was committed under the Community budget for 1988.

(ii) *Industrial regeneration*

Firms wishing to implement high-technology projects are faced with differing financial needs. Grants are the appropriate method of financing research projects given the risk attaching to them and especially their contribution to the public interest. By contrast, projects representing the industrial follow-up to such research are best financed out of equity capital, notably private equity capital. The injection of equity capital is particularly difficult to arrange where projects result from international cooperation and are very remote from the industrial application stage.

The Commission, in association with the interests directly concerned, has sought to respond to the main needs of such firms by taking action in the following fields:

- (a) Seed capital: This allows new or embryonic firms to develop a product prototype and a business strategy until they have access to risk capital or more traditional sources of financing. The seed capital scheme, approved by the Commission in October 1988, aims to encourage the private sector to provide seed capital under an experimental programme involving interest-free repayable advances and covering the period 1989-94. The total budgetary resources available for that period are put at ECU 11,6 million and will benefit a maximum of 24 seed-capital funds;
- (b) Equity capital: A number of initiatives have been taken in this field. The Venture Consort scheme, adopted in 1984, encourages transnational co-financing of venture capital for innovative projects undertaken by SMEs. The Community may contribute up to 30% of the equity capital involved, with a ceiling of ECU 200 000. If the co-financing partners withdraw from the project before seven years have elapsed, the contribution will be paid back in whole or in part to the Commission depending on the profitability of the project, along with half of the capital gains realized during that period. In 1988, 10 projects received financial contributions totalling some ECU 1,5 million.

The Eurotech Capital pilot project, adopted by the Commission in December 1988, aims to promote the development or establishment of agencies providing equity capital for transnational high-technology projects. The Community contribution is in the form of a financial incentive

that is repayable subject to certain conditions when the fund is wound up.

The Community budget for 1989 includes an appropriation totalling ECU 4 million for Venture Consort and Eurotech Capital initiatives;

- (c) Studies on the feasibility of reducing certain financial risks inherent in high-technology projects; without wishing to eliminate the business risk associated with the product and its market, the Commission wished to look into ways of reducing a number of ancillary risks through insurance arrangements that would attract investors to such projects;
- (d) Studies on the feasibility of European data bases covering high-technology projects in search of financing, on the one hand, and the size, development and structure of markets in high-technology products, on the other. The purpose of such data bases is to foster the growth of such markets by promoting transparency and increasing the amount of information available from financiers and innovators on those markets.

(iii) *Reinforcing Community infrastructure: financing of large-scale infrastructure projects*

In this field, the Commission has taken a particular interest in transnational projects. While such projects are generally of vital importance for Community cohesion, their implementation is, in many cases, inhibited by the huge amount of capital needed (with Member States making an insufficient contribution) and by the absence of any 'sponsorship' guaranteeing the requisite degree of coordination and incorporating a European approach.

The EIB intends to attach particular importance to such projects,¹ the contribution of UKL 1 billion to the financing of the Channel Tunnel project being a striking example.

¹ Speech given by Mr Bröder, Chairman of the EIB Board of Directors, at the annual meeting of the EIB Board of Governors on 13 June 1988.

Financial aspects of the reform of the structural Funds

In order to offset any worsening in imbalances between Member States following completion of the Community-wide internal market, the Single European Act stresses the need to press ahead with, and strengthen, efforts to secure greater economic and social cohesion in the Community by reducing in particular disparities between the various regions and the backwardness of the least-favoured regions. In the first place, Member States will have to contribute to the attainment of this objective by bringing their economic policies more closely into line. In addition, the Community must support such moves by the action it takes through the structural Funds.

In accordance with Article 130d of the Treaty as amended by the Single European Act, the Council adopted on 24 June 1988 a framework Regulation on the reform of the structural Funds.¹ The Regulations implementing the reform² were adopted on 19 December 1988 so that all the arrangements could enter into force on 1 January 1989.

The main features of the reform are as follows:

A. Doubling of the resources of the structural Funds

The framework Regulation stipulates that the commitment appropriations for the structural Funds are to be doubled in real terms in 1993 by comparison with 1987. As a result, assistance available from the Funds will be increased from ECU 7,2 billion in 1987 to ECU 14,5 billion in 1993, equivalent to one quarter of the Community budget. The loan facilities have also been substantially reinforced (see point D).

The foreseeable macroeconomic impact of the Funds alone is quite significant since, in 1992, it will represent between 2,5% and 3,5% of GDP in countries such as Portugal, Greece and Ireland and in a number of regions in Spain and Italy (compared with an average of 0,3% of GDP for the Twelve as a whole).

B. Objectives of the structural Funds

The framework Regulation provides that the activities of the Funds are to be directed towards the following five priority objectives:

1. Promoting the development and structural adjustment of the regions whose development is lagging behind.

The regions concerned are regions with a per capita GDP of less than 75% of the Community average. They also include Northern Ireland, the French overseas departments, and

other regions where per capita GDP is close to that of the regions referred to and which have to be included for special reasons.

The size of the population concerned by this objective is some 69,4 million, or 21,5% of the Community's total population.

2. Converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline.

The declining industrial areas concerned by Objective 2 are characterized by an average rate of unemployment above the Community average, a percentage share of industrial employment in total employment equal to or greater than the Community average, and an observable fall in industrial employment compared with the reference year.

The regions covered by Objective 2 account for 15% of the Community's population (living outside the less-developed regions).

3. Combating long-term unemployment.
4. Facilitating the occupational integration of young people.

The Commission is to establish for a period covering a number of years general guidelines that set out and clarify the choices and criteria concerning Objectives 3 and 4.

5. With a view to reform of the common agricultural policy:
 - (a) speeding up the adjustment of agricultural structures;
 - (b) promoting the development of rural areas.

C. Principles governing administration of the Funds

1. Concentration

Under the Regulations, assistance from the structural Funds is to be concentrated on the five objectives specified above in order to increase the impact of Community structural measures. Concentration will be geographical in the case of Objectives 1, 2 and 5(b), and functional in the case of the other objectives.

Concentration of assistance means that, for some objectives (e.g. Objectives 1 and 5(b)), all three Funds will be involved while, for others, only one or two Funds will provide financing according to the circumstances.

However, a major effort is to be made to concentrate budgetary resources on the regions lagging behind (Objective 1).

2. Partnership

In line with the principle of subsidiarity, according to which the higher level of government should intervene only if the lower level is unable to carry through the measure in question, the local and regional levels are better able than the national and Community levels to define their needs, to decide what action should be taken and to implement such action. The procedures

¹ Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments: OJ L 185, 15.7.1988, pp. 9-20.

² Council Regulations (EEC) Nos 4253/88, 4254/88, 4255/88 and 4256/88 of 19 December 1988: OJ L 374, 31.12.1988, pp. 1-28.

thus provide for decentralized management of assistance operations under the Funds with a view to establishing a genuine partnership between all four levels, covering the preparation, financing, monitoring and assessment of operations. The Commission's intention is that the Funds should operate with as little red tape as possible.

3. Programming

Coordination of activities by the structural Funds as a whole is based on multiannual programming of the operations undertaken jointly by the Community, the Member States and the regions. The programming exercise will be in three stages.

During the first stage, Member States are to submit plans setting out the priorities and intentions regarding use of assistance from the Funds. During the second stage, the Commission is to draw up Community support frameworks, which indicate the priorities for joint action, and the financing plan specifying the forms of assistance and the financial allocations envisaged. During the final stage, each Community support framework is to be implemented by way of operational measures, mainly in the form of programmes involving one or more Funds.

To comply with the additionality rule, the Commission and the Member States must ensure that additional assistance from the Community is in fact used to carry out or speed up newly devised measures or measures already being implemented, and not as a substitute for Member States' financial commitments. Application of this principle will ensure that Community action leads to a genuine increase in assistance for the regions that reflects the objectives laid down for the Funds.

4. Monitoring and assessment

As grant and management procedures have been simplified, there is a need to tighten up monitoring and assessment. Past experience, and the lessons learned in implementing the IMPs (integrated Mediterranean programmes), show that the only way in which to ensure that Community measures are effective in terms of the objectives set is to monitor results constantly and, where necessary, to adjust operations in line with requirements arising during implementation.

Forms of assistance

Assistance must combine in an appropriate way grants from the structural Funds and loans aimed at providing investors with the financing tools they need and at maximizing the stimulus provided by the budgetary resources deployed.

Under the new approach, the EIB and the other financial instruments will reinforce action taken under the structural Funds by providing Community loans in cases where beneficiaries would like to avail themselves of this facility in financing their projects. This financial contribution in the form of loans will, in any event, comply with the basic principles of the reform (concentration, programming, effectiveness, etc.).

By way of comparison, the split between budgetary financing and loan financing in 1988 (prior to the launching of the reform) was as follows:

- (i) ECU 7,7 billion in grants from the three Funds;
- (ii) ECU 9,5 billion in loans from all the Community financial instruments (loans from EIB own resources providing 87,5% of the total, ECSC loans 9,6% and NCI loans 2,9%).

Although no quantitative objective has been specified for loans, it should be noted that, as from 1 January 1986, the subscribed capital of the EIB was doubled, from ECU 14,4 billion to ECU 28,8 billion. This will permit a proportional increase in the EIB's financing capacity.¹

The financial return on projects will be one of the points taken into account in determining the terms and rate of Community assistance in the form of grants and loans. For instance, the size of grants for infrastructure projects must be inversely proportional to a project's financial return. In the case of industrial investment projects, certain forms of indirect assistance may be better suited to the needs of operators (e.g. incentives to set up companies providing equity capital for SMEs or guarantees in respect of the acquisition of holdings in SMEs).

In addition to project profitability, the Community contribution to the financing of operations will be differentiated in the light of the seriousness of the specific problems to be tackled, the financial capacity of the Member State concerned, the special importance attaching to measures from a Community and regional viewpoint, and the particular characteristics of the types of measure proposed.

¹ The aggregate amount outstanding at any time of loans and guarantees granted by the EIB must not exceed 250% of its subscribed capital (Article 18(5) of the EIB Statute).

2. Investment and saving in the Community in 1988

2.1. Investment

In 1988, economic growth in the Community was much stronger than had been expected at the beginning of the year, when there was still concern about the financial upheaval in the closing months of 1987. Helped by the rapid and adequate response of economic policymakers in the industrialized countries, economic expansion remained firm throughout the OECD area. In the Community, growth in real GDP touched, 3,6%, the highest rate recorded since 1976. Employment received a stimulus from the firmer growth conditions and, in turn, helped to buoy up demand. Against this background, gross fixed capital formation rose by 7,8% in real terms (compared with 4,8% in 1987; see Table 1), taking over as the most dynamic growth factor in the Community. Investment in plant and machinery grew by 9,3% while investment in construction was 6,4% higher.

The renewed buoyancy of investment is largely attributable to its growing attractiveness in recent years. Graph 1 shows how, after dipping to around 60% of the average for the 1960s, the return on capital has risen steadily since the beginning of the 1980s. Two factors explain this rebound in profitability. First, continuing wage moderation, coupled with a significant improvement in the terms of trade (fall in oil prices and depreciation of the dollar), has produced a constant, pronounced increase in the share of profits since 1981. Second, the return on capital, which halted its slide in 1984, is edging upwards once again, among other things as a result of the rapid increase in the rate of capacity utilization.

Investment is now responding fully to the improvement in profitability, which has mitigated the adverse effects of high real interest rates. Even so, up to the middle of 1987, total investment grew at only a modest rate.

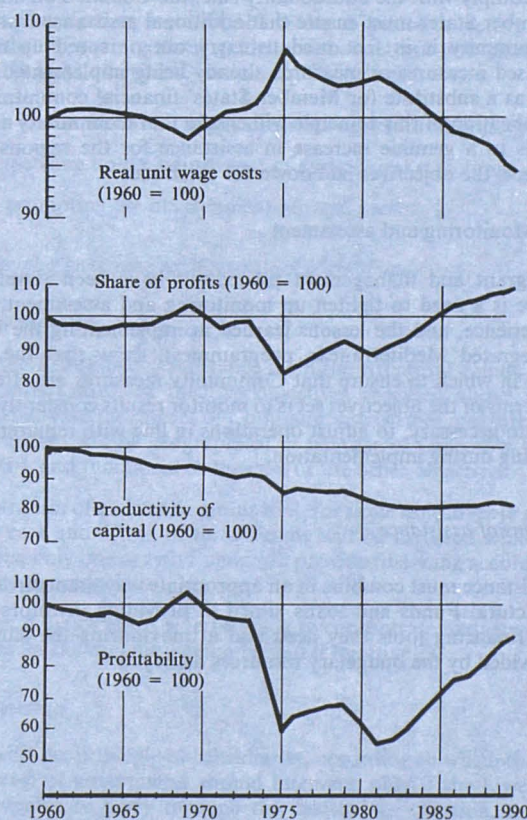
This left analysts somewhat bewildered about how firms reacted to improvements in economic fundamentals. It can now be shown that the magnitude of the recovery was masked by two special factors. First, while investment in plant and machinery rose sharply in 1985, construction activity was depressed by a very severe winter (see Graph 2). Then, in 1986 and at the beginning of 1987, investment in plant and machinery faltered as a result of the marked change in the composition of final demand in 1985 and 1986 consequent upon the depreciation of the dollar and the fall in oil prices. Firms had to come to terms with a shift away from export demand to domestic demand, which was not

necessarily directed at the same firms or industries, prompting some uncertainty as to marketing prospects and hence in investment intentions.

The recent revival in fixed capital formation cannot be attributed solely to improved profitability. It is also due to the fact that demand was relatively buoyant in 1988 both within and outside the Community and is forecast to remain so in 1989. Moreover, the current rate of productive capacity utilization in many countries is unprecedented (see Graph 3).

It would seem that the optimistic expectations engendered among firms by the prospect of 1992 are beginning to influ-

GRAPH 1: Determinants of the return on capital in the Community



Source: Commission departments.

ence investment favourably. Since technical progress can now be incorporated more widely into the system of production, the growth of investment should also promote a recovery in capital productivity.

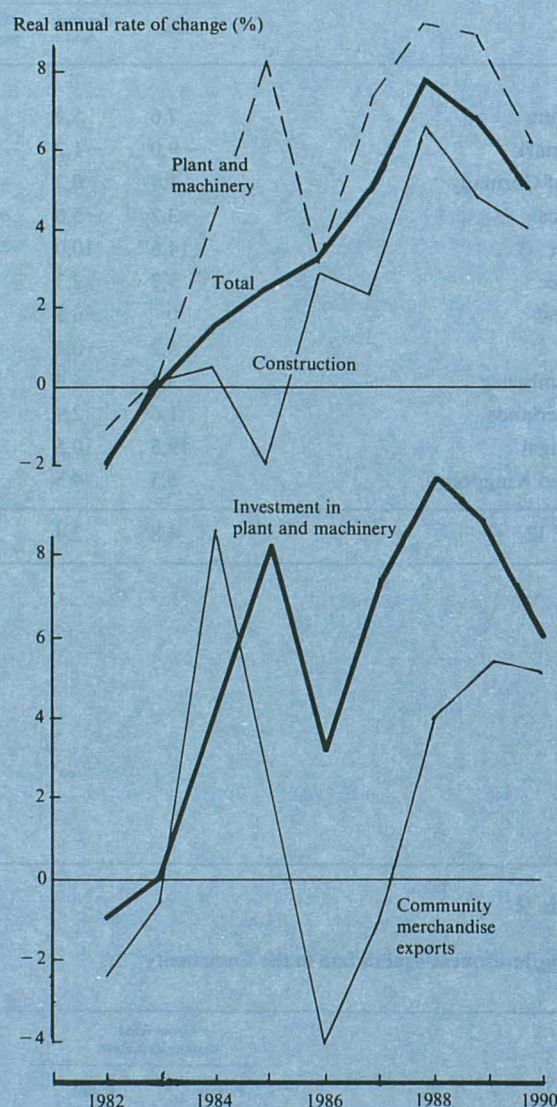
In 1988, the determinants of investment benefited from a particularly mild winter, leading to extra investment in construction in the industrial and commercial, residential and public works sectors.

In order to ensure sustained growth in the medium term and to keep it on a non-inflationary path, it is important that investment should remain buoyant. With the limits of productive capacity now being reached, future growth will depend to a greater extent on expanding available capacity. According to the findings of the Community's industrial investment survey (March/April 1989), investment in extra capacity outpaced rationalization and replacement investment in 1988, with industrialists expecting this to continue in 1989.

2.2. Saving/investment equilibrium

While it is true that the basic determinants can provide a significant boost to investment intentions, financing must be available on favourable terms. Hence the importance of maintaining an appropriate equilibrium between national saving and investment. Taking all the Community economies together, the relative share of gross capital formation in GDP in the 1980s has been much lower than in the 1960s and 1970s (see Table 2). This is true for both the private and the public sector. In 1986, the overall investment ratio reached a new low in the Community. A recovery has since got under way and is supposed to continue in 1989. The overall savings ratio displayed the same downward trend as the overall investment ratio although it is still sufficient to finance capital formation in the Community. The Community's balance on current account shows a small surplus and so saving in the Community is helping to finance investment in the deficit countries and areas. Throughout the period under review, the savings ratio in the private sector, comprising both enterprises and households, has remained remarkably stable. The fall in national saving as a proportion of GDP is due almost entirely to the contraction in public saving, which is now negative. The situation and trend with regard to these variables do, of course, differ from one Member State to another. None the less, a policy aimed at achieving balanced and sustained growth must attach appropriate importance to the expansion of private and especially public saving.

GRAPH 2: Components of investment: investment in plant and machinery, and Community exports



Source: Commission departments.

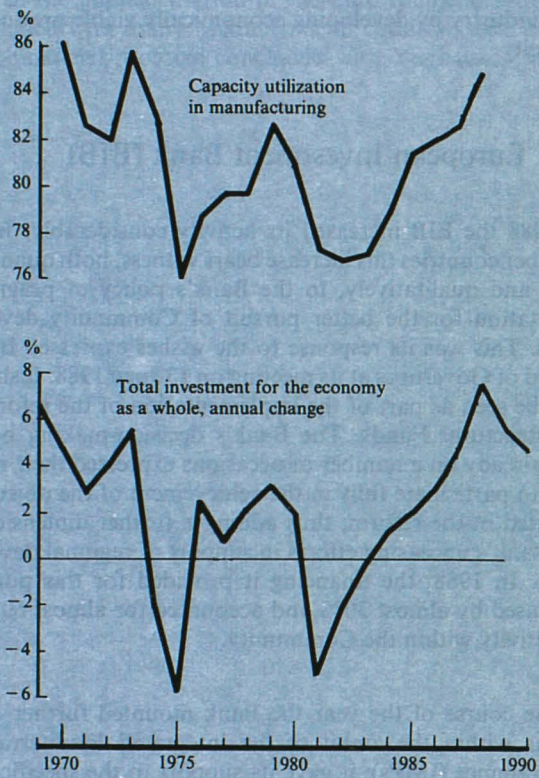
Table 1
Investment in the Community

	Annual growth rate in volume terms						Overall investment ratio (as % of GDP, current prices)	
	1987			1988			1987	1988
	Total	Construc- tion	Plant and machinery	Total	Construc- tion	Plant and machinery		
Belgium	7,6	5,4	10,3	12,9	12,0	14,0	16,3	18,0
Denmark	-9,0	-1,2	-14,8	-6,9	-6,0	-8,1	18,8	17,6
FR of Germany	1,8	0,2	5,6	5,8	4,5	7,5	19,4	19,8
Greece	-3,2	-5,0	-0,9	10,1	10,5	9,5	17,4	18,1
Spain	14,6	10,0	21,7	14,0	13,5	14,7	20,7	22,5
France	3,7	2,3	5,0	6,1	4,6	7,3	19,4	20,0
Ireland	0	-6,5	3,6	0,7	-6,2	6,0	17,4	17,3
Italy	5,2	-0,4	14,1	4,9	3,7	6,0	19,9	29,8
Luxembourg	5,3	4,6	35,7	4,6	5,5	3,0	22,6	22,6
Netherlands	1,6	2,9	0,1	7,9	10,0	5,4	20,3	21,2
Portugal	19,5	10,5	31,0	15,8	12,3	19,5	25,3	28,2
United Kingdom	5,5	4,5	12,2	11,8	7,5	16,0	17,3	18,5
EUR 12	4,8	2,4	9,3	7,8	6,4	9,3	19,2	19,9

Table 2
Saving/investment equilibrium in the Community
(As % of GDP, current prices - EUR 12)

	Gross fixed capital formation		Change in stocks	Gross capital formation	Current- account balance	Financing by national saving	National saving	
	Private sector	Public sector					Public	Private
	1	2	3	4 = 1+2+3	5	6 = 4+5	7	8 = 6-7
1970	20,0	4,0	1,8	25,8	0,7	26,5	5,0	21,5
1986	16,2	2,8	0,4	19,4	1,2	20,6	-1,1	21,7
1988	17,2	2,7	0,8	20,7	0,1	20,8	-0,2	21,0

GRAPH 3: Rate of capacity utilization and investment in the Community



Source: Commission departments.

3. Developments and decisions relating to the borrowing and lending instruments in 1988

3.1. New Community Instrument (NCI)

With the existing NCI borrowing tranches close to being exhausted, the Commission transmitted to the Council in November 1988 a proposal for a Decision¹ designed to ensure that the NCI's activities continued (see box on page 26). By the end of 1988, the Council had not yet acted on this proposal.

However, the Council did act in November on the Commission proposal concerning the authorization of a tranche of *ad hoc* loans, carrying interest subsidies, for the reconstruction of the Kalamata region of Greece stricken by the earthquakes of September 1986. In this case, NCI involvement was not deemed necessary, the Council Decision² stipulating that the interest subsidies would apply to loans granted from the European Investment Bank's own resources (see point 3.4).

3.2. Euratom

The grand total of Euratom loans having reached the threshold of ECU 2,8 billion, the Commission sent the Council a proposal on 25 July 1988 for increasing the Euratom borrowing ceiling to ECU 4 billion.

3.3. European Coal and Steel Community (ECSC)

In 1988 the Commission continued its industrial conversion policy in accordance with Article 56 of the ECSC Treaty. Loans granted for that purpose increased considerably (see point 6.4).

Industrial loans, by contrast, fell sharply despite a significant increase in lending for the productive sector. At the same time, there was a sharp increase in the use made of the loan facility to finance investment aimed at promoting the consumption of Community steel.

As part of the policy of restructuring Member States' coal industries, the Commission decided in 1988 (see operational criteria published in OJ C 131, 20.5.1988) to grant loans carrying interest rebates for investments in coal production which will most usefully improve competitiveness in the coal industry by developing economically viable production capacity.

3.4. European Investment Bank (EIB)

In 1988 the EIB increased its activity considerably. In the member countries this increase bears witness, both quantitatively and qualitatively, to the Bank's policy of pragmatic adaptation for the better pursuit of Community development. This was its response to the wishes expressed by the Board of Governors at its meeting on 13 June 1988. It should also be seen as part of the implementation of the reform of the structural Funds. The Bank's decision-making bodies had already on a number of occasions expressed their readiness to participate fully in the achievement of the objectives targeted in the reform, thus adding a further dimension to the Bank's unceasing efforts in support of regional development. In 1988, the financing it provided for this purpose increased by almost 30% and accounted for almost 60% of its activity within the Community.

In the course of the year the Bank mounted further operations within the ambit of the integrated Mediterranean programmes (IMPs); it gave its support to the specific programme for the development of Portuguese industry (Pedip) and to reconstruction work in Greece resulting from the earthquakes at Kalamata in 1986. This was in response to a request from the Council to the Bank to grant loans from its own resources with interest subsidies financed from the general budget of the European Communities.

The EIB maintained its active support for investment by SMEs, both within and outside assisted areas. Its operations in these areas were mounted using NCI IV resources and the Bank's own resources in accordance with the decision of the Board of Governors dated 25 February 1987. So as to ensure continuity of Community action in support of SMEs, the Bank was authorized by its Board of Directors on 14 December 1988, under the terms of the above decision, to continue its financing from own resources in support of SMEs outside assisted areas.

In the case of infrastructures, the EIB considerably increased its funding of European investment projects in the transport (particularly air transport) and telecommunications fields.

¹ COM(88) 661 final — revised version I of 30 November 1988.

² Council Decision 88/561/EEC of 7 November 1988.

It maintained its lending for environmental protection and improvement projects at a high level.

Outside the Community, the year was marked by the beginning of the implementation of the third financial protocols concluded with many Mediterranean countries and the second financial protocol concluded with Yugoslavia, which

is centred on transport projects which are also of interest to the Community, and by further commitment of the amounts of assistance provided for in the third Lomé Convention.

The Bank was able to respond to the heavy demand for funding by adapting its borrowing and lending to changing markets and investor needs.

Commission proposal for renewing the New Community Instrument

The New Community Instrument (NCI) is a financial facility created in 1978 empowering the Commission to borrow in the name of the European Economic Community and to re-lend the proceeds to promote investment in the Community. The success of the first experiment encouraged the further use of the NCI, which has been renewed five times (including two special aid operations to help with reconstruction following natural disasters). The total volume of the NCI reached nearly ECU 6 billion in 1987.

The Community's financial capability is a necessary component of the Community's institutional balance. The Community has a vital role to play, both as guide and as promoter, in the unity and development of Europe. It has the obligation of setting the priorities and degrees of urgency from a Community viewpoint and of proposing the Community measures required by those priorities. The NCI is a particularly appropriate instrument for carrying out this fundamental task. Unlike the other financial instruments, the NCI can be adapted to whatever objectives are given priority in Community policies.

The NCI's most important role is undoubtedly that of signalling to the market (and even to the authorities) the priorities and degrees of urgency of Community policies with a view to bringing about a leverage effect; the very strong demand for loans from NCI resources is proof itself of its success. Moreover, in connection with the Council decision empowering the Commission to borrow under the NCI IV, the EIB was able to pursue a parallel course of action utilizing its own resources in a manner consistent with the guidelines and criteria laid down in that decision. This even made it possible for the EIB to finance projects outside its traditional areas of activity.

Given the excellent guarantees which underlie NCI loans, these operations are also virtually risk-free and thus involve no budgetary cost. Furthermore, they do not entail capital contributions from the Member States, unlike in the case of the EIB, which is required by its Statute to seek such contributions once certain lending limits have been reached. The European Parliament has unceasingly supported the Commission's proposals concerning the NCI.

1. The objectives of the new NCI action

In the context of the new NCI, the general priority would again be small and medium-sized enterprises (SMEs). For several years, one of the Community's priority objectives has been to encourage the setting up and development of SMEs and to improve their financial environment. The development of such enterprises will help to spread the spirit of enterprise and to foster job-creating investment.

Putting at the disposal of SMEs credit conditions comparable to those available to the Community will help to overcome their relative disadvantage compared with large firms. Similarly, the NCI offers them the possibility of building up their equity capital through the conversion of loans.

(a) The first of the more specific objectives which the Commission intends to pursue is the safeguarding of rural areas, which are undergoing radical changes leading to a sharp decline in the relative importance of agriculture and to dangers for the environment. Community action would aim to promote the development of an economic base with a view to the creation and/or stabilization of employment in rural areas by providing financial assistance for investments by SMEs — including individual entrepreneurs and cooperatives.

All activities not of a strictly agricultural nature would be eligible for funding under this 'rural' NCI — including services (for example, tourism) and all agro-industrial, agro-commercial, para-agricultural or other activity complementary to agriculture.

Environmental protection is of particular importance in a rural context. This is especially true in certain regions where the return of the population, the modernization of agriculture and the diversification of activity and lifestyle pose serious environmental problems. NCI loans would be available, alongside other forms of Community action, for SME projects with a content favourable to the environment.

NCI funding aimed at achieving this objective should benefit all the rural areas of the Community.

(b) As regards advanced technology and innovation, the second of the more specific objectives, it is envisaged that the NCI's contribution to SMEs, irrespective of the location of the investment, would be focused on incorporating new technologies and materials into the investment projects of SMEs. These technologies would cover a wide range of materials and products. The financing of specific applications of research results and educational and training costs would in particular be eligible. This action would complement that taken under the Brite and Euram programmes.

2. Method

Borrowing

If its financial capability is to play its role of signalling Community priorities and if a permanent institutional balance is to be preserved, the Community must maintain a continuous and stable presence in the markets. This means abandoning the traditional formula of successive authorizations in favour of a method under which the Commission would be empowered to carry out new borrowing and lending operations within the limit of repayments of existing debt. This would represent new borrowing of ECU 500 million to ECU 1 billion per year and would enable the NCI's outstanding debt to be stabilized at the

level obtaining on the date of the Council decision.¹ At the same time, this method would overcome the problem of the gaps caused by the lack of a legal basis.

After the first three years, the Commission would review the working of the system; fresh priorities could also be set on that occasion.

Loans

Given that the investments in question are of modest size, the loans of the new authorization could be granted by the well tried method of global loans. This makes it possible not only to distribute the resources available to a large number of SMEs but also to eliminate the risk of default because of the excellent guarantees provided by the intermediaries.

¹ For guidance, the amount of debt outstanding at the end of 1989 will be ECU 5,4 billion.

The financial engineering techniques envisaged for giving more effective support to projects could among other things be designed to:

- (a) promote the conversion of global loans into equity in the context of advanced technology and innovation;
- (b) couple the NCI with a mechanism under which repayments would increase over time;
- (c) improve the guarantee conditions for these investments; this would mean, for example, close collaboration with guarantee organizations;
- (d) include the possibility of making loans, in appropriate circumstances, at floating rates;
- (e) encourage the financing of projects through risk-capital operations by using an appropriate combination of equity and long-term loans.

In order to increase the efficiency of this instrument, the NCI would, as the Single European Act stipulates, be closely associated with the other Community instruments, especially the structural Funds and the EIB.

4. Borrowing

4.1. Situation on capital markets in 1988

4.1.1. General

In 1988 activity on the international capital markets advanced at a lively pace after the decline observed in the previous year. Market conditions improved due to a continuation in the expansion of the world economy and the relative stability of foreign exchange markets. The overall volume of borrowing facilities arranged internationally reached ECU 355 billion, some 10% above the corresponding figure for 1987 and just some 3% off the level recorded in 1986 (see Table 3).

The growth of activity was particularly marked in the international bonds segment, which rose from ECU 140 billion to 163 billion in 1988, with issues of straight bonds approaching ECU 120 billion, the largest amount ever recorded, mainly on account of a very substantial volume of offerings by financial institutions. The market for syndicated credits and loans experienced a further surge of activity during 1988, with borrowing volumes advancing by over 35% to ECU 107,5 billion, some 7% above the peak of ECU 100 billion registered in 1982. In particular, the market accommodated a large volume of corporate demand from industrialized countries, with a rising proportion being associated with

merger and acquisition transactions (ECU 29 billion). As in 1987, intense competition for mandates amongst international banks prevented any generalized tightening of spreads on new credits despite a sharply stronger demand for funds.

Among other instruments, there was a major contraction of activity in the market for note issuance facilities (NIFs) (down 55% year on year) and in the Euroequities segment, following the downward trend which began in October 1987 when issuing activity was seriously affected by events on the stock market. Eurocommercial paper programmes (ECPs) were broadly static for the year as a whole levelling off after their fall in 1987.

4.1.2. Currencies of borrowing and interest rates

Despite the fact that strong economic activity and fears of rising inflationary pressures have induced a process of generalized credit tightening in major financial markets, with a marked incidence on short-term rates, interest rates on the major international markets have remained stable throughout 1988 and broadly similar to those in December 1987 (see Graphs 4 and 5). The consequence of such a development has been a marked flattening or even an inversion of the yield curve. The main reason is the prevailing forecast of a slow-down in economic activity and the expectation that inflationary pressures will not be allowed to accelerate.

Table 3

Volume of capital raised on international markets, 1986-88

	1986		1987		1988	
	Billion ecus	% change on preceding year	Billion ecus	% change on preceding year	Billion ecus	% change on preceding year
International bond issues	202,5	0,9	140,0	- 30,9	162,9	16,3
International syndicated credits and loans	53,2	- 5,5	79,4	49,2	107,5	35,4
Note issuance facilities	25,2	- 44,3	25,1	- 0,4	11,2	- 55,4
Total	280,9	- 7,2	244,5	- 20,9	281,6	15,2
Eurocommercial paper programmes	60,0	263,6	48,3	- 27	48,5	0,4
Equities	11,9	240,0	15,8	32,8	6,5	- 58,9
Other	13,3	- 46,8	15,1	13,5	18,4	21,9
Grand total	366,1	5,2	323,7	- 11,6	355,0	9,7

Sources: Bonds: EIB; other: OECD.

The dollar remained the major currency of borrowing, but lost a further small part of its share relative to other currencies after the marked decline recorded in 1987 with reference to the year before. The yen-denominated bonds registered an important fall (from 16,5% to 10,1% in 1988), breaking the steep upward trend of previous years which had taken the yen to the second place in the individual ranking in 1987 after the US dollar. The share of issues in Community currencies (ecu bonds included) has increased at a firm pace with issues in German marks and sterling being particularly buoyant and taking second and third place in the ranking. This development, together with increases in French francs, guilders and lire more than compensated for declines in the share of Danish krone issues, thus reducing further the gap between the share of issues in Community currencies and in the US currency (see Table 4).

Looking more closely at the performance of the ecu, it is to be noted that the ecu bond market recovered in the course of 1988. Despite a weak first quarter, its market share rose by more than half a percentage point to 5,7%, which was equivalent to the seventh rank among currencies. In June of that year the Commission launched, for the account of the EEC and the ECSC, the biggest ever single international bond issue in ecus amounting to ECU 500 million, which is intended to serve as a benchmark for the markets. Besides, 1988 saw the emergence of an international ecu money market, fuelled in particular by ecu Treasury Bills issued regularly by the British Government since October 1988.

4.2. Community borrowing in 1988

Table 5 shows publicly announced bond issues—the only form of international financing that can be broken down in this way—by geographical zone of issuer.

The relative share of borrowers from the Community countries recovered sharply in 1988 after contracting in 1987. The total volume of issues, which was up by more than 40%, reached a new record of ECU 56 106 million, or more than 34% of the world total. The fall in the share of United States' borrowers continued, with the volume of their issues down by 27% and representing only 8,4% of the 1988 total compared with 13,5% in 1987. Similarly, the share of Japanese borrowers in the total fell somewhat, to 22%, following its pronounced increase the preceding year. As a result, Japanese borrowers retain the second-place position they have held since 1987. Issues by both non-Community countries in Europe and developing countries rose in absolute as well as relative terms compared with 1987. The Community institutions increased their issues by 20,7% following a reduction in recent years although they account for only 4,6% of the international market.

The total amount borrowed by Community institutions in 1988 for structural purposes, i.e. excluding balance-of-payments borrowings, was ECU 9,6 billion, compared with ECU 8,5 billion in 1987, an increase of 12,5% (Table 6 and Graph 6). This was due principally to a 37,5% increase in

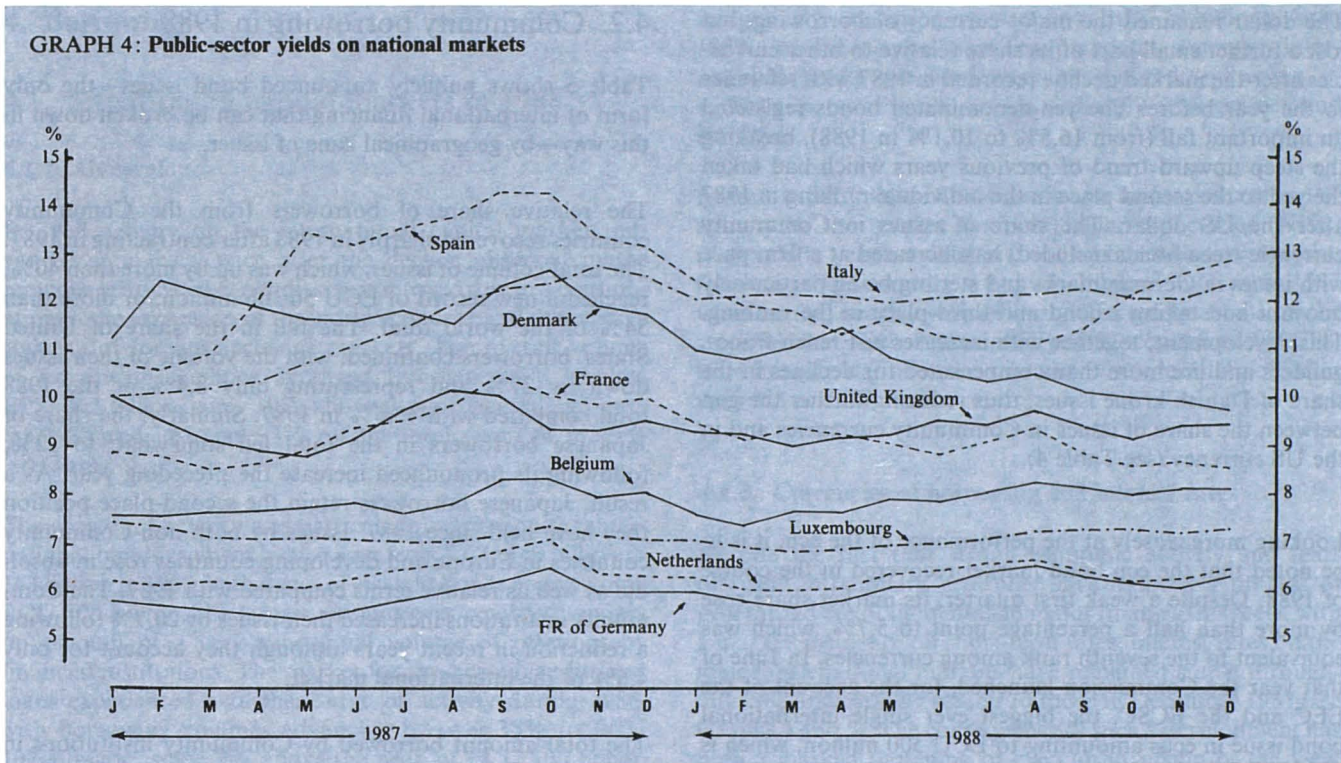
Table 4

International bond issues, by currency

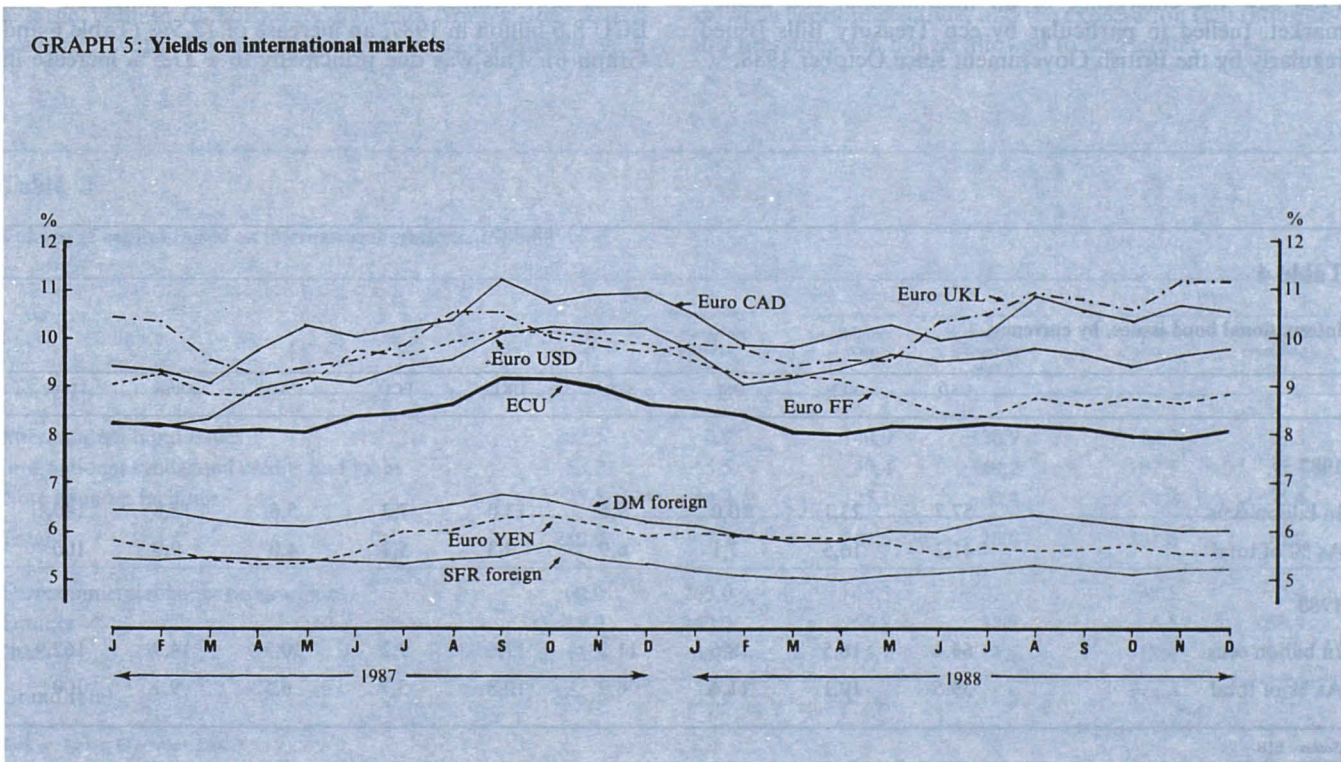
	USD	YEN	DM	SFR	UKL	ECU	CAD	Other	Total
1987									
In billion ecus	57,7	23,1	10,0	9,6	13,0	7,2	5,6	13,8	140,1
As % of total	41,2	16,5	7,1	6,9	9,3	5,1	4,0	9,9	100
1988									
In billion ecus	64,4	16,5	18,6	11,2	17,6	9,2	10,5	14,9	162,9
As % of total	39,5	10,1	11,4	6,9	10,8	5,7	6,5	9,1	100

Source: EIB.

GRAPH 4: Public-sector yields on national markets



GRAPH 5: Yields on international markets



EIB issues, which exceeded their record 1986 level. ECSC borrowings were down by some 40%, given the much reduced borrowing needs in the prevailing economic situation. Euratom borrowings were virtually non-existent pending a Council decision raising the ceiling on borrowings, while NCI borrowings leapt by more than 54%, notably because of the floating of the ECU 500 million 'Jean Monnet' loan, a very substantial proportion of those operations serving to refinance more costly issues floated previously.

The analysis of Community issues by currency of borrowing (Table 7) reveals a sharp increase (+ 34%) in issues denomi-

nated in Community currencies, which accounted for 83,5% of the total.

Issues denominated in ecus rose strongly, with the ecu now ranking ahead of the German mark, which showed an appreciable decline in a generally expanding market. The Italian lira still came third, and the French franc, the pound sterling and the Belgian franc improved their relative positions whereas the Spanish peseta and the Dutch guilder lost ground despite an increase in absolute terms. The Danish krone no longer featured among the currencies of borrowing while the Irish pound and the Portuguese escudo were used for small EIB issues floated towards the end of the year.

Table 5

International bond issues,¹ by geographical zone of issuer

	1987		1988	
	Million ecus	%	Million ecus	%
EC Member States	39 990	28,5	56 106	34,4
EC institutions	6 267	4,5	7 563	4,6
Other European countries	14 380	10,3	19 205	11,9
United States	18 860	13,5	13 707	8,4
Japan	34 105	24,3	35 987	22,1
International bodies (excluding EC institutions)	10 773	7,7	9 322	5,7
Rest of the world	15 672	11,2	21 019	12,9
Total	140 047	100,0	162 909	100,0

¹ This table covers only publicly announced issues and hence only part of the borrowings by Community issuers.

Source: EIB.

Table 6
Trend of borrowing by Community institutions

(Million ecus)

Year ¹	ECSC	EIB ²	Euratom	NCI	Total
1977	729	1 030	99		1 858
1978	981	1 863	72		2 916
1979	837	2 437	153	178	3 605
1980	1 004	2 384	181	305	3 874
1981	325	2 243	373	339	3 280
1982	712	3 146	363	773	4 994
1983	750	3 508	369	1 617	6 244
1984	822	4 339 ³	214	967	6 342
1985	1 265	5 699 ³	344	860	8 168
1986	1 517	6 766	488	541	9 312
1987	1 487	5 573	853	611	8 524
1988	880 ⁴	7 666 ³	93	945 ⁴	9 584

¹ Up to 1982, the series are for borrowings signed during the year under all the instruments. From 1983, the figures for the ECSC, Euratom and the NCI represent borrowings collected during the year. As a result of the change in method, a USD 200 million borrowing under the NCI was counted in both 1982 and 1983.

² The EIB also raises funds by selling participations in EIB loans to third parties (ECU 20 million in 1987).

³ Including the following short-term operations:

1984: ECU 289 million (ECU 189 million in commercial paper and ECU 100 million in certificates of deposit);

1985: ECU 374 million in commercial paper;

1988: ECU 252 million in certificates of deposit.

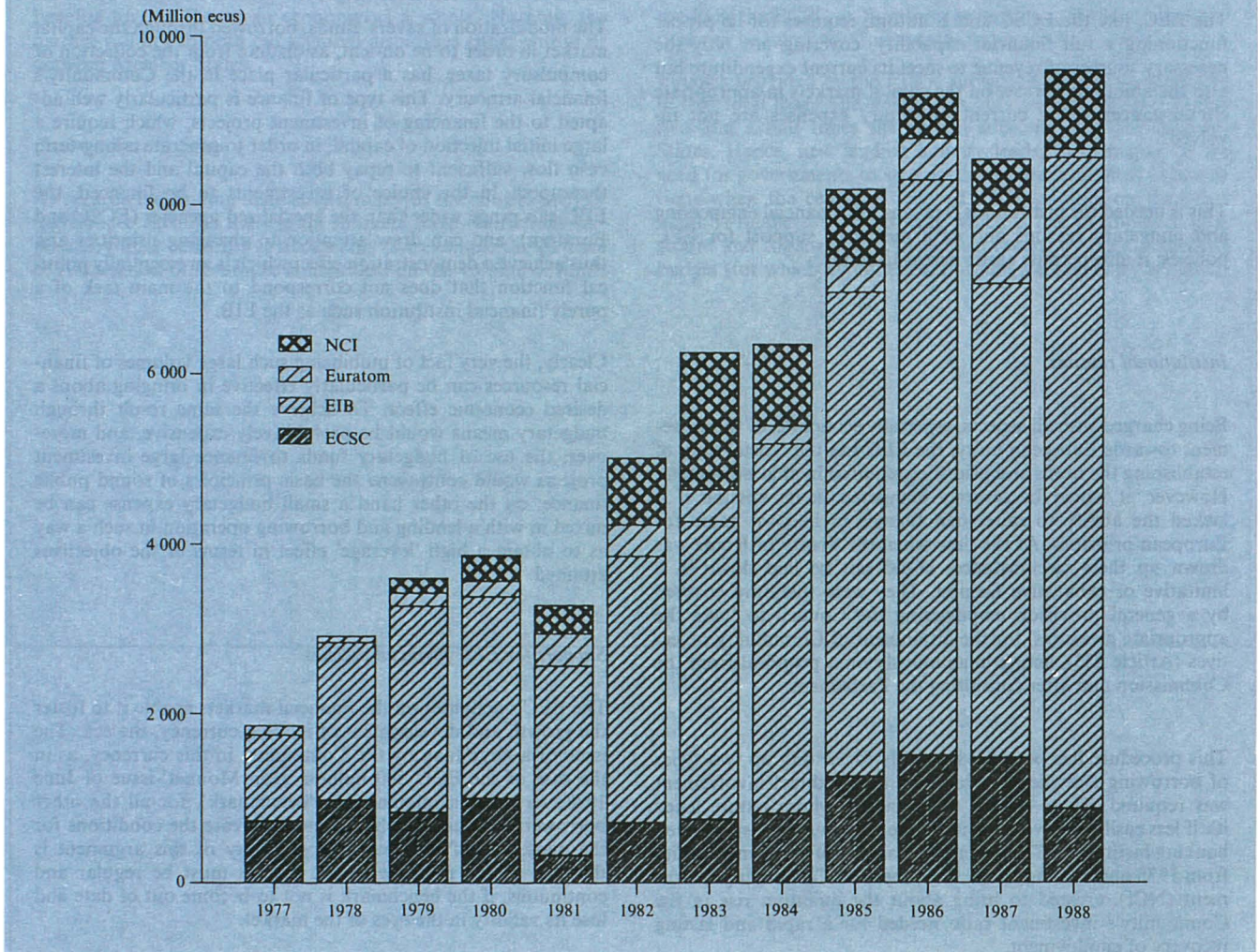
⁴ Including the ECU 500 million 'Jean Monnet' Community loan divided equally between the ECSC and the NCI.

Table 7
Community borrowing in 1988, by currency

(Million ecus)

	Community currencies												Other currencies			Sub-total	Total
	ECU	BFR	DM	ESC	FF	HFL	IRL	LFR	LIT	PTA	UKL	SFR	USD	YEN			
EIB	1 328,4	473,3	1 545,1	29,3	853,8	500,1	32,3	85,4	651,8	237,1	751,9	6 488,5	555,9	307,5	314,2	1 177,6	7 666,1
Euratom	—	22,9	—	—	—	—	—	—	69,9	—	—	92,8	—	—	—	—	92,8
ECSC	250,0	21,3	403,3	—	30,6	21,7	—	25,2	99,9	13,3	14,7	880,0	—	—	—	—	880,0
NCI	410,0	51,6	—	—	—	—	—	13,8	65,3	—	—	540,7	50,0	257,1	97,7	404,8	945,5
Total	1 988,4	569,1	1 948,4	29,3	884,4	521,8	32,3	124,4	886,9	250,4	766,6	8 002,0	605,9	564,6	411,9	1 582,4	9 584,4
%	20,8	6,0	20,3	0,3	9,2	5,4	0,3	1,3	9,3	2,6	8,0	83,5	6,3	5,9	4,3	16,5	100,0

GRAPH 6: Trend of borrowing contracted by the European Community, by instrument (1977-88)



The financial capability of the EEC

The EEC, like the ECSC and Euratom, requires for its proper functioning a full financial capability, covering not only the necessary sources of revenue to meet its current expenditure but also the ability to borrow on the capital markets in appropriate circumstances where current budgetary expenses are not involved.

This is needed for institutional reasons, for financial engineering and budgetary reasons and as a means of support for EEC policies; it also permits easier access to funds.

Institutional reasons

Being charged with all aspects, especially economic, of the movement towards European unity, the EEC has the crucial duty of establishing the needs and priorities required by that movement. However, it would be severely hampered in its mission if it lacked the ability to raise loan finance in its own name for European priorities. At the time when the Treaty of Rome was drawn up these circumstances could not be laid down in a limitative or exhaustive fashion. They were therefore covered by a general provision empowering the Council to 'take the appropriate measures' for the attainment of Community objectives (Article 235), acting unanimously on a proposal from the Commission and after consulting the Parliament.

This procedure has been used notably for setting up two types of borrowing activities in which the EEC's direct involvement was required. These related to initiatives whose nature lends itself less easily to development by the Communities' specialized banking institution. These were the balance-of-payments facility from 1975 onward and, since 1979, the New Community Instrument (NCI), created to bring about the quantum rise in the Community's investment ratio needed for a rapid and lasting recovery of employment.

Such facilities as these clearly have their part to play alongside the more specialized borrowing arrangements of the ECSC and Euratom on the one hand, designed to provide loan finance for restructuring, investment and research in the industries concerned, and the more widely diffused operations of the EIB on the other, with their emphasis on commercial viability and regional development. Thus the Single European Act makes clear (Articles 130a and 130b) that the Community is to develop and pursue the goal of economic and social cohesion, using to this end the structural Funds, the EIB and the 'other existing financial instruments'.

The NCI therefore plays an essentially complementary role relative to other Community institutions.

Financial engineering and budgetary reasons

The mobilization of savers' funds, borrowed through the capital market in order to be on-lent, as distinct from the collection of compulsory taxes, has a particular place in the Community's financial armoury. This type of finance is particularly well adapted to the financing of investment projects, which require a large initial injection of capital, in order to generate a long-term cash flow sufficient to repay both the capital and the interest thereupon. In the choice of investments to be financed, the EEC can range wider than the specialized agencies (ECSC and Euratom), and can draw attention to changing priorities and thus achieve a demonstration effect which is an essentially political function that does not correspond to the main task of a purely financial institution such as the EIB.

Clearly, the very fact of mobilizing such large volumes of financial resources can be particularly effective in bringing about a desired economic effect. To achieve the same result through budgetary means would be prohibitively expensive, and moreover, the use of budgetary funds to finance large investment projects would contravene the basic principles of sound public finance; on the other hand a small budgetary expense can be mixed in with a lending and borrowing operation in such a way as to obtain a high 'leverage' effect in terms of the objectives attained.

Support for EEC financial policies

The EEC's activities on the financial markets enable it to foster the growth and development of its own currency, the ecu. The issue of a large loan by the Community in this currency, as in the case of the ECU 500 million 'Jean Monnet' issue of June 1988, serves as a reference, or 'benchmark', for all the other borrowers in ecus, thereby helping to create the conditions for the market itself to grow. The corollary of this argument is that the EEC's presence in the market must be regular and continuous, if the benchmark is not to become out of date and lose its validity in the eyes of the market.

Under the Medium-Term Financial Support Scheme, the Community may need to raise very large amounts in this way on a one-off basis (for example the loan of USD 4 billion for France in 1983). If the Community were not regularly present in the market, such operations would be very much harder to mount.

So long as Community capital markets remain segmented, the allocation of resources will be improved by action undertaken by the Community to raise capital on markets having a surplus of funds in order to make them available to areas where finance is scarce. To this end, the specificity and innovative character of the NCI make it a particularly effective financial instrument for applying the Community's economic priorities.

Even with a fully integrated European market, some activities of interest to the Communities may be disregarded by the market because part of the benefits take the form of externalities. The

flow of funds into investment projects will be sub-optimal in so far as the benefits accruing directly to investors fall short of the benefits for the European economy as a whole. Notably, the market will not smooth out regional disparities either within or between Member States.

Easier access to funds

As regards the lending institutions, many of the entities providing finance through the capital markets have restrictions imposed by their constitutive documents (for example the Articles of Association of insurance companies) on the volume of funds

which they may place with any individual borrower. The NCI therefore provides an additional label, over and above those of the EIB, the ECSC or Euratom, permitting a greater volume of funds to be raised by Community institutions as a whole.

Finance provided by the EIB is subject to an overall constraint in that total loans and guarantees outstanding may not exceed two and a half times the capital subscribed by the Member States. Hence, new lending activity leads, in principle, to the need for governments to step up these unremunerated subscriptions when the ceiling is reached. NCI lending, on the other hand, is financed by borrowing which is free of any such constraint and is guaranteed, in the last resort, by the Community budget (for which hypothetical purpose a token entry is made).

5. Lending

5.1. General

Loans granted in 1988 totalled ECU 9 508,6 million, a nominal increase of nearly 21 % compared with the preceding year (Table 8 and Graph 7).

This increase masks wide differences. Among the lending instruments, only the EIB expanded its activities. No disbursements were made in 1988 on Euratom loans, and NCI operations accounted for only 3 % of the total (4 % in 1987).

5.2. Sectoral breakdown

5.2.1. Productive sector

The revival in lending to the productive sector which started in 1987 accelerated further in 1988, to show an increase of 55 %, taking such lending to nearly 40 % of the total for the year.

After declining in 1987, ECSC lending to this sector increased by 61 %, from ECU 531,7 million to ECU 855,8 million (Table 9 and Graph 8). This was due not only to the increase in direct lending to the steel industry but also to the expansion in lending for conversion purposes.

EIB lending from own resources to industry, the service sector and agriculture also rose sharply in 1988. Registering an increase of more than 62 %, it totalled ECU 2 641 million, of which just under 60 % was in the form of allocations from global loans, which more than doubled in 1988 compared with the previous year. From current global loans, 4 546 individual loans were granted most of which went to small and medium-sized enterprises in assisted areas (ECU 1 004,9 million). Financing from NCI resources, which was granted entirely to the productive sector in the form of allocations from global loans declined somewhat in 1988, to ECU 271 million, after the exceptional increase the previous year. In addition, individual loans from EIB resources (ECU 1 094 million) went to a broad range of investment projects, many of which involved advanced technologies.

Table 8

Trend of lending in the Community¹

Year	ECSC	EIB ^{2,3}	Euratom	NCI ³	Total	(Million ecus)
						Annual growth rate (%)
1977	709,0	1 390,9	96,9		2 196,4	7,0
1978	797,7	1 966,5	70,3		2 834,5	29,1
1979	675,8	2 281,2	151,6	277,0	3 386,4	19,5
1980	1 030,7	2 738,4	181,3	197,6	4 148,0	22,5
1981	387,6	2 805,9	357,6	539,8	4 090,0	-1,4
1982	740,6	3 446,0	361,8	791,0	5 339,4	30,5
1983	778,1	4 243,5	366,4	1 199,6	6 587,6	23,5
1984	825,5	5 007,0	186,0	1 181,8	7 200,3	9,3
1985	1 010,6	5 640,7	211,0	883,7	7 746,0	7,6
1986	1 069,2	6 678,1	443,2	393,0	8 583,5	10,8
1987	969,3	6 277,1 ⁴	313,7	317,9 ⁴	7 878,0 ⁴	—
1988	907,8	8 318,5	—	282,3	9 508,6	20,7

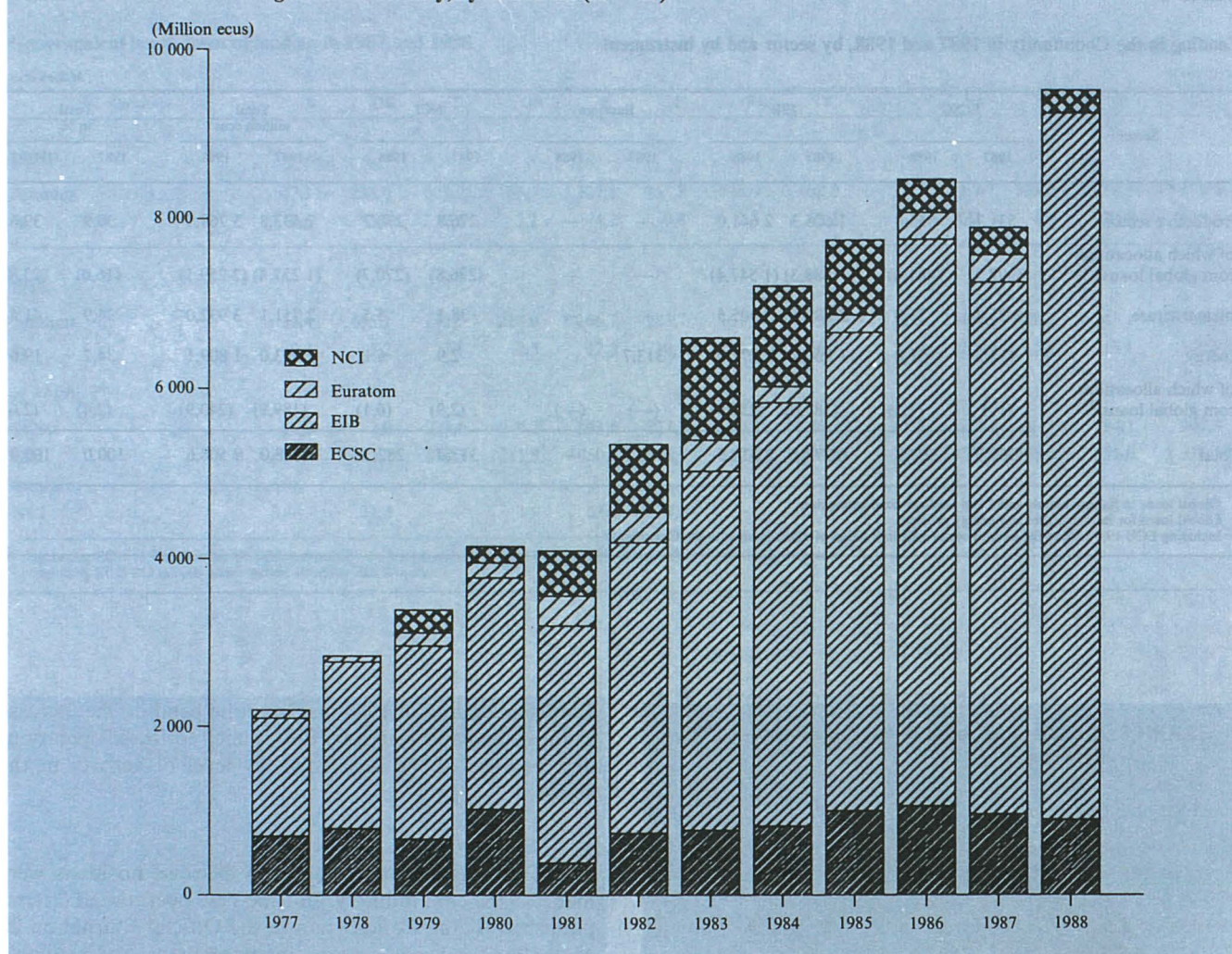
¹ Balance-of-payments loans are not included in this table.

² Including loan guarantees: 1980: ECU 14,2 million;
1981: ECU 282,1 million;
1983: ECU 97,6 million.

³ Including loans for reconstruction in areas stricken by the earthquakes in Italy in November 1980 and in Greece in February/March 1981.

⁴ For the years since 1987, the figures for EIB activities cover financing granted by way of individual loans and by way of allocations from current global loans. The difference between total lending under contracts signed and the amount of such financing represents the proportion of global loans not yet allocated.

GRAPH 7: Trend of lending in the Community, by instrument (1977-88)



5.2.2. Infrastructure

Lending for infrastructure projects continued to increase very rapidly. After growing by nearly 43%, it now accounts for the largest share of total lending (41,4% in 1988 compared with 35% in 1987).

EIB lending to this sector increased by 45,5%, faster than the increase in its total lending. Loans for telecommunications and transport rose appreciably whereas financing for water engineering projects and composite small-scale

infrastructure projects undertaken by local authorities contracted a little.

ECSC lending to finance low-cost housing remained high in 1988 (ECU 21 million).

5.2.3. Energy

In the energy sector, funding from all the instruments fell sharply (by 33%) for the second year running.

Table 9

Lending in the Community in 1987 and 1988, by sector and by instrument

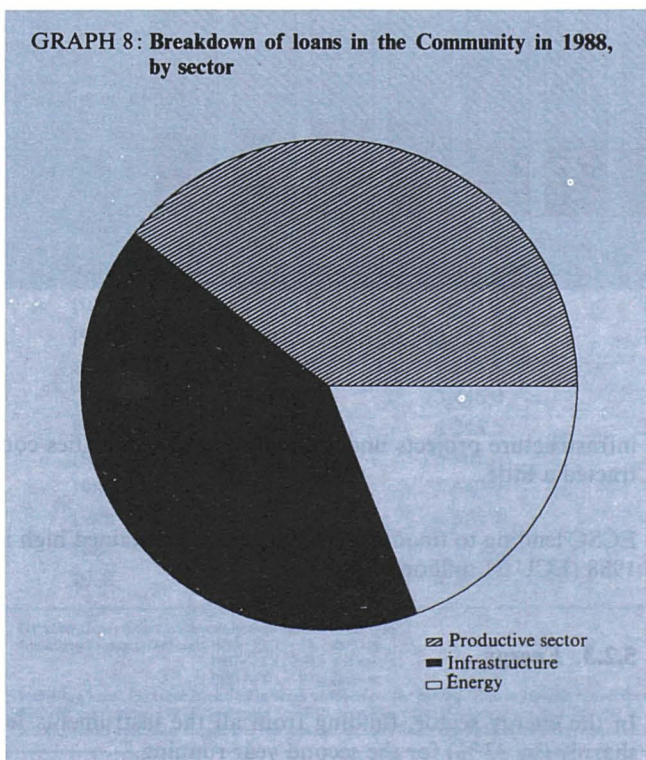
(Million ecus)

Sector	ECSC		EIB		Euratom		NCI		Total million ecus		Total in %	
	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988
Productive sector	531,7 ³	855,8	1 625,3	2 641,0	—	—	276,8	270,7	2 433,8	3 767,5	30,9	39,6
(of which allocations from global loans) ¹	(292,3)	(441,0)	(688,3)	(1 547,4)	—	—	(276,8)	(270,7)	(1 257,4)	(2 259,1)	(16,0)	(23,8)
Infrastructure	25,4	21,0	2 687,6	3 905,5	—	—	38,1	5,5	2 751,1	3 932,0	34,9	41,4
Energy	412,2	31,0	1 964,2	1 772,0	313,7	—	2,9	6,1	2 693,0	1 809,1	34,2	19,0
(of which allocations from global loans) ²	(—)	(1,3)	(187,0)	(237,8)	(—)	(—)	(2,9)	(6,1)	(189,9)	(243,9)	(2,4)	(2,6)
Total	969,3 ³	907,8	6 277,1	8 318,5	313,7	—	317,9	282,3	7 878,0	9 508,6	100,0	100,0

¹ Global loans to finance mainly small and medium-sized enterprises.

² Global loans for infrastructure and energy projects.

³ Including ECU 19,9 million for an iron ore project in Sweden of direct interest to the Community.



Euratom lending in 1988 marked time pending the increase in the ceiling authorized by the Council for these operations and because of the unsatisfactory level of activity in the sector.

ECSC lending fell sharply, mainly because no loans were made to the coal industry. But the new operational criteria published by the Commission in the Official Journal on 20 May 1988 for loans carrying interest rebates and available for the financing of coal industry investment projects deemed to be of priority importance in the Community did lead to two loan decisions in 1988 although the corresponding disbursements will be made only at a later date.

Similarly, EIB lending in this sector continued to contract and accounted for only 21 % of its activity, compared with 37 % in 1986 and 31 % in 1987. Investment in non-nuclear energy generation held steady and, in some cases, even increased (hydroelectric and geothermal power stations), while investment in the transport field declined, especially in the distribution of gas, electricity or heat.

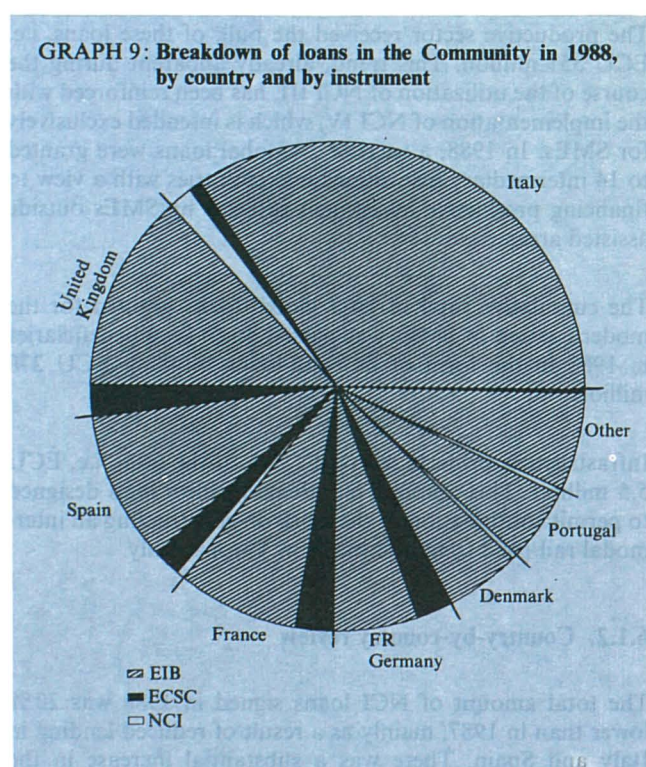
Table 10

Geographical breakdown of lending in 1987 and 1988

	(Million ecus)												
Countries	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	Total
1987													
Amount	47,1	288,0	601,2	163,3	327,8	753,8	178,9	3 408,0	1,7	21,7	339,2	1 618,6	7 878,0 ¹
%	0,6	3,7	7,6	2,1	4,2	9,6	2,3	43,3	—	0,3	4,3	20,5	100,0
1988													
Amount	21,4	495,1	742,3	214,0	1 166,7	983,7	157,1	3 473,0	2,5	234,4	488,2	1 245,1	9 508,6 ²
%	0,3	5,2	7,8	2,3	12,3	10,3	1,6	36,5	—	2,5	5,1	13,1	100,0
<i>of which:</i>													
ECSC	16,7	2,0	223,6	0,2	163,6	227,5	0,1	76,3	2,5	1,2	—	194,1	907,8
EIB	4,7	461,7	518,7	211,9	950,1	746,7	157,0	3 243,0	—	233,2	455,5	1 051,0	8 318,5 ²
Euratom	—	—	—	—	—	—	—	—	—	—	—	—	—
NCI	—	31,4	—	1,9	53,0	9,5	—	153,7	—	—	32,7	—	282,3

¹ Including ECU 19,9 million for ECSC loans outside the Community and ECU 108,7 million under Article 18 of the EIB Statute.

² Including ECU 285 million under Article 18 of the EIB Statute.



5.3. Breakdown by country

Almost 71% of lending was concentrated in the countries with major regional problems: Greece, Ireland, Italy, Spain, Portugal and the United Kingdom.

As in 1986 and 1987, the principal recipient was Italy (Graph 9), which received nearly 37% of the total, although this figure was down on the previous two years. The United Kingdom saw its share fall sharply, to 13%, although it remained the second major beneficiary, while Spain improved its position significantly, moving into third place. Ireland's share declined somewhat while all the other countries increased their shares.

5.4. Employment effects

With its contribution averaging a third of total costs, the EIB helped to finance investment totalling just under ECU 25 billion in 1988. Although it is difficult to assess the impact of such lending on employment, the investment projects financed could help create over 40 000 permanent jobs directly. Two thirds of those jobs will probably be in the less-favoured regions, with an expected 28 000 of them being created by small and medium-sized enterprises.

Similarly, ECSC conversion loans made in 1988 could help to generate about 22 500 extra jobs.

6. Lending in the Community, by instrument

6.1. New Community Instrument (NCI)

6.1.1. General analysis of utilization

Table 11 shows the situation regarding the use made of the various NCI borrowing authorizations in relation to their respective ceilings as at 31 December 1988.

This table takes account of the different legal bases which are applicable to the successive NCI tranches and which determine the exact method of assessing the value of each loan signed (and in particular the conversion of NCI I, II and III loans into 'borrowing equivalent').

The following conclusions can be drawn:

- (i) NCI I and II have been fully committed, except for a small outstanding balance from NCI II which will be absorbed at the same time as NCI III is used up;

Table 11

NCI utilization

	NCI I	NCI II	NCI III	NCI IV	<i>(Million ecus)</i>			
					Earthquake reconstruction			
					Italy	(of which NCI)	Greece	(of which NCI)
Ceilings	1 000	1 000	2 900	750	1 000		80	
Loans granted	1 000	997	2 866	632	965	(613)	80	(80)
Balance	—	3	34	118	35		—	

- (ii) 99 % of NCI III has already been used up;
- (iii) NCI IV, which came into force in March 1987, started up rapidly, with 84 % of the authorized amount already allocated by the end of 1988;
- (iv) The special reconstruction operations after the earthquakes of 1980 and 1981, already completed in the case of Greece by a single NCI operation, are also coming to an end in Italy. With 96 % of the total authorized for Italy already granted, some 64 % of the assistance there has been financed by the NCI and 36 % by the EIB.

Table 6 in the Statistical annex provides a breakdown of NCI loans signed each year by country and by sector.¹

After expanding in 1987 owing to the implementation of NCI IV, the amount of new NCI loans signed fell back in 1988, to ECU 356,5 million.

The productive sector received the bulk of these loans, i.e. ECU 351 million. This trend, already apparent during the course of the utilization of NCI III, has been reinforced with the implementation of NCI IV, which is intended exclusively for SMEs. In 1988, a total of 24 global loans were granted to 14 intermediary institutions in 5 countries with a view to financing productive investment projects by SMEs outside assisted areas.

The cumulative total of NCI global loans granted for the modernization of SMEs was passed on to final beneficiaries in 1988 in the form of 687 sub-loans totalling ECU 270 million.

Infrastructure projects received 1,5 % of the total, i.e. ECU 5,5 million. This amount represented a new loan designed to permit continuation of the work on constructing an inter-modal rail/road freight terminal in Verona, Italy.

6.1.2. Country-by-country review

The total amount of NCI loans signed in 1988 was 20 % lower than in 1987, mainly as a result of reduced lending in Italy and Spain. There was a substantial increase in the

¹ The table is concerned with loans signed. The figures differ in some instances from those given in Tables 8, 9, and 10 in the statistical annex, which list individual loans and allocations from current global loans granted in 1988. The difference represents the proportion of global loans not yet allocated.

volume of loans signed in France and especially in the United Kingdom, while no new loans were signed for Portugal¹ or Greece. The main recipients were France, the United Kingdom and Italy, accounting for 30%, 28% and 27% respectively of the loans signed in 1988.

In Denmark, a single loan was signed for ECU 31,4 million, the same amount in local currency as the loan granted to the same intermediary in 1987. The loan in question was a global loan for industrial and service-sector SMEs.

Since 1986, all the lending in Spain has been for SMEs. In 1988, the amount was ECU 21,9 million, down on the preceding two years. Two of the financial intermediaries active in 1987 handled new loans in 1988 to finance productive investment by SMEs outside less-developed areas.

¹ On the basis of the disbursements from global loans, Portugal received a total of ECU 33 million.

In France, the volume of loans signed, which again rose sharply (ECU 106,6 million compared with ECU 77 million in 1987), was shared between two intermediaries whereas only one intermediary had been involved in 1986 and 1987.

In Italy, the loans signed in 1988 fell by 50%, to ECU 97,3 million. Most of the funding took the form of global loans to finance productive investment by SMEs in central and northern Italy outside less-developed areas — 16 loans to 7 institutions, totalling ECU 91,8 million. In addition, a new individual loan amounting to ECU 5,5 million was granted to finance an intermodal rail/road freight terminal in Verona.

In the United Kingdom, following a break of two years, three global loans totalling ECU 99,2 million were signed in support of SMEs. This compares with a figure of ECU 14 million in 1987.

The New Community Instrument: lessons of the first 10 years

The year 1988 marks the 10th year of operations of the New Community Instrument (NCI). It also marks the virtual completion of the borrowing programmes permitted under all the existing authorizations of the NCI, of which there have been four for the ordinary operations (some of them divided into sub-tranches) and two for special reconstruction operations following natural disasters.

The end of the first decade is an appropriate time to take stock of the value of the whole operation, and this timeliness is further reinforced by the fact that the NCI has at this stage attained maturity in a sense which is further explained in the box on page 26, where the Commission's proposals are set out for a renewal of the action.

Whilst it plays a complementary role to those of other Community institutions, the NCI is, nevertheless, an important component of the EEC's financial capability (see box on page 34). The consequences of the actions already undertaken will continue to be felt into the next century (the final maturity dates falling in fact in the year 2004), so that the cumulative effect is already considerable.

The principal practical lessons to be learned from this first decade of operations can be summarized as follows:

1. In its most recent operations, and notably NCI III and IV, the NCI has built on the goodwill accumulated over the course of previous operations, and has gone on from being simply a known and accepted instrument to provide positive signals to the market. Thus the exclusive concentration on financing small and medium-sized enterprises under NCI IV has helped to focus attention on this sector, and the rapid

take-up of the whole tranche is a measure of its success in this respect. The NCI has thus successfully demonstrated its flexibility and adaptability in signalling the changing economic priorities for Europe.

2. The parallel existence of EEC and EIB operations permits the cross-fertilization of ideas. Thus the guidelines given by the Commission for the NCI have been not only carried out by the EIB as its agent on the on-lending side, but also in certain cases incorporated into the EIB's own activities, several times larger than those of the NCI.
3. Conversely, the use of the global loan technique, pioneered by the EIB, has ensured that the stimulus provided by NCI finance, especially under NCI IV, has been widely diffused. This can be seen from the small size of the average sub-loan (ECU 340 000) made by the 54 financial intermediaries, thereby permitting some 2 200 operations in a far wider spread of industrial sectors and geographical areas than could possibly have been reached by direct actions.
4. These benefits have been obtained at low cost to the beneficiaries in relation to the needs which have been thereby served. The use of financial intermediaries who bear the risk of these operations adds a small margin to the final rate of interest payable, which is a small price to pay for the availability of funds in areas and sectors, and for types of activity, which would either not otherwise be covered (new technologies, incorporation of innovations, non-material investment, etc.) or covered only at higher interest rates.
5. This service has been provided without cost to the Community. Very solid primary guarantees are always obtained, with the result that recourse to the Commission's budgetary guarantee is entirely hypothetical. The existence of these guarantees makes it possible to state categorically that the cost of NCI operations to the Community budget is zero, whilst the positive effects have been very substantial.

List of NCI loans signed in 1988						
				<i>(Million ecus)¹</i>		
	NCI III	NCI IV	Total			
<i>Denmark</i>			31,4	• Efibanca		
Global loan to Finansieringsinstituttet for Industri og Håndværk A/S DKR 250 million		31,4		LIT 7,0 billion		4,6
				LIT 3,0 billion		1,9
				LIT 7,0 billion		4,6
				LIT 3,0 billion		1,9
<i>Spain</i>			21,9	• IMI		
Global loans:				LIT 14,0 billion		9,0
• Banco Español de Credito SA and Banco del Desarrollo Económico Español SA				LIT 6,0 billion		3,9
PTA 1,5 billion		10,9		• Istituto Regionale di Credito Agrario		
• Banco de Vizcaya SA				LIT 5,0 billion	3,3	
PTA 1,5 billion		10,9		• Mediocredito Centrale		
				LIT 7,3 billion		4,8
				LIT 5,0 billion		3,3
				LIT 29,2 billion		19,0
<i>France</i>			106,6	• Mediocredito Lombardo		
Global loans:				LIT 10,5 billion		6,8
• Crédit Industriel et Commercial				LIT 4,5 billion		2,9
FF 400 million		56,6		Individual loan to Consorzio Zona Agricolo-Industriale di Verona through Venefondario for an inter-modal rail/road freight terminal in Verona (Venezia)		
• Crédit National				LIT 8,5 billion	5,5	
FF 350 million		50,0		<i>United Kingdom</i>		99,2
				Global loans:		
<i>Italy</i>			97,4	• Barclays Bank plc		
Global loans:				UKL 30,0 million		45,8
• Centrobanca				• Investors in Industry Group plc		
LIT 21,0 billion		13,6		UKL 15,0 million	22,9	
LIT 9,0 billion		5,8		UKL 20,0 million		30,5
• Crediop				Total	31,7	324,8
LIT 7,0 billion		4,6				356,5
LIT 3,0 billion		1,9				

¹ The contractual amount of each loan was converted into ecus at the exchange rates obtaining on the last working day of the quarter preceding that in which the loan contract was signed.

6.2. European Investment Bank (EIB)

Drawing on its own resources, the EIB granted individual loans and one guarantee totalling ECU 6 533,3 million and global loans (concluded with intermediary institutions) totalling ECU 2 585 million. During the year, 4 710 allocations (ECU 1 785,2 million) were made for small and medium-scale ventures from ongoing global loans.¹

In 1988, financing expanded very sharply in Spain, Portugal, Denmark and France. It also advanced strongly in the Netherlands and Germany. The amount of lending showed a more moderate rise in Italy and remained unchanged elsewhere. Two programmes for telecommunications satellites benefited from a loan and a guarantee granted on the special authorization of the Board of Governors (Article 18 of the EIB Statute).

Individual loans and allocations from ongoing global loans for capital projects in areas whose development is lagging behind or which are facing industrial decline amounted to ECU 4 912,8 million (ECU 3 767,2 million in 1987). As in 1987, lending under the above two headings accounted for some 60% of financing made available from EIB own resources. Almost two thirds of these operations were centred on projects in those regions targeted for increased and concentrated Community assistance under Objective 1 of the reform of the structural Funds.

Financing provided in the less-favoured regions contributed towards investment in industry, services, agriculture and fisheries—between them attracting more than a third of the total (ECU 1 750,5 million, of which ECU 1 004,9 million for SMEs)—as well as towards implementing basic infrastructures (ECU 2 432 million, of which ECU 1 857,6 million for transport and telecommunications).

Bank loans for projects furthering Community energy policy objectives totalled ECU 1 840,9 million.

More than half of this amount (ECU 925,4 million) was focused on exploiting the Community's indigenous resources; then came financing in support of import diversification (ECU 535,7 million) and loans designed to foster energy efficiency (ECU 379,8 million).

There was a threefold increase in financing for Community infrastructure projects, to ECU 1 727,6 million. An amount

of ECU 1 095 million was for the transport sector, of which ECU 404,5 million for road transport and ECU 383,6 million for air transport. It included the first disbursements for the Channel Tunnel project making ECU 213 million available under the co-financing agreement for around ECU 1,4 billion signed in 1987.

A total of ECU 603,8 million was advanced for telecommunications schemes in Italy, Spain and Ireland as well as for the acquisition and launching of satellites by Inmarsat and Eutelsat.

Lending for projects helping to improve or protect the environment amounted to ECU 1 231,1 million. The projects were located in 10 countries, primarily Italy, Germany and Spain, and over 60% of the total went to waste-water treatment projects or projects aimed at improving the quality of drinking water (ECU 755,1 million); almost one third was for equipment designed to reduce atmospheric pollution from industrial plants. The balance benefited various investment projects (erosion control, urban and industrial waste processing, enhancement of the urban environment).

The EIB lent ECU 842,3 million for projects helping to strengthen the international competitiveness of Community industry through the introduction of custom-made technology and for investment to strengthen European industrial integration. Bank credit for SMEs in non-assisted areas amounted to ECU 317 million from own resources, to which should be added ECU 269,5 million from NCI resources.

A sectoral breakdown of EIB lending reveals the importance of transport and telecommunications projects in the case of infrastructure (ECU 2 909,4 million out of ECU 3 911,2 million) and a sharp decline in the nuclear sector in the case of energy (a total of ECU 1 777,1 million). Lending for industry, services and agriculture was 62% higher than the previous year, with a large number of allocations (4 546) drawn down from ongoing global loans, mainly for SMEs in assisted areas.

6.3. Euratom

No loans were made in 1988, the main reason being, of course, the present unfavourable circumstances for the construction of new plants in this sector. What is more, the Council has not yet acted on the Commission proposal to raise the ceiling on Euratom loans to ECU 4 billion, which was transmitted to it on 25 July 1988.

¹ As the period during which global loan proceeds are committed can extend over several financial years, the amount of global loan contracts signed in 1988 differs from the sum of allocations approved during the year.

6.4. European Coal and Steel Community (ECSC)

The total amount of loans paid out by the ECSC in 1988 was 6,3% lower than in 1987, amounting to ECU 907,8 million (ECU 969,3 million in 1987). This figure reflects, on the one hand, an increase in industrial loans for the steel industry and in conversion loans under Article 56 and, on the other, an appreciable decrease in loans for the energy sector.

Industrial loans declined by 32% in 1988, to ECU 435,1 million. Loans to the steel industry increased by 254,5%, from ECU 109,7 million in 1987 to ECU 388,9 million in 1988. Thirteen loans were granted during the period covered by this report to firms in the Federal Republic of Germany, Denmark, Spain and France.

By contrast, no loans were made to the coal industry.

Loans for financing investment projects designed to promote consumption of Community coal totalled ECU 21,8 million in 1988 compared with ECU 36,9 million in 1987.

Loans for financing investment designed to facilitate the marketing of Community steel declined sharply, from ECU 60,8 million in 1987 to ECU 15,3 million in 1988.

The financing of thermal power stations also fell sharply compared with the previous year, from ECU 123,3 million to ECU 9,1 million.

Conversion loans increased appreciably (by 48,5%), from ECU 304,3 million in 1987 to ECU 451,7 million in 1988. Global loans accounted for ECU 425,7 million of the total.

In 1988 the ECSC paid out a total of ECU 21,0 million to finance low-cost housing for employees in the coal and steel industries: ECU 16,0 million was granted from its own funds at an interest rate of 1% a year and ECU 5,0 million from borrowings at the market interest rate. Some 2 600 low-cost dwellings were financed in this way in 1988, bringing the number of such dwellings financed by the ECSC since 1951 to more than 198 600.

6.5. Interest subsidies

In 1988 three interest-subsidy mechanisms for lending within the Community were used, all in non-capitalized form:

(i) ECSC subsidies (on ECSC loans);

(ii) subsidies related to the special aid for the Italian and Greek areas stricken by the 1980/81 earthquakes (on NCI and EIB loans);

(iii) subsidies for the pilot scheme for encouraging investment by SMEs in Portugal with a view to promoting economic expansion and job creation (on loans provided by Portuguese financial intermediaries).

The ECSC interest subsidies granted by the Commission on ECSC loans in 1988 were reserved for conversion projects financed under Article 56 of the ECSC Treaty and for investment projects designed to increase consumption of Community coal and financed under the second paragraph of Article 54 of the Treaty.

Table 12 summarizes the subsidy amounts paid out in 1988.

The interest subsidies for reconstruction in earthquake-stricken areas are governed by Council Decisions 81/19/EEC of 20 January 1981 (in the case of Italy) and 81/1013/EEC of 14 December 1981 (in the case of Greece). They are paid annually on the loan interest dates, a rate of 3% per annum being applied to the capital still outstanding; the loans and subsidies have a maximum life of 12 years.

The new loans eligible for interest subsidies and signed in 1988 were for economic infrastructures:

- (i) an NCI loan of ECU 21 million for the repair of the Italian railway network;
- (ii) three EIB loans totalling ECU 27 million for industrial estates and the Naples-Bari motorway.

The loans signed in this connection by the end of 1988 total ECU 975 million for Italy on the basis of loans signed (ECU 955 million in terms of actual and planned disbursements) compared with an authorized ECU 1 billion. A single operation signed in Greece in 1982 had already accounted for the whole of the ECU 80 million authorized for that country.

Of the total of ECU 1 055 million in 'earthquake reconstruction' loans signed for the two countries concerned (68% of which was from NCI resources):

- (i) 59% was for economic infrastructures (roads, railways, telephones, electricity, water supply, industrial estates);
- (ii) 38% was for social infrastructures (housing, schools and public buildings);
- (iii) 3% was for the rehabilitation of the means of production.

On the loans signed since 1981, interest subsidies worth ECU 27,8 million were paid out in 1988.

Table 12

ECSC interest subsidies paid out in 1988

	<i>(Million ecus)</i>										
	B	DK	D	E	F	IRL	I	L	NL	UK	Total ¹
Article 54	—	—	2,59	—	0,09	—	—	—	—	0,35	3,03
Article 56	0,37	0,14	23,71	0,17	0,71	—	3,01	0,11	0,18	10,18	38,58
Total	0,37	0,14	26,30	0,17	0,80	—	3,01	0,11	0,18	10,53	41,61

¹ The total includes an amount of ECU 0,38 million for the special project covering the Saarland, Lorraine and Luxembourg under Article 56.

The 'Portugal employment' interest subsidies are so calculated as to ensure that the borrower is refunded roughly the first two years' interest which he would normally have paid on his loan. A sum of ECU 10 million was allocated to encourage Portuguese SMEs to carry out investment projects

capable of expanding or creating economic activities and, at the same time, of increasing employment. Payments made under this heading totalled ECU 4 million in 1987 and ECU 3,9 million in 1988.

7. Lending outside the Community

7.1. General

Financing outside the Community is the responsibility of the EIB alone. In 1988 it amounted to ECU 520,1 million in loans from own resources and ECU 180,1 million in operations from risk capital resources drawn from Community and Member States' budgetary funds, giving a total of ECU 700,2 million, compared with ECU 392,1 million in 1987.

The increase results from the entry into force of new financial protocols between the Community and the Mediterranean countries, under which financing worth ECU 398 million was concluded, including ECU 7 million from budgetary resources, compared with ECU 42,8 million in 1987.

Financing in the African, Caribbean and Pacific States was advanced under the terms of the Third Lomé Convention and in the overseas countries and territories under the relevant Council decision. It amounted to ECU 129,1 million in loans from own resources, carrying an interest subsidy, and ECU 173,1 million in risk capital assistance financed from budgetary resources, giving a total of ECU 302,2 million in all (compared with ECU 349,4 million in 1987).

7.2. Loans to Mediterranean countries

The Financial Protocols concluded in 1987 with various countries in the Mediterranean came into force during 1988. The EIB was able to resume its operations very rapidly in several countries following the contraction in 1987, when the amounts provided for under the previous Protocols had been virtually fully drawn down.

Under the second Financial Protocol concluded with Yugoslavia, particular stress was laid on financing transport infrastructures of importance for both Yugoslavia and the Community: the EIB lent ECU 210 million to fund construction of various sections of the Trans-Yugoslav motorway and the road tunnel under the Karawanken mountains linking up with Austria's motorway network.

In Tunisia the loans (ECU 60 million) went into upgrading part of the rail network and into support, via global loans, for small and medium-sized investment schemes in industry, agriculture, agro-industry and tourism. In the course of the year, some 300 ventures attracted a total of ECU 22 million from ongoing global loans.

In Morocco, a global loan for ECU 50 million, arranged towards the end of the year, will be channelled into financing investment in agriculture and agro-industry, including very small-scale on-farm schemes.

In Jordan, the EIB provided funding (ECU 34 million) for improvements to the power-distribution network supplying Amman and arranged global loans to promote investment in industry and agriculture.

In Egypt, support for small and medium-scale ventures in industry and tourism was made available through two global loans totalling ECU 28 million.

In Malta, a loan of ECU 16 million will help to improve and expand passenger-handling facilities at the airport. This loan drew down the last of the funds remaining under the second Financial Protocol.

7.3. Loans to African, Caribbean and Pacific States and overseas countries and territories

The EIB succeeded in mounting operations in support of investment projects in 30 ACP countries and in four OCTs.

In addition, it provided financing for a number of projects involving cooperation between several countries: ECU 15 million for Asecna, the Agency for Air Traffic Control in Africa and Madagascar, to improve air traffic safety in 11 African countries, and ECU 19,7 million in support of investment undertaken through the intermediary of regional development banks in Africa and the Caribbean.

In keeping with the guidelines contained in the Third Lomé Convention, priority was accorded to supporting projects in industry and agro-industry, with financing amounting to ECU 142 million, nearly 50% of total assistance provided.

The other loans went into energy-sector equipment (ECU 69,1 million), improving and expanding drinking water and sewerage installations (ECU 63 million) and upgrading communications infrastructure (ECU 28 million). Operations centred on rehabilitation of enterprises and restoration of infrastructure accounted for almost half of the total.

In 1988, the EIB advanced financing in 25 African countries totalling ECU 260,1 million (ECU 104 million from its own resources and ECU 156,1 million from risk capital), including ECU 32,7 million for projects concerning several countries.

As regards other lending, 38 % went to industrial and agro-industrial projects: vegetable oil production system in the Congo; coffee sorting and storage in Burundi; flour mill in Mauritius; tuna-processing complex in Madagascar; cotton-ginning plant in Mali; cotton weaving/finishing plant in Swaziland; plant producing packaging and plastic sacks in Burkina Faso; working of a granite quarry in Guinea; gold deposits in the Sudan; iron-ore deposits in Mozambique; alumina plant in Guinea; and cement-works in Mozambique; a loan for the rehabilitation of industrial enterprises was made in Kenya.

Just under 25 % of funding went to infrastructure projects aimed at improving the water supply in Lagos (Nigeria), Gaborone, (Botswana), Banjul (Gambia) and Ndjamena (Chad).

More than 20 % of the total went to power-generation projects in the Sudan and Djibouti, to power transmission and distribution projects in Malawi, Mali, Tanzania, Cape Verde and Zambia, and to feasibility studies on the working of a gas field in Senegal and the construction of a high-voltage power line in Zaire.

Lastly, the EIB financed work on extending the port at Assab (Ethiopia) and a study on the improvement of telecommunications in Togo.

In the Pacific, ECU 19,7 million was advanced for plantations and palm oil and cocoa storage and processing facilities in Papua New Guinea and for a hydroelectric plant and a development bank in Western Samoa.

Financing in the Caribbean amounted to ECU 10,9 million, from which a global loan of ECU 2 million was advanced to the Caribbean Financial Services Corporation. Other operations mounted concerned power generation and transmission equipment on the islands of St Lucia and St Vincent and a feasibility study on the construction of a new abattoir on Barbados.

Lastly, four OCTs attracted financing (ECU 11,6 million): French Polynesia for expansion of the power network on Tahiti, the Netherlands Antilles for improvements to telecommunications facilities, the island of Anguilla for a hotel and the island of Aruba for a development bank.

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Table 1
Community borrowings in 1988

No	Type	Life (years)	Coupon (%)	Currency and amount (million)	Million ecus ¹
(a) NCI					
1	Private placing	8	8,3	ECU 40	40
2	Private placing	5	4,125	SFR 76	43,166
3	Private placing	4	4,25	SFR 12	6,816
4	Private placing	3	4,9	YEN 6 000	40,968
5	Public issue	5	8,375	USD 190	162,036
6	Public issue	5	8,375	USD 10	8,528
7	Private placing	4	5,3	YEN 6 000	40,968
8	Private placing	6	7,85	BFR 750	17,211
9	Public issue	7	6,75	LFR 600	13,769
10	Public issue	7	11,625	LIT 100 000	65,313
11	Public issue	4	8,25	USD 101,5	86,561
12	Public issue	6	7,625	ECU 250	250
13	Public issue	4	7,5	ECU 115	115
14	Public issue	4	7,5	ECU 5	5
15	Private placing	7	5,7	YEN 2 311,4	15,782
16	Private placing	2	7,7	BFR 1 500	34,423
Total					945,541
(b) Euratom					
1	Public issue	4	10,5	LIT 107 000	69,884
2	Private placing	5	7,687	BFR 1 000	22,948
Total					92,832
(c) ECSC					
1	Private placing	1	4,1	DM 30,0	14,438
2	Private placing	2	4,45	DM 30,0	14,438
3	Private placing	5	8,26	BFR 27,0	0,62
4	Private placing	8	6,15	DM 58,5	28,155
5	Private placing	10	11,75	LIT 7 792,0	5,089
6	Private placing	10	6,28	DM 24,2	11,647
7	Private placing	3	4,83	DM 23,0	11,069
8	Private placing	3	4,83	DM 23,0	11,069
9	Private placing	7	12,0	PTA 1 000,0	7,526
10	Private placing	7	9,43	FF 20,0	2,818
11	Private placing	5	5,18	DM 42,0	20,214
12	Private placing	8	5,73	DM 19,5	9,385
13	Private placing	5	5,22	DM 20,0	9,626
14	Private placing	8	6,24	DM 17,5	8,422
15	Private placing	5	9,55	FF 40,0	5,635
16	Private placing	8	5,99	DM 55,0	26,47
17	Private placing	10	6,43	DM 25,8	12,417

Table 1 (continued)

No	Type	Life (years)	Coupon (%)	Currency and amount (million)	Million ecus ¹
18	Private placing	10	11,5	LIT 8 303,0	5,423
19	Private placing	5	5,78	HFL 50,0	21,314
20	Public issue	6	7,625	ECU 125,0	125,0
21	Public issue	6	7,625	ECU 63,308	63,309
22	Public issue	6	7,625	ECU 1,3	1,3
23	Public issue	6	7,625	ECU 6,25	6,25
24	Public issue	6	7,625	ECU 36,0	36,0
25	Public issue	6	7,625	ECU 18,141	18,141
26	Private placing	5	7,125	LFR 300,0	6,885
27	Private placing	6	6,0	DM 14,0	6,738
28	Private placing	14	6,85	DM 8,2	3,946
29	Private placing	4	5,71	DM 4,966	2,39
30	Private placing	5	8,625	FF 30,0	4,226
31	Private placing	5	7,687	BFR 900,0	20,654
32	Private placing	8	5,5	DM 5,0	2,406
33	Private placing	10	9,5	FF 2,5	0,352
34	Private placing	7	11,5	PTA 776,0	5,84
35	Private placing	7	9,3	FF 2,3	0,324
36	Private placing	5	5,5	DM 54,0	25,989
37	Private placing	10	9,85	FF 1,2	0,169
38	Private placing	8	6,375	DM 70,0	33,689
39	Private placing	5	6,46	HFL 1,049	0,447
40	Private placing	10	6,49	DM 27,2	13,091
41	Private placing	10	12,5	LIT 8 808,0	5,753
42	Private placing	5	11,5	UKL 9,21	14,201
43	Private placing	14	8,5	FF 81,0	11,411
44	Private placing	3	5,5	DM 4,0	1,925
45	Private placing	1	4,937	DM 1,75	0,842
46	Public issue	5	10,875	LIT 120 000,0	78,375
47	Public issue	5	7,0	LFR 400,0	9,179
48	Private placing	4	5,75	DM 10,176	4,897
49	Private placing	10	13,0	LIT 7 993,0	5,22
50	Private placing	10	6,48	DM 24,9	11,984
51	Private placing	13	6,72	DM 2,25	1,083
52	Private placing	2	7,0	LFR 300,0	6,885
53	Private placing	3	7,75	LFR 98,0	2,249
54	Private placing	5	8,75	FF 40,0	5,635
55	Private placing	8	6,44	DM 143,0	68,822
56	Public issue	6	5,5	DM 100,0	48,128
57	Private placing	5	12,75	UKL 0,3	0,463
Total					879,973
Total NCI + Euratom + ECSC					1 918,346

¹ The conversion rates used were those obtaining on 31 December 1988.

Table 2
EIB borrowings in 1988
1. Long-term and medium-term operations
Public issues

Life (years)	Coupon (%)	Subscription currency	Currency and amount (million)	Million ecus ¹
8	7,000	LFR	1 000,000	23,173
8	8,000	ECU	150,000	150,000
10	6,125	DM	300,000	145,607
10	4,500	SFR	150,000	90,088
6,9	9,500	UKL	100,000	143,515
9,9	8,375	ECU	50,000	50,000
10	10,125	CAD	130,000	76,608
15	9,000	FF	1 500,000	214,797
10	9,000	USD	100,000	76,725
5	11,500	LIT	150 000,000	98,577
8	7,500	ECU	150,000	150,000
10	5,750	DM	400,000	194,143
8	variable	LIT	150 000,000	98,577
4	4,750	YEN	30 000,000	189,523
6,9	9,500	UKL	30,000	45,105
6	5,750	HFL	200,000	85,879
7	7,375	ECU	75,000	75,000
5	5,500	HFL	300,000	128,819
10	4,625	SFR	150,000	87,758
10	5,875	DM	200,000	96,397
5	11,500	LIT	200 000,000	129,954
6,9	9,500	UKL	70,000	105,246
8	7,750	BFR	6 000,000	138,013
7	8,750	FF	1 500,000	214,324
4	8,750	USD	200,000	175,288
8	10,750	LIT	150 000,000	97,418
5	5,500	DM	500,000	240,939
8	6,250	DM	300,000	144,563
10	6,500	HFL	150,000	64,092
10	8,000	ECU	100,000	100,000
10	10,350	PTA	20 000,000	145,891
10	6,000	DM	300,000	144,544
7	11,250	LIT	150 000,000	97,030
10	4,750	SFR	200,000	113,878
10	8,700	FF	2 000,000	283,094
7	7,750	ECU	250,000	250,000
8,3	10,000	UKL	100,000	152,687
10	5,875	DM	700,000	337,270
10	6,250	HFL	150,000	64,110
8	8,750	IRL	25,000	32,281
4	8,625	FF	1 000,000	141,547
9	13,500	PTA	5 000,000	29,316
21	9,500	UKL	100,000	152,687
6,1	7,750	ECU	100,000	100,000
7	11,400	PTA	12 500,000	91,182
Total				5 765,650

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 2 (continued)

Private placings

Number of operations	Life (years)	Coupon (%)	Subscription currency	Amount (million)	Amount in million ecus ¹
4	4-15	5,40 - 6,85	HFL	364,700	157,174
7	3-8	7,70 - 8,22	BFR	11 500,000	265,754
9	3-7	7,00 - 7,625	LFR	2 700,000	62,261
4	4-6	4,00 - 4,375	SFR	450,000	264,207
2	5-10	5,10 - 5,70	YEN	23 065,000	158,358
2	10	6,875 - 8,00	ECU	84,000	84,000
2	8	12,50 - variable	LIT	200 000,000	130,198
1	20	8,99	UKL	100,000	152,687
Total	31				1 274,640

2. Interbank operations

	DM	241,630
	BFR	69,520
Total		311,150

3. Medium-term notes

	1-3	7,75 - 8,70	USD	69,45	55,480
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4. Certificates of deposit denominated in ecus

	252,500
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1. Long-term and medium-term operations:	
— public issues:	5 765,650
— private placings:	1 274,640
2. Interbank operations:	311,150
3. Medium-term notes:	55,480
4. Certificates of deposit denominated in ecus:	252,500
Total borrowing in 1988	7 659,420

¹ The conversion rates were those obtaining on the last working day of the quarter before the contract was signed.

Table 3
Borrowings by the European Communities (amounts outstanding at the end of each year)^{1,2}
(Million ecus)

Year	ECSC	EIB ³	Euratom	NCI ³	Total borrowings for structural purposes	EEC ⁴	Total
1977	3 955	5 421	99	—	9 475	1 500	10 975
1978	4 416	6 715	172	—	11 303	1 361	12 664
1979	4 675	8 541	323	178	13 717	965	14 682
1980	5 406	10 604	502	491	17 003	1 016	18 019
1981	5 884	13 482	902	894	21 162	1 062	22 224
1982	6 178	16 570	1 272	1 747	25 767	591	26 358
1983	6 539	20 749	1 680	3 269	32 237	4 610	36 847
1984	7 119	25 007	1 892	4 432	38 450	4 932	43 382
1985	7 034	26 736	2 013	4 960	40 743	3 236	43 979
1986	6 761	30 271	2 168	5 202	44 402	1 890	46 292
1987	6 689	31 957	2 500	5 229	—	2 997	—
1988	6 825	36 928	2 164	5 514	51 431	2 459	53 890

¹ The conversion rates used were those obtaining on 31 December of each year; as the majority of borrowings are denominated in national currencies, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year.

² Original amount of borrowings, plus or minus repayments of the principal, cancellations, annulments, and exchange rate adjustments.

³ Including borrowing for reconstruction loans for the earthquake-stricken areas in Italy and Greece.

⁴ Balance of payments borrowings.

Table 4
Breakdown of loans in the Community in 1988, by country, instrument and sector¹
(Million ecus)

Country	NCI			EIB				ECSC				Total			
	Product-sector	Infra-structure/energy	Total	Product-sector	Infra-structure	Energy	Total	Product-sector	Infra-structure	Energy	Total	Product-sector	Infra-structure	Energy	Total
Belgium	—	—	—	4,7	—	—	4,7	16,4	0,3	—	16,7	21,4	0,3	—	21,4
Denmark	31,4	—	31,4	2,9	211,3	247,5	461,8	1,9	0,1	—	2,0	36,2	211,4	247,5	495,2
FR of Germany	—	—	—	187,7	183,2	148,0	518,8	207,5	5,6	10,5	223,6	395,2	188,8	158,5	742,3
Greece	1,9	—	1,9	69,8	131,7	10,4	211,9	—	0,2	—	0,2	71,7	131,9	10,4	214,0
Spain	53,0	—	53,0	315,8	632,6	1,7	950,1	161,3	2,3	—	163,6	530,1	634,9	1,7	1 166,7
France	9,5	—	9,5	381,6	357,0	8,1	746,7	213,5	2,6	11,4	227,5	604,6	359,6	19,5	983,7
Ireland	—	—	—	5,7	92,8	58,6	157,1	—	0,1	—	0,1	5,7	92,9	58,6	157,1
Italy	142,1	11,6 ²	153,7	1 243,5	1 212,0	787,5	3 243,0	70,6	5,7	—	76,3	1 456,2	1 223,2	793,6	3 473,0
Luxembourg	—	—	—	—	—	—	—	2,2	0,3	—	2,5	2,2	0,3	—	2,5
Netherlands	—	—	—	211,8	21,4	—	233,2	0,9	0,3	—	1,2	212,7	21,7	—	234,4
Portugal	32,7	—	32,7	64,8	170,2	220,5	455,5	—	—	—	—	97,5	170,2	220,5	488,2
United Kingdom	—	—	—	152,8	608,5	289,7	1 051,0	181,5	3,5	9,1	194,1	334,3	612,0	298,8	1 245,1
Article 18 (EIB) ³	—	—	—	—	285,0	—	285,0	—	—	—	—	—	285,0	—	285,0
Total	270,7	11,6	282,3	2 641,0	3 905,5	1 772,0	8 318,5	855,8	21,0	31,0	907,8	3 767,5	3 932,0	1 809,1	9 508,6
% Sector	97,8	2,2	100	31,7	47,0	21,3	100	94,3	2,3	3,4	100	39,6	41,3	19,0	100
% Institution			3,0				87,5				9,5				100

¹ No Euratom loans in 1988.

² Of which ECU 6,1 million for energy projects and ECU 5.5 million for infrastructure projects.

³ Funding of projects of direct benefit to the Community.

Table 5

Trend in lending operations in the Community, by sector

Year	<i>(Million ecus)¹</i>			
	Productive sector	Infrastructure	Energy	Total
1977	928,4	607,7	693,2	2 229,3
1978	745,4	1 000,0	1 089,1	2 834,5
1979	753,1	1 055,8	1 577,6	3 386,5
1980	1 249,1	1 187,5	1 711,3	4 148,0
1981	766,3	1 377,2	1 947,5	4 090,0
1982	1 632,2	1 802,3	1 905,0	5 339,4
1983	1 878,6	2 049,5	2 659,5	6 587,6
1984	2 709,0	2 132,4	2 358,9	7 200,3
1985	2 830,2	2 413,1	2 502,7	7 746,0
1986	2 838,8	2 648,1	3 096,7	8 583,5
1987 ²	2 433,8	2 751,1	2 693,0	7 878,0
1988	3 767,5	3 932,0	1 809,1	9 508,6

¹ The conversion rates used were those obtaining on 31 December of the year in question in the case of ECSC loans and those obtaining on the last working day of the quarter before the contract was signed in the case of EIB, NCI and Euratom loans.

² With effect from 1987, loans actually granted, and not loans signed, are shown under this heading. The difference between the two represents the proportion of global loans that has not yet been allocated.

Table 6

NCI loans, 1980-88

Country	<i>(Million ecus)¹</i>													
	1980			1981			1982				1983			
	Infra-structure	Energy	Total	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denmark	—	18,1	18,1	—	—	—	—	48,6	47,4	96,0	9,9	—	83,2	93,1
FR of Germany	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece ²	—	—	—	—	—	—	—	124,9	—	124,9	—	50,3	35,0	85,3
France	—	—	—	40,3	—	40,3	37,6	—	—	37,6	105,5	—	80,7	186,2
Ireland	27,3	14,4	41,7	8,1	9,2	17,3	—	45,3	37,8	83,1	3,8	18,8	46,8	69,4
Italy ³	62,3	75,5	137,8	363,9	84,4	448,3	204,8	210,7	34,0	449,5	289,5	338,2	37,7	665,4
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	33,9	—	33,9	—	—	—	—	68,1	—	32,0	100,1
Total	89,6	108,0	197,6	446,2	93,6	539,8	242,4	429,5	119,2	791,1	476,8	407,4	315,4	1 199,6
%	45,3	54,7	100	82,7	17,3	100	30,6	54,3	15,1	100	39,7	34,0	26,3	100

Table 6 (continued)

 (Million ecus)¹

Country	1984				1985				1986				1987		
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Total
Belgium	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denmark	36,9	—	97,9	134,6	37,5	31,0	—	68,5	25,3	—	34,6	59,9	31,8	—	31,8
FR of Germany	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece	16,3	18,0	35,0	69,3	4,4	17,6	—	22,0	—	—	—	—	4,6	—	4,6
Spain	—	—	—	—	—	—	—	—	69,2	—	—	69,2	113,7	—	113,7
France	342,5	43,8	—	386,3	269,9	87,9	—	357,8	58,4	—	—	58,4	76,8	—	76,8
Ireland	19,4	30,6	—	50,0	27,9	—	—	27,9	—	—	47,8	47,8	—	—	—
Italy ²	365,4	43,4	88,5	497,3	300,9	73,3	—	374,1	78,7	24,2	8,7	111,6	172,1	24,1	196,2
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—	—	29,9	—	—	29,9	9,9	—	9,9
United Kingdom	10,5	33,8	—	44,3	16,4	17,0	—	33,4	—	16,3	—	16,3	—	14,0	14,0
Total	791,0	169,5	221,2	1 181,8	657,0	226,7	—	883,7	261,5	40,5	91,1	393,0	408,9	38,1	447,0
%	67,0	14,3	18,7	100	74,3	25,7	—	100	66,5	10,3	23,2	100	91,5	8,5	100

Country	1988			Total operations 1980-88
	Prod. sector	Infra-structure	Total	
Belgium	—	—	—	—
Denmark	31,4	—	31,4	533,4
FR of Germany	—	—	—	—
Greece	—	—	—	306,1
Spain	21,9	—	21,9	204,9
France	106,6	—	106,6	1 250,0
Ireland	—	—	—	337,2
Italy ³	91,8	5,5	97,3	2 977,5
Luxembourg	—	—	—	—
Netherlands	—	—	—	—
Portugal	—	—	—	39,8
United Kingdom	99,2	—	99,2	341,2
Total	351,0	5,5	356,5	5 990,1⁴
%	98,5	1,5	100	

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

² Including earthquake operations in Greece.

³ Including earthquake operations in Italy.

⁴ Including cancellations totalling ECU 67 million.

Table 7

ECSC loans, 1977-88

(Million ecus)¹

Country	1977				1978				1979				1980			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	15,0	0,9	—	15,9	—	1,9	—	1,9	—	0,4	—	0,4	—	—	29,2	29,2
Denmark	—	0,5	—	0,5	13,1	0,1	—	13,2	—	0,3	—	0,3	4,3	—	—	4,3
FR of Germany	28,0	5,8	81,7	115,5	111,6	5,6	21,8	139,0	122,0	6,1	21,0	149,1	98,5	0,8	29,8	129,1
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	125,2	0,9	48,4	174,5	89,9	2,8	34,4	127,1	99,5	3,2	28,7	131,4	237,5	0,5	37,4	275,4
Ireland	—	0,2	—	0,2	—	—	—	—	13,9	—	—	13,9	1,0	0,1	—	1,1
Italy	170,9	2,7	—	173,6	123,8	2,6	—	126,4	94,2	7,4	—	101,6	138,6	4,4	—	143,0
Luxembourg	—	0,5	—	0,5	73,5	0,5	—	74,0	19,5	0,1	—	19,6	68,6	—	—	68,6
Netherlands	—	0,5	—	0,5	42,0	0,8	—	42,8	—	0,5	—	0,5	4,6	0,3	—	4,9
United Kingdom	173,6	—	86,7	260,3	29,0	3,0	241,3	273,3	26,4	3,6	229,0	259,0	140,0	1,7	226,8	368,5
Non-EEC	—	—	—	—	—	—	—	—	—	—	—	—	6,6	—	—	6,6
Total	512,7	12,0	216,8	741,5	482,9	17,3	297,5	797,7	375,5	21,6	278,7	675,8	699,7	7,8	323,2	1 030,7

Country	1981				1982				1983				1984			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	0,5	—	0,5	17,0	1,0	—	18,0	3,0	0,9	—	3,9	4,4	1,0	—	5,4
Denmark	—	—	—	—	1,7	0,1	—	1,8	—	0,0	—	0,0	3,1	0,1	—	3,2
FR of Germany	53,2	5,9	33,2	92,3	89,3	5,0	90,4	184,7	74,5	2,2	72,7	149,4	254,0	10,2	12,7	276,9
Greece	—	—	—	—	10,9	0,4	—	11,3	—	0,4	—	0,4	—	0,1	—	0,1
France	85,1	2,3	24,0	111,4	10,6	3,7	54,8	69,1	127,0	2,1	148,7	277,8	111,7	3,9	65,9	181,5
Ireland	11,0	—	—	11,0	—	0,1	—	0,1	4,2	0,2	—	4,4	—	0,1	—	0,1
Italy	96,2	5,3	—	101,5	62,7	2,4	—	65,1	19,4	12,8	—	32,2	47,3	18,7	—	66,0
Luxembourg	—	0,1	—	0,1	5,2	0,3	—	5,5	—	0,0	—	0,0	69,4	0,2	—	69,6
Netherlands	—	0,5	—	0,5	43,7	0,4	—	44,1	39,4	0,1	—	39,4	—	0,7	—	0,7
United Kingdom	70,2	0,1	—	70,3	112,4	4,7	152,0	269,1	104,8	1,5	164,2	270,5	81,4	1,7	—	83,1
Non-EEC	—	—	—	—	71,8	—	—	71,8	—	—	—	—	138,9	—	—	138,9
Total	315,7	14,7	57,2	387,6	425,3	18,1	297,2	740,6	372,3	20,2	385,6	778,1	710,2	36,7	78,6	825,5

Country	1985				1986				1987				1988			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	1,1	—	1,1	0,3	0,6	—	0,9	8,0	2,0	—	10,0	16,4	0,3	—	16,7
Denmark	3,7	—	—	3,7	—	—	—	—	3,8	—	—	3,8	1,9	0,1	—	2,0
FR of Germany	285,6	1,8	16,0	303,4	354,1	7,0	119,2	480,3	211,4	0,9	123,3	335,6	207,5	5,6	10,5	223,6
Greece	—	—	—	—	—	0,2	—	0,2	—	—	—	—	—	0,2	—	0,2
Spain	—	—	—	—	—	—	—	—	6,0	—	—	6,0	161,3	2,3	—	163,6
France	200,3	1,7	44,8	246,8	101,0	3,5	—	104,5	17,3	2,3	5,7	25,3	213,5	2,6	11,4	227,5
Ireland	—	0,1	—	0,1	—	0,1	0,8	0,9	—	—	—	—	—	0,1	—	0,1
Italy	168,3	11,0	—	179,3	332,3	10,2	—	342,5	172,8	16,2	—	189,0	70,6	5,7	—	76,3
Luxembourg	8,9	0,1	—	9,0	1,8	0,2	—	2,0	—	0,1	—	0,1	2,2	0,3	—	2,5
Netherlands	—	—	—	—	86,0	0,6	—	86,6	3,4	0,3	—	3,7	0,9	0,3	—	1,2
Portugal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	151,2	1,5	—	152,7	47,5	3,8	—	51,3	89,1	3,6	283,2	375,9	181,5	3,5	9,1	194,1
Non-EEC	114,5	—	—	114,5	—	—	—	—	19,9	—	—	19,9	—	—	—	—
Total	932,5	17,3	60,8	1 010,6	923,0	26,2	120,0	1 069,2	531,7	25,4	412,2	969,3	855,8	21,0	31,0	907,8

¹ The conversion rates used were those obtaining on 31 December of each year.

Table 8
Euratom loans 1977-87¹
Energy sector

Country	(Million ecus) ²										
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Belgium	—	—	50,5	82,2	225,2	72,9	32,5	95,1	—	—	—
Denmark	—	—	—	—	—	—	—	—	—	—	—
FR of Germany	77	34,4	—	—	—	—	—	—	68,7	24,4	24,3
Greece	—	—	—	—	—	—	—	—	—	—	—
Spain	—	—	—	—	—	—	—	—	—	—	—
France	19,9	—	67,9	99,1	98,8	258,9	198,6	90,9	44,8	223,1	71,6
Ireland	—	—	—	—	—	—	—	—	—	—	—
Italy	—	35,8	34,0	—	33,6	30,0	89,0	—	97,5	97,6	108,9
Luxembourg	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—
Portugal	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	—	46,3	—	—	98,1	108,9
Total	96,9	70,2	152,4	181,3	357,6	361,8	366,4	186,0	211,0	443,2	313,7

¹ No loans disbursed in 1988.

² The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 9**Individual loans and global loans granted in the Community by the EIB¹ in 1988, by economic objective***(Million ecus)²*

	Total	Individual loans	Allocations from global loans
Totals ³	8 600,8	6 538,8	2 062,0
<i>Regional development</i>	<i>4 912,8</i>	<i>3 831,0</i>	<i>1 081,8</i>
Belgium	1,2	—	1,2
Denmark	134,4	125,4	9,0
FR of Germany	154,4	146,4	8,0
Greece	211,9	150,4	61,5
Spain	724,5	528,3	196,2
France	488,4	339,0	149,4
Ireland	157,1	154,8	2,3
Italy	1 970,1	1 375,8	594,3
Netherlands	203,3	195,3	8,0
Portugal	453,8	403,8	50,0
United Kingdom	413,8	411,8	2,0
<i>Energy objectives</i>	<i>1 840,9</i>	<i>1 713,5</i>	<i>127,4</i>
Indigenous resources	925,4	925,4	—
• Hydroelectric; geothermal energy	214,5	214,5	—
• Nuclear	288,2	288,2	—
• Hydrocarbons	421,2	421,2	—
• Coal, lignite, peat	1,4	1,4	—
Import diversification	535,7	535,7	—
• Natural gas	194,8	194,8	—
• Coal	341,0	341,0	—
Efficient use of energy	379,8	252,5	127,4
<i>Competitiveness of firms</i>			
International competitiveness and European integration	756,0	643,4	112,6
Adaptation following accession	86,3	66,5	19,8
SMEs — EIB	317,0	—	317,0
SMEs — NCI	269,5	—	269,5
Telecommunications satellites and stations	304,6	304,6	—
<i>Environmental protection</i>	<i>1 231,1</i>	<i>1 807,3</i>	<i>143,8</i>
Quality of water	755,1	653,3	101,8
Quality of air	362,3	352,4	10,0
Treatment of solid waste	25,3	8,5	16,7
Urban environment	45,2	42,3	2,9
Natural environment, miscellaneous	43,2	30,8	12,4
<i>Community infrastructure</i>	<i>1 727,6</i>	<i>1 727,6</i>	<i>—</i>
Transport	1 095,0	1 095,0	—
• Railways	264,1	264,1	—
• Roads	404,5	404,5	—
• Sea transport	32,1	32,1	—
• Air transport	383,6	383,6	—
• Intermodal freight terminals	10,7	10,7	—
Telecommunications	603,8	603,8	—
Other	28,9	28,9	—

¹ Total amount of loans from EIB own resources and from NCI resources.² The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.³ As certain loans serve a number of purposes simultaneously, the amounts under the different headings cannot be aggregated.

Table 10
Loans from EIB own resources in the Community, 1977-88

 (Million ecus)¹

Country	1977				1978				1979				1980			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector ²	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	—	—	—	—	—	62,2	62,2	8,7	—	49,7	58,4	6,2	—	147,0	153,2
Denmark	12,8	7,1	12,8	32,7	12,4	51,4	42,5	106,3	5,4	3,9	6,3	15,6	9,6	4,7	66,8	81,1
FR of Germany	—	—	28,4	28,4	2,3	—	43,2	45,5	4,0	—	43,8	47,8	—	—	14,2	14,2
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	19,6	119,5	157,4	296,5	23,6	237,6	98,1	359,3	1,7	122,1	98,9	222,7	1,7	63,4	213,9	279,0
Ireland	18,3	61,4	—	79,7	14,8	72,6	30,0	117,4	49,2	124,4	79,3	252,9	158,0	114,0	47,6	334,3
Italy	197,1	189,3	39,3	425,7	142,2	374,0	328,9	845,1	244,6	356,3	304,5	905,4	207,2	578,5	366,9	1 152,5
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	167,9	218,4	92,8	479,1	67,3	247,0	116,4	430,7	64,0	299,9	375,1	739,0	166,8	329,6	191,6	688,0
Non-EEC	—	—	48,8 ³	48,8	—	—	—	—	—	—	39,4 ⁴	39,4	—	—	50,9 ⁵	50,9
Total	415,7	595,7	379,5	1 390,9	262,6	982,6	721,3	1 966,5	377,6	906,6	997,0	2 281,2	549,4	1 090,1	1 098,8	2 738,4

Country	1981				1982				1983				1984			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	12,3	—	170,2	182,5	5,5	—	55,0	60,5	—	—	—	—	—	—	32,5	32,5
Denmark	13,3	10,6	119,0	142,9	9,8	99,2	100,3	209,3	14,4	4,3	228,7	247,4	4,9	59,2	119,8	183,9
FR of Germany	—	—	292,0	292,0	—	—	20,8	20,8	22,9	—	129,3	152,2	—	—	134,3	134,3
Greece	51,4	82,5	9,8	143,7	138,7	144,1	50,8	333,6	63,2	193,3	107,8	364,3	61,0	125,9	88,6	275,5
France	—	67,7	159,0	226,7	39,8	72,7	311,7	424,3	130,9	316,4	260,6	707,9	128,3	479,6	206,1	814,0
Ireland	81,9	113,7	129,7	325,3	113,8	145,0	66,6	325,4	13,9	201,4	19,3	234,6	64,0	60,0	—	124,0
Italy	265,9	448,8	536,6	1 251,3	584,3	671,3	333,2	1 588,7	730,8	636,5	578,4	1 945,7	894,0	930,0	714,2	2 538,2
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	16,4	—	16,4
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	25,8	193,0	—	218,8	72,8	222,3	188,3	483,4	53,4	269,9	268,0	591,3	55,6	255,1	577,5	888,2
Non-EEC	—	—	22,8 ⁶	22,8	—	—	—	—	—	—	—	—	—	—	—	—
Total	450,6	916,3	1 439,1	2 805,9	964,5	1 354,7	1 126,8	3 446,0	1 029,5	1 621,9	1 592,1	4 243,5	1 207,8	1 926,2	1 873,1	5 007,0

Country	1985				1986				1987				1988			
	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total	Prod. sector	Infra-structure	Energy	Total
Belgium	—	—	77,8	77,8	46,1	—	—	46,1	37,1	—	—	37,1	4,7	—	—	4,7
Denmark	9,5	4,0	250,5	264,0	5,0	—	193,3	198,3	5,2	—	279,1	284,3	2,9	211,3	247,5	461,7
FR of Germany	—	—	91,4	91,4	—	139,7	302,1	441,8	14,0	54,0	173,4	241,3	187,7	183,2	148,0	518,9
Greece	44,2	285,8	71,7	401,7	178,3	50,2	24,4	253,0	71,8	45,6	44,9	162,3	69,8	131,7	10,4	211,9
Spain	—	—	—	—	92,0	220,8	27,3	340,0	26,6	182,1	51,5	260,2	315,8	632,6	1,7	950,1
France	290,2	407,8	191,6	889,6	121,6	421,1	22,3	565,0	135,3	342,0	102,8	580,1	381,6	357,0	8,1	746,7
Ireland	25,1	114,5	7,0	146,6	19,2	125,9	69,2	214,3	6,8	172,1	—	178,9	5,7	92,8	58,6	157,1
Italy	723,7	996,3	884,0	2 603,9	951,5	1 052,8	908,3	2 912,5	1 054,3	1 042,0	852,7	2 949,1	1 243,5	1 217,5	787,5	3 248,5
Luxembourg	—	—	—	—	—	18,2	—	18,2	—	—	1,6	1,6	—	—	—	—
Netherlands	—	69,1	—	69,1	94,9	3,3	—	98,2	14,9	3,1	—	18,0	211,8	21,4	—	233,2
Portugal	—	—	—	—	34,9	96,4	29,1	160,4	227,1	102,3	6,3	335,7	64,8	170,2	220,5	435,5
United Kingdom	148,1	291,6	657,0	1 096,7	110,7	378,1	866,4	1 355,3	32,3	742,7	344,8	1 119,8	152,8	608,5	289,7	1 051,0
Non-EEC	—	—	—	—	—	75,0 ⁷	—	75,0	—	—	108,7 ⁴	108,7	—	—	285,0 ⁷	285,0
Total	1 240,7	2 169,1	2 230,9	5 640,7	1 654,3	2 581,4	2 442,4	6 678,1	1 625,3	2 687,6	1 964,2	6 277,1 ⁸	2 641,0	3 911,0	1 772,0	8 324,0

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

² Industry, agriculture and services.

³ Norway, Austria.

⁴ Austria.

⁵ Austria, Tunisia.

⁶ Tunisia.

⁷ Loans for satellites concerning the Community as a whole.

⁸ Since 1987, the figures for lending by sector have concerned investment financed by individual loans and by allocations from ongoing global loans. The difference between this amount and the amount of contracts signed represents the proportion of global loans that has not yet been allocated.

Table 11

ECSC loans by sector, 1980-88

(Million ecus)

Year	Total ECSC loans	Coal industry (Art. 54 ¶ 1)	Steel industry (Art. 54 ¶ 1)	Thermal power stations (Art. 54 ¶ 2)	Conversion (Art. 56)	Workers' housing (Art. 54)	Iron-ore mines (Art. 54 ¶ 2)	Other (Art. 54 ¶ 2)
1980	1 030,7	233,2	424,0	90,0	266,1	7,9	—	9,6
1981	387,6	30,6	223,6	26,6	86,0	14,7	—	6,1
1982	740,6	256,3	139,8	40,9	162,8	18,0	71,8	51,0
1983	778,1	257,2	222,2	128,4	139,5	20,2	—	10,6
1984	825,5	12,7	268,5	65,8	247,5	36,7	148,4	45,9
1985	1 010,6	—	424,6	60,8	363,4	17,3	114,5	30,0
1986	1 069,2	103,6	661,2	8,7	243,5	26,2	1,9	24,1
1987	969,3	283,2	109,7	123,3	304,3	25,3	19,9	103,6
1988	907,8	—	388,9	9,1	451,7	21,0	—	37,1
1988 1987 %	-6,3	-100,0	+254,5	-92,6	+48,5	-17,0		-64,2

Table 12
EIB financing in Mediterranean countries, ACP States and OCTs, 1988

(Million ecus)

	Total	Loans from own resources	Operations from budgetary resources	Energy	Infrastructure	Industry, agriculture, services	
						Individual loans	Global loans
Morocco	50,0	50,0	—	—	—	—	50,0
Tunisia	60,0	57,0	3,0	—	17,0	—	43,0
Egypt	28,0	25,0	3,0	—	—	—	28,0
Jordan	34,0	33,0	1,0	15,0	—	—	19,0
Malta	16,0	16,0	—	—	16,0	—	—
Yugoslavia	210,0	210,0	—	—	210,0	—	—
Total Mediterranean countries	398,0	391,0	7,0	15,0	243,0	—	140,0
Africa	260,1	104,0	156,1	53,5	87,9	101,0	17,7
Caribbean	10,9	6,0	4,9	7,0	—	0,5	3,4
Pacific	19,7	12,0	7,7	2,6	—	16,3	0,8
OCTs	11,6	7,1	4,5	6,0	3,1	1,5	1,0
Total ACP-OCTs	302,2	129,1	173,1	69,1	91,0	119,3	22,9
Total	700,2	520,1	180,1	84,1	334,0	119,3	162,9

Table 13

Interest subsidies paid out in the Community by the various Community mechanisms, 1977-88

(Million ecus)

Year	Non-capitalized systems ¹				Capitalized systems ²	
	ECSC		Employment in Portugal	'Earthquake reconstruction'	EMS	ERDF
	Article 54 (restructuring)	Article 56 (conversion)				
1977	1,3	2,7	—	—	—	—
1978	9,8	16,5	—	—	—	—
1979	10,4	8,0	—	—	200,0	12,1
1980	25,7	33,4	—	—	197,0	—
1981	7,6	6,3	—	—	193,2	—
1982	10,5	19,3	—	3,0	209,8	—
1983	4,0	7,1	—	14,4	200,0	—
1984	6,2	34,0	—	24,4	—	—
1985	3,6	74,9	—	28,4	—	—
1986	5,9	33,1	—	28,6	—	—
1987	2,4	35,6	4,0	28,6	—	—
1988	3,0	38,6	3,9	27,8	—	—

¹ Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.

² Interest subsidies paid by the Commission after discounting to a present value, and charged to the budget as a single sum in the initial year.

Table 14
'Earthquake reconstruction' loans carrying interest subsidies: Italy

		<i>(Million ecus)</i>
Borrower	Project	Total loans contracted end 1988
<i>NCI loans</i>		
ANAS (Azienda nazionale autonoma delle strade, Roma)	Road and motorway infrastructure: I	30,8
FS (Azienda autonoma delle ferrovie dello Stato)	Railway network: I A	28,4
	I B	21,9
	I C	14,6
	II A	15,0
	II B	14,1
	II C	21,4
Cassa (Cassa per le opere straordinarie di pubblico interesse nell'Italia meridionale)	Water supply network: I	26,1
Cassa	Repair of Pugliese aqueduct: I	56,5
Italian Government	Industrial estates	65,7
Italian Government	Repair and reconstruction of schools	55,7
Italian Government	Basic infrastructure for areas to be used for housing	155,2
Italian Government	Reconstruction of public property	74,9
Italian Government	Aid centre, Persano	32,8
Italian Government	Repair of university buildings	19,7
Sub-total — NCI		632,8
<i>EIB loans</i>		
SIP (Società italiana per l'esercizio telef. pA)	Telephone network: A	11,9
	B	8,0
	C	7,6
	II	2,4
Italian Government	Industrial estates: II A	21,6
	II B	2,0
	II C	6,7
	III A	26,8
	III B	15,9
	III C	10,5
ENEL (Ente nazionale per l'energia elettrica, Roma)	Electricity grid: A	11,9
	B	7,6
	C	10,8
Cassa	Water supply network: II	11,5
	III	30,4
	IV	9,8
	Repair of Pugliese aqueduct: II	56,7
ANAS	Road and motorway infrastructure: II A	7,5
	II B	29,2
	II C	13,4
Autostrade (Concessioni e costruzioni autostrade SpA)	Naples-Bari motorway: I A	3,5
	I B	5,4
	II A	3,4
	II B	4,2
Isveimer (Istituto per lo sviluppo economico dell'Italia meridionale, Napoli)	Reconstitution of the means of production (industry and hotel trade): A	2,6
	B	4,8

Table 14 (continued)

		<i>(Million ecus)</i>
Borrower	Project	Total loans contracted end 1988
Isveimer	Motor vehicle component factory: A	14,6
	B	5,0
IRI (Istituto per la ricostruzione industriale)	Aircraft engine component factory	7,2
Sub-total — EIB		352,9
Total — Italy		985,7
<i>Interest subsidies paid from the 1988 budget (in million ecus):</i>		
	NCI: 17,0	
	EIB: 9,0	
	26,0	

Table 15**'Earthquake reconstruction' loan carrying interest subsidy: Greece**

		<i>(Million ecus)</i>
Borrower	Project	Loan signed
<i>NCI loan</i>		
Greek Government	1981 reconstruction: • Economic infrastructure	21,1
	• Social infrastructure	58,9
Total — Greece		80,0
<i>Interest subsidies paid from the 1988 budget (in million ecus):</i> NCI: 1,8		

Table 16
Subsidized loans for reconstruction in earthquake-stricken areas
 (by country, instrument and sector)

	Loans signed					Interest subsidies paid in 1988 ¹	
	Initial situation 1988	1988 operations	Number	Situation at end of 1988	%	Million ecus	%
	Million ecus	Million ecus		Million ecus			
<i>By recipient country:</i>							
Italy	975,2	10,5	44	985,7	92,5	26,0	93,5
Greece	80,0	—	1	80,0	7,5	1,8	6,5
	1 055,2	10,5	45	1 065,7	100,0	27,8	100,0
<i>By origin of resources lent:</i>							
NCI	712,8	—	16	712,8	66,9	—	—
EIB	342,4	10,5	29	352,9	33,1	—	—
	1 055,2	10,5	45	1 065,7	100,0	27,8	100,0
<i>By sector of use:</i>							
Economic infrastructure	623,8	10,5		634,3	59,5		
Social infrastructure	397,2	—		397,2	37,3		
Reconstitution of means of production	34,2	—		34,2	3,2		
	1 055,2	10,5		1 065,7	100,0		

¹ Annual interest subsidies of 3% for a maximum duration of 12 years. These amounts cover all loans signed from 1981.

Economic convergence in the Community: a greater effort is needed

Short-term economic outlook and budgetary policies 1989-90

Communication from the Commission to the Council in accordance
with Article 3 of the Convergence Decision
of 18 February 1974 (74/120/EEC)

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Summary

In conformity with the requirements of the Council's Convergence Decision (February 1974), the Commission has examined the economic situation of the Community and in particular the budgetary policies of the Member States. Here is a summary of the Communication and a review of the main issues raised therein.

I — New dynamism in production, trade, human and capital resources ...

In the Community, economic growth is continuing strongly. Real output should expand in 1989 (3¼%) and 1990 (3%) at rates higher than in any of the last nine years except 1988. Employment is increasing rapidly, almost 2 million net additional jobs were created in 1988 and another 2½ to 3 million should be added during 1989/90. Unemployment is now decreasing, but not very rapidly given the rising trend of the labour force.

Over the last few years the functioning of the Community economy has fundamentally improved in response to, and as a contribution to, the progress towards the building of Europe. This has been due to a number of factors: the prospects opened by the internal market; the structural policies implemented for almost a decade; the increased profitability of investment. The performance of investment, and

especially investment in equipment (about 9% a year since 1985, with the exception of 1986 when it was negatively affected by the fall of the dollar) bears witness to the extent of the improvement. The stock of productive capital is now increasing at a rate of 3% a year against just over 2% in the mid-1980s.

If this investment performance were maintained, it would become possible to aim in the medium term for a sustained growth path of around 3½% a year. Such growth would enable the Community to exploit fully the potential of the internal market: employment could rise by an average of some 1½% a year, thereby allowing unemployment to be significantly reduced from the present high level (still more than 10%). Higher growth would also help improve living conditions in the less favoured regions. However, such a prospect could be in danger if macroeconomic disequilibria were allowed to undermine the confidence which economic agents are showing.

The improvement of the EC economy through the 1980s

	1982-84	1985-87	1988-90 ¹
Real GDP (annual average % change)	+ 1,6	+ 2,6	+ 3,2
Investment (annual average % change)	- 0,1	+ 3,6	+ 6,5
Employment:			
• annual average % change	- 0,5	+ 0,8	+ 1,2
• cumulative change over the three-year period (thousands)	- 1 845	+ 3 138	+ 4 700
Inflation (annual average % change)	+ 8,7	+ 4,4	+ 4,3
Intra-Community exports (annual average volume % change)	+ 4,0	+ 6,1	+ 7,5

¹ Forecasts for 1989 and 1990.

II — ... requires greater economic and policy convergence

That such disequilibria are emerging constitutes the worrying aspect of the present economic situation. Inflation (around 5% in 1989) has accelerated throughout the Community. Furthermore, the economic convergence of Member States is not progressing any longer in areas such as inflation, balances of payments and budget deficits. This is worrying in the perspective of the internal market and of the compatible configuration of income, expenditure and relative prices needed to sustain it.

The Community's external environment will not facilitate the successful transition to a sustained medium-term growth path. Indeed, global conditions appear less favourable than at the beginning of the year: the stalling of the international adjustment process increases the risk of financial instability; the strong fluctuations of the dollar run counter to the needs of a smooth adjustment, and economic growth in the debtor LDCs is increasingly affected by the debt-service burden which curbs import growth and heightens social unrest.

Inflation in the Community has accelerated strongly, but unevenly, since mid-1988 and especially in the first half of 1989. Membership of the EMS exchange-rate mechanism seems to be an important factor in explaining the difference in the performance of Member States in this area. Among the factors which have contributed to this upsurge, the rebound in import prices has played an important role. However, the current inflationary pressure is also the result of internal factors. In a number of countries, indirect taxes and public service charges have been increased. In addition there are dangers of increasing wage and demand pressures while liquidity ratios have grown strongly in recent years and the degree of capacity utilization is very high. The return of inflation to lower levels and the reduction of inflationary expectations ahead of the forthcoming wage negotiations are necessary to avoid a monetary-induced squeeze of domestic demand with its negative consequences on profitability and investment.

The disequilibria in the external current accounts among Member States are another major cause for concern. The persistence of these imbalances can be a source of uncertainty and instability and can affect the growth momentum, especially in those countries where growth is most needed. Monetary cooperation has until now succeeded in preserving the stability of exchange rates within the Community. However, the large and growing German surplus is very worrying, not least for its structural implications. Among the deficit countries, the deterioration of the current account of Portu-

gal is disquieting both for its speed and for the level the deficit is expected to reach in 1990.

On the budgetary side, the consolidation trend since 1985 should continue in 1989 and 1990. But this overall picture hides persisting and even growing divergences among Member States. The gap among the different levels of the budget balances is expected to increase. In particular, in the countries where budget deficits are highest, there appears to be a relaxation of the consolidation efforts whose detrimental effect is not visible because of the positive effects of strong growth.

III — Economic policies must reduce the disequilibria without affecting the present dynamism

External disequilibria and budget deficits must be reduced. Above all, however, inflation and inflationary expectations must be brought back to acceptable levels. The battle against inflation has to be fought now before it feeds into wage increases, via expectations, and becomes ingrained in the price formation mechanism. If this is allowed to happen, investment profitability and, eventually, economic growth and employment, will suffer.

In a situation of high demand pressure and high capacity utilization, a continued strong expansion of investment is necessary to maintain the sustainability of output and employment growth while keeping price pressure under control. In spite of the dynamism of investment over the last two to three years, the present share of investment in the GDP (around 20%) will still be well below the 23-24% of the 1960s, the period when the Community was closest to full employment.

The policies to be implemented will have to draw on all the instruments available. Monetary policy has already been called upon almost everywhere to fight inflation. However, it does not seem to have received sufficient support from other policies and especially from budgetary policy. A tight monetary policy is necessary to curb inflation, but its unwanted effects on the profitability of investment can be offset by wage increases that remain moderate and by an appropriate stance of budgetary policy.

A continuation of the moderate nominal and real wage increases of the last years in the context of a social dialogue is therefore crucial. Together with credible and stability-oriented economic policies, such a social dialogue is an efficient way of achieving the necessary degree of moderation in wage increases. Where this method has been applied with

discernment the results have been very encouraging. The counterpart of moderate wage increases is an increase in employment: the almost five million jobs that will be created in 1988-90 show that this policy is bearing fruit.

Improved coordination of budgetary policies as called for in the recent *Report on economic and monetary union in the European Community* is necessary and urgent. Such coordination is needed to pursue sustained growth, to exploit fully the benefits expected from the completion of the internal market and to progress towards economic and monetary union.

Such strengthened coordination should rest on four main medium-term guidelines:

(i) the non-monetary financing of public deficits,

(ii) the stabilization and reduction of public debt, in particular by avoiding financing current expenditure through borrowing,

(iii) the avoidance of the negative effects of public expenditure,

(iv) the search for an expenditure and receipts structure more favourable to supply conditions.

On the basis of these principles, the effective coordination will involve defining at the Community level a medium-term framework for the budgetary policy of the Member States.

In the immediate future, the implementation of these guidelines implies a cautious overall stance of budgetary policy in the Community. Determined action to reduce public deficits must soon be taken in Italy, Greece and Portugal. Especially in the first two countries, recent and expected developments give cause for serious concern.

Main economic indicators 1986-90

Community, USA and Japan

 (a) GDP at constant prices
 (% change on previous year¹)

	1986	1987	1988	1989 ²	1990 ²
B	1,9	2,0	4,0	3½	2¾
DK	3,3	-1,0	-0,2	1¼	1¼
D	2,3	1,9	3,5	3	3
GR	1,2	-0,4	3,5	3	2½
E	3,3	5,5	5,0	4½	4
F	2,1	2,2	3,2	3¼	3
IRL	-0,4	4,1	3,8	4	4
I	2,9	3,1	3,9	3½	3
L	4,7	2,5	5,0	3¼	2¾
NL	2,1	1,3	2,6	3½	3
P	4,3	4,7	4,0	4¼	4
UK	3,1	3,8	3,7	2½	2
EC	2,6	2,8	3,6	3¼	3
USA	3,0	3,6	3,9	2½	1¾
JAP	2,4	4,3	5,7	4¼	3¼

 (b) Domestic demand at constant prices
 (% change on previous year)

	1986	1987	1988	1989 ²	1990 ²
B	3,0	3,4	4,0	3¾	3
DK	5,4	-3,2	-2,1	-¼	1
D	3,5	3,2	3,5	2½	3
GR	-0,5	0,4	4,1	3¾	2¾
E	6,1	8,5	6,7	6¼	5¼
F	3,9	3,3	3,5	3	3
IRL	1,4	-1,5	-0,3	4¾	3¾
I	3,6	4,8	4,3	3¾	3½
L	2,3	2,5	4,3	3	2¾
NL	3,5	2,1	2,7	3½	2¼
P	8,4	10,6	8,4	6¼	5¼
UK	3,9	4,3	6,5	3¾	1¾
EC	3,9	4,1	4,7	3½	3
USA	3,7	3,0	3,0	2¼	1¼
JAP	4,0	5,1	7,8	4½	3¾

 (c) Deflator of private consumption
 (% change on previous year)

	1986	1987	1988	1989 ²	1990 ²
B	0,4	2,2	1,2	3	3¼
DK	3,4	4,1	5,1	4¼	2¾
D	-0,2	0,7	1,3	3	3
GR	22,0	15,7	13,5	14½	14¼
E	8,7	5,4	5,1	6	6
F	2,7	3,1	2,7	3¼	2¾
IRL	3,9	3,1	2,2	3¾	3¼
I	5,8	4,8	4,9	6½	6¼
L	0,8	2,9	1,4	2½	3
NL	0,6	-0,3	0,8	1¼	2
P	13,5	10,2	9,6	12¼	10
UK	4,4	3,9	5,0	5¼	5¼
EC	3,8	3,4	3,6	4¼	4½
USA	2,2	4,2	4,2	4¼	4¼
JAP	0,5	-0,1	0,0	3	3

 (d) Balance on current transactions
 (as % of GDP¹)

	1986	1987	1988	1989 ²	1990 ²
B	2,0	1,2	1,0	½	½
DK	-5,2	-3,0	-1,7	-1¾	-1½
D	4,4	3,9	4,1	4¼	4½
GR	-5,2	-2,5	-1,9	-2	-1½
E	1,7	0,1	-1,1	-2½	-3¼
F	0,5	-0,4	-0,3	-½	-¼
IRL	-2,9	1,4	2,1	1¾	2
I	0,5	-0,1	-0,6	-1	-1
L	39,4	33,0	31,6	28	25½
NL	2,8	1,6	2,4	1½	1¼
P	3,9	1,8	-1,4	-4	-4¾
UK	-0,9	-1,6	-3,2	-3¾	-3
EC	1,4	0,8	0,4	0	0
USA	-3,4	-3,6	-2,8	-2¼	-2
JAP	4,3	3,7	2,8	2¼	2¾

(e) Number of unemployed as % of the civilian labour force

	1986	1987	1988	1989 ²	1990 ²
B	12,5	12,3	11,2	10 ¼	10
DK	7,5	7,6	8,4	9	9 ¼
D	8,1	8,1	8,1	7 ¼	7
GR	7,4	7,4	7,3	7 ¼	7 ¼
E	20,0	20,5	19,5	18 ¼	17 ½
F	10,7	10,8	10,6	10 ½	10 ¼
IRL	18,3	19,0	18,6	18	17 ½
I	13,7	14,0	15,0	14 ½	14
L	1,5	1,7	1,6	1 ½	1 ¼
NL	12,3	7,6	7,3	6 ¾	6 ½
P	8,3	7,2	5,8	3 ½	5 ½
UK	12,0	10,7	8,7	6 ¾	6 ½
EC	11,7	11,4	11,0	10 ¼	10
USA	7,0	6,2	5,5	5 ½	6
JAP	2,8	2,8	2,5	2 ½	2 ¾

(f) General government lending and borrowing (as % of GDP)

	1986	1987	1988	1989 ²	1990 ²
B	-8,8	-7,0	-6,5	-6 ¼	-6 ¼
DK	3,1	1,8	0,4	½	1 ¼
D	-1,3	-1,8	-2,0	-¼	-1
GR	-10,8	-10,0	-14,3	-14 ½	-14 ¼
E	-5,7	-3,6	-3,2	-3	-2 ¾
F	-2,9	-2,5	-1,6	-1 ¾	-1 ¾
IRL	-11,0	-8,9	-3,4	-4 ½	-4 ¼
I	-11,4	-10,5	-10,6	-10 ¼	-11
L	6,0	5,2	2,6	2 ½	2 ½
NL	-5,9	-6,2	-5,0	-4 ½	-4 ¾
P	-7,8	-6,9	-6,6	-6 ¼	-6 ¼
UK	-2,4	-1,4	0,8	1 ¾	1 ¾
EC	-4,8	-4,2	-3,6	-3	-3 ¼
USA	-4,4	-2,3	-1,8	-1 ¾	-1 ¾
JAP	-1,1	-0,3	0,5	½	½

(g) Total employment (annual percentage change)

	1986	1987	1988	1989 ²	1990 ²
B	1,0	0,4	1,4	¾	¼
DK	2,3	1,1	-0,3	-¼	¼
D	1,0	0,7	0,6	1	1
GR	0,3	-0,1	1,1	¾	½
E	2,3	5,4	2,9	2 ½	2
F	0,2	0,1	0,7	¾	¾
IRL	0,2	0	0	1	¾
I	0,9	0,2	1,3	1	¾
L	2,6	2,7	2,9	1 ½	1
NL	1,9	1,2	1,0	1	¾
P	-2,7	2,7	2,6	1 ¼	1
UK	0,4	1,9	3,1	1 ¾	¾
EC	0,8	1,2	1,5	1 ¼	1
USA	1,7	2,9	2,3	2	½
JAP	0,9	1,0	1,7	1 ¼	1

(h) Real compensation of employees per head (annual % change³)

	1986	1987	1988	1989 ²	1990 ²
B	3,7	-1,3	1,2	2	2
DK	1,2	4,0	-2,6	-1 ¼	0
D	4,1	2,2	1,7	0	½
GR	-7,2	-3,4	3,3	3	1 ½
E	0,7	0,9	1,2	1	1
F	1,4	0,6	0,8	½	¾
IRL	1,1	2,8	1,7	1	1 ½
I	1,6	4,0	3,8	1 ½	2 ¼
L	4,4	0,9	1,8	3 ½	2
NL	1,3	1,6	0,7	¼	0
P	6,0	3,1	0,9	0	1 ¾
UK	2,8	3,0	2,8	3 ¼	2 ½
EC	2,3	2,0	1,9	1 ¼	1 ½
USA	0,9	-0,1	1,7	1 ¼	1
JAP	3,0	3,1	3,9	1 ½	1 ¾

¹ GNP for USA and Japan from 1987 onwards.² Forecasts at May 1989.³ Deflated by the deflator of private consumption.

Source: Commission services.

1. Economic situation and outlook

The prospects for the world economy show encouraging and worrying features at the same time. The foremost, and the most reassuring news, is that in the transition to the 1990s the growth of economic activity will continue at a remarkable pace. However, less reassuring, certain developments which at the beginning of the year had been perceived as risks, have indeed become major policy concerns. For example, inflation has accelerated everywhere during the spring; the international payments imbalances are not decreasing as much as was hoped; and the LDC debt problem remains as acute as ever. In other words, old problems remain and new ones are emerging in a business climate which is still quite favourable.

Table 1

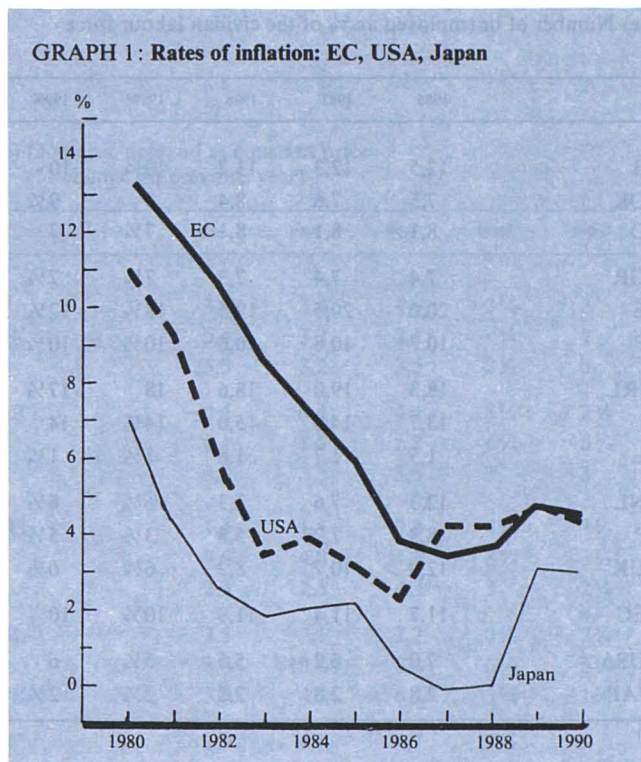
Growth of real GDP

	Average		1988	1989 ¹	1990 ¹
	1982-84	1985-87			
European Community	1,6	2,6	3,6	3 ¼	3
USA	2,8	3,4	3,9	2 ½	1 ¾
Japan	3,7	3,8	5,7	4 ¼	3 ½
OECD	2,3	3,1	4,0	3	2 ½
Other	2,3	3,3	3,8	3 ½	3 ½
World	2,3	3,2	4,0	3 ½	3

¹ Forecasts.

Economic activity in the OECD area continues to grow strongly. However, partly as a consequence of the corrective policies implemented and partly as a result of spontaneous factors, a certain deceleration of economic activity from the high level of 1988 is now visible. The slowdown is particularly strong in the United States. The rate of expansion of world output next year should be a full point below the 4% recorded in 1988.

In the Community, the supply conditions have improved and growth prospects continue to be good. In 1989, the rate of growth of real output — 3 ¼% if not more — should be slightly lower than the very high rate of last year. If policy acts rapidly to prevent inflation from affecting business confidence, thus avoiding having to take even stronger measures later, GDP growth could continue in 1990 at a still acceptable rate of around 3%.



The volume of world trade, which last year had expanded very strongly, 9,5% in real terms, should increase at a rate of around 7% this year and slow down further to around 6% next year.

1.1. The external environment

The external environment of the Community economy appears less favourable than at the beginning of the year :

- (i) the stalling of the international adjustment process increases the risk of financial instability;
- (ii) the fluctuations of the dollar run counter to the needs of a smooth adjustment; and
- (iii) economic growth in the debtor LDCs is increasingly affected by the debt-service burden, heightening considerably the risk of social unrest.

Since developments in these three areas are likely to have a major impact on economic trends, it is appropriate to begin by examining them closely.

Table 2**Current account balances**

	1985	1986	1987	1988	1989 ¹	1990 ¹
	<i>(a) in billion dollars</i>					
EC	19,3	50,7	38,3	18,0	2	2
USA	-115,1	-138,8	-154,0	-135,3	-124	-117
Japan	49,1	85,8	87,0	79,4	81	88
Rest of the world	-24,6	-52,1	-1,3	-20,1	-23	-36
World (statistical discrepancy)	-71,3	-54,4	-30,0	-58,0	-64	-63
	<i>(b) as % of the combined GDP of USA, EC and Japan</i>					
EC	+0,2	+0,5	+0,3	+0,1	0	0
USA	-1,5	-1,5	-1,4	-1,1	-0,9	-0,8
Japan	+0,6	+0,9	+0,8	+0,6	+0,6	+0,6

¹ Forecasts.**International adjustment**

The international adjustment process is losing speed. In 1989 the current account deficit of the USA may still improve, but the surplus of Japan is likely to be higher than in 1988. The German surplus is also increasing and the issues that it raises will be discussed in the section dealing with the Community economy. The weakening of the real adjustment — domestic demand and GDP are growing at almost the same rate in both surplus and deficit countries — and the appreciation of the dollar are serious causes for concern in this respect.

In the United States the rate of expansion has clearly come down from the very rapid pace of 1987 and 1988. The two driving forces behind growth, exports and business investment, are decelerating. Inflation has accelerated in the second half of 1988, but it may well be peaking now. Given the difficulties of rapidly reducing the fiscal deficit, the policy response took the form of a monetary tightening at the end of last year which should induce a further slowdown of activity.

Under the combined impact of capacity constraints and an appreciating exchange rate, exports are expected to expand in 1989 at a much lower rate than last year (10% in real terms against 18% in 1988). This is 3,5 points above the expected rate of increase of imports, but given the large gap that exists between imports and exports (the former exceed the latter by around 40%), the US trade balance will only

improve slowly. Since the burden of the debt service continues to increase, the current account in 1989 will improve by USD 8 billion less than the trade balance.

The economy of Japan, on the other hand, should continue to grow strongly in 1989 and 1990. The rate of expansion of output projected for this year, 4¼% in real terms, is actually higher than that forecast a few months ago. Inflation is expected to accelerate to around 3% this year and monetary policy might have to be tightened even more to prevent further increases. In dollar terms, both the Japanese trade and current account surpluses will go on increasing this year and the next. Exports are expected to increase more slowly than imports, but here again the imbalance between the two flows is so large (exports exceed imports by almost 60%) that the difference between the rates of growth cannot prevent the trade surplus from increasing further.

As the payment imbalances continue between the two sides of the Pacific, the Community faces difficult alternatives. Large trade disequilibria fuel protectionist tendencies, threatening the liberal trading system upon which the industrial world has built its prosperity. Indeed, recent trade policy debate in the USA points to a resurgence of unilateralism. Yet, if and when the correction of imbalances comes, it will imply a considerable reorientation of trade flows, with possible undesirable growth and employment consequences. For instance, the logical implication of the need to reduce the US deficit is that, other things being equal, the Community cannot envisage an increase of its world market shares in

the years to come. On the contrary, it will have to accept a relative reduction. What is important therefore is first, that the EC maintains and improves its position in the strategic high technology sectors and second, that world trade growth continues so that the possible loss of market share does not turn into a loss of trade level. A successful outcome of the Uruguay Round would be very important in this context.

A hypothetical halving of the expected US trade deficit in the period ahead, would imply, on the basis of present trade flows, a deterioration of the Community and Japanese trade balances of around half a point of GDP each. Such large deteriorations, which are eventually inevitable, will place the authorities of these countries under considerable pressures. Unfortunately, the perception of the problem is complicated by the existence of a large statistical discrepancy. One country's surplus is another country's deficit, and yet the world sum of all the recorded net current account positions shows a huge deficit (see Table 2). This means that the actual deficits are smaller, and/or the surpluses higher, than the officially recorded ones. In 1989, this statistical discrepancy is expected to be about USD 60 billion, half the size of the US deficit!

What makes the task of restarting the international adjustment process a daunting one, is the need to achieve it without endangering the growth prospects of the world economy. An important instrument of the convergence of economic performance within the OECD towards a sustainable current account pattern has been the growth rate differentials between domestic demand and GDP, in opposite directions in deficit and surplus countries. However, the most recent

forecasts show that in the Community, Japan and the USA the present and expected differentials between the rates of growth of internal demand and GDP are insufficient to ensure a smooth adjustment (see Table 3). Macroeconomic policies should engineer more adequate differentials.

The dollar's fluctuations

A smooth adjustment of the international payments imbalances also needs an appropriate exchange rate configuration which can be perceived by economic agents as sufficiently stable to justify adapting production and trade flows.

The appreciation of the dollar in the first half of 1989 has probably moved it away from the value needed to reduce significantly the US current account deficit. On the other hand, a higher yen would also help to produce this result.

Given the difficulties of increasing national savings via a reduction of the budget deficit, the present US economic policy continues to be based almost exclusively on monetary policy. The perception by markets that this situation will not change in the immediate future has reduced the expectations of an exchange rate depreciation. Better-than-expected trade figures may also have strengthened the perception of a considerably reduced exchange risk in the short term. Under these conditions, the high US interest rates have provoked a considerable appreciation of the dollar over the last weeks in spite of the fact that a tightening of monetary conditions in the Community has considerably reduced the short-term interest rate differentials across the Atlantic.

Table 3

Growth of real internal demand

	1985	1986	1987	1988	1989 ¹	1990 ¹
<i>(a) Rate of growth of internal demand relative to rest of the OECD</i>						
EC	-1,7	0	-0,2	-0,1	¼	½
USA	0,6	-0,1	-1,1	-2,2	-¼	-1¾
Japan	0,6	0,4	1,7	3,8	1¾	1¾
<i>(b) Rate of growth of internal demand relative to that of GDP</i>						
EC	-0,2	+1,3	+1,3	+1,1	+¼	+¼
USA	+0,2	+0,7	-0,6	-0,9	-¼	-¼
Japan	-0,7	-1,6	+0,8	+1,9	+¼	+¼

¹ Forecasts.

The present US policy-mix is effective against US domestic inflation, but, via its effects on the exchange rate, it is conducive to even larger trade and current account deficits, at least in the short run. The Community has tightened monetary policy to resist the depreciation of its currencies, but equally to curb inflation at home. But the present excessive reliance on monetary policy in the USA places before the Community the choice of accepting either an increase in inflationary pressures via the exchange rate or an even stronger monetary tightening. However, both higher inflation or a slowdown of growth would be detrimental for the Community economy, the USA and the rest of the world.

Therefore, an important positive step would be to complement monetary policy with a determined action aimed at reducing the US budget deficit. The measures that have been agreed at the beginning of 1989 between the Administration and Congress go in the right direction. More is necessary to open the perspective of the reduction of the deficit to manageable proportions within a reasonable time horizon.

The developing countries

The economic conditions in a number of developing countries are worsening. While the long economic recovery of the OECD countries has been supported by strong trade and accompanied by declining inflation, developing countries have shown an uneven capacity to adapt to, and benefit from, this new environment.

The performance of fast-growing Asian NIEs, China and India, has contrasted with deteriorating prospects in Latin America, Africa and the Mediterranean region.

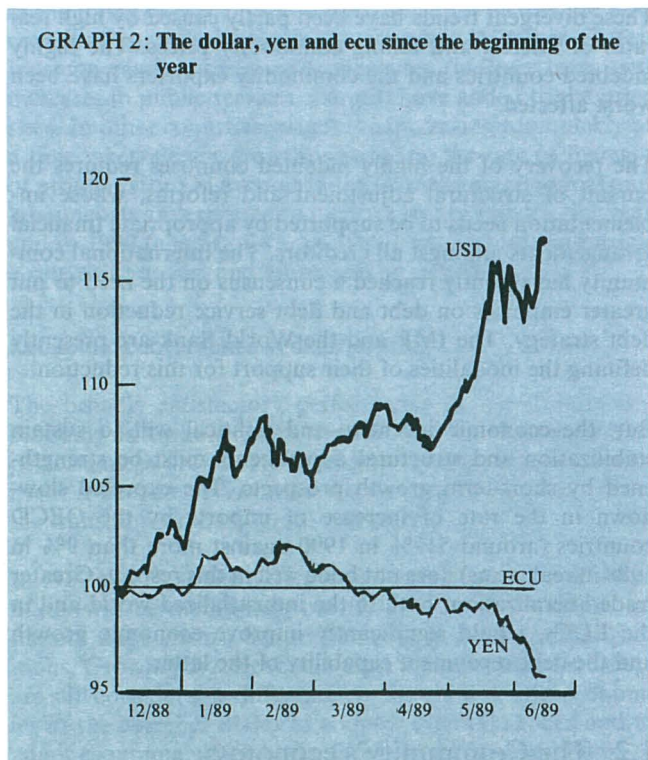
Table 4

Performance of the less developed countries through the 1980s

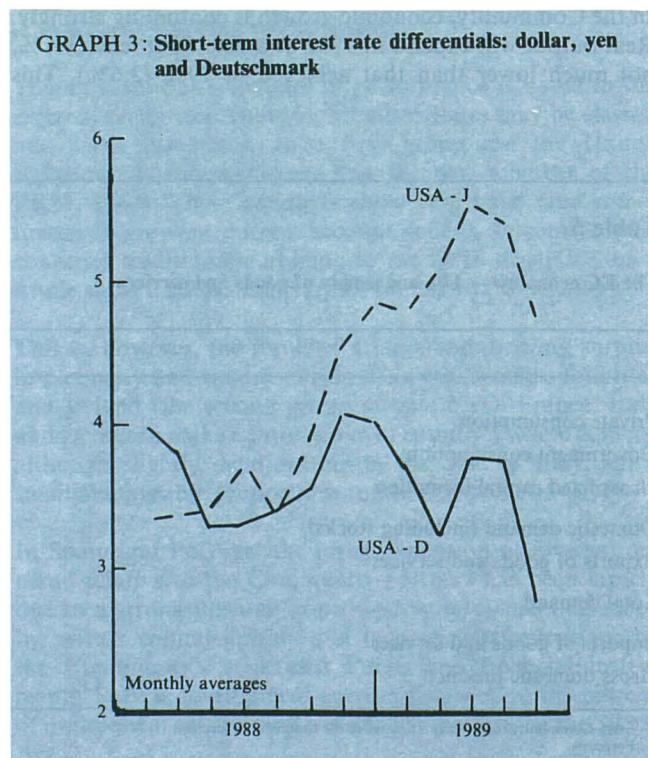
	Average % change 1981-88	
	Real GDP	Inflation ¹
Asian NIEs	8,6	3
China and India	8,1	6
Latin America	1,5	120
Sub-Saharan Africa	0,7	23
For comparison: OECD	2,8	5

¹ Weighted average of consumer prices.
Source: Commission services.

GRAPH 2: The dollar, yen and ecu since the beginning of the year



GRAPH 3: Short-term interest rate differentials: dollar, yen and Deutschmark



These divergent trends have been partly caused by high real rates of interest and falling commodity prices. The highly indebted countries and the commodity exporters have been worst affected.

The recovery of the highly indebted countries requires the pursuit of structural adjustment and reforms, whose implementation needs to be supported by appropriate financial arrangements amongst all creditors. The international community has recently reached a consensus on the need to put greater emphasis on debt and debt service reduction in the debt strategy. The IMF and the World Bank are presently defining the modalities of their support for this reduction.

But, the economic incentive and political will to sustain stabilization and structural adjustments must be strengthened by short-term growth prospects. The expected slowdown in the rate of increase of imports by the OECD countries (around 5½% in 1990 against more than 9% in 1988 in real terms) does not bode well in this respect. Greater trade liberalization, both in the industrialized world and in the LDCs, would significantly improve economic growth and the debt repayment capability of the latter.

1.2. The Community's economy

In the Community, economic growth is continuing strongly. Real output will expand in 1989 at a rate of at least 3¼%, not much lower than that achieved in 1988 (3,6%). This

rate, coming at a time of almost full utilization of existing capacity, can be a source of risk, if allowed to put pressure on resources and external balances. But, high rates of capacity utilization can be also a carrier of additional growth through investment. The forecasts point to both options occurring simultaneously. Indeed, inflation at 4¾% (deflator of private consumption) is stronger than last year and the Member States external payments disequilibria are growing. At the same time investment is expected to continue to grow strongly, with the average 1988-90 rate (6,5%) almost double that of 1985-87 (3,6%).

In 1990, growth should remain robust: 3,0% in real terms, stronger than in any of the last nine years except 1988. This forecast depends however on an international environment free from upheavals, on a worldwide policy-mix that does not drive the Community into an excessive monetary tightening and on determined action to curb inflation within the Community.

The forces determining the growth momentum remain broadly the same. This year, domestic demand is still growing faster than GDP, but next year, on present trends, the Community's contribution to the international adjustment process will be very small (see Tables 3 and 5). Imports of goods and services into the Community should grow at half the rate of the period 1986-88. The depreciation of the European currencies against the dollar is probably the main factor behind this slowdown.

Table 5

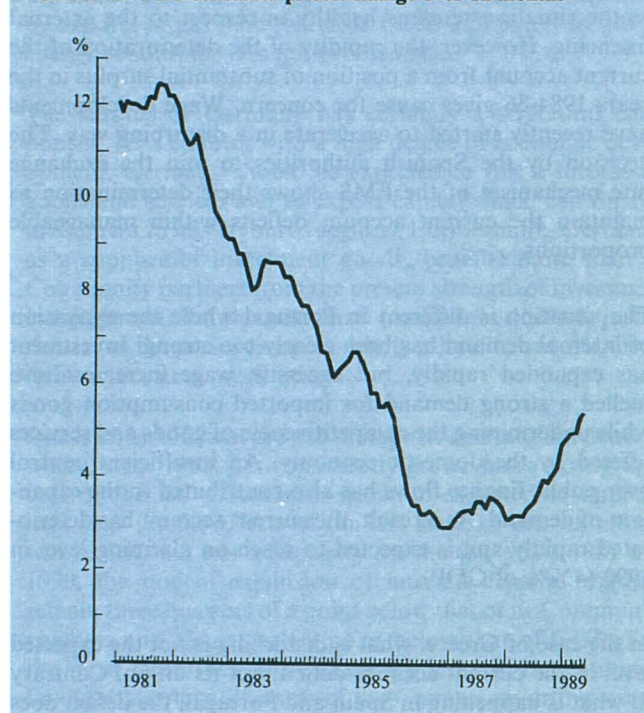
The EC economy — Use and supply of goods and services

	Average 1982-84	Average 1985-87	1988	1989 ²	1990 ²
Private consumption	1,2	3,4	3,7	3	2¾
Government consumption	1,6	2,2	1,9	1¾	1¾
Gross fixed capital formation	-0,1	3,6	7,8	6¾	5
Domestic demand (including stocks)	1,3	3,4	4,7	3½	3
Exports of goods and services ¹	2,6	1,8	4,5	5¼	5½
Total demand	1,4	3,2	4,7	3¾	3¾
Imports of goods and services ¹	0,4	7,9	11,9	7½	5¾
Gross domestic product	1,6	2,6	3,6	3¾	3

¹ Extra-Community trade only; estimates of the Commission services.

² Forecasts.

GRAPH 4: EC consumer prices: change over 12 months



Investment, especially investment in equipment, remains the fastest growing component of demand in the Community. This performance is due to the improvement in the fundamental determinants of investment which was examined in some length in the last Communication to the Council.¹ After the increase of more than 9% in real terms in 1988, the highest rate of increase since 1973, investment in equipment should expand again by around 9% this year and by more than 6% in 1990. Investment in construction, supported by yet another mild winter, is also relatively strong (almost 5% in 1989 and around 4% next year).

Employment is increasing rapidly. In 1988, the increase was a record 1,5% corresponding to almost 2 million new jobs. In 1989 and 1990, employment should increase by around 1% per year which implies the creation of a total of 2,5 to 3 million additional jobs. As a result, unemployment in the Community will continue to decrease (possibly to less than 10% in 1990, the lowest figure since 1982).

However, inflation rates are increasing throughout the Community. The higher energy and commodity prices combined with the depreciation of European currencies *vis-à-vis* the dollar have ended the price stability imported via the gains

¹ 'Safeguarding the conditions for a successful 1992', COM(89) 101, 22 August 1989.

in the terms of trade. In addition, domestic factors are also contributing to price increases in many Member States. In some cases, discretionary measures (indirect taxes and increases in public services charges) have added to the price rises. In other countries, wages are increasing too quickly at a time when slower growth is reducing the rate of increase of productivity. On average in the Community, nominal unit labour costs are expected to increase by around 4% this year and in 1990 (against 3,4% in 1988): but in some countries, a rate twice as fast and more, will be recorded.

Economic convergence is deteriorating ...

The broadly satisfactory performance of the Community economy as a whole masks the fact that the Member States' performances are clearly diverging. This is unfortunate in itself; it becomes even more worrying in the perspective of the transition to the internal market.

In 1989 and 1990, the different performances of the Member States will be manifested, particularly in areas such as inflation, wage claims, budget balances and the external positions. Growing divergences in these areas indicate that there are still considerable differences in the ability of the economies of the Member States to counter external shocks and to adapt economic policy in the face of changed conditions.

... especially the external positions

The most serious difference in performance is noted in the external sector (see Table 6). Member States may be classed into three categories. In a first group are the United Kingdom, Portugal, Greece and the new member of the ERM, Spain. These countries show very large, and sometimes still growing, current account deficits. In contrast, the countries traditionally abiding to the EMS discipline, as a whole show a substantial surplus (about 1¼% of GDP).

This is, however, the result of a large and growing surplus in Germany and smaller surpluses in the Benelux countries and Ireland (the second group of countries). France, Italy and Denmark make a third group of countries where deficits, although slightly deteriorating in the case of Italy, show small manageable proportions (up to one point of GDP).

In Spain and Portugal the rapid expansion of internal demand relative to the Community partners has been largely due to a strong upsurge in productive investment financed by private capital inflows and increasing interventions by the Community's structural Funds and financial instruments. Such a development corresponds well to the pattern of a successful catching-up process as envisaged in the Single Act.

Table 6**Current account balances**

	<i>(as % of GDP)</i>			
	Average 1985-87	1988	1989 ⁴	1990 ⁴
Community	1,0	0,4	0	0
Large deficits ¹	-0,3	-2,5	-3	-3
of which: United Kingdom	-0,6	-3,2	-3 ¼	-3
Spain	1,1	-1,1	-2 ½	-3 ¼
Portugal	2,0	-1,4	-4	-4 ¾
Initial EMS/ERM members	1,4	1,4	1 ¼	1 ¼
• Surplus ²	3,3	3,6	3 ½	3 ¾
of which: Germany	3,6	4,1	4 ¼	4 ½
• Deficit ³	-0,3	-0,5	-¾	-¾

¹ UK, E, P, GR.² B, D, IRL, L, NL.³ F, I, DK.⁴ Forecasts for 1989 and 1990.**Table 7****Growth of real internal demand**

	Average 1985-87	1988	1989 ⁴	1990 ⁴
<i>(a) Rate of growth of internal demand relative to rest of the EC</i>				
Initial EMS members	-1,2	-3,7	-1 ½	0
• Surplus ¹	-1,3	-1,9	-1	-¼
of which: Germany	-1,2	-1,5	-1 ½	-¼
• Deficit ²	0	-1,7	-½	+½
Non-EMS + Spain ³	+1,2	+3,7	+1 ½	0
<i>(b) Rate of growth of internal demand relative to that of GDP</i>				
Initial EMS members	+0,7	+0,1	0	0
• Surplus ¹	+0,5	-0,1	-¼	-¼
of which: Germany	+0,5	0	-½	-¼
• Deficit ²	+1,0	+0,2	0	+¼
Non-EMS + Spain ³	+0,8	+3,1	+1 ¼	+¼

¹ B, D, IRL, L, NL.² F, I, DK.³ UK, E, P, GR.⁴ Forecasts.

For this reason the level of the expected current account deficit of Spain does not appear very worrying as long as the situation remains healthy in respect to the external financing. However, the rapidity of the deterioration of the current account from a position of substantial surplus in the years 1984-86 gives cause for concern. Wage developments have recently started to accelerate in a disturbing way. The decision by the Spanish authorities to join the exchange rate mechanism of the EMS shows their determination to maintain the current account deficits within manageable proportions.

The situation is different in Portugal where the expansion of internal demand has been clearly too strong. Investment has expanded rapidly, but excessive wage increases have fuelled a strong demand for imported consumption goods while undermining the competitiveness of goods and services offered by the domestic economy. An insufficient control over public finance flows has also contributed to the expansion of demand. As a result, the current account has deteriorated rapidly and is expected to reach an alarming level in 1990 (4¾% of GDP).

In the case of Greece, what is disturbing is not the expected level of the current account deficit, but its origin. Contrary to what is happening in Spain and Portugal, the deficit does not derive from the faster growth of internal demand that could be expected in a country where the investment needs are very high. Its causes can be traced back essentially to a lack of competitiveness of the exporting sectors resulting from too high wage increases relative to productivity and to excessive public finance deficits.

The very large deterioration of the current account of the United Kingdom in 1988 is essentially the result of the extremely rapid expansion of internal demand. Internal demand is now slowing down in response to a very sharp tightening of monetary policy, but in 1990 the deficit will still be very large. Furthermore, the overall competitiveness of the UK economy is suffering from too rapid an increase in wages. Unit labour costs in the whole economy are rising at more than 8%: a rate of increase similar to that of Portugal and only exceeded by Greece. Such a trend gives cause for concern unless corrective action is taken.

Within the EMS, the continuing increase of the German surplus remains a most worrying phenomenon. Evidence which has become available after the finalization of the forecasts underlying this document suggests that German exports might be even more buoyant than expected. This would lead to both stronger output growth and a still higher external surplus. The surpluses of Belgium and especially Ireland are not a cause for concern and could be put to good

use to reduce these countries' high external indebtedness. To the extent that the surplus of the Netherlands is explained by exports of gas (and therefore much influenced by global energy conditions) it is not problematic.

The surplus of Germany has certainly a structural component. As a country with a high degree of economic development, Germany should be expected to run a surplus on goods and services and to export capital which can finance investment in less favoured regions. Furthermore, Germany, as a supplier of investment goods, benefits more than its Community partners from the present strength of investment in equipment. But this structural component does not justify the size of the present surplus. Many other factors of a short-term nature are contributing.

One is an insufficient growth of imports and internal demand which, since 1985, has consistently grown more slowly than that of the EC partners: a situation expected to improve next year (as the effects of the last stage of the tax reform will be felt) but not adequately. In the two years 1989 and 1990, the rate of expansion of internal demand will still remain three quarters of a point below that of its Community partners and almost half a point below that of GDP. But, the most important single cause is, perhaps, the extremely favourable competitiveness of the German exporting sector.

The growing orientation of the German economy towards exports has negative structural consequences for its own economy and for those of its partners. In particular, the relative low weight of the service sector reduces the employment content of economic growth. Increased efforts aimed at liberalizing this sector could have positive consequences on employment, incomes, consumption and, ultimately, on the reduction of the trade surplus.

In France, Italy and Denmark, the size of the expected deficits is small. The situation in these countries is, however, very fragile as an external shock such as a new increase in oil prices or an accelerated adjustment of the US deficit could turn these presently manageable deficits into policy problems. The large outstanding external debt of Denmark with its service charge is adding a further element of fragility to the current account position of this country. The situation in both Italy and Denmark is also particularly worrisome because their competitive positions are being threatened by a too rapid increase of wage costs in the former and a still relatively high level of wage costs in the latter.

... and the rates of inflation

Inflation in the Community has accelerated strongly since mid-1988 and especially in the first half of 1989. The consumer price index increase over 12 months reached 5,4% in April 1989 compared with only 3,2% in the 12 months to May 1988. The average increase of the private consumption deflators is forecast to be around 4¾% this year and 4½% in 1990 compared with 3,6% in 1988.

Among the factors which have contributed to this upsurge, the rebound in import prices seems to have played an important role. However, current inflationary pressures are also the result of internal factors. In some countries, indirect taxes and public service charges have been increased. In addition there are signs of wage and demand pressure while the liquidity ratio has grown strongly in recent years.

Between 1988 and 1989, inflation will accelerate by slightly more than one point throughout the Community. The widespread character of the acceleration confirms the large role

Table 8

Rates of inflation (weighted average of deflator of private consumption)

	1985	1986	1987	1988	1989 ¹	1990 ¹
B-NL-L-DK-F-D-IRL	3,8	1,1	1,7	1,9	3	2¾
I-UK-E	7,5	5,8	4,5	5,0	6¼	6
P-GR	19,0	18,1	13,1	11,6	13½	12
Community	5,9	3,8	3,4	3,6	4¾	4½
jfl ¹ Forecasts.						

external factors have played in this development, but it leaves Member States in different situations.

The differences are particularly striking with respect to the risk that the acceleration of inflation could be consolidated into the price formation mechanism via wage increases. In this respect, the continuation of indexation arrangements in certain countries is regrettable.

Just as for external imbalances, a tripartite classification of Member States has manifested itself with regard to inflation — and as in the former case, the intensity of the problem can be related to different degrees of adherence to the EMS and its exchange rate mechanism.

In a first group one finds the countries adhering to the narrow band of the exchange rate mechanism of the EMS: Belgium, Germany, France, Ireland, Denmark, Luxembourg and the Netherlands. In these countries inflation, which had been reduced to very low levels in 1986-88, will in 1989 increase to around 3%. Indirect tax increases will have contributed, once and for all, about one third of a point to this. Unit labour costs in these countries are expected to increase moderately: just over 1% a year in both 1989 and 1990. If these projections are confirmed, they would imply a continuation of the very favourable profitability trend, good prospects for the return of inflation to lower levels and the maintenance of a competitive external position. Such a favourable prospect could fail to materialize if inflationary expectations were allowed to build up and feed into wage settlements.

Much more worrying is the situation in a second group of countries (Italy, Spain and the United Kingdom) where the rate of inflation, at more than 6%, is double that of the previous group (see Table 8). Unit labour costs in these

countries are projected to increase even faster than inflation in both 1989 and 1990. This implies a continued upward pressure on the price level and a squeeze of profit margins as macroeconomic policies try to dampen demand. There is a danger that the fight against inflation in these countries might incur increasing costs in terms of forgone investment and growth unless wage trends become rapidly more moderate and a greater volume of savings can be guaranteed (by the household sector in the UK and by the public sector in Spain and Italy).

Finally, in Portugal and Greece the rate of inflation is still at an intolerably high level. The situation is especially worrying in the case of Greece which has continually experienced double digit inflation since the first oil price shock in 1973. Unfavourable developments in public finances and wages relative to productivity are the origin of these inflationary pressures.

All the countries in the last two groups are experiencing balance of payments problems to different degrees. Wage moderation is therefore even more important to restore international competitiveness and maintain, via strong exports, an acceptable level of activity, considering the adverse effects that the other measures aimed at containing inflation will inevitably have.

1.3. Balanced growth through better policy

The functioning of the Community economy has fundamentally improved thanks to the structural policies implemented over almost a decade and to the good investment performance of the last years. If this investment performance were maintained, it would become possible to aim for a sustained

Table 9

Nominal unit labour costs (weighted averages)

	1985	1986	1987	1988	1989 ¹	1990 ¹
B-NL-L-DK-F-D-IRL	2,9	2,4	1,8	0,4	1	1¼
I-UK-E	6,2	5,6	5,6	6,3	6¾	6¼
(of which UK)	(4,7)	(4,5)	(5,0)	(7,5)	(8¼)	(6¾)
P-GR	19,9	12,2	11,7	11,8	12¼	11¼
Community	4,9	4,3	3,8	3,4	4	4

¹ Forecasts.

medium-term growth path of around 3½% a year. This would enable employment in the Community as a whole to rise by an average of some 1½% a year thereby allowing unemployment to be significantly reduced from the present high level.

Table 10

The improvement of the Community economy through the 1980s

	1982-84	1985-87	1988-90 ¹
Real GDP (annual average % change)	+1,6	+2,6	+3,2
Investment (annual average % change)	-0,1	+3,6	+6,5
Employment:			
• annual average % change	-0,5	+0,8	+1,2
• cumulative change over the three-year period (thousands)	-1 845	+3 138	+4 700
Inflation (annual average % change)	+8,7	+4,4	+4,3
Intra-Community exports (annual average volume % change)	+4,0	+6,1	+7,5

¹ Forecasts for 1989 and 1990.

The outlook for the world economy and the need to reduce payments imbalances show that in the medium term the Community cannot expect a significant growth impulse from the external environment. The sources of growth will have to be of internal origin. The internal market project is already delivering some of the expected benefits. Its further implementation will be helped by the maintenance of robust economic growth which facilitates the required adjustments.

To achieve this goal, Member States must pursue the policies set out in the Annual Economic Report for 1988-89 that the Council adopted last December and confirmed in March. In particular, the remaining decisions on the completion of the internal market must be taken and implemented rapidly to maintain the present momentum.

In the immediate future, macroeconomic policies must reduce the disequilibria and, in the process, prevent them from affecting the present economic dynamism. External disequilibria and budget deficits must be reduced, but, above all, inflationary expectations must be curbed and inflation rates brought back to more acceptable levels. The battle against inflation has to be fought now before it feeds into wage increases, via inflationary expectations, and becomes

ingrained in the price formation mechanism. If this is allowed to happen, investment profitability and, eventually, economic growth and employment will suffer.

Member States' policies must therefore have a double aim:

- (i) they must consolidate the strong investment performance which has been the source of the good output and employment growth experienced by the Community during the last years;
- (ii) they must rapidly correct the imbalances which have appeared in many countries, whether they concern trade, inflation or budgets.

A continued strong expansion of investment is necessary to maintain the sustainability of output and employment growth. In spite of the dynamism of investment over the last years, on present trends, the share of investment in the GDP in 1990 will still be well below that of the 1960s. To preserve the momentum of investment, the economic policy-mix needs to minimize the negative effects of restrictive macro-economic policies on profitability.

Monetary policy has been called upon almost everywhere to fight inflation. The prompt reaction of monetary authorities shows that they intend to safeguard the credibility they have won in the hard and long disinflation battle fought since the beginning of the 1980s. Until now, however, monetary policy does not seem to have received sufficient support from other policies and especially from budgetary policy. A tight monetary policy is necessary to curb inflation, but its unwanted effects on the profitability of investment can be more than compensated if wages continue to increase moderately and budgetary policy takes an appropriate stance.

A continuation of the moderate nominal and real wage increases of the last years is therefore crucial. This was one of the central themes of the 'Cooperative growth strategy for more employment' adopted by the Council in 1985. At that time, the aim of the strategy was to allow a recovery of investment, growth and employment while continuing the disinflation process. Thanks to the fundamental improvement which has taken place in the Community economy in recent years this task is now easier.

Together with credible and stability-oriented economic policies, a social dialogue is an efficient way of achieving the necessary degree of moderation in wage increases. Where this method has been applied with discernment the results have been very encouraging. It is important to continue in this direction. The two million new jobs created in 1988, and the almost three million more expected in 1989-90, show that the rewards in terms of increased employment are not a mere promise.

In this context, budgetary policy could and should play a more important role. In particular it could help to prevent inflationary expectations building up. The experience of the countries which have embarked upon ambitious consolidation programmes shows that such a policy is not in contradiction with the objective of sustained economic growth.

Budgetary policy could also be useful in re-establishing saving/investment balances more in line with a sustainable balance of payments configuration in a context of strong investment. The next section will illustrate the budgetary situation of the Member States and the tasks that could usefully be assigned to budgetary policy in each country.

2. Budgetary policies in the Community

2.1. Current budgetary developments

In recent years, budgetary policies at the Community level have been distinctly redirected towards consolidating public finances. However, results to date are very uneven between Member States, with the general trends masking growing divergences.

General trends

After declining from 5,5% of GDP in 1982 to 3,6% in 1988, net borrowing by general government will probably show a further slight fall in 1989 for the Community as a whole, to stabilize around 3% of GDP in 1990 (see Table 11). Public saving is expected to become slightly positive again in 1989 (0,3% of GDP) and in 1990 (0,1%) although it will probably remain well below the level recorded during the full-employment period up to the early 1970s (when it almost amounted to 5% of GDP).

Taking the average for the Community, according to the forecasts available, the improvement in budget balances over the period 1985-90 will be mainly brought about via a decline in the ratio of public expenditure to GDP (-3 percentage points of GDP). The latter will be sufficiently large to permit at the same time a relative decline in receipts (minus one percentage point of GDP). Greece would be the only Member State to experience simultaneously a worsening budget

deficit and an increase in public expenditure and revenue as a percentage of GDP.

For the Community as a whole, this downward trend is apparent in all the main categories of expenditure, including interest payments. On the revenue side, it is not accompanied at the Community level by any major shifts in the composition of taxes and social security contributions. In some countries, however, e.g. Belgium and Germany, the decline in the burden of taxation would in the years ahead primarily result from direct taxation.

After climbing sharply up to 1988 (up by almost 12 percentage points of GDP since 1982), gross public debt in the Community will probably level off in 1990 at around 60% of GDP.

Growing divergences

(a) At the level of budget balances

Within the Community, the divergences between the relative levels of budget balances are showing a tendency to widen steadily during the period 1985-90 (see Table 12):

- (i) in three Member States (Denmark, Luxembourg, United Kingdom), general government accounts in 1988 revealed a situation of net lending, with the amount of lending expected to rise between now and 1990. In these countries, the improvement in budget balances is, on average, greater than the mechanical effects of the acceleration in economic growth;

Table 11

Main budgetary trends in the Community¹

	1985	1988	1989 ²	1990 ²	Changes	
					1988 1985	1990 1988
Gross saving	-1,2	-0,2	0,3	0,1	+1,0	+0,3
Net lending or borrowing	-5,2	-3,6	-3,0	-3,2	+1,6	+0,4
Expenditure	49,0	47,1	46,5	46,0	-1,9	-1,1
Receipts	43,8	43,5	43,5	42,8	-0,3	-0,7
Gross public debt	56,8	59,6	59,6	59,2	+2,8	-0,4

¹ EC, general government as a whole, % of GDP.

² Forecasts.

Table 12**Changes in the budget balances¹ and mechanical impact² of the changes of economic activity**

	Cumulative changes over the period			
	1985-88		1988-90 ⁶	
	Actual balance	Impact of change in economic activity	Actual balance	Impact of change in economic activity
Community	+ 1,6	+ 2,0	+ 0,4	+ 1,3
Countries with budget surpluses ³	+ 3,4	+ 2,8	+ 1,0	+ 0,5
Countries with budget deficit smaller than or close to the Community average ⁴	+ 0,7	+ 2,0	+ 0,6	+ 1,7
Countries with a budget deficit greater than the Community average ⁵	+ 1,7	+ 1,4	- 0,1	+ 1,3

¹ A + sign means an increase of a surplus or a reduction of a deficit.
² Estimate of the net effect on receipts and expenditure of deviations in economic growth from the medium-term trend.
³ DK, L, UK.
⁴ D, F, E.
⁵ B, GR, IRL, I, NL, P.
⁶ Forecasts.

(ii) in Germany and France, net borrowing by general government will probably remain significantly below the Community average and below but close to it in Spain; the favourable impact of the recovery in economic activity is being beneficially used not only to reduce the budget deficit but also to ease the burden of taxation revenue in the cases of France and particularly Germany and to increase public capital spending in the case of Spain;

(iii) in all the other Member States (Portugal, Belgium, the Netherlands, Ireland and especially Greece and Italy), the budget deficit remains at very high levels. General government current receipts in those countries are not sufficient to meet total current expenditure and general government saving will probably remain negative in 1990, especially in Belgium (-4,2% of GDP), Italy (-6,3%) and particularly in Greece (-9,9%). In this group of countries, the efforts made between 1985 and 1988 to reduce the budget deficit have been important and exceeded the mechanical effects of expanding economic activity. They fell short, however, of what was needed to come much closer to the Community average. In addition — which is all the more worrying — between now and 1990, according to the forecasts available and the measures planned, the maintenance of a favourable

economic environment would no longer result in further consolidation and the budget balances would even slightly deteriorate in these countries on average.

(b) At the level of public debt

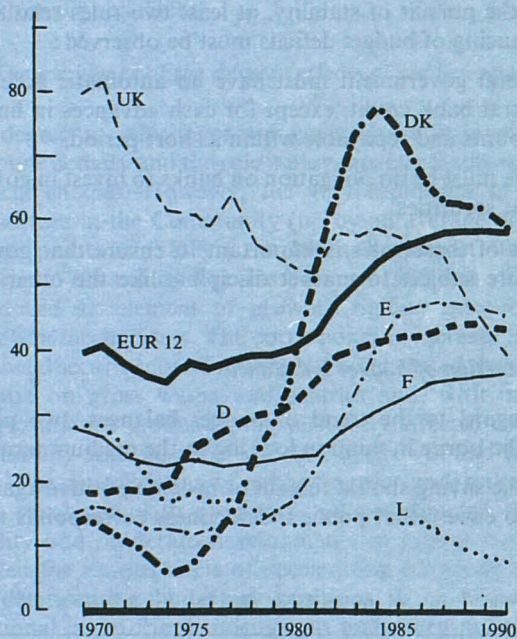
The tendency towards stabilization of public debt throughout the Community masks a divergent trend between two groups of countries (see Graph 5):

(i) in the countries where the ratio of public debt to GDP is lower than the Community average, this ratio is tending to remain almost stable (Germany, France, Spain) or to decline (Denmark, Luxembourg, United Kingdom);

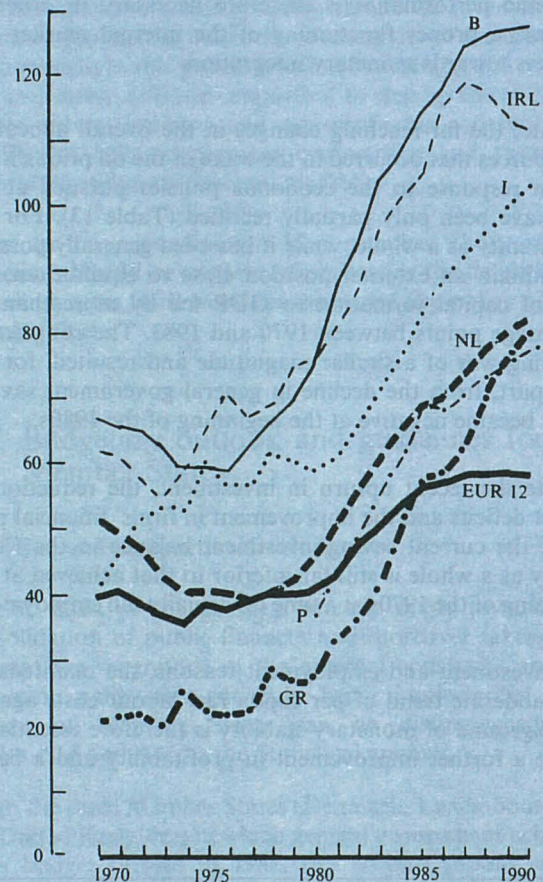
(ii) by contrast, in the countries where the public debt ratio is very high in relative terms, it will probably show a further increase in 1989 and 1990, the exception being Ireland. In Belgium, the Netherlands and, to a lesser extent, Portugal, the primary budget deficit is no longer an aggravating factor and the mounting level of debt results primarily from an endogenous process engendered by the burden of interest payments. In Greece and Italy, however, the effects of a persistent primary deficit are further compounded by rising interest payments.

GRAPH 5: Trend of gross public debt, as % of GDP

(a) Countries with public debt below or very close to the Community average in 1988



(b) Countries with high public debt in 1988



2.2. Pursuit of greater convergence of budgetary policies

Need for a strengthening of convergence

(a) Continuation of the efforts at budget consolidation is essential for the preservation of stable growth in the Community, which requires a gradual expansion of investment and saving while ensuring a sustainable configuration of balances of payments. A higher level of capital formation is all the more necessary for the following three reasons:

- (i) the present situation is characterized by a high degree of productive capacity utilization;
 - (ii) the productivity gains expected from completion of the internal market need to be reflected, via an expansion of the capital stock, in higher production and additional jobs;
 - (iii) if the measures to strengthen economic cohesion in the Community are to be successful, productive potential needs to be boosted and reinforced more rapidly in the less prosperous economies.
- (b) Even if account is taken of structural differences between Member States as regards savings and investment ratios,

the persistence of marked disparities in the level of budget balances and public debt is a potential source of exchange-rate instability that cannot be contained indefinitely using only monetary policy instruments. A better coordination of budgetary policies with a view to closer convergence of economic performance is therefore necessary in order to facilitate a proper functioning of the internal market and progress towards monetary integration.

To date, the far-reaching changes in the overall allocation of resources that occurred in the wake of the oil price shocks and in response to the economic policies pursued at the time have been only partially rectified (Table 13). For the Community as a whole, while it has been generally possible to maintain an external position close to equilibrium, the ratio of capital formation to GDP fell by more than six percentage points between 1970 and 1983. The contraction in saving was of a similar magnitude and resulted, for the most part, from the decline in general government saving, which became negative at the beginning of the 1980s.

Despite the recent upturn in investment, the reduction in budget deficits and the improvement in firms' financial positions, the current saving/investment balance in the Community as a whole is still far inferior to that achieved at the beginning of the 1970s at a time of virtually full employment.

For investment and employment reasons, the maintenance of a moderate trend of per capita real labour costs against a background of monetary stability is therefore essential to ensure a further improvement in profitability and a better

balance of relative labour and capital costs. Budgetary policy can, for its part, contribute more to a reallocation of resources in favour of investment and savings.

Definition of general guidelines

In a medium-term perspective, budgetary policies in the Community should be directed towards four major objectives.

(a) *Non-monetary financing of budget deficits*

If monetary authorities are to dispose of the freedom necessary to the pursuit of stability, at least two rules relating to the financing of budget deficits must be observed:

- (i) general government must have no automatic access to central bank credit, except for cash advances in limited amounts and repayable within a short period;
- (ii) there must be no obligation on banks to invest in government securities.

Respect of these rules is important to ensure that governments are subject to market discipline like the other borrowers.

(b) *Reduction of budget imbalances*

With regard to the trend of budget balances, two points should be borne in mind in looking to the medium term:

- (i) public saving should remain or become positive again so as to ensure that public indebtedness corresponds to an

Table 13

Gross capital formation and gross saving in the Community¹

	Gross capital formation		Gross saving	
	Private	Public	Private	Public
1960 ²	19,7	4,4	18,6	5,9
1970	21,7	4,0	20,8	5,0
1983	16,7	2,9	21,2	-1,5
1988	18,0	2,7	21,0	-0,1
1990 ³	19,1	2,7	21,3	0,3

¹ EC; Greece and Portugal excluded in 1960 and 1970; as % of GDP.

² Estimate.

³ Forecasts.

increase in the capital stock and not to the financing of current expenditure;

- (ii) general government net borrowing should be kept within limits in order to ensure control over the public debt/GDP ratio or even to reduce it where it is very high.

Experience shows that any prolonged deviation from these lines of action ultimately causes a slowdown in investment, growth and employment, triggering off a cumulative process of budgetary deterioration through a mounting debt-servicing burden, upward pressure on interest rates and the emergence of external deficits which are unsustainable without recourse to organized official funding, which increases the external public debt.

(c) The avoidance of the adverse effects of public expenditure

The degree to which general government is involved in economic activity and the role it plays are essentially national political choices. However, the very rapid rise in public expenditure in the Community (up by an average of 6 percentage points of GDP in the 1960s, by almost 10 points over the 1970s and by 4 points between 1980 and 1985) has introduced an element of growing rigidity into resource allocation mechanisms. The corresponding increase in taxes and social security contributions has accentuated the upward pressure on gross wages and salaries and, with inflation being contained gradually, has adversely affected company profitability and therefore investment, growth and employment. The consolidation of public finances undertaken since 1985, combined with monetary policies directed towards stability and moderate developments in labour costs, has enabled the vicious circle of decelerating economic activity and deteriorating budgetary positions to be broken and additional room for manoeuvre in budgetary policy to be created.

(d) Restructuring of public revenue and expenditure

The completion of the internal market will, independently of the Community tax approximation measures which are directly connected with it, make for increased competition between public finances in different countries. It is therefore important that each Member State should have sufficient room for manoeuvre available to adapt to such demands.

Generally speaking, a better balance should be sought between those components of taxes and social security contributions burdening the cost of the factors of production (direct taxes and social security contributions), which have increased very sharply, and those based on consumption (indirect taxes), which have remained roughly stable as a proportion of GDP. The reforms undertaken in a number

of Member States aimed at reducing tax rates, widening the bases of assessment and simplifying the methods of assessment should be continued in order to achieve a *de facto* harmonization of tax systems in the Community.

On the expenditure side, priority should be given to programmes designed to boost the productivity of the economy (economically viable public investment, training and conversion measures). It is also important to step up the efforts to reduce aid to declining and non-profitable activities; this would also help to promote competition and to reduce distortions within the internal market.

When putting coordination into practice, these general guidelines should be used as references for the definition of a medium-term framework for the budgetary policy of each Member State.

2.3. Budgetary outlook and guidelines for the Member States

Situation and prospective development

On the basis of the progress already made towards the consolidation of public finances and moreover taking into account the magnitude of the external constraint and the economic policy-mix currently being implemented, four groups of Member States can be distinguished (see Tables A15 and A16 in the Statistical annex):

- (a) In the three Member States (Denmark, Luxembourg and United Kingdom) in which general government achieved a budget surplus in 1988, this surplus should remain stable in Luxembourg in 1989 and 1990 (around 2,5% of GDP) but should increase in the two other countries (to reach 1,1% of GDP in Denmark and 1,8% of GDP in the United Kingdom in 1990) owing mainly to a reduction in expenditure as a proportion of GDP.

The budget surpluses in Denmark and the United Kingdom are compensating partially for an inadequate level of private saving in relation to investment. By curbing domestic demand, these surpluses are helping to prevent a more pronounced deterioration of external deficits and to reduce inflationary pressures. In order to mitigate the risks of a weakening of economic growth and to ensure a lasting recovery of investment as well as an improvement in competitiveness, this budgetary stance should as far as possible be supported by a moderate development in labour costs. In the United Kingdom, the rapid rise in wages forecast for 1989 — which is expected to decelerate only gradually in 1990 — leaves

very limited room for manoeuvre in budgetary policy and requires a strict discipline, particularly as regards the evolution of the tax burden. The same applies to Denmark, where labour costs remain at a relatively high level and therefore require continued moderation over several years in order to regain the competitiveness necessary to rectify the external balance. In this country, a recovery of the private saving ratio should also be pursued through a restructuring of the fiscal system.

- (b) In France and Germany the level of the budget deficits (1,6% and 2% of GDP respectively in 1988, 1,6% and 0,9% in 1990) can be considered to be sustainable; on the basis of the assumptions made for growth and interest rates in the medium term, general government net borrowing is compatible in both countries with the maintenance of a relatively low level of public indebtedness, particularly in France.

However, the external constraint operates very differently in each of these two Member States. In France, the relatively fragile external position calls for a continued rigorous stance in all fields of economic policy. In budgetary policy, following the appreciable reduction in the deficit in 1988 and despite the high level of tax revenue expected as a result of sustained domestic demand, the maintenance in 1990 of general government net borrowing at an unchanged level will necessitate additional savings to offset the impact of certain measures planned (reduction in corporation tax and indirect taxes, increase in spending on education and research). At the same time, the maintenance of the financial stability of the social security funds will set an additional constraint.

In Germany, while the current external surplus is likely to grow further on the assumptions made in the economic forecasts, general government net borrowing should contract markedly in 1989 (from 2% to 0,3% of GDP) as a result of the increase in indirect taxation, the transfers of the Bundesbank's expected profits and the effects of growth; it is likely to increase only moderately in 1990 (to 0,9% of GDP) despite the fact that implementation of the planned tax reforms will cut revenue by nearly 1% of GDP. These tax reforms will make a further major contribution to the reinforcement of domestic supply and demand conditions. Given the size of the external surplus, the national authorities should examine the possibility of funding additional tax reductions through, *inter alia*, a cut in the subsidies charged to the budget. Such fiscal measures should form part of an overall economic policy designed to promote structural adjustment and a shift from external to domestic demand (investment, import content of private consumption, development of the services sector).

- (c) In Italy, Belgium and the Netherlands, the medium-term objective should be to cut budget deficits to a level which will stabilize and then reverse the upward trend in the public debt, which has continued without interruption since the second half of the 1970s.

A reduction in the public finance imbalance is especially urgent in Italy given the size of the present deficit there, the dangers of a deterioration in the current external balance and the pressure exerted by public indebtedness on interest rates and monetary policy. The measures envisaged so far are inadequate to bring about an improvement in general government net borrowing. The fiscal deficit is likely to deteriorate further (10,6% of GDP in 1988 and 10,9% in 1990) despite a relatively high rate of growth of GDP in nominal terms. The persistence of such a deficit is not compatible, without the risk of an explosive increase in public debt, with the appreciable reduction in the underlying inflation rate necessary for progress towards economic and monetary union.

A continued improvement in the budget balance is also essential in Belgium, where the very high level of public debt entails a considerable debt-servicing burden (more than 10% of GDP) and severely limits the room for manoeuvre on the budgetary front. Advantage must be taken of the more buoyant economic situation to step up and continue in 1990 and beyond the budgetary adjustment efforts already made.

In the Netherlands, general government net borrowing is likely to fall only very slightly between 1988 and 1990 (to 4,7% of GDP as opposed to 5,0%). However, this trend would still be compatible with the maintenance of a current external position which, though down on 1988, would still show a healthy surplus. While the level of public indebtedness is still below that in Belgium and Italy, its rapid increase may become more and more a cause for concern in the medium term. The tax concessions planned should therefore be accompanied in 1990, after a reduction in investment subsidies in 1989, by other savings in current expenditure so as to achieve gradually a positive level of public saving.

- (d) Among the fourth group of countries — Spain, Ireland, Portugal and Greece — having due regard to the maintenance of a sustainable external position, the aim in the public finance field should be to contribute to the creation of macroeconomic conditions conducive to ensuring a rate of growth higher than the average of the other Member States and to deriving maximum benefits from Community structural measures. In these countries, a sufficient share of domestic demand should be devoted to the expansion of investment. This means that public

finances should contribute more to the formation of national savings while providing the supplementary resources required for the cofinancing of the Community's structural actions.

Such conditions have largely been created in Spain while important progress has been achieved in that direction in Ireland.

In Spain, the level of public debt has, after increasing rapidly, stabilized as a proportion of GDP and general government net borrowing should fall slightly between 1988 and 1990 (from 3,2% to 2,8% of GDP). However, a tighter budgetary stance could be necessary if the restrictive measures taken recently prove to be insufficient to avert the dangers of an excessive deterioration in the external position, overheating and of accelerating labour costs.

In Ireland, the current external position will continue to show a substantial surplus. The budgetary adjustment process has brought down the very high level of public indebtedness and, according to forecasts, should continue in 1989 and 1990, largely through a reduction in public expenditure (as a percentage of GDP) following on the exceptional tax receipts of 1988 due to the tax amnesty measures. In the medium term, a restructuring of expenditure should aim for higher levels of public investment and saving compared to those in 1988 (2,2% and -1,0% of GDP respectively).

In Portugal, the progress made since 1985 in reducing the public finance imbalance is still not sufficient to stabilize the public debt as a proportion of GDP, despite a high rate of inflation. During the next years, public finances will have to cope with cofinancing expenditure required for the full utilization of Community funds, with a deterioration in the trend of social security funds and an increase in interest payments which might result from the reform of monetary policy instruments. However, the danger of a further and very sharp deterioration in the current account balance, despite the increase in budgetary transfer payments from the Community, would, if it were to materialize, undoubtedly necessitate a much greater reduction than forecast in general government net borrowing (from 6,6% of GDP in 1988 to 6,3% in 1990), together with a tighter approach to monetary policy and labour costs.

While it would seem possible for Greece to maintain a sustainable external position until 1990, major domestic adjustments are vital if lasting economic growth is to be restored and if there is to be a steady and significant reduction in the inflation rate. Without rapid corrective measures, general government net borrowing would remain in 1990 at its level of 1988 (14,3% of GDP).

The present position is that current receipts cover only consumption and transfer expenditure; all interest payments and capital expenditure have to be financed through new borrowing. A sharp contraction of current expenditure and a substantial increase in tax revenue are essential from 1990 onwards to prevent an explosive growth in the public debt and to re-establish, together with a marked deceleration in the rate of increase of labour costs, the conditions necessary for sound growth.

Priority measures

Without prejudice to a possible revision of the 1974 Council Decision on economic convergence consequent upon the proposals made in the *Report on economic and monetary union*, the Commission intends to promote closer coordination of budgetary policies: selection of the most appropriate indicators for a multilateral surveillance of budgetary trends; a regular and more intense assessment, on the basis of horizontal and country examinations, of the consistency of budgetary policies with regard to Community objectives and with the other instruments of economic policy; agreement on the formulation and the implementation of budgetary guidelines adapted to the specific economic situation of each member country.

The examination of the current situation and medium-term developments indicates that in the budgetary field the following priority objectives should be identified.

The effective implementation of a budgetary consolidation programme according to a strict timetable is especially urgent in Italy and Greece, where the lack of any significant progress in restoring order to public finances may seriously compromise the maintenance or resumption of lasting growth in those countries and the stability and the cohesion of the Community, despite the implementation of the structural Funds.

It is also important that, beyond 1989, the efforts being made to reduce budget imbalances and the relative level of public debt should be actively pursued according to a precise timetable in Belgium and in Ireland and should be stepped up in Portugal.

In other Member States, where a sustainable public finance situation has been restored, the maintenance of a rigorous approach to budgetary policy is still necessary: the use to be made of the (limited) room for manoeuvre which may be available in some of those countries will depend mainly on the results achieved in other economic policy areas in terms of monetary stability, improved profitability and the external position.

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Table A1

Main economic aggregates 1961-90¹

EUR 12

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	10,2	14,4	11,2	10,2	9,3	8,7	8,3	6,9	8,1	8,2	7,8
— At constant prices	4,8	1,9	0,8	1,6	2,3	2,5	2,6	2,8	3,6	3,2	2,9
— Price deflator	5,2	12,2	10,4	8,5	6,9	6,1	5,5	4,0	4,3	4,9	4,7
2. Gross fixed capital formation ²											
— Total	5,6	-0,4	-2,0	0,1	1,5	2,5	3,4	4,8	7,8	6,8	5,0
— Construction ³	:	-1,2	-2,7	0,1	0,3	-1,9	2,7	2,4	6,2	4,6	3,8
— Equipment ³	:	1,2	-1,3	0,3	4,3	8,6	2,9	9,0	9,1	8,8	5,9
3. Share of gross fixed capital formation in GDP ⁴											
— Total	23,4	22,1	20,2	19,6	19,3	19,2	19,0	19,2	19,9	20,6	21,0
— General government ⁵	:	3,3	3,0	2,9	2,8	2,9	2,8	2,7	2,6	2,6	2,7
— Other sectors ⁵	:	18,7	17,1	16,6	16,5	16,3	16,2	16,4	17,1	17,9	18,2
4. Final national uses including stocks ²											
— EUR 12	5,0	1,5	0,9	1,1	1,8	2,3	3,9	4,1	4,6	3,5	3,0
— EUR 12 against 9 other OECD countries	-0,5	-0,6	1,1	-1,8	-3,5	-1,7	0,0	-0,2	-0,1	0,3	0,6
5. Inflation (private consumption price deflator)	4,6	12,3	10,5	8,5	7,2	5,9	3,8	3,4	3,7	4,8	4,5
6. Compensation per employee											
— Nominal	10,0	14,9	11,0	9,8	7,5	6,9	6,2	5,5	5,6	6,0	6,0
— Real, private consumption deflator	5,1	2,3	0,5	1,2	0,2	0,9	2,3	2,0	1,9	1,1	1,4
— Real, GDP deflator	4,6	2,4	0,6	1,2	0,6	0,8	0,6	1,4	1,2	1,0	1,2
7. Productivity ⁶	4,5	2,0	1,7	2,3	2,2	1,9	1,8	1,6	2,0	1,9	2,0
8. Real unit labour costs ⁷											
— Index: 1961-73 = 100	100,0	104,3	103,0	101,9	100,2	99,2	98,0	97,8	97,1	96,2	95,5
— Annual percentage change	0,1	0,4	-1,1	-1,1	-1,7	-1,1	-1,2	-0,2	-0,8	-0,9	-0,8
9. Profitability (index: 1961-73 = 100)	100,0	69,9	64,8	67,4	71,6	74,6	78,9	80,5	83,4	85,5	87,2
10. Relative unit labour costs in a common currency against 9 other OECD countries											
— Index: 1961-73 = 100	100,0	108,0	97,6	92,0	85,2	85,0	93,3	100,1	98,3	94,3	94,2
— Annual percentage change	1,0	-0,2	-6,5	-5,7	-7,4	-0,2	9,8	7,3	-1,8	-4,1	-0,1
11. Employment	0,3	-0,1	-0,9	-0,7	0,1	0,6	0,8	1,2	1,6	1,2	1,0
12. Unemployment rate ⁸	2,2	5,1	9,4	10,6	11,4	11,8	11,9	11,6	11,4	10,5	10,2
13. Current balance ⁹	0,4	-0,3	-0,7	0,1	0,3	0,8	1,4	0,8	0,4	0,0	0,0
14. Net lending of general government ^{9,10}	:	-3,7	-5,5	-5,3	-5,4	-5,2	-4,8	-4,3	-3,6	-3,1	-3,2
15. Gross debt of general government ^{9,10}	:	39,8	48,0	51,2	54,4	56,9	58,0	59,7	59,8	59,7	59,4
16. Interest payments by general government ^{9,10}	:	2,8	4,1	4,4	4,7	5,0	5,0	4,8	4,8	4,8	4,8
17. Money supply (end of year) ¹¹	11,9	13,4	11,9	10,7	9,9	9,9	10,4	11,0	9,9	:	:
18. Long-term interest rate ¹²	7,1	11,7	14,3	12,7	11,8	10,9	9,2	9,4	9,4	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ EUR 12 excluding Ireland, Luxembourg and Portugal.⁴ At current prices.⁵ EUR 12 excluding Greece and Portugal.⁶ GDP at constant market prices per person employed.⁷ GDP deflator.⁸ Percentage of civilian labour force: 1961-73: EUR 12 excluding Greece, Spain and Portugal.⁹ Percentage of GDP.¹⁰ 1974-81: EUR 12 excluding Greece and Portugal.¹¹ Broad money supply M2 or M3 according to country; 1961-73: EUR 12 excluding Spain and Portugal.¹² Levels.

Table A1
Main economic aggregates 1961-90¹
Belgium
(Annual % change, unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	9,2	9,3	8,8	6,0	7,4	6,8	5,4	4,0	5,5	6,5	6,5
— At constant prices	4,9	2,0	1,5	0,2	2,3	0,9	1,9	2,0	4,0	3,6	2,8
— Price deflator	4,1	7,1	7,2	5,8	5,0	5,9	3,4	2,0	1,5	2,9	3,5
2. Gross fixed capital formation ²											
— Total	5,1	-0,6	-1,7	-4,2	2,1	1,0	3,7	7,6	12,9	10,5	5,8
— Construction	:	-1,6	-5,6	-6,2	-5,9	-0,4	2,1	5,4	12,0	7,5	3,8
— Equipment	:	2,0	5,9	-2,7	13,4	-0,7	10,9	10,3	14,0	14,0	8,0
3. Share of gross fixed capital formation in GDP ³											
— Total	21,8	21,3	17,3	16,3	16,0	15,7	15,7	16,3	18,0	19,4	19,8
— General government	:	3,8	3,4	3,1	2,7	2,3	1,9	1,9	1,8	1,7	1,6
— Other sectors	:	17,5	13,8	13,2	13,4	13,5	13,8	14,5	16,2	17,6	18,2
4. Final national uses including stocks											
— At constant prices	4,8	1,7	0,8	-2,2	2,3	0,6	3,0	3,4	4,1	3,8	3,0
— Relative against 19 competitors	-0,1	-0,0	0,6	-4,0	-0,5	-1,9	-0,8	-0,1	-0,2	0,7	0,3
— Relative against other Member States	0,0	0,2	0,3	-3,6	0,6	-1,5	-0,7	-0,1	0,3	0,7	0,1
5. Inflation (private consumption price deflator)	3,7	7,8	7,7	6,7	5,7	5,8	0,4	2,2	1,2	3,0	3,2
6. Compensation per employee											
— Nominal	8,9	10,9	7,7	6,3	6,7	4,4	4,1	0,9	2,4	5,2	5,3
— Real, private consumption deflator	5,1	2,9	0,0	-0,3	0,9	-1,3	3,7	-1,3	1,2	2,1	2,0
— Real, GDP deflator	4,6	3,5	0,5	0,5	1,6	-1,4	0,7	-1,1	0,9	2,3	1,7
7. Productivity ⁴	4,3	2,2	2,9	1,3	2,3	0,1	1,0	1,7	2,5	2,7	2,5
8. Real unit labour costs ⁵											
— Index 1961-73 = 100	100,0	111,5	111,6	110,7	110,0	108,3	108,0	105,1	103,4	102,9	102,2
— Annual percentage change	0,3	1,3	-2,3	-0,8	-0,7	-1,5	-0,3	-2,7	-1,6	-0,5	-0,7
9. Profitability (index 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	112,3	90,7	88,7	87,7	89,0	93,8	94,3	90,8	89,1	89,2
— Annual percentage change	-0,3	0,1	-11,5	-2,2	-1,1	1,6	5,3	0,5	-3,7	-1,9	0,1
• Against other Member States											
— Index 1961-73 = 100	100,0	109,1	90,5	89,9	90,8	92,4	95,0	93,8	90,7	89,9	90,1
— Annual percentage change	-0,7	0,2	-10,0	-0,7	1,0	1,7	2,8	-1,3	-3,3	-0,8	0,2
11. Employment	0,6	-0,2	-1,3	-1,1	0,0	0,8	1,0	0,4	1,4	0,8	0,4
12. Unemployment rate ⁶	2,2	7,4	13,0	14,3	14,4	13,6	12,5	12,1	11,1	10,3	9,9
13. Current balance ⁷	1,1	-1,6	-3,6	-0,6	-0,4	0,5	2,0	1,2	1,0	0,4	0,5
14. Net lending of general government ⁷	:	-6,8	-11,1	-11,5	-9,3	-8,8	-9,0	-7,2	-6,7	-6,3	-6,3
15. Gross debt of general government ⁷	:	69,0	97,5	107,4	111,7	118,3	122,0	128,8	130,9	131,3	:
16. Interest payments by general government ⁷	:	4,9	9,3	9,5	10,0	10,8	11,4	10,8	10,5	10,8	11,0
17. Money supply (end of year) ⁸	10,1	11,1	7,5	7,1	6,2	6,7	10,7	9,9	6,6	.	:
18. Long-term interest rate ⁹	6,5	9,9	13,4	11,8	12,0	10,6	7,9	7,8	7,9	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.

² At constant prices.

³ At current prices.

⁴ GDP at constant market prices per person employed.

⁵ GDP deflator.

⁶ Percentage of civilian labour force.

⁷ Percentage of GDP.

⁸ M2N.

⁹ Levels.

Table A1

Main economic aggregates 1961-90¹

Denmark

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	11,7	11,3	13,9	10,4	10,3	9,6	7,7	3,9	4,7	4,4	4,4
— At constant prices	4,3	1,2	3,0	2,5	4,4	4,2	3,3	-1,0	-0,2	1,1	1,7
— Price deflator	7,0	10,0	10,6	7,6	5,7	5,2	4,2	5,0	4,9	3,2	2,7
2. Gross fixed capital formation ²											
— Total	6,5	-5,3	7,1	1,9	12,9	11,8	17,3	-9,0	-6,9	-3,1	1,7
— Construction	:	-7,2	-1,3	1,9	7,8	7,7	19,2	-1,2	-6,0	-5,0	0,0
— Equipment	:	-1,3	19,9	2,2	14,3	15,4	14,8	-14,8	-8,1	-0,5	3,8
3. Share of gross fixed capital formation in GDP ³											
— Total	24,0	20,9	16,1	16,0	17,2	18,5	20,7	18,8	17,6	16,9	16,8
— General government	:	3,6	2,8	2,3	1,9	2,2	1,7	2,0	2,2	1,9	1,9
— Other sectors	:	17,3	13,2	13,7	15,3	16,4	19,0	16,7	15,4	15,0	15,0
4. Final national uses including stocks											
— At constant prices	4,6	0,0	3,5	1,4	5,1	5,7	5,4	-3,2	-2,1	-0,2	1,1
— Relative against 19 competitors	0,1	-1,6	3,3	-0,7	1,5	2,7	1,5	-6,5	-6,0	-2,9	-1,4
— Relative against other Member States	0,2	-1,3	3,1	-0,3	3,1	3,7	1,7	-6,6	-6,3	-3,3	-1,7
5. Inflation (private consumption price deflator)	6,6	11,0	10,2	6,8	6,4	4,7	3,4	4,1	5,1	4,3	2,9
6. Compensation per employee											
— Nominal	10,7	11,4	11,9	8,2	5,5	4,9	4,7	8,2	2,3	2,9	2,9
— Real, private consumption deflator	3,8	0,4	1,5	1,3	-0,8	0,2	1,2	4,0	-2,6	-1,3	0,0
— Real, GDP deflator	3,4	1,3	1,2	0,5	-0,1	-0,3	0,4	3,1	-2,5	-0,3	-0,2
7. Productivity ⁴	3,2	1,1	2,6	2,2	2,6	1,2	1,0	-2,1	0,0	1,3	1,3
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	101,9	99,2	97,5	94,9	93,5	93,0	97,9	95,5	94,0	92,9
— Annual percentage change	0,2	0,3	-1,3	-1,7	-2,7	-1,5	-0,5	5,3	-2,5	-1,6	-1,1
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	116,5	99,2	100,3	96,2	97,4	103,2	115,0	112,1	105,9	104,2
— Annual percentage change	2,2	-1,3	-2,6	1,1	-4,1	1,2	6,0	11,5	-2,5	-5,6	-1,6
• Against other Member States											
— Index: 1961-73 = 100	100,0	112,8	98,4	100,9	100,1	101,7	104,0	113,2	111,2	107,0	105,4
— Annual percentage change	1,7	-1,2	-0,8	2,5	-0,8	1,6	2,3	8,8	-1,7	-3,9	-1,4
11. Employment	1,1	0,2	0,4	0,3	1,7	2,9	2,3	1,1	-0,3	-0,2	0,4
12. Unemployment rate ⁶	1,1	5,9	9,3	10,1	9,9	8,7	7,5	7,5	8,3	9,1	9,3
13. Current balance ⁷	-2,0	-3,5	-4,2	-2,6	-3,3	-4,6	-5,2	-3,0	-1,7	-1,7	-1,4
14. Net lending of general government ⁷	:	-1,4	-9,1	-7,2	-4,1	-2,0	3,4	1,8	0,4	0,5	1,1
15. Gross debt of general government ⁷	:	22,9	64,5	74,3	78,0	74,0	66,8	63,3	62,7	62,2	:
16. Interest payments by general government ⁷	:	2,6	6,0	8,1	9,6	9,8	8,8	8,3	7,9	7,7	7,0
17. Money supply (end of year) ⁸	10,6	11,4	11,4	25,4	17,8	15,8	8,4	4,4	3,1	:	:
18. Long-term interest rate ⁹	9,0	16,4	20,5	14,4	14,0	11,6	10,5	11,9	10,6	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M2.⁹ Levels.

Table A1**Main economic aggregates 1961-90¹****Federal Republic of Germany***(Annual % change, unless otherwise stated)*

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	8,9	6,7	3,7	4,8	4,8	4,3	5,5	4,0	5,1	5,2	5,8
— At constant prices	4,4	1,9	-0,6	1,5	2,8	2,0	2,3	1,9	3,5	3,0	3,0
— Price deflator	4,3	4,7	4,4	3,3	2,0	2,2	3,1	2,0	1,5	2,2	2,7
2. Gross fixed capital formation ²											
— Total	4,0	0,1	-5,3	3,2	0,8	0,1	3,3	1,8	5,8	6,0	4,9
— Construction	:	-0,9	-4,3	1,7	1,6	-5,6	2,7	0,2	4,5	4,2	3,0
— Equipment	:	2,1	-7,0	5,6	-2,0	9,9	4,3	5,6	7,5	8,3	7,2
3. Share of gross fixed capital formation in GDP ³											
— Total	24,9	21,2	20,5	20,5	20,2	19,7	19,5	19,4	19,8	20,5	21,0
— General government	:	3,5	2,8	2,5	2,4	2,3	2,4	2,4	2,4	2,4	2,3
— Other sectors	:	17,6	17,6	18,0	17,8	17,4	17,1	17,0	17,5	18,2	18,7
4. Final national uses including stocks											
— At constant prices	4,5	1,7	-2,0	2,3	2,0	0,6	3,5	3,2	3,5	2,4	2,9
— Relative against 19 competitors	-0,5	-0,1	-2,7	0,6	-1,5	-2,3	-0,3	-0,4	-0,7	-0,7	0,3
— Relative against other Member States	-0,4	0,2	-3,5	1,5	0,0	-1,8	-0,3	-0,3	-0,8	-1,0	0,1
5. Inflation (private consumption price deflator)	3,6	5,0	4,7	3,2	2,4	2,1	-0,2	0,7	1,3	3,0	2,9
6. Compensation per employee											
— Nominal	9,2	7,1	4,2	3,7	3,5	3,1	3,9	2,9	3,1	2,9	3,5
— Real, private consumption deflator	5,4	2,0	-0,5	0,5	1,0	1,0	4,1	2,2	1,7	-0,1	0,5
— Real, GDP deflator	4,6	2,3	-0,2	0,4	1,5	0,8	0,7	0,9	1,5	0,8	0,7
7. Productivity ⁴	4,1	2,3	1,1	3,1	2,7	1,3	1,3	1,2	2,9	1,9	2,0
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	103,7	102,2	99,6	98,4	97,9	97,4	97,0	95,7	94,7	93,5
— Annual percentage change	0,5	0,0	-1,2	-2,5	-1,2	-0,5	-0,6	-0,3	-1,3	-1,1	-1,3
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	111,5	97,8	97,1	92,6	91,0	99,5	104,7	100,9	96,1	94,3
— Annual percentage change	2,3	-2,6	-0,3	-0,7	-4,6	-1,8	9,4	5,2	-3,7	-4,8	-1,8
• Against other Member States											
— Index: 1961-73 = 100	100,0	109,9	99,1	100,7	99,0	97,1	103,1	105,8	102,0	98,2	96,2
— Annual percentage change	2,2	-2,9	2,9	1,7	-1,7	-1,9	6,1	2,7	-3,6	-3,7	-2,1
11. Employment	0,2	-0,4	-1,7	-1,5	0,1	0,7	1,0	0,7	0,6	1,0	1,0
12. Unemployment rate ⁶	0,8	3,7	6,9	8,4	8,4	8,4	8,1	8,1	8,0	7,2	7,1
13. Current balance ⁷	0,7	0,5	0,5	0,7	1,3	2,6	4,4	3,9	4,1	4,3	4,4
14. Net lending of general government ⁷	:	-3,0	-3,3	-2,5	-1,9	-1,1	-1,3	-1,8	-2,0	-0,3	-0,9
15. Gross debt of general government ⁷	:	28,8	39,3	40,9	41,8	42,5	42,7	43,9	44,6	43,8	:
16. Interest payments by general government ⁷	:	1,7	2,8	3,0	3,0	3,0	3,0	2,9	2,8	2,7	2,7
17. Money supply (end of year) ⁸	10,9	8,1	7,1	5,3	4,7	5,0	6,6	5,9	6,9	:	:
18. Long-term interest rate ⁹	7,2	8,1	9,0	7,9	7,8	6,9	5,9	5,8	6,1	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M3.⁹ Levels.

Table A1

Main economic aggregates 1961-90¹

Greece

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	12,5	19,8	25,6	19,5	23,6	21,3	20,1	15,3	17,3	19,0	18,0
— At constant prices	7,7	3,0	0,4	0,4	2,8	3,1	1,2	-0,4	3,5	3,0	2,6
— Price deflator	4,5	16,3	25,1	19,1	20,3	17,7	18,6	15,7	13,3	15,6	15,0
2. Gross fixed capital formation ²											
— Total	10,0	-1,9	-1,9	-1,3	-5,7	5,2	-5,7	-3,2	10,1	9,6	7,2
— Construction	:	-3,1	-13,2	5,3	-6,9	3,0	-3,4	-5,0	10,5	10,0	6,5
— Equipment	:	0,1	14,1	-8,5	-4,2	7,6	-6,5	-0,9	9,5	9,0	8,0
3. Share of gross fixed capital formation in GDP ³											
— Total	22,7	22,9	19,9	20,3	18,5	19,1	18,5	17,4	18,1	19,0	19,5
— General government	:	:	2,9	3,3	4,1	4,4	4,1	3,3	3,4	3,4	3,5
— Other sectors	:	:	17,0	16,9	14,3	14,7	14,4	14,2	14,7	15,6	16,0
4. Final national uses including stocks											
— At constant prices	8,2	2,1	3,5	0,8	-0,4	6,2	-0,5	0,4	4,3	4,0	2,9
— Relative against 19 competitors	3,2	0,2	3,6	-1,1	-3,7	3,4	-4,1	-3,1	0,1	0,9	0,2
— Relative against other Member States	3,3	0,5	3,1	-0,5	-2,5	4,1	-4,1	-3,1	0,2	0,8	0,0
5. Inflation (private consumption price deflator)	3,5	16,8	20,7	18,1	17,9	18,3	22,0	15,7	13,5	14,6	14,3
6. Compensation per employee											
— Nominal	10,2	21,2	27,8	21,3	22,3	23,3	13,2	11,7	17,2	18,0	16,0
— Real, private consumption deflator	6,5	3,7	5,9	2,7	3,8	4,2	-7,2	-3,4	3,3	3,0	1,5
— Real, GDP deflator	5,5	4,2	2,2	1,9	1,7	4,8	-4,6	-3,4	3,4	2,1	0,9
7. Productivity ⁴	8,2	1,7	1,2	-0,6	2,4	2,1	0,9	-0,3	2,4	2,2	2,0
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	96,3	105,8	108,5	107,7	110,6	104,5	101,2	102,2	102,1	101,0
— Annual percentage change	-2,5	2,5	1,0	2,5	-0,7	2,7	-5,5	-3,2	1,0	-0,1	-1,1
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	78,4	86,1	82,2	81,4	80,0	68,3	67,0	69,4	71,0	71,4
— Annual percentage change	-4,2	1,0	8,2	-4,6	-1,0	-1,7	-14,6	-1,9	3,6	2,2	0,6
• Against other Member States											
— Index: 1961-73 = 100	100,0	75,6	87,0	84,6	86,2	84,7	70,2	67,4	70,1	72,6	73,1
— Annual percentage change	-4,7	1,1	11,2	-2,7	1,8	-1,6	-17,1	-4,1	4,1	3,6	0,6
11. Employment	-0,5	1,3	-0,8	1,0	0,3	1,0	0,3	-0,1	1,1	0,7	0,6
12. Unemployment rate ⁶	:	:	5,8	9,0	9,3	8,7	8,2	8,0	8,5	8,4	8,5
13. Current balance ⁷	-2,9	-1,7	-4,4	-5,0	-4,0	-8,2	-5,2	-2,5	-1,9	-2,1	-1,5
14. Net lending of general government ⁷	:	:	-7,7	-8,3	-10,0	-13,8	-11,6	-9,9	-14,3	-14,5	-14,2
15. Gross debt of general government ⁷	:	26,3	36,1	41,2	49,5	57,9	58,3	63,3	71,4	76,5	:
16. Interest payments by general government ⁷	:	1,9	2,6	3,7	4,6	5,4	5,7	7,2	8,8	9,4	10,0
17. Money supply (end of year) ⁸	18,2	25,1	29,0	20,3	29,4	26,8	19,0	24,8	22,8	:	:
18. Long-term interest rate ⁹	:	11,9	15,4	18,2	18,5	15,8	15,8	17,4	16,9	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M3.⁹ Levels.

Table A1**Main economic aggregates 1961-90¹****Spain***(Annual % change, unless otherwise stated)*

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	14,8	19,1	15,2	13,6	12,9	11,1	14,6	11,8	10,9	11,5	10,7
— At constant prices	7,2	1,8	1,2	1,8	1,8	2,3	3,3	5,5	5,0	4,5	4,1
— Price deflator	7,1	17,0	13,8	11,6	10,9	8,5	10,9	5,9	5,7	6,6	6,4
2. Gross fixed capital formation ²											
— Total	10,4	-1,3	0,5	-2,5	-5,8	4,1	10,0	14,6	14,0	13,6	10,2
— Construction	:	-1,6	0,1	-2,0	-5,2	2,0	6,5	10,0	13,5	13,5	10,8
— Equipment	:	-0,5	2,2	-4,8	-7,3	8,4	10,4	21,7	14,7	13,9	9,4
3. Share of gross fixed capital formation in GDP ³											
— Total	24,2	23,9	21,3	20,6	18,8	18,9	19,2	20,7	22,5	24,4	25,8
— General government	:	2,2	3,1	2,8	3,0	3,7	3,7	3,5	3,8	4,1	4,3
— Other sectors	:	21,7	18,2	17,7	15,7	15,2	15,5	17,1	18,7	20,4	21,6
4. Final national uses including stocks											
— At constant prices	7,7	1,4	1,1	-0,1	-0,7	2,9	6,1	8,5	6,7	6,2	5,3
— Relative against 19 competitors	2,8	-0,4	0,7	-2,0	-3,9	0,1	2,2	4,7	2,4	3,0	2,6
— Relative against other Member States	2,9	-0,2	0,2	-1,3	-2,5	0,8	2,3	4,7	2,4	2,9	2,4
5. Inflation (private consumption price deflator)	6,6	17,5	14,5	12,3	11,0	8,2	8,7	5,4	5,1	6,1	6,0
6. Compensation per employee											
— Nominal	14,6	21,2	13,7	13,8	10,0	9,4	9,5	6,4	6,4	7,2	7,1
— Real, private consumption deflator	7,5	3,2	-0,7	1,3	-0,9	1,1	0,7	0,9	1,2	1,1	1,0
— Real, GDP deflator	7,1	3,6	-0,1	1,9	-0,9	0,8	-1,2	0,4	0,7	0,5	0,7
7. Productivity ⁴	6,5	3,3	2,2	2,3	4,3	3,7	1,0	0,1	2,0	1,9	2,0
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	104,7	102,1	101,8	96,7	94,1	92,0	92,3	91,1	89,8	88,7
— Annual percentage change	0,6	0,3	-2,2	-0,3	-4,9	-2,8	-2,2	0,3	-1,3	-1,3	-1,3
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	120,8	117,6	103,4	102,8	102,3	105,8	109,0	114,1	121,4	123,9
— Annual percentage change	1,8	1,4	-3,2	-12,1	-0,5	-0,5	3,2	3,2	4,7	6,4	2,0
• Against other Member States											
— Index: 1961-73 = 100	100,0	114,5	116,7	105,0	107,7	107,4	106,7	107,2	112,8	121,9	124,5
— Annual percentage change	1,2	1,4	-0,3	-10,0	2,6	-0,3	-0,7	0,5	5,2	8,1	2,1
11. Employment	0,7	-1,5	-0,9	-0,5	-2,4	-1,3	2,3	5,4	2,9	2,6	2,1
12. Unemployment rate ⁶	:	7,3	16,4	18,2	20,1	21,4	21,0	20,5	19,6	18,3	17,5
13. Current balance ⁷	-0,2	-2,0	-2,5	-1,5	1,4	1,6	1,7	0,1	-1,1	-2,5	-3,4
14. Net lending of general government ⁷	:	-1,3	-5,6	-4,8	-5,5	-7,0	-6,1	-3,6	-3,2	-3,0	-2,8
15. Gross debt of general government ⁷	:	15,5	27,9	34,5	41,2	46,5	47,5	47,9	47,5	46,9	:
16. Interest payments by general government ⁷	:	0,6	1,0	1,3	2,0	3,2	3,8	3,5	3,3	3,4	3,3
17. Money supply (end of year) ⁸	6,8	18,6	16,6	15,9	13,1	12,8	12,6	13,9	7,9	:	:
18. Long-term interest rate ⁹	:	:	16,0	16,9	16,5	13,4	11,4	12,8	11,8	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ ALP.⁹ Levels.

Table A1

Main economic aggregates 1961-90¹

France

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	10,7	13,7	14,6	10,5	8,9	7,6	7,2	5,0	6,2	6,0	5,9
— At constant prices	5,4	2,5	2,5	0,7	1,3	1,7	2,1	2,2	3,2	3,1	3,1
— Price deflator	5,0	11,0	11,7	9,7	7,5	5,9	5,1	2,8	2,8	2,8	2,7
2. Gross fixed capital formation ²											
— Total	7,7	0,2	-1,4	-3,6	-2,6	2,8	2,9	3,7	6,1	5,6	5,5
— Construction	:	0,1	-2,5	-3,6	3,2	-0,9	2,0	2,3	4,6	3,8	3,4
— Equipment	:	1,8	1,6	-3,5	0,2	4,6	3,8	5,0	7,3	6,9	7,0
3. Share of gross fixed capital formation in GDP ³											
— Total	24,0	23,3	21,4	20,2	19,3	19,2	19,1	19,4	20,0	20,5	21,1
— General government	:	3,3	3,4	3,3	3,0	3,2	3,2	3,4	3,3	3,3	3,3
— Other sectors	:	20,0	17,9	17,0	16,2	16,0	15,8	16,0	16,6	17,2	17,8
4. Final national uses including stocks											
— At constant prices	5,7	2,0	3,5	-0,7	0,4	2,2	3,9	-3,3	-3,5	-3,0	3,0
— Relative against 19 competitors	0,8	0,2	3,8	-2,7	-3,2	-0,5	0,1	-0,5	-0,8	-0,2	0,3
— Relative against other Member States	1,0	0,5	3,5	-2,2	-1,9	0,2	0,2	-0,4	-0,9	-0,3	0,1
5. Inflation (private consumption price deflator)	4,8	11,5	11,5	9,7	7,7	5,8	2,7	3,1	2,7	3,3	2,7
6. Compensation per employee											
— Nominal	9,9	14,9	14,1	10,1	8,2	6,6	4,1	3,7	3,6	3,7	3,6
— Real, private consumption deflator	4,8	3,0	2,3	0,4	0,5	0,8	1,4	0,6	0,8	0,4	0,8
— Real, GDP deflator	4,6	3,5	2,1	0,4	0,7	0,7	-0,9	0,9	0,7	0,9	0,9
7. Productivity ⁴	4,7	2,3	2,4	1,1	2,3	2,0	1,9	2,1	2,5	2,4	2,3
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	106,0	108,0	107,2	105,6	104,3	101,4	100,1	98,4	96,9	95,5
— Annual percentage change	-0,1	1,2	-0,3	-0,7	-1,5	-1,3	-2,8	-1,2	-1,8	-1,5	-1,4
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	95,6	89,9	87,1	85,1	86,8	89,2	88,7	85,0	81,5	79,9
— Annual percentage change	-0,8	-0,3	-4,9	-3,1	-2,3	-2,0	2,8	-0,6	-4,1	-4,2	-1,9
• Against other Member States											
— Index: 1961-73 = 100	100,0	93,0	91,2	90,5	91,2	93,3	92,6	89,5	86,1	83,6	81,9
— Annual percentage change	-1,2	0,5	-2,3	-0,8	0,7	2,3	-0,8	-3,3	-3,8	-3,0	-2,0
11. Employment	0,7	0,2	0,2	-0,4	-0,9	-0,3	0,2	0,1	0,7	0,7	0,8
12. Unemployment rate ⁶	1,1	5,1	8,7	8,9	10,0	10,5	10,7	11,1	10,9	10,5	10,3
13. Current balance ⁷	0,4	-0,1	-2,1	-0,8	-0,0	0,1	0,5	-0,4	-0,3	-0,5	-0,4
14. Net lending of general government ⁷	:	-1,0	-2,8	-3,2	-2,8	-2,8	-2,9	-2,5	-1,6	-1,7	-1,6
15. Gross debt of general government ⁷	:	23,5	27,9	29,5	31,8	33,4	34,9	36,1	36,4	36,7	:
16. Interest payments by general government ⁷	:	1,3	2,0	2,6	2,7	2,9	2,9	2,8	2,8	2,9	2,8
17. Money supply (end of year) ⁸	13,7	13,4	11,4	11,5	9,5	6,8	6,3	7,3	7,3	:	:
18. Long-term interest rate ⁹	6,9	11,7	15,6	13,6	12,5	10,9	8,4	9,4	9,0	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M3R.⁹ Levels.

Table A1**Main economic aggregates 1961-90¹****Ireland***(Annual % change, unless otherwise stated)*

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	11,8	19,7	17,8	10,5	11,5	6,9	5,2	6,6	5,5	9,5	7,4
— At constant prices	4,4	4,3	2,3	-0,2	4,2	1,6	-0,4	4,1	3,8	4,1	4,0
— Price deflator	7,1	14,8	15,2	10,8	7,0	5,2	5,6	2,5	1,7	5,1	3,3
2. Gross fixed capital formation ²											
— Total	10,0	4,6	-3,4	-9,3	-2,0	-6,6	-0,3	0,0	0,7	6,6	7,3
— Construction	:	3,9	-4,7	-12,2	-13,5	:	:	-6,5	-6,2	5,4	7,5
— Equipment	:	5,1	-5,9	-5,0	9,2	:	:	3,6	6,0	7,4	7,1
3. Share of gross fixed capital formation in GDP ³											
— Total	21,2	26,7	26,5	23,1	21,6	19,6	18,4	17,4	17,3	17,9	18,6
— General government	:	5,3	5,1	4,5	3,9	4,0	3,7	2,9	2,2	2,0	2,0
— Other sectors	:	21,4	21,4	18,6	17,7	15,6	14,7	14,5	15,1	15,8	16,5
4. Final national uses including stocks											
— At constant prices	5,4	3,5	-2,1	-2,6	1,1	-0,4	1,4	-1,5	-0,3	4,8	3,7
— Relative against 19 competitors	1,4	2,1	-2,6	-5,0	-2,3	-3,1	-2,3	-4,9	-4,7	1,6	1,3
— Relative against other Member States	1,5	2,4	-3,1	-4,6	-1,0	-2,6	-2,3	-4,9	-4,9	1,5	1,1
5. Inflation (private consumption price deflator)	6,0	16,6	15,3	9,2	8,1	4,5	3,9	3,1	2,2	3,8	3,2
6. Compensation per employee											
— Nominal	11,3	19,3	14,4	12,6	11,3	7,4	5,0	6,0	4,0	4,8	4,6
— Real, private consumption deflator	5,0	2,3	-0,8	3,2	2,9	2,7	1,1	2,8	1,7	1,0	1,4
— Real, GDP deflator	3,9	3,9	-0,7	1,7	4,0	2,1	-0,6	3,4	2,3	-0,3	1,3
7. Productivity ⁴	4,3	3,3	2,3	1,7	6,2	3,9	-0,5	4,1	3,8	3,1	3,2
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	101,4	98,0	98,0	96,0	94,3	94,3	93,7	92,4	89,4	87,8
— Annual percentage change	-0,4	0,6	-2,9	0,0	-2,0	-1,7	0,0	-0,6	-1,4	-3,3	-1,8
9. Profitability (index 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	95,7	100,7	102,9	99,9	100,8	106,5	102,9	98,4	93,9	92,0
— Annual percentage change	0,3	-0,5	3,3	2,2	-2,9	0,9	5,7	-3,4	-4,4	-4,5	-2,0
• Against other Member States											
— Index: 1961-73 = 100	100,0	92,9	100,6	104,8	104,4	105,4	107,9	101,8	97,5	94,3	92,3
— Annual percentage change	0,1	-0,6	5,8	4,2	-0,4	1,0	2,4	-5,7	-4,2	-3,3	-2,0
11. Employment	0,1	0,9	0,0	-1,9	-1,9	-2,2	0,2	0,0	0,0	1,0	0,8
12. Unemployment rate ⁶	4,8	8,4	12,3	14,9	16,6	17,9	18,3	19,1	18,7	18,0	17,5
13. Current balance ⁷	-2,5	-8,6	-10,6	-6,9	-5,8	-4,0	-2,9	1,4	2,1	1,8	1,9
14. Net lending of general government ⁷	:	-10,5	-13,7	-11,6	-9,6	-11,1	-11,0	-8,9	-3,4	-4,6	-4,2
15. Gross debt of general government ⁷	:	70,9	87,2	97,3	102,1	105,0	116,5	119,8	118,0	114,4	:
16. Interest payments by general government ⁷	:	5,6	9,0	9,3	9,4	10,4	9,8	9,9	9,7	9,1	8,8
17. Money supply (end of year) ⁸	12,1	19,2	13,0	5,6	10,1	5,3	-1,0	10,9	6,3	:	:
18. Long-term interest rate ⁹	:	14,6	17,0	13,9	14,6	12,7	11,1	11,3	9,4	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M3.⁹ Levels.

Table A1

Main economic aggregates 1961-90¹

Italy

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	11,0	20,8	16,5	16,2	14,9	12,1	10,6	8,9	10,1	10,2	10,1
— At constant prices	5,3	2,6	0,2	1,1	3,2	2,9	2,9	3,1	3,9	3,4	3,0
— Price deflator	5,4	17,7	16,2	15,0	11,3	8,9	7,5	5,6	6,0	6,5	6,9
2. Gross fixed capital formation ²											
— Total	4,3	0,5	-5,7	-0,1	5,3	2,5	1,4	5,2	4,9	5,2	3,8
— Construction	:	-0,4	-6,6	0,8	0,6	-0,5	-0,7	-0,4	3,7	5,0	2,6
— Equipment	:	1,9	-4,4	-4,2	9,3	8,2	2,0	14,1	6,0	6,2	4,8
3. Share of gross fixed capital formation in GDP ³											
— Total	25,9	24,4	22,3	21,3	21,3	21,1	20,0	19,9	19,8	20,0	19,9
— General government	:	3,0	3,7	3,7	3,6	3,7	3,5	3,5	3,4	3,4	3,4
— Other sectors	:	21,4	18,6	17,6	17,7	17,3	16,4	16,4	16,3	16,6	16,6
4. Final national uses including stocks											
— At constant prices	5,5	2,0	0,3	0,1	4,1	3,1	3,6	4,8	4,3	3,8	3,6
— Relative against 19 competitors	0,6	0,3	0,1	-2,0	0,8	0,4	-0,2	1,3	0,2	0,7	1,0
— Relative against other Member States	0,7	0,5	-0,4	-1,3	2,5	1,2	-0,1	1,4	0,2	0,6	0,8
5. Inflation (private consumption price deflator)	4,8	17,6	15,9	15,0	11,7	9,3	5,8	4,8	4,9	6,6	6,3
6. Compensation per employee											
— Nominal	11,6	20,5	16,2	15,9	11,8	10,3	7,4	9,0	8,8	8,1	8,7
— Real, private consumption deflator	6,5	2,5	0,2	0,8	0,0	1,0	1,6	4,0	3,8	1,4	2,3
— Real, GDP deflator	5,9	2,4	0,0	0,8	0,4	1,3	-0,1	3,2	2,7	1,5	1,7
7. Productivity ⁴	5,7	1,9	-0,3	0,4	2,8	2,0	1,9	2,9	2,5	2,3	2,2
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	107,5	107,8	108,2	105,7	104,9	102,9	103,2	103,3	102,5	102,1
— Annual percentage change	0,2	0,5	0,3	0,4	-2,3	-0,7	-2,0	0,3	0,2	-0,8	-0,4
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	88,8	92,1	98,6	98,1	97,5	103,2	107,6	107,7	109,4	113,4
— Annual percentage change	-0,3	-0,3	1,3	7,1	-0,5	-0,6	5,8	4,2	0,1	1,6	3,6
• Against other Member States											
— Index: 1961-73 = 100	100,0	85,3	93,1	102,6	105,7	105,2	107,1	108,5	109,2	112,9	117,2
— Annual percentage change	-0,8	-0,2	4,5	10,2	3,0	-0,5	1,8	1,4	0,6	3,4	3,8
11. Employment	-0,4	0,7	0,6	0,6	0,4	0,8	0,9	0,2	1,4	1,1	0,8
12. Unemployment rate ⁶	5,2	6,2	9,7	11,0	12,0	12,9	13,7	14,2	16,1	15,6	15,2
13. Current balance ⁷	1,5	-0,7	-1,6	0,3	-0,7	-0,9	-0,5	-0,1	-0,6	-1,0	-1,1
14. Net lending of general government ⁷	:	-8,4	-11,3	-10,6	-11,6	-12,5	-11,6	-11,1	-10,6	-10,3	-10,9
15. Gross debt of general government ⁷	:	58,7	66,4	72,0	77,1	83,7	88,0	92,7	95,8	100,7	:
16. Interest payments by general government ⁷	:	4,5	7,1	7,5	8,0	8,0	8,5	9,0	8,2	9,0	9,1
17. Money supply (end of year) ⁸	15,4	18,5	18,0	12,3	12,1	11,1	9,4	8,3	8,4	:	:
18. Long-term interest rate ⁹	7,0	14,2	20,9	18,0	15,0	14,3	11,7	11,3	12,1	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M2N.⁹ Levels.

Table A1**Main economic aggregates 1961-90¹****Luxembourg**

(Annual % change, unless otherwise stated)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	8,7	8,0	12,1	10,0	10,9	7,1	6,3	1,4	7,7	4,9	5,5
— At constant prices	4,2	1,2	1,5	2,9	6,2	3,7	4,7	2,5	5,0	3,2	2,8
— Price deflator	4,3	6,7	10,4	6,9	4,4	3,3	1,5	-1,1	2,6	1,6	2,7
2. Gross fixed capital formation ²											
— Total	5,1	-1,1	-0,4	-11,6	-0,4	-3,3	15,8	5,3	4,6	4,0	2,4
— Construction	:	-1,6	-1,3	-12,9	-5,3	:	:	4,8	5,5	3,5	2,1
— Equipment	:	-0,2	0,7	-9,2	0,7	:	:	6,1	3,0	5,0	3,0
3. Share of gross fixed capital formation in GDP ³											
— Total	26,4	25,4	24,9	21,3	19,9	18,4	20,9	22,6	22,6	23,2	23,3
— General government	:	6,4	6,7	5,9	4,9	5,2	5,3	5,6	5,6	5,6	5,7
— Other sectors	:	19,1	18,2	15,4	15,0	13,2	15,6	17,0	17,0	17,5	17,6
4. Final national uses including stocks											
— At constant prices	4,2	1,8	0,9	0,1	4,3	1,4	2,3	2,5	4,3	3,1	2,3
— Relative against 19 competitors	:	:	:	:	:	:	:	:	:	:	:
— Relative against other Member States	:	:	:	:	:	:	:	:	:	:	:
5. Inflation (private consumption price deflator)	3,0	7,5	10,8	8,9	5,5	5,2	0,8	2,9	1,4	2,5	3,0
6. Compensation per employee											
— Nominal	7,4	10,7	6,9	6,9	7,1	3,5	5,2	3,9	3,3	6,0	5,1
— Real, private consumption deflator	4,2	2,9	-3,5	-1,9	1,5	-1,7	4,4	0,9	1,8	3,4	2,0
— Real, GDP deflator	2,9	3,7	-3,1	0,0	2,6	0,1	3,6	5,0	0,7	4,3	2,3
7. Productivity ⁴	3,1	0,6	1,8	3,2	5,6	2,2	2,1	-0,3	2,0	1,6	1,7
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	117,4	115,7	112,1	108,9	106,7	108,3	114,0	112,5	115,5	116,2
— Annual percentage change	-0,2	3,1	-4,8	-3,1	-2,8	-2,1	1,5	5,3	-1,3	2,6	0,6
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	:	:	:	:	:	:	:	:	:	:	:
— Annual percentage change	:	:	:	:	:	:	:	:	:	:	:
• Against other Member States											
— Index: 1961-73 = 100	:	:	:	:	:	:	:	:	:	:	:
— Annual percentage change	:	:	:	:	:	:	:	:	:	:	:
11. Employment	1,1	0,6	-0,3	-0,3	0,6	1,4	2,6	2,7	2,9	1,6	1,1
12. Unemployment rate ⁶	0,0	0,5	1,3	1,6	1,8	1,7	1,5	1,7	1,5	1,4	1,4
13. Current balance ⁷	6,8	20,8	34,7	39,6	39,2	43,8	39,4	33,0	31,6	27,9	25,6
14. Net lending of general government ⁷	:	1,8	-0,5	2,6	3,4	4,5	2,5	2,7	2,5	2,4	2,5
15. Gross debt of general government ⁷	:	15,7	14,5	14,8	15,0	14,0	14,1	12,5	10,4	9,2	:
16. Interest payments by general government ⁷	:	0,9	1,0	1,1	1,1	1,1	1,1	1,1	1,2	1,1	0,9
17. Money supply (end of year)	:	:	:	:	:	:	:	:	:	:	:
18. Long-term interest rate ⁸	:	7,2	10,3	9,8	10,3	9,5	8,7	8,0	7,1	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ Levels.

Table A1**Main economic aggregates 1961-90¹****Netherlands***(Annual % change, unless otherwise stated)*

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	11,2	9,1	4,5	3,3	5,0	4,5	2,8	0,5	4,2	4,8	4,9
— At constant prices	4,8	2,0	-1,4	1,4	3,2	2,6	2,1	1,3	2,6	3,4	3,0
— Price deflator	6,0	6,9	6,0	1,9	1,8	1,8	0,7	-0,9	1,6	1,4	1,8
2. Gross fixed capital formation ²											
— Total	5,3	-1,6	-4,1	2,1	5,4	6,8	8,2	1,6	7,9	6,2	1,1
— Construction	:	-2,0	-6,6	-3,4	4,0	-3,4	4,0	2,9	10,0	4,3	0,4
— Equipment	:	-0,6	0,0	10,0	9,5	17,4	9,9	0,1	5,4	8,6	2,0
3. Share of gross fixed capital formation in GDP ³											
— Total	25,1	20,8	18,2	18,2	18,6	19,2	20,1	20,3	21,2	22,2	21,9
— General government	:	3,4	2,9	2,7	2,8	2,6	2,4	2,3	2,3	2,2	2,3
— Other sectors	:	17,3	15,3	15,6	15,8	16,6	17,7	18,0	18,9	20,0	19,6
4. Final national uses including stocks											
— At constant prices	4,9	1,5	-0,9	1,5	1,7	3,2	3,5	2,1	2,7	3,5	2,4
— Relative against 19 competitors	0,1	-0,2	-1,0	-0,1	-1,2	0,8	-0,2	-1,4	-1,4	0,5	-0,3
— Relative against other Member States	0,2	0,0	-1,3	0,3	-0,3	1,4	-0,2	-1,4	-1,4	0,4	-0,5
5. Inflation (private consumption price deflator)	5,0	7,1	5,3	2,7	2,0	2,1	0,6	-0,3	0,8	1,7	2,0
6. Compensation per employee											
— Nominal	11,4	8,7	5,8	3,2	0,2	1,4	1,9	1,3	1,5	1,9	2,0
— Real, private consumption deflator	6,0	1,6	0,5	0,4	-1,7	-0,7	1,3	1,6	0,7	0,1	0,0
— Real, GDP deflator	5,0	1,7	-0,3	1,3	-1,6	-0,4	1,2	2,2	0,0	0,5	0,2
7. Productivity ⁴	3,9	1,9	1,1	3,4	3,2	1,1	0,2	0,2	1,6	2,3	2,2
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	105,4	101,1	99,1	94,5	93,2	94,1	96,0	94,5	92,8	91,0
— Annual percentage change	1,0	-0,2	-1,3	-2,0	-4,6	-1,4	1,0	2,0	-1,5	-1,8	-2,0
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	122,2	113,1	110,2	101,8	98,8	104,5	107,9	104,8	99,4	96,3
— Annual percentage change	2,9	-0,7	2,7	-2,5	-7,7	-2,9	5,8	3,2	-2,8	-5,2	-3,1
• Against other Member States											
— Index: 1961-73 = 100	100,0	120,0	114,0	112,5	105,9	102,9	106,4	107,9	105,3	100,8	97,7
— Annual percentage change	2,7	-0,6	4,5	-1,3	-5,9	-2,9	3,4	1,5	-2,5	-4,2	-3,1
11. Employment	0,9	0,1	-2,5	-1,9	-0,1	1,5	1,9	1,2	1,0	1,0	0,8
12. Unemployment rate ⁶	1,3	5,7	11,8	14,2	14,5	13,3	12,3	11,8	7,3	6,9	6,6
13. Current balance ⁷	0,5	1,0	3,2	3,1	4,2	4,1	2,8	1,6	2,4	1,6	1,7
14. Net lending of general government ⁷	:	-2,9	-7,1	-6,4	-6,3	-4,8	-5,9	-6,2	-5,0	-4,5	-4,7
15. Gross debt of general government ⁷	:	42,8	55,6	61,9	66,1	69,6	71,1	74,9	78,5	81,2	:
16. Interest payments by general government ⁷	:	3,3	5,2	5,7	6,0	6,3	6,2	6,1	6,0	6,0	5,9
17. Money supply (end of year) ⁸	10,3	9,1	7,6	10,4	7,6	11,1	5,1	5,9	11,7	:	:
18. Long-term interest rate ⁹	5,9	9,7	10,5	8,8	8,6	7,3	6,4	6,4	6,3	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M2N.⁹ Levels.

Table A1**Main economic aggregates 1961-90¹****Portugal**

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	11,1	23,2	23,2	24,4	22,3	25,2	25,0	17,4	16,1	17,0	15,6
— At constant prices	6,9	3,0	2,2	0,0	-1,4	2,8	4,3	4,7	4,0	4,2	3,9
— Price deflator	4,0	19,6	20,6	24,4	24,1	21,7	19,8	12,1	11,6	12,3	11,2
2. Gross fixed capital formation ²											
— Total	7,8	1,4	3,4	-7,6	-17,2	-3,4	9,5	19,5	15,8	12,0	10,0
— Construction	:	:	:	:	:	:	:	10,5	12,3	11,0	10,5
— Equipment	:	:	:	:	:	:	:	31,0	19,5	13,0	9,5
3. Share of gross fixed capital formation in GDP ³											
— Total	24,1	27,2	31,1	29,2	23,6	21,8	22,4	25,3	28,2	30,2	31,8
— General government	:	:	3,4	3,1	2,6	2,5	2,6	2,7	2,9	3,0	3,3
— Other sectors	:	:	27,7	26,1	21,0	19,3	19,9	22,6	25,3	27,1	28,6
4. Final national uses including stocks											
— At constant prices	7,5	2,8	2,1	-5,3	-6,2	0,9	8,4	10,6	9,0	6,7	5,4
— Relative against 19 competitors	2,7	1,2	1,7	-7,1	-9,1	-1,8	4,4	6,7	4,7	3,5	2,6
— Relative against other Member States	2,9	1,4	1,4	-6,7	-8,0	-1,3	4,4	6,8	4,6	3,3	2,4
5. Inflation (private consumption price deflator)	3,4	21,7	20,2	25,9	28,7	19,8	13,5	10,2	9,6	12,3	10,0
6. Compensation per employee											
— Nominal	12,0	25,4	21,6	21,8	21,2	22,5	20,3	13,6	10,6	12,4	11,9
— Real, private consumption deflator	8,3	3,0	1,1	-3,3	-5,8	2,2	6,0	3,1	0,9	0,1	1,7
— Real, GDP deflator	7,7	4,8	0,8	-2,1	-2,3	0,7	0,4	1,3	-0,9	0,0	0,6
7. Productivity ⁴	7,4	3,1	4,2	1,1	0,1	2,9	7,2	1,9	1,4	3,0	3,0
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	124,3	114,4	110,7	108,0	105,7	99,0	98,5	96,3	93,5	91,4
— Annual percentage change	0,3	1,6	-3,3	-3,2	-2,4	-2,2	-6,3	-0,6	-2,2	-2,8	-2,3
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	108,3	90,3	81,9	79,3	80,7	80,6	80,8	81,4	82,6	83,9
— Annual percentage change	-0,4	-0,9	-5,4	-9,3	-3,2	1,8	-0,2	0,3	0,8	1,4	1,5
• Against other Member States											
— Index 1961-73 = 100	100,0	104,9	89,5	82,5	81,9	83,5	81,1	79,7	80,7	82,8	84,2
— Annual percentage change	-0,8	-0,9	-3,4	-7,9	-0,7	2,0	-3,0	-1,6	1,2	2,7	1,6
11. Employment	0,5	-0,1	-1,9	-1,1	-1,5	0,0	-2,7	2,7	2,6	1,2	0,9
12. Unemployment rate ⁶	:	5,1	5,7	5,6	8,4	8,5	8,3	6,8	5,6	5,4	5,4
13. Current balance ⁷	0,4	-6,8	-13,5	-8,3	-3,4	0,4	3,9	1,8	-1,4	-3,9	-4,8
14. Net lending of general government ⁷	:	:	-10,4	-9,1	-12,0	-10,1	-7,8	-6,9	-6,6	-6,3	-6,3
15. Gross debt of general government ⁷	:	:	50,1	56,0	61,4	69,5	68,6	71,7	74,3	75,9	:
16. Interest payments by general government ⁷	:	:	5,5	6,4	7,1	7,9	9,3	7,8	7,7	8,1	8,1
17. Money supply (end of year) ⁸	9,9	21,6	24,6	16,3	24,5	29,8	25,8	16,8	14,8	:	:
18. Long-term interest rate ⁹	:	:	:	:	:	25,4	17,9	15,4	14,1	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ L.⁹ Levels.

Table A1

Main economic aggregates 1961-90¹

United Kingdom

	<i>(Annual % change, unless otherwise stated)</i>										
	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Gross domestic product											
— At current prices	8,4	16,7	8,9	9,2	6,6	9,4	6,8	8,9	10,5	10,2	8,1
— At constant prices	3,2	0,7	1,2	3,6	1,8	3,6	3,1	3,8	3,7	2,4	2,1
— Price deflator	5,1	15,9	7,6	5,2	4,7	5,6	3,6	4,9	6,6	7,6	5,8
2. Gross fixed capital formation ²											
— Total	4,6	-1,8	5,4	5,0	8,6	3,8	0,9	5,5	11,8	6,3	3,1
— Construction	:	-3,3	8,3	5,3	7,0	-2,9	4,4	5,0	7,5	0,3	2,0
— Equipment	:	-0,1	1,4	4,8	9,6	9,9	-3,9	11,7	16,0	11,8	3,9
3. Share of gross fixed capital formation in GDP ³											
— Total	18,5	18,8	16,2	16,1	17,1	17,1	16,9	17,3	18,5	19,1	19,3
— General government	:	3,4	1,6	2,0	2,1	2,0	1,8	1,6	1,2	1,2	1,2
— Other sectors	:	15,4	14,6	14,1	15,0	15,1	15,1	15,7	17,3	18,0	18,2
4. Final national uses including stocks											
— At constant prices	3,2	0,2	2,3	4,9	2,6	2,7	3,9	4,3	7,5	3,6	1,7
— Relative against 19 competitors	-1,9	-1,8	2,6	3,0	-1,1	-0,2	0,2	0,8	3,6	0,5	-1,0
— Relative against other Member States	-1,9	-1,6	2,1	4,4	0,8	0,7	0,2	1,0	4,0	0,4	-1,4
5. Inflation (private consumption price deflator)	4,8	15,1	8,8	4,8	5,1	5,3	4,4	3,9	5,0	5,8	5,3
6. Compensation per employee											
— Nominal	8,3	17,1	8,4	8,6	5,3	6,7	7,4	6,9	8,0	9,2	8,0
— Real, private consumption deflator	3,3	1,7	-0,3	-3,6	0,2	1,4	2,8	3,0	2,8	3,2	2,6
— Real, GDP deflator	3,0	1,0	0,8	3,3	0,6	1,1	3,6	1,9	1,3	1,5	2,1
7. Productivity ⁴	2,9	1,1	3,1	5,1	-0,1	2,0	2,7	1,9	0,5	0,8	1,2
8. Real unit labour costs ⁵											
— Index: 1961-73 = 100	100,0	103,0	98,7	97,0	97,6	96,7	97,6	97,7	98,4	99,1	100,0
— Annual percentage change	0,1	-0,1	-2,2	-1,7	-0,7	-0,9	-0,9	-0,1	-0,8	-0,7	-0,9
9. Profitability (index: 1961-73 = 100)	:	:	:	:	:	:	:	:	:	:	:
10. Relative unit labour costs in a common currency:											
• Against 19 competitors											
— Index: 1961-73 = 100	100,0	89,7	104,0	95,8	93,5	94,7	88,6	89,6	99,5	104,9	108,7
— Annual percentage change	-1,9	3,7	-6,7	-7,9	-2,3	1,2	-6,4	1,0	11,1	5,4	3,6
• Against other Member States											
— Index: 1961-73 = 100	100,0	83,0	104,0	97,8	99,4	100,9	88,4	85,8	97,0	105,3	109,6
— Annual percentage change	-3,0	4,2	-3,7	-6,0	1,7	1,5	-12,4	-3,0	13,0	-8,6	4,0
11. Employment	0,3	-0,4	-1,8	-1,2	1,9	1,6	0,4	1,9	3,1	1,6	0,9
12. Unemployment rate ⁶	2,1	5,1	10,6	11,6	11,8	12,0	12,0	10,7	8,6	6,8	6,5
13. Current balance ⁷	-0,1	-0,4	1,5	0,9	-0,2	0,7	-0,9	-1,6	-3,2	-3,3	-2,9
14. Net lending of general government ⁷	:	-3,7	-2,5	-3,3	-3,9	-2,7	-2,4	-1,5	0,9	1,8	1,9
15. Gross debt of general government ⁷	:	57,8	58,5	58,0	59,3	57,9	56,9	55,5	49,8	44,0	:
16. Interest payments by general government ⁷	:	4,4	5,0	4,7	4,9	5,0	4,6	4,3	4,0	3,5	3,1
17. Money supply (end of year) ⁸	9,5	12,1	8,9	10,4	10,0	13,4	18,9	22,4	20,3	:	:
18. Long-term interest rate ⁹	7,6	13,9	12,7	10,8	10,7	10,6	9,8	9,5	9,3	:	:

¹ 1961-88: Eurostat and Commission services; 1989-90: economic forecasts, February 1989.² At constant prices.³ At current prices.⁴ GDP at constant market prices per person employed.⁵ GDP deflator.⁶ Percentage of civilian labour force.⁷ Percentage of GDP.⁸ M3.⁹ Levels.

Table A2**Main macroeconomic indicators for the Member States, the Community, the USA and Japan***(i) Gross domestic product; real percentage change on preceding year (a)*

		1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	(c)	4,9	2,0	1,5	0,2	2,3	0,9	1,9	2,0	4,0	3,6	2,8
DK	(c)	4,3	1,2	3,0	2,5	4,4	4,2	3,3	-1,0	-0,2	1,1	1,7
D	(c)	4,4	1,9	-0,6	1,5	2,8	2,0	2,3	1,9	3,5	3,0	3,0
GR	(b)	7,7	3,0	0,4	0,4	2,8	3,1	1,2	-0,4	3,5	3,0	2,6
E	(c)	7,2	1,8	1,2	1,8	1,8	2,3	3,3	5,5	5,0	4,5	4,1
F	(c)	5,4	2,5	2,5	0,7	1,3	1,7	2,1	2,2	3,2	3,1	3,1
IRL	(c)	4,4	4,3	2,3	-0,2	4,2	1,6	-0,4	4,1	3,8	4,1	4,0
I	(c)	5,3	2,6	0,2	1,1	3,2	2,9	2,9	3,1	3,9	3,4	3,0
L	(c)	4,2	1,2	1,5	2,9	6,2	3,7	4,7	2,5	5,0	3,2	2,8
NL	(c)	4,8	2,0	-1,4	1,4	3,2	2,6	2,1	1,3	2,6	3,4	3,0
P	(f)	6,9	3,0	2,2	-0,0	-1,4	2,8	4,3	4,7	4,0	4,2	3,9
UK	(e)	3,2	0,7	1,2	3,8	1,8	3,6	3,1	3,8	3,7	2,4	2,1
EUR	(c)	4,8	1,9	0,8	1,6	2,3	2,5	2,6	2,8	3,6	3,2	2,9
USA	(d)	4,0	2,1	-2,6	3,9	7,2	3,8	3,0	3,6	3,9	2,6	1,7
JAP	(c)	9,6	3,7	2,8	3,2	5,0	4,7	2,4	4,3	5,7	4,3	3,6

(a) Gross national product for the USA and Japan from 1988 onwards.

(b) 1970 prices.

(c) 1980 prices.

(d) 1982 prices.

(e) 1985 prices.

(f) 1986 prices.

(ii) Domestic demand; real percentage change on preceding year

		1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	(b)	4,8	1,7	0,8	-2,2	2,3	0,6	3,0	3,4	4,0	3,8	3,0
DK	(b)	4,6	0,0	3,5	1,4	5,1	5,7	5,4	-3,2	-2,1	-0,2	1,1
D	(b)	4,5	1,7	-2,0	2,3	2,0	0,8	3,5	3,2	3,5	2,4	2,9
GR	(a)	8,2	2,1	3,5	0,8	-0,4	6,2	-0,5	0,4	4,1	3,8	2,8
E	(b)	7,7	1,4	1,1	-0,1	-0,7	2,9	6,1	8,5	6,7	6,2	5,2
F	(b)	5,7	2,0	3,5	-0,7	0,4	2,2	3,9	3,3	3,5	3,0	3,0
IRL	(b)	5,4	3,5	-2,1	-2,6	1,1	-0,4	1,4	-1,5	-0,3	4,8	3,7
I	(b)	5,5	2,0	0,3	0,1	4,1	3,1	3,6	4,8	4,3	3,8	3,6
L	(b)	4,2	1,8	0,9	0,1	4,3	1,4	2,3	2,5	4,3	3,1	2,3
NL	(b)	4,9	1,5	-0,9	1,5	1,7	3,2	3,5	2,1	2,7	3,5	2,4
P	(e)	7,5	2,8	2,1	-5,3	-6,2	0,9	8,4	10,6	8,4	6,3	5,1
UK	(d)	3,2	0,2	2,3	4,9	2,6	2,7	3,9	4,3	6,5	3,3	1,7
EUR	(b)	5,0	1,5	0,9	1,1	1,8	2,3	3,9	4,1	4,7	3,5	3,1
USA	(c)	4,1	1,8	-2,0	5,4	9,0	4,0	3,7	3,0	3,0	2,3	1,4
JAP	(b)	9,9	2,7	2,8	1,8	3,8	4,0	4,0	5,1	7,8	4,6	3,8

(a) 1970 prices.

(b) 1980 prices.

(c) 1982 prices.

(d) 1985 prices.

(e) 1986 prices.

Table A2 (continued)

(iii) Implicit deflator of private consumption: percentage change on preceding year

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	3,7	7,8	7,7	6,7	5,7	5,8	0,4	2,2	1,2	3,0	3,2
DK	6,6	11,0	10,2	6,8	6,4	4,7	3,4	4,1	5,1	4,3	2,9
D	3,6	5,0	4,7	3,2	2,4	2,1	-0,2	0,7	1,3	3,0	2,9
GR	3,5	16,8	20,7	18,1	17,9	18,3	22,0	15,7	13,5	14,6	14,3
E	6,6	17,5	14,5	12,3	11,0	8,2	8,7	5,4	5,1	6,1	6,0
F	4,8	11,5	11,5	9,7	7,7	5,8	2,7	3,1	2,7	3,3	2,7
IRL	6,0	16,6	15,3	9,2	8,1	4,5	3,9	3,1	2,2	3,8	3,2
I	4,8	17,6	15,9	15,0	11,7	9,3	5,8	4,8	4,9	6,6	6,3
L	3,0	7,5	10,8	8,9	5,5	5,2	0,8	2,9	1,4	2,5	3,0
NL	5,0	7,1	5,3	2,7	2,0	2,1	0,6	-0,3	0,8	1,7	2,0
P	3,4	21,7	20,2	25,9	28,7	19,8	13,5	10,2	9,6	12,3	10,0
UK	4,8	15,1	8,8	4,8	5,1	5,3	4,4	3,9	5,0	5,8	5,3
EUR	4,6	12,3	10,5	8,5	7,2	5,9	3,8	3,4	3,6	4,8	4,5
USA	3,1	8,4	6,0	3,5	3,9	3,1	2,2	4,2	4,2	4,7	4,3
JAP	6,1	8,4	2,6	1,9	2,1	2,2	0,5	-0,1	0,0	3,1	3,0

(iv) Balance on current transactions with rest of world as percentage of GDP (a)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	1,1	-1,6	-3,6	-0,6	-0,4	0,5	2,0	1,2	1,0	0,4	0,5
DK	-2,0	-3,5	-4,2	-2,6	-3,3	-4,6	-5,2	-3,0	-1,7	-1,7	-1,4
D	0,7	0,5	0,5	0,7	1,3	2,6	4,4	3,9	4,1	4,3	4,4
GR	-2,9	-1,7	-4,4	-5,0	-4,0	-8,2	-5,2	-2,5	-1,9	-2,1	-1,5
E	-0,2	-2,0	-2,5	-1,5	1,4	1,6	1,7	0,1	-1,1	-2,5	-3,4
F	0,4	-0,1	-2,1	-0,8	-0,0	0,1	0,5	-0,4	-0,3	-0,5	-0,4
IRL	-2,5	-8,6	-10,6	-6,9	-5,8	-4,0	-2,9	1,4	2,1	1,8	1,9
I	1,5	-0,7	-1,6	0,3	-0,7	-0,9	0,5	-0,1	-0,6	-1,0	-1,1
L	6,8	20,8	34,7	39,6	39,2	43,8	39,4	33,0	31,6	27,9	25,6
NL	0,5	1,0	3,2	3,1	4,2	4,1	2,8	1,6	2,4	1,6	1,7
P	0,4	-6,8	-13,5	-8,3	-3,4	0,4	3,9	1,8	-1,4	-3,9	-4,8
UK	-0,1	-0,4	1,5	0,9	-0,2	0,7	-0,9	-1,6	-3,2	-3,3	-2,9
EUR	0,4	-0,3	-0,7	0,1	0,3	0,8	1,4	0,8	0,4	0,0	0,0
USA	0,5	0,3	-0,0	-1,0	-2,4	-2,9	-3,4	-3,6	-2,8	-2,4	-2,1
JAP	0,6	0,2	0,7	1,8	2,8	3,7	4,3	3,7	2,8	2,7	2,7

(a) Gross national product for the USA and Japan from 1988 onwards.

Table A2 (continued)

(v) Number of unemployed as percentage of the civilian labour force, annual average (a)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	2,2	7,4	13,0	14,3	14,4	13,6	12,5	12,3	11,2	10,3	9,9
DK	1,1	5,9	9,3	10,1	9,9	8,7	7,5	7,6	8,4	9,1	9,3
D	0,8	3,7	6,9	8,4	8,4	8,4	8,1	8,1	8,1	7,2	7,1
GR	—	—	—	7,8	8,1	7,8	7,4	7,4	7,3	7,2	7,3
E	—	5,8	14,2	16,5	18,4	19,5	20,0	20,5	19,5	18,3	17,5
F	1,1	5,1	8,7	8,9	10,0	10,5	10,7	10,8	10,6	10,5	10,3
IRL	4,8	8,4	12,3	14,9	16,6	17,9	18,3	19,0	18,6	18,0	17,5
I	5,2	6,2	9,7	11,0	12,0	12,9	13,7	14,0	15,0	14,5	14,1
L	0,0	0,5	1,3	1,6	1,8	1,7	1,5	1,7	1,6	1,4	1,4
NL (b)	1,3	5,7	11,8	14,2	14,5	13,3	12,3	7,6	7,3	6,9	6,6
P	—	5,1	5,7	5,6	6,7	7,7	8,3	7,2	5,8	5,6	5,6
UK	2,1	5,1	10,6	11,6	11,8	11,8	12,0	10,7	8,7	6,8	6,5
EUR 12	—	5,1	9,4	10,6	11,2	11,6	11,7	11,4	11,0	10,2	9,9
USA	4,9	6,9	9,7	9,6	7,5	7,2	7,0	6,2	5,5	5,4	6,1
JAP	1,3	2,0	2,4	2,7	2,7	2,6	2,8	2,8	2,5	2,6	2,7

(a) SOEC definition; EUR 9: registered unemployed; GR, E, P: labour force sample survey.

(b) NL: following a modification in the method of calculation, the rate falls by about 4 points from 1987 onwards.

(vi) Total employment; percentage change on preceding year (a)

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	0,6	-0,2	-1,3	-1,1	0,0	0,8	1,0	0,4	1,4	0,8	0,4
DK	1,1	0,2	0,4	0,3	1,7	2,9	2,3	1,1	-0,3	-0,2	0,4
D	0,2	-0,4	-1,7	-1,5	0,1	0,7	1,0	0,7	0,6	1,0	1,0
GR	-0,5	1,3	-0,8	1,0	0,3	1,0	0,3	-0,1	1,1	0,7	0,6
E	0,7	-1,5	-0,9	-0,5	-2,4	-1,3	2,3	5,4	2,9	2,6	2,1
F	0,7	0,2	0,2	-0,4	-0,9	-0,3	0,2	0,1	0,7	0,7	0,8
IRL	0,1	0,9	0,0	-1,9	-1,9	-2,2	0,2	0,0	0,0	1,0	0,8
I	-0,4	0,7	0,6	0,6	0,4	0,8	0,9	0,2	1,3	1,1	0,8
L	1,1	0,6	-0,3	-0,3	0,6	1,4	2,6	2,7	2,9	1,6	1,1
NL	0,9	0,1	-2,5	-1,9	-0,1	1,5	1,9	1,2	1,0	1,0	0,8
P	-0,5	-0,1	-1,9	-1,1	-1,5	-0,0	-2,7	2,7	2,6	1,2	0,9
UK	0,3	-0,4	-1,8	-1,2	1,9	1,6	0,4	1,9	3,1	1,6	0,9
EUR	0,3	-0,1	-0,9	-0,7	0,1	0,6	0,8	1,2	1,5	1,2	1,0
USA (b)	1,9	1,9	-1,6	1,0	4,9	2,4	1,7	2,9	2,3	1,9	0,5
JAP	1,3	0,6	0,8	1,7	0,5	0,7	0,9	1,0	1,7	1,3	1,0

(a) National accounts definitions.

(b) Civilian employment.

Table A2 (continued)

(vii) Compensation of employees per head; percentage change on preceding year

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	8,9	10,9	7,7	6,3	6,7	4,4	4,1	0,9	2,4	5,2	5,3
DK	10,7	11,4	11,9	8,2	5,5	4,9	4,7	8,2	2,3	2,9	2,9
D	9,2	7,1	4,2	3,7	3,5	3,1	3,9	2,9	3,1	2,9	3,5
GR	10,2	21,2	27,8	21,3	22,3	23,3	13,2	11,7	17,2	18,0	16,0
E	14,6	21,2	13,7	13,8	10,0	9,4	9,5	6,4	6,4	7,2	7,1
F	9,9	14,9	14,1	10,1	8,2	6,6	4,1	3,7	3,6	3,7	3,6
IRL	11,3	19,3	14,4	12,6	11,3	7,4	5,0	6,0	4,0	4,8	4,6
I	11,6	20,5	16,2	15,9	11,8	10,3	7,4	9,0	8,8	8,1	8,7
L	7,4	10,7	6,9	6,9	7,1	3,5	5,2	3,9	3,3	6,0	5,1
NL	11,4	8,7	5,8	3,2	0,2	1,4	1,9	1,3	1,5	1,9	2,0
P	12,0	25,4	21,6	21,8	21,2	22,5	20,3	13,6	10,6	12,4	11,9
UK	8,3	17,1	8,4	8,6	5,3	6,7	7,4	6,9	8,0	9,2	8,0
EUR	10,0	14,9	11,0	9,8	7,5	6,9	6,2	5,5	5,6	6,0	6,0

(viii) Real compensation of employees per head (a); percentage change on preceding year

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	5,1	2,9	0,0	-0,3	0,9	-1,3	3,7	-1,3	1,2	2,1	2,0
DK	3,8	0,4	1,5	1,3	-0,8	0,2	1,2	4,0	-2,6	-1,3	0,0
D	5,4	2,0	-0,5	0,5	1,0	1,0	4,1	2,2	1,7	-0,1	0,5
GR	6,5	3,7	5,9	2,7	3,8	4,2	-7,2	-3,4	3,3	3,0	1,5
E	7,5	3,2	-0,7	1,3	-0,9	1,1	0,7	0,9	1,2	1,1	1,0
F	4,8	3,0	2,3	0,4	0,5	0,8	1,4	0,6	0,8	0,4	0,8
IRL	5,0	2,3	-0,8	3,2	2,9	2,7	1,1	2,8	1,7	1,0	1,4
I	6,5	2,5	0,2	0,8	0,0	1,0	1,6	4,0	3,8	1,4	2,3
L	4,2	2,9	-3,5	-1,9	1,5	-1,7	4,4	0,9	1,8	3,4	2,0
NL	6,0	1,6	0,5	0,4	-1,7	-0,7	1,3	1,6	0,7	0,1	0,0
P	8,3	3,0	1,1	-3,3	-5,8	2,2	6,0	3,1	0,9	0,1	1,7
UK	3,3	1,7	-0,3	3,6	0,2	1,4	2,8	3,0	2,8	3,2	2,6
EUR	5,1	2,3	0,5	1,2	0,2	0,9	2,3	2,0	1,9	1,1	1,4

(a) Deflated by the price deflator of private consumption.

Table A2 (continued)

(ix) Real unit labour costs (a); percentage change on preceding year

	1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	0,3	1,3	-2,3	-0,8	-0,7	-1,5	-0,3	-2,7	-1,6	-0,4	-0,7
DK	0,2	0,3	-1,3	-1,7	-2,7	-1,5	-0,5	5,3	-3,3	-1,5	-0,9
D	0,5	0,0	-1,2	-2,5	-1,2	-0,5	-0,6	-0,3	-1,4	-1,1	-1,2
GR	-2,5	2,5	1,0	2,5	-0,7	2,7	-5,5	-3,2	1,0	-0,1	-1,1
E	0,6	0,3	-2,2	-0,3	-4,9	-2,8	-2,2	0,3	-1,3	-1,3	-1,3
F	-0,1	1,2	-0,3	-0,7	-1,5	-1,3	-2,8	-1,2	-1,8	-1,4	-1,3
IRL	-0,4	0,6	-2,9	-0,0	-2,0	-1,7	-0,0	-0,6	-1,5	-3,3	-1,8
I	0,2	0,5	0,3	0,4	-2,3	-0,7	-2,0	0,3	0,2	-0,8	-0,6
L	-0,2	3,1	-4,8	-3,1	-2,8	-2,1	1,5	5,3	-1,7	2,5	0,5
NL	1,0	-0,2	-1,3	-2,0	-4,6	-1,4	1,0	2,0	-1,5	-1,8	-2,0
P	0,3	1,6	-3,3	-3,2	-2,4	-2,2	-6,3	-0,6	-2,2	-2,8	-2,3
UK	0,1	-0,1	-2,2	-1,7	0,7	-0,9	0,9	0,1	0,8	0,7	0,9
EUR	0,1	0,4	-1,1	-1,1	-1,7	-1,1	-1,2	-0,2	-0,9	-0,8	-0,8

(a) Real compensation of employees per head (deflated by GDP deflator), divided by labour productivity per head.

(x) Gross fixed capital formation; real percentage change on preceding year (a)

		1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	(c)	5,1	-0,6	-1,7	-4,2	2,1	1,0	3,7	7,6	12,9	10,5	5,8
DK	(c)	6,5	-5,3	7,1	1,9	12,9	11,8	17,3	-9,0	-6,9	-3,1	1,7
D	(c)	4,0	0,1	-5,3	3,2	0,8	0,1	3,3	1,8	5,8	6,0	4,9
GR	(b)	10,0	-1,9	-1,9	-1,3	-5,7	5,2	-5,7	-3,2	10,1	9,6	7,2
E	(c)	10,4	-1,3	0,5	-2,5	-5,8	4,1	10,0	14,6	14,0	13,6	10,2
F	(c)	7,7	0,2	-1,4	-3,6	-2,6	2,8	2,9	3,7	6,1	5,6	5,5
IRL	(c)	10,0	4,6	-3,4	-9,3	-2,0	-6,6	-0,3	0,0	0,7	6,6	7,3
I	(c)	4,3	0,5	-5,7	-0,1	5,3	2,5	1,4	5,2	4,9	5,2	3,8
L	(c)	5,1	-1,1	-0,4	-11,6	-0,4	-3,3	15,8	5,3	4,6	4,0	2,4
NL	(c)	5,3	-1,6	-4,1	2,1	5,4	6,8	8,2	1,6	7,9	6,2	1,1
P	(f)	7,8	1,4	3,4	-7,6	-17,2	-3,4	9,5	19,5	15,8	12,0	10,0
UK	(e)	4,6	-1,8	5,4	5,0	8,6	3,8	0,9	5,5	11,8	6,3	3,1
EUR	(c)	5,6	-0,4	-2,0	0,1	1,5	2,5	3,4	4,8	7,8	6,8	5,0
USA	(d)	4,5	0,5	-8,7	8,8	15,9	6,9	0,9	3,1	6,1	3,0	1,6
JAP	(c)	14,1	1,5	0,8	-0,3	4,9	5,8	6,0	10,3	13,5	5,6	5,3

Note: private GFCF for the USA.

(a) Gross fixed capital formation in construction and equipment does not necessarily add up to the total.

(b) 1970 prices.

(c) 1980 prices.

(d) 1982 prices.

(e) 1985 prices.

(f) 1986 prices.

Table A2 (continued)

(xi) GFCF: equipment; real percentage change on preceding year

		1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	(b)	3,1	2,0	5,9	-2,7	13,4	-0,7	10,9	10,3	14,0	14,0	8,0
DK	(b)	3,8	-1,3	19,9	2,2	14,3	15,4	14,8	-14,8	-8,1	-0,5	3,8
D	(b)	0,3	2,1	-7,0	5,6	-0,2	9,9	4,3	5,6	7,5	8,3	7,2
GR	(a)	11,8	0,1	14,1	-8,5	-4,2	7,6	-6,5	-0,9	9,5	9,0	8,0
E	(b)	10,9	-0,5	2,2	-4,8	-7,3	8,4	10,4	21,7	14,7	13,9	9,4
F	(b)	9,0	1,8	1,6	-3,5	0,2	4,6	3,8	5,0	7,3	6,9	7,0
IRL	(b)	14,3	5,6	-5,9	-5,0	9,2	4,9	0,3	3,6	6,0	7,4	7,1
I	(b)	5,9	1,9	-4,4	-4,2	9,3	8,2	2,0	14,1	6,0	6,2	4,8
L	(b)	5,7	1,3	0,7	-9,2	0,7	4,0	19,4	35,7	3,0	5,0	3,0
NL	(b)	2,2	-0,6	-0,0	10,0	9,5	17,4	9,9	0,1	5,4	8,6	2,0
P	(d)	—	—	—	—	—	—	—	31,0	19,5	13,0	9,5
UK	(c)	3,4	-0,1	1,4	4,8	9,6	9,9	-3,9	12,2	16,0	11,8	3,9
EUR	(b)	5,4	1,2	-0,9	0,1	4,2	8,3	3,1	9,3	9,3	8,9	6,1

Note: EUR without Portugal up to 1986, EUR 12 from 1987 onwards.

(a) 1970 prices.
(b) 1980 prices.
(c) 1985 prices.
(d) 1986 prices.

(xii) GFCF: construction; real percentage change on preceding year

		1961-73	1974-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	(b)	2,4	-1,6	-5,6	-6,2	-5,9	-0,4	2,1	5,4	12,0	7,5	3,8
DK	(b)	5,1	-7,2	-1,3	1,9	7,8	7,7	19,2	-1,2	-6,0	-5,0	0,0
D	(b)	3,9	-0,9	-4,3	1,7	1,6	-5,6	2,4	0,2	4,5	4,2	3,0
GR	(a)	12,6	-3,1	-13,2	5,3	-6,9	3,0	-3,4	-5,0	10,5	10,0	6,5
E	(b)	7,3	-1,6	0,1	-2,0	-5,2	2,0	6,5	10,0	13,5	13,5	10,8
F	(b)	4,8	0,1	-2,5	-3,6	-3,2	-0,9	2,0	2,3	4,6	3,8	3,4
IRL	(b)	8,1	4,3	-4,7	-12,2	-13,5	-7,5	-5,3	-6,5	-6,2	5,4	7,5
I	(b)	-1,3	-0,4	-6,6	0,8	0,6	-0,5	-0,7	-0,4	3,7	4,0	2,6
L	(b)	12,1	-1,4	-1,3	-12,9	-5,3	0,7	7,7	4,6	5,5	3,5	2,1
NL	(b)	-0,1	-2,0	-6,6	-3,4	4,0	-3,4	4,0	2,9	10,0	4,3	0,4
P	(d)	—	—	—	—	—	—	—	10,5	12,3	11,0	10,5
UK	(c)	1,7	-3,3	8,3	5,3	7,0	-2,9	4,4	4,5	7,5	0,3	2,0
EUR	(b)	3,1	-1,3	-2,1	0,3	0,5	-1,9	2,8	2,4	6,4	4,7	3,9

Note: EUR without Portugal up to 1986, EUR 12 from 1987 onwards.

(a) 1970 prices.
(b) 1980 prices.
(c) 1985 prices.
(d) 1986 prices.

Table A3**The world economy***(a) World GDP/GNP*

Country/group	Percentage change at constant prices on preceding year										
	1980	1981	1982	1983	1984	1985	1986	1987	1988 ²	1989 ²	1990 ²
EC	1,3	0,2	0,8	1,6	2,3	2,5	2,6	2,8	3,6	3,2	2,9
USA	-0,1	2,3	-2,6	3,9	7,2	3,8	3,0	3,6	3,9	2,6	1,7
Canada	1,5	3,7	-3,2	3,2	6,3	4,6	3,2	4,0	4,6	3,0	2,3
Japan	4,4	3,9	2,8	3,2	5,0	4,7	2,4	4,3	5,7	4,3	3,6
Other OECD countries	2,7	2,0	1,8	1,1	4,5	3,7	2,6	3,0	2,9	2,9	2,4
Total OECD	1,4	1,7	-0,1	2,6	4,7	3,4	2,7	3,3	4,0	3,1	2,6
Developing countries	3,3	0,7	-0,3	1,8	4,0	3,5	3,5	3,6	4,2	3,6	4,1
— of which OPEC	-2,8	-3,5	-4,0	-1,0	1,4	-0,4	-0,9	0,0	1,9	2,0	2,9
CPE ¹	3,4	2,3	1,9	3,9	3,9	3,3	4,2	1,5	3,0	3,0	2,5
World	2,1	1,5	0,1	2,6	4,4	3,4	3,1	3,1	4,0	3,3	2,9
World (excluding EC)	2,3	2,0	-0,2	3,0	5,2	3,7	3,3	3,3	4,1	3,3	3,0

¹ Centrally planned economies; excluding China, which is included under developing countries.² Forecasts.

Source: EC, USA, Japan: Eurostat/Commission; rest of the world: IMF.

(b) World trade — Imports of goods

Country/group	Percentage change at constant prices on preceding year										
	1980	1981	1982	1983	1984	1985	1986	1987	1988 ⁶	1989 ⁶	1990 ⁶
EC ¹	1,1	-4,0	1,6	2,1	6,8	5,0	6,6	8,1	9,1	7,2	6,2
USA ²	-8,7	2,0	-3,6	13,1	24,4	5,4	13,9	6,5	7,0	4,4	4,0
Canada	-5,5	2,8	-18,1	11,2	18,5	6,6	5,3	7,5	13,9	4,4	3,5
Japan ³	-8,4	-0,4	-0,5	1,2	10,8	-1,9	10,6	9,1	16,7	7,6	6,2
Other OECD countries	0,5	0,7	2,2	0,9	10,7	6,8	5,3	12,0	6,7	5,8	5,1
Total OECD	-2,1	-1,6	-0,4	4,4	11,6	4,7	8,2	8,4	9,2	6,3	5,4
OPEC	12,2	20,4	4,7	-8,3	-9,4	-15,1	-21,2	-13,4	-1,0	3,0	3,0
Other developing countries	6,1	5,0	-6,6	-0,8	7,0	3,4	0,5	7,8	13,6	9,7	9,1
— of which four Asian NIEs ⁴	5,5	7,5	2,1	8,1	11,1	2,3	17,5	24,2	22,0	16,0	14,0
CPE ⁵	4,0	1,7	-0,8	2,6	4,7	3,0	-2,1	-3,0	8,0	6,5	5,0
World	0,7	1,3	-1,2	2,5	9,0	3,0	4,3	6,3	9,6	6,8	6,0
World (excluding EC)	0,4	4,5	-3,0	2,7	10,4	1,8	2,9	5,1	9,8	6,5	5,9

¹ EUR 11 (without P) up to 1986, EUR 12 from 1987 onwards, 1980 prices.² 1982 prices.³ 1980 prices.⁴ Four Asian newly industrialized economies: Hong Kong, South Korea, Singapore and Taiwan.⁵ Centrally planned economies; excluding China, which is included under other developing countries; excluding intra-Comecon trade.⁶ Forecasts.

Source: EC, USA, Japan: Eurostat/Commission; rest of the world: IMF.

Table A3 (continued)

(c) World trade — Exports of goods

Country/group	Percentage change at constant prices on preceding year										
	1980	1981	1982	1983	1984	1985	1986	1987	1988 ⁶	1989 ⁶	1990 ⁶
EC ¹	1,8	4,2	1,2	3,1	8,4	4,7	2,1	3,6	5,8	6,3	6,2
USA ²	10,8	-1,4	-10,3	-3,0	7,8	3,3	7,8	15,0	21,9	10,4	8,8
Canada	-1,3	2,8	0,2	7,8	18,5	4,2	6,8	6,2	9,5	2,2	4,4
Japan ³	19,4	2,1	-2,3	8,7	16,0	4,0	-2,0	0,4	4,4	6,1	5,9
Other OECD countries	2,7	-0,8	1,0	5,4	9,6	7,3	1,7	8,8	6,6	6,2	5,2
Total OECD	5,2	2,3	-1,4	3,1	9,8	4,6	2,9	6,1	8,6	6,8	6,5
OPEC	-15,3	-17,7	-19,4	-5,4	-0,7	-6,6	15,4	-2,7	8,0	4,0	3,0
Other developing countries	10,8	7,4	1,3	7,5	11,1	3,9	9,2	13,2	11,1	7,8	6,9
— of which four Asian NIEs ⁴	15,9	9,3	2,8	13,1	18,4	5,8	17,1	22,7	19,5	13,0	12,0
CPE ⁵	6,0	2,8	4,5	2,3	5,1	5,7	3,0	-8,0	4,0	3,0	3,0
World	2,9	-0,1	-3,6	2,4	8,1	2,8	5,9	5,2	8,9	6,6	6,1
World (excluding EC)	3,5	-2,3	-6,1	2,0	8,0	1,8	7,9	6,1	10,6	6,4	5,6

¹ EUR 11 (without P) up to 1986, EUR 12 from 1987 onwards, 1980 prices.² 1982 prices.³ 1980 prices.⁴ Four Asian newly industrialized economies: Hong Kong, South Korea, Singapore and Taiwan.⁵ Centrally planned economies; excluding China, which is included under other developing countries; excluding intra-Comecon trade.⁶ Forecasts.

Source: EC, USA, Japan: Eurostat/Commission; rest of the world: IMF.

(d) World trade balances (fob-fob)

Country/group	Billion USD										
	1980	1981	1982	1983	1984	1985	1986	1987	1988 ³	1989 ³	1990 ³
EC	-51,0	-23,8	-16,2	-3,2	-1,3	6,2	38,0	28,4	20,1	8,2	9,3
USA	-25,5	-29,7	-37,7	-68,8	-112,8	-122,2	-144,5	-160,3	-128,1	-108,5	-99,8
Japan	2,1	21,4	18,7	32,3	44,4	56,2	93,2	96,5	94,8	99,7	109,9
Total OECD	-82,8	-36,2	-29,0	-30,0	-52,9	-49,3	-15,5	-37,0	-14,5	-2,2	20,8
OPEC	170,5	123,9	64,1	44,6	55,3	56,1	11,5	37,4	27,8	37,7	34,6
Four Asian NIEs ¹	-11,3	-11,4	-8,7	-4,9	3,1	8,2	17,7	24,1	28,9	27,2	26,9
Other developing countries	-44,9	-57,7	-37,0	-15,1	-3,6	-13,7	-15,5	-5,2	-9,8	-11,4	-16,7
CPE ²	3,3	6,7	14,6	16,5	15,8	9,1	12,9	17,5	12,0	11,2	8,1
World	34,9	25,3	4,1	11,2	17,6	10,5	11,1	36,9	44,3	62,6	73,7

¹ Four Asian newly industrialized economies: Hong Kong, South Korea, Singapore, Taiwan.² Centrally planned economies; excluding China, which is included under other developing countries; excluding intra-Comecon trade.³ Forecasts.

Source: EC, USA, Japan: Eurostat/Commission; rest of the world: IMF.

Table A3 (continued)

(e) World current balances

Country/group	Billion USD										
	1980	1981	1982	1983	1984	1985	1986	1987	1988 ³	1989 ³	1990 ³
EC	-37,1	-18,1	-18,5	2,3	8,2	19,3	50,7	38,3	18,0	2,0	2,1
USA	1,8	6,9	-8,6	-46,3	-107,1	-115,2	-138,8	-154,0	-135,3	-123,7	-117,3
Canada	-1,0	-5,1	2,2	2,5	2,0	-1,4	-7,5	-8,0	-9,2	-14,0	-13,8
Japan	-10,8	4,8	6,8	20,8	35,0	49,2	85,8	87,0	79,4	80,6	87,9
Other OECD countries	-16,6	-12,7	-10,3	-7,4	-2,8	-4,8	-13,1	-13,5	-10,7	-7,5	-6,8
Total OECD	-63,7	-24,4	-28,3	-28,1	-64,8	-52,9	-23,0	-50,2	-57,8	-62,6	-47,8
OPEC	102,8	48,1	-11,0	-22,6	-7,9	2,8	-28,0	-6,6	-16,7	-8,8	-13,4
Four Asian NIEs ¹	-9,1	-7,2	-2,8	1,6	6,5	10,2	22,9	28,1	35,2	37,0	36,9
Other developing countries	-50,1	-75,9	-65,2	-36,9	-28,7	-33,5	-32,6	-22,2	-30,1	-39,7	-46,2
CPE ²	-2,2	0,2	7,9	10,9	10,9	5,2	9,4	17,3	11,5	10,2	6,9
World	-22,3	-59,2	-99,4	-75,2	-84,0	-68,2	-51,3	-33,5	-58,0	-63,9	-63,6

¹ Four Asian newly industrialized economies: Hong Kong, South Korea, Singapore, Taiwan.² Centrally planned economies; excluding China, which is included under other developing countries; excluding intra-Comecon trade.³ Forecasts.

Source: EC, USA, Japan: Eurostat/Commission; rest of the world: IMF.

Table A4**Indebtedness of net debtor developing countries**

	<i>(Billion USD)</i>									
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
	Net debtor countries ¹									
Total debt	702,9	795,6	847,6	894,1	971,7	1 058,6	1 167,1	1 177,0	1 217,5	1 275,5
• Short-term	127,0	148,7	137,9	144,2	126,9	128,7	141,8	147,6	155,3	164,9
• Long-term	575,9	646,9	709,6	749,9	844,8	929,9	1 025,3	1 029,4	1 062,2	1 110,6
Ratio of debt to GDP	30,7	33,9	36,1	37,6	39,8	41,5	41,1	38,7	36,6	35,2
Debt service ratio ²	22,3	26,3	23,7	24,7	26,0	27,2	24,0	22,9	22,2	20,6
Interest service ratio ³	11,9	14,7	14,1	14,5	14,7	14,0	10,9	11,0	11,7	10,7
	Countries with recent debt-servicing problems									
Total debt	475,6	537,9	564,7	590,6	620,1	665,7	726,3	726,4	749,5	783,2
• Short-term	84,4	100,7	84,8	88,7	64,6	68,4	72,4	74,2	76,8	81,2
• Long-term	391,2	437,2	480,0	501,9	555,5	597,3	653,9	652,2	672,6	702,1
Ratio of debt to GDP	38,0	41,4	44,8	46,5	46,9	48,5	47,4	47,4	46,3	44,8
Debt service ratio ²	31,3	38,0	32,6	33,8	33,9	36,7	29,6	31,9	32,4	31,7
Interest service ratio ³	16,9	22,2	21,4	22,1	22,0	21,6	16,7	18,2	20,3	19,2
	Fifteen heavily indebted countries ⁴									
Total debt	334,8	381,4	397,4	409,6	422,7	447,4	482,7	477,4	488,3	506,1
• Short-term	62,7	75,3	56,9	54,6	34,5	33,6	37,5	38,0	37,9	40,0
• Long-term	272,1	306,1	340,5	355,0	388,2	413,8	445,2	439,4	450,5	466,1
Ratio of debt to GDP	37,8	41,6	46,3	47,1	46,1	46,5	45,7	44,6	43,6	41,9
Debt service ratio ²	40,7	51,9	41,8	41,7	40,7	45,3	35,5	39,6	40,8	39,7
Interest service ratio ³	22,5	31,2	29,5	29,4	28,6	28,3	21,7	24,3	26,7	24,5

¹ All developing countries, except Iran, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Taiwan and United Arab Emirates.² Debt service relative to exports of goods and services.³ Interest service relative to exports of goods and services.⁴ Argentina, Bolivia, Brazil, Chile, Colombia, Côte-d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela and Yugoslavia.

Source: IMF world economic outlook, April 1989 and Commission services.

Table A5

May 1989 forecast:

- Main hypotheses for exchange rates, world trade growth and oil prices
- Forecasts of GDP/GNP growth and balance of current account

	1986	1987	1988	1989 ³	1990 ³
(a) Main hypotheses					
<i>USD exchange rate growth (annual average)</i>					
DM/USD	2,166	1,796	1,754	1,869	1,854
ECU/USD	1,018	0,867	0,845	0,897	0,891
<i>World trade growth¹ (% p.a.)</i>					
Total	3,8	6,5	9,6	6,8	6,0
Total excluding EC	2,1	5,4	9,8	6,5	5,9
<i>Oil price (USD/barrel)</i>					
	13,70	17,75	14,90	16,40	16,00
(b) GDP/GNP growth					
EUR 12 (GDP)	2,6	2,8	3,6	3,2	2,9
USA (GNP)	3,0	3,6	3,9	2,6	1,7
Japan (GNP)	2,4	4,3	5,7	4,3	3,6
(c) Balance of current account (in billion USD)					
EUR 12	50,7	38,3	18,0	2,0	2,1
(as % of GDP)	(1,4)	(0,8)	(0,4)	(0,0)	(0,0)
USA	-138,8	-154,0	-135,3	-123,7	-117,3
(as % of GNP)	(-3,4)	(-3,6)	(-2,8)	(-2,4)	(-2,1)
Japan	85,9	87,0	79,4	80,6	87,9
(as % of GNP)	(4,3)	(3,7)	(2,8)	(2,4)	(2,1)
Four Asian NIEs ²	23,0	28,1	35,2	37,0	36,9
Rest of the world	-51,3	-21,1	-55,1	-62,5	-87,7
Statistical discrepancies	51,3	43,2	58,0	63,9	63,6

¹ Volume of imports of goods.² Hong Kong, South Korea, Singapore and Taiwan.³ Technical assumptions by Commission services, May 1989.

Source: Eurostat and Commission services.

Table A6

Convergence of private consumption deflators

	<i>(Annual % change)</i>											
	1961-69	1970-77	1978-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	3,2	7,4	5,6	7,7	6,7	5,7	5,8	0,4	2,2	1,2	3,0	3,2
DK	5,7	10,0	10,6	10,2	6,8	6,4	4,7	3,4	4,1	5,1	4,3	2,9
D	2,7	5,5	4,7	4,7	3,2	2,4	2,1	-0,2	0,7	1,3	3,0	2,9
GR	2,4	10,5	18,3	20,7	18,1	17,9	18,3	22,0	15,7	13,5	14,6	14,3
E	5,9	13,2	16,6	14,5	12,3	11,0	8,2	8,7	5,4	5,1	6,1	6,0
F	4,2	8,8	11,5	11,5	9,7	7,7	5,8	2,7	3,1	2,7	3,3	2,7
IRL	4,5	13,8	15,2	15,3	9,2	8,1	4,5	3,9	3,1	2,2	3,8	3,2
I	3,7	12,9	16,5	15,9	15,0	11,7	9,3	5,8	4,8	4,9	6,6	6,3
L	2,3	6,8	6,2	10,8	8,9	5,5	5,2	0,8	2,9	1,4	2,5	3,0
NL	4,0	8,0	5,5	5,3	2,7	2,0	2,1	0,6	-0,3	0,8	1,7	2,0
P	2,6	13,1	22,0	20,2	25,9	28,7	19,8	13,5	10,2	9,6	12,3	10,0
UK	3,7	12,4	12,6	8,8	4,8	5,1	5,3	4,4	3,9	5,0	5,8	5,3
	Weighted average											
EUR 12	3,7	10,0	11,4	10,5	8,5	7,2	5,9	3,8	3,4	3,7	4,8	4,5
EMS	3,6	8,8	10,0	10,0	8,4	6,6	5,2	2,3	2,6	2,7	4,0	3,7
	Measures of dispersion related to average ¹											
EUR 12	0,9	2,5	4,8	4,3	4,8	4,8	3,7	4,2	2,7	2,8	2,8	2,6
EMS	0,8	2,2	4,0	3,3	2,9	2,3	1,6	1,8	1,3	1,4	1,2	1,1
	Measures of dispersion related to lowest ¹											
EUR 12	1,4	4,7	7,4	7,5	7,5	7,4	5,5	5,7	4,9	3,6	3,8	3,2
EMS	1,5	3,6	4,8	5,5	5,0	4,2	2,9	2,4	2,9	1,6	1,8	1,3

¹ The dispersion index is an unweighted arithmetic mean of each country's absolute deviation from the respective reference value.

Table A7
Convergence of nominal unit labour costs

	<i>(Annual % change)</i>											
	1961-69	1970-77	1978-81	1982	1983	1984	1985	1986	1987	1988	1989	1990
B	3,4	9,5	4,9	4,7	5,0	4,3	4,2	3,1	-0,8	-0,1	2,4	2,8
DK	6,7	10,2	8,6	9,1	5,8	2,8	3,6	3,6	10,6	2,3	1,6	1,6
D	3,3	6,8	4,3	3,1	0,6	0,7	1,7	2,5	1,7	0,2	1,0	1,4
GR	0,8	11,3	19,6	26,3	22,1	19,4	20,8	12,2	12,0	14,5	15,4	13,8
E	7,1	14,0	15,7	11,3	11,2	5,5	5,6	8,5	6,2	4,3	5,2	5,0
F	4,2	10,0	11,2	11,4	8,9	5,8	4,5	2,1	1,6	1,0	1,2	1,3
IRL	4,6	13,6	15,3	11,8	10,8	4,8	3,4	5,6	1,9	0,2	1,7	1,4
I	3,7	14,8	16,8	16,5	15,5	8,8	8,1	5,4	5,9	6,1	5,7	6,4
L	2,4	11,2	5,8	5,1	3,6	1,5	1,2	3,1	4,1	1,2	4,3	3,3
NL	6,4	8,9	4,5	4,6	-0,2	-2,9	0,4	1,7	1,1	0,0	-0,4	-0,2
P	2,2	17,4	17,1	16,7	20,4	21,1	19,1	12,2	11,4	9,1	9,1	8,6
UK	3,8	13,0	14,2	5,2	3,3	5,4	4,7	4,5	5,0	7,5	8,3	6,7
	Weighted average											
EUR 12	3,9	11,1	11,3	9,2	7,3	5,1	4,9	4,3	3,8	3,5	4,0	3,9
EMS	3,9	10,2	9,7	9,3	7,2	4,2	4,2	3,2	2,8	2,0	2,3	2,7
	Measures of dispersion related to average ¹											
EUR 12	1,4	2,3	4,9	5,2	5,9	4,6	4,1	2,7	3,5	3,6	3,4	3,1
EMS	1,1	1,8	4,3	4,0	4,3	2,7	1,9	1,1	2,6	1,7	1,5	1,5
	Measures of dispersion related to lowest ¹											
EUR 12	3,3	5,0	7,2	7,4	9,1	9,3	6,1	3,7	5,8	4,0	5,1	4,6
EMS	1,9	3,9	4,6	5,2	6,4	6,1	3,0	1,7	4,0	1,5	2,6	2,5

¹ The dispersion index is an unweighted arithmetic mean of each country's absolute deviation from the respective reference value.

Table A8**Synthetic indicators of budgetary policy; general government¹**

EUR 12

	(% of GDP)								
	1970 ²	1980	1982	1985	1986	1987	1988	1989	1990
Receipts									
1. Indirect taxes	13,1	12,5	12,7	12,9	13,1	13,1	13,2	13,2	13,0
2. Direct taxes	9,4	11,3	11,8	12,4	12,2	12,4	12,4	12,4	12,2
3. Social security contributions	10,2	13,7	14,4	14,6	14,6	14,6	14,5	14,4	14,3
4. Tax burden (1 + 2 + 3)	32,7	37,5	38,9	39,8	39,8	40,1	40,1	40,0	39,6
5. Other current receipts	3,0	3,5	3,8	4,0	3,8	3,6	3,4	3,4	3,2
6. Total current receipts (4 + 5)	35,7	40,9	42,7	43,8	43,6	43,7	43,5	43,5	42,8
Expenditure									
7. Current transfers	14,6	19,4	21,3	21,4	21,2	21,1	20,7	20,4	20,2
8. Interest payments	1,9	3,2	4,1	5,0	5,0	4,8	4,8	4,8	4,8
9. Government consumption	14,3	18,1	18,8	18,6	18,5	18,5	18,3	18,0	17,7
10. Current expenditure (7 + 8 + 9)	30,8	40,6	44,3	45,0	44,7	44,4	43,7	43,2	42,7
11. Public investment	4,0	0,0	3,0	2,9	2,8	2,7	2,7	2,7	2,7
12. Other net capital expenditure	0,8	0,0	0,9	1,1	0,9	0,9	0,7	0,7	0,6
13. Total expenditure (10 + 11 + 12)	35,5	0,0	48,2	49,0	48,4	48,0	47,1	46,5	46,0
Gross saving and budget balance									
14. Gross saving (6 – 10)	5,0	0,3	-1,6	-1,2	-1,1	-0,7	-0,2	0,3	0,1
15. Net lending (+), or borrowing (-) (6 – 13)	0,2	0,0	-5,5	-5,2	-4,8	-4,3	-3,6	-3,0	-3,2
16. Net lending excluding interest payments (15 + 8)	2,1	0,0	-1,4	-0,2	0,2	0,5	1,2	1,8	1,5
Gross public debt	40,2	40,8	47,9	56,8	58,0	59,5	59,6	59,6	59,2

¹ Including social security funds.² 1970: excluding Greece and Portugal.

Table A9
General government total expenditure¹

	(% of GDP)								
	1970	1980	1982	1985	1986	1987	1988	1989	1990
B	38,6	53,2	57,6	55,8	55,1	53,5	52,4	51,4	50,6
DK	42,1	56,2	61,2	59,3	56,0	58,3	59,9	60,1	59,0
D	38,7	48,3	49,4	47,5	46,9	46,9	46,5	45,7	44,8
GR	:	0,0	39,7	48,1	46,9	47,1	50,0	50,0	49,7
E	21,7	32,8	37,5	42,1	41,7	40,9	40,5	40,4	40,2
F	38,9	46,1	50,3	52,1	51,7	51,8	50,7	50,4	49,9
IRL	37,5	50,4	54,0	53,0	53,0	51,4	48,1	44,9	42,7
I	29,7	41,6	47,4	50,8	50,9	50,7	50,8	51,3	51,1
L	33,1	54,8	55,8	51,8	52,3	53,8	52,2	52,1	51,7
NL	42,3	57,5	61,3	59,6	59,4	60,8	59,3	56,9	56,5
P	:	0,0	43,8	43,5	45,3	43,1	42,1	41,5	40,9
UK	36,7	43,1	44,7	44,3	43,0	41,3	38,7	37,1	36,6
EUR 12 ²	37,2	0,0	48,2	49,0	48,4	48,0	47,1	46,5	46,0

¹ Including social security funds.

² 1970: excluding Greece and Portugal.

Table A10
General government total receipts¹

	(% of GDP)								
	1970	1980	1982	1985	1986	1987	1988	1989	1990
B	36,5	44,2	46,7	47,2	46,3	46,5	45,8	45,2	44,4
DK	46,2	52,9	52,0	57,3	59,4	60,1	60,4	60,7	60,2
D	38,9	45,4	46,1	46,4	45,6	45,1	44,5	45,4	43,9
GR	26,5	30,2	32,0	34,3	35,3	37,2	35,7	35,5	35,5
E	22,5	30,2	31,9	35,1	35,6	37,3	37,3	37,4	37,4
F	39,8	46,1	47,6	49,3	48,8	49,2	49,0	48,7	48,3
IRL	33,2	37,7	40,3	41,9	42,1	42,5	44,7	40,3	38,5
I	26,7	33,1	36,1	38,2	39,3	39,6	40,2	40,9	40,1
L	35,8	54,9	55,4	56,3	54,8	56,5	54,7	54,5	54,3
NL	41,1	53,5	54,2	54,9	53,6	54,6	54,3	52,4	51,7
P	:	30,8	33,4	33,4	37,5	36,1	35,5	35,1	34,6
UK	39,7	39,8	42,3	41,5	40,7	39,8	39,5	38,9	38,5
EUR 12 ²	36,1	40,9	42,7	43,8	43,6	43,7	43,5	43,5	42,8

¹ Including social security funds.

² 1970: excluding Greece and Portugal.

Table A11

General government net lending (+) or borrowing (-)¹

	(% of GDP)								
	1970	1980	1982	1985	1986	1987	1988	1989	1990
B	-2,2	-9,0	-10,9	-8,6	-8,8	-7,0	-6,5	-6,2	-6,2
DK	4,1	-3,3	-9,1	-2,0	3,5	1,8	0,4	0,5	1,1
D	0,2	-2,9	-3,3	-1,1	-1,3	-1,8	-2,0	-0,3	-0,9
GR	:	0,0	-7,7	-13,8	-11,6	-9,9	-14,3	-14,5	-14,2
E	0,7	-2,6	-5,6	-7,0	-6,1	-3,6	-3,2	-3,0	-2,8
F	0,9	0,0	-2,8	-2,8	-2,9	-2,5	-1,6	-1,7	-1,6
IRL	-4,3	-12,7	-13,7	-11,1	-11,0	-8,9	-3,4	-4,6	-4,2
I	-3,1	-8,5	-11,3	-12,5	-11,7	-11,2	-10,6	-10,4	-10,9
L	2,7	0,1	-0,5	4,5	2,5	2,7	2,6	2,5	2,6
NL	-1,2	-4,0	-7,1	-4,8	-5,9	-6,2	-5,0	-4,5	-4,7
P	:	0,0	-10,4	-10,1	-7,8	-7,0	-6,6	-6,3	-6,3
UK	3,0	-3,4	-2,5	-2,7	-2,4	-1,5	0,8	1,7	1,8
EUR 12²	-1,1	0,0	-5,5	-5,2	-4,8	-4,3	-3,6	-3,0	-3,2

¹ Including social security funds.² 1970: excluding Greece and Portugal.

Table A12

Gross public debt in Community countries¹

	(% of GDP)								
	1970	1980	1982	1985	1986	1987	1988	1989	1990
B	67,5	75,7	95,3	115,4	118,8	125,5	127,5	127,8	128,3
DK	14,8	39,3	64,5	74,5	67,2	63,4	62,8	62,3	59,5
D	18,4	32,7	39,3	42,5	42,7	43,9	44,6	43,8	43,3
GR	21,3	27,7	36,1	57,9	58,3	63,3	71,4	76,5	81,0
E	15,5	18,2	27,9	46,5	47,5	47,9	47,5	46,9	46,0
F	28,0	24,6	27,9	33,4	34,9	36,2	36,4	36,8	37,1
IRL	62,1	76,8	87,2	105,0	116,5	119,8	118,0	114,4	112,6
I	41,6	58,5	66,4	84,0	88,5	92,9	96,1	101,0	103,7
L	28,1	13,8	14,5	14,0	14,1	12,5	10,4	9,2	8,1
NL	52,2	45,9	55,6	69,6	71,1	74,9	78,5	81,2	83,3
P	:	37,1	50,0	69,5	68,7	71,8	74,4	76,0	78,0
UK	79,8	53,5	58,2	57,6	56,6	54,8	49,2	43,5	38,9
EUR 12²	37,1	40,8	47,9	56,8	58,0	59,5	59,6	59,6	59,2

¹ General government; for Belgium and the Netherlands: excluding social security funds; for Greece and Ireland: central government only.² 1970: excluding Greece and Portugal.

Table A13
Share of selected categories of total government receipts

(% of GDP)

	Indirect taxes				Direct taxes				Social security contributions received				Other receipts			
	1983	1988	1989	1990	1983	1988	1989	1990	1983	1988	1989	1990	1983	1988	1989	1990
B	12,1	11,5	11,7	12,0	18,5	17,9	17,4	16,6	13,2	14,5	14,3	14,0	2,1	1,8	1,9	1,8
DK	17,8	19,4	19,3	19,1	26,6	31,2	31,5	31,3	2,9	1,9	1,8	1,8	7,0	7,8	8,0	8,0
D	12,8	12,2	12,5	12,5	12,0	12,1	12,4	11,4	17,3	17,4	17,2	16,8	3,7	2,9	3,3	3,2
GR	15,1	16,5	16,5	16,7	5,5	6,2	6,1	6,1	10,9	11,2	11,2	11,1	1,7	1,7	1,7	1,7
E	8,5	10,2	10,2	10,1	7,9	10,3	10,6	10,7	13,7	12,8	12,7	12,6	3,9	3,9	4,0	4,0
F	14,6	14,7	14,5	14,3	8,9	9,3	9,3	9,2	20,7	20,8	21,0	21,0	4,0	4,2	4,0	3,9
IRL	17,5	17,9	16,3	15,6	13,8	17,1	15,3	14,5	5,7	5,6	5,4	5,4	5,0	4,0	3,3	3,0
I	9,2	10,1	10,5	10,5	12,4	13,4	13,3	13,3	14,0	13,9	14,1	13,8	2,4	2,8	3,0	2,6
L	16,0	16,0	16,1	16,1	20,1	18,4	17,9	17,5	14,6	14,6	14,9	15,2	7,0	5,8	5,6	5,5
NL	11,6	13,0	12,5	12,4	13,6	14,5	14,8	14,6	21,9	20,5	19,0	19,1	8,5	6,4	6,0	5,6
P	15,6	16,0	15,6	15,4	8,5	6,5	6,8	6,7	9,9	10,7	10,4	10,2	3,0	2,3	2,4	2,3
UK	16,3	16,4	16,0	15,7	14,4	13,3	13,4	13,9	6,9	6,9	6,9	6,7	4,0	2,9	2,5	2,2
EUR 12	12,9	13,2	13,2	13,0	11,9	12,4	12,4	12,2	14,7	14,5	14,4	14,3	3,8	3,4	3,4	3,2

Table A14
Share of selected categories of total government expenditure

(% of GDP)

	Current transfers				Government consumption				Interest payments				Public investment				Net capital transfers			
	1983	1988	1989	1990	1983	1988	1989	1990	1983	1988	1989	1990	1983	1988	1989	1990	1983	1988	1989	1990
B	26,2	23,9	23,0	22,4	18,1	16,1	15,8	15,5	9,3	10,2	10,6	10,7	3,0	1,8	1,7	1,6	0,6	0,4	0,4	0,4
DK	22,9	23,4	24,4	24,3	27,4	25,9	25,7	25,4	8,1	8,0	7,7	7,0	2,3	2,2	1,9	1,9	0,9	0,4	0,4	0,4
D	21,3	20,8	20,6	20,4	20,1	19,4	18,9	18,4	3,0	2,8	2,7	2,7	2,5	2,4	2,4	2,3	1,5	1,1	1,1	1,0
GR	15,3	15,8	15,1	14,3	18,8	20,6	21,1	21,1	3,7	8,8	9,4	10,0	3,3	3,4	3,4	3,5	0,3	1,3	0,9	0,8
E	18,8	17,8	17,6	17,3	13,9	14,3	14,3	14,2	1,3	3,3	3,4	3,3	2,8	3,8	4,1	4,3	2,0	1,3	1,1	1,0
F	25,8	25,6	25,6	25,5	19,5	18,8	18,6	18,3	2,6	2,8	2,9	2,8	3,3	3,3	3,3	3,3	0,3	0,1	0,1	0,1
IRL	19,9	18,9	17,3	16,1	19,2	17,0	16,1	15,5	9,3	9,7	9,1	8,8	4,5	2,2	2,0	2,0	0,7	0,2	0,2	0,2
I	20,9	20,7	20,6	20,4	16,4	17,2	17,1	16,9	7,5	8,2	9,0	9,1	3,7	3,5	3,4	3,4	0,1	1,3	1,2	1,2
L	30,1	28,3	28,0	27,8	15,8	16,2	16,4	16,4	1,1	1,2	1,0	0,9	5,9	5,6	5,6	5,7	2,2	1,0	1,0	0,9
NL	33,9	33,2	32,2	32,6	17,5	15,5	14,9	14,4	5,7	6,0	6,0	5,9	2,7	2,3	2,2	2,3	2,3	2,2	1,6	1,3
P	19,7	15,4	14,8	14,5	15,1	15,0	14,6	14,2	6,4	7,7	8,1	8,2	3,1	2,9	3,0	3,3	1,8	1,1	0,9	0,8
UK	15,9	13,8	13,3	13,0	21,7	20,0	19,5	19,6	4,7	4,0	3,4	3,0	2,0	1,2	1,2	1,2	0,6	-0,3	-0,2	-0,3
EUR 12	21,6	20,7	20,4	20,2	18,9	18,3	18,0	17,7	4,4	4,8	4,8	4,8	2,9	2,7	2,7	2,7	0,9	0,7	0,7	0,6

Table A15

Gross capital formation, gross saving and current account balance in the Community, USA, Japan and the Member States

(% of GDP)

	Gross capital formation			Total	Current account balance	Statistical discrepancies	Gross saving			
	Fixed capital		Variation of stocks				Total	Total	Private	Public
	Private	Public								
EUR 12										
1970	20,0	4,0	1,7	25,7	0,7	0,6	25,8	20,8	5,0	
1983	16,7	2,9	0,0	19,7	0,0	0,0	19,7	21,2	-1,5	
1988	17,2	2,7	0,8	20,7	0,1	-0,1	20,9	21,1	-0,2	
1990	18,3	2,7	0,8	21,8	-0,2	-0,2	21,8	21,7	0,1	
USA										
1970	15,1	2,6	0,1	17,8	0,4	0,0	18,2	17,5	0,7	
1983	15,8	1,5	-0,3	17,0	-1,0	0,0	16,0	19,6	-3,6	
1988		17,1	0,7	17,8	-2,8	0,0	15,0	:	:	
1990		16,9	0,5	17,4	-2,1	0,1	15,2	:	:	
Japan										
1970	30,5	5,0	3,5	39,0	1,0	0,0	0,0	32,9	7,1	
1983	21,8	6,5	0,1	28,3	1,8	-0,1	30,2	27,2	3,0	
1988		31,2	0,0	31,2	2,8	0,7	33,3	:	:	
1990		32,1	0,0	32,1	2,7	1,2	33,6	:	:	
Belgium										
1970	18,5	4,2	1,6	24,3	2,8	0,0	27,1	24,7	2,4	
1983	13,3	3,0	-0,8	15,5	-0,6	0,0	14,9	22,6	-7,7	
1988	16,2	1,8	0,1	18,1	1,0	0,1	19,0	23,4	-4,4	
1990	18,2	1,6	0,1	19,9	0,5	0,1	20,3	24,5	-4,2	
Denmark										
1970	19,7	5,0	1,0	25,7	-3,9	0,0	21,8	11,8	10,0	
1983	13,7	2,3	0,0	16,0	-2,6	0,0	13,4	17,4	-4,0	
1988	15,4	2,2	-0,5	17,1	-1,7	-0,3	15,7	18,7	3,0	
1990	14,9	1,9	0,3	17,1	-1,4	-0,4	16,1	19,5	3,4	
Germany										
1970	20,9	4,6	2,0	27,5	0,6	0,0	28,1	21,8	6,3	
1983	18,0	2,5	-0,1	20,4	0,7	0,0	21,1	19,6	1,5	
1988	17,4	2,4	0,7	20,5	4,1	-0,2	24,8	23,3	1,5	
1990	18,7	2,3	0,7	21,7	4,4	0,1	26,0	23,6	2,4	
Greece										
1970		23,6	4,5	28,1	-3,1	0,2	22,8	27,2	4,4	
1983	17,0	3,3	1,6	21,9	-5,0	-2,8	19,7	24,3	-4,6	
1988	14,7	3,4	0,9	19,0	-1,9	-0,4	17,5	27,1	-9,6	
1990	16,0	3,5	0,8	20,3	-1,5	-0,3	19,1	29,0	-9,9	

Table A15 (continued)

	(% of GDP)								
	Gross capital formation			Total	Current account balance	Statistical discrepancies	Gross saving		
	Fixed capital		Variation of stocks				Total	Private	Public
	Private	Public							
Spain									
1970	23,6	2,5	0,8	26,9	0,2	0,0	27,1	23,0	4,1
1983	17,8	2,8	-0,5	20,1	-1,5	0,0	18,6	18,5	0,1
1988	18,7	3,8	1,4	23,8	-1,1	-0,2	22,9	21,1	1,8
1990	21,5	4,3	1,2	27,1	-3,4	-0,3	24,0	21,5	2,5
France									
1970	20,4	3,9	2,5	26,9	0,8	0,1	27,6	22,5	5,1
1983	16,9	3,3	-0,4	19,9	-0,8	0,0	19,1	18,7	0,4
1988	16,7	3,3	0,7	20,6	-0,3	0,3	20,0	18,2	1,8
1990	17,8	3,3	0,6	21,7	-0,4	0,3	21,0	19,3	1,7
Ireland									
1970	18,4	4,3	1,7	24,5	-4,0	0,1	20,4	18,6	1,8
1983	18,6	4,5	0,7	23,8	-6,9	0,0	16,9	23,4	-6,5
1988	15,1	2,2	-1,0	16,3	2,1	-0,1	18,5	19,5	-1,0
1990	16,6	2,0	0,1	18,7	1,9	-0,1	20,7	22,7	-2,0
Italy									
1970	23,5	2,7	1,7	27,9	1,2	3,1	26,0	25,5	0,5
1983	17,6	3,7	0,5	21,8	0,3	0,0	22,1	28,9	-6,8
1988	16,3	3,5	1,5	21,2	-0,6	-0,6	21,4	27,3	-5,9
1990	16,5	3,4	1,7	21,7	-1,1	-0,6	21,2	27,5	-6,3
Luxembourg									
1970	19,5	3,6	3,1	26,1	15,1	-0,1	41,3	34,2	7,1
1983	15,4	5,9	3,3	24,6	39,6	0,0	64,2	53,5	10,7
1988	17,0	5,6	1,3	23,9	31,6	0,0	55,5	46,4	9,1
1990	17,6	5,7	1,3	24,6	25,6	0,0	50,2	41,0	9,2
Netherlands									
1970	21,2	4,7	2,0	27,9	-1,4	0,0	26,5	22,1	4,4
1983	15,5	2,7	0,1	18,4	3,1	0,1	21,4	22,8	-1,4
1988	18,9	2,3	-0,2	21,0	2,4	0,0	23,4	23,9	-0,5
1990	19,6	2,3	0,3	22,2	1,7	0,0	23,9	25,1	-1,2
Portugal									
1970		23,3	5,9	29,2	1,9	2,4	28,7	:	:
1983	26,1	3,1	-0,9	28,3	-8,3	0,0	20,0	24,2	-4,2
1988	25,3	2,9	0,9	29,1	-1,4	0,4	27,3	30,0	-2,7
1990	28,5	3,3	1,5	33,3	-4,8	0,4	28,1	30,3	-2,2
United Kingdom									
1970	14,2	4,7	0,7	19,7	1,3	0,1	20,9	13,0	7,9
1983	14,1	2,0	0,5	16,6	0,9	0,0	17,5	18,2	-0,7
1988	17,3	1,2	0,5	19,0	-3,2	0,0	15,8	14,0	1,8
1990	18,1	1,2	0,0	19,3	-2,9	-0,4	16,8	14,0	2,8

Table A16

Net budget positions and current external balances

(% of GDP)

	1985		1988		1990 ²	
	Budget balance ¹	Current external balance	Budget balance ¹	Current external balance	Budget balance ¹	Current external balance
Countries with a budget surplus between 1988-90						
DK	-2,0	-4,6	0,4	-1,7	1,1	-1,4
L	5,8	43,8	2,6	31,7	2,6	25,6
UK	-2,7	0,7	0,8	-3,2	1,8	-2,9
Countries with a sustainable budget deficit						
D	-1,1	2,6	-2,0	4,1	-0,9	4,4
F	-2,8	0,1	-1,6	-0,3	-1,6	-0,4
Countries with high budget deficits and high levels of public debt						
B	-8,6	0,5	-6,5	1,0	-6,2	0,5
I	-12,5	-0,9	-10,6	-0,6	-10,9	-1,1
NL	-4,8	4,1	-5,0	2,4	-4,7	1,7
Catching-up countries						
E	-7,0	1,6	-3,2	-1,1	-2,8	-3,4
GR	-13,6	-8,2	-14,3	-1,9	-14,2	-1,5
IRL	-11,1	-4,0	-3,4	2,1	-4,2	1,9
P	-10,1	0,4	-6,6	-1,4	-6,3	-4,8
EC	-5,2	0,8	-3,6	0,4	-3,2	0,0

¹ General government net lending or borrowing.

² Forecast.

Source: Commission services.

Table A17 (a)

Nominal effective exchange rates: performance against 19 industrialized countries; double export weighting

	B L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12 ¹	USA	J
1961-73 = 100														
1960	99,8	102,9	89,4	102,3	106,2	104,5	104,2	101,7	95,3	98,5	108,5	98,9	100,1	96,7
1961	98,6	101,9	92,7	101,5	105,6	103,6	104,0	100,9	98,2	98,0	108,0	100,4	100,3	96,2
1962	98,6	102,0	93,1	101,4	105,8	103,6	104,2	100,8	98,9	98,2	108,3	100,9	101,2	96,4
1963	98,4	102,0	93,4	101,4	105,9	103,7	104,2	100,7	99,0	98,0	108,1	101,1	101,4	96,3
1964	98,6	101,8	93,8	101,4	106,0	103,7	104,0	100,2	98,8	97,8	107,8	101,0	101,4	96,2
1965	98,9	101,9	93,3	101,5	106,0	103,7	104,1	100,2	99,0	97,9	108,0	100,9	101,4	96,3
1966	98,9	102,1	93,3	101,6	106,0	103,6	104,1	100,4	98,6	98,0	108,0	100,8	101,6	96,1
1967	99,1	101,4	93,8	101,8	104,4	103,7	103,4	100,7	99,3	98,4	106,2	100,6	101,8	96,4
1968	100,1	97,9	95,6	103,6	93,3	105,2	97,1	102,7	100,8	102,4	93,8	97,0	104,1	98,5
1969	100,3	97,4	98,1	103,7	93,4	100,0	97,2	102,5	100,9	103,2	93,9	96,6	104,2	99,5
1970	100,4	96,7	106,4	102,3	93,0	92,0	97,0	101,4	99,4	102,6	93,5	97,9	102,9	98,7
1971	100,3	95,8	109,6	100,0	91,9	89,9	97,1	100,4	100,3	102,0	93,5	98,8	100,1	100,4
1972	103,2	96,5	112,6	93,6	93,6	92,1	95,1	99,7	101,7	100,9	90,2	100,7	93,5	111,5
1973	104,6	102,4	124,4	86,1	95,1	95,2	88,6	89,5	105,0	102,7	80,8	103,4	86,0	117,7
1974	106,1	102,9	131,1	86,4	97,9	88,8	86,4	80,8	110,5	101,3	78,0	101,5	87,7	110,0
1975	107,7	106,4	133,2	77,9	95,4	97,5	81,4	77,5	113,2	98,3	71,7	102,9	87,0	106,9
1976	110,2	108,8	140,7	73,7	87,6	93,9	73,1	64,2	116,2	89,7	61,4	93,2	91,6	112,3
1977	116,4	108,2	152,1	71,5	76,7	89,4	70,6	59,1	122,4	70,3	58,5	92,3	90,9	124,5
1978	119,9	108,1	161,0	65,0	69,4	88,3	71,0	55,4	125,3	56,0	58,6	92,8	82,5	151,6
1979	121,3	107,3	168,7	61,3	75,8	88,8	71,1	53,6	127,1	47,5	62,2	98,9	80,2	140,4
1980	120,7	98,9	169,4	53,1	70,6	89,2	69,6	51,7	127,4	45,9	68,4	100,4	80,1	134,7
1981	113,7	91,4	159,9	47,7	63,8	81,3	63,6	45,3	121,9	44,2	68,6	84,3	90,3	153,1
1982	103,2	87,4	167,9	43,9	59,9	74,6	62,8	42,1	128,1	38,5	65,5	78,4	101,1	145,4
1983	100,4	86,9	174,6	35,9	49,6	69,3	60,3	40,6	130,7	30,4	61,0	71,7	106,9	161,2
1984	98,1	83,7	171,8	30,8	48,4	65,9	57,7	38,2	128,6	25,1	58,1	65,1	115,3	170,6
1985	99,0	84,7	172,4	25,9	47,3	66,6	58,4	36,2	129,0	22,2	58,0	63,8	120,0	175,8
1986	104,4	90,1	190,8	20,4	46,6	69,6	60,6	37,6	138,9	20,5	53,8	70,0	97,1	223,7
1987	108,7	93,9	204,0	18,4	46,7	70,4	59,3	38,0	146,0	19,0	53,2	74,8	85,4	242,1
1988	107,3	92,2	202,4	17,1	48,2	68,7	58,5	36,6	145,3	18,1	56,3	73,6	80,2	267,2
1989	105,6	88,7	198,1	15,6	50,3	67,5	57,1	36,3	142,9	17,4	56,4	71,0	82,3	269,5
1990	105,7	88,9	198,5	14,2	50,5	67,7	57,2	36,4	143,1	16,7	56,3	71,0	81,6	274,9
Annual percentage change														
1961	-1,2	-0,9	3,7	-0,8	-0,6	-0,8	-0,2	-0,9	3,0	-0,5	-0,5	1,5	0,2	-0,5
1962	0,0	0,0	0,5	-0,1	0,3	0,0	0,2	-0,1	0,7	0,2	0,3	0,5	0,8	0,2
1963	-0,2	0,1	0,4	0,0	0,1	0,0	-0,1	-0,1	0,1	-0,2	-0,2	0,1	0,2	-0,1
1964	0,2	-0,2	0,3	0,0	0,0	0,0	-0,1	-0,5	-0,2	-0,2	-0,3	-0,1	0,0	-0,1
1965	0,3	0,1	-0,5	0,1	0,0	0,1	0,1	0,0	0,3	0,1	0,2	-0,1	0,0	0,1
1966	-0,1	0,2	0,0	0,1	0,0	-0,2	0,0	0,2	-0,4	0,1	0,0	-0,1	0,1	-0,2
1967	0,2	-0,7	0,6	0,2	-1,6	0,1	-0,7	0,3	0,7	0,4	-1,6	-0,2	0,3	0,3
1968	1,0	-3,5	1,9	1,7	-10,6	1,5	-6,1	2,0	1,5	4,1	-11,7	-3,6	2,2	2,2
1969	0,2	-0,4	2,6	0,2	0,1	-4,9	0,1	-0,2	0,1	0,8	0,1	-0,4	0,1	0,8
1970	0,1	-0,8	8,4	-1,4	-0,4	-8,0	-0,2	-1,1	-1,6	-0,6	-0,4	1,4	-1,2	-0,5
1971	-0,1	-0,9	3,0	-2,3	-1,2	-2,3	0,1	-0,9	1,0	-0,6	0,0	0,9	-2,7	1,6
1972	2,8	0,7	2,7	-6,4	1,9	2,5	-2,0	-0,7	1,4	-1,1	-3,6	2,0	-6,6	11,1
1973	1,4	6,1	10,5	-8,0	1,5	3,3	-6,9	-10,2	3,2	1,8	-10,4	2,7	-8,0	5,6
1974	1,4	0,5	5,4	0,3	3,0	-6,7	-2,5	-9,7	5,2	-1,4	-3,5	-1,8	2,0	-6,5
1975	1,5	3,4	1,6	-9,8	-2,5	9,8	-5,7	-4,2	2,4	-3,0	-8,0	1,4	-0,8	-2,9
1976	2,3	2,2	5,6	-5,4	-8,2	-3,7	-10,2	-17,1	2,7	-8,7	-14,4	-9,5	5,3	5,1
1977	5,7	-0,5	8,0	-2,9	-12,5	-4,8	-3,5	-8,0	5,3	-21,6	-4,6	-1,0	-0,7	10,8
1978	2,9	-0,1	5,9	-9,1	-9,6	-1,2	0,5	-6,2	2,4	-20,4	0,2	0,6	-9,2	21,8
1979	1,2	-0,8	4,8	-5,6	9,3	0,6	0,2	-3,3	1,4	-15,2	6,1	6,5	-2,8	-7,4
1980	-0,5	-7,9	0,4	-13,4	-6,9	0,5	-2,1	-3,6	0,2	-3,2	10,0	1,6	-0,2	4,0

Table A17 (a) (continued)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12 ¹	USA	J
1981	-5,8	-7,5	-5,6	-10,2	-9,6	-8,8	-8,7	-12,4	-4,3	-3,8	0,2	-16,1	12,8	13,6
1982	-9,2	-4,4	5,0	-8,0	-6,0	-8,3	-1,1	-6,9	-5,1	-12,9	-4,4	-7,0	12,0	-5,0
1983	-2,8	-0,6	4,0	-18,1	-17,2	-7,1	-4,1	-3,8	2,0	-21,1	-7,0	-8,5	5,7	10,9
1984	-2,2	-3,7	-1,6	-14,4	-2,4	-4,8	-4,2	-5,9	-1,6	-17,4	-4,7	-9,3	7,8	5,8
1985	0,9	1,2	0,3	-15,9	-2,3	1,1	1,2	-5,2	0,3	-11,5	-0,2	-1,9	4,1	3,0
1986	5,5	6,3	10,7	-21,3	-1,5	4,5	3,7	3,7	7,7	-7,8	-7,3	9,6	-19,1	27,2
1987	4,1	4,2	6,9	-9,9	0,2	1,1	-2,1	1,1	5,1	-7,1	-1,0	7,0	-12,1	8,2
1988	-1,3	-1,8	-0,8	-7,2	3,1	-2,3	-1,4	-3,5	-0,4	-5,1	5,7	-1,6	-6,1	10,4
1989	-1,5	-3,7	-2,1	-8,7	4,5	-1,9	-2,3	-0,9	-1,7	-3,9	0,2	-3,6	2,6	0,8
1990	0,1	0,1	0,2	-8,8	0,3	0,3	0,1	0,2	0,2	-3,5	-0,1	0,0	-0,9	2,0

¹ EUR 12: against 9 industrialized non-member countries.

Table A17 (b)

Nominal effective exchange rates: performance against the ERM; double export weighting

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 8 ¹	USA	J
1961-73 = 100														
1960	102,3	107,7	90,3	105,2	109,4	108,5	111,5	105,2	97,7	102,5	111,6	94,2	105,0	101,6
1961	100,0	105,2	93,1	103,2	107,6	106,1	109,5	102,9	99,8	100,8	109,5	96,1	103,0	99,4
1962	99,8	104,9	93,3	102,8	107,6	105,8	109,3	102,6	100,3	100,7	109,3	96,5	102,6	99,2
1963	99,5	104,8	93,6	102,8	107,6	105,7	109,0	102,3	100,3	100,4	109,0	96,8	102,6	98,9
1964	99,7	104,5	94,0	102,7	107,6	105,6	108,7	101,7	100,0	100,1	108,6	96,8	102,5	98,8
1965	100,1	104,7	93,5	102,9	107,7	105,8	108,9	101,8	100,4	100,3	108,9	96,6	102,7	99,1
1966	100,0	105,0	93,6	103,1	107,8	105,7	109,0	102,1	100,0	100,5	109,0	96,6	102,9	99,0
1967	100,0	103,7	93,9	103,0	105,8	105,4	107,1	102,1	100,4	100,4	107,1	97,2	102,8	98,9
1968	100,2	97,6	94,8	103,5	93,5	105,3	94,4	103,0	100,7	101,8	94,5	99,8	103,6	100,0
1969	100,5	97,2	98,2	103,8	93,8	99,9	94,7	102,8	101,0	103,0	94,8	99,5	104,0	101,0
1970	100,1	95,0	107,5	101,6	92,6	90,4	93,7	100,7	98,7	101,7	93,4	101,2	102,2	99,1
1971	99,5	93,3	110,9	98,7	90,8	87,7	93,0	99,1	99,3	100,4	92,7	102,3	99,3	99,2
1972	101,0	91,6	111,9	91,0	90,1	88,4	87,6	96,3	99,3	96,7	87,5	106,3	91,5	104,8
1973	99,7	92,4	121,6	81,0	87,4	88,3	75,1	82,7	99,8	93,2	75,6	114,3	80,4	102,5
1974	101,2	92,6	131,0	81,3	90,1	82,2	72,6	74,4	105,2	91,9	73,4	113,5	81,8	96,8
1975	100,6	93,0	129,6	71,7	85,2	88,6	64,7	69,1	105,6	86,3	65,9	119,5	77,2	89,9
1976	103,6	95,4	142,3	68,9	79,6	86,1	56,7	57,4	108,9	79,0	58,2	116,5	84,0	97,7
1977	108,1	92,5	154,2	66,1	68,6	80,0	53,0	51,6	113,2	60,6	54,7	119,9	81,5	104,6
1978	110,1	89,7	163,2	59,4	60,9	77,7	52,1	47,5	114,5	47,2	53,9	122,8	73,0	119,8
1979	110,4	87,6	169,5	55,2	65,1	77,0	52,0	44,9	115,1	39,7	55,7	126,8	68,2	107,2
1980	110,6	81,6	172,1	48,0	61,0	77,8	52,2	43,4	116,2	38,8	61,1	125,2	68,2	103,8
1981	110,5	81,8	178,0	47,0	60,3	76,9	51,9	41,2	117,4	40,0	67,2	107,4	86,7	135,3
1982	101,3	78,9	195,1	44,3	58,1	71,5	52,1	39,1	125,2	35,4	66,3	103,2	98,8	136,4
1983	99,0	78,4	208,4	36,9	49,1	66,7	50,0	38,1	128,3	27,9	63,1	100,9	108,6	156,4
1984	99,1	78,2	213,8	32,7	49,6	65,6	49,2	37,1	129,1	23,7	62,8	94,7	123,0	177,0
1985	100,2	79,6	216,0	27,7	48,7	66,7	50,0	35,2	129,6	21,1	63,0	94,0	127,7	183,9
1986	100,5	78,4	224,1	20,7	44,8	64,9	47,6	33,8	132,6	18,3	54,2	106,8	96,6	196,5
1987	101,6	78,2	231,7	18,1	43,2	63,0	44,6	32,7	135,4	16,4	51,3	114,7	81,8	193,2
1988	101,6	78,2	234,7	17,0	45,1	62,5	45,0	32,0	136,7	15,8	54,9	111,0	80,6	214,4
1989	101,5	76,9	234,2	15,8	47,9	62,6	44,9	32,4	136,2	15,5	56,4	107,2	85,7	225,1
1990	101,4	76,9	234,1	14,4	47,9	62,7	44,9	32,3	136,2	14,9	56,2	107,6	85,0	228,3
Annual percentage change														
1961	-2,3	-2,3	3,1	-1,9	-1,6	-2,2	-1,8	-2,2	2,2	-1,6	-1,9	2,1	-1,9	-2,2
1962	-0,2	-0,3	0,3	-0,3	0,0	-0,3	-0,1	-0,3	0,5	-0,1	-0,1	0,4	-0,3	-0,2
1963	-0,3	-0,1	0,3	-0,1	0,0	-0,1	-0,3	-0,2	0,0	-0,3	-0,3	0,2	-0,1	-0,3
1964	0,2	-0,2	0,4	0,0	0,0	-0,1	-0,3	-0,6	-0,3	-0,3	-0,3	0,1	0,0	-0,2
1965	0,4	0,2	-0,5	0,2	0,1	0,2	0,2	0,1	0,4	0,2	0,3	-0,2	0,2	0,3
1966	0,0	0,3	0,1	0,1	0,1	-0,1	0,1	0,3	-0,4	0,1	0,0	-0,1	0,2	-0,1
1967	0,0	-1,2	0,3	-0,1	-1,8	-0,3	-1,7	0,0	0,4	-0,1	-1,8	0,7	-0,1	0,0
1968	0,2	-6,0	0,9	0,5	-11,7	0,0	-11,9	0,9	0,3	1,4	-11,8	2,7	0,0	1,1
1969	0,3	-0,4	3,6	0,3	0,3	-5,2	0,3	-0,1	0,2	1,1	0,3	-0,4	0,4	1,0
1970	-0,4	-2,2	9,5	-2,1	-1,2	-9,5	-1,1	-2,1	-2,2	-1,3	-1,4	1,8	-1,8	-1,9
1971	-0,5	-1,8	3,2	-2,8	-2,0	-3,0	-0,7	-1,6	0,6	-1,3	-0,8	1,1	-2,8	0,1
1972	1,5	-1,8	0,8	-7,8	-0,7	0,8	-5,8	-2,8	0,1	-3,6	-5,6	3,9	-7,9	5,6
1973	-1,3	0,9	8,7	-11,0	-3,0	-0,1	-14,2	-14,1	0,4	-3,6	-13,6	7,5	-12,2	-2,2
1974	1,5	0,2	7,8	0,4	3,1	-7,0	-3,4	-10,0	5,5	-1,4	-2,9	-0,7	1,8	-5,6
1975	-0,5	0,5	-1,1	-11,9	-5,4	7,8	-10,8	-7,1	0,4	-6,1	-10,3	5,4	-5,6	-7,1
1976	2,9	2,5	9,8	-4,0	-6,6	-2,8	-12,4	-17,0	3,1	-8,4	-11,6	-2,5	8,7	8,6
1977	4,4	-3,1	8,4	-4,0	-13,8	-7,0	-6,5	-10,0	3,8	-23,3	-6,0	2,9	-3,0	7,1
1978	1,9	-3,0	5,9	-10,1	-11,3	-2,9	-1,6	-8,0	1,2	-22,0	-1,5	2,4	-10,4	14,5
1979	0,2	-2,4	3,8	-7,2	6,8	-1,0	-0,3	-5,4	0,5	-16,0	3,3	3,2	-6,5	-10,5
1980	0,2	-6,9	1,5	-12,9	-6,3	1,1	0,5	-3,4	1,0	-2,2	9,7	-1,3	0,0	-3,2

Table A17 (b) (continued)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 8 ¹	USA	J
1981	-0,1	0,3	3,5	-2,2	-1,0	-1,2	-0,6	-4,9	1,0	3,2	10,1	-14,2	27,0	30,3
1982	-8,3	-3,6	9,6	-5,8	-3,7	-7,0	0,3	-5,2	6,6	-11,6	-1,5	-3,9	14,0	0,8
1983	-2,3	-0,6	6,8	-16,8	-15,6	-6,7	-4,0	-2,6	2,5	-21,1	-4,8	-2,3	9,9	14,7
1984	0,1	-0,2	2,6	-11,4	1,0	-1,6	-1,5	-2,5	0,6	-15,0	-0,4	-6,1	13,2	13,2
1985	1,2	1,7	1,0	-15,3	-1,7	1,7	1,5	-5,3	0,4	-11,2	0,3	-0,7	3,9	3,9
1986	0,2	-1,5	3,7	-25,3	-8,0	-2,7	-4,7	-3,8	2,3	-13,4	-14,0	13,6	-24,4	6,8
1987	1,2	-0,2	3,4	-12,6	-3,7	-3,1	-6,3	-3,3	2,2	-10,1	-5,4	7,5	-15,3	-1,6
1988	0,0	0,0	1,3	-5,8	4,5	-0,7	0,9	-2,2	0,9	-3,5	7,0	-3,3	-1,5	11,0
1989	-0,2	-1,7	-0,2	-7,2	6,3	0,0	-0,3	1,1	-0,4	-2,1	2,6	-3,4	6,4	5,0
1990	0,0	0,0	0,0	-8,9	0,0	0,2	-0,1	-0,1	0,0	-3,7	-0,3	0,4	-0,8	1,4

¹ EUR 8: against 13 industrialized non-ERM countries.

Table A17 (c)

Relative unit labour costs, total economy: performance against 19 industrialized countries; double export weighting

(USD)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12 ¹	USA	J
1961-73 = 100														
1960	105,6	85,6	90,4	128,1	86,4	102,5	97,2	97,5	80,1	107,4	106,6	92,7	112,0	88,7
1961	99,6	88,1	97,4	116,0	84,2	103,5	96,5	93,5	84,4	104,1	108,1	96,8	108,6	88,5
1962	99,1	90,4	98,1	115,5	86,4	104,2	98,0	95,1	85,5	99,8	109,4	98,8	106,7	92,8
1963	98,7	92,0	97,3	107,4	93,2	107,0	96,9	102,5	88,0	98,5	106,4	100,6	103,5	95,6
1964	99,2	92,0	95,1	107,3	97,1	107,1	102,9	107,6	93,3	96,6	105,4	101,5	101,1	95,6
1965	101,2	97,8	94,7	104,9	102,2	104,6	101,2	106,0	96,0	96,1	107,2	102,5	97,6	99,8
1966	102,3	100,9	94,6	105,9	108,8	101,5	103,5	101,9	100,1	97,3	108,0	102,4	98,1	98,0
1967	102,8	103,7	91,7	105,7	115,2	100,9	102,1	101,4	101,7	99,6	104,4	99,6	99,2	97,4
1968	102,3	103,3	91,2	106,2	102,3	106,3	95,2	100,8	103,4	94,7	91,6	94,6	104,3	98,0
1969	100,7	104,0	92,6	101,1	100,9	102,2	97,3	97,8	107,4	97,5	92,6	94,0	106,9	96,8
1970	95,7	105,1	105,3	92,9	98,5	92,0	99,9	98,6	105,1	104,4	94,5	98,3	105,2	95,5
1971	96,3	105,6	109,8	85,1	98,9	88,5	103,1	100,9	107,6	104,9	94,5	100,8	98,2	101,7
1972	100,6	104,2	111,0	78,4	103,6	90,1	102,2	100,3	111,0	103,9	94,7	103,9	90,1	112,8
1973	101,3	113,0	121,3	73,7	108,7	92,0	101,4	93,4	116,5	102,6	83,2	106,1	80,6	126,4
1974	104,3	118,1	121,5	80,6	113,0	86,6	97,6	88,0	119,8	117,0	84,3	104,5	77,4	131,6
1975	108,5	119,5	112,2	72,9	115,2	98,2	95,1	93,9	121,9	136,3	90,3	111,1	71,7	128,0
1976	112,9	120,2	110,0	74,9	116,0	97,7	92,3	83,7	122,2	133,6	78,5	100,8	73,9	133,7
1977	119,7	120,0	112,6	80,7	114,8	94,3	88,8	86,3	127,0	113,5	76,1	102,1	72,4	145,6
1978	120,1	121,7	114,0	79,5	117,0	95,1	91,4	86,5	128,3	95,1	78,6	104,7	66,6	170,8
1979	118,3	120,4	113,6	83,6	138,6	97,4	99,8	88,5	127,3	86,1	89,0	114,4	66,6	147,8
1980	111,8	110,3	109,6	75,7	130,4	100,7	102,8	92,5	121,9	89,6	108,9	121,7	66,9	131,0
1981	102,5	101,8	98,1	79,6	121,4	94,5	97,5	90,9	110,1	95,5	111,4	104,4	74,9	140,9
1982	90,7	99,2	97,6	86,1	117,6	89,9	100,7	92,1	113,1	90,3	104,0	97,6	85,2	126,2
1983	88,7	100,3	97,1	82,2	103,4	87,1	102,9	98,6	110,2	81,9	95,8	92,0	88,9	136,8
1984	87,7	96,2	92,6	81,4	102,8	85,1	99,9	98,1	101,8	79,3	93,5	85,2	95,3	140,2
1985	89,0	97,4	91,0	80,0	102,3	86,8	100,8	97,5	98,8	80,7	94,7	85,0	99,1	138,7
1986	93,8	103,2	99,5	68,3	105,6	89,2	106,5	103,2	104,5	80,6	88,6	93,3	79,7	174,2
1987	94,3	115,0	104,7	67,0	109,0	88,7	102,9	107,6	107,9	80,8	89,6	100,1	70,7	181,6
1988	90,8	112,1	100,9	69,4	114,1	85,0	98,4	107,7	104,8	81,4	99,5	98,3	67,5	193,6
1989	89,1	105,9	96,1	71,0	121,4	81,5	93,9	109,4	99,4	82,6	104,9	94,3	70,7	189,9
1990	89,2	104,2	94,3	71,4	123,9	79,9	92,0	113,4	96,3	83,9	108,7	94,2	70,6	190,2
Annual percentage change														
1961	-5,6	3,0	7,8	-9,5	-2,6	1,0	-0,7	-4,1	5,3	-3,0	1,4	4,5	-3,0	-0,2
1962	-0,5	2,5	0,7	-0,4	2,6	0,8	1,6	1,7	1,3	-4,2	1,1	2,0	-1,7	3,7
1963	-0,4	1,8	-0,8	-7,1	7,9	2,7	-1,2	7,8	3,0	-1,3	-2,8	1,8	-3,1	3,0
1964	0,5	0,0	-2,2	0,0	4,3	0,0	6,2	5,0	6,0	-1,8	-0,9	1,0	-2,3	0,0
1965	2,0	6,3	-0,5	-2,3	5,2	-2,3	-1,7	-1,5	2,9	-0,5	1,7	0,9	-3,5	4,4
1966	1,2	3,2	-0,1	1,0	6,5	-3,0	2,3	-3,9	4,2	1,2	0,7	0,0	0,5	-1,8
1967	0,5	2,7	-3,0	-0,2	5,9	-0,6	-1,4	-0,4	1,6	2,3	-3,3	-2,8	1,1	-0,7
1968	-0,5	-0,3	-0,5	0,5	-11,2	5,4	-6,7	-0,6	1,6	-4,9	-12,2	-5,0	5,2	0,6
1969	-1,6	0,7	1,5	-4,8	-1,3	-3,9	2,2	-3,0	3,9	2,9	1,1	-0,6	2,4	-1,1
1970	-5,0	1,1	13,7	-8,1	-2,4	-9,9	2,6	0,8	-2,1	7,1	2,0	4,6	-1,6	-1,4
1971	0,6	0,4	4,3	-8,4	0,4	-3,9	3,3	2,3	2,4	0,4	0,0	2,5	-6,7	6,4
1972	4,5	-1,3	1,2	-7,8	4,7	1,8	-0,9	-0,6	3,2	-0,9	0,2	3,0	-8,2	11,0
1973	0,7	8,4	9,2	-6,0	4,9	2,2	-0,8	-6,8	4,9	-1,3	-12,1	2,2	-10,6	12,0
1974	2,9	4,6	0,2	9,4	3,9	-5,9	-3,8	-5,8	2,8	14,1	1,3	-1,6	-3,9	4,1
1975	4,1	1,1	-7,7	-9,6	2,0	13,3	-2,6	6,6	1,1	16,5	7,1	6,4	-7,3	-2,7
1976	4,1	0,6	-1,9	2,7	0,7	-0,5	-3,0	-10,8	0,9	-2,0	-13,0	-9,3	3,1	4,4
1977	6,0	-0,1	2,3	7,7	-1,0	-3,5	-3,8	3,0	3,9	-15,0	-3,1	1,3	-2,1	8,9
1978	0,3	1,5	1,3	-1,5	1,9	0,9	3,0	0,2	1,1	-16,3	3,3	2,5	-8,1	17,4
1979	-1,5	-1,1	-0,4	5,1	18,5	2,4	9,2	2,4	-0,8	-9,4	13,2	9,3	0,0	-13,5
1980	-5,4	-8,4	-3,5	-9,4	-5,9	3,3	3,0	4,5	-4,3	4,1	22,3	6,4	0,4	-11,4

Table A17 (c) (continued)

	(USD)													
	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12 ¹	USA	J
1981	-8,4	-7,6	-10,5	5,2	-6,9	-6,2	-5,2	-1,7	-9,7	6,5	2,3	-14,2	12,0	7,6
1982	-11,5	-2,6	-0,3	8,2	-3,2	-4,9	3,3	1,3	2,7	-5,4	-6,7	-6,5	13,8	-10,4
1983	-2,2	1,1	-0,7	-4,6	-12,1	-3,1	2,2	7,1	-2,5	-9,3	-7,9	-5,7	4,2	8,4
1984	-1,1	-4,1	-4,6	-1,0	-0,5	-2,3	-2,9	-0,5	-7,7	-3,2	-2,3	-7,4	7,2	2,5
1985	1,6	1,2	-1,8	-1,7	-0,5	2,0	0,9	-0,6	-2,9	1,8	1,2	-0,2	4,0	-1,0
1986	5,3	6,0	9,4	-14,6	3,2	2,8	5,7	5,8	5,8	-0,2	-6,4	9,8	-19,5	25,5
1987	0,5	11,5	5,2	-1,9	3,2	-0,6	-3,4	4,2	3,2	0,3	1,0	7,3	-11,3	4,3
1988	-3,7	-2,5	-3,7	3,6	4,7	-4,1	-4,4	0,1	-2,8	0,8	11,1	-1,8	-4,4	6,6
1989	-1,9	-5,6	-4,8	2,2	6,4	-4,2	-4,5	1,6	-5,2	1,4	5,4	-4,1	4,6	-1,9
1990	0,1	-1,6	-1,8	0,6	2,0	-1,9	-2,0	3,6	-3,1	1,5	3,6	-0,1	-0,1	0,2

¹ EUR 12: against 9 industrialized non-member countries.

Table A17 (d)

Relative unit labour costs, total economy: performance against the ERM; double export weighting

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 8 ¹	USA	J
	1961-73 = 100													
1960	112,2	92,5	95,3	136,3	93,0	109,6	111,0	104,4	83,8	116,3	115,0	89,2	121,2	102,4
1961	103,2	92,9	101,7	120,5	88,5	107,8	107,3	97,0	86,7	110,1	112,8	83,1	113,8	98,2
1962	101,7	94,4	101,4	118,8	89,7	107,6	107,3	97,7	87,2	104,2	112,1	94,6	109,5	99,2
1963	99,8	94,0	98,1	108,0	94,7	108,6	101,9	103,8	88,7	100,5	106,8	97,7	103,9	98,4
1964	99,5	92,9	94,4	107,0	97,7	107,8	106,5	108,5	93,6	97,6	105,0	99,0	100,7	96,8
1965	101,3	99,2	93,8	104,6	102,5	105,1	104,5	106,6	96,4	97,1	106,5	98,9	97,7	100,0
1966	102,7	103,0	94,2	106,1	109,5	102,2	107,1	102,7	101,0	98,8	107,6	98,0	98,4	98,6
1967	103,9	106,9	91,9	106,7	116,9	102,6	104,9	103,4	103,3	101,7	105,7	96,3	101,0	99,6
1968	102,9	104,8	90,6	106,5	103,3	107,5	92,0	101,9	104,1	94,8	93,3	98,0	104,7	100,7
1969	101,6	105,9	92,8	102,0	102,9	103,5	95,1	99,2	108,6	98,2	95,1	97,1	107,9	101,3
1970	95,2	103,8	106,1	92,2	98,9	90,7	96,7	98,0	104,9	103,5	94,6	101,0	104,1	97,2
1971	94,7	102,2	109,6	83,3	97,1	85,6	97,3	98,8	106,3	102,0	92,5	104,0	96,0	98,8
1972	97,8	98,9	109,0	75,7	99,2	86,1	94,1	96,4	108,6	99,1	90,8	107,1	87,3	104,1
1973	95,7	101,1	116,4	68,6	99,0	84,9	85,3	86,0	110,7	92,1	77,0	115,3	74,9	107,2
1974	99,4	107,1	118,9	75,9	104,3	80,7	83,4	81,9	115,0	106,4	79,4	112,0	74,5	113,3
1975	102,4	108,1	105,2	67,5	103,9	91,1	80,7	86,0	115,3	122,6	82,3	115,4	66,7	104,8
1976	107,9	111,2	106,1	70,8	107,0	92,6	77,4	77,8	117,6	122,0	74,5	110,6	71,9	114,0
1977	113,2	109,1	107,0	75,3	104,1	87,5	72,6	79,2	120,8	102,0	71,1	113,8	68,8	119,7
1978	112,7	108,3	107,4	73,5	104,2	87,5	73,9	78,6	121,2	84,1	72,1	115,7	62,0	132,7
1979	110,7	106,4	105,5	76,4	121,7	89,4	82,4	79,9	120,1	76,3	79,7	117,6	59,7	113,4
1980	106,0	99,6	102,1	69,8	115,8	93,7	89,7	84,5	116,5	81,1	96,7	115,4	59,9	102,5
1981	103,1	100,3	98,7	79,6	117,8	95,8	83,3	91,0	111,2	92,9	108,4	99,1	75,2	126,7
1982	92,1	98,6	101,0	87,9	116,6	92,8	97,6	94,7	115,8	89,0	104,4	95,5	86,5	121,3
1983	90,1	99,1	100,4	84,4	103,5	90,0	98,9	102,8	112,7	80,4	97,5	94,9	92,0	133,6
1984	91,5	98,9	99,2	86,2	106,5	91,2	99,3	106,6	106,6	80,3	99,3	89,1	102,8	146,1
1985	93,3	100,9	97,4	85,0	106,5	93,7	100,8	106,3	103,5	82,2	100,7	88,5	105,9	145,5
1986	93,8	100,1	100,3	69,0	103,2	90,2	98,6	105,2	104,5	77,6	87,9	99,3	79,9	153,9
1987	92,2	108,2	102,5	65,9	103,1	86,5	92,0	106,0	105,5	75,9	85,3	105,4	68,2	147,3
1988	91,0	109,4	101,8	70,0	110,8	85,5	91,9	109,5	105,2	79,0	96,8	99,3	69,0	161,3
1989	91,7	107,4	100,2	73,5	121,7	84,7	91,7	115,8	102,4	82,9	105,8	93,0	75,7	168,6
1990	92,5	106,9	99,0	74,5	125,1	83,8	91,1	121,5	99,8	85,1	110,2	91,4	76,4	170,3

Annual percentage change

1961	-8,0	0,4	6,6	-11,6	-4,7	-1,6	-3,3	-7,1	3,5	-5,3	-1,9	4,4	-6,1	-4,1
1962	-1,5	1,7	-0,2	-1,4	1,4	-0,2	0,0	0,7	0,6	-5,4	-0,6	1,6	-3,8	1,0
1963	-1,9	-0,4	-3,3	-9,1	5,6	1,0	-5,0	6,2	1,6	-3,6	-4,7	3,3	-5,0	-0,7
1964	-0,3	-1,2	-3,8	-1,0	3,2	-0,8	4,5	4,6	5,6	-2,9	-1,8	1,3	-3,1	-1,7
1965	1,8	6,7	-0,6	-2,2	4,8	-2,5	-1,8	-1,7	3,0	-0,5	1,5	-0,1	-2,9	3,3
1966	1,4	3,9	0,5	1,4	6,8	-2,8	2,5	-3,7	4,7	1,7	1,0	-0,9	0,7	-1,4
1967	1,2	3,7	-2,5	0,6	6,8	0,4	-2,1	0,6	2,3	2,9	-1,8	-1,7	2,6	1,0
1968	-0,9	-1,9	-1,4	-0,2	-11,6	4,7	-12,3	-1,4	0,8	-6,9	-11,7	1,8	3,7	1,0
1969	-1,3	1,0	2,5	-4,3	-0,4	-3,7	3,4	-2,7	4,4	3,7	1,9	-1,0	3,1	0,7
1970	-6,2	-1,9	14,3	-9,6	-3,9	-12,4	1,6	-1,2	-3,5	5,4	-0,5	4,1	-3,6	-4,1
1971	-0,6	-1,6	3,3	-9,7	-1,8	-5,6	0,7	0,8	1,3	-1,5	-2,1	2,9	-7,7	1,6
1972	3,3	-3,3	-0,6	-9,1	2,2	0,6	-3,3	-2,4	2,2	-2,8	-1,9	3,0	-9,1	5,4
1973	-2,2	2,3	6,8	-9,4	-0,2	-1,4	-9,4	-10,8	1,9	-7,1	-15,2	7,7	-14,2	3,0
1974	3,8	5,9	2,2	10,7	5,4	-5,0	-2,3	-4,7	3,9	15,5	3,0	-2,9	-0,6	5,7
1975	3,1	0,9	-11,6	-11,1	-0,4	12,9	-3,2	4,9	0,3	15,3	3,7	3,1	-10,4	-7,5
1976	5,4	2,9	0,9	4,8	3,0	1,7	-4,1	-9,5	2,0	-0,5	-9,5	-4,2	7,8	8,7
1977	4,9	-1,9	0,9	6,3	-2,7	-5,5	-6,3	1,7	2,7	-16,4	-4,6	2,9	-4,4	5,0
1978	-0,4	-0,7	0,4	-2,4	0,2	0,0	1,9	-0,7	0,3	-17,5	1,4	1,7	-9,8	10,9
1979	-1,8	-1,8	-1,8	4,0	16,8	2,1	11,5	1,7	-0,9	-9,3	10,5	1,6	-3,6	-14,5
1980	-4,2	-6,4	-3,3	-8,7	-4,9	4,9	8,9	5,7	-3,0	6,2	21,3	-1,8	0,2	-9,6

Table A17 (d) (continued)

	(USD)													
	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 8 ¹	USA	J
1981	-2,7	0,8	-3,3	14,1	1,7	2,3	4,0	7,7	-4,5	14,6	12,2	-14,2	25,6	23,6
1982	-10,7	-1,7	2,4	10,5	-1,0	-3,2	4,6	4,1	4,1	-4,1	-3,7	-3,6	15,0	-4,2
1983	-2,2	0,5	-0,6	-4,0	-11,2	-3,0	1,4	8,5	-2,7	-9,7	-6,6	-0,6	6,4	10,1
1984	1,5	-0,2	-1,2	2,1	3,0	1,3	0,4	3,7	-5,6	-0,1	1,8	-6,1	11,7	9,3
1985	2,0	2,0	-1,7	-1,4	0,0	2,7	1,5	-0,3	-2,7	2,3	1,5	-0,7	3,0	-0,4
1986	0,6	-0,8	3,0	-18,7	-3,1	-3,7	-2,2	-1,0	1,0	-5,5	-12,7	12,3	-24,6	5,8
1987	-1,8	8,1	2,1	-4,5	-0,1	-4,1	-6,7	0,8	1,0	-2,2	-3,0	8,1	-14,5	-4,3
1988	-1,3	1,1	-0,6	6,1	7,4	-1,2	-0,1	3,3	-0,3	4,0	13,6	-5,8	1,1	9,5
1989	0,8	-1,8	-1,5	5,1	9,8	-0,9	-0,3	5,7	-2,7	5,0	9,2	-6,3	9,8	4,5
1990	0,9	-0,5	-1,2	1,3	2,8	-1,1	-0,6	4,9	-2,4	2,6	4,2	-1,7	0,9	1,1

¹ EUR 8: against 13 industrialized non-ERM countries.

Table A17 (e)

Relative unit labour costs, total economy: performance against 19 industrialized countries; double export weighting

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12 ¹	USA	J
	1961-73 = 100													
1960	105,8	83,0	101,0	125,6	81,0	98,1	93,0	95,8	84,1	109,0	98,2	93,8	112,0	92,9
1961	101,0	86,3	105,0	114,6	79,4	99,9	92,5	92,7	86,0	106,2	100,1	96,5	108,4	93,2
1962	100,5	88,5	105,2	114,2	81,2	100,7	93,8	94,3	86,5	101,5	100,9	97,9	105,6	96,4
1963	100,3	90,0	104,0	106,1	87,5	103,3	92,7	101,8	89,0	100,4	98,3	99,5	102,1	99,4
1964	100,6	90,2	101,3	106,1	91,2	103,3	98,7	107,4	94,6	98,8	97,7	100,6	99,8	99,5
1965	102,2	95,8	101,4	103,6	95,9	100,9	96,9	105,7	97,1	98,2	99,2	101,6	96,3	103,8
1966	103,5	98,7	101,3	104,5	102,1	98,0	99,2	101,4	101,6	99,3	99,9	101,7	96,7	102,1
1967	103,8	102,0	97,6	104,0	109,8	97,4	98,5	100,7	102,5	101,2	98,2	99,1	97,5	101,1
1968	102,2	105,4	95,3	102,8	109,1	101,1	97,8	98,1	102,6	92,5	97,6	97,6	100,3	99,5
1969	100,4	106,6	94,3	97,7	107,5	102,2	99,9	95,4	106,5	94,5	98,6	97,4	102,6	97,7
1970	95,3	108,5	98,8	91,1	105,3	100,1	102,7	97,2	105,9	101,7	100,9	100,4	102,3	96,9
1971	96,0	110,0	100,0	85,4	107,1	98,5	105,9	100,5	107,4	102,8	100,9	102,1	98,2	101,4
1972	97,5	107,8	98,5	84,0	110,1	97,0	107,2	100,5	109,3	103,0	104,9	103,1	96,5	101,3
1973	96,8	110,1	97,3	85,8	113,8	96,7	114,2	104,3	111,1	99,9	102,9	102,6	93,8	107,5
1974	98,2	114,7	92,6	83,6	114,8	97,6	112,7	108,8	108,5	115,5	108,0	102,9	88,3	119,8
1975	100,8	112,1	84,1	93,9	120,1	100,7	116,4	121,1	107,1	138,7	125,7	108,0	82,5	120,0
1976	102,5	110,3	78,1	102,0	131,7	104,1	125,8	130,3	105,3	148,8	127,9	108,2	80,8	119,3
1977	102,8	110,7	73,9	113,1	148,8	105,5	125,4	145,9	103,9	161,4	130,0	110,7	79,7	117,1
1978	100,1	112,4	70,7	122,6	167,8	107,8	128,5	155,8	102,5	169,7	134,0	112,8	80,7	112,8
1979	97,4	112,0	67,3	136,6	181,9	109,7	140,1	165,1	100,3	181,3	143,0	115,7	83,1	105,4
1980	92,6	111,3	64,6	142,9	183,9	112,9	147,4	178,9	95,8	195,1	159,0	121,2	83,6	97,4
1981	90,1	111,2	61,3	167,4	189,3	116,3	153,0	200,5	90,4	215,9	162,4	123,9	83,1	92,2
1982	87,8	113,3	58,2	196,8	195,1	120,6	159,9	218,4	88,4	234,4	158,4	124,5	84,4	86,9
1983	88,3	115,2	55,5	229,3	207,3	125,8	170,3	243,0	84,4	269,7	156,9	128,3	83,2	85,0
1984	89,3	114,8	53,8	265,1	211,2	129,2	172,6	256,9	79,2	316,1	160,9	130,9	82,7	82,3
1985	89,9	114,7	52,7	309,8	215,1	130,3	172,1	269,2	76,7	363,4	163,0	133,2	82,6	79,0
1986	89,8	114,4	52,1	336,1	225,4	128,2	175,5	274,7	75,3	393,3	164,7	133,4	82,2	78,0
1987	86,7	122,3	51,3	365,7	232,3	126,1	173,0	283,2	74,0	424,5	168,1	133,7	82,8	75,1
1988	84,6	121,4	49,8	408,2	235,8	123,8	167,8	293,7	72,2	450,7	176,6	133,5	84,3	72,5
1989	84,3	119,1	48,4	456,8	240,0	120,8	164,1	301,1	69,6	475,9	185,8	132,8	85,9	70,6
1990	84,3	117,0	47,5	504,1	244,2	118,2	160,8	311,5	67,4	500,9	192,9	132,6	86,6	69,3
	Annual percentage change													
1961	-4,5	4,0	4,0	-8,7	-2,0	1,8	-0,5	-3,3	2,2	-2,5	2,0	2,9	-3,2	0,3
1962	-0,6	2,5	0,2	-0,3	2,3	0,8	1,3	1,8	0,6	-4,4	0,8	1,5	-2,6	3,5
1963	-0,2	1,7	-1,2	-7,1	7,8	2,6	-1,1	7,9	2,9	-1,1	-2,6	1,7	-3,3	3,1
1964	0,3	0,2	-2,5	0,0	4,2	0,0	6,4	5,5	6,2	-1,6	-0,6	1,1	-2,3	0,1
1965	1,7	6,3	0,1	-2,4	5,2	-2,3	-1,0	-1,6	2,6	-0,6	1,6	1,0	-3,5	4,3
1966	1,2	3,0	-0,1	0,9	6,5	-2,9	2,3	-4,0	4,7	1,2	0,7	0,1	0,4	-1,6
1967	0,3	3,4	-3,6	-0,4	7,5	-0,7	-0,7	-0,7	0,9	1,9	-1,7	-2,5	0,8	-1,0
1968	-1,5	3,3	-2,4	-1,2	-0,7	3,8	-0,7	-2,6	0,1	-8,6	-0,6	-1,5	2,9	-1,6
1969	-1,8	1,1	-1,1	-4,9	-1,4	1,1	2,1	-2,8	3,8	2,1	1,0	-0,3	2,3	-1,9
1970	-5,1	1,8	4,8	-6,8	-2,0	-2,1	2,8	1,9	-0,6	7,7	2,4	3,1	-0,3	-0,9
1971	0,7	1,3	1,2	-6,3	1,7	-1,6	3,2	3,3	1,4	1,0	0,0	1,7	-4,0	4,7
1972	1,6	-2,0	-1,5	-1,6	2,8	-0,6	1,2	0,1	1,8	0,1	4,0	1,0	-1,7	-0,1
1973	-0,7	2,2	-1,2	2,1	3,3	-1,1	6,5	3,7	1,7	-3,0	-1,9	-0,5	-2,8	6,1
1974	1,4	4,1	-4,9	9,2	0,9	0,9	-1,3	4,4	-2,3	15,6	5,0	0,3	-5,8	11,4
1975	2,6	-2,2	-9,2	0,2	4,6	3,2	3,3	11,2	-1,3	20,1	16,4	4,9	-6,6	0,1
1976	1,7	-1,6	-7,2	8,6	9,6	3,4	8,0	7,6	-1,7	7,3	1,7	0,2	-2,1	-0,6
1977	0,3	0,4	-5,3	11,0	13,0	1,3	-0,3	12,0	-1,4	8,5	1,6	2,3	-1,3	-1,8
1978	-2,6	1,5	-4,3	8,4	12,7	2,2	2,4	6,9	-1,3	5,1	3,1	1,9	1,3	-3,6
1979	-2,7	-0,3	-4,9	11,4	8,4	1,8	9,0	5,9	-2,2	6,8	6,7	2,6	2,9	-6,6
1980	-4,9	-0,6	-3,9	4,6	1,1	2,9	5,2	8,4	-4,5	7,6	11,2	4,7	0,6	-7,6

Table A17 (e) (continued)

	<i>(National currency)</i>													
	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12 ¹	USA	J
1981	-2.7	-0,1	-5,2	17,1	3,0	2,9	3,8	12,1	-5,6	10,7	2,1	2,2	-0,7	-5,3
1982	-2,5	1,9	-5,1	17,6	3,1	3,8	4,5	8,9	-2,3	8,6	-2,4	0,5	1,6	-5,7
1983	0,6	1,6	-4,6	16,5	6,2	4,4	6,5	11,2	-4,5	15,1	-1,0	3,0	-1,4	-2,2
1984	1,1	-0,4	-3,0	15,6	1,9	2,6	1,4	5,7	-6,2	17,2	2,5	2,1	-0,6	-3,1
1985	0,7	0,0	-2,1	16,8	1,8	0,9	-0,3	4,8	-3,2	15,0	1,3	1,7	-0,1	-3,9
1986	-0,2	-0,3	-1,2	8,5	4,8	-1,6	1,9	2,0	-1,7	8,2	1,0	0,2	-0,6	-1,4
1987	-3,4	6,9	-1,6	8,8	3,1	-1,6	-1,4	3,1	-1,8	7,9	2,0	0,3	0,8	-3,7
1988	-2,4	-0,7	-2,9	11,6	1,5	-1,9	-3,0	3,7	-2,4	6,2	6,1	-0,2	1,8	-3,4
1989	-0,4	-1,9	-2,7	11,9	1,8	-2,4	-2,2	2,5	-3,6	5,6	5,3	-0,5	2,0	-2,7
1990	0,0	-1,7	-2,0	10,4	1,7	-2,2	-2,1	3,5	-3,3	5,2	3,8	-0,1	0,8	-1,8

¹ EUR 12: against 9 industrialized non-member countries.

Table A17 (f)

Relative unit labour costs, total economy: performance against the ERM; double export weighting

(National currency)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 8 ¹	USA	J
1961-73 = 100														
1960	109,7	85,5	105,4	130,2	84,4	101,1	99,0	99,1	85,7	113,5	102,9	94,7	115,7	100,8
1961	103,3	87,9	109,0	117,3	81,7	101,8	97,5	94,2	86,9	109,2	102,9	96,9	110,6	98,7
1962	101,9	89,6	108,5	116,1	82,8	101,8	97,7	95,2	87,0	103,5	102,4	98,0	106,8	100,0
1963	100,3	89,4	104,5	105,6	87,5	102,9	93,1	101,4	88,4	100,1	98,0	101,0	101,5	99,5
1964	99,8	88,6	100,2	104,7	90,2	102,1	97,5	106,6	93,6	97,5	96,5	102,3	98,4	98,0
1965	101,2	94,3	100,1	102,1	94,5	99,4	95,5	104,6	96,0	96,8	97,7	102,3	95,3	101,0
1966	102,7	97,7	100,5	103,4	100,9	96,8	97,8	100,5	101,0	98,4	98,7	101,5	95,8	99,7
1967	103,8	102,6	97,6	104,1	109,7	97,5	97,4	101,2	102,8	101,3	98,6	99,1	98,4	100,7
1968	102,7	107,0	95,3	103,4	109,8	102,1	97,0	98,9	103,3	93,1	98,7	98,2	101,3	100,6
1969	101,1	108,5	94,3	98,7	109,0	103,7	99,9	96,4	107,6	95,4	100,2	97,6	104,0	100,3
1970	95,2	108,8	98,4	91,2	106,0	100,4	102,7	97,3	106,2	101,8	101,1	99,8	102,1	98,0
1971	95,1	109,1	98,6	84,7	106,2	97,7	104,1	99,6	107,0	101,6	99,7	101,7	96,8	99,5
1972	96,9	107,5	97,2	83,6	109,3	97,5	107,0	100,0	109,3	102,5	103,6	100,8	95,5	99,3
1973	96,0	109,0	95,6	85,1	112,5	96,2	113,0	104,0	111,0	98,8	101,7	100,9	93,4	104,6
1974	98,2	115,3	90,6	93,8	114,9	98,3	114,3	110,1	109,3	115,7	108,0	98,7	91,2	117,1
1975	101,8	115,7	81,0	94,6	121,1	103,0	124,2	124,4	109,2	142,1	124,9	96,6	86,5	116,6
1976	104,2	116,1	74,4	103,3	133,5	107,7	136,0	135,6	108,0	154,5	127,9	95,0	85,8	116,7
1977	104,7	117,6	69,3	114,4	150,6	109,4	136,3	153,2	106,8	168,3	129,8	94,9	84,6	114,4
1978	102,3	120,2	65,7	124,2	170,0	112,7	141,1	165,8	105,8	178,1	133,7	94,2	85,1	110,8
1979	100,3	121,0	62,1	139,1	185,8	116,2	157,8	177,8	104,3	192,5	143,0	92,7	87,7	105,8
1980	95,8	121,6	59,2	145,9	188,6	120,6	171,0	194,6	100,2	209,0	158,1	92,2	87,3	98,8
1981	93,4	122,1	55,3	170,0	193,8	124,8	178,8	220,5	94,7	232,0	161,1	92,3	86,9	93,7
1982	90,9	124,5	51,7	199,4	199,3	130,0	186,5	242,1	92,5	251,7	157,4	92,5	87,7	89,0
1983	91,0	125,9	48,1	229,8	209,5	135,1	196,9	269,6	87,8	287,9	154,3	94,1	84,9	85,4
1984	92,3	125,9	46,3	265,1	213,5	139,1	200,7	286,8	82,4	338,2	157,8	94,1	83,7	82,5
1985	93,1	126,3	45,0	308,7	217,2	140,5	200,7	301,9	79,8	389,5	159,6	94,2	83,0	79,2
1986	93,4	127,2	44,7	335,9	228,9	139,0	206,1	310,6	78,8	424,9	162,0	93,1	82,8	78,4
1987	90,7	137,8	44,1	366,9	237,4	137,5	205,2	323,6	77,9	462,5	166,0	91,9	83,5	76,2
1988	89,5	139,3	43,3	413,4	244,2	136,8	203,2	341,9	76,9	498,5	176,1	89,5	85,8	75,2
1989	90,4	139,1	42,7	467,9	252,3	135,6	203,3	357,4	75,1	535,1	187,5	86,8	88,5	74,9
1990	91,3	138,4	42,2	520,1	259,3	133,8	202,1	375,4	73,3	569,7	196,0	85,0	90,0	74,6

Annual percentage change

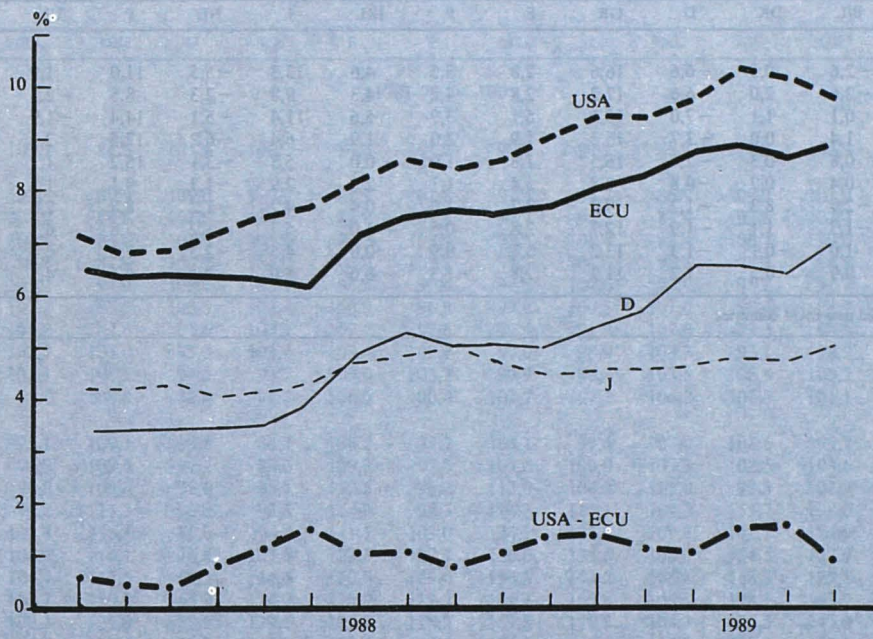
1961	-5,9	2,8	3,4	-9,9	-3,2	0,6	-1,5	-5,0	1,3	-3,8	0,0	2,3	-4,3	-2,0
1962	-1,3	2,0	-0,5	-1,1	1,3	0,1	0,2	1,1	0,1	-5,3	-0,5	1,1	-3,5	1,2
1963	-1,6	-0,3	-3,6	-9,0	5,6	1,0	-4,7	6,5	1,7	-3,2	-4,4	3,1	-5,0	-0,5
1964	-0,5	-0,9	-4,2	-0,9	3,2	-0,7	4,8	5,2	5,8	-2,6	-1,5	1,2	-3,1	-1,5
1965	1,4	6,5	-0,1	-2,4	4,7	-2,6	-2,1	-1,9	2,6	-0,7	1,2	0,1	-3,1	3,0
1966	1,4	3,6	0,4	1,3	6,7	-2,7	2,4	-3,9	5,1	1,6	1,0	-0,8	0,5	-1,3
1967	1,1	5,0	-2,9	0,7	8,8	0,7	-0,4	0,7	1,8	3,0	0,0	-2,4	2,7	1,0
1968	-1,1	4,3	-2,3	-0,7	0,0	4,7	-0,5	-2,2	0,5	-8,2	0,1	-0,9	2,9	-0,1
1969	-1,6	1,4	-1,1	-4,5	-0,7	1,6	3,0	-2,6	4,1	2,5	1,5	-0,6	2,7	-0,3
1970	-5,9	0,3	4,4	-7,6	-2,8	-3,2	2,8	0,9	-1,3	6,7	0,9	2,3	-1,8	-2,3
1971	0,0	0,2	0,2	-7,1	0,2	-2,7	1,4	2,4	0,8	-0,2	-1,4	1,8	-5,1	1,5
1972	1,8	-1,5	-1,4	-1,4	3,0	-0,2	2,7	0,4	2,1	0,8	3,9	-0,8	-1,3	-0,2
1973	-0,9	1,4	-1,7	1,8	2,9	-1,3	5,7	4,0	1,5	-3,6	-1,8	0,1	-2,2	5,3
1974	2,3	5,7	-5,2	10,2	2,2	2,2	1,2	5,9	-1,5	17,1	6,1	-2,2	-2,4	11,9
1975	3,6	0,4	-10,6	0,9	5,4	4,8	8,6	13,0	-0,1	22,8	15,7	-2,2	-5,1	-0,4
1976	2,4	0,4	-8,1	9,2	10,3	4,6	9,5	9,0	-1,1	8,7	2,4	-1,7	-0,8	0,1
1977	0,4	1,2	-6,9	10,7	12,8	1,6	0,2	13,0	-1,2	8,9	1,5	0,0	-1,4	-2,0
1978	-2,3	2,3	-5,2	8,6	12,9	3,0	3,5	7,9	-0,9	5,8	3,0	-0,8	0,6	-3,2
1979	-2,0	0,6	-5,4	12,1	9,3	3,1	11,8	7,5	-1,4	8,1	7,0	-1,6	3,1	-4,5
1980	-4,4	0,5	-4,7	4,8	1,5	3,7	8,4	9,4	-4,0	8,6	10,6	-0,5	0,2	-6,6

Table A17 (f) (continued)

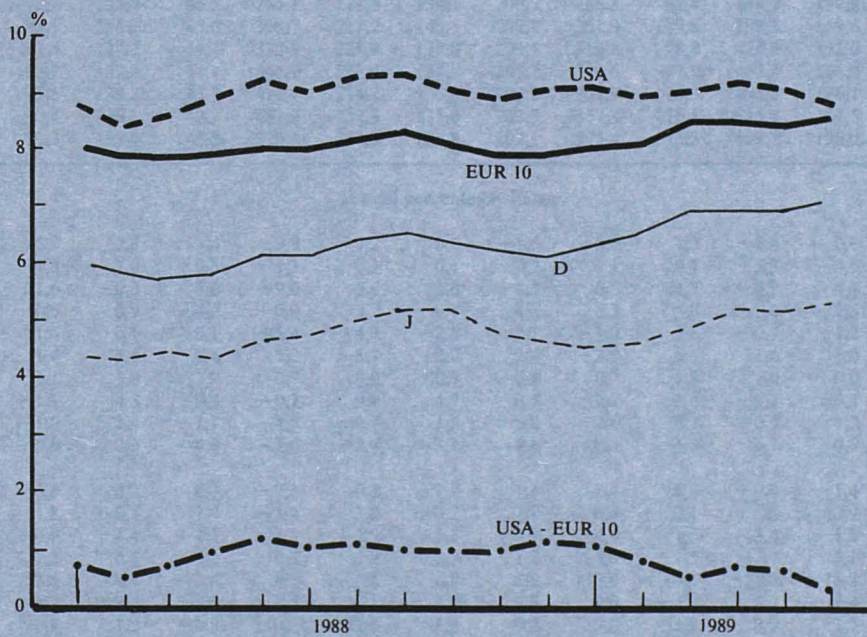
	<i>(National currency)</i>													
	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 8 ¹	USA	J
1981	-2,6	0,5	-6,6	16,6	2,8	3,5	4,6	13,3	-5,5	11,0	1,9	0,1	-1,1	-5,1
1982	-2,6	2,0	-6,6	17,2	2,8	4,2	4,3	9,8	-2,3	8,5	-2,3	0,3	0,8	-5,0
1983	0,1	1,1	-7,0	15,3	5,1	3,9	5,6	11,4	-5,1	14,4	-1,9	1,7	-3,2	-4,0
1984	1,4	0,0	-3,7	15,3	1,9	3,0	1,9	6,4	-6,2	17,5	2,3	0,0	-1,4	-3,4
1985	0,8	0,3	-2,7	16,5	1,8	1,0	0,0	5,3	-3,1	15,2	1,1	0,1	-0,8	-4,1
1986	0,4	0,7	-0,8	8,8	5,4	-1,1	2,7	2,9	-1,3	9,1	1,5	-1,2	-0,3	-1,0
1987	-2,9	8,3	-1,2	9,2	3,7	-1,0	-0,4	4,2	-1,2	8,8	2,5	-1,3	0,9	-2,7
1988	-1,3	1,1	-1,9	12,7	2,8	-0,5	-1,0	5,7	-1,2	7,8	6,1	-2,6	2,7	-1,3
1989	1,0	-0,1	-1,3	13,2	3,3	-0,9	0,0	4,5	-2,3	7,3	6,4	-3,0	3,2	-0,4
1990	0,9	-0,5	-1,2	11,2	2,8	-1,3	-0,6	5,0	-2,4	6,5	4,5	-2,0	1,7	-0,4

¹ EUR 12: against 13 industrialized non-ERM countries.

GRAPH A1: (a) Short-term interest rates (3-month Euromarket rate) (monthly averages)

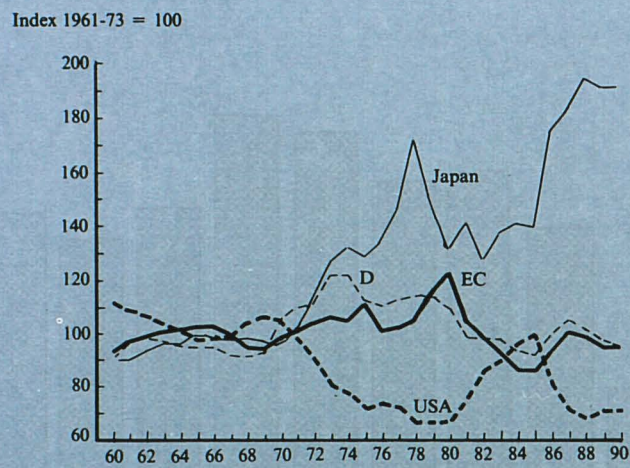


GRAPH A1: (b) Long-term interest rates (yield on public sector bonds) (monthly averages)



Source: Commission services.

GRAPH A2: Real effective exchange rates¹ for selected countries: European Community, Germany, United States and Japan



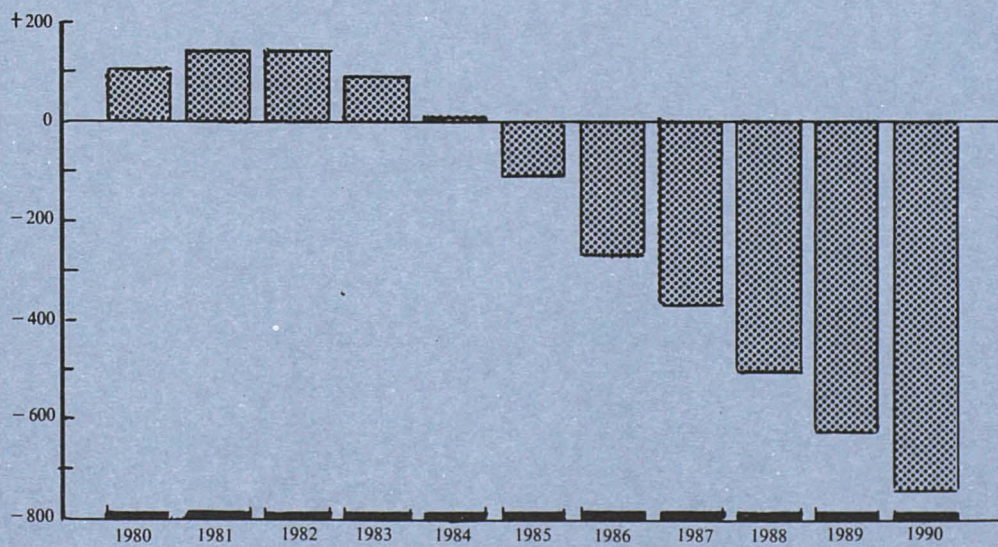
¹ The index of the real effective exchange rates is derived by multiplying the index of the nominal effective exchange rates by a similarly calculated index of the relative change in unit labour costs in the total economy.

Source: Commission services.

GRAPH A3: (a) US federal budget deficit (in billion dollars)



GRAPH A3: (b) US net international assets/liabilities (in billion dollars)



¹ Forecasts of the Commission services, assuming net position at the end of 1987 deteriorates by cumulative forecast current deficit.

Source: US Department of Commerce and Commission services.

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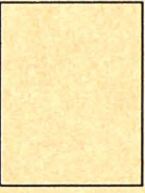
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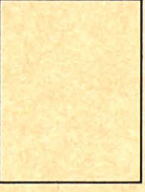
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