

# EUROPEAN ECONOMY

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

Supplement A — No 3 — March 1983

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## Economic trends

*This month:*

*Review of trends in foreign trade*

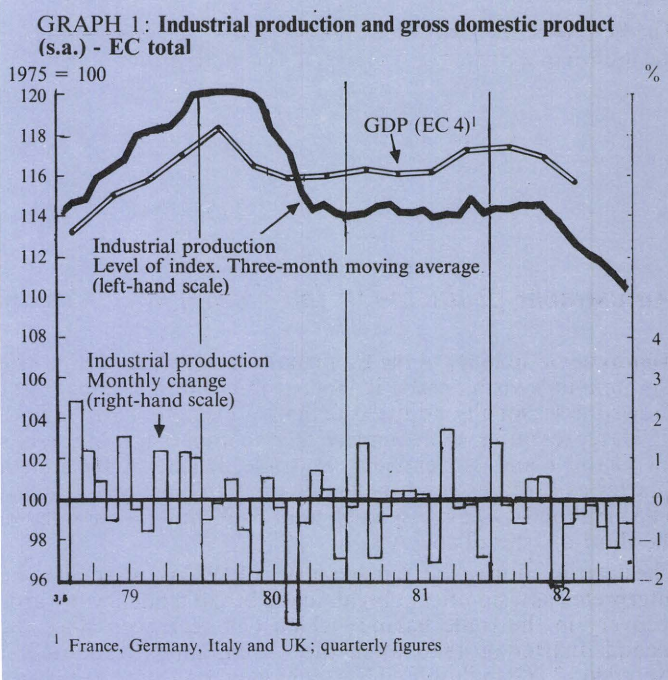
### Output hits new low

**Continued fall in industrial production to the end of 1982.** — The index of industrial production in the Community, seasonally adjusted, fell by 0,7% in December after a decline of 1,2% in November (Table A.1). The trend as expressed by the three-month moving average, has been declining since May 1982 after quasi stability in the earlier part of the year. In consequence the results for 1982 as a whole show a fall in production of 1,6% after the decline of 2,2% in 1981 and 0,8% in 1980. The level of the overall index thus fell lower than in the second quarter of 1978. Among Community countries the most marked decline for the year as a whole, was registered in Italy and the Netherlands (2,7%) and in Luxembourg, where the year-to-year decline in 1982 was 3,7%, or 2,9% if the troubled steel sector is excluded, France saw a fall of 1,5%. In the United Kingdom, a modest increase in production occurred in 1982 (0,6%) after the substantial decreases in 1980 and 1981, while Denmark recorded an increase of 2,2%. Incomplete data for January 1983 suggests, however, a sharp recovery in industrial production in some countries (Germany, United Kingdom—see next month's Supplement A).

**Further increase in unemployment.** — The rate of unemployment in the Community (seasonally adjusted) rose by 0,1 percentage points in January, after an unchanged position in December, and now stands at 10,3% of the civilian labour force, equivalent to 11,5 million persons (Table A.2). The largest increase was in the Federal Republic of Germany where unemployment rose by 0,4 percentage points in January, followed by Ireland where the rise was 0,3 percentage points. In the United Kingdom, also, unemployment rose strongly for the second consecutive month. In France, on the other hand, a further small decrease in unemployment occurred in January for the third month in succession, although vacancies decreased slightly. In Italy too, a marginal decrease in the unemployment rate was apparent in January.<sup>1</sup>

**Rate of inflation in the Community remains low.** — The Community's consumer price index in January rose by 0,7%, somewhat faster than in December, but in line with the tendency of previous months (Table A.3). The trend rate (the seasonally

adjusted change over 6 months) stabilized at just above 8%, four percentage points below the rate at the beginning of 1982. A sharp rise in Belgium in January was mainly due to the increase in value-added tax and in February the rate dropped back to 0,6%. In Luxembourg, where an acceleration was also recorded, the partial suppression of subsidies on solid fuel accounted for the whole increase in January. For Italy, adjustments in rents were a major factor behind the increase of 1,4% although energy prices also contributed. In Greece, a decline in the trend rate of inflation has been in evidence since July, and in the Netherlands prices remained stable in January, with rises in food prices and rents being compensated for by seasonal falls in prices of clothing and footwear. This was after two months of falling prices in the latter country, principally due to declines in the cost



<sup>1</sup> Revised series for unemployment have been introduced for Belgium and the Netherlands in January 1983. In the former country the new series excludes, in particular, persons registered, but employed in sheltered workshops or in work of reduced time and in the latter country now includes persons seeking employment of more than 20 hours per week, as well as changing other criteria for inclusion or exclusion. In order to avoid a break in the seasonally adjusted series, figures have been estimated for Belgium and the Netherlands on the basis of the old definitions.

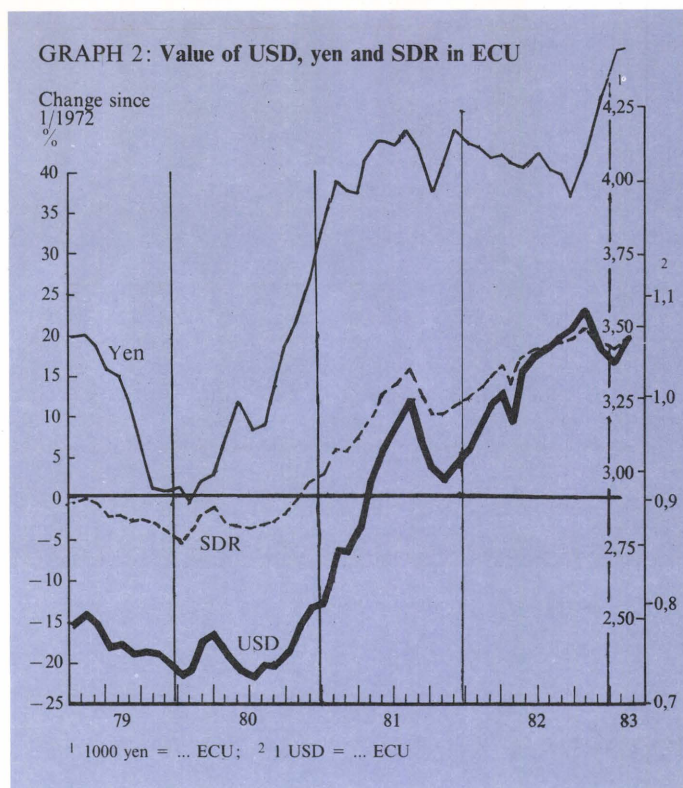
of petrol. For the United Kingdom, the 12-month increase in January at 4,9% was the lowest rate since 1969 and brings the inflation rate close to that recorded in the Netherlands (3,8%) and the Federal Republic of Germany (3,9%).

**Some positive signs in trend of retail sales.** — After a sharp fall in retail sales in the third quarter, indications of a somewhat less depressed level have emerged for the fourth quarter. Thus in France, a 2,9% increase in retail sales was realized in the fourth quarter after a decline of nearly 2% in the previous quarter. In the United Kingdom the increase was 1,4%, although this increase was slightly down from the 2% recorded in the previous three months. In the Federal Republic of Germany, the decline was quite slight after those of 2,4% in the second and 0,9% in the third quarter. A similar decline of 0,2% was recorded in Denmark after a larger fall in the third quarter. However, the Belgian figures in the three months to November were considerably lower than in the summer months.

**Monetary expansion slows down in November.** — The average rate of monetary expansion in the Community slowed down considerably in November to 0,2% compared with 1% in October. The decline was due to zero or very low rates of growth for monetary aggregates in Denmark, the Netherlands and the United Kingdom combined with negative rates in the Federal Republic and France. This development brings Community monetary expansion over 12 months down to 11% in relation to November 1981, compared with 11,2% from October 1981 to October 1982. In December, the money supply once more began to expand markedly in Denmark, while French M2 contracted for the second month running. Over 1982 as a whole, France's money supply increased by 12%, in line with the target range of 12,5% to 13,5% adopted at the end of 1981. In January, money supply growth recommenced in Ireland and gathered momentum in the Federal Republic, while it remained moderate in the United Kingdom.

**Community average for short-term interest rates stable.** — Average short-term interest rates in the Community remained about 11,4% from December to February, but with developments at national level diverging, if only relatively moderately. In the Federal Republic and the Netherlands, the steady decline in short-term rates continued in February: the discount rate was lowered by half a point on 1 March in the Netherlands. In France, on the other hand, where rates had been easing for many months, there was a slight rise. The short-term rate firmed up somewhat in Italy, while the increases of preceding months gave way to some relaxation in Denmark, Ireland and the United Kingdom. Rates were stable in Belgium. After marking time for a couple of months, short-term US rates began to decline once more in the second half of February. Average long-term rates in the Community again eased in January by a tenth of a point to 12,8%, but long-term yields rose in Greece, Ireland and the United Kingdom.

**The ECU declines against the USD.** — The ECU, on average, for the month of February compared to the level of January, fell by



1,9% against the USD and by 0,4% against the yen. During February the USD showed some fluctuations with a decline in the first days of the month followed by a modest upturn in the following period. Within the European Monetary System (EMS) the guilder, which had been close to its upper limit against the Belgian franc during January was joined by the DM and the FF in the first week of February. The DKR, on the other hand, shifted from the upper to the lower half of the band while the lira remained strong until the unrest in exchange markets in early March led to a strong weakening of this currency and the FF. In trade-weighted terms, all EC currencies except the Irish pound, saw modest devaluations in February, with the ECU estimated to have depreciated by 0,8% against competing currencies. The value of the dollar rose in trade-weighted terms by 1,5% to a level 7% higher than a year earlier, while the level of the yen fell by 0,5% (up 5,5% over 12 months).

**Realignment in the EMS on 21 March.** — This seventh realignment of exchange rate parities in the European Monetary System comprised revaluations of 5,5% for the DM, 3,5% for the HFL, 2,5% for the DKR, 1,5% for the BFR and LFR, and devaluation of 2,5% for the FF and LIT, and 3,5% for the IRL. Details will be reported in April's edition of *Supplement A*.

## Adjustment problems in the Community's external trade

**Approximate stability of the Community's trade balance.** — The Community's visible trade balance (fob/cif) in December 1982 showed a seasonally adjusted deficit of close to 1 700 million ECU, representing some improvement compared to the results for October and November. The trade deficit for the fourth quarter as a whole, nevertheless, is estimated to have reached 5 855 million ECU against a deficit of 5 698 million recorded in the third quarter (Table A.5).

The deterioration in the fourth quarter of 1982 is too small to be interpreted as a significant break in the broad tendency towards recovery in the trade balance which has been seen since the second quarter of 1980 when the Community's trade deficit exceeded 12 000 million ECU, after having been close to balance

in the third quarter of 1978, which was the most favourable point in the last five years (see Graph 3).

A breakdown of the movements in the Community's trade balance is given in the lower panel of Graph 3 which shows, in particular, that the more hesitant development of the trade balance since the fourth quarter of 1981 is attributable to a sharp deterioration of the balance in volume terms. This followed after a period of swift improvement after the second oil shock during the period from the third quarter of 1980 to the fourth quarter of 1981. The trade balance in volume terms in the third quarter of 1982 was considerably better than just before the onset of the second oil shock but not enough to compensate the marked deterioration of the terms of trade: despite some improvement

since the second quarter of 1981 the Community's terms of trade in the third quarter of 1982 remained some 7 points lower than in the first quarter of 1979.

**Persistent deficit in trade with United States and Japan.** — In the third quarter of 1982 the Community's trade deficit with the non-European industrialized countries, (mainly United States, Canada, Australia and Japan), fell slightly as compared to the level of the second quarter but nevertheless remained the largest bilateral trade deficit, exceeding the deficit with the OPEC countries (see Graph 4). The latter, which had been falling somewhat from the fourth quarter of 1980 to the second quarter of 1982, in fact widened in the third quarter of last year, to 5 000 million ECU, compared to the peak deficit of 8 400 million (seasonally adjusted) reached in the fourth quarter of 1980. The deterioration of the Community's trade balance with the OPEC countries in the third quarter of 1982 was mainly attributable to the depreciation of the ECU against the USD which resulted in a 7% increase in the import price of crude oil measured in ECU terms (see Supplement A No 1, February 1983, Graph 6).

The deficit with the centrally planned economies declined marginally in the third quarter of 1982 but remained at 2 400 million ECU (s.a.), considerably worse than at the beginning of 1979. The economic crisis and debt management problems of Poland with sharp restrictions upon the imports to this country seems to have been one of the main factors behind the deterioration of the Community's trade balance with the centrally planned economies since the first quarter of 1981. The trade balance with Poland alone in fact shifted from a surplus of 82 million ECU in the third quarter of 1981 to a deficit of 50 million in the third quarter of 1982.

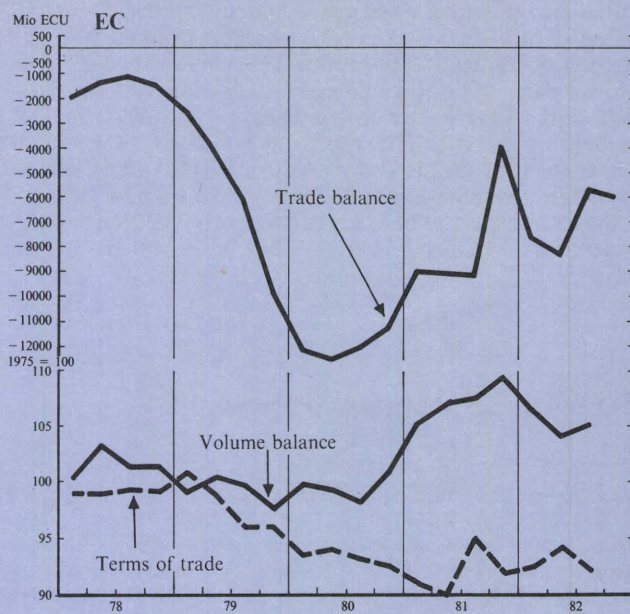
The Community's trade surplus with the rest of OECD-Europe which had fallen somewhat in the first quarter of 1982 rose again both in the second and third quarters of last year, reaching 3 100 million (s.a.) or the same as in the three first quarters of 1980.<sup>1</sup>

**Decline in the trade surplus in manufactured goods in the third quarter of 1982.** — As shown in Graph 5 the improvement in the Community's extra trade balance between the second quarter of 1980 and the fourth quarter of 1981 was essentially a result of the rise in the surplus on trade in manufactured goods which rose from 13 800 million ECU (s.a.) in the second quarter of 1980 to a peak of 24 400 million ECU in the first quarter of 1982. Subsequently, however, the performance has slipped in this category of goods with the surplus declining to a seasonally adjusted 21 900 million ECU in the third quarter of 1982. The relatively small deficit in trade in food and beverages rose a little, from a low of 1 100 million ECU in the third quarter of 1981 to 2 500 million in the third quarter of 1982, reversing, thus, the relatively favorable trend recorded between the third quarters of 1979 and 1981. The deficit in trade in raw materials (excluding fuels) despite the large fluctuations in commodity prices in the world market has remained surprisingly stable around 6 000 million ECU since early 1980. The trade deficit in fuel has been reduced only marginally, remaining in fact close to 22 000 million ECU in the third quarter of 1982 after having topped at 23 800 million in the first quarter of last year.

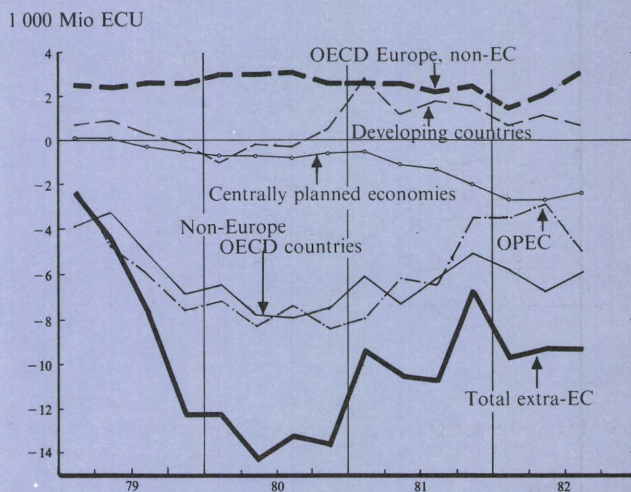
**Divergent movements in trade balances within the Community.** — The data on the Community's trade performance in the aggregate provide a broad overview of the impact of key factors in the international economic scene such as the weakening of the Community's trade balance with North America and Japan as reflected in the deterioration of the trade balance in manufactured products. The trade data for individual Member States, in addition to these general aspects, show large fluctuations as a result of divergencies within the Community with respect to competitiveness or relative cyclical position.

The most striking feature of recent trade developments within the Community is the pronounced improvement of the *German*

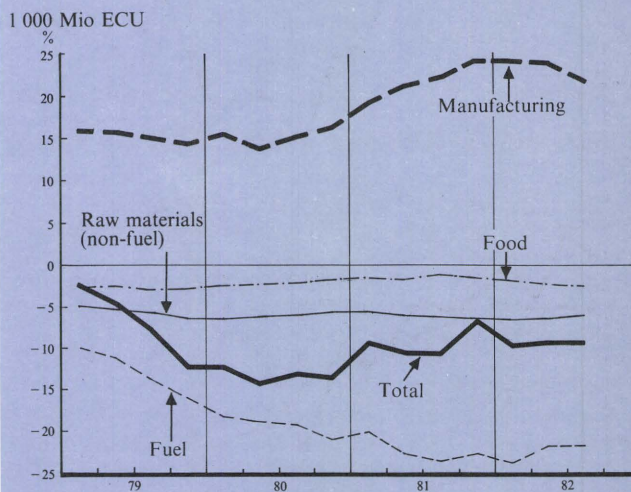
GRAPH 3: Trade balance and components (s.a.), EC total



GRAPH 4: Trade balance by economic zones, (s.a.) EC 10



GRAPH 5: Trade balance by classes of goods, (s.a.) EC 10

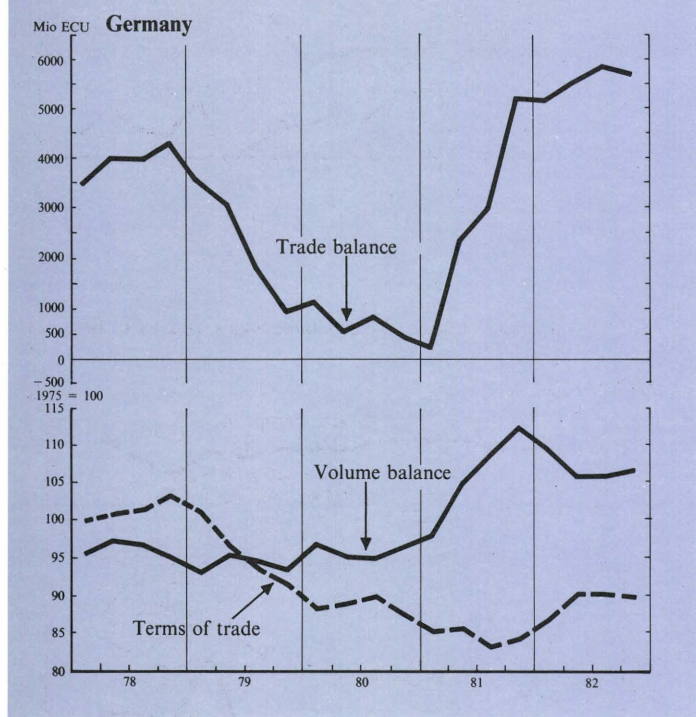


<sup>1</sup> Due to the fact that the sum of Member States exports to Community Member States (intra-exports) is not equal to the sum of Member States imports from other Member States (intra-imports) the Community's trade balance with the rest of the world as shown in Graphs 4 and 5 is not equivalent to the sum of the trade balances of individual Member States which is shown in Graph 3. The statistical discrepancy is mainly due to the fact that exports are calculated at their fob value while imports in customs statistics are given cif, i.e. including the cost of insurance and freight).

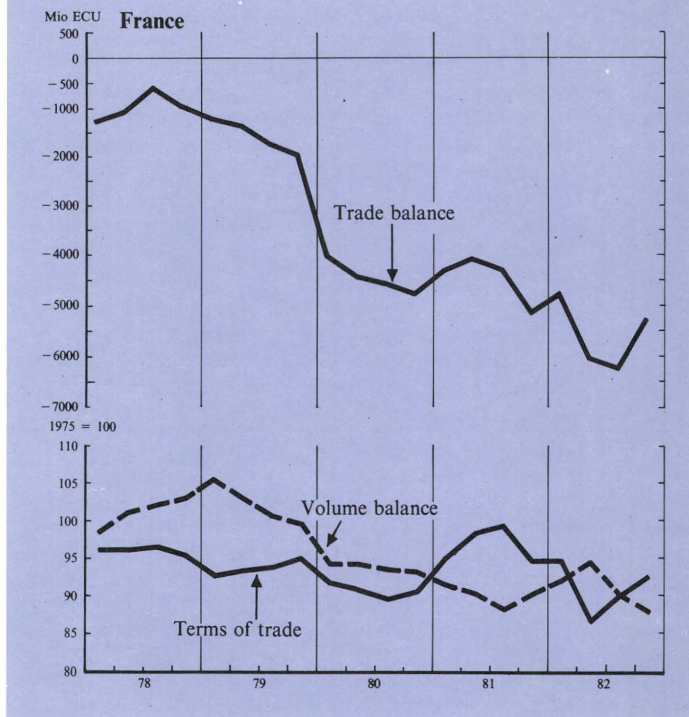
trade balance since the first quarter of 1981. Thus, within one year, from the beginning of 1981 to the beginning of 1982, the German trade balance improved by 20 000 million DM (1,3% of GDP). The tightening of monetary policy in Germany in 1981 coupled with a certain degree of demand expansion in other Community countries, appears to have caused this. As seen in the lower panel of Graph 6 the balance of trade in volume terms which began to improve in the course of 1980 strengthened considerably in 1981. The improvement of the German trade balance in 1982 is also attributable to the terms of trade improvement which occurred between the third quarter of 1981 and the second quarter of 1982: in real terms the trade balance in fact deteriorated sharply from the peak of the fourth quarter of 1981.

The French trade balance improved somewhat between the second and the third quarters of 1982 but not enough to profoundly alter the strong downward trend seen since the third quarter of 1978 (Graph 7). The volume balance improved strongly between the third quarter of 1980 and the third quarter of 1981 but subsequently showed a sharp deterioration in response to the increase in demand in France relative to its trading partners. A certain improvement of the volume balance was seen in the third and fourth quarters of 1982 as a result of the exchange rate adjustment in June of 1982 and accompanying measures to contain domestic demand. As terms of trade changes since the fourth quarter of 1980 went in the opposite direction as compared to the changes in the volume balance the movements in the trade balance in current prices was much

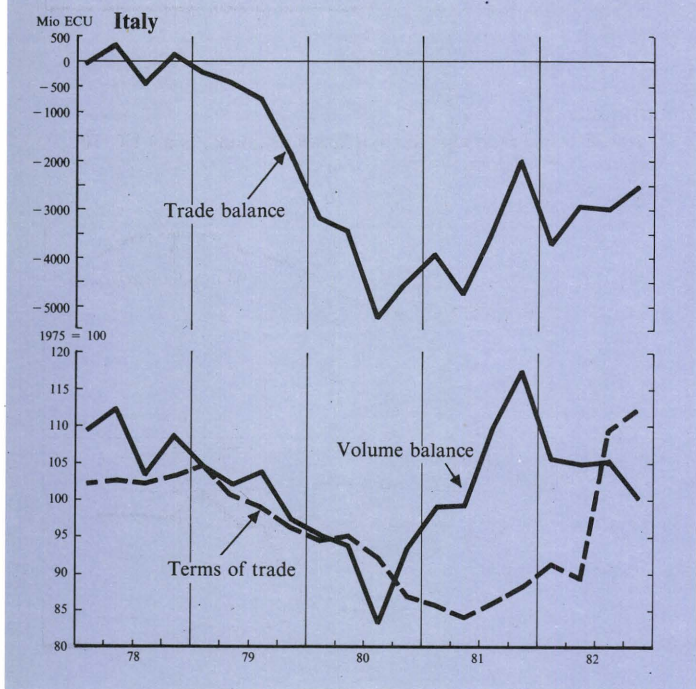
GRAPH 6: Trade balance and components (s.a.)



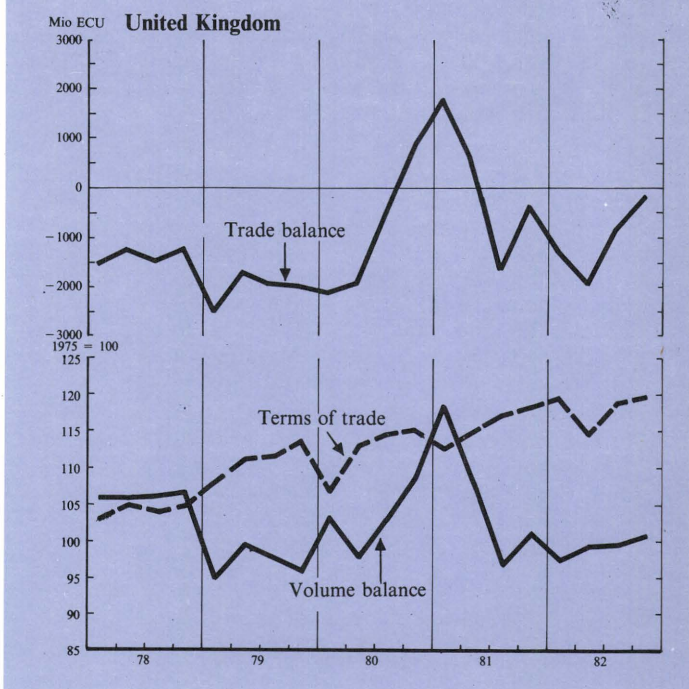
GRAPH 7: Trade balance and components (s.a.)



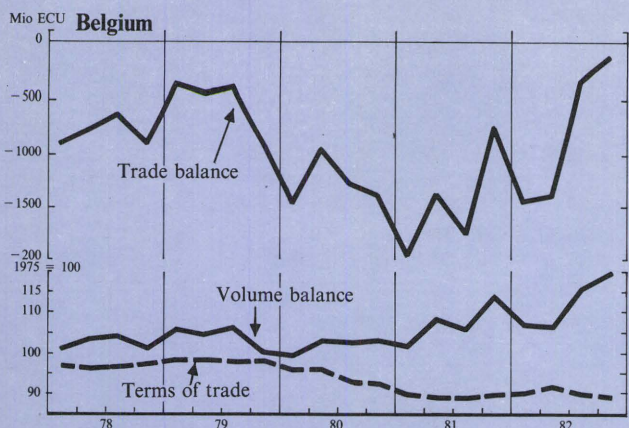
GRAPH 8: Trade balance and components (s.a.)



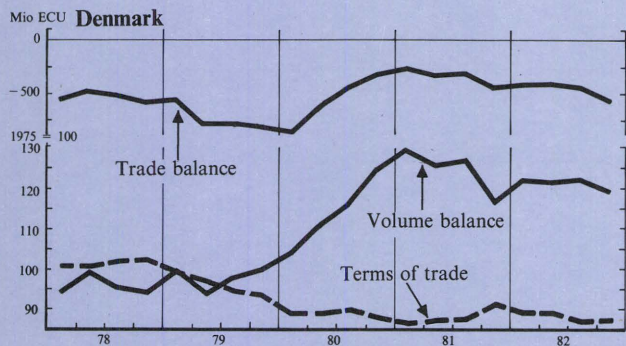
GRAPH 9: Trade balance and components (s.a.)



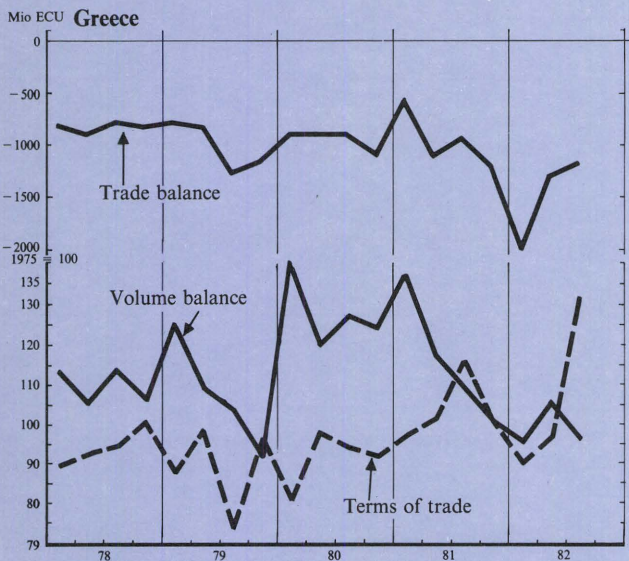
GRAPH 10: Trade balance and components (s.a.)



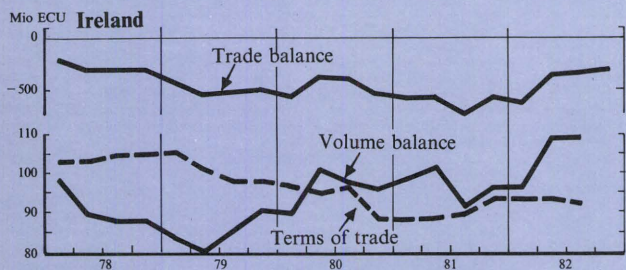
GRAPH 11: Trade balance and components (s.a.)



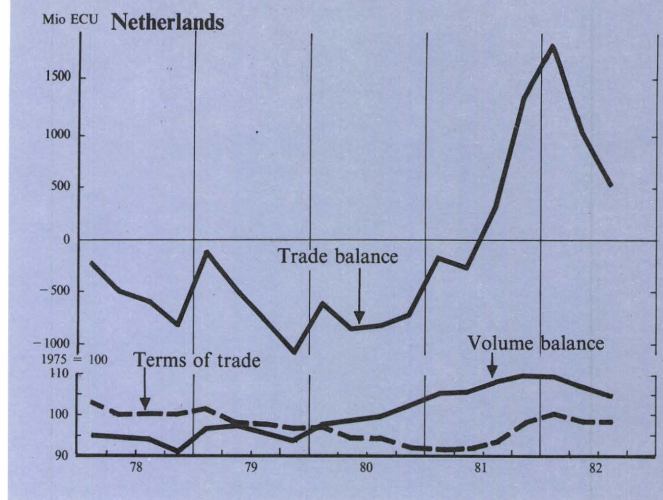
GRAPH 12: Trade balance and components (s.a.)



GRAPH 13: Trade balance and components (s.a.)



GRAPH 14: Trade balance and components (s.a.)



subdued in comparison to the changes in the trade balance in real terms.

The trade deficit of *Italy* in the fourth quarter of 1982 was reduced to 2 500 million ECU (s.a.) or less than half the record high level of 5 200 million ECU in the third quarter of 1980. The improvement in the Italian trade balance during the last two years is mainly attributable to a shift of real resources into the foreign balance: the terms of trade in the third quarter of 1982 were still, at 89,4, below the level of two years before.

A marked improvement of terms of trade, on the other hand, is the main factor behind the strengthening in the trade balance of the *United Kingdom* since 1978. In fact, as shown in Graph 9 the terms of trade of the United Kingdom improved by 13 points between the first quarter of 1978 and the fourth quarter of 1982, while the volume balance (apart from large fluctuations in between) showed a certain weakening over the same period.

Among the smaller Member States the *Belgium-Luxembourg Economic Union* has staged a major improvement in its trade balance since early 1981 largely as a result of an improvement in the volume balance (Graph 10) while the *Danish* trade balance has deteriorated both in value and in volume terms since the first quarter of 1981 after a spectacular improvement in the course of 1980. The *Greek* trade balance in the second and third quarters of 1982 recovered somewhat after the sharp deterioration in the course of 1981. The recovery in 1982 was mainly a reflection of a sharp terms of trade improvement which may have been reversed after the depreciation of the drachma on 10 January 1983. A marked recovery of the trade balance has also taken place in *Ireland* mainly as a result of an improvement in real terms, the terms of trade having shown only modest improvement since early 1981. In the *Netherlands* on the other hand adverse movements in both the volume balance as the terms of trade has entailed a sharp decline of the trade surplus in the course of 1982.

18 March 1983

TABLE A.1: Industrial production<sup>1</sup> - Percentage change on preceding period (s.a.)

	1978	1979	1980	1981	1982	1981					1982				Change over 12 months % <sup>2</sup>			
						IV	I	II	III	IV	June	July	Aug.	Sept.		Oct.	Nov.	Dec.
B	2.4	4.3	-1.0	-2.9	.	1.1	0.3	1.9	-2.5	.	-0.1	-2.3	-3.9	5.3	3.5	.	.	3.3
DK	2.3	3.6	0.2	0.3	2.2	-3.2	3.4	2.4	-3.1	0.5	9.7	-8.9	-0.4	5.6	-8.0	9.0	-1.7	-4.4
D	2.0	5.5	-0.8	-1.4	-2.4	-0.9	0.9	-0.9	-3.7	-1.9	-1.9	-3.8	4.0	-1.9	-1.0	0	-2.0	-7.5
GR	7.5	6.0	0.9	-0.6	.	0.3	-0.6	-4.6	-4.1	.	-2.8	-1.7	-4.2	8.3	-1.3	.	.	-4.7
F	1.6	4.7	-0.7	-2.3	-1.5	1.3	-2.5	1.3	-3.4	2.4	0	-3.8	0	0	0.8	0.8	-0.8	-2.9
IRL	7.7	6.9	-1.8	1.4	.	-1.0	0	1.5	-1.1	.	-1.0	1.4	-3.2	0.9	2.9	-1.8	.	-0.5
I	2.1	6.7	5.0	-2.2	-2.7	2.2	-2.2	-3.1	-4.7	0.7	-4.7	3.0	-8.3	5.1	-2.7	3.8	-2.4	-5.9
L	3.2	3.4	-3.3	-6.8	-3.7	1.2	0.5	-4.7	-0.1	-4.2	-1.4	-0.6	1.6	-2.0	6.5	-9.8	-8.9	-16.1
NL	0.9	2.8	0	-1.8	-2.7	3.1	-0.6	-3.6	-2.8	0	0	2.9	-5.6	1.0	1.0	0	1.0	-6.3
UK	3.4	3.8	-6.6	-3.9	0.6	1.2	-0.6	0.4	-0.1	-0.6	-1.4	0.6	0.3	0.2	0.5	-2.5	1.8	0.6
EC 10	2.5	4.9	-0.8	-2.2	(-1.6)	0.1	0.3	-0.1	-2.0	-1.7	-2.0	-0.6	-0.4	-0.1	0.5	(-1.2)	(-0.7)	(-4.2)
USA	5.7	4.4	-3.6	2.7	(-8.2)	-4.4	-3.1	-1.7	-0.8	-2.2	-0.4	0.1	-0.3	-0.8	(-1.1)	(-0.8)	(-0.1)	(-6.2)
JAP	6.2	8.4	7.1	3.2	(1.0)	2.0	-0.9	-1.7	-1.5	(-0.7)	2.4	0.6	-0.4	1.2	-3.1	(3.0)	(-0.7)	(-1.0)

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

	1978	1979	1980	1981	1982	1981					1982				1983 Jan.	Change over 12 months % <sup>2</sup>		
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.			Nov.	Dec.
B	8.4	8.7	9.4	11.6	13.7	12.5	13.1	13.4	14.0	14.5	13.8	14.0	14.1	14.3	14.5	14.7	(14.9)	(13.6)
DK <sup>3</sup>	6.5	5.3	6.1	8.3	(8.8)	8.9	8.9	9.0	8.5	(8.9)	7.9	7.9	8.8	9.0	8.9	(8.8)	(9.1)	(3.4)
D	3.9	3.4	3.4	4.8	6.9	5.8	6.3	6.9	7.3	7.8	7.1	7.2	7.7	7.7	7.9	7.9	8.3	27.6
F	5.2	6.0	6.4	7.8	8.8	8.5	8.7	8.9	9.0	9.0	9.0	8.9	9.0	9.0	9.0	9.0	8.9	4.7
IRL	8.4	7.4	8.3	10.2	12.5	10.9	11.4	12.0	12.8	13.6	12.5	12.8	13.0	13.3	13.5	13.9	14.2	27.6
I	7.1	7.5	8.0	8.8	10.4	9.4	9.8	10.3	10.5	11.1	10.4	10.5	10.7	10.9	11.1	11.2	11.2	15.2
L	0.7	0.7	0.7	1.0	1.3	1.1	1.2	1.2	1.2	1.4	1.2	1.2	1.3	1.4	1.4	1.5	1.5	21.9
NL	4.1	4.1	4.7	7.2	10.0	8.3	8.9	9.6	10.4	11.2	10.1	10.3	10.6	10.9	11.2	11.5	(11.6)	(30.8)
UK	5.3	5.0	6.4	9.8	(11.4)	11.0	11.2	11.3	11.3	11.9	11.1	11.2	11.7	11.8	11.9	12.1	12.2	11.3
EC 9	5.4	5.4	6.0	7.9	9.5	8.8	9.2	9.6	9.7	(10.3)	9.6	9.7	9.9	10.0	10.2	(10.2)	(10.3)	(15.1)
USA	6.0	5.8	7.1	7.6	(9.7)	8.3	8.8	9.4	10.0	10.7	9.8	9.9	10.2	10.5	10.7	10.8	.	29.0
JAP <sup>4</sup>	2.2	2.1	2.0	2.2	2.4	2.2	2.3	2.4	2.4	2.4	2.4	2.3	2.4	2.5	2.4	2.4	2.7	23.7

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

	1978	1979	1980	1981	1982	1981					1982				1983 Jan.	Change over 12 months % <sup>2</sup>		
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.			Nov.	Dec.
B	4.5	4.5	6.6	7.6	8.7	2.1	1.9	2.3	2.5	1.9	0.7	0.6	1.2	0.8	0.1	-0.1	1.2	8.3
DK	10.0	9.6	12.3	11.7	10.1	2.2	2.1	2.4	2.6	2.5	0.8	0.6	1.1	1.2	0.8	-0.5	0.7	9.0
D	2.7	4.1	5.5	5.9	5.3	1.2	1.5	1.4	1.1	0.7	0.2	-0.2	0.3	0.3	0.2	0.2	0.2	3.9
GR	12.5	19.0	24.9	24.5	21.0	7.5	4.2	7.0	1.6	5.6	-0.5	-1.3	2.7	2.4	2.1	1.5	0.8	18.7
F	9.1	10.7	13.6	13.4	12.0	3.2	2.8	3.1	1.4	1.9	0.3	0.3	0.5	0.5	1.0	0.8	0.9	9.6
IRL <sup>5</sup>	7.6	13.2	18.2	20.4	17.2	5.9	2.3	5.8	2.1	1.6	(0.7)	(0.7)	(0.5)	(0.5)	(0.5)	.	.	12.3
I	12.2	14.8	21.2	19.6	16.4	4.6	4.0	3.0	4.1	4.5	1.3	1.8	1.5	1.7	1.4	0.7	1.4	16.2
L	3.1	4.5	6.3	8.1	9.4	1.6	2.7	2.0	2.9	2.5	1.0	0.5	0.7	1.1	0.9	0.3	1.2	10.2
NL	4.2	4.3	7.0	6.9	5.9	1.9	1.1	1.6	0.8	0.9	0.3	0.1	0.7	0.5	-0.1	-0.2	0	3.8
UK	8.3	13.4	18.0	11.9	8.6	2.5	1.7	3.2	0.5	0.7	0	0	0	0.5	0.5	-0.2	0.1	4.9
EC 10	7.6	10.2	14.1	12.6	10.7	3.1	2.5	2.9	1.8	2.2	0.5	0.5	0.7	0.8	0.8	0.4	0.7	9.1
USA	7.6	11.3	13.5	10.3	6.2	1.4	0.8	1.5	1.9	0.2	0.6	0.2	0.2	0.3	-0.2	-0.4	0.1	3.6
JAP	3.8	3.6	8.0	5.0	2.6	1.2	0	1.0	0.4	1.0	-0.7	0.7	1.8	0.3	-1.1	-0.2	.	1.8

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

	1978	1979	1980	1981	1982	1981					1982				1983 Jan.	Change over 12 months % <sup>2</sup>		
						IV	I	II	III	IV	June	July	Aug.	Sept.			Oct.	Nov.
B	2.3	3.9	1.2	-3.3	.	0.4	-0.7	-1.4	0.3	.	0.5	3.2	-0.3	-2.0	-0.7	.	.	-6.0
DK	-2.4	2.2	-1.5	-0.6	1.7	-1.2	1.9	2.0	-2.1	-0.2	0.1	-0.9	-2.3	2.5	-2.3	2.2	-0.9	-2.4
D	2.8	2.6	0.3	-2.6	-4.5	0.2	-2.3	-2.4	-0.9	-0.2	-0.4	0.8	0.8	-1.0	-1.6	3.6	-1.4	4.0
GR	4.9	-2.1	-3.0	-3.3	.	11.5	-15.2	-1.2	3.7	.	-1.4	1.7	0.6	6.1	3.6	.	.	-1.2
F	2.1	2.3	-0.4	0.7	1.8	1.7	0.6	-0.2	-1.7	2.9	6.3	-3.6	0.5	-2.7	5.1	-1.8	2.3	1.9
IRL	8.7	3.3	-0.7	-0.7	.	-4.9	0	-2.6	-2.1	.	1.9	-3.1	3.4	3.2	-0.7	-0.4	.	-1.0
I	2.6	7.3	3.1	2.0	.	2.4	1.0	3.0	-2.4	.	0.9	2.5	-4.6	-3.9	4.1	.	.	-0.4
NL	4.7	-0.3	-4.1	-5.2	.	-3.6	-0.4	0.3	0.9	.	0.7	4.6	-4.3	1.1	-1.7	.	.	-5.7
UK	5.5	4.2	0.1	1.1	2.5	0.1	1.1	0.2	2.0	1.4	0.3	0.7	1.3	-0.2	0	0.7	1.9	7.0
EC 9 <sup>6</sup>	3.2	3.4	0.2	-0.4	.	0.6	-0.1	-0.1	-0.7	.	1.6	0.3	-0.6	-1.6	1.3	.	.	(-2.5)
USA	3.1	-0.1	-6.2	-1.1	.	-2.7	-0.7	1.2	-1.7	.	-4.3	1.0	-1.2	0.8	0.3	2.4	.	1.3
JAP	4.4	5.5	-0.2	-2.8	.	-1.1	-0.8	-1.7	-1.2	.	-1.3	-2.5	2.6	-1.2	0.6	-0.1	.	-3.4

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

	1978	1979	1980	1981	1982	1981					1982				Change over 12 months % <sup>2</sup>			
						IV	I	II	III	IV	June	July	Aug.	Sept.		Oct.	Nov.	Dec.
B/L	-2890	-2064	-4993	-5418	-3082	-722	-1446	-1388	-343	-133	-363	-115	-369	142	323	-373	-83	60
DK	-2198	-3022	-2116	-1475	-1866	-451	-420	-413	-445	-571	-129	-68	-221	-156	-151	-151	-269	-57
D	15967	8939	3615	11239	21599	5204	5168	5542	5872	5718	2113	1956	1934	1982	1258	1978	2481	482
GR	-3340	-4162	-3853	-3951	.	-1212	-2000	-1295	-1163	.	-315	-232	-335	-596	-338	-532	.	-167
F	-4081	-6194	-16948	-17283	-24457	-5136	-4771	-6043	-6243	-6850	-2679	-1939	-1849	-2455	-1771	-2155	-2924	-951
IRL	-1137	-1947	-1893	-2467	-1573	-573	-627	-353	-332	-299	-40	-94	-181	-58	-65	-120	-114	36
I	-319	-3893	-15307	-13554(-12513)	-1980	-3724	-2909	-2968	-2501	-1108	-649	-1060	-1259	-1024	-702	(-775)	(-222)	
NL	-2198	-2622	-2981	1320	.	1342	1823	1039	523	.	283	26	246	252	265	-28	.	-696
UK	-5588	-7998	-3353	-446	-3295	-334	-1290	-1943	-810	118	-741	-134	-209	-467	-318	100	336	411
EC 10 <sup>7</sup>	-5782	-22961	-47829	-32034(-28344)	-3877	-7671	-8352	-5698	-5854	-3404	-1430	-1681	-2587	-2040	-2140	(-1674)	(-288)	
USA	-31014	-27146	-26113	-35538	-43518	-10												

TABLE A.6: Money stock<sup>8</sup> - Percentage change on preceding period (s.a.)

1,7	1978	1979	1980	1981	1982	1981		1982					1983					Change over 12 months % <sup>2</sup>	
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.		Feb.
B (M2)	9,6	6,2	2,7	5,9	:	1,2	0,8	2,0	3,1	:	:	:	:	:	:	:	:	:	7,3
DK (M2)	8,6	10,6	7,8	9,0	11,5	2,4	3,3	2,7	2,5	2,5	1,5	0,5	0,5	0	0	2,5	:	11,5	
D (M3)	11,0	6,0	6,2	4,8	7,1	0,3	3,0	2,3	1,3	0,4	0,5	0,4	0,8	0	-0,4	0,6	2,1	7,3	
GR (M3)	26,0	18,4	24,7	34,7	:	8,9	5,6	9,7	5,0	:	1,8	1,0	2,1	1,4	2,1	:	:	31,0	
F (M2)	12,2	14,4	9,7	11,4	:	1,0	4,3	3,9	2,7	0,6	1,4	0,8	0,5	1,8	-0,5	-0,6	:	12,0	
IRL (M3)	28,7	19,0	18,0	18,8	12,8	3,2	2,1	1,7	4,9	2,7	2,2	0,9	1,7	0,7	3,5	-1,4	1,4	11,6	
I (M2)	22,8	20,4	12,3	10,0	:	4,4	1,5	3,3	4,3	:	1,3	1,2	1,8	0,9	1,6	:	:	16,6	
NL (M2)	4,2	7,0	3,6	5,6	:	-0,2	4,8	1,8	1,6	:	0,8	-0,2	1,0	1,5	0,1	:	:	8,5	
UK (EM3)	13,3	11,7	19,6	13,9	10,3	2,3	1,7	2,5	3,3	2,4	0,8	1,4	1,1	1,7	0,1	0,6	0,4	9,5	
EC 10 <sup>9</sup>	13,5	11,8	10,8	9,7	:	1,7	2,8	2,9	2,7	:	1,0	0,8	1,0	(1,0)	(0,2)	:	:	(11,0)	
USA (M2)	8,3	8,8	9,6	10,0	:	2,5	2,3	2,3	2,4	:	0,8	1,2	0,4	0,7	0,9	:	:	9,7	
JAP (M2)	13,1	9,1	7,2	11,0	:	2,8	2,0	1,7	2,7	:	0,8	0,7	1,3	1,0	-0,7	:	:	7,7	

TABLE A.7: Short-term interest rates<sup>10</sup>

1,7	1978	1979	1980	1981	1982	1981		1982					1983		Change over 12 months % <sup>2</sup>			
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.		Dec.	Jan.	Febr.
B	7,3	10,9	14,2	15,6	14,1	16,0	14,5	15,8	13,0	12,4	13,9	13,0	12,9	12,5	12,4	12,3	12,3	-2,2
DK	15,4	12,5	16,9	14,9	16,4	11,6	14,8	16,8	20,2	17,5	11,4	20,2	21,6	17,5	17,5	18,4	16,3	5,8
D	3,7	6,9	9,5	12,3	8,8	10,8	9,6	9,5	8,0	6,4	8,4	8,1	7,4	6,4	6,0	5,7	5,7	-4,6
GR	:	:	11,0	16,8	20,2	18,0	20,0	22,9	23,0	15,8	23,4	23,0	15,5	13,8	15,8	15,3	:	-3,5
F	7,8	9,7	12,0	15,3	14,6	15,1	16,3	15,0	13,9	12,8	14,3	13,9	13,1	13,1	12,8	12,6	12,9	-1,2
IRL	9,9	16,0	16,2	16,6	17,5	18,8	21,1	19,9	15,4	15,5	16,0	15,4	13,6	13,6	15,5	16,4	14,2	-5,2
I	11,5	12,0	17,6	20,0	20,1	21,4	20,8	20,5	18,6	19,1	18,9	18,6	18,9	19,4	19,1	19,0	19,3	-1,1
NL	7,0	9,6	10,6	11,8	8,3	10,9	8,4	9,1	7,9	5,3	8,1	7,9	6,5	6,8	5,3	5,1	4,8	-4,9
UK	9,4	13,9	16,8	14,2	12,2	15,8	13,6	13,1	10,6	10,6	10,9	10,6	9,6	10,5	10,6	11,6	11,5	-2,6
EC 10 <sup>9</sup>	7,7	10,3	13,4	14,9	13,2	14,9	14,2	14,0	12,4	11,4	12,5	12,4	11,7	11,8	11,4	11,5	(11,4)	(-2,5)
USA	7,4	10,1	11,6	14,0	10,6	11,7	13,4	13,3	7,8	8,1	8,6	7,8	8,0	8,2	8,1	8,1	7,9	-4,5
JAP	4,4	5,9	10,9	7,4	6,9	6,7	6,7	7,2	7,0	6,9	7,2	7,0	6,9	6,7	6,9	:	:	0,2

TABLE A.8: Long-term interest rates<sup>11</sup>

1,7	1978	1979	1980	1981	1982	1981		1982					1983		Change over 12 months % <sup>2</sup>			
						IV	I	II	III	IV	July	Aug.	Sept.	Oct.		Nov.	Dec.	Jan.
B	8,5	9,7	12,2	13,8	13,5	14,0	13,9	13,6	13,2	12,7	13,4	13,1	13,2	13,2	12,9	12,7	12,5	-1,8
DK	16,8	16,7	18,7	19,3	20,5	19,5	20,6	21,2	21,2	19,4	20,6	20,9	21,2	20,1	19,6	19,4	18,0	-1,8
D	5,7	7,4	8,5	10,4	9,0	9,7	9,5	9,1	8,7	7,9	9,3	9,0	8,7	8,3	8,1	7,9	7,6	-2,3
GR	10,0	11,2	17,1	17,7	15,4	16,9	16,4	15,8	14,9	13,8	16,0	15,5	14,9	13,8	12,4	13,8	14,8	-3,6
F	10,6	10,9	13,7	16,3	16,0	16,5	16,4	16,0	15,8	15,5	16,0	15,8	15,8	15,8	15,8	15,4	15,0	-1,4
IRL	12,8	15,1	15,4	17,2	17,0	18,2	18,8	18,6	15,2	14,5	17,3	15,9	15,2	14,0	15,5	14,5	14,9	-4,2
I	13,7	14,1	16,1	20,6	20,9	21,4	20,9	21,2	20,4	20,5	21,2	21,1	20,4	20,4	20,7	20,5	19,9	-1,2
L	6,6	6,8	7,4	8,6	10,4	9,3	10,0	10,7	10,5	10,9	10,8	9,7	10,5	10,7	10,8	10,9	10,7	0,8
NL	8,1	9,2	10,7	12,2	10,5	11,8	10,8	10,9	10,4	8,4	11,2	10,7	10,4	9,9	8,9	8,4	7,8	-3,9
UK	12,6	13,0	13,9	14,8	12,7	15,8	13,6	13,6	11,1	11,0	13,0	11,6	11,1	10,3	11,4	11,0	12,0	-2,9
EC 10 <sup>9</sup>	10,1	10,9	12,7	14,9	14,0	15,1	14,4	14,3	13,4	12,9	14,2	13,7	13,4	13,1	13,2	12,9	12,8	-2,0
USA	7,9	8,7	10,8	12,9	12,2	12,9	13,0	13,2	11,5	9,9	13,0	12,2	11,5	10,5	10,1	9,9	10,4	-3,4
JAP	6,1	7,7	9,2	8,7	8,1	7,9	7,6	8,5	8,4	7,5	8,3	8,4	8,4	8,5	8,1	7,5	:	-0,4

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

1,7	1978	1979	1980	1981	1982	1981		1982					1983		Change over 12 months % <sup>2</sup>			
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.		Dec.	Jan.	Febr.
BFR/LFR	40,06	40,17	40,60	41,29	44,68	41,10	42,97	45,11	45,19	45,45	45,16	45,36	45,60	45,45	45,31	45,05	45,03	6,2
DKR	7,02	7,21	7,83	7,92	8,15	7,88	8,06	8,13	8,22	8,21	8,22	8,28	8,28	8,20	8,14	8,09	8,10	0,6
DM	2,56	2,51	2,53	2,51	2,38	2,44	2,43	2,38	2,36	2,33	2,36	2,35	2,35	2,34	2,31	2,30	2,29	-6,2
DR	46,80	50,78	59,24	61,62	65,30	61,74	62,72	64,82	66,70	67,01	66,76	66,76	66,81	66,66	67,56	77,56	78,84	25,1
FF	5,74	5,83	5,87	6,04	6,43	6,15	6,21	6,30	6,60	6,60	6,59	6,65	6,65	6,61	6,54	6,51	6,50	4,6
IRL	0,664	0,669	0,676	0,691	0,690	0,688	0,691	0,690	0,687	0,691	0,686	0,688	0,691	0,689	0,693	0,691	0,690	-0,1
LIT	1,080	1,138	1,189	1,263	1,324	1,302	1,308	1,323	1,325	1,339	1,324	1,326	1,338	1,345	1,334	1,321	1,320	1,0
HFL	2,75	2,75	2,76	2,78	2,62	2,69	2,67	2,64	2,59	2,55	2,60	2,58	2,56	2,55	2,55	2,53	2,53	-5,7
UKL	0,664	0,646	0,598	0,553	0,561	0,578	0,561	0,563	0,551	0,566	0,552	0,549	0,548	0,561	0,590	0,610	0,616	10,2
USD	1,274	1,371	1,391	1,116	0,981	1,090	1,038	1,002	0,951	0,934	0,952	0,941	0,930	0,916	0,955	0,962	0,944	-8,6
YEN	267,1	300,5	315,0	245,4	243,5	244,4	242,1	244,4	245,9	241,7	246,4	247,2	252,0	242,3	230,9	223,8	222,9	-8,3
SDR	1,018	1,061	1,068	0,946	0,888	0,938	0,912	0,885	0,875	0,866	0,876	0,872	0,868	0,858	0,873	0,874	0,866	-4,9

TABLE A.10: Effective exchange rates: export aspect<sup>12</sup> - Percentage change on preceding period

1,7	1978	1979	1980	1981	1982	1981		1982					1983		Change over 12 months % <sup>2</sup>			
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.		Dec.	Jan.	Febr.
B/L	2,9	1,2	-0,5	-5,3	-9,3	1,1	-5,2	-5,5	-0,5	-0,4	-0,1	-0,5	-0,2	-0,1	0,6	0,4	-0,3	-7,1
DK	-0,1	-0,8	-7,9	-6,8	-4,1	2,0	-3,5	-1,4	-2,3	2,1	-0,5	-0,8	1,5	1,1	1,9	0,8	-0,4	-0,3
D	6,0	4,8	0,4	-5,2	5,0	5,1	-0,6	2,2	0,6	1,8	0,1	0,2	0,8	0,2	2,2	0,3	-0,1	7,1
F	-1,0	0,9	0,4	-8,6	-7,5	-1,7	-2,1	-1,7	-6,0	0,3	-0,5	-1,2	0,5	0,2	1,7	0,3	-0,1	-6,1
IRL	0,7	0,2	-2,0	-8,3	-1,1	2,1	-2,4	-0,2	-1,2	0,4	-0,3	-0,4	-0,1	0,5	1,7	1,3	0,1	2,4
I	-6,1	-3,2	-3,7	-12,2	-6,7	-2,6	-1,5	-1,6	-0,9	-1,0	-0,1	-0,3	-0,5	-1,2	1,5	0,8	-0,3	-2,5
NL	2,8	1,8	0,1	-5,0	5,4	5,0	-0,2	0,6	1,4	2,0	0,4	0,7	1,0	0,2	0,5	0,6	-0,2	5,3
UK	0,4	6,2	10,1	1,1	-4,7	-0,9	1,7	-1,0	1,2	-2,4	0,2	0,2	1,0	-3,2	-4,4	-3,9	-1,6	-11,4
ECU	2,9	5,9	2,2	-14,9	-													

## Major economic policy measures — February 1983

### Community (EC)

16.2 The Commission adopted a proposal for a Council Decision seeking to authorize a new tranche (of 1 500 million ECU) of Community loans. This proposal is a follow-up to the common position arrived at by the Council (ECOFIN) on 7 February. This common position gave sanction to a third series of operations of the New Community Instrument (NIC III) involving the issue of new loans, to be drawn in several tranches, up to an amount of 3 000 million ECU. These loans will have the purpose of promoting investment in the Community, notably in the areas of energy and the infrastructure, and of aiding small- and medium-sized firms.

### Belgium (B)

None.

### Denmark (DK)

18.2 The social partners have agreed upon a draft proposal for a new biennial wage agreement, which will take effect from 1 March in the private sector and from 1 April in the public sector. The proposal, among other things, stipulates that the general increases will take place twice a year in March/April and September/October, that the possibilities for readjusting individual supplements are limited, that public sector wages may be further adjusted in October 1984 in order to assure parallelism with private sector wage increases during the first year of the agreement, and that increases in the lowest incomes will be higher from the average increase. The outcome is considered to be in line with the government's decision to limit the annual pay increase in the public sector to 4%. It should be recalled that other adjustments (notably that for the cost-of-living) have been abolished until March 1985.

### Federal Republic of Germany (D)

None.

### Greece (GR)

None.

### France (F)

1.2 In 1983, the *Fonds de Recherche* will be spending twice as much as in 1982 on biotechnology: appropriations amounting to FF 95 million have been committed, compared with FF 47 million in 1982 and FF 30 million in 1981. Two major fields of action have been given priority: agri-food and immunology.

3.2 Temporary employment agencies and trade unions have come to an agreement concerning supplementary compensation for illness and accidents. Temporary workers will now receive 50% of basic wages during the first 30 days off work, and 25% during the next 30 days, on condition they have worked for at least 840 hours as temporary employees during the preceding 12 months (including 530 hours with temporary employment agencies).

6.2 The agreement on supplementary pensions at 60 was signed by the *Conseil National du Patronat Français* (employers' organization) and the unions. It sets up a temporary bridging system to provide a supplementary pension for 60 year-olds. For those who have worked for 37½ years, the pension will amount to 20% of average earnings throughout the working life; it will supplement the general scheme, which provides a pension of 50% of the maximum wage according to this scheme (with a minimum of FF 2 200 a month), bringing the pension to about 60% or 70% of end-of-career wages for manual and clerical workers, and to about 52% for management staff.

10.2 The Government decided to allocate FF 20 200 million to the nationalized undertakings in 1983. Of this sum, FF 12 450 million would be provided from central government funds, with the remaining FF 7 770 million being raised from 'equity securities' and institutional investors. The allocations were to contribute to financing investment totalling FF 31 000 million planned by the nationalized groups (compared with FF 24 000 million in 1982).

11.2 The first Government loan of 1983 was issued: it is an eight-year loan, totalling FF 10 000 million and bearing an interest rate of 14,6%.

23.2 The total amount granted in subsidized loans to agriculture in 1983,

distributed by the *Crédit Agricole*, will increase by 6,75% in relation to 1982, to FF 21 820 million.

24.2 Establishment grants for young farmers have been doubled from 1 January 1983 in relation to the amount applicable since April 1981; appropriations for this purpose will rise from FF 260 million in 1981 to FF 718 million in 1983. The total amount available for subsidized loans is to rise, and newly-established farmers will be eligible for a 50% reduction in taxable profits.

### Ireland (IRL)

9.2 The Irish Parliament adopted the budget for 1983. The main budgetary targets were:

- Current budget deficit: IRL 897 million, approximately 6,5% of GDP.
- Exchequer borrowing requirement: IRL 1 722 million, approximately 12,5% of GDP.

The outcomes for these quantities in 1982 were IRL 988 million (approximately 8% of GDP) and IRL 1 945 million (approximately 16% of GDP), respectively.

On the tax side, the main features were:

- No major change in income tax personal allowances; renewal, at reduced level, of income tax allowance for social insurance; general exemption limits increased slightly; curtailing of interest relief on personal loans; temporary 1% levy on income; current year assessment of self-employed from 1 April 1984; inclusion of all farmers in income tax net (net gain in revenue IRL 14 million in 1983).
- Increase in the low rate of VAT from 18% to 23%, and in the standard rate from 30% to 35%. VAT will be now charged on fuel, except electricity supply, at 5% (net gain in revenue from VAT, IRL 120 million in 1983).
- Increases in excise duties on televisions, video equipment and hydrocarbon fuel other than that used in road vehicles, in addition to the increases on tobacco, alcoholic drinks and petrol introduced from 8 January 1983 (total gain in revenue IRL 126 million in 1983).
- Increase in levy on banks to yield IRL 25 million in 1983.
- Introduction of income-related property tax (gain in revenue IRL 10 million in 1983).
- Increases in post office charges (gain in revenue IRL 23 million in 1983).

On the expenditure side, current spending of IRL 6 655 million is provided for in 1983, an increase of 13% over the comparable figure in 1982; no provision is made for new wage increases for public sector employees in 1983 in addition to carryover from 1982. The capital budget for 1983 is fixed at IRL 2 013 million, virtually no increase in nominal terms over the 1982 outturn.

### Italy (I)

None.

### Luxembourg (L)

None.

### Netherlands (NL)

28.2 With effect on 1 March 1983, the *Nederlandsche Bank* reduced the discount rate from 4,5% to 4%, the rate on advances from 5% to 4,5% and the rate on promissory notes from 5,5% to 5%.

### United Kingdom (UK)

1.2 The Government published the White Paper 'The Government's Expenditure Plans 1983-84 to 1985-86' (Cmd. 8789), giving revised estimates of its public expenditure for the financial year 1982-83 and plans for the next 3 years:

- for 1982-83, the planning total of expenditure (UKL 113 000 million) is more than 1% less than the previous estimate, the shortfall being mainly attributable to lower-than-expected inflation and lower capital spending;
- for 1983-84, expenditure is planned to increase by 5,8%, roughly constant in volume terms;
- for 1984-85 and 1985-86, spending should rise by 5,7% and 4,5% respectively.

### Price (excluding VAT) in Luxembourg

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