

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION OF THE COMMISSION TO THE
COUNCIL CONCERNING THE ADJUSTMENT OF THE
ECONOMIC POLICY GUIDELINES FOR 1975
AND PROPOSAL FOR A COUNCIL DECISION

(Presented by the Commission to the Council pursuant to
Article 149, second paragraph, of the EEC treaty)

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FOREWORD

1. Pursuant to Article 2 of the Council Decision of 18 February 1974 concerning the achievement of a high degree of convergence of the economic policies pursued by the Member States, the Council has undertaken to adapt, in the first quarter, the economic policy guidelines for the current year to the new requirements of the economic situation. To this end, and pursuant to Article 1 of the same Decision, the Commission hereby transmits this Communication to the Council.

2. The Commission is also submitting to the Council:

- a summary of the economic policies followed during the past year (1), in application of Article 2 of the above-mentioned Council Decision;
- a report on the implementation of this decision and the degree to which those policies conformed with the objectives established (2), in accordance with Article 12.

3. Discrepancies in the economic situation and in economic policy among the countries of the Community have never been as pronounced as at present and a more balanced situation can only be attained in the medium-term. Thus, the appropriate measures and decisions to achieve this balance should be included in the fourth medium-term economic policy programme of the Community which is now being prepared.

(1) Doc. COM (75) 92

(2) Doc. COM (75) 93

I. THE ECONOMIC OUTLOOK

1.1. Economic policy, for the member countries in 1975, is confronted by exceptionally severe difficulties. The problem of combating both unemployment and inflation at the same time, which is already serious, must in future be dealt with in the new international environment created by the increase in the price of energy. The growing interdependence of all the industrial countries in the West has been highlighted by the synchronisation in the main industrial countries of the surge in economic growth in 1973 and then of the general weakening of activity since the middle of 1974.

Interdependence between economies

This interdependence is particularly close between the member countries. It is even more pronounced for intra-Community trade which for most of these countries runs to at least 50% of their total trade and for certain countries even more, and for the whole Community corresponds to more than 10% of world trade. But also it assumes great importance as far as the movement of labour is concerned as well as for monetary and financial relations, particularly in the field of investment and the establishment of joint enterprises in partner countries. A more active coordination of economic policies appears from now on essential to attain simultaneously the objective of reducing unemployment, which goes hand in hand with as complete a utilisation of resources available in the Community as possible, and that of a reduction in the rate of inflation. However satisfactory the various member countries are in their demand management policies and in reducing inflation, their actions will have repercussions on their partner countries at least as great as would any measures designed to encourage exports or restrict imports. The problems with which member countries are faced are indeed extremely difficult. But they can best be resolved, even on a basis of strictly national interests, only if each of the countries, on the basis of continuing cooperation, takes account of the effects which its own economic policy can have on the other members of the Community.

... particularly close between member countries

1.2 In fact, disparities among the industrial countries and especially among the member countries have increased, at least until last autumn, in regard to the general level of prices and the balance of payments situation. The differences can be explained by a number of factors: initial disparities in structural

...but differences in trends

positions, the variable degree of dependence on oil imports, the strength and timing of anti-inflationary measures, the behaviour of the two sides of industry and, finally, the effectiveness of certain adaptive mechanisms (1). Experience in the last few years has shown that balance of payments disequilibria cannot be dealt with solely by means of floating exchange rates.

The most recent developments have, moreover, displayed the limits to any procedure for recycling or financing balance of payments deficits if they are not associated with an adjustment in real terms.

1.3. In this adjustment process, the Community countries are closely bound together. Starting from different positions, they have recently established the basis for a greater convergence in the development of their respective economies. This process will however have to be consolidated, since the world trade outlook remains very uncertain in view of the weakness of the economies of the main trading partners of the Community and the disturbances in the international monetary system. Imbalances have reached a stage such that the readjustment cannot be made rapidly nor effortlessly. It requires therefore determined action by the authorities with broad social backing.

Solidarity and
social consensus

(1) Report of the Application of the Council Decision of 18 February 1974
(COM(75) 93)

1.4 The deterioration in the economic situation of most developed countries outside the Community has accelerated considerably since last summer. The economic downturn will probably persist in the next few months and it is difficult to determine when and to what extent the expected upturn in production and trade will take place. Even under the most favourable conditions, the foreseeable lags in the effects of the reflationary measures announced in certain countries, in particular the United States, leads to concern that world business will not pick up until towards the end of the year. Since the confidence of investors and consumers at international level will probably be restored only very gradually, it is possible that a considerable volume of resources will remain unused and that by the end of the year unemployment will have reached post-war record levels. Despite the fact that the OPEC countries continue to step up imports, the expansion in world trade in 1975 will probably not exceed 2% in volume.

1.5 Since last summer overall production in the Community has been declining, weakened by the slackening of external demand and the markedly slower development of internal demand (particularly investment). Although the seriousness varies amongst the Community, no country is completely spared. It is true that there are now signs of improvement in a number of member countries, but, given the steady fall in orders on hand and the time required for adjusting stocks of finished products to demand, there is no reason to expect that production will start rising again in Community countries before the autumn. For that certain preconditions are required; changes in the growth of wages and prices to permit a gradual improvement in profits and in the propensity to invest, recovery in the residential construction sector and a less cautious attitude on the part of consumers. However, such are the differences between the situations obtaining in each sector, and in each country in the Community, and so weak is the expected contribution of external demand, that the recovery is bound to be limited in scale.

All in all, the growth rate in the aggregate gross domestic product in real terms for all member countries should scarcely reach 1.5 % in 1975, as against a little less than 2 % in 1974.

Worrying
employment
situation

1.6 There has been a widespread and marked deterioration of the national labour markets in the Community; the number of unemployed has increased by more than a million in the last twelve months. At the beginning of 1975, the seasonally adjusted rate of unemployment was running at about 3.5 % of the active population, although this figure hides significant discrepancies between member countries (see Table III). At the same time, more and more workers are working shorter hours. Since the unemployment is partly structural in nature and since the job vacancies do not react immediately to an upturn in economic activity, there is hardly any hope of a reversal of the current trend before the end of the year.

Inflation fed
by internal
costs

1.7 In most member countries slackening demand pressure, declining import prices, as well as the policies adopted, have helped to curb inflation. However, the growing underemployment of the factors of production is hampering any improvement in productivity, and the wages spiral is slowing down in only a few countries. Consequently, any deceleration in the rate of price increases will probably be limited. Furthermore, given the disparities between countries as regards the intensity and effects of the upsurge in wage costs, there will probably continue to be major differences in rates of inflation, which, over recent months, have ranged from 6 % to about 24 % (c.f. table IV)".

Persistence of
varying rates
of inflation...

1.8 Despite the improvement in the terms of trade, the external disequilibria of the countries in the Community remain very pronounced. Most deficit member countries have, in recent months, been able to reduce appreciably their non-oil deficits or even to record "non-oil" surpluses. Nevertheless, the uncertainties overshadowing world trade and consequently export development as well as the difficulty of checking oil imports any

... and
differences in
countries
external
positions

.../...

further are such that several of these countries may not be able to achieve any more substantial progress before the end of the year towards restoring external equilibrium. For 1975 as a whole the total deficit of these countries may, nevertheless, be reduced fairly substantially (from \$ 24,000 million in 1974 to some \$ 18,500 million in 1975). On the other hand, the external balances of the surplus countries, and mainly the Federal Republic of Germany and the Netherlands, should scarcely change. In total the current balance of payments deficit of the Community which reached \$ 14,000 million in 1974 could fall to a level between \$ 8.000 million and \$ 9,000 million in 1975.

II. GUIDELINES FOR ECONOMIC POLICY

a) General guidelines

2.1. In 1975, the Community will have to resolve some major policy problems

- the reduction in unemployment, the fight against inflation and the correction of the balance of payments;
- the progressive reduction of divergent trends which threaten its cohesion.

Economic policy priorities

Complementarity of short-term economic policies

Regarding the latter necessity, the deficit and surplus member countries bear a joint responsibility. Without being negligible, the Community's room for manoeuvre in this area is, nevertheless, limited.

Three groups of countries

2.2 The present situation does not permit the member countries to be classified according to general criteria. Nevertheless, three groups of countries can be distinguished, on the basis of their external positions and the intensity of the inflationary pressures to which they are subject.

Restrictive policies in the countries with heavy deficits

2.3 As far as the countries with heavy deficits (United Kingdom and Italy) are concerned, it is important that they should, while maintaining overall restrictive policies, vigorously support the necessary transfer of resources if they are to bring about a lasting improvement in their external accounts; such a transfer of resources should be into the export sector, and, internally, into those investments yielding the highest return in the long-term and which are most urgent from the point of view of regional policy and the support of employment. This process requires a moderation in the rise of the standard of living. If such moderation is not shown,

inflation will continue to effect economic activity and employment. Moreover, the prospect of bringing about a lasting improvement in their balance of payments would become extremely uncertain and these countries would have increasing difficulty in borrowing abroad to finance their excessive expenditure on consumption.

The disequilibria are also very pronounced in Ireland but that country is, at the present time, subject to external factors and has, at the same time, such a high level of unemployment and underemployment that its position must be considered quite exceptional.

Expansionary
measures in the
countries with
large surpluses

2.4 The member countries with large balance of payments surpluses (the Federal Republic of Germany and the Netherlands) have already introduced budgetary and monetary measures to stimulate activity. These measures will only have the desired effect if they are given the support of all economic groups, with managements availing themselves of investment incentives and trade unions forgoing excessive wage claims. If it becomes evident in the months ahead that these groups are not responding sufficiently to the reflationary programmes, additional means will have to be found and applied promptly in order to reinforce the earlier measures in such a way as not to give a further impetus to inflation at an advanced stage of the upswing in activity.;

Intermediate
position of other
member countries

2.5 Other member countries are in a situation between these two groups on both the external and internal fronts, especially as far as prices are concerned. Their current balances of payments notably, are moving towards the elimination of surpluses (Belgium) or are improving, more or less rapidly, (Denmark and France). Owing to uncertainties in the world economic situation and to the danger of an insufficient slowdown in the rise of prices, the overall tenor of economic policy must remain cautious for these countries.

.../...

Support of
investment

2.6 The conjunctural recovery and the mopping up of unemployment will only last if progress is also made in slowing down rises in costs and prices and modifying the economic structure. Thus an appropriate investment support policy, where necessary with the help of Community means, appears essential in all member countries. However, the nature and extent of its rôle should be varied particularly according to the needed redistribution of income and demand in the different groups of countries and in their regions. In general, greater selectivity of economic policy is required especially to prevent the waste of resources entailed in the unconditional support of declining sectors. But it is necessary to encourage spontaneous adjustments to the energy crisis by developing those investments most closely geared to new demands (public transport, energy production, technology capable of reducing oil consumption, scientific research, etc.). To this end, greater encouragement should be given to entrepreneurial spirit namely by giving clear guidance as to the type of development to be undertaken.

Active policies
on employment
and to protect
incomes

2.7 To improve the employment situation, specific and concerted policies are also needed with the main objectives of increasing the mobility of labour to the benefit of expanding sectors, and of establishing effective arrangements for vocational training and retraining, where necessary with the help of Community means. In addition, changes should be made in some member countries in the system of social security, particularly unemployment insurance arrangements, so as to provide the unemployed with suitable benefits. In general an effective method of protecting the incomes of the least well-off social groups would permit further concentration of effort on the restructuring made necessary by the energy crisis.

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Financial
solidarity

2.8 The process of eliminating the main balance of payments disequilibria must be gradual. An orderly financing of deficits should, thus, be arranged while waiting for the adjustments in real flows to be realised. This would avoid the danger that the deficit member countries would be driven to take protectionist measures likely to retard the recovery of world trade. The Community instruments of financial solidarity have an important rôle to play in this context, jointly with international instruments and with the capital markets. In addition the Community must take and press at the international level for those measures necessary to avoid any damage to the orderly development of world trade.

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(b) Guidelines for the individual countries

DENMARK

3.1 In Denmark, the current phase of near-stagnation is likely to persist throughout most of the year. Unemployment might rise further for some months before stabilizing at a high level. The principal problem for economic policy makers will be to mitigate the effects of the slowdown in economic activity on the employment level without endangering the improvement already under way in foreign trade and domestic equilibrium. The authorities should therefore continue to help reduce the pressure of costs, which is still heavy, but without ruling out possible recourse to selective and gradual action to restimulate activity. The policy measures to be implemented should be adjusted in the light of the degree of moderation shown by the two sides of industry.

3.2 In the budgetary field, the easing of personal taxation has already provided an appreciable stimulus, as have the measures taken in the construction sector; this may have set the stage for a more moderate rise in wages and salaries. If this prospect is fulfilled and if at the same time the balance of payments on current account continues to improve, some of the proposed cuts in ^{intended} expenditure could be cancelled in order to sustain the level of economic activity.

3.3 In the monetary field, domestic liquidity has increased at a slightly faster pace during recent months. A further relaxation of monetary policy, and particularly of credit policy in order to improve the financial situation of enterprises, would depend on the success of any incomes policy and on developments in public finance.

FEDERAL REPUBLIC OF GERMANY

3.4 Since the middle of last year economic growth in Germany has steadily weakened and has increasingly diverged from the guidelines laid down by the Council. The Federal Government decided, last December, to launch a programme to encourage private and public investment and to get the unemployed back to work. Powerful stimuli should be provided by the sharp increase in the public authorities' borrowing requirement, which is partly due to the tax and family allowances reforms; the deficit in 1975 should be some DM 50,000 million, as against DM 25,000 million in 1974 (5% and 2 $\frac{1}{2}$ % of GDP respectively). At the same time as the Federal Government took these measures, the Bundesbank appreciably relaxed its monetary policy.

3.5 These measures together should bring about a gradual upturn in the economy. Indeed there are already some signs of a recovery in business confidence. Although it is very difficult to evaluate the strength of this improvement, the annual GDP growth rate could reach 3 to 4% by the end of the year. The employment situation should improve. The increase in prices should further slow down, although the foreign balance will remain high.

3.6 In the event that the economic upturn were delayed, it would be right to reexamine the economic impact of the budgetary measures which have been adopted. In the monetary field the goal adopted by the Bundesbank will stimulate expansion while continuing to act as a brake on prices. The Bundesbank should maintain this approach during the months ahead and encourage the continued fall in interest rates in the banking sector, especially if the upward movement of prices goes on slackening.

.../...

FRANCE

3.7 In France, the current period of economic stagnation is likely to be followed by a gradual upswing during 1975. The labour market situation will probably improve. Fresh progress will no doubt be made in reducing disequilibria. Thus the rise in consumer prices will continue to slow down during the year; it will probably be less than the annual rate of 10% recorded in recent months. Also the trade balance could reach equilibrium before the end of 1975, but some caution is still needed in assessing the openings for exports provided by France's main trading partners.

3.8 The cautious economic policy stance recommended in the Annual Report remains essential so as not to endanger what has been achieved in the field of prices and external equilibrium. Accordingly, the upswing of economic activity depends as much on the growth of investment - particularly to stop a further run-down of stocks - as on export growth.

3.9 The 1975 Finance Act forecasts a slight surplus of the order of FF 500 million. It is desirable that the outturn of the budget should not depart too far from this neutral line. Should the revival in economic growth be slow in materializing it would be appropriate to consider fiscal measures, for example the deferment of the collection of company taxes.

3.10 The present stance of monetary policy, without being especially restrictive, seems well suited to the current economic situation.

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IRELAND

3.11 In Ireland the level of economic activity may remain depressed until the end of the year. The labour market situation will scarcely improve in the coming months. The rate of increase in prices will remain among the most rapid of the Community. In this period of slow growth the balance of payments on current account is likely to go on improving. Economic policy should sustain employment through specific measures which do not accentuate the internal push of costs.

3.12 On the incomes front, the wage and salary increases for 1975 written into agreements concluded last year are already very high. It is therefore important that the new national pay agreement does not result in excessive increases, especially in the industries already suffering from special difficulties.

3.13 The 1975 budget presented on 15 January 1975 provides for a very high net borrowing requirement (equivalent to some 13 % of gross domestic product) notwithstanding that the increase in public capital expenditure implies little growth in real terms and appears to be too small when regard is had to the foreseeable development of employment. Therefore budgetary policy should have as its objective the restriction of public consumption.

3.14 Monetary policy, although largely dependent on external factors, should remain cautious in view of the growth in liquidity which will be brought about by the monetary financing of the budget deficit.

.../...

ITALY

3.15 In Italy, the fall-off in economic activity, which began towards the middle of last year, will no doubt continue until the summer, owing to the persistent weakness of private consumers' expenditure and the even greater weakness of investment. But there is a chance that total demand will pick up somewhat towards the end of 1975. The upward movement of prices during the year, though still very vigorous, will be slower than in 1974. The balance of payments deficit on current account will be significantly lower than the level of last year.

3.16 Short-term economic policy faces a difficult problem: the fight against inflation and the improvement in the external position must remain the prime objectives; but it is also most important to stop, and gradually reverse, the process of recession. The solution to this problem requires close cooperation with the two sides of industry, especially in the context of the negotiations to be opened towards the end of the year for the renewal of numerous collective agreements.

3.17 In the field of budgetary policy, the Council directive of 17 December 1974 on the granting of medium-term financial assistance requires the 1975 Treasury deficit to be held to Lit 8,000,000 million and the increase in total Government expenditure to 16 %. Within these limits, expenditure linked with investment must be raised. It will be easier to observe the ceiling fixed for the Treasury deficit if the fight against tax evasion is stepped up.

3.18 As regards monetary policy, a ceiling of Lit 24,700,000 million has been laid down in the above-mentioned Council Directive for the growth of total lending during the period from 1 April 1975 to 31 March 1976. Within this ceiling, which must certainly not be exceeded but which it seems desirable should be used as fully as possible, there appears to be a strong case for giving priority to financing productive investment, particularly in agriculture, residential construction, and in the energy and public transport sectors. Furthermore, the monetary authorities should support the current tendency for interest rates to fall, while seeing that these rates remain well above those ruling abroad.

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NETHERLANDS

3.19 In the Netherlands, the implementation of the important package of reflationary measures decided on last November and strengthened in February (protection of real personal incomes, support for business investment, easing of wage costs, stimulation of activity in the building sector and in the regions) should allow some increase in production in the second half of the year and curb the growth of unemployment. The rise in consumer prices during the year should not exceed about 8 to 9%, the rate at which it has been running for several months. The improvement in the terms of trade, due in particular to the higher export prices of natural gas, could lead to an increase in the already considerable surplus on current account.

3.20 In recent months the upward movement of wage costs has slackened distinctly. It is now essential that this trend should continue and become more pronounced if the relative success in combating inflation is to be consolidated and also in order to contribute towards an upturn in employment and in business investment.

3.21 In the budgetary field, the measures already taken must first of all be given time to produce their full effect on economic activity and employment. For the time being, therefore, nothing need be done other than to implement these measures strictly, though this will be reflected in an appreciable increase in the net borrowing requirement, from about 1% of GDP in 1974 to about 3 $\frac{1}{2}$ % in 1975. So as to combat unemployment, however, the implementation of investment expenditures provided for in the budget should be speeded up.

3.22 In the monetary field, a substantial increase in the central government deficit and a continuing balance of payments surplus would suggest that the money supply will grow sufficiently to support the recovery.

.../...

B.L.E.U.

(a) BELGIUM

3.23 In Belgium, where the economic climate has deteriorated distinctly since the autumn and economic policy was relaxed at the end of last year, the growth of activity could be very small in the second half of 1975 and unemployment may become even more widespread. The upward movement of consumer prices, which remained very rapid up to February, may slacken appreciably; the external balance could also deteriorate somewhat.

3.24 In the budgetary field, the reflationary measures taken in late 1974 and early 1975, and also the appreciable rise in unemployment, will mean that the fall in the net borrowing requirement will be distinctly smaller than initially forecast. The budget must be implemented in such a way as to help promote the recovery of investment.

To this end, clear priority should be given to the major job-creating investment programmes already planned under the budget. In addition, the authorities should, if necessary, promote business investment in priority sectors through speeding up the removal of value-added tax which is still levied on investment.

3.25 The measures to combat unemployment in the budgetary field should go hand in hand with the maintenance of the recent tendency to ease monetary policy. In this respect the money supply should be allowed to increase sufficiently and the conditions should be created for a further drop in interest rates. However, a slower rate of increase in wage costs is an important condition for achieving the desired improvement in the labour market situation.

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(b) LUXEMBURG

3.26 In Luxembourg where the recent fall-off in new orders is likely to continue, especially in the iron and steel industry, activity may slow down during the first half of 1975. The rate of growth of consumer prices should fall. The surplus on external account will probably give way to an appreciable deficit.

3.27 As taxable incomes will not grow on the scale expected earlier, there will be a deterioration in the net budgetary position.

3.28 In order to maintain activity in building and construction, credit restrictions could be eased, but care should be taken to avoid the resurgence of inflationary strains.

UNITED KINGDOM

3.29 The prospects for the British economy seem to be virtual stagnation in activity between now and the end of the year, continued unemployment, further rapid rises in prices and wages, and a slight lowering in the substantial deficit on current account.

3.30 Reducing the external deficit should remain one of the principal aims of economic policy in 1975. To achieve this it is essential to contain the growth of private consumption in real terms. This implies little change in real incomes. In particular, care should be taken to avoid increases in incomes designed to offset anticipated price rises.

3.31 Given the impact of the upsurge in prices and wages on public authority spending and assuming that policies remain unchanged, the public sector net borrowing requirement must be expected to grow in the 1975/76 financial year. Vigorous efforts should therefore be made to reduce the share of the public sector deficit in GDP, put at some 8% for 1974/75. To this end, the implementation of the budgetary policy announced last November to make substantial cuts in subsidies to nationalized industries is important. In addition an adjustment of certain indirect taxes to price movements could be considered.

3.32 The present line of monetary policy should be maintained. In order to assist with the financing of the external deficit, interest rate policy should preserve the relative attractiveness of the London money market.

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III. CONCLUSIONS

The Commission requests the Council to adopt the guidelines defined above and to invite Member States to adhere to them in the elaboration of their economic policy.

TABLE I:

Changes in the principal macro-economic aggregates (a)

Country	G.D.P. (b) (Volume)			Consumer Prices (c)			Number of Unemployed (c)(d) (Annual average-thousands)			External balance (c) (e) (as % of G.D.P.)					
	Percentage change on the average of the preceding year									1973	1974	1975	1973	1974	1975
	1973	1974	1975	1973	1974	1975	1973	1974	1975	1973	1974	1975	1973	1974	1975
Denmark	3,8	1,5	1	9,3	15,3	14	20	45	70	-2,3	-3,6	-1,8	-2,3	-3,6	-1,8
Germany	5,3	0,6	1½	7,1	7,3	6	273	583	850	2,7	3,9	3,7	2,7	3,9	3,7
France	6,0	3,8	2½	7,2	12,8	11	450	545	740	0,7	-1,5	-0,8	0,7	-1,5	-0,8
Ireland	7,2	1,5	1	11,4	17,0	20	66	65	85	-6,0	-12,9	-9,7	-6,0	-12,9	-9,7
Italy	5,9	4,0	-1	10,8	19,1	19	668	560	750	-2,0	-5,4	-2,7	-2,0	-5,4	-2,7
Netherlands	4,0	2,0	2	9,0	10,3	10	117	143	170	2,9	2,2	2,4	2,9	2,2	2,4
Belgium	5,4	4,3	1½	7,1	12,5	11½	96	102	155	3,0	0,5	0,3	3,0	0,5	0,3
Luxembourg	7,5	4,7	-1	6,1	9,5	8½	-	-	-	7,7	1,8	-6,0	7,7	1,8	-6,0
United Kingdom	5,3	-0,7	2	8,6	15,0	18	630	633	800	-1,3	-4,2	-3,0	-1,3	-4,2	-3,0
Community	5,5	1,8	1,5	8,2	12,6	12,5	(2320)	(2.676)	(3.600)	+0,8	-0,5	+0,1	+0,8	-0,5	+0,1

(a) 1973 : actuals; 1974 : estimates; 1975 : tentative forecasts by the services of the Commission.

(b) Gross domestic product.

(c) On a national accounts basis.

(d) As a result of disparities in definition, the statistics of unemployment cannot be compared between countries, but only reflect developments within each country.

(e) Goods, services and factor incomes, excluding unilateral transfers, private and public; the balance of these transfers, for the whole of the Community amounted to approximately 9.000 million in 1974.

T A B L E II

INDUSTRIAL PRODUCTION (1)

(% change on preceding period) (2)

Country	1973	1974						
	IV	I	II	III	IV	Oct.	Nov.	Dec.
Germany	- 0,1	- 0,6	+ 0,3	- 2,4	- 4,2	- 2,3	0	- 4,2
Fra.	+ 2,9	+ 1,4	+ 0,4	+ 0,3	.	- 1,1	- 2,2	.
Ireland	+ 0,9	+ 6,5	- 2,2	- 0,3
Italy	+ 1,4	- 0,4	+ 1,3	- 2,1	- 7,6	- 4,5	- 9,0	- 2,2
Netherlands	+ 3,1	- 0,1	+ 0,5	+ 2,1	.	+ 1,1	.	.
Belgium	+ 2,3	+ 6,9	+ 1,9	- 4,8	.	- 2,5	+ 1,0	.
Luxembourg	+ 4,9	+ 3,5	- 2,7	- 1,1	- 5,1	+ 0,5	- 6,2	- 7,1
United Kingdom	- 1,6	- 6,1	+ 5,2	+ 1,2	- 2,1	+ 0,9	- 0,5	- 4,3
Community (3)	+ 1,0	- 1,3	+ 1,5	- 0,7	.	- 2,4	- 1,6	.

(1) Excluding construction, food, beverages and tobacco. Ireland : mining and manufacturing industries. For Denmark, no comparative data available.

(2) Calculated on the basis of the seasonally adjusted indexes of the Statistical Office of the European Communities. Ireland : OECD figures.

(3) Estimates.

Table III

UNEMPLOYMENT
(thousands)

(Seasonally adjusted figures)

Country	1973		1974							1975
	III	IV	I	II	III	IV	Oct.	Nov.	Dec.	Jan.
Denmark	20,0	18,7	20,0	34,0	54,3	76,0	77,5	79,0	71,5	95,8
Germany	295,0	376,6	431,6	560,6	721,4	840,4	833,6	881,6	805,5	698,5
France	409,2	424,3	421,6	436,1	499,4	639,1	595,5	646,1	675,8	691,7
Ireland	66,2	65,2	66,5	67,2	71,6	81,8	75,8	81,5	88,0	97,1
Italy	988,2	970,7	973,0	989,8	1014,6	.	1023,9	1019,8	.	.
Netherlands	117,2	118,1	126,0	134,5	150,8	163,5	159,2	163,3	167,7	169,0
Belgium	106,9	108,0	106,6	109,7	119,9	138,2	133,0	137,9	143,7	151,9
Luxembourg										
United Kingdom	593,8	541,8	575,3	620,7	664,9	666,3	673,0	675,2	650,7	699,1

Quarterly figures = monthly averages

End of month, except : Denmark : monthly average of weekly count ;

United Kingdom : mid-month figures ;

Ireland : figures for last Friday of month

Source : SOEC

Table IV

Consumer Prices

(Percentage increase on preceding period) (1)

Country	1973	1974							1975	Jan. 74 to Jan. 75
	IV	I	II	III	IV	Oct.	Nov.	Dec.	Jan.	
Denmark	3,7	3,9	3,9	3,8	3,8	1,3	1,4	0,6	0,5	14,0
Germany	2,9	1,9	1,6	0,7	1,6	0,5	0,7	0,3	0,9	6,1
France	2,6	4,2	4,0	3,2	3,0	1,2	0,9	0,8	.	14,5
Ireland	2,9	5,0	4,7	4,3	4,7
Italy	2,7	5,4	5,2	6,0	6,2	1,9	1,9	0,8	1,3	24,1
Netherlands	2,0	3,2	2,2	2,6	2,5	1,3	0,7	0,4	0,6	10,7
Belgium	2,5	3,8	4,4	4,1	2,6	0,8	1,1	0,7	1,1	15,6
Luxembourg	2,3	3,5	2,4	2,0	2,9	0,9	1,2	0,8	0,6	11,0
United Kingdom (2)	3,5	4,6	5,9	2,1	5,3	2,0	1,8	1,4	2,6	19,9

1) Quarterly figures; change between ends of period.

2) Retail prices.

National sources.

TABLE V
TRADE BALANCE

Million EUR
(Seasonally adjusted figures)

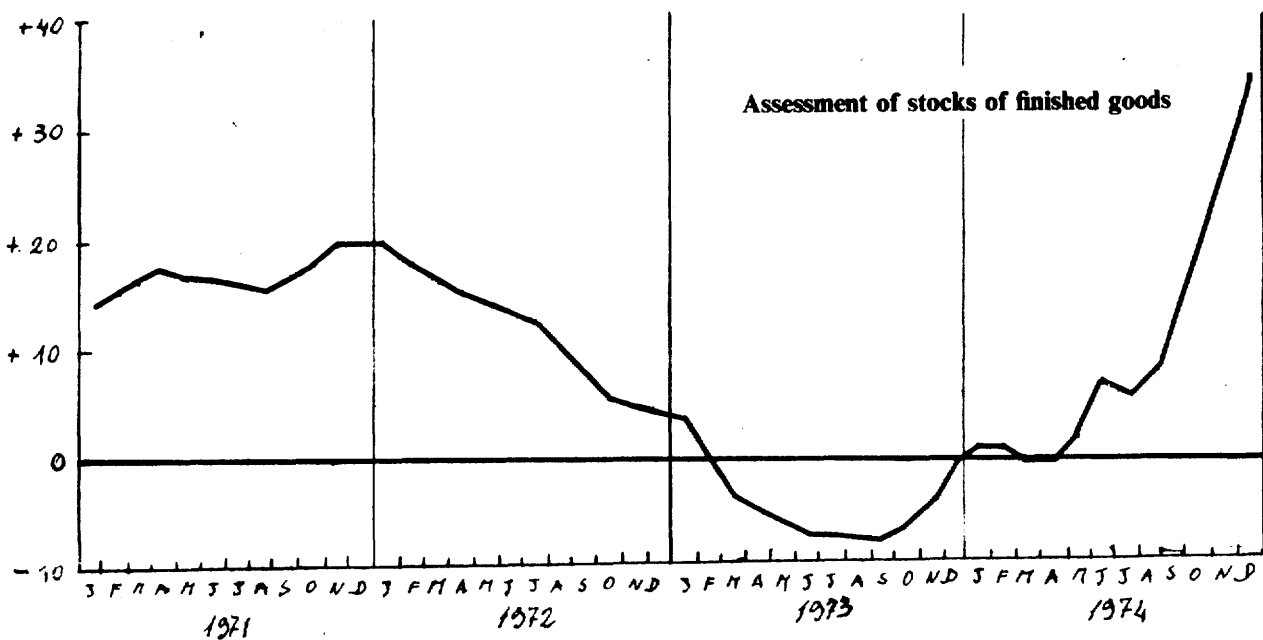
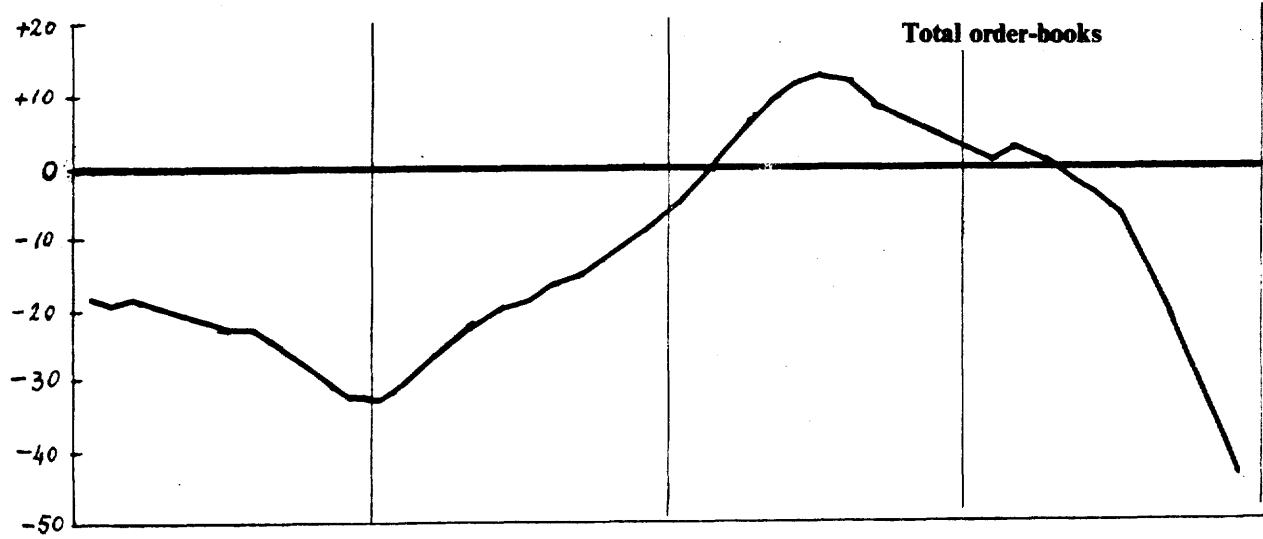
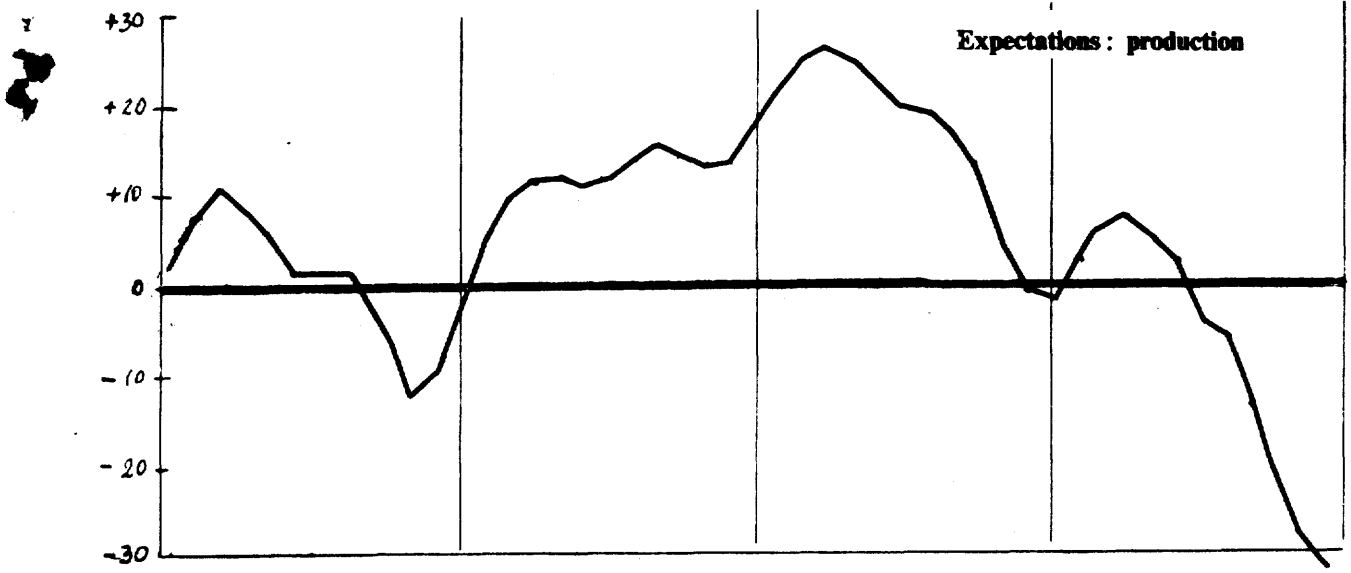
Country	1973		1974							1975
	III	IV	I	II	III	IV	Oct.	Nov.	Dec.	Jan.
Denmark	- 117	- 105	- 210	- 192	- 132	- 90	- 92	4 75	- 102	.
Germany	+ 997	+1015	+1457	+1310	+1185	+1345	+ 1158	+ 1228	+1649	.
France	- 70	- 139	- 508	- 571	- 558	- 389	- 639	- 287	- 241	- 312
Ireland	- 59	- 44	- 87	- 126	- 124	- 59	- 99	- 39	- 39	- 74
Italy	- 506	- 488	- 962	-1102	- 992	- 657	- 831	- 606	- 534	.
Netherlands	- 102	- 30	- 25	- 37	- 73	.	- 180	.	.	.
B.L.E.U.	+ 30	+ 38	- 63	- 58	- 77	.	+ 23	+ 59	.	.
United Kingdom	- 699	-1020	-1236	-1674	-1201	-1319	- 1160	- 1689	-1108	.

Quarterly figures = monthly averages.

Source : SOEC

RESULTS OF THE BUSINESS SURVEY ¹⁾ OF COMMUNITY INDUSTRY ²⁾ (three-month moving averages)

% of answers



¹⁾ Excluding construction, food, beverages and tobacco.

²⁾ Original Community

PROPOSAL FOR A COUNCIL DECISION

on the adjustment to the guidelines for economic policy for 1975

THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community

Having regard to the proposal by the Commission, and particularly Articles 1 and 2 thereof

Taking into consideration that the Council agrees with the analysis of the economic situation set out in the Communication from the Commission of the concerning the adjustment of the economic policy guidelines for 1975,

HAS ADOPTED THIS DECISION

Article 1

The Member States pursue their economic policies in conformity with the guidelines which are specified in the Annex to this Decision. (1)

Article 2

This Decision is addressed to all Member States.

Done at Brussels,

1975

For the Council

The President

(1) Chapter II of the Communication from the Commission to the Council.