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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

CONCERNING THE ADJUSTMENT OF THE ECONOMIC POLICY GUIDELINES
FOR 1978

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FOREWORD

Pursuant to Article 2 of the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States, the Council must adjust as soon as possible in the first quarter the economic policy guidelines for the current year as required by economic developments. To this end, and in accordance with Article 1 of the same decision, the Commission is forwarding this communication to the Council.

In accordance with Articles 2 and 12 of the above decision, the Commission is also forwarding to the Council herewith a summary account of the economic policies pursued in 1977 and a report on the implementation of the decision and the degree to which the policies pursued were consistent with the objectives laid down.

As for the "forecasts over five-years of the principal macro-economic aggregates", which are mentioned in the third paragraph of Article 2 of the above-mentioned Decision, the revised forecasts underlying the fourth medium-term economic policy programme were presented in September 1977 ^{*)}; a further revision carrying the forecasts up to 1983 is currently being prepared.

*) Cf. the Report of the study group on the medium-term economic assessments "Outlook 1980 - One year after drawing up the Fourth Programme of medium-term economic policy" (DOC./11/236/3/77).

I. ECONOMIC OBJECTIVES AND POLICY GUIDELINES FOR 1978 CONTAINED IN
THE ANNUAL REPORT

1.1. The purpose of this Communication is to review economic progress in the Community in relation to the objectives set for 1978 in the Annual Report on the economic situation in the Community, adopted by the Council on 21 November 1977 and, consequently to adapt, if necessary the economic policy guidelines set out in that report.

1.2. The Community objectives fixed for 1978 were (1):

- (i) a real GDP growth rate for the Community taken as a whole of 4 - 4 1/2 %;
- (ii) a halt to the spreading of unemployment and an improvement in the situation on the labour market;
- (iii) narrower disparities between the payments balance positions of the various Member States, and an overall Community payments position either in balance or even in deficit;
- (iv) a rate of inflation down to 7 - 8 % for the Community average (compared with about 9 1/2 % in 1977) and a narrower spread between the extremes, down to a range of under 4 - 10 % (4 - 18 % in 1977).

1.3. The principal general economic policy guidelines for 1978 were set out as follows (2):

" These objectives are by no means out of reach in 1978 if all the Member States pool their efforts. At the present time, demand is slack all over the world, and no country, however important its contribution to world trade, can hope to revive economic activity by itself. On the other hand, if the Member States co-ordinate among themselves and work together with the other industrialised countries, they can mutually strengthen the multiplier effects of the measures they take, instil new confidence in managements and consumers on a lasting basis and thus achieve the growth objectives set without jeopardising fundamental equilibria.

... / ...

(1) para. 2.5 of the Annual Report.

(2) para. 3.1 of the Annual Report.

Responsibility for supporting internal demand at an appropriate level lies first and foremost with the Member States whose balance of payments are relatively strong. However, as the adjustment processes gradually evolve, other Community countries will be able to use the room for manoeuvre becoming available in order to contribute to reinforcing business activity."

II. THE RECENT STANCE OF BUDGETARY AND MONETARY POLICIES

2.1. Generally speaking, the economic policies pursued by Member States were in line with the guidelines laid down in the Annual Report.

2.2. The budgetary support policies adopted in the second half of the year were guided by the desire to jeopardize neither the progress already made in restoring equilibria nor the medium-term target of a gradual reduction in public deficits. As a result, they were modest in nature. Most Member States eventually adopted this course, with those still having to contend with severe external constraints generally taking an even more cautious stance.

2.3. Among the Member States enjoying a favourable balance of payments situation, the Federal Republic of Germany announced in September, and adopted in October 1977, a new support programme. This measure, which included tax concessions designed to stimulate investment and private consumption, of which the budgetary cost in a full year was put at over 1% of gross domestic product will have the effect of suspending the reduction of the deficit which began in 1976. Similarly, in October 1977, a set of budgetary measures was introduced in the Netherlands at a cost equivalent to nearly 1% of gross domestic product, consisting mainly of fiscal relief for the industry and employment support. The package of measures adopted in Belgium in August was made up of tax concessions for firms, but heavier taxes on households and an action programme to combat unemployment and support investment.

2.4. A number of the other Member States also eased their budgetary policies in the second half of 1977. The United Kingdom, for instance, adopted in October a set of measures designed to stimulate activity in the ensuing eighteen months, combining personal income tax reliefs, additional expenditure on social security payments,

and measures to promote employment and public-sector investment. The overall costs will be around 1 % of gross domestic product. In Ireland, the original budget arrangements were relaxed in numerous respects in the summer with the primary aim of creating employment. In France, a few limited measures were introduced, at the same time, to back up those taken in the spring with a view to a rather less rigorous budget. In Denmark, a stabilization programme adopted in September, mainly based on increases in indirect taxation, included a number of measures designed to boost investment and employment.

In Italy, however, no deliberate action was taken to alter the restrictive stance of budgetary policy even though certain unavoidable disbursements, and, above all, a revenue shortfall, caused the public sector cash deficit to exceed the agreed objective.

2.5 As a result of these adjustments, budgetary policies for 1978 are, generally speaking, set on an expansionary tack or, at least, are much less stringent than was the case in 1977. This is in line with the recommendations set out in the last Annual Report.

GENERAL GOVERNMENT BORROWING REQUIREMENT (1)

(% of GDP)

	1975	1976	1977	1978
Denmark	- 2.2	- 0.6	- 0.4	0
FR Germany	- 5.8	- 3.7	- 2.9	- 4.3
France	- 2.2	- 0.8	- 1.0	- 1.1
Ireland	-13.9	-10.3	- 9.5	-11.8
Italy	-11.3	- 9.4	- 9.1	- 8.8
Netherlands	- 2.9	- 2.3	- 2.4	- 4.2
Belgium	- 3.8	- 4.9	- 5.6	- 5.7
Luxembourg	0.2	- 0.7	- 0.7	- 1.7
United Kingdom	- 4.8	- 4.8	- 3.3	- 3.8

(1) National accounts (SEC) definition.

Source : Services of the Commission.

2.6. Since the autumn, the main developments in monetary policy have been a generally more rapid expansion of monetary aggregates in most Member States and the emergence of differing situations with regard to interest rates. On the whole, public-sector financing has scarcely contributed to the acceleration in the growth of the money supply. Developments in this field have rather been influenced by inflows of foreign funds.

In the United Kingdom and in the Federal Republic of Germany, currency sales made to curb the appreciation of sterling and of the mark were, in the closing months of 1977, a factor in the failure to keep the growth in domestic liquidity within the targets set. With a view to reasserting control over the money supply, the United Kingdom authorities, on 30 October, discontinued their attempts to prevent sterling's weighted exchange rate from rising.

With the mark's appreciation against the dollar forcing the other currencies participating in the Community exchange rate scheme down towards the lower limit of the margin of fluctuation, strain built up within the "snake", but this was then dispelled by the adoption of flexible measures. In the Netherlands, the discount rate was raised from 3.5 % to 4.5 % towards the middle of November. In the Belgo-Luxembourg Economic Union, it was also raised, in two steps, from 6 % to 9 % in the first half of December. Lastly, in the Federal Republic of Germany, it was cut from 3.5 % to 3 % in mid-December, when the inflow of capital was checked by an increase in the compulsory reserve ratio for capital from abroad. As the strains eased, the discount rate in Belgium was reduced by 2 1/2 percentage points in early January. In the last few months of 1977, the French authorities raised interest rates to counter the tendency for the French franc to depreciate against the other European currencies.

... / ...

III. TRENDS AND OUTLOOK IN THE EUROPEAN ECONOMY

3.1. The starting point from which the economy is working towards the growth objective has turned out to be less favourable than expected. The trend as regards demand and production in the Community last autumn was extremely disappointing. Although the industrial climate had improved somewhat after the summer, the overall level of activity in the fourth quarter of 1977, taking the Community as a whole, probably failed to exceed that recorded in the first quarter of the same year (1). This had led to the estimate of the rate of growth of the Community's gross domestic product in volume terms, for the whole of 1977, being revised downwards. According to the latest calculations, this rate was probably a bare 2%, instead of 2 1/2 % forecast in the autumn (2).

3.2. This trend is due partly to the fact that the stimulus given by the world economic situation in 1977 has fallen well short of expectations. Thus, the assumptions made in last autumn's Annual Report concerning production and world trade in 1977 - excluding the Community - have also had to be revised downward. The new estimates are 4 % (instead of 4 1/2 %) for growth in production and 5 % (instead of 7 1/2 %) for growth in world trade (3). The adjustments have been particularly substantial in the case of Japan and the small industrialized countries outside the Community.

... / ...

(1) See the following table.

(2) See table 2.

(3) See table 1.

3.2.

SUCCESSIVE FORECASTS OF GROWTH OF GDP

IN REAL TERMS FOR 1977

(change as % of preceding period)

(seasonally-adjusted)

Country	Forecasts June 1977	Forecasts Nov. 1977	Probable outturn Feb. 1978	(1) Quarterly figures (probable outturn)			
				Qu. 1	Qu. 2	Qu. 3	Qu. 4
Denmark	1 1/2	1	0.9	:	:	:	:
FR Germany	4	3	2.6	1.0	0	0	1.5
France	3	2 3/4	2.3	2.2	-1.3	-0.2	0.8
Ireland	3 3/4	5	5.6	:	:	:	:
Italy	3	2	1.8	1.9	-2.5	-0.6	0.1
Netherlands	4 1/4	2 1/2	2.4	:	:	:	:
Belgium	3 1/2	2 3/4	2.4	:	:	:	:
Luxembourg	2	1 1/4	1.1	:	:	:	:
United Kingdom (2)	3/4	1/2	- 0.1	- 1.0	0.2	- 0.2	0.8
Community	3	2 1/2	1.9	1.0	-0.8	0	0.9

(1) Estimates.

(2) Quarterly figures based on the average of three measures of GDP in real terms.

: Data not available.

Source: Commission's departments.

3.3. Autonomous factors affecting the development of demand within the Community also lacked buoyancy until last summer. This weakness can be explained by the fact that economic policies in general, mainly owing to the continuing impact of earlier decisions, frequently continued to exert a moderating influence. Taking the Community as a whole, the effect of budgetary policy was restrictive through most of 1977 and can be estimated at approximately 1/2 % of gross domestic product (1).

Internal demand within the Community, however, stopped deteriorating last autumn, although as a result of developments which were by no means the same in each country. The increase in real private disposable income, mainly the result of slackening inflation (United Kingdom, France and Ireland), a less hesitant attitude on the part of firms towards stockbuilding (Federal Republic of Germany) and of strengthening of investment in some Member States (Federal Republic of Germany and Belgium) have all contributed to this relative improvement.

3.4. The latest forecasts concerning the economic trend in the Member States in 1978 show, for the Community as a whole, an average annual rate of growth of gross domestic product of around 3 %

Under present circumstances, this average rate of growth will require growth of 4 % to 4 1/2 % during the year. This may be considered ambitious if the aim is to achieve such growth, not on the basis of a short-lived upturn caused by recent stimulatory measures, but through a self-sustaining process of a kind that can support vigorous growth throughout the Community economy for several years.

... / ...

(1) This estimate is mainly based on the change in the financing requirements of public administrations (see the table on page 4).

(2) See table 2.

3.5. In fact, the new forecasts for 1978 presuppose:

- that the programmes for sustaining economic activity, adopted since last autumn, will be successfully completed;
- that some improvement will occur in the confidence of producers, dealers and consumers, which does indeed seem to be taking place according to the last harmonized industry and consumer surveys carried out in the Community;
- that the assumption of a moderate expansion in world trade (1), turns out to be correct, although this expansion will definitely be smaller (on a year-on-year basis) than that anticipated in the autumn (1).

The implementation of the measures announced in Japan in late 1977 and in the United States in early 1978, and the temporary freeze on the price of oil, should reduce the risk of an excessive weakening in world economic activity this year.

However, as regards the Community, the changes which have occurred in the exchange rate structure as a result of the weakness of the dollar could well have the effect of inhibiting economic growth in 1978 to an appreciable extent.

3.6. The objectives set for 1978 in the Annual Report included halting the spread of unemployment and improving the labour market situation. It is undeniable that the unemployment trend, since last summer, has tended to stabilize, and that this tendency seems to have been maintained in January. After reaching a peak of 5.7 % in the third quarter, the seasonally adjusted unemployment rate (wholly unemployed) in the Community, fell back to 5.5 % in January (2).

The ratio of unfilled vacancies to the number of unemployed also improved in several Member States. This trend seems attributable to the implementation of specific measures and, in some cases, to a drop in the participation rate. All in all, the annual average unemployment

... / ...

(1) See table 1.

(2) See table 5.

rate for the Community as a whole, however, could well increase, but to a much more limited extent than from 1976 to 1977 (1).

3.7. The objective set in the Annual Report with regard to inflation was to bring it down to a Community average of 7 % to 8 % and to reduce the spread between the highest and lowest rates to a maximum of 4 % to 10 %. The inflation rate trends in most Member States show that this objective, although ambitious, is still by no means unattainable. The increase in the implicit consumer expenditure deflator fell from an annual rate of 11% in the first half of 1977 to about 7 1/2 % in the second half of the year. If this trend is maintained throughout the year, the inflation rate could well fall to under 7 % for the Community as a whole. However, the differences between Member States in the rates of increase of consumer prices will probably be slightly greater than originally expected (1).

3.8. As for the objective regarding the balance of payments on current account, the economic situation within the Community has in 1977 produced a slight surplus for the Community as a whole (1). The monetary authorities of the Member States as a whole also increased their foreign exchange holdings by 22 300 million EMUA (2) in 1977, to reach over 61 500 million EMUA by the end of the year.

Given the prospect of slightly more sustained expansion in internal demand in 1978, the Community's imports should increase as compared to the preceding year, but will probably remain too low to make

.../ ...

(1) See table 2.

(2) European Monetary Units of Account.

an effective contribution to the adjustment of payments balances at world level. It is more likely that the Community's balance of payments on current account, boosted by an appreciable improvement in the terms of trade, will close with a larger than expected surplus.

IV. GENERAL POLICY GUIDELINES

4.1. The general policy guidelines of the Annual Report are still applicable today:

- the implementation of a coordinated policy to buttress the economy, based on greater recourse to budgetary policy as a growth instrument(1). This might well include adjusting the tax burden on persons and the effective expansion of public investment programmes. On the other hand an appropriate and steady growth in the main monetary aggregates is needed; (2)
- the moderation of the costs of production with the aid of active cooperation from both sides of industry; (3)
- the pursuit of a specific policy on employment; (4)
- measures for speeding up structural change; (5)

4.2. As regards growth and employment, following the line adopted in the Annual Report, a common effort must be made to consolidate the recovery, notably by gradually extending it to a greater number of Member States.

... / ...

(1) See para. 3.2 to 3.5 in the Annual Report

(2) See para. 3.6. " " " "

(3) See para. 3.7. " " " "

(4) See para. 3.8. " " " "

(5) See para. 3.9. " " " "

4.3. In this respect the Community can make a useful contribution. Realising these guidelines in the Member States in 1978 will be facilitated by implementing actions already decided on in principle, such as the widening of the Social Fund's employment policy functions (measures for youth employment, and women), and the entering into effect of an enlarged Regional Development Fund, and of the Community's new financing instrument for promoting investment in the Community.

4.4. All Member States have an interest in exploiting determinedly the gains which accrue from membership of the Community; the Commission has made proposals in this respect in its "Action Programme for 1978" (1). Closer coordination of economic and financial policies would soften the constraints imposed on different Member States, would thus increase the chances of success of joint action to bolster economic activity, and permit greater exchange rate stability within the Community and vis-a-vis the outside world.

4.5. The Community must energetically resist the trend towards protection, inside itself and at the wider international level. In the present economic situation, it attaches the greatest importance to the liberalisation of world trade and will make certain that its contribution to the current multilateral negotiations under GATT is effective.

(1) COM Doc.(78)52 final of 10 February 1978.

CONCLUSIONS

After nearly a year of torpidity the Community economy showed some signs of life in late 1977 and early 1978. However, even if growth rates were to increase throughout the year, the goal of an average rate of 4 % to 4 1/2 % set for the Community for 1978 on 1977 would still appear unrealistic. Moreover recent exchange rate phenomena, particularly the depreciation of the dollar, will on the whole have restrictive effects on the European economy.

In general goals for inflation established by the Community are within reach. Moreover the external constraint have been relaxed now that an appreciable current account surplus is probable in 1978.

Generally, the outlook for improvement in the external situation and as regards inflation and of a narrowing of disparities in economic performance among Member States should help towards a faster growth rate and improvement in the employment situation. For maximum effectiveness, and without compromising progress made in reducing inflation, the enlarged scope for a faster return to lasting growth must be exploited through Community-coordinated efforts.

On the whole it is necessary to ensure the full application of the economic policy guidelines which the Council fixed in approving the Annual Report on 21st November 1977. However, there must be continuing vigilance in assessing the effectiveness of the expansionary measures adopted in the autumn of last year and the durability and strength of the recent signs of economic recovery.

STATISTICAL ANNEX

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- Table 2 - DEVELOPMENT OF THE MAIN MACRO-ECONOMIC AGGREGATES
- Table 3 - DEVELOPMENT OF INDUSTRIAL PRODUCTION
- Table 4 - CUMULATIVE DEVELOPMENT OF INDUSTRIAL PRODUCTION
- Table 5 - DEVELOPMENT OF UNEMPLOYMENT
- Table 6 - DEVELOPMENT OF CONSUMER PRICE INDICES
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- Table 8 - EXCHANGE RATES: PERCENTAGE APPRECIATION (+) AND DEPRECIATION (-)

TABLE 1

DEVELOPMENT OF PRODUCTION AND WORLD TRADE
(% change on preceding year)

	1969-73 average	1974	1975	1976	1977	1978
(1) Gross domestic product in real terms						
Total of developed countries	4.7	0.1	- 0.8	5.2	3 1/2	4
Total excluding the Community	4.6	- 0.5	- 0.3	5.4	4	4
<u>Volume of trade</u>						
Total world imports	10.3	6.1	- 3	11	5	5
- excluding the Community	8.7	9.6	- 1	9 1/2	5 1/2	5
Total imports of developed countries	11.0	1.1	- 7.4	14.0	5	5
- excluding the Community	9.4	2.9	- 9.4	13.6	7	4 1/2
Total imports of developing countries	7.4	20 1/2	9 1/2	9	7	6 1/2
- of which: OPEC	:	38	43	18	15	12
<u>World export prices (in %)</u>						
Price of basic materials		32 1/2	- 5	4	10	3
- of which: fuels	:	205	2	5	9 1/2	3
Price of manufactured products (non-member countries)	:	13	11	1	8 1/2	6

(1) For certain countries; gross national product.

Sources: N.U., IMF, national statistics and the Commission's Departments.

: Data not available.

TABLE 2

DEVELOPMENT OF THE MAIN MACRO-ECONOMIC AGGREGATES

	Gross domestic product (volume) % change					Number of unemployed as % of labour force (1)				
	1970- 1974	1975	1976	1977	1978	1970- 1974	1975	1976	1977	1978
DENMARK	2.7	- 1.1	4.8	0.9	1.5	1.3	5.0	5.1	5.9	6.4
FR GERMANY	3.6	- 2.6	5.6	2.6	3.1	1.1	4.1	4.1	4.0	4.1
FRANCE	4.7	0.1	5.2	2.3	2.7	2.7	4.0	4.4	5.1	5.1
IRELAND	4.5	0.4	3.2	5.6	6.0	5.9	7.9	9.4	9.4	8.9
ITALY	4.0	- 3.7	5.6	1.8	1.7	(5.2)	(5.6)	(5.9)	(6.9)	(7 1/4)
NETHERLANDS	5.0	- 1.2	4.4	2.4	2.1	2.1	4.0	4.3	4.2	4.5
BELGIUM	5.2	- 2.0	3.0 ⁽²⁾	2.4	2.3	2.3	5.3	6.7	7.4	7.3
LUXEMBOURG	4.1	- 8.3	2.8	1.1	1.4	0	0.2	0.4	0.8	1.4
UNITED KINGDOM	2.7	- 1.6	2.8	- 0.1	3 1/2 ⁽³⁾	2.8	3.9	5.2	5.7	6.0
COMMUNITY	4	- 1.7	4.8	1.9	2.8	2.7	4.4	4.9	5.4	5.6
	Implied deflator of private consumption - % changes					Balance on current account (£ '000 million)				
	1970- 1974	1975	1976	1977	1978	1970- 1974	1975	1976	1977	
DENMARK	7.9	8.4	8.5	10.5	10.5	- 0.5	- 0.6	- 2.0	- 1.7	
FR GERMANY	5.7	6.3	4.4	3.9	3.5	3.5	4.3	3.7	2.6 (4)	
FRANCE	8.4	12.1	9.9	9.3	7.0	- 1.2	- 0	- 6.1	- 3.0	
IRELAND	10.8	20.9	17.0	13.6	6.5	- 0.3	0	- 0.3	- 0.2	
ITALY	9.0	17.0	17.5	18.5	12.0	- 1.2	- 0.6	- 2.9	2.0	
NETHERLANDS	9.6	10.3	9.2	7.0	5.5	1.0	1.7	2.5	0.5	
BELGIUM	6.3	12.0	8.9	6.5	5.5	1.0	0.3	- 0.3	- 0.1	
LUXEMBOURG	6.0	10.7	9.8	6.7	4.0					
UNITED KINGDOM	9.1	23.4	15.4	14.9	8.4	- 1.2	- 3.7	- 2.2	0.7	
COMMUNITY	7.8	12.8	9.8	9.6	6.9	1.2	- 1.4	- 7.6	0.5	

(1) Italy: Figures from Ministry of Labour.

(2) Provisional figure.

(3) Like other rates of growth of GDP in this column, this figures is based on 1977 prices. Official figures take 1970 as the price base, thereby giving little weight to the contribution of North Sea oil to the rate of growth. At 1970 prices, growth in 1978 is estimated to be almost 1 % lower.

(4) 3.5 according to Bundesbank.

Source: Commission's Departments.

TABLE 3

DEVELOPMENT OF INDUSTRIAL PRODUCTION

(% change on preceding period)

(Seasonally-adjusted figures)

	1975	1976	1977	1976	1977					Dec. 1976	Dec. 1977
				IV	I	II	III	IV	Dec.	(1)	
Denmark	- 5.7	11.4	0.4	- 0.4	1.8	- 5.4	4.4	- 1.4	1.0	0.9	4.6
FR Germany	- 6.2	7.4	3.1	1.3	2.4	- 0.2	- 1.1	1.1	0.5	- 2.6	- 2.6
France	- 7.2	8.6	1.0	1.6	2.3	- 2.4	- 2.0	- 0.8	- 2.1	:	:
Ireland	- 6.1	7.9	:	0.8	1.2	3.9	0.4	:	:	- 13.3	- 13.3
Italy	- 8.8	11.6	- 0.3	5.8	2.2	- 5.9	- 3.6	- 2.2	- 2.6	- 1.4	- 1.4
Netherlands	- 4.9	6.8	1.4	2.3	- 0.2	0.1	- 2.5	0.1	2.9	0.7	0.7
Belgium	- 9.8	7.8	:	1.1	- 0.1	0.3	- 2.0	- 0.4	0.1	3.6	3.6
Luxembourg	-21.9	6.3	0.5	- 1.0	3.7	2.3	- 4.8	0.5	- 3.6	- 1.1	- 1.1
United Kingdom	- 4.9	1.0	1.4	1.6	2.9	- 2.2	0.3	- 1.7	1.0	- 1.1	- 1.1
Community	- 6.6	7.3	1.6	1.9	2.4	- 1.8	- 1.5	-0.6	0.0	- 1.1	- 1.1
Consumer goods	- 4.2	7.6	3.0	2.6	1.8	- 1.6	- 0.9	0.5	0.5	0.0	0.0
Intermediate goods	-10.0	9.7	0.9	1.5	2.7	- 2.4	- 1.8	- 1.6	- 0.1	- 3.5	- 3.5
Investment goods	- 3.8	1.5	1.9	2.0	2.3	- 1.1	- 0.2	- 0.5	- 0.6	0.5	0.5
Building and civil engineering											
Community	- 7.0	- 1.0	1.5	1.5	1.3	1.3	0	1.5	:	:	:

(1) Gross figures.

: Data not available.

Source : EUROSTAT and Commission's Departments.

TABLE 4

CUMULATIVE DEVELOPMENT OF INDUSTRIAL PRODUCTION

Country	Minimum 1975		Maximum 1976/1977		December 1977
	Month	1970=100	Month, - Year	% change on minimum at an annual rate	% change on maximum at an annual rate
Denmark	March	94.7	March 77	13.5	- 10.0
FR Germany	July	100.1	April 77	10.6	- 2.3
France	August	111.0	March 77	10.1	- 7.9
Ireland	III Qu.	112.4	III Qu. 77	9.3	:
Italy	August	99.4	December 77	23.7	- 14.2
Netherlands	July	109.7	April 77	11.4	- 4.9
Belgium	September	104.7	October 76	15.9	- 6.1
Luxembourg	May	87.5	June 76	53.8	- 6.3
United Kingdom	August	99.5	January 77	6.7	- 4.0
Community	July	104.1	January 77	11.0	- 4.9

Source : EUROSTAT

: Data not available.

TABLE 5
DEVELOPMENT OF UNEMPLOYMENT (1)

a) Unemployment rate (2)	1977												1978											
	1975				1976				1977				1976				1977				1978			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	Nov.	Dec.	Jan.					
Denmark	4.6	4.7	5.9	4.9	4.6	4.7	4.8	5.6	5.8	6.0	6.1	6.2	5.9	6.7										
FR Germany	4.2	4.1	4.0	4.6	4.1	4.0	3.9	3.8	3.9	4.0	3.9	4.0	3.9	3.8										
France	3.9	4.3	4.9	4.4	4.4	4.3	4.3	4.5	4.8	5.2	5.1	5.1	5.0	4.9										
Ireland	8.8	9.8	9.7	9.6	9.9	10.0	9.8	9.7	9.7	9.7	9.5	9.4	9.4	9.2										
Italy	5.7	6.0	7.0	5.8	6.0	6.1	6.1	6.3	6.5	7.3	7.5	7.5	7.6	7.3										
Netherlands	4.1	4.4	4.3	4.5	4.4	4.7	4.4	4.1	4.1	4.4	4.3	4.3	4.2	4.2										
Belgium	5.3	6.8	7.8	6.4	6.6	7.0	7.1	7.2	7.4	7.9	8.2	8.3	8.2	8.3										
Luxembourg	0.2	0.3	0.6	0.3	0.4	0.3	0.4	0.5	0.5	0.6	0.7	0.7	0.8	0.9										
United Kingdom	3.8	5.3	5.8	5.0	5.3	5.8	5.5	5.5	5.5	6.1	5.9	5.9	5.9	5.9										
Community	4.4	5.0	5.4	5.0	5.0	5.1	5.0	5.1	5.2	5.7	5.6	5.6	5.6	5.5										
b) Total unemployed in 1,000	4,614	5,242	5,731	5,256	5,230	5,360	5,295	5,371	5,521	5,956	5,912	5,911	5,879	5,788										
Women, in 1,000	1,675	2,031	2,363	1,958	1,999	2,099	2,131	2,187	2,258	2,476	2,482	2,486	2,473	2,447										
Women as % of total	36.3	38.7	41.2	37.3	38.2	39.2	40.3	40.7	40.9	41.6	42.0	42.0	42.1	42.3										
c) Vacancies (2)																								
Denmark	0.9	1.6	1.1	1.6	1.9	1.6	1.4	1.2	1.1	0.9	1.1	1.0	1.0	1.1										
FR Germany	21.9	22.2	22.4	19.6	23.1	21.4	24.4	24.9	22.4	21.8	23.7	23.5	24.7	24.6										
France	13.0	13.3	9.7	11.9	13.1	14.2	13.3	11.8	9.7	9.3	9.8	10.2	10.3	9.8										
Netherlands	24.2	22.5	27.2	20.0	23.1	18.9	24.7	27.2	26.6	27.2	29.3	29.0	30.2	30.8										
Belgium	2.0	1.5	1.1	1.6	1.4	1.4	1.5	1.5	1.4	1.3	1.0	1.0	1.0	1.1										
Luxembourg	88.9	57.8	23.3	29.9	32.7	71.2	61.1	32.9	16.2	18.7	22.1	16.1	21.3	16.2										
United Kingdom	15.8	9.0	10.4	8.7	8.3	8.3	8.8	11.0	11.3	9.9	10.7	10.9	11.1	12.5										

(1) Seasonally adjusted. Differences between figures and those in Table 2 arise from differences in definition. (2) Number of registered unemployed as % of civilian labour force. As definitions are not uniform, unemployment rates are not comparable from country to country. (3) Number of vacancies as a % of the number of unemployed persons.
Source: EUROSTAT

TABLE 6

DEVELOPMENT OF CONSUMER PRICE INDICES

	% change on preceding year											Dec77
	1974	1975	1976	1977	1976	1977						Dec76
					IV	I	II	III	IV	Nov.	Dec.	
Denmark	15.3	9.6	9.0	11.1	3.9	1.1	3.2	2.5	5.1	1.0	0.1	12.5
FR Germany	7.0	5.9	4.5	3.8	0.5	1.9	1.4	0.2	0.2	0.1	0.3	3.5
France	13.6	11.7	9.6	9.6	2.6	1.6	3.1	2.4	2.1	0.4	0.3	9.3 ₂₎
Ireland (1)	17.0	20.9	17.9	13.6	4.2	3.8	3.8	1.1	1.7	1.7	:	10.8
Italy	19.2	17.0	16.7	18.4	6.4	4.7	3.8	2.5	3.3	1.0	0.5	14.9
Netherlands	9.8	9.9	8.9	6.7	2.5	0.7	2.9	0.6	1.3	0.2	-0.1	5.5
Belgium	12.7	12.8	9.2	7.1	1.7	2.0	1.6	1.5	1.2	0.4	0.4	6.4
Luxembourg	9.5	10.8	9.8	6.7	1.8	2.3	1.6	0.7	0.4	0.5	-0.2	4.3
United Kingdom	16.0	24.2	16.5	15.8	4.6	5.0	4.5	1.6	1.5	0.5	0.5	12.1
Community	13.0	13.8	11.3	11.2	3.3	3.1	3.1	1.6	1.5	0.5	0.4	8.9

(1) Quarterly indices.

(2) November 1976 - November 1977.

: Data not available.

Source: EUROSTAT

TABLE 7

DEVELOPMENT OF BALANCE OF TRADE
(Seasonally-adjusted, US \$ million)

	1973	1974	1975	1976	1977				1978							
					I		II		III		IV		V		VI	
					I	II	III	IV	I	II	III	IV	V	VI	July	Dec.
Denmark	- 1584	- 2308	- 1348	- 3188	- 663	- 726	- 819	- 981	- 835	- 859	- 867	- 670	- 261	- 225	- 184	
FR Germany	12976	20260	15448	12994	3075	3131	3314	3473	3451	4106	3744	5016	1866	1412	1758	
France	- 1428	- 7141	- 1894	- 8291	- 1460	- 1480	- 2400	- 2951	- 2518	- 2121	- 1487	- 1102	- 173	- 784	- 155	
Ireland	- 684	- 1211	- 609	- 857	- 274	- 163	- 207	- 214	- 333	- 276	- 207	- 225	- 401	- 64	- 60	
Italy	- 5661	- 11042	- 3161	- 6216	- 1370	- 1747	- 1179	- 1920	- 1511	- 945	- 99	.	- 490	- 199	.	
Netherlands	- 431	- 145	- 745	- 1170	122	- 598	- 241	- 453	- 672	- 689	- 471	- 237	- 148	- 135	46	
BLEU	369	- 1580	- 868	- 779	- 256	- 262	- 209	- 52	- 345	- 305	- 95	- 390	- 79	- 225	- 86	
United Kingdom	- 8555	- 15985	- 9642	- 9370	- 1617	- 2395	- 2635	- 2723	- 2331	- 2124	- 998	- 1092	- 361	- 154	- 577	
Community (1)	- 4585	- 20554	- 4370	- 19446	- 3295	- 4780	- 5071	- 6299	- 5905	- 3649	- 786	.	148	297	.	

(1) Community : Extra-Community trade.
Source : EUROSTAT and Commission's Departments.

: Data not available.

TABLE 8

EXCHANGE RATES: PERCENTAGE APPRECIATION (+) AND DEPRECIATION (-)

	Last 12 months (1)		Last 6 months (1)		Last 3 months (1)	
	Dollar	Effect.rate	Dollar	Effect.rate	Dollar	Effect.rate
Denmark	+ 5,5	- 2,2	+ 11,2	+ 0,4	+ 10,3	+ 3,3
FR Germany	+16,4	+ 9,6	+ 14,1	+ 6,3	+ 9,5	+ 4,5
France	+ 4,7	- 5,4	+ 2,9	- 5,9	+ 2,0	+ 4,6
Ireland	+13,2	+ 4,7	+ 11,0	+ 4,0	+ 6,6	1,9
Italy	+ 3,6	- 5,1	+ 3,4	- 3,7	+ 2,8	- 2,0
Netherlands	+14,8	+ 4,1	+ 12,6	+ 3,0	+ 10,6	+ 3,9
Belgium	+16,0	+ 6,1	+ 12,9	+ 3,8	+ 10,9	+ 4,7
United Kingdom	+13,2	+ 6,7	+ 11,0	+ 6,1	+ 6,6	+ 3,1

(1) End-February 1978 for rat ; against the dollar; February 1978 average for the effective exchange rates.

Source: Commission's Departments.