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UPTURN PREDICTED FOR EUROPEAN COMMUNITY

The Commission of the nine-nation European Community predicts a stronger economic outlook with a 3.5% growth rate for the Community in 1979.

Data from the past five years indicate that the Community has moved from the unstable period following the oil crisis of 1973 into one of gradual recovery. The Commission's Annual Economic Report 1978-1979 points to what it calls a stronger growth rate, improvement in prices and in external payments. Inflation rates are diverging less from country to country and external payments are coming into better balance. Unemployment seems to have peaked and in some member states even fallen.

The figures are:

	<u>1977</u>	<u>1978*</u>	<u>1979*</u>
GDP volume growth	2.3%	(2.6%)	(3.5%)
Rise in consumer prices	9.1%	(6.9%)	(7%)
Current account balance of payments (in 000 million EUA)	+1.7	(+8.3)	(+8.5)
Unemployed in labor force	5.5%	(5.7%)	(5.6%)

+Estimates

The Commission says in its report that the improved economic performance of 1978 and the more optimistic outlook for 1979 are in part due to the concerted action taken in Bremen and Bonn in July 1978. A broad range of policies was decided on, including measures to promote employment, to help restructure industry, to improve the energy situation, to encourage world trade and to aid developing countries. There were also proposals to establish budgetary and monetary policy for the member countries. One of the main objectives is to further this pooling of national initiatives. Broader and more coherent Community economic and monetary action is called for. High priority is given to the establishment of a European monetary system.

The Annual Economic Report, after adoption by the Council of Ministers, will go to the National Parliaments who can then take the Community position into account when debating national budgets. The report will be accompanied by an annual economic review prepared by the Commission. This is a full analysis including statistical tables covering annual data since the inception of the European Economic Community in 1958.

In the report are accounts of some of the different measures individual member states have taken or are planning under the effort of concerted action. The aim is to provide a stimulus to the Community economy and to encourage more convergence and greater stability. In some countries, for instance, the Commission believes that public expenditure has become excessive. In others, no balance is seen between funds budgeted for current expenditure and those for investment.

The situation and outlook in the individual countries is described as follows:

Britain has significantly reduced its inflation rate and strengthened its balance of payments, allowing the government to propose a budget that will stimulate the economy. The inflation rate must be kept below 10 per cent, however, and the rate of growth of earnings must be decelerated. A lower target range for monetary growth should be considered for 1979/80 as well as a more expansionary fiscal policy if the growth of earnings is moderated, domestic demand is subdued and the balance of payments is strong.

Denmark has made some decisions on taxes and public projects that should help reduce its government deficit. These measures should encourage moderate growth of the economy in 1979 if the official price and wage policy is strictly applied.

The Federal Republic of Germany has adopted measures on taxes, family allowances and public expenditure that should stimulate its economy from a low 2 3/4 per cent growth in 1978 to 3.5 per cent in 1979. The Commission considers it to be of paramount importance that the German economy sustain a balanced growth, especially in view of the new monetary system projected for 1979. It suggests that the Bundesbank bear in mind the need to support this policy when fixing its monetary objective for 1979.

France has drafted its budget in a way that will continue to support national economic expansion and sustain a moderate rate of growth in 1979. It will need to fight inflation by reducing its level of monetary liquidity and by avoiding excessive wage and price increases.

Ireland is expected to adopt some measures to reduce government borrowing and the public deficit. Cuts in public expenditure and in subsidies have been proposed. The Commission recommends an increase in taxes and moderation in wage increases to counter inflationary pressures. In 1979 the rate of growth will continue to be higher than the Community average.

Italy has made considerable progress toward controlling its high rate of inflation and improving its external accounts situation. The Commission advises adoption of the "Pandolfi Plan" to help consolidate the successes already achieved and to stabilize public finances while, at the same time, ensuring the transfer of resources that is required to support growth. A change in the priorities for public expenditure is needed with greater amounts budgeted for investment.

The Netherlands has stepped up efforts to avoid excessive rises in wages. This has been necessary to reduce the rate of inflation and to improve the country's competitive position. At the same time, to favor economic growth in 1979, it will continue a short-term policy to stimulate domestic demand. Its large budget deficit will require an increase in the supply of money.

Belgium has taken measures to increase employment. Along with the prospect for increased exports these should provide momentum to economic growth. Government borrowing will rise to more than 5.5 per cent in 1979. In the long term it will probably have to be reduced, so efforts to keep down current expenditures should be intensified.

Luxembourg is planning measures to stimulate business investment and exports, to provide an increase in public investment, to favor high employment and to increase domestic demand.