

FOR IMMEDIATE RELEASE

## U.S. MAY SELL MORE TO EEC AS ECONOMIC EXPANSION CONTINUES

WASHINGTON, July 20, 1966-- The Commission of the European Economic Community has confirmed its earlier forecast of a 4.5 per cent increase in real Community product during 1966 but has again called upon the member states to moderate price increases.

The Commission, in its Quarterly Survey of the Economic Situation in the Community, foresaw an unbroken expansion in internal demand, bolstered by a continued upsurge in activity in France and Italy and recovery of demand in the Federal Republic of Germany. The Commission considered the outlook for real economic growth to be in line with medium-term forecasts, but called upon the member states to use short-term policy to stabilize prices and unit costs, preferably through new measures coordinated at Community-level.

Imports Rose 13.5 Per Cent

The Commission reported that the first months of 1966 were marked by fairly vigorous economic growth. Although demand from abroad rose less rapidly than in previous months, the value of goods exported to all non-member countries increased 7.5 per cent over the same period in 1965, largely because of deliveries to the United States.

Imports ran 13.5 per cent higher by value than at the same time last year. The Community's balance of trade with non-member countries again deteriorated. The deficit reached \$772 million in the first quarter, as compared with \$335 million in the same period of 1965.

Net inflows of capital appear to have been smaller than in previous months, the survey reported. From December through April, the member countries' official gold and foreign exchange reserves fell \$426 million. The Commission attributed this decrease partially to payments made to the International Monetary Fund in connection with quota increases, and partially to the improvement in the net foreign exchange positions of the banks.

Internal demand expanded briskly over the previous quarter, pushed by increases in gross fixed asset formation, industrial investment in stocks, and increases in consumption expenditures. Declines in public expenditures were at times offset by more vigorous increases in private consumption, accompanied by declines in savings.

(MORE)

Internal supply expanded into the spring at the same rate as at the end of 1965. Intra-Community trade expanded 16.5 per cent over the level of the previous year.

Despite substantial increases in supply, the Commission reported that price rises continued unabated, and in some member countries gathered momentum. Price increases were described as moderate only in Italy and France.

#### Outlook for Remainder of 1966

The Commission forecast that internal demand would rise faster during the second half of the year than in the first six months, with expenditure on gross fixed asset formation continuing at least at the same pace. Demand from abroad, primarily from the United States but increasingly from the developing countries, should also act as a stimulus. The Commission expected supply to respond to prospects for internal and external expansion of demand. Imports from non-member countries will accelerate at least as rapidly as in the first half of the year, and the Community's current trade balance will probably continue to deteriorate.

Price controls in Belgium and the Netherlands may slow the upward movement of prices in the next few months.

#### First Forecast for 1967

On the basis of present trends and economic policies, the survey projected a less vigorous rise during 1967 in demand from abroad. Internal demand will gather momentum. Real gross Community product will rise about 4.5 per cent.

Present cost-price controls may prove inadequate to check upward price movements, particularly in France, Italy and Germany. New short-term measures, preferably coordinated at the Community-level may become necessary.

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