

# THE EUROPEAN COMMUNITY

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EUROPEAN ECONOMIC COMMUNITY • EUROPEAN COAL AND STEEL COMMUNITY • EUROPEAN ATOMIC ENERGY COMMUNITY

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## COMMUNITY GNP INCREASED IN 1966; SLOWDOWN SEEN FOR 1967

WASHINGTON, D. C., January 26 -- In 1966 the real gross Community product in the European Common Market rose 4.5 per cent; this compares with a growth of 5.5 per cent in the U. S. GNP for 1966 and a growth of 4 per cent the previous year for the European Economic Community.

The growth figures were just published in the EEC Commission's fourth quarterly survey of The Economic Situation in the Community, 1966; the survey predicted that the economic expansion of the Community is likely to slow down somewhat in 1967, with both external and internal demand losing steam. Allowing for all factors that can be clearly assessed, the gross Community product is expected to rise by about 4 per cent this year. Predictions here place the growth in U.S. production at about 3.5 to 4 per cent for 1967.

### Foreign Trade Slows Slightly

In external demand the very strong stimulus provided by sales to the U. S. may weaken somewhat. This, coupled with a stagnation of exports to Britain, would reduce the pace at which Community exports have been rising. Imports from non-member countries will for a while continue to be affected by the slowdown in economic activity in some Community countries, particularly Germany.

The 9 per cent expansion in the 1966 aggregate value of visible exports to \$29.5 billion from the Community marked a decline from the 12 per cent growth of 1965. Exports to the U. S. again increased rapidly, but the growth of deliveries to EFTA and to the developing countries was appreciably weaker than the previous year's increase. The U. S. exported about \$29.5 billion worth of goods and services last year, an 8 per cent increase over 1965.

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The expansion in value of visible imports by the Community from non-member countries reached about 7.8 per cent in 1966, compared with a rise of 10 per cent by the United States.

#### Internal Situation Improves

A rise in overall internal demand was met by a sufficiently flexible supply from other Community countries. Industrial production grew by 5.5 per cent last year. In the U. S., industrial output was up about 9 per cent in 1966.

Visible trade between the Community countries continued to expand vigorously. This was reflected in a growth of 12 per cent above internal trade in 1965.

The labor situation eased slightly last year. Even Germany and the Netherlands were affected, but labor shortages have not yet disappeared for either country. As the year advanced there were signs of a slight reduction of Italian unemployment - the only EEC country where it remains a problem.

The upward pressure on prices persisted. It gained during the first half of the year when there was marked excess demand in some countries. The gain was partly due to temporary influences such as the price of vegetables as well as to more persistent factors such as tax and wage policy and rent increases. In the Netherlands the upward pressure was particularly strong, but Germany and Belgium were not immune. In France the rise in prices was relatively modest with a total increase of about 3 per cent. In Italy there was very extensive stabilization up to the November flood disasters.

#### Imports May Rise

The trends in exports and imports suggest that in 1966 the Community's visible trade balance probably closed with a slightly smaller deficit, estimated at \$1.4 billion, than in 1965. General industrial and consumer imports were cut into by German government imports and the need for agricultural imports, factors which should disappear in 1967.

As the year advances, inventory-building may once again attract imports. Overall, the Community's trade balance could show a further, though limited, improvement in 1967.