

**ANNUAL ECONOMIC REPORT 1991/1992
FORECASTS FOR 1992/1993**

The end of the recessionary phase in some countries and a certain improvement in world trade lead to the expectation that world growth rates will reach 2 percent in 1992.

The European Community's Gross Domestic Product (GDP) growth rate will slow to 1.3 percent for 1991, and will rise by 2.25 percent in 1992 and 2.5 percent in 1993, according to the EC Annual Economic Report for 1991/1992. The growth rate for 1990 was 2.8 percent.

Commenting on the report, which was released December 4 in Brussels, EC Commission Vice President Henning Christophersen, responsible for Economic and Monetary Affairs, said the Community must respond to the present slow-down with a cautious macroeconomic policy and reinforced social and economic cohesion policies to combat the high unemployment in many EC states.

The Vice President stressed that, while the economic downturn was world-wide, the Community was withstanding the pressures better than some third countries, and would have to rely on itself to restore a sustainable growth level of above 3.5 percent. The situation called for more economic and monetary convergence, and a tight monetary policy supported by a firm fiscal policy. He also warned against the widening of deficits which would push long-term interest rates upwards, leaving the EC with less for the needs of Central and Eastern Europe, and the Soviet Union.

According to Christophersen, the recovery will be based on an increase in investment and consumption, on the assumption of confidence generated by the realization of major Community projects, such as the 1992 internal market and Economic and Monetary Union, as well as a successful conclusion of the Uruguay Round.

The EC's current economic slow-down must be seen against the back-drop of an overall downturn in world economic conditions: world economic growth (excluding the EC) practically ground to a halt in 1991, measuring 0.2 percent in real terms, and growth in the volume of world trade (excluding the EC) dropped to less than 2 percent in 1991 from over 7 percent in 1988. Cyclical factors, reinforced by the negative effects of the Gulf crisis, have pushed into recession the economies of many important industrialized countries. The transformation occurring in the countries of Central and Eastern is provoking a temporary slowdown in output in those countries, but the effect on the Community remains limited.

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MAIN ECONOMIC INDICATORS 1989-1991
Community, USA and Japan

(a) GDP at constant prices (1) (annual % change)					
	1989	1990	1991*	1992*	1993*
B	3.9	3.7	1.3	2 1/4	2 1/2
DK	1.2	2.1	1.8	3	3 1/4
D	3.3	4.7	3.3	2 1/4	1 3/4
GR	2.8	-.3	.7	1 1/4	2
E	4.8	3.7	2.5	3	3 1/4
F	3.8	2.8	1.3	2 1/4	2 1/2
IRL	5.9	5.7	1.3	2 1/4	2 3/4
I	3.2	2.0	1.1	2	2 1/2
L	6.1	.9	3.0	3 1/2	3 1/2
NL	4.0	3.9	2.3	1 1/4	2
P	5.4	4.0	2.0	1 3/4	2
UK	2.2	.8	-1.8	2	2 3/4
EC	3.3	2.8	1.3	2 1/4	2 1/2
USA	2.8	.9	-.4	2	2 1/4
JAP	4.9	5.8	4.8	3 1/2	3 1/2

(b) Domestic demand at constant prices (annual % change)					
	1989	1990	1991*	1992*	1993*
B	4.9	3.4	1.2	2 1/4	2 1/4
DK	.3	-.7	.4	2	3 1/4
D	2.7	3.0	3.0	2 1/4	2
GR	3.3	3.3	-.3	1	2 1/4
E	7.8	4.8	3.1	3 1/2	3 1/2
F	3.2	3.2	1.1	2	2 1/4
IRL	6.0	5.4	.6	1 1/4	1 3/4
I	3.6	1.9	1.5	2 1/4	2 3/4
L	7.8	2.2	4.3	3 3/4	3 3/4
NL	4.9	3.6	2.1	1/4	1 1/2
P	4.0	5.8	4.6	3 1/4	3 1/4
UK	3.1	-.1	-3.0	2 1/4	3
EC	3.7	2.9	1.1	2 1/4	2 1/2
USA	2.2	.5	-1.0	2	2
JAP	5.7	5.8	3.4	3 3/4	3 3/4

(c) Deflator of private consumption (annual % change) (inflation)					
	1989	1990	1991*	1992*	1993*
B	3.5	3.5	3.2	3 1/2	3 1/2
DK	5.1	2.6	2.4	2 1/4	2 1/2
D	3.1	2.8	3.5	4 1/4	4
GR	14.7	20.2	18.3	14 1/4	11
E	6.8	6.4	5.8	5 1/2	5 1/4
F	3.5	2.9	3.0	3	2 3/4
IRL	3.9	2.6	-3.0	3	2 3/4
I	5.8	6.2	6.4	5 1/4	5 1/4
L	3.4	4.2	3.4	3 3/4	3 1/4
NL	2.9	2.5	3.2	3 1/2	3 1/4
P	12.8	13.6	11.7	9 1/2	7 3/4
UK	5.9	8.4	6.5	4 1/2	4
EC	4.9	5.2	5.0	4 1/2	4 1/4
USA	4.5	5.0	4.4	4 3/4	5
JAP	1.7	2.4	2.8	2 1/2	2 1/2

(d) Balance on current transactions (as a % of GDP)					
	1989	1990	1991*	1992*	1993*
B	1.1	1.0	1.0	1	1 1/4
DK	-1.2	.8	1.4	2 1/4	2 1/2
D	4.7	3.2	-1.1	-1	-3/4
GR	-4.8	-6.1	-4.1	-3 1/4	-2 3/4
E	-3.2	-3.5	-3.1	-3 1/4	-3 1/4
F	-.1	-1.0	-.7	-3/4	-3/4
IRL	1.3	3.4	2.3	2	1 3/4
I	-1.4	-1.4	-1.3	-1 1/2	-1 3/4
L	34.4	31.2	28.1	26	25 1/2
NL	3.3	3.8	4.1	4 1/2	4 3/4
P	-2.9	-.3	-1.1	-1 1/2	-2 1/2
UK	-4.8	-2.6	-1.1	-1 1/2	-1 1/4
EC	-.1	-.2	-.8	-1	-3/4
USA	-1.9	-1.6	-.1	-3/4	-3/4
JAP	2.1	1.2	1.5	1 1/2	1 3/4

(*) Based on the forecasts of October 1991.

(1) GNP for USA and Japan from 1990 onwards.

Source : Commission services.

The member states of the European Community are Belgium (B), Denmark (DK), Federal Republic of Germany (D), Greece (GR), Spain (E), France (F), Ireland (IRL), Italy (I), Luxembourg (L), Netherlands (NL), Portugal (P), and United Kingdom (UK).

(e) Number of unemployed as % of the civilian labour force					
	1989	1990	1991*	1992*	1993*
B	8.5	8.1	8.6	8 1/2	8 1/2
DK	7.7	7.9	9.2	9	8 1/2
D	5.5	5.1	4.8	5	5 1/2
GR	7.5	7.5	8.8	9 1/4	9 3/4
E	17.1	16.1	15.8	15 1/2	15 1/4
F	9.4	9.0	9.5	10	10 1/4
IRL	16.0	15.6	16.8	18	18 1/2
I	10.7	9.8	9.4	9 1/2	9 1/4
L	1.8	1.8	1.8	1 1/2	1 1/2
NL	8.7	8.1	7.2	7 3/4	7 3/4
P	4.8	4.6	4.0	4 1/4	4 3/4
UK	7.0	6.4	8.4	9 3/4	10
EC	8.9	8.4	8.6	9	9 1/4
USA	5.3	5.5	6.7	7	6 3/4
JAP	2.3	2.1	2.2	2 1/4	2 1/4

(f) General government lending and borrowing (as a % of GDP)					
	1989	1990	1991*	1992*	1993*
B	-6.7	-5.6	-6.3	-6 1/4	-5 3/4
DK	-5	-1.5	-1.7	-1 1/2	-1/2
D	2	-1.9	-3.6	-3 1/4	-3 3/4
GR	-18.3	-19.8	-17.3	-14	-10 1/4
E	-2.7	-4.0	-3.8	-3 1/2	-3 1/4
F	-1.2	-1.6	-1.5	-1 3/4	-1 1/2
IRL	-3.5	-3.6	-4.1	-4	-4
I (2)	-10.1	-10.6	-8.9	-9 1/4	-9 1/2
L	4.3	4.7	1.9	2	2
NL	-5.2	-5.3	-4.4	-4	-3 3/4
P	-3.4	-5.8	-5.4	-4 1/2	-4
UK	1.3	-7	-1.9	-3 1/2	-3 1/4
EC	-2.9	-4.1	-4.4	-4 1/2	-4 1/4
USA	-1.7	-2.4	-2.3	-2	-1 1/2
JAP	2.5	2.2	1.8	2	2

(g) Total employment (annual % change)					
	1989	1990	1991*	1992*	1993*
B	1.6	.9	-3	0	1/4
DK	-6	-4	-1.0	0	1
D	1.4	2.8	2.8	1	1/4
GR	.4	.2	-.8	-0	1/4
E	3.6	2.6	.7	1 1/4	1 1/2
F	1.1	1.2	.4	-0	1/2
IRL	-.1	1.3	.0	1/4	3/4
I	.2	1.0	.9	1/2	3/4
L	4.0	4.2	1.9	1	1 1/2
NL	1.6	2.1	1.0	-1/4	0
P	1.0	1.1	1.1	0	-1/2
UK	2.8	.4	-2.3	-3/4	1/2
EC	1.8	1.4	.5	1/4	1/2
USA	2.3	.5	-.8	1	1 1/2
JAP	1.9	2.0	1.6	1 1/2	1 1/2

(h) Real compensation of employees per head (annual % change) (3)					
	1989	1990	1991*	1992*	1993*
B	.1	2.8	1.9	2 1/4	2
DK	-1.6	1.0	1.1	1 1/4	1 1/2
D	-2	1.5	2.6	1 1/2	1 1/2
GR	2.9	.0	-1.7	-2 1/4	-3/4
E	-5	1.2	1.8	1 1/4	1 1/4
F	1.2	1.9	1.5	1	1
IRL	2.2	5.9	3.5	3	2 1/4
I	3.0	3.9	1.7	1 1/2	1 1/2
L	3.0	.8	1.3	1 1/4	1 3/4
NL	-2.4	1.1	1.5	1 1/2	2
P	.8	3.7	6.6	4 1/2	2
UK	2.8	2.7	1.7	1 1/4	1 1/2
EC	1.1	2.3	2.0	1 1/4	1 1/4
USA	-1.0	-.1	.3	-0	-1/4
JAP	2.5	1.8	1.0	1	1

(*) Based on the forecasts of October 1991.

(2) 1992 and 1993 : Does not fully incorporate the effects of the measures of the convergence program.

(3) Deflated by the deflator of private consumption.

Source : Commission services.