



**European  
Community**

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## COMMON MARKET COMMISSION FINDS BUSINESS BOOMING BUT FEARS INFLATION IN 1970

WASHINGTON, D.C., April 24, 1970 -- The European Communities Commission, looking at the Common Market's economy at the end of 1969 and in early 1970, found business decidedly booming and the seasonally adjusted level of unemployment very low. At the same time, the Community's balance of trade with non-member countries had deteriorated since last October.

The Commission, in its first quarterly economic survey for 1970, also found that the growth of real gross Community product from 1969 to 1970, at 5.5 per cent, would be higher than forecast in the last quarterly survey. It said that imports from non-member countries would soar in 1970 while exports were expected to show only a modest rise, and that there was no reason to fear continued price inflation as in 1970 the costs per unit of output in most member countries increased.

While business boomed, the rapid rise in aggregate demand did slow a little as demand from major non-member countries slackened and private consumption temporarily leveled off. Still, the slower pace of production growth was placing a great strain on the relationship between supply and demand. The supply lag was due to the unusually high degree of technical

capacity utilization and acute labor shortage, to bad weather, and to industrial disputes (particularly in Italy).

Prices rose as a result of the pressure of demand for goods and services and increased costs.

At the same time that the Community's balance of external trade declined, its capital account has been showing heavy deficits due mainly to massive outflows of money and capital from Germany following revaluation of the mark. Official gross gold and foreign exchange reserves therefore dropped sharply.

Outlook for the Remainder of 1970

The Commission felt that the growth of external demand was likely to slacken further as the world's business climate continued to cool. Internal demand, in contrast, may expand more vigorously than expected, especially in the first half of the year.

Private consumers' expenditure, in particular, should rise appreciably, and investment activity was expected to remain at a high level. Thus, the expansion of demand will continue to outstrip possibilities for an increase in production, though in the second half of 1970 the gap between supply and demand may narrow.

The deficit in the Communities balance of trade would continue to grow, despite an improvement in the terms of trade.

In short-term economic policy, the survey stressed that the restrictive line to curb inflation, recommended by the Commission at the end of 1969, be continued. These recommendations included a call for stringent budget and tight monetary policies by the national governments, as well as development of economic and social policies to ensure balanced economic growth.