II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 21 December 1989

adopting the 1989 to 1990 annual report on the economic situation in the Community and economic policy guidelines to be followed in the Community for 1990

(89/685/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Decision 74/120/EEC of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community [1], as amended by Decisions 75/787/EEC [2] and 79/136/EEC [3], and in particular Article 4 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament [4],

Having regard to the opinion of the Economic and Social Committee [5],

HAS ADOPTED THIS DECISION:

Article 1

The 1989 to 1990 annual report, attached to this Decision, is hereby adopted as are the economic policy guidelines to be followed in the Community in 1990, set out in that report.

Article 2

This Decision is addressed to the Member States.

Done at Brussels, 21 December 1989.

For the Council

The President

E. CRESSON

(1) OJ No L 63, 15. 3. 1974, p. 16.
(2) OJ No L 330, 24. 12. 1975, p. 52.
(3) OJ No L 35, 9. 2. 1979, p. 8.
(4) Opinion delivered on 13 December 1989 (not yet published in the Official Journal).
(5) Opinion delivered on 16 November 1989 (not yet published in the Official Journal).

FACING THE CHALLENGES OF THE EARLY 1990s

ANNUAL ECONOMIC REPORT 1989 to 1990

CONTENTS

FACING THE CHALLENGES OF THE EARLY 1990s

INTRODUCTION

The state of the Community economy at the outset of the new decade is quite promising. Important steps are being taken towards economic, financial, monetary and social integration. Fundamental improvements which have been achieved during the 1980s are resulting in a significantly better growth and employment performance.

Unemployment is still very high, however, and levels of GDP per head are still very different throughout the Community. In addition, there is a risk that the persistence or indeed the worsening of certain negative features which have characterized the Community economy over recent years — inflation, current account imbalances and budgetary disequilibria — could endanger the continuation of the present expansion and of further progress towards monetary stability in the Community.

Economic policy in the Community faces two major challenges:

(i) to *strengthen further the determinants of growth;*

(ii) to *improve convergence towards stability.*

The first arises out of the need to reduce unemployment further and to ensure that the less prosperous regions continue catching up.

The second results from a double necessity; on the one hand, that of preventing a resurgence of inflationary expectations from endangering the continuation of growth; on the other, that of improving the conditions for exchange rate stability — and for the success of stage one of economic and monetary union (EMU) — by reducing divergences in inflation, in current account balances and in budgetary positions.

I. THE SHORT-TERM OUTLOOK

In the *Community*, economic growth is continuing strongly and presents, in most countries, the same healthy features of the past two years. Investment and exports remain the most dynamic components of demand while the determinants of growth continue to improve, even if more slowly than in 1988. Measures aimed at preventing overheating or at curbing excessive current account deficits are succeeding in dampening demand and output growth.

TABLE 1

The EC economy — use and supply of goods and services

(Annual percentage change)

	Average 1982 to 1984	Average 1985 to 1987	1988	1989 (**)	1990 (**)
Private consumption	1,2	3,4	3,8	3	3
Government consumption	1,6	2,2	2,0	1½	1¾
Gross fixed capital formation	− 0,1	3,6	8,4	7	4¾
Domestic demand (including stocks)	1,3	3,4	4,8	3¾	3
Exports of goods and services (*)	2,6	1,8	4,9	7¼	6
Total demand	1,4	3,2	4,8	4¼	3¼
Imports of goods and services (*)	0,4	7,9	11,9	9½	5¼
GROSS DOMESTIC PRODUCT	1,6	2,6	3,8	3½	3

(*) Extra-Community trade only.
(**) Forecasts.

Real output will expand in 1990 by about 3 %. This is lower than the 3,8 % achieved in 1988 and the 3½ % likely to be recorded in 1989, but it is still higher than any of the first six years of the present period of expansion. Investment also is not expected to increase as fast as in 1988 and 1989 in response to the deceleration of demand, to the tightening of policies and to the coming on stream of the capacities created over recent years. It should, however, still grow at an average rate of almost 5 %. Exports of goods and services to the rest of the world should continue to grow strongly (more than 6 % in real terms), in line with the expected increase in world trade.

Inflation (private consumption deflator) has accelerated between mid-1988 and mid-1989 under the combined impact of higher import prices, higher wages in some countries and higher taxes and public service charges in others. Thanks to a swift reaction by monetary policy-makers and to a softening of import prices in the course of 1989, this trend now appears to have been halted. In 1990, average inflation in the Community could be reduced to about 4½ % from 5 % in 1989. This compares with a rate of just 3,6 % in 1988. The average masks the fact that rates within the Community differ widely, with certain Member States still experiencing double digit inflation.

Some of the best news keeps coming from the labour market. After the record increases of 1988 and 1989, another 1½ million jobs should be added in 1990 [1]. As a result, unemployment in the Community will continue to decrease and might fall below 9 %, a level still much higher than that prevailing at the beginning of the 1980s [2].

(1) The 'Employment in Europe' report published in June 1989 gives additional information on employment trends in the Community.
(2) Unemployed according to the EC labour force survey, which provides comparable unemployment rates for the Member States. The corresponding figure using the registered unemployment data which were used in previous annual economic reports would be about 10 %.

Also reassuring is the news on the current account of the Community which should remain in broad equilibrium. The divergence in the external positions of the Member States, however, is expected to go on increasing.

The outlook for *the rest of the OECD* is also positive and broadly similar to that for the Community, though the deceleration of growth is likely to be more pronounced. Output is forecast to expand next year by just over 2½ % against 3½ % in 1989 and 4,6 % in 1988. This reflects essentially a marked slowdown in the USA and Canada (about 2 % in 1990 in both countries against 4,4 % and 5 % respectively in 1988).

Elsewhere growth should continue more or less at the same rate as in 1989 and with the same regional differences. The Asian newly industrialized economies should again experience growth rates of about 6 %, significantly faster than in the OPEC and in Eastern Europe. Growth in the most indebted LDCs continues to be seriously constrained by the debt burden. As for the payments imbalances of the world's largest economies, the US deficit and the Japanese surplus have been reduced somewhat in 1989, but they are forecast to increase again in 1990.

II. A MUCH IMPROVED ECONOMY

The 1989 performance confirms that the Community economy is now functioning distinctly better than during most of the previous two decades. It is useful to examine what has taken place in two related areas: the expansion of investment and the creation of new jobs. The results achieved are impressive, but not yet sufficient to ensure the reduction of unemployment to more acceptable levels.

TABLE 2

The improvement of the EC economy through the 1980s

(Annual percent change, unless otherwise indicated)

	Average 1982 to 1984	Average 1985 to 1987	1988	1989 (*)	1990 (*)
GDP growth	1,6	2,6	3,6	3½	3
Employment	−0,5	0,8	1,6	1½	1
Inflation (private consumption deflator)	8,7	4,4	3,6	4¾	4½
Investment	−0,1	3,6	8,4	7	4¾
— of which equipment	1,1	6,9	10,6	9¼	6
Capital stock	2,3	2,3	2,6	2¾	3
Real unit labour costs (1961 to 1973 = 100)	101,7	98,3	96,8	96,1	95,7
Profitability (1961 to 1973 = 100)	68,0	78,0	84,1	86,2	87,6

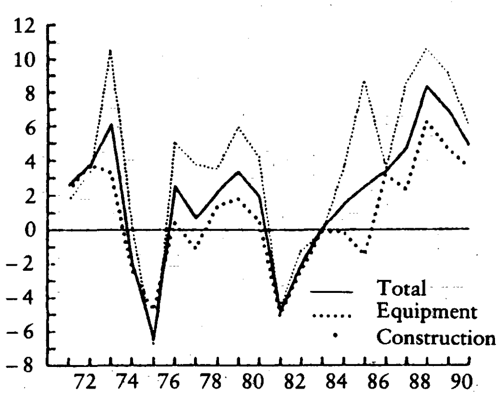
(*) Forecasts.

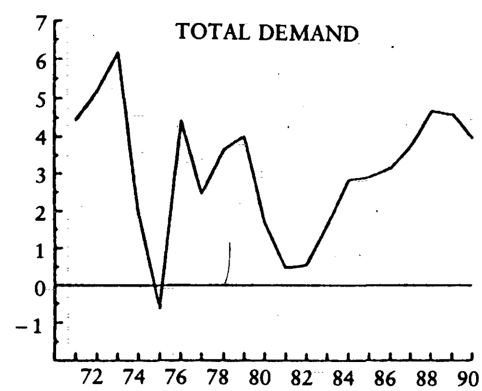
Growth has become investment-led

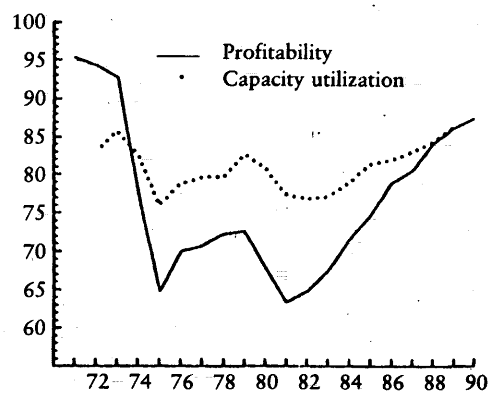
In the second half of the 1980s the Community moved to investment-led growth. The amount of investment in equipment by Community firms in 1989 will exceed the 1986 figure by one-third. This impressive investment performance became possible because, in the Community as a whole, the profitability of the capital stock has recovered steadily since 1981. The moderate increases in real wages compared with productivity growth have been the major reason for the recovery of the rate of return on productive capital, but declining energy prices and a recovering capital productivity have also helped. When, in the second half of the 1980s, final demand began to strengthen and Community policies — the internal market programme — began delivering additional impulses, firms were in a position to exploit fully the opportunities available.

Chart 1

Investment and some of its determinants







Among the less prosperous countries, Spain, Portugal and, more recently, Ireland have experienced a rapid growth of investment. This has been made possible by a substantial wage adjustment and the consequent increase in profitability. The resulting significant increase in the share of investment in GDP (financed largely by imports of capital in Spain and Portugal) has contributed to faster growth of GDP per head than in the rest of the Community. In the case of Spain and Portugal, joining the Community has provided an additional and substantial impulse. Fundamental structural adjustments are still required in Greece, if it is to catch up on the rest of the Community. In particular, the necessary increase in investment will require a substantial adjustment of real unit labour costs.

The sustainability of the investment performance in the Community has also been facilitated by the simultaneous rise in the national savings ratio. This has permitted investment to accelerate while overall external equilibrium has been maintained. The rise in the national savings ratio has been largely due to a reduction in government dissaving: in 1989 government saving has become positive again after declining to − 1,3 % of GDP in 1981 from + 5 % in 1970.

Despite the remarkable improvement over the 1980s, however, the profitability of fixed capital and the share of investment in GDP are still below the levels of the quasi-full employment 1960s.

. . . and more employment-creating,

With faster economic growth, job creation has speeded up. At the same time the employment content of growth has increased substantially. In the 1960s, annual GDP growth of 4,8 % barely created 0,3 % of new employment. Today, a GDP growth trend of slightly above 3 % is accompanied by net annual employment expansion of more than 1 %. This result is due to various factors: the change in the trend of relative factor costs, the greater flexibility of working practices, the reduction of working hours per person employed, the extension of part-time employment, the steady expansion of the service sector and measures to improve the adaptability of the labour market.

Notwithstanding the favourable employment trend, unemployment has declined only slowly. In 1990, the Community average will still be about 9 % with significant differences among Member States. Youth unemployment is still particularly high, although it has improved considerably in recent years. The increase in long-term unemployment appears to have been halted. With employment now increasing rapidly, a more determined use of specific measures (vocational education and training) would be most effective in reducing this type of unemployment.

. . . but more is necessary.

A significant reduction in unemployment over an acceptable time span requires yearly increases in employment of at least $1^1/_2$ %. On present trends, such increases could be attained with rates of economic growth of about $3^1/_2$ %. This was the pattern aimed at in the 'cooperative growth strategy for more employment'. Developments in 1988 and 1989 have corresponded almost exactly to such a pattern. To repeat fully these very good performances in the immediate future will be difficult, however, because of the need to curb the growing macro-economic disequilibria before they begin to affect adversely the determinants of growth.

Thus, a further improvement in the determinants of growth and in the functioning of the economy is needed to place the Community economy on the sustainable medium-term growth path that can produce the required employment increases and make possible a lasting catching up by the less prosperous countries. To this end the Community has since 1985 developed a coherent policy approach.

The completion of the internal market, which is creating a new dynamism, is becoming an important engine of growth and a greater potential. To realize fully this potential, growth and employment policies along the lines indicated in the annual economic reports of recent years must be continued in all Member States and especially in those where GDP per head is lowest and the long-term growth potential is highest; in these countries Community aid and regional and social policies will support the catching up process. The full implementation throughout the Community of the social dimension principles would considerably strengthen its economic and social cohesion. Such a comprehensive policy approach would facilitate progress towards EMU.

The stronger and more balanced growth that could become possible in the next decade must be made compatible with increased environmental protection. The extra resources generated by stronger growth could moreover provide the means for an active policy to tackle the environmental problems.

III. IMPROVING CONVERGENCE TOWARDS STABILITY

The present favourable trends (faster growth, higher employment and the real convergence resulting from the catching up process) can be maintained only if inflationary expectations are controlled and excessive balance of payments disequilibria and budgetary deficits are reduced. In addition, the first stage of economic and monetary union, starting next year, will require greater nominal convergence. This means convergence towards the best results in terms of price and cost developments, which is possible only if current account and budgetary balances are compatible with internal and external stability.

Convergence of economic performances in the Community still needs to be substantially improved even if it is now much better than at the beginning of the 1980s. The narrow band countries of the

EMS (1) form a group in which the present degree of price convergence and monetary cohesion, despite the recent acceleration of inflation, is broadly satisfactory. In these countries, the priority during the first stage of EMU should be to win back the ground lost and subsequently to maintain this result. In the other countries, economic convergence towards the better performing Member States still appears a distant objective, and determined efforts will be required. In these countries inflation is still very high and large budget deficits and/or high nominal wage increases are interfering with stability-oriented monetary policies.

Resume progress towards price stability

Between mid-1988 and mid-1989, the Community lost some of the ground it had won during the 1980s in the fight against inflation. It is important that this loss be made good before inflationary expectations build up once more. The sooner this is done, the lower will be the price paid in terms of lost growth and employment. The Community has shown that it can successfully reduce inflation even when the external environment seems to be unfavourable: the halving of inflation between 1980 (13 %) and 1985 (6 %) occurred despite depreciating European currencies and consequently higher import prices.

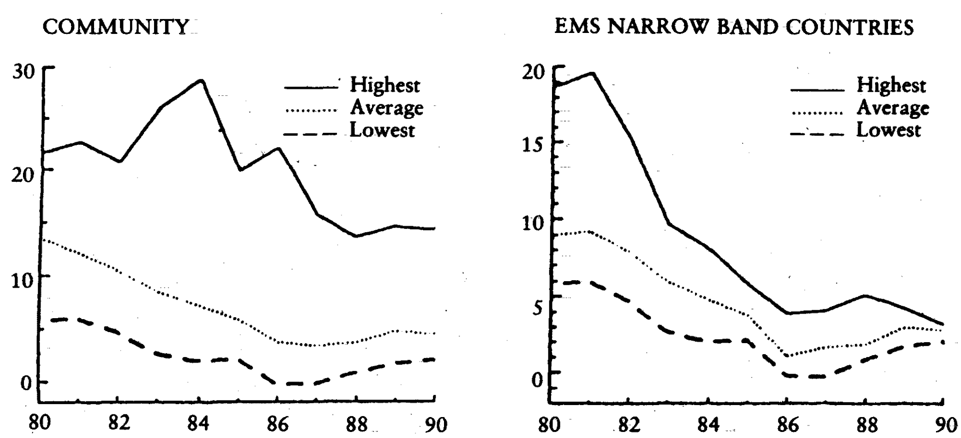
It is particularly urgent to reduce inflation where it is widely out of line with the rest of the Community. In Portugal, Greece and, to a lesser extent, in the United Kingdom, Spain and Italy inflation is still too high. This is not consistent with exchange rate stability over the longer term.

Monetary policies have been tightened as was necessary, but the other policies are not contributing enough.

Chart 2

EC price convergence

(Private consumption deflator)



If the convergence of costs and prices towards stability is not achieved quickly enough, the cumulative losses of competitiveness and the resulting current account disequilibria will continue to increase. This would lead to either a widening of interest rate differentials or exchange rate pressures. The former would be painful in terms of foregone investment and growth; the latter would create risks for exchange rate stability.

In the United Kingdom the economy is undergoing an adjustment aimed at curbing inflation which should also reduce the country's external deficit. However, the longer it takes to reduce wage increases — unit labour costs for the whole of the economy are rising significantly faster than the average for the rest of the Community — the greater will be the adverse effect on profits and the risk of thwarting future investment, growth and employment. There are signs that in Spain and Italy the conflict

(1) Belgium, Denmark, France, Federal Republic of Germany, Ireland, Luxembourg, the Netherlands.

between the need to keep inflation under control via monetary policy and wage increases which are too high is already taking its toll on the current account balance.

Achieving a better pattern of current account positions

The growing financial and monetary integration of the Community makes it possible to finance higher current account imbalances than in the past. Indeed, one would expect that the movement of capital towards the most productive uses would result in an intra-Community pattern of substantial current account imbalances. To the extent that the surpluses find their counterpart in the deficit of the less favoured countries, the imbalances can be seen as contributing to the catching-up process of the latter where there is a need for increasing investment.

The sum of the current account deficits of Spain, Portugal and Greece (Ireland is experiencing a modest surplus which is not inappropriate given the level of its outstanding foreign debt) in 1989, however, is equivalent to about 1¼ % of the GDP of Germany, i.e. the combined deficits of these countries 'explain' less than one-quarter of the German surplus.

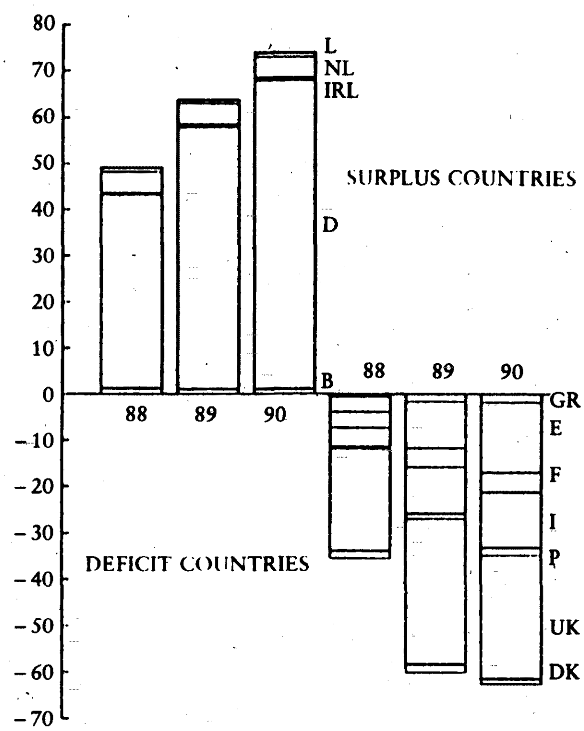
The exceptionally high level of the German surplus, which could exceed in 1990 5 % of GDP, may call into question exchange rate stability in the Community.

The counterpart of the German surplus is found largely within the Community, in the United Kingdom, Italy, Greece, Spain and Portugal, where domestic demand has grown faster than supply for some time. The below-potential growth expected in the United Kingdom next year should help to reduce somewhat the current account deficit from its 1989 level. A significantly slower growth of unit labour costs than is forecast would also help in this context.

Chart 3

Current account balances

(in thousands of millions of ecus)



The deficit of Greece is worrying both for the speed of its deteration and for its origin, which lies essentially in a lack of competitiveness of the exporting sectors. This results from wage increases which are too high relative to productivity and to excessive public finance deficits. The deficits of Spain and Portugal, to the extent that they are due to a rapid increase in imports of investment goods and are financed by long-term capital, are in line with the development pattern expected in countries that are catching up. They have reached a point, however, where additional deterioration would force the authorities to intervene further to correct them. If the deficit is not reduced by raising exports or lowering imports of consumption goods, the continued expansion of investment that these countries need might be impeded.

Denmark is already experiencing a period of slow growth necessary to bring the current account to a position which will make the substantial external debt accumulated over many years more manageable. A continuation of the wage moderation of the last few years is necessary to improve the price competitiveness of Danish exports.

Budgetary policies should contribute more to growth and stability

In many countries budgetary policies are not helping sufficiently to create conditions favourable to healthy economic growth. Budgets deficits and public debt to GDP ratios are still very high and increasing in Greece, Italy and Portugal. In Belgium, Ireland and, to a lesser extent, in the Netherlands budget consolidation needs to be continued. These countries should exploit better the present strength of economic growth to reduce their budgetary imbalances.

The situation is particularly serious in Greece, Italy and Portugal. In these countries excessive public expenditure is one of the main explanations of the still high levels of inflation and of the balance of payments problems.

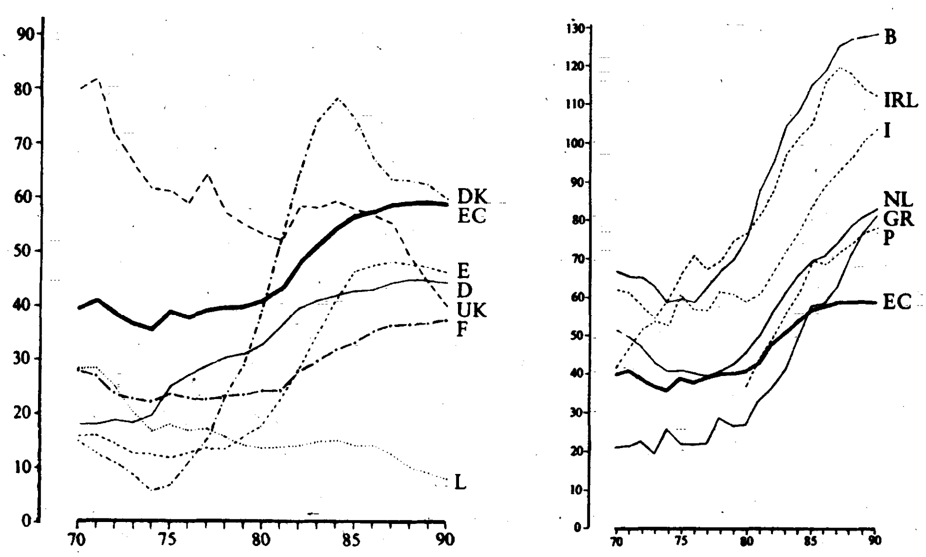
The stronger coordination in the Community that will be required for the first stage of economic and monetary union could help reorient budgetary policies towards supporting growth and contributing to greater nominal convergence. Such coordination is also necessary to take into account the implications of policies defined at the Community level. Since they have to match Community funding, the recipient countries must free the resources needed to keep pace with rapidly increasing payments from the Structural Funds. Strengthened coordination could evolve around two complementary approaches.

Chart 4

Trend of gross public debt, as % of GDP

(a) Countries with public debt below or very close to the Community average in 1988

(b) Countries with high public debt in 1988



Firstly, budgetary policy has to be conducted in a medium-term perspective and must create conditions favourable to healthy economic growth as well as facilitating the task of stability-oriented monetary policy. This implies the application of four medium-term rules of behaviour leading to sound public finances and on which a certain consensus has emerged in the Community:

— the non-monetary financing of public deficits,

— the stabilization and reducion of public debt,

— the avoidance of the negative effects on economic conditions of an increase in public expenditure and

— the search for an expenditure and receipts structure more favourable to supply conditions.

Secondly, in the framework of the overall medium-term economic policy mix, budgetary policy must contribute, as far as possible, to the reduction of existing or to the avoidance of future fundamental disequilibria which could eventually lead to exchange rate changes and create difficulties for the process of EMU.

IV. ENSURE FAVOURABLE PROSPECTS FOR THE 1990s

The two economic policy challenges facing the Community — *strengthening further the determinants of growth* and *improving convergence towards stability* — require a determined effort.

The reinforcement of the determinants of growth requires above all that the structural policies which have been implemented over the last decade must continue to be applied. In this area there is a marked complementarity between national and Community policies. Efforts undertaken at the national level are receiving and will continue to receive considerable support from the rapid implementation of the Community policies.

Control of the growing macro-economic disequilibria is essentially, but not uniquely, a task for macro-economic policies implemented by each individual Member State. Their effectiveness will be greatly enhanced by strengthened coordination at the Community level.

IV.1. COMMON POLICIES

The suppression of all frontiers for products and factors of production aimed at in the White Paper and the broader Community policies are increasingly being integrated with a set of structural reforms at the level of the Member States. The opening of frontiers will increase competition and the ability to achieve economic gains through greater efficiency and specialization in production and increases in consumer choice. This process will result in an improvement in productivity which would allow investment, output and employment to expand substantially without giving rise to inflationary pressures.

The Single European Act embodies the political decision to develop the different policy functions (internal market, competition policy, R&D and technology, social policy, Structural Funds and cohesion, environmental policy etc.) in an integrated manner. The sum of these national and Community actions will secure a lasting improvement in the macro-economic performance.

The completion of the *internal market* is proceeding rapidly. High expectations have been created which must not be disappointed. The Commission has drafted more than 90% of the planned proposals and by the end of 1989 almost all will have been tabled at the Council. In finally approving some 130 directives and regulations and agreeing on 15 partial approvals or common positions, the Council has completed more than 50% of the programme. Governments must step up the introduction of these decisions into their national legislation if the decision-making process is not to be perceived as losing momentum. Otherwise the expectations created would be disappointed and this would adversely affect investment, growth and employment.

The 1992 programme is being bolstered and in some cases anticipated by measures taken at national level (see box). This interacts with structural adjustment measures which Member States have been implementing for years. This process of complex structural reforms is self reinforcing as competition is not limited to the market place, but also extends to the services provided by governments and the environment offered to firms.

There is growing evidence (the latest comes from an *ad hoc* survey organized by the Commission) to show that firms expect the completion of the internal market to have profound consequences for their activity in the run up to 1992 and beyond. Firms are already incorporating new market-enlarging horizons into their business strategies, and a sizeable share of the faster rate of growth of investment may be attributed to their adaptation to an increasingly competitive environment.

NATIONAL STRUCTURAL ADJUSTMENT INITIATIVES

TAX CHANGES

Tax reforms have been adopted or announced by all Member States. All involve simplifying the existing system and most entail reducing personal and corporate taxation.

Several Member States have taken steps towards harmonization. France is progressively lowering VAT, Italy has raised its lowest rates, and the Netherlands has reduced the higher rate and abandoned plans to raise the lower rates. Increases in excise duties have been implemented or are planned in Belgium and Italy and reductions are envisaged in Denmark. France's 1990 budget includes measures to reduce the incidence of tax on investment income, bringing it nearer to the EC average.

REGULATORY REFORM

Goods and services: Administered prices have been eliminated in France and are being phased out in those countries that still retain them (Greece, Spain, Portugal). In Germany the Federal Government has adopted a law to restructure the post office which will break up the federal post's monopoly in the market for telecommunication hardware for final users.

Financial markets: In Greece and Portugal the process of shifting away from interest rates administered by the central bank and towards market-determined rates is underway. Spain is proceeding with modernization of financial markets. In Ireland changes have been made in both the regulatory system and the financial markets. In Belgium changes are envisaged that will bring the regulatory framework and the structure of markets and institutions more into line with those of other European financial centres.

Exchange controls: In France and Italy the final stages of removing controls will be completed by July 1990. Ireland substantially relaxed controls at the end of 1988. Greece, Spain and Portugal, whose deadlines for liberalizing capital movements are later than for the rest of the Community, are all moving to dismantle exchange controls.

The dynamism resulting from the progressive opening of the internal market implies an acceleration of the normal economic adjustment process. This could be slowed down, or indeed prevented from taking place, by various measures and practices aimed either at directly reducing competition or at avoiding its effects (agreements sharing markets among companies, increased state subsidies, etc.). To achieve the aims of the internal market programme it is important that an effective *competition policy* accompanies the progressive removal of barriers.

Nevertheless accelerated sectoral adjustments might be particularly painful and involve job losses in certain sensitive sectors. At the macro-economic level, the positive employment effects of the completion of the internal market might be delayed. The stronger is overall economic growth, however, the greater are the chances that the job losses in certain sectors will be more than offset by simultaneous job creation elsewhere. Nevertheless, sectoral and regional adjustments will have to be closely monitored and, if necessary, their social impact will have to be cushioned.

IV.2. COORDINATION OF NATIONAL MACRO-ECONOMIC POLICIES

The creation of the internal market is increasing the economic interdependence between the Member States and progressively reducing the scope for independent policy action. The liberalization of capital movement and the approximation of indirect taxes, to mention just two important elements of the internal market programme, will exert a profound influence on policy-making at the national level.

The greater convergence towards stability needed to ensure the continuation of growth and progress towards economic and monetary union requires a determined action from individual Member States and a more effective coordination between them. Coordination of economic policies within the Community has never been an easy task. Since the early 1980s, however, progress has been made in this area as well and coordination has become much more effective.

Economic policy coordination cannot be successfully achieved through a centralized decision-making procedure with obligations imposed on Member States. Instead a system of multilateral surveillance should be developed in which objectives are progressively set in common and Member States take full account of the interaction between their economies within the Community in setting their own policies.

The recent increase in official lending rates in many Community countries is a clear example of the level of economic and monetary interdependence, not only between EMS narrow band Member States, but throughout the Community. In a learning-by-doing process, Member States should reach a broad consensus on the fundamental policy approach to achieve the main objectives of economic and monetary policy indicated in the Treaty such as growth, price stability and a high level of employment.

MAIN ECONOMIC INDICATORS 1986 TO 1990

COMMUNITY, USA AND JAPAN

(a) **GDP at constant prices**
(% change on previous year (¹))

	1986	1987	1988	1989 (*)	1990 (*)
B	1,9	2,0	4,0	4¹/₄	3¹/₄
DK	3,3	−1,0	−0,4	1³/₄	2
D	2,3	1,9	3,7	3³/₄	3¹/₂
GR	1,2	−0,4	4,0	2¹/₂	2¹/₄
E	3,3	5,5	5,0	4³/₄	4
F	2,1	2,2	3,4	3¹/₄	3¹/₄
IRL	−0,4	4,1	3,7	5	4¹/₂
I	2,9	3,1	3,9	3¹/₂	3
L	4,7	2,5	5,2	3³/₄	3¹/₄
NL	2,1	1,3	2,8	3³/₄	3
P	4,3	4,7	3,9	4³/₄	4¹/₂
UK	3,1	3,8	4,2	2¹/₄	2
EC	2,6	2,8	3,8	3¹/₂	3
USA	3,0	3,6	4,4	2³/₄	2
JAP	2,4	4,3	5,8	4³/₄	4¹/₄

(b) **Domestic demand at constant prices**
(% change on previous year)

	1986	1987	1988	1989 (*)	1990 (*)
B	3,0	3,4	4,0	4¹/₂	3¹/₄
DK	5,4	−3,2	−2,2	³/₄	1
D	3,5	3,2	3,8	2³/₄	3
GR	−1,8	−1,8	3,5	3¹/₂	2³/₄
E	6,1	8,5	6,7	6³/₄	5¹/₄
F	3,9	3,3	3,8	3¹/₄	3¹/₄
IRL	1,4	−1,5	0,2	5	4¹/₄
I	3,6	4,8	4,3	4	3³/₄
L	2,3	2,5	4,6	3¹/₄	3
NL	3,5	2,1	2,3	4¹/₄	2³/₄
P	8,4	10,6	8,3	5¹/₂	5
UK	3,8	4,3	7,3	3³/₄	³/₄
EC	3,9	4,0	4,8	3³/₄	3
USA	3,7	3,0	3,3	2¹/₄	1³/₄
JAP	4,0	5,1	7,8	5¹/₂	4¹/₄

(c) **Deflator of private consumption**
(% change on previous year)

	1986	1987	1988	1989 (*)	1990 (*)
B	0,4	2,2	1,2	3¹/₄	3¹/₂
DK	3,4	4,1	4,9	4³/₄	3
D	−0,2	0,7	1,1	3	2³/₄
GR	22,0	15,7	13,9	14¹/₄	15
E	8,7	5,4	5,1	6³/₄	6¹/₄
F	2,7	3,1	2,7	3¹/₂	2³/₄
IRL	3,9	3,1	2,5	4¹/₄	4
I	5,8	4,8	4,9	6¹/₄	6
L	0,8	2,9	1,5	3¹/₄	3
NL	0,6	−0,3	0,8	1¹/₂	2¹/₄
P	13,5	10,2	9,6	13	11¹/₄
UK	4,4	3,9	5,0	5¹/₄	5¹/₂
EC	3,8	3,4	3,6	4³/₄	4¹/₂
USA	2,2	4,2	4,0	4³/₄	4³/₄
JAP	0,5	−0,1	0	2	2³/₄

(d) **Balance on current transactions**
(as a % of GDP (¹))

	1986	1987	1988	1989 (*)	1990 (*)
B	2,0	1,2	1,0	³/₄	³/₄
DK	−5,2	−3,0	−1,8	−2	−1
D	4,4	3,9	4,1	5¹/₄	5³/₄
GR	−5,2	−2,5	−1,5	−3¹/₂	−3¹/₂
E	1,7	0,1	−1,1	−3	−4
F	0,5	−0,4	−0,4	− ¹/₂	− ¹/₂
IRL	−2,9	1,4	2,0	2	1³/₄
I	0,5	−0,1	−0,6	−1¹/₄	−1¹/₂
L	39,4	33,0	16,4	15	14¹/₂
NL	2,8	1,6	2,4	2¹/₄	2
P	3,9	1,8	−1,4	−2³/₄	−3¹/₂
UK	−0,9	−1,6	−3,2	−4	−3¹/₄
EC	1,4	0,8	0,3	0	¹/₄
USA	−3,4	−3,6	−2,4	−1³/₄	−1³/₄
JAP	4,3	3,7	2,8	2¹/₄	2¹/₂

(*) Forecasts September/October 1989.
(¹) GNP for USA and Japan from 1987 onwards.

(e) **Number of unemployed as % of the civilian labour force**

	1986	1987	1988	1989 (*)	1990 (*)
B	11,9	11,5	10,4	9¼	8¾
DK	5,8	5,8	6,4	7½	7½
D	6,5	6,4	6,4	5½	5¼
GR	8,2	8,0	8,5	8½	8½
E	21,2	20,5	19,6	17½	16½
F	10,4	10,5	10,2	9½	9
IRL	18,3	18,0	17,8	16¾	16¼
I	10,6	10,1	10,6	10½	10½
L	2,7	2,7	2,2	1¾	1¾
NL	10,3	10,2	10,3	10	9½
P	8,3	6,8	5,6	5¼	5¼
UK	11,5	10,6	8,7	6¾	6½
EC	10,8	10,4	10,0	9	8¾
USA	6,9	6,1	5,4	5	5¼
JAP	2,8	2,8	2,5	2½	2½

(f) **General government lending and borrowing**
(as a % of GDP)

	1986	1987	1988	1989 (*)	1990 (*)
B	-8,8	-7,0	-6,5	-6	-5¾
DK	3,5	1,8	0,2	¼	¾
D	-1,3	-1,8	-2,1	0	- ¼
GR	-11,6	-9,9	-14,9	-20	-20
E	-6,1	-3,6	-3,2	-2½	-2½
F	-2,9	-2,5	-1,4	-1¼	-1
IRL	-11,0	-8,9	-3,7	-3¾	-1½
I	-11,7	-11,2	-10,6	-10¼	-9¾
L	2,5	2,7	2,5	2½	2¾
NL	-5,9	-6,2	-4,9	-4½	-4¼
P	-7,8	-7,0	-6,5	-6	-6
UK	-2,4	-1,5	0,8	1½	1
EC	-4,8	-4,3	-3,6	-3	-3
USA	-4,4	-2,3	-2,0	-1¾	-1½
JAP	-1,1	-0,3	1,2	1¾	2

(g) **Total employment**
(annual percentage change)

	1986	1987	1988	1989 (*)	1990 (*)
B	1,0	0,4	1,4	1	½
DK	2,3	1,1	-0,3	- ½	½
D	1,0	0,7	0,6	1½	1¼
GR	0,3	-0,1	1,1	¾	¾
E	2,3	5,4	2,9	3½	2½
F	0,2	0,1	0,6	1½	1¼
IRL	0,2	0	1,0	1¼	1¼
I	0,9	0,2	1,3	1	½
L	2,6	2,7	2,9	1¾	1¼
NL	1,9	1,2	1,3	1½	1
P	-2,7	2,7	2,6	1½	¾
UK	0,4	1,9	3,1	1¾	¾
EC	0,8	1,2	1,6	1½	1
USA	1,7	2,9	2,2	2¼	1½
JAP	0,9	1,0	1,7	1½	1¼

(h) **Real compensation of employees per head**
(annual % change ([1]))

	1986	1987	1988	1989 (*)	1990 (*)
B	3,7	-1,3	1,2	2	2¼
DK	1,2	4,0	-0,6	-1	¼
D	4,1	2,2	2,0	0	¾
GR	-7,2	-3,4	4,0	5½	1
E	0,7	0,9	1,2	¾	¾
F	1,4	0,6	1,1	½	1¼
IRL	1,1	2,8	-0,2	½	1
I	1,6	4,0	3,8	2¾	2
L	4,4	0,9	2,5	3	3
NL	1,3	1,6	0,6	- ¼	1¼
P	6,0	3,1	0,9	- ¾	1½
UK	2,8	3,0	2,3	2¾	3
EC	2,3	2,0	1,9	1¼	1½
USA	1,1	-0,3	1,8	1	1¼
JAP	2,7	3,0	3,4	3¾	2½

(*) Forecasts September/October 1989.
([1]) Deflated by the deflator of private consumption.

(i) **Investment in construction**
(annual % change; constant prices)

	1986	1987	1988	1989 (*)	1990 (*)
B	2,0	5,5	12,0	9	3¾
DK	17,5	-0,9	-6,1	-3	1½
D	2,7	0,2	4,7	4¾	3¼
GR	0,2	-4,9	7,7	7½	6
E	6,5	10,0	13,5	14½	10¾
F	2,5	3,3	4,3	3¾	3½
IRL	-3,6	-6,5	-6,8	6	10¼
I	0,7	-1,3	3,7	4	3
L	6,0	4,6	5,4	4¼	3½
NL	4,8	2,8	12,6	4¼	½
P	8,7	10,5	12,3	11½	11
UK	3,7	3,9	6,5	-1½	-1
EC	3,2	2,4	6,3	4¾	3½

(j) **Investment in equipment**
(annual % change; constant prices)

	1986	1987	1988	1989 (*)	1990 (*)
B	4,8	8,6	14,0	16	8
DK	15,4	-14,5	-7,0	4	3
D	4,3	4,1	7,5	11¼	7½
GR	-12,6	-1,0	10,7	5½	7
E	15,8	24,2	14,7	12¾	8¾
F	2,5	4,7	9,7	7	7
IRL	5,3	3,6	2,8	10½	10
I	2,0	15,0	6,0	6¼	4¾
L	39,1	6,1	3,0	4½	5
NL	11,3	1,1	6,3	9¾	2¾
P	13,7	31,0	19,5	11¾	9
UK	-1,8	7,2	20,4	10¼	4
EC	3,5	8,5	10,6	9¼	6

(k) **Total investment**
(annual % change; constant prices)

	1986	1987	1988	1989 (*)	1990 (*)
B	3,7	7,6	12,9	12¼	5¾
DK	17,3	-9,0	-6,5	0	2¼
D	3,3	1,8	5,9	7¾	5
GR	-5,7	-3,2	9,0	6½	6½
E	10,0	14,6	14,0	13¾	10
F	2,9	3,7	7,3	5½	5½
IRL	-0,3	0,0	-1,7	8½	10
I	1,4	5,2	4,9	5¼	4
L	15,8	5,3	4,5	4¼	4
NL	8,2	1,6	9,7	6¾	1½
P	9,5	19,5	15,8	11½	10
UK	0,9	5,5	13,1	4½	1¾
EC	3,4	4,8	8,4	7	4¾
USA	0,9	3,1	5,8	2¼	4
JAP	6,0	10,3	13,6	9¾	5¼

(l) **GDP per head**
(EC = 100; current prices and purchasing power standards)

	1960	1973	1986	1989 (*)	1990 (*)
B	95,4	100,6	101,1	102,4	103,0
DK	118,6	113,1	118,0	108,0	107,2
D	117,2	110,1	114,4	113,3	113,4
GR	38,4	56,3	56,0	54,0	53,6
E	59,2	77,4	72,2	75,7	76,3
F	104,3	109,3	110,0	108,5	108,6
IRL	61,4	59,9	63,4	66,0	67,3
I	91,2	98,8	104,0	105,1	105,2
L	134,5	123,9	126,3	128,0	128,7
NL	117,8	112,1	106,4	103,5	103,1
P	37,3	54,2	52,8	54,5	55,4
UK	127,6	107,2	104,2	104,6	103,7
EC	100,0	100,0	100,0	100,0	100,0
USA	188,7	160,4	156,1	154,5	152,1
JAP	55,5	95,4	111,0	115,8	116,9

(*) Forecasts September/October 1989.