1995 annual economic Report. General economic policy guidelines

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This economic report presents the economic trends in the Community in 1995. In the first part, the Commission reviews the economic indicators which illustrate the current recovery, while the second part deals with the economic situation and policies in each Member State of the Community (of the 12). - strong recovery: the economy in the Community is currently in a period of strong growth, following the sharp recession in 1992-1993. Manufacturing is growing at a sustained pace, exports to third countries have increased over 1994 and an upswing in the economy is expected in 1995-96. In addition, employment should start to increase, with a drop of approximately 10% anticipated in the rate of unemployment; - continuing challenges to the Community: the Union still faces the same challenges: . to achieve and maintain high job-creation levels; . to achieve the level of convergence required for EMU. In order to achieve these two objectives, the Community should: - be more competitive and more dynamic, - improve the working of the labour market, - create conditions which will help increase the productive capacity of the economy, - maintain a stable macro-economic framework (mainly by reducing budgetary deficits). As far as job creation is concerned, the Community should improve education and training and reduce tension on the labour market by introducing measures such as flexible working times. As far as convergence is concerned, the conditions needed for monetary policy to remain stable must be maintained (budgetary and wage restraint). At the same time, the Community should continue to support a policy of increased investment and structural reform. If all these conditions are applied, there is every reason to believe that the recovery will become permanent, with realistic growth of 3 to 3.5% between 1995 and the year 2000 and unemployment limited to 7% of the working population (creation over a period of time of some 15 million jobs). At the same time, if convergence efforts are sustained, the conditions needed to move to the third stage of EMU could be satisfied in the short term.