Broad guidelines of the economic policies of the Member States and the Community for 1997

1997/2068(COS) - 23/04/1997 - Document attached to the procedure

OBJECTIVE: the document reviews the progress made in the implementation of the Community economic strategy defined in the broad guidelines of the economic policies in 1996 (COS0424). SUBSTANCE: the document considers, in order, the various aspects of this strategy set out in the 1996 Guidelines: - macroeconomic policy mix: in general this mix was in line with the recommendations: monetary policies were oriented towards achieving and maintaining price stability and significant steps were taken in most Member States to consolidate their public finances. Furthermore, wage agreements have increasingly been consistent with the recommendations, the nominal compensation per employee rose by 3.5% in 1996 which is compatible with the aim of price stability, - upturn in economic activity: in the second half of 1996 the pace of economic growth was around 2.25% and the near term prospects are for a progressive strengthening of this recovery, - gradually improving employment outlook: as economic activity gradually firmed, total employment in the Community stabilised and then began rising slowly. Employment would increase by only 0.5% (700 000 jobs) in 1997 and 0.9% (1.3 million) in 1998. Given the growth in the labour force this improvement would leave unemployment at 10.7% in 1997 and 10.3% in 1998, - social dialogue: the Commission has continued its dialogue with the social partners at the European level in the framework of the Confidence Pact. Committed action has taken place in the areas of youth unemployment, lifelong learning and better use of Structural Funds for job creation, - price and exchange rate stability: for the Community as a whole inflation fell to 2.4% and improvements are expected in 1997. The exchange rates have also remained relatively stable within the exchange rate system, - sound public finances: the situation improved significantly in 1996: with the exception of Germany, all Member States made progress in reducing their budget deficit: as an average for the Community the deficit fell from 5% of GDP in 1995 to 4.3% in 1996. For 1997 all Member States are aiming at a maximum deficit of 3% with a view to moving towards the aim of a balanced budget. The only exception is Greece where the government aims at a deficit of 4.2%. In the case of Italy, its deficit would be around 3.2% in 1997, but would increase to 3.9% in 1998 if it did not make the specific measures it adopted in 1997 into structural measures. The efforts to achieve sound public finances are geared mainly towards reducing public expenditure (except in Denmark, France and Italy); - better functioning of product and services markets: a great many measures were taken at Community and national level to boost competitiveness and efficiency of the European economies, and all geared towards improving the single market, - fostering employment and labour market reforms: . with regard to wages, the trend in the Community has increasingly been in line with the objective of price stability, allowing the establishment of monetary and financial conditions favourable to growth and employment creation and with the objective of strengthening investment profitability. For the Community as a whole real wage costs increased by less than 1% in 1996 (for the fourth consecutive year), . with regard to labour market reforms, several measures have been taken in all the Member States including in particular the general reduction in non wage labour costs (in particular for low wages), the establishment of programmes of vocational training expanded or adapted to respond more effectively to labour market needs, establishment of working time flexibility (part-time, temporary contracts, etc.), active reforms in public employment systems.