

EU-15 industrial Production: Growth of 0.3% in June

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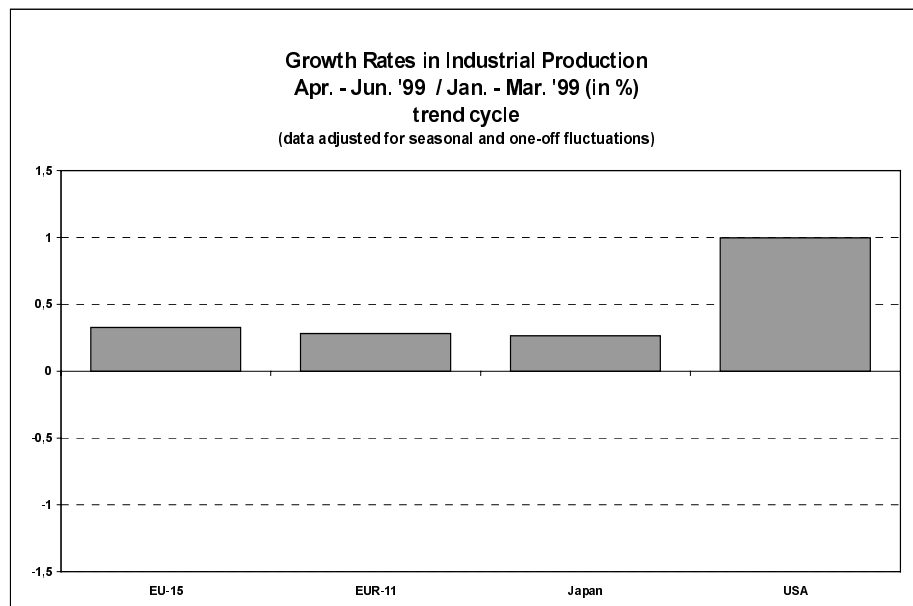
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INDUSTRY, TRADE
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THEME 4 – 28/1999

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EU-15 industrial production rose by 0.3% in the three-month period to June 1999 (when compared against the previous three-month period). The rates of growth recorded in the second quarter of 1999 showed a marked improvement on those for the first quarter and the trend from the figures in the summer of 1999 suggested that positive rates of growth would continue. The EU-15 growth rate at the start of 1999 was equal to -0.4%. April 1999 marked the month when industrial output turned towards a positive trend within the Union. Growth rates for May 1999 and June 1999 for the EU were equal to 0.2% and 0.3%. Turning to figures for the euro-zone¹ we can see a similar evolution in the figures during the first six months of 1999. **EUR-11** production volumes rose by 0.3% in the second quarter of 1999 (compared to the first quarter). EUR-11 growth rates had also been equal to -0.4% at the start of 1999.

Data for the USA and Japan are also available. In the **USA** production continued its positive trend on the back of continued optimism and good results within the American economy as a whole. Industrial output in the USA has grown in every month for more than three years. In June 1999 figures reported that output for total industry was rising by 1.0%. Latest data shows that industrial production has finally started to record a positive evolution in **Japan** again. Output rose by 0.3% in June 1999, following positive rates of growth in April and May 1999. Before this date we have to go back as far as July 1997 to find a month when Japanese industrial output was expanding.



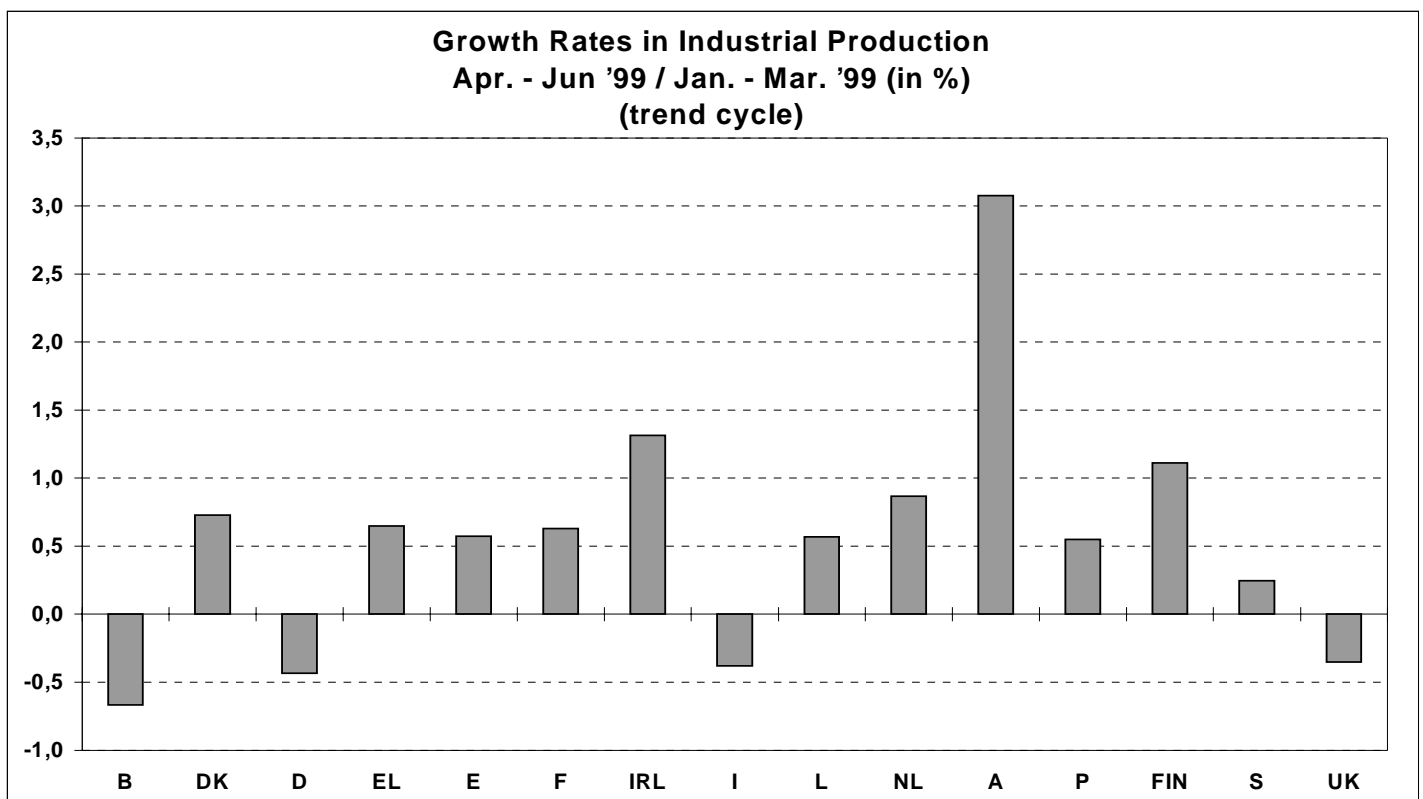
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¹ Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland make up the EUR-11 aggregate, otherwise known as the euro-zone.

Situation in the Member States

Situation is heterogeneous. In **Germany** output was still following a negative trend, down by 0.4% in the three-month period to June 1999. If we look back to the start of 1999 we see that the decline in German industrial output has abated somewhat, as rates of change of -0.7% were recorded in March 1999. In **Italy** the latest data available reported that industrial output was also in decline, falling by 0.4% in the three-month period to June 1999. Negative rates of growth were also recorded in the **United Kingdom** during much of 1999. Indeed, during the first six months of 1999, output in the United Kingdom declined by between -0.7% (March 1999) and -0.4% (May and June 1999). **France** is the state among the major countries

where industrial production seems to be the most dynamic. French production volumes have expanded at a rapid pace during 1999, from a rate of change that was fluctuating around zero in the first quarter of 1999 to an increase of 0.6% by May 1999. Turning attention to the other European economies we find that only one other country (in addition to Germany, Italy and United Kingdom) reported a negative rate of change in its most recent data for the production index, namely **Belgium**. All other EU Member States reported that there was an expansion in output during the second quarter of 1999. Growth rates were even above the 1% level in **Finland**, **Ireland** and especially **Austria**.



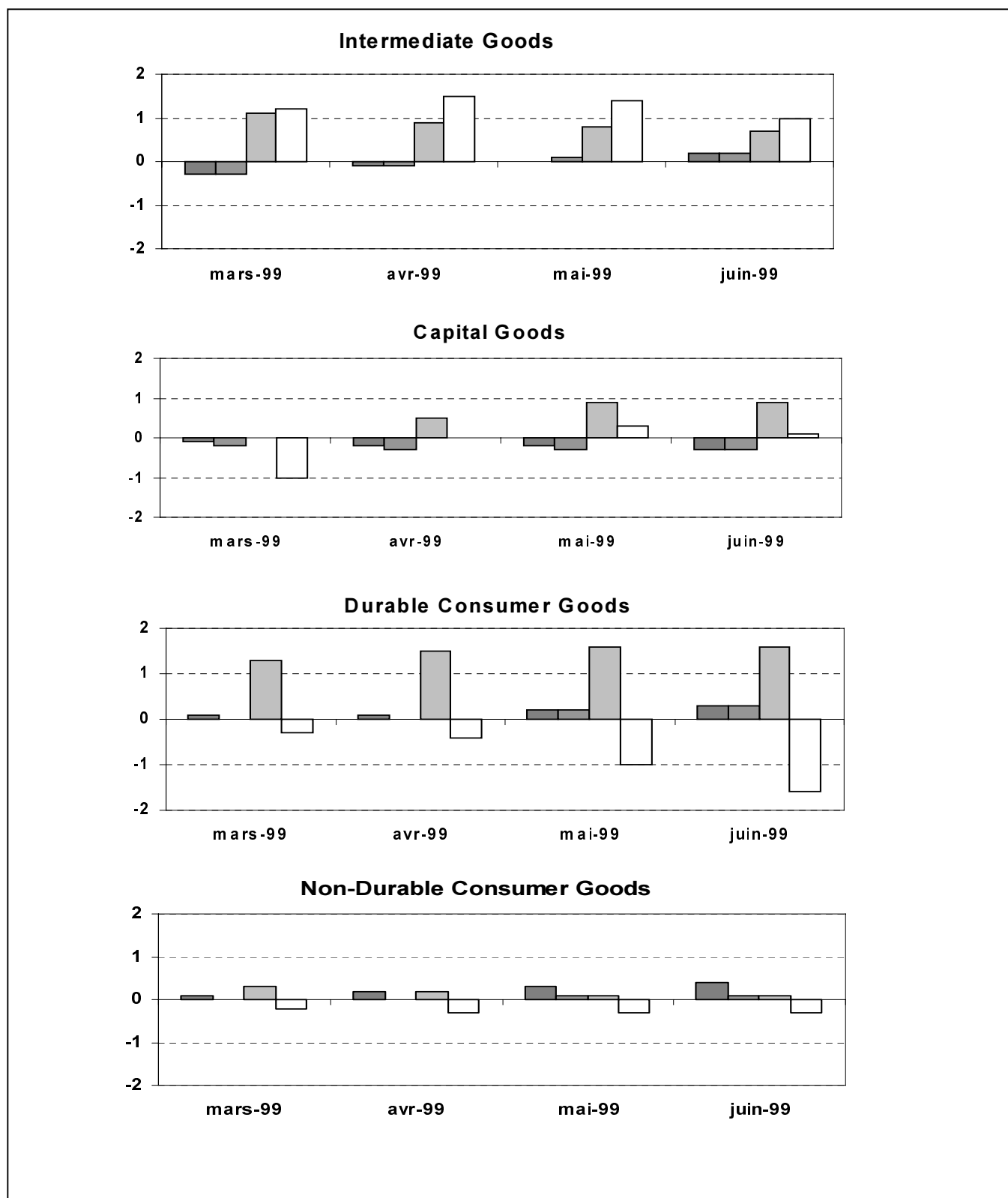
Main Industrial Groupings

In **Europe** the only negative growth rate was recorded in the capital goods, where output declined by 0.3% in the three-month period to June 1999. Corresponding rates for the other industrial groupings were: intermediate goods (0.2%), consumer durables (0.3%) and consumer non-durables (0.4%). Within the **euro-zone** capital goods also decreased (of 0.3%) whilst consumer durables recorded the same growth rate than in EU-15 (0.3%). Corresponding rates for intermediate goods and consumer non-durables were 0.2% and 0.1% respectively (again for the second quarter of 1999). In the **USA** the growth rates for the individual industrial groupings were: intermediate goods (0.7%), capital goods (0.9%), consumer durables (1.6%) and consumer non-durables (+0.1%). These

figures were in line with those recorded over the last two years, whereby there has been stronger growth in capital goods and consumer durables.

Japanese growth was being led by intermediate goods (where an increase of 0.7% was recorded - the seventh consecutive month of expansion). Nevertheless, consumer durables did not report such a positive trend, with output falling by 1.6% in the three months to June 1999 (whilst the index had shown no change at the start of 1999 and growth in excess of 1% at the end of 1998).

Production Trends for the Main Industrial Groupings

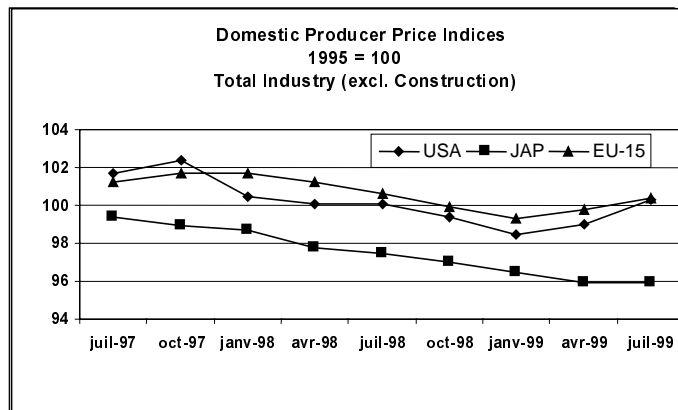


Figures: *average of the later three months compared with the previous three months (in %)*



Industrial producer prices

EU producer prices declined by 0.3% in the twelve months through until July 1999. This annual reduction was moderate when compared to the figures for earlier in 1999 (prices declined by more than 2% in January and February 1999). As a matter of fact the index of producer prices has started to increase since the beginning of the year. In the three-month period to July 1999 they rose by 0,8%. **EU-11** data showed that producer prices were declining at a faster rate in the euro-zone, down by 0.4% in July 1999. This rate of change was however at a moderate rate when compared to the data recorded during the earlier months of 1999 (for example, -2.7% change in January 1999). In the **USA** there was a more rapid evolution of prices, following similar trends to those seen in the EU. American producer prices for total industry were declining by 2.0% in January 1999. In June 1999, the rate of change of producer prices was positive for the first time in over two years (0.3%), giving weight to the argument that inflationary pressure may be building in

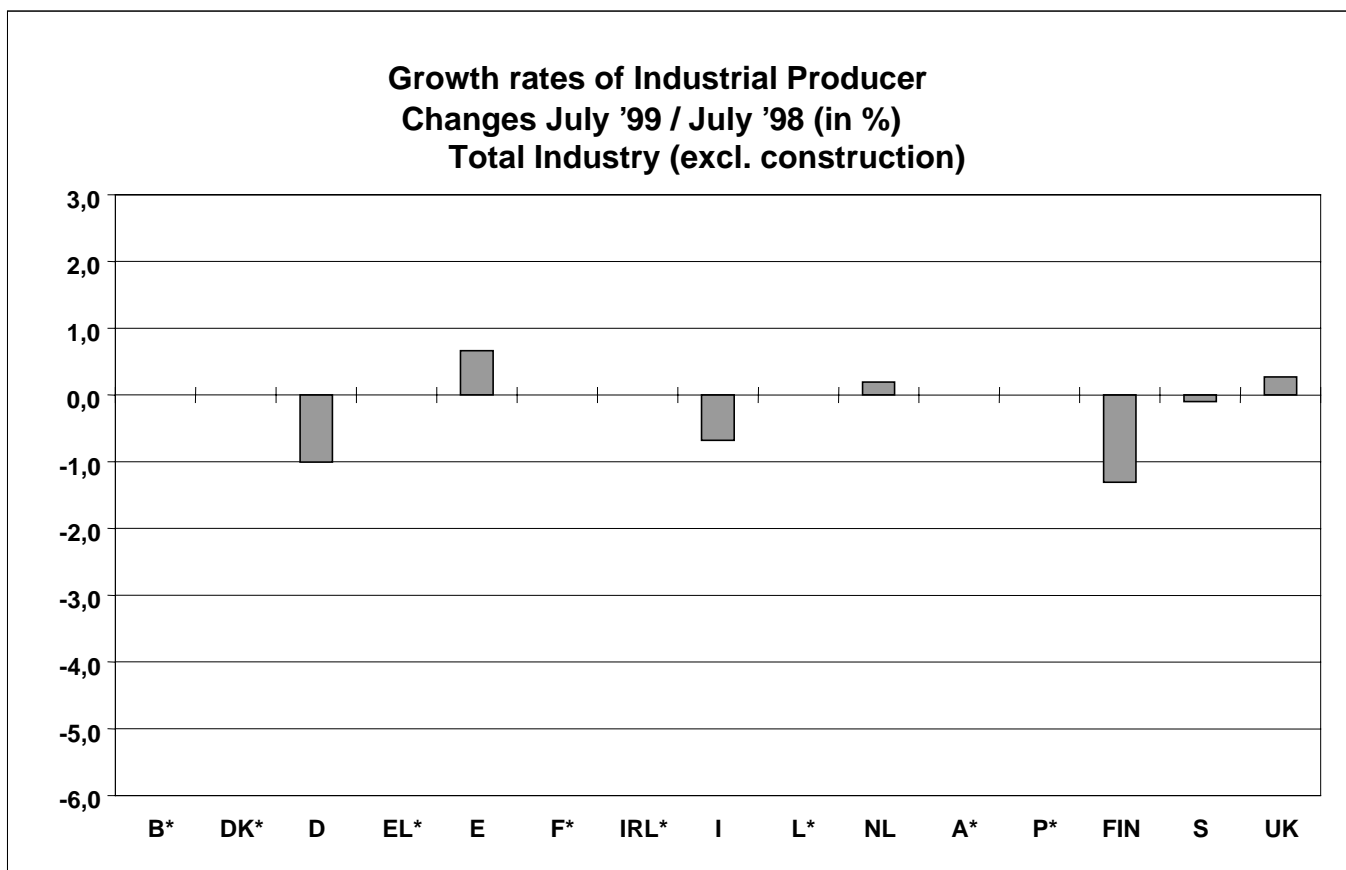


the USA. In **Japan** producer prices also continued their negative trend, latest data showed that prices for total industry fell by 1.7% in the year to June 1999. This rate of change was somewhat reduced when compared to earlier in 1999, when prices were falling by 2.2% per annum.

Price Developments in the Member States

Prices were falling in the majority of the Member States. Nevertheless, there was price expansion in some of the European economies, most notably in Denmark, Portugal, Spain and Greece (producer prices rising by

0.4%, 0.5%, 0.7% and 1.8% in June or July 1999). In the United Kingdom there was also modest growth in domestic output prices (rising by 0.3% in July 1999).

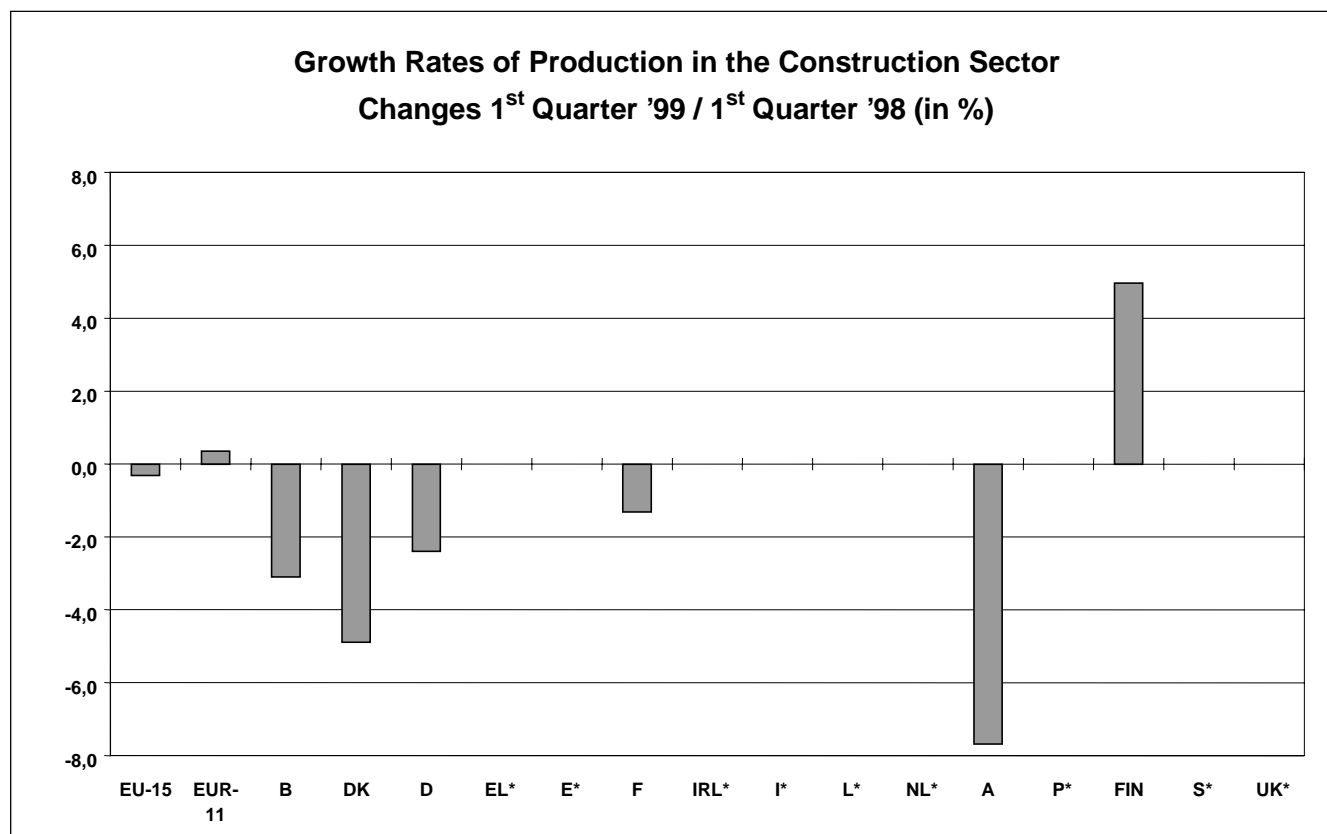


* no data available

Construction Activity

Construction activity in the EU fell by 0.3% in the first quarter of 1999, when compared to the first quarter of 1998. This was the third consecutive quarter that a negative rate of change was recorded in the EU. Data for the euro-zone reported somewhat healthier figures,

with moderate growth of 0.4% in the first quarter of 1999. The fall was especially pronounced in Austria and Denmark. Finland was the only member state with a positive growth rate.



* no data available (missing countries are estimated for European aggregate).

Building and Civil Engineering

The activity of civil engineering reported more positive trends than the average for construction as a whole, whilst building activity was lower. Data for France and Germany in June 1999 reported that civil engineering was expanding by 2.9% and 2.0% respectively in the second quarter of 1999 (when compared to the second quarter of 1998). Corresponding rates for building activity were -1.5% and -4.1%.

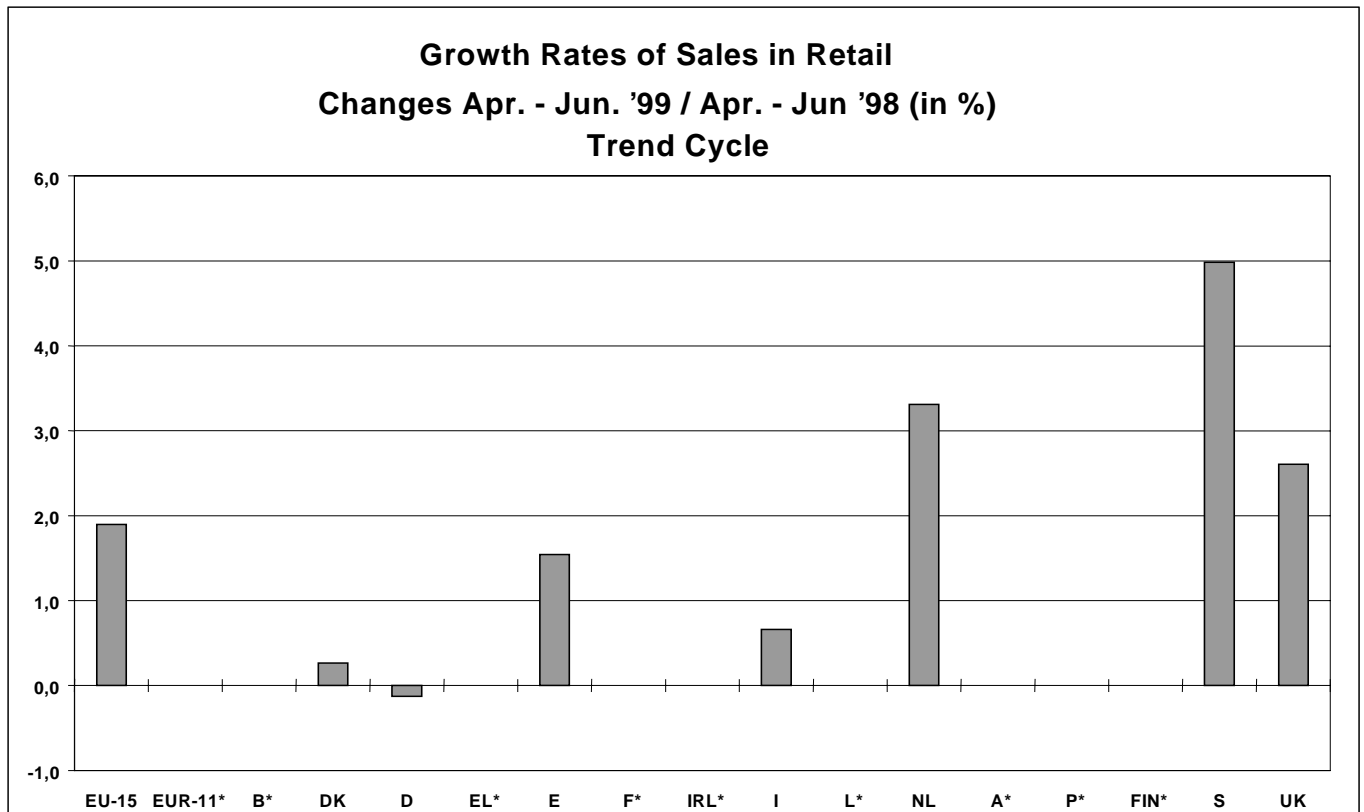
Output Prices for Residential Buildings

The evolution of output prices for the residential building sector showed that there was positive growth for a large number of the Member States. EU prices were available through until the first quarter of 1999, rising by 2.1% (compared to the first quarter of 1998). The data for the euro-zone reported that there was a more moderate expansion of prices for residential buildings, rising 0.8% in the first quarter of 1999. Both of these indices have been gradually rising since the third quarter of 1998. Looking at the data for the individual Member States we find that prices were expanding rapidly in Greece and the United Kingdom (up by 4.0% and 7.3% in the second and first quarters of 1999 respectively). Austria, France and Luxembourg recorded more moderate increases. Of the countries for which data was available into 1999, Germany was the only country to report a negative trend to output prices.

Retail Sales Volumes

In the **EU** sales volumes for retail trade increased by 1.9% in the three months to June 1999 (compared to the same three months of the year before). This upward trend was also seen in the larger Member States, especially in **France** (up by 4.2%, for May 1999). The main exception to this trend was **Germany**, where retail sales volumes declined (down by 0.1% in June 1999),

after positive rates during the first quarter. Within the smaller Member States (subject to data availability), sales volumes were following an upward tendency. Growth rates varied between 9.7% in **Ireland** (for May 1999) and 0.3% in Denmark (for June 1999).



* no data available

New Vehicle Registrations

In the three months to May 1999 the number of new vehicle registrations increased by 9.1% in the EU (compared to the same three months of the year before). If we look at the evolution within the Member States, there were much higher increases in Greece, Sweden and Finland with gains of 39.3%, 14.5% and 16.0% being recorded (for May 1999). In Greece the rate was lower than earlier in the year. Although Luxembourg continued to record a healthy increase in the number of new vehicle registrations (up by 9.8%, May 1999), this rate was modest when compared to the early part of 1999 (for example, growth of 24.3% in

March 1999). In Germany the index showed an expanding trend with rising growth rates, latest data reported growth of 7.4% for May 1999.

In Italy authorities registered a reduction in the number of new vehicles for the first three months of 1999. However, rates turned positive in April 1999 and latest data showed growth of 1.1% in May 1999. Denmark also faced declining registrations, down by -4.9% (for May 1999), the fourth consecutive month of decrease.

Business Cycle at a Glance

Growth Rates - Three months average compared to the previous three months (in %)				
Latest 3 months available	Production	Producer prices	Capacity utilisation (1)	New orders
EU-15 04-99 ⇔ 06-99	→	↗	→	:
EUR-11 04-99 ⇔ 06-99	→	↗	:	:
B 03-99 ⇔ 05-99	↘	↗	↗↗	:
DK 04-99 ⇔ 06-99	↗	↗	↘	↗
D 05-99 ⇔ 07-99	→	↗	↗	:
EL 03-99 ⇔ 05-99	↗	↗	↗	:
E 03-99 ⇔ 05-99	↗	↗	↘	:
F 03-99 ⇔ 05-99	↗	↗	↗	:
IRL 04-99 ⇔ 06-99	↗	→	↗	:
I 02-99 ⇔ 04-99	→	→	→	:
L 10-98 ⇔ 12-98	↗	↘	↘	:
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A 02-99 ⇔ 04-99	↗↗	:	↘	:
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FIN 04-99 ⇔ 06-99	↗	↗	↗	:
S 04-99 ⇔ 06-99	→	↗	↘	:
UK 04-99 ⇔ 06-99	→	↘	→	↘↘
Japan 04-99 ⇔ 06-99	→	→	:	:
USA 04-99 ⇔ 06-99	↗	↗	:	:

(1) Capacity utilisation is fixed on the first month of the quarter of the period given.

↗↗	>2.5%	↘	-2.5% to -0.5%
↗	0.5% to 2.5%	↘↘	<-2.5%
→	-0.5% to 0.5%	:	no data available

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