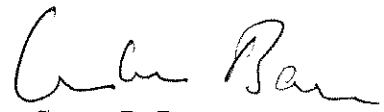


5th November 1993

**TO THE MEMBERS OF THE COMMITTEE OF ALTERNATES**

Further to my telefax message of 2nd November 1993 concerning a proposal for a common methodology for examining international competitiveness, please find attached Annex 2, which has been revised in the light of comments received in the meantime from the Central Bank of Ireland.

With kind regards,

  
Gunter D. Baer

## Annex II: Responses of Central Banks to Proposals on the Assessment of Competitiveness

	Belgium	Germany	Denmark	Greece	Spain	France
Data Supplier	BIS acceptable.		BIS acceptable.	BIS acceptable in short run. Over longer term EMI should produce own indicators.	BIS acceptable in short run. Over long term it might be desirable to consider EMI production.	BIS acceptable in short run but Economic Unit should produce own indicators in future.
Main Indicators	Favour: RCPI and RXPI. Dislike RULC (m) due to measurement problems. Prefer relative labour costs.	Agreeable to use a range but proposed range too narrow. Include whole economy expenditure deflator or RCPI as temporary substitute.	Happy with list of indicators. Reservations about RULC (m) - prefer relative hourly earnings.	List is generally acceptable. It would be desirable to use a wider trade concept than manufacturing.	List proposed is fairly complete.	Prefer RPPI, RXPI, RULC (m) and export margin (export prices relative to producer prices).
Supplementary Indicators	Current account measure should include transfers and investment income; also consider cyclical adjustment of current account.	No comment.	These indicators are very useful.	Very useful, but current account should not exclude transfers; current account plus FDI/GDP more useful.	Current account plus FDI/GDP should include transfers and investment income.	Trade performance and external balance indicators seem appropriate. Drop relative labour share indicator.
Partner Coverage	Show against all trading partners and against all ERM members.	Show against all trading partners and EMS, the latter including and excluding Italy and UK.	Show against all trading partners and against ERM, with and without Italy and UK.	Show against all trading partners; against EC countries and against ERM members.	Show against all trading partners, EC and ERM countries.	Show against all trading partners and against ERM partners with or without UK and Italy.
Base Period	Best solution: 3/4 year average base 1985-1987.	1987 acceptable. Could show long term average as x axis or horizontal line.	No strong preference.	Show over long period, since 1980. 1986/1987 base acceptable.	Show from at least 1980. Long average base preferable to 86/87.	Base 1986=100 is acceptable. Long average seems arbitrary.

Key: RPPI - Relative producer prices  
 RCPI - Relative consumer prices  
 RXPI - Relative export prices  
 RULC (m) - Relative unit labour costs (manufacturing)  
 FDI - Foreign direct investment (net)  
 ITT - Internal Terms of Trade

	Ireland	Italy	Luxembourg	Netherlands	Portugal	United Kingdom
Data Supplier	BIS acceptable	BIS acceptable in short run, but EMI must develop own indicators.	BIS acceptable.	BIS acceptable.	BIS acceptable, but indicators and sources to be previously cleared by central banks.	Prefer EC Commission due to coverage, quality and harmonisation across EC.
Main Indicators	RPPI has limited information. RULC distorted by measurement problems/ transfer pricing. Prefer I.T.T. measure	List is acceptable. But fix BIS problems with Italian RULC (m). Oppose adding any further indicators.	List acceptable.	List acceptable.	List acceptable. Include RCPI.	List probably too limited. Should also use: GDP deflators, RCPI, normalised RULC (m) and others.
Supplementary Indicators	These indicators are useful. Current account should include investment and transfer income. Basic balance is also useful.	No comment.	List acceptable.	See practical problems with relative labour share; current account should include transfer and investment income.	Export market shares using current values. Current account plus FDI/GDP more useful.	Current account should include transfer and investment income, cyclical adjustment of current account.
Partner Coverage	Show against all trading partners and ERM both including and excluding Italy and the UK	Show against all trading partners and against EC and ERM countries including, where appropriate, wide band countries.	Show against all trading partners and against ERM countries, the latter with and without Italy and UK.	Show against all trading partners and against ERM, excluding UK and Italy.	Show against all trading partners and against ERM countries.	Show against all trading partners and against EC partners, not just ERM countries
Base Period	1987 base is acceptable	1987 base is acceptable. 1980-1990 average not acceptable because of disequilibrium during period (e.g. dollar).	Show over long period, eg back to 1980 with 1987 as base; or use 1980-1990 average as base.	Prefer 1986 or 1987 as base. Charts should cover a long period; therefore, long average not necessary.	Relatively long base period (e.g. 1980-1990).	Always show long series going back to 1970s; 1987/1986=100 is acceptable.