

Commission of the  
European Communities

Directorate-General  
for Economic  
and Financial Affairs

# EUROPEAN ECONOMY

Supplement - series B

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## Economic prospects - business survey results

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**Good short-term industrial production outlook.** — The results of the December business survey confirm the improvement which has emerged in the course of 1978 in industrialists' expectations regarding the short-term prospects for industrial production in the Community. The majority of industrialists expecting rising production jumped four points in December, giving for the fourth quarter a six-point rise over the preceding quarter. The steady improvement in the production outlook is accompanied by more positive opinions on order-book levels for both domestic and export orders, and judgements that finished stock levels are moving, from being excessive, closer to normal (see Graphs 1-3 and Table 1). The synthetic index of business confidence shown in Graph 1 rose again significantly in December, thus recording the 13th consecutive monthly improvement since the last low-point of November 1977.

In the building sector, the opinion of chief executives regarding order-books and employment expectations are on the whole both improving.

The partial results of the October/November investment survey now available for 1979 is not unpromising for the Federal Republic of Germany, France and United Kingdom.

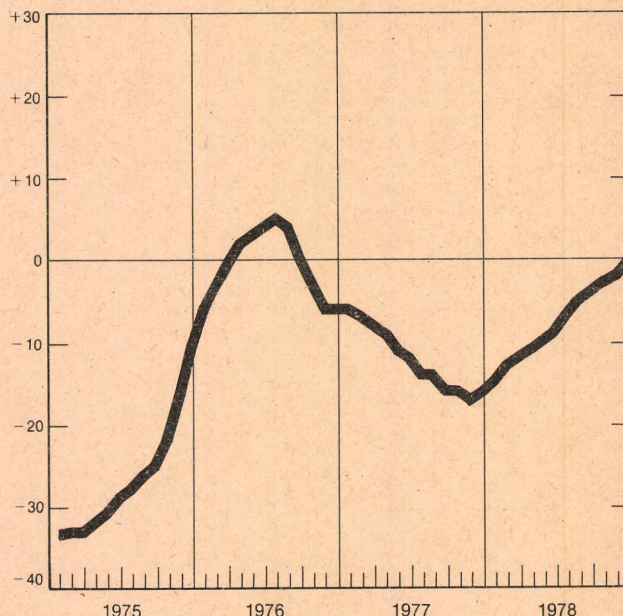
**Outlook for manufacturing industry.** — In the Community as a whole a majority of 14 % of chief executives in the Community manufacturing sector now consider that industrial production is going to rise in the course of the first quarter of 1979. The percentage of respondents with optimistic views on the short-term production outlook has been rising markedly throughout 1978. The fourth quarter of 1978 saw substantial increases in the majorities of industrialists expecting rises in production in all of the four large Member States.

In the *Federal Republic of Germany*, the net balance on the production outlook question was +10% in December, reflecting the notably strong improvement which occurred during the third and fourth quarters of 1978. A positive trend is also evident in German industrialists' opinions on order-books and on stocks of finished products, although a majority of 33% of chief executives still considered, in December, that order-books were below normal, while a majority of 10% considered finished stock levels to be above normal. In *France*, the evolution of judgements and expectations has

followed the same path as in the Federal Republic of Germany, with industrialists expressing improved confidence on most aspects of their business situations. A majority of 13% of French industrialists considered, in December, that output would increase up to the end of the first quarter of 1979. The strongest improvement in the production outlook in December, however, was reported in *Ireland* and the *United Kingdom*, with an increase of 14 and 10 percentage points,

GRAPH 1: Business climate of manufacturing industry - EC total

Composite indicator based on the replies to the questions on production expectations and stocks of finished products (a)



(a) Net balances: i.e. differences between the percentages of respondents giving positive and negative replies. Derived from data as shown in Table 1, with the sign inverted for stocks. Three months moving averages of deseasonalized monthly data, except for the last observation, which is, however, deseasonalized.

Source: European Community business surveys.

**Note.** The main statistical measure used to summarize the results of the European Community business surveys is the difference between the percentages of respondents giving 'positive' and 'negative' replies to questions. Increasing or upward trends in production, order-books and selling prices are all counted as 'positive' (+ in the tables), and vice versa for 'negative' responses (- in the tables). An increase in stocks is counted as a negative development, and vice versa. The differences between percentage 'positive' and 'negative' responses are called in the text 'majorities' or 'net balances' (of  $\pm$  ..... per cent). The monthly and quarterly data are seasonally adjusted, except those relating to the business and construction surveys in the United Kingdom and the construction survey in France (the time series in each case being too short).



respectively, in the majority of industrialists expecting production to increase. In Ireland, the increased optimism appears related to the stronger impulse of foreign demand as reflected in the replies to the question on export orders, whereas in the case of the United Kingdom industrialists' report an improvement in both domestic and foreign order-books. In Italy, the opinions of industrialists on the short-term production outlook were unchanged between November and December but the net balance on the production outlook questions remained at a relatively high level; thus, a majority of 14% of industrialists expected an increase in output in the following three or four months. Domestic orders appear to have improved markedly in November and December, which months also witnessed a sharp reduction (from 23% in October to 12% in December) in the majority of chief executives who considered finished stock levels to be above normal. The trend in the production outlook in the Netherlands has weakened slightly, with, in December, a majority of 4% of respondents expecting production to rise. However, judgements on the level of order-books continue to be positively oriented. The views of industrialists in Belgium as regards the short-term production outlook are generally still rather pessimistic but the trend has been perceptibly improving since mid-1978. Thus, the majority of industrialists expecting production to fall has declined from 24% in the second quarter of 1978 to 6% in December. In Luxembourg, as in Belgium, the order-book situation and more specifically export orders, are considered by the majority of industrial chief executives to be unsatisfactory, although some improvement in this aspect of industrialists' opinion is noticeable.

As regards selling prices, the majority of industrialists in the Community expecting increases rose quite sharply in the first 10 months of 1978; in November and December this trend appears to have been arrested, although at a still high level. In the Federal Republic of Germany, France and the Benelux countries, there was in fact some decline in those two months in the numbers of industrialists expecting price rises, but against this there have been increases in Italy, Ireland and the United Kingdom.

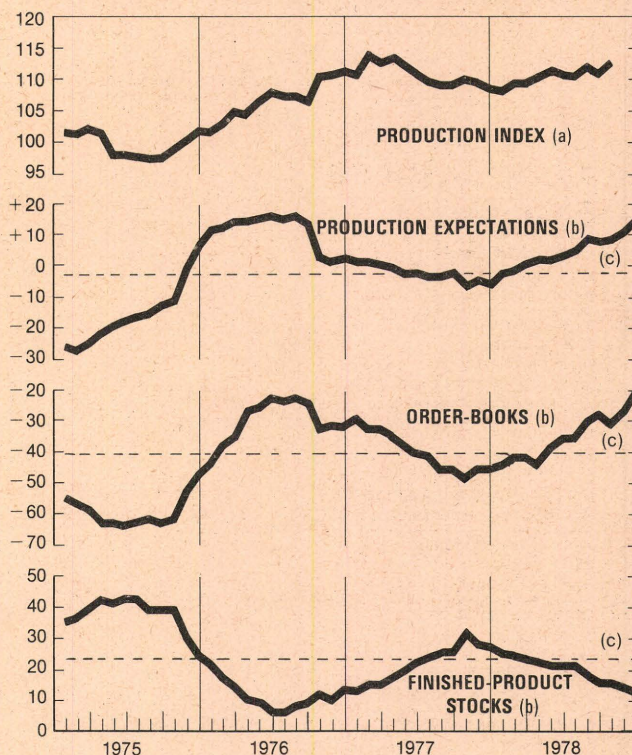
**The building industry.** — Recent results of the building survey (see Table 2) suggest that the outlook for activity in the building sector, as reflected in order-books or work schedules, is improving in the Federal Republic of Germany, Italy, Belgium and Luxembourg. Order-books in the Netherlands' building sector, on the other hand, are rather static. The judgements of chief executives on the employment outlook in the building sector have been improving markedly in the Federal Republic of Germany (where a majority of 20% of respondents considered, in December, that employment would increase in the following three or four months), Belgium and Luxembourg. In fact, the observations for the Federal Republic of Germany for order-books and employment expectations are now as positive (or more so) as those recorded at the peak of 1973. In Italy, notwithstanding a slight improvement as far as orders are concerned, the outlook for employment seems to have deteriorated in November but was still better than in the recent past.

**Good investment outlook.** — Results of the survey of industrial investment (realizations for 1978 and outlook for 1979) carried out in October/November 1978, are now available for the Federal Republic of Germany, France, the Netherlands and the United Kingdom. The investment outlook for the three major countries, measured by the estimated or forecast percentage change in the value of investment<sup>(1)</sup>, is on the whole favourable. For the Federal Republic of Germany the estimate for 1978 has been revised upwards from +8% in the preceding survey in spring 1978 to +10%, with a rise of +9% expected for 1979. In France, while the estimate for 1978 has been revised downwards from +12% to +9%, expectations are for a strong rise of +15% in 1979. In the United Kingdom estimates for 1978 have also been revised downwards from +26% to +19%, but a relatively high figure of +18% is expected for 1979. In the Netherlands the investment outlook is somewhat more depressed than in the last survey.

Among the main branches of industry, in comparing the returns for 1978 and 1979, there is a notable recovery of investment in the metallurgical industries, moving from the declines estimated for last year to strong increases expected this year. The investment outlook is, on the contrary, weakening (though still positive) in a group of other basic materials industries (including chemicals, man-made fibres, petroleum refining, etc.). In the mechanical, processing and food industries the investment outlook on the whole remains rather positive.

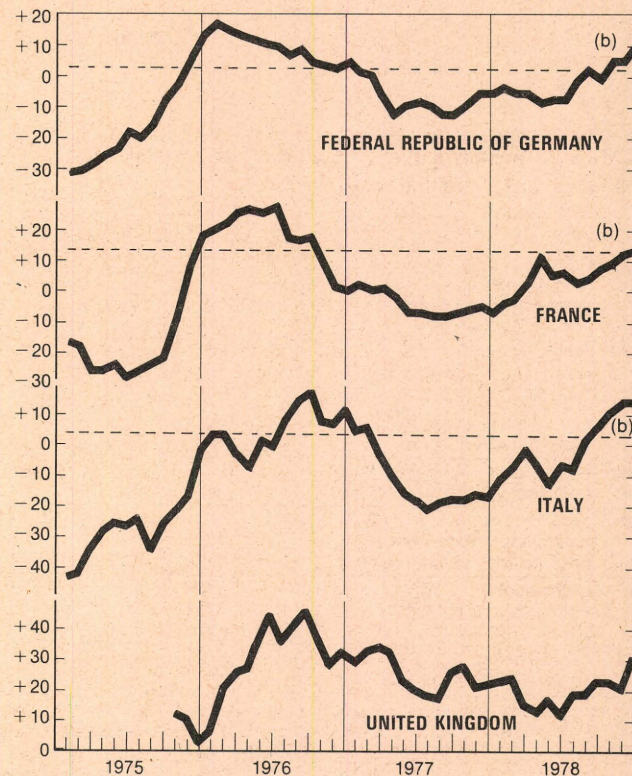
(1) Since the investment projections provided by the survey refer to expenditure at current prices, they probably are influenced by the subjective price expectations of the industrialists replying to the questionnaires. Consequently, caution should be exercised in drawing conclusions as to the real trend of industrial capital formation from one year to another and in making comparisons of real industrial investment activity as between the different countries covered by the survey.

GRAPH 2: Production index (a) and business survey indicators (b) for manufacturing industry - EC total



(a) Industrial production (manufacturing) index. 1975 = 100; Source: Eurostat;  
(b) Net balances: i.e. differences between the percentage of respondents giving positive and negative replies; Source: European Community business surveys;  
(c) Dotted line shows average for 1968-1977.

GRAPH 3: Production expectations of manufacturing industry (a)



(a) Net balances: i.e. differences between the percentages of respondents giving positive and negative replies.  
(b) Dotted lines show the average for 1968-1977.  
Source: European Community business surveys.



TABLE 1: Monthly survey of manufacturing industry.

Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (a)

	Range (b)		1976	1977	1978	1978				1978					
	Peak	Trough				I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.
	(1973)	(1975)													
<b>D</b> production expectations	+17	-32	+5	-8	-2	-5	-8	0	+7	-2	+2	-1	+5	+5	+10
order-books	+5	-73	-34	-42	-41	-44	-42	-40	-37	-42	-41	-39	-39	-38	-33
export order-books	+23	-33	+8	-6	-8	-12	-11	-8	-2	-9	-9	-6	-1	-4	0
stocks of finished products	-7	+43	+11	+18	+17	+20	+19	+18	+12	+20	+17	+17	+14	+12	+10
selling-price expectations	+55	+4	+28	+14	+19	+15	+18	+20	+23	+19	+21	+21	+26	+21	+22
<b>F</b> production expectations	+33	-29	+12	-5	+5	-2	+7	+5	+11	+3	+4	+7	+9	+12	+13
order-books	+26	-69	-20	-38	-31	-40	-31	-32	-22	-33	-32	-30	-23	-23	-19
export order-books	+24	-66	-36	-34	-21	-32	-19	-23	-11	-25	-24	-21	-13	-13	-7
stocks of finished products	-14	+50	+6	+28	+25	+28	+29	+25	+17	+27	+25	+24	+20	+15	+15
selling-price expectations	+76	+15	+50	+42	+52	+52	+50	+53	+52	+55	+53	+52	+54	+52	+50
<b>IRL</b> production expectations	:	-21	+19	+29	+26	+33	+22	+18	+31	+19	+28	+8	+23	+28	+42
order-books	:	-68	-22	-13	-5	-11	-8	0	-3	+3	-5	+1	-1	-5	-4
export order-books	:	-22	+24	+27	+19	+32	+19	+8	+18	+8	+5	+12	+14	+13	+27
stocks of finished products	:	+35	+10	+4	+4	+11	+1	-3	+5	+2	-7	-3	+7	+2	+5
selling-price expectations	:	+64	+56	+44	+35	+35	+29	+34	+44	+33	+30	+38	+34	+48	+49
<b>I</b> production expectations	+40	-43	+3	-15	0	-6	-9	0	+13	-8	+2	+6	+11	+14	+14
order-books	+30	-82	-25	-46	-40	-53	-47	-38	-21	-47	-35	-33	-33	-16	-15
export order-books	+13	-67	-27	-32	-29	-34	-33	-32	-18	-40	-32	-23	-24	-13	-18
stocks of finished products	-24	+53	+12	+31	+25	+30	+29	+26	+16	+26	+25	+28	+23	+15	+12
selling-price expectations	+76	+10	+68	+38	+41	+37	+34	+39	+55	+33	+41	+45	+52	+53	+60
<b>NL</b> production expectations	+26	-23	+1	+1	+2	+3	-1	+2	+5	-1	+3	+5	+6	+4	+4
order-books	+7	-48	-31	-29	-24	-29	-27	-24	-18	-25	-25	-23	-20	-18	-15
stocks of finished products	-1	+57	+31	+22	+16	+22	+17	+16	+11	+18	+17	+14	+12	+11	+11
<b>B</b> production expectations	+31	-56	-27	-24	-18	-20	-24	-19	-7	-25	-18	-15	-8	-8	-6
order-books	+13	-14	-41	-54	-49	-50	-52	-50	-44	-53	-49	-47	-47	-43	-42
export order-books	+15	-82	-46	-58	-51	-52	-57	-50	-45	-52	-52	-46	-47	-43	-44
stocks of finished products	-14	+37	+6	+18	+22	+21	+25	+24	+17	+29	+21	+22	+18	+17	+17
selling-price expectations	+64	-10	+28	+10	+14	+12	+9	+16	+19	+15	+13	+20	+19	+19	+18
<b>L</b> production expectations	+90	+98	-17	-8	-22	-9	-8	-54	-17	-57	-57	-49	-46	+3	-9
order-books	:	:	-72	-73	-68	-64	-66	-76	-65	-77	-75	-75	-75	-60	-60
export order-books	:	:	-76	-78	-76	-71	-76	-85	-73	-84	-86	-84	-84	-67	-67
stocks of finished products	-23	+69	+8	+13	+6	+13	+10	-4	+3	+7	-5	-14	-3	+6	+5
selling-price expectations	:	-46	+39	+55	+59	+79	+53	+76	+28	+76	+70	+83	+35	+25	+25
<b>UK</b> production expectations	:	:	+33	+24	+19	+16	+14	+20	+25	+19	+19	+23	+23	+21	+31
order-books	:	:	:	-14	-22	-23	-29	-21	-13	-28	-20	-14	-19	-14	-6
export order-books	:	:	:	:	-24	-20	-26	-24	-24	-27	-27	-19	-28	-31	-12
stocks of finished products	:	:	:	+12	+11	+8	+13	+13	+11	+15	+14	+11	+12	+9	+11
selling-price expectations	:	:	+75	+61	+49	+44	+48	+49	+56	+52	+48	+47	+57	+52	+58
<b>EC</b> production expectations	:	-30	+10	-3	+4	-4	0	+5	+11	+4	+5	+6	+9	+10	+14
(c) order-books	:	-64	-29	-40	-37	-45	-43	-34	-26	-38	-34	-31	-30	-25	-22
export order-books	:	-42	-14	-23	-21	-29	-22	-18	-13	-21	-18	-15	-16	-13	-11
stocks of finished products	:	+43	+11	+22	+20	+26	+23	+18	+13	+22	+17	+15	+15	+13	+12
selling-price expectations	:	+12	+48	+33	+33	+27	+30	+36	+39	+35	+36	+37	+40	+37	+39

TABLE 2: Monthly survey of the construction industry.

Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (a)

	Range (b)		1976	1977	1978	1978				1978					
	Peak	Trough				I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>D</b> order-books	-17	-84	-58	-59	-32	-48	-37	-26	-17	-33	-21	-23	-21	-17	-18
employment expectations	+10	-60	-14	-16	+5	-1	+2	+3	+15	-1	+6	+3	+10	+14	+20
price expectations	+48	-37	+17	+15	+28	+27	+37	+44	+3	+44	+48	+40	+35	+35	+27
<b>F</b> order-books	:	:	:	-61	:	-48	-48	-49	:	:	:	:	:	:	:
employment expectations	:	:	:	-27	:	-13	-13	-23	:	:	:	:	:	:	:
<b>I</b> order-books	-25	-68	-45	-40	:	-44	-39	-46	:	-41	-52	-46	-44	-35	:
employment expectations	+10	-44	-19	-16	:	-18	-18	-25	:	-15	-30	-29	-5	-15	:
price expectations	+85	+30	+66	+61	:	+55	+67	+62	:	+62	+64	+60	+59	+65	:
<b>NL</b> order-books	-8	-81	-41	-25	-19	-17	-20	-20	-21	-20	-19	-20	-22	-19	-22
employment expectations	+14	-13	+4	+8	+12	+13	+10	+12	+12	+13	+13	+11	+13	+12	+12
<b>B</b> order-books	-13	-47	-23	-35	-39	-39	-39	-39	-38	-42	-36	-40	-39	-39	-35
employment expectations	+31	-24	+4	-12	-9	-13	-9	-11	-5	-15	-8	-9	-12	-6	+2
price expectations	+75	+25	+54	+44	+31	+29	+33	+33	+28	+28	+35	+36	+27	+26	+30
<b>L</b> order-books	+21	-50	-44	-36	:	-22	-13	-3	:	-9	-5	+4	-3	-2	:
employment expectations	+31	-39	-14	-8	:	-8	+3	+22	:	+18	+28	+20	+21	+43	:
price expectations	+82	+11	+30	+23	:	+21	+30	+25	:	+21	+29	+25	+36	+35	:
<b>UK</b> order-books	:	:	:	-25	:	-11	-6	-6	:	:	:	:	:	:	:
employment expectations	:	:	:	-20	:	+1	-3	-8	:	:	:	:	:	:	:
price expectations	:	:	:	+45	:	+49	+53	+50	:	:	:	:	:	:	:
<b>EC</b> order-books	:	:	:	-46	:	-38	-33	-31	:	:	:	:	:	:	:
(c) employment expectations	:	:	:	-18	:	-6	-6	-9	:	:	:	:	:	:	:

Note: The annual and quarterly figures are averages of the corresponding monthly data.

Source: European Community business surveys.

(a) Details of the questions are given on page 4.

(b) These are the extreme recent (high and low) values of the net balances of the different questions, reached in the course of 1973 and 1975, respectively.

(c) Owing to lack of data for certain Member States, Community totals are generally incomplete.



**TABLE 3 (I): Half-yearly industrial investment survey: estimates for 1978 and prospects for 1979.**  
Results of the October-November 1978 investment survey, % change in value, over the preceding year.

	Basic materials industries (a)		Metallurgical industries		Mechanical		Processing industries (b)		Extractive industries		Food industries		Total all industry	
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
<b>D</b>	+11	+4	-9	+19	+17	+12	+7	+7	0	0	+7	+9	+10	+9
<b>F</b>	+20	+18	-4	+2	+10	+17	+4	+14	+8	+9	+12	+15	+9	+15
<b>NL</b>	0	-23	-8	+42	+4	+1	+3	+9	-3	-20	-8	+15	-1	-5
<b>B</b>	+5	:	-34	:	+16	:	-14	:	:	:	-26	:	-6	:
<b>UK</b>	+26	+15	-18	+14	+31	+16	+18	+36	:	:	+18	+19	+19	+18

**TABLE 3 (II): Survey estimates and forecasts for total fixed industrial investment.**  
Total industry, % change in value in relation to preceding year.

Year to which data relate:													
1976				1977				1978				1979	
Date of survey:	Oct./ Nov. 1975	March/ April 1976	Oct./ Nov. 1976	March/ April 1977	Oct./ Nov. 1976	March/ April 1977	Oct./ Nov. 1977	March/ April 1978	Oct./ Nov. 1977	March/ April 1978	Oct./ Nov. 1978	Oct./ Nov. 1978	Oct./ Nov. 1978
<b>D</b>	-1	+4	+5	+5	+6	+8	+7	+3	+7	+8	+10		+9
<b>F</b>	+9	+6	+12	+9	+6	+12	+11	+10	+12	+12	+9		+15
<b>IRL (c)</b>	:	:	:	:	:	:	+5	+11	+21	+41	:		:
<b>I</b>	+12	+9	-3	+7	+24	+12	+3	+5	+10	+2	:		:
<b>NL</b>	:	:	:	:	:	:	+16	+17	+3	+6	-1		-5
<b>B (c)</b>	:	-23	-24	-21	:	-5	-10	-1	:	-1	-6		:
<b>L (d)</b>	-3	+16	+7	-7	+61	+64	+50	+13	+6	+48	:		:
<b>UK (c)</b>	+11	+11	+13	+14	+28	+25	+24	+23	+26	+26	+19		+18
<b>EC (e)</b>	:	+5	+6	+7	:	+12	+11	+10	+12	+11	:		:

(a) Chemicals, man-made fibres, petroleum refining, rubber processing, etc.

(b) Manufacture of textiles, footwear, wood, paper, together with the printing and processing of plastics industries.

(c) Excluding the extractive industries.

(d) Excluding the extractive and food industries

(e) Owing to lack of data for certain Member States, the Community totals are generally incomplete.

Source: European Community business surveys.

## European Community business surveys

The Community's business surveys, of industry and the construction sector, have been progressively developed since 1962. They are undertaken by national institutions on the basis of the Commission's harmonized questionnaires. The results are communicated to the Commission which processes and publishes the data for all Member States and the Community as a whole. The number of enterprises surveyed in manufacturing industry is about 20 000, and in the construction sector about 10 000.

The questions put in the business surveys have the content and periodicity set out below: in general, the questionnaires are sent out at end-month and are returned by the respondents in the course of the following two or three weeks.

### QUESTIONS

#### Manufacturing industry, excluding food, beverages and tobacco

##### Monthly:

- production expectations for the months ahead: up, unchanged, down?
- stocks of finished products: above normal, normal, below normal?
- order-books: above normal, normal, below normal?
- export order-books: above-normal, normal, below normal?
- selling price expectations in the months ahead: up, unchanged, down?
- production trends in recent past: up, unchanged, down?

##### Quarterly (undertaken in March, June, September and December):

- capacity utilization: in %?
- production capacity: not sufficient, sufficient, more than sufficient?
- duration of assured production: in months?
- new orders in the recent past: up, unchanged, down?
- export-orders expectations for the months ahead: up, unchanged, down?
- stocks of raw materials: high, normal, low?

##### Three times a year (undertaken in January, May and October):

- limits to production: none, insufficient demand, shortage of labour, lack of equipment?

##### Half-yearly (undertaken in May and October):

- Employment expectations for the months ahead: up, unchanged, down?

#### All industries, including manufacturing, extractive and food

##### Half-yearly (undertaken in February/March and October/November):

- investment trends and prospects: yearly percentage change of investment expenditure in current money values.

#### Construction industry

Monthly (except for France and the United Kingdom, where the survey is carried out quarterly):

- current production compared with the preceding month: up, unchanged, down?
- factors holding up production: bad weather, shortage of manpower, shortage of equipment, none?
- order-books or production schedules: above normal, normal, below normal?
- employment expectations for the months ahead: up, unchanged, down?
- prices expectations in the months ahead: up, unchanged, down?

Quarterly (undertaken in March, June, September and December):

The surveys are undertaken by:

**D** - Federal Republic of Germany: IFO (Institut für Wirtschaftsforschung)

**F** - France: INSEE (Institut National de la Statistique et des Etudes Economiques)

**IRL** - Ireland: CII (Confederation of Irish Industries) and

**ESRI** (Economic and Social Research Institute)

**I** - Italy: ISCO (Istituto Nazionale per lo Studio della Congiuntura)

**NL** - Netherlands: CBS (Centraal Bureau voor de Statistiek)

**B** - Belgium: Banque Nationale de Belgique

**L** - Luxembourg: STATEC (Service Central de la Statistique et des Etudes Economiques)

**UK** - United Kingdom: CBI (Confederation of British Industry), for the manufacturing industry survey.

**DI** (Department of Industry), for the investment survey.

**DE** (Department of Environment), for the construction survey.

Supplement B to 'European Economy', gives a monthly selection of the most recent results. Articles containing more detailed analyses and longer time-series of data will appear periodically in the main editions of 'European Economy'. The surveys of manufacturing industry are broken down by twenty-one industrial sectors, and also by consumer, intermediate and capital goods branches; the results in this detail are published each month by the Office for Official Publications of the European Communities in 'Results of the business survey carried out among managements in the Community' (ISS No 378.4479). The results of consumer surveys appear three times a year in Supplement C to the 'European Economy'.

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