

Commission of the  
European Communities



Directorate-General  
for Economic  
and Financial Affairs

# EUROPEAN ECONOMY

Supplement — Series B

No 4 — April 1980

## Economic prospects - business survey results

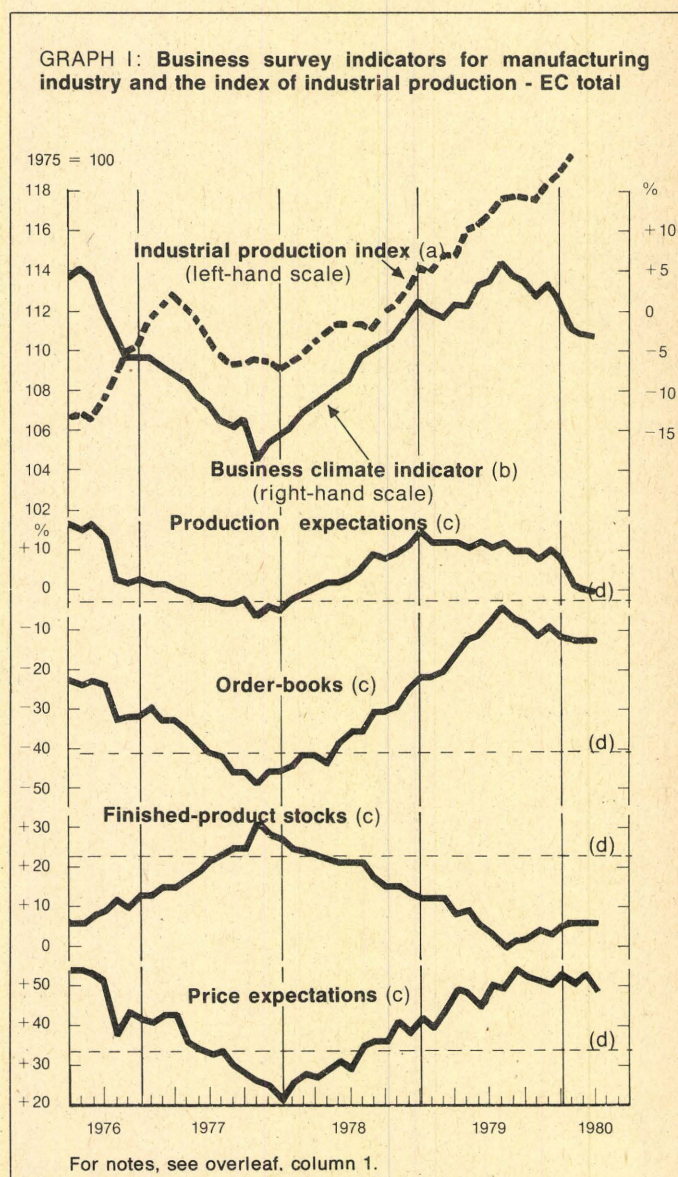
**Hesitation in the trend of business confidence.** — Judgements on order-book and stock levels in Community industry have been stable since January but the chief executives covered by the survey reported a further slight weakening in the industrial outlook in March, by one percentage point (see Graph 1 and Table 1). The Community index of industrial business confidence (combining the questions on the production outlook and stocks) fell slightly in March 1980, by 0.5 percentage points, for the second consecutive month. Industrial selling-price expectations declined by 4 percentage points in March, indicating a lessening of inflationary expectations on the part of chief executives; expectations of industrial selling-price increases are now back at the level of the second quarter of 1979.

**The industrial business climate in the Member States.** — The short-term outlook for industrial production deteriorated slightly, in March, in the Federal Republic of Germany; the net balance of chief executives expecting production to decline in the next three or four months went from -3 in February to -4 in March (see Table 1). This was a continuation of the downward trend in the production outlook noted since December 1979. The level of industrial order-books was also judged to have deteriorated slightly in March. Finished stocks, however, appear to be moving closer to the desired level: only 3 per cent of German industrialists judged finished stocks to be above normal in March, a small improvement from the 4 per cent recorded in February.

In France, a net balance of 9 per cent. of chief executives of industrial enterprises expected, in March, that production would increase during the next three or four months. This is the same figure as in February but is considerably below the fourth-quarter, 1979, average (17 per cent.). However, order books in French industry are judged to have improved considerably last month. As in the Federal Republic of Germany there was a slight favourable movement in judgements on finished stocks levels, the proportion of respondents considering finished stocks to be above normal went from 4 per cent. in February to 3 per cent. in March.

Italian industrialists judged the production outlook to have deteriorated between February and March: the net balance on the production expectations question went from 10 per cent. in February to 7 per cent. in March and, for the first quarter as a whole, the production outlook continued on the downward trend noted in the final quarter of 1979. Order-books improved, however, a majority of 5 per cent. of chief executives considering orders to be above normal in March, as against only 1 per cent. in February. Stocks of finished products in Italian industry were considered to be below

*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-book, stocks and selling prices are all counted as 'positive' (+ in the tables) and vice versa for 'negative' responses (- in the tables). For the purpose of interpretation, an increase in stocks is considered to be a negative development, and vice versa. The differences between the percentages of 'positive' and 'negative' responses are called in the text 'majorities' or 'net balances' (of  $\pm \dots\%$ ). The monthly and quarterly data in Tables 1, 2 and 3 and 4 are seasonally adjusted, except where otherwise stated.



normal by a net balance of 5 per cent. of the chief executives surveyed in March, an improvement of 6 percentage points on the February result. It is noteworthy that Italy is the only Member State in which finished stocks in industry are judged to be below normal. There has been a further deterioration in the industrial production outlook in the United Kingdom: the net balance of industrial chief executives expecting output to fall in the next three or four months increased by 4 percentage points between February and March, to 13 per cent. Pessimism on the production front is matched by industrialists' gloomy assessment of order-book and finished-stock levels. Taken together, the survey results for the United Kingdom, portray by far the darkest picture of industrial business conditions in the Community.

**Consumer and intermediate goods weaker than investment.** — The March survey confirmed that the production outlook for the Community's consumer-goods industries is continuing to follow the declining trend which began in the third quarter of 1979 (see Table 2 and Graph 2). This weakening trend is accounted for by developments in Italy and the United Kingdom. Elsewhere in the Community, the production outlook in the consumer goods sector improved, according to the March survey; although this cannot yet be seen as changing the trend.

Production expectations among chief executives in the investment-goods sector recovered, in March, to the January level, following a setback in February (see Table 2 and Graph 3). In March, a majority of 8 per cent. of the chief executives in that sector felt that production would rise during the following three or four months, some 3 per cent. more than in February. This is, however, still below the fourth-quarter, 1979, level. The weakening trend of production expectations in the investment-goods sector is particularly noticeable in the Federal Republic of Germany and Ireland.

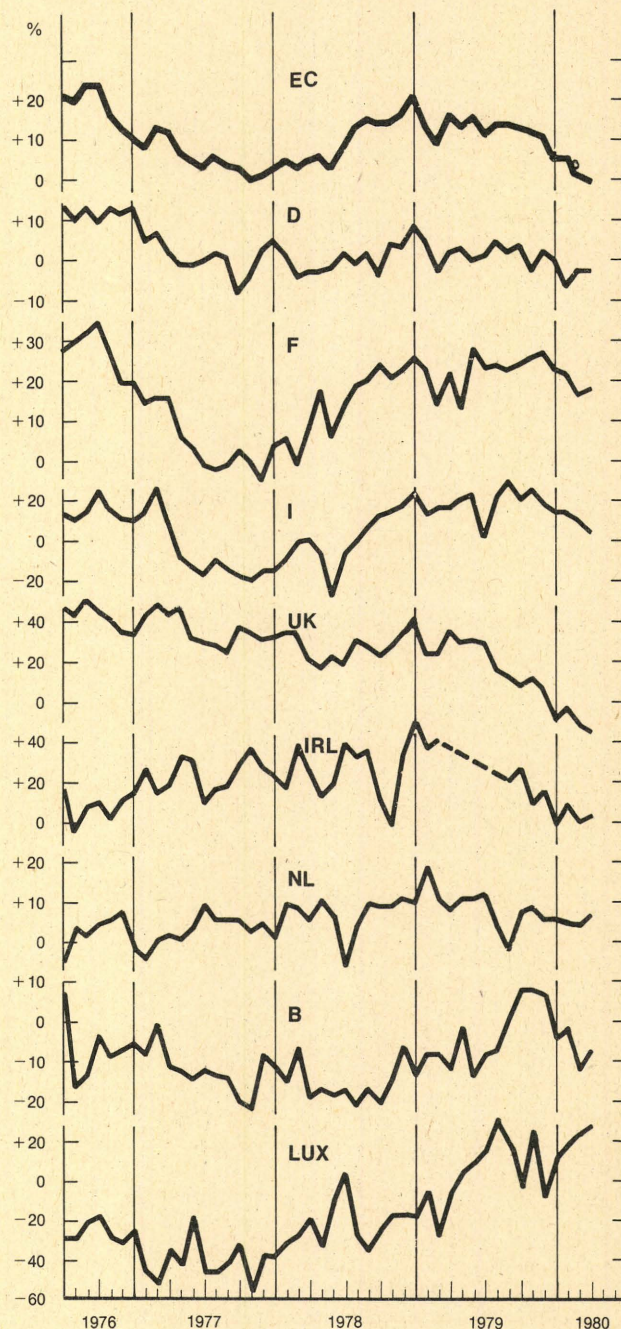
The most pronounced decline in production expectations has occurred in the intermediate-goods industries (see Table 2 and Graph 4). At the Community level, a majority of 8 per cent. of industrialists in the intermediate-goods sectors predicted, in March, that output would decline in the following three or four months. This was a deterioration of 5 percentage points compared to February and of some 11 percentage points in relation to the fourth quarter of 1979.

**Business conditions at the individual sector level.** — The production outlook improved in March in the mechanical and electrical engineering industries (see Table 3). In particular, a remarkable improvement in the production outlook has been reported for domestic electrical appliances, radios and television sets. Production expectations are also better in the motor vehicles and accessories industries. By contrast, more chief executives have pessimistic expectations for short-term production trends in the textile industry, mineral oil refining, production and preliminary processing of metals, the non-metallic mineral products, the manufacturing of metal articles, clothing and footwear and the timber and wooden furniture industries; production prospects are also weaker in the paper, printing and publishing industries, as well as in the manufacture of leather and leather goods. Order-book judgements are generally more optimistic than those on production: only four of the fourteen sectors of industry for which data are given in Table 3 reported weaker order-books in March. The industries with worsening order-books are the mineral-oil refining and chemical industries, the manufacture of motor-vehicles and accessories and the paper, printing and publishing sector.

**Deterioration in the employment outlook in the construction sector.** — Results of the March construction-industry survey show that prospects for employment in that sector have deteriorated (see Table 4). As between February and March, there were falls of 3 percentage points in construction-sector employment expectations in the Federal Republic of Germany, 2 percentage points in Italy, 4 percentage points in the Netherlands and 5 percentage points in Belgium. At the same time, judgements on the level of order-books deteriorated in the Federal Republic of Germany (by 3 percentage points) and in Italy (by 1 percentage point). In the Benelux region, however, construction-industry order-books were, in general, judged to have remained stable as between the February and March surveys.

22 April 1980.

GRAPH 2: Consumer goods industries - Production expectations (a)



(a) Net balances, i.e. differences between the percentages of respondents giving positive and negative replies (see notes on page 6).

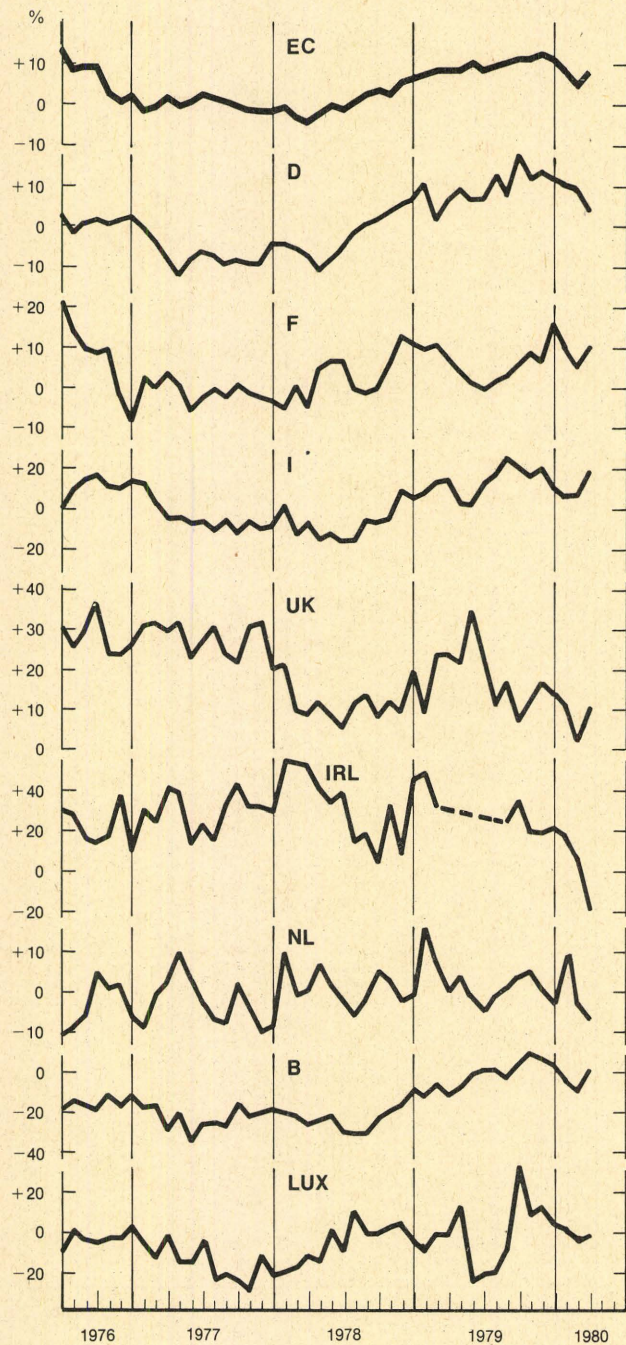
Source: European Community business surveys.

Notes on Graph 1.

- (a) Industrial production excluding building and construction and, in the case of France, the foodstuffs and beverages industry. Three months' moving average.
- (b) Composite indicator based on the replies to the questions on production expectations and stocks of finished products. The indicator is an average of the 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.
- (c) Net balances, i.e. differences between the percentages of respondents giving positive and negative replies (see notes on final page).
- (d) Dotted line shows average for 1968-1977.

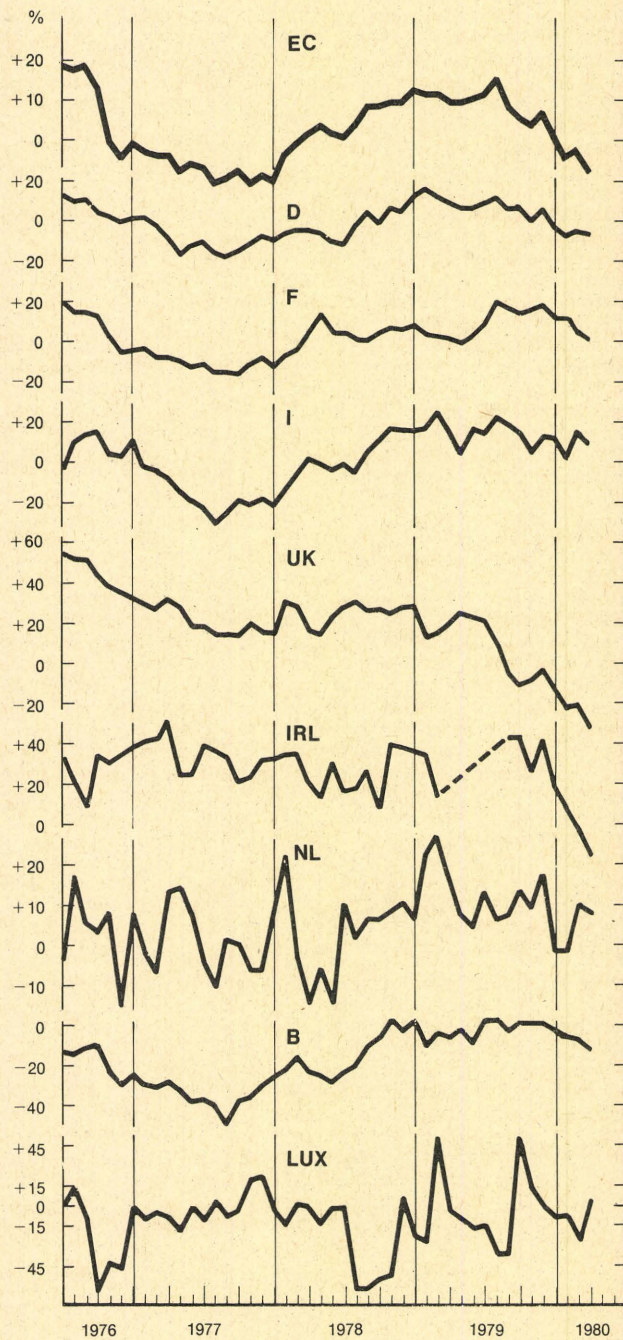
Source: European Community business surveys.

**GRAPH 3: Investment goods industries - Production expectations**



For notes see Graph 2.

**GRAPH 4: Intermediate goods industries - Production expectations**



For notes see Graph 2.

TABLE 3: Business survey in certain manufacturing sectors: EC total (a)

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

Industrial groups	1977	1978	1979	1979			1980	1979			1980		
				II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March
<b>Production expectations</b>													
Textile Industry	-10	+1	+6	+5	+5	-5	-10	0	-4	-10	-10	-9	-12
Clothing and footwear	-9	-2	+4	+3	+10	+1	-3	0	0	+3	0	-3	-5
Timber and wooden furniture	-7	-2	+6	+8	+5	+5	+5	+4	+2	+10	+9	+4	+2
Paper and paper products; printing and publishing	-3	+3	+5	+6	+10	0	+3	+6	+5	-11	+3	+5	+1
Leather and leather goods (except footwear and wearing apparel)	0	+8	-2	+2	0	-10	-5	-18	-13	+1	-4	+2	-15
Mineral oil refining	-3	+10	+2	-3	-1	-1	+9	-7	-1	+6	+26	+3	-3
Production and preliminary processing of metals	-21	-2	+8	+4	+11	+9	-9	+5	+17	+5	-12	-1	-14
Non-metallic mineral products (ceramics, etc.)	-9	-2	+6	+9	+2	+7	0	+4	+11	+6	-1	+3	-1
Chemical industry	+5	+12	+12	+15	+15	0	-6	0	+6	-7	-3	-5	-10
Manufacture of metal articles	-6	+1	+5	+6	+3	+7	-1	+5	+6	+10	0	-1	-2
Mechanical engineering	-4	0	+8	+7	+8	+12	+7	+13	+11	+12	+5	+7	+8
Electrical engineering	+3	+13	+10	+13	+10	+8	+6	+5	+10	+9	+5	+1	+13
— Domestic electrical appliances; radio and television sets	-15	-2	+3	-1	+10	+8	+1	+15	+7	+2	-3	-1	+9
Manufacture of motor vehicles and accessories	+15	+15	+18	+23	+22	+10	-1	+16	+17	-2	+6	-6	-2
<b>Order-books</b>													
Textile industry	-52	-36	-14	-12	-11	-13	-26	-15	-18	-22	-24	-29	-26
Clothing and footwear	-26	-26	-5	-5	0	-6	-6	-6	-7	-5	-4	-7	-7
Timber and wooden furniture	-43	-44	-23	-29	-18	-9	-4	-13	-9	-4	-9	-5	+2
Paper and paper products; printing and publishing	-34	-22	-3	-3	+1	-1	-7	-4	+2	-1	-6	-7	-8
Leather and leather goods (except footwear and wearing apparel)	-26	-16	-20	-18	-17	-32	-34	-39	-28	-30	-32	-35	-34
Mineral oil refining	-32	-34	+10	+14	+13	+16	-9	+14	+11	+22	+2	-11	-19
Production and preliminary processing of metals	-72	-65	-32	-30	-26	-32	-28	-34	-31	-31	-26	-32	-26
Non-metallic mineral products (ceramics, etc.)	-48	-41	-18	-19	-11	-12	-6	-15	-10	-11	-9	-10	+2
Chemical industry	-38	-25	+6	+4	+15	+10	+1	+9	+10	+11	+5	+2	-3
Manufacture of metal articles	-44	-31	-16	-20	-8	-17	-14	-17	-17	-16	-14	-14	-13
Mechanical engineering	-42	-42	-28	-29	-23	-20	-17	-22	-18	-19	-19	-19	-13
Electrical engineering	-29	-17	-20	-23	-17	-21	-11	-19	-26	-17	-11	-14	-8
— Domestic electrical appliances; radio and television sets	-35	-26	-24	-32	-26	-16	-12	-20	-21	-7	-8	-20	-7
Manufacture of motor vehicles and accessories	+8	+10	+14	+17	+17	+10	+10	+17	+9	+3	+7	+15	+7
<b>Export order-books</b>													
Textile industry	-45	-33	-31	-31	-32	-35	-38	-37	-34	-34	-36	-41	-37
Clothing and footwear	-32	-29	-17	-20	-13	-18	-23	-16	-17	-20	-19	-22	-27
Timber and wooden furniture	-31	-34	-29	-38	-23	-25	-24	-24	-24	-26	-23	-23	-28
Paper and paper products; printing and publishing	-30	-17	-10	-9	-5	-7	-19	-1	-2	-17	-15	-21	-23
Leather and leather goods (except footwear and wearing apparel)	-22	-20	-30	-24	-28	-45	-45	-43	-49	-44	-51	-47	-36
Mineral oil refining	-8	-26	-5	+8	-10	+3	+16	+15	-6	0	+27	+18	+3
Production and preliminary processing of metals	-16	-12	-8	-16	-8	-20	0	-11	-20	-30	-34	-39	+
Non-metallic mineral products (ceramics, etc.)	-18	-12	-7	-9	-7	-7	-7	-5	-5	-8	-11	-8	-3
Chemical industry	-13	-7	+13	+14	+15	+12	+1	+13	+13	+9	+1	-1	+2
Manufacture of metal articles	-15	-17	-27	-30	-30	-30	-31	-34	-25	-30	-29	-37	-27
Mechanical engineering	-15	-21	-25	-28	-26	-27	-29	-27	-24	-29	-31	-32	-24
Electrical engineering	-23	-23	-30	-31	-31	-32	-24	-36	-32	-28	-29	-28	-16
— Domestic electrical appliances; radio and television sets	-26	-28	-24	-23	-27	-19	-16	-20	-20	-15	-25	-24	0
Manufacture of motor vehicles and accessories	-5	0	+7	+13	+8	-2	-3	+9	+2	-16	-9	+2	-1
<b>Stocks of finished products</b>													
Textile industry	+40	+34	+20	+19	+15	+23	+27	+21	+20	+27	+25	+29	+28
Clothing and footwear	+30	+26	+17	+15	+16	+19	+24	+19	+19	+20	+24	+25	+24
Timber and wooden furniture	+23	+28	+14	+18	+12	+4	+2	+4	+5	+2	+6	+2	-2
Paper and paper products; printing and publishing	+24	+19	+5	+3	+7	+1	+6	+3	-4	+5	+3	+8	+8
Leather and leather goods (except footwear and wearing apparel)	+11	+21	+9	+5	+3	+14	+25	+17	+12	+15	+22	+29	+24
Mineral oil refining	+23	+5	-29	-16	-44	-33	-14	-39	-35	-24	-16	-13	-14
Production and preliminary processing of metals	+16	+9	0	+3	-4	-4	-5	-4	-5	-2	-7	-3	-6
Non-metallic mineral products (ceramics, etc.)	+29	+29	+14	+18	+8	+6	-2	+8	+8	+2	+4	-5	-5
Chemical industry	+25	-15	-8	-11	-16	-6	+5	-10	-5	-2	-1	+4	+11
Manufacture of metal articles	+28	+11	0	+2	-8	-5	+1	-7	-6	-1	+1	+1	0
Mechanical engineering	+21	+22	+8	+11	0	+7	+8	+8	+8	+7	+7	+11	+7
Electrical engineering	+25	+20	+20	+22	+15	+16	+16	+13	+18	+17	+16	+15	+16
— Domestic electrical appliances; radio and television sets	+30	+18	+35	+42	+32	+29	+27	+27	+29	+30	+29	+27	+25
Manufacture of motor vehicles and accessories	+3	-4	-14	-19	-21	-7	-1	-7	-7	-6	+5	+1	-8
<b>Selling-price expectations</b>													
Textile industry	+19	+35	+58	+62	+63	+58	+55	+57	+58	+59	+57	+54	+54
Clothing and footwear	+38	+33	+44	+44	+50	+45	+46	+45	+41	+52	+48	+49	+44
Timber and wooden furniture	+35	+35	+55	+56	+63	+59	+62	+63	+53	+61	+61	+65	+59
Paper and paper products; printing and publishing	+28	+38	+55	+52	+60	+61	+61	+67	+57	+60	+57	+66	+60
Leather and leather goods (except footwear and wearing apparel)	+29	+40	+45	+57	+52	+25	+19	+33	+15	+28	+27	+28	+1
Mineral oil refining	+41	+29	+70	+100	+81	+35	+48	+36	+18	+51	+46	+51	+48
Production and preliminary processing of metals	+20	+37	+46	+41	+46	+53	+50	+48	+53	+57	+54	+50	+45
Non-metallic mineral products (ceramics, etc.)	+36	+30	+47	+46	+54	+55	+57	+58	+52	+54	+57	+61	+52
Chemical industry	+27	+32	+57	+61	+65	+52	+50	+56	+51	+50	+59	+56	+36
Manufacture of metal articles	+31	+30	+51	+49	+57	+52	+43	+57	+49	+51	+43	+41	+45
Mechanical engineering	+34	+38	+44	+41	+44	+48	+45	+47	+45	+51	+47	+43	+44
Electrical engineering	+35	+27	+40	+37	+47	+47	+42	+41	+47	+53	+43	+46	+37
— Domestic electrical appliances; radio and television sets	+22	+18	+30	+29	+37	+36	+35	+28	+36	+44	+50	+43	+11
Manufacture of motor vehicles and accessories	+44	+39	+46	+45	+49	+47	+45	+50	+51	+41	+38	+43	+55

(a) Denmark excluded. Owing to lack of data, the United Kingdom is not included in the following sectors: clothing and footwear, timber and wooden furniture, paper and paper products, printing and publishing, leather and leather goods (except footwear and wearing apparel), domestic electrical appliances, radio and television sets.

(b) For the exact formulation of the questions, see the notes on page 6.

The annual and quarterly figures are averages of the corresponding monthly data. The seasonal adjustment applied to the most recent observations is sometimes provisional, so that such data are subject to later revision.

Source: European Community business surveys.



TABLE 4: Survey of the construction industry.

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

	Range (b)		1977	1978	1979	1979			1980	1979			1980		
	Peak 72/73	Trough 74/75				II	III	IV		I	Oct.	Nov.	Dec.	Jan.	Feb.
<b>D</b> order-books	-17	-84	-59	-32	-7	0	-6	-10	-15	-5	-11	-13	-14	-14	-17
employment expectations	+10	-60	-16	+5	+9	+11	+1	+7	+6	+4	+8	+9	+10	+6	+3
price expectations	+48	-37	+15	+28	+30	+37	+27	+16	+21	+17	+19	+13	+18	+21	+25
<b>F</b> order-books	:	:	-61	-48	:	-28	-27	-29	:	:	:	:	:	:	:
<b>(c)</b> employment expectations	:	:	-27	-19	:	-11	-10	-13	:	:	:	:	:	:	:
<b>I</b> order-books	-25	-68	-40	-40	-29	-30	-24	-33	-33	-32	-36	-32	-41	-28	-29
employment expectations	+10	-44	-16	-16	-12	-13	-12	-13	-12	-20	-9	-9	-15	-10	-12
price expectations	+85	+30	+61	+62	+71	+71	+76	+73	+71	+76	+69	+73	+70	+74	+70
<b>NL</b> order-books	-8	-81	-25	-19	-19	-17	-19	-23	-25	-20	-22	-26	-26	-25	-25
employment expectations	+14	-13	+8	+12	+11	+12	+7	+12	+9	+15	+10	+11	+8	+12	+8
<b>B</b> order-books	-13	-47	-35	-39	-28	-26	-22	-27	-30	-24	-29	-29	-27	-32	-31
employment expectations	+31	-24	-12	-9	0	0	+2	+2	-8	+7	+3	-3	-9	-5	-10
price expectations	+75	+25	+44	+31	+43	+37	+54	+44	+42	+49	+45	+37	+37	+53	+37
<b>L</b> order-books	+21	-50	-36	-11	-7	-14	-14	+9	-3	+15	+9	+4	+2	-12	+1
employment expectations	+31	-39	-8	+14	+16	+9	+7	+26	+8	+23	+27	+27	+20	-3	+8
price expectations	+82	+11	+23	+27	+46	+45	+60	+50	+61	+58	+43	+48	+63	+51	+69
<b>UK</b> order-books	:	:	-25	-8	:	+1	-15	-21	:	:	:	:	:	:	:
<b>(c)</b> employment expectations	:	:	-20	-2	:	+10	-11	-11	:	:	:	:	:	:	:
price expectations	:	:	+45	+53	:	+74	+70	+67	:	:	:	:	:	:	:
<b>EC</b> order-books	:	:	-46	-32	:	-14	-17	-22	:	:	:	:	:	:	:
<b>(d)</b> employment expectations	:	:	-18	-9	:	+1	-6	-5	:	:	:	:	:	:	:

(a) Details of the questions are given below.

(b) These are the extreme recent (high and low) values of the net balances of the different questions, reached in the course of 1972/1973 and 1974/1975, respectively.

(c) Not seasonally adjusted.

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

Note: The annual and quarterly figures are averages of the corresponding monthly data, except for France and the United Kingdom, where the survey is carried out on a quarterly basis. The monthly and related quarterly data are seasonally adjusted; the seasonal adjustment applied to the most recent observations is sometimes provisional, so that such data are subject to later revision.

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 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 (January, April, July and October):

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

Three times a year (carried out in January/February, June/July and October/November):

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

##### Half-yearly (carried out in June/July and October/November):

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

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

##### Half-yearly (undertaken in March/April 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?
- price expectations in the months ahead: up, unchanged, down?

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

- duration of assured production: in months?

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 appear periodically in the main editions of 'European Economy'. The surveys of manufacturing industry are broken down by twenty 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 'Business surveys' (ISSN 0378-4479). The results of consumer surveys appear three times a year in Supplement C to 'European Economy'.

## PRICES

	BFR	DKR	DM	FF	LIT	HFL	UKL	IRL	USD
'European Economy' (3 issues per year)	1 000	180	62,50	145,50	28 000	68,50	15,25	16,60	34,25
<b>Supplements</b>									
Series A — 'Economic trends' (11 issues per year)	400	72	25,00	58,50	11 200	27,50	6,10	6,70	13,70
Serie B — 'Economic prospects — business survey results' (11 issues per year)	450	81	28,00	65,50	12 600	31,00	6,85	7,50	15,50
Serie C — 'Economic prospects — consumer survey results' (3 issues per year)	200	36	12,50	29,50	5 600	13,70	3,10	3,30	6,90
All three supplements	800	144	50,00	116,50	22 400	54,75	12,15	13,30	27,35
Combined subscription — 'European Economy' and supplements	1 500	270	93,50	218,50	41 900	103,00	22,80	25,00	51,50

The annual subscription runs from 1 January to 31 December of each year

Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy

These are surface mail rates; for air subscription rates please apply to the agents