

# EUROPEAN ECONOMY

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Supplement B

## Economic prospects - business survey results

**Stable production expectations in Community industry.** — Industrial chief executives covered by the survey reported no change in the Community's industrial production outlook in March (see Graph 1 and Table 1). However, despite the stability of production expectations in March, the average of results for the first quarter of 1981 showed a slightly less pessimistic outlook for production as compared with the figures for the third and the fourth quarters of 1980. More significant is the fact that the steep downward trend in production expectations which began towards the end of 1979 has been replaced by a moderately rising, if variable, tendency since the final quarter of 1980. Judgements on stock levels and on total order-books in the first quarter as a whole were somewhat more pessimistic than in the final months of 1980, but the weaker trend is less accentuated than before. Opinion on export orders improved on the average in the first three months of 1981, despite a slight deterioration in March. The business climate indicator for the Community, which reflects both production expectations and finished stock-levels, deteriorated in March by 1 percentage point and was virtually unchanged as between the final quarter of 1980 and the first quarter of 1981. A quarterly comparison of industrial selling-price expectations shows inflationary expectations in the first quarter of 1981 at the same level as in the last quarter of 1980.

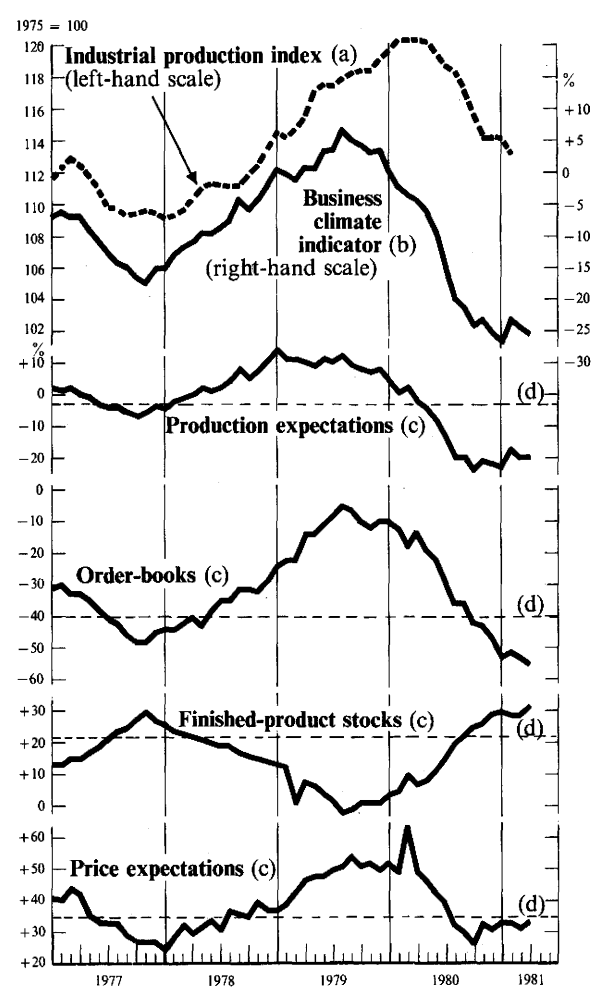
**The business climate in the Member States.** — Four Member States, the United Kingdom the Netherlands, Ireland and Luxembourg, reported a significantly less pessimistic business climate in March (see Table 1 and Graph 2). In the Federal Republic of Germany, Italy and Belgium, the business climate index was virtually stable while the indicator fell by 5 percentage points in France. Judgements on the production outlook (a component of the business climate index) in the months ahead deteriorated noticeably in France, Belgium and Luxembourg, the net balances of responses indicating an expected fall in production in coming months increasing, respectively, by 8, 3 and 24 percentage points. By contrast, production expectations improved by 12 percentage points in Ireland, 6 percentage points in the Netherlands, 5 percentage points in Italy, 3 percentage points in the United Kingdom and 2 percentage points in the Federal Republic of Germany.

The majority of chief executives who consider order-books to be below normal increased significantly in March only in Italy and Luxembourg, but slight increases were also reported in the Federal Republic of Germany, France and the United Kingdom. In Ireland, by contrast, there was an improvement of 11 percentage points in order-book judgements.

The tendency for a higher proportion of industrialists to judge stocks of finished goods to be above normal has continued in Italy according to the March survey results and a similar result is reported for Ireland;

*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, 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 ±...%). The monthly and quarterly data in the tables are seasonally adjusted, except where otherwise stated.

GRAPH 1: Business survey indicators for manufacturing industry and the index of industrial production - EC total



For notes, see overleaf, column 1.

elsewhere the changes were generally small, with lower excess stocks indicated in the United Kingdom Belgium and Luxembourg and increases in the Federal Republic of Germany, France and the Netherlands. In terms of levels, excess stocks are most evident in France, Italy, the United Kingdom and the Netherlands, where net balances of between 30% and 37% of chief executives considered finished-goods stocks to be above normal in March.

Judgements on industrial selling-price expectations indicated significantly increasing inflationary tendencies in the months ahead in Italy and the United Kingdom, but the level of inflationary expectations in the latter country remains, nevertheless, relatively low.

**The production outlook for the major production sectors.** — Business sentiment in the Community's consumer-goods sector appears to have stabilized during the past three months while the production outlook for investment and intermediate goods has improved according to the survey results for the first quarter taken as a whole (see Table 2). However, a more pessimistic production outlook in March was reported for consumer goods in France (5 percentage points) and in Italy (1 percentage point).

According to the March survey, the majority of respondents expecting the output of the Community's investment-goods sector to decline in coming months has increased slightly, to 13%, as against 11% in February. The principal source of this decline was a deterioration in the outlook for investment-goods production in the Federal Republic of Germany, France, the Netherlands, Belgium, and, to a minor degree, in the United Kingdom.

Chief executives in the intermediate-goods industry are somewhat more optimistic concerning the production outlook for the coming months: the majority expecting intermediate-goods production to decline in the course of the next three or four months fell, between February and March, by 1 percentage point. Production expectations for intermediate goods were weaker only in France (11 percentage points), Belgium (7 percentage points) and Luxembourg (34 percentage points).

**Production outlook at the industrial branch level.** — At the Community level, there was some improvement in production expectations in the motor-vehicle industry in the first quarter of 1981, despite the weakening reported in March (see Table 3). The paper and paper products (including printing and publishing), non-metallic mineral products (ceramics, etc.), electrical engineering and domestic electrical appliances industries also reported improved production expectations in the first three months of 1981, taken as a whole. In the other sectors shown in Table 3, there was a slight general improvement in the production outlook in the first quarter, except for mineral oil refining, the metallurgical and the chemical industries where some deterioration was observed in the early months of the year. Looking at the March results, there has been a noticeable improvement in production expectations for electrical appliances, radio and television sets (15 percentage points) and the leather and leather goods (14 percentage points) industries.

Opinion on order-book levels and on the level of finished-goods stocks, however, took a slightly more pessimistic turn in the first quarter for the majority of the sectors listed in Table 3. This is true, in particular, of the timber and furniture, mineral oil refining, the metallurgical, non-metallic mineral products (ceramics, etc.) and the motor-vehicle industries.

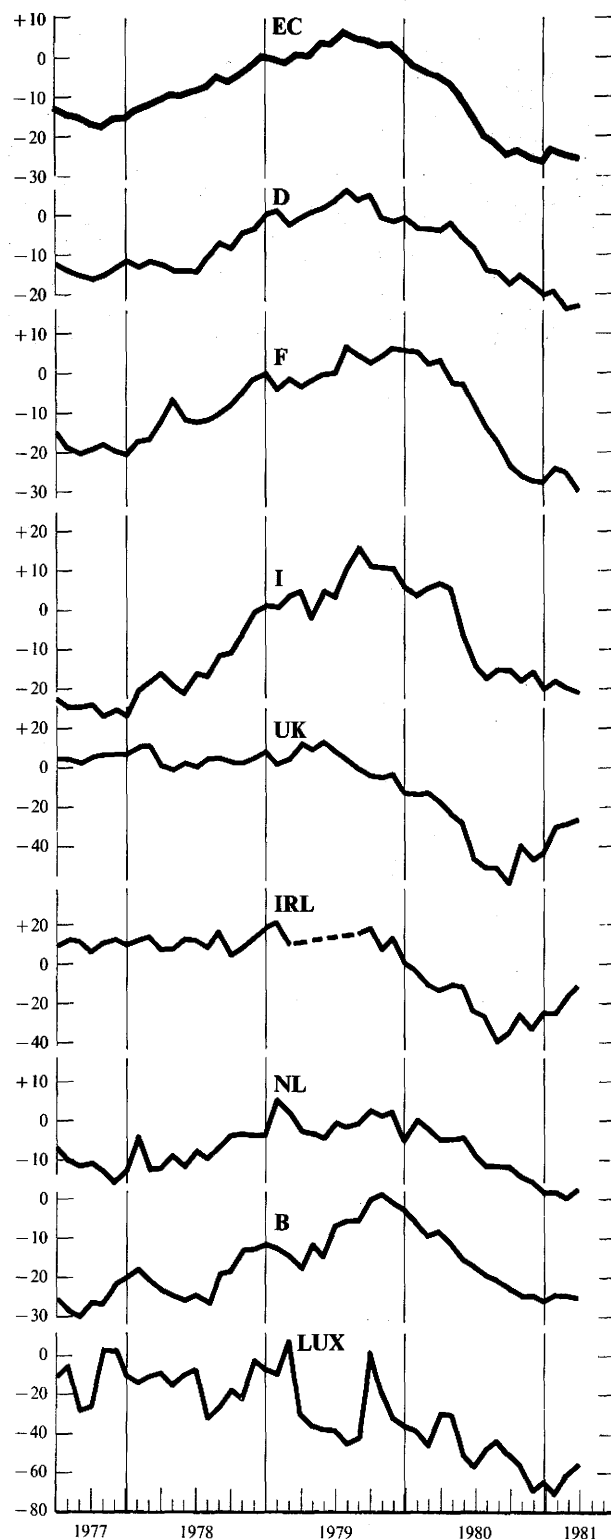
Selling-price expectations were reported higher in March in about half of the sectors shown in Table 3, with increases of from 3 to 5 percentage points in the relevant net balances. However, markedly stronger price increases were expected in the months ahead only in the chemical industry (a net balance increase of 11 percentage points).

**Recent results for the construction survey.** — The net balance of opinion on order-books (or plans) in the construction industry deteriorated at the Community level in the first quarter of 1981, as compared with the last quarter of 1980, by 8 percentage points. In all Member States covered by the survey, except Italy and Luxembourg, the results indicated in the first quarter of 1981 less favourable judgements on order-books (by between 2 and 15 percentage points). The March results, however, showed signs of a less pessimistic tendency in order-books in Italy.

Employment expectations in the construction sector deteriorated in the first quarter in the Federal Republic of Germany, France and Belgium. Construction-sector employment expectations have, however, improved in Italy and the Netherlands.

Brussels, 10 April 1981

GRAPH 2: Business climate of manufacturing industry - EC and Member States



*Note:* 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.

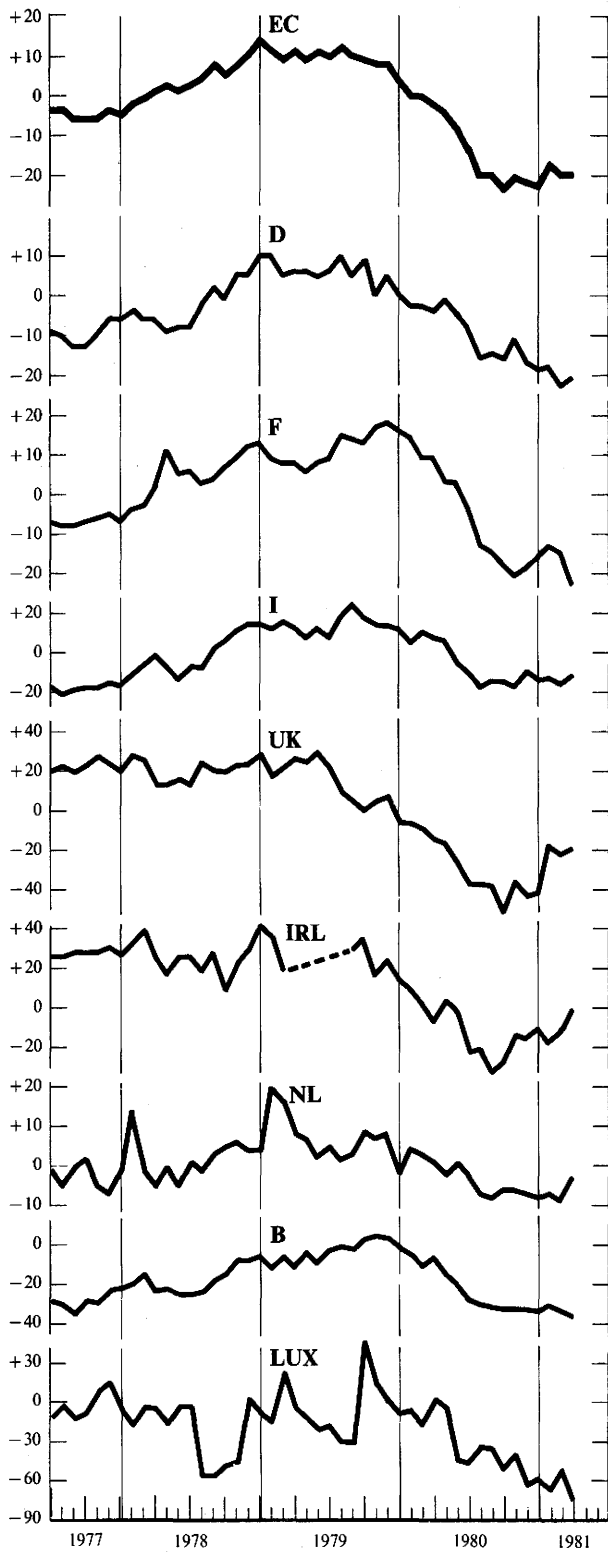
*Source:* European Community business surveys.

Notes on Graph 1.

- Industrial production excluding building and construction and, in the case of France, the foodstuffs and beverages industry. Three months' moving average.
- 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.
- Net balances, i.e. differences between the percentages of respondents giving positive and negative replies (see notes on final page).
- Dotted line shows average for 1968-1977.

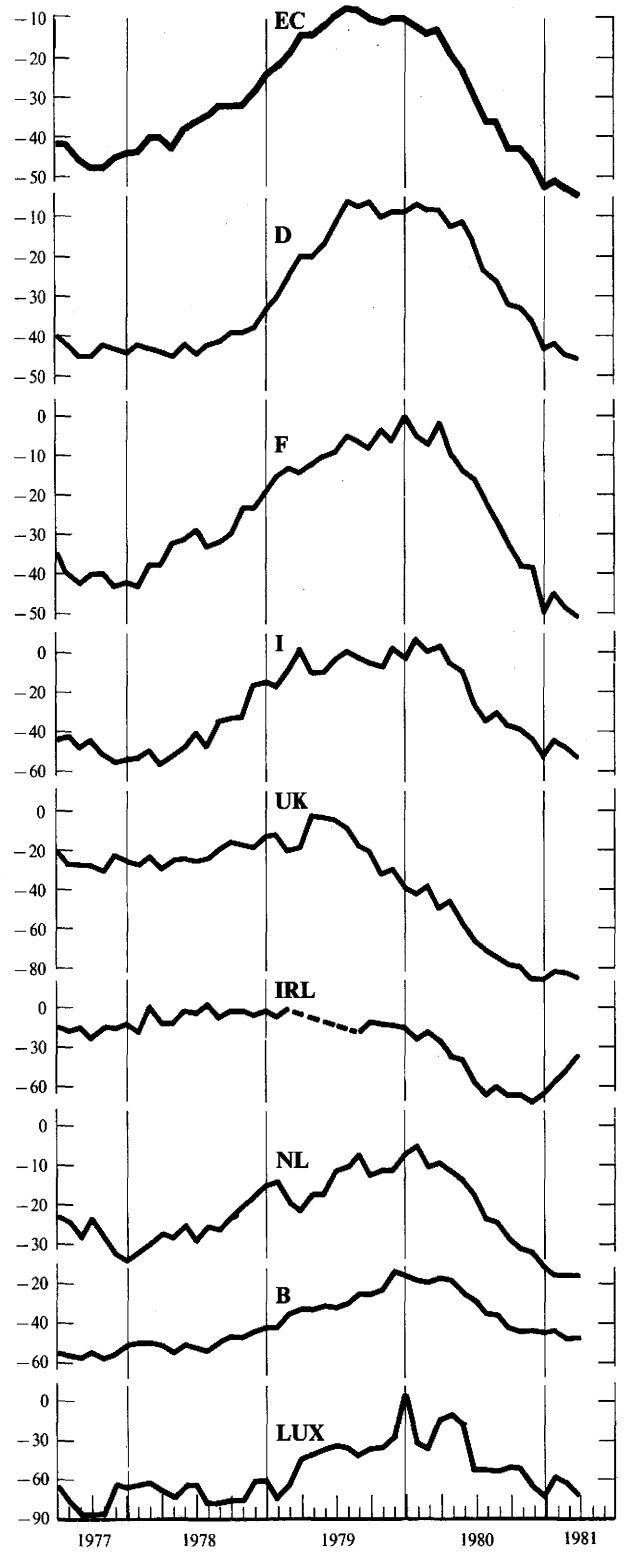
*Source:* European Community business surveys and Eurostat.

**GRAPH 3: Production outlook for manufacturing industry - EC and Member States (a)**



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

**GRAPH 4: Order-books in manufacturing industry - EC and Member States (a)**



(a) Net balances: i.e. differences between the percentages of respondents giving positive and negative replies.  
 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)		1978	1979	1980	1980			1981	1980			1981		
		Peak 72/73	Trough 74/75				II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March
<b>D</b>	order-books	-17	-84	-32	-7	-30	-24	-35	-45	-50	-41	-47	-48	-50	-50	-50
	employment expectations	+10	-60	+5	+9	-7	-5	-12	-17	-23	-16	-15	-19	-24	-22	-24
	price expectations	+48	-37	+28	+30	-5	+3	-21	-23	-38	-16	-25	-27	-33	-36	-46
<b>F</b> (c)	order-books	:	:	-48	:	-30	-28	-28	-35	-49	:	:	:	:	:	:
	employment expectations	:	:	-19	-25	-11	-5	-5	-19	-25	:	:	:	:	:	:
<b>I</b>	order-books	-25	-68	-40	-29	-33	-30	-31	-34	-28	-35	-35	-31	-29	-28	-26
	employment expectations	+10	-44	-16	-12	-11	-13	-7	-15	-5	-17	-15	-14	-7	-5	-3
	price expectations	+85	+30	+62	+71	+71	+74	+67	+72	+70	+70	+75	+70	+66	+73	+70
<b>NL</b>	order-books	-8	-81	-19	-19	-39	-39	-45	-47	-49	-43	-47	-50	-48	-49	-50
	employment expectations	+14	-13	+12	+11	-8	-9	-13	-17	-15	-18	-16	-16	-14	-17	-13
<b>B</b>	order-books	-13	-47	-39	-28	-32	-37	-26	-35	-47	-34	-32	-40	-41	-49	-51
	employment expectations	+31	-24	-9	0	-23	-26	-31	-28	-33	-28	-22	-30	-30	-36	-34
	price expectations	+75	+25	+31	+43	+31	+36	+27	+20	+15	+19	+22	+19	+18	+16	+11
<b>L</b>	order-books	+21	-50	-11	-7	-12	-2	-13	-28	-19	-15	-21	-48	-17	-18	-21
	employment expectations	+31	-39	+14	+16	+6	+11	+9	-3	-3	+23	+2	-35	-25	+17	0
	price expectations	+82	+11	+27	+46	+45	+65	+23	+31	+35	+38	+33	+22	+36	+24	+45
<b>UK</b> (c)	order-books	:	:	-8	:	-33	-31	-36	-45	-60	:	:	:	:	:	:
	employment expectations	:	:	-2	:	-27	-12	-34	-49	-47	:	:	:	:	:	:
	price expectations	:	:	+53	:	+50	+63	+40	+31	-23	:	:	:	:	:	:
<b>EC</b> (d)	order-books	:	:	-32	:	-32	-29	-33	-40	-48	:	:	:	:	:	:
	employment expectations	:	:	-9	:	-14	-9	-15	-24	-25	:	:	:	:	:	:

(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 unless otherwise indicated: 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?

##### 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.  
National Federation of Building Trade Employers, 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 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'.

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