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No 8 — August 1981

Supplement B

Economic prospects - business survey results

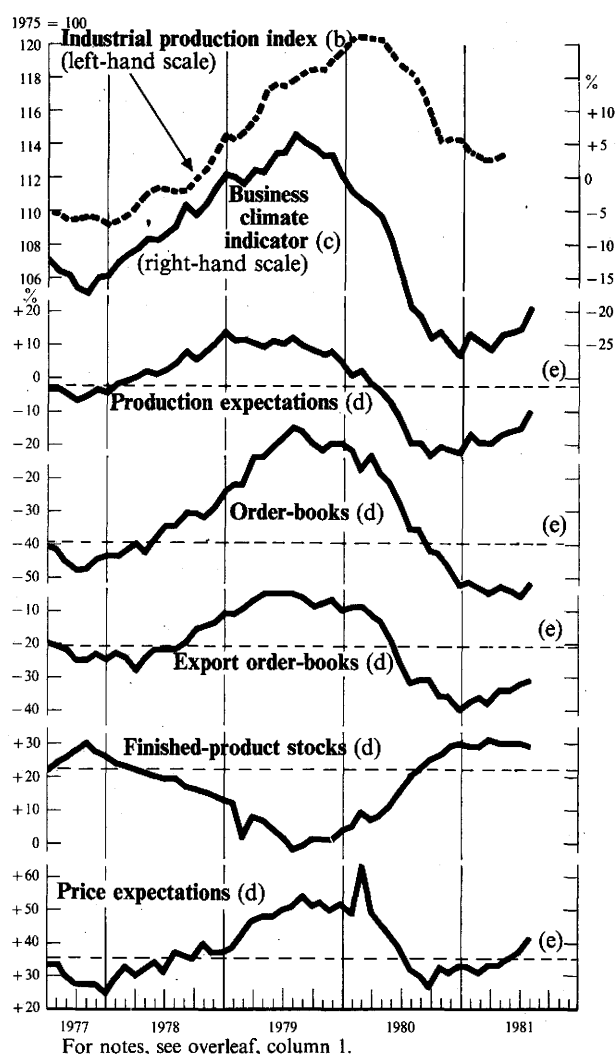
Significant improvement in business climate in the Community. — The business climate indicator for Community industry increased by 3 percentage points in July, adding still further to evidence of the recovery under way since April and bringing the indicator back to its level of 12 months earlier. A look at the two components of the business climate indicator (Graph 1 and Table 1) shows that production expectations rose by 5 percentage points, while assessments of stock levels were slightly more favourable. Views on order-books also improved distinctly, as 52% of managements in industry currently consider the level of orders on hand to be below normal, compared with 56% in June (revised figure). With export order-books showing a further slight recovery and selling-price expectations becoming firmer, all the business survey indicators are now on a more positive trend. The improvement in the business climate is evident in all the Member States except Italy and Ireland, where the indicator stabilized in July.

Results for the individual Member States. — The industrial business climate improved once again in the **Federal Republic of Germany** in July after a brief period of stabilization in June (Table 1 and Graph 2). This is due to the recovery in production expectations (+2 percentage points) and to the levelling off of stocks of finished products. Order-book assessments by German industrialists are also better, while views on export order-books remain favourable. In **France**, the proportion of industrialists who are optimistic about the future trend of production increased by 8 percentage points in July, confirming the improvements evident since May. Similarly, views on order-books were up by 4 percentage points in July (-52 as against -56 and not -70 as indicated in June). Finished-stock levels were reported to have fallen slightly, and price expectations showed a further improvement. In **Italy**, production expectations deteriorated slightly (by 1 percentage point), finished-stock assessments showed no change, but views on order-books were more optimistic again. In the **United Kingdom**, the business climate once again improved appreciably in July (by 5 percentage points), mainly as a result of the upturn (+9 percentage points) in production expectations. Views on finished-product stocks indicate a slight decline compared with June. Reports on order-books continued to improve, underlining the recovery evident since April. In **The Netherlands, Belgium and Luxembourg**, the business climate improved in July as a result of a recovery in production expectations. In **Ireland**, the tendency towards recovery was offset by a rise in stock levels, and the business climate stabilized.

Period of activity covered by orders on hand and views on the adequacy of production capacity. — Industrialists' views on the adequacy of current production capacity (Table 2) seem to indicate that capacity utilization

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 $\pm \dots\%$). 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 9 (a)



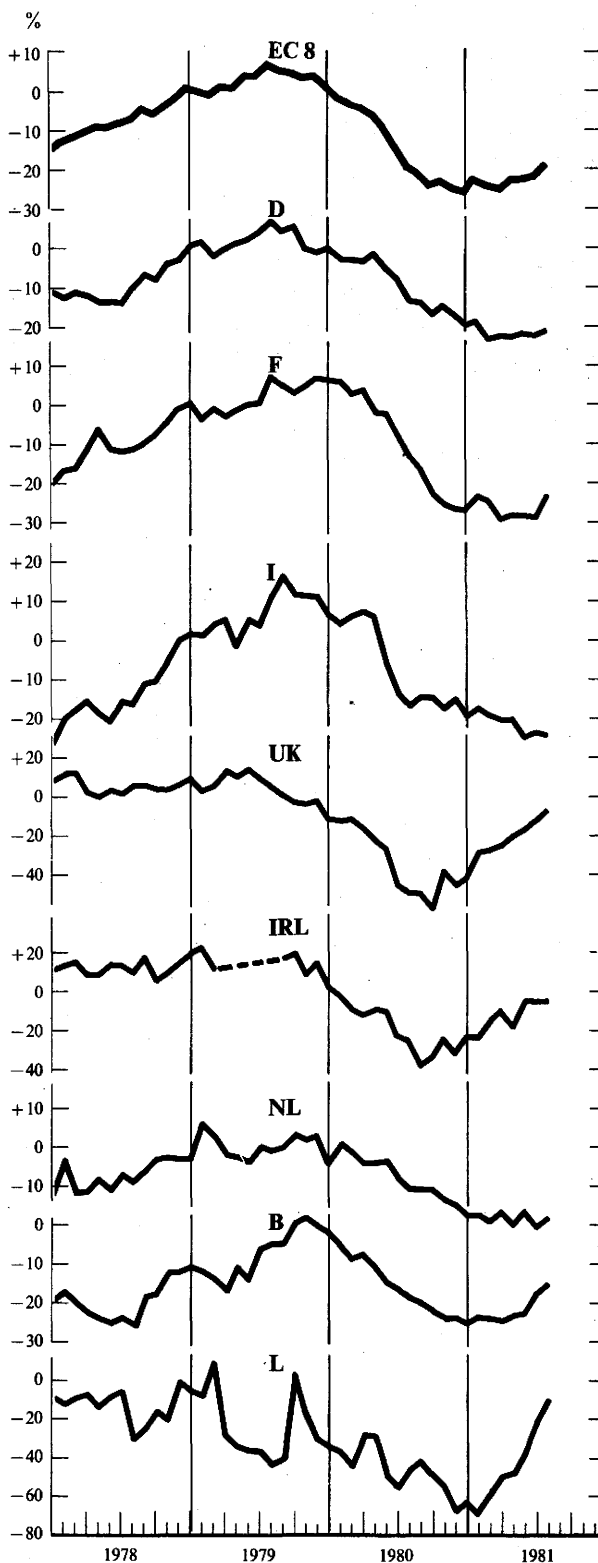
in Community industry declined once again between April and July. In July, the net balance of managements considering capacity to be more than sufficient to meet current output requirements showed a rise of 4 percentage points for the Community as a whole. Only Ireland recorded a decline (7 percentage points) in the net balance of managements reporting excess production capacity. In all the other Member States, though to differing degrees, the net balance of industrialists reporting a rise in production capacity increased: the increase was 9 percentage points in Belgium, 6 percentage points in France, 3 percentage points in The Netherlands, 2 percentage points in Italy and the Federal Republic of Germany and 1 percentage point in Luxembourg. Orders on hand in Community industry represented 3.3 months' normal work according to the July survey, 0.2 months more than in April. This increase was evident in all the Member States except France (-0.2 months). New orders were reported to be down in the Federal Republic of Germany, Italy and The Netherlands (Table 4). Industrialists in France, Belgium and Luxembourg, on the other hand, were more optimistic about the rate of intake of new orders. Expectations concerning the volume of exports also varied. While French, Italian and Luxembourg respondents appeared to expect a favourable trend for the months ahead, German, Irish and Dutch industrialists were much more sceptical on the volume of exports during the next few months.

Production outlook at the industrial branch level. — The July survey showed production expectations improving distinctly in the production and preliminary processing of metals, in non-metallic products and in the manufacture of motor vehicles (Table 3). The situation also improved in the textile industry and mechanical engineering. For all these sectors, the level of production expectations was appreciably higher than the average for 1980. In the manufacture of metal articles, industrialists are still less optimistic about the future trend of output and the level of order-books and export order-books. In the chemical industry, order-books are thin and the July level showed little change from the average for the third quarter of 1980. However, despite a fall-off compared with June, production expectations remain favourable, as the net balance of managements expecting a decline in output during the coming months is 3%. In the mineral oil refining industry, there was an appreciable upturn in production expectations in July, with the net balance of industrialists expecting a decline falling from -46 in June to -1 in July. The level of orders on hand has also improved steadily since March, and stocks of finished products have fallen significantly.

Recent results of the construction survey. — In the Federal Republic of Germany, France and Belgium, the results of the surveys carried out in the construction industry in July (second quarter in France) (Table 5) show that order-books have worsened steadily since the beginning of the year. Employment expectations also remain very depressed. In Italy, The Netherlands and Luxembourg, the July survey confirmed an upturn in order-books and employment expectations.

Brussels, 13 August 1981.

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



Notes on Graph 1.

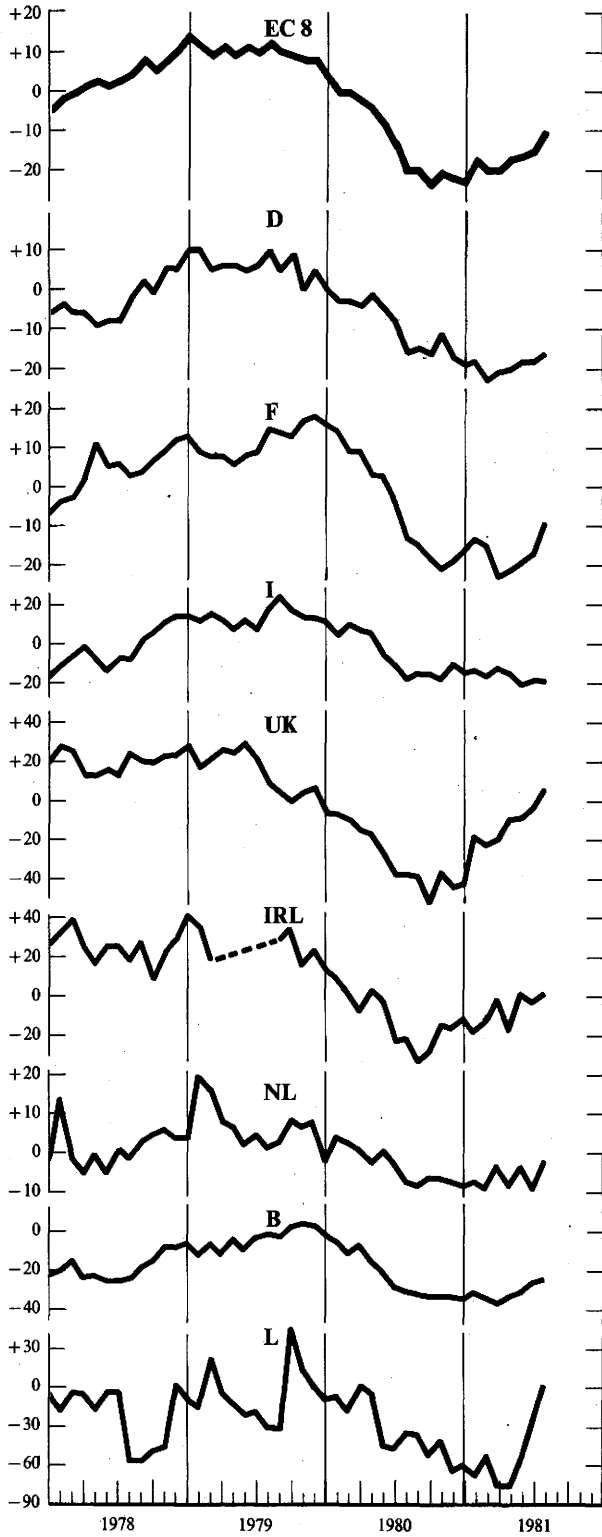
- (a) Weighted total of available country data — see Table 1.
- (b) Industrial production excluding building and construction and, in the case of France, the foodstuffs and beverages industry. Three months' moving average.
- (c) Composite indicator based on the replies to the questions on production 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.
- (d) Net balances, i.e. differences between the percentages of respondents giving positive and negative replies (see notes on final page).
- (e) Dotted line shows average for 1968-77.

Source: European Community business surveys and Eurostat.

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.

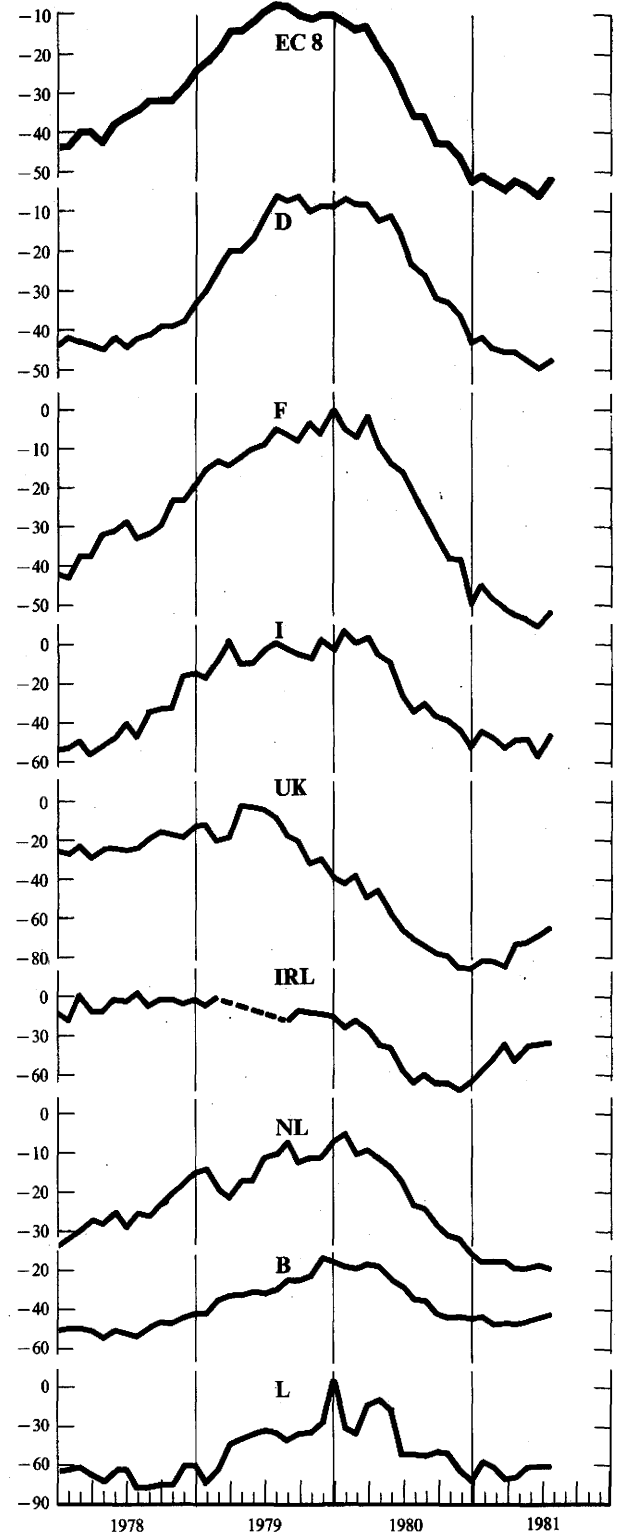
Source: European Community business surveys.

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 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	1978	1979	1980	1980		1981		1981					
				III	IV	I	II	Feb. March	April	May	June	July	
Production expectations													
Textile industry	0	+ 1	- 21	- 28	- 29	- 28	- 17	- 29	- 28	- 22	- 17	- 15	- 12
Mineral oil refining	+ 8	- 2	- 11	- 19	- 30	- 32	- 41	- 36	- 29	- 42	- 33	- 46	- 1
Production and preliminary processing of metals	- 4	+ 7	- 27	- 39	- 36	- 38	- 32	- 44	- 41	- 36	- 35	- 30	- 18
Non-metallic mineral products (ceramics, etc.)	- 2	+ 5	- 16	- 23	- 31	- 27	- 27	- 29	- 26	- 27	- 27	- 28	- 19
Chemical industry	+ 11	+ 10	- 12	- 25	- 2	- 4	+ 2	- 7	- 6	+ 2	- 1	+ 3	- 3
Manufacture of metal articles	0	+ 3	- 12	- 19	- 21	- 20	- 19	- 21	- 23	- 24	- 19	- 14	- 15
Mechanical engineering	- 1	+ 8	- 10	- 16	- 22	- 19	- 14	- 20	- 20	- 12	- 14	- 16	- 14
Electrical engineering	+ 13	+ 8	- 6	- 14	- 16	- 10	- 12	- 14	- 7	- 14	- 13	- 11	- 11
Manufacture of motor vehicles and accessories	+ 16	+ 15	- 20	- 35	- 34	- 27	- 22	- 27	- 38	- 24	- 25	- 19	- 11
Order-books													
Textile industry	- 38	- 16	- 45	- 51	- 62	- 63	- 64	- 64	- 64	- 66	- 65	- 63	- 59
Mineral oil refining	- 33	+ 9	- 30	- 34	- 48	- 70	- 68	- 72	- 83	- 76	- 73	- 60	- 56
Production and preliminary processing of metals	- 65	- 33	- 49	- 57	- 69	- 72	- 75	- 73	- 76	- 69	- 78	- 80	- 73
Non-metallic mineral products (ceramics, etc.)	- 40	- 18	- 25	- 28	- 46	- 53	- 63	- 50	- 59	- 63	- 60	- 68	- 67
Chemical industry	- 28	+ 5	- 27	- 44	- 39	- 40	- 43	- 44	- 40	- 40	- 44	- 46	- 43
Manufacture of metal articles	- 32	- 20	- 29	- 29	- 50	- 49	- 53	- 46	- 53	- 52	- 54	- 54	- 56
Mechanical engineering	- 43	- 27	- 29	- 30	- 44	- 51	- 53	- 49	- 55	- 51	- 51	- 57	- 52
Electrical engineering	- 18	- 20	- 21	- 21	- 33	- 34	- 38	- 36	- 37	- 44	- 33	- 38	- 38
Manufacture of motor vehicles and accessories	+ 9	+ 13	- 24	- 36	- 47	- 55	- 52	- 57	- 54	- 49	- 53	- 58	- 46
Export order-books													
Textile industry	- 34	- 33	- 51	- 57	- 61	- 59	- 57	- 56	- 59	- 59	- 59	- 53	- 44
Mineral oil refining	- 21	- 6	- 12	- 25	- 25	- 37	- 55	- 35	- 45	- 57	- 54	- 52	- 33
Production and preliminary processing of metals	- 13	- 19	- 49	- 59	- 74	- 72	- 65	- 72	- 68	- 65	- 67	- 64	- 66
Non-metallic mineral products (ceramics, etc.)	- 12	- 10	- 24	- 29	- 39	- 45	- 45	- 42	- 48	- 46	- 41	- 48	- 44
Chemical industry	- 9	+ 8	- 23	- 35	- 37	- 37	- 32	- 36	- 39	- 34	- 38	- 25	- 23
Manufacture of metal articles	- 17	- 32	- 33	- 35	- 41	- 46	- 45	- 48	- 43	- 42	- 46	- 47	- 45
Mechanical engineering	- 21	- 29	- 35	- 35	- 46	- 47	- 45	- 44	- 47	- 45	- 43	- 47	- 48
Electrical engineering	- 23	- 29	- 28	- 29	- 36	- 38	- 41	- 39	- 41	- 45	- 40	- 36	- 44
Manufacture of motor vehicles and accessories	- 1	+ 2	- 24	- 29	- 44	- 52	- 45	- 54	- 54	- 48	- 48	- 42	- 39
Stocks of finished products													
Textile industry	+ 34	+ 21	+ 34	+ 33	+ 42	+ 42	+ 41	+ 39	+ 41	+ 40	+ 43	+ 40	+ 39
Mineral oil refining	+ 7	- 27	+ 13	+ 19	+ 33	+ 34	+ 34	+ 26	+ 45	+ 39	+ 37	+ 30	+ 12
Production and preliminary processing of metals	+ 11	+ 1	+ 5	+ 8	+ 16	+ 17	+ 13	+ 20	+ 17	+ 12	+ 13	+ 15	+ 15
Non-metallic mineral products (ceramics, etc.)	+ 28	+ 12	+ 12	+ 11	+ 26	+ 34	+ 47	+ 39	+ 35	+ 34	+ 38	+ 41	+ 44
Chemical industry	+ 16	- 5	+ 20	+ 31	+ 23	+ 14	+ 14	+ 15	+ 15	+ 13	+ 13	+ 16	+ 17
Manufacture of metal articles	+ 13	+ 2	+ 11	+ 12	+ 24	+ 28	+ 25	+ 26	+ 30	+ 27	+ 24	+ 24	+ 22
Mechanical engineering	+ 23	+ 11	+ 17	+ 19	+ 25	+ 27	+ 24	+ 26	+ 30	+ 25	+ 24	+ 24	+ 24
Electrical engineering	+ 20	+ 18	+ 23	+ 25	+ 28	+ 29	+ 31	+ 28	+ 27	+ 37	+ 29	+ 30	+ 29
Manufacture of motor vehicles and accessories	- 4	- 13	+ 23	+ 29	+ 45	+ 48	+ 54	+ 51	+ 50	+ 51	+ 58	+ 56	+ 58
Selling-price expectations													
Textile industry	+ 34	+ 54	+ 37	+ 32	+ 25	+ 28	+ 38	+ 27	+ 24	+ 30	+ 36	+ 46	+ 51
Mineral oil refining	+ 29	+ 65	+ 59	+ 44	+ 68	+ 52	+ 44	+ 64	+ 63	+ 38	+ 30	+ 53	+ 62
Production and preliminary processing of metals	+ 36	+ 45	+ 18	- 11	+ 13	+ 19	+ 34	+ 15	+ 19	+ 15	+ 36	+ 45	+ 58
Non-metallic mineral products (ceramics, etc.)	+ 32	+ 47	+ 44	+ 38	+ 39	+ 36	+ 24	+ 35	+ 26	+ 25	+ 27	+ 21	+ 22
Chemical industry	+ 30	+ 53	+ 26	+ 8	+ 27	+ 42	+ 44	+ 38	+ 49	+ 49	+ 44	+ 40	+ 49
Manufacture of metal articles	+ 32	+ 47	+ 40	+ 40	+ 30	+ 24	+ 34	+ 22	+ 26	+ 33	+ 37	+ 33	+ 33
Mechanical engineering	+ 38	+ 42	+ 39	+ 35	+ 35	+ 33	+ 32	+ 31	+ 34	+ 33	+ 33	+ 28	+ 28
Electrical engineering	+ 28	+ 36	+ 39	+ 37	+ 42	+ 37	+ 33	+ 37	+ 34	+ 42	+ 26	+ 32	+ 32
Manufacture of motor vehicles and accessories	+ 40	+ 44	+ 40	+ 36	+ 38	+ 28	+ 35	+ 26	+ 24	+ 28	+ 38	+ 38	+ 43

(a) Greece excluded. See note (d) to Table 1.

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

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: New orders and export orders expectations (a)

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

	1979		1980				1981		
	July	Oct.	Jan.	April	July	Oct.	Jan.	April	July
New orders (c)									
B	+ 4	+ 8	- 9	- 6	- 23	- 21	- 20	- 15	- 11
DK	:	:	- 1	+ 6	- 15	- 3	- 16	+ 3	+ 3
D	- 8	- 2	+ 13	+ 7	- 30	- 14	- 22	- 9	- 21
F	+ 19	+ 10	+ 12	+ 11	- 3	- 24	- 34	- 37	- 27
IRL	:	- 8	- 30	- 38	- 55	- 40	- 29	- 26	- 15
I	- 3	+ 13	- 3	+ 9	- 31	- 13	- 21	- 8	- 16
L	+ 38	+ 7	- 15	- 7	- 59	- 45	- 55	- 50	- 43
NL	+ 1	+ 16	- 15	+ 13	- 17	0	- 7	+ 1	- 14
EC 8	+ 2	+ 5	+ 7	+ 8	- 21	- 17	- 25	- 17	- 21
Export volume expectations (c)									
D	+ 3	- 2	+ 5	+ 2	- 16	- 10	- 6	0	- 2
F	+ 7	- 1	- 9	+ 3	- 25	- 31	- 23	- 17	- 15
IRL	:	+ 11	+ 6	+ 9	- 31	- 15	+ 11	- 4	- 13
I	+ 3	+ 4	- 1	+ 5	- 19	- 17	+ 1	- 1	+ 5
L	+ 63	+ 8	- 7	- 1	- 75	- 83	- 65	- 69	- 3
NL	+ 12	+ 29	+ 5	- 11	- 15	+ 18	0	+ 10	- 1
EC 6	+ 5	+ 4	+ 1	+ 1	- 18	- 12	- 8	- 3	- 4

(a) Since these questions have been included in the Community business survey only since 1979, the time series available is relatively short.

(b) Not adjusted for seasonality.

(c) Details of the questions are on the last page.

TABLE 5: 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		1981					
		Peak 72/73	Trough 74/75				III	IV	I	II	Feb. March	April	May	June	July	
B	order-books	-13	-47	-39	-28	-32	-26	-35	-47	-54	-49	-51	-51	-53	-57	-56
	employment expectations	+31	-24	-9	0	-23	-31	-28	-33	-46	-36	-34	-51	-50	-38	-42
	price expectations	+75	+25	+31	+43	+31	+27	+20	+15	+8	+16	+11	+13	+6	+4	+7
D	order-books	-17	-84	-32	-7	-30	-35	-45	-50	-56	-50	-50	-52	-56	-62	-63
	employment expectations	+10	-60	+5	+9	-7	-12	-17	-23	-28	-22	-24	-25	-29	-31	-31
	price expectations	+48	-37	+28	+30	-5	-21	-23	-38	-42	-36	-46	-45	-39	-40	-40
F	order-books	:	:	-53	-37	-31	-33	-36	-44	-47	:	:	:	:	:	:
	employment expectations	:	:	-22	-15	-12	-10	-17	-20	-20	:	:	:	:	:	:
I	order-books	-25	-68	-40	-29	-33	-31	-34	-28	-23	-28	-26	-26	-16	-28	-21
	employment expectations	+10	-44	-16	-12	-11	-7	-15	-5	-3	-5	-3	+2	-1	-9	-3
	price expectations	+85	+30	+62	+71	+71	+67	+72	+70	+70	+73	+70	+71	+69	+71	+75
L	order-books	+21	-50	-11	-7	-12	-13	-28	-19	-15	-18	-21	-10	-22	-13	-13
	employment expectations	+31	-39	+14	+6	+6	+9	-3	-3	+6	+17	0	+1	+13	+3	+3
	price expectations	+82	+11	+27	+46	+45	+23	+31	+35	+36	+24	+45	+39	+36	+34	+17
NL	order-books	-8	-81	-19	-19	-39	-45	-47	-49	-50	-49	-50	-50	-50	-51	-48
	employment expectations	+14	-13	+12	+11	-8	-13	-17	-15	-9	-17	-13	-11	-8	-9	-8
UK	order-books	:	:	-11	-6	-33	-39	-45	-56	-45	:	:	:	:	:	:
	employment expectations	:	:	-5	+7	+27	+33	+41	+46	+50	:	:	:	:	:	:
	price expectations	:	:	+49	+69	+53	+48	+32	-16	-11	:	:	:	:	:	:
EC	order-books	:	:	-34	-20	-32	-35	-40	-46	-45	:	:	:	:	:	:
	employment expectations	:	:	-8	-12	-14	-16	-22	-24	-26	:	:	:	:	:	:

(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) Owing to lack of data for certain Member States, Community totals are incomplete. As from issue No. 8 of Supplement B, the figures given in this table for France and the United Kingdom are seasonally adjusted.

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.

Building 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:

- B - Belgium: Banque Nationale de Belgique
- DK - Denmark: Danmarks Statistik
- 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)
- L - Luxembourg: STATEC (Service Central de la Statistique et des Etudes Economiques)
- NL - Netherlands: CBS (Centraal Bureau voor de Statistiek)
- 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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