

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

No 7 — July 1982

Supplement B

Economic prospects - business survey results

Hesitant industrial business climate in the second quarter of 1982. — Although heads of Community manufacturing industries reported a slight improvement in business confidence in the second quarter of 1982, the increase, as measured by the business climate indicator, was of very modest dimensions (only 1 percentage point — see Table 1 and Graph 1). There was, moreover, a decline in business confidence (2 percentage points in the indicator) between May and June. Production expectations in the second quarter, as a whole, were flat but the June results in this case also indicate a somewhat weaker outlook. Opinion on stocks of finished products, the second component of the climate indicator, showed a similar pattern in the second quarter: modest net improvements in April and May were followed by a deterioration (of 2 percentage points) in June. Nevertheless, the percentage of chief executives considering the level of their stocks above normal decreased by 2 percentage points between the first and second quarters of 1982. Judgments on total order-books in Community industry were unchanged in the second quarter but the survey indicator of export order-books declined by 1 percentage point. The inflation outlook moderated further, the surveys showing a steady reduction in the net balance of chief executives who expect selling-prices to rise in the near future.

The business climate in the Member States. — Industrial business confidence continues to weaken in the Federal Republic of Germany, according to the most recent monthly survey results (June 1982) which reveal a decline of 2 percentage points in the industrial business climate indicator. Moreover, the average survey results for the second quarter indicate a slight deterioration in the industrial business climate as compared with the first. Of the two components of the indicator, assessments by German chief executives of finished stock levels deteriorated by 2 percentage points, while production expectations were unchanged. Judgments on order-books as a whole and on export order-books in the second quarter of 1982 were more pessimistic than in the first, while selling-price expectations indicated a markedly less inflationary tendency (a fall of some 5 percentage points in the net balance).

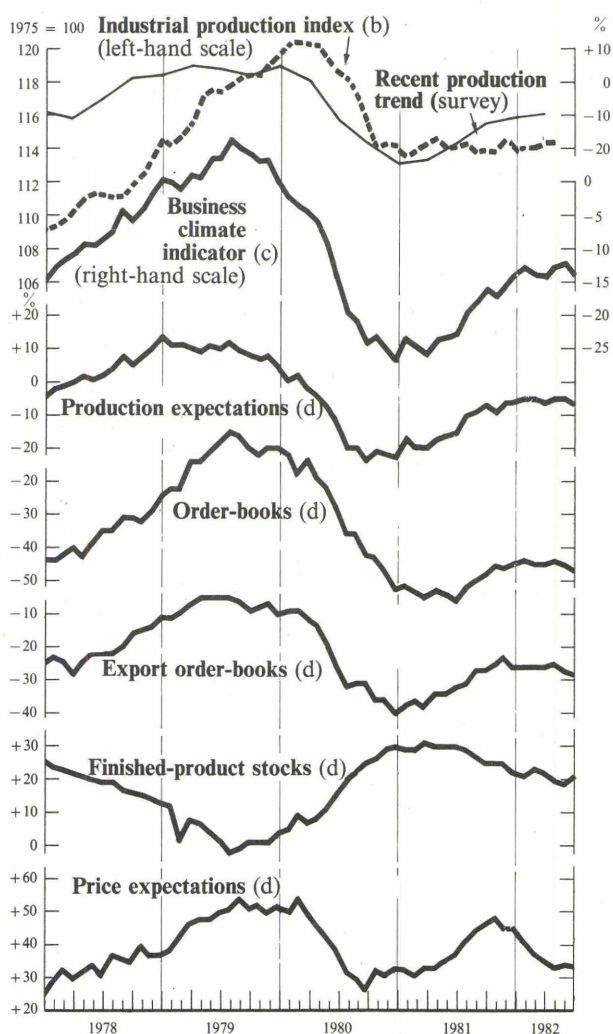
In France, the industrial business climate improved further in the second quarter of 1982, when the business climate indicator rose by 2,5 percentage points. This was entirely due to an improved evaluation (of 6 percentage points) of the level of finished products' stocks. Production expectations for the months ahead declined by 1 percentage point in the same period, while judgments on order-books as a whole improved by 2 percentage points. The survey indicator for export order-books, however, deteriorated by 1 percentage point.

There was very little change in Italian industrial business confidence in the second quarter of 1982, following the clear improvement noted in the early months of the year. The industrial business climate indicator increased only marginally in the second quarter (by 0,5 percentage points), with judgments on the level of stocks of finished products improving by 1 percentage point, while production expectations remained unchanged. The judgments of chief executives on total industrial order-books and on export order-books also improved in the second quarter of 1982 by 4 and 1 percentage points, respectively.

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.

In the United Kingdom, the industrial business climate improved in June 1982 by 1 percentage point, as compared to May, due entirely to better production expectations. However, the second-quarter average of the business climate index declined by 0,5 percentage points, with the

GRAPH 1: Business survey indicators for manufacturing industry and the index of industrial production - EC 9 (a)



For notes, see overleaf, column 1.

majority of British industrialists who expected production to expand in the month ahead declining by a marked 4 percentage points. Assessments of order-books as a whole in the second quarter of 1982 were less pessimistic by 2 percentage points than in the previous quarter, but judgments on export order-books deteriorated by 2 percentage points. A markedly less inflationary tendency of selling-price expectations (-11 percentage points in the net balance) is reported by the second quarter surveys, on average.

The business climate indicator in Denmark, Belgium and the Netherlands rose by 12, 5,5 and 2 percentage points, respectively, in the second quarter of 1982, while the climate worsened in Luxembourg (by 1 percentage point) and was unchanged in Ireland.

Better production outlook for consumer goods. — Chief executives in the consumer goods industries have, over the past four quarters, reported a gradual but substantial improvement in production expectations. Thus, the second-quarter surveys, on average, showed an advance of 3 percentage points in the production outlook for the Community's consumer goods industries (see Table 2 and Graph 2). This result has been influenced by substantial improvements in Denmark (+40 percentage points), Belgium (+15 percentage points), France and Ireland (both +11 percentage points). Lesser improvements in consumer-good production expectations have also been indicated, in the second quarter, in the United Kingdom (+2 percentage points) and in Luxembourg (+4 percentage points).

Production expectations in both investment and intermediate-goods sectors are considerably weaker than in the consumer goods industries and have, in fact, worsened between the first and second quarters of 1982 (by 4 and 1 percentage point, respectively — see Table 2 and Graphs 3 and 5). Nevertheless, the June survey showed a better outlook for investment goods industries, where production expectations, as compared to May, advanced by 3 percentage points. The June improvement of production expectations in the investment goods industries was noticeable in France (+11 percentage points), the United Kingdom (+8 percentage points), the Netherlands (+1 percentage point) and in Luxembourg (+7 percentage points).

Intermediate-goods industries' production expectations in June were more optimistic only in the Netherlands. Declines were reported in Luxembourg (-11 percentage points), France (-10 percentage points), Italy and Belgium (both -8 percentage points), and in Ireland (-7 percentage points). The Federal Republic of Germany and the United Kingdom reported no change in intermediate-goods industries' production expectations in June 1982.

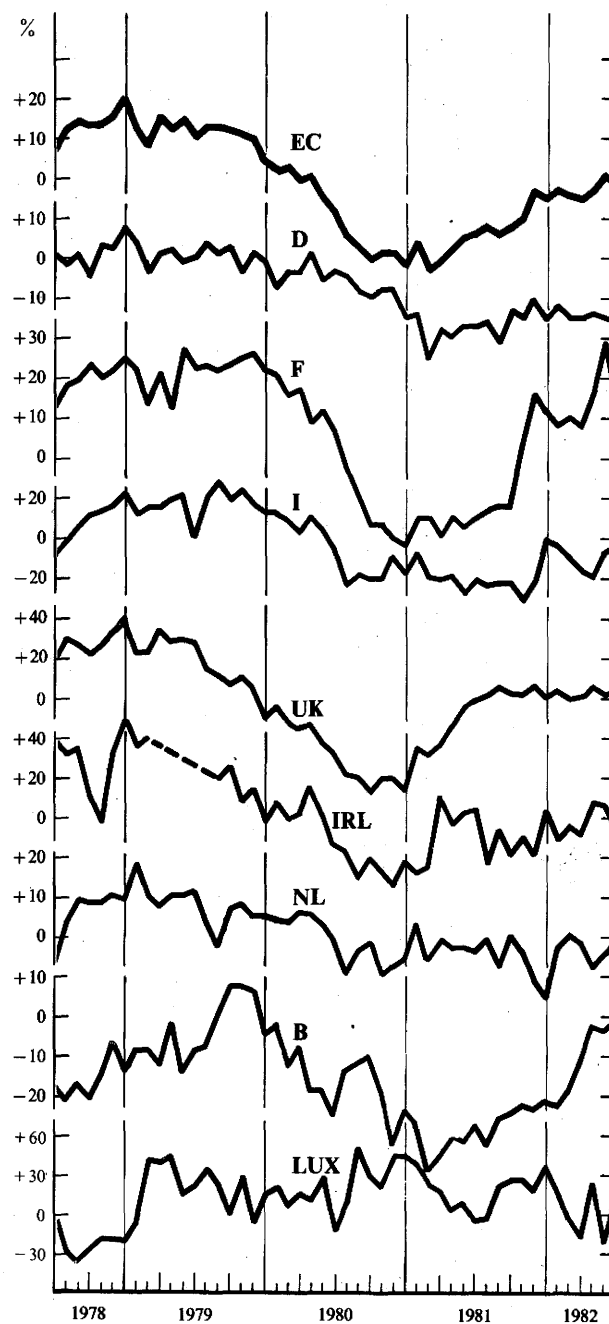
Employment in industry. — The slightly stronger demand for labour in Community industry reported in the first quarter of this year was sustained but without any further improvement in the June quarter (see Table 3). However, although better than in 1981, the recent results still indicate widespread pessimism on the part of industrial chief executives concerning employment prospects. Better industrial employment prospects are reported in Denmark (+20 percentage points), the Federal Republic of Germany, France and Belgium (all +1 percentage point), as between the first and second quarters of 1982. Industrial employment prospects deteriorated in the United Kingdom and the Netherlands (both by 3 percentage points) and in Ireland (by a marked 14 percentage points) in the second quarter of 1982.

Factors limiting industrial production. — In all Member States for which data are available, insufficient demand continues to be the major factor reported to be limiting industrial output (see Table 4). Results for the second quarter of 1982, by comparison with the first, indicated a further worsening in demand for industrial output in the Federal Republic of Germany (6 percentage points), in the Netherlands (3 percentage points) and in Belgium (1 percentage point). However, industrialists were less pessimistic concerning the demand situation in Luxembourg (by 11 percentage points), Ireland (by 6 percentage points) and the United Kingdom (by 1 percentage point). Chief executives in industry reported no shortage of labour, while lack of equipment, as a factor limiting industrial production possibilities, remained at an extremely low level in the second quarter of 1982.

Industrial investment in 1982. — Partial results of the March/April investment survey indicate that investment spending will remain at the same level as in 1981 in the Federal Republic of Germany, that it will rise moderately in Italy and the United Kingdom and will decline slightly in Belgium (see Table 5). Very strong increases in capital expenditure are forecast by industrialists in Ireland and Luxembourg. Discounting for inflation, these spending plans suggest that capital formation will fall, by comparison with 1981, in the Federal Republic of Germany (-4%), Italy (-9%), the United Kingdom (-2%) and, rather sharply, in Belgium (-13%). The rather volatile survey returns for Ireland and Luxembourg indicate that the volume of industrial investment this year will be about sufficient to offset the marked falls which occurred in 1981.

Brussels, 13 July 1982

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 last page).

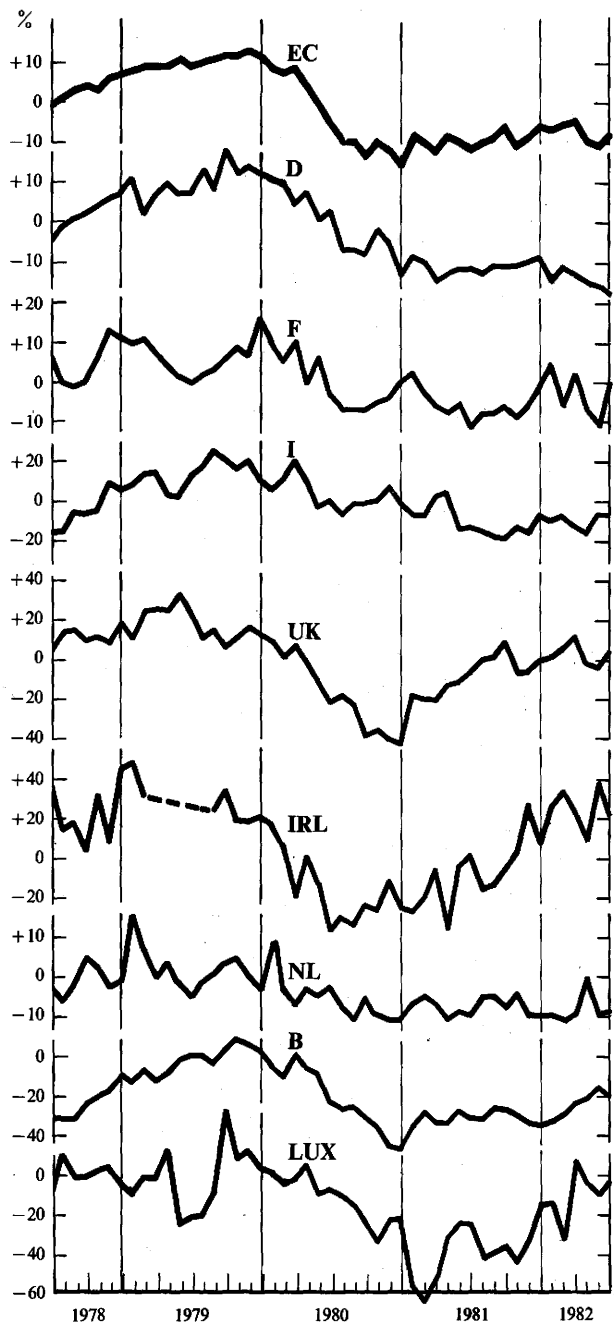
Source: European Community business surveys.

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).

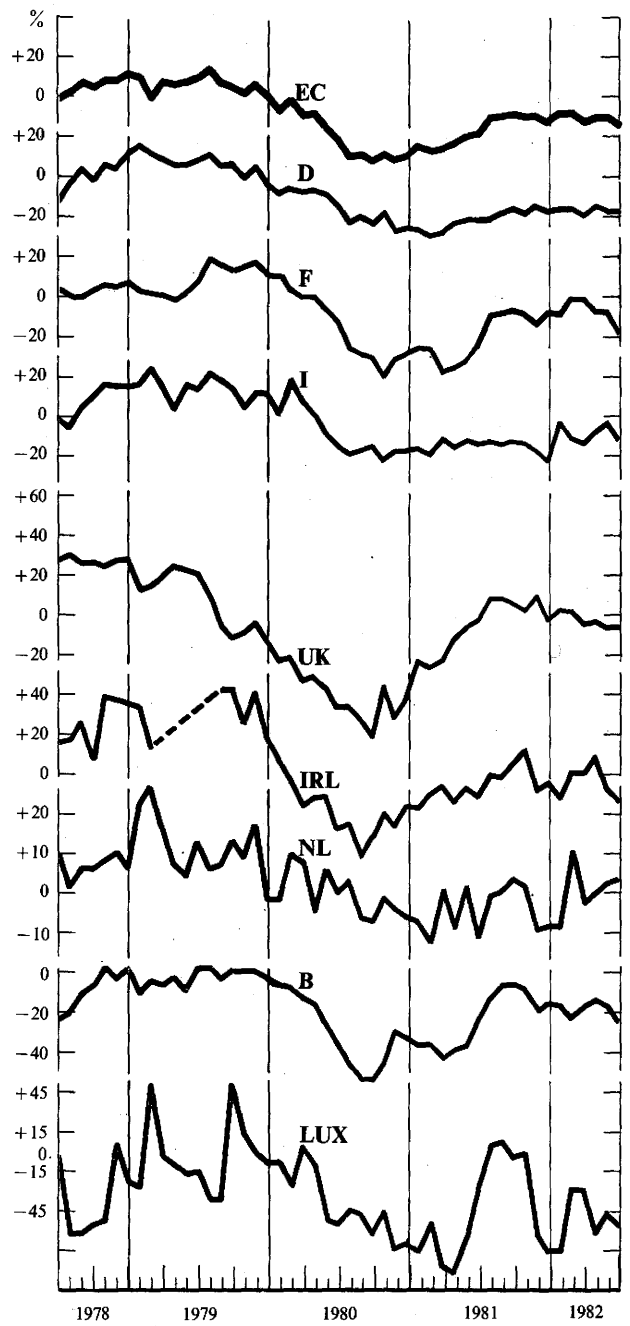
Source: European Community business surveys and Eurostat.

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: Survey of manufacturing industry — Question asked half-yearly (a) — 1982 quarterly
 Employment expectations for the months ahead: net balance of respondents expecting employment up, unchanged or down (b)

	Range (c)		1979	1980	1981	1979		1980		1981		1982	
	Peak 1972/73	Trough 1974/75				June/ July	Oct./ Nov.	June/ July	Oct./ Nov.	June/ July	Oct./ Nov.	I	II
B	+12	-26	-6	-21	-18	-9	-2	-12	-29	-19	-16	-12	-11
DK	:	:	:	-14	-10	:	:	-3	-25	-9	-10	-17	+3
D	+13	-34	+1	-6	-20	-1	+2	+1	-12	-14	-26	-28	-27
F	+17	-35	-23	-29	-39	-22	-23	-24	-33	-41	-37	-23	-22
IRL	+15	-34	:	-33	-25	:	-2	-36	-29	-19	-30	-23	-37
I	+13	-26	+1	-22	-38	+3	-1	-15	-28	-34	-42	:	:
L	+75	-67	-10	-13	-44	-19	-1	-12	-13	-49	-38	-51	-51
NL	+4	-32	-10	-10	-17	-13	-6	-10	-9	-17	-17	-15	-18
UK	:	:	-19	-52	-48	-14	-24	-40	-64	-52	-44	-34	-37
EC (d)	+12	-31	-10	-24	-32	-9	-10	-16	-30	-30	-33	-26	-26

TABLE 4: Survey of manufacturing industry — Question asked three times a year (a)(b) — 1982 quarterly
 Limits to production: insufficient demand, shortage of labour, lack of equipment

		1978			1979			1980			1981			1982	
		Jan./ Feb.	June/ July	Oct./ Nov.	Jan./ Feb.	June/ July	Oct./ Nov.	Jan./ Feb.	June/ July	Oct./ Nov.	Jan./ Feb.	June/ July	Oct./ Nov.	I	II
B	insufficient demand	90	91	86	83	78	78	78	75	83	81	85	83	83	84
	shortage of labour	0	0	2	2	3	3	3	5	3	3	2	2	2	2
	lack of equipment	1	2	5	4	6	7	7	8	6	4	5	4	5	4
DK	insufficient demand	:	:	:	:	:	:	15	18	28	31	29	23	24	24
	shortage of labour	:	:	:	:	:	:	12	11	6	3	3	2	2	1
	lack of equipment	:	:	:	:	:	:	8	8	4	3	2	5	3	4
D	insufficient demand	42	36	32	28	16	16	16	13	28	38	35	34	36	42
	shortage of labour	4	4	4	6	7	14	10	13	6	5	4	3	1	1
	lack of equipment	1	2	1	2	1	3	3	3	1	1	1	2	1	1
F	insufficient demand	:	:	:	:	:	:	:	:	:	:	:	:	:	:
	shortage of labour	2	3	3	3	3	6	5	4	6	3	2	1	2	2
	lack of equipment	11	12	11	11	12	16	18	17	16	6	6	5	4	5
IRL	insufficient demand	5	:	15	18	:	8	27	38	53	56	57	50	49	43
	shortage of labour	3	:	8	9	:	3	24	4	2	2	0	2	3	3
	lack of equipment	0	:	4	1	:	12	7	3	1	0	1	1	1	6
I	insufficient demand	50	40	32	34	25	25	17	33	39	46	59	57	:	51
	shortage of labour	0	2	1	1	3	4	3	4	3	3	3	1	:	1
	lack of equipment	1	1	3	3	2	4	4	3	3	4	4	3	:	1
L	insufficient demand	70	72	62	65	48	47	46	64	69	68	64	68	71	60
	shortage of labour	0	0	0	4	1	1	0	1	1	1	10	0	0	1
	lack of equipment	1	2	0	2	7	1	1	4	1	0	2	4	2	2
NL	insufficient demand	50	29	28	15	10	9	18	17	26	29	34	38	39	42
	shortage of labour	4	11	10	13	16	21	15	17	10	6	5	3	2	1
	lack of equipment	1	2	0	5	2	5	2	2	1	1	1	2	1	0
UK	insufficient demand	78	71	64	74	70	73	82	85	94	96	94	83	86	85
	shortage of labour	24	26	30	31	27	25	17	12	5	2	1	4	3	4
	lack of equipment	11	9	12	13	17	11	8	7	3	2	7	6	3	4
EC (d)	insufficient demand	56	49	43	44	35	36	37	29	50	57	57	54	:	57
	shortage of labour	7	8	10	10	10	13	9	9	5	4	3	3	2	2
	lack of equipment	5	6	6	7	7	8	8	7	5	3	4	3	2	3

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

(b) Not seasonally adjusted.

(c) These are the extreme (high and low) values of the net balance of the responses, reached in the course of 1972/73 and 1974/75, respectively.

(d) Weighted total of available country data.

Source: European Community business surveys.

TABLE 5 (I): Half-yearly industrial investment survey: outcome for 1981 and prospects for 1982
Results of the March/April 1982 investment survey, % change in value, over the preceding year

	Basic materials industries (a)		Metallurgical industries		Mechanical industries		Processing industries (b)		Extractive industries		Food industries		Total all industry	
	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982
B	- 9	+12	0	+15	+20	-12	- 5	-13			- 4	- 7	+ 4	- 3
D	+ 5	- 2	- 1	-16	- 3	+ 2	-14	+ 1	+27	+15	+ 4	0	- 1	0
F														
IRL	- 4	+76	-12	-21	+19	+44	-23	0			-31	+50	-26	+54
I	+39	+ 1	-10	+27	+ 8	+ 6	- 1	-12	+62	-19	+25	- 1	+10	+ 6
L	-38	-74	- 9	+32	+11	-37	+76	+264					-10	+24
NL														
UK	- 8		-21	+ 6	- 9	+11	-24				- 8	+11	-11	+ 5
EC 8 (e)														

TABLE 5 (II): Survey estimates and forecasts for total industrial investment
Total industry, % change in value in relation to preceding year

Year to which data relate:	1978				1979				1980				1981				1982	
	Oct./ Nov. 1977	March/ April 1978	Oct./ Nov. 1978	March/ April 1979	Oct./ Nov. 1978	March/ April 1979	Oct./ Nov. 1979	March/ April 1980	Oct./ Nov. 1979	March/ April 1980	Oct./ Nov. 1980	March/ April 1981	Oct./ Nov. 1980	March/ April 1981	Oct./ Nov. 1981	March/ April 1982	Oct./ Nov. 1981	March/ April 1982
B (c)		- 1	- 6	- 4		+15	+12	+16	+30	+41	+30	+36	+ 3	+ 8	+ 4	+ 4	- 9	- 3
D	+ 7	+ 8	+10	+ 9	+ 9	+11	+13	+14	+12	+15	+15	+16	+ 4	+ 2	0	- 1	0	0
F	+12	+12	+ 9	+ 8	+15	+16	+10	+10	+15	+16	+16	+16	+ 6	+ 5	- 1			
IRL (c)	+21	+41	+36	+43	+26	+29	+19	+19	+12	+ 6,5	- 3,5	+ 8	+ 2	-22	-16	-26	+33	+54
I	+10	+ 2	- 0,5	+ 6	+24	+19	+ 5	+10	+26	+31	+ 7	+10	+47	+17	+14	+10		+6
L (d)	+ 6	+48	+23	+22	+27	- 1	+22	- 5	- 5	+ 7	-12,5	+17	0	- 8	+17	-10	-20	+24
NL	+ 3	+ 6	+ 4	+ 3	- 5	+ 4	+ 1	0	+13	+18	+15	+17	- 7	- 2	- 6		- 2	
UK (e)	+26	+26	+19	+19	+18	+15	+ 9	+12	+ 4	+ 2	+ 6	+ 5	- 7	- 6	-11	-11	+ 7	+ 5
EC 8 (e)	+12	+11	+ 9	+ 9	+13	+14	+10	+11	+14	+16	+13	+14	+ 6	+ 3	- 1		(+ 3)	

- (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) Weighted total of the above (not given when data are substantially 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 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:

- estimate of production trend in recent months: up, unchanged, down?
- 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)
- GR - Greece: Institute of Economic and Industrial Research
- 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. 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 (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
'European Economy' (3 issues per year)	19.64	800	13.50	11.60	22.80	The annual subscription runs from 1 January to 31 December of each year.
Supplements						
Series A - 'Recent economic trends' (11 issues per year)	9.82	400	6.75	5.80	11.50	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
Series B - 'Economic prospects - business survey results' (11 issues per year)	9.82	400	6.75	5.80	11.50	
Series C - 'Economic prospects - consumer survey results' (3 issues per year)	3.69	150	2.50	2.20	4.20	
All three supplements	23.32	950	16.00	13.80	27.00	These are surface mail rates; for air subscription rates please apply to the agents.
Combined subscription - 'European Economy' and supplements	42.97	1 750	29.40	25.50	50.00	

