

# EUROPEAN ECONOMY

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

Supplement B — No 1 — January 1983

## Business survey results

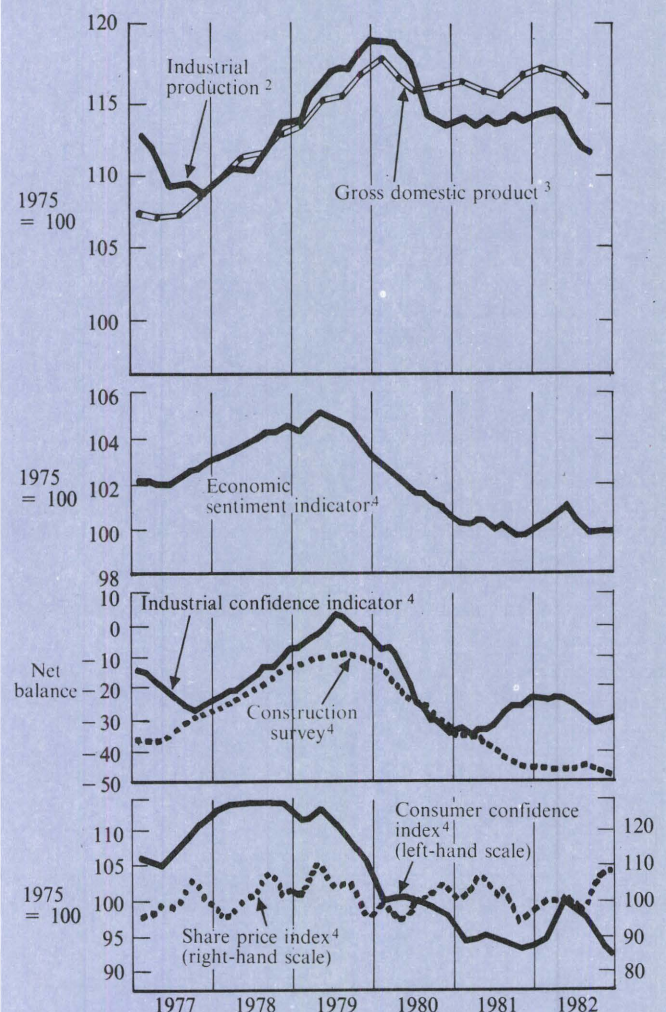
**Stabilization of economic sentiment.** — Opinion on the economic situation in Europe appears to have remained basically stable in the final quarter of 1982, after deteriorating in the summer. This is revealed by recent observations of the economic sentiment indicator (Graph 1 and Table 1), a broad measure of economic confidence based on EC business and consumer surveys and stock exchange prices. Looking at the components of the economic sentiment indicator, share-prices show improvement while opinion in the construction industry and consumer confidence (both fourth-quarter averages results) continued to decline. The industrial confidence indicator for the Community as a whole, a leading indicator for industrial production (which in turn normally leads cyclical turning points in Gross Domestic Product), improved by one percentage point in December 1982, after three months of stagnation (see Table 2). The most striking result of the December industrial survey was the view that stocks were at a less high level (by 4 percentage points). This suggests that the stock cycle may turn up again now, after the important destocking movement that was primarily responsible for the fall in gross domestic product in the third quarter of 1982. Judgements on export order-books also improved in December (by two percentage points). Industrialists' overall order-book assessments remained, however, as pessimistic in December as in November and the industrial production outlook for the months ahead deteriorated slightly.

**The industrial business climate in the Member States.** — In the Federal Republic of Germany, business confidence (measured by an average of 3 survey questions) among chief executives in manufacturing industry improved by two percentage points in December. The short-term outlook for German industrial production (one of the questions included in the industrial confidence indicator) remained unchanged by comparison with November 1982 but was considerably better than in the earlier months. The net balance of German chief executives expecting industrial production to decline in the subsequent three or four months went from -28% in September through -30% in October to -25% in November and December (see Table 2), suggesting that a gradual end to the deterioration of industrial

*Note:* The statistical measure used to present the results of questions in the European Community business surveys is the difference between the percentages of respondents giving 'positive' and 'negative' replies. 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. The difference 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.

*This month: employment prospects in industry*

GRAPH 1: Indicators of output and economic sentiment - European Community<sup>1</sup>



For footnotes see next page.

business conditions is in sight. Opinions on stocks of finished products and the level of industrial order-books in Germany were markedly less pessimistic (by 4 percentage points) in December than in the preceding month. Judgements on industrial export order-books, however, fell back by 1 percentage point and selling-prices weakened further.

In France, the industrial business climate and one of its components, production expectations, were, in December, unchanged by comparison with November but the balance of opinion on order-books levels deteriorated by 2 percentage points. The majority of chief executives considering stocks of finished products to be above normal declined by 3 percentage points.

There was some improvement in Italian industrial business confidence in December 1982, following the deterioration noted in the months leading up to October. The Italian industrial confidence indicator in December improved by 2 percentage points, reflecting a fall of 4 percentage points in the majority of chief executives considering the level of stocks of finished products to be above normal, while order-book judgements improved by 6 percentage points. Judgements of chief executives on Italian export order-books also improved in December 1982, by 6 percentage points. However, production expectation deteriorated by 3 percentage points.

In the United Kingdom, the industrial confidence indicator rose, in December 1982, by 3 percentage points, as compared with November, mainly due to a fall of 8 percentage points in the majority of chief executives considering the level of stocks of finished products to be above normal and, to a lesser degree, to less pessimistic judgements on order-book levels (by 2 percentage points, as compared with November 1982). However, the majority of British industrialists who expected production to fall in the months ahead increased by 2 percentage points.

In December, a deterioration of production expectations for the months ahead was reported by industrial chief executives in Belgium (-1 percentage point), Ireland (-13 percentage points) and Luxembourg (-2 percentage points). At the same time, chief executives in all three Member States considered the level of order-books to have fallen further below normal.

In the Netherlands and Denmark, industrial production expectations for the first quarter of 1983 increased in December, by 5 and 23 percentage points, respectively.

**Employment in industry.** — Recent survey results on the employment outlook indicate that demand for labour in manufacturing industry has reached record low levels (see Table 4). Between the third and fourth quarters of 1982, the net balance of Community industrialists considering that employment in industry would decline in the months ahead, rose to 39% (a deterioration of 6 percentage points), to reach a more pessimistic level than the previous trough in October 1981 and the low-point of the recession of 1974/75. Only in Luxembourg, where owing to the small size of the economy the survey results tend to be erratic, was an improvement in the industrial employment outlook reported in the fourth quarter of 1982.

**Factors limiting industrial production.** — In the last quarter of 1982, survey results indicate a further deterioration in demand for industrial products in nearly all Member States (see Table 5); only in the Netherlands and Ireland has the net balance of chief executives considering insufficient demand to be limiting production diminished (by 3 and 8 percentage points, respectively).

**Results of the construction survey.** — The results of the surveys carried out in the construction industry in the fourth quarter of 1982 were, on average, more pessimistic than those of the third quarter (see Graph 1 and Table 6). Partial December survey data show, however, that construction order-book judgements have begun to improve in the Federal Republic of Germany (+2 percentage points), France (+2), Italy (+16), the Netherlands (+3) and Luxembourg (+8). This suggests that lower interest rates are beginning to stimulate demand in that sector. Moreover, the December construction survey results reported less pessimistic employment expectations by comparison with November in the Federal Republic of Germany (by 6 percentage points), Italy (by 11 percentage points) and Luxembourg (by 2 percentage points).

20 January, 1983.

TABLE 1: Indicators of economic sentiment

European Community<sup>1</sup>

	1974	1975	1976	1977	1978	1979	1980	1981	1982
Economic sentiment indicator <sup>4</sup> 1975 = 100									
year	101,4	100,0	102,9	102,3	103,9	104,5	101,8	100,0	
quarter	I	103,4	98,8	103,0	102,0	103,1	104,5	102,8	100,1
	II	102,8	100,1	103,8	101,9	103,7	105,1	102,0	100,2
	III	100,7	100,1	103,1	102,3	104,2	104,8	101,4	100,0
	IV	98,7	101,0	101,6	102,8	104,5	103,8	100,9	99,7
month	1	103,9	98,3	102,5	102,0	103,0	104,5	103,0	100,3
	2	103,2	98,8	103,0	102,0	103,1	104,3	102,7	100,1
	3	103,1	99,4	103,4	102,0	103,2	104,8	102,6	100,1
	4	103,0	99,7	103,7	101,9	103,5	105,0	102,3	100,4
	5	103,0	100,3	103,9	101,9	103,7	105,2	102,0	100,3
	6	102,4	100,2	103,7	101,9	103,8	105,0	101,8	100,1
	7	101,5	100,1	103,5	102,0	103,9	104,9	101,5	99,9
	8	100,9	100,1	103,1	102,3	104,2	104,8	101,5	100,1
	9	99,7	100,1	102,6	102,6	104,3	104,6	101,2	99,9
	10	99,1	100,4	101,7	102,6	104,3	104,1	101,2	99,6
	11	98,6	101,0	101,5	102,8	104,5	103,8	100,9	99,6
	12	98,3	101,7	101,7	102,9	104,6	103,4	100,5	99,8
Construction industry, survey results <sup>4</sup>									
year				-33	-21	-10	-23	-39	
quarter	I			-36	-26	-12	-14	-35	-45
	II			-36	-23	-10	-23	-36	-47
	III			-32	-20	-9	-25	-42	-45
	IV			-29	-14	-11	-31	-45	-48
Consumer confidence index <sup>4</sup> 1975 = 100									
year	98	100	107	107	113	109	99	94	96
quarter	I	99	96	106	106	113	111	99	94
	II	101	102	109	104	113	113	100	95
	III	98	101	107	108	113	109	99	93
	IV	96	101	104	111	113	105	98	92
Share price index <sup>4</sup> 1975 = 100									
year	91	100	110	120	133	147	153	168	183
quarter	I	106	89	117	111	123	143	145	164
	II	100	103	115	117	129	152	145	174
	III	83	100	109	123	140	150	157	170
	IV	73	108	99	127	141	142	164	163
month	1	108	78	116	109	125	140	142	160
	2	107	92	118	111	122	139	150	165
	3	104	97	118	113	123	149	144	168
	4	103	101	117	114	126	154	142	176
	5	102	104	116	119	130	153	144	175
	6	96	102	113	118	131	148	149	170
	7	89	100	113	118	133	147	154	168
	8	84	99	110	123	141	150	156	175
	9	76	102	106	129	144	152	159	166
	10	73	104	97	130	143	147	163	158
	11	73	109	98	126	138	140	167	163
	12	72	110	103	125	141	140	162	167

For footnotes, see below.

Notes to Graph 1 and Table 1:

<sup>1</sup> Weighted total of available country data.

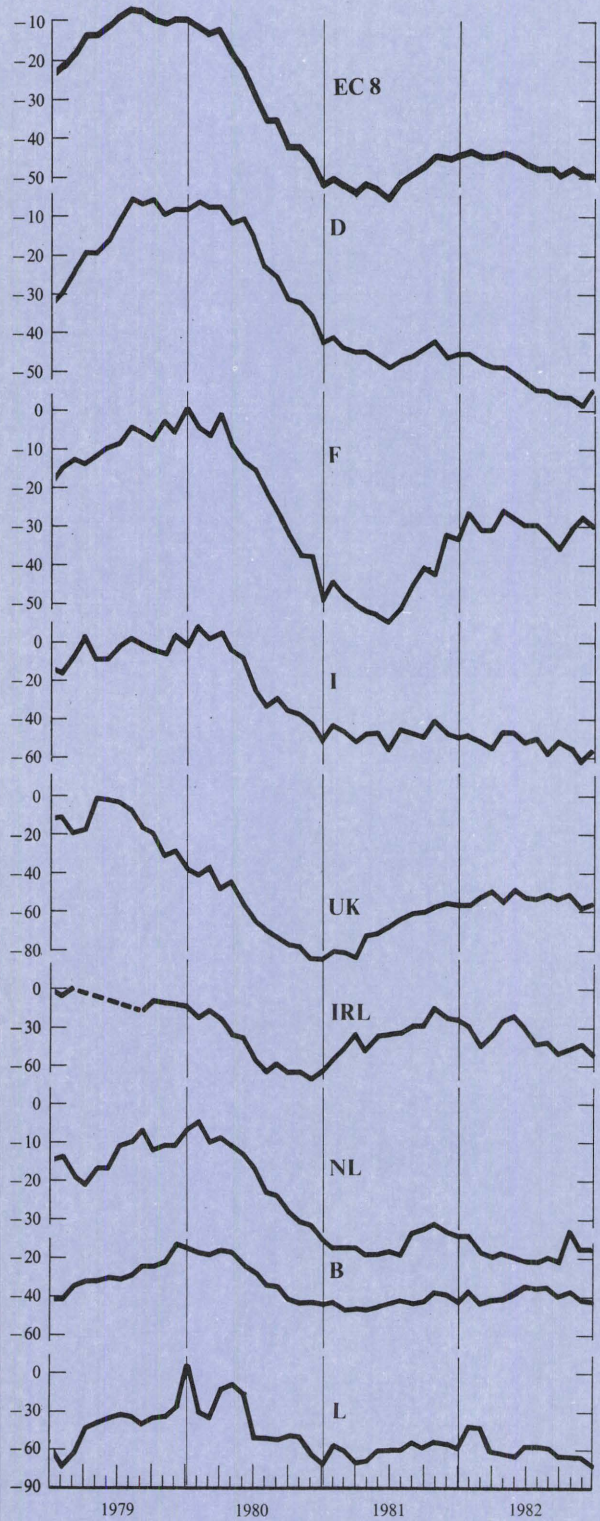
<sup>2</sup> Three-month moving average.

<sup>3</sup> Quarterly figures for the Federal Republic of Germany, France, Italy and UK.

<sup>4</sup> The industrial confidence indicator, the consumer confidence index and the share price index are given equal weight, while the construction industry indicator (an average of two series of the EC survey of the construction industry, namely employment expectations and judgements on the level of order-books) is attributed half the weight of each of the other three, in calculating the average which represents the economic sentiment indicator. The share price index is included in the composite indicator in ratio-to-trend form, in order to separate short-term or cyclical variations from long-term increases in the real and nominal value of stocks and shares. The long-term trend of the series is calculated using the NBER Bry-Boschan growth cycle programme. For a fuller description of the economic sentiment indicator and its components, see the technical note in the November 1982 issue of this Supplement.

<sup>5</sup> Quarterly series are constructed by attributing results of the January, May and October surveys to the first, second and fourth quarters respectively. Third quarter data are interpolated between second and fourth quarter values.

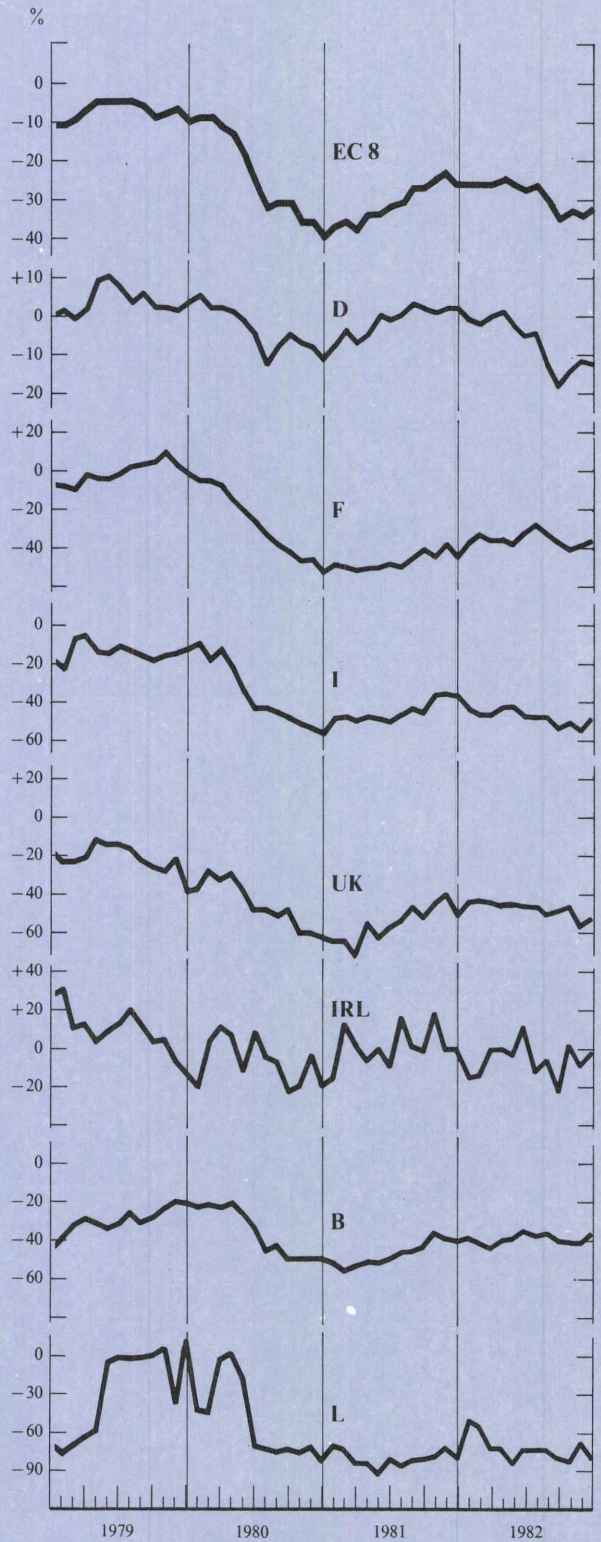
GRAPH 2: Order-books in manufacturing industry - EC and Member States (a)



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

Source: European Community business surveys.

GRAPH 3: Export 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: Employment expectations in manufacturing industry (a)**  
 Net balance of respondents expecting employment up, unchanged or down (b)

	Range (c)														%	
	Peak 1972/73	Trough 1974/75	1979	1980	1981	1979		1980		1981		1982				
						June/ July	Oct./ Nov.	June/ July	Oct./ Nov.	June/ July	Oct./ Nov.	I	II	III		IV
<b>B</b>	+12	-26	-6	-21	-18	-9	-2	-12	-29	-19	-16	-12	-11	-14	-20	
<b>DK</b>	:	:	:	-14	-10	:	:	-3	-25	-9	-10	-17	+3	-10	-10	
<b>D</b>	+13	-34	+1	-6	-20	-1	+2	+1	-12	-14	-26	-28	-27	-29	-42	
<b>F</b>	+17	-35	-23	-29	-39	-22	-23	-24	-33	-41	-37	-23	-22	-18	-29	
<b>IRL</b>	+15	-34	:	-33	-25	:	-2	-36	-29	-19	-30	-23	-37	-26	-34	
<b>I</b>	+13	-26	+1	-22	-38	+3	-1	-15	-28	-34	-42	:	-29	:	-43	
<b>L</b>	+75	-67	-10	-13	-44	-19	-1	-12	-13	-49	-38	-51	-51	-50	-43	
<b>NL</b>	+4	-32	-10	-10	-17	-13	-6	-10	-9	-17	-17	-15	-18	-21	-33	
<b>UK</b>	:	:	-19	-52	-48	-14	-24	-40	-64	-52	-44	-34	-37	-39	-44	
<b>EC (d)</b>	+12	-31	-10	-24	-32	-9	-10	-16	-30	-30	-33	-26	-26	-33	-39	

**TABLE 5: Factors limiting production in manufacturing industry (a)(b)**

														%				
		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	III	IV
<b>B</b>	insufficient demand	90	91	86	83	78	78	78	75	83	81	85	83	83	84	82	82	
	shortage of labour	0	0	2	2	3	3	3	5	3	3	2	2	2	2	1	2	
	lack of equipment	1	2	5	4	6	7	7	8	6	4	5	4	5	4	4	5	
<b>DK</b>	insufficient demand	:	:	:	:	:	:	15	18	28	31	29	23	24	24	20	21	
	shortage of labour	:	:	:	:	:	:	12	11	6	3	3	2	2	1	2	0	
	lack of equipment	:	:	:	:	:	:	8	8	4	3	2	5	3	4	5	3	
<b>D</b>	insufficient demand	42	36	32	28	16	16	16	13	28	38	35	34	36	42	45	55	
	shortage of labour	4	4	4	6	7	14	10	13	6	5	4	3	1	1	1	0	
	lack of equipment	1	2	1	2	1	3	3	3	1	1	1	2	1	1	1	1	
<b>F</b>	insufficient demand	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
	shortage of labour	2	3	3	3	3	6	5	4	6	3	2	1	2	2	3	3	
	lack of equipment	11	12	11	11	12	16	18	17	16	6	6	5	4	5	9	8	
<b>IRL</b>	insufficient demand	5	:	15	18	:	8	27	38	53	56	57	50	49	43	50	42	
	shortage of labour	3	:	8	9	:	3	24	4	2	2	0	3	3	1	1	1	
	lack of equipment	0	:	4	1	:	12	7	3	1	0	1	1	1	6	2	2	
<b>I</b>	insufficient demand	50	40	32	34	25	25	17	33	39	46	59	57	:	51	61	64	
	shortage of labour	0	2	1	1	3	4	3	4	3	3	3	1	:	1	1	0	
	lack of equipment	1	1	3	3	2	4	4	3	3	4	4	3	:	1	1	1	
<b>L</b>	insufficient demand	70	72	62	65	48	47	46	64	69	68	64	68	71	60	64	67	
	shortage of labour	0	0	0	4	1	1	0	1	1	1	10	0	0	1	0	0	
	lack of equipment	1	2	0	2	7	1	1	4	1	0	2	4	2	2	3	0	
<b>NL</b>	insufficient demand	50	29	28	15	10	9	18	17	26	29	34	38	39	42	45	42	
	shortage of labour	4	11	10	13	16	21	15	17	10	6	5	3	2	1	1	1	
	lack of equipment	1	2	0	5	2	5	2	2	1	1	1	2	1	0	0	1	
<b>UK</b>	insufficient demand	78	71	64	74	70	73	82	85	94	96	94	83	86	85	83	84	
	shortage of labour	24	26	30	31	27	25	17	12	5	2	1	4	3	4	4	4	
	lack of equipment	11	9	12	13	17	11	8	7	3	2	7	6	3	4	3	5	
<b>EC(d)</b>	insufficient demand	56	49	43	44	35	36	37	29	50	57	57	54	:	57	59	64	
	shortage of labour	7	8	10	10	10	13	9	9	5	4	3	3	2	2	2	2	
	lack of equipment	5	6	6	7	7	8	8	7	5	3	4	3	2	3	3	4	

(a) Since the beginning of 1982, these questions have been put on a quarterly basis; previously they were put on either a twice-yearly (employment expectations) or thrice-yearly (factors limiting production) basis. Details 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 6: 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)		1980	1981	1982	1982				1982						
	Peak 72/73	Trough 74/75				I	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	
<b>B</b>																
order-books	-13	-47	-32	-53	-61	-54	-55	-65	-68	-65	-63	-66	-66	-68	-70	
employment expectations	+31	-24	-23	-41	-36	-33	-35	-37	-37	-39	-34	-38	-35	-37	-38	
price expectations	+75	+25	+31	+8	-1	+2	+1	-1	-4	0	0	-2	-2	-2	-7	
<b>D</b>																
order-books	-17	-84	-30	-61	-73	-70	-73	-74	-73	-72	-75	-74	-75	-73	-71	
employment expectations	+10	-60	-7	-35	-44	-50	-39	-40	-45	-34	-42	-43	-46	-47	-41	
price expectations	+48	-37	-5	-41	-28	-38	-39	-23	-12	-26	-21	-22	-16	-10	-9	
<b>F</b>																
order-books	:	:	-31	-48	-62	-56	-63	-66	-64	-66	:	:	-64	:	:	
employment expectations	:	:	-12	-24	-35	-33	-36	-34	-35	-34	:	:	-35	:	:	
<b>I</b>																
order-books	-25	-68	-33	-29	-44	-37	-46	-42	-51	-50	-33	-43	-45	-62	-46	
employment expectations	+10	-44	-11	-7	-13	-5	-12	-9	-27	-22	+3	-9	-21	-39	-20	
price expectations	+85	+30	+71	+71	+54	+72	+56	+56	+30	+39	+60	+68	+45	+15	+31	
<b>L</b>																
order-books	+21	-50	-12	-21	-46	-38	-44	-52	-51	-49	-50	-57	-56	-52	-44	
employment expectations	+31	-39	+6	-6	-25	-29	-29	-23	-17	-29	-31	-8	-13	-19	-17	
price expectations	+82	+11	+45	+30	+17	+25	+9	+20	+12	+16	+29	+14	+10	+10	+15	
<b>NL</b>																
order-books	-8	-81	-39	-50	-57	-52	-58	-59	-59	-60	-59	-59	-61	-60	-57	
employment expectations	+14	-13	-8	-14	-25	-25	-27	-25	-21	-25	-25	-25	-22	-19	-22	
<b>UK</b>																
order-books	:	:	-33	-60	-59	-64	-60	-55	-58	-55	:	:	-58	:	:	
employment expectations	:	:	-27	-42	-25	-34	-30	-19	-18	-19	:	:	-18	:	:	
price expectations	:	:	+53	-16	0	+8	+1	+9	+3	+9	:	:	-3	:	:	
<b>EC</b>																
order-books	:	:	-32	-51	-61	-58	-62	-61	-63	-62	(-60)	(-62)	-62	(-65)	(-61)	
(c) employment expectations	:	:	-14	-28	-24	-33	-31	-28	-32	-29	(-26)	(-29)	-31	(-35)	(-30)	

(a) Details of the questions are given below.

(b) These are the extreme (high and low) values of the net balances of the different questions, reached in the course of 1972/73 and 1974/75, respectively.

(c) Owing to lack of data for certain Member States, Community totals are incomplete. As from issue No 8/1981 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 for 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 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:

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

##### Quarterly (January, April, July and October):

- employment expectations for the months ahead: up, unchanged, down?
- limits to production: none, insufficient demand, shortage of labour, lack of equipment?
- 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?
- capacity utilization: in %?
- stocks of raw materials: high, normal, low?

#### 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 (January, April, July and October):

- 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 Trades 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 20 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' (4 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.
<b>Supplements</b>						
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	
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