

EUROPEAN ECONOMY

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

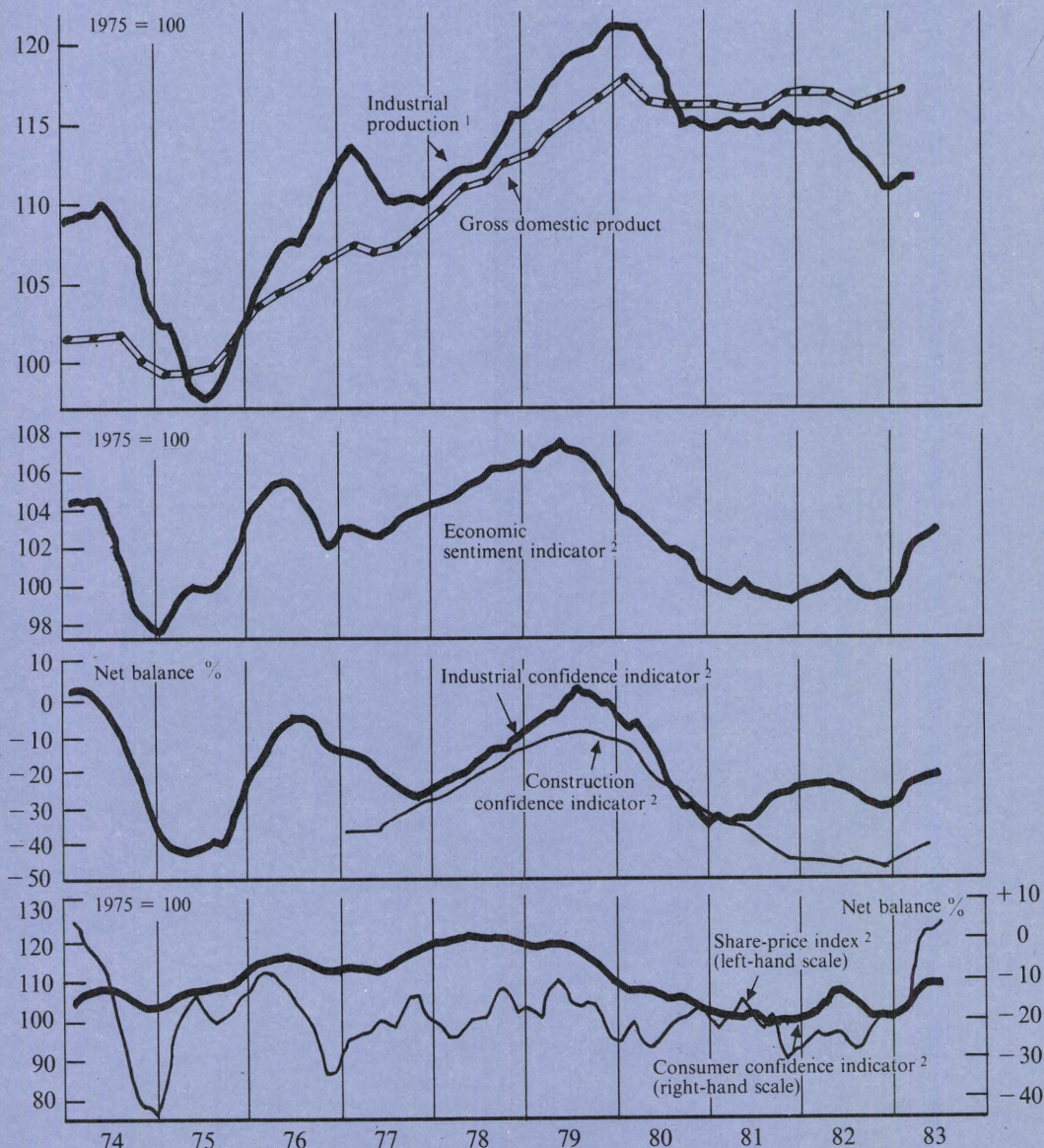
Supplement B — No 7 — July 1983

Business survey results

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*This month:
industrial investment in 1982
and prospects for 1983*

GRAPH 1: Indicators of output and economic sentiment — European Community



For footnotes see page 3.

Further slight improvement in economic sentiment in the European Community. — European economic sentiment, as indicated by surveys of industrialists and to some extent also by stock-exchange prices, continued to improve in June 1983. Evidence of this is the fact that the economic sentiment indicator advanced by a further 0,3 percentage points last month, a somewhat better performance than in May (see Table 4 and Graph 1). Since September 1982, when the economic sentiment indicator reached its low-point of the present business cycle, economic opinion in the Community has, in fact, improved continuously. Nevertheless, this improvement has slowed in May and June 1983, mainly due to the weaker performance of the consumer confidence indicator and a slowing of share price increases. The latter is probably due to disappointed expectations concerning possible declines in interest rates in the United States and in Europe.

Consistently with the rise in the economic sentiment indicator, data at Community level for gross domestic product in the first quarter of 1983 and for industrial production in the first four months of the year suggest that recovery from the recession may have begun.

The economic sentiment indicator for the *Federal Republic of Germany* improved in May and June 1983 by only 0,1 percentage points, after the strong increase in February, March and April. The advance of the indicator in June is due to the continued improvement in industrial confidence and a further rise in the share-price index. By contrast, consumer confidence, which was unchanged between April and May, declined by 1 percentage point in June 1983 by comparison with May. Indicators of output show an increase in German GNP in the first quarter at an annual rate of 2,4% and a strong increase of industrial production between December 1982 and April 1983 (at an annual rate of 12,2%).

The *United Kingdom* is the second of the bigger Member States whose economic sentiment indicator improved in June 1983,

with a marked advance in industrial confidence (by 3 percentage points) and a somewhat milder advance in share prices. However, confidence among consumers and in the construction industry in June (as in the second quarter as a whole) deteriorated.

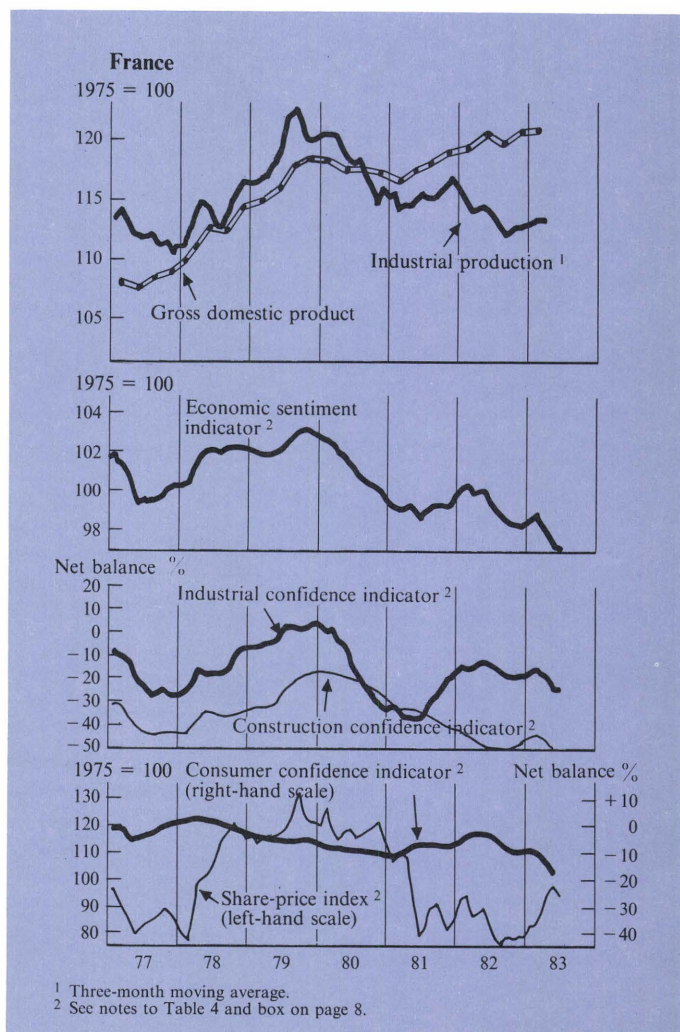
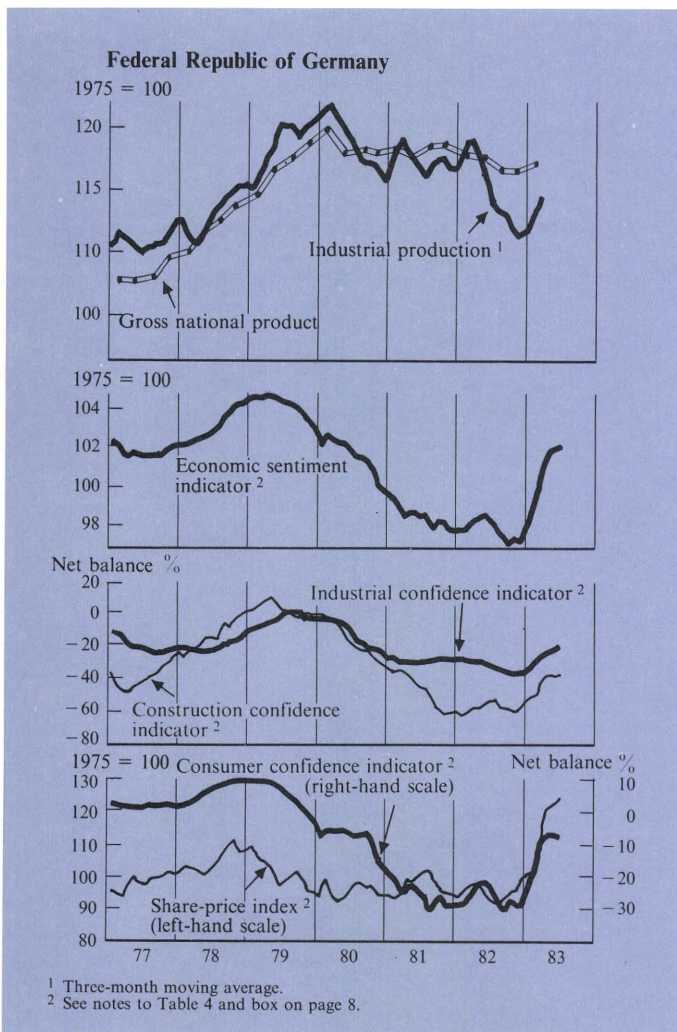
In the *Netherlands* and *Belgium*, the economic sentiment indicator advanced in June 1983, by 0,4 percentage points and 0,1 percentage points, respectively, due mainly to an improvement in consumer confidence and a rise in share prices (see Table 4).

Economic sentiment in *Italy* has remained unchanged since March 1983, despite an improvement of 6 percentage points in industrial confidence, and the economic sentiment indicator in *France* declined continuously between February 1983 and June 1983. The most marked decline appears in the French consumer confidence indicator, with a fall of 8 percentage points between the first and the second quarter of 1983. In *Ireland* the deterioration of the economic sentiment indicator in June 1983 is attributable to a decline in consumer confidence.

Business sentiment in Community industry. — Mainly due to an improvement of 3 percentage points in judgments on order-books, the industrial confidence indicator for the Community as a whole advanced by 2 percentage points in June 1983. Assessments of export order-books also advanced by 4 percentage points. The other two components of the industrial confidence indicator (the production outlook and finished stock judgments) advanced only slightly, while selling-price expectations fell back close to the level reported in April 1983 (Table 5).

Industrial confidence in Member States. — The progressive improvement in business confidence in Community industry is mainly due to the advances of the industrial confidence indicator in the *Federal Republic of Germany* (by 2 percentage points), *Italy* and the *United Kingdom* (both by 3 percentage

GRAPH 2: Indicators of output and economic sentiment in seven Member States



points). There are noticeably more optimistic judgments on the level of order-books in the Federal Republic of Germany and the United Kingdom (both +2 percentage points) and in Italy (+11 percentage points) but production expectations in these three Member States have also advanced markedly (in the Federal Republic of Germany by 2 percentage points, in Italy by 3 percentage points and in the United Kingdom by 5 percentage points). The third component of the industrial confidence indicator, judgments on the level of stocks of finished products, improved in June in the Federal Republic of Germany (by 1 percentage point) and in the United Kingdom (by 2 percentage points) but declined in Italy by a marked 5 percentage points. In France, production expectations in June 1983 were unchanged by comparison with May, while the influence on the industrial confidence indicator of more optimistic judgments on the level of stocks of finished products was offset by more pessimistic order-book judgments. As a result, the French industrial confidence indicator also remained, in June, on the same pessimistic level as in the preceding month.

The June survey indicates that industrial confidence has declined in the Netherlands (by 3 percentage points), in Belgium (by 2 percentage points) and in Luxembourg (by 1 percentage point) compared with May 1983. By contrast, in Ireland there was a slight increase (of 1 percentage point) in that indicator.

Production expectations in the major sectors of manufacturing industry. — During the first six months of 1983, production expectations both for the consumer and investment goods sector improved by 6 percentage points, while in the intermediate-goods sector industrialists were even more optimistic (by 12 percentage points) with regard to the short-term production developments (see Table 3).

The improvement at Community level in the outlook for consumer goods production is principally accounted for by more optimistic assessments in the United Kingdom and in the

Federal Republic of Germany (improvements since January of 19 and 16 percentage points, respectively), while the better production outlook for investment goods at Community level is attributable to the improvement of judgments in the United Kingdom (by 19 percentage points), the Federal Republic of Germany (by 7 percentage points) and the Netherlands (by 8 percentage points).

Striking improvements in the production outlook for the intermediate goods have been reported over the first six months of 1983 for the United Kingdom (+29 percentage points), the Federal Republic of Germany (+20 percentage points), Luxembourg (+45 percentage points) and Belgium (+10 percentage points). In these countries at least it appears that stock-building is significantly helping the recovery process.

Weak industrial investment in 1983. — Industrial investment is expected to increase by 5% in value terms in 1983 according to the survey of chief executives carried out in the Community in March and April 1983 (Table 1). On the basis of recent price forecasts, however, these nominal investment projections correspond to a stagnation of real industrial investment in 1983. The latest survey predictions for industrial investment are unchanged from the earlier forecasts for 1983 given in the October/November 1982 survey.

The investment surveys carried out between October 1979 and March 1983 provide forecasts and estimates concerning the years 1980 and 1982 (see Tables 1 and 2) and suggest, on average, non-systematic variation in the forecasts as a function of the different dates of the surveys. By contrast, the investment forecasts for 1981 provided by successive enquiries, show that industrialists revised their estimates markedly downwards between October 1980 and March 1982. This is no doubt related to the fact that the recession which began in the second quarter of 1980 only gradually influenced investment plans for the following year.

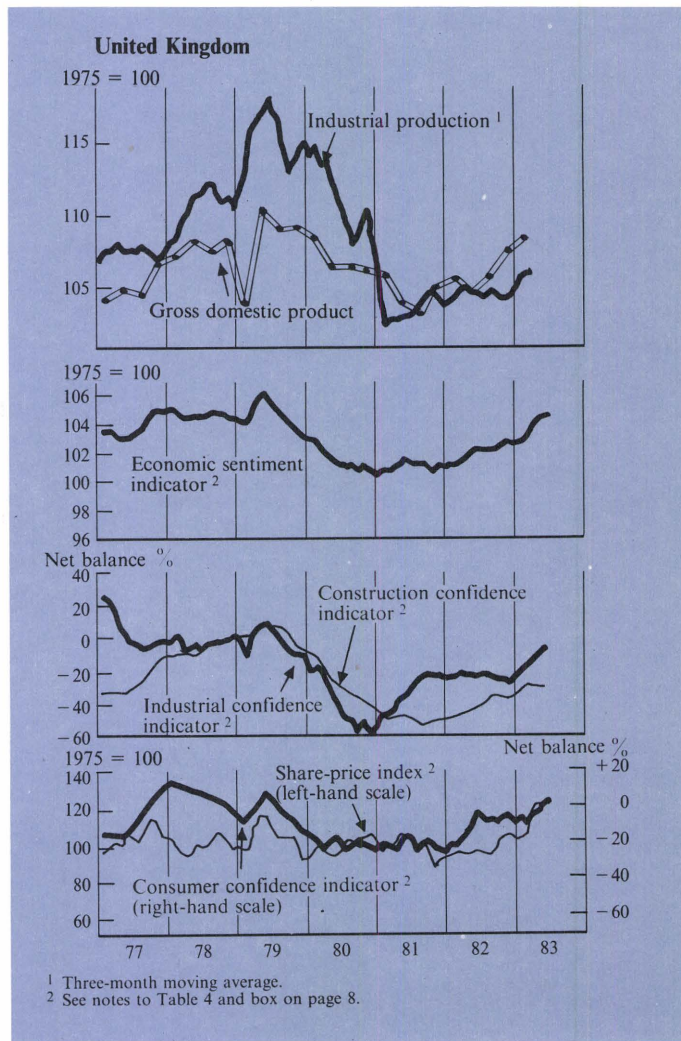
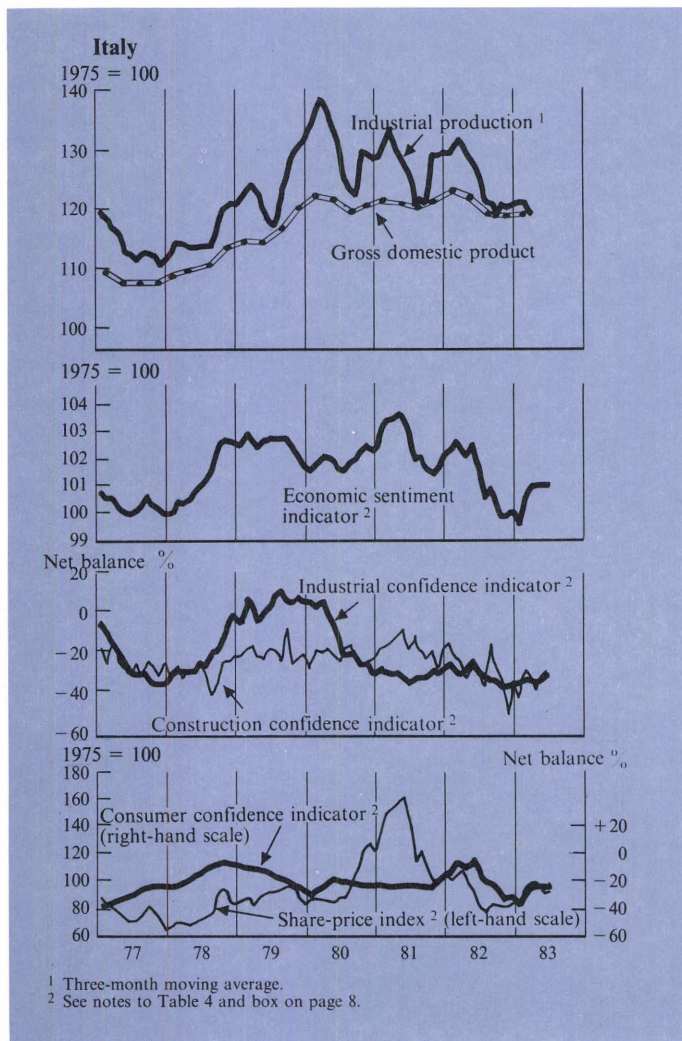


TABLE 1a: Industrial investment (manufacturing), EC total

% change in value in relation to preceding year

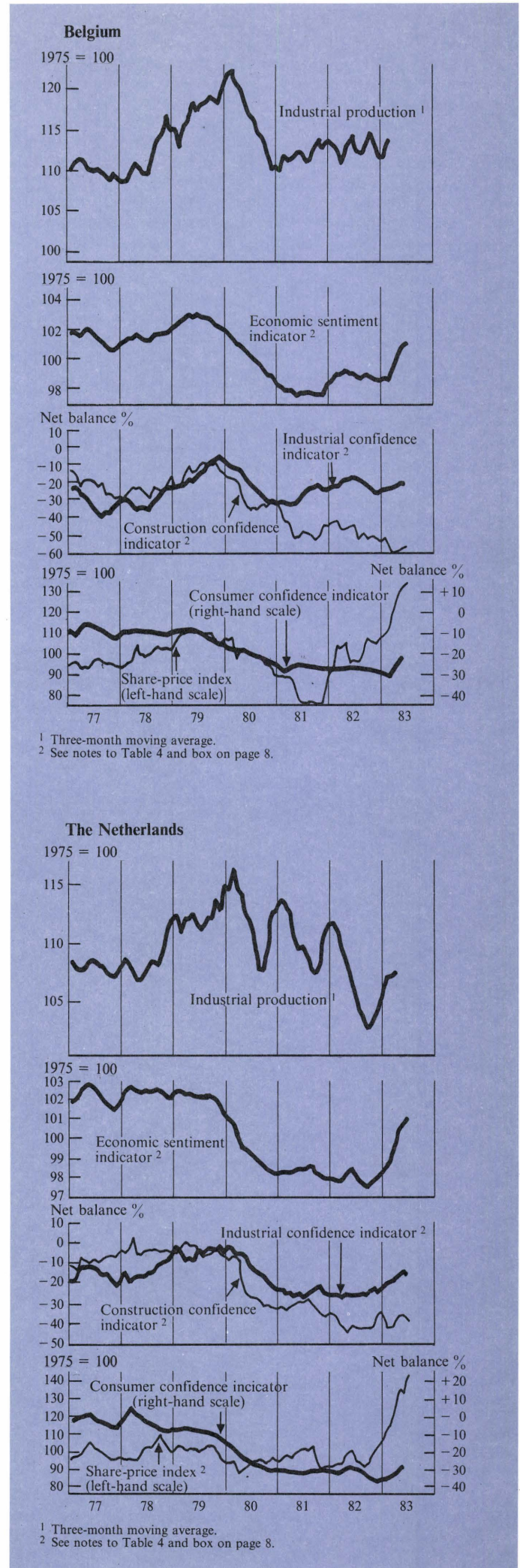
Date of survey	Years to which data relate			
	1980	1981	1982	1983
October/November 1979	14			
March/April 1980	16			
October/November 1980	13	6		
March/April 1981	14	3		
October/November 1981		-1	3	
March/April 1982		-1	3	
October/November 1982			1	5
March/April 1983			3	5
Average	14,3	1,8	2,3	(5)

By contrast, forecasts of investment spending for 1983 derived from the surveys carried out in October/November 1982 and March/April 1983 are identical, suggesting rather firmly-based investment planning.

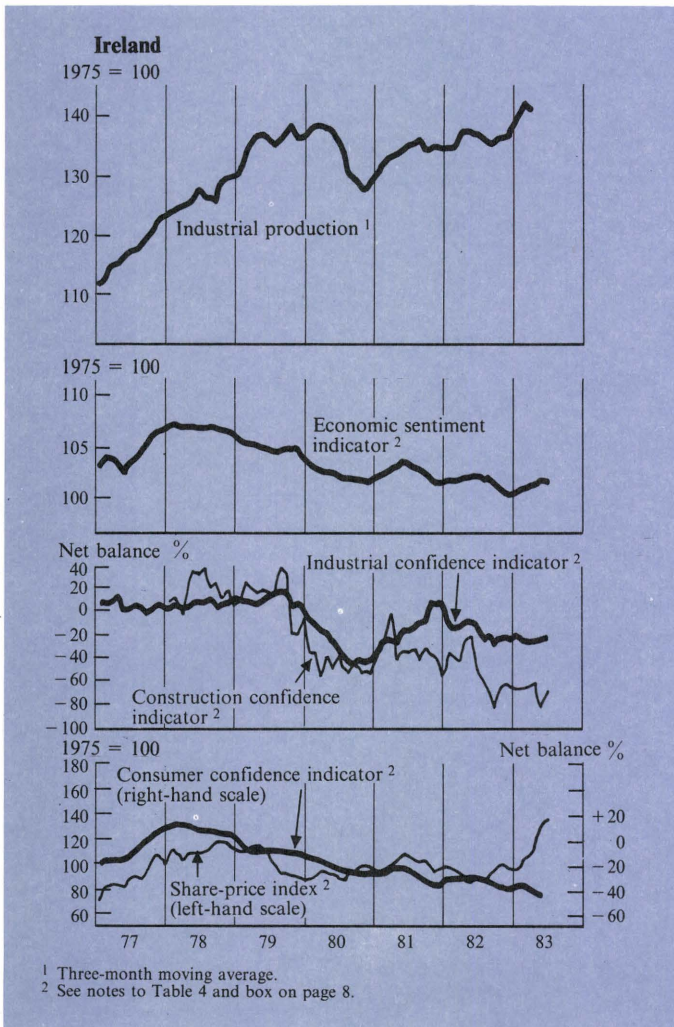
Industrial investment is expected to advance strongly, both in value and volume terms, in Italy (+25% and +15%, respectively) and in Denmark (+11% and +4%, respectively). In the Federal Republic of Germany, in France and in the United Kingdom, industrialists forecast increases of investment spending in value which, however, represent stagnation in volume terms in the Federal Republic of Germany and a decline in industrial investment by 3% in both France and the United Kingdom.

At the sectoral level, European industrialists foresee an increase of investment spending, notably in the mechanical and food industries.

15 July 1983



¹ Three-month moving average.
² See notes to Table 4 and box on page 8.



¹ Three-month moving average.
² See notes to Table 4 and box on page 8.

¹ Three-month moving average.
² See notes to Table 4 and box on page 8.

TABLE 1: Industrial investment survey by branch
Results of the March/April 1983 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	
	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983
B	+19	-1	+13	-20	+22	-19	+33	-2	:	:	-1	+26	+18	-9
DK (c)	:	+6	:	+17	:	+10	:	+28	:	:	:	+2	:	+11
D	-2	-3	-8	-13	+1	+4	-13	+5	+17	+8	-6	+6	-2	+2
GR	+25	-57	-4	-20	+1	+33	-22	-9	:	:	-15	-10	+6	-35
F	0	+7	+5	+29	+9	+7	+12	0	-3	-6	-1	+5	+6	+6
IRL	-15	-27	+43	-68	+36	-19	-38	+21	:	:	+39	-17	+27	-18
I	+32	-59	+84	+58	+20	+59	-65	-14	+44	+62	-27	+48	+26	+25
L	:	:	:	:	:	:	:	:	:	:	:	:	:	:
NL	:	:	:	:	:	:	:	:	:	:	:	:	:	:
UK	-11	+7	-12	-6	+2	:	:	+1	:	:	+3	-1	-3	+2
EC (e)	+1	-5	+5	+6	+6	+12	-11	+1	:	:	-5	+10	+3	+5

TABLE 2: Industrial investment survey — all branches
% change in value in relation to preceding year

Year to which data relate:	1979		1980				1981				1982				1983			
	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April	Oct./ Nov.	March/ April		
	1978	1979	1979	1980	1980	1981	1981	1982	1982	1983	1983	1984	1984	1985	1985	1986		
B (c)	:	+15	+12	+16	+30	+41	+30	+36	+3	+8	+4	+4	-9	-3	+10	+18	-7	-9
DK (c)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	+11
D	+9	+11	+13	+14	+12	+15	+15	+16	+4	+2	0	-1	0	0	-2	-2	+3	+2
GR	:	:	:	:	:	:	:	:	:	:	+38	+42	-2	-6	-19	+6	-23	-35
F	+15	+16	+10	+10	+15	+16	+16	+16	+6	+5	-1	+3	+6	+5	+4	+6	+7	+6
IRL (c)	-26	+29	+19	+19	+12	+6,5	-3,5	+8	+2	-22	-16	-26	+33	+54	0	+27	+5	-18
I	+24	+19	+5	+10	+26	+31	+7	+10	+47	+17	+14	+10	:	+6	+8	+26	+13	+25
L (d)	+27	-1	+22	-5	-5	+7	-12,5	+17	0	-8	+17	-10	-20	+24	+1	:	+17	:
NL	-5	+4	+1	0	+13	+18	+15	+17	-7	-2	-6	-8	-2	+6	-1	:	+11	:
UK (c)	+18	+15	+9	+12	+4	+2	+6	+5	-7	-6	-11	-11	+7	+5	-4	-3	+5	+2
EC (e)	-13	+14	+10	+11	+14	+16	+13	+14	+6	+3	-1	-1	+3	+3	+1	+3	+5	+5

(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.

TABLE 3: Production expectations in the major sectors of manufacturing industry

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

Industrial sector	Range (b)		1980	1981	1982	1982		1983		1983									
	Peak 1972/73	Trough 1974/75				III	IV	I	II	Jan.	Feb.	March	April	May	June				
	B																		
consumer goods	+34	-43	-17	-28	-11	-8	-18	-17	-12	-17	-14	-20	-13	-8	-14				
investment goods	+27	-58	-23	-31	-23	-20	-26	-33	-32	-30	-35	-34	-32	-28	-37				
intermediate goods	+33	-63	-31	-23	-23	-23	-23	-23	-17	-24	-25	-21	-22	-15	-14				
DK																			
consumer goods	:	:	+5	+1	+10	+4	+32	-15	+15	:	:	:	:	:	:				
investment goods	:	:	-4	0	+4	-16	+17	-8	+10	:	:	:	:	:	:				
intermediate goods	:	:	-9	-10	-4	-6	+3	-9	+21	:	:	:	:	:	:				
D																			
consumer goods	+18	-30	-5	-16	-19	-23	-25	-14	-7	-23	-13	-5	-8	-6	-7				
investment goods	+17	-28	-1	-11	-19	-21	-26	-18	-12	-20	-18	-15	-11	-12	-13				
intermediate goods	+26	-44	-15	-20	-20	-21	-28	-10	+2	-19	-8	-3	+4	+2	+1				
F																			
consumer goods	+42	-22	0	-8	+12	+16	+2	+7	-16	-3	+9	+9	-7	-20	-22				
investment goods	+35	-31	-1	-6	-8	-6	-18	-13	-20	-10	-16	-13	-19	-23	-17				
intermediate goods	+33	-39	-15	-18	-13	-20	-21	-17	-7	-18	-21	-12	-7	-4	-11				
IRL																			
consumer goods	:	-28	-12	-9	+2	+1	+8	+7	+10	+20	-3	+3	+8	+24	-2				
investment goods	:	-65	-15	-7	+25	+24	+24	+11	+6	+15	+11	+7	+17	+9	-7				
intermediate goods	:	-22	-18	-6	-12	-21	-19	-18	-19	-3	-19	-33	-24	-15	-18				
I																			
consumer goods	+36	-55	-5	-18	-12	-14	-19	-13	-11	-16	-18	-4	-26	+1	-7				
investment goods	+41	-34	+3	-11	-13	-18	-14	-15	-10	-13	-11	-20	-9	-12	-9				
intermediate goods	+49	-41	-8	-14	-15	-18	-28	-23	-20	-22	-20	-28	-19	-25	-16				
L																			
consumer goods	+43	-73	+23	+19	+13	+15	+29	+17	+5	+19	3	+30	+13	+7	-5				
investment goods	+33	-41	-13	-38	-10	-4	-16	-14	-17	-16	+1	-28	-21	-18	-11				
intermediate goods	:	:	-42	-43	-51	-58	-46	-32	-5	-57	-34	-4	-5	+2	-12				
NL																			
consumer goods	+33	-26	-1	-3	-4	-9	-1	-5	-4	-4	-7	-5	-4	-2	-6				
investment goods	+39	-53	-6	-8	-9	-4	-14	-15	-7	-15	-14	-17	-12	-3	-7				
intermediate goods	+43	-22	-1	-4	-3	-5	-9	+2	+4	+1	+2	+3	+5	+9	-1				
UK																			
consumer goods	:	:	-29	-5	+3	+5	0	+7	+20	+3	+8	+10	+21	+17	+22				
investment goods	:	:	-18	-8	-3	-2	-13	-5	+6	-9	-5	0	+3	+6	+10				
intermediate goods	:	:	-40	-4	-2	-1	-5	+4	+14	-10	+5	+16	+10	+12	+19				
EC (c)																			
consumer goods	+29	-24	-9	-13	-5	-6	-12	-5	-4	-11	-3	0	-4	-4	-5				
investment goods	+28	-31	-5	-10	-12	-12	-20	-14	-10	-15	-15	-13	-10	-12	-9				
intermediate goods	+25	-37	-19	-15	-14	-16	-21	-12	-2	-18	-11	-6	-1	-2	-2				

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

(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) Not including Greece, where the survey time series are too short to permit an analysis of trends. (The Community survey was extended to Greece at the beginning of 1981.)

Note: (s.a.) = seasonally adjusted.

= not available.

The annual and quarterly figures are averages of the corresponding monthly data. 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.

TABLE 4: Indicators of output and economic sentiment

	Trough 1974/75	1980	1981	1982		1983		1983							
				III	IV	I	II	Jan.	Febr.	March	April	May	June		
B gross domestic product	1975=	115,1	113,9	112,8	:	:	:	:	:	:	:	:	:	:	:
index of industrial production	100	96,6	115,4	111,0	111,9	111,2	111,6	112,7	:	113,0	112,7	112,3	:	:	:
1. industrial confidence indicator		-56	-22	-27	-22	-21	-26	-23	-21	-24	-24	-22	-22	-20	-22
2. construction confidence indicator		-36	-28	-47	-48	-51	-52	-56	-57	-52	-56	-61	-58	-57	-57
3. consumer confidence indicator ^{1,4}		-18	-20	-27	-27	-27	-28	-31	-22	:	:	:	:	:	:
4. share-price index ⁴		85,4	87,2	71,1	87,1	87,0	90,4	97,5	111,5	93,9	95,8	102,9	109,2	111,3	114,1
= 5. economic sentiment indicator		99,3	100,2	97,8	99,0	99,0	98,8	98,9	100,8	98,7	98,6	99,5	100,3	101,0	101,1
D gross national product	1975=	99,0	119,0	118,9	117,9	116,9	116,7	117,4	:	:	:	:	:	:	:
index of industrial production	100	97,9	118,6	116,9	114,0	112,1	110,6	112,8	:	112,1	112,1	114,2	115,3	:	:
1. industrial confidence indicator		-49	-14	-30	-33	-35	-38	-30	-23	-34	-29	-28	-24	-23	-21
2. construction confidence indicator		-72	-18	-48	-59	-57	-59	-48	-39	-52	-51	-42	-39	-40	-39
3. consumer confidence indicator ^{1,4}		-22	-5	-22	-26	-28	-28	-17	-7	-24	-18	-9	-7	-7	-8
4. share-price index ⁴		73,9	98,2	100,3	100,1	97,1	102,7	112,0	130,1	106,5	109,9	119,6	128,8	129,2	132,3
= 5. economic sentiment indicator		98,8	101,9	98,9	98,2	98,0	97,7	99,6	102,0	98,4	99,4	101,0	101,9	102,0	102,1
F gross domestic product	1975=	98,5	116,2	116,4	118,9	119,6	120,7	120,8	:	:	:	:	:	:	:
index of industrial production	100	97,3	118,7	115,8	113,9	112,5	113,4	114,0	:	114,3	114,3	113,4	114,3	:	:
1. industrial confidence indicator		-49	-15	-30	-17	-18	-20	-18	-23	-19	-17	-18	-19	-25	-25
2. construction confidence indicator		:	-21	-36	-49	-50	-50	-44	-50	-44	:	:	-50	:	:
3. consumer confidence indicator ^{1,4}		-9	-10	-9	-5	-7	-10	-9	-17	:	:	:	:	:	:
4. share-price index ⁴		75,7	141,2	124,9	124,2	118,2	123,4	136,3	159,3	132,4	135,1	143,4	155,2	163,1	159,5
= 5. economic sentiment indicator		98,1	100,9	98,9	98,9	98,5	98,2	98,6	97,4	98,6	98,9	98,4	97,9	97,2	97,1
IRL gross domestic product	1975=		121,5	123,6	:	:	:	:	:	:	:	:	:	:	:
index of industrial production	100	96,3	133,2	134,3	135,7	135,2	136,3	142,3	:	144,5	141,5	140,9	140,9	:	:
1. industrial confidence indicator		-41	-31	-18	-19	-25	-24	-26	-24	-21	-28	-28	-25	-24	-23
2. construction confidence indicator		:	-49	-33	-51	-44	-76	-77	-65	-76	-81	-75	-54	-71	-70
3. consumer confidence indicator ^{1,4}		-41	-22	-28	-34	-35	-39	-36	-44	:	:	:	:	:	:
4. share-price index ⁴		55,9	187,0	194,0	159,8	154,5	161,2	165,0	202,3	154,9	168,5	171,5	190,8	207,5	208,5
= 5. economic sentiment indicator		97,7	101,9	102,0	101,4	101,7	100,4	100,9	101,8	100,7	101,0	101,2	101,6	101,9	101,8
I gross domestic product	1975=	93,1	120,8	120,6	120,4	118,7	118,5	118,9	:	:	:	:	:	:	:
index of industrial production	100	94,7	130,4	127,5	124,6	120,8	120,0	120,8	:	119,8	122,4	120,2	114,1	:	:
1. industrial confidence indicator		-59	-13	-31	-31	-33	-36	-35	-33	-36	-33	-36	-35	-33	-30
2. construction confidence indicator		-56	-22	-18	-29	-26	-26	-35	-34	-43	-29	-34	-39	-32	-32
3. consumer confidence indicator ^{1,4}		-39	-22	-22	-18	-21	-26	-25	-21	-30	-25	-22	-21	-21	-22
4. share-price index ⁴		96,5	120,3	182,6	147,2	136,7	145,3	168,7	177,2	149,9	173,8	182,3	182,9	172,2	176,4
= 5. economic sentiment indicator		99,1	102,2	102,1	101,8	101,3	99,5	100,4	101,0	99,4	100,7	101,0	101,0	101,0	101,0
NL gross domestic product	1975=		113,3	112,1	111,1	:	:	:	:	:	:	:	:	:	:
index of industrial production	100	98,0	112,5	110,6	106,6	104,0	104,3	107,3	:	107,0	109,0	106,0	108,0	:	:
1. industrial confidence indicator		-44	-12	-25	-25	-26	-23	-20	-17	-22	-19	-19	-17	-15	-18
2. construction confidence indicator		-47	-24	-32	-41	-42	-40	-42	-37	-42	-42	-41	-36	-36	-39
3. consumer confidence indicator ^{1,4}		-19	-25	-31	-32	-33	-37	-34	-28	:	:	:	:	:	:
4. share-price index ⁴		77,4	89,6	94,7	96,2	92,4	102,6	118,1	138,3	111,5	115,9	126,8	135,7	134,1	145,1
= 5. economic sentiment indicator		99,6	99,4	98,3	98,1	97,8	98,1	98,9	100,7	98,4	98,8	99,6	100,4	100,6	101,0
UK gross domestic product	1975=	98,1	107,6	105,1	106,6	107,7	109,8	110,3	:	:	:	:	:	:	:
index of industrial production	100	98,6	107,3	103,6	104,5	104,7	104,4	105,9	:	105,4	106,8	105,5	106,3	:	:
1. industrial confidence indicator		:	-43	-33	-25	-25	-28	-21	-10	-25	-20	-17	-14	-10	-7
2. construction confidence indicator		:	-30	-51	-42	-38	-38	-31	-32	-31	:	:	-32	:	:
3. consumer confidence indicator ^{1,4}		-33	-18	-21	-12	-8	-7	-6	+1	-5	-9	-4	-2	+3	+2
4. share-price index ⁴		41,4	177,5	200,1	231,7	232,4	261,2	284,4	330,8	265,5	272,2	315,4	326,3	327,4	338,6
= 5. economic sentiment indicator		95,0	101,5	100,9	101,8	102,1	102,5	103,1	104,3	102,7	102,8	103,7	104,0	104,3	104,5
EC gross domestic product ^{2,3}	1975=	99,0	116,2	115,8	116,2	116,1	116,7	117,2	:	:	:	:	:	:	:
index of industrial production	100	96,8	117,2	114,2	112,8	112,2	110,3	110,9	:	111,2	111,0	110,4	111,0	:	:
1. industrial confidence indicator		-49	-20	-31	-27	-28	-30	-25	-21	-28	-24	-24	-23	-22	-20
2. construction confidence indicator		:	-23	-39	-43	-45	-48	-41	-40	-44	(-41)	(-39)	-41	(-40)	(-40)
3. consumer confidence indicator ^{1,4}		-17	-13	-19	-17	-19	-20	-16	-12	-19	-17	-13	-12	-12	-12
4. share-price index ⁴		65,1	138,6	152,1	166,1	164,4	180,2	198,4	230,8	186,1	192,5	216,7	227,4	229,6	235,5
= 5. economic sentiment indicator		97,4	102,4	99,9	100,1	100,0	99,4	100,8	102,7	99,8	100,6	102,0	102,5	102,6	102,9

¹ 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. For the message of construction of the indicator, see: *European Economy - Supplement C*.

² Weighted total of quarterly figures for the Federal Republic of Germany, France, Italy and the UK.

³ For the Federal Republic of Germany, gross national product.

⁴ Not seasonally adjusted.

For definitions of series 1 to 5, see Tables 5 and 6 and box on page 8.

Source: European Community business surveys and Eurostat.

TABLE 6: Survey of the construction industry

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

	Range (c)		1980	1981	1982	1982		1983		1983					
	Peak 72/73	Trough 74/75				III	IV	I	II	Jan.	Feb.	March	April	May	June
B order-books	-13	-47	-32	-53	-61	-65	-68	-71	-72	-72	-72	-68	-70	-73	-73
employment expectations	+31	-24	-23	-41	-36	-37	-37	-41	-42	-31	-40	-53	-46	-41	-40
price expectations	+75	+25	+31	+8	-1	-1	-4	-8	-14	-3	-6	-16	-18	-13	-11
construction confidence indicator (a)	+9	-36	-28	-47	-49	-51	-53	-56	-57	-52	-56	-61	-58	-57	-57
D order-books	-17	-84	-30	-61	-73	-74	-73	-69	-62	-68	-72	-66	-62	-63	-60
employment expectations	+10	-60	-7	-35	-44	-40	-45	-28	-16	-16	-30	-17	-16	-16	-17
price expectations	+48	-37	-5	-41	-28	-23	-12	-7	-2	-9	-12	0	-3	-2	0
construction confidence indicator	-4	-72	-18	-48	-59	-57	-59	-48	-39	-52	-51	-42	-39	-40	-39
F order-books	..	..	-31	-48	-62	-66	-64	-58	-63	-58	..	..	..	-63	..
employment expectations	..	..	-12	-24	-35	-34	-35	-29	-37	-29	..	..	..	-37	..
construction confidence indicator	..	..	-21	-36	-49	-50	-50	-44	-50	-44	..	..	..	-50	..
I order-books	-25	-68	-33	-29	-44	-42	-51	-49	-49	-55	-39	-52	-48	-51	-48
employment expectations	+10	-44	-11	-7	-13	-9	-27	-21	-19	-31	-18	-15	-29	-12	-16
price expectations	+85	+30	+71	+71	+54	+56	+30	+20	+13	+20	+21	+19	+16	+19	+3
construction confidence indicator	-8	-56	-22	-18	-29	-26	-26	-35	-34	-43	-29	-34	-39	-32	-32
L order-books	+21	-50	-12	-21	-46	-52	-51	-48	-57	-51	-52	-41	-57	-61	-52
employment expectations	+31	-39	+6	-6	-25	-23	-17	-32	-32	-32	-32	-28	-22	-33	-42
price expectations	+82	+11	+45	+30	+17	+20	+12	+3	-18	+14	+7	-13	-13	-10	-30
construction confidence indicator	+26	-45	-5	-14	-36	-38	-34	-40	-45	-42	-44	-35	-40	-47	-47
NL order-books	-8	-81	-39	-50	-57	-59	-59	-59	-57	-61	-58	-57	-56	-57	-59
employment expectations	+14	-13	-8	-14	-25	-25	-21	-24	-16	-23	-26	-24	-16	-15	-18
construction confidence indicator	+3	-47	-24	-32	-41	-42	-40	-42	-37	-42	-42	-41	-36	-36	-39
UK order-books	..	..	-33	-60	-59	-55	-58	-47	-52	-47	..	..	..	-52	..
employment expectations	..	..	-27	-42	-25	-19	-18	-14	-11	-14	..	..	..	-11	..
price expectations	..	..	+53	-16	0	+9	-3	+11	+6	+11	..	..	..	+6	..
construction confidence indicator	..	..	-30	-51	-42	-38	-38	-31	-32	-31	..	..	..	-32	..
EC order-books	..	..	-32	-51	-61	-61	-63	-58	-58	-59	(-57)	(-57)	-58	(-59)	(-57)
(d) employment expectations	..	..	-14	-28	-24	-28	-32	-25	-22	-28	(-25)	(-21)	-24	(-20)	(-22)
construction confidence indicator	..	..	-23	-39	-43	-45	-48	-41	-40	-44	(-41)	(-39)	-41	(-40)	(-40)

(a) The indicator is an average of the responses (net balances) to the questions on order-books and employment expectations.

(b) Details of the questions are given below.

(c) 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.

(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 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.

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*.

ECONOMIC SENTIMENT INDICATOR

The economic sentiment indicator is a composite measure in which the industrial confidence indicator, the consumer confidence indicator and the share price index are given equal weight, while the construction confidence indicator (an average of two series of the EC survey of the construction industry, namely employment expectations and judgments on the level of order-books) is attributed half the weight of each of the other three. 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.

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