

EUROPEAN ECONOMY

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

Supplement B — No 8/9 — August-September 1984

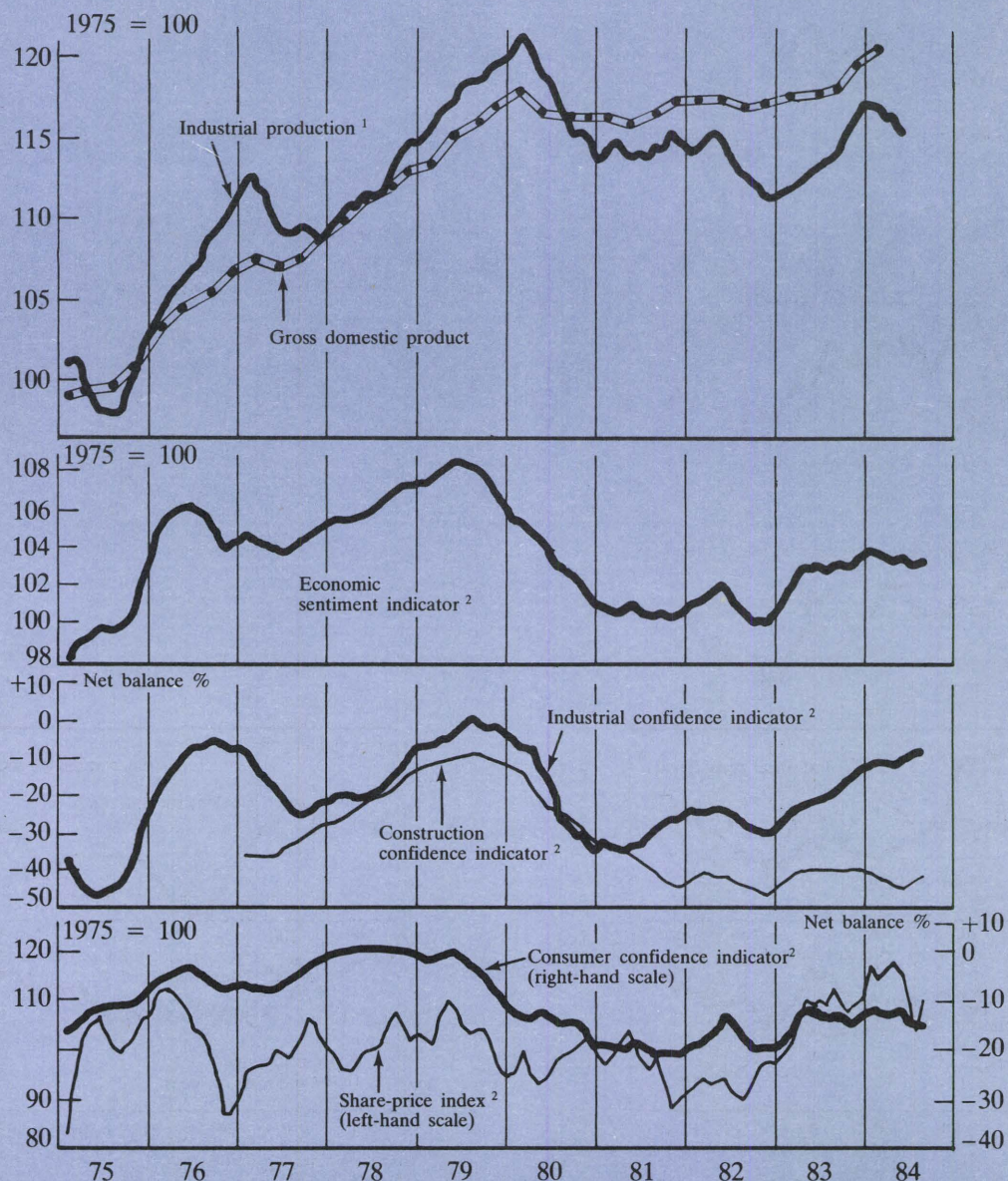
This month :

*Quarterly data on capacity utilization
and employment prospects*

Business survey results

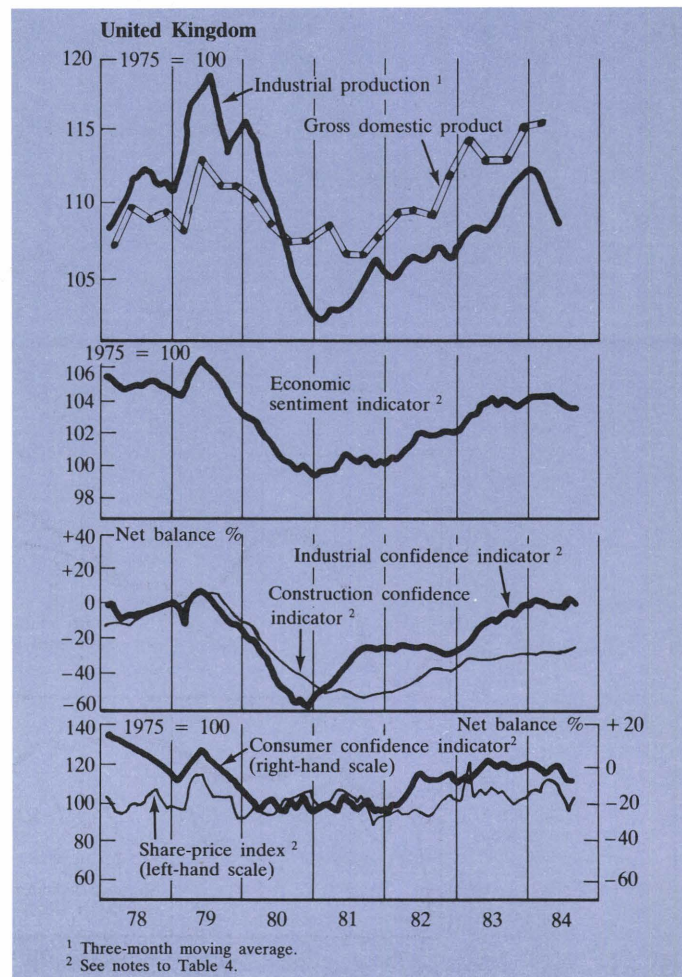
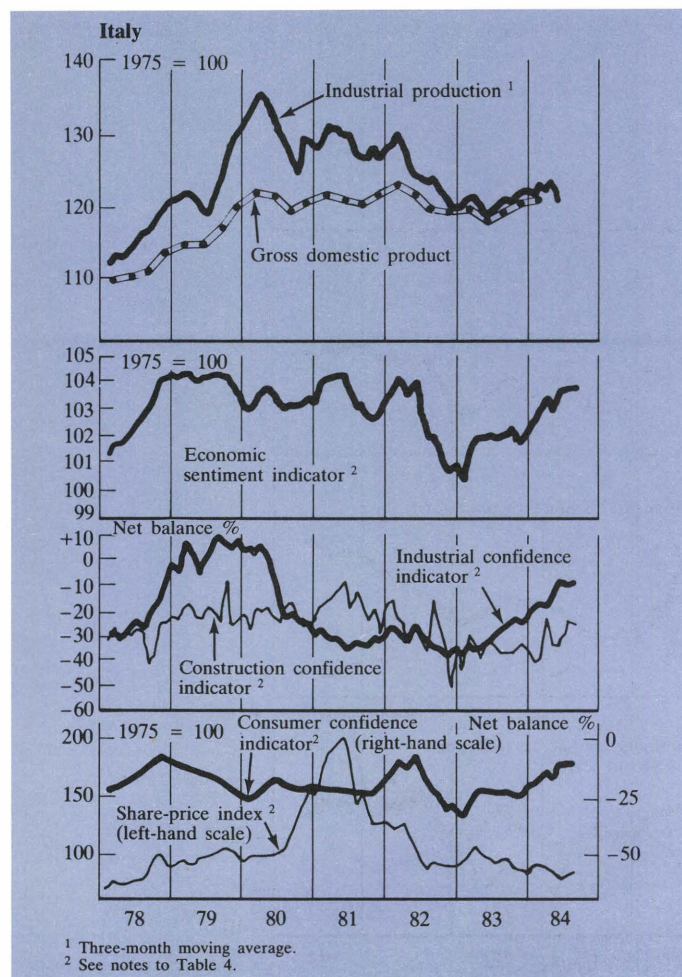
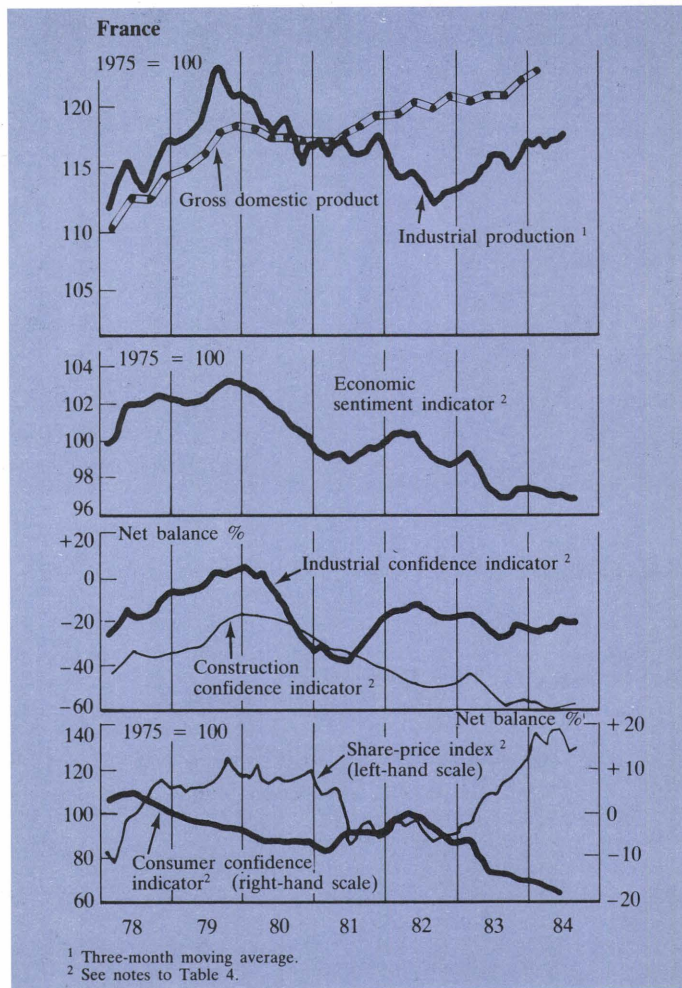
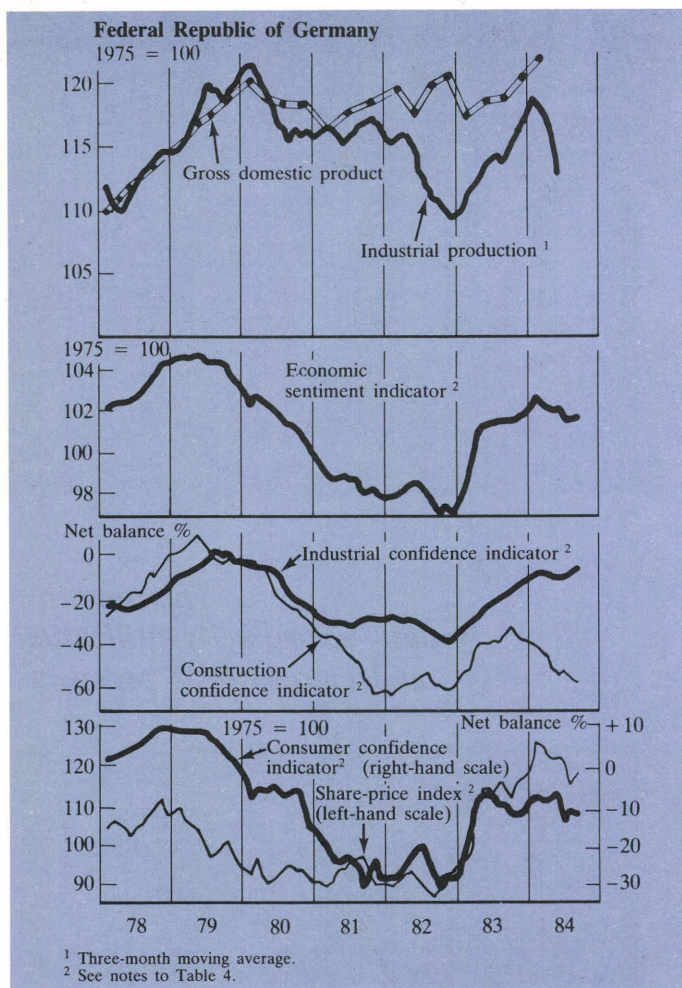
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GRAPH 1 : Indicators of output and economic sentiment — European Community



For footnotes see pages 3 and 6.

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



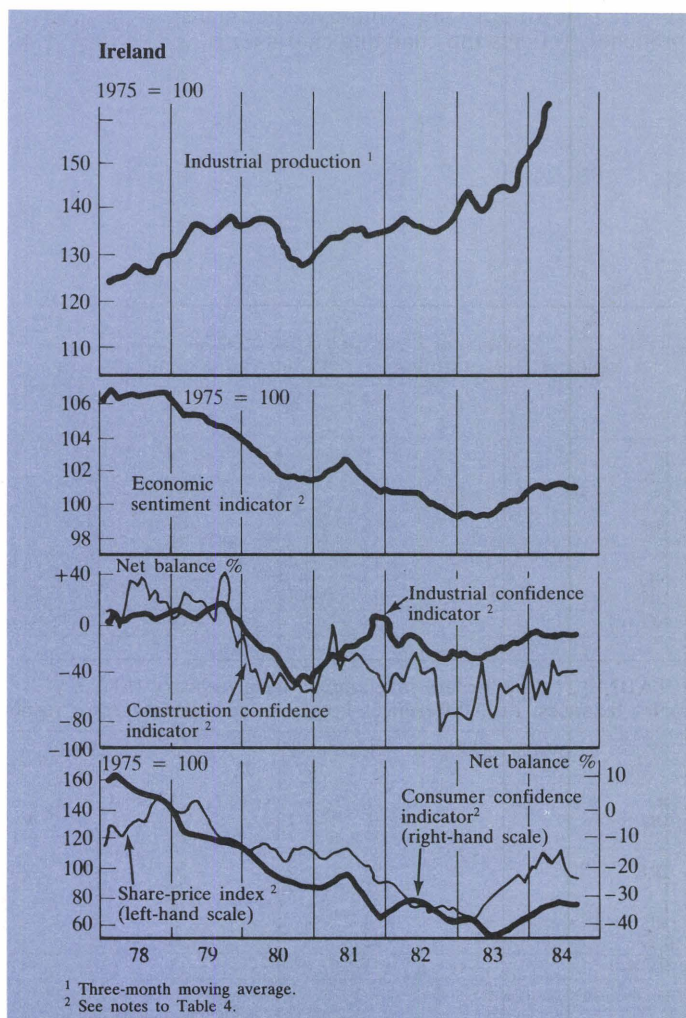
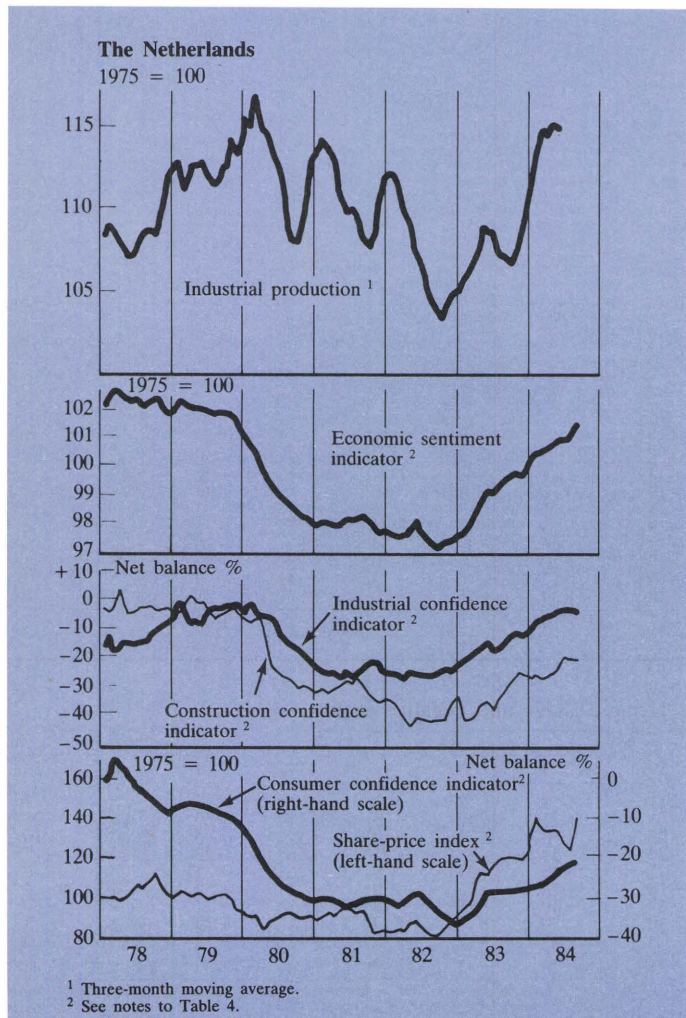
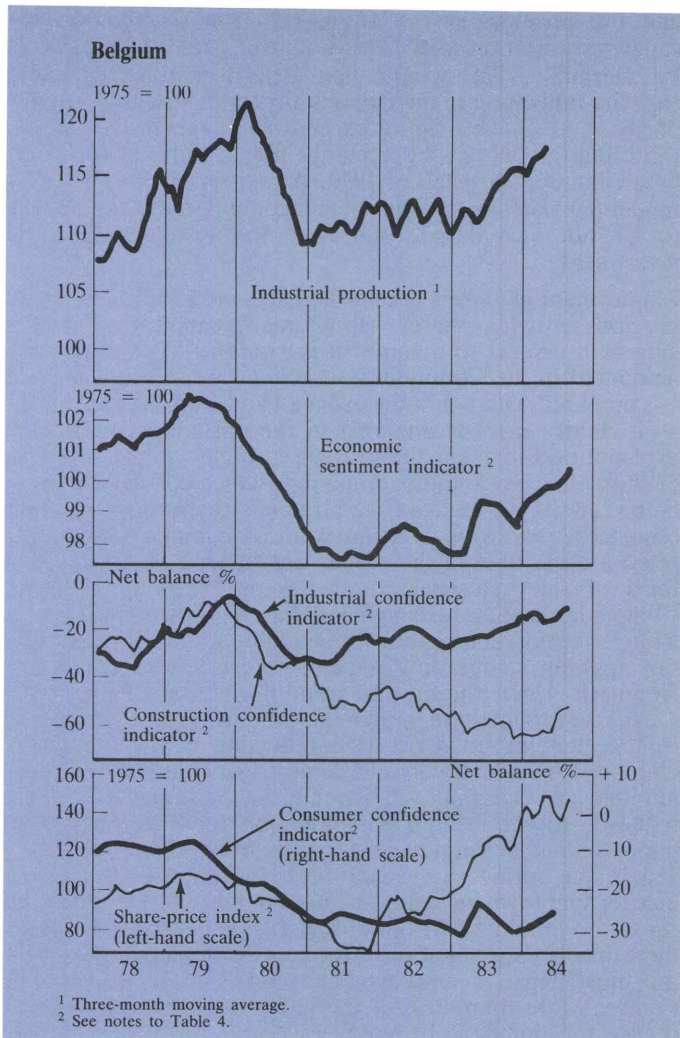
Leading indicators slightly improved. — After the slight worsening of the economic sentiment indicator for the Community in June, a moderate improvement was observed in July and a somewhat more pronounced one in August. This resulted from a higher confidence in industry, some gain in the share-price index and a somewhat less pessimistic assessment in the construction sector. Consumer confidence remained unchanged. The gains in the composite indicator in July and August were not quite strong enough to regain the level of the beginning of the year.

A renewed increase in production expected. — Business survey indicators for July and August point to a renewed recovery of demand and production in the forthcoming months, overcoming the losses of output experienced in the second quarter — which was mainly due to the metal workers' strike in Germany. New orders picked up significantly in the course of the third quarter and especially export expectations improved (Tables 2 and 3).

The production outlook in the Community for the next 3 months is brighter than has been the case in previous surveys this year. Companies do not expect an acceleration of price increases during the coming months (Table 9).

Expected increase in capacity utilization. — A growing number of firms expect an improvement in capacity utilization during the next 12 months. Whereas one year ago 42% of companies (net balance) expected overcapacity during the next 12 months, this proportion has rapidly diminished and amounts now to only 26%. Especially in Denmark and in the Netherlands the problem of overcapacity becomes — according to the companies — almost insignificant for industry as a whole in the course of the next 12 months.

The figures for capacity utilization in the third quarter (Table 6) do not show a further increase in the Community as a whole. However, this is mainly due to the German case. The data were collected at the beginning of July and were, for that reason, still negatively affected by the labour dispute. According to estimates of the services of the Commission, taking into account the known official production figures for July



and the business survey results of August, an 'adjusted' capacity utilization in the third quarter could be about 83% for Germany. This would then give an average degree of capacity utilization in the Community during the third quarter of about 81%. This figure exceeds the average level of the third quarter 1984 by 4 percentage points and is only 3 points below the cyclical peak of 1979. At existing factor prices the remaining slack in the European economy therefore appears to be not very large, indicating the need to speed up investment.

Employment prospects become less negative (Table 7) — As in previous upswing phases, labour market indicators are lagging with respect to manufacturing output. Whereas this lag amounted in the Community to about 9 months in the 1970s — compared with 6 months in Japan and 1 month in the USA — it clearly exceeds one year in the present recovery. One explanation for this is the present extremely high proportion of short-time work and overmanning which has to be reduced before additional staff will be hired. Furthermore, companies seem to be relying on overtime work for a longer period in the present cycle than in the earlier upswings. In Germany, one third of the industrial companies are working overtime. Companies have to be convinced that the upswing will last for a longer period before they hire additional staff. This phase in the upswing so far only appears to have been reached in Denmark. Here, the upward trend in industrial employment is expected to increase in momentum during the next months. In the Benelux countries, the reduction in the number of employed in industry should come to halt during the next 3 months. In Germany, this point still has not quite been reached. In the United Kingdom, on the other hand, the improvement in employment expectations which was observed in the spring survey and was confirmed in the second quarter employment data, has not continued. In Ireland and Italy, the employment outlook is still very clouded, though there has been a slight improvement in expectations. By far the most negative employment trend is to be expected in France. More than 40% of the industrial companies plan to reduce the number of employees during the next 3 months (net balance -44).

A breakdown of the employment plans, according to branches, reflects the changing character of the recovery: the

improvement in employment is now most pronounced in the capital goods sector. In all member countries companies producing data processing hardware are expecting higher employment. An improvement is also obvious in mechanical engineering. Here it is restricted to some specific branches, however, for example machine tools and textile machinery. Improvement of the employment situation can also be located in the electrical goods industry. In total, the latest employment plans of industrial companies confirm the findings of the spring investment survey (see Supplement B of July 1984), which pointed to a rather sharp improvement in the investment goods sector.

Construction. — In the average of the Community order-books remained, in August, on the same unsatisfactory level as in July. Whereas in Belgium and in Luxembourg — coming from a very low level — a further slight improvement can be observed, the confidence indicator slipped further in Germany and reached there the lowest level reported from any Member State. Employment expectations in all member countries are still negative, especially in Germany, to a much lower degree in the Netherlands and in the United Kingdom (Table 10).

Consumer survey. — August data are only available for Germany and the United Kingdom. In Germany, the consumer confidence indicator deteriorated slightly. Its level is now significantly lower than in May, before the outbreak of the labour dispute. In the United Kingdom, consumer confidence remained unchanged in August. As in Germany, the level of the indicator is at the moment significantly lower than at the beginning of the year. July results for Italy, the Netherlands and Ireland, which are available now, give a somewhat better picture: the confidence indicator remained stable in Italy and gained 4 points in the Netherlands, while Ireland registered a minor fall (-1).

In total, the results of the latest consumer survey underline the changing character of the recovery: the main components of growth in the Community are at the moment exports — to a significant degree to the US — and investment. Domestic consumption, all over the Community, does not contribute much to the recovery at the moment.

14 September 1984.

TABLE 1: Production trend in recent months (a) (s.a.)

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

	1981			1982				1983				1984		
				I	II	III	IV	I	II	III	IV	I	II	III
B	-7	-2	-3	-4	+3	-2	-5	-3	-4	-3	-1	0	-2	...
DK	-4	+3	+11	-1	+10	-1	+3	+4	+9	+16	+15	+32	+28	...
D	-13	-17	-2	-12	-16	-22	-19	-10	-1	0	+4	+4	-8	...
F	-16	-4	-7	-2	0	-9	-6	-11	-8	-8	-1	-2	-5	...
IRL	+1	-6	-4	-1	-5	-9	-9	-5	-14	-3	+5	+5	+16	...
I	-31	-37	-39	-35	-35	-35	-42	-44	-44	-34	-33	-26	-20	...
L	-14	-15	+10	+5	-19	-17	-30	+20	0	-8	+29	+21	+9	...
NL	-6	-4	+1	-2	-5	-3	-6	-3	0	+3	+4	+9	+5	...
UK	-12	-11	+17	0	-15	-11	-16	+9	+15	+20	+23	+21	+14	...
EC (c)	-15	-14	-4	-9	-13	-16	-17	-10	-5	-2	+2	+3	-3	...

TABLE 2: New orders in manufacturing industry (a) (s.a.)

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

	1981			1982				1983				1984		
				I	II	III	IV	I	II	III	IV	I	II	III
B	-13	-6	-2	-3	-7	-1	-11	-8	+3	-3	-1	-5	-8	-7
DK	-4	0	+13	-8	+3	+5	-1	+21	-10	+15	+24	+29	+29	+26
D	-14	-17	+9	-20	+10	-12	-26	-8	+11	+14	+17	+10	+3	+10
F	-29	-13	-19	-9	-12	-7	-20	-21	-19	-22	-16	-22	-15	-17
IRL	-16	-31	-26	-20	-17	-39	-47	-45	-37	-9	-16	-2	-5	+6
I	-14	-16	-10	-25	-15	-10	-14	-18	-16	-9	-1	+2	-1	+4
L	-33	-33	-1	+1	-12	-42	-67	-49	+18	+18	+3	+4	-9	+10
NL	-2	+1	+4	-6	0	+8	0	0	+1	+14	+1	+19	+5	+3
UK	:	-15	+7	-3	-16	-16	-23	-15	+7	+17	+17	+18	+15	+19
EC (c)	-18	-14	-1	-13	-12	-10	-21	-13	-1	+3	+6	+3	+1	+4

For footnotes see page 5.

TABLE 3: Export volume expectations in manufacturing industry (a) (s.a.)

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

	1981			1982				1983				1984		
				I	II	III	IV	I	II	III	IV	I	II	III
D	- 3	- 6	- 7	-2	- 0	- 6	-15	-14	-10	- 4	+ 1	+ 8	+ 2	+13
F	-17	-15	-14	-7	-16	-13	-21	-19	-13	-14	- 8	- 7	-11	- 1
IRL	0	+ 3	- 1	-3	0	+11	+ 2	- 8	- 7	+10	0	+ 9	+17	+27
I	+ 4	- 2	- 2	+5	0	0	+ 2	-10	- 6	0	+ 8	+11	+12	+10
L	-35	-32	-18	+2	- 3	-62	-64	-69	-16	+ 3	+11	+ 7	0	+ 6
NL	+ 2	+ 3	+ 9	-1	+ 8	+ 1	+ 4	- 3	+12	+11	+14	+20	+16	+ 2
UK	:	0	+ 7	+5	+ 2	- 1	- 5	+ 1	+ 9	+ 8	+ 9	+17	+14	+15
EC (c)	- 4	- 5	- 3	-1	- 2	- 5	-11	-10	- 4	- 1	+ 3	+ 9	+ 5	+ 9

TABLE 4: Estimated number of months' production assured by orders on hand in manufacturing industry (a) (s.a.)

	Range (b)		1981	1982	1983	1982			1983				1984		
	Peak 1973	Trough 1975				II	III	IV	I	II	III	IV	I	II	III
B	4,5	2,8	3,4	3,4	3,1	3,5	3,4	3,4	3,3	3,2	3,1	3,0	3,3	3,4	3,4
D	3,3	2,8	2,9	2,7	2,6	2,7	2,7	2,6	2,6	2,6	2,6	2,7	2,6	2,8	2,8
F	3,5	2,7	3,6	3,5	3,2	3,7	3,7	3,4	3,3	3,2	3,2	3,0	3,2	3,1	3,0
IRL	2,2	1,8	2,0	2,0	1,7	2,0	1,9	1,7	1,9	1,6	1,6	1,6	1,9	1,7	2,4
I	4,7	3,7	4,0	4,2	4,1	4,3	4,1	4,2	4,8	4,0	3,8	4,0	3,9	4,2	4,5
L	3,5	1,4	2,3	1,9	1,9	1,7	1,8	1,8	1,7	2,1	1,7	2,0	1,9	1,8	1,8
NL	4,7	2,6	3,7	3,7	2,6	4,0	3,9	3,0	2,6	2,5	2,5	2,8	2,7	2,8	2,9
UK	:	:	2,8	3,0	3,0	3,1	3,1	3,0	2,9	3,1	3,0	3,0	2,9	3,1	3,6
EC (c)	3,7	3,0	3,2	3,3	3,1	3,5	3,3	3,1	3,1	3,0	3,0	3,0	3,0	3,1	3,1

TABLE 5: Expected capacity constraints in manufacturing industry: i.e. net balance of respondents expecting capacity to be more than sufficient in relation to production expectations (a)(d)(s.a.)

	Range (b)		1981	1982	1983	1982			1983				1984		
	Peak 1973	Trough 1975				II	III	IV	I	II	III	IV	I	II	III
B	- 12	+ 58	+49	+39	+37	+41	+36	+38	+40	+40	+35	+36	+31	+34	+29
DK	:	:	+32	+35	+34	+32	+38	+36	+33	+32	+34	+36	+21	+16	+ 2
D	- 3	+56	+34	+42	+42	+41	+43	+48	+49	+47	+40	+35	+29	+24	+22
F	-24	+45	+42	+37	+42	+38	+35	+37	+38	+39	+42	+48	+42	+44	+34
IRL	:	+34	+29	+34	+34	+32	+29	+40	+38	+33	+38	+29	+26	+31	+24
I	+ 1	+63	+45	+47	+54	+43	+46	+54	+58	+54	+54	+55	+46	+40	+30
L	-72	+73	+59	+60	+59	+62	+58	+62	+59	+60	+57	+58	+51	+51	+46
NL	- 3	+60	+35	+47	+30	+50	+51	+41	+38	+30	+28	+23	+20	+13	+10
UK	:	:	:	+60	+51	+59	+61	+63	+63	+49	+47	+43	+34	+31	+30
EC (c)	- 7	+54	:	+45	+45	+45	+45	+48	+50	+44	+42	+41	+35	+32	+26

TABLE 6: Capacity utilization in manufacturing industry (%) (a) (s.a.)

	Range (b)		1981	1982	1983	1982			1983				1984		
	Peak 1973	Trough 1975				II	III	IV	I	II	III	IV	I	II	III
B	85,4	70,4	74,5	75,7	75,7	75,3	76,4	76,8	76,2	75,6	75,4	76,3	75,5	75,2	76,5
D	88,1	74,8	79,1	77,2	77,0	77,7	77,4	75,3	75,4	75,7	77,6	79,1	80,6	81,4	76,6
F	87,8	76,6	81,6	81,6	81,6	81,1	82,0	81,9	82,0	81,4	81,1	82,4	81,5	82,1	81,9
IRL	:	:	60,8	59,1	58,1	58,5	58,9	57,8	56,8	59,5	57,8	57,6	59,9	59,7	63,0
I	78,8	68,0	73,0	71,9	70,1	71,6	72,2	72,2	70,4	70,1	69,1	70,4	70,8	71,2	72,2
L	:	:	73,5	78,0	70,7	80,9	79,6	77,4	73,4	70,0	66,8	72,4	74,5	75,7	78,8
NL	86,0	76,0	78,5	76,7	79,5	76,3	75,8	77,7	78,1	79,2	79,9	80,8	80,6	82,2	83,0
UK (e)	90,6	75,5	72,7	74,2	76,7	73,0	75,0	74,8	74,9	75,9	77,2	78,3	80,2	81,6	83,3
EC (f)	86,4	75,0	77,4	76,9	77,2	76,6	77,3	76,6	76,5	76,5	77,2	78,7	79,4	80,2	79,0

TABLE 7: Employment expectations in manufacturing industry (a)

Net balance of respondents expecting employment up, unchanged or down

	Range (b)		1981	1982	1983	1982			1983				1984		
	Peak 1973	Trough 1975				II	III	IV	I	II	III	IV	I	II	III
B	+ 12	-26	-18	-14	-14	-11	-14	-20	-17	- 9	-14	-14	-13	- 9	- 3
DK	:	:	-10	- 9	- 5	- 3	-10	-10	-17	- 1	0	- 1	+ 9	+12	+15
D	+ 13	-34	-20	-32	-27	-27	-29	-42	-29	-26	-25	-27	-18	-13	- 8
F	+17	-35	-39	-23	-31	-22	-18	-29	-32	-28	-27	-35	-44	-44	-44
IRL	+15	-34	-25	-30	-23	-37	-26	-34	-20	-26	-34	-12	-13	-26	-22
I (e)	+13	-26	-38	-36	-38	-29	(-29)	-43	(-43)	-34	(-34)	-41	(-41)	(-29)	(-29)
L	+75	-67	-44	-49	-52	-51	-50	-43	-54	-43	-56	-54	-57	-48	- 1
NL	+ 4	-32	-17	-22	-29	-18	-21	-33	-37	-30	-25	-22	-14	- 6	- 1
UK	:	:	-48	-39	-29	-37	-39	-44	-44	-26	-22	-20	-14	- 7	-14
EC (d)	+ 12	-31	-32	-30	-29	-26	-27	-38	-34	-27	-25	-28	-26	- 7	-19

(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 1973 and 1975, respectively.

(c) Weighted total of available country data.

(d) Answers to the questions whether, taking into account the level of order-books or production, capacity is more than sufficient (x), sufficient (=) or less than sufficient (-). Thus, negative net balances (capacity less than sufficient) indicate high levels of capacity utilization and positive net balances (capacity more than sufficient) are associated with low levels of capacity utilization.

(e) The series for the United Kingdom are estimated using the national (Confederation of British Industry) data on the percentage of firms reporting below-capacity working.

(f) Column totals, with country data weighted by volume of industrial production in 1975.

Source: European Community business surveys.

**TABLE 9: Monthly survey of manufacturing industry — Monthly questions and the composite industrial confidence indicator (a)
Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.) (b)**

	Range (c)		1981	1982	1983	1983		1984		1984						
	Peak 1972/73	Trough 1974/75				III	IV	I	II	March	April	May	June	July	August	
B	production expectations	+31 -56	-26	-18	-16	-15	-6	-2	-5	0	-7	-4	-4	-2	-1	
	order-books	+13 -74	-45	-40	-34	-33	-28	-23	-25	-23	-24	-26	-24	-23	-19	
	export order-books	+15 -82	-47	-40	-34	-31	-30	-26	-27	-25	-26	-28	-25	-25	-21	
	stocks of finished products	-14 +37	+11	+8	+9	+9	+9	+11	+14	+12	+14	+15	+14	+5	+7	
	selling-price expectations	+64 -10	+29	+28	+24	+25	+24	+30	+23	+30	+25	+21	+23	+27	+25	
	industrial confidence indicator	+19 -56	-27	-22	-20	-19	-14	-12	-15	-12	-15	-15	-14	-10	-9	
DK	production expectations	:	:	+3	+8	+8	+18	+30	+23	:	:	:	:	:	:	
	order-books	:	:	-24	-17	-3	0	+10	+24	:	:	:	:	:	:	
	export order-books	:	:	-8	-4	-3	-4	+3	+18	:	:	:	:	:	:	
	stocks of finished products	:	:	+19	+16	+9	+8	+3	+2	:	:	:	:	:	:	
	industrial confidence indicator	:	:	-13	-10	-2	0	+8	+17	:	:	:	:	:	:	
D	production expectations	+17 -32	-17	-20	-2	+1	+6	+7	+1	+4	+2	+2	0	+6	+8	
	order-books	-5 -73	-46	-53	-43	-40	-31	-24	-22	-22	-22	-23	-22	-23	-19	
	export order-books	:	:	-33	-40	-43	-44	-38	-33	-31	-24	-27	-24	-23	-19	
	stocks of finished products	-7 +43	+26	+26	+17	+13	+9	+8	+9	+8	+9	+10	+7	+8	+5	
	selling-price expectations	+55 +4	+32	+18	+16	+21	+23	+25	+24	+24	+24	+22	+26	+22	+24	
	industrial confidence indicator	+10 -49	-30	-33	-21	-17	-11	-8	-10	-9	-10	-10	-10	-8	-5	
F	production expectations	+33 -29	-11	-4	-13	-18	-12	-17	-10	-15	-12	-11	-8	-7	:	
	order-books	+26 -69	-46	-30	-38	-42	-39	-37	-35	-35	-37	-32	-37	-34	:	
	export order-books	+24 -66	-47	-36	-38	-39	-26	-22	-17	-21	-14	-17	-20	-14	:	
	stocks of finished products	-14 +50	+34	+16	+18	+23	+16	+20	+20	+20	+24	+16	+19	+22	:	
	selling-price expectations	+76 +15	+54	+49	+45	+46	+43	+51	+42	+49	+40	+41	+45	+47	:	
	industrial confidence indicator	+29 -49	-30	-17	-23	-28	-22	-25	-22	-23	-24	-20	-21	-21	:	
IRL	production expectations	:	-21	-1	-4	-8	-6	-6	+7	-4	+12	+2	-1	+10	+11	0
	order-books	:	-68	-36	-39	-44	-41	-32	-27	-27	-39	-24	-32	-26	-22	-36
	export order-books	:	-22	+2	-7	0	+4	+14	+11	+11	+9	+9	+4	+21	+15	-7
	stocks of finished products	:	+35	+16	+14	+8	+4	-1	+2	+7	+7	+11	+5	+4	-3	+12
	selling-price expectations	:	+64	+41	+35	+31	+30	+33	+39	+32	+43	+30	+30	+36	+29	+23
	industrial confidence indicator	:	-41	-18	-19	-20	-17	-12	-7	-10	-11	-11	-13	-7	-2	-8
I	production expectations	+40 -43	-16	-15	-11	-7	-6	+5	+9	+4	+8	+12	+8	+7	+12	
	order-books	+30 -82	-49	-53	-54	-50	-45	-37	-26	-35	-31	-25	-23	-24	-27	
	export order-books	+13 -67	-48	-49	-49	-49	-47	-40	-35	-25	-34	-19	-20	-26	-11	
	stocks of finished products	-24 +53	+25	+25	+22	+23	+17	+19	+14	+20	+19	+12	+11	+11	+11	
	selling-price expectations	+76 +10	+59	+50	+45	+43	+49	+52	+48	+52	+52	+46	+47	+49	:	
	industrial confidence indicator	+31 -59	-31	-31	-29	-27	-23	-17	-10	-17	-14	-8	-9	-9	-9	
L	production expectations	+84 -80	-39	-40	-7	+5	-1	-20	-15	-47	-38	+2	-8	-1	+1	
	order-books	:	-62	-60	-49	-45	-28	+4	+11	+5	+6	+7	+19	+15	+13	
	export order-books	:	-81	:	-57	-58	-38	+7	+10	+10	+8	+6	+17	+14	+11	
	stocks of finished products	-14 +74	+28	+14	+23	+20	0	+7	+8	-5	+9	+9	+6	+2	+2	
	selling-price expectations	:	-46	+60	+10	+24	+34	-6	+24	0	-3	+19	+29	+31	-30	
	industrial confidence indicator	:	-43	-38	-26	-20	-9	-3	-4	-12	-13	0	+2	+4	+4	
NL	production expectations	+26 -26	-6	-5	0	+1	+5	+6	+7	+4	+7	+7	+6	+5	+4	
	order-books	+7 -48	-37	-39	-32	-31	-27	-18	-11	-14	-12	-11	-10	-7	-9	
	stocks of finished products	-3 +57	+32	+33	+15	+15	+13	+9	+8	+8	+8	+8	+8	+8	+9	
	industrial confidence indicator	+12 -44	-25	-26	-16	-15	-12	-7	-4	-6	-4	-4	-4	-3	-5	
UK	production expectations	:	-4	+1	+17	+22	+25	+27	+18	+28	+16	+19	+19	+19	+20	
	order-books	:	-69	-54	-34	-29	-24	-12	-12	-13	-10	-13	-13	-5	-11	
	export order-books	:	-55	-48	-34	-32	-21	-17	-17	-16	-19	-16	-15	-11	-11	
	stocks of finished products	:	+27	+23	+13	+11	+9	+9	+12	+11	+11	+12	+14	+6	+9	
	selling-price expectations	:	+25	+27	+26	+26	+30	+34	+27	+31	+31	+25	+25	+27	+31	
	industrial confidence indicator	:	-33	-25	-10	-6	-3	+2	-2	+1	-2	-2	-3	+3	0	
EC	production expectations	+24 -30	-13	-11	-3	-1	+3	+5	+3	+4	+2	+4	+3	+5	+7	
	order-books	+15 -70	-51	-47	-40	-39	-33	-26	-23	-24	-23	-24	-22	-21	-21	
	export order-books	:	-42	-42	-40	-39	-32	-27	-22	-26	-21	-22	-21	-20	:	
	stocks of finished products	-10 +48	+28	+22	+16	+16	+12	+13	+13	+13	+14	+12	+12	+10	+11	
	selling-price expectations	+64 +9	+40	+32	+30	+32	+33	+38	+33	+36	+34	+31	+34	+33	:	
	industrial confidence indicator	+16 -49	-31	-27	-20	-18	-14	-11	-11	-11	-12	-11	-10	+9	-8	

(a) The indicator is an average of the responses (net balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

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

(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) 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 10: 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)		1981	1982	1983	1983		1984		1984				
	Peak 72/73	Trough 74/75				III	IV	I	II	April	May	June	July	August
B order-books	-13	-47	-53	-61	-73	-73	-74	-72	-69	-72	-71	-63	-63	-66
employment expectations	+31	-24	-41	-36	-41	-37	-45	-50	-45	-46	-48	-41	-35	-30
price expectations	+75	+25	+8	-1	-11	-8	-13	-13	-10	-16	-9	-5	-7	-7
construction confidence indicator (a)	+9	-36	-47	-49	-57	-55	-60	-61	-57	-59	-60	-52	-49	-48
D order-books	-17	-84	-61	-73	-60	-56	-54	-59	-70	-70	-72	-68	-73	-74
employment expectations	+10	-60	-35	-44	-20	-14	-20	-27	-36	-33	-36	-38	-38	-42
price expectations	+48	-37	-41	-28	+3	+8	+11	3	-22	-17	-27	-21	-19	-20
construction confidence indicator (a)	-4	-72	-48	-59	-40	-35	-37	-43	-53	-52	-54	-53	-56	-58
F order-books	:	:	-48	-62	-66	-70	-72	-69	-73	-73	:	:	-69	:
employment expectations	:	:	-24	-35	-37	-47	-41	-47	-47	-47	:	:	-47	:
construction confidence indicator (a)	:	:	-36	-49	-52	-59	-57	-58	-60	-60	:	:	-58	:
I order-books	-25	-68	-29	-44	-48	-50	-42	-45	-45	-44	-43	-48	-34	-35
employment expectations	+10	-44	-7	-13	-23	-24	-27	-23	-20	-23	-24	-12	-14	-16
price expectations	+85	+30	+71	+54	+14	+10	+12	+13	+8	+9	+5	+9	+18	:
construction confidence indicator (a)	-8	-56	-18	-29	-36	-37	-35	-34	+33	-34	-34	-30	-24	-26
L order-books	+21	-50	-21	-46	-53	-49	-58	-75	-73	-79	-70	-69	-63	-58
employment expectations	+31	-39	-6	-25	-36	-39	-40	-67	-49	-45	-48	-54	-49	-40
price expectations	+82	+11	+30	+17	-16	-22	-25	-33	-33	-49	-28	-22	-26	-19
construction confidence indicator (a)	+26	-45	-14	-36	-45	-44	-49	-71	-61	-62	-59	-62	-56	-49
NL order-books	-8	-81	-50	-57	-55	-54	-48	-47	-40	-45	-40	-36	-38	:
employment expectations	+14	-13	-14	-25	-14	-9	-5	-7	-5	-6	-6	-3	-4	:
construction confidence indicator (a)	+3	-47	-32	-41	-35	-32	-27	-27	-23	-26	-23	-20	-21	:
UK order-books	:	:	-60	-59	-48	-46	-47	-43	-47	-47	:	:	-43	:
employment expectations	:	:	-42	-25	-12	-13	-9	-12	-12	-12	:	:	-9	:
price expectations	:	:	-16	0	+11	+15	+12	+14	+7	+7	:	:	+6	:
construction confidence indicator (a)	:	:	-51	-42	-30	-30	-28	-28	-30	-30	:	:	-26	:
EC order-books	:	:	-51	-61	-57	-57	-55	-56	-60	-60	(-61)	(-60)	-57	(-57)
employment expectations	:	:	-28	-24	-24	-24	-24	-28	-30	-30	(-31)	(-29)	-28	(-29)
construction confidence indicator (a)	:	:	-39	-43	-41	-41	-40	-42	-45	-45	(-46)	(-45)	-43	(-43)

(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.
 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 1982. 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 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
 - BSO (Business Statistics Office), for the investment survey
 - Building Employers Confederation, 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 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) and the share price index 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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