



EUROPEAN ECONOMY

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Economic prospects - consumer survey results

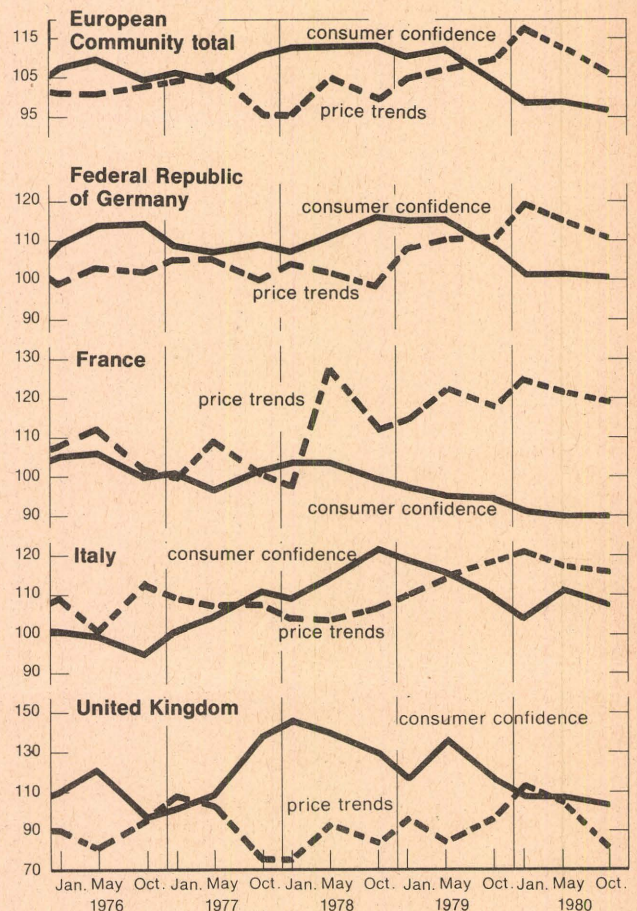
Renewed fall in consumer confidence. — According to the results of the consumer surveys carried out in October 1980 in eight countries, there has been a slight deterioration in consumer confidence in the Community as a whole as compared with the last set of surveys in May. This follows the downward trend observed between May 1979 and January 1980, a trend which had appeared to come to an end in view of the relatively stable position between January and May 1980. In particular, the element of consumer optimism (or moderated pessimism) about future developments, seen in the May 1980 results, is now less apparent, except with respect to expected inflation, for which the Community indicator has again fallen markedly. In line with consumers' assessments of general economic and personal financial conditions, expectations both of speeding on consumer durables and of savings are on the whole lower. This, together with the fact that consumer confidence is at a low level equal to that of 1974 (a recession year), suggests that consumer spending will continue to be weak during the first half of 1981. Consumers' replies to the questions about savings indicate, however, that the current period of financial difficulty, with stable or falling real incomes for many people, may not, on the whole, be accompanied by a sharp rise in the willingness to save, as occurred in 1975. If the savings ratio were to increase significantly, it could deepen the recession and retard the ultimate recovery.

The composite index of consumer confidence for the Community fell by 2 points between May and October and now stands at the same level as in 1974 (see Graph 1 and Table 1). The weakening in confidence was most apparent in the Netherlands and Belgium, where the indicator fell by 7 points, in Ireland (-6 points), and in Italy and the United Kingdom (-5 points). Only in Denmark was there an increase (+5 points) in the confidence indicator, which, however, follows five consecutive decreases, while in the Federal Republic of Germany and France the results show little movement as compared to either the January or May surveys.

Unfavourable assessment of economic situation. — Consumers' opinions about the deterioration of the general economic situation during the past twelve months hardened in October. The Community indicator fell for the fourth consecutive time, and the decrease of 8 points compares with that of only one point between January and May. Assessments of the past economic development worsened particularly in Ireland, where this index fell by 37 points, in the United Kingdom (-33 points), in Italy (-25 points), in Belgium (-19 points) and in the Netherlands (-14 points). In the Federal Republic of Germany there was a relatively small decrease, while Danish and French consumers gave more favourable judgements than in May.

Opinions about economic developments during the next twelve months were rather mixed, and the Community indicator fell by one point. Consumers in Italy, the Netherlands and Belgium were considerably more pessimistic in October than in May, there was little change in the Federal Republic of Germany or in Ireland, but the indices for Denmark, France and the United Kingdom improved. For the second consecutive survey, the development of consumers' opinions was more favourable (or less unfavourable) about future economic developments than about the past trend. For the

GRAPH 1: Climate of consumer confidence¹ and opinion on price trends over the next twelve months (Index 1975 = 100)



Source: European Community consumer survey.

¹ The climate of consumer confidence is measured by an index based on five questions in the consumer survey. These are the questions relating to the general economic situation, the household financial situation and to major purchases of durable goods (see tables on pages 3 and 4 for data and notes).

Community as a whole, the levels of these indicators in October were very close to those of 1974.

Despite the relatively stable views, at Community level, about economic prospects, expectations of unemployment have clearly worsened, the Community indicator rising by 4 points between May and October (see Graph 3). Only in the Federal Republic of Germany and in the United Kingdom were there slight decreases in this index, while the indicators in the other six countries were markedly higher. The sharpest deterioration in unemployment prospects was reported in Italy (+14 points), followed by Denmark (+13 points) and the Netherlands (+12 points).

Further weakening of inflationary expectations. — For the Community as a whole, consumers' assessments of inflation during both the past and the next twelve months declined. This is in line with the slowdown of inflation rates observed in most Community countries during the third quarter of 1980 and presumably also reflects the strict budgetary or monetary policies pursued by the governments of several Member States. The Community index of opinions about inflation during the past year fell by 4 points, which is mainly attributable to decreases of 10 points and 9 points in the figures for the United Kingdom and the Federal Republic of Germany, respectively. There were smaller decreases for Denmark, France, Ireland and the Netherlands, while only in Belgium did consumers have a higher perception of past inflation.

The replies to the question about inflation expected during the next twelve months showed a similar, but more marked, trend, since the Community indicator fell by 7 points following a 4-point decrease in May. In the Netherlands and Belgium inflationary expectations were higher, but all other countries recorded declines in inflationary expectations, the sharpest fall (24 points) occurring in the United Kingdom.

Households' in financial situations. — There was a further deterioration consumers' opinions about the development of their households' financial positions during the last twelve months. The Community indicator fell for the fourth consecutive time, by 3 points, to stand close to or slightly below the 1974/75 level. The largest decreases were recorded in Ireland (-9 points), the United Kingdom (-6 points), the Netherlands (-5 points) and Italy (-3 points). Consumers gave a more positive assessment of the development of their financial situations in Denmark which, however, remain at a depressed level. Only in Italy was this indicator significantly above the 1974/75 level.

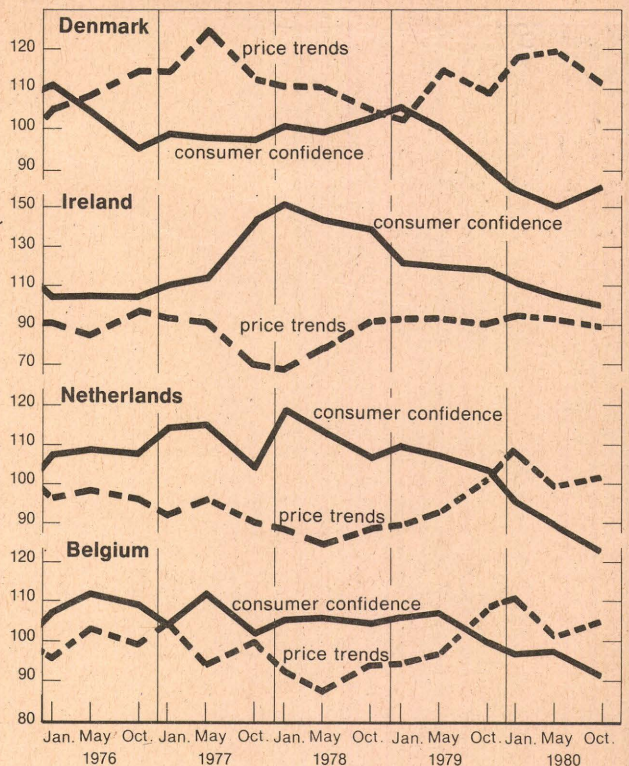
Little or no optimism about households' financial prospects during the next twelve months is apparent at the Community level, as this indicator in the form of the Community average has remained stable since January. Consumers in Denmark and in the Federal Republic of Germany were slightly less pessimistic in October than in May, and there was little movement in the French or Italian figures. Pessimistic opinions hardened most clearly in the Netherlands, where the index fell by 8 points, and in Belgium and the United Kingdom (-3 points).

Expenditure and savings outlook. — There has been a further decline in consumers' views on the advisability of making purchases of consumer durables, the Community index falling by 3 points for the second consecutive time. This indicator was markedly lower for Denmark (-10 points), the United Kingdom (-8 points) and Belgium (-7 points) and no country recorded an increase. When asked whether in fact they would spend more on consumer durables in the next twelve months than in the last, consumers also showed, on the whole, less willingness to undertake this type of spending than in May. The Community indicator decreased by 3 points, mainly attributable to the Netherlands (-7 points), the United Kingdom (-6 points) and the Federal Republic of Germany (-3 points). The Italian figure increased by 5 points, which is somewhat surprising in view of the weakness of confidence.

Prospects for savings are to some extent uncertain. Consumers appear to be regaining confidence in saving, while at the same time not expecting to achieve a higher level of savings in the next year compared to the last. These trends are consistent with more difficult financial conditions combined with lower inflationary expectations. The Community index reflecting consumers' opinions on the advisability of saving rose by 1 point between May and October. This, however, conceals some variability between countries, since the indicators for Denmark, France and the Netherlands rose by 7 points, 5 points and 4 points, respectively, while the figures for Ireland and the Federal Republic of Germany decreased by 4 and 3 points, respectively. The Community indicator of savings expectations in the next twelve months compared to the last fell by 4 points, but the size of this movement is strongly influenced by a 19-point decline in the figure for the United Kingdom. The Belgian and French indices decreased by 7 and 4 points, respectively, while the only significant increases were recorded for Denmark (3 points) and Ireland (4 points).

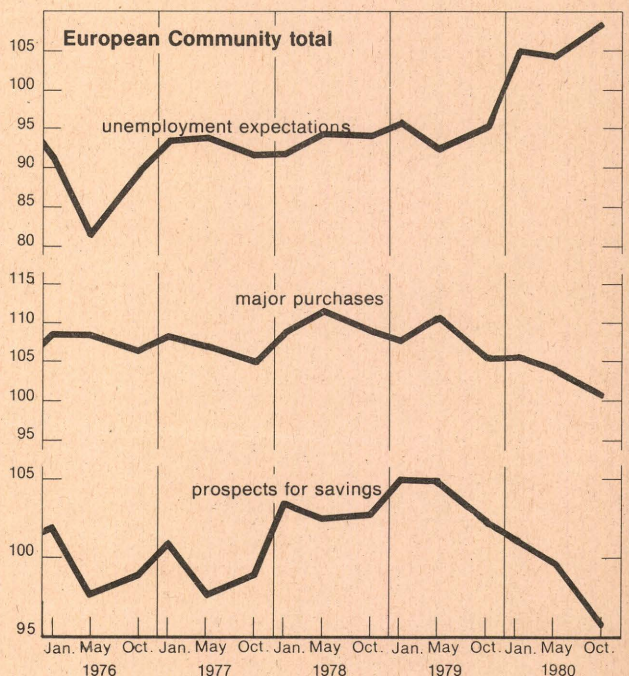
Brussels, 12 December 1980.

GRAPH 2: Climate of consumer confidence¹ and opinion on price trends over the next twelve months (Index 1975 = 100)



Source: European Community consumer survey.
¹ See note on Graph 1.

GRAPH 3: Consumer opinion on unemployment expected over the next twelve months, the advisability of major purchases at present, and the prospects for savings over the next twelve months¹ (Index 1975 = 100)



Source: European Community consumer survey.
¹ See tables on pages 3 and 4 for data and notes.

TABLE 1: Consumer opinion on economic and financial conditions, index numbers (1975 = 100) ¹

			1972	1973	1974	1975	1976	1977	1978	1979	1980	1979			1980		
												Jan.	May	Oct.	Jan.	May	Oct.
CONSUMER CONFIDENCE INDEX ²	DK	:	:	90	100	104	99	102	100	85	107	102	92	86	82	87	
	D	114	106	92	100	112	108	112	113	102	116	116	109	102	103	102	
	F	111	111	97	100	103	99	102	96	91	97	96	95	91	91	91	
	IRL	:	:	103	100	105	123	147	123	108	125	124	122	114	108	102	
	I	129	120	99	100	98	106	116	115	109	119	116	110	105	113	108	
	NL	106	115	105	100	108	112	114	108	90	110	108	104	96	91	84	
	B	118	121	103	100	109	106	106	106	96	107	108	101	98	99	92	
	UK	:	:	108	100	111	120	140	124	108	118	139	117	110	110	105	
	EC	116	114	98	100	107	107	114	110	99	111	113	106	100	100	98	
	FINANCIAL SITUATION OF HOUSEHOLDS	DK	:	:	96	100	104	101	101	99	88	100	100	97	92	86	87
D		114	103	97	100	104	106	109	110	103	111	111	107	104	104	102	
F		105	107	99	100	101	100	102	99	96	100	99	98	97	96	96	
IRL		:	:	93	100	109	118	148	129	111	132	126	129	120	111	102	
I		122	116	104	100	99	105	113	114	113	115	116	111	110	116	113	
NL		105	106	101	100	99	102	106	103	93	105	102	101	99	93	88	
B		112	112	103	100	100	98	99	100	96	99	103	97	96	96	94	
UK		:	:	103	100	94	88	121	119	102	118	123	118	112	100	94	
EC		113	110	100	100	101	101	109	108	101	109	110	106	103	102	99	
— over last twelve months		DK	:	:	93	100	102	99	100	97	88	99	97	94	88	85	89
	D	111	102	95	100	105	104	106	106	101	108	107	104	100	100	102	
	F	111	105	95	100	101	99	100	96	94	98	96	96	94	95	94	
	IRL	:	:	102	100	113	128	111	105	107	107	113	113	108	104	102	
	I	115	109	98	100	97	99	105	103	101	105	104	101	99	102	102	
	NL	106	108	101	100	101	107	108	109	97	110	109	107	101	100	92	
	B	108	107	99	100	103	101	101	100	98	101	102	98	97	99	96	
	UK	:	:	107	100	105	110	121	116	103	109	130	110	101	105	102	
	EC	110	107	98	100	102	103	106	105	99	105	107	102	98	99	99	
	— over next twelve months	DK	:	:	75	100	112	100	119	115	77	141	123	80	75	66	91
D		128	134	93	100	150	140	148	160	129	163	170	149	131	131	126	
F		125	131	100	100	106	100	108	95	81	100	95	91	84	78	80	
IRL		:	:	126	100	121	183	283	195	133	216	184	185	153	142	105	
I		219	185	89	100	80	121	169	173	133	192	172	154	123	150	125	
NL		135	175	138	100	129	157	169	155	100	162	156	147	121	96	82	
B		196	206	135	100	130	134	137	142	110	143	149	134	115	118	99	
UK		:	:	137	100	139	194	311	209	144	200	243	183	155	154	121	
EC		158	155	103	100	125	130	153	144	112	148	151	132	115	114	106	
— over next twelve months		DK	:	:	75	100	90	78	83	81	62	93	80	70	60	59	68
	D	106	98	81	100	113	101	104	106	88	109	111	99	85	90	90	
	F	116	115	85	100	101	98	101	86	74	89	85	83	72	73	75	
	IRL	:	:	109	100	99	133	155	117	103	113	120	117	106	102	101	
	I	134	119	88	100	96	102	113	107	93	117	108	95	87	101	92	
	NL	106	126	105	100	126	124	124	109	78	115	112	101	77	85	72	
	B	126	123	87	100	126	112	109	107	88	114	110	97	89	94	81	
	UK	:	:	112	100	132	149	148	119	109	103	152	104	98	112	116	
	EC	118	112	88	100	111	108	111	103	87	105	109	95	83	89	88	
	PRICE TRENDS	DK	:	:	111	100	96	100	94	92	96	87	97	93	92	99	96
D		:	116	111	100	95	89	80	87	100	78	85	98	103	103	94	
F		:	107	108	100	100	98	91	96	102	92	97	100	102	102	101	
IRL		:	:	103	100	100	97	84	96	99	95	96	97	98	101	99	
I		:	101	104	100	101	99	91	94	99	90	93	98	100	98	98	
NL		:	96	103	100	100	95	78	76	86	71	76	80	82	89	87	
B		:	97	100	100	98	95	81	79	84	75	77	84	85	82	84	
UK		:	:	100	100	96	100	82	90	96	87	87	95	99	100	90	
EC		:	108	107	100	98	96	85	90	98	85	89	96	99	99	95	
— over next twelve months		DK	:	:	125	100	109	118	109	110	118	104	116	110	120	121	113
	D	:	99	112	100	101	104	102	110	116	108	110	112	120	117	111	
	F	:	149	116	100	107	103	113	119	123	115	123	118	125	123	120	
	IRL	:	:	96	100	91	86	82	95	94	95	96	94	97	95	91	
	I	:	110	116	100	107	108	106	115	119	110	116	119	122	118	117	
	NL	:	85	104	100	97	93	88	96	104	91	94	103	109	101	103	
	B	:	:	114	100	99	100	92	101	107	95	98	110	112	102	106	
	UK	:	:	100	100	89	96	86	95	102	98	88	100	115	107	83	
	EC	:	109	111	100	101	102	100	108	114	106	108	111	119	115	108	
	UNEMPLOYMENT	DK	:	:	150	100	119	151	151	142	162	143	129	156	161	157	170
D		109	107	131	100	87	106	107	101	116	102	100	100	117	116	115	
F		83	83	104	100	86	92	94	104	107	107	105	102	104	105	110	
IRL		:	:	91	100	102	84	79	83	98	85	83	82	88	99	108	
I		85	82	98	100	96	93	91	91	97	88	91	93	94	91	105	
NL		95	82	98	100	86	88	87	83	98	85	82	82	93	94	106	
B		79	77	94	100	80	84	89	89	98	89	85	91	94	95	104	
UK		:	:	82	100	82	79	78	85	102	86	74	94	104	103	100	
EC		87	88	106	100	88	93	94	95	106	96	93	97	105	105	109	

Source: European Community consumer survey.

¹ The survey questions are set out on page 4. The sums of the replies for each Member State are weighted in the Community total with the value of consumer expenditure. In the first two columns, the Community totals are incomplete, representing the weighted sum of the available country data.

² The index represents the arithmetic average of results for five questions shown on page 4, namely the two on the financial situation of the household, the two on the general economic situation, and that concerning major purchases.

TABLE 1 (continued): Consumer opinion on economic and financial conditions, index numbers (1975 = 100)

		1972	1973	1974	1975	1976	1977	1978	1979	1980	1979			1980				
											Jan.	May	Oct.	Jan.	May	Oct.		
MAJOR PURCHASES	DK	:	:	107	100	127	126	124	125	108		127	131	118	114	110	100	
	D	129	104	92	100	104	103	108	103	97		108	103	98	100	96	96	
	F	106	107	109	100	107	99	101	102	105		99	102	105	105	107	102	
	IRL	:	:	100	100	108	118	122	120	108		123	124	113	116	104	102	
	— at present	I	129	123	120	100	119	125	127	136	141		129	138	139	135	143	143
	NL	96	100	98	100	104	102	95	84	74		85	85	83	84	69	68	
	B	101	114	110	100	109	107	106	101	92		104	105	94	98	92	85	
	UK	:	:	104	100	111	116	122	123	110		119	131	119	116	111	103	
	EC	102	107	103	100	108	107	110	108	104		108	110	106	107	104	101	
	— over next twelve months	DK	:	:	95	100	98	98	99	101	95		102	102	100	97	94	93
		D	105	101	96	100	101	101	105	105	101		106	104	104	103	102	99
		F	97	101	100	100	102	101	102	100	99		101	100	100	100	99	99
IRL		:	:	117	100	101	105	110	105	102		101	106	108	102	102	103	
I		76	95	97	100	90	83	80	85	79		:	:	85	77	77	82	
NL		97	102	101	100	99	100	100	94	90		97	95	90	94	92	85	
B		101	106	102	100	95	98	98	99	103		:	:	99	:	:	103	
UK		:	:	103	100	101	104	112	115	106		115	117	114	111	107	101	
EC		101	102	99	100	100	100	103	103	98		104	104	100	99	98	95	
SAVINGS		DK	:	:	80	100	102	91	90	93	96		94	90	94	92	95	102
		D	109	84	87	100	98	96	89	97	94		97	98	95	96	95	92
		F	105	107	92	100	96	99	102	101	91		102	103	98	95	86	91
	IRL	:	:	103	100	99	98	115	109	106		110	109	108	112	105	101	
	— at present	I	131	108	90	100	93	100	103	101	93		103	104	97	97	91	90
	NL	112	113	109	100	96	99	105	111	111		109	111	112	110	109	113	
	B	109	109	97	100	98	100	100	104	102		-106	105	100	100	102	104	
	UK	:	:	109	100	99	108	117	123	135		114	120	136	143	132	131	
	EC	108	103	93	100	97	99	99	103	100		103	104	103	102	98	99	
	— over next twelve months	DK	:	:	88	100	109	103	104	103	94		104	108	97	99	89	92
		D	117	91	92	100	99	99	98	100	99		103	98	99	99	98	99
		F	107	106	91	100	102	104	107	105	99		106	106	103	101	101	97
IRL		:	:	105	100	94	101	112	105	103		107	102	105	108	98	102	
I		133	119	104	100	101	112	123	124	126		122	129	122	123	127	128	
NL		102	101	99	100	97	100	104	106	99		108	106	105	102	98	98	
B		102	102	99	100	103	102	100	100	93		101	103	96	94	96	89	
UK		:	:	101	100	96	90	101	101	89		98	108	98	97	94	75	
EC		105	98	94	100	100	99	103	104	99		105	105	102	101	100	96	
FINANCIAL SITUATION OF HOUSEHOLDS		DK	:	:	97	100	103	103	102	100	96		100	101	100	97	95	97
		D	102	101	98	100	101	102	104	104	102		105	104	102	102	101	102
		F	100	100	99	100	99	100	100	100	98		100	100	99	99	98	97
	IRL	:	:	98	100	102	104	106	104	98		104	103	104	104	99	91	
	— index of net acquisition of financial assets	I	99	100	100	100	101	103	106	107	108		106	109	107	106	108	108
	NL	98	100	99	100	98	100	105	111	109		112	111	110	110	108	108	
	B	97	99	100	100	100	100	100	100	97		101	102	98	97	98	96	
	UK	:	:	101	100	97	92	97	98	97		96	101	99	97	97	95	
	EC	95	100	99	100	100	100	102	103	101		103	104	102	101	101	100	

European Community consumer survey

The Community's survey of consumer opinion, which was started in 1972, is carried out in all Member States except Luxembourg, on the basis of representative samples of households. The surveys are undertaken three times a year (in January, May and October) by national institutions on the basis of the Commission's standard questionnaire. The results are communicated to the Commission which processes and publishes the data for Member States and the Community as a whole.

The questions put are the following (numbers in parentheses are the values given to each response to obtain the weighted average answer to each question):

- Financial situation of your household now compared to twelve months ago?
- Financial situation of your household, prospects over the next twelve months?
- General economic situation in the country now compared to twelve months ago?
- General economic situation in the country, prospects over the next twelve months?

For the above four questions the possible responses are: a lot better (+2), a little better (+1), the same (0), a little worse (-1), a lot worse (-2), don't know (0).

- Price levels now compared to twelve months ago? much higher (+3), moderately higher (+2), a little higher (+1), about the same (0), lower (-1), don't know (0).
- Price trends over the next twelve months? more rapid increase (+3), some increase (+2), slower increase (+1), stability (0), fall slightly (-1), don't know (0).
- Unemployment level in the country over the next twelve months? increase sharply (+2), increase slightly (+1), remain the same (0), fall slightly (-1), fall sharply (-2), don't know (0).
- Major purchases (furniture, washing-machine, TV, etc.) at present? yes, right time (+1), neither right nor wrong time (0), wrong time, should postpone (-1), don't know (0).

- Major purchases next twelve months compared to last twelve months? much more (+2), a little more (+1), the same (0), a little less (-1), much less (-2), don't know (0).
- Savings at present, a reasonable time to save?
- Savings by you or your household over the next twelve months?

For the above two questions the possible answers are: yes, certainly (+2), yes, perhaps (+1), probably not (-1), certainly not (-2), don't know (0).

- Financial situation of households at present — financial asset accumulation? borrowing (-2), drawing on savings (-1), just making ends meet (0), saving a little (+1), saving a substantial amount (+2), don't know (0).
- Use to which a sharp increase in income would be put (first choice)? acquisition of a dwelling, household equipment, raise general standard of living, invest in property, buy securities, cash or bank account, invest in own business, other, don't know.

The surveys are undertaken by:

- DK - Denmark: Danmarks Statistik
- D - Federal Republic of Germany: GfK (Gesellschaft für Konsum- Markt- und Absatzforschung)
- F - France: INSEE (Institut National de la Statistique et des Etudes Economiques)
- IRL - Ireland: the Agricultural Institute
- I - Italy: ISCO (Istituto Nazionale per lo Studio della Congiuntura)
- NL - Netherlands: CBS (Centraal Bureau voor de Statistiek)
- B - Belgium: INS (Institut National de la Statistique)
- UK - United Kingdom: CSO (Central Statistical Office), Social Surveys (Gollup Poll) Ltd.

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