

# EUROPEAN ECONOMY

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

No 1 — March 1981

Supplement C

## Economic prospects - consumer survey results

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**Continued decline in consumer confidence.** — The results of the consumer surveys carried out in eight countries in January 1981 indicate that, in the Community as a whole, there has been a further marked deterioration in consumer confidence. The fall in confidence since the 1978 peak had seemed to level off according to the May 1980 survey, but the declining trend was resumed in the October 1980 and January 1981 surveys. As a result consumer sentiment is now lower than in the 1974-75 recession (see Table and Graph 1). This trend suggests that consumer expenditure will be fairly restrained during the next few months. Evidence of an unfavourable outlook for the consumer-goods sector in the months ahead is also provided on the supply side by the most recent business survey results, which show a marked fall in production expectations.<sup>1</sup>

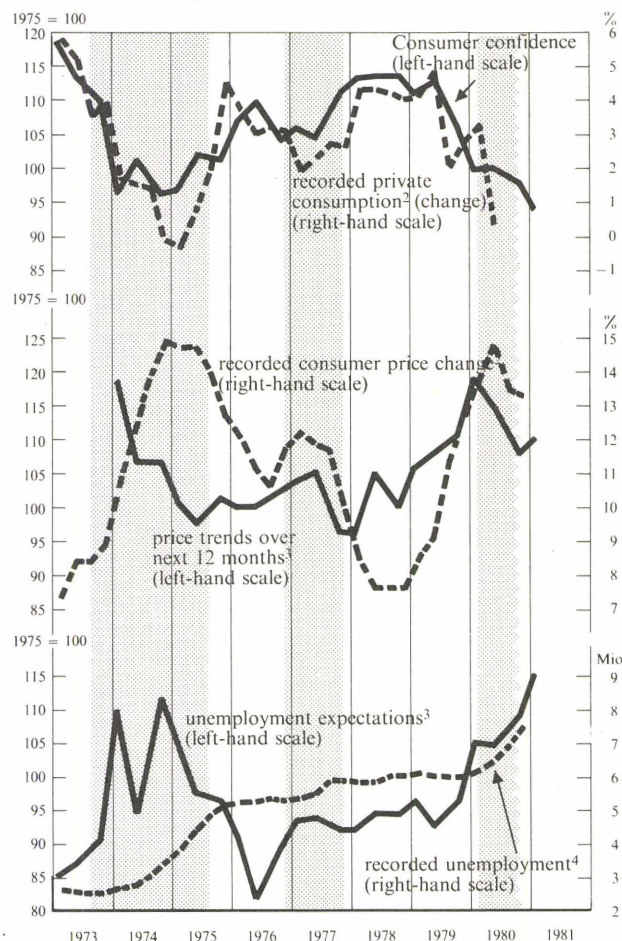
There has been a reversal of the previously declining trend in the expected rate of inflation, the Community indicator of price expectations having risen slightly in January. Prospects for savings have improved slightly, a further sign that consumers are reacting to difficult financial circumstances with caution. The January 1981 results indicate, in general, less favourable opinions on forward-looking as well as on backward-looking questions. This contrasts with the May and October 1980 surveys, in which the trend of views on future developments had been less pessimistic. Much of the renewed worsening of consumer opinion at the Community level can be attributed to a sharp deterioration in sentiment expressed in the Federal Republic of Germany and, to a lesser extent, in Belgium. In comparison with this deterioration, the movements in the confidence indicators of the remaining countries were relatively small.

The composite index of consumer confidence for the Community fell by 4 points between October and January. Significant declines in this index were recorded in the Federal Republic of Germany (−12 points) and in Belgium (−4 points), while confidence improved slightly (+2 points) in both Denmark and Italy (see Graph 2 and Table). The confidence indicators of the four other countries were relatively stable.

**Worsening economic assessments.** — At the Community level, consumers' assessments in January 1981 of the development of the general economic situation during both the preceding and the ensuing 12 months worsened sharply, the indicators of these opinions falling to historically low levels (see Table). Major falls were noted in the indices of the Federal Republic of Germany (−28 points), Belgium (−15 points), the United Kingdom (−8 points), The Netherlands (−4 points) and France (−3 points). This indicator rose slightly in Denmark, Ireland and Italy. The Community index of the future economic development declined by 7 points, which is attributable in particular to greater pessimism in the Federal Republic of Germany, Belgium and the United Kingdom.

Unfavourable views about the economic situation were reflected in expectations of higher unemployment, for which the Community index rose by 6 points between October and January (see Graph 1). Expectations of unemployment increased most sharply in the Federal Republic of Germany, and only in Italy was there a significant fall in this indicator.

GRAPH 1: Survey results and objective economic indicators. — European Community total



Shaded areas indicate periods of recession. The timing of the end of the latest recession is yet to be determined.

For notes, see overleaf, column 1.

Sources: European Community consumer survey and Eurostat.

<sup>1</sup> See *European Economy*, Supplement B: Economic prospects - business survey results, No 3 — March 1981.



**Higher inflationary expectations.** — Consumers in the Community as a whole assessed the inflation of the previous 12 months as slightly higher than they had in October 1980, the index rising by one point. This increase was largely due to a sharp rise (8 points) in the corresponding figure for the Federal Republic of Germany, which, however, followed a fall of similar size between May and October 1980. Judgments of the past year's inflation were lower in Denmark and the United Kingdom, while there was little change in this indicator in the remaining countries.

The Community indicator of inflation expected during the next 12 months also rose slightly between October and January, by two points (see Graph 1 and Table). Inflationary expectations increased in the Federal Republic of Germany, Ireland, Italy and the United Kingdom but decreased in the other four countries covered by the survey.

**Households' financial situations.** — Consumers' opinions about the development of their financial circumstances during the past and the forthcoming 12 months worsened, at Community level, but to a markedly lesser extent than their views about general economic developments. The Community indicator of the trend in households' financial situations during the previous year fell by one point, which was largely due to lower assessments by consumers in the Federal Republic of Germany and in spite of more favourable judgments in Ireland and the United Kingdom.

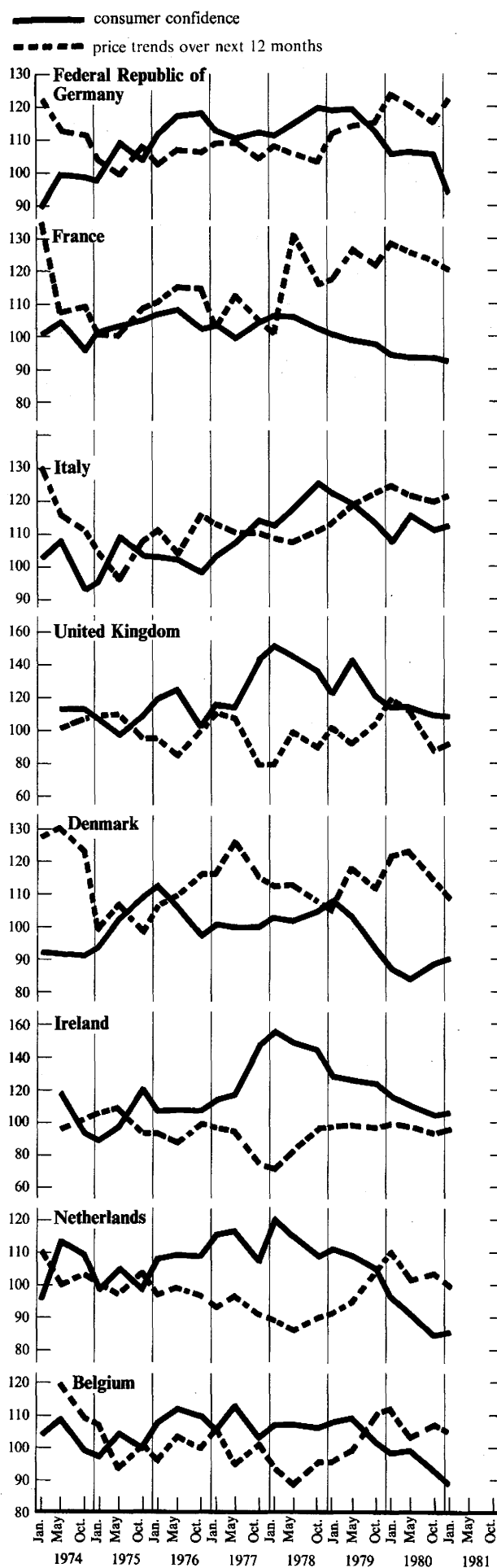
The Community index reflecting expectations about households' financial conditions during the next year fell by 3 points in January, owing to greater pessimism in the Federal Republic of Germany, Ireland and Belgium. Consumers in Denmark, Italy and The Netherlands were slightly less pessimistic than in October.

**Restrained consumer spending likely.** — The results for the two questions concerning the advisability of making purchases of consumer durables and consumers' intentions to undertake such spending during the next year as compared with the last suggest that the prospects for spending are weak. The respective Community indices both registered small decreases between October 1980 and January 1981. Consumers in Denmark, the Federal Republic of Germany and France considered that conditions were now less favourable for making major purchases, while there were increases in this indicator for Ireland and the United Kingdom. The specific purchasing-intentions questions produced a somewhat different picture across countries, since this indicator fell in the Federal Republic of Germany, Ireland, Italy and Belgium, there being small increases in Denmark and The Netherlands.

The replies to the questions on savings largely reinforce the results of the spending questions and the trend in confidence. In spite of the perceived deterioration (past and future) of their financial situations, consumers' savings intentions for the next 12 months, for the Community as a whole, increased slightly in January. The Community indicator on the advisability of savings at present also rose slightly, for the second consecutive survey. The findings suggest that the savings ratio may be relatively high in the months ahead. Savings intentions, and the indicator of whether it was a good time to save, rose most strongly in Denmark, France, Italy and the United Kingdom. Only in the Federal Republic of Germany and Ireland did consumers' expectations of savings fall in January, as compared to October 1980.

Brussels, 13 March 1981

GRAPH 2: Climate of consumer confidence<sup>1</sup> and opinion on price trends over the next 12 months<sup>3</sup> (Index 1975 = 100)



Source: European Community consumer survey.

#### Notes on Graphs

<sup>1</sup> 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 Table on pages 3 and 4 for data and notes).

<sup>2</sup> Quarterly data - percentage change on corresponding quarter of preceding year.

<sup>3</sup> See Table on pages 3 and 4 for data and notes.

<sup>4</sup> Quarterly data - seasonally adjusted.

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

		1972	1973	1974	1975	1976	1977	1978	1979	1980	1979			1980			1981
											Jan.	May	Oct.	Jan.	May	Oct.	Jan.
CONSUMER CONFIDENCE INDEX <sup>2</sup>	DK	:	:	90	100	104	99	102	100	85	107	102	92	86	82	87	89
	D	114	106	92	100	112	108	112	113	102	116	116	109	102	103	102	90
	F	111	111	97	100	103	99	102	96	91	97	96	95	91	91	91	90
	IRL	:	:	103	100	105	123	147	123	108	125	124	122	114	108	102	103
	I	129	120	99	100	98	106	116	115	109	119	116	110	105	113	108	110
	NL	106	115	105	100	108	112	114	108	90	110	108	104	96	91	84	85
	B	118	121	103	100	109	106	106	106	96	107	108	101	98	99	92	88
	UK	:	:	108	100	111	120	140	124	108	118	139	117	110	110	105	104 <sup>3</sup>
EC		116	114	98	100	107	107	114	110	99	111	113	106	100	100	98	94
FINANCIAL SITUATION OF HOUSEHOLDS	DK	:	:	96	100	104	101	101	99	88	100	100	97	92	86	87	88
	D	114	103	97	100	104	106	109	110	103	111	111	107	104	104	102	95
	F	105	107	99	100	101	100	102	99	96	100	99	98	97	96	96	95
	IRL	:	:	93	100	109	118	148	129	111	132	126	129	120	111	102	107
	I	122	116	104	100	99	105	113	114	113	115	116	111	110	116	113	115
	NL	105	106	101	100	99	102	106	103	93	105	102	101	99	93	88	88
	B	112	112	103	100	100	98	99	100	96	99	103	97	96	96	94	92
	UK	:	:	103	100	94	88	121	119	102	118	123	118	112	100	94	100 <sup>3</sup>
EC		113	110	100	100	101	101	109	108	101	109	110	106	103	102	99	98
— over last 12 months	DK	:	:	93	100	102	99	100	97	88	99	97	94	88	85	89	90
	D	111	102	95	100	105	104	106	106	101	108	107	104	100	100	102	92
	F	111	105	95	100	101	99	100	96	94	98	96	96	94	95	94	94
	IRL	:	:	102	100	100	113	128	111	105	107	113	113	108	104	102	98
	I	115	109	98	100	97	99	105	103	101	105	104	101	99	102	102	103
	NL	106	108	101	100	101	107	108	109	97	110	109	107	101	100	92	94
	B	108	107	99	100	103	101	101	100	98	101	102	98	97	99	96	92
	UK	:	:	107	100	105	110	121	116	103	109	130	110	101	105	102	101 <sup>3</sup>
EC		110	107	98	100	102	103	106	105	99	105	107	102	98	99	99	96
GENERAL ECONOMIC SITUATION	DK	:	:	75	100	112	100	119	115	77	141	123	80	75	66	91	96
	D	128	134	93	100	150	140	148	160	129	163	170	149	131	131	126	98
	F	125	131	100	100	106	100	108	95	81	100	95	91	84	78	80	77
	IRL	:	:	126	100	121	183	283	195	133	216	184	185	153	142	105	108
	I	219	185	89	100	80	121	169	173	133	192	172	154	123	150	125	129
	NL	135	175	138	100	129	157	169	155	100	162	156	147	121	96	82	78
	B	196	206	135	100	130	134	137	142	110	143	149	134	115	118	99	84
	UK	:	:	137	100	139	194	311	209	144	200	243	183	155	154	121	113 <sup>3</sup>
EC		158	155	103	100	125	130	153	144	112	148	151	132	115	114	106	94
— over next 12 months	DK	:	:	75	100	90	78	83	81	62	93	80	70	60	59	68	75
	D	106	98	81	100	113	101	104	106	88	109	111	99	85	90	90	72
	F	116	115	85	100	101	98	101	86	74	89	85	83	72	73	75	75
	IRL	:	:	109	100	99	133	155	117	103	113	120	117	106	102	101	96
	I	134	119	88	100	96	102	113	107	93	117	108	95	87	101	92	96
	NL	106	126	105	100	126	124	124	109	78	115	112	101	77	85	72	77
	B	126	123	87	100	126	112	109	107	88	114	110	97	89	94	81	73
	UK	:	:	112	100	132	149	148	119	109	103	152	104	98	112	116	105 <sup>3</sup>
EC		118	112	88	100	111	108	111	103	87	105	109	95	83	89	88	81
PRICE TRENDS	DK	:	:	111	100	96	100	94	92	96	87	97	93	92	99	96	90
	D	:	:	116	111	100	95	89	80	87	78	85	98	103	103	94	102
	F	:	:	107	108	100	100	98	91	96	92	97	100	102	102	101	101
	IRL	:	:	103	100	100	97	84	96	99	95	96	97	98	101	99	99
	I	:	:	101	104	100	101	99	91	94	90	93	98	100	98	98	98
	NL	:	:	96	103	100	100	95	78	76	71	76	80	82	89	87	87
	B	:	:	97	100	100	98	95	81	79	75	77	84	85	82	84	85
	UK	:	:	100	100	96	100	82	90	96	87	87	95	99	100	90	86 <sup>3</sup>
EC		:	:	108	107	100	98	96	85	90	85	89	96	99	99	95	96
— over last 12 months	DK	:	:	125	100	109	118	109	110	118	104	116	110	120	121	113	106
	D	:	:	99	112	100	101	104	102	110	108	110	112	120	117	111	119
	F	:	:	149	116	100	107	103	113	119	115	123	118	125	123	120	117
	IRL	:	:	96	100	91	86	82	95	94	95	96	94	97	95	91	94
	I	:	:	110	116	100	107	108	106	115	110	116	119	122	118	117	119
	NL	:	:	85	104	100	97	93	88	96	91	94	103	109	101	103	99
	B	:	:	114	100	99	100	92	101	107	95	98	110	112	102	106	105
	UK	:	:	100	100	89	96	86	95	102	98	88	100	115	107	83	88 <sup>3</sup>
EC		:	:	109	111	100	101	102	100	108	106	108	111	119	115	108	110
UNEMPLOYMENT	DK	:	:	150	100	119	151	151	142	162	143	129	156	161	157	170	169
	D	109	107	131	100	87	106	107	101	116	102	100	100	117	116	115	138
	F	83	83	104	100	86	92	94	104	107	107	105	102	104	105	110	115
	IRL	:	:	91	100	102	84	79	83	98	85	83	82	88	99	108	113
	I	85	82	98	100	96	93	91	91	97	88	91	93	94	91	105	97
	NL	95	82	98	100	86	88	87	83	98	85	82	82	93	94	106	110
	B	79	77	94	100	80	84	89	89	98	89	85	91	94	95	104	105
	UK	:	:	82	100	82	79	78	85	102	86	74	94	104	103	100	103 <sup>3</sup>
EC		87	88	106	100	88	93	94	95	106	96	93	97	105	105	109	115

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The January 1981 survey in the United Kingdom was carried out by means of quota sampling of adults, as opposed to random sampling of households employed in the other countries and in the United Kingdom until October 1980.

Source: European Community consumer survey.

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

		1972	1973	1974	1975	1976	1977	1978	1979	1980	1979			1980			1981
											Jan.	May	Oct.	Jan.	May	Oct.	Jan.
MAJOR PURCHASES	DK	:	:	107	100	127	126	124	125	108	127	131	118	114	110	100	95
	D	129	104	92	100	104	103	108	103	97	108	103	98	100	96	96	92
	F	106	107	109	100	107	99	101	102	105	99	102	105	105	107	102	100
	IRL	:	:	100	100	108	118	122	120	108	123	124	113	116	104	102	111
	I	129	123	120	100	119	125	127	136	141	129	138	139	135	143	143	142
	NL	96	100	98	100	104	102	95	84	74	85	85	83	84	69	68	68
	B	101	114	110	100	109	107	106	101	92	104	105	94	98	92	85	86
	UK	:	:	104	100	111	116	122	123	110	119	131	119	116	111	103	108 <sup>3</sup>
	EC	102	107	103	100	108	107	110	108	104	108	110	106	107	104	101	100
	DK	:	:	95	100	98	98	99	101	95	102	102	100	97	94	93	96
— over next 12 months	D	105	101	96	100	101	101	105	105	101	106	104	104	103	102	99	97
	F	97	101	100	100	102	101	102	100	99	101	100	100	100	99	99	99
	IRL	:	:	117	100	101	105	110	105	102	101	106	108	102	102	103	98
	I	76	95	97	100	90	83	80	85	79	:	:	85	77	77	82	75
	NL	97	102	101	100	99	100	100	94	90	97	95	90	94	92	85	87
	B	101	106	102	100	95	98	98	99	103	:	:	99	:	:	103	99
	UK	:	:	103	100	101	104	112	115	106	115	117	114	111	107	101	100 <sup>3</sup>
	EC	101	102	99	100	100	103	103	98		104	104	100	99	98	95	93
	DK	:	:	80	100	102	91	90	93	96	94	90	94	92	95	102	107
	D	109	84	87	100	98	96	89	97	94	97	98	95	96	95	92	92
SAVINGS	F	105	107	92	100	96	99	102	101	91	102	103	98	95	86	91	93
	IRL	:	:	103	100	99	98	115	109	106	110	109	108	112	105	101	102
	I	131	108	90	100	93	100	103	101	93	103	104	97	97	91	90	95
	NL	112	113	109	100	96	99	105	111	111	109	111	112	110	109	113	114
	B	109	109	97	100	98	100	100	104	102	106	105	100	100	102	104	106
	UK	:	:	109	100	99	108	117	123	135	114	120	136	143	132	131	135 <sup>3</sup>
	EC	108	103	93	100	97	99	99	103	100	103	104	103	102	98	99	100
	DK	:	:	88	100	109	103	104	103	94	104	108	97	99	89	92	100
	D	117	91	92	100	99	99	98	100	99	103	98	99	99	98	99	95
	F	107	106	91	100	102	104	107	105	99	106	106	103	101	101	97	101
— over next 12 months	IRL	:	:	105	100	94	101	112	105	103	107	102	105	108	98	102	99
	I	133	119	104	100	101	112	123	124	126	122	129	122	123	127	128	135
	NL	102	101	99	100	97	100	104	106	99	108	106	105	102	98	98	100
	B	102	102	99	100	103	102	100	100	93	101	103	96	94	96	89	90
	UK	:	:	101	100	96	90	101	101	89	98	108	98	97	94	75	86 <sup>3</sup>
	EC	105	98	94	100	100	99	103	104	99	105	105	102	101	100	96	98
FINANCIAL SITUATION OF HOUSEHOLDS	DK	:	:	97	100	103	103	102	100	96	100	101	100	97	95	97	96
	D	102	101	98	100	101	102	104	104	102	105	104	102	102	101	102	102
	F	100	100	99	100	99	100	100	100	98	100	100	99	99	98	97	98
	IRL	:	:	98	100	102	104	106	104	98	104	103	104	104	99	91	93
	I	99	100	100	100	101	103	106	107	108	106	109	107	106	108	108	109
	NL	98	100	99	100	98	100	105	111	109	112	111	110	110	108	108	110
	B	97	99	100	100	100	100	100	100	97	101	102	98	97	98	96	96
	UK	:	:	101	100	97	92	97	98	97	96	101	99	97	97	95	98 <sup>3</sup>
	EC	95	100	99	100	100	100	102	103	101	103	104	102	101	101	100	101
	DK	:	:	97	100	103	103	102	100	96	100	101	100	97	95	97	96
— index of net acquisition of financial assets	D	102	101	98	100	101	102	104	104	102	105	104	102	102	101	102	102
	F	100	100	99	100	99	100	100	100	98	100	100	99	99	98	97	98
	IRL	:	:	98	100	102	104	106	104	98	104	103	104	104	99	91	93
	I	99	100	100	100	101	103	106	107	108	106	109	107	106	108	108	109
	NL	98	100	99	100	98	100	105	111	109	112	111	110	110	108	108	110
	B	97	99	100	100	100	100	100	100	97	101	102	98	97	98	96	96
	UK	:	:	101	100	97	92	97	98	97	96	101	99	97	97	95	98 <sup>3</sup>
	EC	95	100	99	100	100	100	102	103	101	103	104	102	101	101	100	101

## European Community consumer survey

The Community's survey of consumer opinion, which was started in 1972, is carried out in all Member States except Greece and 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 12 months ago?
- Financial situation of your household, prospects over the next 12 months?
- General economic situation in the country now compared to 12 months ago?
- General economic situation in the country, prospects over the next 12 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 12 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 12 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 12 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 12 months compared to last 12 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 12 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: Social Surveys (Gallup Poll) Ltd.

