

EUROPEAN ECONOMY

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Supplement C

Economic prospects - consumer survey results

Consumer confidence still weak, but the outlook improving. — The results of the May 1981 consumer surveys show that consumer confidence in the Community as a whole, despite a small improvement as compared to January 1981, remains at a depressed level.

However consumers do seem to be more optimistic in response to forward-looking questions about the general economic outlook (see Graph 2), even though this degree of optimism does not at present extend to their views about their own personal financial situations or buying intentions for durable goods.

The composite index of consumer confidence rose by one point, following successive falls of 4 and 2 points, respectively, in the two previous surveys (see Table and Graph 1). This small increase may well precede a more marked recovery in confidence later in the year, but the present level is so low (below that of the 1974-75 recession) that a considerable improvement would be necessary in order to indicate a strong impetus to demand from consumer spending.

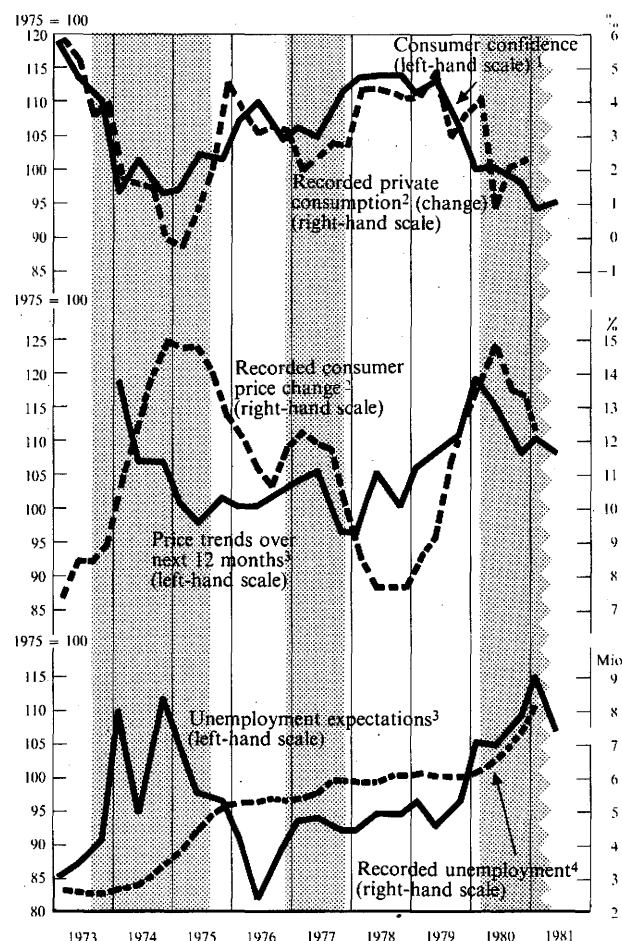
Consumer confidence improved significantly in May in Ireland (+7 points), in France (+5 points) and in Belgium (+4 points) and to a lesser extent in the United Kingdom (+2 points) (see Table and Graph 3). There were small declines in the remaining four countries. Of the four countries recording increases, only Ireland had shown an improvement between October 1980 and January 1981, so that only in this country is there strong evidence that a turning-point in consumer sentiment has occurred.

Less pessimism about economic outlook. — The index of consumers' assessments of economic developments during the past 12 months fell, for the Community as a whole, by 3 points in May. This represented the sixth consecutive decrease in the index, which now stands at its lowest ever level. The relatively small change in the Community average does not reveal the wide range of movements for the individual countries, varying from decreases of 15 and 13 points in the Federal Republic of Germany and Italy, respectively, to an increase of 18 points in the United Kingdom. In contrast to the deterioration of views at Community level about the past economic development, the future trend is now regarded more favourably, or at least less unfavourably, the Community index rising by 10 points in May. This index is now higher than at any time since October 1979, the improvement being attributable to important increases in the indices of France, Ireland, the United Kingdom, Belgium and the Netherlands.

The less pessimistic economic outlook is reflected in a lower index of the expected trend in unemployment during the next 12 months. Consumers still expect unemployment to rise, but this view is not expressed as strongly as in January. The indices fell in all countries except Italy, where the level was unchanged.

Households' financial situations. — In line with views expressed about general economic developments, consumers in the Community as a whole gave lower assessments in May of the development of their households' financial situations during the past 12 months, but a slightly higher evaluation of the expected trend during the next year. The fall in the Community index representing the past development may be attributed to worsening views in the United Kingdom, the Netherlands, the Federal Republic of Germany and Italy. The trend was more favourably viewed in France and in Ireland. Consumers in these two

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.

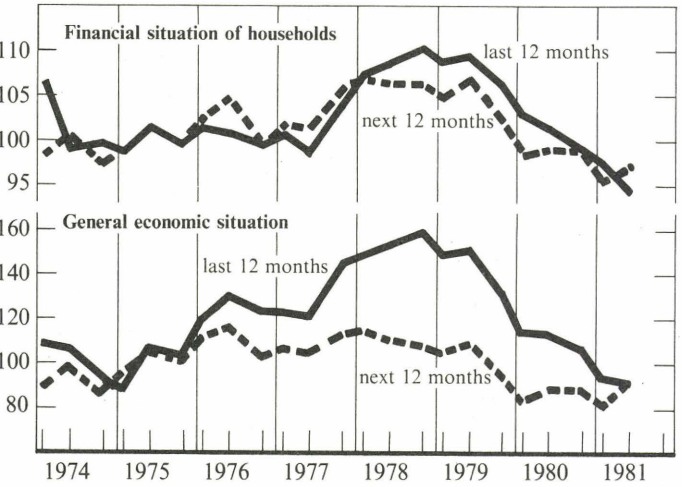
countries were also less pessimistic than in January about their financial outlook, and there were also small increases in the indices for Belgium, the United Kingdom and the Federal Republic of Germany.

Stabilization of price expectations. — Consumers in the Community as a whole gave a slightly higher assessment in May of the past year's inflation than in January. This index remains close to the 1980 average and, therefore, does not reflect the slight easing of the inflation rate (at Community level) seen since mid-1980 (see Graph 1). The indices for Denmark and the Federal Republic of Germany rose sharply, by 9 and 6 points respectively, and there were smaller increases in the Netherlands, Ireland and Italy, while the corresponding figures for Belgium and France fell slightly. The Community index of price expectations over the next 12 months fell by 2 points in May, and now stands at the same level as in October 1980. The indices for Denmark and the United Kingdom rose markedly, and for the Netherlands to a lesser extent, while inflationary expectations were lower in the remaining five countries, the clearest declines occurring in France and Ireland.

Further signs of restrained consumer spending. — For the fourth successive time, the Community index for the question concerning the advisability of making purchases of consumer durables declined, thus supporting the evidence from the low level of consumer confidence that prospects for consumer spending in the coming months are weak. The Community indicator fell by 3 points, resulting from decreases in the indices for the Federal Republic of Germany, France, Ireland and the Netherlands. In Italy, Denmark and Belgium, consumers believed that it was more advisable to make major purchases. Italy appears to provide an exception to the general pattern in the Community of consumer reaction to the current more difficult financial circumstances, since the indicator of the advisability of buying consumer durables has risen more or less steadily in this country during the last two years. The Community index of intentions of buying consumer durables during the next 12 months, as compared to the last, rose by one point, but remains at a low level following several successive declines. Only the indicators for the Federal Republic of Germany and the Netherlands fell, which is consistent with the lower levels of consumer confidence in these countries. The largest improvements for this question were recorded in Belgium, Ireland and Italy. The results for the question on savings suggest that the weak prospects for consumer spending are a result of harsher financial conditions for households rather than a switch to increased saving. In reply to whether it was a good time to save, consumers in the Community as a whole thought it slightly less advantageous in May than in January (the index falling by one point), but in fact the movement of this indicator since May 1980 has been small. Only in Belgium and the Netherlands was this index slightly higher, while consumers in Denmark, Italy and the United Kingdom thought saving was less advisable than in January. With respect to expected savings during the next 12 months, the Community index fell more sharply (by 3 points). Small rises were recorded in France and Ireland, while the indicators for the remaining countries declined, most markedly in Denmark, the Federal Republic of Germany and Italy.

Brussels, 13 July 1981.

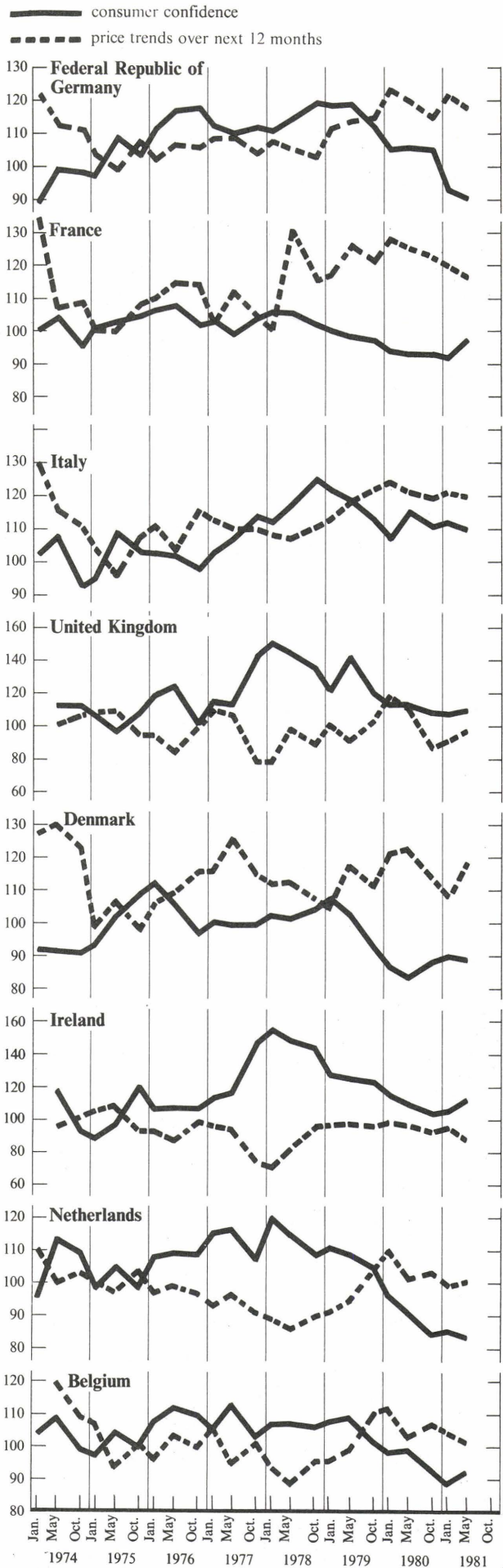
GRAPH 2: Consumers' views on past versus future developments (Index 1975 = 100)



Notes on Graphs

- 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 Table on pages 3 and 4 for data and notes).
- ² Quarterly data - percentage change on corresponding quarter of preceding year.
- ³ See Table on pages 3 and 4 for data and notes.
- ⁴ Quarterly data - seasonally adjusted.

GRAPH 3: Climate of consumer confidence¹ and opinion on price trends over the next 12 months³ (Index 1975 = 100).



Source: European Community consumer survey.

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

		1972	1973	1974	1975	1976	1977	1978	1979	1980	1979			1980			1981	
											Jan.	May	Oct.	Jan.	May	Oct.	Jan.	May
CONSUMER CONFIDENCE INDEX ²	B	118	121	103	100	109	106	106	106	96	107	108	101	98	99	92	88	92
	DK	:	:	90	100	104	99	102	100	85	107	102	92	86	82	87	89	88
	D	114	106	92	100	112	108	112	113	102	116	116	109	102	103	102	90	88
	F	111	111	97	100	103	99	102	96	91	97	96	95	91	91	91	90	95
	IRL	:	:	103	100	105	123	147	123	108	125	124	122	114	108	102	103	110
	I	129	120	99	100	98	106	116	115	109	119	116	110	105	113	108	110	108
	NL	106	115	105	100	108	112	114	108	90	110	108	104	96	91	84	85	83
	UK	:	:	108	100	111	120	140	124	108	118	139	117	110	110	105	104 ³	106 ³
	EC 8	116	114	98	100	107	107	114	110	99	111	113	106	100	100	98	94	95
FINANCIAL SITUATION OF HOUSEHOLDS	B	112	112	103	100	100	98	99	100	96	99	103	97	96	96	94	92	92
	DK	:	:	96	100	104	101	101	99	88	100	100	97	92	86	87	88	87
	D	114	103	97	100	104	106	109	110	103	111	111	107	104	104	102	95	90
	F	105	107	99	100	101	100	102	99	96	100	99	98	97	96	96	95	97
	IRL	:	:	93	100	109	118	148	129	111	132	126	129	120	111	102	107	111
	I	122	116	104	100	99	105	113	114	113	115	116	111	110	116	113	115	111
	NL	105	106	101	100	99	102	106	103	93	105	102	101	99	93	88	88	82
	UK	:	:	103	100	94	88	121	119	102	118	123	118	112	100	94	100 ³	92 ³
	EC 8	113	110	100	100	101	101	109	108	101	109	110	106	103	102	99	98	94
— over last 12 months	B	108	107	99	100	103	101	101	100	98	101	102	98	97	99	96	92	94
	DK	:	:	93	100	102	99	100	97	88	99	97	94	88	85	89	90	89
	D	111	102	95	100	105	104	106	106	101	108	107	104	100	100	102	92	93
	F	111	105	95	100	101	99	100	96	94	98	96	96	94	95	94	94	98
	IRL	:	:	102	100	100	113	128	111	105	107	113	113	108	104	102	98	110
	I	115	109	98	100	97	99	105	103	101	105	104	101	99	102	102	103	102
	NL	106	108	101	100	101	107	108	109	97	110	109	107	101	100	92	94	93
	UK	:	:	107	100	105	110	121	116	103	109	130	110	101	105	102	101 ³	103 ³
	EC 8	110	107	98	100	102	103	106	105	99	105	107	102	98	99	99	96	97
— over next 12 months	B	126	123	87	100	126	112	109	107	88	114	110	97	89	94	81	73	83
	DK	:	:	75	100	90	78	83	81	62	93	80	70	60	59	68	75	74
	D	106	98	81	100	113	101	104	106	88	109	111	99	85	90	90	72	77
	F	116	115	85	100	101	98	101	86	74	89	85	83	72	73	75	75	99
	IRL	:	:	109	100	99	133	155	117	103	113	120	117	106	102	101	96	116
	I	134	119	88	100	96	102	113	107	93	117	108	95	87	101	92	96	91
	NL	106	126	105	100	126	124	124	109	78	115	112	101	77	85	72	77	87
	UK	:	:	112	100	132	149	148	119	109	103	152	104	98	112	116	105 ³	117 ³
	EC 8	118	112	88	100	111	108	111	103	87	105	109	95	83	89	88	81	91
GENERAL ECONOMIC SITUATION	B	196	206	135	100	130	134	137	142	110	143	149	134	115	118	99	84	94
	DK	:	:	75	100	112	100	119	115	77	141	123	80	75	66	91	96	92
	D	128	134	93	100	150	140	148	160	129	163	170	149	131	131	126	98	83
	F	125	131	100	100	106	100	108	95	81	100	95	91	84	78	80	77	85
	IRL	:	:	126	100	121	183	283	195	133	216	184	185	153	142	105	108	117
	I	219	185	89	100	80	121	169	173	133	192	172	154	123	150	125	129	116
	NL	135	175	138	100	129	157	169	155	100	162	156	147	121	96	82	78	74
	UK	:	:	137	100	139	194	311	209	144	200	243	183	155	154	121	113 ³	131 ³
	EC 8	158	155	103	100	125	130	153	144	112	148	151	132	115	114	106	94	91
— over last 12 months	B	126	123	87	100	126	112	109	107	88	114	110	97	89	94	81	73	83
	DK	:	:	75	100	90	78	83	81	62	93	80	70	60	59	68	75	74
	D	106	98	81	100	113	101	104	106	88	109	111	99	85	90	90	72	77
	F	116	115	85	100	101	98	101	86	74	89	85	83	72	73	75	75	99
	IRL	:	:	109	100	99	133	155	117	103	113	120	117	106	102	101	96	116
	I	134	119	88	100	96	102	113	107	93	117	108	95	87	101	92	96	91
	NL	106	126	105	100	126	124	124	109	78	115	112	101	77	85	72	77	87
	UK	:	:	112	100	132	149	148	119	109	103	152	104	98	112	116	105 ³	117 ³
	EC 8	118	112	88	100	111	108	111	103	87	105	109	95	83	89	88	81	91
PRICE TRENDS	B	:	97	100	100	98	95	81	79	84	75	77	84	85	82	84	85	83
	DK	:	:	111	100	96	100	94	92	96	87	97	93	92	99	96	90	99
	D	:	116	111	100	95	89	80	87	100	78	85	98	103	103	94	102	108
	F	:	107	108	100	100	98	91	96	102	92	97	100	102	102	101	101	100
	IRL	:	:	103	100	100	97	84	96	99	95	96	97	98	101	99	99	100
	I	:	101	104	100	101	99	91	94	99	90	93	98	100	98	98	98	99
	NL	:	96	103	100	100	95	78	76	86	71	76	80	82	89	87	87	91
	UK	:	:	100	100	96	100	82	90	96	87	87	95	99	100	90	86 ³	86 ³
	EC 8	:	108	107	100	98	96	85	90	98	85	89	96	99	99	95	96	98
— over last 12 months	B	:	:	114	100	99	100	92	101	107	95	98	110	112	102	106	105	101
	DK	:	:	125	100	109	118	109	110	118	104	116	110	120	121	113	106	117
	D	:	99	112	100	101	104	102	110	116	108	110	112	120	117	111	119	115
	F	:	149	116	100	107	103	113	119	123	115	123	118	125	123	120	117	104
	IRL	:	:	96	100	91	86	82	95	94	95	96	94	97	95	91	94	86
	I	:	110	116	100	107	108	106	115	119	110	116	119	122	118	117	119	118
	NL	:	85	104	100	97	93	88	96	104	91	94	103	109	101	103	99	100
	UK	:	:	100	100	89	96	86	95	102	98	88	100	115	107	83	88 ³	94 ³
	EC 8	:	109	111	100	101	102	100	108	114	106	108	111	119	115	108	110	108
UNEMPLOYMENT	B	79	77	94	100	80	84	89	89	98	89							

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.	May
MAJOR PURCHASES	B	101	114	110	100	109	107	106	101	92	104	105	94	98	92	85	86	87
	DK	:	:	107	100	127	126	124	125	108	127	131	118	114	110	100	95	99
	D	129	104	92	100	104	103	108	103	97	108	103	98	100	96	96	92	87
	F	106	107	109	100	107	99	101	102	105	99	102	105	105	107	102	100	93
	IRL	:	:	100	100	108	118	122	120	108	123	124	113	116	104	102	111	107
	I	129	123	120	100	119	125	127	136	141	129	138	139	135	143	143	142	151
	NL	96	100	98	100	104	102	95	84	74	85	85	83	84	69	68	68	61
	UK	:	:	104	100	111	116	122	123	110	119	131	119	116	111	103	108 ³	108 ³
	EC 8	102	107	103	100	108	107	110	108	104	108	110	106	107	104	101	100	97
	B	101	106	102	100	95	98	98	99	103	:	:	99	:	:	103	99	103
— at present	DK	:	:	95	100	98	98	99	101	95	102	102	100	97	94	93	96	96
	D	105	101	96	100	101	101	105	105	101	106	104	104	103	102	99	97	95
	F	97	101	100	100	102	101	102	100	99	101	100	100	100	99	99	99	100
	IRL	:	:	117	100	101	105	110	105	102	101	106	108	102	102	103	98	102
	I	76	95	97	100	90	83	80	85	79	:	:	85	77	77	82	75	78
	NL	97	102	101	100	99	100	100	94	90	97	95	90	94	92	85	87	86
	UK	:	:	103	100	101	104	112	115	106	115	117	114	111	107	101	100 ³	102 ³
	EC 8	101	102	99	100	100	103	103	98		104	104	100	99	98	95	93	94
	B	109	109	97	100	98	100	100	104	102	106	105	100	100	102	104	106	107
	DK	:	:	80	100	102	91	90	93	96	94	90	94	92	95	102	107	103
SAVINGS	D	109	84	87	100	98	96	89	97	94	97	98	95	96	95	92	92	91
	F	105	107	92	100	96	99	102	101	91	102	103	98	95	86	91	93	92
	IRL	:	:	103	100	99	98	115	109	106	110	109	108	112	105	101	102	101
	I	131	108	90	100	93	100	103	101	93	103	104	97	97	91	90	95	91
	NL	112	113	109	100	96	99	105	111	111	109	111	112	110	109	113	114	116
	UK	:	:	109	100	99	108	117	123	135	114	120	136	143	132	131	135 ³	132 ³
	EC 8	108	103	93	100	97	99	99	103	100	103	104	103	102	98	99	100	99
	B	102	102	99	100	103	102	100	100	93	101	103	96	94	96	89	90	89
	DK	:	:	88	100	109	103	104	103	94	104	108	97	99	89	92	100	96
	D	117	91	92	100	99	99	98	100	99	103	98	99	99	98	99	95	91
— over next 12 months	F	107	106	91	100	102	104	107	105	99	106	106	103	101	101	97	101	102
	IRL	:	:	105	100	94	101	112	105	103	107	102	105	108	98	102	99	101
	I	133	119	104	100	101	112	123	124	126	122	129	122	123	127	128	135	128
	NL	102	101	99	100	97	100	104	106	99	108	106	105	102	98	98	100	97
	UK	:	:	101	100	96	90	101	101	89	98	108	98	97	94	75	86 ³	85 ³
	EC 8	105	98	94	100	100	99	103	104	99	105	105	102	101	100	96	98	95
FINANCIAL SITUATION OF HOUSEHOLDS	B	97	99	100	100	100	100	100	100	97	101	102	98	97	98	96	96	96
	DK	:	:	97	100	103	103	102	100	96	100	101	100	97	95	97	96	97
	D	102	101	98	100	101	102	104	104	102	105	104	102	102	101	102	102	96
	F	100	100	99	100	99	100	100	100	98	100	100	99	99	98	97	98	98
	IRL	:	:	98	100	102	104	106	104	98	104	103	104	104	99	91	93	89
	I	99	100	100	100	101	103	106	107	108	106	109	107	106	108	108	109	107
	NL	98	100	99	100	98	100	105	111	109	112	111	110	110	108	108	110	107
	UK	:	:	101	100	97	92	97	98	97	96	101	99	97	97	95	98 ³	96 ³
	EC 8	95	100	99	100	100	102	103	101		103	104	102	101	101	100	101	99
	B	97	99	100	100	100	100	100	100	97	101	102	98	97	98	96	96	96
— index of net acquisition of financial assets	DK	:	:	97	100	103	103	102	100	96	100	101	100	97	95	97	96	97
	D	102	101	98	100	101	102	104	104	102	105	104	102	102	101	102	102	96
	F	100	100	99	100	99	100	100	100	98	100	100	99	99	98	97	98	98
	IRL	:	:	98	100	102	104	106	104	98	104	103	104	104	99	91	93	89
	I	99	100	100	100	101	103	106	107	108	106	109	107	106	108	108	109	107
	NL	98	100	99	100	98	100	105	111	109	112	111	110	110	108	108	110	107
	UK	:	:	101	100	97	92	97	98	97	96	101	99	97	97	95	98 ³	96 ³
	EC 8	95	100	99	100	100	102	103	101		103	104	102	101	101	100	101	99

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.