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Supplement C

Economic prospects - consumer survey results

Turning-point in consumer sentiment. — The January consumer survey, the results of which have just become available, indicate that in a number of Community countries, namely, Denmark, France, Ireland and Italy, the public has become significantly less pessimistic regarding the economic situation. The Germans, the Dutch and the British have, however, become slightly more pessimistic in their assessment of economic conditions while Belgian opinion on this subject remained in January at the same depressed level as in October, 1981. Overall, the state of public opinion for the whole Community is still pessimistic, but the low-point in consumer sentiment seems to have been reached, if not passed.

Although the link between consumers' opinion on economic and financial issues and their spending is neither simple nor direct (other major factors such as the level of real incomes and the cost of borrowing are obviously also of great importance), it seems likely that the slight improvement in the EC consumer confidence index (which summarizes the survey results) noted between October 1981 and January 1982 is not sufficient to signal a general recovery in consumer demand (see Graphs 1 and 2, and the Table).

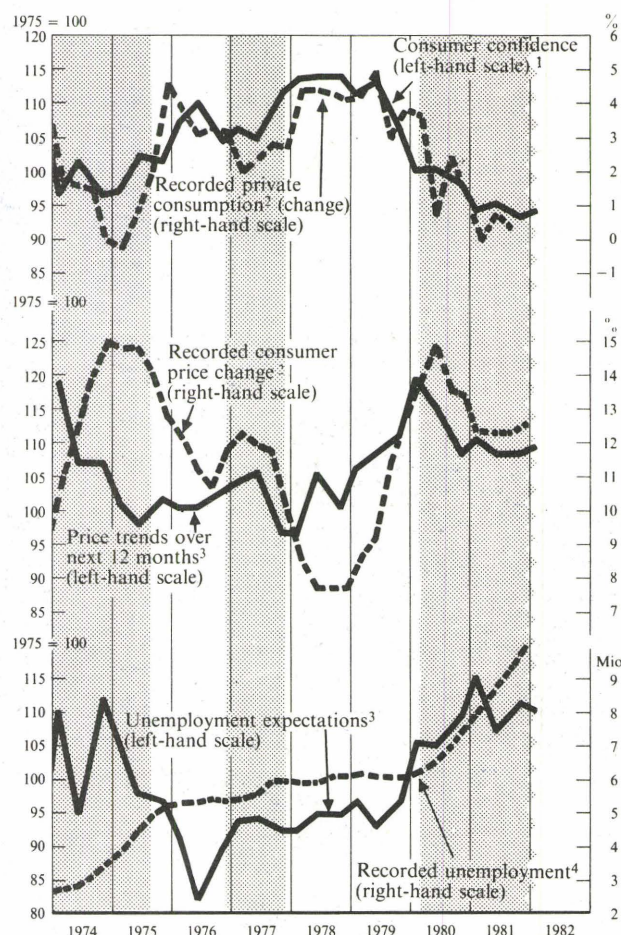
On the basis of previous behaviour, which suggests that turning-points in consumer confidence tend to lead turning-points in consumer demand by one or two quarters, little or no growth in consumer expenditure should, therefore, be expected during the first half of 1982.

The state of the consumer climate continues to contrast with the business climate, which has improved gradually but continuously since the first quarter of 1981, according to the EC business survey.¹ Amongst producers of consumer goods this improvement has been particularly marked, including the devaluation of the level of order-books, which suggests that stock building at present represents the main stimulus to demand.

The consumer confidence index. — The Community index of consumer confidence in January was at the same level as the average of the three 1981 surveys and one point higher than the October 1981 figure. In four of the eight countries in which the surveys are carried out, consumer confidence has, however, improved significantly since October — in Denmark (7 points), Ireland, Italy, (both 6 points), and France (3 points). In Belgium, consumer confidence was unchanged in January while in the remaining countries there were small declines, by 2 points in the Netherlands and by 1 point both in the Federal Republic of Germany and the United Kingdom.

Improvement in views on recent economic developments. — For the first time since May 1979, there was an improvement in January in consumers' assessments of general economic developments during the past 12 months. Opinion on this subject was significantly better in Belgium, Denmark, France, Italy and the United Kingdom, but the extent of the rise in the Community average was limited by lower figures for the Netherlands and the Federal Republic of Germany.

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.

¹ See *European Economy*, Supplement B, 'Economic prospects — Business survey results'.

Consumers were also slightly less pessimistic in January about economic prospects during the next 12 months. In Belgium, Denmark, France, Ireland and Italy, the public expect the economic situation to improve. By contrast, greater pessimism was expressed in the Netherlands and, to a lesser extent, in the United Kingdom and the Federal Republic of Germany.

Despite the rapid increase in unemployment in 1981, there has been a slight improvement in consumers' expectations of unemployment over the next 12 months. This applies to Belgium, Denmark, the Federal Republic of Germany, France and the United Kingdom. In the remaining countries, public opinion still foresees a deterioration in the labour market.

Households' financial situations. — In January, consumers were slightly less pessimistic than in October 1981, concerning both the past and future developments in their personal financial situations. Nevertheless, the relevant survey indicators both remain very close to their 1981 averages. The slight rise in the Community average is accounted for by improvements in Denmark, France, Ireland and Italy. The January results for expectations of personal financial developments thus largely followed the views on the general economic situation, except in Belgium, where, despite the improved economic assessment, consumers were more pessimistic about their household finances.

Price expectations. — Consumers' perceptions of recent price inflation moderated (by one index point) in January, thus staying close to the level observed during 1981. No individual country registered stronger perceived inflation and there were relatively sharp falls in Denmark, France, Belgium and the Federal Republic of Germany.

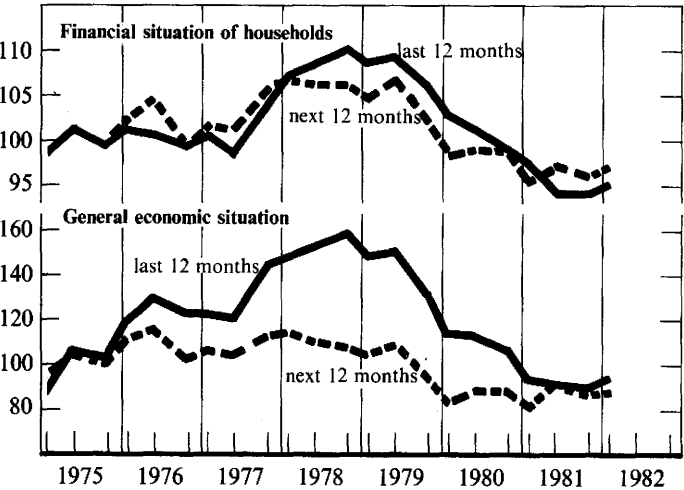
Consumers' price expectations for the next 12 months rose, for the Community as a whole, by one point in the January survey. Inflationary expectations were higher in Italy, the Netherlands, Denmark and the Federal Republic of Germany.

Spending and savings outlook. — To judge from the two direct questions on major purchases and on savings, consumers in the Community show little sign of diverting more of their financial resources into expenditure. For the question of the advisability of making major purchases at present, the Community indicator rose in January, by one point as compared with the October 1981 figure, but remains very low. Consumers in Denmark, Ireland and Italy did, however, find that it had become more advisable to buy consumer durable goods. But replies to the question on consumers' personal purchasing intentions (as distinguished from their opinion as to whether it was in general a good time to buy) over the next 12 months, were less buoyant in January. Thus, the Irish and Italian indices of buying intentions fell, along with that of the United Kingdom and, to a lesser extent that of the Federal Republic of Germany.

The Community indices both of the advisability of savings and of intentions to save over the next 12 months rose in January, as compared with the particularly low October 1981 figures. In all countries except for Ireland, the Netherlands and the United Kingdom, savings were considered to have become more advisable. Savings' intentions were significantly higher in Italy, Denmark and France.

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



Notes on Graphs

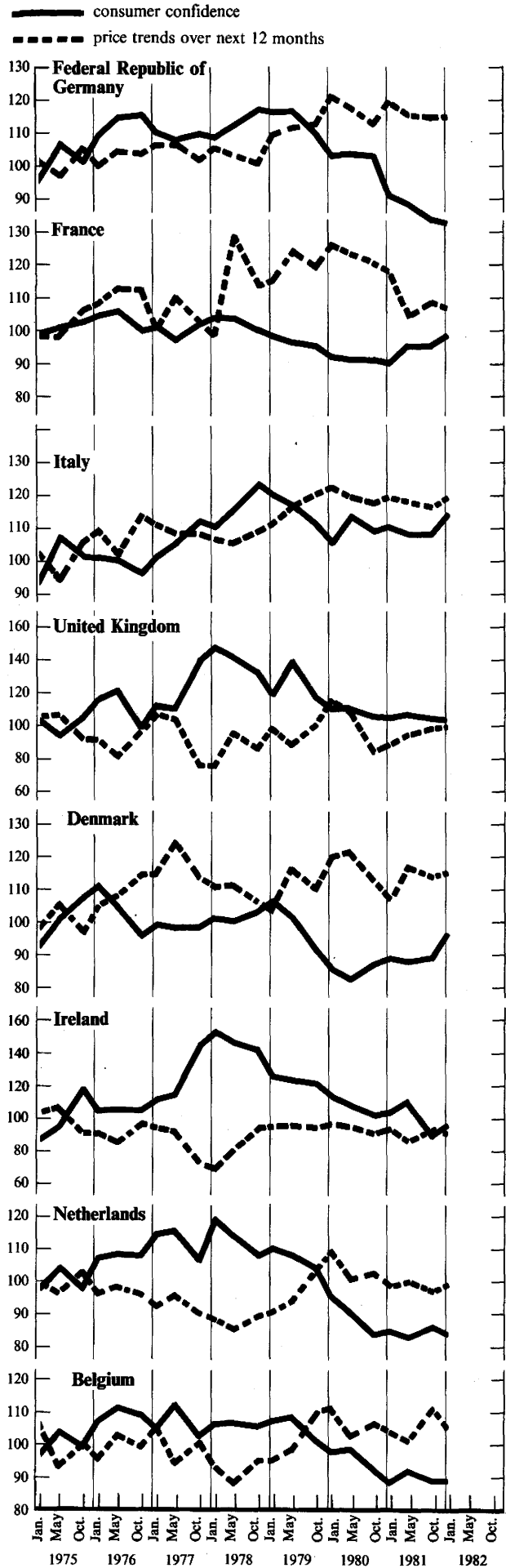
¹ The climate of consumer confidence is measured by an index based on five questions in the consumer survey. These are the questions relating to the general economic situation, the household financial situation and to major purchases of durable goods (see Table on pages 3 and 4 for data and notes).

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

		1974	1975	1976	1977	1978	1979	1980	1981	1980			1981			1982
										Jan.	May	Oct.	Jan.	May	Oct.	Jan.
CONSUMER CONFIDENCE INDEX ²	B	103	100	109	106	106	106	96	89	98	99	92	88	92	89	89
	DK	90	100	104	99	102	100	85	89	86	82	87	89	88	89	96
	D	92	100	112	108	112	113	102	87	102	103	102	90	88	83	82
	F	97	100	103	99	102	96	91	93	91	91	91	90	95	95	98
	IRL	103	100	105	123	147	123	108	101	114	108	102	103	110	90	96
	I	99	100	98	106	116	115	109	108	105	113	108	110	108	108	114
	NL	105	100	108	112	114	108	90	85	96	91	84	85	83	86	84
	UK	108	100	111	120	140	124	108	104	110	110	105	104	106	104	103
	EC 8	98	100	107	107	114	110	99	94	100	100	98	94	95	93	94
FINANCIAL SITUATION OF HOUSEHOLDS	B	103	100	100	98	99	100	96	91	96	96	94	92	92	90	88
	DK	96	100	104	101	101	99	88	87	92	86	87	88	87	87	91
	D	97	100	104	106	109	110	103	91	104	104	102	95	90	89	89
	F	99	100	101	100	102	99	96	96	97	96	96	95	97	96	98
	IRL	93	100	109	118	148	129	111	102	120	111	102	107	111	87	96
	I	104	100	99	105	113	114	113	112	110	116	113	115	111	111	119
	NL	101	100	99	102	106	103	93	84	99	93	88	88	82	82	82
	UK	103	100	94	88	121	119	102	94	112	100	94	100	92	91	89
	EC 8	100	100	101	101	109	108	101	95	103	102	99	98	94	94	95
— over last 12 months	B	99	100	103	101	101	100	98	95	97	99	96	92	94	97	93
	DK	93	100	102	99	100	97	88	91	88	85	89	90	89	93	94
	D	95	100	105	104	106	106	101	92	100	100	102	92	93	90	90
	F	95	100	101	99	100	96	94	96	94	95	94	94	98	96	99
	IRL	102	100	100	113	128	111	105	99	108	104	102	98	110	89	98
	I	98	100	97	99	105	103	101	103	99	102	102	103	102	103	108
	NL	101	100	101	107	108	109	97	94	101	100	92	94	93	95	94
	UK	107	100	105	110	121	116	103	101	101	105	102	101	103	101	99
	EC 8	98	100	102	103	106	105	99	96	98	99	99	96	97	96	97
— over next 12 months	B	87	100	126	112	109	107	88	78	89	94	81	73	83	78	85
	DK	75	100	90	78	83	81	62	75	60	59	68	75	74	76	86
	D	81	100	113	101	104	106	88	73	85	90	90	72	77	70	69
	F	85	100	101	98	101	86	74	89	72	73	75	75	99	94	99
	IRL	109	100	99	133	155	117	103	99	106	102	101	96	116	87	92
	I	88	100	96	102	113	107	93	94	87	101	92	96	91	95	99
	NL	105	100	126	124	124	109	78	86	77	85	72	77	87	95	88
	UK	112	100	132	149	148	119	109	112	98	112	116	105	117	112	110
	EC 8	88	100	111	108	111	103	87	86	83	89	88	81	91	87	88
GENERAL ECONOMIC SITUATION	B	135	100	130	134	137	142	110	84	115	118	99	84	94	74	81
	DK	75	100	112	100	119	115	77	93	75	66	91	96	92	90	115
	D	93	100	150	140	148	160	129	86	131	131	126	98	83	78	73
	F	100	100	106	100	108	95	81	83	84	78	80	77	85	87	97
	IRL	126	100	121	183	283	195	133	103	153	142	105	108	117	83	82
	I	89	100	80	121	169	173	133	123	123	150	125	129	116	124	133
	NL	138	100	129	157	169	155	100	80	121	96	82	78	74	90	80
	UK	137	100	139	194	311	209	144	122	155	154	121	113	131	121	126
	EC 8	103	100	125	130	153	144	112	92	115	114	106	94	91	90	94
— over last 12 months	B	87	100	126	112	109	107	88	78	89	94	81	73	83	78	85
	DK	75	100	90	78	83	81	62	75	60	59	68	75	74	76	86
	D	81	100	113	101	104	106	88	73	85	90	90	72	77	70	69
	F	85	100	101	98	101	86	74	89	72	73	75	75	99	94	99
	IRL	109	100	99	133	155	117	103	99	106	102	101	96	116	87	92
	I	88	100	96	102	113	107	93	94	87	101	92	96	91	95	99
	NL	105	100	126	124	124	109	78	86	77	85	72	77	87	95	88
	UK	112	100	132	149	148	119	109	112	98	112	116	105	117	112	110
	EC 8	88	100	111	108	111	103	87	86	83	89	88	81	91	87	88
— over next 12 months	B	87	100	126	112	109	107	88	78	89	94	81	73	83	78	85
	DK	75	100	90	78	83	81	62	75	60	59	68	75	74	76	86
	D	81	100	113	101	104	106	88	73	85	90	90	72	77	70	69
	F	85	100	101	98	101	86	74	89	72	73	75	75	99	94	99
	IRL	109	100	99	133	155	117	103	99	106	102	101	96	116	87	92
	I	88	100	96	102	113	107	93	94	87	101	92	96	91	95	99
	NL	105	100	126	124	124	109	78	86	77	85	72	77	87	95	88
	UK	112	100	132	149	148	119	109	112	98	112	116	105	117	112	110
	EC 8	88	100	111	108	111	103	87	86	83	89	88	81	91	87	88
PRICE TRENDS	B	100	100	98	95	81	79	84	86	85	82	84	85	83	90	88
	DK	111	100	96	100	94	92	96	96	92	99	96	90	99	100	96
	D	111	100	95	89	80	87	100	106	103	103	94	102	108	107	105
	F	108	100	100	98	91	96	102	101	102	102	101	101	100	102	98
	IRL	103	100	100	97	84	96	99	100	98	101	99	99	100	101	101
	I	104	100	101	99	91	94	99	98	100	98	98	98	99	97	97
	NL	103	100	100	95	78	76	86	89	82	89	87	87	91	90	89
	UK	100	100	96	100	82	90	96	86	99	100	90	86	86	86	86
	EC 8	107	100	98	96	85	90	98	98	99	99	95	96	98	98	97
— over last 12 months	B	114	100	99	100	92	101	107	106	112	102	106	105	101	111	105
	DK	125	100	109	118	109	110	118	113	120	121	113	106	117	114	115
	D	112	100	101	104	102	110	116	116	120	117	111	119	115	114	114
	F	116	100	107	103	113	119	123	110	125	123	120	117	104	108	106
	IRL	96	100	91	86	82	95	94	91	97	95	91	94	86	93	91
	I	116	100	107	108	106	115	119	117	122	118	117	119	118	116	119
	NL	104	100	97	93	88	96	104	99	109	101	103	99	100	97	99
	UK	100	100	89	96	86	95	102	93	115	107	83	88	94	98	99
	EC 8	111	100	101	102	100	108	114	109	119	115	108	110	108	108	109
— over next 12 months	B	94	100	80	84	89	89	98	104	94	95	104	105	102	106	103
	DK	150	100	119	151	151										

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

		1974	1975	1976	1977	1978	1979	1980	1981	1980			1981			1982
										Jan.	May	Oct.	Jan.	May	Oct.	Jan.
MAJOR PURCHASES	B	110	100	109	107	106	101	92	86	98	92	85	86	87	86	85
	DK	107	100	127	126	124	125	108	98	114	110	100	95	99	101	105
	D	92	100	104	103	108	103	97	84	100	96	96	92	87	72	71
	F	109	100	107	99	101	102	105	97	105	107	102	100	93	96	97
	IRL	100	100	108	118	122	120	108	103	116	104	102	111	107	92	105
	I	120	100	119	125	127	136	141	144	135	143	143	142	151	137	149
	NL	98	100	104	102	95	84	74	63	84	69	68	68	61	59	59
	UK	104	100	111	116	122	123	110	107	116	111	103	108	108	106	105
	EC 8	103	100	108	107	110	108	104	96	107	104	101	100	97	91	92
	B	102	100	95	98	98	99	103	100	:	:	103	99	103	98	98
— at present	DK	95	100	98	98	99	101	95	96	97	94	93	96	96	97	98
	D	96	100	101	101	105	105	101	95	103	102	99	97	95	94	93
	F	100	100	102	101	102	100	99	99	100	99	99	99	100	100	100
	IRL	117	100	101	105	110	105	102	99	102	102	103	98	102	96	93
	I	97	100	90	83	80	85	79	77	77	77	82	75	78	79	72
	NL	101	100	99	100	100	94	90	86	94	92	85	87	86	86	86
	UK	103	100	101	104	112	115	106	101	111	107	101	100	102	101	97
	EC 8	99	100	100	100	103	103	98	94	99	98	95	93	94	94	92
	B	97	100	98	100	100	104	102	104	100	102	104	106	107	99	104
	DK	80	100	102	91	90	93	96	104	92	95	102	107	103	100	106
— over next 12 months	D	87	100	98	96	89	97	94	87	96	95	92	92	91	79	84
	F	92	100	96	99	102	101	91	91	95	86	91	93	92	88	91
	IRL	103	100	99	98	115	109	106	98	112	105	101	102	101	91	89
	I	90	100	93	100	103	101	93	92	97	91	90	95	91	90	99
	NL	109	100	96	99	105	111	111	118	110	109	113	114	116	125	125
	UK	109	100	99	108	117	123	135	134	143	132	131	135	132	136	134
	EC 8	93	100	97	99	99	103	100	97	102	98	99	100	99	93	97
	B	99	100	103	102	100	100	93	92	94	96	89	90	89	98	89
	DK	88	100	109	103	104	103	94	95	99	89	92	100	96	89	97
	D	92	100	99	99	98	100	99	85	99	98	99	95	91	69	69
SAVINGS	F	91	100	102	104	107	105	99	101	101	101	97	101	102	99	105
	IRL	105	100	94	101	112	105	103	96	108	98	102	99	101	88	90
	I	104	100	101	112	123	124	126	130	123	127	128	135	128	126	155
	NL	99	100	97	100	104	106	99	98	102	98	98	100	97	98	94
	UK	101	100	96	90	101	101	89	85	97	94	75	86	85	84	83
	EC 8	94	100	100	99	103	104	99	93	101	100	96	98	95	85	87
	B	97	100	103	103	102	100	96	96	97	95	97	96	97	95	96
	DK	98	100	101	102	104	104	102	98	102	101	102	102	96	95	95
	F	99	100	99	100	100	100	98	98	99	98	97	98	98	97	99
	IRL	98	100	102	104	106	104	98	92	104	99	91	93	89	93	96
FINANCIAL SITUATION OF HOUSEHOLDS	I	100	100	101	103	106	107	108	108	106	108	108	109	107	107	116
	NL	99	100	98	100	105	111	109	108	110	108	108	110	107	107	106
	UK	101	100	97	92	97	98	97	97	97	97	95	98	96	96	95
	EC 8	99	100	100	100	102	103	101	99	101	101	100	101	99	98	99
	B	100	100	100	100	100	100	97	96	97	98	96	96	96	96	96
	DK	97	100	103	103	102	100	96	96	97	95	97	96	97	95	96
	D	98	100	101	102	104	104	102	98	102	101	102	102	96	95	95
	F	99	100	99	100	100	100	98	98	99	98	97	98	98	97	99
	IRL	98	100	102	104	106	104	98	92	104	99	91	93	89	93	96
	I	100	100	101	103	106	107	108	108	106	108	108	109	107	107	116
— index of net acquisition of financial assets	NL	99	100	98	100	105	111	109	108	110	108	108	110	107	107	106
	UK	101	100	97	92	97	98	97	97	97	97	95	98	96	96	95
	EC 8	99	100	100	100	102	103	101	99	101	101	100	101	99	98	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. In Belgium, Denmark, France, Ireland, Italy and the Netherlands surveys are undertaken three times a year (in January, May and October), by means of random sampling of households. Random surveys were also carried out in the United Kingdom until October 1980 and in the Federal Republic of Germany until May 1981, subsequent results being taken from the monthly surveys (in the form of centred three-month averages) now being carried out in these countries on the basis of quota sampling of adults.

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).

The surveys are undertaken by:

- B - Belgium: INS (Institut National de la Statistique)
- 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)
- UK - United Kingdom: Social Surveys (Gallup Poll) Ltd.

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