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Supplement C

Economic prospects - consumer survey results

Marked improvement in consumer sentiment. — Following three years during which consumer confidence worsened and then stagnated, the May 1982 results of the Community consumer survey show a sharp improvement in assessments of economic conditions and prospects. Consumers in the Federal Republic of Germany, Ireland, Italy, the Netherlands and the United Kingdom are clearly more optimistic but the state of consumer sentiment is stable, at a low level, in Belgium and France and has deteriorated in Denmark. Although consumer spending has in the past been seen to be correlated with the level of consumer confidence, it is still too early to forecast any substantial upturn in such expenditure, as in most countries confidence is still low by historical standards and the replies to the questions relating directly to spending have not shown the improvement seen in consumer sentiment generally. Nevertheless, a slightly higher level of consumer expenditure may be expected in the second half of 1982 as compared with the first.

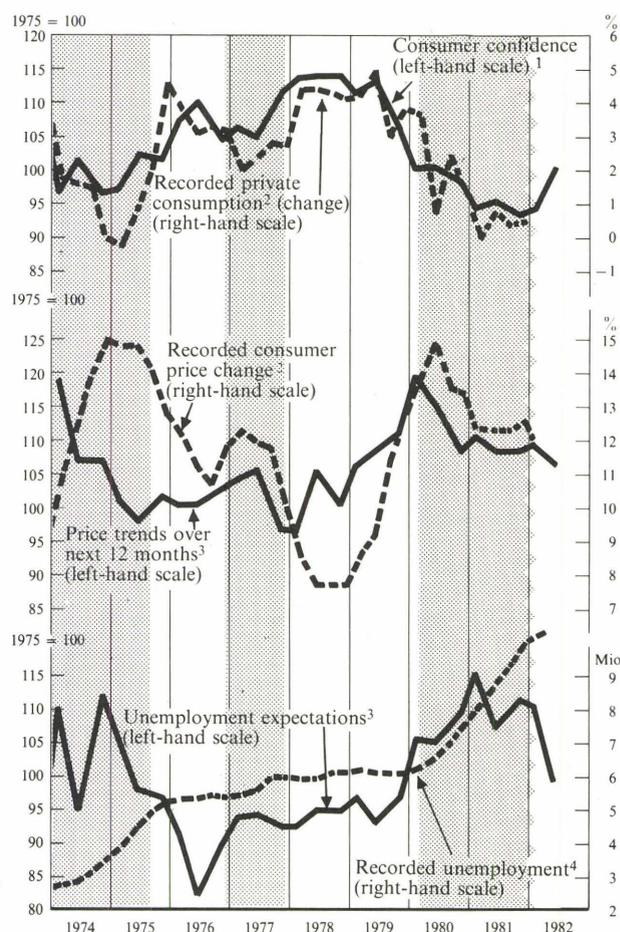
The consumer confidence index. — The composite index of consumer sentiment, based on five survey questions, showed a six-point increase in May for the Community as a whole, reaching the highest level seen since May 1980 (see Table and Graph 1). The largest rise in the index was of 19 points in the United Kingdom, which accounts for more than half the improvement noted at Community level. Significant improvements in consumer sentiment were, however, also recorded in Italy (8 points), the Federal Republic of Germany (6 points), the Netherlands (4 points) and Ireland (3 points). The index was unchanged in Belgium and France, and fell by 3 points in Denmark. Despite the improvements noted in May, confidence remains low in the Federal Republic of Germany, the Netherlands and Ireland, and also in Belgium. However, in the remaining countries, consumers are now more optimistic than on average during 1980 and 1981 (see Graph 3).

Economic conditions viewed more favourably. — The European public has become clearly more hopeful of an end to the economic recession. This is indicated by the survey results for May in which consumers' views on general economic developments during the past 12 months improved. The indices for this question were higher in May than in January for all countries except Belgium and Denmark, and the increases were particularly marked for Italy and the United Kingdom. The pattern of responses to the question relating to future economic developments was similar, consumers being more pessimistic only in Denmark and France.

Consistently with the more positive outlook for economic developments, consumers expect a more moderate development of unemployment during the next 12 months, for the Community as a whole. This contrasts with the level of unemployment recorded in official statistics, which has continued to rise steadily (see Graph 1). Consumers, on balance, expected less unemployment in all countries except Denmark, the largest improvements in the employment outlook being recorded in the Federal Republic of Germany and the United Kingdom.

Households' financial situations. — Consumers' assessments of developments in their own financial positions also improved in May for the Community as a whole, but to a lesser extent than their views on

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.

general economic conditions. The indicator of household financial conditions for the past 12 months improved sharply in the United Kingdom and by lesser amounts in the Federal Republic of Germany, Ireland, Denmark and France, while remaining stable or falling slightly in the other countries. Replies to the question concerning households' financial prospects over the next 12 months followed a similar pattern, with consumers in the Netherlands joining the other countries in reporting a less pessimistic outlook.

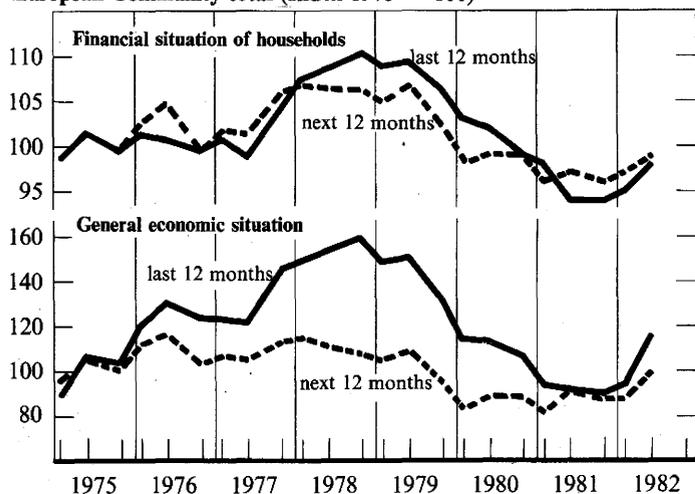
Lower assessments of inflation. — The indicators of consumers' judgments of price trends during the past and next 12-month periods both fell slightly in May as compared to January. The indices for the question relating to past inflation fell in all countries except Belgium and Ireland, and most strongly in the United Kingdom, the Federal Republic of Germany and Italy. Consumers' expectations of inflation over the next year were also generally lower, though rising in Belgium, France and Denmark. The Community index of price expectations is now lower than at any time since January 1979.

Outlook for consumer expenditure and savings. — Despite the improvement in consumer confidence in the Community as a whole in May, the indicator of the advisability of making major purchases was unchanged as compared to January and consequently remains close to the historically low level of October 1981. In Italy and Ireland, the purchasing sentiment was markedly weaker but it rose slightly in all the remaining countries except France where the level was stable. With respect to the specific possibility of buying consumer durables during the next 12 months, as compared to the last 12 months, consumers' views were slightly stronger in May than they had been in January. The index of these intentions increased in all countries, except for France where it was unchanged.

Replies to the two questions about savings show that at Community level consumers believe it has become more advantageous to save and that expectations of actually being able to save during the next 12 months were higher in May than in January. On a country level, however, the situation was varied. Only in the Federal Republic of Germany, Italy, the Netherlands and the United Kingdom, did consumers believe it was more advisable to save, this indicator declining in the other countries. On the question on the possibilities of making savings, four countries reported improvements; intentions to save were weaker only in France and Italy, the indices for Belgium and Denmark being unchanged.

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



Notes on Graphs

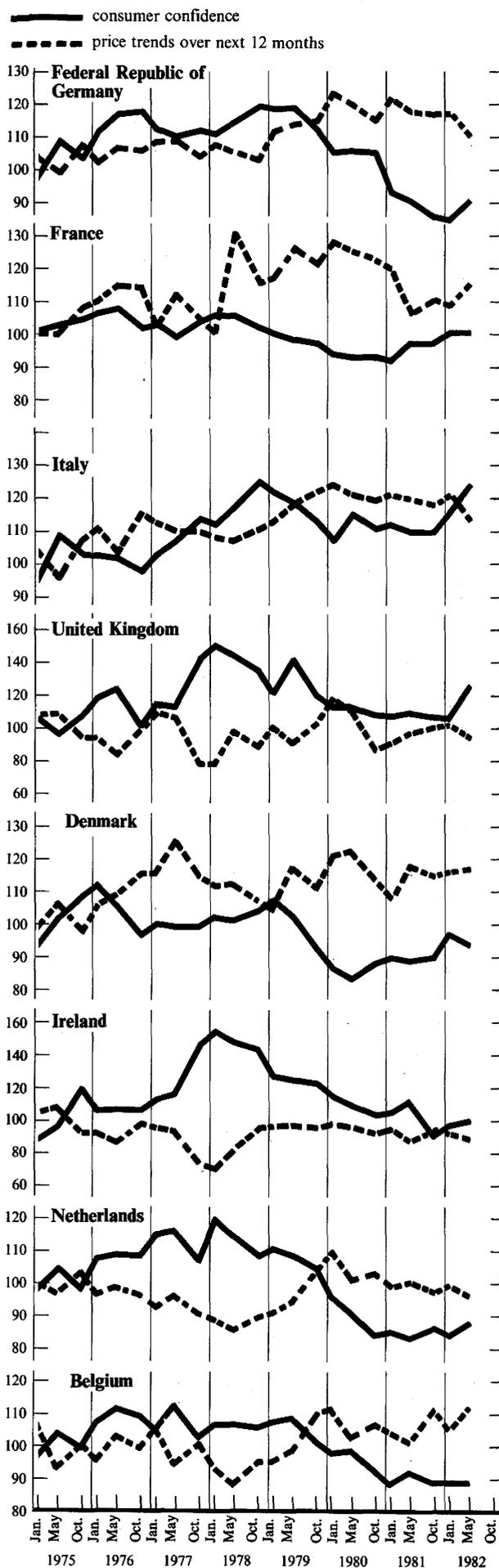
¹ The climate of consumer confidence is measured by an index based on five questions in the consumer survey. These are the questions relating to the general economic situation, the household financial situation and to major purchases of durable goods (see Table on pages 3 and 4 for data and notes).

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.	May
CONSUMER CONFIDENCE INDEX ²	B	103	100	109	106	106	106	96	89	98	99	92	88	92	89	89	89
	DK	90	100	104	99	102	100	85	89	86	82	87	89	88	89	96	93
	D	92	100	112	98	112	113	102	87	102	103	102	90	88	83	82	88
	F	97	100	103	109	102	96	91	93	91	91	91	90	95	95	98	98
	IRL	103	100	105	123	147	123	108	101	114	108	102	103	110	90	96	99
	I	99	100	98	106	116	115	109	108	105	113	108	110	108	108	114	122
	NL	105	100	108	112	114	108	90	85	96	91	84	85	83	86	84	88
	UK	108	100	111	120	140	124	108	104	110	110	105	104	106	104	103	122
	EC 8	98	100	107	107	114	110	99	94	100	100	98	94	95	93	94	100
FINANCIAL SITUATION OF HOUSEHOLDS	B	103	100	100	98	99	100	96	91	96	96	94	92	92	90	88	86
	DK	96	100	104	101	101	99	88	87	92	86	87	88	87	87	91	92
	D	97	100	104	106	109	110	103	91	104	104	102	95	90	89	89	92
	F	99	100	101	100	102	99	96	96	97	96	96	95	97	96	98	99
	IRL	93	100	109	118	148	129	111	102	120	111	102	107	111	87	96	98
	I	104	100	99	105	113	114	113	112	110	116	113	115	111	111	119	119
	NL	101	100	99	102	106	103	93	84	99	93	88	88	82	82	82	82
	UK	103	100	94	88	121	119	102	94	112	100	94	100	92	91	89	100
	EC 8	100	100	101	101	109	108	101	95	103	102	99	98	94	94	95	98
— over last 12 months	B	99	100	103	101	101	100	98	95	97	99	96	92	94	97	93	92
	DK	93	100	102	99	100	97	88	91	88	85	89	90	89	93	90	94
	D	95	100	105	104	106	106	101	92	100	100	102	92	93	90	90	94
	F	95	100	101	99	100	96	94	96	94	95	94	94	98	96	99	98
	IRL	102	100	100	113	128	111	105	99	108	104	102	98	110	89	98	102
	I	98	100	97	99	105	103	101	103	99	102	102	103	102	103	108	107
	NL	101	100	101	107	108	109	97	94	101	100	92	94	93	95	94	98
	UK	107	100	105	110	121	116	103	101	101	105	102	101	103	101	99	109
	EC 8	98	100	102	103	106	105	99	96	98	99	99	96	97	96	97	99
— over next 12 months	B	99	100	103	101	101	100	98	95	97	99	96	92	94	97	93	92
	DK	93	100	102	99	100	97	88	91	88	85	89	90	89	93	90	94
	D	95	100	105	104	106	106	101	92	100	100	102	92	93	90	90	94
	F	95	100	101	99	100	96	94	96	94	95	94	94	98	96	99	98
	IRL	102	100	100	113	128	111	105	99	108	104	102	98	110	89	98	102
	I	98	100	97	99	105	103	101	103	99	102	102	103	102	103	108	107
	NL	101	100	101	107	108	109	97	94	101	100	92	94	93	95	94	98
	UK	107	100	105	110	121	116	103	101	101	105	102	101	103	101	99	109
	EC 8	98	100	102	103	106	105	99	96	98	99	99	96	97	96	97	99
GENERAL ECONOMIC SITUATION	B	135	100	130	134	137	142	110	84	115	118	99	84	94	74	81	80
	DK	75	100	112	100	119	115	77	93	75	66	91	96	92	90	115	101
	D	93	100	150	140	148	160	129	86	131	131	126	98	83	78	73	88
	F	100	100	106	100	108	95	81	83	84	78	80	77	85	87	97	100
	IRL	126	100	121	183	283	195	133	103	153	142	105	108	117	83	82	97
	I	89	100	80	121	169	173	133	123	123	150	125	129	116	124	133	195
	NL	138	100	129	157	169	155	100	80	121	96	82	78	74	90	80	93
	UK	137	100	139	194	311	209	144	122	155	154	121	113	131	121	126	226
	EC 8	103	100	125	130	153	144	112	92	115	114	106	94	91	90	94	116
— over last 12 months	B	87	100	126	112	109	107	88	78	89	94	81	73	83	78	85	90
	DK	75	100	90	78	83	81	62	75	60	59	68	75	74	76	86	74
	D	81	100	113	101	104	106	88	73	85	90	90	72	77	70	69	83
	F	85	100	101	98	101	86	74	89	72	73	75	75	99	94	99	97
	IRL	109	100	99	133	155	117	103	99	106	102	101	96	116	87	92	101
	I	88	100	96	102	113	107	93	94	87	101	92	96	91	95	99	116
	NL	105	100	126	124	124	109	78	86	77	85	72	77	87	95	88	96
	UK	112	100	132	149	148	119	109	112	98	112	116	105	117	112	110	140
	EC 8	88	100	111	108	111	103	87	86	83	89	88	81	91	87	88	99
— over next 12 months	B	114	100	99	100	92	101	107	106	112	102	106	105	101	111	105	112
	DK	125	100	109	118	109	110	118	113	120	121	113	106	117	114	115	116
	D	112	100	101	104	102	110	116	116	120	117	111	119	115	114	114	107
	F	116	100	107	103	113	119	123	110	125	123	120	117	104	108	106	113
	IRL	96	100	91	86	82	95	94	91	97	95	91	94	86	93	91	88
	I	116	100	107	108	106	115	119	117	122	118	117	119	118	116	119	111
	NL	104	100	97	93	88	96	104	99	109	101	103	99	100	97	99	96
	UK	100	100	89	96	86	95	102	93	115	107	83	88	94	98	99	92
	EC 8	111	100	101	102	100	108	114	109	119	115	108	110	108	108	109	106
UNEMPLOYMENT	B	94	100	80	84	89	89	98	104	94	95	104	105	102	106	103	97
	DK	150	100	119	151	151	142	162	161	161	157	170	169	154	159	146	152
	D	131	100	87	106	107	101	116	138	117	116	115	138	131	145	144	124
	F	104	100	86	92	94	104	107	103	104	105	110	115	97	96	95	90
	IRL	91	100	102	84	79	83	98	108	88	99	108	113	100	111	115	111
	I	98	100	96	93	91	91	97	98	94	91	105	97	97	99	102	96
	NL	98	100	86	88	87	83	98	106	93	94	106	110	101	107	108	100
	UK	82	100	82	79	87	85	102	98	104	103	100	103	96	93	92	79
	EC 8	106	100	88	93	94	95	106	111	105	105	109	115	107	111	110	99

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.

Source: European Community consumer survey.

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.	May	
MAJOR PURCHASES	B	110	100	109	107	106	101	92	86	98	92	85	86	87	86	85	88	
	DK	107	100	127	126	124	125	108	98	114	110	100	95	99	101	105	107	
	D	92	100	104	103	108	103	97	84	100	96	96	92	87	72	71	72	
	F	109	100	107	99	101	102	105	97	105	107	102	100	93	96	97	97	
	IRL	100	100	108	118	122	120	108	103	116	104	102	111	107	92	105	93	
	I	120	100	119	125	127	136	141	144	135	143	143	142	151	137	149	143	
	NL	98	100	104	102	95	84	74	63	84	69	68	68	61	59	59	63	
	UK	104	100	111	116	122	123	110	107	116	111	103	108	108	106	105	107	
	EC 8	103	100	108	107	110	108	104	96	107	104	101	100	97	91	92	92	
		B	102	100	95	98	98	99	103	100	:	:	103	99	103	98	98	102
— at present	DK	95	100	98	98	99	101	95	96	97	94	93	96	96	97	98	100	
	D	96	100	101	101	105	105	101	95	103	102	99	97	95	94	93	93	
	F	100	100	102	101	102	100	99	99	100	99	99	99	100	100	100	101	
	IRL	117	100	101	105	110	105	102	99	102	102	103	98	102	96	93	94	
	I	97	100	90	83	80	85	79	77	77	77	82	75	78	79	72	76	
	NL	101	100	99	100	100	94	90	86	94	92	85	87	86	86	86	89	
	UK	103	100	101	104	112	115	106	101	111	107	101	100	102	101	97	103	
	EC 8	99	100	100	100	103	103	98	94	99	98	95	93	94	94	92	94	
	— over next 12 months	B	97	100	98	100	100	104	102	104	100	102	104	106	107	99	104	103
		DK	80	100	102	91	90	93	96	104	92	95	102	107	103	100	106	101
D		87	100	98	96	89	97	94	87	96	95	92	92	91	79	84	86	
F		92	100	96	99	102	101	91	91	95	86	91	93	92	88	91	88	
IRL		103	100	99	98	115	109	106	98	112	105	101	102	101	91	89	88	
I		90	100	93	100	103	101	93	92	97	91	90	95	91	90	99	113	
NL		109	100	96	99	105	111	111	118	110	109	113	114	116	125	125	131	
UK		109	100	99	108	117	123	135	134	143	132	131	135	132	136	134	140	
EC 8		93	100	97	99	99	103	100	97	102	98	99	100	99	93	97	100	
SAVINGS		B	99	100	103	102	100	100	93	92	94	96	89	90	89	98	89	89
	DK	88	100	109	103	104	103	94	95	99	89	92	100	96	89	97	97	
	D	92	100	99	99	98	100	99	85	99	98	99	95	91	69	69	71	
	F	91	100	102	104	107	105	99	101	101	101	97	101	102	99	105	101	
	IRL	105	100	94	101	112	105	103	96	108	98	102	99	101	88	90	96	
	I	104	100	101	112	123	124	126	130	123	127	128	135	128	126	155	147	
	NL	99	100	97	100	104	106	99	98	102	98	98	100	97	98	94	98	
	UK	101	100	96	90	101	101	89	85	97	94	75	86	85	84	83	90	
	EC 8	94	100	100	99	103	104	99	93	101	100	96	98	95	85	87	89	
	— over next 12 months	B	100	100	100	100	100	100	97	96	97	98	96	96	96	96	96	95
DK		97	100	103	103	102	100	96	96	97	95	97	96	97	95	96	97	
D		98	100	101	102	104	104	102	98	102	101	102	102	96	95	95	95	
F		99	100	99	100	100	100	98	98	99	98	97	98	98	97	99	98	
IRL		98	100	102	104	106	104	98	92	104	99	91	93	89	93	96	94	
I		100	100	101	103	106	107	108	108	106	108	108	109	107	107	116	112	
NL		99	100	98	100	105	111	109	108	110	108	108	110	107	107	106	107	
UK		101	100	97	92	97	98	97	97	97	97	95	98	96	96	95	99	
EC 8		99	100	100	100	102	103	101	99	101	101	100	101	99	98	99	99	
FINANCIAL SITUATION OF HOUSEHOLDS		B	100	100	100	100	100	100	97	96	97	98	96	96	96	96	96	95
	DK	97	100	103	103	102	100	96	96	97	95	97	96	97	95	96	97	
	D	98	100	101	102	104	104	102	98	102	101	102	102	96	95	95	95	
	F	99	100	99	100	100	100	98	98	99	98	97	98	98	97	99	98	
	IRL	98	100	102	104	106	104	98	92	104	99	91	93	89	93	96	94	
	I	100	100	101	103	106	107	108	108	106	108	108	109	107	107	116	112	
	NL	99	100	98	100	105	111	109	108	110	108	108	110	107	107	106	107	
	UK	101	100	97	92	97	98	97	97	97	97	95	98	96	96	95	99	
	EC 8	99	100	100	100	102	103	101	99	101	101	100	101	99	98	99	99	
	— index of net acquisition of financial assets	B	100	100	100	100	100	100	97	96	97	98	96	96	96	96	96	95
DK		97	100	103	103	102	100	96	96	97	95	97	96	97	95	96	97	
D		98	100	101	102	104	104	102	98	102	101	102	102	96	95	95	95	
F		99	100	99	100	100	100	98	98	99	98	97	98	98	97	99	98	
IRL		98	100	102	104	106	104	98	92	104	99	91	93	89	93	96	94	
I		100	100	101	103	106	107	108	108	106	108	108	109	107	107	116	112	
NL		99	100	98	100	105	111	109	108	110	108	108	110	107	107	106	107	
UK		101	100	97	92	97	98	97	97	97	97	95	98	96	96	95	99	
EC 8		99	100	100	100	102	103	101	99	101	101	100	101	99	98	99	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, washingmachine, 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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