

EUROPEAN ECONOMY

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Supplement C

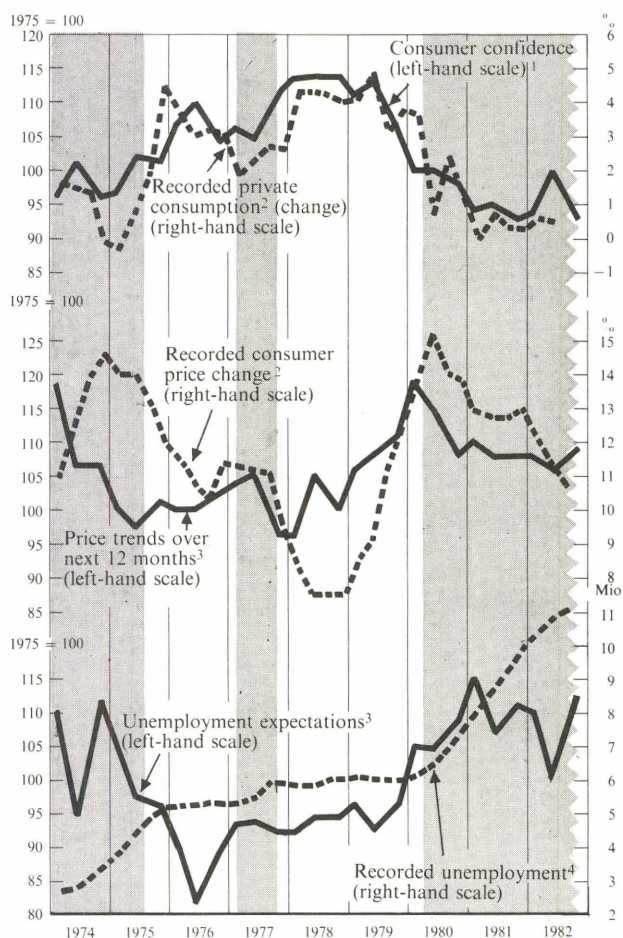
Economic prospects - consumer survey results

Renewed decline in consumer sentiment. — Consumers' assessments of general economic conditions and of their own financial situations have worsened sharply, according to the Community-wide survey undertaken in October 1982, compared to May. Results of this survey show that the state of consumer confidence in the Community as a whole in October had fallen to a level similar to that expressed in the October 1981 and January 1982 surveys. Although the consumer survey data are subject to a certain degree of volatile fluctuation, the succession of a sharp improvement in consumer sentiment in the Community as a whole, as seen in May 1982, by an equally strong deterioration in the subsequent survey, as in October 1982, is unusual in the 10-year history of the survey. Consumers' hopes of an imminent recovery from the recession, as expressed in May, have evidently been replaced by renewed uncertainty about the current economic situation and pessimism with respect to future prospects. Since consumer expenditure has been seen in the past to be related to the level of consumer confidence, the outlook for such spending at Community level, over the next few months at least, is one of stagnation or very slow increase, thus continuing the trend observed in expenditure data since early 1981 (see Graph 1).

The consumer confidence index. — For the Community as a whole, the composite index of consumer confidence, based on five questions, fell by 7 points between May and October 1982 (see Table and Graph 1), following a 6-point rise between January and May. The worsening of sentiment recorded in October for the Community as a whole was observed systematically in all the member countries except for the United Kingdom, where the index increased by one point in comparison with the May survey. In view of the fact that the confidence index had risen by 19 points between January and May in the United Kingdom, the slight improvement in October shows that consumers in that country are now significantly more optimistic about economic prospects than at the beginning of the year. Of the countries reporting lower levels of consumer confidence, the largest deterioration was in Italy (13 points), followed by Ireland and the Netherlands (both 10 points), the Federal Republic of Germany and France (both 7 points). The decreases were relatively limited in Belgium (1 point) and Denmark (3 points). The confidence indices for Belgium, the Federal Republic of Germany and the Netherlands now stand at historically low levels, and those for France and Ireland are only slight above the lowest recorded figures. The marked worsening of opinions of consumers in France and Italy is a reversal of the more optimistic results suggested by recent surveys in these countries.

Pessimistic views of economic prospects. — Looking behind the consumer confidence index to the individual survey questions on which it is based, both the indicators of consumers' assessments of current economic conditions in the Community and of their likely development in the next 12 months fell considerably in October. Consumers viewed the current economic situation less favourably in all the countries covered by the survey except in Belgium, where the indicator rose significantly. The largest decline in the indicator of judgements on the present state of the economy was registered in Italy (-60 points) and Ireland (-43 points), followed by the Netherlands (-17 points), Denmark (-15 points), the Federal Republic of Germany (-17 points) and France (-17 points). A similar pattern emerged from the trend in expectations of economic trends during the next 12 months, although consumers in Denmark were less pessimistic in October than in May and opinion in Belgium was unchanged.

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.

Consumers in the Community have also become clearly more pessimistic about the likely trend in unemployment over the next 12 months (see Graph 1). Following the marked improvement in this indicator in May, the October survey registered a level of unemployment expectations comparable again to those of the October 1981 and January 1982 surveys. Unemployment prospects were viewed less favourably in every country, the increased pessimism being most notable in the Federal Republic of Germany (where unemployment expectations increased by 25 points), the Netherlands (by 12 points), the United Kingdom, France and Ireland (by 12, 10 and 9 points, respectively).

Households' financial situations. — Consumers' perceptions of their own financial positions deteriorated significantly in October as compared to May, for the Community as a whole. The indicator of opinions on the current household financial situation, compared to a year earlier, fell in all the countries, except for Denmark, where the level was stable, and the United Kingdom, where the index rose markedly for the second successive time. The sharpest falls occurred in Italy, the Federal Republic of Germany, France and Belgium. With regard to the expected development during the next 12 months, consumers were more pessimistic in October than in May in all countries, except for the United Kingdom.

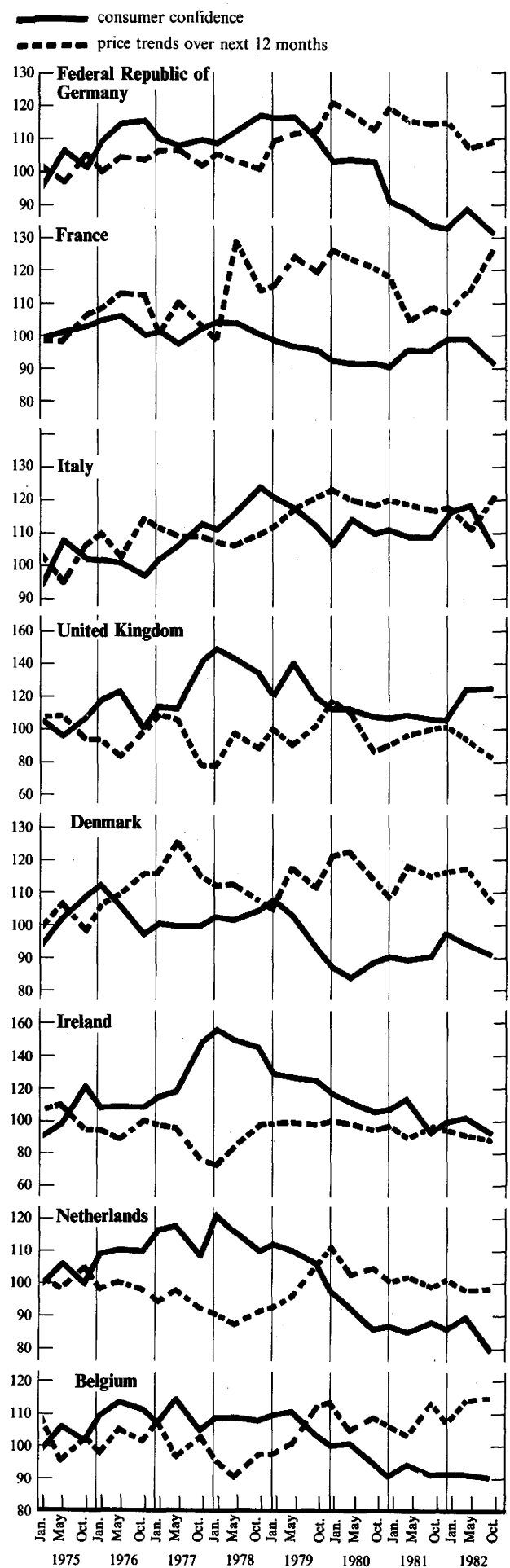
Inflationary expectations slightly higher. — EC consumers' perceptions of the inflation during the past year were markedly lower in October than in May (see Graph 1). More than half of the 5-point fall in the relevant Community indicator is attributable, however, to the large decrease in the figure for France, which was subject to a price freeze at the time of the survey. Nevertheless, only in Italy were assessments of past inflation higher than in May, and in the Netherlands and the United Kingdom they were also significantly lower. *Expectations of inflation for the next 12 months rose in October, as compared to May, for the Community as a whole, but this movement was again strongly influenced by a large increase in the French indicator, as consumers expected a renewed acceleration of inflation. Italian consumers also envisaged faster price increases, while the indicators for Denmark and the United Kingdom fell sharply. The corresponding figures in the remaining countries showed little change.*

Outlook for consumer expenditure and savings. — The results for the survey questions relating directly to consumer spending in terms of the advisability of making major purchases (of consumer durables) at present, and expectations of effecting such expenditure during the next 12 months, indicate that no immediate expansion in consumers' demand is likely, which is consistent with the low level of consumer confidence as indicated by the more general questions. The Community indicators for both questions remain close to the low levels of the surveys carried out since October 1981. This conceals some movement with respect to individual countries, as consumers in France and the United Kingdom appear to be more disposed towards expenditure, while those in Belgium, Denmark, Ireland and the Netherlands showed less willingness to spend.

The Community indicator on the advisability of *saving* showed little change in October as compared to May. Consumers in Denmark and Ireland considered that it had become more advantageous to save, while the index for the United Kingdom fell. Expectations of saving over the next 12 months in the Community as a whole were lower in October than in May, and in no individual country were they significantly higher. The savings' indicator fell most sharply in Italy, France and the Federal Republic of Germany.

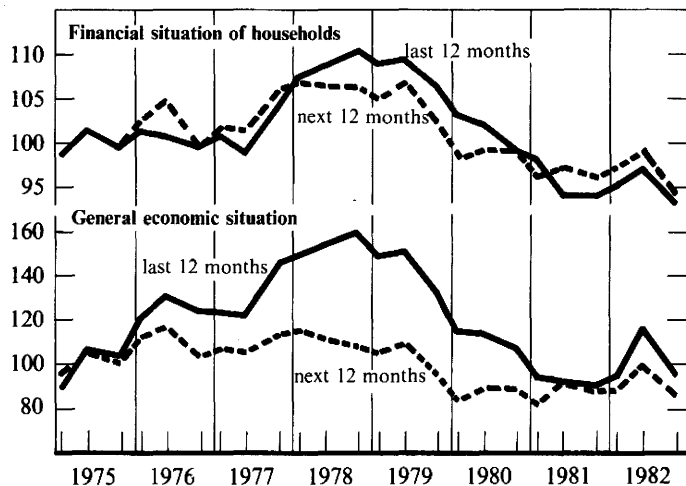
10 December, 1982

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



Source: European Community consumer survey.

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.

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

		1974	1975	1976	1977	1978	1979	1980	1981	1982	1981			1982			
												Jan.	May	Oct.	Jan.	May	Oct.
CONSUMER CONFIDENCE INDEX ²	B	103	100	109	106	106	106	96	89	89	88	92	89	89	89	88	
	DK	90	100	104	99	102	100	85	89	93	89	88	89	89	96	93	90
	D	92	100	112	108	112	113	102	87	84	90	88	83	82	88	81	
	F	97	100	103	99	102	96	91	93	96	90	95	95	98	98	91	
	IRL	103	100	105	123	147	123	108	101	95	103	110	90	96	99	89	
	I	99	100	98	106	116	115	109	108	113	110	108	108	116 ^R	118 ^R	105	
	NL	105	100	108	112	114	108	90	85	83	85	83	86	84	88	78 ^P	
	UK	108	100	111	120	140	124	108	104	116	104	106	104	103	122	123	
	EC 8	98	100	107	107	114	110	99	94	96	94	95	93	94	100	93	
FINANCIAL SITUATION OF HOUSEHOLDS	B	103	100	100	98	99	100	96	91	85	92	92	90	88	86	81	
	DK	96	100	104	101	101	99	88	87	92	88	87	87	91	92	92	
	D	97	100	104	106	109	110	103	91	89	95	90	89	89	92	86	
	F	99	100	101	100	102	99	96	96	97	95	97	96	98	99	93	
	IRL	93	100	109	118	148	129	111	102	97	107	111	87	96	98	97	
	I	104	100	99	105	113	114	113	112	115	115	111	111	120 ^R	116 ^R	109	
	NL	101	100	99	102	106	103	93	84	81	88	82	82	82	82	80 ^P	
	UK	103	100	94	88	121	119	102	94	99	100	92	91	89	100	106	
	EC 8	100	100	101	101	109	108	101	95	95	98	94	94	95	97 ^R	93	
	B	99	100	103	101	101	100	98	95	92	92	94	97	93	92	90	
	DK	93	100	102	99	100	97	88	91	93	90	89	93	94	96	88	
	D	95	100	105	104	106	106	101	92	90	92	93	90	90	94	87	
	F	95	100	101	99	100	96	94	96	96	94	98	96	99	98	92	
	IRL	102	100	100	113	128	111	105	99	99	98	110	89	98	102	97	
	I	98	100	97	99	105	103	101	103	105	103	102	103	108	106 ^R	100	
NL	101	100	101	107	108	109	97	94	93	94	93	95	94	98	87 ^P		
UK	107	100	105	110	121	116	103	101	107	101	103	101	99	109	114		
EC 8	98	100	102	103	106	105	99	96	97	96	97	96	97	99	94		
GENERAL ECONOMIC SITUATION	B	135	100	130	134	137	142	110	84	84	84	94	74	81	80	90	
	DK	75	100	112	100	119	115	77	93	101	96	92	90	115	101	86	
	D	93	100	150	140	148	160	129	86	77	98	83	78	73	88	71	
	F	100	100	106	100	108	95	81	83	94	77	85	87	97	100	83	
	IRL	126	100	121	183	283	195	133	103	78	108	117	83	82	97	54	
	I	89	100	80	121	169	173	133	123	149	129	116	124	143 ^R	182 ^R	122	
	NL	138	100	129	157	169	155	100	80	81	78	74	90	80	93	70 ^P	
	UK	137	100	139	194	311	209	144	122	190	113	131	121	126	226	218	
	EC 8	103	100	125	130	153	144	112	92	101	94	91	90	94	115 ^R	95	
	B	87	100	126	112	109	107	88	78	88	73	83	78	85	90	90	
	DK	75	100	90	78	83	81	62	75	81	75	74	76	86	74	84	
	D	81	100	113	101	104	106	88	73	74	72	77	70	69	83	70	
	F	85	100	101	98	101	86	74	89	92	75	99	94	99	97	81	
	IRL	109	100	99	133	155	117	103	99	92	96	116	87	92	101	84	
	I	88	100	96	102	113	107	93	94	101	96	91	95	103 ^R	111 ^R	88	
NL	105	100	126	124	124	109	78	86	86	77	87	95	88	96	73 ^P		
UK	112	100	132	149	148	119	109	112	128	105	117	112	110	140	134		
EC 8	88	100	111	108	111	103	87	86	91	81	91	87	89 ^R	99	86		
PRICE TRENDS	B	100	100	98	95	81	79	84	86	90	85	83	90	88	91	91	
	DK	111	100	96	100	94	92	96	96	95	90	99	100	96	94	94	
	D	111	100	95	89	80	87	100	106	101	102	108	107	105	99	99	
	F	108	100	100	98	91	96	102	101	92	101	100	102	98	96	81	
	IRL	103	100	100	97	84	96	99	100	100	99	100	101	101	101	100	
	I	104	100	101	99	91	94	99	98	94	98	99	97	96 ^R	91 ^R	96	
	NL	103	100	100	95	78	76	86	89	87	87	91	90	89	88	83 ^P	
	UK	100	100	96	100	82	90	96	86	80	86	86	86	86	79	74	
	EC 8	107	100	98	96	85	90	98	98	92	96	98	98	97	93	88	
	B	114	100	99	100	92	101	107	106	110	105	101	111	105	112	113	
	DK	125	100	109	118	109	110	118	113	112	106	117	114	115	116	106	
	D	112	100	101	104	102	110	116	116	110	119	115	114	114	107	109	
	F	116	100	107	103	113	119	123	110	115	117	104	108	106	113	126	
	IRL	96	100	91	86	82	95	94	91	88	94	86	93	91	88	86	
	I	116	100	107	108	106	115	119	117	116	119	118	116	117 ^R	111	121	
NL	104	100	97	93	88	96	104	99	98	99	100	97	99	96	97 ^P		
UK	100	100	89	96	86	95	102	93	91	88	94	98	99	92	82		
EC 8	111	100	101	102	100	108	114	109	108	110	108	108	108 ^R	106	109		
UNEMPLOYMENT	B	94	100	80	84	89	89	98	104	100	105	102	106	103	97	101	
	DK	150	100	119	151	151	142	162	161	151	169	154	159	146	152	155	
	D	131	100	87	106	107	101	116	138	139	138	131	145	144	124	149	
	F	104	100	86	92	94	104	107	103	95	115	97	96	95	90	100	
	IRL	91	100	102	84	79	83	98	108	115	113	100	111	115	111	120	
	I	98	100	96	93	91	91	97	98	101	97	97	99	101 ^R	98 ^R	104	
	NL	98	100	86	88	87	83	98	106	107	110	101	107	108	100	112 ^P	
	UK	82	100	82	79	78	85	102	98	87	103	96	93	92	79	91	
	EC 8	106	100	88	93	94	95	106	111	107	115	107	111	110	100 ^R	113	

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.

R Revised.

P Provisional.

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	1982	1981			1982			
											Jan.	May	Oct.	Jan.	May	Oct.	
MAJOR PURCHASES	B	110	100	109	107	106	101	92	86	86	86	87	86	85	88	84	
	DK	107	100	127	126	124	125	108	98	103	95	99	101	105	107	98	
	D	92	100	104	103	108	103	97	84	72	92	87	72	71	72	73	
	F	109	100	107	99	101	102	105	97	99	100	93	96	97	97	102	
	IRL	100	100	108	118	122	120	108	103	94	111	107	92	105	93	85	
	I	120	100	119	125	127	136	141	144	140	142	151	137	147 ^R	138 ^R	136	
	NL	98	100	104	102	95	84	74	63	60	68	61	59	59	63	58 ^P	
	UK	104	100	111	116	122	123	110	107	107	108	108	106	105	107	109	
	EC 8	103	100	108	107	110	108	104	96	92	100	97	91	92	92	93	
	— at present	B	102	100	95	98	98	99	103	100	100	99	103	98	98	102	98
		DK	95	100	98	98	99	101	95	96	98	96	96	97	98	100	97
		D	96	100	101	101	105	105	101	95	92	97	95	94	93	93	90
	F	100	100	102	101	102	100	99	99	101	99	100	100	100	101	101	
	IRL	117	100	101	105	110	105	102	99	93	98	102	96	93	94	93	
	I	97	100	90	83	80	85	79	77	75	75	78	79	72	76	76	
	NL	101	100	99	100	100	94	90	86	86	87	86	86	86	89	83 ^P	
	UK	103	100	101	104	112	115	106	101	102	100	102	101	97	103	104	
	EC 8	99	100	100	100	103	103	98	94	93	93	94	94	92	94	92	
SAVINGS	B	97	100	98	100	100	104	102	104	104	106	107	99	104	103	104	
	DK	80	100	102	91	90	93	96	104	105	107	103	100	106	101	109	
	D	87	100	98	96	89	97	94	87	84	92	91	79	84	86	82	
	F	92	100	96	99	102	101	91	91	89	93	92	88	91	88	88	
	IRL	103	100	99	98	115	109	106	98	92	102	101	91	89	88	99	
	I	90	100	93	100	103	101	93	92	107	95	91	90	100 ^R	112 ^R	109	
	NL	109	100	96	99	105	111	111	118	128	114	116	125	125	131	101	
	UK	109	100	99	108	117	123	135	134	135	135	132	136	134	140	132	
	EC 8	93	100	97	99	99	103	100	97	97	100	99	93	97	100	101	
	— at present	B	99	100	103	102	100	100	93	92	89	90	89	98	89	89	87
		DK	88	100	109	103	104	103	94	95	96	100	96	89	97	97	94
		D	92	100	99	99	98	100	99	85	69	95	91	69	69	71	66
	F	91	100	102	104	107	105	99	101	101	101	102	99	105	101	96	
	IRL	105	100	94	101	112	105	103	96	92	99	101	88	90	96	90	
	I	104	100	101	112	123	124	126	130	144	135	128	126	155	142 ^R	134	
	NL	99	100	97	100	104	106	99	98	96	100	97	98	94	98	97 ^P	
	UK	101	100	96	90	101	101	89	85	88	86	85	84	83	90	91	
	EC 8	94	100	100	99	103	104	99	93	87	98	95	85	87	88 ^R	84	
FINANCIAL SITUATION OF HOUSEHOLDS	B	100	100	100	100	100	100	97	96	95	96	96	96	96	95	93	
	DK	97	100	103	103	102	100	96	96	96	96	97	95	96	97	97	
	D	98	100	101	102	104	104	102	98	94	102	96	95	95	95	92	
	F	99	100	99	100	100	100	98	98	98	98	98	97	99	98	97	
	IRL	98	100	102	104	106	104	98	92	95	93	89	93	96	94	93	
	I	100	100	101	103	106	107	108	108	112	109	107	107	115 ^R	111 ^R	109	
	NL	99	100	98	100	105	111	109	108	107	110	107	107	106	107	108 ^P	
	UK	101	100	97	92	97	98	97	97	97	98	96	96	95	99	99	
	EC 8	99	100	100	100	102	103	101	99	99	101	99	98	99	99	98	
	— index of net acquisition of financial assets	B	100	100	100	100	100	100	97	96	95	96	96	96	96	95	93
		DK	97	100	103	103	102	100	96	96	96	96	95	96	97	97	
		D	98	100	101	102	104	104	102	98	94	102	96	95	95	95	92
	F	99	100	99	100	100	100	98	98	98	98	98	97	99	98	97	
	IRL	98	100	102	104	106	104	98	92	95	93	89	93	96	94	93	
	I	100	100	101	103	106	107	108	108	112	109	107	107	115 ^R	111 ^R	109	
	NL	99	100	98	100	105	111	109	108	107	110	107	107	106	107	108 ^P	
	UK	101	100	97	92	97	98	97	97	97	98	96	96	95	99	99	
	EC 8	99	100	100	100	102	103	101	99	99	101	99	98	99	99	98	

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 (until October 1981) and the Netherlands, surveys are undertaken three times a year (in January, May and October), by means of random sampling of households. In Italy the survey has been on a monthly basis since January 1982. 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 these countries, based on quota sampling of adults. For the three countries where monthly surveys are undertaken, results published here are in the form of centred three-month averages (e.g. October's result is the average of September, October and November).

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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