



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION**

**JOINT HARMONISED EU PROGRAMME OF BUSINESS AND CONSUMER  
SURVEYS**

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#### **1. INTRODUCTION**

The Ecofin Council report to the European Council on 11 and 12 December 1999 in Helsinki on “Economic policy co-ordination” (13123/1/99 Rev 1) called for an effective monitoring of economic policies in stage three of Economic and Monetary Union (EMU). For this purpose, the Council considered the improved understanding of economic developments an essential prerequisite.

According to the Treaty, the Commission has an important role in informing the EU authorities, the Member States and the various economic agents on the economic situation and prospects, both at national and at Community level. One of the instruments to obtain timely information on economic developments are business and consumer surveys. For this reason, the Commission, through its Directorate General for Economic and Financial Affairs, co-ordinates regular and harmonised business and consumer surveys in different economic sectors in the EU Member States and the candidate countries.

#### **2. THE NEED FOR A JOINT HARMONISED EU PROGRAMME**

The regular business and consumer surveys of the joint harmonised EU Programme are qualitative economic surveys, intended for short-term economic analysis. The surveys are mainly used for qualitative economic analysis but increasingly also for quantitative economic research. Particularly, in recent years a variety of economic short-term forecasting methods have been developed that make use of the information provided in business and consumer surveys. Very often these models outperform traditional econometric models in forecasting macro-economic developments. More specifically, business and consumer survey data are increasingly used in predicting turning points in the economic cycle. Besides the surveys of the joint harmonised EU Programme, various other surveys of Commission services exist, such as from the Directorates-General for Enterprise and Industry, Employment and Communication. The approach of these surveys is different from those of the joint harmonised EU Programme since they are intended for long-term economic analysis and thus enquire about the various structural determinants of growth and employment.

The attractiveness of the survey data for qualitative and quantitative analysis stems from the fact that the survey data are normally available ahead of the quantitative information from other sources, which they are correlated with. The high frequency and continuous harmonisation of the surveys are some of their other main qualities. For this reason, business and consumer surveys have become an indispensable complement of quantitative statistical surveys, from which they differ in methods and use. As noted by the recent report of an external evaluation of the Joint

Harmonised EU Programme of Business and Consumer Surveys (BCS)<sup>1</sup>, the surveys can be considered a highly effective instrument to monitor the economic situation in the EU, the euro area and the Member States.

### 3. IMPLEMENTATION OF THE PROGRAMME

The harmonised business and consumer surveys in the European Union were initialised in 1961 by the Commission. The first survey was the harmonised business survey in industry conducted in 1962. Since then, both the scope and the sectors covered by the surveys have expanded considerably. Particularly, the sector for private services, which accounts for an increasing share in the overall economy, has been included in the programme. In 2006, a pilot survey in the financial services sector was launched. The high sensitivity of this sector regarding confidentiality and the sector's idiosyncracities in term of cyclical behaviour have been the motives behind the separation of this survey from the general service sector survey.

Over the past years, the surveys have been extended to cover all (post-enlargement) Members States as well as the candidate countries<sup>2</sup>. The integration of the candidate countries into the programme at an early stage is necessary in order to provide reliable and comparable data to follow their economic evolution at present, and for the elaboration of correct EU aggregates once these countries become members of the EU. Due to an early integration of the countries involved, the recent enlargement of the EU was reflected in the Programme by a smooth and timely transition to new aggregate indicators.

The surveys are carried out at national level by collaborating institutions such as ministries, statistical institutes, central banks, economic research institutes, business associations and private companies. These institutions work with harmonised survey questionnaires elaborated in co-operation with the Commission services. The surveys feature also a number of other common elements in the area of sample design, field work and data transmission.

Conducting the surveys in accordance with a common methodology, in particular a harmonised questionnaire, leads to a better comparability of the data between different Member States and allows the construction of meaningful aggregated business cycle indicators for the euro area and the EU. Since this positive externality of harmonisation occurs mainly at EU and euro area level rather than at the level of the national survey-conducting institutions, the Commission decided from the outset to support the activity of the collaborating institutions with action grants (COM (61) PV 165 final, 15 November 1961). These grants, which are limited to a maximum of 50% of the costs of the action, also intend to cover the incremental costs that arise initially from the inclusion of additional harmonised questions or the addition of new sectors and branches in the surveys and/or the change of certain questions from a non-harmonised type to a harmonised one. In contrast, where the national survey conducting institutions have no clear interest or vocation in conducting a particular

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<sup>1</sup> The European Evaluation Consortium, Evaluation of Business and Consumer Surveys, Final Report, 22 April 2005

<sup>2</sup> The BCS are part of the annual work programme of the Directorate General Economic and Financial Affairs and are authorised by means of a financing decision adopted by the Commission

type of survey, the Commission concludes a service contract with the selected survey conducting entity. In such cases the Commission covers the full cost of the survey.

The continuous development of the Joint Harmonised BCS Programme gave significant impulses to the advance of business and consumer surveys outside the EU. As mentioned in the above-cited evaluation report, the harmonised scheme of the European Union has been increasingly adopted as the international standard. Business and consumer surveys following the harmonised methodology are not only carried out in the 25 EU Member States and all candidate countries but also in a number of other countries, particularly in Central and Eastern Europe (e.g. Russia and Albania). In this regard, the EU harmonised surveys continue to serve as a benchmark for future co-operation. In particular, future applicant countries will be integrated in the programme as soon as membership negotiations with the European Union start.

The business surveys are addressed to managers in industry, construction, retail trade and services. The consumer surveys are addressed to private households. With the exception of the investment survey in industry all surveys are carried out on a monthly basis with some questions added every quarter. The investment survey is conducted twice a year. The number of questions varies between areas and lies between 6 and 15.

The data is normally collected in the first half of the month and transmitted to the Commission services around one week before the end of the month. More than 100,000 firms and over 30,000 consumers are surveyed each month in the EU, the samples varying in accordance with the size of the country. The industry survey covers 56 sectors whereas the other surveys include 5 to 9 different sectors. The consumers are split into 25 socio-economic categories.

A quarterly survey addressed to economic experts around the world, the World Economic Survey, is also included in the Programme and gives information about economic developments on a global scale.

In addition, “*ad hoc*” surveys are conducted on issues of particular interest. As an example, *ad hoc* surveys concerning the labour market have been carried out with a periodicity of around five years. The results of the most recent survey of June 2004, which focused on labour market flexibility and the impact of new technologies on the performance of the EU labour market, has been published in 2005.

All questionnaires are constantly updated to meet the requirements of economic analysts. The Commission services organise regularly (once or twice a year) meetings with business survey experts in order to update the questionnaires, discuss issues of harmonisation and data presentation, and evaluate the results of the surveys. Occasionally, workshops and working groups are organised, which are addressed to a wider set of interested parties (including, e.g., user groups) with the purpose of developing certain aspects of the programme or discussing issues of common interest between EU and non-EU countries. Such workshops are sometimes organised in co-operation with other international bodies such as the OECD.

The maintenance and development of the database available at the Commission services, in which the data of the BCS Programme is stored, requires specialised

software and the maintenance and development of appropriate tools to handle and analyse statistically and econometrically large quantities of time series data. Such tools include, for instance, procedures for assuring data consistency, the pre-adjustment and seasonal adjustment of the data or the construction and development of appropriate composite indicators. While most of these tasks are covered by the staff of the Commission services, in certain specific areas external expertise by specialised companies is sought after. Such technical assistance is limited to highly technical parts of the process at the end of the production chain and provides for a more efficient management of the Programme.

#### **4. PUBLICATION**

The results of the surveys are used as such or summarised in composite indicators (economic sentiment and confidence indicators). The purpose of these composite indicators is to synthesise the information contained in the survey data and make the presentation of survey results more easily accessible. As timeliness is a key advantage of the survey data, the period between the transmission of the data from the national institutes and publication of the results by the Commission services has been shortened in successive steps over the past years. The results are now published on the last working day of the month during which the data was collected. The release of the data is accompanied by a press release. Monthly updated survey results, containing the data over the whole survey period, can be downloaded from the Internet at:

[http://europa.eu.int/comm/economy\\_finance/indicators/businessandconsumersurveys\\_en.htm](http://europa.eu.int/comm/economy_finance/indicators/businessandconsumersurveys_en.htm)

More detailed results, e.g. broken down by sectors, can be obtained from the Commission services on request. While previously such data was provided only against a fee, in accordance with the new policy these data are now provided free of charge.

#### **5. USE OF THE INFORMATION**

The fact that the business and consumer survey results are available rapidly and that they contain information about economic agents' expectations makes them valuable for forecasting purposes.

The results of the surveys are intensively used by the Commission services as an indispensable tool for economic surveillance. This includes their use in the semi-annual macroeconomic forecasts and in the analysis of business cycle developments (e.g. determination of turning points). Some of the structural information contained (e.g. opinions on employment perspectives) are also used by various Commission services.

The surveys have become a fundamental source of information for monitoring the evolution of EMU. For instance, the European Central Bank uses these results as significant input for the assessment of the economic situation in the euro area.

Apart from the main actors in the field of economic policy at European level, the business and consumer survey results are also used by various international

organisations, such as the OECD, and national public and private bodies for the construction of concurrent and leading economic indicators and, more generally, for forecasting purposes.

## 6. EVALUATION

For the economic sentiment indicator and other sector indicators to be useful, they must possess a series of properties such as consistency, timeliness, comparability, etc. Moreover, the quality of the indicators needs to be continuously examined by looking at their performance of tracking the macro-economic aggregates they represent. At the most aggregate level, the indicators should be able to track sufficiently well the development of GDP growth. A good tracking performance is also necessary for confidence indicators at sector level (industry, services, consumption etc.) in relation to their macro-economic reference variables (e.g. GDP, industrial production, gross value added of the private services sector, private consumption expenditure). The tracking record of the indicators needs to be continuously evaluated and modifications and improvements are to be made in line with the outcome of these evaluations. Various research projects and studies are being undertaken on a regular basis to develop new sector indicators or improve the existing ones in order to better follow the economic evolution.

While the utility of the programme for the work of various EU bodies and international organisations in the domain of economic policy has been demonstrated without doubt there is also a need to evaluate its usefulness, efficiency and effectiveness from an outside perspective. For this reason, a specialised consortium was engaged to carry out an evaluation of the existing programme as a whole. This evaluation addressed, amongst others, the following issues:

- Survey quality and survey programme effectiveness
- Efficiency and alternative contractual arrangements
- Likely consequence of discontinuing EU co-financing
- Users' future needs

The report (ECFIN/196/2004/385636, 22 April 2005) concludes that, while progress needs to be made on a continuous basis, the survey programme has largely met the quality requirements of the users in all respects, with the surveys considered to be a highly reliable and relevant instrument to monitor macroeconomic developments. The grant-based survey programme can be considered as cost-effective and any change in contractual arrangements such as a move to service contracts or to a centralised survey scenario would carry the risk of a substantial loss of important economic information. Likewise, a discontinuation of co-financing the surveys by the European Commission is likely to lead to the loss of harmonised European data. Users' future information needs include, *inter alia*, a further detailing of the services survey, more information on the financial situation of households and firms and more detailed data on the labour market.

## **7. REPORTING**

The Commission will present every three years, starting in 2008, a report on the implementation of the Programme in 2006-2008, giving an overview regarding methodological developments and the use of the information provided by the programme.

## **8. CONCLUSION**

The results of the harmonised business and consumer surveys in the EU have become an important source of information for all those concerned with economic trends: public institutions, business management, researchers and, above all, economic decision-makers both at national and EU/euro area level. The survey data has become an indispensable tool for economic surveillance in the EU and for monitoring the economic prospects of the Economic and Monetary Union as well as the development of the candidate countries' economies. The Commission will assure that the programme will also fulfil this role in the future by constantly enhancing and improving its features thereby allowing it to continue to provide essential information for the purpose of economic decision making in the European Union.

## Annex I

### Graph: Economic sentiment, sectoral confidence and GDP in the euro area

