

EUROPEAN ECONOMY

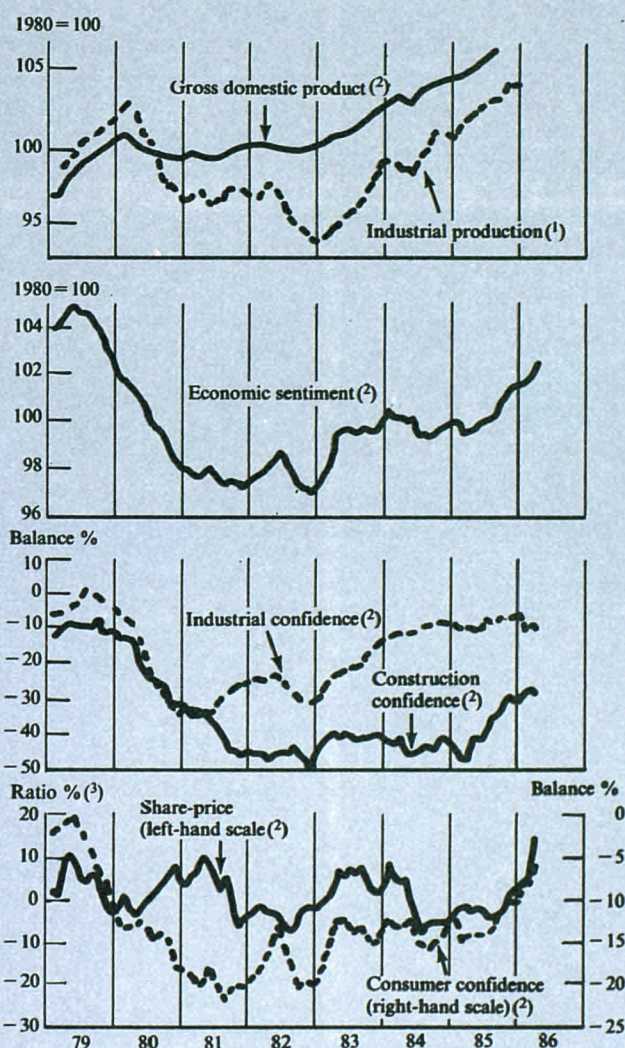
COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement B — No 4 — April 1986

Business and consumer survey results

*In this number:
Survey in industry on
'Labour Market Flexibility'*

GRAPH 1: Indicators of output and economic sentiment — European Community.



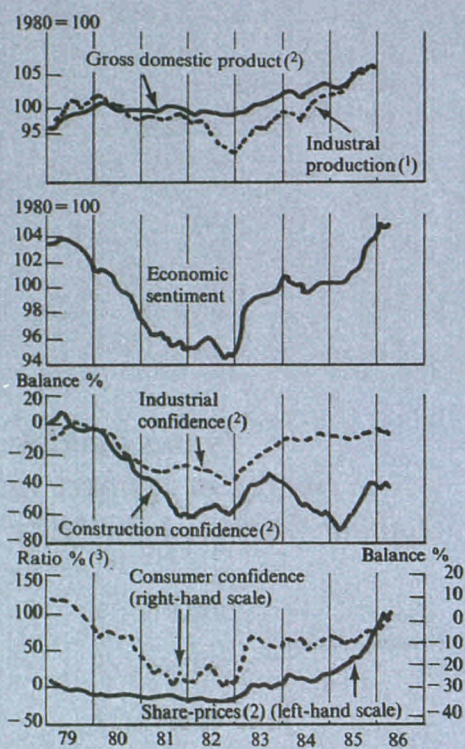
THE MAIN POINTS IN BRIEF

- A sharp rise in the European leading indicator in March. Private consumption is providing the main impetus. The industrial confidence indicator is unchanged.
- The assessment of export orders is more unfavourable in the Federal Republic of Germany and in the United Kingdom, in particular.
- Industrial firms indicate the employment of almost 3% more people than planned in the next twelve months if important changes on the labour market were to come about (see last two pages).

(¹) Three-month moving average.
(²) See notes to Table 2.
(³) Deviations from trend in %.

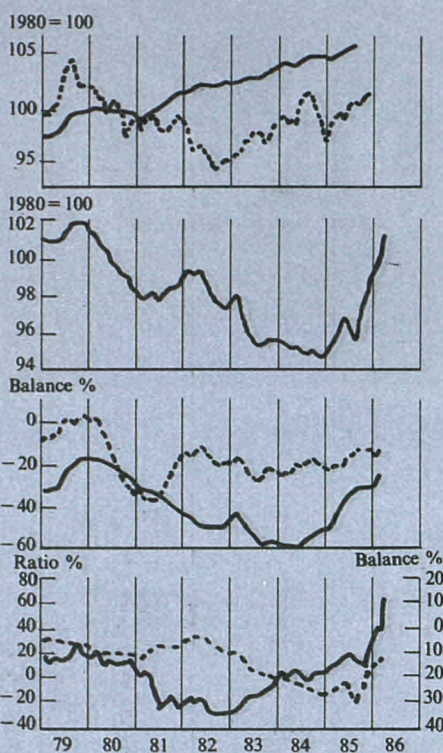
GRAPH 2-9: Indicators of output and economic sentiment

GRAPH 2: Federal Republic of Germany



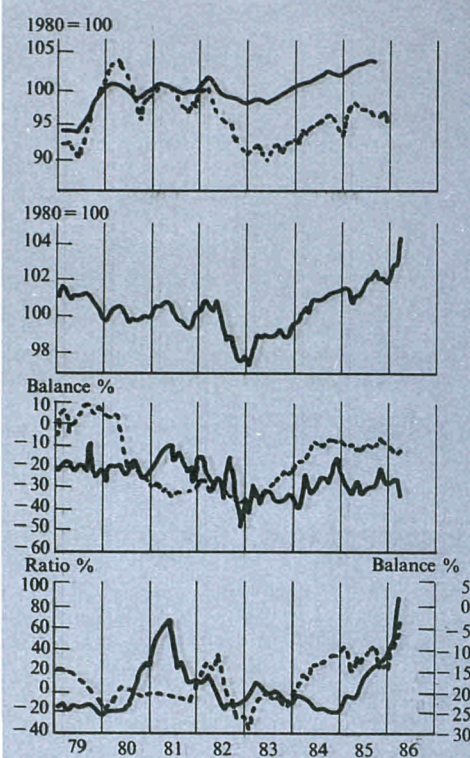
(1) Three-month moving average.
(2) See notes to Table 2.
(3) Deviations from trend in %.

GRAPH 3: France



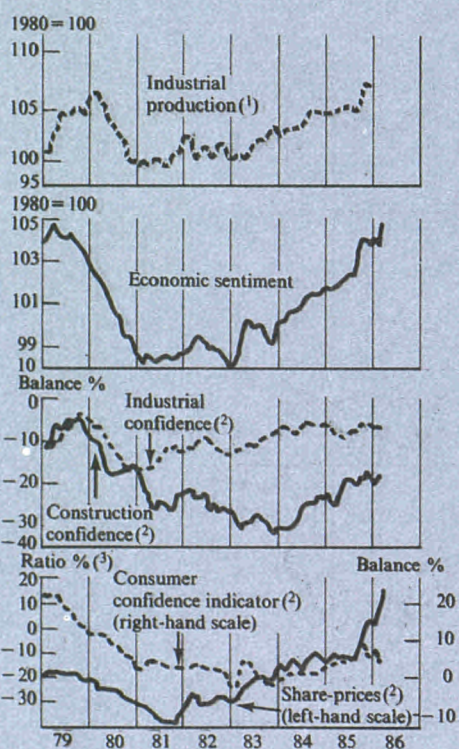
For explanations, see Graph 2.

GRAPH 4: Italy



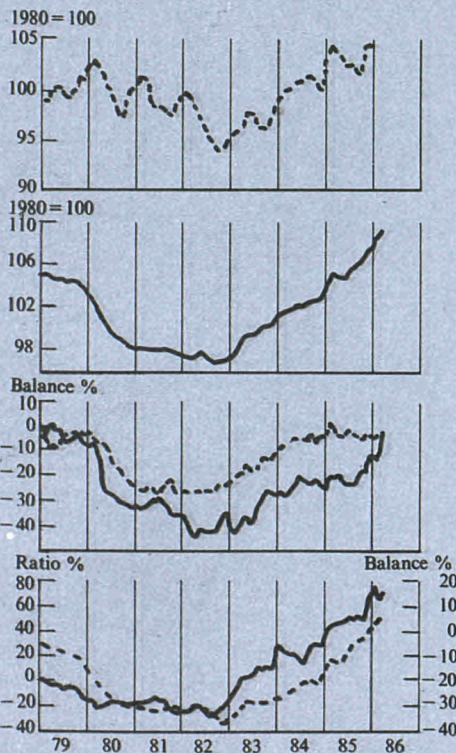
For explanations, see Graph 2.

GRAPH 6: Belgium



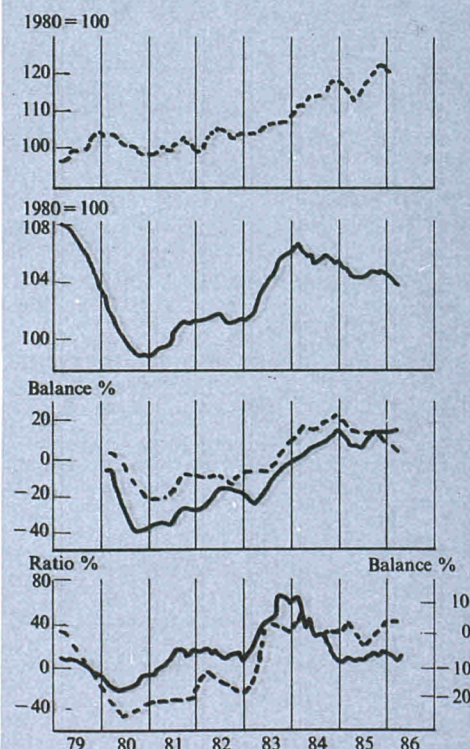
(1) Three-month moving average.
(2) See notes to Table 2.
(3) Deviations from trend in %.

GRAPH 7: Netherlands



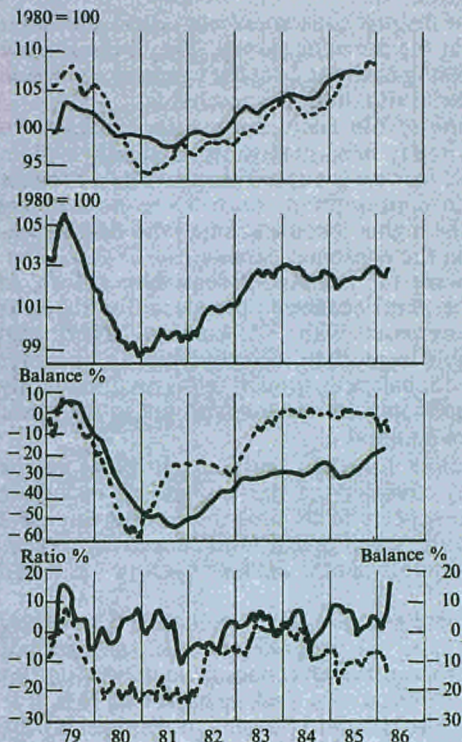
For explanations, see Graph 6.

GRAPH 8: Denmark



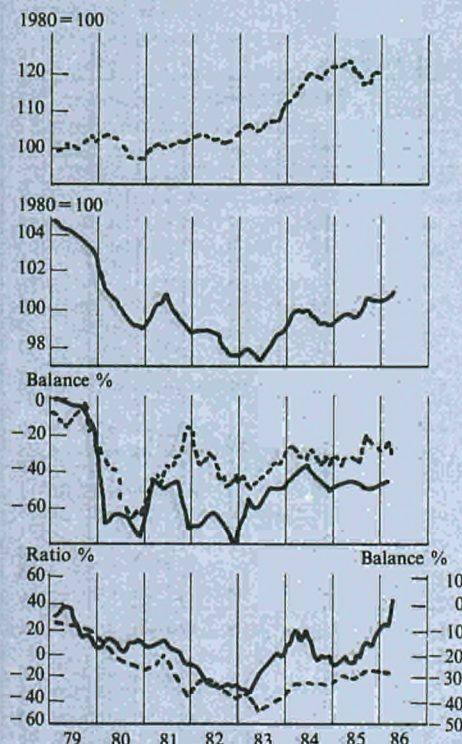
For explanations, see Graph 6.

GRAPH 5: United Kingdom



For explanations, see Graph 2.

GRAPH 9: Ireland



For explanations, see Graph 6.

Sharp rise in the European leading indicator in March. — The Community economic sentiment indicator which has been following an uninterrupted upward trend for a year rose more sharply in March (102.7 compared with 102.1 in February)*. The main impetus came from the further improvement in the consumer climate (-6 compared with -8; balance) and higher share prices. However, the industrial confidence indicator remained unchanged (-8; balance), and the construction confidence indicator—the fourth component of the composite indicator—deteriorated slightly (-28 compared with -26; balance).

Broken down by member country, the composite indicator this time rose by more than the average in Italy (104.3 compared with 102.7)*, France (101.2 compared with 100.0)* and Belgium (103.9 compared with 102.7)*. But in March, the leading indicator barely rose further in the Federal Republic of Germany (104.9 compared with 104.8)*, and showed only a slight improvement in the United Kingdom and Ireland (0.3 and 0.4 of a point respectively). Although the composite indicator did not rise by more than the average for the other member countries in the Netherlands, its level there is still the highest in the Community (110.3 compared with 102.7 for the Community as a whole).¹

Is Europe becoming a new centre of growth? — The leading indicator is now pointing upward far more sharply in the Community than in the United States and Japan. In the United States, the leading indicator's trend-adjusted curve has since mid-1985 stabilized at a low level and at present still shows no clear sign of an upward trend. In Japan, signs of a recovery in the economy have become discernible only in the last two months (see Graph 10). Clearly Japan is experiencing greater difficulties than Europe—at least in the short term—in switching from a hitherto predominantly export-led economy to growth which is more domestically based.

Production growth slows down in industry. — The most striking features of the present phase of the cyclical upswing in Europe are the brighter consumer climate and the expectation of higher profits and lower interest rates, as also expressed in climbing share prices. But no increase in impetus has yet been discernible in recent months for the Community as a whole in the real economy—and particularly as regards production in industry. Production expectations in industry again weakened in March (+4 compared with +8 in February; balance; see Table 3) and are well below the end-1985 level. The slight recovery in February was therefore only temporary, mainly because the judgment of production prospects is again substantially more cautious in the United Kingdom. Production in the next three months is expected to rise more slowly in all the main industrial groups and also in the consumer goods industries which should be the main beneficiaries of the Europe-wide upturn in consumption which, according to the consumer surveys, is already discernible. But they will not benefit until the retail and wholesale trade are convinced that the increase in consumer demand will last and as a result place more orders with the consumer goods industry, at home and abroad. After a further time-lag, this will probably also further stimulate the trend of private investment which has been pointing upward since 1984. In the medium term the outlook for European industry is definitely positive; the present slightly slower growth of production, which is also set to continue in the next few months, is therefore likely to be temporary only.

Less favourable assessment of the stock of export orders in the Federal Republic of Germany and the United Kingdom. — Since November the assessment of export orders has deteriorated in both these member countries by 11 points (from -6 to -17 in the Federal Republic of Germany and from -4 to -15 in the United Kingdom; see Table 3). But in the other member countries export assessments did not change, or improved as in France (from -26 in November 1985 to -16 in March 1986; balance) and Luxembourg (from -27 to -16 in the same period; balance). After the realignment of EMS exchange rates, this improvement is likely to continue, particularly in France.

Taking the average for European industry, in March the most favourable assessments of export business came from office and data processing machines (+6; balance), machine-tools (+5; balance), the chemical industry (-5; balance) and motor vehicles (-9; balance). The timber and furniture industry (-37; balance), iron and steel production (-39; balance) and shipbuilding (-68; balance) are still at the lower end of the scale. This sequence of industries also largely reflects the state of the overall order situation (domestic and export business). It should merely be observed that, as a result of its flourishing domestic business, the paper industry is one of the five branches which now enjoy the best order situation in Europe: these are, in order, machine-tools, chemical industry, manufacture of paper, motor vehicles and office and data processing machinery (see Table 1).

The positive trend of the consumer climate indicator strengthens further (see Table 4). — European consumers are clearly becoming readier to make purchases. This is borne out by the most recent March EC consumer survey results which, however, are available for four member countries only (in most of the other member countries, surveys have been quarterly until now). The slight deterioration in the consumer climate in February was therefore only temporary. The main components of the consumer climate to improve are assessments and

*1980 = 100

¹ However, the indicator probably gives a slightly over-positive picture of the general economic situation in the Netherlands, because the industry survey does not cover the energy sector (and particularly the gas industry) which is now declining.

TABLE 2: Indicators of output and economic sentiment

		Range		Range		1985	1985		1986	1985			1986			
		Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83		III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B	gross domestic product	1980 = 100		:	:	:	:	:	:	:	:	:	:	:	:	:
	index of industrial production	102,5	76,5	106,3	92,4	103,7	103,1	106,1	:	104,3	109,7	104,4	:	:	:	:
	1. industrial confidence indicator	+ 19	- 56	- 4	- 35	- 13	- 13	- 11	- 12	- 10	- 10	- 12	- 11	- 12	- 12	- 12
	2. construction confidence indicator	+ 9	- 36	- 7	- 65	- 40	- 38	- 36	- 36	- 37	- 33	- 37	- 38	- 35	- 34	- 34
	3. consumer confidence indicator (c)	7,0	- 18,0	- 7,0	- 31,0	- 21	- 21	- 19	- 20	- 17	- 20	- 21	- 18	- 22	- 20	- 20
	4. share-price index (c)	155,1	98,0	114,3	75,0	185,3	176,6	219,7	240,3	208,1	224,3	226,7	220,1	234,6	266,1	266,1
	= 5. economic sentiment indicator	107,9	99,4	103,0	97,5	101,6	101,7	103,0	103,3	103,2	103,2	102,7	103,2	102,7	103,9	103,9
DK	gross domestic product	1980 = 100		:	:	:	:	:	:	:	:	:	:	:	:	:
	index of industrial production	:	:	107,7	95,5	121,0	124,2	126,5	:	130,9	126,2	122,4	127,1	:	:	:
	1. industrial confidence indicator	:	:	:	- 22	+ 13	+ 14	+ 9	+ 5	+ 9	:	:	+ 5	:	:	:
	2. construction confidence indicator	:	:	:	- 36	+ 11	+ 15	+ 14	+ 14	+ 14	(+ 14)	(+ 14)	+ 14	(+ 14)	(+ 14)	(+ 14)
	3. consumer confidence indicator (c)	:	- 16	5,0	- 22	+ 4	3	7	7	7	(7)	(7)	7	(7)	(7)	(7)
	4. share-price index (c)	:	:	:	:	426,0	447,5	483,6	483,6	482,0	480,9	487,8	472,7	475,3	502,0	502,0
	= 5. economic sentiment indicator	:	:	:	:	104,6	104,7	103,9	:	104,0	103,9	103,8	103,5	103,4	:	:
D	gross domestic product (b)	1980 = 100		85,1	83,3	101,2	98,9	:	107,2	:	:	:	:	:	:	:
	index of industrial production	92,0	82,4	103,1	91,4	105,0	106,1	106,7	:	108,4	108,7	103,1	105,8	:	:	:
	1. industrial confidence indicator	+ 10	- 49	+ 2	- 40	- 6	- 6	- 2	- 4	- 4	- 2	- 1	- 3	- 4	- 6	- 6
	2. construction confidence indicator	- 4	- 72	+ 11	- 64	- 54	- 49	- 38	- 41	- 38	- 38	- 41	- 42	- 39	- 41	- 41
	3. consumer confidence indicator (c)	:	- 22,2	9,0	- 31,0	- 7	- 7	- 4	0	- 3	- 5	- 5	- 2	0	1	1
	4. share-price index (c)	109,0	75,2	115,6	97,6	209,4	213,8	256,3	295,3	243,0	257,9	268,0	299,9	287,9	298,2	298,2
	= 5. economic sentiment indicator	103,8	97,0	103,6	94,7	102,1	102,8	103,7	104,9	103,5	103,7	103,9	104,9	104,8	104,9	104,9
F	gross domestic product	1980 = 100		85,4	84,2	99,8	102,4	:	106,0	:	:	:	:	:	:	:
	index of industrial production	96,7	82,2	105,2	94,8	100,0	101,0	101,0	:	100,8	103,0	99,2	98,4	:	:	:
	1. industrial confidence indicator	+ 29	- 49	+ 5	- 39	- 17	- 15	- 13	- 15	- 13	- 14	- 12	- 18	- 15	- 12	- 12
	2. construction confidence indicator	:	:	- 17	- 57	- 38	- 32	- 32	- 27	- 32	(- 32)	(- 32)	- 27	(- 27)	(- 27)	(- 27)
	3. consumer confidence indicator (c)	:	- 9,0	3,0	- 27,0	- 23	- 30	- 17	- 12	- 17	(- 17)	(- 17)	- 12	(- 12)	(- 12)	(- 12)
	4. share-price index (c)	86,6	53,6	101,2	82,7	201,7	204,2	214,3	283,1	199,2	223,1	245,1	265,8	267,1	316,5	316,5
	= 5. economic sentiment indicator	107,8	97,6	101,8	95,1	96,6	96,0	98,2	100,2	97,2	98,3	99,0	99,4	100,0	101,2	101,2
IRL	gross domestic product	1980 = 100		:	:	:	:	:	:	:	:	:	:	:	:	:
	index of industrial production	80,4	72,3	103,8	99,6	126,3	122,8	126,4	:	124,5	129,5	125,1	:	:	:	:
	1. industrial confidence indicator	:	- 41	+ 20	- 40	- 7	- 2	- 6	- 6	- 4	- 7	- 7	- 6	- 4	- 9	- 9
	2. construction confidence indicator	:	:	:	:	- 27	- 29	- 28	- 24	- 28	(- 28)	(- 28)	- 24	(- 24)	(- 24)	(- 24)
	3. consumer confidence indicator (c)	:	- 41,0	12,0	- 44,0	- 29	- 27	- 27	- 28	- 27	(- 27)	(- 27)	- 28	(- 28)	(- 28)	(- 28)
	4. share-price index (c)	85,8	29,9	112,2	79,4	148,9	155,0	169,8	234,8	155,9	169,7	183,8	191,3	189,8	223,2	223,2
	= 5. economic sentiment indicator	109,1	96,7	103,6	98,1	100,2	100,5	100,7	100,9	100,5	100,6	100,7	100,8	100,8	101,2	101,2
I	gross domestic product	1980 = 100		80,4	77,2	101,2	98,2	:	104,0	:	:	:	:	:	:	:
	index of industrial production	87,9	72,6	104,7	98,1	96,5	96,4	95,9	:	94,8	98,3	94,7	96,6	:	:	:
	1. industrial confidence indicator	+ 31	- 59	+ 13	- 41	- 10	- 10	- 8	- 12	- 6	- 9	- 8	- 11	- 14	- 12	- 12
	2. construction confidence indicator	- 8	- 56	- 5	- 51	- 29	- 29	- 26	- 29	- 21	- 29	- 28	- 27	- 26	- 34	- 34
	3. consumer confidence indicator (c)	:	- 39,0	- 12,1	- 29,6	- 12	- 10	- 14	- 8	- 15	- 12	- 16	- 9	- 10	- 5	- 5
	4. share-price index (c)	169,6	68,5	185,0	116,9	286,8	315,9	363,0	474,5	341,9	359,0	388,0	413,0	442,2	568,3	568,3
	= 5. economic sentiment indicator	103,8	97,4	101,6	97,6	101,7	102,2	101,9	103,3	101,9	102,1	101,7	102,8	102,7	104,3	104,3
NL	gross domestic product	1980 = 100		:	:	:	:	:	:	:	:	:	:	:	:	:
	index of industrial production	94,8	87,1	117,5	90,7	104,0	101,7	103,7	:	102,0	110,0	99,0	104,0	:	:	:
	1. industrial confidence indicator	+ 12	- 44	+ 4	- 31	- 2	- 2	- 3	- 3	- 4	- 1	- 4	- 2	- 5	- 4	- 4
	2. construction confidence indicator	+ 3	- 47	+ 3	- 46	(- 19)	(- 20)	- 15	- 8	- 17	- 18	- 11	- 12	- 9	- 2	- 2
	3. consumer confidence indicator (c)	6,0	- 15,0	5,0	- 37,0	- 7	- 4	- 1	+ 6	- 1	(- 1)	(- 1)	+ 6	(+ 6)	(+ 6)	(+ 6)
	4. share-price index (c)	:	86,3	122,8	92,8	255,1	259,3	275,8	304,7	257,3	278,5	287,4	308,1	298,3	307,7	307,7
	= 5. economic sentiment indicator	107,8	100,7	105,3	97,1	106,4	106,8	107,9	109,9	107,2	107,9	108,7	109,6	109,7	110,3	110,3
UK	gross domestic product	1980 = 100		94,6	91,0	102,5	97,7	:	108,3	:	:	:	:	:	:	:
	index of industrial production	92,7	89,6	110,0	93,8	108,1	108,6	108,9	:	108,8	110,3	107,7	109,4	:	:	:
	1. industrial confidence indicator	:	:	+ 9	- 60	0	0	0	- 6	0	0	0	- 8	- 2	- 7	- 7
	2. construction confidence indicator	:	:	+ 7	- 60	- 25	- 24	- 18	- 15	- 18	(- 18)	(- 18)	- 15	(- 15)	(- 15)	(- 15)
	3. consumer confidence indicator (c)	:	- 32,5	14,4	- 25,5	- 10	- 10	- 7	- 11	- 7	- 7	- 7	- 7	- 14	- 11	- 11
	4. share-price index (c)	78,5	23,3	111,6	104,4	242,3	237,5	256,7	280,3	248,4	262,3	259,3	260,3	273,0	307,6	307,6
	= 5. economic sentiment indicator	103,8	97,7	104,9	98,8	102,3	102,4	102,9	102,8	102,8	103,0	103,0	102,7	102,7	103,0	103,0
EUR	gross domestic product (a)(b)	1980 = 100		85,1	85,5	101,1	101,0	:	106,4	:	:	:	:	:	:	:
	index of industrial production	92,9	83,0	103,2	94,6	103,2	103,2	104,0	:	104,0	105,4	102,5	104,0	:	:	:
	1. industrial confidence indicator	+ 16	- 49	+ 3	- 36	- 7	- 7	- 5	- 8	- 5	- 6	- 5	- 9	- 8	- 8	- 8
	2. construction confidence indicator	:	:	- 1	- 48	- 38	- 34	- 29	- 26	- 29	(- 29)	(- 30)	- 27	(- 26)	(- 28)	(- 28)
	3. consumer confidence indicator (c)	4,6	- 16,7	0,8	- 22,0	- 13	- 13	- 10	- 7	- 10	- 10	- 10	- 8	- 8	- 6	- 6
	4. share-price index (c)	:	47,0	115,4	111,7	238,8	240,4	267,2	303,6	254,7	270,4	276,5	289,2	293,9	327,7	327,7
	= 5. economic sentiment indicator	107,5	96,6	104,1	97,4	101,1	101,8	101,6	102,2	101,5	101,6	101,7	101,9	102,1	102,7	102,7

(a) Weighted total of quarterly figures for the Federal Republic of Germany, France, Italy and the UK.

(b) For the Federal Republic of Germany, gross national product for quarterly data.

(c) Not seasonally adjusted.

TABLE 3: Monthly survey of manufacturing industry — Monthly questions and the composite industrial confidence indicator (a)
Balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.)

		Range(b)		Range(b)		1985	1985		1986	1985			1986		
		Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83		III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March
B	Production expectations	+31	-56	-4	-37	-6	-5	-4	-6	-2	-6	-5	-4	-8	-5
	order books	+13	-74	-14	-49	-24	-25	-20	-21	-23	-17	-21	-20	-20	-24
	export order-books	+15	-82	-19	-55	-27	-27	-28	-27	-30	-26	-28	-26	-27	-28
	stocks of finished products	-14	+37	+2	+18	+10	+9	+8	+8	+6	+7	+10	+8	+8	+7
	selling-price expectations	+64	-10	+39	+12	+19	+20	+13	+21	+16	+14	+11	+9	+8	+3
	industrial confidence indicator	+19	-56	-4	-35	-13	-13	-11	-12	-10	-10	-12	-11	-12	-12
DK	Production expectations	:	:	:	+8	+18	+17	+16	+11	+16	:	:	+11	:	:
	order books	:	:	:	-34	+25	+29	+22	+15	+22	:	:	+15	:	:
	export order-books	:	:	:	+14	+24	+30	+16	+2	+16	:	:	+2	:	:
	stocks of finished products	:	:	:	+24	+4	+5	+10	+12	+10	:	:	+12	:	:
	industrial confidence indicator	:	:	:	-22	+13	+14	+9	+5	+9	:	:	+5	:	:
D	Production expectations	+17	-32	+10	-30	+3	+2	+6	+4	+4	+7	+7	+7	+5	+1
	order books	+5	-73	-6	-59	-14	-12	-9	-11	-11	-10	-7	-10	-10	-12
	export order-books	:	:	-14	-50	-9	-8	-7	-13	-6	-6	-8	-8	-15	-17
	stocks of finished products	-7	+43	-2	+31	+7	+7	+4	+6	+4	+4	+4	+6	+7	+6
	selling-price expectations	+55	+4	+38	+4	+17	+14	+15	+9	+13	+17	+16	+12	+9	+5
	industrial confidence indicator	+10	-49	+2	-40	-6	-6	-2	-4	-4	-2	-1	-3	-4	-6
GR	Production expectations	:	:	:	:	+21	+21	+19	+24	+23	+14	+19	+20	+28	+23
	order books	:	:	:	:	-24	-22	-18	-11	-26	-14	-16	-16	-5	-13
	export order-books	:	:	:	:	-33	-27	-30	-22	-35	-30	-26	-29	-14	-24
	stocks of finished products	:	:	:	:	+10	+8	+10	+10	+7	+13	+9	+6	+7	+16
	selling-price expectations	:	:	:	:	+32	+29	+42	+25	+34	+45	+46	+27	+33	+14
	industrial confidence indicator	:	:	:	:	-4	-3	-3	+1	-3	-4	-2	-1	+5	-2
F	Production expectations	+33	-29	+18	-20	-3	0	0	0	+1	-1	+1	-4	+3	0
	order books	+26	-69	0	-56	-30	-28	-24	-27	-23	-27	-21	-31	-28	-21
	export order-books	+24	-66	+10	-52	-20	-18	-22	-24	-15	-26	-24	-27	-30	-16
	stocks of finished products	-14	+50	+3	+42	+19	+16	+16	+18	+18	+14	+16	+19	+19	+16
	selling-price expectations	+76	+15	+62	+17	+29	+28	+19	+18	+30	+14	+14	+20	+16	+19
	industrial confidence indicator	+29	-49	+5	-39	-17	-15	-13	-15	-13	-14	-12	-18	-15	-12
IRL	Production expectations	:	-21	+40	-33	+6	+11	+7	+9	+9	+8	+4	+5	+11	+10
	order books	:	-68	+18	-55	-20	-14	-17	-16	-24	-13	-14	-15	-13	-21
	stocks of finished products	:	+35	-6	+33	+8	+3	+8	+12	-2	+15	+12	+9	+11	+15
	selling-price expectations	:	+64	+77	+20	+14	+12	+3	-1	-1	-1	+10	+2	+4	-9
	industrial confidence indicator	:	-41	+20	-40	-7	-2	-6	-6	-4	-7	-7	-6	-4	-9
I	Production expectations	+40	-43	+24	-26	+8	+6	+13	+7	+12	+10	+17	+8	+7	+6
	order books	+30	-82	+7	-66	-21	-20	-21	-26	-19	-22	-22	-23	-29	-25
	export order-books	+13	-67	-6	-59	-30	-30	-30	-30	-29	-29	-31	-34	-28	-29
	stocks of finished products	-24	+53	-8	+32	+16	+15	+15	+18	+11	+15	+19	+19	+20	+16
	selling-price expectations	+76	+10	+87	+37	+39	+36	+34	+26	+37	+34	+31	+29	+24	+25
	industrial confidence indicator	+31	-59	+13	-41	-10	-10	-8	-12	-6	-9	-8	-11	-14	-12
L	Production expectations	+84	-80	+40	-66	-1	+3	-5	+3	+4	+6	-24	+12	-8	+4
	order books	:	:	+8	-70	+3	+6	+2	-6	+4	+6	-4	-10	-8	-1
	export order-books	:	:	+9	-80	-3	+9	-21	-18	+6	-27	-42	-22	-15	-16
	stocks of finished products	-14	+74	0	+58	+3	+2	+3	+2	+3	+8	-2	0	+1	+4
	selling-price expectations	:	-46	+74	-38	+17	+24	+18	-20	+30	+22	+3	0	-13	-48
	industrial confidence indicator	:	:	+16	-65	0	+2	-2	-2	+2	+2	-9	+1	-6	0
NL	Production expectations	+26	-26	+20	-13	+4	+2	+3	+3	+1	+7	+2	+5	0	+3
	order books	+7	-48	-5	-42	-5	-5	-8	-8	-10	-8	-7	-5	-8	-11
	stocks of finished products	-3	+57	+3	+39	+4	+3	+4	+5	+3	+3	+6	+5	+6	+5
	industrial confidence indicator	+12	-44	+4	-31	-2	-2	-3	-3	-4	-1	-4	-2	-5	-4
UK	Production expectations	:	:	+29	-52	+20	+19	+20	+11	+21	+17	+21	+9	+17	+8
	order books	:	:	-2	-85	-7	-5	-5	-12	-7	-3	-6	-13	-9	-14
	export order-books	:	:	-11	-72	-5	-5	-8	-15	-10	-4	-10	-15	-14	-15
	stocks of finished products	:	:	-1	+42	+14	+15	+15	+16	+14	+14	+15	+19	+13	+15
	selling-price expectations	:	:	+70	+7	+23	+20	+16	+14	+17	+16	+15	+15	+13	+14
	industrial confidence indicator	:	:	+9	-60	0	0	0	-6	0	0	0	-8	-2	-7
EUR	Production expectations	+24	-30	+15	-20	+7	+7	+9	+6	+9	+8	+10	+5	+8	+4
	order books	+15	-70	-7	-56	-17	-16	-14	-17	-15	-14	-12	-18	-17	-17
	export order-books	:	:	-12	-50	-15	-15	-16	-19	-15	-15	-17	-19	-20	-19
	stocks of finished products	-10	+48	-1	+31	+12	+11	+11	+13	+10	+11	+12	+14	+14	+12
	selling-price expectations	+64	+9	+53	+22	+25	+22	+21	+16	+23	+20	+19	+18	+15	+14
	industrial confidence indicator	+16	-49	+3	-36	-7	-7	-5	-8	-5	-6	-5	-9	-8	-8

(a) The indicator is an average of the responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

(b) These are the extreme (high and low) values of the balances of the different questions, reached in the course of 1972-1975 and 1979-1983, respectively.

Note: (s.a.) = seasonally adjusted. : = not available.

() = estimated.

Source: European Community business surveys.

TABLE 4: Consumer opinion on economic and financial conditions

		1984	1985	1985										1986		
				March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
B	Consumer Confidence (a)	-27	-21	:	-22	:	-21	:	:	:	-17	-20	-21	-18	-22	-20
	Financial situation of households															
	over last 12 months	-31	-23	:	-28	:	-27	:	:	:	-19	-16	-18	-16	-18	-16
	over next 12 months	-18	-13	:	-15	:	-17	:	:	:	-10	-10	-7	-4	-10	-8
	General economic situation															
D	over last 12 months	-57	-33	:	-42	:	-44	:	:	:	-14	-25	-27	-27	-32	-30
	over next 12 months	-33	-17	:	-26	:	-25	:	:	:	-2	-9	-13	-9	-17	-14
	Major purchases (at present)	6	-18	:	2	:	8	:	:	:	-37	-40	-38	-34	-35	-33
	Consumer Confidence (a)	-10	-7	-9	-10	-8	-10	-8	-7	-6	-3	-5	-5	-2	0	1
	Financial situation of households															
GR	over last 12 months	-11	-8	-10	-8	-9	-10	-8	-8	-7	-4	-7	-7	-2	-2	-3
	over next 12 months	-6	-4	-5	-5	-3	-4	-4	-3	-4	-1	-3	-2	-1	0	0
	General economic situation															
	over last 12 months	-14	-11	-15	-15	-13	-17	-12	-11	-8	-5	-6	-4	-1	0	3
	over next 12 months	-10	-6	-8	-8	-7	-10	-8	-8	-5	-3	-2	-3	-1	0	2
I	Major purchases (at present)	-9	-8	-8	-14	-9	-8	-10	-6	-6	-4	-7	-8	-3	1	5
	Consumer Confidence (a)	-4	-5	:	:	-2	:	:	:	:	-16	:	:	-13	-16	:
	Financial situation of households															
	over last 12 months	-8	-8	:	:	-1	:	:	:	:	-15	:	:	-18	-19	:
	over next 12 months	6	2	:	:	15	:	:	:	:	-11	:	:	-6	-6	:
UK	General economic situation															
	over last 12 months	-4	-10	:	:	1	:	:	:	:	-24	:	:	-23	-26	:
	over next 12 months	10	3	:	:	19	:	:	:	:	-14	:	:	-3	-5	:
	Major purchases (at present)	-24	-20	:	:	-23	:	:	:	:	-18	:	:	-16	-22	:
	Consumer Confidence (a)	-15	-12	-16	-12	-14	-12	-11	-11	-9	-15	-12	-16	-9	-10	-5
I	Financial situation of households															
	over last 12 months	-12	-10	-11	-10	-11	-10	-8	-8	-9	-10	-10	-12	-6	-8	-7
	over next 12 months	-3	-2	-5	-1	-2	-3	-2	-2	-2	-5	-3	-4	1	-1	0
	General economic situation															
	over last 12 months	-31	-26	-31	-28	-29	-26	-24	-24	-22	-30	-27	-30	-24	-22	-16
UK	over next 12 months	-9	-8	-15	-7	-10	-7	-4	-4	-3	-16	-9	-16	-3	-5	6
	Major purchases (at present)	-15	-15	-16	-15	-19	-14	-16	-16	-8	-13	-13	-18	-13	-15	-9
	Consumer Confidence (a)	-4	-10	-13	-11	-11	-11	-10	-12	-9	-7	-7	-7	-7	-14	-11
	Financial situation of households															
	over last 12 months	-15	-16	-18	-20	-18	-18	-16	-19	-14	-13	-14	-12	-11	-17	-16
UK	over next 12 months	-3	-5	-6	-8	-8	-6	-5	-7	-5	-2	-4	-2	-4	-7	-6
	General economic situation															
	over last 12 months	-25	-37	-47	-33	-35	-41	-38	-38	-36	-31	-30	-27	-31	-44	-37
	over next 12 months	-10	-16	-15	-14	-16	-19	-17	-20	-16	-13	-13	-12	-16	-25	-20
	Major purchases (at present)	31	24	24	18	24	28	26	25	24	25	24	17	27	24	23

(a) The indicator represents the arithmetic average of results for five questions, namely the two on the financial situation of the household, the two on the general economic situation and that concerning major purchases at present.

Source: European Community consumer survey.

First results of a survey on labour market flexibility in European manufacturing industry¹

The purpose of this survey. — The battle against unemployment in Europe must be conducted from both the supply side (the key phrases here are moderate increase of real wages, institutional changes on the labour market, the completion of the internal market, the promotion of innovation, etc.) and the demand side (particularly private and public investment, tax reductions, etc.)². There is no longer any real dispute about a recommendation in this general form, but perhaps there are differences

concerning the weight which economic policy should attribute to individual measures and the employment effects to be expected from them. Above all there is uncertainty as to how institutional changes on the labour market, e.g. more fixed-term contracts, more flexible working time arrangements, etc., would affect the level of employment. In order to obtain some indication, the Commission services organized two special surveys in the member countries. The first survey, the results of which have already been published, was addressed to employees in Europe³, and the second survey to companies.

- On average, European industrial companies judged the present size of their workforce as still somewhat too large, except in the Netherlands and the Federal Republic of Germany. The excess of workers in European industry applies almost exclusively to unskilled workers and office and sales staff. Skilled workers and especially technicians and technologists are in short supply in about one fifth of the companies interviewed. This supports the view that vocational training and advanced training should be stepped up.

- When asked why they did not employ more labour at present, companies put as the first reason the *insufficient level of*

¹ The national institutions which carry out the monthly EC business surveys were responsible for the technical execution of the company survey. Altogether some 8,000 industrial firms took part in the survey, which was carried out at the end of 1985. The results were weighted by size of company and main manufacturing activity, so that any deficiencies in the sample could be smoothed out. The large number of cases and the method of data processing ensure that the survey results are representative of European industry. Apart from Spain and Portugal which were not members of the Community when the survey was designed, all the member countries except Denmark took part. The full report on the survey in industry as well as on the other surveys in retail and whole-sale trade and the one directed to employees will be published in European Economy, No. 27 (forthcoming in June 1986).

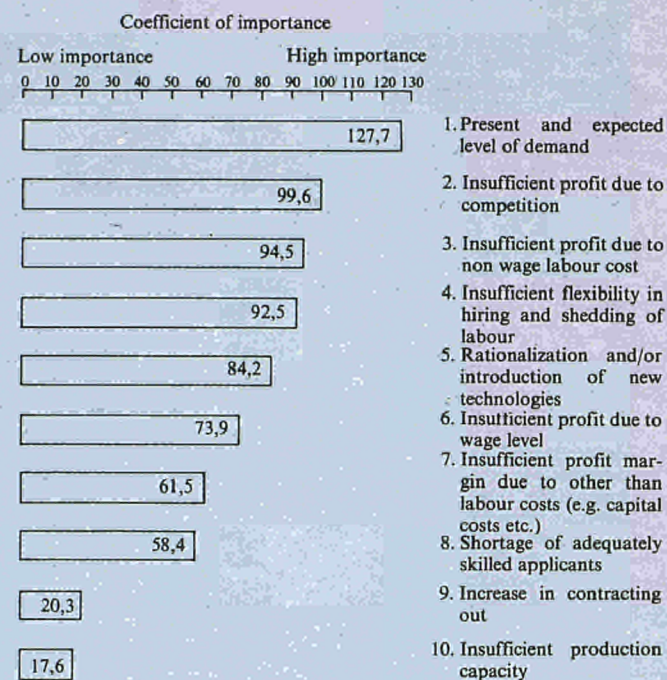
² A detailed analysis can be found in the Commission's Annual Economic Report 1985-86, 'A comparative growth strategy for more employment', European Economy no. 26, 1985.

³ See European Economy, Supplement B, October 1985.

demand for their products. Many companies also considered that *lack of price competitiveness* was a major factor (second most important reason). The remaining most frequently mentioned reasons were, in order: *non-wage labour costs; insufficient flexibility in hiring and shedding labour; rationalization and/or introduction of new technologies*. Other reasons asked but considered as less important were *wage and salary levels, non labour costs* (e.g. capital costs), *shortage of adequately skilled applicants, increase in contracting out; insufficient production capacity* (see Graph 11).

- Companies were then asked what institutional changes on the *labour market*—independently of other factors like demand—would be most likely to persuade them to employ more labour over the next twelve months than they are at present planning to do. Their answers were in this order: *shorter periods of notice and simpler legal procedure in case of redundancies and dismissals; more fixed term contracts; better trained job seekers; wider wage differentials; greater emphasis on productivity in determining wages and salaries; lower starting salaries and more flexible working hours*. However, companies considered that a *reduction in standard weekly working hours*, even if it did not increase costs, and more *sharing in company profits* would have comparatively little effect in increasing employment.
- If the institutional changes which firms consider important were made on the labour market, companies stated that they would revise their employment plans for the next twelve months upward by almost 3%. In the nine member countries included in the survey (i.e. excluding Denmark, Portugal and Spain) this would mean 700,000 or so more jobs in industry alone.
- Only just over one-quarter of European industrial companies are fully satisfied with their present working time arrangements. In the course of the next year or two, approximately half of European industrial firms are planning to introduce more flexible working hours. This is mainly because of economic considerations, most importantly in order to use plant more intensively and to adjust more easily to demand changes. Companies feel that employees' preferences are not generally against such changes. This can be confirmed by the results of the EC employee survey, which showed that over half those questioned (55%) would prefer, in agreement with their firm, to allocate a fixed number of working hours per month, or even per year, flexibly between working days, instead of having to work the same number of hours each day. However, readiness to accept evening or Saturday working would depend on whether annual working hours were reduced to compensate.
- Around 40% of industrial firms in Europe consider that some of their full-time jobs could be split into part-time jobs without significant economic disadvantages for the company. This gives a total calculated potential of some 800,000 full-time

GRAPH 11: Reasons for not employing more people in European industry
(order given by assessment of companies which is expressed by coefficient⁽¹⁾ —
Total industry at Community level (EUR9 without Denmark, Portugal and Spain)



⁽¹⁾ The coefficient ranks responses from 0 — all companies consider a particular reason to be "not important" — to 200 — all companies consider a particular reason to be "very important".

jobs which could be split (i.e. some 3.3% of all full-time jobs) in the nine member countries surveyed. It is another question whether workers in jobs which companies consider could be split would also be prepared to share them, and if they were, whether additional workers with the same skills could be found. However, as the EC employee survey demonstrated, approximately 6% of full-time workers in the Community would be interested in working for fewer than 30 hours a week, even if this were associated with a corresponding loss of pay. On the whole, therefore, there seems a reasonable prospect that—after a process of adjustment—the additional supply of part-time jobs could be filled with workers with the appropriate skills.

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