

EUROPEAN ECONOMY

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

Supplement B — No 11 — November 1987

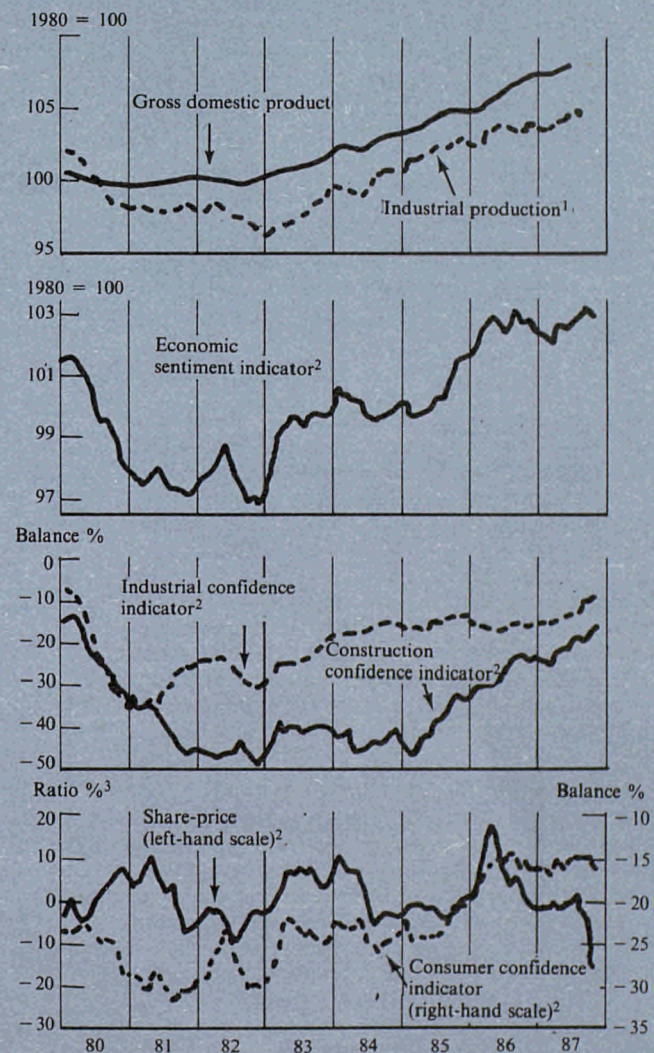
*In this number:
First effects on the economic
sentiment indicator of the turmoil
on the financial markets*

Business and consumer survey results

THE MAIN POINTS IN BRIEF

- The composite *economic sentiment indicator* lost 0.2 of a point in October. This is the first effect of the fall in share prices, which are one of the components of the indicator.
- The consumer surveys, for the most part carried out before 15 October, and the business surveys carried out in late September and early October cannot reflect the sharp drop in share prices which occurred after 19 October. In any event, this fall will probably not make its full effects felt until economic groups have had time to realize what has happened.
- However, the results of a survey carried out in the United States after 19 October show that United States consumers have reacted sharply to events on the stock market.
- In Europe the *consumer confidence indicator* lost one point between September and October; a country-by-country examination suggests that this loss is connected with the first dips in share prices which occurred in September (see Table 1).
Consumers are increasingly worried about the future course of employment.
- In *industry*, the confidence indicator calculated for the Community on the basis of results collected before mid-October rose by 2 points. This prolongs the slight upturn which had been observed since the beginning of the year. The further progress is due both to production expectations and to companies' assessments of their order-books.
- For *construction*, the Community indicator gained four points.

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

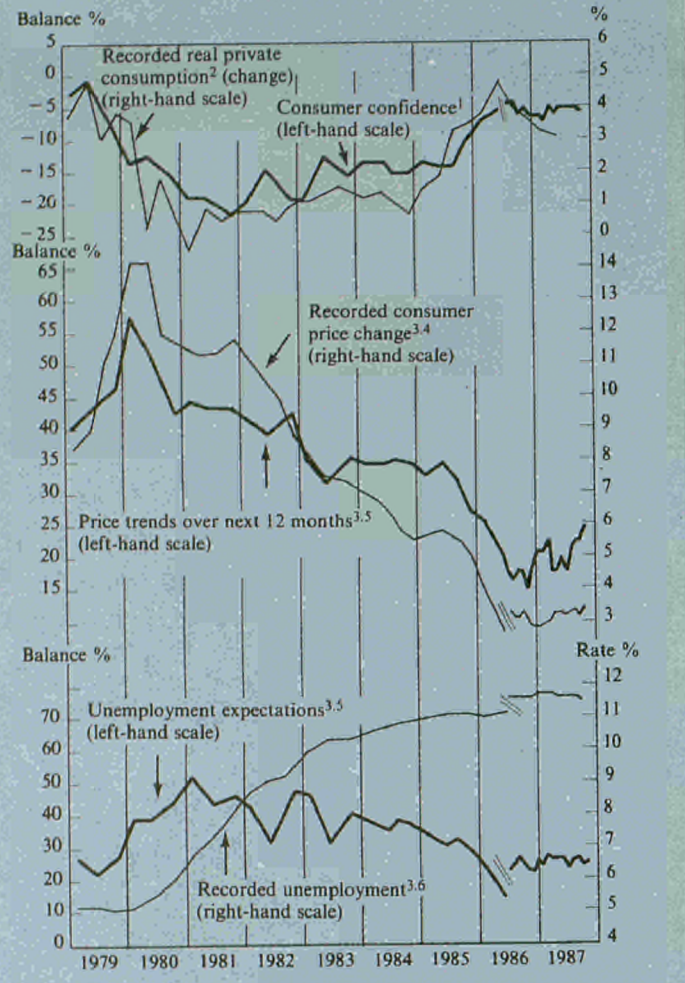


¹ Three-month moving average.

² See notes to Table 1.

³ Deviations from trend in %.

GRAPH 2: Consumer survey results and objective economic indicators — European Community⁷



For notes, Table 3.
Sources: European Community consumer survey and Eurostat.

First effects on the economic sentiment indicator of the turmoil on the financial markets. — The consumer surveys — from which the principal components of the leading economic sentiment indicator are derived — were for the most part carried out in the first fortnight of October. This is true of all the member countries except Spain and Portugal where part of the survey was carried out after 19 October. The industrial and construction surveys were carried out in late September and early October. So the survey results do not yet show the reactions of economic groups to the turmoil on the financial markets, except insofar as they point to possible expectations. Furthermore, economic groups require some time to react to sudden events before they can appreciate their full effects.

By contrast, the share price index, another component of the leading indicator, corresponds to an average of values recorded throughout the month and is therefore influenced by the fall in prices which started on 19 October. For the Community as a whole, the indicator lost 0.2 of a point following the fall in the share price index and a loss of confidence among consumers (see Table 1). However, the decline in the indicator was limited by a resurgence of confidence in construction and the confirmation of a positive trend in manufacturing industry.

The indicator is down in five of the seven member countries for which data is available. The fall is particularly significant in the Netherlands (down 1.5 of a point) where the drop in the consumer confidence indicator is comparable to the drop in the share price index.

Deterioration in the consumer climate. — After remaining more or less at the level of -5* from April to September 1987, the consumer confidence indicator for the Community as a whole fell to -6 in October, a typical value for 1986 and for the first two months of 1987 (see Table 3).

Assessments which vary with member countries. — The sharpest fall in consumer confidence occurred in the Netherlands. After a fairly favourable period in 1986 and early 1987, the confidence indicator, which had already been negative since May, fell to -7, value not seen in the Netherlands since mid-1985.

In Belgium and Italy, consumers displayed more pessimism in October than in September, thus repeating, on a smaller scale, the change from August to September. In Denmark and the Federal Republic of Germany, the situation turned round, after the improvement noted in September. Despite this adverse development, it is worth noting that in Denmark, the consumer confidence indicator is still higher in October than it was in 1986 and the first half of 1987. However, in the Federal Republic of Germany, the level of the indicator has for some months been below its average value for the abovementioned period.

In the five countries mentioned, share prices fell in September, whereas they rose in the other three countries for which data is available (see Table 1). It is therefore reasonable to assume that, in their answers, consumers were influenced by recent stock market events.

On the other hand, consumer confidence has recovered in Ireland, Portugal and the United Kingdom, after September's limited fall.

Effect on consumers' opinions of events on the financial markets. — In all the member countries, except Portugal, the consumer survey was carried out before mid-October¹; the results do not therefore reflect households' reactions to recent events on the stock and financial markets. It nevertheless goes without saying that these events must have influenced consumer confidence unfavourably. The results of a survey carried out in October among United States consumers provide an indication of the possible scale of the reactions of European households.

Some of the United States consumers were questioned after mid-October. If we compare the results of the interviews conducted before and after that date — the main results are summarized in the Table below — it is clear how sensitive United States consumers have been to events on the stock markets and financial markets. However, the fall observed in the United States could be faster and sharper than the one which can be expected in the Community: the percentage of United States households which hold a substantial share portfolio is in all probability larger than the percentage of European households in a similar situation.

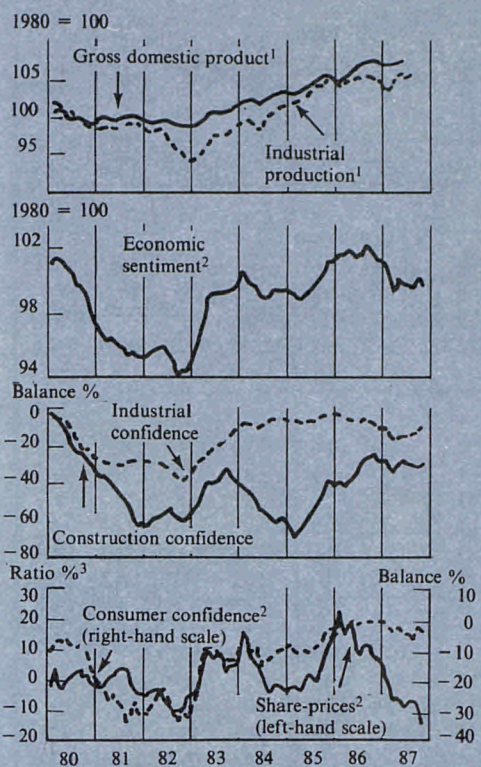
	October 1986		September 1987		October 1987		Answers before/after the fall of October 1987	
	USA	EUR	USA	EUR	USA	EUR	USA	USA
Assessment of the general economic situation present	12	-7	15	-5	14	-5	20	4
Assessment of the general economic situation forecast	24	0	22	1	5	0	13	-14
Advisability of making major purchases	62	1	62	-1	49	-3	56	35

Sources: University of Michigan, Institute for Social Research; Survey among Community consumers

* Unless otherwise indicated, all the following figures in the text represent balances of positive and negative replies.
¹ In Spain, 10 % of the interviews were conducted after this date.

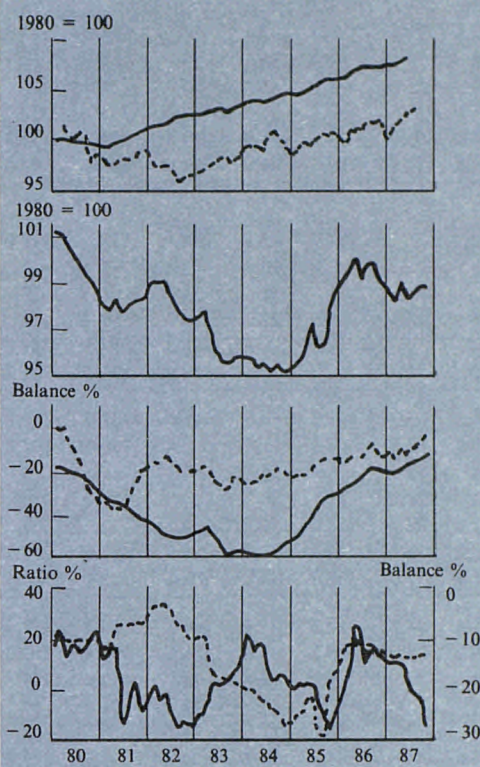
GRAPHS 3-8: Indicators of output and economic sentiment

GRAPH 3: Federal Republic of Germany



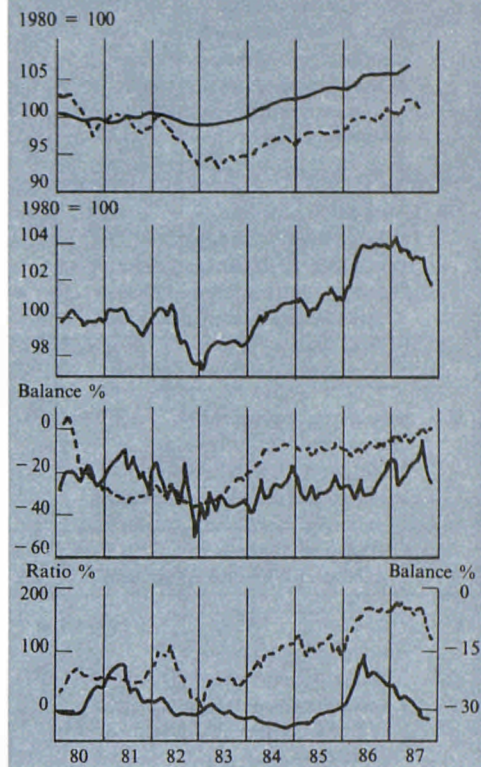
¹ Three-month moving average.
² See notes to Table 1.
³ Deviations from trend in %.

GRAPH 4: France



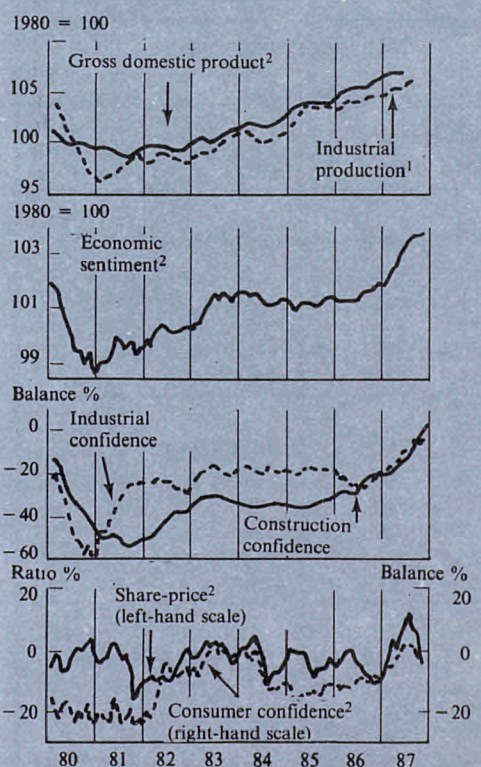
For explanations, see Graph 3.

GRAPH 5: Italy



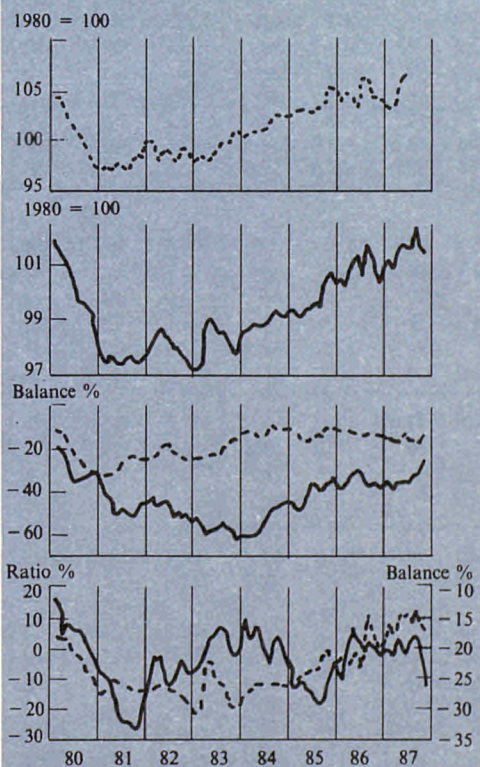
For explanations, see Graph 3.

GRAPH 6: Federal Republic of Germany



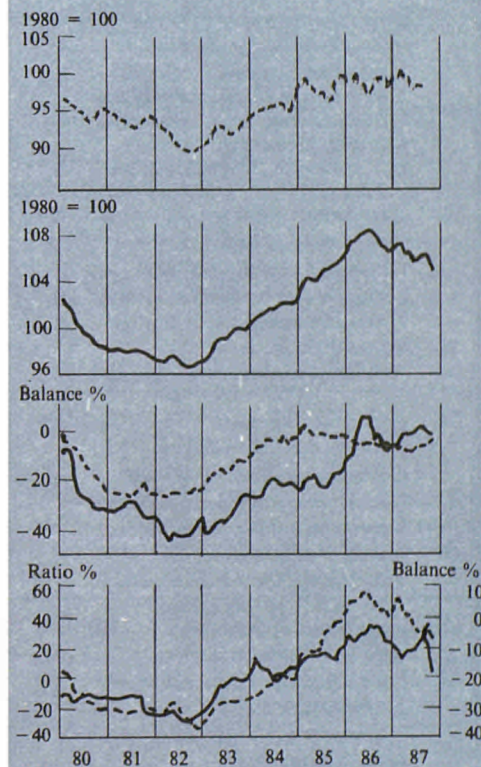
¹ Three-month moving average.
² See notes to Table 1.
³ Deviations from trend in %.

GRAPH 7: Belgium



For explanations, see Graph 6.

GRAPH 8: Netherlands



For explanations, see Graph 6.

TABLE 1: Indicators of output and economic sentiment

	Range (b)		Range (b)		1986		1987			1987					
	Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83			I	II	III	May	June	July	Aug.	Sept.	Oct.
B															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	102,5	76,5	106,3	92,4	105,1	104,0	108,5	:	:	:	:	:	:	:	:
1. industrial confidence indicator	19	-56	-4	-35	-13	-15	-14	-16	-12	-15	-15	-16	-18	-12	
2. construction confidence indicator	9	-36	-7	-65	-35	-37	-35	-32	-34	-35	-34	-32	-31	-25	
3. consumer confidence indicator (c)	7	-18	-7	-31	-17	-13	-10	-11	-11	-10	-12	-9	-12	-13	
4. share-price index (c)	155,1	98,0	114,3	75,0	271,6	308,9	330,2	363,4	321,4	335,1	362,6	369,5	358,0	314,2	
= 5. economic sentiment indicator	109,0	98,9	103,9	96,8	101,0	101,4	102,0	102,0	102,0	102,0	101,9	102,5	101,6	101,5	
DK															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	:	:	107,7	95,5	126,5	122,7	121,0	:	118,2	120,8	:	:	:	:	
1. industrial confidence indicator	:	:	:	-22	1	-7	-9	-8	(-9)	(-9)	-8	(-8)	(-8)	:	
2. construction confidence indicator	:	:	:	-36	14	1	12	-8	(12)	(12)	-8	(-8)	(-8)	:	
3. consumer confidence indicator (c)	:	-16	5	-22	-3	-10	-9	-9	-7	-10	-10	-9	-7	-10	
4. share-price index (c)	:	:	:	:	420,2	368,6	357,6	366,7	356,7	367,1	361,6	369,8	368,7	351,9	
= 5. economic sentiment indicator	:	:	:	:	102,9	101,2	101,2	:	101,3	101,1	100,9	100,8	:	:	
D															
<i>gross domestic product</i> (b)	1980 = 100														
<i>index of industrial production</i>	85,1	83,3	101,2	98,9	108,9	109,0	110,1	:	:	:	:	:	:	:	
1. industrial confidence indicator	10	-49	2	-40	-7	-14	-14	-12	-14	-13	-14	-12	-11	-10	
2. construction confidence indicator	-4	-72	11	-64	-33	-31	-29	-31	-26	-29	-30	-31	-31	-30	
3. consumer confidence indicator (c)	:	-22	9	-31	3	2	1	-1	0	0	-1	-4	1	-1	
4. share-price index (c)	109,0	75,2	115,6	97,6	295,7	262,9	261,3	283,5	257,5	261,8	278,3	289,3	282,8	256,2	
= 5. economic sentiment indicator	103,8	97,0	103,6	94,7	102,1	100,4	100,1	100,0	100,0	100,0	99,9	99,7	100,3	99,8	
F															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	85,4	84,2	99,8	102,4	109,8	110,7	111,6	:	:	:	:	:	:	:	
1. industrial confidence indicator	29	-49	5	-39	-12	-12	-10	-6	-11	-10	-7	-6	-5	-2	
2. construction confidence indicator	:	:	-17	-57	-22	-21	-17	-14	(-17)	(-17)	-14	(-14)	(-14)	-11	
3. consumer confidence indicator (c)	:	-9	3	-27	-14	-19	-18	-18	-18	-18	-18	-18	-17	-17	
4. share-price index (c)	86,6	53,6	101,2	82,7	337,3	390,5	395,8	386,4	398,7	374,1	382,1	380,9	396,1	333,0	
= 5. economic sentiment indicator	107,8	97,6	101,8	95,1	99,3	98,3	98,6	98,7	98,5	98,4	98,6	98,7	98,9	98,8	
IRL															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	80,4	72,3	103,8	99,6	130,8	133,5	144,4	:	147,5	144,1	140,3	:	:	:	
1. industrial confidence indicator	:	-41	20	-40	-8	-3	4	0	0	8	-2	-2	3	-5	
2. construction confidence indicator	:	:	:	:	-38	-33	-31	-31	(-31)	(-31)	-31	(-31)	(-31)	-29	
3. consumer confidence indicator (c)	:	-41	12	-44	-28	-28	-30	-29	-33	-28	-29	-29	-30	-27	
4. share-price index (c)	85,8	29,9	112,2	79,4	231,2	298,5	333,3	373,9	331,0	340,1	347,9	386,6	396,6	424,3	
= 5. economic sentiment indicator	109,1	96,7	103,6	98,1	100,3	100,8	101,0	101,1	100,5	101,4	101,0	101,2	101,2	101,4	
I															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	80,4	77,2	101,2	98,2	111,3	112,4	114,0	:	:	:	:	:	:	:	
1. industrial confidence indicator	31	-59	13	-41	-9	-4	-4	-1	-6	-3	-2	0	-2	1	
2. construction confidence indicator	-8	-56	-5	-51	-26	-22	-17	-12	-17	-16	-12	-4	-18	-25	
3. consumer confidence indicator (c)	:	-39	-12	-30	-4	0	-2	-4	-2	-3	-2	-2	-7	-10	
4. share-price index (c)	169,6	68,5	185,0	116,9	667,7	695,2	708,2	631,9	707,5	691,1	672,8	619,8	603,2	599,0	
= 5. economic sentiment indicator	103,8	97,4	101,6	97,6	103,4	103,9	103,5	103,1	103,5	103,3	103,4	103,5	102,3	101,8	
NL															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	94,8	87,1	117,5	90,7	105,8	108,7	104,7	:	106,0	105,0	106,0	106,0	:	:	
1. industrial confidence indicator	12	-44	4	-31	-5	-7	-8	-5	-9	-7	-6	-6	-4	-3	
2. construction confidence indicator	3	-47	3	-46	-3	-4	-1	0	-1	0	2	-1	-1	-3	
3. consumer confidence indicator (c)	6	-15	5	-37	5	5	-1	-3	-1	-4	-5	-4	-1	-7	
4. share-price index (c)	:	86,3	122,8	92,8	327,6	317,3	341,3	375,4	338,2	347,8	371,6	386,5	368,2	320,5	
= 5. economic sentiment indicator	107,8	100,7	105,3	97,1	107,4	106,7	106,0	106,2	106,0	105,7	106,0	106,2	106,4	104,9	
UK															
<i>gross domestic product</i>	1980 = 100														
<i>index of industrial production</i>	94,6	91,0	102,5	97,7	112,8	115,6	115,3	:	:	:	:	:	:	:	
1. industrial confidence indicator	:	:	9	-60	-8	2	10	16	11	14	13	20	16	20	
2. construction confidence indicator	:	:	7	-60	-10	-4	5	15	(5)	(5)	15	(15)	(15)	30	
3. consumer confidence indicator (c)	:	-33	14	-26	-7	-1	7	7	6	10	9	8	5	8	
4. share-price index (c)	78,5	23,3	111,6	104,4	300,7	366,3	415,3	455,0	419,1	441,9	464,9	446,9	453,1	410,1	
= 5. economic sentiment indicator	103,8	97,7	104,9	98,8	103,0	104,2	105,6	106,4	105,6	106,2	106,3	106,6	106,4	106,7	
EUR															
<i>gross domestic product</i> (a)(b)	1980 = 100														
<i>index of industrial production</i>	85,1	85,5	101,1	101,0	110,6	111,8	112,6	:	:	:	:	:	:	:	
1. industrial confidence indicator	16	-49	3	-36	-9	-8	-6	-3	-6	-5	-5	-2	-2	0	
2. construction confidence indicator	:	:	-1	-48	-22	-20	-16	-12	(-15)	(-15)	-12	(-11)	(-13)	-9	
3. consumer confidence indicator (c)	5	-17	1	-22	-6	-6	-5	-5	-6	-5	-5	-5	-5	-6	
4. share-price index (c)	:	47,0	115,4	111,7	329,5	356,9	380,2	400,4	380,7	388,3	404,1	398,1	398,9	359,8	
= 5. economic sentiment indicator	107,5	96,6	104,1	97,4	102,8	102,6	103,2	103,6	103,1	103,3	103,6	103,7	103,6	103,4	

(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 2: Results of business surveys in the retail trade (a) (b)

		1986												1987									
		Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.
PRESENT BUSINESS SITUATION	B	16	7	-8	0	-19	-7	-13	-8	10	11	-13	8	-5	-13	-3	-12	-16	-16	-11	-6	-12	-13
	D	-8	-22	-19	-10	-7	-6	-10	-10	-1	-11	-14	7	-10	-3	-6	3	-21	-15	-3	-5	-12	-3
	F	5	:	-6	:	-16	:	-6	:	-11	:	-11	:	-9	:	-9	:	-10	:	-30	:	-20	:
	I	-2	:	-7	:	2	:	-7	:	7	:	3	:	6	:	-2	:	2	:	4	:	-2	:
	NL	41	34	41	43	51	48	51	51	55	45	48	56	36	39	38	47	41	39	36	41	33	45
	UK	20	31	13	5	7	19	24	29	24	17	18	36	20	29	20	20	21	9	32	22	21	22
EUR 6		5	2	-4	-2	-2	1	1	2	6	2	-1	10	1	5	1	4	-3	-3	0	-2	-4	0
VOLUME OF STOCKS	B	1	0	11	5	4	12	6	2	0	0	17	9	6	12	15	16	12	17	14	7	13	17
	D	24	29	28	29	26	27	20	20	24	28	31	25	23	24	23	27	33	30	29	23	28	25
	F	7	:	4	:	19	:	13	:	8	:	15	:	19	:	8	:	18	:	27	:	19	:
	I	28	:	25	:	24	:	31	:	20	:	30	:	18	:	19	:	20	:	26	:	18	:
	NL	7	8	10	10	7	9	8	2	8	7	12	4	12	9	8	10	24	16	12	11	16	16
	UK	19	18	27	27	20	21	17	9	4	16	15	18	18	16	20	10	7	4	8	8	5	6
EUR 6		18	19	20	20	21	22	19	17	14	17	23	21	19	19	17	17	21	19	23	21	19	18
INTENTION OF PLACING ORDERS	B	14	17	-3	-9	-14	-16	-4	3	11	-3	-8	-10	6	10	1	-1	-15	-9	-3	8	-4	-9
	D	-11	-14	-13	-15	-15	-14	-6	-1	0	-1	-16	-9	-8	-1	-7	-8	-17	-14	-5	-1	-3	3
	F	-25	:	-15	:	-24	:	-28	:	-12	:	-9	:	-24	:	-17	:	-18	:	-27	:	-17	:
	I	-16	:	-14	:	-18	:	-14	:	2	:	-1	:	-6	:	-6	:	-15	:	-8	:	-11	:
	NL	31	22	24	17	16	19	21	25	20	18	14	20	24	28	19	17	7	8	19	13	7	4
	UK	29	24	17	21	26	23	23	31	38	27	25	24	24	30	23	26	37	37	42	43	30	30
EUR 6		-5	-7	-6	-7	-9	-9	-6	-3	6	3	-2	0	-3	0	-2	-2	-6	-5	-2	0	1	0
EXPECTED BUSINESS SITUATION	B	17	26	9	-6	9	-6	21	23	25	10	13	-4	16	32	19	-1	-6	-4	16	29	-4	8
	D	1	1	-5	-3	-3	0	4	2	12	-2	-4	5	3	6	7	-1	-2	-4	8	3	8	7
	F	:	:	:	:	:	:	-17	:	-14	:	-20	:	-39	:	-34	:	-30	:	-48	:	-35	:
	I	3	:	9	:	9	:	10	:	20	:	13	:	10	:	20	:	8	:	6	:	4	:
	NL	47	44	43	41	34	41	38	45	40	39	31	46	44	42	38	31	25	24	38	32	30	22
	UK	:	36	:	:	34	:	:	34	:	34	:	:	:	39	:	:	41	:	:	42	:	:
EUR 6		13	14	12	12	12	13	8	8	14	9	5	8	3	5	8	4	2	2	2	1	4	3
EMPLOYMENT OUTLOOK	B	1	8	6	-1	0	0	1	3	2	1	4	3	1	1	-1	6	1	8	3	-1	-7	-7
	D	:	:	-2	:	:	0	:	:	-1	:	:	-4	:	:	-4	:	:	4	:	:	-2	:
	F	-21	:	-12	:	-7	:	0	:	-14	:	-4	:	-18	:	-10	:	-4	:	-2	:	-19	:
	I	-5	:	-10	:	-6	:	-5	:	-2	:	-9	:	-15	:	-5	:	-3	:	-5	:	-6	:
	NL	14	8	12	10	10	11	9	12	10	7	6	9	14	11	9	12	15	6	5	6	7	6
	UK	:	24	:	:	21	:	:	16	:	:	10	:	:	20	:	:	38	:	:	25	:	:
EUR 6		-1	-2	0	-1	1	1	3	3	-1	-1	-1	-2	-6	-4	-1	0	5	7	7	4	-2	-2

(a) not seasonally adjusted; (b) balances.

Source: EC Survey in the retail trade.

TABLE 3: Consumer opinion on economic and financial conditions(a)

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987									
											Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	
CONSUMER CONFIDENCE INDICATOR (b)	B		-8	-10	-20	-27	-27	-28	-27	-21	-17	-14	-14	-10	-11	-10	-12	-9	-12	-13
	DK		-1	-2	-19	-17	-12	0	6	4	-3	-7	-13	-11	-7	-10	:	-9	-7	-8
	D		5	6	-5	-22	-26	-15	-10	-7	3	1	0	2	0	0	-1	-4	1	-1
	GR		:	:	:	:	0	-11	-4	-5	-20	-29	-31	-27	-32	-31	-30	-28	-27	-29
	E		:	:	:	:	:	:	:	:	-9	-10	-14	-13	-12	-7	-4	-3	-3	-6
	F (d)		1	-5	-10	-9	-5	-15	-23	-21	-14	-18	-19	-17	-18	-19	-18	:	-17	-17
	IRL		8	-10	-22	-28	-34	-39	-33	-29	-28	-31	-27	-29	-33	-28	-29	-29	-30	-27
	I		-18	-17	-22	-22	-18	-24	-15	-12	-4	-1	0	-2	-2	-3	-2	:	-7	-10
	NL		-1	-8	-25	-31	-32	-30	-22	-7	5	6	1	1	-1	-4	-5	-4	-1	-7
	P		:	:	:	:	:	:	:	:	-7	-4	-2	-2	-2	-4	5	3	1	5
	UK		8	-4	-18	-21	-12	-3	-4	-10	-7	0	0	4	6	10	9	8	5	8
EUR (c)			0	-3	-13	-19	-17	-15	-14	-12	-6	-6	-7	-5	-6	-5	-5	-5	-5	-6
FINANCIAL SITUATION OF HOUSEHOLDS — over last 12 months	B		-11	-11	-15	-19	-25	-29	-31	-23	-14	-11	-8	-6	-6	-6	-8	-7	-8	-8
	DK		2	1	-10	-12	-7	-4	-2	-3	-2	-1	-2	-2	0	-1	:	1	1	-2
	D		1	2	-4	-16	-18	-14	-11	-8	1	0	1	1	2	1	1	-1	3	2
	GR		:	:	:	:	-2	-13	-8	-8	-24	-31	-33	-32	-35	-32	-34	-31	-29	-31
	E		:	:	:	:	:	:	:	:	-10	-9	-13	-11	-12	-9	-8	-6	-7	-9
	F (d)		-2	-4	-7	-8	-7	-11	-15	-13	-11	-14	-14	-14	-14	-13	-14	:	-13	-13
	IRL		-9	-21	-32	-38	-41	-43	-42	-37	-34	-37	-32	-30	-37	-29	-31	-33	-30	-28
	I		-14	-13	-14	-14	-13	-15	-12	-10	-6	-4	-3	-4	-3	-5	-4	:	-4	-5
	NL		4	1	-9	-18	-20	-28	-26	-17	-3	3	0	0	3	-1	-1	-1	0	0
	P		:	:	:	:	:	:	:	:	-8	-7	-3	-1	-2	-3	2	0	-4	-1
	UK		-10	-11	-24	-30	-27	-15	-15	-16	-13	-8	-12	-5	-6	0	-1	-1	-4	-1
EUR (c)			-4	-5	-11	-17	-16	-15	-15	-12	-8	-7	-8	-6	-6	-5	-5	-5	-5	-5

TABLE 3: (continued): Consumer opinion on economic and financial conditions^(a)

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987									
											Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	
FINANCIAL SITUATION OF HOUSEHOLDS (cont.)	B	-3	-3	-6	-9	-12	-15	-18	-13	-5	-1	-2	-1	1	2	-1	0	-1	-1	
	DK	6	3	-8	-4	-2	0	3	3	2	4	0	3	4	0	:	3	4	3	
	D	2	2	-3	-12	-14	-9	-6	-4	2	2	2	1	2	2	1	0	3	1	
	GR	:	:	:	:	15	0	6	2	-12	-18	-21	-18	-23	-22	-24	-24	-21	-22	
	E	:	:	:	:	:	:	:	:	3	2	1	-1	-1	2	3	6	4	1	
	F (d)	4	0	-2	0	0	-4	-7	-3	-2	-5	-4	-3	-4	-6	-5	:	-3	-3	
	IRL	1	-13	-19	-24	-23	-26	-22	:	-15	-13	-12	-14	-20	-12	-17	-18	-17	-14	
	— over next 12 months	I	-6	-7	-10	-8	-6	-8	-3	-2	1	5	4	4	2	2	2	:	1	-2
	NL	1	1	-9	-13	-14	-21	-17	-6	2	5	4	3	2	-1	0	-2	3	3	
	P	:	:	:	:	:	:	:	:	2	2	2	1	4	2	10	5	4	8	
	UK	3	-1	-13	-15	-9	-2	-3	-5	-3	3	5	7	7	9	4	6	3	5	
	EUR (c)	2	0	-6	-9	-8	-7	-6	-4	0	1	1	1	1	1	0	1	1	0	
GENERAL ECONOMIC SITUATION	B	-47	-44	-58	-69	-68	-62	-57	-33	-29	-23	-24	-16	-19	-19	-20	-18	-18	-22	
	DK	-31	-34	-56	-47	-42	-4	4	2	-10	-16	-30	-25	-17	-21	:	-22	-13	-17	
	D	-5	3	-18	-46	-51	-29	-14	-11	7	3	2	2	1	-1	-4	-6	-1	-2	
	GR	:	:	:	:	-2	-11	-4	-10	-28	-37	-36	-32	-38	-34	-34	-34	-32	-33	
	E	:	:	:	:	:	:	:	:	-15	-24	-27	-25	-23	-17	-16	-13	-11	-8	
	F (d)	-18	-27	-39	-37	-28	-41	-54	-52	-34	-40	-42	-39	-40	-43	-38	:	-37	-38	
	IRL	-4	-35	-56	-66	-74	-77	-65	-61	-58	-65	-61	-56	-65	-58	-58	-53	-58	-50	
	— over last 12 months	I	-45	-43	-57	-60	-51	-57	-36	-26	-10	-2	0	-3	-4	-1	-4	:	-11	-18
	NL	-23	-30	-55	-64	-64	-54	-19	8	18	13	4	5	0	-6	-11	-6	0	-7	
	P	:	:	:	:	:	:	:	:	-5	1	2	8	4	2	12	11	7	11	
	UK	0	-33	-55	-62	-40	-23	-25	-37	-29	-19	-16	-8	-1	7	5	3	0	5	
	EUR (c)	-16	-22	-41	-51	-44	-37	-31	-28	-15	-15	-15	-13	-13	-12	-12	-12	-12	-13	
— over next 12 months	B	-28	-29	-45	-51	-43	-38	-33	-17	-12	-8	-10	-5	-10	-8	-9	-6	-9	-14	
	DK	-21	-24	-42	-29	-23	3	6	4	-7	-11	-20	-19	-8	-14	:	-17	-5	-16	
	D	-1	1	-19	-33	-32	-14	-10	-6	3	-4	-4	-4	-6	-5	-10	-11	-6	-7	
	GR	:	:	:	:	25	6	10	3	-13	-19	-20	-17	-25	-22	-22	-25	-22	-23	
	E	:	:	:	:	:	:	:	:	3	-7	-8	-7	-4	0	2	3	4	4	
	F (d)	-15	-29	-40	-27	-23	-36	-45	-34	-18	-27	-27	-24	-26	-27	-24	:	-19	-20	
	IRL	2	-26	-35	-38	-42	-45	-29	-26	-26	-23	-20	-29	-34	-33	-32	-28	-34	-29	
	— over next 12 months	I	-14	-19	-30	-30	-24	-25	-9	-8	3	5	4	1	1	-1	0	:	-8	-14
	NL	-16	-26	-48	-42	-42	-28	-5	10	12	4	-1	-7	-10	-14	-18	-12	-1	-16	
	P	:	:	:	:	:	:	:	:	5	9	6	1	4	2	15	14	13	17	
	UK	5	-16	-24	-23	-10	-5	-10	-16	-14	-2	3	6	10	16	8	4	1	5	
	EUR (c)	-8	-16	-30	-30	-24	-21	-18	-14	-5	-7	-7	-7	-7	-6	-7	-8	-7	-9	
PRICE TRENDS	B	59	55	65	69	77	78	78	72	49	30	33	27	32	32	33	34	36	32	
	DK	47	39	50	51	48	26	26	26	10	0	-5	1	-1	6	:	1	-3	-3	
	D	16	25	44	52	46	23	15	9	-15	-23	-23	-20	-16	-12	-9	-9	-7	-7	
	GR	:	:	:	:	15	30	24	26	39	39	41	41	43	42	42	43	41	42	
	E	:	:	:	:	:	:	:	:	46	45	38	41	40	28	25	30	30	34	
	F (d)	60	70	79	77	62	55	58	44	12	18	19	14	14	15	12	:	12	8	
	IRL	57	80	85	87	87	80	71	59	47	42	41	35	37	33	32	28	35	24	
	— over last 12 months	I	67	72	80	79	72	69	55	49	36	25	27	24	28	24	28	:	30	36
	NL	47	43	62	68	63	43	41	22	-2	-27	-27	-26	-23	-19	-17	-16	-13	-14	
	P	:	:	:	:	:	:	:	:	31	38	33	30	30	27	17	23	24	27	
	UK	35	48	59	41	31	15	19	24	15	11	15	10	10	7	4	10	11	11	
	EUR (c)	42	49	63	62	53	40	37	30	13	10	11	9	11	10	10	11	12	13	
— over next 12 months	B	22	33	42	40	45	40	37	36	27	14	18	14	18	16	18	22	23	23	
	DK	27	29	38	31	31	12	16	15	7	11	11	7	5	7	:	5	-1	4	
	D	33	44	51	50	43	30	28	25	5	6	1	4	8	13	16	18	17	16	
	GR	:	:	:	:	25	37	38	42	44	45	48	48	49	41	46	48	47	47	
	E	:	:	:	:	:	:	:	:	19	23	15	24	20	9	12	16	15	21	
	F (d)	41	46	50	39	42	37	32	27	19	29	17	9	12	12	10	:	4	4	
	IRL	36	59	56	52	46	39	35	32	23	23	25	22	25	23	26	24	27	24	
	— over next 12 months	I	44	56	60	58	56	54	46	48	35	38	34	35	37	37	43	:	53	52
	NL	36	48	61	52	50	38	25	17	6	-12	-12	-6	-2	3	8	10	7	17	
	P	:	:	:	:	:	:	:	:	14	16	17	17	16	16	9	8	10	18	
	UK	21	34	43	31	29	27	40	43	32	35	36	33	33	24	33	37	37	39	
	EUR (c)	34	44	51	44	42	35	35	32	20	23	18	18	20	18	22	23	23	25	
UNEMPLOYMENT	B	42	42	57	67	60	57	44	37	33	36	40	37	36	33	36	36	37	35	
	DK	29	22	39	37	29	30	5	-4	1	15	24	26	18	37	:	35	21	34	
	D	10	3	20	43	43	30	20	16	4	14	13	12	13	14	20	24	23	23	
	GR	:	:	:	:	11	10	11	17	31	38	36	35	39	34	36	34	37	36	
	E	:	:	:	:	:	:	:	:	26	39	36	39	35	24	24	26	19	25	
	F (d)	30	44	47	43	30	41	62	50	33	44	47	47	50	42	43	:	29	39	
	IRL	6	12	34	47	56	67	52	48	45	33	31	34	47	49	50	49	57	50	
	— over next 12 months	I	42	41	51	52	56	57	49	47	39	40	37	40	39	41	40	:	43	41
	NL	42	35	59	72	72	67	36	0	-11	3	3	7	9	4	16	17	10	11	
	P	:	:	:	:	:	:	:	:	27	26	18	19	22	17	6	8	9	7	
	UK	20	30	58	50	34	37	32	35	32	16	14	8	6	3	2	3	8	-1	
	EUR (c)	25	27	43	48	42	41	38	32	23	28	27	27	27	24	26	27	25	26	

TABLE 3: (continued): Consumer opinion on economic and financial conditions^(a)

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987									
											Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	
MAJOR PURCHASES	B	46	30	23	15	13	6	6	-18	-26	-25	-24	-24	-21	-21	-24	-16	-22	-21	
	DK	41	42	21	10	16	7	14	14	0	-13	-11	-14	-14	-16	:	-12	-21	-9	
	D	31	25	18	-1	-17	-8	-9	-8	4	6	2	8	2	4	5	-1	7	4	
	GR	:	:	:	:	-35	-35	-24	-20	-22	-39	-45	-36	-40	-43	-36	-29	-32	-35	
	E	:	:	:	:	:	:	:	:	-27	-10	-23	-20	-20	-12	-2	-5	-7	-17	
	F^(d)	34	35	39	28	30	19	6	-4	-3	-4	-10	-5	-8	-6	-11	:	-12	-11	
	IRL	49	46	30	24	13	-6	-9	-2	-10	-15	-12	-18	-11	-10	-5	-15	-11	-12	
	— at present	I	-10	-3	2	4	1	-13	-15	-15	-8	-8	-6	-8	-6	-8	-3	:	-14	-11
	NL	28	13	-2	-17	-21	-18	-44	-29	-6	6	-4	4	-2	1	6	0	-8	-14	
	P	:	:	:	:	:	:	:	:	-28	-27	-18	-20	-18	-22	-14	-14	-15	-10	
	UK	43	43	28	26	25	32	31	24	24	24	19	22	20	20	31	28	27	26	
		EUR^(c)	29	27	22	12	6	5	0	-3	0	1	-4	0	-3	-1	2	0	-1	-3
	— over next 12 months	B	-28	-29	-26	-28	-28	-30	-28	-30	-28	-24	-24	-22	-18	-18	-19	-16	-18	-20
		DK	-9	-8	-14	-12	-10	-8	-7	-8	-12	-12	-10	-10	-12	-12	:	-12	-11	-8
D		-15	-15	-19	-25	-28	-29	-28	-26	-20	-20	-19	-20	-19	-23	-20	-22	-19	-19	
GR		:	:	:	:	-24	-33	-38	-33	-42	-43	-51	-48	-49	-44	-51	-44	-42	-44	
E		:	:	:	:	:	:	:	:	-26	-29	-24	-22	-22	-23	-20	-19	-16	-23	
F^(d)		-13	-16	-18	-13	-9	-10	-10	-9	-3	0	-1	0	0	-1	-1	:	0	0	
IRL		-13	-17	-19	-22	-27	-31	-25	-22	-20	-26	-26	-17	-20	-19	-17	-16	-14	-19	
I		-16	-10	-17	-18	-22	-22	-21	-21	-21	-20	-21	-21	-20	-21	-21	:	-22	-24	
NL		-14	-19	-23	-27	-27	-29	-27	-20	-15	-12	-12	-10	-10	-12	-13	-14	-12	-9	
P		:	:	:	:	:	:	:	:	6	4	1	2	10	5	-1	0	6	10	
UK		-9	-6	-14	-19	-18	-15	-12	-14	-12	-14	-11	-9	-8	-6	-9	-10	-8	-8	
		EUR^(c)	-12	-12	-17	-20	-20	-21	-19	-18	-16	-16	-15	-14	-13	-14	-14	-15	-13	-14
SAVINGS		B	35	40	38	41	40	46	46	46	43	50	53	50	55	51	53	54	56	49
		DK	7	11	15	23	26	40	41	50	46	46	48	53	43	46	:	49	53	55
	D	34	46	43	32	27	33	38	41	44	44	39	41	45	43	43	46	47	48	
	GR	:	:	:	:	-25	-29	-20	-18	-31	-43	-44	-40	-46	-45	-43	-34	-39	-43	
	E	:	:	:	:	:	:	:	:	36	48	41	41	42	41	40	49	46	41	
	F^(d)	10	8	-3	-2	-5	0	6	11	12	17	20	20	19	23	21	:	22	25	
	IRL	14	8	5	-3	-9	-3	-8	-1	-3	-3	-10	-2	-7	-8	-19	-11	0	-8	
	— at present	I	6	4	-6	-7	10	21	33	37	47	50	48	51	49	51	47	:	50	49
	NL	13	19	19	27	38	35	34	41	48	51	52	51	52	48	48	44	53	51	
	P	:	:	:	:	:	:	:	:	-42	-39	-36	-31	-25	-21	-21	-19	-24	-16	
	UK	-10	-5	6	5	5	10	17	20	23	33	32	31	30	34	37	32	31	38	
		EUR^(c)	16	21	15	12	12	19	24	29	31	35	34	35	35	36	36	36	37	38
	— over next 12 months	B	-14	-14	-20	-21	-25	-26	-27	-33	-9	-3	-1	-2	-2	-1	-4	0	-1	-6
		DK	-11	-12	-20	-19	-18	-12	-11	-7	-6	-7	-8	-3	1	-5	:	3	0	-8
D		43	46	44	23	-2	1	3	3	11	16	12	16	12	11	14	11	15	12	
GR		:	:	:	:	-37	-41	-39	-40	-47	-52	-59	-54	-58	-61	-59	-57	-55	-59	
E		:	:	:	:	:	:	:	:	-36	-34	-31	-39	-41	-34	-29	-30	-34	-38	
F^(d)		-27	-29	-32	-32	-32	-35	-37	-36	-31	-32	-35	-31	-35	-33	-34	:	-32	-34	
IRL		-5	-11	-13	-19	-22	-25	-37	-28	-30	-31	-34	-20	-39	-29	-31	-40	-32	-26	
I		-35	-34	-32	-30	-22	-27	-20	-17	-10	-7	-6	-8	-5	-5	-6	:	-5	-7	
NL		6	8	0	-1	-3	-8	-2	6	12	17	17	14	21	14	17	17	24	19	
P		:	:	:	:	:	:	:	:	-39	-40	-36	-29	-31	-27	-18	-23	-27	-19	
UK		-4	-4	-16	-20	-17	-13	-12	-14	-12	-7	-9	-4	-8	-5	-8	-2	-7	-6	
		EUR^(c)	1	2	-4	-11	-17	-17	-16	-15	-11	-10	-11	-9	-11	-10	-10	-9	-9	-11
FINANCIAL SITUATION OF HOUSEHOLDS		B	11	12	9	7	6	5	6	5	13	13	15	16	14	14	13	14	13	14
		DK	10	9	4	4	4	8	8	11	10	10	7	11	9	10	:	11	11	10
	D	23	22	21	16	12	11	11	12	17	17	17	17	18	17	16	16	18	17	
	GR	:	:	:	:	0	0	2	3	1	-1	-1	-1	-3	-2	-1	-1	-2	-2	
	E	:	:	:	:	:	:	:	:	5	7	8	1	3	6	8	8	3	6	
	F^(d)	10	10	8	8	8	6	4	3	3	1	0	2	0	2	:	:	0	0	
	IRL	11	8	2	-4	-1	-1	-1	-1	-1	-1	-2	4	-5	0	-2	-4	1	-1	
	— indicator of net acquisition of financial assets	I	7	8	8	8	13	9	11	12	15	15	17	15	17	16	18	:	15	17
	NL	14	22	19	18	17	15	13	16	19	19	18	18	20	19	18	16	22	18	
	P	:	:	:	:	:	:	:	:	2	3	7	10	7	8	12	8	7	11	
UK	8	10	8	9	9	12	12	11	11	12	13	14	13	17	13	17	13	16		
	EUR^(c)	14	15	12	11	10	9	9	9	11	11	11	11	12	12	12	11	12		

(a) The sum of the replies for each Member State are weighted in the Community total with the value of consumers' expenditure.

(b) 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.

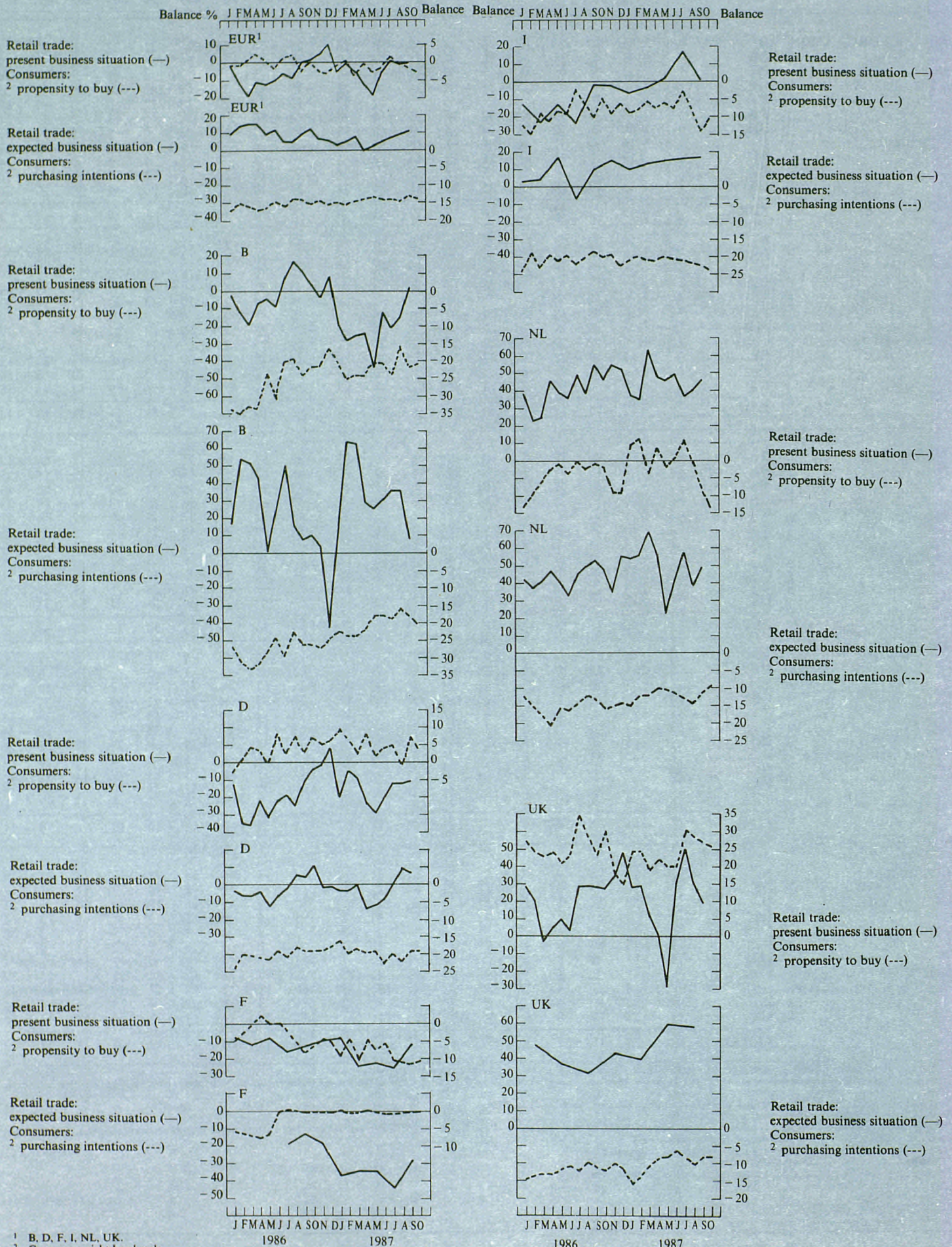
(c) If monthly data are not available, the EUR-averages incorporate the most recent available results.

(d) Data of an experimental nature from June 1986 onwards.

¹ The climate of consumer confidence is measured by an indicator 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.² Quarterly data; percentage change on corresponding quarter of preceding year.³ Quarterly data; monthly from May 1986 onwards.⁴ Percentage changes on corresponding quarter resp. month of preceding year.⁵ See table 3 for data and notes.⁶ Seasonally adjusted.⁷ EUR 10 up to May 1986; EUR 12 from June 1986 onwards.

Source: European Community consumer survey.

GRAPH 9: Present and expected business situations in the retail trade (—) versus propensity to buy and purchasing intentions of consumers (---)



¹ B, D, F, I, NL, UK.
² Consumers: right-hand scale.

Sources: EC surveys in the retail trade and among consumers.

TABLE 4: 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)		1986	1987			1987					
	Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83		I	II	III	May	June	July	Aug.	Sept.	Oct.
B														
production expectations	+31	-56	-4	-37	-7	-12	-7	-10	-5	-9	-8	-10	-12	-4
order-books	+13	-74	-14	-49	-25	-27	-29	-29	-27	-30	-28	-31	-29	-25
export order-books	+15	-82	-19	-55	-30	-20	-33	-31	-32	-33	-31	-32	-30	-29
stocks of finished products	-14	+37	+2	+18	+7	+7	+6	+9	+3	+7	+8	+6	+12	+8
selling-price expectations	+64	-10	+39	+12	+5	-6	+7	+7	+7	+9	+8	+8	+4	+10
industrial confidence indicator	+19	-56	-4	-35	-13	-15	-14	-16	-12	-15	-15	-16	-18	-12
DK														
production expectations	:	:	:	+8	+6	+5	+4	+4	:	:	+4	:	:	:
order-books	:	:	:	-34	+9	-12	-17	-20	:	:	-20	:	:	:
export order-books	:	:	:	+14	-2	-16	-19	-12	:	:	-12	:	:	:
stocks of finished products	:	:	:	+24	+13	+15	+13	+8	:	:	+8	:	:	:
industrial confidence indicator	:	:	:	-22	+1	-7	-9	-8	:	:	-8	:	:	:
D														
production expectations	+17	-32	+10	-30	+2	-5	-4	-1	-4	-3	-3	-1	+1	+4
order-books	+5	-73	-6	-59	-15	-25	-26	-25	-26	-26	-27	-25	-24	-23
export order-books	:	:	-14	-50	-20	-30	-35	-30	-32	-36	-30	-30	-29	-29
stocks of finished products	-7	+43	-2	+31	+7	+11	+11	+11	+11	+11	+12	+11	+9	+10
selling-price expectations	+55	+4	+38	+4	+7	+8	+14	+18	+15	+16	+18	+19	+18	+22
industrial confidence indicator	+10	-49	+2	-40	-7	-14	-14	-12	-14	-13	-14	-12	-11	-10
GR														
production expectations	:	:	:	:	+21	+10	+13	+24	+7	+16	+25	+24	+24	+18
order-books	:	:	:	:	-16	-27	-24	-20	-27	-21	-22	-20	-17	-20
export order-books	:	:	:	:	-24	-32	-28	-25	-26	-27	-28	-25	-23	-19
stocks of finished products	:	:	:	:	+12	+9	+11	+11	+11	+17	+14	+11	+7	+9
selling-price expectations	:	:	:	:	+16	+16	+29	+25	+29	+30	+26	+25	+25	+20
industrial confidence indicator	:	:	:	:	-3	-9	-7	-2	-10	-8	-4	-3	0	-4
F														
production expectations	+33	-29	+18	-20	+1	+1	+3	+3	+2	+2	+1	+3	+4	+10
order-books	+26	-69	0	-56	-23	-24	-21	-16	-22	-20	-19	-16	-13	-12
export order-books	+24	-66	+10	-52	-28	-32	-27	-18	-28	-26	-20	-18	-15	-14
stocks of finished products	-14	+50	+3	+42	+14	+14	+11	+5	+12	+11	+4	+5	+6	+4
selling-price expectations	+76	+15	+62	+17	+14	+11	+15	+22	+15	+13	+22	+22	+21	+16
industrial confidence indicator	+29	-49	+5	-39	-12	-12	-10	-6	-11	-10	-7	-6	-5	-2
IRL														
production expectations	:	-21	+40	-33	+10	+18	+20	+17	+12	+27	+13	+19	+20	+3
order-books	:	-68	+18	-55	-22	-19	-3	-10	-6	-2	-12	-16	-2	-10
stocks of finished products	:	+35	-6	+33	+13	+9	+5	+8	+7	+1	+6	+8	+9	+7
selling-price expectations	:	+64	+77	+20	-5	+2	+8	+6	+10	+8	-1	+7	+12	+2
industrial confidence indicator	:	-41	+20	-40	-8	-3	+4	0	0	+8	-2	-2	+3	-5
I														
production expectations	+40	-43	+24	-26	+9	+8	+8	+10	+6	+7	+10	+11	+8	+9
order-books	+30	-82	+7	-66	-22	-10	-11	-9	-13	-10	-10	-8	-9	-2
export order-books	+13	-67	-6	-59	-30	-24	-27	-26	-31	-26	-27	-28	-25	-26
stocks of finished products	-24	+53	-8	+32	+14	+9	+8	+5	+10	+6	+7	+3	+4	+4
selling-price expectations	+76	+10	+87	+37	+15	+11	+18	+21	+16	+22	+20	+22	+22	+26
industrial confidence indicator	+31	-59	+13	-41	-9	-4	-4	-1	-6	-3	-2	0	-2	+1
L														
production expectations	+84	-80	+40	-66	-20	-43	-15	-2	-10	0	-3	-1	-3	+2
order-books	:	:	+8	-70	-3	-34	-43	-47	-41	-44	-48	-47	-47	-48
export order-books	:	:	+9	-80	-22	-63	-54	-60	-51	-56	-64	-61	-56	-47
stocks of finished products	-14	+74	0	+58	+3	-1	-1	+1	-4	-2	+3	+2	-3	+1
selling-price expectations	:	-46	+74	-38	-30	-40	+14	+38	+35	+31	+41	+45	+27	+52
industrial confidence indicator	:	:	+16	-65	-5	-25	-19	-18	-16	-14	-18	-17	-18	-16
NL														
production expectations	+26	-26	+20	-13	+4	0	+1	+3	0	+3	+2	+2	+5	+6
order-books	+7	-48	-5	-42	-12	-16	-20	-16	-21	-20	-16	-17	-15	-13
stocks of finished products	-3	+57	+3	+39	+7	+6	+5	+3	+5	+4	+3	+2	+3	+2
industrial confidence indicator	+12	-44	+4	-31	-5	-7	-8	-5	-9	-7	-6	-6	-4	-3
UK														
production expectations	:	:	+29	-52	+11	+22	+31	+36	+31	+37	+30	+42	+35	+34
order-books	:	:	-2	-85	-18	-8	+2	+11	+4	+1	+8	+13	+12	+20
export order-books	:	:	-11	-72	-19	-11	-5	+9	-9	+4	+10	+8	+8	+7
stocks of finished products	:	:	-1	+42	+16	+8	+2	-2	+1	-3	-1	-4	0	-7
selling-price expectations	:	:	+70	+7	+15	+23	+27	+26	+30	+27	+24	+27	+27	+26
industrial confidence indicator	:	:	+9	-60	-8	+2	+10	+16	+11	+14	+13	+20	+16	+20
EUR														
production expectations	+24	-30	+15	-24	+5	+5	+7	+9	+7	+9	+7	+11	+10	+13
order-books	+15	-70	-7	-56	-19	-18	-17	-12	-17	-16	-14	-12	-11	-8
export order-books	:	:	-12	-50	-23	-26	-25	-20	-26	-24	-20	-20	-19	-19
stocks of finished products	-10	+48	-1	+31	+12	+10	+8	+5	+8	+8	+7	+4	+4	+4
selling-price expectations	+64	+9	+53	+22	+12	+12	+17	+21	+18	+18	+20	+22	+22	+23
industrial confidence indicator	+16	-49	+2	-36	-9	-8	-6	-3	-6	-5	-5	-2	-2	0

(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 5: Survey of the construction industry

Balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.)

	Range (b)		Range (b)		1986			1987			1987			
	Peak	Trough	Peak	Trough	I	II	III	May	June	July	Aug.	Sept.	Oct.	
	1972/73	1974/75	1979/80	1981/83										
B order-books	-13	-47	-20	-76	-48	-51	-51	-45	-51	-50	-48	-43	-44	-35
employment expectations	+31	-24	+7	-53	-22	-22	-18	-19	-17	-20	-19	-20	-18	-15
price expectations	+75	+25	+61	-18	+1	-1	-2	+1	-2	-2	0	-2	+4	+1
construction confidence indicator (a)	+9	-36	-7	-65	-35	-37	-35	-32	-34	-35	-34	-32	-32	-25
DK order-books	:	:	:	-38	+18	+4	+12	-12	(+12)	(+12)	-12	(-12)	(-12)	:
employment expectations	:	:	:	-35	+10	-2	+11	-4	(+11)	(+11)	-4	(-4)	(-4)	:
construction confidence indicator (a)	:	:	:	-37	+14	+1	+12	-8	(+12)	(+12)	-8	(-8)	(-8)	:
D order-books	-17	-84	+2	-75	-53	-53	-48	-48	-47	-46	-47	-47	-50	-47
employment expectations	+10	-60	+20	-53	-12	-8	-9	-13	-5	-12	-13	-14	-12	-12
price expectations	+48	-37	+48	-49	+7	+2	+1	-3	-2	+1	-1	-7	-1	-7
construction confidence indicator (a)	-4	-72	+11	-64	-33	-31	-29	-31	-26	-29	-30	-31	-31	-30
GR order-books	:	:	:	-78	-62	-67	-56	-63	(-56)	(-56)	-63	(-63)	(-63)	-67
employment expectations	:	:	:	-77	-32	-22	-21	-15	(-21)	(-21)	-15	(-15)	(-15)	-20
price expectations	:	:	:	+9	+34	+25	+27	+14	(+27)	(+27)	+14	(+14)	(+14)	+34
construction confidence indicator (a)	:	:	:	-78	-47	-45	-39	-39	(-39)	(-39)	-39	(-39)	(-39)	-44
F order-books	:	:	-26	-73	-33	-28	-22	-21	(-22)	(-22)	-21	(-21)	(-21)	-17
employment expectations	:	:	-8	-47	-11	-14	-12	-6	(-12)	(-12)	-6	(-6)	(-6)	-5
construction confidence indicator (a)	:	:	-17	-57	-22	-21	-17	-14	(-17)	(-17)	-14	(-14)	(-14)	-11
IRL order-books	:	:	:	-58	-40	-48	-17	-36	(-17)	(-17)	-36	(-36)	(-36)	-28
employment expectations	:	:	:	-61	-35	-17	-44	-26	(-44)	(-44)	-26	(-26)	(-26)	-30
price expectations	:	:	:	:	-14	-11	-22	-15	(-22)	(-22)	-15	(-15)	(-15)	-34
construction confidence indicator (a)	:	:	:	-60	-38	-33	-31	-31	(-31)	(-31)	-31	(-31)	(-31)	-29
I order-books	-25	-68	-8	-62	-37	-27	-22	-20	-19	-22	-26	-4	-29	-28
employment expectations	+10	-44	+2	-39	-14	-16	-12	-3	-14	-9	+2	-4	-7	-21
price expectations	+85	+30	+79	+2	+12	+10	+19	+15	+25	+7	+18	+19	+9	+11
construction confidence indicator (a)	-8	-56	-5	-51	-26	-22	-17	-12	-17	-16	-12	-4	-18	-25
L order-books	+21	-50	+15	-79	-9	+14	+7	0	+1	+10	+8	0	-9	+9
employment expectations	+31	-39	+46	-75	0	+20	+25	-7	+29	+23	+5	-5	-21	-20
price expectations	+82	+11	+81	-49	+14	+11	+9	-1	+5	+3	+10	-5	-7	-19
construction confidence indicator (a)	+26	-45	+31	-77	-5	+17	+16	-4	+15	+17	+7	-3	-6	-6
NL order-books	-8	-81	-10	-61	-11	-11	-7	-5	-6	-5	-3	-4	-9	-7
employment expectations	+14	-13	+15	-31	+5	+4	+5	+5	+4	+5	+6	+3	+7	+2
construction confidence indicator (a)	+3	-47	+3	-46	-3	-4	-1	0	-1	0	+2	-1	-1	-3
UK order-books	:	:	-1	-74	-22	-18	-11	+4	(-11)	(-11)	+4	(+4)	(+4)	+18
employment expectations	:	:	+15	-50	+3	+10	+21	+26	(+21)	(+21)	+26	(+26)	(+26)	+42
price expectations	:	:	+74	-21	+22	+37	+49	+52	(+49)	(+49)	+52	(+52)	(+52)	+63
construction confidence indicator (a)	:	:	+7	-62	-10	-4	+5	+15	(+5)	(+5)	+15	(+15)	(+15)	+30
EUR order-books	:	:	-9	-64	-36	-33	-27	-23	(-27)	(-27)	-24	(-21)	(-25)	-19
employment expectations	:	:	+7	-35	-7	-6	-3	0	(-2)	(-3)	+1	(-1)	(0)	+2
construction confidence indicator (a)	:	:	-1	-50	-22	-20	-15	-12	(-15)	(-15)	-12	(-11)	(-13)	-9

(a) The indicator is an average of the responses (balances) to the questions on order-books and employment expectations.

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

Source: European Community business surveys.

Gloomier expectations for consumers. — In the United States, there is concern that because of the pessimistic mood of consumers, they will limit their spending not only on *durable household goods* but also on the purchase of *cars and houses*. In Europe too, account must be taken of generally unfavourable expectations, especially since, even before the fall in share prices, European consumers had indicated that they were less inclined to make immediate purchases of durable goods and that they were more pessimistic about the future. In particular they seem to be increasingly worried about the *future course of employment*. But this assessment must be put in its proper perspective. In the first ten months of 1987, consumers were appreciably more optimistic than they had been on average during the period 1981-85. Of course this does not apply to their readiness to purchase consumer durables. Expected motor car sales have also been less good in recent months than in 1986 (see European Economy, Supplement B, N° 10, October 1987, Table 4, page 9). This point is illustrated in the Table below, which summarizes some important aspects of consumers' assessments.

Change in some aspects of consumers' assessments				
Average for the period		January - October		1981-1985
		1986	1987	
General economic situation	} over the next 12 months	-5	-7	-21
		20	21	38
		23	26	40
		0	-1	4
Advisability of making major purchases				

Source: Survey among Community consumers.

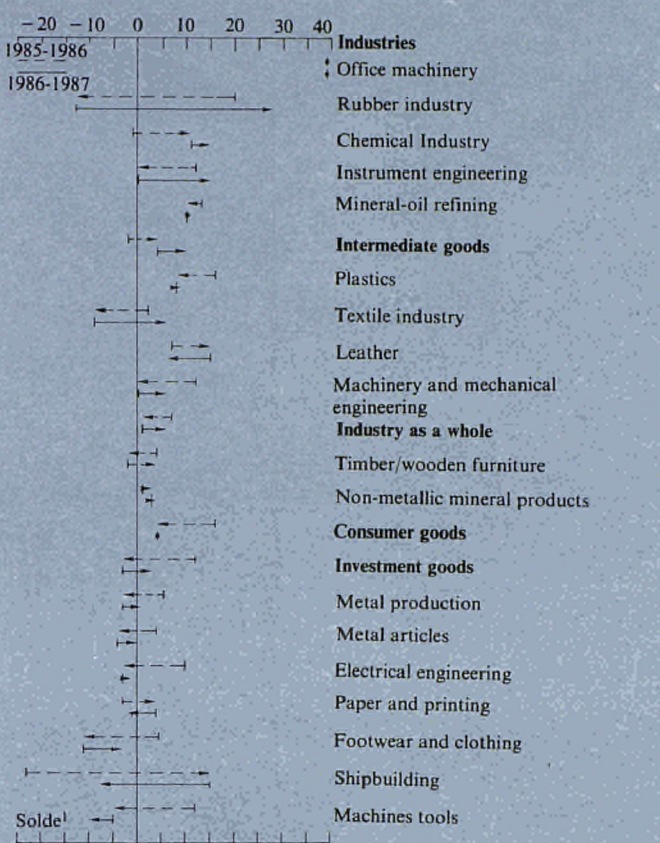
Comparison of retailers' and consumers' answers concerning purchases of durable goods. — In 1986, there was no clear trend in the balances of answers of Community consumers to the question of whether they were prepared to purchase consumer durables (see Graph 9). Over the period from January to October 1987, the proportion of negative answers was slightly higher than in the corresponding period of 1986. For the first ten months of 1987 the average value of this component of the confidence indicator was -1, compared with +0 for the same period in 1986.

For the last two years, three major differences emerge from a comparison of consumers' readiness to purchase durable goods and the opinions of sellers of such goods as to the present state of business.

First, the positive and negative deviations from the average level are appreciably greater for retailers than for consumers. Also, the signs of the differences between the month-to-month retailer balances are very often the opposite of the signs obtained for consumers. This could be due to the fact that the two economic groups take different lengths of time to react. Lastly, it should be remembered that unlike consumers, retailers judged the first ten months of 1987 more favourably than the first ten months of 1986 (-5 compared with -8).

There is wide difference in level between the balances relating to intentions to purchase durable goods expressed by consumers and the balances which refer to the expected sales of these articles by retailers; this is not the case for consumers' propensity to purchase and retailers' assessment of their current turnover. As Graph 9 shows, in most of the countries, the balance of consumers' purchasing intentions is continually negative, while

GRAPH 10: Expectations of export volumes in industry for the Community as a whole; comparison from October to October (Balance)¹



¹ Difference between percentages of negative and positive replies to the question concerning expectations of export volumes for the next few months.

retailers regularly strike a more positive note in their assessments of the future.

Lastly, Graph 9 demonstrates that, for the Community as a whole, the nearer one comes to the present the more do the positive and negative opinions of consumers and retailers tend to balance out.

Improvement of sentiment in industry on the basis of the results gathered at the beginning of October. — The industrial confidence indicator gained 2 points in October for the Community as a whole (see Table 4). It is now at its highest level since August 1979. This rise is due both to production expectations and to companies' assessments of their order-books. The two corresponding balances are three points up on September.

The indicator has improved in all the countries taking part in the harmonized survey, except Greece and Ireland. The largest rise can be seen in Belgium (+6), where the indicator had suffered a spell of weakness this summer. The United Kingdom's rise also makes up for September's decline, but it fits into a much clearer trend which takes the indicator to its highest level for ten years. The progress observed in France and Italy (+3) moreover place the indicator at a level 10 points higher than last year's average value, for each of the two countries.

The healthier order-book situation seems due to the domestic market since the assessments of foreign orders are not improving, in the Community as a whole. For this variable, the movements recorded in the Member States are generally very small.

New orders guarantee the utilization of production capacity. — The answers to the questions asked every quarter confirm the impression of improvement which is gained from examining the results of the monthly survey.

Industrialists judged the *trend of orders* more favourably in October than in July (+5; see Table 8), especially in France (+17) and the United Kingdom (+7). The situation is also continuing to improve in Germany (+3) but it has deteriorated in Italy (-5), whereas in October the assessment of the level of order-books was appreciably better than in July (+8; see Table 4).

Expectations concerning orders probably help to explain why fewer European industrialists consider their *capacity* more than adequate to cope with *planned production*. The Community balance fell by 3 points from July to October (see Table 7). This is chiefly due to the United Kingdom (-10) but there are also relatively fewer industrialists reporting excess capacity in Germany (-3) and France (-3).

With regard to exports, expectations remained stable in the second half-year in the Community as a whole (see Table 9), in line with the assessments made of foreign order-books (see Table 4).

However, an examination of developments throughout the year reveals some signs of an upturn.

A slight improvement in export expectations to October 1987. — As Graph 10 shows, in 1987 the balance of export expectations for the whole of manufacturing industry regained 5 of the 6 points lost in 1986. However, the situation varies with the type of product. For companies producing consumer goods, the balance has not climbed back this year, after a 12-point fall last year. In the field of investment goods, the balance regained only 6 of the 15 points lost in 1986. But, for intermediate goods, the gains of 1987 (+6) confirmed an already appreciable rise in 1986 (+6). For each of the three groups, a majority of industrialists expects exports to improve.

The sectors for which data is available often cover two or three types of product. Of the 18 sectors mentioned in Graph 10, 12 had a positive balance in the fourth quarter of 1987 compared with 9 a year earlier. The most significant gains were recorded for rubber (+41), textiles (+15) and instrument engineering (+15). However, shipbuilding has again lost (-23) the bulk of its 1986 gains (+38) and the balance for machine tools has plummeted 22 points in two years. Lastly in the office machinery sector, for which the balance of exportations is the highest — +39 — the situation in the fourth quarter is a repetition of the situation in the fourth quarters of the last two years.

Upturn in construction. — In October, the survey in the construction industry was carried out in all the member countries except Spain and Portugal (see Table 5).

The upturn forecast previously was confirmed. In October, the Community indicator gained 7 points by comparison with April and 13 by comparison with the average for 1986. The indicator's value was 40 points up on this average in the United Kingdom and 11 points up in France but the gain was only three points in Germany and one point in Italy, following a sharp fall in the indicator in September and October.

TABLE 6: Capacity utilization in manufacturing industry (%)^(a)(s.a.)

	Range (b)		Range (b)		1985		1986		1985		1986		1987		
	Peak	Trough	Peak	Trough					O	J	A	J	O	J	O
	1973	1975	79/80	82/83											
B	85,4	70,4	79,1	74,4	78,8	79,4	80,4	80,9	79,4	78,7	78,7	78,7	78,2	78,6	78,0
D	88,1	74,8	86,0	75,3	83,7	84,7	84,9	85,2	83,5	85,4	84,8	84,2	83,8	84,6	84,1
GR	:	:	:	74,4	75,5	77,0	76,4	77,1	76,3	77,3	77,3	79,0	76,8	78,2	74,6
F	87,8	76,6	85,3	81,1	82,8	83,3	83,3	83,3	83,5	83,2	83,0	83,0	83,2	83,5	84,3
IRL	:	:	68,1	56,8	67,3	73,0	68,8	74,8	76,2	73,0	69,1	71,7	80,8	71,8	76,7
I	78,8	68,0	77,3	69,1	74,0	75,2	73,5	74,2	75,5	75,9	75,1	76,7	77,2	78,2	78,0
L	:	:	83,0	66,5	80,9	84,2	79,5	87,8	83,3	83,6	82,2	78,1	78,9	79,6	80,0
NL	86,0	76,0	83,0	75,8	83,8	83,4	83,6	83,6	83,0	83,7	83,3	83,6	83,0	82,8	82,5
UK ^(d)	90,6	75,5	87,6	73,0	85,8	85,1	86,6	85,4	84,3	84,8	85,7	87,8	87,0	87,1	89,5
EUR ^(c)	86,4	75,0	83,9	76,4	81,6	82,2	82,0	82,4	81,8	82,5	82,1	82,9	82,7	83,2	83,5

TABLE 7: Expected capacity constraints in manufacturing industry: i.e. balance of respondents expecting capacity to be more than sufficient in relation to production expectations ^(a)(d)(s.a.)

	Range (b)		Range (b)		1985		1986		1986		1987	
	Peak	Trough	Peak	Trough					J	O	J	O
	1973	1975	79/80	82/83								
B	-12	+58	+35	+53	+29	+26	+26	+29	+25	+27	+26	+27
DK	:	:	+10	+38	+3	+8	+13	+9	+20	+20	+23	:
D	-3	+56	+12	+49	+17	+13	+13	+16	+18	+20	+19	+16
F	-24	+45	+11	+48	+37	+31	+33	+23	+32	+30	+26	+23
IRL	:	+34	+2	+40	+25	+18	+16	+18	+20	+19	+22	+13
I	+1	+63	+17	+58	+37	+37	+33	+37	+30	+24	+23	+22
L	-72	+73	+37	+62	+12	+2	+6	+4	+4	+16	+5	+4
NL	-3	+60	+14	+51	+4	+4	+6	+5	+5	+8	+7	+5
UK	:	:	+63	+23	+23	+28	+30	+27	+23	+17	+17	+7
EUR ^(c)	-7	+54	+14	+50	+26	+25	+25	+24	+24	+22	+20	+17

TABLE 8: New orders in manufacturing industry ^(a)(s.a.)

Balances: i.e., differences between the percentages of respondents giving positive and negative replies

	Range (b)		1985		1986		1986		1987			
	Peak	Trough										
	1979	1981/83										
B	+8	-22	-1	-6	-7	-13	-1	-4	-7	-12	+3	-2
DK	:	-14	+21	+10	+18	+16	+13	-6	-1	-2	+2	:
D	+17	-26	-1	+1	0	-12	+11	+3	-2	-3	+2	+5
F	+14	-35	-14	-8	-11	-8	-9	-5	-10	-11	-9	+8
IRL	:	-46	-8	-12	-10	-17	-19	-2	-19	+9	+7	-3
I	+7	-25	+6	+7	+4	+8	+7	+7	+9	+12	+9	+4
L	+45	-67	+12	-22	+3	-22	-29	-39	-32	-17	+5	+9
NL	+9	-6	+4	+1	-3	-1	+4	+5	0	+2	+7	+11
UK	:	-21	+15	-5	0	-11	-9	-1	+13	+18	+28	+35
EUR ^(c)	+14	-27	+2	-1	-1	-6	+1	+1	+2	+3	+7	+12

TABLE 9: Export volume expectations in manufacturing industry: ^(a)(s.a.)

Balances: i.e., differences between the percentages of respondents giving positive and negative replies

	Range (b)		1985		1986		1986		1987			
	Peak	Trough										
	1979	1981/83										
D	+6	-15	+8	-3	-1	-3	-3	-5	-7	-9	+1	+2
GR	:	-13	+27	+20	+20	+21	+19	+18	+8	+10	+21	+28
F	+13	-23	+1	-7	0	-6	-17	-4	-15	-7	+1	+4
IRL	:	-8	+12	+16	+16	+19	+22	+6	+12	+11	+17	+41
I	+16	-14	+9	+9	+1	+11	+14	+11	+13	+9	0	+5
L	+62	-67	+2	-34	+10	-41	-48	-55	-58	-10	-3	+5
NL	+20	-11	+4	+6	+6	0	+8	+8	+10	+9	+3	+8
UK	:	-4	+15	+9	+4	+14	+1	+16	+17	+16	+23	+19
EUR ^(c)	+11	-11	+7	+1	-1	+1	0	+1	0	0	+6	+6

(a) The data are collected in January, April, July and October each year.

(b) These are the extreme (high and low) values of the net balances of the different questions, reached in the periods 1973-1975 and 1979-1983 respectively.

(c) Weighted total of available country data.

(d) Answers to the questions whether, taking into account the level of order-books or production, capacity is more than sufficient (+), sufficient (=) or less than sufficient (-). Thus, negative balances (capacity less than sufficient) indicate high levels of capacity utilization and positive balances (capacity more than sufficient) are associated with low levels of capacity utilization.

Source: European Community business surveys.

Prices (excluding VAT) in Luxembourg

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