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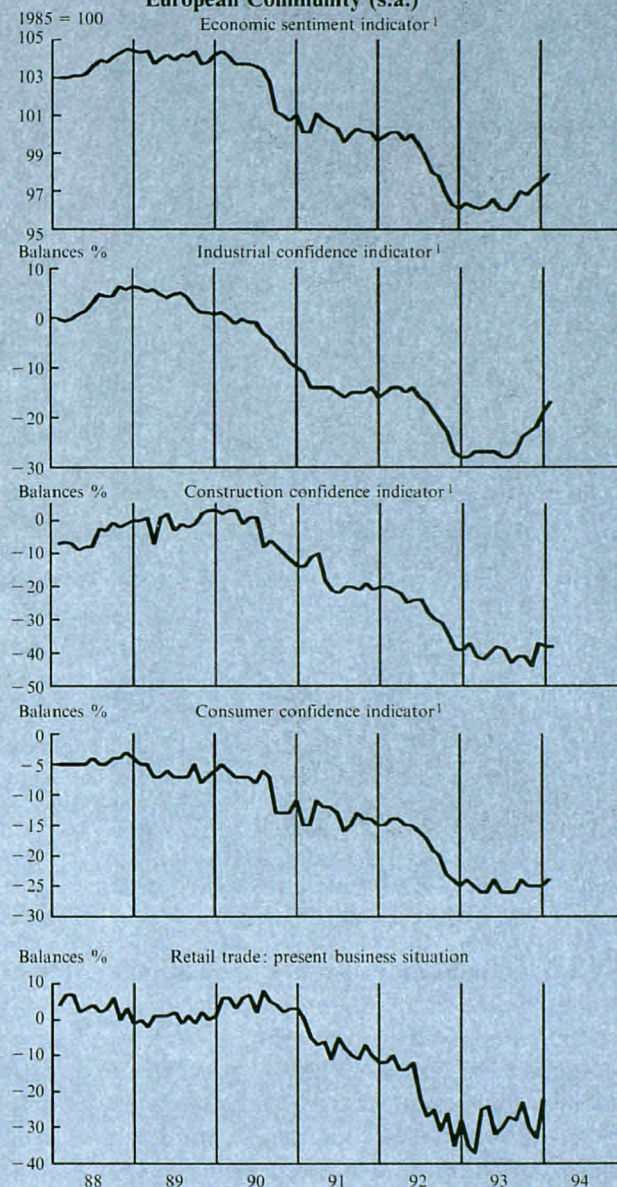


*In this number:
Capacity utilization and
industrial investment in industry*

THE MAIN POINTS IN BRIEF

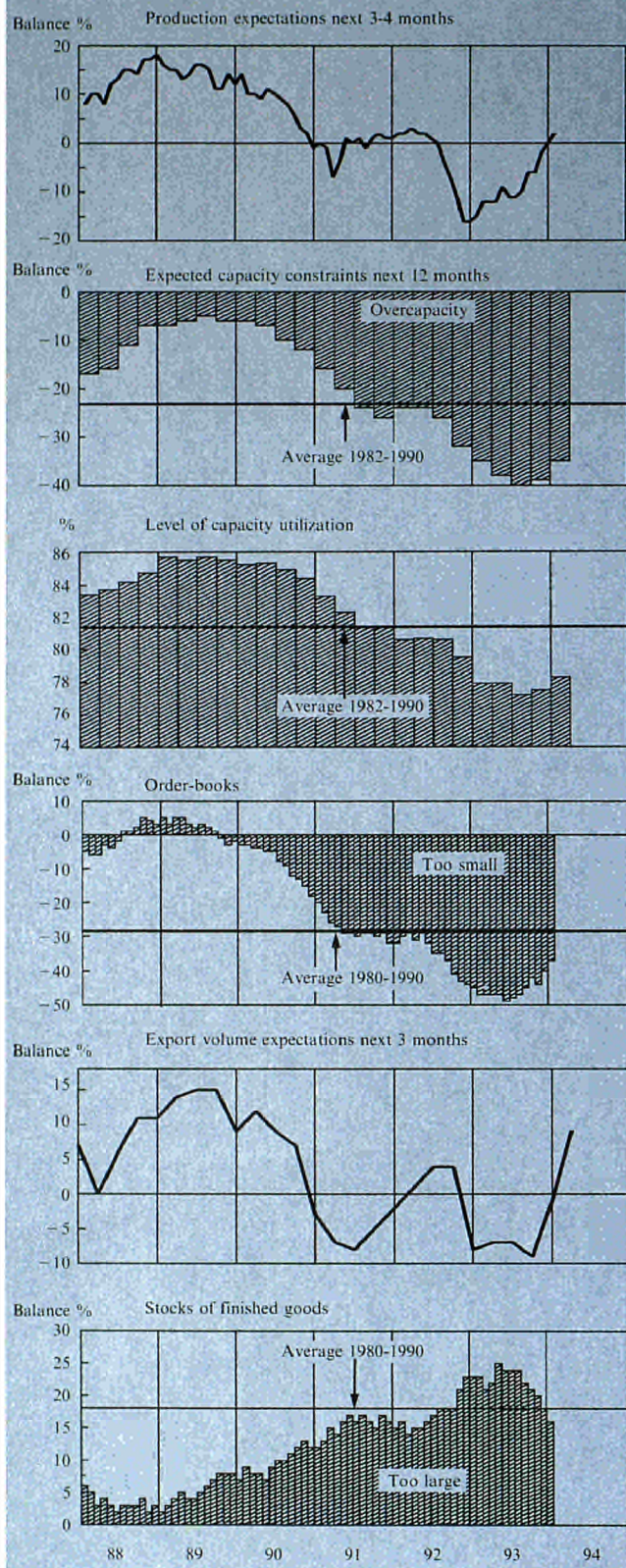
- Economic prospects in the European Union are continuing to improve; the main economic climate indicators are showing a slightly upward trend.
- For the first time since June 1992, the number of firms intending to increase output over the next few months exceeds the number of those planning cuts in production.
- Among consumers, however, there is still no sign of a change of mood. Nor can this be expected in the near future given the present overall economic framework (budget consolidation/wage moderation).
- According to the most recent business surveys, capacity utilization by industrial firms in the European Union in January was higher than in the previous quarter (78.3%, as against 77.4%). This clear rise probably marks the end of the downward trend.

GRAPH 1: Indicators of economic sentiment –
European Community (s.a.)



¹ See notes to Table 8.

GRAPH 2: Indicators of output and demand in industry — European Community



Economic prospects in the European Union are continuing to improve. — According to the most recent business survey results, the worst of the economic downturn seems to be over. The key economic climate indicators are showing a slightly upward trend, and the level of pessimism in industry has again declined in ten of the twelve member countries. In the retail trade too, the number of unfavourable assessments of the business situation has decreased. Among consumers and in the construction industry, by contrast, there is no real sign of any

improvement of mood. The economic situation is still adversely affected by sluggish domestic demand. In addition to depressed capital spending, private consumption is also still weak.

Although *consumers* were less pessimistic in January than in December 1993, there are still no signs of a sustained upturn. Given the overall economic framework (budget consolidation/wage moderation), there is also no immediate prospect of private consumption providing any major impetus. The pattern of consumer confidence differs, of course, from one country to another. While the climate in France, Denmark and Ireland has been less depressed in recent months, consumer scepticism in the other countries — particularly as reflected in assessments of their own financial situation — has not altered. Nevertheless, expectations regarding the general economic situation were no longer as negative in January as before in almost all the countries of the Union. The improvement is also apparent in assessments of the future labour-market trend.

Following their marked loss of confidence in November, *retailers* were less pessimistic in December. The December findings indicate increased confidence in the future economic situation, which has already shown a slightly upward trend since mid-1993. The fluctuations which have occurred clearly reflect continuing uncertainty among retailers about their business situation.

The current climate in *industry* has improved further. The climate indicator is showing a clearly rising trend, and for the first time since June 1992 the number of firms intending to increase output in the next few months exceeds the number of those planning to cut production. However, both domestic and export order-book levels are still much too low and, given the expected level of demand for industrial products, stocks of finished goods are regarded as too high. Nevertheless, assessments of order-book and stock levels have recently become much less cautious. Industrial firms appear to be anticipating rising output over the coming months.

This return to a more positive picture is confirmed by the findings of the quarterly survey. With firms expressing greater optimism about new-order trends, stronger demand for industrial goods can be expected. This applies particularly to demand from abroad. According to the most recent survey, conducted in January, industrial firms expect exports to rise further. This may already be providing the stimulus for a rise in output. It remains to be seen, of course, whether this incipient improvement in the climate will lead to a sustained economic recovery.

Improved capacity utilization in industry. — According to the most recent business surveys, capacity utilization in industrial firms in the European Union was higher in January than in the previous quarter (78.3%, as against 77.4%). This clear rise seems to mark the end of the downward trend. This is consistent with firms' plans to expand production. Spare capacity has also declined appreciably compared with the planned level of production in the coming months. The degree of capacity utilization should therefore continue to rise gradually, especially as the creation of extra capacity through investment in new plant has slowed markedly (continued on page 8).

TABLE 1*: Capacity utilization in manufacturing industry (%) (a) (s.a.)

	Range (b)		1991	1992	1993	1992			1993				1994
	Trough 81/83	Peak 88/90				II	III	IV	I	II	III	IV	I
B	73,8	82,2	79,4	77,4	74,8	77,8	77,6	76,4	75,3	74,5	74,5	74,9	76,4
DK	:	82,4	80,5	79,2	77,1	79,2	79,2	78,9	77,5	75,4	77,0	78,5	80,2
D	75,6	89,5	88,2	84,8	79,1	85,4	84,9	82,9	80,5	79,2	78,5	78,1	78,5
GR	73,5	78,9	77,2	78,3	75,9	79,0	76,8	78,8	77,8	76,7	74,4	74,6	74,1
E	:	81,7	77,6	76,6	72,8	75,3	78,1	76,4	73,9	73,9	71,1	72,1	75,7
F	81,1	88,3	84,2	82,5	79,7	82,1	82,6	82,1	81,2	79,4	78,9	79,1	79,2
IRL	55,7	78,7	75,5	77,1	73,6	78,5	75,8	76,7	71,6	74,9	73,5	74,4	76,6
I	69,0	80,8	77,3	76,4	74,4	77,8	75,9	75,0	74,4	74,6	74,3	74,3	74,4
L	66,5	85,6	82,1	79,8	80,1	80,6	79,9	78,3	80,0	80,5	81,0	78,8	80,7
NL	75,8	86,1	84,6	83,5	81,0	83,4	84,1	83,1	82,2	81,1	80,3	80,5	80,5
P	:	82,3	79,1	77,3	73,9	77,5	77,5	76,9	75,2	75,0	72,9	72,6	74,8
UK (d)	71,4	94,8	78,6	77,9	79,9	77,8	78,8	78,5	76,7	80,8	80,4	81,7	83,5
EUR	76,4	85,8	82,1	80,4	77,6	80,7	80,6	79,5	77,9	77,9	77,2	77,4	78,3

TABLE 2: Degree of capacity utilization and orders on hand by industrial branches — European Community (a) (s.a.)

Industries	Degree of capacity utilization in %									Expected capacity constraints: balances overcapacity (+) capacity too small (-)						
	1992		1993		1992		1993		1994	1992		1993		1994		
	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I		
Industry as a whole	80,4	77,6	79,5	77,9	77,9	77,2	77,4	78,3	+27	+38	+32	+35	+38	+40	+39	+33
Consumer goods (e)	81,5	79,6	81,0	79,8	79,9	79,5	79,1	79,3	+25	+33	+30	+29	+36	+35	+33	+29
Investment goods (e)	78,9	76,5	78,0	77,2	77,0	75,8	75,8	76,5	+28	+46	+43	+43	+42	+50	+49	+48
Intermediate goods (e)	80,6	77,8	79,7	78,1	77,9	77,3	77,8	79,5	+7	+40	+33	+37	+43	+40	+41	+34
Textile industry	79,9	77,8	78,8	77,7	76,8	77,8	79,0	80,3	+26	+34	+22	+31	+35	+36	+32	+26
Footwear and clothing	83,0	80,3	82,6	80,8	79,9	80,3	80,1	81,1	+25	+32	+26	+29	+31	+33	+34	+25
Timber/wooden furniture	79,8	77,6	79,4	78,3	76,8	77,3	78,0	78,3	+24	+30	+28	+29	+30	+33	+28	+30
Manufacture of paper, paper products, printing of which:	82,5	80,9	82,1	80,6	80,2	81,1	81,7	82,5	+27	+31	+31	+28	+33	+32	+30	+26
manufacture of paper	87,3	85,4	85,7	85,3	86,1	84,3	85,8	88,4	+32	+40	+38	+38	+37	+44	+42	+29
Leather	76,8	74,5	74,6	73,0	73,7	74,5	76,7	78,8	+33	+32	+38	+32	+30	+41	+25	+20
Plastics	79,5	76,4	77,9	76,9	75,5	76,5	76,7	77,3	+20	+39	+21	+35	+42	+39	+38	+32
Mineral-oil refining	90,3	89,6	90,8	87,8	90,5	90,9	89,2	92,1	+4	0	0	-1	-6	-7	+15	+14
Metals	80,6	75,0	78,0	75,0	77,0	74,3	73,8	77,1	+29	+53	+40	+46	+53	+56	+56	+40
Non-metallic mineral products	80,0	76,7	78,2	76,7	76,8	76,4	76,9	76,3	+32	+41	+39	+42	+42	+40	+40	+34
Metal articles	76,8	73,3	74,8	74,3	73,2	72,8	72,9	72,9	+32	+45	+36	+42	+41	+46	+49	+37
Mechanical engineering of which:	77,8	75,3	77,6	76,7	75,4	74,7	74,5	75,6	+42	+50	+47	+43	+51	+55	+52	+48
machines tools	77,0	73,3	77,6	73,9	73,9	73,2	72,3	74,3	+40	+54	+51	+53	+53	+53	+56	+46
Office and data processing machinery	80,1	74,2	78,2	74,8	74,0	75,6	72,3	76,9	+44	+70	+69	+74	+66	+59	+80	+41
Electrical engineering	79,2	78,9	78,6	78,9	80,3	77,5	78,8	79,0	+32	+36	+37	+35	+35	+41	+34	+40
Shipbuilding	74,0	70,6	72,4	67,3	70,4	75,1	69,6	69,0	+55	+48	+44	+60	+51	+38	+43	+64
Rubber products	84,0	78,4	82,2	78,9	79,9	79,1	75,5	77,8	+7	+40	+12	+31	+38	+42	+49	+44
Instrument engineering	82,5	80,1	81,2	80,3	80,4	80,8	78,9	78,4	+28	+41	+36	+44	+39	+46	+35	+32

TABLE 3: Expected capacity constraints in manufacturing industry: i.e. balance of respondents expecting capacity to be more than sufficient in relation to production expectations (a)(c) (s.a.)

	Range (b)		1991	1992	1993	1992			1993				1994
	Trough 81/83	Peak 88/90				II	III	IV	I	II	III	IV	I
B	+51	+9	+24	+33	+50	+32	+35	+37	+46	+49	+54	+50	+45
DK	+34	+10	+23	+28	+31	+28	+28	+26	+31	+33	+30	+28	+22
D	+46	-6	+5	+18	+42	+12	+17	+29	+36	+43	+44	+45	+44
GR	+32	+8	+10	+11	+15	+12	+10	+9	+12	+14	+17	+17	+19
E	:	+3	+14	+14	+17	+15	+16	+11	+12	+20	+17	+17	+14
F	+48	-6	+18	+25	+47	+23	+25	+32	+39	+46	+52	+50	+42
IRL	+34	+1	+19	+11	+24	+7	+14	+10	+20	+21	+30	+23	+15
I	+56	+12	+33	+35	+38	+35	+33	+37	+37	+37	+40	+38	+33
L	+64	-3	+13	+32	+44	+22	+41	+38	+42	+45	+45	+44	+45
NL	+51	-1	+3	+7	+15	+5	+7	+11	+14	+16	+16	+15	+15
P	:	-4	+10	+22	+36	+15	+19	+21	+29	+34	+40	+40	+31
UK	+66	+1	+47	+48	+39	+42	+48	+52	+45	+37	+37	+36	+29
EUR	+49	+5	+22	+27	+38	+24	+26	+32	+35	+38	+39	+38	+33

* Used data-signs in the tables: (s.a.) = seasonally adjusted ; = not available.
The figures for the Federal Republic of Germany refer to Western Germany, if not mentioned otherwise.
Source, unless stated otherwise: European Community business surveys.

(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 period 1981-1990.

(c) 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 (-). This, 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.

(d) The series for the United Kingdom are estimated using the national (Confederation of British Industry) data on the percentage of firms reporting below-capacity working.

(e) The three major groups do not cover all the sectors of industry as a whole.

TABLE 4: Estimated number of months' production assured by orders on hand in manufacturing industry (a) (s.a.)

	Range (b)		1991	1992	1993	1992			1993				1994
	Trough 81/83	Peak 88/90				II	III	IV	I	II	III	IV	
B	3,0	4,3	3,7	3,5	3,1	3,5	3,5	3,4	3,3	3,1	3,0	2,9	3,0
DK	:	2,9	2,0	2,0	2,0	2,0	1,9	2,0	2,9	1,3	1,8	2,0	1,8
D	2,5	3,3	3,2	2,8	2,4	2,9	2,8	2,6	2,4	2,5	2,3	2,5	2,6
GR	5,0	6,9	5,7	5,5	5,6	6,0	5,1	5,2	5,2	5,8	5,8	5,4	5,6
E	:	3,5	2,3	2,5	2,0	2,5	3,0	2,3	2,6	1,5	2,1	1,7	2,4
F	2,9	3,7	3,0	3,0	2,8	3,3	2,7	3,0	3,0	3,1	2,3	2,8	2,7
IRL	1,5	2,2	1,9	2,3	1,9	2,5	2,2	2,1	2,0	1,9	2,2	1,6	2,5
I	3,6	4,7	4,1	4,1	3,9	4,0	3,9	4,3	4,1	4,0	3,9	3,8	3,8
L	1,7	2,7	2,4	2,2	2,1	2,3	2,1	2,0	2,3	2,1	1,9	1,9	2,0
NL	2,5	3,3	3,0	2,8	2,3	2,8	2,9	2,6	2,4	2,3	2,2	2,2	2,2
P	:	4,4	3,8	3,6	3,5	3,6	3,6	3,8	3,4	3,7	3,3	3,7	3,4
UK	2,9	4,1	3,1	3,1	3,0	3,1	3,1	3,1	2,9	3,0	2,8	3,3	3,1
EUR	3,0	3,6	3,3	3,2	2,9	3,4	3,1	3,1	3,0	2,9	2,7	2,9	2,9

TABLE 5: New orders in manufacturing industry (a) (s.a.)

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

	Range (b)		1991	1992	1993	1992			1993				1994
	Trough 81/83	Peak 88/90				II	III	IV	I	II	III	IV	
B	-22	+10	-11	-12	-15	-12	-13	-13	-15	-21	-13	-12	+4
DK	-14	+19	+4	+1	-7	+13	-5	-8	-15	-18	-5	+10	+19
D	-23	+18	-2	-10	-13	-7	-5	-19	-21	-17	-13	-2	-4
E	:	+12	+5	+1	-5	+3	+1	-6	+1	-8	-8	-6	-4
F	-32	+21	-26	-15	-38	-2	-11	-27	-30	-40	-45	-38	-21
IRL	-42	+20	-11	-5	-2	-1	+15	-7	-11	0	-5	+9	+10
I	-21	+23	-1	-4	-5	+4	-5	-13	-10	-6	-6	+1	+14
L	-67	+10	-34	-35	-26	-34	-32	-39	-48	-12	-25	-19	-16
NL	-11	+16	+4	+5	+2	+4	+7	+4	+1	-2	+7	+3	+8
P	:	+28	-10	-17	-34	-11	-20	-25	-31	-35	-37	-31	-13
UK	-26	+31	-40	-23	+1	-20	-15	-20	-10	-4	+9	+7	+13
EUR	-23	+19	-12	-10	-13	-5	-7	-17	-16	-16	-13	-7	0

TABLE 6: 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)		1991	1992	1993	1992			1993				1994
	Trough 81/83	Peak 88/90				II	III	IV	I	II	III	IV	
B	:	+13	-14	-10	-10	-7	-12	-12	-11	-18	-10	+1	+15
D	-13	+15	-11	-4	-14	+2	+3	-20	-17	-15	-14	-9	+5
GR	-15	+29	+18	+17	+15	-19	-18	+13	+21	+16	+19	+5	+21
E	:	+8	+1	0	-1	+2	-1	-3	+5	-8	-2	+1	-4
F	-24	+14	-11	-3	-23	-2	+4	-11	-23	-25	-30	-14	-1
IRL	-35	+38	+12	-1	-5	+22	+19	-29	+1	-10	-28	+18	-13
I	-13	+27	+6	+7	+10	+9	+6	+6	+2	+11	+10	+15	+26
L	-67	+13	-39	-38	-23	-41	-25	-46	-42	-6	-26	-17	-19
NL	-11	+18	+6	+8	+3	+7	+3	+6	+4	+3	-2	+5	+6
P	:	+30	+5	-3	-20	+7	-6	-11	-24	-22	-25	-6	+6
UK	-6	+23	-4	+6	+12	+13	+6	+9	+20	+15	+4	+8	+18
EUR	-14	+16	-5	0	-6	+4	+4	-8	-7	-7	-9	-1	+9

TABLE 7: Employment expectations in manufacturing industry (a) (s.a.)

Balance of respondents expecting employment up, unchanged, down

	Range (b)		1991	1992	1993	1992			1993				1994
	Trough 81/83	Peak 88/90				II	III	IV	I	II	III	IV	
B	-17	+3	-10	-14	-23	-14	-16	-18	-22	-25	-26	-20	-16
DK	-11	+2	-5	-7	-13	-3	-6	-11	-17	-21	-7	-6	+3
D	-37	+8	-7	+27	-51	-21	-25	-41	-48	-52	-51	-53	-43
GR	-14	+3	-7	-4	-5	0	-10	-6	-4	-4	-5	-6	:
E	:	-9	-18	-20	-43	-17	-21	-23	-41	-52	-47	-33	-32
F	-44	-10	-30	-40	-49	-39	-40	-40	-44	-49	-53	-50	-43
IRL	-32	+13	-15	-18	-26	-10	-4	-33	-19	-29	-30	-26	-23
I	-38	+7	-12	-23	-21	-21	-23	-27	-24	-20	-21	-18	-22
L	-59	+5	-41	-35	-44	-30	-36	-40	-43	-44	-41	-48	-40
NL	36	+14	-8	-14	-27	-15	-13	-17	-25	-29	-26	-27	-27
P	:	+1	-12	-21	-32	-21	-21	-23	-29	-34	-32	-32	-28
UK	-44	+13	-43	-35	-27	-32	-30	-40	-32	-26	-28	-22	-12
EUR	-32	-3	-19	-28	-37	-25	-26	-34	-36	-38	-39	-34	-31

(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 period 1981-1990.

TABLE 8: Indicators of output and economic sentiment (s.a.)

	Ranges		1991	1992	1993	1993			1993					1994	
	Trough 81/83	Peak 88/90				II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.		Jan.
B															
1. industrial confidence indicator	-33	2	-15	-20	-29	-32	-29	-24	-31	-27	-28	-23	-21	-15	
2. construction confidence indicator	-63	7	-7	-13	-21	-23	-20	-21	-17	-23	-25	-22	-17	-16	
3. consumer confidence indicator	-29	5	-7	-12	-26	-26	-29	-29	-30	-28	-28	-29	-30	-25	
4. share-price index (a)	:	:	177,4	175,3	190,6	182,0	197,1	204,9	198,0	198,5	201,7	204,9	208,0	211,2	
= 5. economic sentiment indicator	96,5	106,6	102,3	100,5	97,2	96,9	97,7	97,1	96,6	97,0	96,9	97,1	97,2	98,4	
DK															
1. industrial confidence indicator	-22	5	-8	-7	-12	-20	-10	-3	:	:	-3	:	:	6	
2. construction confidence indicator	-37	12	-32	-22	-24	-27	-22	-17	:	:	-18	:	:	-11	
3. consumer confidence indicator	-20	-4	-2	-2	-5	-7	-4	-2	-5	-4	-4	-1	-1	0	
4. share-price index (a)	:	:	157,9	144,7	147,1	139,8	148,0	161,6	150,5	149,9	161,9	159,4	163,4	172,6	
= 5. economic sentiment indicator	95,3	99,0	97,2	97,3	97,1	96,4	97,4	98,4	97,5	97,7	98,1	98,3	98,7	99,2	
D															
1. industrial confidence indicator	-38	11	0	-18	-34	-37	-35	-31	-36	-33	-32	-31	-29	-28	
2. construction confidence indicator	-63	3	-5	-15	-28	-28	-31	-30	-31	-33	-30	-32	-30	-31	
3. consumer confidence indicator	-32	6	-12	-20	-28	-27	-28	-29	-28	-27	-30	-29	-29	-29	
4. share-price index (a)	:	:	141,3	137,5	147,4	137,3	150,8	166,9	153,4	154,0	162,0	165,8	172,8	173,7	
= 5. economic sentiment indicator	93,9	104,2	101,3	98,6	96,1	95,9	96,1	96,6	96,0	96,4	96,3	96,5	96,9	96,9	
E															
1. industrial confidence indicator	:	0	-22	-25	-35	-37	-35	-28	-37	-31	-30	-28	-26	-23	
2. construction confidence indicator	:	32	-8	-37	-44	-45	-42	-35	-48	-41	-50	-32	-25	-35	
3. consumer confidence indicator	:	5	-6	-20	-34	-33	-35	-35	-39	-32	-35	-36	-35	-36	
4. share-price index (a)	:	:	311,2	270,0	313,7	297,3	335,9	351,4	355,1	336,5	361,0	343,2	355,5	371,1	
= 5. economic sentiment indicator	:	104,6	99,5	97,8	96,3	96,2	96,4	96,9	96,0	96,8	96,7	96,8	97,2	97,2	
F															
1. industrial confidence indicator	-38	12	-20	-21	-35	-36	-39	-31	-39	-37	-31	-34	-29	-24	
2. construction confidence indicator	-59	2	-16	-43	-57	-56	-58	-58	:	:	-58	:	:	-46	
3. consumer confidence indicator	-27	-9	-21	-22	-25	-25	-27	-25	-28	-26	-26	-25	-24	-22	
4. share-price index (a)	:	:	208,6	217,2	240,8	229,7	248,1	261,8	254,8	253,4	260,3	261,3	265,8	270,3	
= 5. economic sentiment indicator	98,5	106,1	101,3	99,8	97,9	97,8	97,4	98,4	97,3	97,7	98,1	98,2	98,8	99,7	
IRL															
1. industrial confidence indicator	-36	14	-9	-4	-13	-13	-15	-9	-13	-18	-8	-12	-7	2	
2. construction confidence indicator	-60	30	-22	-11	-26	-29	-23	-24	-23	-16	-21	-21	-31	-22	
3. consumer confidence indicator	-46	-3	-18	-21	-14	-15	-10	-7	-9	-10	-4	-9	-9	-1	
4. share-price index (a)	:	:	241,4	223,9	280,1	270,9	293,5	314,9	300,0	291,2	309,5	315,6	326,9	335,3	
= 5. economic sentiment indicator	97,3	104,7	101,4	101,1	101,5	101,2	101,9	102,4	102,1	101,9	102,8	102,1	102,2	103,3	
I															
1. industrial confidence indicator	-38	13	-13	-15	-17	-19	-18	-12	-19	-17	-15	-13	-8	-8	
2. construction confidence indicator	-51	21	-7	-16	-48	-40	-57	-53	-53	-50	-68	-40	-51	-59	
3. consumer confidence indicator	-28	0	-13	-19	-32	-33	-32	-31	-32	-33	-28	-34	-30	-31	
4. share-price index (a)	:	:	156,4	136,9	167,4	163,7	180,1	173,6	185,6	185,2	180,5	168,2	172,2	177,7	
= 5. economic sentiment indicator	95,8	103,7	100,1	98,9	97,0	96,8	96,9	97,5	97,0	97,1	97,6	97,1	97,8	97,7	
NL															
1. industrial confidence indicator	-27	3	-4	-6	-10	-12	-11	-9	-11	-11	-8	-8	-9	-6	
2. construction confidence indicator	-45	9	-6	-15	-17	-17	-19	-18	-19	-20	-19	-18	-17	-17	
3. consumer confidence indicator	-36	11	-10	-10	-17	-19	-18	-16	-17	-15	-19	-15	-15	-15	
4. share-price index (a)	:	:	136,0	142,4	160,3	156,1	169,5	168,1	172,5	172,2	172,2	160,8	171,3	181,2	
= 5. economic sentiment indicator	93,3	103,4	99,5	99,1	98,0	97,6	98,0	98,3	98,1	98,3	98,0	98,3	98,5	98,8	
UK															
1. industrial confidence indicator	-57	21	-32	-24	-11	-11	-9	-8	-7	-5	-10	-6	-6	-3	
2. construction confidence indicator	-57	42	-64	-50	-36	-40	-33	-30	-33	-32	-30	-31	-29	-24	
3. consumer confidence indicator	-24	7	-17	-15	-13	-15	-11	-11	-10	-9	-10	-11	-13	-9	
4. share-price index (a)	:	:	190,3	198,1	227,2	220,8	229,3	238,6	233,3	234,6	239,0	237,5	239,2	241,3	
= 5. economic sentiment indicator	97,0	103,8	97,2	98,1	99,2	98,9	99,5	99,6	99,7	99,9	99,6	99,7	99,6	100,2	
EUR															
1. industrial confidence indicator	-35	6	-14	-19	-26	-27	-26	-21	-27	-24	-23	-22	-19	-17	
2. construction confidence indicator	-50	3	-18	-28	-40	-39	-42	-39	-41	-41	-44	-37	-38	-38	
3. consumer confidence indicator	-22	3	-14	-18	-25	-25	-25	-25	-26	-24	-25	-25	-25	-24	
4. share-price index (a)	:	:	174,9	177,1	198,9	190,9	203,2	213,6	207,1	207,5	212,8	211,9	216,2	219,6	
= 5. economic sentiment indicator	96,1	104,4	100,3	98,7	96,6	96,3	96,5	97,2	96,4	97,0	96,8	97,2	97,5	97,9	

(a) Not seasonally adjusted.

TABLE 9: 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.)

		Ranges		1991	1992	1993	1993			1993					1994
		Trough 81/83	Peak 88/90				II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	
INDUSTRIAL CONFIDENCE INDICATOR	B	-33	2	-15	-20	-29	-31	-29	-24	-31	-27	-28	-23	-21	-15
	DK	-22	5	-8	-7	-13	-20	-10	-3	:	:	-3	:	:	6
	D	-38	11	0	-18	-34	-37	-35	-31	-36	-33	-32	-31	-29	-28
	GR	:	5	-7	-4	-6	-6	-4	-8	-4	-3	-4	-10	-9	-5
	E	:	0	-22	-25	-35	-37	-35	-28	-37	-31	-30	-28	-26	-23
	F	-38	12	-20	-21	-35	-36	-39	-31	-39	-37	-31	-34	-29	-24
	IRL	-36	14	-9	-4	-13	-14	-15	-9	-13	-18	-8	-12	-7	2
	I	-38	13	-13	-15	-18	-19	-18	-12	-19	-17	-15	-13	-8	-8
	L	-67	11	-24	-28	-25	-22	-25	-24	-28	-26	-25	-27	-21	-20
	NL	-27	3	-5	-6	-10	-12	-11	-8	-11	-11	-8	-8	-9	-6
	P	:	5	-7	-12	-25	-27	-27	-21	-25	-27	-24	-20	-19	-17
UK	-57	21	-32	-24	-11	-11	-9	-7	-7	-5	-10	-6	-6	-3	
	EUR	-35	6	-14	-19	-26	-27	-26	-21	-27	-24	-23	-22	-19	-17
PRODUCTION EXPECTATIONS	B	-37	12	-12	-16	-28	-33	-31	-21	-32	-29	-28	-18	-17	-9
	DK	-12	15	8	7	4	0	12	9	:	:	9	:	:	17
	D	-27	14	3	-10	-20	-25	-18	-11	-21	-13	-16	-9	-7	-6
	GR	:	29	18	25	20	21	22	17	22	23	16	16	18	20
	E	:	16	-1	-4	-10	-10	-9	-3	-12	-10	-5	-3	-1	-3
	F	-20	23	-4	-4	-20	-20	-24	-14	-24	-22	-12	-18	-13	-5
	IRL	-37	27	4	1	-3	-3	-4	1	-2	-2	5	-5	3	16
	I	-22	28	8	1	-1	-3	1	6	-1	2	-1	8	11	7
	L	-66	19	-27	-28	-16	-12	-6	-14	-8	-7	-18	-17	-7	-11
	NL	-13	12	5	4	1	-2	0	4	-3	0	4	7	2	12
	P	:	18	9	3	-8	-9	-9	5	-9	-9	-7	-2	-5	-4
UK	-44	34	-14	-1	11	10	11	13	14	17	9	17	14	19	
	EUR	-24	28	0	-4	-9	-11	-9	-3	-10	-6	-6	-2	0	2
ORDERBOOKS	B	-49	-1	-26	-33	-45	-49	-44	-41	-46	-42	-45	-41	-38	-35
	DK	-32	11	-14	-17	-31	-45	-36	-12	:	:	-12	:	:	-6
	D	-54	12	-4	-29	-57	-58	-58	-57	-59	-58	-56	-59	-56	-56
	GR	:	-7	-23	-21	-26	-28	-24	-25	-24	-20	-16	-29	-30	-20
	E	:	-3	-39	-43	-58	-62	-58	-52	-63	-51	-51	-53	-51	-40
	F	-56	16	-35	-39	-57	-59	-62	-57	-62	-61	-58	-59	-54	-49
	IRL	-57	16	-22	-8	-20	-24	-23	-10	-19	-31	-11	-9	-11	-1
	I	-64	12	-28	-30	-38	-40	-40	-29	-42	-37	-28	-34	-25	-21
	L	-70	16	-38	-44	-44	-40	-46	-44	-50	-48	-40	-49	-44	-34
	NL	-42	1	-11	-15	-23	-23	-22	-22	-21	-22	-21	-22	-22	-22
	P	:	0	-21	-30	-48	-50	-51	-45	-49	-51	-50	-45	-40	-36
UK	-57	26	-56	-49	-26	-26	-21	-20	-17	-19	-22	-20	-18	-17	
	EUR	-56	5	-28	-35	-46	-48	-47	-42	-47	-45	-42	-44	-40	-37
EXPORT ORDER- BOOKS	B	-55	-3	-30	-36	-49	-43	-49	-44	-51	-50	-47	-43	-42	-39
	DK	10	17	-4	-9	-24	-39	-25	-8	:	:	-8	:	:	2
	D	-48	1	-32	-39	-63	-63	-66	-63	-67	-68	-64	-63	-61	-62
	GR	:	-16	-24	-26	-24	-31	-21	-15	-21	-19	-16	-17	-13	-3
	E	:	-17	-33	-38	-48	-51	-47	-42	-50	-40	-40	-41	-45	-35
	F	-52	24	-34	-32	-54	-56	-59	-51	-59	-56	-55	-52	-47	-45
	IRL	:	29	-20	2	-18	-20	-24	-18	-7	-53	-12	-19	-23	-8
	I	-57	0	-33	-35	-26	-30	-25	-11	-25	-26	-10	-17	-5	0
	L	-80	52	-47	-51	-42	-32	-51	-51	-54	-55	-51	-59	-42	-43
	P	:	1	-24	-29	-50	-54	-53	-38	-48	-57	-43	-39	-33	-17
	UK	-65	12	-35	-35	-19	-16	-16	-16	-15	-19	-17	-20	-11	-8
	EUR	-50	0	-32	-35	-46	-48	-48	-42	-48	-49	-43	-44	-40	-36
STOCKS OF FINISHED PRODUCTS	B	19	-1	7	12	13	13	13	9	15	10	10	9	7	1
	DK	23	-1	18	11	10	15	5	5	:	:	5	:	:	-6
	D	27	-9	0	15	27	29	27	25	29	27	25	26	23	22
	GR	:	1	14	15	12	9	10	14	10	13	11	17	14	16
	E	:	8	26	27	37	40	37	28	37	32	33	27	25	26
	F	42	-3	21	19	27	30	30	23	31	29	24	24	21	19
	IRL	29	-6	8	5	15	13	20	18	18	22	17	23	13	10
	I	28	-4	19	17	13	13	14	13	14	15	15	13	11	11
	L	58	-10	7	11	15	13	22	14	26	23	17	14	12	16
	NL	39	0	8	7	9	9	10	8	9	11	8	9	8	7
	P	:	0	10	9	18	21	20	13	17	20	15	13	11	12
UK	41	4	26	20	18	18	17	16	17	13	18	15	15	12	
	EUR	31	2	15	17	22	24	23	20	24	22	21	20	18	16
SELLING-PRICE EXPECTATIONS	B	12	24	2	-3	-6	-9	-2	-2	-1	-1	-2	-2	-3	-5
	DK	2	26	14	10	-2	-2	-1	-4	1	-3	0	-4	-7	-7
	GR	:	41	28	28	22	18	22	24	22	22	20	22	29	23
	E	:	21	0	-5	-10	-13	-7	-6	-6	-5	-7	-6	-4	-5
	F	17	34	11	8	-3	-6	-4	-5	-4	-5	-3	-8	-5	-2
	IRL	1	23	-1	-4	-4	-3	1	0	4	-1	6	-1	-6	-10
	I	6	32	16	13	11	14	10	9	12	8	8	8	11	11
	L	-38	62	-32	-14	1	7	10	14	11	9	20	14	8	2
	P	:	28	17	10	3	3	3	2	8	3	0	1	4	9
	UK	9	34	5	-1	5	9	4	1	3	6	0	6	-3	2
		EUR	22	28	11	7	1	2	1	0	2	1	1	0	-1

(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).

TABLE 10: Consumer opinion on economic and financial conditions (s.a.) (a)

		Ranges		1991	1992	1993	1993			1993				1994	
		Trough 81/83	Peak 88/90				II	III	IV	Aug.	Sept.	Oct.	Nov.		Dec.
CONSUMER CONFIDENCE INDICATOR (b)	B	-31	5	-7	-12	-26	-26	-29	-29	-30	-28	-28	-29	-30	-25
	DK	-17	2	-2	-2	-5	-7	-4	-2	-5	-4	-4	-1	-1	0
	D	-29	6	-12	-20	-28	-27	-28	-29	-28	-27	-30	-29	-29	-29
	GR	:	-7	-27	-31	-27	-31	-26	-17	-27	-23	-20	-16	-16	-16
	E	:	5	-6	-20	-34	-33	-35	-35	-39	-32	-35	-36	-35	-36
	F	-12	-9	-21	-22	-25	-25	-27	-25	-28	-26	-26	-25	-24	-22
	IRL	-39	-3	-18	-21	-13	-14	-9	-7	-9	-10	-4	-9	-9	-1
	I	-27	0	-13	-19	-32	-33	-32	-31	-32	-33	-28	-34	-30	-31
	NL	-37	11	-10	-10	-17	-19	-18	-16	-17	-15	-19	-15	-15	-15
	P	:	4	3	-5	-24	-24	-27	-29	-25	-26	-30	-31	-27	-30
UK	-22	7	-17	-15	-13	-15	-11	-11	-10	-9	-10	-11	-13	-9	
	EUR (c)	-21	-3	-14	-18	-25	-25	-25	-25	-26	-24	-25	-25	-25	-24
FINANCIAL SITUATION OF HOUSEHOLDS	B	-29	2	-3	-4	-11	-10	-12	-14	-11	-13	-12	-15	-16	-11
	DK	-12	6	-1	3	1	-1	-1	3	-1	1	3	1	4	6
	D	-21	4	-7	-15	-18	-18	-18	-19	-18	-18	-20	-18	-20	-21
	GR	:	-8	-34	-39	-37	-41	-35	-28	-35	-33	-34	-27	-23	-23
	E	:	0	-4	-12	-22	-21	-23	-25	-25	-22	-25	-24	-26	-27
	F	-11	-5	-10	-10	-12	-10	-13	-15	-12	-16	-16	-15	-15	-15
	IRL	-47	-13	-21	-22	-17	-19	-15	-12	-15	-16	-11	-13	-12	-11
	I	-17	-1	-5	-9	-20	-20	-21	-22	-20	-24	-20	-24	-22	-24
	NL	-25	12	4	1	-1	-1	0	-2	-2	0	-5	-1	-1	0
	P	:	2	-1	-5	-18	-18	-18	-22	-16	-19	-21	-23	-23	-23
UK	-34	-2	-22	-20	-21	-23	-20	-20	-20	-18	-17	-20	-23	-21	
	EUR (c)	-18	-4	-9	-12	-17	-17	-18	-17	-18	-18	-18	-19	-19	
— over last 12 months	B	-17	8	2	0	-5	-5	-6	-7	-6	-7	-6	-7	-9	-4
	DK	-7	12	7	10	10	8	11	11	10	12	8	12	12	10
	D	-17	4	-6	-9	-13	-12	-13	-14	-12	-12	-14	-14	-14	-14
	GR	:	3	-23	-26	-18	-25	-18	-3	-18	-12	-4	-1	-4	-3
	E	:	8	3	-7	-11	-9	-10	-11	-14	-8	-10	-13	-10	-11
	F	-4	3	-2	-1	-5	-5	-8	-6	-9	-6	-6	-6	-5	-4
	IRL	-32	0	-8	-8	-5	-5	-4	-2	-4	-4	0	-3	-3	0
	I	-11	5	-1	-5	-12	-13	-12	-11	-11	-13	-7	-14	-11	-10
	NL	-21	10	0	2	-1	-2	-1	-2	-1	0	-3	-1	-2	-2
	P	:	9	7	1	-13	-14	-13	-16	-13	-11	-18	-17	-12	-14
UK	-17	4	-1	-1	-7	-7	-6	-11	-6	-5	-9	-10	-14	-11	
	EUR (c)	-10	2	-2	-4	-9	-9	-9	-10	-10	-8	-9	-10	-9	
GENERAL ECONOMIC SITUATION	B	-73	7	-20	-32	-54	-55	-58	-57	-61	-56	-57	-56	-59	-55
	DK	-51	8	-1	-3	-14	-19	-12	-5	-13	-11	-7	-3	-6	-4
	D	-55	14	-18	-34	-54	-51	-56	-59	-55	-55	-59	-57	-60	-60
	GR	:	-16	-32	-36	-34	-37	-34	-27	-33	-33	-30	-26	-26	-23
	E	:	0	-11	-30	-54	-53	-56	-59	-62	-52	-58	-60	-58	-60
	F	-42	-23	-43	-46	-54	-51	-56	-54	-57	-56	-55	-53	-54	-51
	IRL	-82	-3	-31	-44	-36	-38	-30	-24	-31	-27	-19	-29	-24	-11
	I	-62	-3	-30	-47	-70	-72	-72	-70	-72	-72	-67	-72	-71	-69
	NL	-69	21	-23	-26	-47	-50	-48	-45	-49	-42	-49	-42	-45	-49
	P	:	13	10	-4	-33	-30	-38	-42	-36	-37	-44	-44	-39	-39
UK	-65	4	-52	-50	-40	-46	-33	-27	-31	-30	-27	-29	-26	-18	
	EUR (c)	-52	-10	-30	-40	-53	-53	-53	-52	-53	-51	-51	-52	-52	
— over next 12 months	B	-55	8	-11	-22	-40	-42	-42	-43	-44	-36	-43	-45	-40	-33
	DK	-31	5	-1	-4	-6	-7	-4	-5	-6	-5	-7	-2	-5	-1
	D	-37	6	-16	-24	-38	-37	-37	-38	-36	-34	-40	-38	-36	-34
	GR	:	0	-15	-20	-13	-20	-13	2	-13	-8	1	6	-1	1
	E	:	6	-6	-24	-25	-23	-25	-23	-30	-22	-22	-25	-22	-24
	F	-40	-7	-29	-26	-27	-25	-28	-25	-31	-23	-27	-26	-21	-15
	IRL	-48	10	-18	-18	-11	-10	-5	-3	-5	-6	3	-6	-7	5
	I	-32	5	-18	-23	-29	-31	-26	-24	-26	-27	-20	-31	-22	-14
	NL	-51	11	-29	-24	-30	-36	-30	-23	-29	-21	-26	-18	-25	-21
	P	:	12	9	-5	-25	-26	-28	-28	-28	-26	-33	-30	-22	-26
UK	-23	8	-5	-7	-10	-10	-5	-11	-1	-2	-10	-10	-12	-4	
	EUR (c)	-35	-3	-16	-20	-27	-27	-25	-25	-25	-22	-25	-26	-23	-19
MAJOR PURCHASES	B	5	8	-5	-4	-21	-19	-28	-25	-27	-29	-23	-23	-28	-22
	DK	3	-4	-14	-18	-17	-17	-16	-13	-16	-17	-16	-10	-12	-11
	D	-19	3	-13	-16	-18	-17	-18	-16	-20	-14	-16	-16	-16	-17
	GR	:	-13	-31	-35	-31	-30	-31	-31	-35	-31	-34	-33	-27	-27
	E	:	13	-14	-25	-58	-60	-58	-59	-61	-57	-61	-59	-58	-56
	F	23	-1	-21	-26	-29	-31	-31	-27	-33	-28	-29	-26	-26	-24
	IRL	1	5	-10	-11	4	2	6	5	8	3	9	4	1	11
	I	-15	-2	-9	-14	-28	-29	-30	-28	-30	-31	-26	-31	-27	-37
	NL	-23	11	-1	-3	-7	-8	-7	-8	-2	-10	-10	-10	-4	-4
	P	:	-2	-9	-13	-34	-33	-36	-39	-34	-36	-35	-39	-42	-47
UK	20	28	-5	5	11	11	9	11	10	12	15	11	8	11	
	EUR (c)	5	1	-12	-14	-21	-21	-22	-20	-23	-20	-20	-21	-20	-20

(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.

The further rise in the level of capacity utilization in industry as a whole is due primarily to increased capacity utilization in the *basic materials and producer goods industries*. Following the slight rise in October 1993 (0.5 of a percentage point), the level of capacity utilization in this sector increased in January by nearly a further two percentage points to 79.5%. This improvement is attributable to a revival in the production of primary and intermediate products and is expected by firms to continue over the coming months. The return to a somewhat more positive economic trend has clearly led also to an adjustment in investment plans for 1994, which were still

depressed in the autumn of 1993: the level of capacity utilization in the *investment goods industries* was higher in January (76.5%) than in October 1993 (75.8%). In the consumer goods industries, the stagnation (+0.2%) in the level of capacity utilization reflects the weak stimulus given to industrial output by private consumption.

Taking the countries individually, capacity utilization rose most sharply in Belgium, Denmark, Spain, Ireland, Luxembourg and the United Kingdom (between 1.5 and 3.6 percentage points). The only country to record a decline was Greece (0.5 of a percentage point).

SURVEY ESTIMATES FOR INDUSTRIAL INVESTMENT IN 1993 AND 1994

The EC investment survey of Autumn 1993 suggests that, following a decrease of 12% in 1993, the volume of industrial investment in the Community will decline again in 1994, by about 3%. However, with the utilization of production capacity rising again somewhat, and industrial confidence continuously recovering since Autumn 1993, a roughly unchanged industrial investment volume may also be possible for 1994.

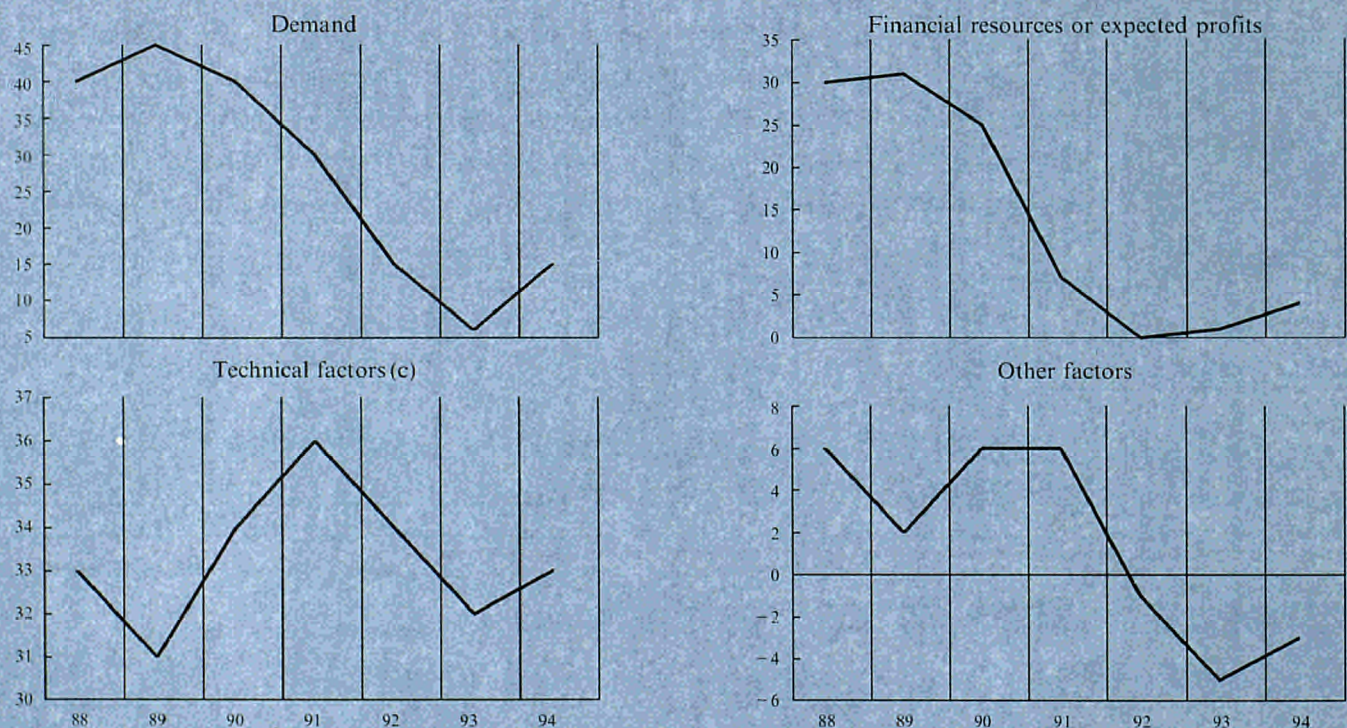
Volume growth of industrial investment in 1993 has been revised downwards in the Autumn survey. There is evidence in the survey that investment plans were cancelled, mainly because of the uncertain business climate. After an initial estimate of -6% in Autumn 1992 and a revision to -9% in Spring 1993, industrial investment in the Community is estimated to have declined by 12% in volume (10% in value) in 1993 (Tables 11 and 12). The downward revision, compared with the previous exercise, is observable in all Member countries, except for Germany⁽¹⁾

which already showed a 17% decline. In Germany, France, Italy and Spain the fall in investment (volume) is situated between 13% and 20%. UK investment, on the other hand, is estimated to have grown by 4% in 1993, but apart from Luxembourg, this is the only significant positive volume growth figure. (Table 14).

In 1994, the value of industrial investment in the Community is expected to remain constant at the 1993 level. In volume this implies a decrease of 3%. In France, Italy, Spain and the UK, investment volumes may more or less stagnate, but in Germany a 5% fall is anticipated (Table 11). Significant real declines are also expected in Ireland, the Netherlands and Portugal. The *overall stagnation (value)* expected for industrial investment in 1994 is the result of divergent patterns in the branches, ranging from a 5% rise in metal working, mainly due to the increases in Spain, France, Portugal and the UK, to a decline of 5% in the food industries. The food industries sector, tends to be less sensitive to the business cycles and is the only area of activity in

(1) Excluding the new Länder.

GRAPH 2: Factors influencing industrial investment in the Community — Balances (a)



See notes to table 16.

Source: European Community investment surveys.

TABLE 11: Industrial investment in manufacturing industry by Member State
% change in relation to preceding year

Year	B(d)	DK(d)	D	D+*	GR(d)(g)	E	F	IRL(d)	I	L(d)(g)	NL	P	UK(d)	EUR(d)	EUR+(d)*
1993															
in values terms	-28	+3	-15	-12	+12	-17	-13	-3	-9	+11	-3	-19	+5	-10	-9
in volumes terms (a)	-30	0	-17	-15	+1	-20	-14	-7	-13	+7	-5	-24	+4	-12	-11
1994															
in values terms	+7	+6	-3	-3	+26	+3	0	-2	+3	+15	-15	-14	+4	0	0
in volumes terms (a)	+4	+3	-5	-6	+15	0	-1	-6	0	+10	-17	-18	+1	-3	-3

* Including the five new German Länder.

TABLE 12: Industrial investment in the EC manufacturing industry**

Data of survey	A. % change in value in relation to preceding year									B. % change in volume in relation to preceding year (a)							
	Years to which data relate									Years to which data relate							
	1987	1988	1989	1990	1991	1992	1993	1994	1987	1988	1989	1990	1991	1992	1993	1994	
March/April 1988	8	12							5	9							
October/November 1988		11	14							7	10						
March/April 1989		12	15							8	10						
October/November 1989			14	15							9	10					
March/April 1990			12	15							8	11					
October/November 1990				9	7							4	3				
March/April 1991				11	3							6	-2				
October/November 1991					0	3							-4	-1			
March/April 1992					0	1							-4	-3			
October/November 1992						-2	-2							-5	-6		
March/April 1993						-3	-6							-5	-9		
October/November 1993							-10	0							-12	-3	

TABLE 13: Industrial investment survey by branch

Results of the October/November 1993 investment survey, % change in value, over the preceding year

	Basic materials industries (b)		Metallurgical industries		Equipment goods industries		Processing industries (c)		Extractive		Food industries		Total, all industry	
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994
B	-19	+12	-32	0	-43	+12	-33	+7	:	:	-12	-11	-28	+7
DK	+23	+10	-61	+37	-3	+11	-2	-2	:	:	+8	-7	+3	+6
D**	-12	0	-22	-23	-16	-2	-19	-9	-9	-5	-12	0	-15	-3
GR	-14	+7	-20	-31	-24	+12	-5	+14	:	:	+6	-10	+12	+26
E	-11	+15	-22	+18	-19	-3	-26	0	-16	-26	+2	-1	-17	+3
F	-9	-2	-16	+8	-16	+6	-18	-11	+16	-14	-1	-4	-13	0
IRL	+5	-9	+1	-41	-29	+13	+85	+35	:	:	-16	-7	-3	-2
I	-1	-16	-34	-16	-6	+4	-9	+13	-36	+59	+6	+6	-9	+3
L	-32	+11	+104	+17	-7	+10	+2	+71	:	:	-31	+18	+11	+15
NL	-14	-7	:	:	-27(f)	-4(f)	-11	-10	+66	-42	+4	-8	-3	-15
P	-13	-8	-62	+345	-3	-12	-31	-25	-38	-16	-11	-19	-19	-14
UK	-7	+5	+7	+8	+1	+7	+7	+12	:	:	+17	-15	+5	+4
EUR (e)**	-9	0	-20	+5	-13	+2	-13	0	:	:	+1	-5	-10	0

TABLE 14: Industrial investment survey—all branches

% change in volume (a) in relation to preceding year

Year to which data relate:	1990				1991				1992				1993		1994	
	Oct./Nov. 1989	March/April 1990	Oct./Nov. 1990	March/April 1991	Oct./Nov. 1990	March/April 1991	Oct./Nov. 1991	March/April 1992	Oct./Nov. 1991	March/April 1992	Oct./Nov. 1992	March/April 1993	Oct./Nov. 1992	March/April 1993	Oct./Nov. 1993	Oct./Nov. 1993
B (d)	+15	+18	+12	+12	0	+4	-5	-3	+2	+1	0	-7	-19	-21	-30	+4
DK (d)	+11	+21	+4	+9	+3	+11	+12	+6	-3	+14	+7	-9	-6	+4	0	+3
D**	+8	+11	+8	+7	+7	+5	+4	+3	-2	-4	-7	-10	-9	-17	-17	-5
GR (d) (g)	+28	+39	-5	-5	+7	+3	-21	-20	+14	+11	+15	+18	+8	+7	+1	+15
E	+23	+11	+2	+14	+1	-3	-5	+2	-2	0	-9	-10	-5	-17	-20	0
F	+12	+11	+9	+12	0	-6	-8	-7	-6	-7	-10	-9	-5	-12	-14	-1
IRL (d)	+10	+24	+3	+4	+14	+3	+4	-2	+35	+8	+10	+5	-6	+18	-7	-6
I	+12	+11	-2	+6	+3	-2	0	+1	-4	-6	-8	-2	-5	-10	-13	0
L (d) (g)	+27	+10	+25	+41	+16	+11	-8	+11	-13	+21	+3	-12	+6	+23	+7	+10
NL	+8	+11	+3	+7	+1	-1	-3	-6	+6	+4	-7	0	+5	+1	-5	-17
P	+22	+17	-5	-2	+7	-12	-20	-14	-7	-11	-20	-19	-7	-17	-24	-18
UK (d)	+2	+1	0	-1	-5	-15	-15	-15	+3	0	-2	+2	-7	+7	+4	+1
EUR (d)**	+10	+11	+4	+6	+3	-2	-4	-4	-1	-3	-5	-5	-6	-9	-12	-3

** Excluding the five new German Länder.

(a) The changes in volume are calculated by dividing the changes in value, based on the surveys, by the corresponding deflators for gross capital formation. For 1993 and 1994 forecast deflator is used.

(b) Chemicals, man-made fibres, petroleum refining, rubber processing, etc.

(c) Manufacture of textiles, footwear, wood, paper, printing and processing of plastic industries.

(d) Excluding the extractive industries.

(e) Weighted total of the above (not given when data are substantially incomplete).

(f) Including the metallurgical industries.

(g) Including energy and water.

Source: European Community investment surveys.

TABLE 15: Factors influencing industrial investment by sector in the Community (1991-1994) - Balances (a)

Sector	Demand				Financial resources or expected profits				Technical factors (c)				Other factors			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
Basic materials industries	37	33	13	19	8	8	1	4	34	38	32	37	7	5	2	6
Metal-working industries	31	24	11	15	7	6	0	3	54	51	35	30	12	4	-14	-15
Equipment goods	27	8	-7	7	6	-3	-5	-2	35	36	32	32	6	-4	-8	-6
Processing industries	31	12	11	19	10	3	5	10	38	38	33	37	2	-3	-6	-3
Food industries	39	34	21	27	9	2	11	11	38	34	29	30	9	0	-1	-1
Industry as a whole (b)	30	15	6	15	7	0	1	4	36	34	32	33	6	-1	-5	-3

(a) (b) (c): See table 16.

TABLE 16: Factors influencing industrial investment by country (1991-1994) - Balances (a)

	Demand				Financial resources or expected profits				Technical factors (c)				Other factors			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
B (d)	38	36	36	37	18	19	20	21	55	55	56	57	13	11	14	14
DK	50	45	50	52	35	33	37	38	64	38	60	64	7	6	9	10
D	42	6	-31	-16	11	-10	-18	-12	41	36	27	27	9	-10	-24	-22
GR	34	37	35	36	5	6	6	6	41	46	42	40	2	4	10	10
E	14	-23	-35	-23	-5	-13	-20	-11	11	15	15	19	-17	-16	-19	-10
F	28	29	10	16	-7	-4	-2	-2	38	43	40	38	13	11	7	8
IRL	41	27	32	36	34	22	28	29	27	25	29	32	4	-7	-4	-4
I	32	29	50	56	29	22	43	44	36	30	23	27	-3	1	1	3
L	40	29	16	18	36	15	12	15	41	40	40	36	16	2	-1	-1
NL	34	14	24	26	-17	-18	-19	-18	28	34	32	33	-4	-5	-6	-6
P	16	0	11	10	0	-5	-3	-2	24	16	21	20	2	1	-1	0
UK	8	9	25	34	-2	3	6	10	25	32	37	39	7	4	10	12
EUR	30	15	6	15	7	0	1	4	36	34	32	33	6	-1	-5	-3

(a) Balances are the weighted averages of the percentages of answers describing each factor as 'very stimulating' (coefficient 1), 'stimulating' (0.5), 'limiting' (-0.5) and 'very limiting' (-1). The answers which do not mention any of these descriptions are not taken into account in calculating the above percentages.

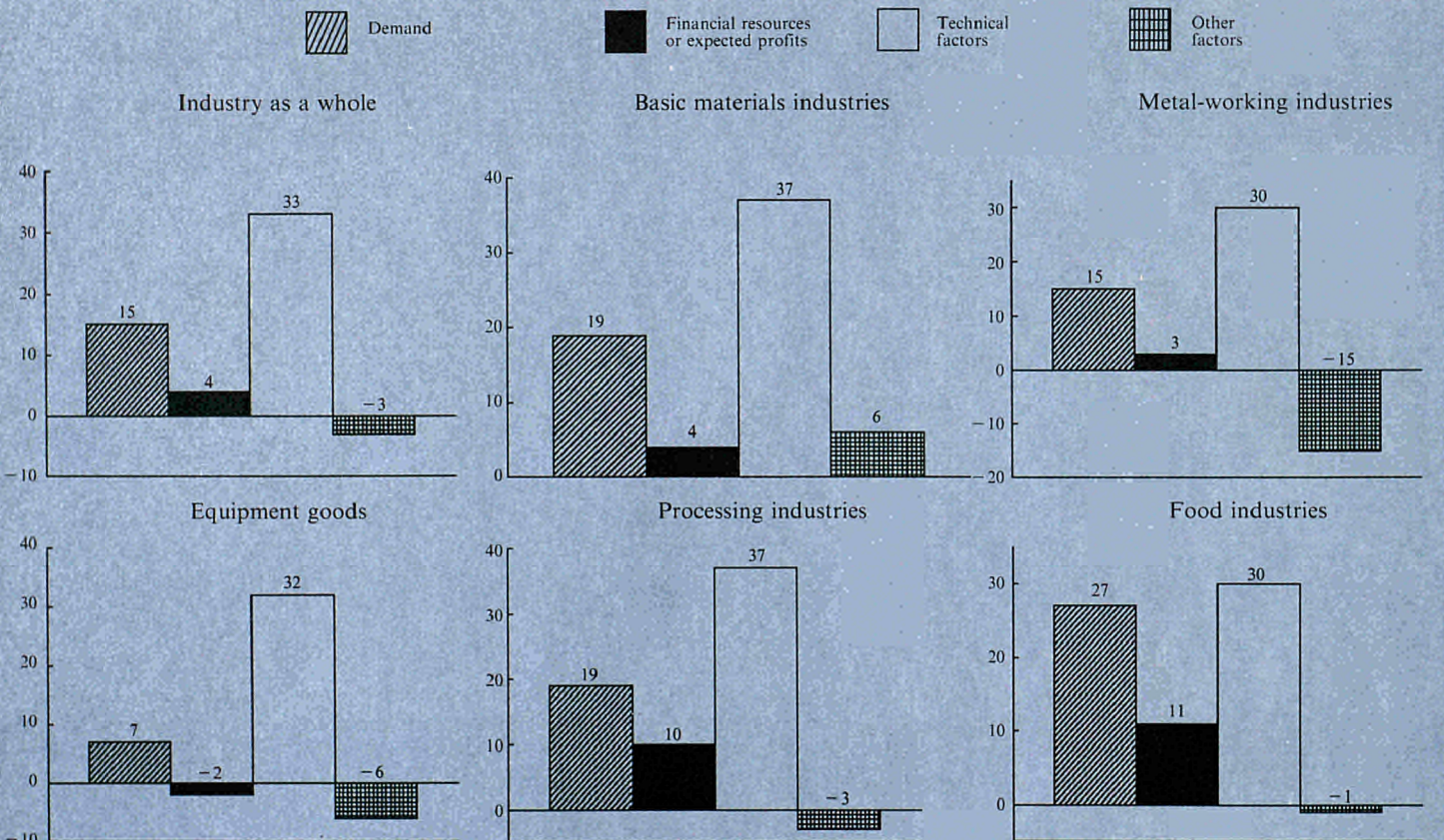
(b) Including the extractive industries in the Federal Republic of Germany, Spain, France, Italy, the Netherlands and Portugal.

(c) The main ones are technological developments, the availability of labours and its attitude towards the new technologies, and lastly the technical conditions set by the public authorities before they grant the investment permit. In France the survey in 1988 dealt with the obstacles to investment incorporating new technologies. The sign of the balances has been inverted.

(d) Belgium: only two qualifications were possible: 'positive' or 'no influence' (see (a)).

Source: European Community investment surveys.

GRAPH 4: Factors influencing industrial investment by sector in the Community in 1994 - (Balances) (a)



Source: European Community investment surveys, see Table 16.

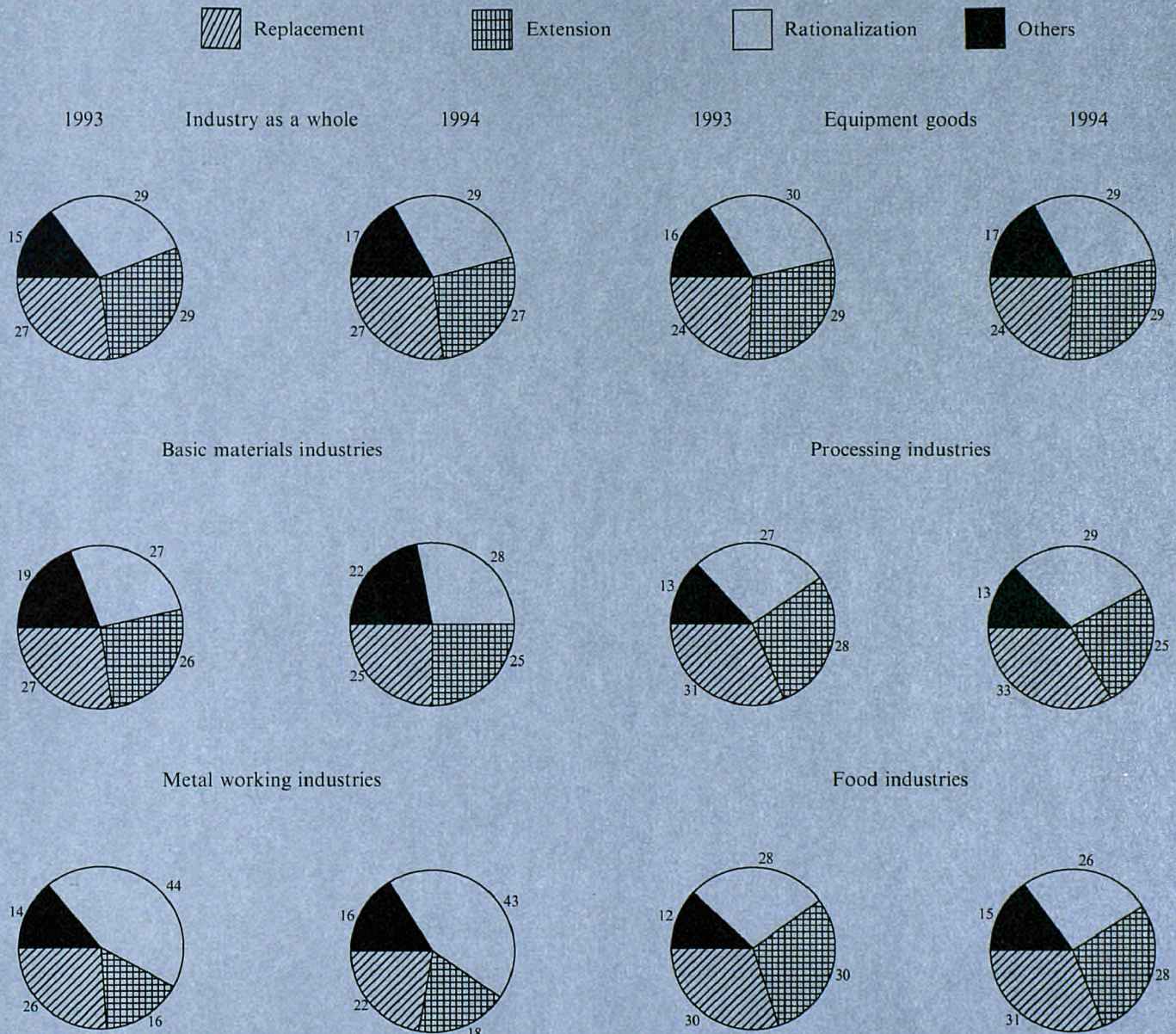
which the value of investment did not decline in 1993. Indeed, in Denmark, Greece, the Netherlands and the UK, the Food sector invested rather heavily in 1993, with the effect of creating some easing in 1994 and a move back towards a more normal pattern of behaviour.

If the 1994 investment outlook still seems depressed, one has to bear in mind that this survey was conducted in October and November of 1993, when industrial confidence had not yet recovered. Since then, the industrial confidence indicator has been rising continuously in almost all Member Countries (Table 9). At present actual investment intentions may therefore be less pessimistic than shown by the Autumn 1993 survey results. With the rise in industrial confidence persisting real investment may then more or less stagnate in 1994.

Investment growth will only take off when the expected return on the production resulting from investment is considered to be acceptable. On the earnings side, one is still waiting for a pick up in final demand. But this growth is not expected to come from national government purchases, nor from private consumption⁽²⁾, the consumer confidence indicator remains at approximately the same level since Summer 1993 (Table 10). The more recent stability of exchange rates may serve to boost exports. Pessimism about export order-books has clearly diminished, while export expectations for the months ahead show more optimism (Table 6). Another possible source of investment growth may come from the measures proposed

⁽²⁾ The January 1994 issue showed consumer and retail trade survey results suggesting that consumer spending in the Community may grow only very modestly in 1994.

GRAPH 5: Structure of industrial investment — European Community 1993/1994



Source: European Community investment survey.

in the recently published White Paper of the European Commission 'Growth, Competitiveness and Employment' ⁽³⁾. According to Graph 3, the positive impact of demand on investment may be a little more pronounced in 1994, after a low in 1993, particularly in Germany, Spain and the UK (Tables 15 and 16). When final demand does begin to take off, one expects that initially, it will be spare capacity that is used. Indeed, capacity utilization remains at a low level, even with numbers of firms reporting overcapacity declining (Table 3). At the same time investment for purpose of extensions to existing facilities still loses ground (Table 17).

The outlook for producers' costs is rather encouraging. The debate on competitiveness across Europe indicates awareness of the need for wage moderation while governments are searching for ways to reduce non-wage labour costs. With firms willing to balance labour costs with productivity, rationalization is still

seen as the main motive for investment (Table 17). This is particularly the case in the metal working industry, where the rationalization motive receives 43% of the answers, against 29% for total industry (Graph 5). The replacement motive remains important also, (Table 17 and Graph 5), which improves the prospects for cost reductions as obsolete equipment is phased out. The outlook for energy prices and costs of other raw materials, as well as for inflation in general, should not disrupt the expected evolution of producers' costs. Finally, the expected decline in interest rates is another positive factor underlying investment intentions. The efforts to tackle government budget deficits should lower demand pressure on private savings. This will be one of the factors which exerts downward pressure on real interest rates, thus making purely financial investment relatively less attractive. This lower opportunity cost for 'productive' investment, is reflected in the more buoyant assessment of the influence of 'financial resources and expected profits' (Table 16), and which is seen to be increasing in almost all Member States.

⁽³⁾ The measures we think of are incentives given to private companies to help developing networks for transport, energy and information.

15 February 1994

TABLE 17: Structure of industrial investment in the industry as a whole (1991-1994)
(Breakdown of industrialists' views of the type of investments) (a)

	Replacement				Extension				Rationalization				Others			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
B	32	29	31	32	50	56	52	52	13	10	12	11	4	5	5	5
DK	32	25	30	32	23	25	24	17	37	42	36	41	8	8	10	10
D	28	28	30	30	32	30	25	23	29	28	31	31	13	14	14	16
GR	25	20	23	23	41	44	38	36	20	22	24	23	14	14	15	18
E (b)	24	20	18	18	28	28	32	31	33	39	34	34	15	15	16	17
F	25	26	28	28	29	30	27	26	28	27	26	26	18	17	19	20
IRL	23	20	25	22	40	37	51	31	27	32	20	35	11	12	4	12
I	25	24	27	25	26	30	26	30	37	33	34	32	12	13	13	13
L	29	26	28	29	30	33	29	28	31	32	34	34	10	9	10	9
NL	26	29	29	32	45	40	41	33	13	20	18	19	15	11	12	16
P	25	26	24	25	45	28	27	25	22	33	37	41	8	12	12	9
UK	24	23	24	24	29	26	27	26	26	26	28	27	21	24	21	22
EUR	26	26	27	27	31	30	29	27	28	28	29	29	15	15	15	17

(a) The table gives the most recent data taken from the EC investment surveys of 1993 and 1994.

(b) Results estimated on the basis of qualitative data.

Source: European Community investment surveys.

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