

# EUROPEAN ECONOMY

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

Supplement B — No 7 — July 1986

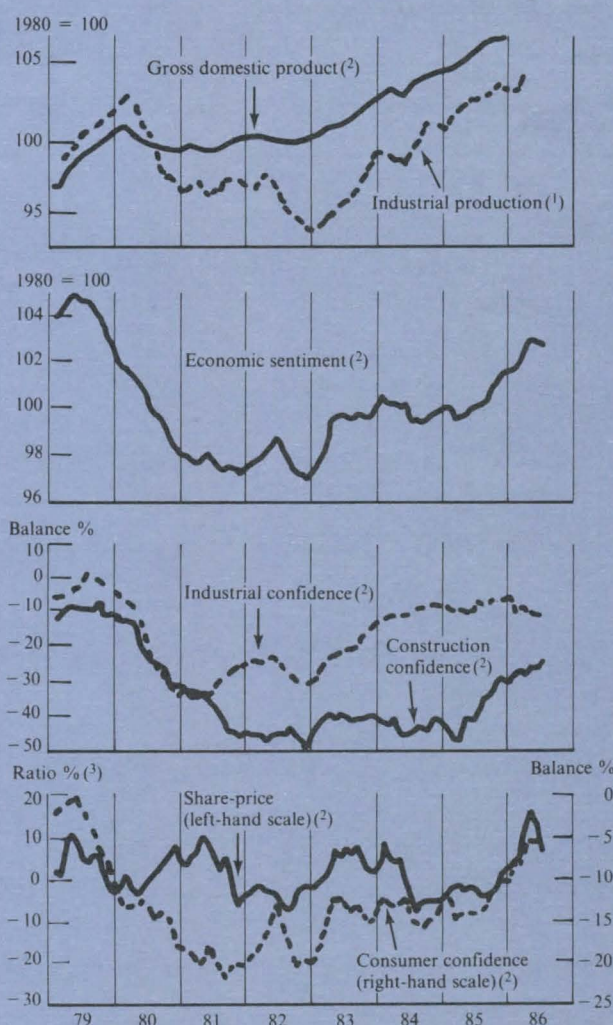
*In this number:  
Investment plans in industry  
and labour market*

Business and consumer survey results

## THE MAIN POINTS IN BRIEF

- European manufacturing industry will invest more in 1986 than expected by the firms last autumn (10 % instead of 7 %; constant prices). Also in 1985 investment performance in industry was stronger than originally expected.
- The Community leading indicator is again slightly lower; the marginal decline in June is entirely due to the negative impact of share prices (proxy for profit and interest rate expectations). Of the other three components, industrial and consumer confidence remained unchanged and confidence in construction continued to improve somewhat.
- In June, consumer confidence rose, particularly in Germany.
- The results of special surveys on labour market issues show that the interests of firms and those of employees in achieving greater flexibility on the labour market do not necessarily have to be in conflict with one another.

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



<sup>(1)</sup> Three-month moving average.

<sup>(2)</sup> See notes to Table 6.

<sup>(3)</sup> Deviations from trend in %.

**Investment performance of European industry in 1985 and 1986 stronger than expected.** — The European manufacturing industry invested more in 1985 than expected by the firms last autumn and the prospects for 1986 have also been revised upwards, according to the EC survey of April<sup>1</sup>. In value terms, the reported increases are of 17 % and 13 % instead of the originally planned 15 % and 10 %. This represents growth in volume terms of 12 % in 1985 and 10 % in 1986, an upward revision of 2 percentage points in 1985 and 3 percentage points in 1986.

The level of capital formation in industry in 1986 should thus be higher than in any year since the first oil shock (see Graph 2 and Table 1), even if some deceleration occurs. The relatively strong increase in 1985 and 1986 has so far led only to a stabilization of the number of industrial jobs in the Community, but not yet to a noticeable increase. This underlines the need for a continued strong investment trend in the next years in order to replace the jobs lost as a result of insufficient investment activity in the second half of the 1970's and early 1980's.

Investment growth in industry in 1986 remains stronger than in the economy as a whole.

**Investment by member country**

Amongst the 4 largest EC countries, *Italy* should take the lead in the investment performance thanks to a further increase of its rate of investment (+14 %\* as against +12 %\*). The recovery of capital formation thus seems well under way in Italian industry, where real investment had been continuously falling between 1972 and 1984 (see Table 2).

In the *Federal Republic of Germany* a continued strong increase in industrial investment is expected for 1986 (+11 %\* after +17 %\* in 1985)<sup>2</sup>, which should go hand in hand with the renewed expansion of employment in the manufacturing sector

(+1,3 % in 1985 and +1,6 % in 1986, according to the latest Commission forecast<sup>3</sup>). This employment growth results not only from the higher level of total investment but also from changes in its structure. The proportion of investment in new capacity has increased in German industry from 33 % to 37 %, the highest share since 1980, but still well below the figures above 50 % in the years 1969-1971.

The *French* propensity to invest has improved but remains relatively moderate (+6 %\* increase in 1986 after +7 %\* in 1985). It is still insufficient to stabilize the level of employment in the French industry (-3,1 % in 1985; -1.4 % in 1986; Commission forecast of May 1986).

The improvement in direct capital expenditure registered in the *United Kingdom* (+6 %\* in 1986 as against +3 %\* in 1985) should be considered with caution. It is associated with an expected fall in expenditure on assets leased to manufacturers (-15 % at current prices in 1986 after +35 % in 1985).

In other Member States where the increases in investment were above the EC average in 1985, some slowing down will take place this year. The expected improvements are nevertheless still strong: +9 %\* in *Denmark* (+31 %\* in 1985), +19 %\* in *Ireland* (+59 %\*) and +5 %\* in the *Netherlands* (+23 %\*). On the other hand, in *Belgium*<sup>4</sup> and in *Greece*, where investment had increased in both cases by only 3 %\* in 1985, it should jump this year by 20 %\* and 38 %\* respectively. In the case of Greece the strong increase in percentage terms has to be seen against the very low level of investment in 1985 (only about one third of investment volume of 1981; see Table 5).

**Investment by branch**

In 1985, investment was very strong in the *metallurgical industries* (+47 %)\*\*, particularly in *Italy* (+91 %)\*\*, the *Netherlands* (+68 %)\*\* and the *Federal Republic of Germany* (+61 %)\*\*. The sharp increase in these countries was caused

<sup>1</sup> The survey has not yet been extended to Spain and Portugal. This section pertains therefore to EUR 10.

\* The figures are in volume.

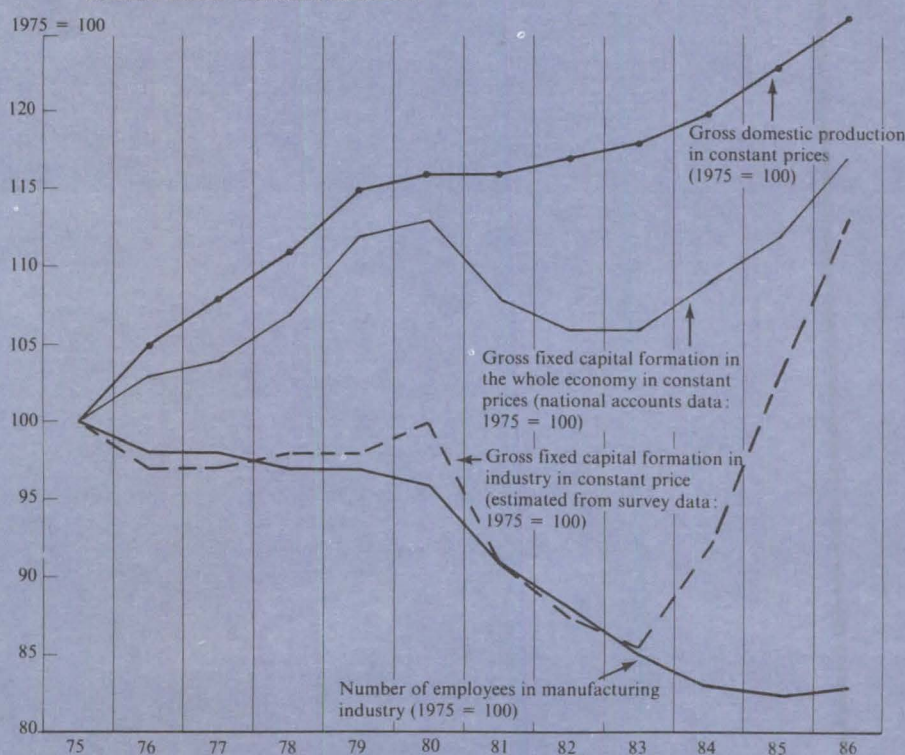
<sup>2</sup> The sharp increase in industrial investment in Germany in 1985 (17 % in real terms) has to be seen against the background of the low level in 1984 caused to a significant extent by the fact that companies had brought investment forward in 1983 in order to benefit from a special investment subsidy scheme.

<sup>3</sup> See Supplement A, June 1986.

<sup>4</sup> According to a study in progress carried out for the Commission, this improvement is likely to be due to the increased profitability of Belgian companies, which compensates the continuing modest demand outlook.

\*\* The figures are in value.

**GRAPH 2: Trend of industrial investment in the Community (business survey indicator) in the context of other macro-economic indicators**



1985 and 1986: Estimation of the Commission's services with the exception of gross fixed capital formation in industry which are based on EC investment surveys.

Source: Eurostat and EC investment surveys.

**TABLE 1: Industrial investment in manufacturing industry by Member State**  
% change in relation to preceding year

Year	B(d)	DK(d)	D	GR(d)(g)	F	IRL(d)	I	L(e)	NL	UK(d)	EUR
1985											
in values terms	+7	+38	+19	+23	+13	+68	+20	+21	+25	+10	+17
in volumes terms (a)	+3	+31	+17	+3	+7	+59	+12	+16	+23	+3	+12
1986											
in values terms	+21	+11	+12	+69	+8	+22	+20	+48	+5	+11	+13
in volumes terms (a)	+20	+9	+11	+38	+6	+19	+14	+46	+5	+6	+10

**TABLE 2: 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						
	1980	1981	1982	1983	1984	1985	1986	1980	1981	1982	1983	1984	1985	1986
Oct./Nov. 1980	13	6						1	-3					
March/April 1981	14	3						2	-1					
Oct./Nov. 1981		-1	3						-9	-3				
March/April 1982		-1	3						-9	-3				
Oct./Nov. 1982			1	5						-5	-1			
March/April 1983			2	4						-4	-2			
Oct./Nov. 1983				3	10						-3	5		
March/April 1984				3	13						-2	7		
Oct./Nov. 1984					12	14						7	9	
March/April 1985					12	16						7	11	
Oct./Nov. 1985						15	10						10	7
March/April 1986						17	13						12	10

**TABLE 3: Industrial investment survey by branch**

Results of the March/April 1986 investment survey, % change in value, over the preceding year

	Basic materials industries (b)		Metallurgical industries		Mechan. & Elect. industries		Processing industries (c)		Extractive		Food industrie		Total, all industry	
	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986
<b>B (i)</b>	+23	+19	-6	+35	+14	+25	-9	+13	:	:	-8	+17	+7	+21
<b>DK</b>	+59	+11	+43	-10	+39	+11	+55	+21	:	:	0	+9	+38	+11
<b>D</b>	+18	+12	+61	-24	+22	+21	+15	+9	+7	+5	+2	0	+19	+12
<b>GR (g)</b>	+52	+105	-39	-33	+16	+2	+31	+96	:	:	+7	+20	+23	+69
<b>F</b>	+18	+15	+27	-14	+15	+14	+13	+3	+4	+10	-7	-6	+13	+8
<b>IRL</b>	+74	+18	+107	-80	+112	+23	+61	-24	:	:	+20	+27	+68	+22
<b>I</b>	+35	+11	+91	+25	+9	+24	+27	+21	+19	+80	+4	-8	+20	+20
<b>L</b>	-25	+37	+17	+7	+28	-19	+218	+260	:	:	+11	-4	+21	+48
<b>NL</b>	+16	+1	+68	-3	+34	+8	+15	+20	+46	-7	+15	+8	+25	+5
<b>UK</b>	+25	+8	+12	+7	+4	+8	0	+16	:	:	+10	+17	+10	+11
<b>EUR (f)</b>	+22	+11	+47	-3	+16	+17	+15	+14	:	:	+2	+3	+17	+13

**TABLE 4: Industrial investment survey—all branches**

% change in value in relation to preceding year

Year to which data relate:	1982				1983				1984				1985				1986	
	Oct. 1981	March April 1982	Oct. Nov. 1982	March April 1983	Oct. Nov. 1982	March April 1983	Oct. Nov. 1983	March April 1984	Oct. Nov. 1983	March April 1984	Oct. Nov. 1984	March April 1985	Oct. Nov. 1984	March April 1985	Oct. Nov. 1985	March April 1986	Oct. Nov. 1985	March April 1986
<b>B (d)</b>	-9	-3	+10	+18	-7	-9	-2	-2	+5	+15	+13	+10	+3	+12	+7	+7	+16	+21
<b>DK (d)</b>	:	:	+11	+4	+4	+11	+18	+19	+20	+60	+54	+44	+18	+40	+37	+38	+7	+11
<b>D</b>	0	0	-2	-2	+3	+2	+2	+1	+2	+5	+4	+1	+10	+14	+16	+19	+10	+12
<b>GR (d)(g)</b>	-2	-6	-19	+6	-23	-35	-49	-36	+41	+23	-1	-34	+95	+82	+51	+23	+69	+69
<b>F</b>	+6	+5	+4	+6	+7	+6	+6	+5	+15	+20	+18	+19	+6	+13	+16	+13	+3	+8
<b>IRL (d)</b>	+33	+54	0	+27	+5	-18	-24	-1	+19	+13	-31	+21	+16	+9	-5	+68	+24	+22
<b>I</b>	:	+6	+8	+13	+13	+7	+3	+3	+8	+11	+6	+8	+29	+14	+12	+20	+15	+20
<b>L (e)</b>	-20	+24	+1	+34	+17	-39	+13	+20	-6	-22	+4	+17	-6	+4	+17	+21	+20	+48
<b>NL</b>	-2	+6	-1	0	+11	+11	+6	+5	+25	+29	+27	+29	+15	+24	+22	+25	+5	+5
<b>UK (d)</b>	+7	+5	-4	-3	+5	+2	+2	+3	+15	+16	+16	+19	+13	+15	+10	+10	+11	+11
<b>EUR</b>	+3	+3	+1	+2	+5	+4	+3	+3	+10	+13	+12	+12	+14	+16	+15	+17	+10	+13

(a) The changes in volume are calculated by dividing the changes in value by the corresponding deflators for gross capital formation. For 1986 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) Excluding the extractive industries; including energy and water.

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

(g) Including public enterprises.

Source: European Community investment surveys.

to a large extent by firms in the iron and steel industry boosting investment in 1985 in order to qualify for the Government grants available until the end of 1985 for restructuring and modernization. The performances of the *basic materials industries* (+22 %)\*\* were also above average (+17 %)\*\*.

For 1986, the impetus should come primarily from the sectors located downstream in the production process: *mechanical and electrical industries* (+17 %)\*\* and *processing industries* (+14 %)\*\*. The growth of capital spending by producers of *basic materials* (+11 %)\*\* would fall below the mean, while in *metallurgy* the value of investment would be 3 %\*\* short of last year's exceptionally high level.

An exceptional case arises in the *food industry* where there is no prospect of making up for the fall in real investment recorded last year. The cut in investment budgets of companies, particularly in France and Italy, are the main explanatory factors of this weakness.

**Community leading indicator slightly lower.** — The marginal decline of the indicator in June (102,6 compared with 102,8 in May; 1980=100) is entirely due to the negative effect of share prices (proxy for profit and interest rate expectations) on the composite indicator. Of the other three components, industrial and consumer confidence remained unchanged and confidence in construction continued to improve somewhat.

Broken down by member country, the leading indicator picked up in Germany (104,9 compared to 104,7 in May; 1980=100) due to a significant improvement of the consumer climate (a positive balance of 5 compared with 1 in May) and a recovery of construction confidence (-32 compared with -35 in May; balance). The recent improvement of the overall indicator in Germany was not strong enough to offset fully the decline recorded in May, however. In all other member countries - Ireland excepted - the composite leading indicator worsened, particularly in Belgium (from 104,7 to 103,6) and in France (from 101,3 to 100,0). Whereas in France the decrease is explained entirely by the dip in share prices the deterioration in Belgium was on a broad scale, probably caused to some extent by widespread strikes.

#### Components of the Community indicator

**Industrial confidence indicator improved in Italy only.** — With the exception of Italy where industrial confidence improved significantly in June (-8 compared with -11 in May) and France with no change, the indicator declined in all other member countries. The negative impact in most countries comes from an involuntary build-up of stocks of finished goods in industry. This unfavourable trend was particularly pronounced in the United Kingdom, Ireland and Luxembourg. The weakness of demand causing the build-up of stocks is obviously recorded only as a short-term phenomenon by most firms. Otherwise there would not have been an increase in the production plans for the coming months. Overall, the output trend in European manufacturing industry is still weaker than in the second half of last year, however. Export order books improved markedly in Italy (-27 compared with -49 in May) but deteriorated

further to some degree in most other member countries. The disinflation process in European industry has not yet come to an end according to companies' selling price expectations which in June reached the same low point as at the trough of the 1974/75 recession (+9).

**Recovery in construction industry continues.** — The slight improvement in this sector which set during the second half of last year has continued. The slowness of this process is one of the main differences from previous cyclical upswings and explains to a significant degree the lack of dynamism in the present economic recovery. The only exceptions are the Netherlands, Denmark and Luxembourg, where construction activity at present is rather strong and positive assessments of the economic outlook prevail. In spite of some remarkable improvements, many construction companies, particularly in Germany, Belgium and Italy, are still in a difficult position.

**Share prices again curb the rise of the composite indicator.** — The fall in share prices in June was particularly marked in France, Italy and Germany. With the economy presumably picking up more strongly in the second half of the year, profit expectations might improve again, which would bolster the share price trend, particularly if there are further expectations of falling interest rates.

**Consumer confidence indicator unchanged.** — The hopes for a steeper path of economic expansion in the second half of 1986 depend to a large extent on more buoyant private consumption. The consumer confidence indicator, which has proved to be a reliable leading indicator for consumption behaviour in the past, has increased significantly between the third quarter of 1985 and the second quarter of 1986 (from -13 to -5). This suggests that the increased real purchasing power of consumers should be reflected in the second half of 1986 in a higher degree of spending - especially purchases of consumer durables - than in the previous months. In June, consumer confidence improved, particularly in Germany. The fact that the index remained unchanged at the Community level is due to the extension of the consumer survey to the two new member countries Spain and Portugal. Had the survey been confined to the same nine countries as before (Luxembourg does not take part in the EC consumer survey), the consumer climate indicator would have increased from May to June by 1 point. In particular, the purchasing plans in Spain and Portugal are significantly weaker than in the rest of the Community.

The results of the June surveys in each of the participating Member States are looked at briefly below.

In June, the consumer confidence indicator in the *Federal Republic of Germany* rose to a level (5), not seen since 1979, mainly because of a distinctly greater willingness to make major purchases, particularly in the lower income classes. This did not detract from saving intentions, which rose sharply almost across the income spectrum.

The consumer climate in *France* weakened further in June, mainly because of pessimistic assessments of both consumers' personal finances and of the general economic situation. Con-

TABLE 5: Volume index of investment in the manufacturing industry (1981 = 100)<sup>a</sup>

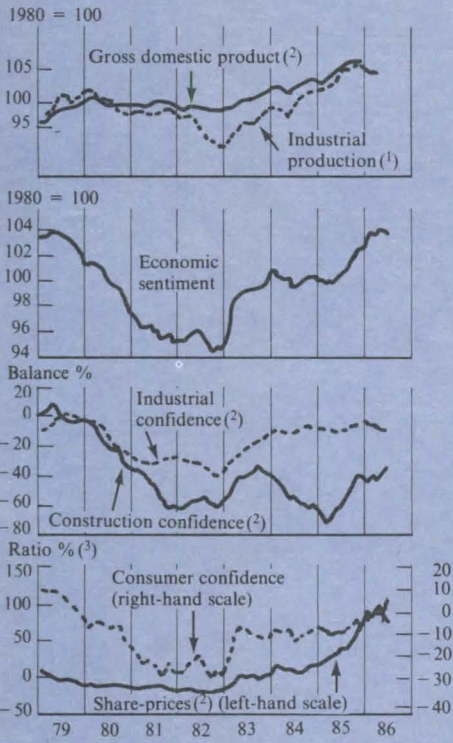
	B	DK	D	F	GR	IRL	I	L	NL	UK	EUR
72	106	:	106	109	:	:	263	185	:	:	:
73	115	:	101	113	:	:	235	177	:	126	126
74	142	:	92	112	:	:	201	135	:	137	121
75	110	:	88	105	:	:	168	113	:	125	109
76	81	:	90	102	:	131	151	99	107	124	106
77	75	:	89	103	:	125	132	108	117	136	106
78	68	:	93	105	:	161	126	127	114	145	108
79	76	:	99	105	:	169	121	115	107	141	108
80	99	:	107	107	:	153	110	121	115	124	110
81	100	100	100	100	100	100	100	100	100	100	100
82	111	98	98	97	92	116	97	123	95	95	96
83	104	108	96	94	47	108	88	136	99	95	93
84	109	150	95	106	22	123	87	151	126	109	99
85	112	197	112	113	22	195	99	175	155	113	111
86	135	215	124	120	31	233	112	256	162	119	122

(a) These figures are based on the results of the EC Survey on realized investments after the application of the deflator of gross capital formation.

Source: European Community investment survey.

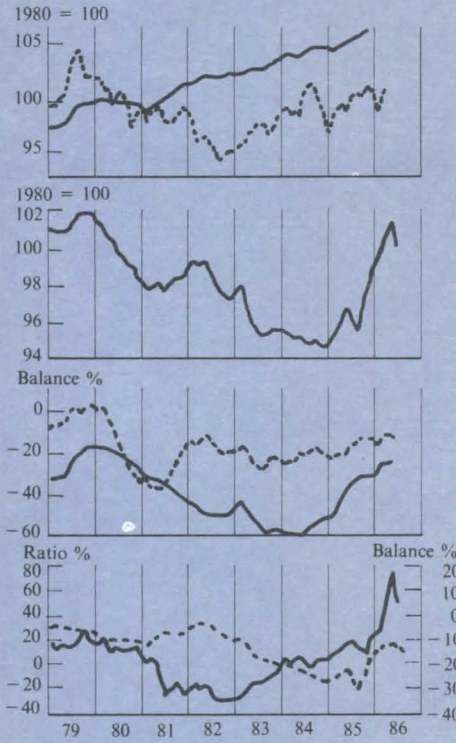
GRAPH 3-8: Indicators of output and economic sentiment

GRAPH 3: Federal Republic of Germany



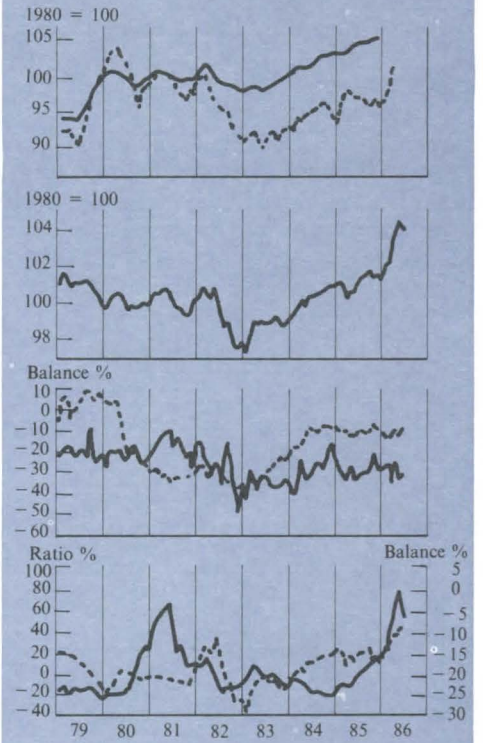
(1) Three-month moving average.  
 (2) See notes to Table 6.  
 (3) Deviations from trend in %.

GRAPH 4: France



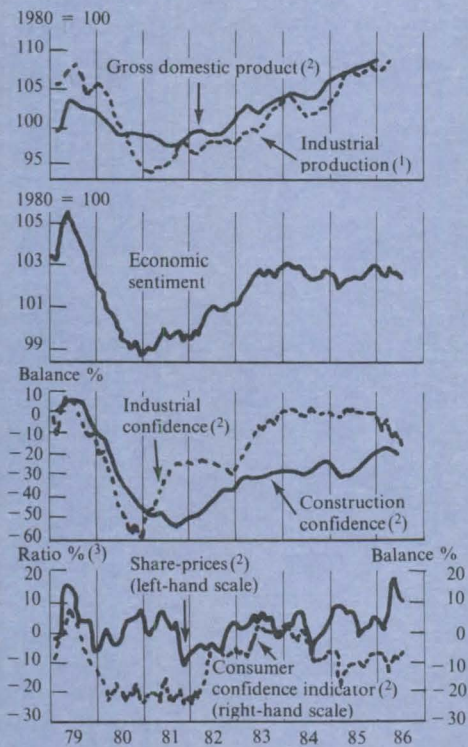
For explanations, see Graph 3.

GRAPH 5: Italy



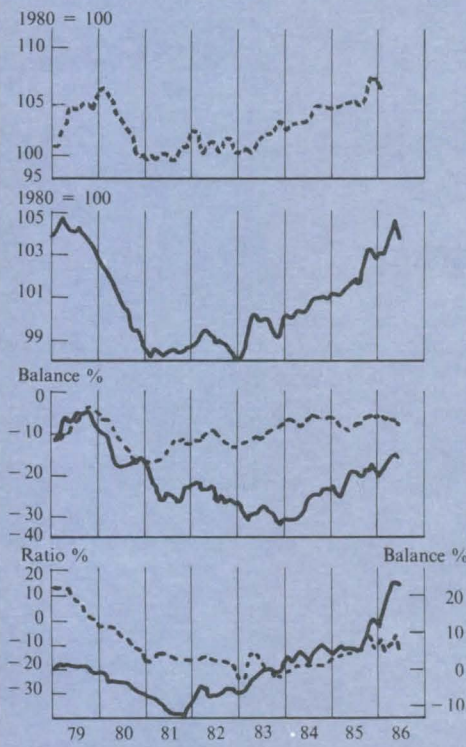
For explanations, see Graph 3.

GRAPH 6: United Kingdom



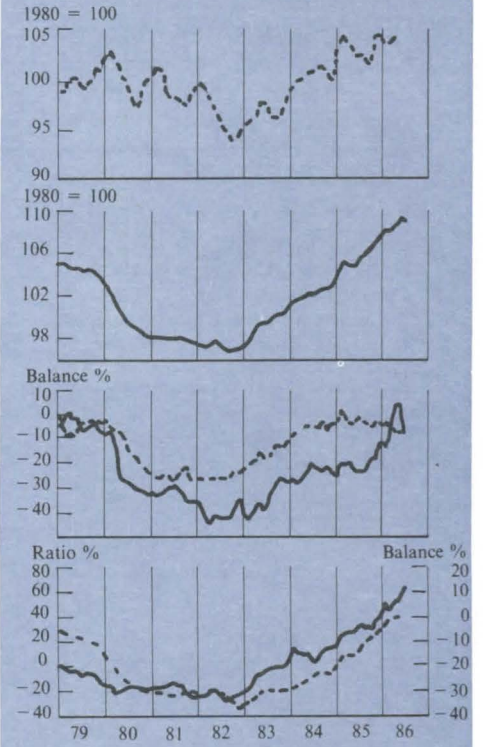
(1) Three-month moving average.  
 (2) See notes to Table 6.  
 (3) Deviations from trend in %.

GRAPH 7: Belgium



For explanations, see Graph 6.

GRAPH 8: Netherlands



For explanations, see Graph 6.

TABLE 6: Indicators of output and economic sentiment

		Range (b)		Range (b)		1985	1985	1986			1986				
		Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83			IV	I	II	Jan.	Feb.	March	April	May
<b>B</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	102,5	76,5	106,3	92,4	104,0	106,2	:	:	105,3	106,5	:	:	:	:
	1. industrial confidence indicator	+19	-56	-4	-35	-13	-11	-12	-13	-11	-12	-12	-13	-12	-14
	2. construction confidence indicator	+9	-36	-7	-65	-40	-36	-36	-30	-38	-35	-34	-31	-30	-31
	3. consumer confidence indicator (c)	7,0	-18,0	-7,0	-31,0	-21	-19	-20	-19	-18	-22	-20	-19	-17	-21
	4. share-price index (c)	155,1	98,0	114,3	75,0	185,3	219,7	240,0	278,2	212,5	246,4	261,0	277,7	280,6	276,4
	= 5. economic sentiment indicator	107,9	99,4	103,0	97,5	101,6	103,0	103,1	104,1	102,9	102,8	103,5	104,1	104,7	103,6
<b>DK</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	:	:	107,7	95,5	121,2	126,5	124,2	:	128,7	125,5	118,2	137,0	:	:
	1. industrial confidence indicator	:	:	:	-22	+13	+9	+5	+1	+5	(+5)	(+5)	+1	(+1)	(+1)
	2. construction confidence indicator	:	:	:	-36	+11	+15	+15	+28	+15	(+15)	(+15)	+28	(+28)	(+28)
	3. consumer confidence indicator (c)	:	-16	5,0	-22	+4	7	7	-4	7	(7)	(7)	-1	-5	-6
	4. share-price index (c)	:	:	:	:	426,0	483,6	483,6	491,4	472,7	475,3	502,0	518,5	490,3	465,5
	= 5. economic sentiment indicator	:	:	:	:	103,5	103,3	102,9	:	103,0	(102,8)	(102,9)	102,8	(102,5)	:
<b>D</b>	<i>gross domestic product</i> (b)	1980 = 100													
	<i>index of industrial production</i>	85,1	83,3	101,2	98,9	106,1	107,4	:	:	:	:	:	:	:	:
	1. industrial confidence indicator	+10	-49	+2	-40	-6	-2	-4	-7	-3	-4	-6	-7	-7	-8
	2. construction confidence indicator	-4	-72	+11	-64	-54	-38	-41	-35	-42	-39	-41	-39	-35	-32
	3. consumer confidence indicator (c)	:	-22,2	9,0	-31,0	-7	-4	0	3	-2	0	1	2	1	5
	4. share-price index (c)	109,0	75,2	115,6	97,6	209,4	256,3	295,3	298,4	299,9	287,9	298,2	315,8	295,6	283,7
	= 5. economic sentiment indicator	103,8	97,0	103,6	94,7	102,1	103,7	104,6	104,9	104,6	104,6	104,7	105,2	104,7	104,9
<b>F</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	85,4	84,2	99,8	102,4	105,9	107,4	:	:	:	:	:	:	:	:
	1. industrial confidence indicator	+29	-49	+5	-39	-17	-13	-15	-13	-18	-15	-12	-12	-13	-13
	2. construction confidence indicator	:	:	-17	-57	-38	-32	-27	-24	-27	(-27)	(-27)	-24	(-24)	(-24)
	3. consumer confidence indicator (c)	:	-9,0	3,0	-27,0	-23	-17	-12	-11	-12	(-12)	(-12)	-11	(-11)	(-11)
	4. share-price index (c)	86,6	53,6	101,2	82,7	201,7	219,7	259,5	334,3	243,7	244,9	290,1	336,8	356,3	309,9
	= 5. economic sentiment indicator	107,8	97,6	101,8	95,1	96,6	98,1	99,7	100,8	99,0	99,6	100,4	101,0	101,3	100,0
<b>IRL</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	80,4	72,3	103,8	99,6	126,0	126,3	127,7	:	124,6	127,3	131,4	:	:	:
	1. industrial confidence indicator	:	-41	+20	-40	-7	-6	-6	-10	-6	-4	-9	-8	-11	-12
	2. construction confidence indicator	:	:	:	:	-27	-28	-24	-10	-24	(-24)	(-24)	-10	(-10)	(-10)
	3. consumer confidence indicator (c)	:	-41,0	12,0	-44,0	-29	-27	-28	-27	-28	(-28)	(-28)	-27	(-27)	(-27)
	4. share-price index (c)	85,8	29,9	112,2	79,4	148,9	169,8	234,8	255,8	191,3	189,8	223,2	239,3	255,2	273,0
	= 5. economic sentiment indicator	109,1	96,7	103,6	98,1	100,2	100,7	100,8	101,5	100,7	100,7	101,0	101,3	101,5	101,7
<b>I</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	80,4	77,2	101,2	98,2	104,7	105,7	:	:	:	:	:	:	:	:
	1. industrial confidence indicator	+31	-59	+13	-41	-10	-8	-12	-9	-11	-14	-12	-9	-11	-8
	2. construction confidence indicator	-8	-56	-5	-51	-29	-26	-29	-27	-27	-26	-34	-24	-33	-30
	3. consumer confidence indicator (c)	:	-39,0	-12,1	-29,6	-12	-14	-8	-3	-9	-10	-5	-5	-3	-2
	4. share-price index (c)	169,6	68,5	185,0	116,9	286,8	363,0	494,2	702,6	413,7	468,0	601,5	679,1	769,8	658,9
	= 5. economic sentiment indicator	103,8	97,4	101,6	97,6	101,7	101,8	103,0	105,0	102,5	102,5	104,1	104,8	105,3	104,9
<b>NL</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	94,8	87,1	117,5	90,7	104,0	104,3	106,0	:	105,0	105,0	105,0	107,0	:	:
	1. industrial confidence indicator	+12	-44	+4	-31	-2	-3	-3	-6	-2	-5	-4	-7	-5	-6
	2. construction confidence indicator	+3	-47	+3	-46	(-19)	-15	-8	+6	-12	-9	-2	+5	+5	+6
	3. consumer confidence indicator (c)	6,0	-15,0	5,0	-37,0	-7	-1	+6	+7	+5	+6	+6	+5	+9	+7
	4. share-price index (c)	:	86,3	122,8	92,8	255,1	275,8	304,0	327,4	308,1	298,0	305,9	320,7	318,0	343,5
	= 5. economic sentiment indicator	107,8	100,7	105,3	97,1	106,4	107,9	109,3	110,0	109,2	109,0	109,5	109,7	110,4	110,0
<b>UK</b>	<i>gross domestic product</i>	1980 = 100													
	<i>index of industrial production</i>	94,6	91,0	102,5	97,7	109,0	110,2	:	:	:	:	:	:	:	:
	1. industrial confidence indicator	:	:	+9	-60	0	0	-6	-12	-8	-2	-7	-12	-9	-15
	2. construction confidence indicator	:	:	+7	-60	-25	-18	-15	-19	-15	(-15)	(-15)	-19	(-19)	(-19)
	3. consumer confidence indicator (c)	:	-32,5	14,4	-25,5	-10	-7	-11	-7	-7	-14	-11	-8	-8	-6
	4. share-price index (c)	78,5	23,3	111,6	104,4	242,3	256,7	280,3	309,8	260,3	273,0	307,6	315,0	306,0	308,3
	= 5. economic sentiment indicator	103,8	97,7	104,9	98,8	102,3	102,9	102,7	102,7	102,7	102,7	102,8	102,8	102,7	102,5
<b>EUR</b>	<i>gross domestic product</i> (a)(b)	1980 = 100													
	<i>index of industrial production</i>	85,1	85,5	101,1	101,0	106,4	107,6	:	:	:	:	:	:	:	:
	1. industrial confidence indicator	+16	-49	+3	-36	-7	-5	-8	-10	-9	-8	-8	-10	-10	-10
	2. construction confidence indicator	:	:	-1	-48	-38	-29	-27	-25	-27	(-26)	(-28)	-26	(-25)	(-24)
	3. consumer confidence indicator (c)	4,6	-16,7	0,8	-22,0	-13	-10	-7	-5	-8	-8	-6	-5	-5	-5
	4. share-price index (c)	:	47,0	115,4	111,7	238,8	267,2	300,8	339,0	285,7	292,0	324,6	345,1	342,9	329,0
	= 5. economic sentiment indicator	107,5	96,6	104,1	97,4	101,1	101,6	102,1	102,8	101,8	102,0	102,6	102,9	102,8	102,6

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

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

(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 8: 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)		1985	1985	1986			1986					
	Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83			IV	I	II	Jan.	Feb.	March	April	May	June
<b>B</b>	order-books	-13	-47	-20	-76	-55	-53	-53	-46	-55	-52	-53	-51	-44	-42
	employment expectations	+31	-24	+7	-53	-24	-18	-18	-15	-21	-18	-14	-10	-15	-19
	price expectations	+75	+25	+61	-18	+2	+12	+8	+4	+10	+8	+6	+9	+3	-1
	construction confidence indicator (a)	+9	-36	-7	-65	-40	-36	-36	-30	-38	-35	-34	-31	-30	-31
<b>DK</b>	order-books	:	:	:	-38	+13	+16	+16	+39	+16	(+16)	(+16)	+39	-39	(+39)
	employment expectations	:	:	:	-35	+9	+13	+13	+17	+13	(+13)	(+13)	+17	(-17)	(+17)
	construction confidence indicator (a)	:	:	:	-37	+11	+15	+15	+28	+15	(+15)	(-15)	+28	(+28)	(+28)
<b>D</b>	order-books	-17	-84	+2	-75	-70	-60	-63	-55	-64	-63	-61	-60	-55	-51
	employment expectations	+10	-60	+20	-53	-38	-18	-18	-15	-19	-15	-21	-18	-14	-12
	price expectations	+48	-37	+48	-49	-14	+4	+3	+6	+4	+6	0	0	+9	+8
	construction confidence indicator (a)	-4	-72	+11	-64	-54	-39	-41	-35	-42	-39	-41	-39	-35	-32
<b>GR</b>	order-books	:	:	:	-78	-48	-50	-48	-63	-48	(-48)	(-48)	-63	(-63)	(-63)
	employment expectations	:	:	:	-77	+3	0	-35	-33	-35	(-35)	(-35)	-33	(-33)	(-33)
	price expectations	:	:	:	+9	+8	+9	+24	+50	+24	(+24)	(+24)	+50	(+50)	(+50)
	construction confidence indicator (a)	:	:	:	-78	-23	-25	-42	-48	-42	(-42)	(-42)	-48	(-48)	(-48)
<b>F</b>	order-books	:	:	-26	-73	-52	-44	-41	-36	-41	(-41)	(-41)	-36	(-36)	(-36)
	employment expectations	:	:	-8	-47	-24	-20	-12	-12	-12	(-12)	(-12)	-12	(-12)	(-12)
	construction confidence indicator (a)	:	:	-17	-57	-38	-32	-27	-24	-27	(-27)	(-27)	-24	(-24)	(-24)
<b>IRL</b>	order-books	:	:	-44	-34	-34	-30	-35	-19	-35	(-35)	(-35)	-19	(-19)	(-19)
	employment expectations	:	:	-39	-19	-19	-20	-13	-1	-13	(-13)	(-13)	-1	(-1)	(-1)
	price expectations	:	:	-16	-16	-16	-10	-7	-7	-10	(-10)	(-10)	-7	(-7)	(-7)
	construction confidence indicator (a)	:	:	-42	-27	-25	-24	-10	-10	-24	(-24)	(-24)	-10	(-10)	(-10)
<b>I</b>	order-books	-25	-68	-8	-62	-36	-38	-38	-43	-33	-39	-42	-42	-46	-41
	employment expectations	+10	-44	-2	-39	-21	-13	-19	-10	-20	-12	-26	-5	-18	-18
	price expectations	+85	+30	+79	+2	+14	+19	+13	+14	+17	+12	+11	+11	+10	+20
	construction confidence indicator (a)	-8	-56	-5	-51	-29	-26	-29	-27	-27	-26	-34	-24	-33	-30
<b>L</b>	order-books	+21	-50	+15	-79	-60	-50	-36	-9	-36	-35	-36	-25	-1	0
	employment expectations	+31	-39	+46	-75	-42	-26	-11	+7	-11	-13	-9	+1	+6	-13
	price expectations	+82	+11	+81	-49	-10	-2	-4	+14	-1	-6	-6	-12	+9	+22
	construction confidence indicator (a)	+26	-45	+31	-77	-51	-38	-24	-1	-24	-24	-23	-12	+3	+7
<b>NL</b>	order-books	-8	-81	-10	-61	(-32)	-23	-18	-5	-21	-20	-13	-6	-7	-2
	employment expectations	+14	-13	+15	-31	(-6)	-7	+3	+16	-2	+2	+10	+16	+17	+14
	construction confidence indicator (a)	+3	-47	+3	-46	(-19)	-15	-8	+6	-12	-9	-2	+5	+5	+6
<b>UK</b>	order-books	:	:	-1	-71	-37	-35	-27	-30	-27	(-27)	(-27)	-30	(-30)	(-30)
	employment expectations	:	:	+15	-49	-12	-1	-3	-7	-3	(-3)	(-3)	-7	(-7)	(-7)
	price expectations	:	:	+74	-22	+11	+12	+23	+23	+23	(+23)	(+23)	+23	(+23)	(+23)
	construction confidence indicator (a)	:	:	+7	-60	-25	-18	-15	-19	-15	(-15)	(-15)	-19	(-19)	(-19)
<b>EUR</b>	order-books	:	:	-9	-63	-51	-45	-42	-40	-42	(-41)	(-42)	-41	(-40)	(-38)
	employment expectations	:	:	+7	-33	-24	-13	-12	-10	-12	(-10)	(-13)	-10	(-10)	(-10)
	construction confidence indicator (a)	:	:	-1	-48	-38	-29	-27	-25	-27	(-26)	(-28)	-26	(-25)	(-24)

(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.

**TABLE 9: Results of business surveys in the retail trade (a)(b)**

	1985												1986					
	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June		
<b>B</b>	Present business situation	:	13	-10	-15	-18	-7	0	6	5	8	16	7	-8	0	-19	-7	
	Volume of stocks	:	18	13	9	12	2	3	0	-3	5	1	0	11	5	4	12	
	Intentions of placing orders	:	-19	-16	-19	1	3	5	2	-7	-5	14	17	-3	-9	-14	-17	
	Expected business situation	:	1	-18	-19	13	25	12	5	-2	-15	17	26	9	-6	9	-6	
<b>D</b>	Present business situation	-31	-25	-19	-40	-22	-22	-33	-21	-8	-11	-8	-22	-19	-10	-7	-6	
	Volume of stocks	26	26	26	27	26	23	20	19	22	19	24	29	28	29	26	27	
	Intentions of placing orders	-18	-20	-13	-26	-15	-8	-19	-16	-13	-11	-11	-14	-13	-15	-15	-14	
	Expected business situation	-10	-5	-10	-13	-7	-6	-11	1	3	-1	1	1	-5	-3	-3	0	
<b>F(c)</b>	Present business situation	-34	:	-27	:	-30	:	-10	:	-22	:	5	:	-6	:	-16	:	
	Volume of stocks	15	:	22	:	18	:	9	:	18	:	7	:	4	:	19	:	
	Intentions of placing orders	-29	:	-32	:	-35	:	-20	:	-18	:	-25	:	-15	:	-24	:	
<b>NL</b>	Present business situation	:	:	:	:	:	:	:	:	:	:	41	34	41	43	51	48	
	Volume of stocks	:	:	:	:	:	:	:	:	:	:	7	8	10	10	7	9	
	Intentions of placing orders	:	:	:	:	:	:	:	:	:	:	31	22	24	17	16	19	
	Expected business situation	:	:	:	:	:	:	:	:	:	:	47	44	43	41	34	41	
<b>I(c)</b>	Present business situation	:	:	:	:	:	:	-4	:	:	:	-2	:	-7	:	3	:	
	Volume of stocks	:	:	:	:	:	:	21	:	:	:	28	:	25	:	24	:	
	Intentions of placing orders	:	:	:	:	:	:	-13	:	:	:	-16	:	-14	:	-18	:	
	Expected business situation	:	:	:	:	:	:	4	:	:	:	3	:	9	:	9	:	
<b>UK</b>	Present business situation(d)	29	18	9	14	25	49	17	13	18	31	20	31	13	5	7	19	
	Volume of stocks	16	28	29	25	22	18	18	18	21	18	19	18	27	27	20	21	
	Intentions of placing orders	26	21	20	21	29	35	27	19	12	23	29	24	17	21	26	23	
	Expected business situation	:	:	30	:	:	35	:	:	:	32	:	36	:	:	34	:	

(a) not seasonally adjusted; (b) balances; (c) bi-monthly; (d) refers to volume of sales for the time of the year.  
 Source: EC business survey in retail trade.



TABLE 10: Consumer opinion on economic and financial conditions<sup>(a)</sup>

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

TABLE 10 (continued): Consumer opinion on economic and financial conditions<sup>(a)</sup>

		1980	1981	1982	1983	1984	1985	1985				1986					
								Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	May*	June*
PRICE TRENDS (continued)	<b>B</b>	42	40	45	40	37	36	:	34	37	34	35	39	32	31	29	26
	<b>DK</b>	38	31	31	12	16	15	:	8	:	:	5	:	:	11	9	9
	<b>D</b>	51	50	43	30	28	25	20	24	24	23	20	17	13	8	4	2
	<b>GR</b>	:	:	25	37	38	42	:	51	:	:	41	41	47	39	43	44
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	16
	<b>F</b>	50	39	42	37	32	27	:	21	:	:	13	:	:	35	:	28
	<b>IRL</b>	56	52	46	39	35	32	:	32	:	:	34	:	:	11	:	:
	<b>I</b>	60	58	56	54	46	48	45	51	48	52	48	41	33	37	33	27
	<b>NL</b>	61	52	50	38	25	17	:	4	:	:	14	:	:	10	3	-2
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	14
<b>UK</b>	43	31	29	27	40	43	37	37	36	36	37	41	38	30	26	21	
	<b>EUR (c)</b>	51	44	42	35	35	32	:	29	:	:	26	:	:	24	(21)	(18)
UNEMPLOYMENT	<b>B</b>	57	67	60	57	44	37	:	25	25	27	26	35	28	24	27	40
	<b>DK</b>	39	37	29	30	5	-4	:	-13	:	:	-9	:	:	-7	-10	-2
	<b>D</b>	20	43	43	30	20	16	16	14	15	14	15	12	8	0	-5	-2
	<b>GR</b>	:	:	11	10	11	17	:	27	:	:	28	26	32	27	28	33
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	24
	<b>F</b>	47	43	30	41	62	50	:	46	:	:	27	:	:	22	:	41
	<b>IRL</b>	34	47	56	67	52	48	:	45	:	:	49	:	:	39	:	:
	<b>I</b>	51	52	56	57	49	47	46	50	47	50	46	45	37	38	37	35
	<b>NL</b>	59	72	72	67	36	0	:	-1	:	:	-13	:	:	-12	-25	-23
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	27
<b>UK</b>	58	50	34	37	32	35	35	36	30	24	31	39	34	31	31	35	
	<b>EUR (c)</b>	43	48	42	41	38	32	:	30	:	:	24	:	:	17	(15)	(23)
MAJOR PURCHASES	<b>B</b>	23	15	13	6	6	-18	:	-37	-40	-38	-34	-35	-33	-34	-24	-31
	<b>DK</b>	21	10	16	7	14	14	:	18	:	:	17	:	:	15	-3	-2
	<b>D</b>	18	-1	-17	-8	-9	-8	-6	-4	-7	-8	-3	1	5	3	0	8
	<b>GR</b>	:	:	-35	-35	-24	-20	:	-18	:	:	-16	-22	-26	-29	-29	-28
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-37
	<b>F</b>	39	28	30	19	6	-4	:	0	:	:	-5	:	:	2	:	0
	<b>IRL</b>	30	24	13	-6	-9	-2	:	-9	:	:	-5	:	:	-14	:	:
	<b>I</b>	2	4	1	-13	-15	-15	-8	-13	-13	-18	-13	-15	-9	-11	-9	-9
	<b>NL</b>	-2	-17	-21	-18	-44	-29	:	-23	:	:	-13	:	:	-2	-1	-4
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-37
<b>UK</b>	28	26	25	32	31	24	24	25	24	17	27	24	23	24	21	24	
	<b>EUR (c)</b>	22	12	6	5	0	-3	:	-1	:	:	-1	:	:	2	(1)	(-2)
— over next 12 months	<b>B</b>	-26	-28	-28	-30	-28	-30	:	-32	-30	-32	-27	-32	-33	-34	-28	-24
	<b>DK</b>	-14	-12	-10	-8	-7	-8	:	-8	:	:	-8	:	:	-9	-12	-13
	<b>D</b>	-19	-25	-28	-29	-28	-26	-24	-27	-26	-24	-24	-20	-20	-21	-21	-19
	<b>GR</b>	:	:	-24	-33	-38	-33	:	-38	:	:	-39	-35	-38	-43	-48	-50
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-24
	<b>F</b>	-18	-13	-9	-10	-10	-9	:	-7	:	:	-6	:	:	-8	:	0
	<b>IRL</b>	-19	-22	-27	-31	-25	-22	:	-13	:	:	-15	:	:	-27	:	:
	<b>I</b>	-17	-18	-22	-22	-21	-21	-24	-20	-23	-18	-24	-19	-23	-20	-22	-20
	<b>NL</b>	-23	-27	-27	-29	-27	-20	:	-17	:	:	-12	:	:	-21	-16	-16
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	2
<b>UK</b>	-14	-19	-18	-15	-12	-14	-13	-15	-15	-14	-15	-14	-13	-13	-12	-11	
	<b>EUR (c)</b>	-17	-20	-20	-21	-19	-18	:	-18	:	:	-17	:	:	-17	(-17)	(-15)
SAVINGS	<b>B</b>	38	41	40	46	46	46	:	32	33	42	49	50	45	41	39	37
	<b>DK</b>	15	23	26	40	41	50	:	52	:	:	49	:	:	51	46	41
	<b>D</b>	43	32	27	33	38	41	43	41	40	41	42	41	41	41	38	46
	<b>GR</b>	:	:	-25	-29	-20	-18	:	-23	:	:	-29	-25	-32	-32	-29	-30
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	39
	<b>F</b>	-3	-2	-5	0	6	11	:	15	:	:	24	:	:	17	:	-3
	<b>IRL</b>	5	-3	-9	-3	-8	-1	:	3	:	:	4	:	:	-5	:	:
	<b>I</b>	-6	-7	10	21	33	37	41	34	41	36	44	42	47	46	49	48
	<b>NL</b>	19	27	38	35	34	41	:	42	:	:	50	:	:	40	45	48
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-46
<b>UK</b>	6	5	5	10	17	20	22	22	22	16	26	20	21	30	18	19	
	<b>EUR (c)</b>	15	12	12	19	24	29	:	29	:	:	35	:	:	33	(30)	(28)
— over next 12 months	<b>B</b>	-20	-21	-25	-26	-27	-33	:	-24	-20	-16	-9	-14	-21	-11	-14	-10
	<b>DK</b>	-20	-19	-18	-12	-11	-7	:	-2	:	:	-1	:	:	-8	-6	-6
	<b>D</b>	44	23	-2	1	3	3	5	5	4	4	7	9	6	8	7	13
	<b>GR</b>	:	:	-37	-41	-39	-40	:	-43	:	:	-41	-39	-45	-47	-47	-46
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-32
	<b>F</b>	-32	-32	-32	-35	-37	-36	:	-33	:	:	-28	:	:	27	:	-32
	<b>IRL</b>	-13	-19	-22	-25	-37	-28	:	-29	:	:	-30	:	:	-34	:	:
	<b>I</b>	-32	-30	-22	-27	-20	-17	-12	-16	-14	-21	-10	-16	-12	-10	-8	-11
	<b>NL</b>	0	-1	-3	-8	-2	6	:	8	:	:	14	:	:	4	8	12
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-44
<b>UK</b>	-16	-20	-17	-13	-12	-14	-12	-9	-15	-11	-11	-13	-11	-14	-19	-12	
	<b>EUR (c)</b>	-4	-11	-17	-17	-16	-15	:	-12	:	:	-9	:	:	-10	(-10)	(-12)

TABLE 10 (continued): Consumer opinion on economic and financial conditions<sup>(a)</sup>

		1980	1981	1982	1983	1984	1985	1985				1986					
								Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	May*	June*
FINANCIAL SITUATION OF HOUSEHOLDS	<b>B</b>	9	7	6	5	6	5	:	7	9	12	14	12	10	12	13	13
	<b>DK</b>	4	4	4	8	8	11	:	13	:	:	10	:	:	10	9	13
	<b>D</b>	21	16	12	11	11	12	13	14	11	12	14	15	16	16	16	18
	<b>GR</b>	:	:	0	:	2	3	:	3	:	:	1	3	1	1	1	1
	<b>E</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	1
	<b>F</b>	8	8	8	6	4	3	:	4	:	:	6	:	:	8	:	2
	<b>IRL</b>	2	-4	-1	-1	-1	-1	-2	:	:	:	-1	:	:	-1	:	:
	<b>I</b>	8	8	13	9	11	12	12	12	13	12	16	14	14	15	15	16
	<b>NL</b>	19	18	17	15	13	16	:	16	:	:	17	:	:	17	16	18
	<b>P</b>	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-1
<b>UK</b>	8	9	9	12	12	11	12	15	11	12	9	11	12	10	9	10	
	<b>EUR (c)</b>	12	11	10	9	9	9	:	11	:	:	11	:	:	12	(12)	(11)

(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) EUR 9 up to May 1986; EUR 11 from June 1986 onwards.

\* EUR results for May and June 1986 are derived from interpolated figures for France (May) and from April figures for Ireland (May and June).

Source: European Community consumer survey.

sumers were less willing to buy major household durables even though their saving intentions were less ambitious.

Although some hesitation was discernible in the purchasing behaviour of *Italian* consumers, the confidence indicator in June again moved upwards, mainly as a result of the continuing favourable assessment of recent economic developments.

In June, the consumer climate in the *United Kingdom* improved further. Contributory factors were optimistic assessments of the financial situation of households and the marked improvement in purchasing behaviour among the middle income groups. Optimism with regard to prices resulted in more ambitious saving intentions.

In the *Netherlands* the consumer confidence indicator dipped in June to slightly below the May level, though it still remained positive. The main reason for the decline was the less favourable assessment of how the economy would evolve, but the indicator was also depressed by a greater reluctance to make major household purchases. This was matched by a greater readiness to save.

After improving steadily in the last three months in *Belgium*, the consumer confidence indicator declined in June. This was mainly due to more pessimistic assessments of recent economic developments and to a marked downturn in purchasing behaviour, which was to some extent foreshadowed in the May retail survey (see Table 10).

The slight deterioration in the *Danish* consumer climate was due solely to adverse opinions on the general economic situation. But consumers' assessments of their personal financial situation improved, especially in the higher income classes which were also slightly more favourably disposed towards buying household durables. They were therefore somewhat less inclined to save.

In *Greece* the consumer confidence indicator rose slightly in June. In almost every area covered by the survey, consumers appeared to be somewhat more optimistic. Further fears on future price developments apparently favoured current spending but seem to curtail to some extent the purchasing plans for the next 12 months.

Because this is the first time that Spain and Portugal have taken part, comments on the June results in these countries are necessarily tentative. *Spanish* consumers appeared to be less confident than in most Member States, mainly because of the relatively pessimistic assessments of respondents in the lower and middle income classes. The very low propensity to buy major household goods (-37) was a factor which substantially depressed the level of consumer confidence in Spain.

Consumers in *Portugal* generally appeared to be slightly less pessimistic than those in Spain, although their opinions as to the advisability of making major purchases were just as unfavourable. Pessimism was most prevalent among the lower income groups.

### Survey on labour market flexibility - conclusions

The Commission services have organized two special surveys in the member countries on labour market issues. First results of the surveys addressed to employees as well as to industrial and retail companies have already been published<sup>5</sup>. In this contribution conclusions of these surveys are presented. The full report on the survey in industry, retail- and wholesale trade as well as the one directed to employees are published in *European Economy* no. 27.

- The results of the survey have shown that the interests of firms and those of employees in achieving greater flexibility on the labour market (in particular, new forms of working time and pay that is geared to both individual skills and to business profits) do not necessarily have to be in conflict with one another. As far as more flexible working hours are concerned, interest seems to be greater among employees than among employers. Obviously, many employees regard greater influence over their individual working hours as a desirable increase in control over their working lives. Many employees would also accept unusual working hours (e.g. working on some evenings and occasionally on Saturdays) if there was no loss in income and if total annual working hours were reduced.
- In contrast to the argument frequently put forward in public discussion, it is not so much the absolute wage and salary level, but rather non-wage labour costs which firms regard as inhibiting employment. Many firms also indicated that the wage structure discouraged them from employing more workers. Lower starting pay and wider wage differentials are regarded as desirable, especially in the retail and wholesale trades and hence, it might be supposed, in the other branches of the service sector too.
- Especially in industry, and, within industry, particularly in the technical trades, a lack of skills on the part of job applicants is an important obstacle to an improvement in employment. Training and further retraining must therefore be stepped up even more, particularly in the technical trades. If the labour market authorities were to receive more rapid and more specific information from industry as to what skills are required, training measures could be better geared to the needs of firms. The employment impact of a functional improvement in public employment offices would then probably be greater than anticipated by firms in the survey.
- Another important finding to be brought out by the surveys is the untapped potential for part-time jobs. The desire of employees for more part-time working fits in quite well, at least on an aggregate level, with the scope which firms have to offer more part-time jobs. Although the provision of additional part-time jobs would essentially bring down the number of registered unemployed to a fairly small extent, since those concerned are partly drawn from the 'latent reserve' (e.g. discouraged workers and women at home),

<sup>5</sup> see Supplement B, October 1985, April 1986 and June 1986.

greater use should nevertheless be made of this possibility. In so doing, however, it must be ensured that part-time workers are not placed at a disadvantage compared with full-time workers as regards promotion opportunities, social security and retirement pensions.

- The arrangements for voluntary part-time working and shorter working weeks should also involve new ways of taking account of the needs of the different categories of employees in the firm (e.g. working hours which are a compromise between half-time and full-time work; temporary part-time work with the possibility of going back to full-time work later on). The employee survey showed that about one third of the respondents were very much interested in a reduction in working hours, even if this meant a loss of pay. The main preference expressed was for weekly working hours that were somewhere between traditional part-time work (i.e. half-day work) and full-time work. There should therefore be closer examination of the possibilities of creating different types of part-time jobs, particularly jobs with average weekly working hours of around 30 hours.
- Given the constraints within a firm, this desire for shorter and more flexible working hours can probably only be realized if the whole work process is organized differently from today. New rules governing working hours would have to be introduced in firms, dissociating individual hours from company hours to a far greater extent than is normal today, e.g. in the form of a rolling four-day week (within a company working week of 5, 6 or 7 days). The more efficient use of the capital stock would provide the opportunity for reducing personal working hours without affecting costs. Such arrangements would probably allow an individual to achieve an appreciable reduction in working hours without a correspondingly large cut in income. Besides the advantage for these people already in employment, who would thus come nearer to their ideal working hours, this would probably produce a sizeable number of additional jobs. According to the results of the company survey in industry and commerce, the maximum possible employment effects of greater flexibility on the labour market (including the splitting of full time jobs) could be at around 6 % of the number of people currently employed. The quantitative effect will be the higher the greater the extent to which overtime work is compensated by more leisure time in other periods - which should not

cause problems within a flexible working time regime - than by extra pay.

- An essential precondition for the success of such measures is that a positive demand trend must be anticipated by firms. This is recognized by firms themselves. In industry, 'demand' ranks first amongst the reasons why more workers are not being employed at present. Microeconomic measures to improve structural adjustment and a macroeconomic policy of growth and employment must go hand in hand. Subject to this condition, a cost-neutral rearrangement and reduction of individual working hours could produce positive employment effects.
- It will probably be more difficult to reconcile the desire of firms for shorter periods of notice and simpler legal procedures in the case of redundancies and dismissals on the one hand, and the right of employees to protection on the other. The stronger economic growth is and hence the more openings there are on the labour market for the individual employee the easier it should be to reconcile the two points of view. The more favourable employment opportunities as a whole are, the easier it will be within firms to introduce more flexible arrangements for recruiting and dismissing employees. The extent to which the opportunities on the labour market are exploited will then depend largely upon the mobility of the individual employee.
- Company profit-sharing has so far been seen mainly from the point of view of staff motivation and the distribution of income and wealth. Any direct effects it may have in increasing employment are viewed as being relatively slight by industrial firms; however, such effects might be somewhat greater in the wholesale and retail trades, according to the survey results. Company profit-sharing helps to stabilize numbers employed in times of temporarily declining profits, since a proportion of wage costs then to some extent becomes a variable rather than a fixed cost. Employees' reactions to the introduction of more profit-oriented components in the system of remunerations were generally positive. About half of employees in the survey would be prepared to accept such arrangements even if this were associated with temporary wage cuts; some 20 % were undecided and around 30 % opposed them.

15 July 1986.

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