

EUROPEAN ECONOMY

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

Supplement B — No 10 — October 1988

*In this number:
Employment expectations
in industry, construction
and the retail trade*

Business and consumer survey results

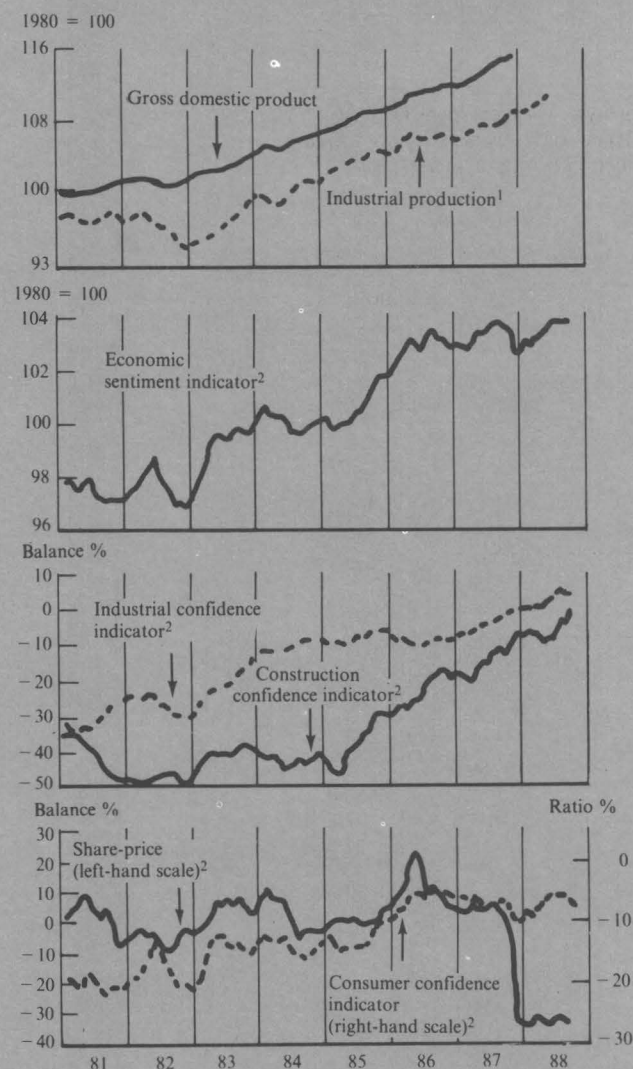
THE MAIN POINTS IN BRIEF

- Industrial activity in Europe remains at a high level. The indicators available up to September point to continuing economic growth in the Community.
- Domestic demand is still the driving force behind growth, with investment becoming increasingly more vigorous. Foreign trade has recently been making an important contribution to the persistently high level of economic activity in the Community.
- Throughout the world the leading economic indicators are signalling a favourable outlook. In June 1988, 500 economic experts in over 50 countries were questioned in connection with the IFO Institute's 'Economic Survey International' (ESI); they considered that the economic situation in the industrialized countries, the newly industrialized countries and the developing countries was again better than in the autumn of 1987 and the spring of 1988.
- The number of persons employed in the Community is continuing to rise. *Industrialists* are less pessimistic about the future of employment, and because of the marked improvement in business, *construction firms* and *retailers* have recently shown themselves ready to take on more staff.

Because the number of persons employed in Europe is rising, *consumers* are also less pessimistic in their assessment of how unemployment will develop over the next twelve months.

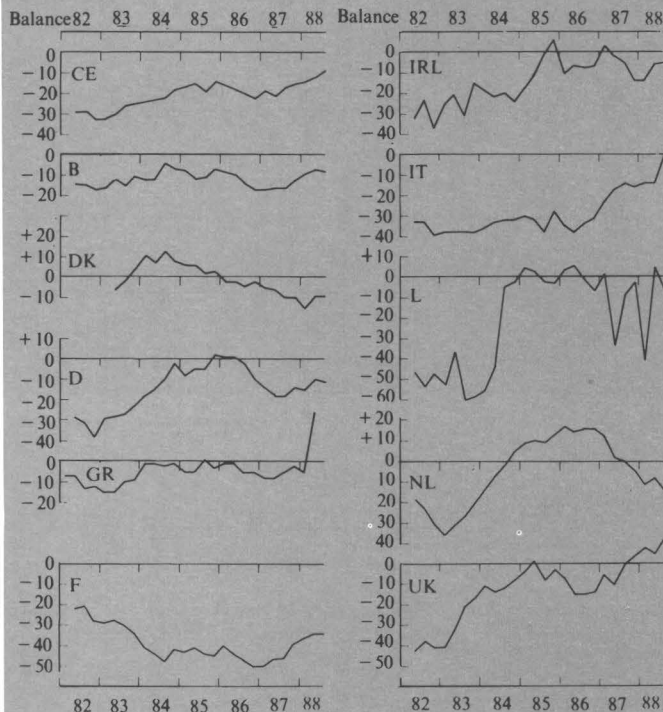
- Taking the average for the last few months, the Community leading indicator has, however, stabilized at a high level, therefore giving no sign that economic activity, which is now on an upward path, will accelerate further.

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

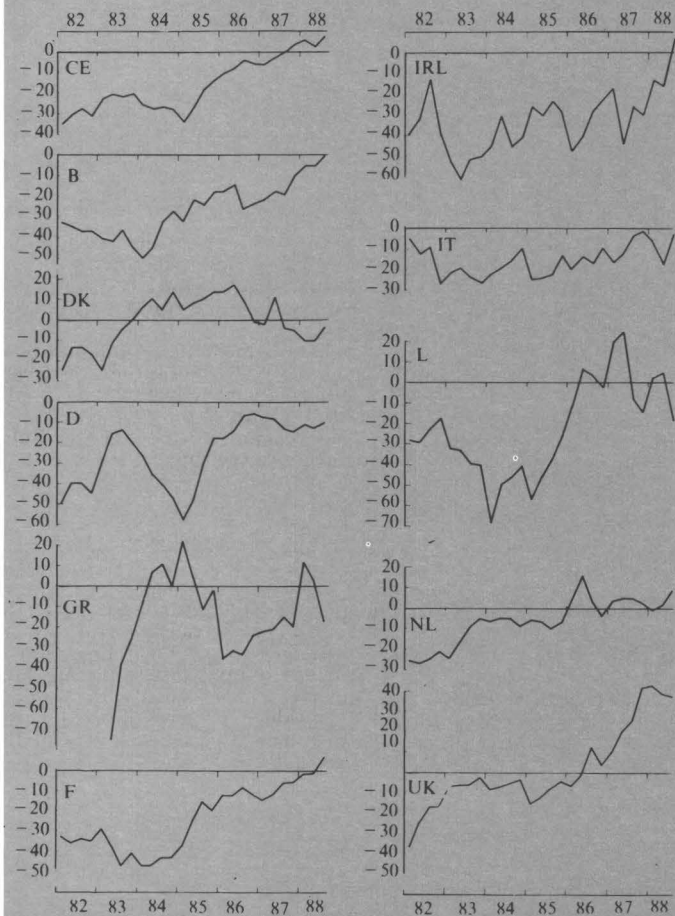


¹ Three-month moving average.
² See notes to Table 3.
³ Deviations from trend in %.

GRAPH 2: Employment expectations in industry
Balances of answers expecting increase, stability or reduction of employment (s.a.)



GRAPH 3: Employment expectations in construction
Balances of answers expecting increase, stability or reduction of employment (s.a.)



Industrial activity in the Community remains at a high level. — With its vigour remaining unchanged, in early autumn 1988, industrial activity in the Community is still at the high level reached in the summer. The indicators available up to September point to continuing economic growth in the Community. The composite indicator for confidence in the economy as a whole is stationary at a high level and thus gives no sign that economic activity which is now on an upward path, will accelerate further.

Investment and foreign trade are the engine of growth. — Domestic demand is still the main driving force behind the growth of the economy, with investment becoming increasingly more vigorous. In view of the less buoyant growth of incomes, consumers, taking the average for the Community, seem however to be somewhat more guarded in their optimism regarding the future state of the economy. The indicators up to the late summer now available suggest that recently foreign trade has been making an increasingly important contribution to the persistently high level of economic activity in the Community. Order-books in industry indicate firm demand from abroad and industrialists are expecting their export to rise in the near future (see Supplement B, N° 8/9 1988).

Throughout the world the leading economic indicators are signalling a favourable outlook. — The leading economic indicators in the United States and Japan have staged a marked recovery since the turmoil on the stock markets and foreign exchanges in the autumn

GRAPH 4: Employment expectations in retail trade
Balances of answers expecting increase, stability or reduction of employment (s.a.)

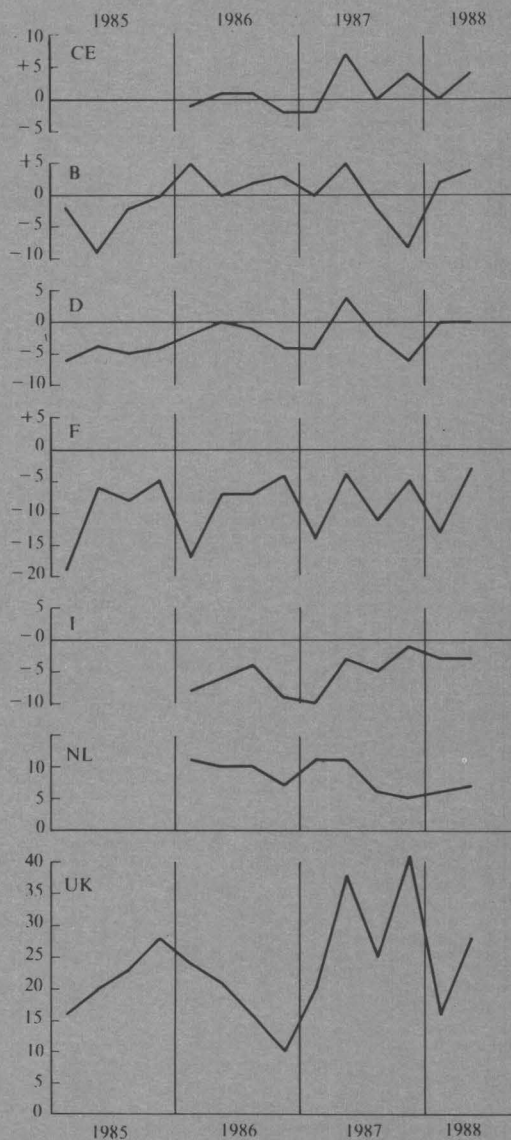


TABLE 1: Employment expectations

		Max. 1978/81	Min. 1980/83	1987				1988								
				I	II	III	IV	J	F	M	A	M	J	J	A	S
B	Manufacturing industry	-2	-17	-17	-16	-16	-12	-9	:	:	-7	:	:	-8	:	:
	Construction	+7	-53	-22	-18	-19	-10	-6	-3	-6	-9	-4	-3	-4	-2	+5
	Retail trade(a)	:	:	0	+5	-2	-8	:	:	+2	:	:	+4	:	:	
	Unemployment expectations(a)(b)	+31	+69	+37	+35	+36	+32	+26	+35	+31	+28	+22	+21	+22	+23	+24
DK	Manufacturing industry	:	-14	-5	-6	-10	-10	-15	:	:	-9	:	:	-9	:	:
	Construction	:	-39	-2	+11	-4	-5	-10	:	:	-10	:	:	-3	:	:
	Unemployment expectations(a)(b)	+9	+45	+19	+27	+28	+39	+39	+40	+34	+30	+23	+30	:	+36	+43
D	Manufacturing industry	+2	-38	-13	-17	-17	-14	-15	:	:	-10	:	:	-11	:	:
	Construction	+20	-53	-8	-9	-13	-14	-13	-12	-8	-11	-11	-13	-13	-8	-8
	Retail trade(a)	:	:	-4	+4	-2	-6	:	:	0	:	:	0	:	:	
	Unemployment expectations(a)(b)	-5	+54	+11	+13	+22	+29	+37	+36	+33	+27	+26	+22	+26	+27	+25
GR	Manufacturing industry	:	:	-7	-7	-3	-2	-5	:	:	-5	:	:	-8	:	:
	Construction	:	-77	-22	-21	-15	-20	+12	:	:	+3	:	:	-17	:	:
	Unemployment expectations(a)(b)	:	:	+37	+36	+36	+35	+27	+26	+30	+27	+26	+28	+28	+21	:
E	Manufacturing industry (a)	:	:	:	-20	-14	-17	-12	:	:	-7	:	:	-11	:	:
	Unemployment expectations(a)(b)	:	:	+38	+33	+23	+31	+33	+34	+27	+26	+17	+16	+17	+19	+16
F	Manufacturing industry	-23	-48	-48	-44	-44	-39	-36	:	:	-34	:	:	-34	:	:
	Construction	-8	-47	-14	-12	-6	-5	-1	:	:	-1	:	:	+7	:	:
	Retail trade(a)	:	:	-14	-4	-11	-5	:	:	-13	:	:	-3	:	:	
	Unemployment expectations(a)(b)	+16	+59	+43	+46	+36	+30	+24	+29	+30	+31	+19	+33	+36	:	+37
IRL	Manufacturing industry	+4	-35	+4	0	-8	-14	-14	:	:	-6	:	:	-5	:	:
	Construction	+11	-61	-17	-44	-26	-30	-13	:	:	-16	:	:	+7	:	:
	Unemployment expectations(a)(b)	-1	+71	+36	+43	+52	+49	+42	+46	+42	+30	+35	+33	+32	+31	+33
I	Manufacturing industry	+3	-39	-22	-19	-12	-16	-14	:	:	-14	:	:	0	:	:
	Construction	+2	-39	-16	-12	-3	-1	-3	-3	-13	-17	-17	-18	-5	-11	+6
	Retail trade(a)	:	:	-10	-3	-5	-1	:	:	-3	:	:	-3	:	:	
	Unemployment expectations(a)(b)	+37	+64	+37	+40	+42	+44	+41	+44	+46	+46	+45	+43	+43	:	+39
L	Manufacturing industry	-1	-62	+2	-33	-8	-2	-41	:	:	+5	:	:	-6	:	:
	Construction	+46	-75	+20	+25	-7	-14	+9	-4	+3	+8	-1	+9	-25	-6	-24
NL	Manufacturing industry	-6	-36	+9	-1	-2	-4	-11	:	:	-8	:	:	-14	:	:
	Construction	+15	-31	+4	+5	+5	+3	0	-2	+1	-3	+5	+5	+4	+7	+16
	Retail trade(a)	:	:	+11	+11	+6	+5	:	:	+6	:	:	+7	:	:	+1
	Unemployment expectations(a)(b)	+24	+81	+1	+7	+14	+13	+25	+22	+23	+9	+7	+11	+16	+14	+18
P	Manufacturing industry (a)	:	:	-3	+1	0	-1	-2	:	:	-1	:	:	-4	:	:
	Unemployment expectations(a)(b)	:	:	+22	+19	+8	+12	+15	+17	+13	+17	+10	+10	+9	+15	+10
UK	Manufacturing industry	:	-43	-10	-8	0	+4	+8	:	:	+5	:	:	+13	:	:
	Construction	+15	-50	+10	+21	+26	+42	+43	:	:	+39	:	:	+38	:	:
	Retail trade(a)	:	:	+20	+38	+25	+41	:	:	+16	:	:	+28	:	:	+33
	Unemployment expectations(a)(b)	+10	+60	+16	+6	+4	0	-3	+3	+1	-4	-5	-8	-6	-6	-9
EUR	Manufacturing industry	-6	-40	-20	-20	-17	-15	-14	:	:	-12	:	:	-9	:	:
	Construction	+2	-36	-6	-3	0	+4	+6	(+6)	(+6)	+3	(+4)	(+3)	+6	(+7)	(+10)
	Retail trade(a)	:	:	-2	+7	0	+4	:	:	0	:	:	+4	:	:	
	Unemployment expectations(a)(b)	+23	+54	+27	+26	+26	+27	+26	+29	+28	+24	+20	+22	+24	+24	+23

(a) Not seasonally adjusted

(b) Households' opinion.

of 1987, and have now stabilized during the summer months. The leading indicators for Canada, Australia and Taiwan were until recently signalling the persistence of buoyant economic activity in those countries. In June 1988, 500 economic experts in over 50 countries were questioned on behalf of the IFO Institute's 'Economic Survey International' (ESI): these experts considered that the economic situation in the industrialized countries, the newly industrialized countries and the developing countries was again better than in the autumn of 1987 and the spring of 1988. In their opinion, the economic outlook had also improved markedly since the spring throughout the world, except for the developing countries, for which the experts forecast that economic growth will slacken.

The leading world economic indicator compiled from the leading indicators of the abovementioned industrialized and newly industrialized countries and from the (ESI) experts' assessments has shown a marked rise since the beginning of 1988, going slightly higher than the peak level reached at the end of 1987 (see graph 5).

The number of persons employed in Europe is continuing to rise. — The latest business survey results, some of which are available to September 1988, confirm that as a Community average the employment figures are moving in a positive direction. *Industrialists* are less pessimistic about the future of employment. In the United Kingdom, Italy, Greece and Luxembourg, they are actually expecting industrial employment to rise. Because of the marked improvement in business, *construction firms* have recently shown themselves ready to expand their employment considerably, particularly in France, Belgium and Ireland, where the number of firms planning to take on more labour is steadily increasing, and in the United Kingdom, where again on balance a large number of construction firms are offering additional jobs.

Retailers still intend to take on more staff, due to their continuing optimism. In particular in the Federal Republic of Germany, the United Kingdom, Belgium and the Netherlands, the latest optimistic survey results point to lively growth in the retail trade.

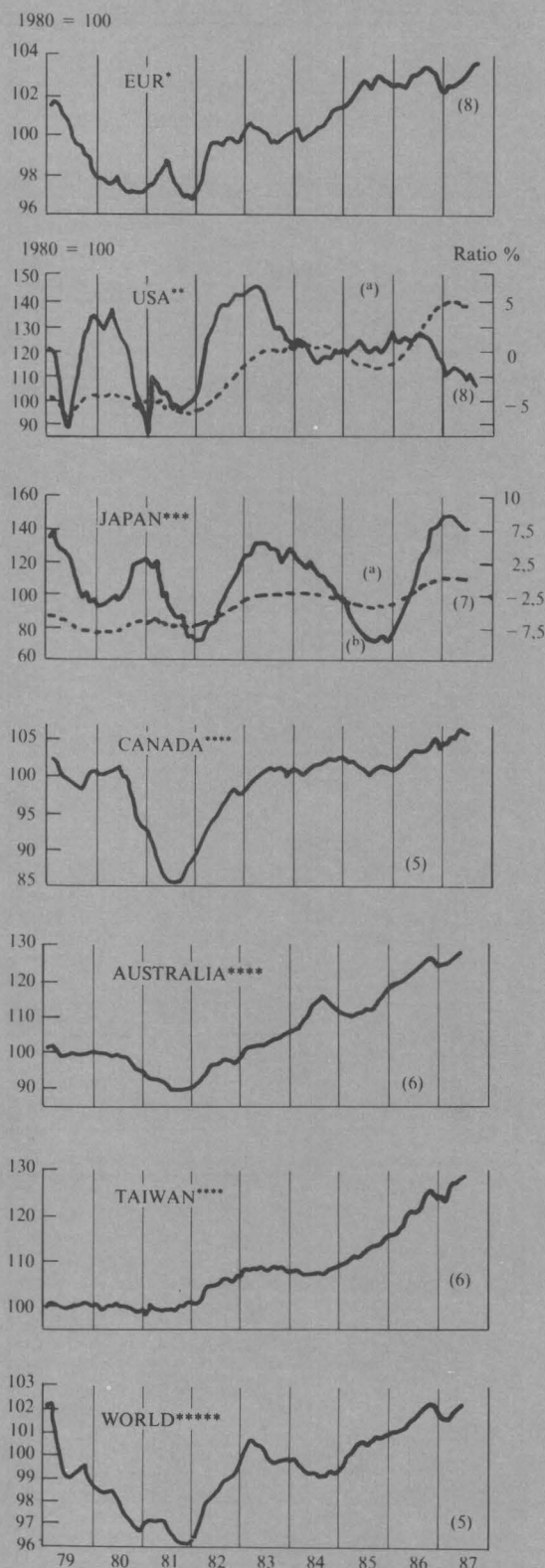
Because the number of persons employed in the Community is continuing to rise, the September survey results show that *consumers* are less pessimistic in their assessment of how unemployment will develop over the next twelve months. This is particularly true of consumers in the Federal Republic of Germany, Spain and Italy. In the United Kingdom more and more consumers are expecting the unemployment figures to fall.

Confidence in industry and construction have helped to stabilize the Community leading indicator at a high level. — Taking the average for the Community, the *industrial confidence indicator* did not change between August and September. This was mainly due to the judgments of firms in the Federal Republic of Germany, Spain, Belgium, the Netherlands, Ireland and Greece concerning the improvement in the order-book situation compared with the previous month. Because demand for industrial goods is steady, the number of industrialists who on balance consider their level of orders to be relatively high rose again in September. In most countries of the Community, there has been no change in the stable judgments of industrialists on stock levels.

With regard to production expectations over the next few months, a clear majority of industrialists, on average for the Community, intend to expand their production. However, in September this majority was slightly down on the previous month.

The *consumer confidence indicator* in the Community has weakened slightly after several months of stability. This is mainly because

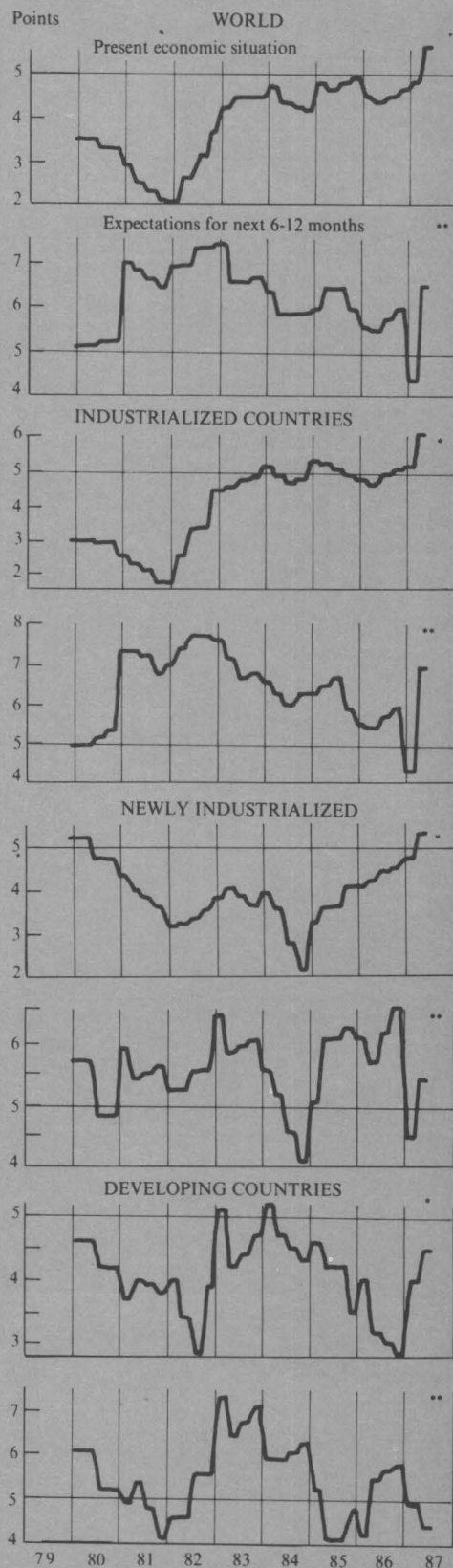
GRAPH 5: International leading indicators



(a) Index 1980 = 100 (left-hand scale).
 (b) Deviation from trend in % (right-hand scale).
 Arabic number indicates last month for which data are available ('8' August).

Sources: * Commission of the European Communities; ** US Department of Commerce; *** Economic Planning Agency of the Japanese Government; **** Columbia University, New York; ***** Components of the composite leading world indicator are the 6 regional leading indicators presented in Graph 5 and the 4 series of the Economic Survey International for newly industrialized and developing countries (see Graph 6).

GRAPH 6: Economic survey international



The Economic Survey International has been conducted by the Ifo-Institute 3 times per year (February, June, September) and is based on the answers of about 500 economic experts in about 50 countries. The replies are «graded»: positive responses (+) receive a grade of 9, indifferent ones (=) a grade of 5 and negative ones (-) a grade of 1. Grades between 5 and 9 imply a preponderance of positive replies or increases, while grades between 5 and 1 indicate that negative replies or decreases predominated.

Source: Ifo-Institute for Economic Research, Munich.

the propensity to purchase of consumers has weakened (see Graph 8). Compared with the previous month, on balance the propensity to purchase has fallen by 4 points. A majority of consumers are now of the opinion that it is not advisable to make major purchases at the present time. At the same time, on average

for the Community, there is a definite increase in the number of consumers who wish to save more.

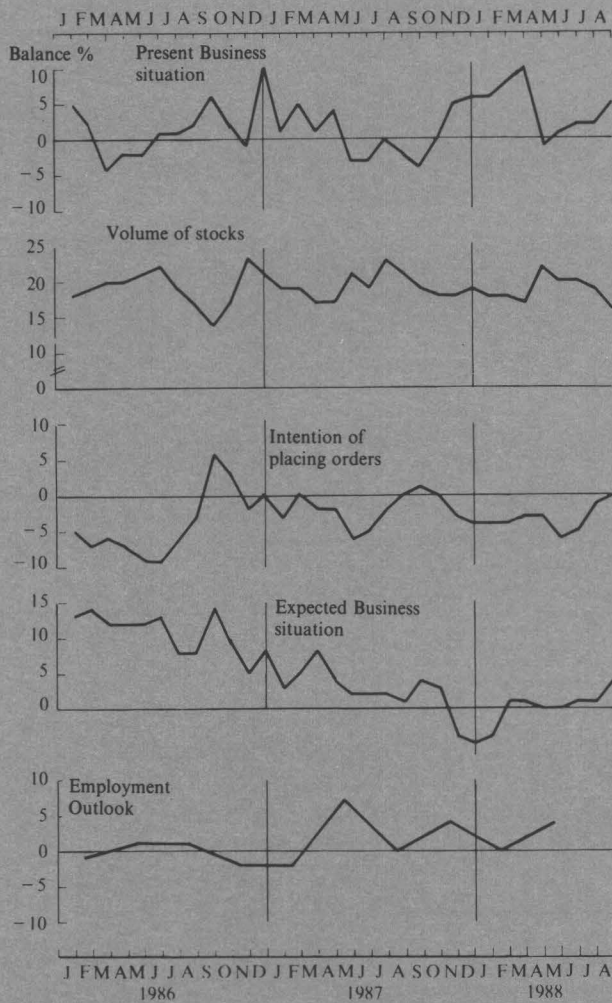
TABLE 4: (continued) Results of business surveys in the retail trade (a) (b)

		1986												1987								1988							
		Dec.	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	May	June	July(h)	Aug.	Jan.	Feb.	March	Apr.	May	June	July(h)
EXPECTED BUSINESS SITUATION (continued)	B	-43	16	64	63	29	25	30	36	36	8	-13	3	-38	33	67	51	35	55	36	46	52							
	D	-1	-3	-3	0	-14	-12	-8	1	9	7	4	-2	-6	4	8	12	4	1	4	12	17							
	F(c)	:	-37	:	-34	:	-34	:	-44	:	-28	:	-37	:	-44	:	-36	:	-37	:	-34	:							
	I(c)	:	10	:	13	:	15	:	16	:	13	:	1	:	2	:	15	:	3	:	-7	:							
	NL	55	54	56	69	56	23	42	57	38	49	39	27	31	31	35	36	32	34	23	51	46							
	UK	:	:	40	:	:	60	:	:	58	:	:	18	:	:	40	:	:	19	:	:	75							
	EUR 6(f)	:	(3)	(5)	(8)	:	2	:	(7)	(9)	(10)	:	-5	:	(-2)	(5)	(10)	:	1	(0)	(4)	(14)							
— Motor vehicles	B	38	10	58	-8	-28	-18	-34	15	59	-28	41	12	64	-21	14	-8	-11	5	12	-2	23							
	D	8	3	3	1	0	-21	-18	-11	-6	-10	-11	-13	-18	-10	-9	-10	-16	-25	-26	-30	-23							
	F(c)	:	-23	:	-20	:	-7	:	-36	:	-17	:	-31	:	-27	:	-18	:	-10	:	-30	:							
	I(c)	:	11	:	38	:	-9	:	-5	:	-32	:	1	:	13	:	20	:	-8	:	4	:							
	NL	39	35	38	26	7	-20	-9	9	9	4	-14	-14	-10	-7	-7	-31	-31	-27	-27	-19	-29							
	UK	:	:	32	:	:	48	:	:	19	:	:	20	:	:	32	:	:	38	:	:	19							
	EUR 6(f)	:	(4)	(8)	(10)	:	-3	:	(-3)	(-4)	(-11)	:	-7	:	(-4)	(0)	(1)	:	-6	(-6)	(-9)	(-10)							
— Retail trade— Total	B	-4	16	32	19	-1	-6	-4	16	29	-4	8	3	-18	12	19	15	2	0	-4	17	15							
	D	5	3	6	7	-1	-2	-4	8	3	8	7	-1	-1	1	11	4	1	0	5	-1	9							
	F(c)	:	-39	:	-34	:	-30	:	-48	:	-35	:	-44	:	-47	:	-38	:	-35	:	-36	:							
	I(c) (d)	:	10	:	20	:	8	:	6	:	2	:	2	:	1	:	9	:	-1	:	2	:							
	NL	46	44	42	38	31	25	24	38	32	30	22	20	23	18	26	18	18	19	16	25	19							
	UK	:	:	39	:	:	41	:	:	42	:	:	28	:	:	35	:	:	40	:	:	43							
	EUR 6(f)	:	(3)	(5)	(8)	:	2	:	(2)	(1)	(4)	:	-4	:	(-4)	(1)	(2)	:	0	(1)	(1)	(4)							
		1987												1988															
		I			II			III			IV			I		II		III											
EMPLOYMENT OUTLOOK	B	3			:			-6			-4			3		10		:											
	D	0			:			2			-1			6		2		:											
	F	:			:			:			:			:		:		:											
	I	0			2			-5			7			-4		8		:											
	NL	2			14			1			4			9		9		7											
	UK	13			44			27			47			37		25		33											
	EUR 5(g)	3			12			5			13			10		10		:											
— Textiles, clothing, footwear	B	1			12			1			-13			2		0		:											
	D	-9			-1			-6			-10			-7		1		:											
	F	-8			-4			-5			-9			-13		-13		:											
	I	-19			-8			-14			-12			-11		-7		:											
	NL	16			7			7			1			2		7		4											
	UK	40			65			55			50			20		40		29											
	EUR 6(f)	1			11			6			3			-2		5		:											
— Household goods (total)	B	-9			0			0			0			-4		0		:											
	D	-2			0			-1			-4			2		0		:											
	F	-11			-4			-6			-2			-7		-1		:											
	I	-9			-1			4			-2			1		-9		:											
	NL	12			11			7			7			8		5		8											
	UK	19			44			8			39			-41		20		62											
	EUR 6(f)	-2			6			1			4			-7		2		:											
— Motor vehicles	B	0			1			0			-13			9		8		:											
	D	-7			12			-6			-12			-5		-7		:											
	F	5			3			-9			-7			0		1		:											
	I	-23			-16			-17			-15			1		-6		:											
	NL	21			10			2			1			-4		-3		-11											
	UK	9			19			12			28			7		31		35											
	EUR 6(f)	-3			5			-5			-4			0		3		:											
— Retail trade— Total	B	0			5			-2			-8			2		4		:											
	D	-4			-4			-2			-6			0		0		:											
	F	-14			-4			-11			-5			-13		-3		:											
	I(d)	-10			-3			-5			-1			-3		-3		:											
	NL	11			11			6			5			6		7		1											
	UK	20			38			25			41			16		28		33											
	EUR 6(f)	-2			7			0			4			0		4		:											

(a) not seasonally adjusted; (b) balances; (c) bi-monthly; (d) excl. large multiple shops; (e) refers to volume of sales for the time of the year; (f) B, D, F, I, NL, UK; (g) B, D, I, NL, UK; (h) Italy: provisional figures. (.) = estimation.

Source: EC Survey in the retail trade.

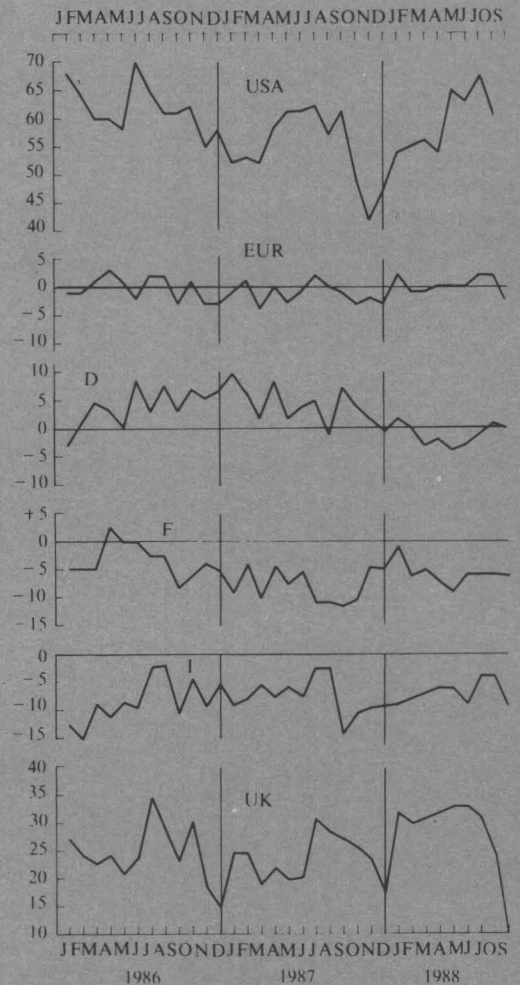
GRAPH 7: Results of business surveys in the retail trade — European Community (n.s.a.)



Source: EC Survey in the retail trade.

GRAPH 8: Buying attitudes of consumers USA and Europe compared net balances

Net balances of answers regarding present time as good for large purchases (+) or not (-)



Source: European Community consumer survey; University of Michigan, Institute for Social Research.

TABLE 5: Consumer opinion on economic and financial conditions^(a)

		1979	1980	1981	1982	1983	1984	1985	1986	1987	1988									
												Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.
CONSUMER CONFIDENCE INDICATOR ^(b)	B	-10	-20	-27	-27	-28	-27	-21	-17	-12	-8	-10	-9	-9	-7	-6	-6	-5	-5	
	DK	-2	-19	-17	-12	0	6	4	-3	-10	-13	-16	-18	-12	-13	-12	:	-16	-20	
	D	6	-5	-22	-26	-15	-10	-7	3	-1	-8	-8	-7	-6	-6	-5	-6	-4	-3	
	GR	:	:	:	0	-11	-4	-5	-20	-29	-22	-20	-20	-22	-20	-20	-23	-21	-20	
	E	:	:	:	:	:	:	:	-9	-8	-7	-8	-6	-4	0	-2	1	4	1	
	F^(d)	-5	-10	-9	-5	-15	-23	-21	-14	-18	-12	-13	-12	-13	-10	-10	-10	:	-9	
	IRL	-10	-22	-28	-34	-39	-33	-29	-28	-29	-21	-24	-20	-12	-16	-17	-15	-16	-15	
	I	-17	-22	-22	-18	-24	-15	-12	-4	-4	-5	-6	-7	-4	-6	-4	-4	:	-4	
	NL	-8	-25	-31	-32	-30	-22	-7	5	-2	-3	0	-4	0	0	-2	1	5	2	
	P	:	:	:	:	:	:	:	-7	0	-5	-5	-6	-7	-6	-7	-10	-13	-16	
	UK	-4	-18	-21	-12	-3	-4	-10	-7	5	7	3	5	5	8	9	7	2	-2	
	EUR^(c)	-3	-13	-19	-17	-15	-14	-12	-6	-6	-6	-7	-6	-5	-4	-4	-4	-4	-5	
FINANCIAL SITUATION OF HOUSEHOLDS	B	-11	-15	-19	-25	-29	-31	-23	-14	-9	-7	-7	-5	-6	-7	-4	-6	-3	-5	
	DK	1	-10	-12	-7	-4	-2	-3	-2	-1	-5	-5	-8	-5	-4	-5	:	-2	-3	
	D	2	-4	-16	-18	-14	-11	-8	1	1	1	-2	-1	-1	-1	-1	0	0	0	
	GR	:	:	:	-2	-13	-8	-8	-24	-31	-23	-23	-19	-21	-22	-20	-24	-22	-23	
	E	:	:	:	:	:	:	:	-10	-9	-8	-7	-7	-1	-3	-5	-2	-2	-3	
	F^(d)	-4	-7	-8	-7	-11	-15	-13	-11	-14	-11	-11	-12	-10	-9	-10	-9	:	-6	
	IRL	-21	-32	-38	-41	-43	-42	-37	-34	-31	-23	-27	-28	-28	-24	-27	-21	-21	-22	
	I	-13	-14	-14	-13	-15	-12	-10	-6	-4	-3	-3	-5	-3	-6	-3	-3	:	-1	
	NL	1	-9	-18	-20	-28	-26	-17	-3	0	4	3	2	3	3	2	2	4	3	
	P	:	:	:	:	:	:	:	-8	-2	-4	-3	-4	-5	-3	-3	-4	-8	-9	
	UK	-11	-24	-30	-27	-15	-15	-16	-13	-5	-5	-7	-5	-5	-3	-4	-1	-5	-5	
	EUR^(c)	-5	-11	-17	-16	-15	-15	-12	-8	-6	-5	-6	-6	-5	-5	-4	-4	-4	-3	

— over last 12 months

