

# EUROPEAN ECONOMY

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

Supplement B — No 2 — February 1986

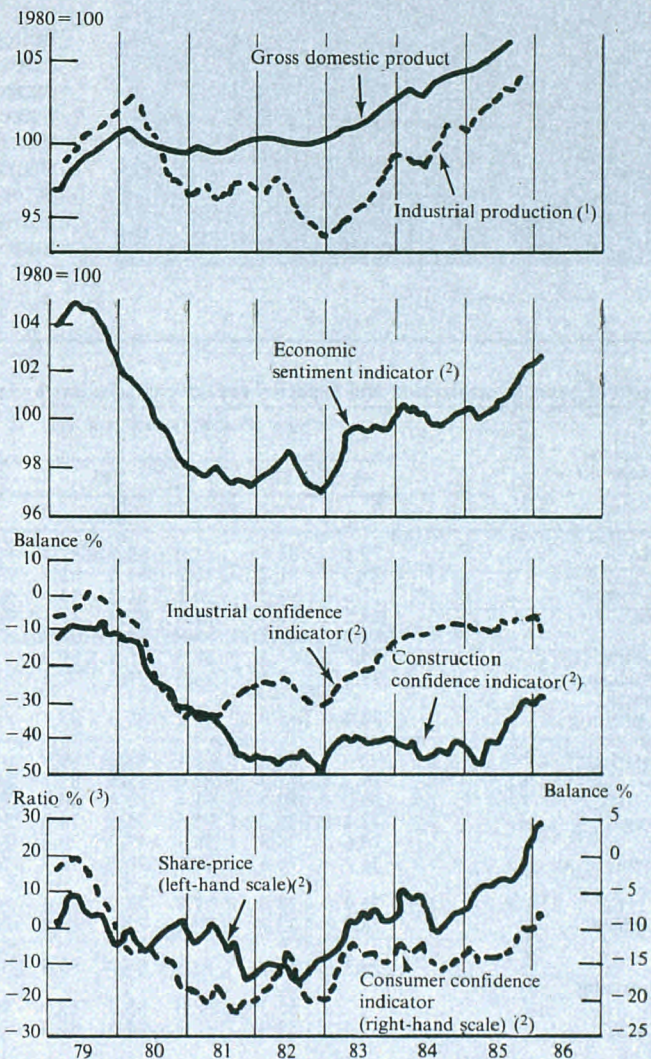
*In this number:  
capacity utilization  
and consumer climate*

Business and consumer survey results

## THE MAIN POINTS IN BRIEF

- Capacity utilization remains at relatively high level in January 1986 (82.3% compared with 82.2% in October 1985).
- Export expectations decline.
- No improvement in industrial recruiting plans compared with autumn 1985.
- A further rise in the European leading indicator. A comparison with leading indicators for the United States and Japan points to Europe as a new economic growth centre.
- However, the shift from an export-led economic upturn to one based more on domestic demand may bring some temporary faltering. Pointers to this are increased stock-building and less expansionary production plans.
- A significant improvement in the consumer climate in Europe.

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

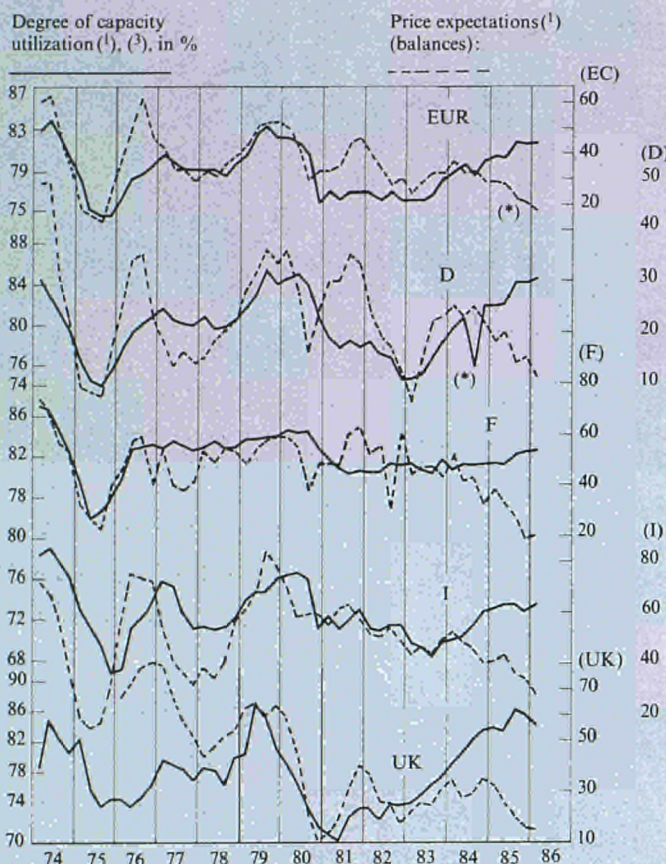


(1) Three-month moving average.

(2) See notes to Table 7.

(3) Deviations from trend in %.

GRAPH 2: Capacity utilization and selling price expectations in industry



(1) Mainly due to metal workers' strike in Germany.  
 (2) Degree of capacity utilization in manufacturing industry in %; January, April, July and October.  
 (3) Price expectations for the next months; balances; quarterly results of monthly data; in January 1986 monthly data only.  
 (4) Seasonally adjusted.  
 Sources: European Community business surveys.

**Capacity utilization edging up again.** — At the beginning of 1986 the level of capacity utilization in European industry was somewhat higher than that recorded in the previous survey last autumn (82.3% compared with 82.2% in October 1985). However, the slight fall in the degree of capacity noted in the second half of 1985 has not yet been fully made up at Community level. This is due primarily to the weaker production trend in the United Kingdom, where plant capacity utilization has most recently been running some two percentage points below the rate in mid-1985. In most other member countries (Belgium, Federal Republic of Germany, France, Ireland and Luxembourg), on the other hand, capacity utilization at the beginning of 1986 reached a new high point in the present economic upswing. In Italy, the level was back to that recorded in mid-1985; however, there is still widespread spare capacity in Italy (in 41% of Italian industrial firms; see Table 3). In the Netherlands, the average level of capacity utilization in industry of nearly 84% seems to be a plateau that is difficult to exceed. With the exception of the steel industry and the shipyards, firms in almost all other branches of Dutch industry are working at or only just below maximum capacity. No surplus capacity is expected on average in Dutch industry over the next 12 months (balance + 2). In Denmark and Luxembourg too, firms see no problems in keeping plant capacity fully utilized; in Luxembourg, firms expecting capacity bottlenecks over the next few months are actually in a slight majority (balance - 4).

A breakdown by industry group shows that, since last autumn, the level of capacity utilization has risen especially in the intermediate goods sector (particularly metal production and mineral-oil refining) and in the consumer goods sector (particularly the timber and furniture industries). In most capital goods branches the level of capacity utilization, while still high, has declined somewhat in recent months (see Table 1).

Thanks to stable or actually falling import prices (in national currency), costs in almost all member countries are under even better control than a year ago. The rise in capacity utilization rates is accompanied by a continuing downward trend in price expectations in industry (see Graph 2). This distinguishes the present economic upturn from most of its predecessors. In most member countries there is therefore no necessity to adopt a restrictive monetary policy to counteract inflationary pressures. Interest rates will therefore continue to fall in both nominal and real terms. All in all, the Community has a better prospect of a long-lasting upturn than for many years. In the early months

TABLE 1: Degree of capacity utilization and expected capacity constraints by industrial branches—European Community (s.a.)(a)

Industries	Degree of capacity utilization in %							Expected capacity constraints; balances excess capacity (+), capacity too small (-)						
	1984	1985	1985		1986		1984	1985	1985		1986			
			J	A	J	O	J			J	A	J	O	J
<b>Industry as a whole</b>	79.1	81.6	81.0	80.9	82.4	82.2	82.3	+31	+26	+28	+26	+27	+24	+25
<b>Consumer goods</b>	79.3	81.7	81.2	81.6	82.1	81.8	82.2	+33	+31	+34	+28	+32	+29	+28
<b>Investment goods</b>	77.6	82.2	80.2	81.2	83.8	83.6	82.8	+34	+22	+27	+19	+21	+20	+23
<b>Intermediate goods</b>	79.5	80.9	81.4	80.4	81.1	80.8	82.2	+31	+27	+26	+27	+29	+25	+24
Textile industry	81.8	83.3	83.8	84.0	82.8	82.8	83.6	+24	+21	+18	+27	+20	+18	+22
Footwear and clothing	84.2	87.3	86.5	85.5	89.9	87.1	87.2	+26	+18	+18	+17	+21	+16	+16
Timber/wooden furniture	78.2	78.3	78.2	77.8	78.6	78.7	79.4	+38	+32	+33	+35	+31	+28	+30
Manufacture of paper, paper products, printing of which:	84.4	85.9	87.2	85.8	85.7	84.9	85.2	+13	+17	+15	+16	+17	+19	+19
manufacture of paper(b)	:	89.5	91.1	89.3	89.9	87.8	88.7	:	+9	-2	+10	+8	+20	+16
Leather	79.3	82.3	82.0	82.5	82.7	82.0	82.9	+16	+9	+13	+7	+15	0	+12
Plastics	80.2	80.5	81.4	80.4	80.8	79.4	80.2	+19	+20	+13	+24	+25	+17	+17
Mineral-oil refining	73.4	75.7	75.5	75.3	76.0	76.2	79.4	+56	+70	+64	+70	+75	+65	+71
Metals	74.6	78.8	78.1	77.7	79.8	79.5	79.8	+48	+38	+45	+34	+48	+25	+25
Non-metallic mineral products	76.7	76.8	77.9	76.1	76.7	76.7	78.5	+47	+49	+44	+48	+52	+51	+50
Chemical industry	:	:	:	:	:	:	:	+11	+8	+10	+7	+8	+7	+5
Metal articles	75.9	78.6	77.9	77.9	79.4	79.3	80.9	+38	+30	+29	+34	+29	+26	+27
Mechanical engineering of which:	78.9	82.2	80.2	82.1	82.8	83.8	83.6	+35	+24	+29	+26	+23	+18	+18
machines tools	78.3	85.9	83.3	85.3	86.8	88.0	88.9	+32	0	+9	-1	0	-9	-8
Office & data processing machinery(b)	:	85.3	88.0	83.6	82.9	86.8	83.5	:	0	-16	+7	0	+8	+10
Electrical engineering	80.5	83.9	82.3	84.6	84.3	84.5	83.2	+27	+25	+30	+23	+19	+27	+23
Motor vehicles	:	:	:	:	:	:	:	+45	+43	+44	+41	+47	+38	+44
Shipbuilding	63.3	67.6	64.2	67.6	66.0	72.4	74.7	+59	+57	+63	+28	+66	+71	+62
Rubber products	79.7	81.1	81.3	81.2	82.1	79.8	82.0	+28	+20	+13	+24	+17	+25	+21
Instrument engineering	81.9	85.0	86.0	84.8	84.1	85.2	83.8	+24	+10	+8	+12	+11	+9	+11

(a) EUR 9 (excluding Greece).  
 (b) Not seasonally adjusted as time-series too short.  
 Source: European Community business surveys.

TABLE 2: Capacity utilization in manufacturing industry % (a)(s.a.)

	Range (b)		Range (b)		1984	1985	1984				1985				1986
	Peak 1973	Trough 1975	Peak 79/80	Trough 83/83			J	A	J	O	J	A	J	O	
B	85,4	70,4	79,1	74,4	76,0	78,8	75,4	75,1	76,4	77,0	78,0	78,4	78,3	80,4	80,9
D	88,1	74,8	86,0	75,3	80,2	83,7	80,6	81,3	76,6	82,3	82,4	82,6	84,9	84,9	85,2
F	87,8	76,6	85,3	81,1	81,9	82,8	81,5	82,0	81,8	82,3	82,5	82,2	83,0	83,3	83,4
IRL	:	:	68,1	56,8	61,5	67,3	59,9	59,9	63,0	63,3	65,9	61,8	72,7	68,8	74,8
I	78,8	68,0	77,3	69,1	72,0	74,0	70,9	71,3	72,2	73,5	73,8	74,3	74,3	73,5	74,3
L	:	:	83,0	66,5	77,8	80,9	74,8	75,7	79,0	81,6	79,0	82,6	82,6	79,5	87,8
NL	86,0	76,0	83,0	75,8	82,3	83,8	80,6	82,0	82,8	83,6	83,5	84,0	84,0	83,6	83,7
UK (e)	90,6	75,5	87,6	73,0	82,5	85,8	80,2	81,7	83,5	84,5	84,9	84,4	87,4	86,6	85,4
EUR (c)	86,4	75,0	83,9	76,4	79,1	81,6	78,4	79,0	78,3	80,6	81,0	80,9	82,4	82,2	82,3

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)(d)(s.a.)

	Range (b)		Range (b)		1984	1985	1984				1985				1986
	Peak 1973	Trough 1975	Peak 79/80	Trough 82/83			J	A	J	O	J	A	J	O	
B	-12	+58	+35	+53*	+31	+29	+31	+34	+29	+28	+29	+30	+32	+26	+24
DK	:	:	+10	+38	+10	+3	+20	+16	+3	0	+4	+7	+4	-2	0
D	-3	+56	+12	+49	+24	+17	+29	+24	+22	+20	+20	+19	+16	+14	+12
F	-24	+45	+11	+48	+39	+37	+42	+44	+34	+36	+41	+31	+42	+32	+33
IRL	:	+34	+2	+40	+31	+25	+27	+32	+25	+39	+26	+37	+21	+17	+20
I	+1	+63	+17	+58	+37	+37	+46	+40	+30	+30	+35	+37	+38	+39	+41
L	-72	+73	+37	+62	+48	+12	+51	+51	+46	+45	+44	+1	+4	0	-4
NL	-3	+60	+14	+51	+12	+4	+20	+13	+10	+6	+5	+5	+2	+4	+2
UK	:	:	:	+63	+33	+23	+35	+32	+32	+33	+28	+24	+22	+19	+28
EUR (c)	-7	+54	+14	+50	+31	+26	+36	+33	+28	+29	+28	+26	+27	+24	+25

TABLE 4: 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)		1984		1984				1985				1986
	Peak 1979	Trough 1981/82	J	A	J	O	J	A	J	O	J		
D	+6	-15	+10	+8	+2	+13	+16	+9	+12	+4	+7	0	
GR	:	-13	+27	+16	+26	+38	+28	+27	+24	+33	+23	+20	
F	+13	-23	-6	-7	-11	-1	-5	+3	-2	-5	+6	0	
IRL	:	-8	+14	+10	+16	+27	+6	+8	+8	+7	+24	+16	
I	+16	-14	+11	+11	+12	+10	+9	+11	+6	+6	+12	+1	
L	+62	-67	+7	+7	0	+6	+13	+6	-6	+1	+7	+10	
NL	+20	-11	+12	+20	+16	+2	+10	+3	+3	+1	+8	+6	
UK	:	-4	+17	+16	+11	+14	+20	+22	+16	+14	+9	+4	
EUR (c)	+11	-11	+9	+8	+4	+9	+11	+10	+9	+4	+8	+2	

TABLE 5: Employment expectations in manufacturing industry (a)(s.a.)

Balance of respondents expecting employment up, unchanged or down

	Range (b)		Range (b)		1984	1985	1984				1985				1986
	Peak 1973	Trough 1975	Peak 1979	Trough 1982/83			III	IV	I	II	III	IV	I		
B	+12	-26	-2	-17	-9	-9	-7	-5	-7	-11	-11	-7	-8		
DK	:	:	:	-14	+10	+3	+14	+7	+7	+5	+1	0	-2		
D	+13	-34	+2	-38	-11	-4	-10	-2	-8	-5	-5	+1	+1		
GR	:	:	:	:	-2	-3	-2	-2	-4	-4	-1	-3	-5		
F	+17	-35	-23	-48	-44	-43	-48	-43	-42	-41	-44	-45	-39		
IRL	+15	-34	+4	-35	-20	-7	-19	-21	-18	-14	-1	+7	-9		
I	+13	-26	+3	-39	-34	-33	(-33)	-31	(-31)	-31	-39	-29	-35		
L	+75	-67	-1	-62	-26	+2	-7	-4	+7	+5	-1	-2	+5		
NL	+4	-32	-6	-36	-4	+10	-3	+4	+10	+11	+8	+12	+16		
UK	:	:	:	-43	-11	-3	-14	-8	-2	+2	-9	-4	-7		
EUR	+12	-31	-6	-40	-21	-17	-22	-17	-17	-15	-20	-15	-15		

TABLE 6: Estimated number of months' production assured by orders on hand in manufacturing industry (a)(s.a.)

	Range (b)		Range (b)		1984	1985	1984				1985				1986
	Peak 1973	Trough 1975	Peak 1979	Trough 1982/83			III	IV	I	II	III	IV	I		
B	4,5	2,8	3,7	3,0	3,4	3,4	3,4	3,3	3,4	3,3	3,5	3,4	3,3		
D	3,3	2,8	3,4	2,6	2,8	2,9	2,8	2,9	2,8	2,8	2,9	2,9	2,9		
GR	:	:	:	5,0	5,3	5,1	5,0	4,9	5,3	5,1	5,0	4,9	6,0		
F	3,5	2,7	4,2	3,3	3,1	3,1	3,0	3,0	3,1	3,1	3,2	3,1	2,9		
IRL	2,2	1,8	2,6	1,5	1,9	2,0	2,4	1,7	2,2	2,1	1,8	1,9	1,9		
I	4,7	3,7	5,3	3,8	4,3	4,4	4,5	4,4	4,4	4,3	4,3	4,4	4,1		
L	3,5	1,4	2,4	1,7	1,9	1,9	1,8	2,1	2,0	1,8	2,0	1,9	2,7		
NL	4,7	2,6	4,2	2,5	2,9	3,1	2,9	3,1	3,1	3,0	3,0	3,3	3,2		
UK	:	:	4,2	1,9	3,0	3,7	3,0	3,0	2,8	3,9	4,0	4,1	3,2		
EUR (c)	3,7	3,0	3,9	3,0	3,2	3,4	3,3	3,3	3,2	3,4	3,5	3,5	3,3		

\* Trough in III-1981.

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

(b) These are the extreme (high and low) values of the net balances of the different questions, reached in the periods 1973-1975 and 1979-83, respectively.

(c) Weighted total of available country data.

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

(e) 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.

Source: European Community business surveys.

of 1986, however, a temporary slowdown may be experienced owing to the changed pattern of foreign trade (fewer exports in the United States and OPEC countries, increased trade within the Community) and the possible delay in consumers' and firms' reactions to the fall in oil prices and the dollar's depreciation and to the resultant improvement in real incomes and the cost position.

**Export expectations down.** — In almost all member countries, industrial firms expect the next three months to see a markedly slower growth of exports than hitherto. Industrial firms in the Federal Republic of Germany take the view that the volume of exports over the next three months will remain at the present level. French and Italian industrial firms too see little chance of increasing their exports over the months ahead. At Community level, by contrast, firms' expectations still point to a small rise in export volume (balance +2 compared with +8 in October and +10 at the beginning of 1985; see Table 4). The following branches seem to have the best export prospects: mechanical engineering, office and data-processing machinery, instrument engineering, rubber products, plastics processing and paper manufacture.

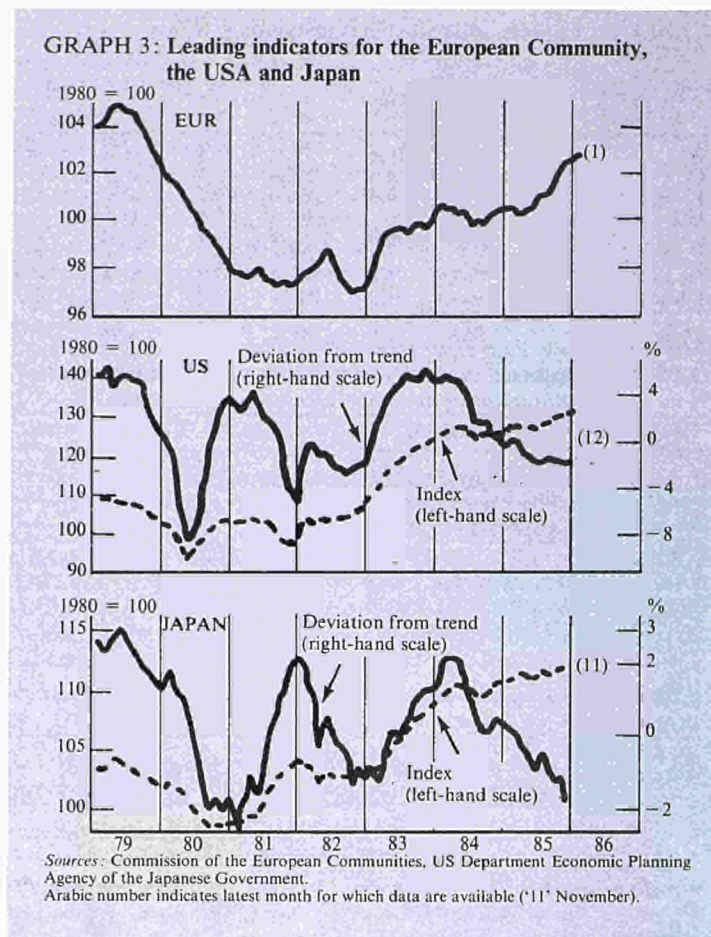
**No change in employment expectations.** — The improvement noted in the last survey in the autumn of 1985 has not continued at Community level. The main reasons for this were the less favourable employment outlook in the United Kingdom, Italy and Ireland. By contrast, the prospects for employment have improved in Dutch industry (balance +16 compared with +12; see Table 5) and in Luxembourg (balance +5 compared with -2). In France, job shedding in industry will at least slacken somewhat (balance -39 as against -45). Employment plans in the Federal Republic of Germany remain on a slight upward trend (balance +1). Judging by firms' plans in Denmark, where the percentage increase in industrial employment was the highest recorded in the Community over the past 12 months, there is unlikely to be any further progress in the next few months (balance -2).

**Order-books still relatively short.** — The production period covered by orders on hand has shortened slightly in the Community as a whole (from 3.5 months in October 1985 to 3.3 months in January 1986). The change in this variable is again primarily a reflection of the less favourable situation in the United Kingdom. Thanks to the recent fall in the pound's exchange rate, however, British industry's export prospects have improved again. As a result, order-book levels in the United Kingdom could again rise somewhat over the next few months. Only industrial firms in Luxembourg reported a marked increase in their cushion of orders on hand compared with last autumn (2.7 months' production as against 1.9 previously).

Compared with the cyclical peak in 1979, the order cushion in almost all member countries is currently much thinner. This goes a long way towards explaining the more cautious recruitment policy adopted by industrial firms this time.

The chief reason for the somewhat less favourable order-book situation compared with that in October 1985 would seem to be that the changeover from export-led expansion in most member countries in the period 1983-85 to a much more domestic-demand-orientated upturn is taking some time. For experience has shown that, when the real incomes of private households and the consumer climate improve appreciably, as they are doing now in most member countries, that does not lead immediately to substantially higher consumer expenditure. There is usually a temporary increase in the savings ratio before a change in consumer behaviour is reflected in increased purchases, chiefly of consumer durables. Pointers to such short-term adjustment difficulties are not only the somewhat less favourable volume of orders on hand but also the slight build-up in stocks in industry and in the retail trade in almost all member countries. Firms' production plans for the months ahead are accordingly less expansionary than hitherto (balance +5 compared with +10 in December; see Table 8). However, the possible deceleration in growth in the early months of 1986 should give way in the second quarter to a clearer upward trend.

**The leading indicator shows a further rise.** — Despite the slight slowdown in the underlying trend in industry, the composite indicator has shown a further rise at Community level (from



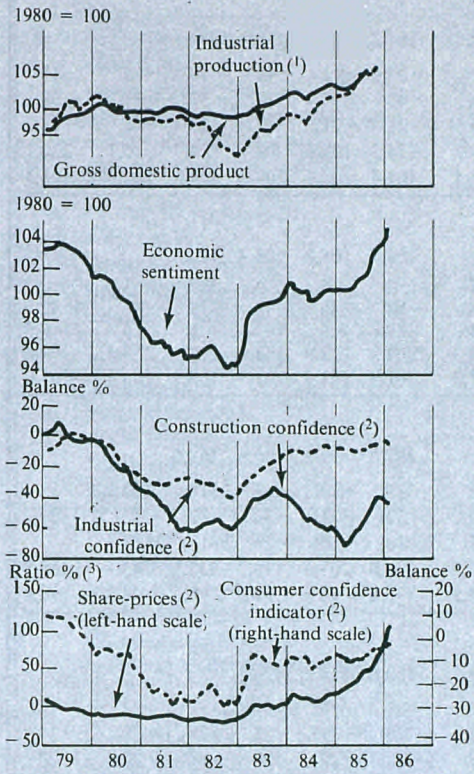
102.5 to 102.8; 1980=100; see Table 7). This is due primarily to the more favourable consumer climate (-8 compared with -10), the slight recovery in the construction industry (confidence indicator: -27 compared with -30) and the continued rise in share prices. There was an above-average improvement in the leading indicator in the Federal Republic of Germany (from 104.1 to 105.0; 1980=100), in the Netherlands (from 108.8 to 109.7; 1980=100), in Italy (from 101.8 to 102.9; 1980=100) and in Belgium (from 102.8 to 103.3; 1980=100). In all four cases, the strongest contribution came from the more favourable consumer climate. There is therefore every likelihood that private consumption and private investment will provide a boost to the economy — a boost, which, once the changeover phase is completed, will more than compensate for weaker exports.

The composite indicator remained unchanged in France (98.8; 1980=100) and showed a significant fall only in the United Kingdom (from 103.0 to 102.7; 1980=100).

Evidence that Europe might develop into a new economic growth centre in 1986 is provided by the leading cyclical indicators for the Community, the United States and Japan, plotted in Graph 3. To improve comparability between the composite leading indicator for the Community, which shows no trend, and the indicators for the United States and Japan, the latter had first to be adjusted for trend. It became clear from this that the leading indicator in the United States began to turn down as early as the spring of 1984. This decline seems to have been arrested since mid-1985. In Japan, the leading indicator, like that in the United States reached its upper turning point in the spring of 1984. Since then, the trend-adjusted curve has been pointing downward, with only short interruptions. However, there are some indications that the composite leading indicator will tend to improve again in the months ahead. The sharp fall in the price of oil and the associated improvement in the terms of trade will lead, particularly in Japan, to an appreciable improvement in the real incomes of private households. Private consumption should accordingly pick up sharply, which will have a positive impact on investment. The restraining influence on economic activity of weaker exports is therefore likely to be broadly offset in Japan. In Japan too, of course, the shift in main cyclical forces will not take place without a temporary deceleration.

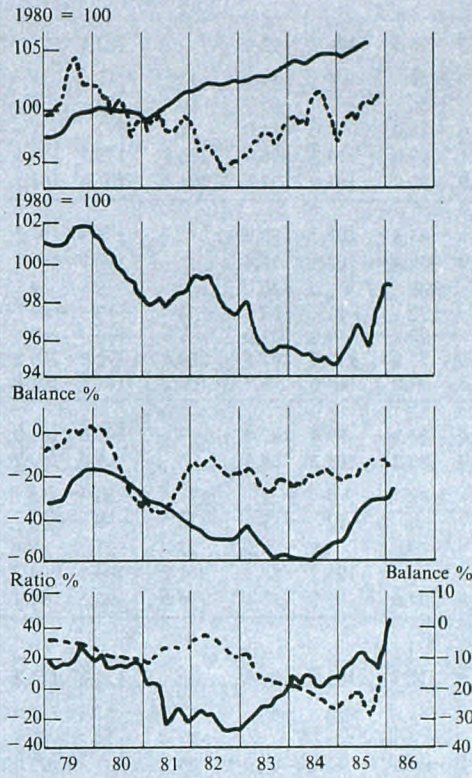
GRAPH 4-9: Indicators of output and economic sentiment

GRAPH 4: Federal Republic of Germany



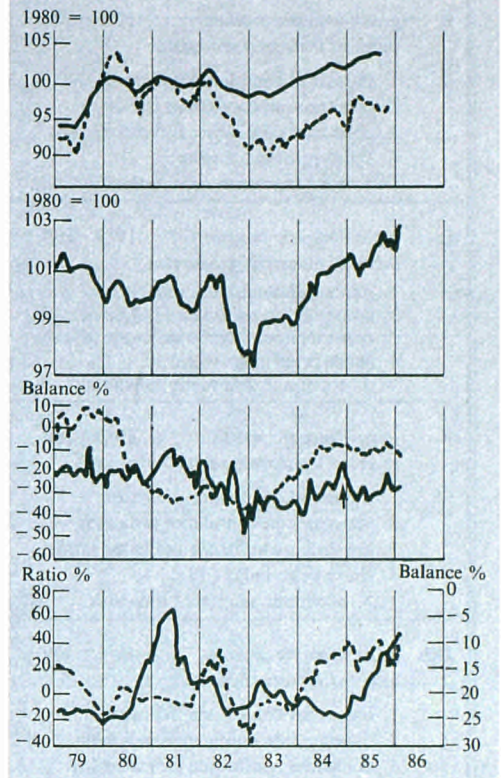
(<sup>1</sup>) Three-month moving average.  
 (<sup>2</sup>) See notes to Table 7.  
 (<sup>3</sup>) Deviations from trend in %.

GRAPH 5: France



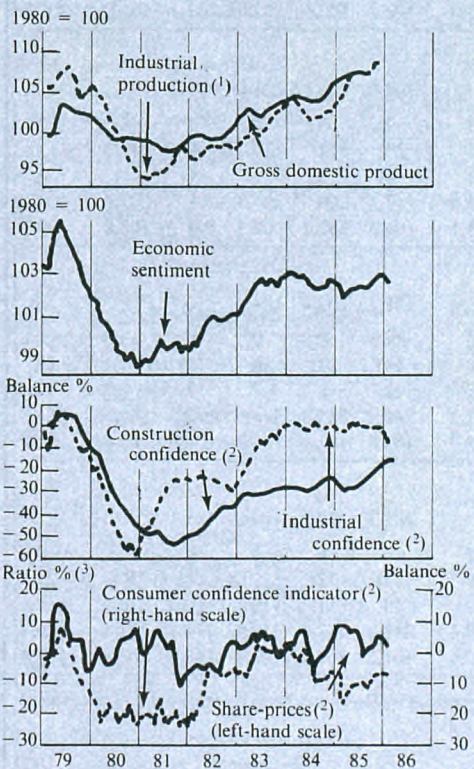
For explanations, see Graph 4

GRAPH 6: Italy



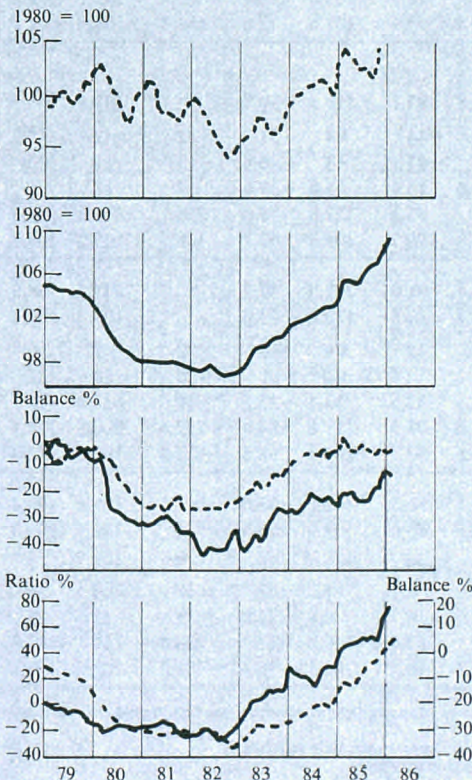
For explanations, see Graph 4

GRAPH 7: United Kingdom



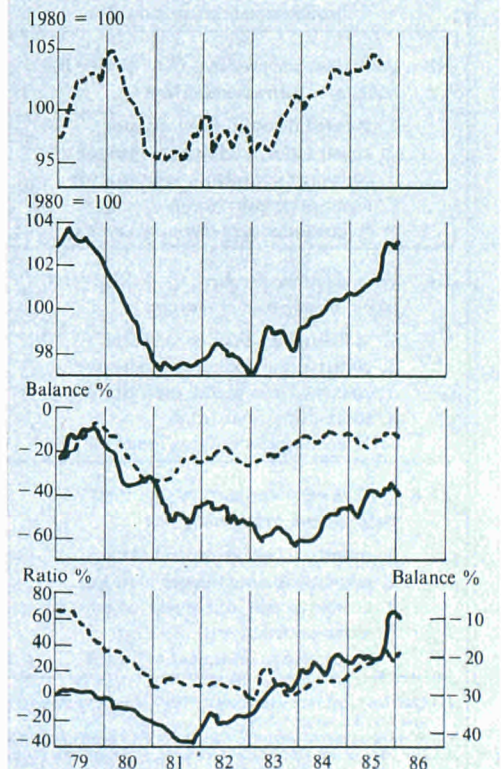
(<sup>1</sup>) Three-month moving average.  
 (<sup>2</sup>) See notes to Table 7.  
 (<sup>3</sup>) Deviations from trend in %.

GRAPH 8: Netherlands



For explanations, see Graph 7

GRAPH 9: Belgium



For explanations, see Graph 7

TABLE 7: Indicators of output and economic sentiment

	Range		Range		1985	1985			1985					1986
	Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83		II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	
<b>B</b> <i>gross domestic product</i> 1980 = 100	:	:	:	:	:	:	:	:	:	:	:	:	:	:
<i>index of industrial production</i>	102,5	76,5	106,3	92,4	:	103,8	:	:	101,3	106,2	:	:	:	:
1. industrial confidence indicator	+19	-56	-4	-35	-13	-17	-13	-11	-15	-11	-10	-10	-12	-11
2. construction confidence indicator	+9	-36	-7	-65	-40	-39	-38	-36	-40	-37	-37	-33	-37	-38
3. consumer confidence indicator (a)(d)	7,0	-18,0	-7,0	-31,0	-21	-22	-21	-19	(-21)	(-21)	-17	-20	-21	-18
4. share-price index (d)(e)	155,1	98,0	114,3	75,0	185,3	173,7	176,6	219,7	174,3	183,3	208,1	224,3	226,7	220,1
= 5. economic sentiment indicator	107,9	99,4	103,0	97,5	101,6	101,0	101,7	103,1	101,4	102,6	103,3	103,3	102,8	103,3
<b>D</b> <i>gross domestic product (c)</i> 1980 = 100	85,1	83,3	101,2	98,9	:	104,8	107,2	:	:	:	:	:	:	:
<i>index of industrial production</i>	92,0	82,4	103,1	91,4	:	104,1	106,1	:	104,8	105,3	108,4	109,0	:	:
1. industrial confidence indicator	+10	-49	+2	-40	-6	-8	-6	-2	-6	-4	-4	-2	-1	-3
2. construction confidence indicator	-4	-72	+11	-64	-54	-62	-49	-38	-50	-45	-38	-38	-41	-42
3. consumer confidence indicator (d)	:	-22,2	9,0	-31,0	-7	-9	-7	-4	-7	-6	-3	-5	-5	-2
4. share-price index (d)(e)	109,0	75,2	115,6	97,6	209,4	192,3	213,8	256,3	209,3	223,9	243,0	257,9	268,0	299,4
= 5. economic sentiment indicator	103,8	97,0	103,6	94,7	102,2	101,1	102,8	104,3	101,9	102,7	103,7	103,9	104,1	105,0
<b>F</b> <i>gross domestic product</i> 1980 = 100	85,4	84,2	99,8	102,4	:	105,6	106,0	:	:	:	:	:	:	:
<i>index of industrial production</i>	96,7	82,2	105,2	94,8	:	99,0	100,7	:	101,5	99,2	100,8	103,0	:	:
1. industrial confidence indicator	+29	-49	+5	-39	-17	-20	-15	-13	-15	-13	-13	-14	-12	-18
2. construction confidence indicator	:	:	-17	-57	-38	-39	-32	-32	(-32)	(-32)	-32	(-32)	(-32)	-27
3. consumer confidence indicator (a)(d)	:	-9,0	3,0	-27,0	-23	-21	-30	-17	(-30)	(-30)	-17	(-17)	(-17)	:
4. share-price index (d)(e)	86,6	53,6	101,2	82,7	201,7	204,5	204,2	214,3	203,8	203,4	199,2	223,1	245,1	265,8
= 5. economic sentiment indicator	107,8	97,6	101,8	95,1	96,5	96,5	96,1	98,1	95,6	96,5	97,2	98,3	98,8	98,8
<b>IRL</b> <i>gross domestic product</i> 1980 = 100	:	:	:	:	:	:	:	:	:	:	:	:	:	:
<i>index of industrial production</i>	80,4	72,3	103,8	99,6	:	127,1	122,8	:	122,6	124,2	124,5	:	:	:
1. industrial confidence indicator	:	-41	+20	-40	-7	-13	-2	-6	+1	0	-4	-7	-7	-6
2. construction confidence indicator	:	:	:	:	-27	-24	-29	-28	(-29)	(-29)	-28	(-28)	(-28)	-24
3. consumer confidence indicator (d)	:	-41,0	12,0	-44,0	-29	-31	-27	-27	(-27)	(-27)	-27	(-27)	(-27)	-28
4. share-price index (d)(e)	85,8	29,9	112,2	79,4	148,9	136,6	155,0	169,8	161,0	161,0	155,9	169,7	183,8	177,5
= 5. economic sentiment indicator	109,1	96,7	103,6	98,1	100,2	99,7	100,5	100,7	100,8	100,7	100,6	100,6	100,8	100,7
<b>I</b> <i>gross domestic product</i> 1980 = 100	80,4	77,2	101,2	98,2	:	103,8	104,0	:	:	:	:	:	:	:
<i>index of industrial production</i>	87,9	72,6	104,7	98,1	:	96,9	96,3	:	95,7	97,8	94,6	97,9	:	:
1. industrial confidence indicator	+31	-59	+13	-41	-10	-11	-10	-8	-10	-10	-6	-9	-8	-11
2. construction confidence indicator	-8	-56	-5	-51	-29	-30	-29	-26	-30	-25	-21	-29	-28	-27
3. consumer confidence indicator (d)	:	-39,0	-12,1	-29,6	-12	-13	-10	-14	-11	-9	-15	-12	-16	-9
4. share-price index (d)(e)	169,6	68,5	185,0	116,9	286,3	252,1	315,9	361,4	313,0	335,6	342,0	357,8	384,4	406,2
= 5. economic sentiment indicator	103,8	97,4	101,6	97,6	101,8	101,5	102,2	102,0	102,2	102,6	102,0	102,3	101,8	102,9
<b>NL</b> <i>gross domestic product</i> 1980 = 100	:	:	:	:	:	:	:	:	:	:	:	:	:	:
<i>index of industrial production</i>	94,8	87,1	117,5	90,7	:	103,0	101,3	:	104,0	100,0	101,0	109,0	:	:
1. industrial confidence indicator	+12	-44	+4	-31	-2	-2	-2	-3	-2	-3	-4	-1	-4	-2
2. construction confidence indicator	+3	-47	+3	-46	(-19)	-21	(-20)	-15	(-20)	-19	-17	-18	-11	-12
3. consumer confidence indicator (d)	6,0	-15,0	5,0	-37,0	-7	-12	-4	-1	(-4)	(-4)	-1	(-1)	(-1)	6
4. share-price index (d)(e)	:	86,3	122,8	92,8	255,1	248,6	259,3	275,8	257,8	260,7	257,3	278,5	287,4	308,2
= 5. economic sentiment indicator	107,8	100,7	105,3	97,1	106,5	105,7	106,9	108,1	106,9	107,2	107,3	108,1	108,8	109,7
<b>UK</b> <i>gross domestic product</i> 1980 = 100	94,6	91,0	102,5	97,7	:	108,5	108,3	:	:	:	:	:	:	:
<i>index of industrial production</i>	92,7	89,6	110,0	93,8	:	108,2	108,4	:	108,1	109,4	109,4	110,7	:	:
1. industrial confidence indicator	:	:	+9	-60	0	+1	0	0	-1	0	0	0	0	-8
2. construction confidence indicator	:	:	+7	-60	-25	-28	-24	-18	(-24)	(-24)	-18	(-18)	(-18)	-15
3. consumer confidence indicator (d)	:	-32,5	14,4	-25,5	-10	-11	-10	-7	-12	-9	-7	-7	-7	-7
4. share-price index (d)(e)	78,5	23,3	111,6	104,4	242,6	240,0	238,1	257,3	240,2	245,3	248,9	262,2	260,7	261,6
= 5. economic sentiment indicator	103,8	97,7	104,9	98,8	102,3	102,2	102,4	102,9	102,4	102,6	102,8	103,0	103,0	102,7
<b>EUR</b> <i>gross domestic product (b)(c)</i> 1980 = 100	85,1	85,5	101,1	101,0	:	105,6	106,4	:	:	:	:	:	:	:
<i>index of industrial production</i>	92,9	83,0	103,2	94,6	:	102,5	103,3	:	102,7	103,8	104,2	105,4	:	:
1. industrial confidence indicator	+16	-49	+3	-36	-7	-9	-7	-5	-7	-6	-5	-6	-5	-9
2. construction confidence indicator	:	:	-1	-48	-38	-40	-34	-29	(-35)	(-32)	-29	(-29)	(-30)	-27
3. consumer confidence indicator (a)(d)	4,6	-16,7	0,8	-22,0	-13	-13	-13	-10	-13	-11	-10	-10	-10	-8
4. share-price index (d)(e)	:	47,0	100,8	115,1	238,8	229,8	240,4	267,4	240,2	247,2	254,4	270,3	277,5	289,4
= 5. economic sentiment indicator	107,5	96,6	104,1	97,4	101,3	100,5	101,8	102,6	101,2	101,9	102,3	102,4	102,5	102,8

(a) Quarterly series are constructed by attributing results of the January, May and October surveys to the first, second and fourth quarters respectively. Third quarter data are interpolated between second and fourth quarter values.

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

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

(d) Not seasonally adjusted.

(e) Revised by Eurostat.

Source: European Community business surveys and Eurostat. For quarterly GDP/GNP: Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISCO) and the United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.

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

(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 1979-1982, respectively.

Note: (s.a.) = seasonally adjusted. : = not available. ( ) = estimated. Source: European Community business surveys.

TABLE 9: Consumer opinion on economic and financial conditions

	1984	1985	1985												1986
			Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
<b>B</b> Consumer Confidence	-27	-21	-24	:	:	-22	:	-21	:	:	:	-17	-20	-21	-18
Financial situation of households															
over last 12 months	-31	-23	-31	:	:	-28	:	-27	:	:	:	-19	-16	-18	-16
over next 12 months	-18	-13	-17	:	:	-15	:	-17	:	:	:	-10	-10	-7	-4
General economic situation															
over last 12 months	-57	-33	-46	:	:	-42	:	-44	:	:	:	-14	-25	-27	-27
over next 12 months	-33	-17	-26	:	:	-26	:	-25	:	:	:	-2	-9	-13	-9
Major purchases (at present)	6	-18	0	:	:	2	:	8	:	:	:	-37	-40	-38	-34
<b>D</b> Consumer Confidence	-10	-7	-6	-9	-9	-10	-8	-10	-8	-7	-6	-3	-5	-5	-2
Financial situation of households															
over last 12 months	-11	-8	-9	-9	-10	-8	-9	-10	-8	-8	-7	-4	-7	-7	-2
over next 12 months	-6	-4	-6	-6	-5	-5	-3	-4	-4	-3	-4	-1	-3	-2	-1
General economic situation															
over last 12 months	-14	-11	-7	-14	-15	-15	-13	-17	-12	-11	-8	-5	-6	-4	-1
over next 12 months	-10	-6	-4	-8	-8	-8	-7	-10	-8	-8	-5	-3	-2	-3	-1
Major purchases (at present)	-9	-8	-4	-9	-8	-14	-9	-8	-10	-6	-6	-4	-7	-8	-3
<b>I</b> Consumer Confidence	-15	-12	-9	-11	-16	-12	-14	-12	-11	-11	-9	-15	-12	-16	-9
Financial situation of households															
over last 12 months	-12	-10	-9	-9	-11	-10	-11	-10	-8	-8	-9	-10	-10	-12	-6
over next 12 months	-3	-2	0	0	-5	-1	-2	-3	-2	-2	-2	-5	-3	-4	1
General economic situation															
over last 12 months	-31	-26	-19	-23	-31	-28	-29	-26	-24	-24	-22	-30	-27	-30	-24
over next 12 months	-9	-8	3	-4	-15	-7	-10	-7	-4	-4	-3	-16	-9	-16	-3
Major purchases (at present)	-15	-15	-19	-16	-16	-15	-19	-14	-16	-16	-8	-13	-13	-18	-13
<b>UK</b> Consumer Confidence	-4	-10	-6	-18	-13	-11	-11	-11	-10	-12	-9	-7	-7	-7	-7
Financial situation of households															
over last 12 months	-15	-16	-14	-21	-18	-20	-18	-18	-16	-19	-14	-13	-14	-12	-11
over next 12 months	-3	-5	-2	-7	-6	-8	-8	-6	-5	-7	-5	-2	-4	-2	-4
General economic situation															
over last 12 months	-25	-37	-37	-53	-47	-33	-35	-41	-38	-38	-36	-31	-30	-27	-31
over next 12 months	-10	-16	-15	-26	-15	-14	-16	-19	-17	-20	-16	-13	-13	-12	-16
Major purchases (at present)	31	24	36	18	24	18	24	28	26	25	24	25	24	17	27

**A marked improvement in the consumer climate.** — In the present phase of the cycle, the movement of private consumption is of crucial importance for further economic development. A more detailed analysis than usual of trends in consumer behaviour is therefore given below for those member countries which carry out monthly consumer surveys and in which new findings are available for January 1986 (see Table 9).

Following some wavering in December 1985, consumer confidence in the *Federal Republic of Germany* increased again in January. While this favourable trend is broadly based, it mainly reflects the financial situation of private households and their readiness to make purchases of consumer durables. There is also growing interest in new car purchases, which shows up in the more positive expectations of motor vehicle dealers. The improvement in the consumer climate is most noticeable among middle- and high-income earners. As to the labour market situation, consumers do not appear to be wholly convinced, despite their relatively favourable assessment of the general economic trend, that the number of unemployed will fall quickly.

Consumer confidence in *Italy* too showed a broad recovery in January. Largely on the basis of their optimistic expectations regarding the general economic trend, a majority of Italian consumers was looking, for the first time in a very long period, for an improvement in their financial situations. This was common to all income brackets and may well be connected with the recent adjustment of tax rates to take account of inflation and with the somewhat more favourable expectations regarding prices. The optimistic mood of consumers is also reflected in

their increased readiness to purchase household appliances and cars.

In the *United Kingdom*, the consumer confidence indicator again showed no change in January, remaining at the level recorded since October 1985 (-7). This situation conceals various opposing trends. The main reason for the less favourable assessment of the general economic trend was probably the fact that unemployment again rose appreciably in recent months. In addition, the sharp fall in oil prices is likely to have caused uncertainty among many consumers in the United Kingdom. Finally, fuller disclosure of the difficulties within the Government has probably made consumers more pessimistic concerning the future economic trend, particularly with regard to the labour market. Expectations regarding personal financial situations were clearly also harmed by this. Nevertheless, all income groups showed greater readiness to purchase consumer durables, this being probably linked primarily to special cut-price offers.

Consumer confidence in *Belgium* strengthened significantly in January. Appreciable improvements are expected in both the general economic situation and in personal financial circumstances during the months ahead. The propensity to save has also increased again somewhat despite the rise in planned purchases, probably because consumers had more cash available in January (payment of the annual bonus at the beginning of the month).

26 February 1986.

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