

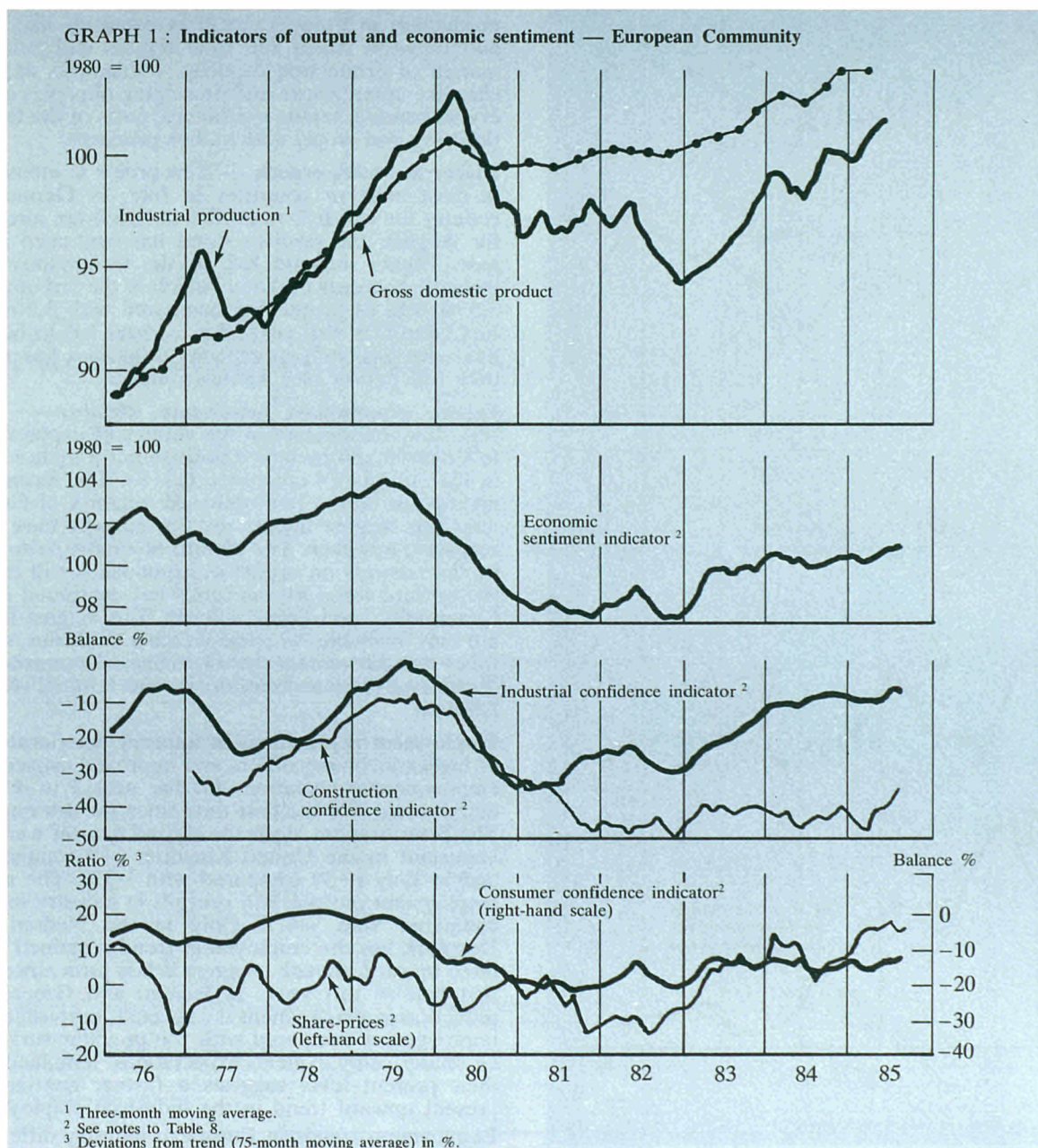
EUROPEAN ECONOMY

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

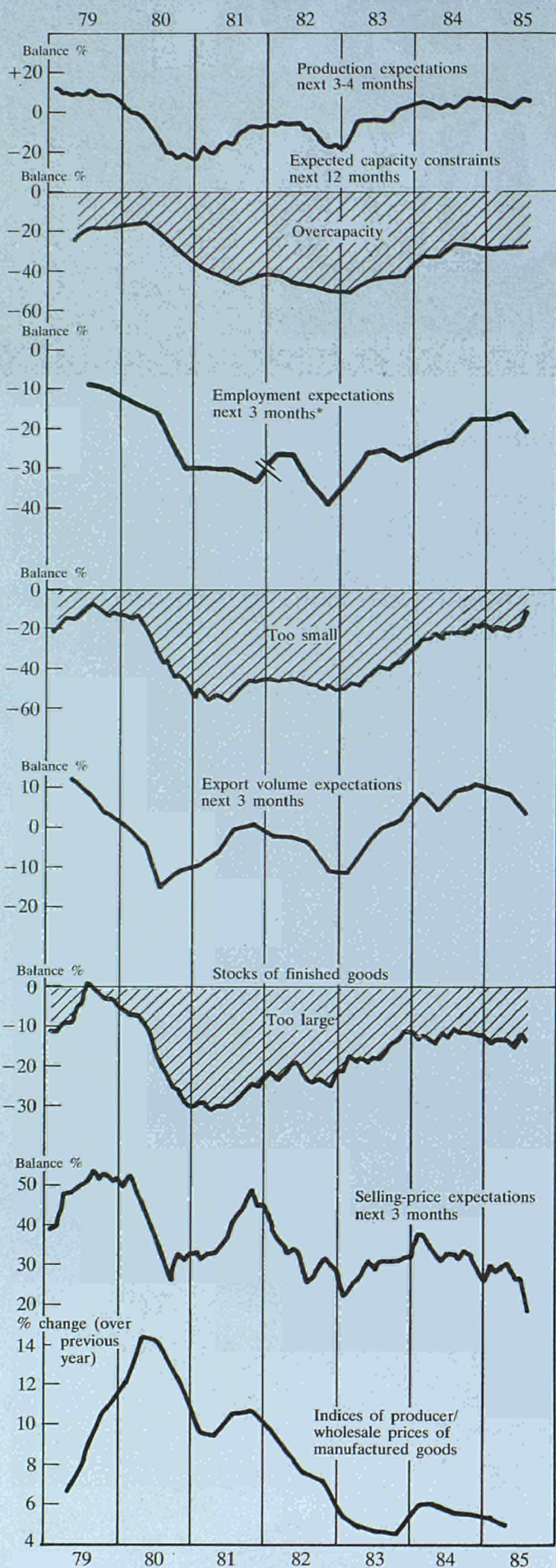
Supplement B — No 8/9 — August/September 1985

*This month :
Quarterly results in industry —
consumers' financial situation*

Business and consumer survey results



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



* Quarterly data since 1982; before twice-yearly

Business survey results

Capacity utilization in industry further improved. — The degree of capacity utilization in European industry has increased significantly between April 1985 (80,9 %) and July 1985 (82,5 %). Markedly higher figures still were observed for the United Kingdom (87,4 %), Germany (85,0 %) and the Netherlands (84,0 %). The figure for the Community as a whole is only 1,4 % points below the level of the previous cyclical peak in 1979/80. In the Netherlands and in Ireland, industry has even exceeded its previous peak level (see Table 1).

In spite of the rising trend in capacity utilization, with regard to the future European industrialists still assess their present capital stock as being more than sufficient in relation to expected production. This is particularly the case in France, Italy and Belgium, where the judgements have even worsened between April and July. In the Netherlands and in Luxembourg, however, the managers fearing capacity constraints have become almost as numerous as those expecting overcapacity. The same situation has already prevailed in Denmark for more than a year. In Germany and in the United Kingdom, the number of enterprises reporting excess capacity has decreased in line with the increase of capacity utilization; the German figure is only slightly higher than at the 1979/80 peak (+16 compared with +12 — see Table 2).

The slack left in European industry is, however, not evenly distributed among all industries but is concentrated in branches with structural problems (e.g. mineral oil-refining, shipbuilding, agricultural machinery, building materials; car production in France). Even in countries like France, Italy and Belgium where the total figures still point to a large margin of production capacity, bottlenecks appear in branches like manufacture and processing of paper, office machinery, chemicals, textile machinery, parts of the textile industry (knitting and wool) and rubber products.

Higher incoming orders. — New orders in industry picked up in most member countries in July; in Germany, the only country for which data on this question are already available for August, the positive trend has continued in the recent past. Higher demand led, at the Community level, to an increase in orders on hand, which in the 3rd quarter equalled 3,5 months of production compared with 3,2 months in the first quarter of this year; this increase has to be regarded all the more positively as capacity utilization has also increased over this period (see Tables 5 and 6).

Export expectations deteriorate slightly. — Expectations regarding the increase in the volume of exports in the next 3 to 4 months still remained positive but were less buoyant than in the Spring (+4 compared to +9). The recent decline was mainly due to the less optimistic outlook of German exporters; the August figures for this country have shown some recovery, however. The picture of export performance given by the answers on export order-books is still fairly positive; the upward trend in this series has continued in July at the Community level (see Table 9). The August figures, which are only available for some member countries, show no clear trend: improvement in Germany, Luxembourg and the Netherlands; deterioration in the United Kingdom and Belgium.

Employment expectations in industry deteriorate. — In spite of higher incoming orders and improved capacity utilization, employment expectations for the next 3 to 4 months have deteriorated, for the first time since the 4th quarter of 1983. The deteriorations since the second quarter were particularly important in the United Kingdom (-9 compared with +2) and in Italy (-39 compared with -31). The most negative employment outlook still prevails in industry in France (-44 compared with -41). Only in the Netherlands and in Denmark has the employment trend remained clearly orientated upward, though progress is less pronounced than in the first half of this year. In Ireland and Greece, no further reduction in employment is expected, representing a marked improvement compared with the previous survey results. In Germany, employment expectations remained unchanged; their present level suggests a further continuation of the present upward trend in the industrial employment figures. Employment trends in European industry differ significantly

between sectors. Whereas employment in the investment goods branches is expected to remain rather stable, the outlook is much less favourable in the intermediate and consumer goods sectors. The recent deterioration of employment expectations has even widened these differences. This is particularly the case in Germany, where employment expectations have fallen by 10 points in the consumer goods sector (from +3 to -7), while they have improved by another 5 points in the investment goods branches (from +11 to +16). The few exceptions where the employment outlook in the consumer goods sector is somewhat better than in the investment goods sector are Luxembourg, Denmark, Italy and — to a lesser degree — Belgium (see Tables 3 and 4).

Further improvement in economic sentiment indicator in July.

— For the fifth survey in succession, the EC leading indicator has increased in July (from 100,9 to 101,1; 1980=100).

Contributions to the improvement came from the construction and the consumer confidence indicators; confidence in industry did not change and share prices, the fourth component of the overall indicator, declined slightly. For August, the calculation of a total figure for the Community is not yet possible because of missing data for France, Italy and the Netherlands.

In Germany, the overall indicator improved further in August, mainly as a result of the less pessimistic outlook in construction and further slight improvements in industrial and consumer confidence. In the United Kingdom, economic sentiment remained unchanged in spite of a slight deterioration in industrial and consumer confidence; this decrease was compensated for by the recovery of share prices. A significant improvement in the overall indicator was recorded in Ireland, supported by a strong increase in industrial and construction confidence.

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

	Range (b)		Range (b)		1983	1984	1983		1984				1985		
	Peak 1973	Trough 1975	Peak 79/80	Trough 82/83			J	O	J	A	J	O	J	A	J
B	85,4	70,4	79,1	74,4	75,7	76,1	75,4	76,3	75,5	75,2	76,5	77,0	78,0	78,4	78,2
D	88,1	74,8	86,0	75,3	77,0	80,3	77,6	79,1	80,6	81,4	76,6	82,4	82,4	82,6	85,0
F	87,8	76,6	85,3	81,1	81,6	81,9	81,1	82,4	81,5	82,1	81,9	82,2	82,5	82,2	83,1
IRL	:	:	68,1	56,8	58,1	61,5	57,8	57,8	59,9	59,9	63,0	63,0	65,9	61,8	72,7
I	78,8	68,0	77,3	69,1	70,1	71,9	69,1	70,4	70,8	71,2	72,2	73,5	73,8	74,3	74,3
L	:	:	83,0	66,5	70,7	77,7	66,8	72,4	74,5	75,7	78,8	81,7	78,8	82,7	82,6
NL	86,0	76,0	83,0	75,8	79,5	82,4	79,9	80,8	80,6	82,2	83,0	83,7	83,5	84,0	84,0
UK (c)	90,6	75,5	87,6	73,0	76,7	82,4	77,2	78,3	80,2	81,6	83,3	84,5	84,9	84,4	87,4
EUR (c)	86,4	75,0	83,9	76,4	77,2	79,9	77,2	77,6	78,3	79,1	78,3	80,7	81,0	80,9	82,5

TABLE 2 : 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)		1983	1984	1983		1984				1985		
	Peak 1973	Trough 1975	Peak 79/80	Trough 82/83			J	O	J	A	J	O	J	A	J
B	-12	+58	+35	+53*	+37	+31	+35	+36	+31	+34	+29	+28	+29	+30	+32
DK	:	:	+10	+38	+34	+10	+34	+36	+20	+16	+3	0	+4	+7	+4
D	-3	+56	+12	+49	+42	+24	+40	+35	+29	+24	+22	+20	+20	+19	+16
F	-24	+45	+11	+48	+42	+39	+42	+48	+42	+44	+34	+36	+41	+31	+42
IRL	:	+34	+2	+40	+34	+31	+38	+29	+27	+32	+25	+39	+26	+37	+21
I	+1	+63	+17	+58	+54	+37	+54	+55	+46	+40	+30	+30	+35	+37	+38
L	-72	+73	+37	+62	+59	+48	+57	+58	+51	+51	+46	+45	+44	+1	+3
NL	-3	+60	+14	+51	+30	+12	+28	+23	+20	+13	+10	+6	+5	+5	+2
UK	:	:	:	+63	+51	+33	+47	+42	+35	+32	+32	+33	+28	+24	+22
EUR (c)	-7	+54	:	+50	+45	+31	+42	+43	+36	+33	+28	+29	+28	+26	+27

(a) The data are collected in January, April, July and October each year. * Trough in III/1981.
 (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.

TABLE 3: Employment expectations in manufacturing industry (a) (s.a.)
Balance of respondents expecting employment up, unchanged or down

	Range (b)		Range (b)		1983	1984	1984				1985		
	Peak 1973	Trough 1975	Peak 1979	Trough 1982/83			I	II	III	IV	I	II	III
B	+12	-26	-2	-17	-13	-9	-11	-11	-5	-7	-7	-11	-11
DK	:	:	:	-14	-5	+10	+12	+6	+14	+7	+7	+5	+1
D	+13	-34	+2	-38	-27	-11	-18	-13	-10	-2	-8	-5	-5
GR	:	:	:	:	-12	-2	-2	-3	-2	-2	-4	-4	-1
F	+17	-35	-23	+48(e)	-30	-44	-40	-44	-48	-43	-42	-41	-44
IRL	+15	-34	+4	-35	-23	-20	-19	-23	-19	-21	-18	-14	-1
I (d)	+13	-26	+3	-39	-38	-34	(-37)	-33	(-33)	-31	(-31)	-31	-39
L	+75	-67	-1	-62	-52	-26	-52	-41	-7	-4	+7	+5	-1
NL	+4	-32	-6	-36	-28	-4	-13	-6	-3	+4	+10	+11	+8
UK	:	:	:	-43	-28	-11	-11	-13	-14	-8	-2	+2	-9
EUR	+12	-31	-6	-40	-29	-21	-24	-23	-22	-17	-17	-15	-20

TABLE 4: Employment expectations in manufacturing industry by Member State and branch (a) (s.a.)
Balance of respondents expecting employment up, unchanged or down

	Consumer goods					Investment goods					Intermediate goods				
	1984		1985			1984		1985			1984		1985		
	III	IV	I	II	III	III	IV	I	II	III	III	IV	I	II	III
B	+4	-1	-1	-7	-10	-10	-13	-14	-16	-11	-13	-11	-13	-15	-17
DK	+7	+4	+7	+12	+4	+23	+11	+4	+3	-4	+8	+6	+3	+5	+1
D	+2	+7	-4	+3	-7	-8	+6	+9	+11	+16	-14	-6	-15	-12	-9
GR	-9	+5	+10	+11	-5	+1	-22	-31	-33	+12	-1	+3	+1	-1	0
F	-46	-43	-44	-37	-40	-42	-29	-32	-32	-35	-54	-54	-48	-48	-51
IRL	-38	-33	-30	-30	-10	+13	+12	+5	-1	+26	-17	-19	-11	-10	-20
I (d)	(-33)	-30	(-30)	-31	-29	(-32)	-29	(-29)	-27	-34	(-28)	-26	(-26)	-34	-43
L	+21	+32	+19	+2	+15	+1	-1	+6	-8	+3	-8	-7	+7	+8	-4
NL	-4	+3	+10	+2	+1	+1	+6	+10	+20	+14	-9	+3	+13	+9	+9
UK	-24	-12	-16	-16	-26	-9	-5	+5	+13	+2	-20	-17	-13	-20	-24
EUR	-21	-17	-20	-17	-22	-17	-9	-6	-3	-5	-25	-21	-21	-24	-26

TABLE 5: Estimated number of months' production assured by orders on hand in manufacturing industry (a) (s.a.)

	Range (b)		Range (b)		1983	1984	1984				1985		
	Peak 1973	Trough 1975	Peak 1979	Trough 1982/83			I	II	III	IV	I	II	III
B	4,5	2,8	3,7	3,0	3,1	3,4	3,3	3,4	3,4	3,3	3,4	3,3	3,5
D	3,3	2,8	3,4	2,6	2,6	2,8	2,6	2,8	2,8	2,9	2,8	2,8	2,9
GR	:	:	:	5,0	6,0	5,3	6,4	4,7	5,0	4,9	5,3	5,1	5,0
F	3,5	2,7	4,2	3,3	3,2	3,1	3,2	3,1	3,0	3,0	3,1	3,1	3,2
IRL	2,2	1,8	2,6	1,5	1,7	1,9	1,9	1,6	2,4	1,7	2,2	2,1	1,8
I	4,7	3,7	5,3	3,8	4,1	4,3	3,9	4,2	4,5	4,4	4,4	4,3	4,3
L	3,5	1,4	2,4	1,7	1,9	1,9	1,9	1,8	1,8	2,1	2,0	1,8	1,9
NL	4,7	2,6	4,2	2,5	2,6	2,9	2,7	2,8	2,9	3,1	3,1	3,0	3,0
UK	:	:	4,2	1,9	3,0	3,0	2,9	3,1	3,0	3,0	2,8	3,9	4,0
EUR (c)	3,7	3,0	3,9	3,0	3,1	3,2	3,1	3,2	3,3	3,3	3,2	3,4	3,5

TABLE 6: New orders in manufacturing industry (a) (s.a.)

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

	Range (b)		1983	1984	1984				1985		
	Peak 1979	Trough 1981/82			J	A	J	O	J	A	J
B	+8	-22	-2	-7	-5	-8	-7	-8	-4	-1	-1
DK	:	-14	+13	+30	+29	+28	+26	+36	+31	+15	+27
D	+17	-26	+9	+8	+10	+3	+10	+7	-9	-4	-1 (+10)*
F	+14	-35	-19	-17	-22	-15	-17	-15	-17	-16	-13
IRL	:	-46	-25	-4	-3	-6	+5	-10	-7	-10	-6
I	+7	-25	-10	+3	+2	-1	+4	+5	+6	-5	+3
L	+45	-67	-1	+3	+4	-9	+10	+6	+5	+31	+6
NL	+9	-6	+4	+7	+19	+5	+3	0	-1	+5	+11
UK	:	-21	+7	+17	+19	+15	+16	+18	+13	+10	+9
EUR (c)	+14	-21	-1	+3	+4	+1	+4	+4	-2	-3	+4

TABLE 7: 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)		1983	1984	1984				1985		
	Peak 1979	Trough 1981/82			J	A	J	O	J	A	J
D	+6	-15	-7	+10	+8	+2	+13	+16	+9	+12	+4 (+7)*
GR	:	-13	+13	+27	+16	+26	+38	+28	+27	+22	+31
F	+13	-23	-14	-6	-7	-11	-1	-5	+3	-2	-5
IRL	:	-8	-1	+14	+10	+16	+27	+6	+8	+8	+7
I	+16	-14	-2	+11	+11	+12	+10	+9	+11	+6	+6
L	+62	-67	-18	+7	+7	0	+6	+13	+6	-6	+1
NL	+20	-11	+9	+12	+20	+16	+2	+10	+3	+3	+1
UK	:	-4	+7	+17	+16	+11	+14	+20	+22	+16	+14
EUR (c)	+11	-11	-3	+9	+8	+4	+9	+11	+10	+9	+4 (+6)*

(a) Details of the questions are given on the last page.

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

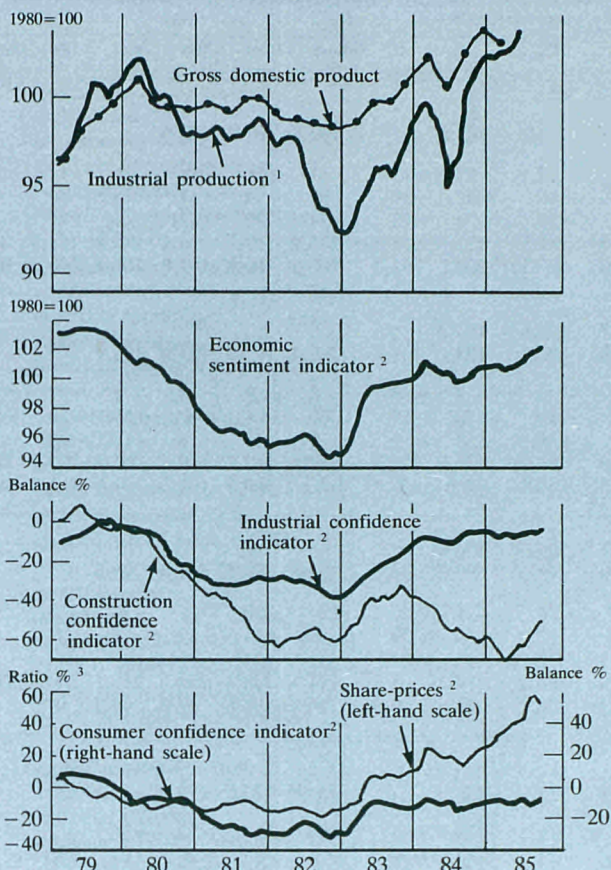
(c) Weighted total of available country data.

(d) Question asked in May and October only. Result used in the two other quarters to compute EC-balance.

(e) Trough III/1984.

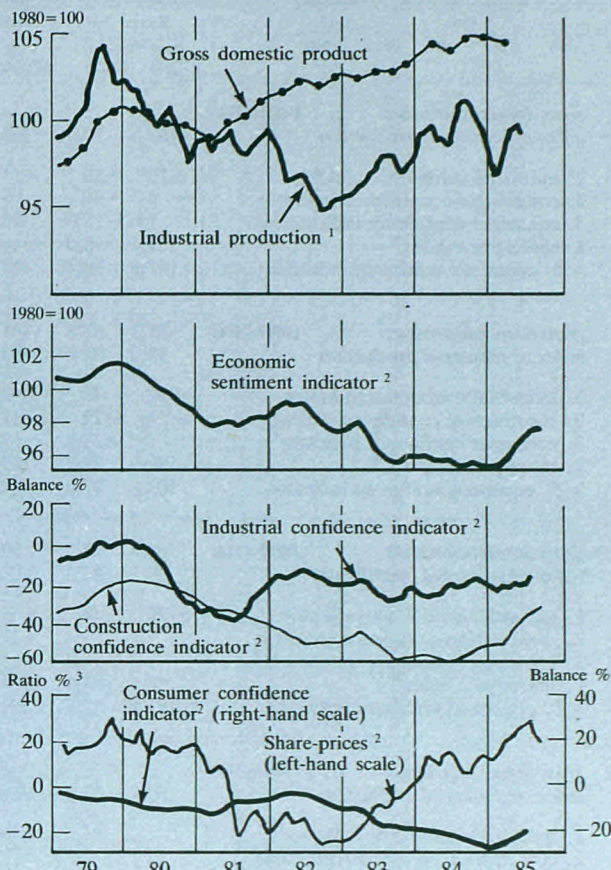
Source: European Community business surveys. * Data for August.

**GRAPH 3 : Indicators of output and economic sentiment
Federal Republic of Germany**



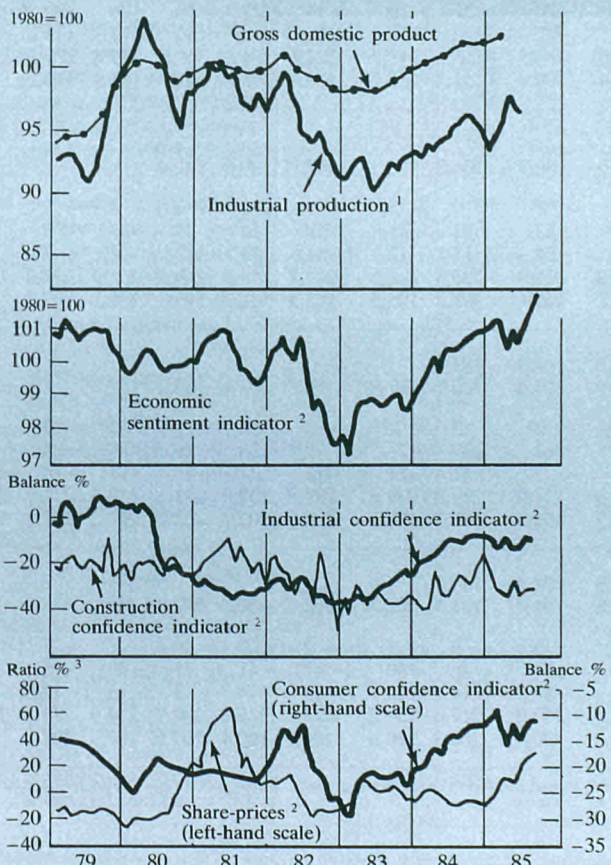
¹ Three-month moving average.
² See notes to Table 8.
³ Deviations from trend (75-month moving average) in %.

**GRAPH 4 : Indicators of output and economic sentiment
France**



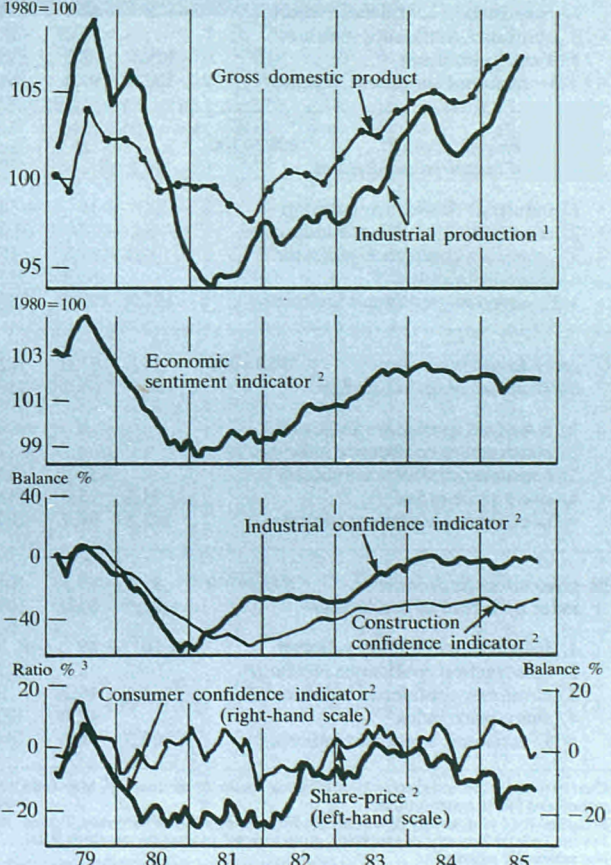
¹ Three-month moving average.
² See notes to Table 8.
³ Deviations from trend (75-month moving average) in %.

**GRAPH 5 : Indicators of output and economic sentiment
Italy**



¹ Three-month moving average.
² See notes to Table 8.
³ Deviations from trend (75-month moving average) in %.

**GRAPH 6 : Indicators of output and economic sentiment
United Kingdom**



¹ Three-month moving average.
² See notes to Table 8.
³ Deviations from trend (75-month moving average) in %.

TABLE 8: Indicators of output and economic sentiment

		Range		Range		1984	1984	1985		1985							
		Peak 1972/73	Trough 1971/75	Peak 1979/80	Trough 1981/83			I	II	March	April	May	June	July	Aug.		
B	<i>gross domestic product</i>	1980=100	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		102,5	76,5	106,3	92,4	102,4	104,2	103,5	:	:	106,8	102,9	103,0	:	:	:
	1. industrial confidence indicator		+19	-56	-4	-35	-12	-11	-13	-17	-17	-16	-18	-16	-14	-15	
	2. construction confidence indicator		+9	-36	-7	-65	-54	-46	-47	-39	-50	-44	-37	-36	-36	-40	
	3. consumer confidence indicator ^{1,4}		7,0	-18,0	-7,0	-31,0	-27	-26	-24	-22	(-24)	-22	(-22)	(-22)	-21	(-21)	
	4. share-price index ^{4,5}		155,1	98,0	114,3	75,0	161,9	171,5	171,1	177,8	176,9	172,3	176,1	184,9	183,3	183,0	
	= 5. economic sentiment indicator		107,9	99,4	103,0	97,5	100,0	100,5	100,7	101,0	100,6	100,8	101,0	101,4	101,5	101,4	
D	<i>gross domestic product</i> ³	1980=100	85,1	83,3	101,2	98,9	102,7	104,6	103,3	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		92,0	82,4	103,1	91,4	98,8	102,5	103,1	104,1	103,4	102,9	103,8	105,9	:	:	
	1. industrial confidence indicator		+10	-49	+2	-40	-8	-6	-7	-8	-8	-9	-8	-6	-7	-6	
	2. construction confidence indicator		-4	-72	+11	-64	-54	-60	-68	-59	-68	-64	-63	-58	-54	-50	
	3. consumer confidence indicator ⁴		:	-22,2	9,0	-31,0	-9	-8	-8	-9	-9	-10	-8	-10	-8	-7	
	4. share-price index ^{4,5}		109,0	75,2	115,6	97,6	153,6	161,4	175,2	192,3	180,4	182,7	189,6	204,7	208,7	206,4	
	= 5. economic sentiment indicator		103,8	97,0	103,6	94,7	100,6	100,9	100,8	101,2	100,8	100,8	101,2	101,6	101,9	102,1	
F	<i>gross domestic product</i>	1980=100	85,4	84,2	99,8	102,4	104,7	105,0	104,6	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		96,7	82,2	105,2	94,8	100,0	99,0	98,2	99,0	100,8	98,5	100,0	98,5	:	:	
	1. industrial confidence indicator		+29	-49	+5	-39	-22	-20	-21	-20	-21	-20	-21	-16	-15	:	
	2. construction confidence indicator		:	:	-17	-57	-57	-52	-50	-39	(-50)	-39	(-39)	(-39)	-32	:	
	3. consumer confidence indicator ^{1,4}		:	-9,0	3,0	-27,0	-23	-27	-25	-21	(-25)	-21	(-21)	(-21)	:		
	4. share-price index ^{4,5}		86,6	53,6	101,2	82,7	158,6	168,3	184,3	205,7	191,7	200,4	204,6	212,1	204,1	201,2	
	= 5. economic sentiment indicator		107,8	97,6	101,8	95,1	95,3	95,1	95,6	97,0	96,0	96,6	97,0	97,5	97,5	:	
IRL	<i>gross domestic product</i>	1980=100	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		80,4	72,3	103,8	99,6	123,3	129,3	128,9	:	:	135,9	127,9	129,0	:	:	
	1. industrial confidence indicator		:	-41	+20	-40	-10	-12	-10	-13	-10	-11	-12	-16	-7	+1	
	2. construction confidence indicator		:	:	:	:	-45	-21	-35	-30	-28	-38	-26	-27	-45	-13	
	3. consumer confidence indicator ⁴		:	-41,0	12,0	-44,0	-33	-34	-29	-31	(-29)	-31	(-31)	(-31)	-27	(-27)	
	4. share-price index ^{4,5}		85,8	29,9	112,2	79,4	139,7	131,7	134,3	146,0	140,0	144,0	146,0	148,0	150,0	152,0	
	= 5. economic sentiment indicator		109,1	96,7	103,6	98,1	100,0	99,9	99,8	99,7	99,9	99,8	99,7	99,7	100,0	100,3	
I	<i>gross domestic product</i>	1980=100	80,4	77,2	101,2	98,2	101,8	102,0	102,7	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		87,9	72,6	104,7	89,1	95,2	94,9	96,6	:	:	99,5	95,2	96,4	97,9	:	
	1. industrial confidence indicator		+31	-59	+13	-41	-11	-7	-3	-11	-8	-13	-12	-8	-9	(-11)	
	2. construction confidence indicator		-8	-56	-5	-51	-28	-20	-31	-30	-34	-27	-34	-30	-30	(-30)	
	3. consumer confidence indicator ⁴		:	-39,0	-12,1	-29,6	-15	-12	-12	-13	-16	-12	-14	-12	-11	-11	
	4. share-price index ^{4,5}		169,6	68,5	185,0	116,9	171,5	174,5	216,1	147,5	224,6	224,0	248,0	270,6	289,8	298,4	
	= 5. economic sentiment indicator		103,8	97,4	101,6	97,6	100,4	100,9	101,5	101,5	101,0	101,4	101,3	101,9	102,2	:	
NL	<i>gross domestic product</i>	1980=100	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		94,8	87,1	117,5	90,7	101,0	100,7	106,7	:	:	107,0	100,0	101,0	:	:	
	1. industrial confidence indicator		+12	-44	+4	-31	-4	-4	0	-2	+1	-3	-3	0	-1	-2	
	2. construction confidence indicator		+3	-47	+3	-46	-23	-22	-21	-21	-19	-18	-23	(-23)	:	:	
	3. consumer confidence indicator ⁴		6,0	-15,0	5,0	-37,0	-22	-21	-11	-12	(-11)	-12	(-12)	(-12)	-4	:	
	4. share-price index ^{4,5}		:	86,3	122,8	92,8	196,8	211,9	236,5	248,6	244,3	245,2	249,5	251,0	259,2	257,6	
	= 5. economic sentiment indicator		107,8	100,7	105,3	97,1	102,7	103,4	105,2	105,3	105,5	105,3	105,1	105,3	106,2	:	
UK	<i>gross domestic product</i>	1980=100	94,6	91,0	102,5	97,7	105,3	107,0	107,6	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		92,7	89,6	110,0	93,8	102,9	103,4	105,5	107,8	106,5	107,6	108,2	107,6	:	:	
	1. industrial confidence indicator		:	:	+9	-60	0	0	-3	+1	-3	+2	-1	+3	0	-1	
	2. construction confidence indicator		:	:	+7	-60	-27	-23	-29	-28	(-29)	-28	(-28)	(-28)	-24	(-24)	
	3. consumer confidence indicator ⁴		:	-32,5	14,4	-25,5	-5	-7	-12	-11	-13	-11	-11	-11	-10	-12	
	4. share-price index ^{4,5}		78,5	23,3	111,6	104,4	196,3	211,9	235,0	239,6	237,3	237,6	243,5	237,6	227,9	238,1	
	= 5. economic sentiment indicator		103,8	97,7	104,9	98,8	102,5	102,5	101,7	102,2	102,0	102,2	102,2	102,2	102,1	102,1	
EUR	<i>gross domestic product</i> ^{2,3}	1980=100	85,1	85,5	101,1	101,0	103,6	104,5	104,5	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		92,9	83,0	103,2	94,6	99,8	101,0	101,4	102,4	102,3	101,5	102,5	103,1	:	:	
	1. industrial confidence indicator		+16	-49	+3	-36	-10	-8	-9	-9	-9	-10	-10	-7	-7	(-8)	
	2. construction confidence indicator		:	:	-1	-48	-43	-41	-46	-40	(-47)	-41	(-41)	(-39)	-35	:	
	3. consumer confidence indicator ^{1,4}		4,6	-16,7	0,8	-22,0	-14	-14	-14	-13	-14	-14	-13	-13	(-12)	(-12)	
	4. share-price index ^{4,5}		:	47,0	100,8	115,1	188,6	197,2	217,6	230,2	222,2	225,0	230,7	234,9	233,7	238,2	
	= 5. economic sentiment indicator		107,5	96,6	104,1	97,4	100,2	100,4	100,3	100,6	100,2	100,4	100,6	100,9	101,1	:	

¹ 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.

² Weighted total of quarterly figures for the Federal Republic of Germany, France, Italy and the UK.

³ For the Federal Republic of Germany, gross national product for quarterly data.

⁴ Not seasonally adjusted.

⁵ Revised by Eurostat.

() = estimated.

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

	Range (b)		Range (b)		1984	1984		1985		1985					
	Peak 1972/73	Trough 1974/75	Peak 1979/80	Through 1981/82		III	IV	I	II	March	April	May	June	July	Aug.
B															
production expectations	+31	-56	-4	-37	-3	-2	-1	-4	-10	-8	-11	-13	-5	-6	-8
order-books	+13	-74	-14	-49	-23	-21	-24	-25	-26	-29	-24	-27	-28	-26	-27
export order-books	+15	-82	-19	-55	-25	-23	-24	-27	-27	-27	-27	-25	-28	-27	-28
stocks of finished products	-14	+37	+2	+18	+10	+7	+8	+10	+14	+14	+13	+13	+15	+10	+11
selling-price expectations	+64	-10	+39	+12	+27	+28	+25	+24	+20	+21	+21	+22	+18	+21	+19
industrial confidence indicator	+19	-56	-4	-35	-12	-10	-11	-13	-17	-17	-16	-18	-16	-14	-15
DK															
production expectations	:	:	:	+8	+27	+29	+26	+19	+19	:	:	:	:	:	:
order-books	:	:	:	-34	+31	+31	+35	+26	+23	:	:	:	:	:	:
export order-books	:	:	:	+14	+26	+29	+30	+27	+22	:	:	:	:	:	:
stocks of finished products	:	:	:	+24	0	-1	-10	-7	0	:	:	:	:	:	:
industrial confidence indicator	:	:	:	-22	+19	+20	+24	+17	+14	:	:	:	:	:	:
D															
production expectations	+17	-32	+10	-30	+5	+8	+5	+2	+3	+1	0	+3	+5	+2	+1
order-books	+5	-73	-6	-59	-21	-20	-16	-17	-17	-17	-18	-17	-15	-13	-12
export order-books	:	:	-14	-50	-23	-20	-13	-12	-10	-9	-9	-13	-7	-10	-6
stocks of finished products	-7	+43	-2	+31	+8	+7	+6	+7	+9	+7	+9	+9	+8	+10	+8
selling-price expectations	+55	+4	+38	+4	+24	+25	+22	+18	+20	+20	+23	+18	+18	+16	+13
industrial confidence indicator	+10	-49	+2	-40	-8	-6	-6	-7	-8	-8	-9	-8	-6	-7	-6
GR															
production expectations	:	:	:	:	+24	+26	+23	+23	+21	+16	+21	+16	+26	+26	:
order-books	:	:	:	:	-28	-28	-21	-31	-23	-34	-29	-24	-16	-17	:
export order-books	:	:	:	:	-27	-27	-25	-41	-32	-40	-30	-32	-34	-25	:
stocks of finished products	:	:	:	:	+18	+17	+15	+9	+15	+11	+18	+15	+13	+9	:
selling-price expectations	:	:	:	:	+33	+27	+41	+26	+29	+21	+31	+28	+28	+27	:
industrial confidence indicator	:	:	:	:	-7	-6	-4	-6	-6	-10	-9	-8	-1	0	:
F															
production expectations	+33	-29	+18	-20	-10	-5	-7	-7	-4	-8	-6	-6	-1	-1	:
order-books	+26	-69	0	-56	-35	-33	-33	-36	-33	-34	-35	-34	-30	-28	:
export order-books	+24	-66	+10	-52	-19	-16	-22	-22	-19	-24	-25	-15	-18	-20	:
stocks of finished products	-14	+50	+3	+42	+20	+19	+20	+21	+21	+22	+20	+24	+18	+17	:
selling-price expectations	+76	+15	+62	+17	+42	+42	+33	+38	+32	+41	+39	+29	+27	+30	:
industrial confidence indicator	+29	-49	+5	-39	-22	-19	-20	-21	-19	-21	-20	-21	-16	-15	:
IRL															
production expectations	:	-21	+40	-33	+2	+4	0	-1	+5	+4	+6	+4	+4	+8	+10
order-books	:	-68	+18	-55	-29	-33	-27	-20	-30	-34	-30	-31	-29	-21	-8
stocks of finished products	:	+35	-6	+33	+6	+5	+9	+8	+13	+4	+9	+8	+22	+8	-1
selling-price expectations	:	+64	+77	+20	+32	+26	+30	+22	+19	+25	+33	+18	+7	+20	+5
industrial confidence indicator	:	-41	+20	-40	-10	-11	-12	-10	-13	-10	-11	-12	-16	-7	+1
I															
production expectations	+40	-43	+24	-26	+9	+11	+12	+8	+5	+8	+2	+5	+8	+7	(+4)
order-books	+30	-82	+7	-66	-26	-24	-18	-20	-22	-19	-24	-21	-20	-20	(-24)
export order-books	+13	-67	-6	-59	-28	-24	-27	-30	-31	-27	-30	-31	-33	-30	(-30)
stocks of finished products	-24	+53	-8	+32	+16	+13	+16	+17	+17	+14	+18	+20	+13	+14	(+14)
selling-price expectations	+76	+10	+87	+37	+47	+46	+40	+41	+43	+40	+39	+46	+45	+32	(+37)
industrial confidence indicator	+31	-59	+13	-41	-11	-9	-7	-3	-11	-8	-13	-12	-8	-9	(-11)
L															
production expectations	+84	-80	+40	-66	-7	-1	+7	-2	0	-3	+7	-2	-5	0	+4
order-books	:	:	+8	-70	+10	+13	+13	+3	-1	0	-2	-3	+2	0	+9
export order-books	:	:	+9	-80	+11	+12	+14	+1	-2	-3	-2	0	-3	-1	+12
stocks of finished products	-14	+74	0	+58	+4	+2	-1	-4	+10	0	+14	+9	+8	+8	-3
selling-price expectations	:	-46	+74	-38	+23	+30	+23	0	+26	+1	+42	+15	+22	+22	+28
industrial confidence indicator	:	:	+16	-65	+1	+3	+7	+2	-4	-1	-3	-5	-4	-3	+5
NL															
production expectations	+26	-26	+20	-13	+7	+7	+6	+7	+2	+8	-1	+2	+6	+4	+2
order-books	+7	-48	-5	-42	-11	-7	-7	-2	-5	-2	-3	-6	-5	-5	-3
stocks of finished products	-3	+57	+3	+39	+9	+9	+10	+4	+4	+3	+5	+6	+1	+3	+4
industrial confidence indicator	+12	-44	+4	-31	-4	-3	-4	0	-2	+1	-3	-3	0	-1	-2
UK															
production expectations	:	:	+29	-52	+21	+19	+19	+18	+21	+19	+21	+18	+23	+17	+20
order-books	:	:	-2	-85	-10	-9	-8	-12	-5	-12	-6	-5	-3	-3	-7
export order-books	:	:	-11	-72	-13	-10	-6	-6	-1	-5	+1	+2	-5	+2	-5
stocks of finished products	:	:	-1	+42	+10	+8	+11	+14	+12	+15	+10	+15	+12	+14	+15
selling-price expectations	:	:	+70	+7	+32	+30	+35	+31	+26	+30	+26	+25	+26	+24	+18
industrial confidence indicator	:	:	+9	-60	0	+1	0	-3	+1	-3	+2	-1	+3	0	-1
EUR															
production expectations	+24	-30	+15	-20	+5	+7	+7	+5	+5	+4	+3	+4	+8	+6	(+5)
order-books	+15	-70	-7	-56	-22	-21	-19	-20	-18	-19	-20	-18	-17	-15	(+17)
export order-books	:	:	-12	-50	-21	-19	-16	-16	-14	-15	-15	-14	-14	-13	(-14)
stocks of finished products	-10	+48	-1	+31	+12	+11	+12	+13	+13	+13	+13	+15	+11	+13	(+12)
selling-price expectations	+64	+9	+53	+22	+33	+32	+29	+29	+28	+30	+31	+27	+27	+19	(+23)
industrial confidence indicator	+16	-49	+3	-36	-10	-8	-8	-9	-9	-9	-10	-10	-7	-7	(-8)

(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.

Consumer survey results

Slight improvement in the consumer climate in July. — The consumer climate in the *Community* as a whole showed an improvement in July, a major factor being a revival in consumer confidence in Germany, the United Kingdom and, particularly, in the Netherlands. In Italy, the positive trend already suggested by the consumer indicator for some months continued. The main developments in the consumer climate in the different Member States are the following ¹⁾.

Consumer confidence in *Germany* picked up in July. This was mainly as a result of the noticeably more optimistic assessment of the general economic situation in the preceding twelve months. The data in August point to a further slight improvement in consumer confidence, this being reflected particularly in a greater propensity to make major purchases. Consumers in the *United Kingdom* viewed the general economic situation more favourably in July than in previous months and their perception of the financial situation of households was also more positive. However, the propensity to make major purchases declined slightly. Even so, on balance, the confidence indicator registered a small rise. Expectations regarding price movements were decidedly more optimistic than in previous months. Positive assessments concerning labour-market developments also prevailed.

The confidence of *Italian* consumers picked up slightly in July as a result of more positive assessments of both general economic developments and the financial situation of households. There was a more marked reluctance to save both at present and in the future.

In the *Netherlands*, the improvement in the consumer climate discernible since the beginning of 1985 gathered such momentum in July that the rise in the confidence indicator was the highest recorded in the *Community*. Compared with the May survey, not only were consumer perceptions of general economic developments much more positive but, taking into account the assessments of price movements, the real income position of households was also viewed a good deal more favourably. In addition, the propensity to make major purchases was considerably higher. However, consumers' positive expectations on labour market developments did not correspond with governmental forecasts.

Notably as a result of a greater propensity to make major purchases — which phenomenon is reflected in recent surveys in the retail trade — the consumer confidence indicator in *Belgium* was slightly higher in July than before.

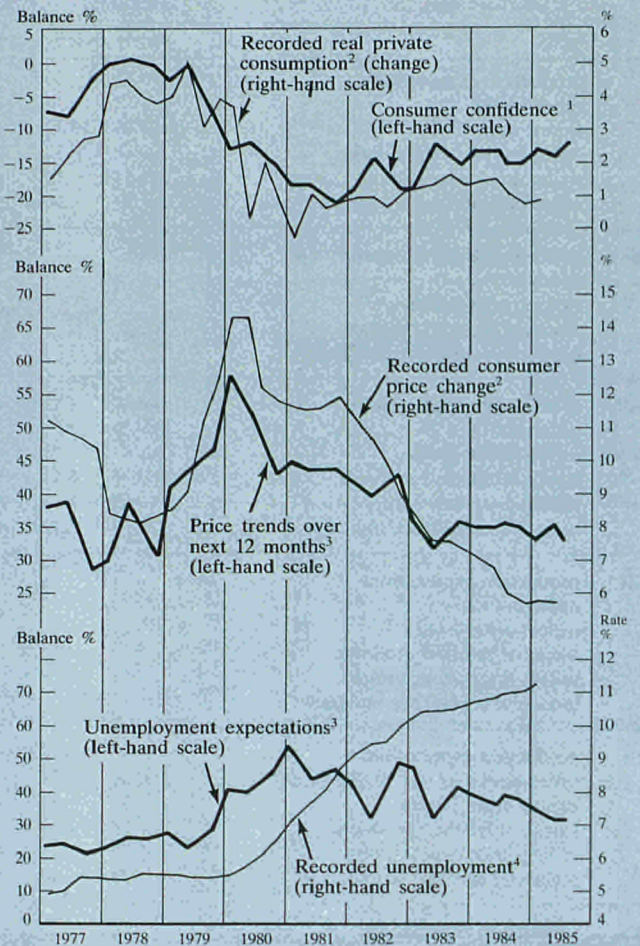
In *Denmark*, consumer confidence appears to have recovered in some degree from its marked decline in the second quarter. Consumers' positive assessments relate not only to general economic developments and employment but also to the financial situation of households. The propensity to make major purchases also became more pronounced.

Consumers in *Ireland* took a distinctly more positive view of the financial position of households and of general economic developments than they had done in the second quarter.

However, their considerable reluctance to make major purchases stunted the increase in the consumer confidence indicator. The most recent price movements were viewed favourably by consumers.

European consumers assess their own financial situation less favourably than trend of real disposable income would suggest. — In spite of the recent improvement according to the July/August survey, European consumers continue to take a more unfavourable view of the development of their financial situation than might be expected on the basis of the change in total real disposable income (as shown in the national accounts). There has until now been little change since 1981 in the discrepancy between the income series and the assessment of the financial situation by European households (see Graph 8). This can be mainly due to two reasons. The high inflation rates in the period 1981-82 undermined purchasing power, particularly amongst the broad mass of

GRAPH 7: Survey results and objective economic indicators — European Community total

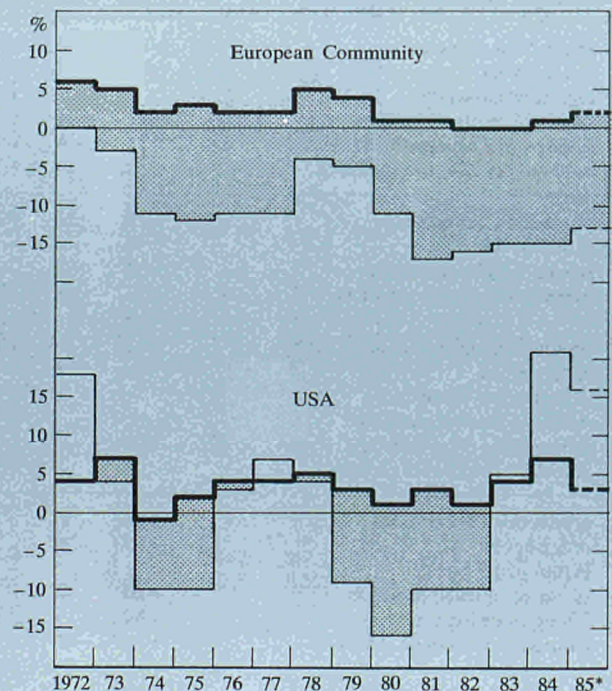


For notes, Table 10.

Sources: European Community consumer survey and Eurostat.

GRAPH 8: Income of private households in the Community and in the USA

— change of real disposable income (in %)
 — assessment of financial situation compared to 12 months ago (balances %)



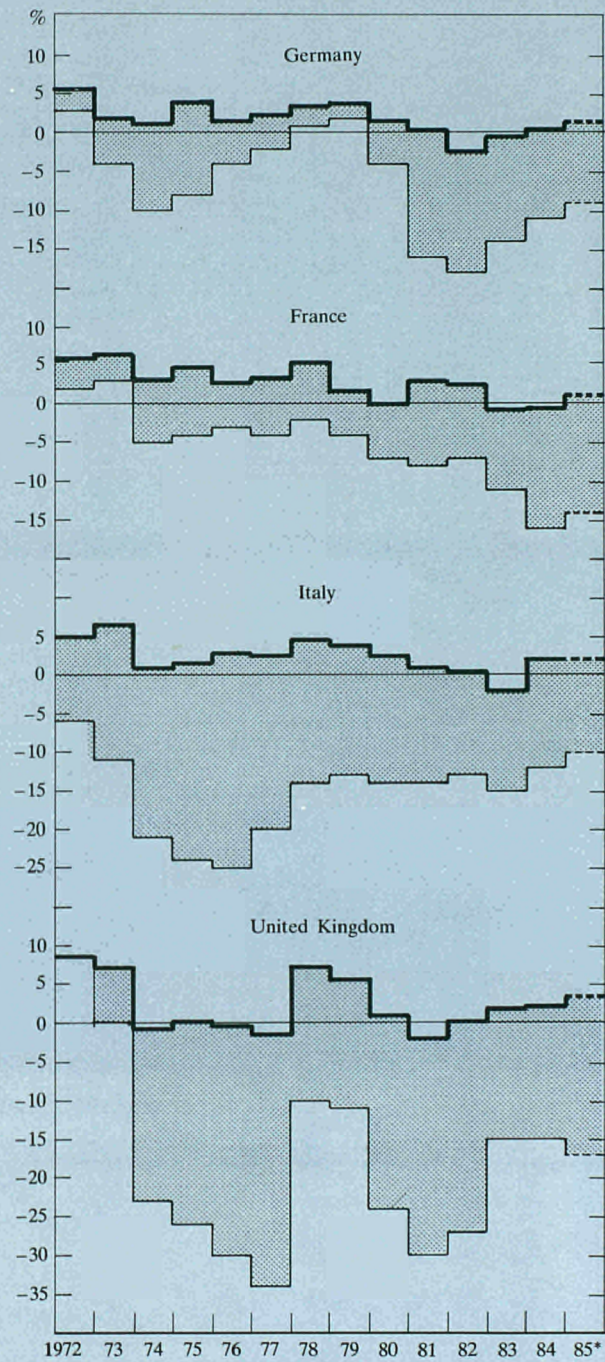
* 1985: preliminary

Sources: EUROSTAT, EC Business and Consumer Surveys; Survey Research Center at the University of Michigan, USA.

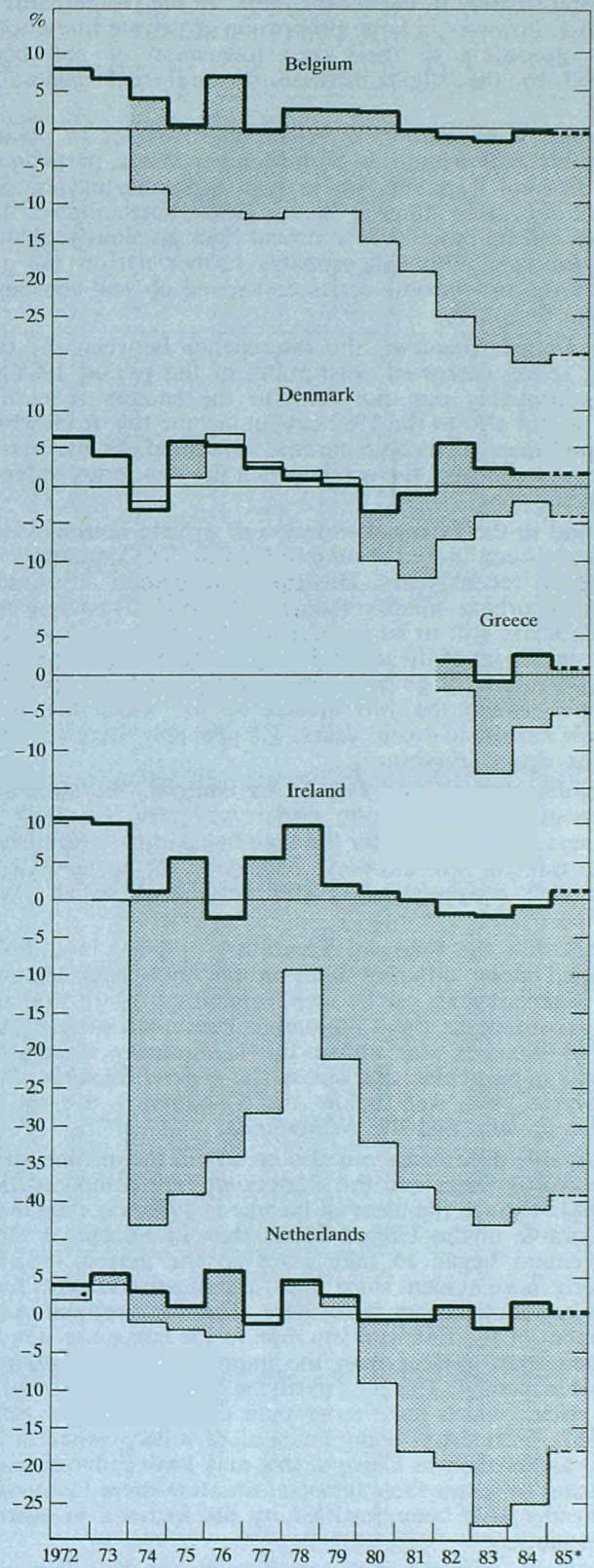
¹⁾ With the exception of France and Greece where no survey data are available for July 1985.

GRAPH 9 : Income of private households in the Member States of the Community

— change of real disposable income (in %)
 — assessment of financial situation compared to 12 months ago according consumer surveys (balances %)



* 1985 : preliminary



* 1985 : preliminary

lower and middle income earners. This was all the more the case as in most Member States, in contrast to the period after the first oil shock, no attempt was made to introduce government demand-support programmes to cushion the loss in purchasing power caused by the oil-producing countries. In addition, the distribution of income has since 1983 shifted in almost all cases in favour of corporate profits, with the wage share falling. This adjustment was necessary in order to reverse the trend of business investment, which had been sharply in decline at the beginning of the 1980s. These two influences had a restraining effect on private consumption. However, the macroeconomic adjustment process of reducing inflation and increasing investment, though painful for many consumers, ultimately benefits them too and will later

create the opportunity for a lasting expansion in consumption.

This conversion process in the Community has so far been most successful in *Denmark*, where, in the period 1984-85, few private households stated in the consumer surveys that their financial situation had deteriorated. In addition to record growth rates for investment in industry (around 40 % in real terms in 1984 and 1985; see Supplement B, No. 7, July 1985), therefore, real private consumption also increased significantly in Denmark in 1984 (2.8 % as compared with 1.0 % in the Community as a whole).

In the *Federal Republic* and the *Netherlands*, the gap between the trend of total real disposable income and the personal

assessment by the private households has at least been narrowing steadily in the recent years. In the Netherlands in particular, however, a large proportion of private households has — according to their own judgement — still been bypassed by the slight increase in total real disposable income.

Next year, there will be a broad improvement in private households' real incomes in both Member States, particularly in the Federal Republic, where real disposable income will increase by more than 3 % in 1986. Furthermore, the increase will be more evenly spread than previously, thanks to the tax cuts. This will probably further narrow the gap between the two income series and speed up real consumption (see Graph 9).

In the *United Kingdom*, the discrepancy between the two income series narrowed perceptibly in the period 1982-83. This is probably due not only to the success in cutting inflation, but also to the 1982 cuts in income tax, from which the broad mass of income earners benefitted. In the period 1984-85, by contrast, the gap between the two series widened again somewhat.

The trend in the financial situation of private households in *Greece* has been more favourable than in the Community on average, in recent years. However, the painful adjustment process of curbing inflation (some 18 % in 1985) and government debt has still to be embarked upon here. In *Italy* too, only a small part of the difficult road to economic rehabilitation, particularly of government finance, has been covered; the gap between the two income series, which has been relatively narrow in recent years, will probably therefore tend to widen again temporarily.

In *Belgium, Ireland and France*, by contrast, the structural adjustment process is fully under way; for the bulk of consumers, this does not for the time being mean a significant improvement in real incomes. The scope for an increase in real private consumption is still very small in all three countries.

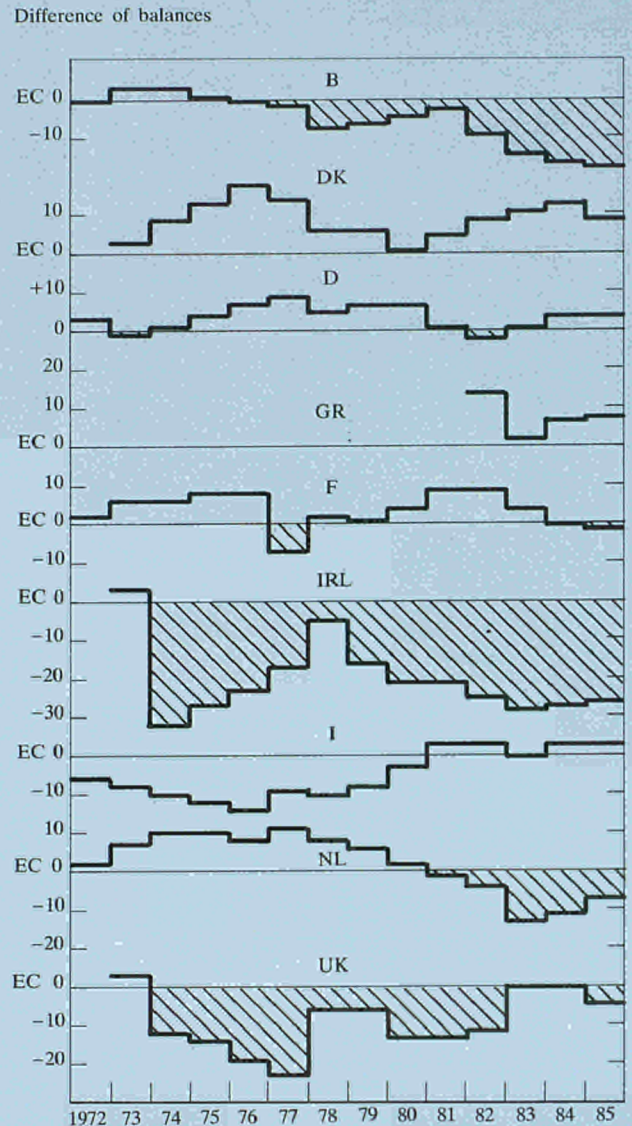
The fact that the financial situation of private households developed along different lines in the individual Member States in recent years can be seen from Graph 10. In 1984 and 1985, according to the Community consumer surveys, the trend of incomes was above the Community average in *Denmark* in particular, and also in the *Federal Republic, Italy and Greece*, but well below the Community average in *Belgium, Ireland and the Netherlands*.

Considerable differences can also be seen if the income series in the *United States* and the *Community* are compared (see Graph 8). Though the trend of income in 1980 was even more unfavourable in the United States than in Europe, a clear improvement began to take place in the period 1981-82, becoming more evident since 1983. The massive tax cuts have been a key contributory factor here. The improvement in the assessment of the financial situation in the consumer surveys has been even greater than the improvement in total real disposable income. This may partly be due to the sharp rise in share prices, which have more than doubled in value since mid-1982. With shares being much more widely owned in the United States than in Europe, this may have induced many Americans to assess their financial situation more favourably than would have been justified by the increase in current income alone.

Real income growth has therefore in recent years not only been distinctly higher in the United States than in Europe, but it has also affected a substantially higher percentage of the population. This, together with the generally greater economic optimism in the United States, explains why the upturn in consumption has so far been substantially stronger in the United States than in Europe. Next year, mainly thanks to the trends in the Federal Republic, the United Kingdom, Denmark and the Netherlands, real private consumption will increase significantly in the Community. For the first time since 1981, the growth of real consumption will be in step once again with the growth of the economy as a whole. In the United States, by contrast, the increase in private consumption will have to be restrained somewhat in the years ahead; this would seem to be inevitable if public finance and the balance of trade are to be restored.

GRAPH 10 : Assessment of financial situation compared to 12 months ago

— Deviations of national survey results (balances) from the respective EC average result



* 1985 : preliminary
Source : EC Consumer Surveys

TABLE: 10 (continued): Consumer opinion on economic and financial conditions¹

		1979	1980	1981	1982	1983	1984	1983			1984				1985			
								Jan.	May	Oct.	J./F.	M./J.	J./A.	O./N.	J./F.	M./J.	July	Aug.
MAJOR PURCHASES	B	38	23	15	13	6	6	5	11	3	5	7	:	6	0	2	8	:
	DK	42	21	10	16	7	14	3	8	10	16	13	11	16	15	10	14	:
	D	25	18	-1	-17	-8	-9	-10	-5	-8	-5	-10	-10	-9	-7	-10	-10	-6
	GR	:	:	:	-35	-35	-24	-36	-37	-34	-30	-23	:	-18	-19	-23	:	:
	F	35	39	28	30	19	6	23	19	14	12	7	:	0	-7	-4	:	:
	IRL	46	30	24	13	-6	-9	1	-13	-6	-7	-11	-11	-7	4	5	-8	:
	I	-3	2	4	1	-13	-15	-15	-13	-13	-15	-18	-14	-13	-16	-17	-16	:
	NL	13	-2	-17	-21	-18	-44	-18	-17	-19	-44	-47	-38	-48	-36	-37	-21	:
	UK	43	28	26	25	32	31	33	27	37	37	32	27	28	25	22	26	25
	EUR	27	22	12	6	5	0	5	5	4	3	0	-1	-2	-4	-4	-2	:
— at present	B	-29	-26	-28	-28	-30	-28	-29	-28	-34	-32	-27	:	-25	-31	-30	-27	:
	DK	-8	-14	-12	-10	-8	-7	-13	-6	-6	-8	-7	-5	-8	-9	-8	-7	:
	D	-15	-19	-25	-28	-29	-28	-33	-27	-27	-26	-27	-29	-28	-26	-28	-26	-25
	GR	:	:	:	-24	-33	-38	-36	-25	-39	-42	-37	:	-35	-31	-31	:	:
	F	-16	-18	-13	-9	-10	-10	-10	-11	-10	-9	-11	:	-9	-10	-9	:	:
	IRL	-17	-19	-22	-27	-31	-25	-32	-35	-25	-25	-32	-27	-16	-26	-23	-24	:
	I	-10	-17	-18	-22	-22	-21	-22	-22	-22	-22	-21	-21	-21	-22	-21	-20	:
	NL	-19	-23	-27	-27	-29	-27	-28	-29	-32	-29	-28	-28	-23	-22	-23	-18	:
	UK	-6	-14	-19	-18	-15	-12	-19	-13	-13	-13	-11	-12	-12	-14	-14	-14	-12
	EUR	-12	-17	-20	-20	-21	-19	-22	-20	-20	-19	-19	-20	-19	-19	-19	-18	:
— over next 12 months	B	40	38	41	40	46	46	49	51	38	45	47	:	45	51	49	51	:
	DK	11	15	23	26	40	41	36	43	43	44	43	38	40	52	45	49	:
	D	46	43	32	27	33	38	27	35	36	35	38	38	40	41	42	39	44
	GR	:	:	:	-25	-29	-20	-36	-30	-21	-24	-19	:	-18	-15	-15	:	:
	F	8	-3	-2	-5	0	6	-1	-2	4	-8	8	:	1	10	9	:	:
	IRL	8	5	3	9	3	8	9	-12	-5	-7	-10	-7	-6	3	-4	-7	:
	I	4	-6	-7	10	21	33	19	23	21	28	33	35	36	38	35	36	:
	NL	19	19	27	38	35	34	37	32	35	35	30	34	38	41	39	40	:
	UK	-5	6	5	5	10	17	4	11	16	15	17	15	19	18	15	24	21
	EUR	21	15	12	12	19	24	16	19	21	23	25	24	25	28	27	28	:
— at present	B	-14	-20	-21	-25	-26	-27	-23	-26	-31	-26	-28	:	-28	-33	-33	-33	:
	DK	-12	-20	-19	-18	-12	-11	-12	-9	-14	-10	-12	-12	-11	-5	-10	-8	:
	D	46	44	23	-2	1	3	-2	3	3	3	3	3	2	3	2	-1	7
	GR	:	:	:	-37	-41	-39	-45	-42	-38	-40	-36	:	-40	-40	-33	:	:
	F	-29	-32	-32	-32	-35	-37	-30	-37	-38	-35	-36	:	-41	-37	-37	:	:
	IRL	-11	-13	-19	-22	-25	-37	-18	-31	-26	-27	-28	-28	-30	-31	-25	-25	:
	I	-34	-32	-30	-22	-27	-28	-27	-26	-27	-22	-22	-18	-18	-18	-18	-14	:
	NL	8	0	-1	-3	-8	-2	-6	-8	-9	-3	-8	-1	3	3	6	8	:
	UK	-4	-16	-20	-17	-13	-13	-16	-11	-12	-15	-13	-13	-10	-12	-16	-13	-16
	EUR	2	-4	-11	-17	-17	-16	-17	-16	-17	-16	-16	-16	-16	-15	-16	-15	:
— over next 12 months	B	12	9	7	6	5	6	5	5	5	6	5	:	6	4	4	5	:
	DK	9	4	4	4	8	8	7	12	6	9	9	7	8	10	10	11	:
	D	22	21	16	12	11	11	10	14	11	11	11	9	12	12	12	11	13
	GR	:	:	:	0	0	2	-2	0	1	1	3	:	3	2	4	:	:
	F	10	8	8	8	6	4	8	5	5	5	4	:	3	3	4	:	:
	IRL	8	2	-4	-1	-1	-1	-3	1	-1	-1	-1	1	-3	0	0	0	:
	I	8	8	8	13	9	11	10	9	10	10	11	11	12	11	11	13	:
	NL	22	19	18	17	15	13	16	16	13	15	11	12	14	14	16	16	:
	UK	10	8	9	9	12	12	10	12	12	11	12	12	12	10	10	11	10
	EUR	15	12	11	10	9	9	9	10	9	9	9	8	9	9	9	9	:

¹ The sums of the replies for each Member State are weighted in the Community total with the value of consumers' expenditure.

² 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.

Source: European Community consumer survey.

Notes on graphs

¹ The climate of consumer confidence is measured by an indicator based on five questions in the consumer survey. These are the questions relating to the general economic situation, the household financial situation and to major purchases of durable goods (see table 10 for data and notes).

² Quarterly data - percentage change on corresponding quarter of preceding year.

³ See table 10 for data and notes.

⁴ Quarterly data - seasonally adjusted (Community without Greece).

Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
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