

EUROPEAN ECONOMY

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

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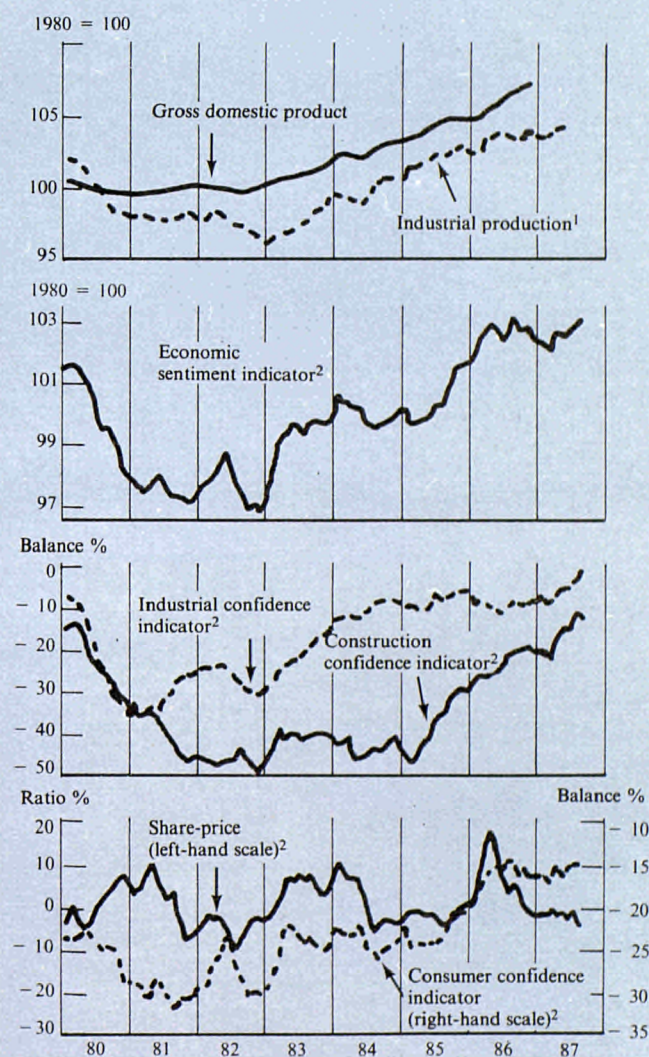
*In this number:
Capacity utilization
in industry*

Business and consumer survey results

THE MAIN POINTS IN BRIEF

- The spell of weakness in the economic situation which has been evident since the autumn of 1986 seems to be over. Expectations in industry and construction have improved. Assessments of future orders, in particular orders from abroad, are slightly less pessimistic.
- For the European Community, the economic sentiment indicator is slightly higher than its autumn 1986 level. This improvement is chiefly due to the results from Italy and the United Kingdom, whereas the economic sentiment indicator remained weak for Germany and France. In the United States and Japan, the leading indicators have shown no acceleration in the pace of activity. These facts, taken together, give no indication of a buoyant upturn.
- The level of capacity utilization in industry in the Community has risen by 0.5 %. However, the present level (83.2 %) is 0.7 % down on the peak recorded during the 1979/80 upturn. Production prospects have improved and surplus stocks have fallen. Employment expectations in industry give evidence of slightly less pessimism (-17 compared with -22 in October 1986).
- Industrialists and consumers expect prices to rise but less so than in the past.
- The consumer confidence indicator for the Community as a whole stayed at the level which has virtually prevailed since April.
- The readiness of European households to purchase consumer durables is continuing to increase slightly.
- Expectations for unemployment over the next few months were less favourable in August than in June.

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

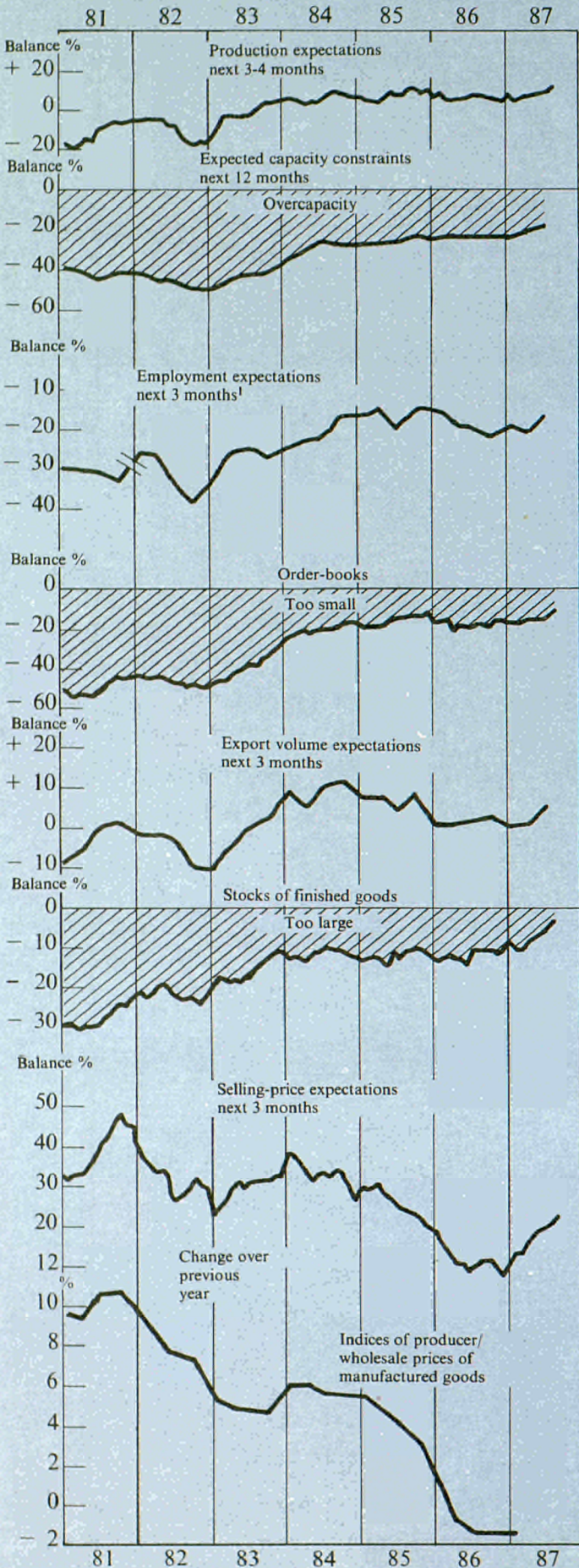


¹ Three-month moving average.

² See notes to Table 8.

³ Deviations from trend in %.

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



¹ Quarterly data since 1982; before twice-yearly.

Higher capacity utilization. — For the Community as a whole, the degree of *capacity utilization* in manufacturing industry went on rising to reach 83.2 % in July compared with 82.9 % in January and 82.7 % in April. However, the July figure is still below the peaks recorded in 1973 (86.4 %) and in 1979 (83.9 %) (see Table 1). At the same time, net reports of *surplus production capacity* have fallen by 4 points since January 1987 (see Table 3).

An examination of replies by sector shows that this change is due to consumer goods and intermediate goods. By contrast, there has been an increase in unutilized production capacity in the investment goods sector (for more detail see Table 2).

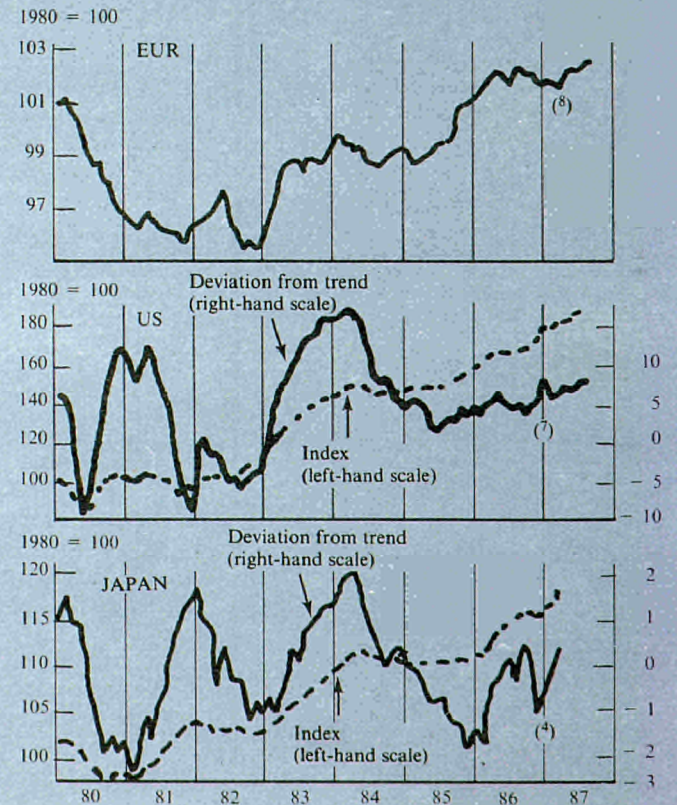
Taking the member countries separately, the balance of Italian firms which consider that they have surplus production capacity again fell by 1 point, while it stabilized in the United Kingdom. For these two countries, the balance of answers reporting capacity which is more than adequate for planned production is the lowest since the recovery started. At the same time, the level of capacity utilization has continued to rise in both countries.

In France and the Federal Republic of Germany, the level of capacity utilization rose by 0.3 % and 0.8 % respectively. In France, the level of capacity utilization is therefore roughly back last year's average and an upturn has been observed in the Federal Republic of Germany after a decline over three quarters. At the same time, the balance of assessments relating to expectations of capacity utilization fell by 4 and 1 point respectively.

Improved expectations for industrial production. — In August production expectations were 4 points up on the two preceding months and 2 points up on the highest level reached since the recovery started in the winter of 1982/83. August's rise is chiefly due to the British result (+42)*, 12 points higher than the July figure and the highest value recorded since the survey began in January 1976. In the Federal Republic of Germany production

* All the following figures in the text represent net balances of positive and negative replies.

GRAPH 3: Leading indicators for the European Community, the USA and Japan



Sources: Commission of the European Communities. US Department. Economic Planning Agency of the Japanese Government. Arabic number indicates latest month for which data are available ('8' August).

expectations are back to their January level, while remaining 3 points below their average for 1986. In Italy, production expectations again rose in August. Their level is 2 points higher than last year's average but 6 points down on the highest value recorded since the start of the upturn. By contrast, in France, the July result was 1 point lower than in June, bringing it to its average level for 1986.

Recovery of orders. — Judgements of total European *order-books* improved by a net 5 points in August compared with June and are thus back to their December 1985 level, which is nevertheless low. Like the improvement in production expectations, the rise is chiefly attributable to the United Kingdom (12 points up since June and 31 points up on last year's average). For the other member countries, the changes compared with June were usually limited. The largest rises occurred in the Netherlands (+3) and Italy (+2) while the variable fell by 14 points in Ireland.

The Community's industrialists report an increase in *orders received in recent months* (+4; see Table 4).

A comparison of the above two questions shows that in the United Kingdom, the particularly optimistic assessments of the trend of orders (+28 compared with +18 in April) are in line with the judgments relating to the level of order-books (see Table 9). In France, assessments of both the trend of recent orders and the level of order-books as a whole were less negative in July than in April. However, German industrialists assessed

future changes (+2 in July compared with -3 in April for the trend of orders) more positively than the present situation (assessments of order-books remained unchanged at -27 between April and July). The converse can be observed in Italy: opinions on order-books remained the same between April and July but the balance relating to recent orders declined by 3 points to (+19); this is nevertheless still a positive result, unlike that for order-books (-10 in July and -8 in August).

The improvement in the trend of orders noted for the Community is largely due to the changes recorded in the Benelux countries (from April to July, Belgium +15, Netherlands +5, Luxembourg +22). However, this information is not confirmed by the estimate of the *number of months production's assured by orders on hand* (-0.3 in Belgium and -0.1 in the Netherlands between the second and the third quarter; see Table 7). Conversely, in Italy, where the length of time needed for working off orders on hand has increased, opinions relating to the trend of orders have become less optimistic.

During the first half year, European industrialists had been less pessimistic than last year with regard to the level of their order-books as a whole, but had revised downwards their assessment of *foreign orders*. This feature now seems to have been reversed. The balance of replies on foreign orders moved from -25 in June to -20 in July and -21 in August (average for 1986: -23). The rise is especially marked in France (-20 in July compared with -26 in June) and in the Federal Republic of

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

	Range (b)		Range (b)		1985	1986	1985			1986			1987		
	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	78.8	79.4	78.3	80.4	80.9	79.4	78.7	78.7	78.7	78.2	78.6
D	88.1	74.8	86.0	75.3	83.7	84.7	84.9	84.9	85.2	83.5	85.4	84.8	84.2	83.8	84.6
GR	:	:	:	74.4	75.5	77.0	76.2	76.4	77.1	76.3	77.3	77.3	79.0	76.8	78.2
F	87.8	76.6	85.3	81.1	82.8	83.3	83.0	83.3	83.3	83.5	83.2	83.0	83.0	83.2	83.5
IRL	:	:	68.1	56.8	67.3	73.0	72.7	68.8	74.8	76.2	73.0	69.1	71.7	80.8	71.8
I	78.8	68.0	77.3	69.1	74.0	75.2	74.3	73.5	74.2	75.5	75.9	75.1	76.7	77.2	78.2
L	:	:	83.0	66.5	80.9	84.2	82.6	79.5	87.8	83.3	83.6	82.2	78.1	78.9	79.6
NL	86.0	76.0	83.0	75.8	83.8	83.4	84.0	83.6	83.6	83.0	83.7	83.3	83.6	83.0	82.8
UK ^(d)	90.6	75.5	87.6	73.0	85.8	85.1	87.4	86.6	85.4	84.3	84.8	85.7	87.8	87.0	87.1
EUR ^(c)	86.4	75.0	83.9	76.4	81.6	82.2	82.4	82.0	82.4	81.8	82.5	82.1	82.9	82.7	83.2

TABLE 2: Degree of capacity utilization and expected capacity constraints by industrial branches—European Community (s.a.)

Industries	Degree of capacity utilization in %						Expected capacity constraints: balances excess capacity (+), capacity too small (-)							
	1985		1986		1987		1985		1986		1987			
	J	O	J	O	J	A	J	J	O	J	A	J		
Industry as a whole	81.6	82.2	82.5	82.1	82.9	82.7	83.2	+26	+24	+25	+24	+24	+23	+21
Consumer goods	81.7	82.9	84.0	83.2	84.0	83.8	85.3	+31	+27	+29	+22	+23	+21	+18
Investment goods	82.2	82.5	83.0	81.5	82.5	81.5	80.9	+22	+23	+23	+25	+26	+31	+33
Intermediate goods	80.9	81.7	81.3	81.9	82.2	82.9	83.4	+27	+26	+26	+27	+27	+23	+18
Textile industry	83.3	82.0	80.3	81.1	81.6	81.6	84.0	+21	+27	+28	+31	+24	+19	+19
Footwear and clothing	87.3	85.5	84.7	84.9	87.0	87.4	85.2	+18	+20	+21	+27	+18	+15	+12
Timber/wooden furniture	78.3	79.9	80.2	80.8	83.0	82.5	82.2	+32	+30	+30	+31	+24	+19	+16
Manufacture of paper, paper products, printing of which:	85.9	85.2	85.6	86.0	87.5	86.8	86.5	+17	+18	+20	+19	+11	+10	+5
manufacture of paper*	89.5	89.7	90.8	89.5	90.0	91.6	90.9	+9	+11	+11	+10	+6	+5	-2
Leather	82.3	81.0	81.6	80.6	79.8	76.3	78.5	+9	+9	+2	-1	+26	+23	+16
Plastics	80.5	81.2	80.4	82.5	80.9	84.2	83.8	+20	+10	+9	+1	+13	+5	+5
Mineral-oil refining	75.7	82.6	83.0	84.7	84.1	87.2	86.3	+70	+58	+52	+46	+66	+52	+39
Metals	78.8	78.9	79.5	78.0	76.5	79.7	76.7	+38	+38	+41	+46	+44	+35	+26
Non-metallic mineral products	76.8	77.4	76.8	78.9	80.1	80.2	80.9	+49	+42	+42	+35	+24	+29	+26
Chemical industry	:	:	:	:	:	:	:	+8	+7	+7	+6	+6	+6	+7
Metal articles	78.6	80.5	81.1	79.0	80.4	79.4	81.0	+30	+25	+23	+25	+27	+28	+26
Mechanical engineering of which:	82.2	82.8	82.5	81.6	81.4	81.6	81.7	+24	+23	+24	+27	+28	+31	+30
machines tools	85.9	87.9	86.5	87.7	87.8	87.3	84.8	0	+5	+7	+10	+5	+16	+19
Office & data processing machinery	85.3	83.3	82.8	84.8	82.7	78.8	81.9	0	+12	+16	+19	+14	+33	+27
Electrical engineering	83.9	82.3	82.8	84.1	83.4	81.8	81.6	+25	+18	+14	+18	+24	+30	+36
Shipbuilding	67.6	70.9	74.4	65.5	68.9	67.3	67.1	+57	+52	+38	+47	+35	+43	+65
Rubber products	81.1	81.6	82.5	80.1	81.0	81.2	83.6	+20	+21	+12	+27	+14	+11	+5
Instrument engineering	85.0	83.4	84.2	82.4	83.0	81.0	83.6	+10	+15	+19	+21	+29	+28	+22

* Not seasonally adjusted as time-series too short.

(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 1979-1983 respectively.

(c) Weighted total of available country data.

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

Source: European Community business surveys.

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)		1985	1986	1986			1987		
	Peak 1973	Trough 1975	Peak 79/80	Trough 82/83			A	J	O	J	A	J
B	-12	+58	+35	+53	+29	+26	+26	+26	+29	+25	+27	+26
DK	:	:	+10	+38	+3	+8	+8	+13	+9	+20	:	:
D	-3	+56	+12	+49	+17	+13	+11	+13	+16	+18	+20	+19
F	-24	+45	+11	+48	+37	+31	+34	+33	+23	+32	+30	+26
IRL	:	+34	+2	+40	+25	+18	+18	+16	+18	+20	+19	+22
I	+1	+63	+17	+58	+37	+37	+35	+33	+37	+30	+24	+23
L	-72	+73	+37	+62	+12	+2	+3	+6	+4	+4	+16	+5
NL	-3	+60	+14	+51	+4	+4	+4	+6	+5	+5	+8	+7
UK	:	:	:	+63	+23	+28	+27	+30	+27	+23	+17	+17
EUR(c)	-7	+54	+14	+50	+26	+25	+24	+25	+24	+24	+22	+20

TABLE 4: New orders in manufacturing industry (a) (s.a.)

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

	Range (b)		1985	1986	1985	1986	1986			1987		
	Peak 1979	Trough 1981/82					O	J	A	J	O	J
B	+8	-22	-1	-6	+2	-7	-13	-1	-4	-7	-12	+3
DK	:	-14	+21	+10	+11	+18	+16	+13	-6	-1	:	:
D	+17	-26	-1	+1	+9	0	-12	+11	+3	-2	-3	+2
F	+14	-35	-14	-8	-9	-11	-8	-9	-5	-10	-11	-9
IRL	:	-46	-8	-12	-10	-10	-17	-19	-2	-19	+9	+7
I	+7	-25	+6	+7	+19	+4	+8	+7	+7	+9	+12	+9
L	+45	-67	+12	-22	+6	+3	-22	-29	-39	-32	-17	+5
NL	+9	-6	+4	+1	0	-3	-1	+4	+5	0	+2	+7
UK	:	-21	+15	-5	+16	0	-11	-9	-1	+13	+18	+28
EUR(c)	+14	-27	+2	-1	+10	-1	-6	+1	+1	+2	+3	+7

TABLE 5: 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)		1985	1986	1985	1986	1986			1987		
	Peak 1979	Trough 1981/82					O	J	A	J	O	J
D	+6	-15	+8	-3	+6	-1	-3	-3	-5	-7	-9	+1
GR	:	-13	+27	+20	+23	+20	+21	+19	+18	+8	+11	+21
F	+13	-23	+1	-7	+6	0	-6	-17	-4	-15	-7	+1
IRL	:	-8	+12	+16	+24	+16	+19	+22	+6	+12	+11	+17
I	+16	-14	+9	+9	+12	+1	+11	+14	+11	+13	+9	0
L	+62	-67	+2	-34	+7	+10	-41	-48	-55	-58	-10	-3
NL	+20	-11	+4	+6	+8	+6	0	+8	+8	+10	+9	+3
UK	:	-4	+15	+9	+9	+4	+14	+1	+16	+17	+16	+23
EUR(c)	+11	-11	+7	+1	+7	0	0	+1	+3	0	+1	+5

TABLE 6: Employment expectations in manufacturing industry (a) (s.a.)

Balance of respondents expecting employment up, unchanged or down

	Range (b)		Range (b)		1985	1986	1986				1987		
	Peak 1973	Trough 1975	Peak 1979	Trough 1982/83			I	II	III	IV	I	II	III
B	+12	-26	-2	-17	-9	-12	-8	-10	-14	-17	-17	-16	-16
DK	:	:	:	-14	+4	-3	-1	-3	-5	-3	-6	:	:
D	+13	-34	+2	-38	-4	-3	+1	+1	-2	-10	-14	-18	-18
GR	:	:	:	:	-3	-3	-1	-1	-5	-5	-8	-8	-5
F	+17	-35	-23	-48	-43	-41	-40	-44	-47	-50	-50	-47	-46
IRL	+15	-34	+4	-35	-7	-8	-11	-7	-8	-8	+3	-2	-5
I	+13	-26	+3	-39	-33	-35	-35	-38	-34	-31	-23	-17	-14
L	+75	-67	-1	-62	+1	+1	+6	+5	-2	-6	+2	-33	-8
NL	+4	-32	-6	-36	+11	+16	+17	+15	+16	+16	+12	+2	0
UK	:	:	:	-43	-3	-13	-7	-15	-15	-14	-5	-10	+4
EUR	+12	-31	-6	-40	-17	-18	-16	-19	-20	-22	-20	-21	-17

TABLE 7: Estimated number of months' production assured by orders on hand in manufacturing industry (a)(s.a.)

	Range (b)		Range (b)		1985	1986	1986			1987		
	Peak 1973	Trough 1975	Peak 1979	Trough 1982/83			II	III	IV	I	II	III
B	4.5	2.8	3.7	3.0	3.4	3.3	3.3	3.2	3.4	3.2	3.3	3.0
D	3.3	2.8	3.4	2.6	2.9	2.8	2.8	2.8	2.8	2.8	2.7	2.7
GR	:	:	:	5.0	5.1	5.9	5.2	6.1	6.0	6.1	6.2	6.0
F	3.5	2.7	4.2	3.3	3.1	2.8	2.7	2.9	2.8	3.2	3.4	3.4
IRL	2.2	1.8	2.6	1.5	2.0	1.9	2.2	1.8	1.8	1.5	1.5	1.6
I	4.7	3.7	5.3	3.8	4.4	4.0	4.1	3.8	3.8	4.0	3.7	4.1
L	3.5	1.4	2.4	1.7	1.9	2.5	2.7	2.3	2.4	2.1	2.2	2.5
NL	4.7	2.6	4.2	2.5	3.1	3.2	3.3	3.2	3.2	3.2	3.1	3.0
UK	:	:	4.2	1.9	3.7	3.9	3.9	3.8	4.3	3.8	3.5	3.6
EUR(c)	3.7	3.0	3.9	3.0	3.4	3.3	3.3	3.3	3.4	3.4	3.3	3.4

(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 1979-1983 respectively.

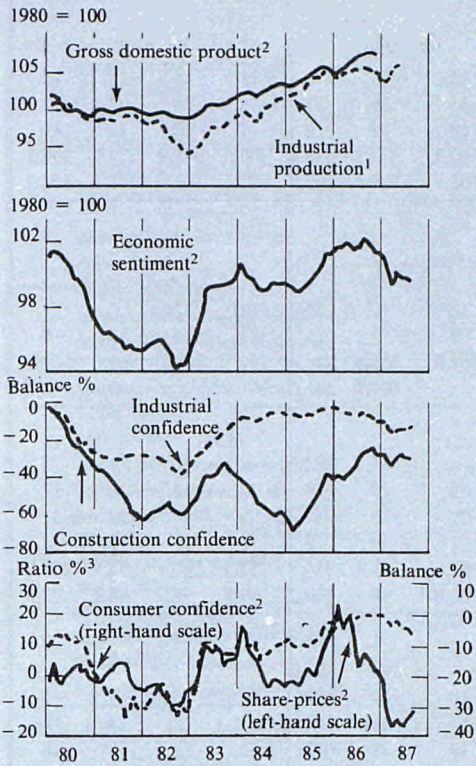
(c) Weighted total of available country data.

(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.

Source: European Community business surveys.

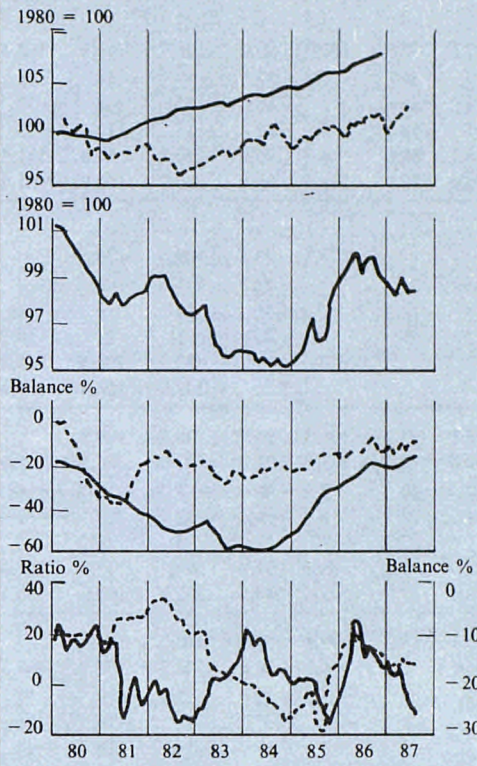
GRAPH 4-9: Indicators of output and economic sentiment

GRAPH 4: Federal Republic of Germany



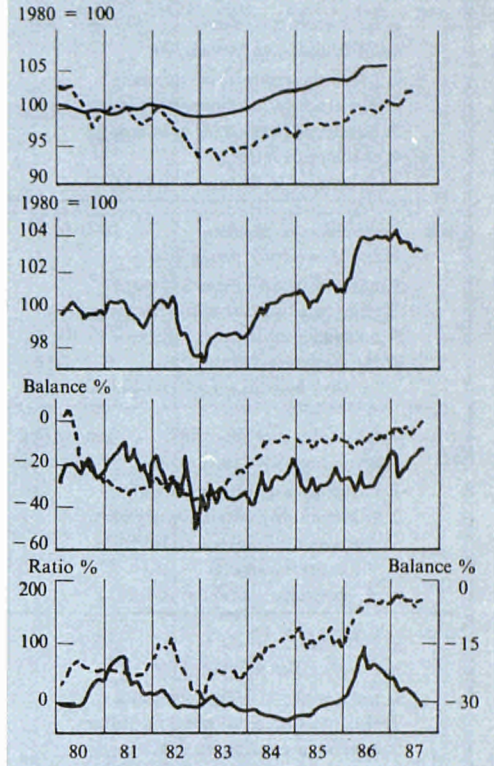
¹ Three-month moving average.
² See notes to Table 8.
³ Deviations from trend in %.

GRAPH 5: France



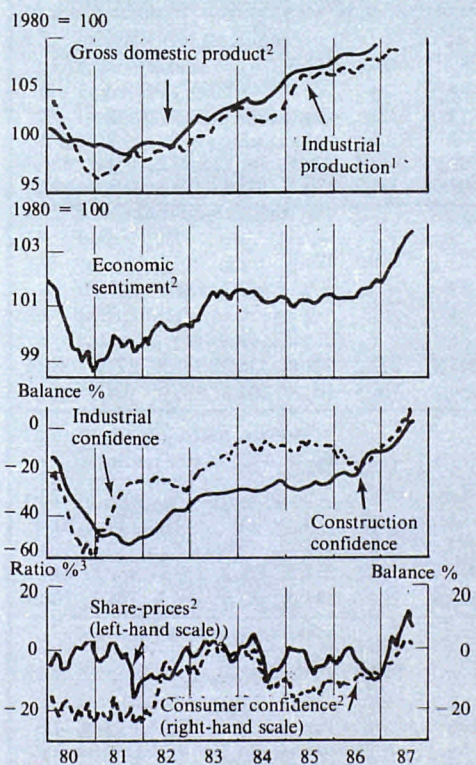
For explanations, see Graph 4.

GRAPH 6: Italy



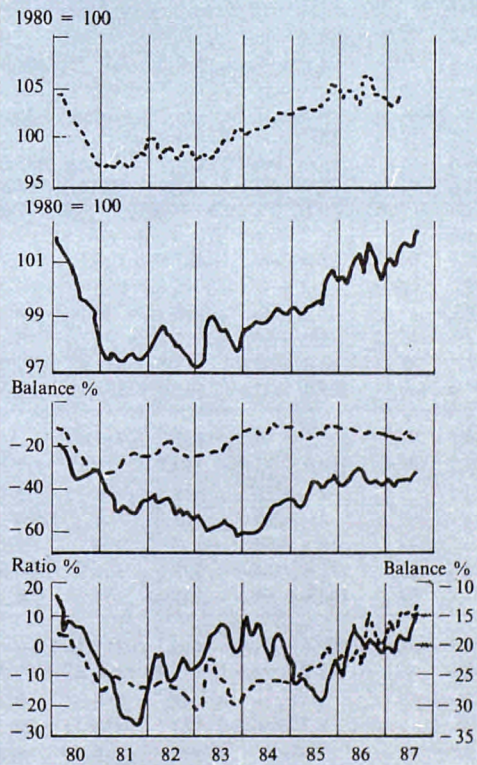
For explanations, see Graph 4.

GRAPH 4: Federal Republic of Germany



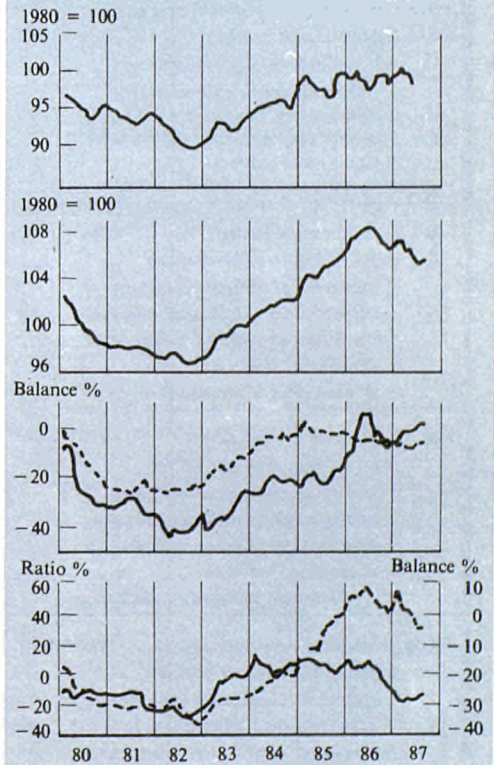
¹ Three-month moving average.
² See notes to Table 8.
³ Deviations from trend in %.

GRAPH 8: Belgium



For explanations, see Graph 7.

GRAPH 9: Netherlands



For explanations, see Graph 7.

TABLE 8: Indicators of output and economic sentiment

		Range (b)		Range (b)		1986	1986	1987			1987				
		Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83		IV	I	II	March	Apr.	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	105,7	105,3	104,4	:	103,7	:	:	:	:
	1. industrial confidence indicator		19	-56	-4	-35	-13	-14	-15	-14	-15	-16	-12	-15	-15
	2. construction confidence indicator		9	-36	-7	-65	-35	-36	-37	-35	-35	-35	-34	-35	-34
	3. consumer confidence indicator (c)		7	-18	-7	-31	-17	-17	-13	-10	-14	-10	-11	-10	-12
	4. share-price index (c)		155,1	98,0	114,3	75,0	272,2	293,0	311,5	340,9	330,1	336,4	340,4	345,9	377,9
	= 5. economic sentiment indicator		109,0	98,9	103,9	96,8	100,9	100,9	101,4	102,1	101,5	102,0	102,2	102,0	102,1
DK	<i>gross domestic product</i>	1980 = 100	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		:	:	107,7	95,5	126,5	126,5	:	:	:	:	:	:	:
	1. industrial confidence indicator		:	:	:	-22	1	-2	-7	:	(-7)	:	:	:	:
	2. construction confidence indicator		:	:	:	-36	14	6	1	12	(1)	12	(12)	(12)	:
	3. consumer confidence indicator (c)		:	-16	5	-22	-3	-11	-10	-9	-13	-11	-7	-10	-10
	4. share-price index (c)		:	:	:	:	420,2	367,8	368,6	357,6	351,6	349,0	356,7	367,1	361,6
	= 5. economic sentiment indicator		:	:	:	:	102,8	101,6	101,1	:	100,9	101,0	101,4	:	:
D	<i>gross domestic product (b)</i>	1980 = 100	85,1	83,3	101,2	98,9	108,9	109,9	:	:	:	:	:	:	:
	<i>index of industrial production</i>		92,0	82,4	103,1	91,4	107,0	106,5	105,0	:	105,5	107,8	:	:	:
	1. industrial confidence indicator		10	-49	2	-40	-7	-9	-14	-14	-15	-15	-14	-13	-14
	2. construction confidence indicator		-4	-72	11	-64	-33	-27	-31	-29	-33	-30	-26	-29	-30
	3. consumer confidence indicator (c)		:	-22	9	-31	3	5	2	1	0	2	0	0	-1
	4. share-price index (c)		109,0	75,2	115,6	97,6	295,7	295,5	262,9	261,6	253,1	264,5	257,5	262,8	278,8
	= 5. economic sentiment indicator		103,8	97,0	103,6	94,7	102,0	101,8	100,3	100,0	99,7	100,2	99,9	99,9	99,8
F	<i>gross domestic product</i>	1980 = 100	85,4	84,2	99,8	102,4	110,0	111,1	:	:	:	:	:	:	:
	<i>index of industrial production</i>		96,7	82,2	105,2	94,8	101,7	101,7	101,3	:	103,0	102,0	:	:	:
	1. industrial confidence indicator		29	-49	5	-39	-12	-12	-12	-10	-13	-9	-11	-10	-7
	2. construction confidence indicator		:	:	-17	-57	-22	-19	-21	-17	(-21)	-17	(-17)	(-17)	-14
	3. consumer confidence indicator (c)		:	-9	3	-27	-14	-16	-19	-18	-19	-17	-18	-18	-18
	4. share-price index (c)		86,6	53,6	101,2	82,7	337,3	364,6	391,3	400,5	411,5	416,5	406,1	378,9	381,1
	= 5. economic sentiment indicator		107,8	97,6	101,8	95,1	99,3	98,9	98,3	98,6	98,3	98,8	98,5	98,4	98,5
IRL	<i>gross domestic product</i>	1980 = 100	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		80,4	72,3	103,8	99,6	130,8	134,3	133,5	:	135,8	:	:	:	:
	1. industrial confidence indicator		:	-41	20	-40	-8	-7	-3	4	3	5	0	8	-2
	2. construction confidence indicator		:	:	:	:	-38	-30	-33	-31	(-33)	-31	(-31)	(-31)	-31
	3. consumer confidence indicator (c)		:	-41	12	-44	-28	-32	-28	-30	-27	-29	-33	-28	-29
	4. share-price index (c)		85,8	29,9	112,2	79,4	231,2	242,9	298,5	333,3	321,6	328,8	331,0	340,1	137,9
	= 5. economic sentiment indicator		109,1	96,7	103,6	98,1	100,3	100,0	100,9	101,1	101,4	101,2	100,6	101,4	101,1
I	<i>gross domestic product</i>	1980 = 100	80,4	77,2	101,2	98,2	111,3	112,0	:	:	:	:	:	:	:
	<i>index of industrial production</i>		87,9	72,6	104,7	98,1	100,1	101,3	100,9	:	101,1	101,8	:	:	:
	1. industrial confidence indicator		31	-59	13	-41	-9	-7	-4	-4	-5	-2	-6	-3	-2
	2. construction confidence indicator		-8	-56	-5	-51	-26	-18	-22	-17	-22	-20	-17	-16	-12
	3. consumer confidence indicator (c)		:	-39	-12	-30	-4	-3	0	-2	0	-2	-2	-3	-2
	4. share-price index (c)		169,6	68,5	185,0	116,9	667,7	734,5	695,2	708,9	683,4	726,1	707,5	693,2	674,8
	= 5. economic sentiment indicator		103,8	97,4	101,6	97,6	103,4	103,8	103,8	103,5	103,7	103,7	103,4	103,3	103,4
NL	<i>gross domestic product</i>	1980 = 100	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>		94,8	87,1	117,5	90,7	105,9	105,3	108,7	:	110,0	103,0	:	:	:
	1. industrial confidence indicator		12	-44	4	-31	-5	-5	-7	-8	-7	-8	-9	-7	-6
	2. construction confidence indicator		3	-47	3	-46	-3	-8	-4	-1	-1	-2	-1	0	2
	3. consumer confidence indicator (c)		6	-15	5	-37	5	1	5	-1	1	1	-1	-4	-5
	4. share-price index (c)		:	86,3	122,8	92,8	327,6	331,9	317,3	341,3	322,2	338,0	338,2	347,8	371,6
	= 5. economic sentiment indicator		107,8	100,7	105,3	97,1	105,9	104,9	105,0	104,2	104,5	104,5	104,2	103,8	104,0
UK	<i>gross domestic product</i>	1980 = 100	94,6	91,0	102,5	97,7	112,2	113,4	:	:	:	:	:	:	:
	<i>index of industrial production</i>		92,7	89,6	110,0	93,8	110,1	110,8	112,1	:	112,3	112,6	:	:	:
	1. industrial confidence indicator		:	:	9	-60	-8	-4	2	10	5	6	11	14	13
	2. construction confidence indicator		:	:	7	-60	-10	-4	-4	5	(-4)	5	(5)	(5)	15
	3. consumer confidence indicator (c)		:	-33	14	-26	-7	-4	-1	7	0	4	6	10	9
	4. share-price index (c)		78,5	23,3	111,6	104,4	301,1	309,7	369,0	416,5	393,8	384,5	421,2	443,8	462,8
	= 5. economic sentiment indicator		103,8	97,7	104,9	98,8	103,0	103,5	104,2	105,6	104,6	104,9	105,6	106,3	106,3
EUR	<i>gross domestic product (a)(b)</i>	1980 = 100	85,1	85,5	101,1	101,0	110,5	111,5	:	:	:	:	:	:	:
	<i>index of industrial production</i>		92,9	83,0	103,2	94,6	105,4	106,1	105,5	:	106,3	105,8	:	:	:
	1. industrial confidence indicator		16	-49	3	-36	-9	-8	-8	-6	-8	-6	-6	-5	-4
	2. construction confidence indicator		:	:	-1	-48	-22	-18	-20	-16	(-20)	-16	(-15)	(-15)	-12
	3. consumer confidence indicator (c)		5	-17	1	-22	-6	-6	-6	-5	-7	-5	-6	-5	-5
	4. share-price index (c)		:	47,0	115,4	111,7	329,7	339,0	358,3	381,9	369,1	371,8	383,4	390,5	403,9
	= 5. economic sentiment indicator		107,5	96,6	104,1	97,4	102,7	102,7	102,5	103,1	102,4	103,1	103,0	103,2	103,5

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

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

(c) Not seasonally adjusted.

TABLE 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)		1986	1986	1987		1987					
	Peak 1972/73	Trough 1974/75	Peak 1979/80	Trough 1981/83		IV	I	II	March	Apr.	May	June	July	Aug.
B														
production expectations	+31	-56	-4	-37	-7	-9	-12	-7	-15	-8	-5	-9	-8	-10
order-books	+13	-74	-14	-49	-25	-26	-27	-29	-24	-31	-27	-30	-28	-31
export order-books	+15	-82	-19	-55	-30	-30	-27	-33	-26	-34	-32	-33	-31	-32
stocks of finished products	-14	+37	+2	+18	+7	+8	+7	+6	+6	+9	+3	+7	+8	+6
selling-price expectations	+64	-10	+39	+12	+5	-4	-6	+7	0	+2	+7	+9	+8	+8
industrial confidence indicator	+19	-56	-4	-35	-13	-14	-15	-14	-15	-15	-12	-16	-15	-16
DK														
production expectations	:	:	:	+8	+7	+7	+5	:	:	:	:	:	:	:
order-books	:	:	:	-34	+9	0	-12	:	:	:	:	:	:	:
export order-books	:	:	:	+14	-2	-9	-16	:	:	:	:	:	:	:
stocks of finished products	:	:	:	+24	+14	+14	+15	:	:	:	:	:	:	:
industrial confidence indicator	:	:	:	-22	+1	-2	-7	:	:	:	:	:	:	:
D														
production expectations	+17	-32	+10	-30	+2	+1	-5	-3	-7	-5	-4	-3	-3	-1
order-books	+5	-73	-6	-59	-15	-19	-25	-26	-27	-27	-26	-26	-27	-25
export order-books	:	:	-14	-50	-20	-27	-30	-35	-36	-36	-32	-36	-30	-30
stocks of finished products	-7	+43	-2	+31	+7	+10	+11	+11	+12	+12	+11	+11	+12	+11
selling-price expectations	+55	+4	+38	+4	+7	+7	+8	+14	+11	+10	+15	+16	+18	+19
industrial confidence indicator	+10	-49	+2	-40	-7	-9	-13	-13	-15	-15	-14	-13	-14	-12
GR														
production expectations	:	:	:	:	+21	+11	+10	+13	+13	+15	+7	+16	+25	+24
order-books	:	:	:	:	-16	-25	-27	-24	-26	-24	-27	-21	-22	-20
export order-books	:	:	:	:	-24	-24	-32	-28	-30	-29	-26	-27	-28	-25
stocks of finished products	:	:	:	:	+12	+15	+9	+11	+6	+4	+11	+17	+14	+11
selling-price expectations	:	:	:	:	+16	+8	+16	+29	+25	+27	+29	+30	+26	+25
industrial confidence indicator	:	:	:	:	-3	-10	-9	-7	-6	-4	-10	-8	-4	-3
F														
production expectations	+33	-29	+18	-20	+1	0	+1	+3	+1	+5	+2	+2	+1	+3
order-books	+26	-69	0	-56	-23	-23	-24	-21	-26	-22	-22	-20	-19	-16
export order-books	+24	-66	+10	-52	-28	-30	-32	-27	-32	-26	-28	-26	-20	-18
stocks of finished products	-14	+50	+3	+42	+15	+13	+14	+10	+14	+9	+12	+11	+4	+5
selling-price expectations	+76	+15	+62	+17	+14	+9	+11	+15	+9	+16	+15	+13	+22	+22
industrial confidence indicator	+29	-49	+5	-39	-12	-12	-12	-9	-13	-9	-11	-10	-7	-6
IRL														
production expectations	:	-21	+40	-33	+10	+8	+18	+21	+14	+22	+12	+27	+13	+19
order-books	:	-68	+18	-55	-22	-20	-19	-3	0	-1	-6	-2	-12	-16
stocks of finished products	:	+35	-6	+33	+13	+10	+9	+5	+4	+7	+7	+1	+6	+8
selling-price expectations	:	+64	+77	+20	-5	+8	+2	+8	+1	+5	+10	+8	-1	+7
industrial confidence indicator	:	-41	+20	-40	-8	-7	-3	+4	+3	+5	0	+8	-2	-2
I														
production expectations	+40	-43	+24	-26	+9	+7	+8	+8	+6	+11	+6	+7	+10	+11
order-books	+30	-82	+7	-66	-22	-17	-10	-11	-9	-10	-13	-10	-10	-8
export order-books	+13	-67	-6	-59	-30	-27	-24	-27	-27	-23	-31	-26	-27	-28
stocks of finished products	-24	+53	-8	+32	+14	+10	+9	+8	+11	+7	+10	+6	+7	+3
selling-price expectations	+76	+10	+87	+37	+15	+8	+11	+18	+11	+16	+16	+22	+20	+22
industrial confidence indicator	+31	-59	+13	-41	-9	-6	-3	-4	-5	-2	-6	-3	-2	0
L														
production expectations	+84	-80	+40	-66	-20	-36	-43	-15	-40	-35	-10	0	-3	-1
order-books	:	:	+8	-70	-3	-3	-34	-43	-44	-44	-41	-44	-48	-47
export order-books	:	:	+9	-80	-22	-45	-63	-54	-60	-55	-51	-56	-64	-61
stocks of finished products	-14	+74	0	+58	+3	+1	-1	-1	-2	+4	-4	-2	+3	+2
selling-price expectations	:	-46	+74	-38	-30	-31	-40	+14	-12	-23	+35	+31	+41	+45
industrial confidence indicator	:	:	+16	-65	-5	-13	-25	-19	-27	-28	-16	-14	-18	-17
NL														
production expectations	+26	-26	+20	-13	+4	+6	0	+1	-1	+1	0	+3	+2	+2
order-books	+7	-48	-5	-42	-12	-15	-16	-20	-16	-20	-21	-20	-16	-17
stocks of finished products	-3	+57	+3	+39	+6	+6	+6	+5	+5	+5	+5	+4	+3	+2
industrial confidence indicator	+12	-44	+4	-31	-5	-5	-7	-8	-7	-8	-9	-7	-6	-6
UK														
production expectations	:	:	+29	-52	+11	+15	+22	+31	+27	+24	+31	+37	+30	+42
order-books	:	:	-2	-85	-18	-14	-8	+2	-5	+1	+4	+1	+8	+13
export order-books	:	:	-11	-72	-19	-15	-11	-5	-11	-10	-9	+4	+10	+8
stocks of finished products	:	:	-1	+42	+16	+12	+8	+2	+7	+7	+1	-3	-1	-4
selling-price expectations	:	:	+70	+7	+15	+18	+23	+27	+24	+25	+30	+27	+24	+27
industrial confidence indicator	:	:	+9	-60	-8	-4	+2	+10	+5	+6	+11	+14	+13	+17
EUR														
production expectations	+24	-30	+15	-24	+5	+5	+5	+7	+5	+7	+7	+8	+8	+12
order-books	+15	-70	-7	-56	-19	-18	-18	-16	-18	-16	-16	-16	-14	-11
export order-books	:	:	-12	-50	-23	-25	-27	-26	-28	-27	-27	-25	-20	-20
stocks of finished products	-10	+48	-1	+31	+12	+11	+10	+8	+11	+9	+8	+7	+6	+5
selling-price expectations	+64	+9	+53	+22	+12	+10	+12	+18	+13	+16	+18	+19	+20	+22
industrial confidence indicator	+16	-49	+3	-36	-9	-8	-8	-6	-8	-6	-6	-5	-4	-1

(a) The indicator is an average of the responses (balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

(b) These are the extreme (high and low) values of the balances of the different questions, reached in the course of 1972-1975 and 1979-1983, respectively.

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

TABLE 10: Survey of the construction industry

Balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.)

		Range (b)		Range (b)		1986	1986	1987			1987				
		Peak	Trough	Peak	Trough		IV	I	II	March	Apr.	May	June	July	Aug.
		1972/73	1974/75	1979/80	1981/83										
B	order-books	-13	-47	-20	-76	-48	-47	-51	-51	-52	-52	-51	-50	-48	-43
	employment expectations	+31	-24	+7	-53	-22	-27	-22	-18	-18	-17	-20	-19	-20	
	price expectations	+75	+25	+61	-18	+1	-5	-1	-2	+2	-2	-2	0	-2	
	construction confidence indicator (a)	+9	-36	-7	-65	-35	-37	-37	-35	-35	-35	-34	-35	-32	
DK	order-books	:	:	:	-38	+18	+13	+4	+12	(+4)	+12	(+12)	(+12)	:	
	employment expectations	:	:	:	-35	+10	-1	-2	+11	(-2)	+11	(+11)	(+11)	:	
	construction confidence indicator (a)	:	:	:	-37	+14	+6	+1	+12	(+1)	+12	(+12)	(+12)	:	
D	order-books	-17	-84	+2	-75	-53	-47	-53	-48	-57	-50	-47	-46	-47	
	employment expectations	+10	-60	+20	-53	-12	-6	-8	-9	-9	-9	-5	-12	-13	
	price expectations	+48	-37	+48	-49	+7	+8	+2	+1	+2	+3	-2	+1	-1	
	construction confidence indicator (a)	-4	-72	+11	-64	-33	-27	-31	-29	-33	-30	-26	-29	-30	
GR	order-books	:	:	:	-78	-62	-63	-67	-56	(-67)	-56	(-56)	(-56)	-63	
	employment expectations	:	:	:	-77	-32	-25	-22	-21	(-22)	-21	(-21)	(-21)	-15	
	price expectations	:	:	:	+9	+34	+31	+25	+27	(+25)	+27	(+27)	(+27)	+14	
	construction confidence indicator (a)	:	:	:	-78	-47	-44	-45	-39	(-45)	-39	(-39)	(-39)	-39	
F	order-books	:	:	-26	-73	-33	-27	-28	-22	(-28)	-22	(-22)	(-22)	-21	
	employment expectations	:	:	-8	-47	-11	-11	-14	-12	(-14)	-12	(-12)	(-12)	-6	
	construction confidence indicator (a)	:	:	-17	-57	-22	-19	-21	-17	(-21)	-17	(-17)	(-17)	-14	
IRL	order-books	:	:	:	-58	-40	-37	-48	-17	(-48)	-17	(-17)	(-17)	-36	
	employment expectations	:	:	:	-61	-35	-23	-17	-44	(-17)	-44	(-44)	(-44)	-26	
	price expectations	:	:	:	:	-14	-27	-11	-22	(-11)	-22	(-22)	(-22)	-15	
	construction confidence indicator (a)	:	:	:	-60	-38	-30	-33	-31	(-33)	-31	(-31)	(-31)	-31	
I	order-books	-25	-68	-8	-62	-37	-27	-27	-22	-25	-26	-19	-22	-26	
	employment expectations	+10	-44	+2	-39	-14	-9	-16	-12	-19	-14	-14	-9	+2	
	price expectations	+85	+30	+79	+2	+12	+13	+10	+19	+17	+25	+25	+7	+18	
	construction confidence indicator (a)	-8	-56	-5	-51	-26	-18	-22	-17	-22	-20	-17	-16	-12	
L	order-books	+21	-50	+15	-79	-9	+7	+14	+7	+12	+10	+1	+10	+8	
	employment expectations	+31	-39	+46	-75	0	-2	+20	+25	+29	+22	+29	+23	+5	
	price expectations	+82	+11	+81	-49	+14	+20	+11	+9	+5	+20	+5	+3	+10	
	construction confidence indicator (a)	+26	-45	+31	-77	-5	+3	+17	+16	+21	+16	+15	+17	+7	
NL	order-books	-8	-81	-10	-61	-11	-11	-11	-7	-11	-9	-6	-5	-3	
	employment expectations	+14	-13	+15	-31	+5	-4	+4	+5	+9	+6	+4	+5	+6	
	construction confidence indicator (a)	+3	-47	+3	-46	-3	-8	-4	-1	-1	-2	-1	0	+2	
UK	order-books	:	:	-1	-74	-22	-11	-18	-11	(-18)	-11	(-11)	(-11)	+4	
	employment expectations	:	:	+15	-50	+3	+4	+10	+21	(+10)	+21	(+21)	(+21)	+26	
	price expectations	:	:	+74	-21	+22	+28	+37	+49	(+37)	+49	(+49)	(+49)	+52	
	construction confidence indicator (a)	:	:	+7	-62	-10	-4	-4	+5	(-4)	+5	(+5)	(+5)	+15	
EUR	order-books	:	:	-9	-64	-36	-29	-33	-27	(-34)	-29	(-27)	(-27)	-24	
	employment expectations	:	:	+7	-35	-7	-6	-6	-3	(-6)	-3	(-2)	(-3)	+1	
	construction confidence indicator (a)	:	:	-1	-50	-22	-18	-20	-15	(-20)	-16	(-15)	(-15)	-12	

(a) The indicator is an average of the responses (balances) to the questions on order-books and employment expectations.

(b) These are the extreme (high and low) values of the net balances of the different questions, reached in the course of 1972-1975 and 1979-1983, respectively.

Source: European Community business surveys.

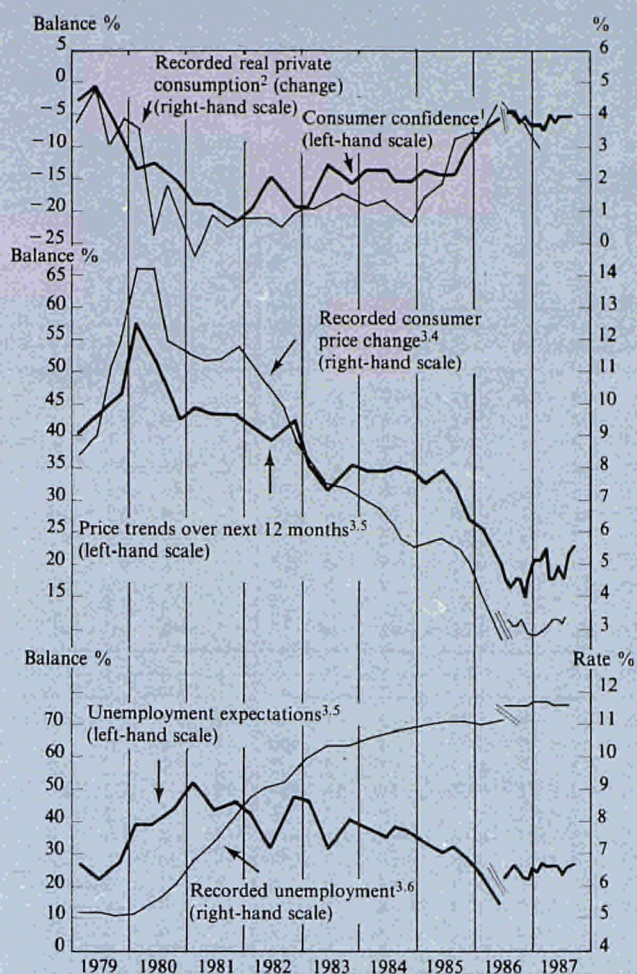
TABLE 11: Results of business surveys in the retail trade (a)(b)

		1986										1987								
		Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.	May	June	July	Aug.
B	present business situation	7	-8	0	-19	-7	-13	-8	10	11	-13	8	-5	-13	-3	-12	-16	-16	-11	-6
	volume of stocks	0	11	5	4	12	6	2	0	0	17	9	6	12	15	16	12	17	14	7
	intentions of placing orders	17	-3	-9	-14	-16	-4	3	11	-3	-8	-10	6	10	1	-1	-15	-9	-3	8
	expected business situation	26	9	-6	9	-6	21	23	25	10	13	-4	16	32	19	-1	-6	-4	16	29
	employment outlook	8	6	-1	0	0	1	3	2	1	4	3	1	1	-1	6	1	8	3	-1
D	present business situation	-22	-19	-10	-7	-6	-10	-10	-1	-11	-14	7	-10	-3	-6	3	-21	-15	-3	-5
	volume of stocks	29	28	29	26	27	20	24	28	31	25	23	24	23	27	33	30	29	23	23
	intentions of placing orders	-14	-13	-15	-15	-14	-6	-1	0	-1	-16	-9	-8	-1	-7	-8	-17	-14	-5	-1
	expected business situation	1	-5	-3	-3	0	4	2	12	-2	-4	5	3	6	7	-1	-2	-4	8	3
	employment outlook	:	-2	:	:	0	:	:	-1	:	:	-4	:	:	-4	:	:	4	:	:
F(c)	present business situation	:	-6	:	-16	:	-6	:	-11	:	-11	:	-9	:	-9	:	-10	:	-30	:
	volume of stocks	:	4	:	19	:	13	:	8	:	15	:	19	:	8	:	18	:	27	:
	intentions of placing orders	:	-15	:	-24	:	-28	:	-12	:	-9	:	-24	:	-17	:	-18	:	-27	:
	expected business situation	:	:	:	:	:	-17	:	-14	:	-20	:	-39	:	-34	:	-30	:	-48	:
	employment outlook	:	-12	:	-7	:	0	:	-14	:	-4	:	-18	:	-10	:	-4	:	-2	:
I(c)(d)	present business situation	:	-7	:	2	:	-7	:	7	:	3	:	6	:	-2	:	2	:	4	:
	volume of stocks	:	25	:	24	:	31	:	20	:	30	:	18	:	19	:	20	:	26	:
	intentions of placing orders	:	-14	:	-18	:	-14	:	2	:	-1	:	-6	:	-6	:	-15	:	-8	:
	expected business situation	:	9	:	9	:	10	:	20	:	13	:	10	:	20	:	8	:	6	:
	employment outlook	:	-10	:	-6	:	-5	:	-2	:	-9	:	-15	:	-5	:	-3	:	-5	:
NL	present business situation	34	41	43	51	48	51	55	45	48	56	36	39	38	47	41	39	36	41	41
	volume of stocks	8	10	10	7	9	8	2	8	7	12	4	12	9	8	10	24	16	12	11
	intentions of placing orders	22	24	17	16	19	21	25	20	18	14	20	24	28	19	17	7	8	19	13
	expected business situation	44	43	41	34	41	38	45	40	39	31	46	44	42	38	31	25	24	38	32
	employment outlook	8	12	10	10	11	9	12	10	7	6	9	14	11	9	12	15	6	5	6
UK	present business situation(c)	31	13	5	7	19	24	29	24	17	18	36	20	29	20	21	9	32	22	22
	volume of stocks	18	27	27	20	21	17	9	4	16	15	18	18	16	20	10	7	4	8	8
	intentions of placing orders	24	17	21	26	23	23	31	38	27	25	24	24	30	23	26	37	37	37	42
	expected business situation	36	:	:	34	:	:	34	:	:	34	:	:	39	:	:	41	:	:	42
	employment outlook	24	:	:	21	:	:	16	:	:	10	:	:	20	:	:	38	:	:	25

(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.

Source: EC business survey in retail trade.

GRAPH 10: Consumer survey results and objective economic indicators — European Community⁷



For notes, Table 12.

Sources: European Community consumer survey and Eurostat.

Germany (-30 in July and August compared with -36 in June), where the deterioration had been particularly pronounced since the end of 1985 (-7 for the fourth quarter). In the United Kingdom, despite a dip in August (+8 after +10 in July and +4 in June), the assessment of foreign orders is the most optimistic it has been since the recovery started in 1981; by contrast, in Italy, this indicator has lost 2 points since June.

After being very depressed in April, *export expectations* improved in July (see Table 5), in the Federal Republic of Germany (+10), Greece (+10), France (+8), Ireland (+6), Luxembourg (+7) and the United Kingdom (+7). However, the situation deteriorated in the Netherlands (-6), and in Italy (-9) where this change parallels the less favourable assessment of foreign order-books in July than in April.

Surplus stocks are continuing to fall. — In August, European industrialists judged the *level of their stocks* more favourably for the fifth time in succession. Since June, stocks are no longer considered to be adequate in the United Kingdom, where this assessment has been made only twice before - in February 1976 and July 1979. In the other member countries stocks are still considered to be in surplus but the relevant balance improved by 7 points in France, between June and July, and by 4 points in Italy, between July and August, reaching its best level since March and April 1980 respectively.

By contrast, in the Federal Republic of Germany, since February, assessments have remained at a level which is distinctly poorer than last year's. In the other Member States, no trend is discernible in changing opinions on stocks except in the Netherlands where the balance of replies (+2) might be ap-

proaching equilibrium as a result of a slow but steady improvement since September (+8).

Producer prices tending to edge up. — *Expectations for prices at the production stage* have been tending to rise since the beginning of the year, when the levels observed were low. The Community indicator is 14 points up on December 1986. Since that date, the balances have risen by 16 points in Belgium, 15 in the Federal Republic of Germany, 29 in Greece, 9 in France, 4 in Ireland, 12 in Italy, 81 in Luxembourg and 7 in the United Kingdom.

Employment expectations remain negative in industry. — Chiefly as a result of a sharp improvement in employment expectations in the United Kingdom (+14 between the second and the third quarter; see Table 6), and a rise in Italy (+3), the balance of opinions relating to this variable climbed back, for the Community as a whole, to its average level for 1985, 1 point above the 1986 average. However, the situation remains less favourable than last year in the Federal Republic of Germany (-18 compared with the 1986 average of -3) and the Netherlands (0 compared with +16), as well as in France (-46 compared with -41), Belgium (-16 compared with -12) and Luxembourg (-8 compared with +1).

World economic climate. — The information from the Community as well as that relating to the United States and Japan suggests a consolidation of economic activity after the weakening observed at the end of 1986 and the beginning of 1987 (see Graph 3). *The Community economic sentiment indicator* again rose in July and August as a result of the improved climate in industry and the recovery in the construction industry (see Table 10), and despite the decrease in share prices (see Table 8 and Graph 1) and the persistence of a measure of pessimism among consumers.

Consumer climate unchanged. — In July and August, the *consumer confidence indicator* for the Community as a whole stayed at the level (-5) which has virtually prevailed since April, (see Table 12)¹. This general tendency is not, however, true of each of the member countries. In the Federal Republic of Germany, the loss of confidence which had been evident in the first quarter of 1987 worsened in July and August (with the indicator moving from 0 in June to -1 in July and to -4 in August). In the United Kingdom, even though the indicator also declined in July and August, after the progressive improvement to +10 in the first six months of the year, it still remains relatively high (+8). Also, the survey among Spanish households shows a gain in confidence during the summer months, in line with a trend which has lasted since April 1987. In Portugal, July's optimism was somewhat moderated in August (the indicator moving from -4 in June to +5 in July and to +3 in August).

Chiefly in July but also in August, Community consumers were slightly more pessimistic than in preceding months in their assessment of the *general economic situation over the next twelve months*. This component of the confidence indicator, was 2 points lower in August (-8) than in April, chiefly because of the adverse change in expectations in the Federal Republic of Germany and in the United Kingdom. But in Spain, France and Ireland consumers were more cheerful than before in their expectations of the economic situation. Nevertheless, in France and Ireland the net replies to this question are still substantially below their Community equivalent (-24 and -28 compared with -8). The expectations of Portuguese consumers remain very optimistic. In the first half of 1987, the balance of their assessments of the future economic situation was already relatively high on average (+5), and it then rose to +15 in July and +14 in August, values which no other member country has even approached at this time.

In a large number of member countries - Belgium, the Federal Republic of Germany, Greece, Spain, France and Portugal - consumers' *expectations of their own financial situation* paralleled their opinions on the future general economic situation. This means that consumers in the Federal Republic of Germany and Greece were slightly less optimistic in their expectations while in Spain they were more optimistic and in France less pessimistic.

¹ In Denmark the survey is not carried out in July, and in France and Italy it is not carried out in August.

TABLE 12: Consumer opinion on economic and financial conditions^(a)

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1986	1987							
											Dec.	Jan.	Feb.	March	Apr.	May	June	July	Aug.
CONSUMER CONFIDENCE INDICATOR ^(b)	B	-8	-10	-20	-27	-27	-28	-27	-21	-17	-16	-12	-14	-14	-10	-11	-10	-12	-9
	DK	-1	-2	-19	-17	-12	0	6	4	-3	-13	-11	-7	-13	-11	-7	-10	-10	-9
	D	5	6	-5	-22	-26	-15	-10	-7	3	5	5	1	0	2	0	0	-1	-4
	GR	:	:	:	:	0	-11	-4	-5	-20	-26	-26	-29	-31	-27	-32	-31	-30	-28
	E	:	:	:	:	:	:	:	:	-9	-10	-11	-10	-14	-13	-12	-7	-4	-3
	F^(d)	1	-5	-10	-9	-5	-15	-23	-21	-14	-17	-19	-18	-19	-17	-18	-19	-18	-9
	IRL	8	-10	-22	-28	-34	-39	-33	-29	-28	-35	-27	-31	-27	-29	-33	-28	-29	-29
	I	-18	-17	-22	-22	-18	-24	-15	-12	-4	-3	0	-1	0	-2	-2	-3	-2	:
	NL	-1	-8	-25	-31	-32	-30	-22	-7	5	1	7	6	1	1	-1	-4	-5	-4
	P	:	:	:	:	:	:	:	:	-7	-9	-5	-4	-2	-2	-2	-4	5	3
	UK	8	-4	-18	-21	-12	-3	-4	-10	-7	-6	-4	0	0	4	6	10	9	8
	EUR^(c)	0	-3	-13	-19	-17	-15	-14	-12	-6	-6	-6	-6	-7	-5	-6	-5	-5	-5
FINANCIAL SITUATION OF HOUSEHOLDS	B	-11	-11	-15	-19	-25	-29	-31	-23	-14	-12	-13	-11	-8	-6	-6	-6	-8	-7
	DK	2	1	-10	-12	-7	-4	-2	-3	-2	-1	-6	-1	-2	-2	0	-1	:	1
	D	1	2	-4	-16	-18	-14	-11	-8	1	4	2	0	1	1	2	1	1	-1
	GR	:	:	:	:	-2	-13	-8	-8	-24	-31	-27	-31	-33	-32	-35	-32	-34	-31
	E	:	:	:	:	:	:	:	:	-10	-9	-10	-9	-13	-11	-12	-9	-8	-6
	F^(d)	-2	-4	-7	-8	-7	-11	-15	-13	-11	-14	-13	-14	-14	-14	-14	-13	-14	:
	IRL	-9	-21	-32	-38	-41	-43	-42	-37	-34	-36	-33	-37	-32	-30	-37	-29	-31	-33
	I	-14	-13	-14	-14	-13	-15	-12	-10	-6	-6	-4	-4	-3	-4	-3	-5	-4	:
	NL	4	1	-9	-18	-20	-28	-26	-17	-3	-2	2	3	0	0	3	-1	-1	-1
	P	:	:	:	:	:	:	:	:	-8	-7	-6	-7	-3	-1	-2	-3	2	0
	UK	-10	-11	-24	-30	-27	-15	-15	-16	-13	-11	-11	-8	-12	-5	-6	0	-1	-1
	EUR^(c)	-4	-5	-11	-17	-16	-15	-15	-12	-8	-7	-7	-7	-8	-6	-6	-5	-5	-5
— over last 12 months	B	-3	-3	-6	-9	-12	-15	-18	-13	-5	-3	-2	-1	-2	-1	1	2	-1	0
	DK	6	3	-8	-4	-2	0	3	3	2	0	4	4	0	3	4	0	:	3
	D	2	2	-3	-12	-14	-9	-6	-4	2	3	3	2	2	1	2	2	1	0
	GR	:	:	:	:	15	0	6	2	-12	-24	-18	-18	-21	-18	-23	-22	-24	-24
	E	:	:	:	:	:	:	:	:	3	1	2	2	1	-1	-1	2	3	6
	F^(d)	4	0	-2	0	0	-4	-7	-3	-2	-6	-4	-5	-4	-3	-4	-6	-5	:
	IRL	1	-13	-19	-24	-23	-26	-22	:	-15	-18	-16	-13	-12	-14	-20	-12	-17	-18
	I	-6	-7	-10	-8	-6	-8	-3	-2	1	1	4	5	4	4	2	2	2	:
	NL	1	1	-9	-13	-14	-21	-17	-6	2	3	4	5	4	3	2	-1	0	-2
	P	:	:	:	:	:	:	:	:	2	-2	3	2	2	1	4	2	10	5
	UK	3	-1	-13	-15	-9	-2	-3	-5	-3	-1	0	3	5	7	7	9	4	6
	EUR^(c)	2	0	-6	-9	-8	-7	-6	-4	0	-1	1	1	1	1	1	1	0	1
— over next 12 months	B	-28	-29	-45	-51	-43	-38	-33	-17	-12	-15	-7	-8	-10	-5	-10	-8	-9	-6
	DK	-21	-24	-42	-29	-23	3	6	4	-7	-16	-12	-11	-20	-19	-8	-14	:	-17
	D	-1	1	-19	-33	-32	-14	-10	-6	3	2	1	-4	-4	-4	-6	-5	-10	-11
	GR	:	:	:	:	25	6	10	3	-13	-26	-22	-19	-20	-17	-25	-22	-22	-25
	E	:	:	:	:	:	:	:	:	3	2	-4	-7	-8	-7	-4	0	2	3
	F^(d)	-15	-29	-40	-27	-23	-36	-45	-34	-18	-22	-27	-27	-27	-24	-26	-27	-24	:
	IRL	2	-26	-35	-38	-42	-45	-29	-26	-26	-31	-27	-23	-20	-29	-34	-33	-32	-28
	I	-14	-19	-30	-30	-24	-25	-9	-8	3	1	10	5	4	1	1	-1	0	:
	NL	-16	-26	-48	-42	-42	-28	-5	10	12	3	8	4	-1	-7	-10	-14	-18	-12
	P	:	:	:	:	:	:	:	:	5	0	8	9	6	1	4	2	15	14
	UK	5	-16	-24	-23	-10	-5	-10	-16	-14	-9	-8	-2	3	6	10	16	8	9
	EUR^(c)	-8	-16	-30	-30	-24	-21	-18	-14	-5	-7	-6	-7	-7	-7	-7	-6	-7	-8
PRICE TRENDS	B	59	55	65	69	77	78	78	72	49	36	36	30	33	27	32	32	33	34
	DK	47	39	50	51	48	26	26	26	10	5	6	0	-5	1	-1	6	:	1
	D	16	25	44	52	46	23	15	9	-15	-26	-28	-23	-23	-20	-16	-12	-9	-9
	GR	:	:	:	:	15	30	24	26	39	38	41	39	41	41	43	42	42	43
	E	:	:	:	:	:	:	:	:	46	43	44	45	38	41	40	28	25	30
	F^(d)	60	70	79	77	62	55	58	44	12	5	7	18	19	14	14	15	12	:
	IRL	57	80	85	87	87	80	71	59	47	42	43	42	41	35	37	33	32	28
	I	67	72	80	79	72	69	55	49	36	33	26	25	27	24	28	24	28	:
	NL	47	43	62	68	63	43	41	22	-2	-7	-18	-27	-27	-26	-23	-19	-17	-16
	P	:	:	:	:	:	:	:	:	31	31	34	38	33	30	30	27	17	23
	UK	35	48	59	41	31	15	19	24	15	17	14	11	15	10	10	7	4	10
	EUR^(c)	42	49	63	62	53	40	37	30	13	10	8	10	11	9	11	10	10	11

TABLE 12 (continued): Consumer opinion on economic and financial conditions^(a)

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987									
												Dec.	Jan.	Feb.	March	Apr.	May	June	July	Aug.
PRICE TRENDS (cont.)	B	22	33	42	40	45	40	37	36	27	22	23	14	18	14	18	16	18	22	
	DK	27	29	38	31	31	12	16	15	7	1	4	11	11	7	5	7	:	5	
	D	33	44	51	50	43	30	28	25	5	1	0	6	1	4	8	13	16	18	
	GR	:	:	:	:	25	37	38	42	44	47	50	45	48	48	49	41	46	48	
	E	:	:	:	:	:	:	:	:	19	22	22	23	15	24	20	9	12	16	
	F (d)	41	46	50	39	42	37	32	27	19	18	24	29	17	9	12	12	10	:	
	IRL	36	59	56	52	46	39	35	32	23	28	32	23	25	22	25	23	26	24	
	— over next 12 months	I	44	56	60	58	56	54	46	48	35	37	32	38	34	35	37	37	43	:
	NL	36	48	61	52	50	38	25	17	6	4	-2	-12	-12	-6	-2	3	8	10	
	P	:	:	:	:	:	:	:	:	:	14	21	14	16	17	17	16	16	9	8
	UK	21	34	43	31	29	27	40	43	32	38	36	35	36	33	33	24	33	37	
		EUR (c)	34	44	51	44	42	35	35	32	20	21	21	23	18	18	20	18	22	23
UNEMPLOYMENT	B	42	42	57	67	60	57	44	37	33	37	35	36	40	37	36	33	36	36	
	DK	29	22	39	37	29	30	5	-4	1	24	19	15	24	26	18	37	:	35	
	D	10	3	20	43	43	30	20	16	4	9	7	14	13	12	13	14	20	24	
	GR	:	:	:	:	11	10	11	17	31	35	38	38	36	35	39	34	36	34	
	E	:	:	:	:	:	:	:	:	26	33	40	39	36	39	35	24	24	26	
	F (d)	30	44	47	43	30	41	62	50	33	35	38	44	47	47	50	42	43	:	
	IRL	6	12	34	47	56	67	52	48	45	47	44	33	31	34	47	49	50	49	
	— over next 12 months	I	42	41	51	52	56	57	49	47	39	41	34	40	37	40	39	41	40	:
	NL	42	35	59	72	72	67	36	0	-11	-7	-4	3	3	7	9	4	16	17	
	P	:	:	:	:	:	:	:	:	27	26	22	26	18	19	22	17	6	8	
	UK	20	30	58	50	34	37	32	35	32	24	19	16	14	8	6	3	2	3	
		EUR (c)	25	27	43	48	42	41	38	32	23	26	25	28	27	27	24	26	27	
MAJOR PURCHASES	B	46	30	23	15	13	6	6	-18	-26	-17	-21	-25	-24	-24	-21	-21	-24	-16	
	DK	41	42	21	10	16	7	14	14	0	-25	-20	-13	-11	-14	-14	-16	:	-12	
	D	31	25	18	-1	-17	-8	-9	-8	4	7	10	6	2	8	2	4	5	-1	
	GR	:	:	:	:	-35	-35	-24	-20	-22	-11	-31	-39	-45	-36	-40	-43	-36	-29	
	E	:	:	:	:	:	:	:	:	-27	-26	-23	-10	-23	-20	-20	-12	-2	-5	
	F (d)	34	35	39	28	30	19	6	-4	-3	-5	-9	-4	-10	-5	-8	-6	-11	:	
	IRL	49	46	30	24	13	-6	-9	-2	-10	-23	2	-15	-12	-18	-11	-10	-5	-15	
	— at present	I	-10	-3	2	4	1	-13	-15	-15	-8	-6	-9	-8	-6	-8	-6	-8	-3	:
	NL	28	13	-2	-17	-21	-18	-44	-29	-6	-9	4	6	-4	4	-2	1	6	0	
	P	:	:	:	:	:	:	:	:	-28	-30	-30	-27	-18	-20	-18	-22	-14	-14	
	UK	43	43	28	26	25	32	31	24	24	15	24	24	19	22	20	20	31	28	
		EUR (c)	29	27	22	12	6	5	0	-3	0	-3	-1	1	-4	0	-3	-1	2	0
— over next 12 months	B	-28	-29	-26	-28	-28	-30	-28	-30	-28	-25	-23	-24	-24	-22	-18	-18	-19	-16	
	DK	-9	-8	-14	-12	-10	-8	-7	-8	-12	-12	-12	-12	-10	-10	-12	-12	:	-12	
	D	-15	-15	-19	-25	-28	-29	-28	-26	-20	-18	-16	-20	-19	-20	-19	-23	-20	-22	
	GR	:	:	:	:	-24	-33	-38	-33	-42	-35	-39	-43	-51	-48	-49	-44	-51	-44	
	E	:	:	:	:	:	:	:	:	-26	-34	-28	-29	-24	-22	-22	-23	-20	-19	
	F (d)	-13	-16	-18	-13	-9	-10	-10	-9	-3	0	0	0	-1	0	0	-1	-1	:	
	IRL	-13	-17	-19	-22	-27	-31	-25	-22	-20	-21	-22	-26	-26	-17	-20	-19	-17	-16	
	I	-16	-10	-17	-18	-22	-22	-21	-21	-21	-23	-21	-20	-21	-21	-20	-21	-21	:	
	NL	-14	-19	-23	-27	-27	-29	-27	-20	-15	-14	-15	-12	-12	-10	-10	-12	-13	-14	
	P	:	:	:	:	:	:	:	:	6	5	2	4	1	2	10	5	-1	0	
	UK	-9	-6	-14	-19	-18	-15	-12	-14	-12	-12	-16	-14	-11	-9	-8	-6	-9	-10	
		EUR (c)	-12	-12	-17	-20	-20	-21	-19	-18	-16	-16	-15	-16	-15	-14	-13	-14	-14	-15
SAVINGS	B	35	40	38	41	40	46	46	46	43	54	41	50	53	50	55	51	53	54	
	DK	7	11	15	23	26	40	41	50	46	49	55	46	48	53	43	46	:	49	
	D	34	46	43	32	27	33	38	41	44	44	52	44	39	41	45	43	43	46	
	GR	:	:	:	:	-25	-29	-20	-18	-31	-32	-34	-43	-44	-40	-46	-45	-43	-34	
	E	:	:	:	:	:	:	:	:	36	29	39	48	41	41	42	41	40	49	
	F (d)	10	8	-3	-2	-5	0	6	11	12	13	17	17	20	20	19	23	21	:	
	IRL	14	8	5	-3	-9	-3	-8	-1	-3	-7	-8	-3	-10	-2	-7	-8	-19	-11	
	— at present	I	6	4	-6	-7	10	21	33	37	47	46	48	50	48	51	49	51	47	:
	NL	13	19	19	27	38	35	34	41	48	53	51	51	52	51	52	48	48	44	
	P	:	:	:	:	:	:	:	:	-42	-42	-49	-39	-36	-31	-25	-21	-21	-19	
	UK	-10	-5	6	5	5	10	17	20	23	22	25	33	32	31	30	34	37	32	
		EUR (c)	16	21	15	12	12	19	24	29	31	30	35	35	34	35	35	36	36	36
— over next 12 months	B	-14	-14	-20	-21	-25	-26	-27	-33	-9	-2	-10	-3	-1	-2	-2	-1	-4	0	
	DK	-11	-12	-20	-19	-18	-12	-11	-7	-6	-12	-9	-7	-8	-3	1	-5	:	3	
	D	43	46	44	23	-2	1	3	3	11	12	18	16	12	16	12	11	14	11	
	GR	:	:	:	:	-37	-41	-39	-40	-47	-52	-54	-52	-59	-54	-58	-61	-59	-57	
	E	:	:	:	:	:	:	:	:	-36	-32	-34	-34	-31	-39	-41	-34	-29	-30	
	F (d)	-27	-29	-32	-32	-32	-35	-37	-36	-31	-32	-34	-32	-35	-31	-35	-33	-34	:	
	IRL	-5	-11	-13	-19	-22	-25	-37	-28	-30	-30	-25	-31	-34	-20	-39	-29	-31	-40	
	I	-35	-34	-32	-30	-22	-27	-20	-17	-10	-9	-5	-7	-6	-8	-5	-5	-6	:	
	NL	6	8	0	-1	-3	-8	-2	6	12	14	19	17	17	14	21	14	17	17	
	P	:	:	:	:	:	:	:	:	-39	-40	-39	-40	-36	-29	-31	-27	-18	-23	
	UK	-4	-4	-16	-20	-17	-13	-12	-14	-12	-12	-13	-7	-9	-4	-8	-5	-8	-2	
		EUR (c)	1	2	-4	-11	-17	-17	-16	-15	-11	-12	-11	-10	-11	-9	-11	-10	-10	-9

TABLE 12 (continued): Consumer opinion on economic and financial conditions^(a)

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987								
											Dec.	Jan.	Feb.	March	Apr.	May	June	July	Aug.
FINANCIAL SITUATION OF HOUSEHOLDS	B	11	12	9	7	6	5	6	5	13	14	13	13	15	16	14	14	13	14
	DK	10	9	4	4	4	8	8	11	10	9	8	10	7	11	9	10	:	11
	D	23	22	21	16	12	11	11	12	17	18	19	17	17	17	18	17	16	16
	GR	:	:	:	:	0	0	2	3	1	-1	0	-1	-1	-1	-3	-2	-1	-1
	E	:	:	:	:	:	:	:	:	5	7	3	7	8	1	3	6	8	8
	F (d)	10	10	8	8	8	6	4	3	3	1	1	1	0	2	0	2	2	:
	IRL	11	8	2	-4	-1	-1	-1	-1	-1	-2	0	-1	-2	4	-5	0	-2	-4
	I	7	8	8	8	13	9	11	12	15	15	16	15	17	15	17	16	18	:
	NL	14	22	19	18	17	15	13	16	19	16	20	19	18	18	20	19	18	16
	P	:	:	:	:	:	:	:	:	2	3	6	3	7	10	7	8	12	8
UK	8	10	8	9	9	12	12	11	11	11	11	12	13	14	13	17	13	17	
	EUR (c)	14	15	12	11	10	9	9	9	11	11	11	11	11	11	12	12	12	12

(a) The sum of the replies for each Member State are weighted in the Community total with the value of consumers' expenditure.

(b) The indicator represents the arithmetic average of results for five questions, namely the two on the financial situation of the household, the two on the general economic situation, and that concerning major purchases at present.

(c) If monthly data are not available, the EUR-averages incorporate the most recent available results.

(d) Data of an experimental nature from June 1986 onwards.

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.

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

³ Quarterly data; monthly from May 1986 onwards.

⁴ Percentage changes on corresponding quarter resp. month of preceding year.

⁵ See table 12 for data and notes.

⁶ Seasonally adjusted.

⁷ EUR 10 up to May 1986; EUR 12 from June 1986 onwards.

Source: European Community consumer survey.

While it is true that in Portugal the assessment by households of their future financial situation was also favourably influenced by the election results, this improvement in the trend was nevertheless appreciably more limited than for the trend of expectations of the economy as a whole.

Since the end of 1985, there has been evidence of a slight increase in the readiness of European consumers as a whole to purchase consumer durables. The level of this component of the confidence indicator (August: 0) is still, however, less favourable than the values which were being recorded even in the early 1980s (average for 1980: +22), even though at that time assessments of both the state of the economy in general and consumers' own personal financial situation were far more adverse than they are today.

Consumers' opinions have, however, been relatively volatile in recent months. In the Federal Republic of Germany, Spain, Ireland, the Netherlands and the United Kingdom the readiness to consume declined in August, after gaining ground in July. Similarly, for the Community as a whole, the level of this component of the confidence indicator moved from +2 in July to 0 in August.

However, in July and August, the balance of purchasing intentions of Spanish, Portuguese and British consumers remained appreciably higher than in June. This is also true, albeit to a

somewhat lesser extent, of Italy and of Belgium, where the balance climbed from -24 in July to -16 in August, a relatively high level for that country. By contrast in the Federal Republic of Germany, the Netherlands and Ireland, the readiness to purchase durable goods weakened in the summer.

In July and August, consumers were more inclined to expect prices to rise (from +18 to +23). British consumers in particular gave evidence of pessimism (from +24 to +37). In Greece, Italy and the Netherlands as well, expectations of rising prices have become stronger since June. By contrast, fears of price rises diminished slightly in July among French consumers. In Portugal, expectations of a reduction in the upward movement of prices clearly dominated.

In the Federal Republic of Germany and the Netherlands, households have more definite expectations of an increase in unemployment. To a lesser extent, this also applies to Belgium. Despite the fact that the optimism of Portuguese consumers also substantially influenced their view of how employment would develop, the judgements expressed on this question throughout the Community were on average less favourable in August than in June (from +24 to +27). The present level is the same as the level observed from March to May.

18 September 1987

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