

# EUROPEAN ECONOMY

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*In this number:  
Capacity utilization  
in industry*

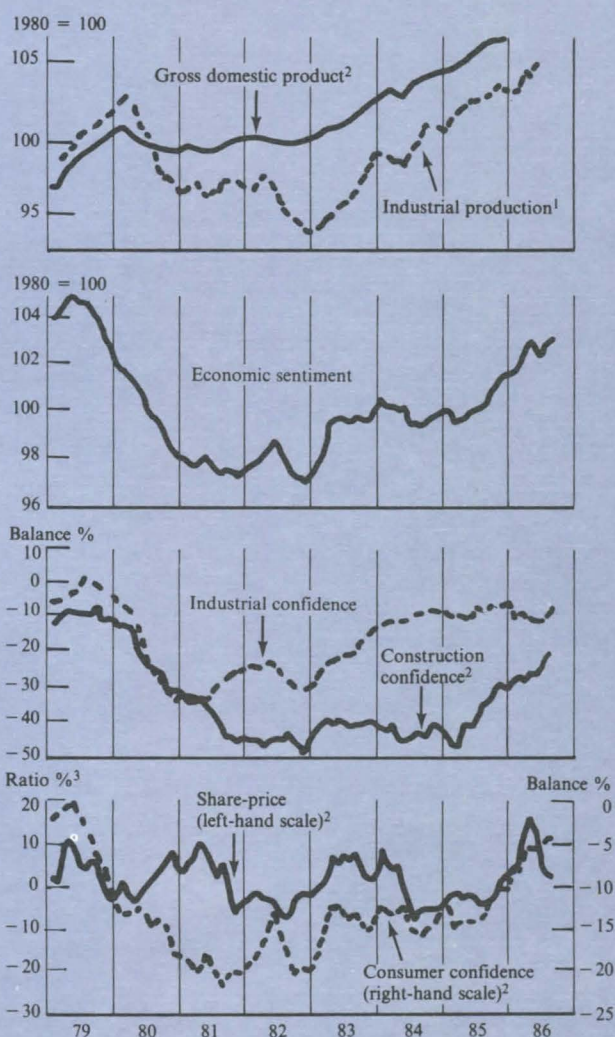
Business and consumer survey results

## THE MAIN POINTS IN BRIEF

In July and August the Community leading indicator more than made up for the loss which had occurred in May and June. The level of the Community leading indicator in August was the highest for almost seven years (103.1; 1980 = 100). But there is still some way to go before it reaches the peak levels of the previous two upswings (1979: 104.9; 1973: 109.1; 1980 = 100).

- Capacity utilization in industry has recovered from decline early in the year. The July figure (82.5 %) represents the highest level yet reached in the present upswing.
- The increase in capacity utilization was most marked in the Federal Republic of Germany (85.4 % compared with 83.5 % in April), while Belgian, French and Irish industry experienced a slight decrease in the level of capacity utilization.
- The expected moderate increase in output seems, however, to be not large enough to employ more workers in European industry in the next months.

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

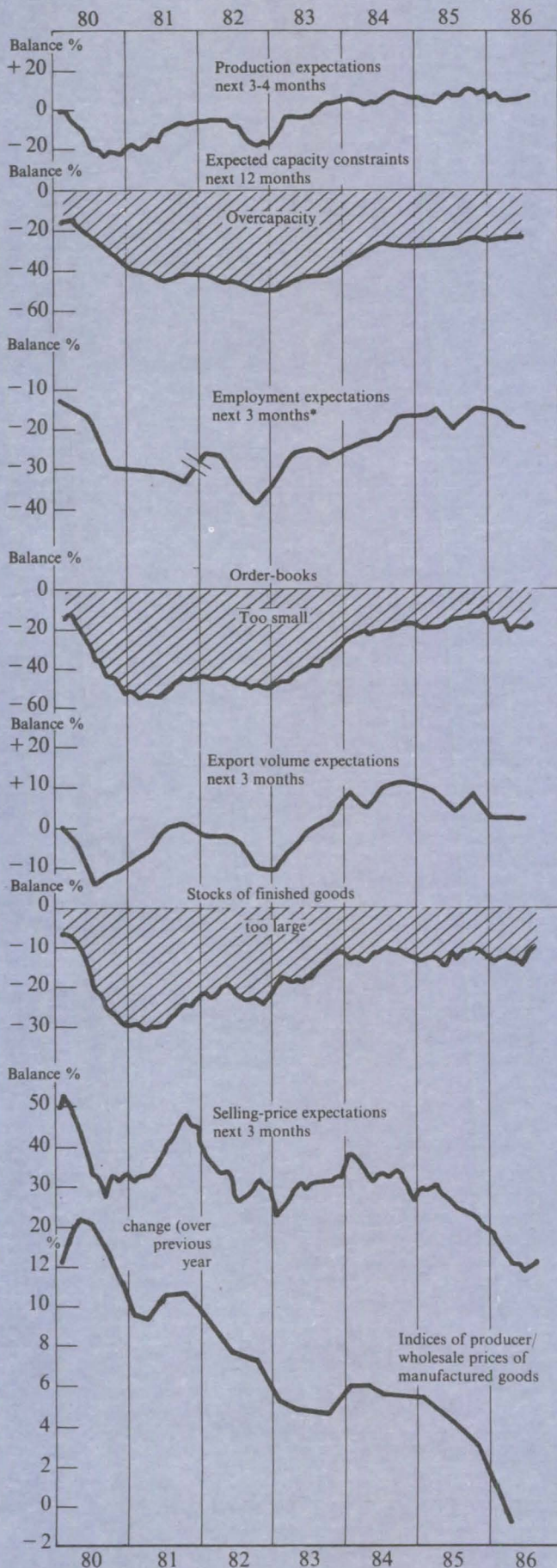


<sup>1</sup> Three-month moving average.

<sup>2</sup> See notes to Table 8

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

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



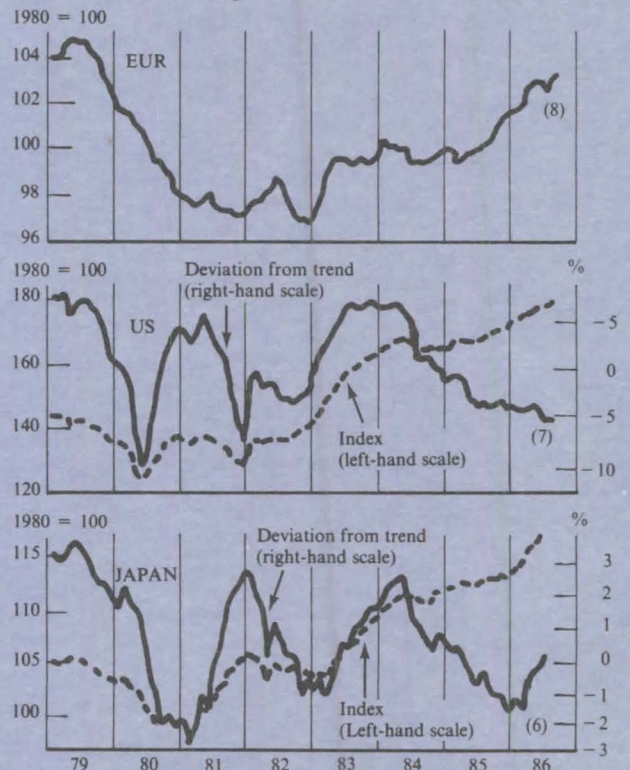
\* Quarterly data since 1982; before twice-yearly.

**A marked rise in capacity utilization.** — The degree of utilization achieved in European industry at the end of July (82.5 %), represents the highest level yet reached in the present upswing and is only 1.4 percentage points below the top value of the last upswing in 1979/80. But it is still 3.9 percentage points short of the 1973 peak which, however, was accompanied by serious inflationary imbalances.

The recent improvement more than makes up for the decline in capacity utilization in the first months of the year. The increase was most marked in the Federal Republic of Germany (85.4 % compared with 83.5 % in April), while capacity utilization dipped slightly in Belgium, France and Ireland. Broken down by branch, capacity utilization improved by more than the average in the consumer goods industry (84.0 % compared with 82.3 % in April), a development which is consistent with the revival of activity in the retail trade. There was also greater demand for groups of products such as furniture and leather products, which have recently had little appeal for consumers, and this was reflected in a higher utilization of capacity in the branches of industry in question. The already high capacity utilization in the capital goods and basic industries was substantially maintained, even though the end-1985 peak levels were generally not quite reached. The paper production and rubber processing industries are an exception: their values of 90.8 % and 82.5 % respectively were the highest since the upswing started early in 1983 (see Table 2).

Despite the relatively high level of capacity utilization, companies anticipate no shortages of capacity in the coming months. On balance, a quarter of European industrial companies still consider production capacities to be more than sufficient to cope with expected demand in the next twelve months (see Table 3). It cannot be inferred from the figures whether this judgment is influenced by scepticism concerning the future development of demand, or has more to do with increased productive potential as a result of industrial companies' strong investment activity in the past two years and their introduction of more flexible working time arrangements. Only 5 % of European industrial firms reported production problems due to shortage of labour. In the United Kingdom and the Federal Republic of Germany, firms were also asked whether they had any production prob-

GRAPH 3: Leading indicators for the European Community, USA and Japan<sup>1</sup>



<sup>1</sup> EUR-leading indicator should be compared with deviations from long-term trend of leading indicators of the USA and Japan (thick curves). Arabic number indicates latest month for which data are available ("5" = May).

Sources: Commission's Services, US Department of Commerce, Economic Planning Agency of the Japanese Government.

lems due to a shortage of skilled workers: the figure was 15 % for United Kingdom companies compared with only 4 % for German industrial companies.

**Production expectations unchanged, despite less favourable export prospects.** — Industrial companies' production plans point to a continuation of the moderate upward trend of production (balance + 5). The tendency is stronger than the Community average in the United Kingdom, Ireland and Italy, where not only domestic demand, but also real exports are expected to pick up in the next few months. As a Community average, industrial firms however expect export volume to decline slightly over the next three months whereas hitherto during the upswing a positive trend has always predominated. In France, the Federal Republic of Germany and Luxembourg in particular, adverse influences are expected to emanate from foreign trade, but—to judge from production expectations—these are likely to be more than offset by the stronger domestic demand. In Luxembourg companies consider that the existing high level of production cannot be entirely maintained in the coming months; but on the whole the employment situation in that country still looks markedly more favourable than the Community average.

**Employment expectations deteriorate slowly** (see Graph 2). — The expected increase in output seems to be, however, not large enough to employ more workers in European industry in the next months. In almost all member countries recruitment plans have worsened slightly as compared with the second quarter of 1986; only in the Netherlands they are again on a somewhat more definite upward path (+ 16 compared with + 15; balance). The most unfavourable plans were again reported by French and Italian industry (-47 and -34; balance). The renewed

worsening of the employment trends in European industry since the beginning of 1986 (-20 compared with -14 at the end of 1985; balance) underlines the need for even greater efforts to create more jobs. In the forthcoming Annual Economic Report 1986-87, the Commission will review its strategy for more growth and employment.

**Stocks of finished goods more normal.** — As a result of the slump in sales at the beginning of the year, stocks of unsold finished products were higher than firms would have wished in the spring. Now that demand is again livelier, the level of stocks has in general become more normal (balance + 10 compared with + 15 in June; see Table 9).

**Price expectations only slightly up.** — The downward trend of price expectations in industry seems to have come to an end. But so far, the slight upturn in July and August (+ 10 and + 11 compared with + 8 in June; balances) still signals no notable rise of industrial producer prices. It is worth mentioning that German price expectations are approaching the European average, whereas in previous months they were always markedly lower (see Table 9).

**Continuing tendency for construction industry to recover.** — In the Federal Republic of Germany and—even more so—in the United Kingdom and France, the order-book situation in the construction industry has further improved. This is also reflected in employment expectations, which are slightly up in the United Kingdom for the first time in a long period (+ 2; balance), while in France and Germany the downward employment trend has definitely weakened. In the other member countries the economic situation in the construction industry has remained unchanged since June: Belgium is the only country where building

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

|                | Range (b) |        | Range (b) |        | 1984 | 1985 | 1984 |      | 1985 |      | 1986 |      |      |      |      |
|----------------|-----------|--------|-----------|--------|------|------|------|------|------|------|------|------|------|------|------|
|                | Peak      | Trough | Peak      | Trough |      |      | J    | O    | J    | A    | J    | O    | J    | A    | J    |
|                | 1973      | 1975   | 79:80     | 83:83  |      |      |      |      |      |      |      |      |      |      |      |
| <b>B</b>       | 85.4      | 70.4   | 79.1      | 74.4   | 76.0 | 78.8 | 76.4 | 77.0 | 78.0 | 78.4 | 78.3 | 80.4 | 80.9 | 79.4 | 78.7 |
| <b>D</b>       | 88.1      | 74.8   | 86.0      | 75.3   | 80.2 | 83.7 | 76.6 | 82.3 | 82.4 | 82.6 | 84.9 | 84.9 | 85.2 | 83.5 | 85.4 |
| <b>F</b>       | 87.8      | 76.6   | 85.3      | 81.1   | 81.9 | 82.8 | 81.8 | 82.3 | 82.5 | 82.2 | 83.0 | 83.3 | 83.3 | 83.5 | 83.2 |
| <b>IRL</b>     | :         | :      | 68.1      | 56.8   | 61.5 | 67.3 | 63.0 | 63.3 | 65.9 | 61.8 | 72.7 | 68.8 | 74.8 | 76.2 | 73.0 |
| <b>I</b>       | 78.8      | 68.0   | 77.3      | 69.1   | 72.0 | 74.0 | 72.2 | 73.5 | 73.8 | 74.3 | 74.3 | 73.5 | 74.2 | 75.5 | 75.9 |
| <b>L</b>       | :         | :      | 83.0      | 66.5   | 77.8 | 80.9 | 79.0 | 81.6 | 79.0 | 82.6 | 82.6 | 79.5 | 87.8 | 83.3 | 83.6 |
| <b>NL</b>      | 86.0      | 76.0   | 83.0      | 75.8   | 82.3 | 83.8 | 82.8 | 83.6 | 83.5 | 84.0 | 84.0 | 83.6 | 83.6 | 83.0 | 83.7 |
| <b>UK (d)</b>  | 90.6      | 75.5   | 87.6      | 73.0   | 82.5 | 85.8 | 83.5 | 84.5 | 84.9 | 84.4 | 87.4 | 86.6 | 85.4 | 84.3 | 84.8 |
| <b>EUR (c)</b> | 86.4      | 75.0   | 83.9      | 76.4   | 79.1 | 81.6 | 78.3 | 80.6 | 81.0 | 80.9 | 82.4 | 82.0 | 82.4 | 81.8 | 82.5 |

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 (-) |     |      |     |      |     |  |
|--|-------------------------------------|------|------|------|------|------|------|-----|---|-----|------|-----|------|-----|--|
|  | 1984                                |      | 1985 |      | 1985 |      | 1986 |     | 1984  |     | 1985 |     | 1986 |     |  |
|  | J                                   | O    | J    | O    | J    | A    | J    | J   | O   | J   | O    | J   | A    | J   |  |
|  |                                     |      |      |      |      |      |      |     |   |     |      |     |      |     |  |
| <b>Industry as a whole</b>                               | 79.1                                | 81.6 | 82.4 | 82.0 | 82.4 | 81.8 | 82.5 | +31 | +26   | +27 | +24  | +25 | +24  | +24 |  |
| <b>Consumer goods</b>                                    | 79.3                                | 81.7 | 82.1 | 81.8 | 82.2 | 82.3 | 84.0 | +33 | +31   | +32 | +29  | +28 | +29  | +29 |  |
| <b>Investment goods</b>                                  | 77.6                                | 82.2 | 83.8 | 83.6 | 82.8 | 82.8 | 83.0 | +34 | +22   | +21 | +20  | +23 | +20  | +23 |  |
| <b>Intermediate goods</b>                                | 79.5                                | 80.9 | 81.1 | 80.8 | 82.2 | 81.2 | 81.3 | +31 | +27   | +29 | +25  | +24 | +28  | +26 |  |
| Textile industry   | 81.8                                | 83.3 | 82.8 | 82.8 | 83.6 | 82.9 | 80.3 | +24 | +21   | +20 | +18  | +22 | +26  | +28 |  |
| Footwear and clothing                                    | 84.2                                | 87.3 | 89.9 | 87.1 | 87.2 | 85.2 | 84.7 | +26 | +18   | +21 | +16  | +16 | +16  | +20 |  |
| Timber/wooden furniture                                  | 78.2                                | 78.3 | 78.6 | 78.7 | 79.4 | 79.2 | 80.2 | +38 | +32   | +31 | +28  | +30 | +29  | +30 |  |
| Manufacture of paper, paper products, printing of which: | 84.4                                | 85.9 | 85.7 | 84.9 | 85.2 | 84.0 | 85.6 | +13 | +17   | +17 | +19  | +19 | +14  | +21 |  |
| manufacture of paper**                                   | :                                   | 89.5 | 89.9 | 87.8 | 88.7 | 89.6 | 90.8 | :   | +9  | +8  | +20  | +16 | +7   | +11 |  |
| Leather  | 79.3                                | 82.3 | 82.7 | 82.0 | 82.9 | 79.0 | 81.6 | +16 | +9  | +15 | 0    | +12 | +23  | +1  |  |
| Plastics   | 80.2                                | 80.5 | 80.8 | 79.4 | 80.2 | 81.5 | 80.4 | +19 | +20   | +25 | +17  | +17 | +12  | +9  |  |
| Mineral-oil refining                                     | 73.4                                | 75.7 | 76.0 | 76.2 | 79.4 | 83.2 | 83.0 | +56 | +70   | +75 | +65  | +71 | +66  | +52 |  |
| Metals   | 74.6                                | 78.8 | 79.8 | 79.5 | 79.8 | 78.3 | 79.5 | +48 | +38   | +48 | +25  | +25 | +37  | +39 |  |
| Non-metallic mineral products                            | 76.7                                | 76.8 | 76.7 | 76.7 | 78.5 | 76.5 | 76.8 | +47 | +49   | +52 | +51  | +50 | +42  | +43 |  |
| Chemical industry  | :                                   | :    | :    | :    | :    | :    | :    | +11 | +8  | +8  | +7   | +5  | +9   | +8  |  |
| Metal articles   | 75.9                                | 78.6 | 79.4 | 79.3 | 80.9 | 81.1 | 81.1 | +38 | +30   | +29 | +26  | +27 | +23  | +23 |  |
| Mechanical engineering of which:                         | 78.9                                | 82.2 | 82.8 | 83.8 | 83.6 | 83.4 | 82.5 | +35 | +24   | +23 | +18  | +18 | +23  | +24 |  |
| machines tools   | 78.3                                | 85.9 | 86.8 | 88.0 | 88.9 | 88.3 | 86.5 | +32 | 0   | 0   | -9   | -8  | +9   | +8  |  |
| Office & data processing machinery**                     | :                                   | 85.3 | 82.9 | 86.8 | 83.5 | 82.1 | 82.9 | :   | 0   | 0   | +8   | +10 | +4   | +16 |  |
| Electrical engineering                                   | 80.5                                | 83.9 | 84.3 | 84.5 | 83.2 | 83.0 | 82.8 | +27 | +25   | +19 | +27  | +23 | +18  | +14 |  |
| Motor vehicles   | :                                   | :    | :    | :    | :    | :    | :    | +45 | +43   | +47 | +38  | +44 | +38  | +42 |  |
| Shipbuilding   | 63.3                                | 67.6 | 66.0 | 72.4 | 74.7 | 69.0 | 74.4 | +59 | +57   | +66 | +71  | +62 | +65  | +37 |  |
| Rubber products  | 79.7                                | 81.1 | 82.1 | 79.8 | 82.0 | 81.9 | 82.5 | +28 | +20   | +17 | +25  | +21 | +23  | +12 |  |
| Instrument engineering                                   | 81.9                                | 85.0 | 84.1 | 85.2 | 83.8 | 83.2 | 84.2 | +24 | +10   | +11 | +9   | +11 | +9   | +19 |  |

\* EUR 9 (excluding Greece).

\*\* 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 reached in the periods 1973-1975 and 1979-83, 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)  |              | 1984 | 1985 | 1985 |     |     | 1986 |     |     |
|---------|-----------|-------------|------------|--------------|------|------|------|-----|-----|------|-----|-----|
|         | Peak 1973 | Trough 1975 | Peak 79/80 | Trough 82/83 |      |      | A    | J   | O   | J    | A   | J   |
| B       | -12       | +58         | +35        | +53          | +31  | +29  | +30  | +32 | +26 | +24  | +26 | +26 |
| DK      | :         | :           | +10        | +38          | +10  | +3   | +7   | +4  | -2  | 0    | +8  | +13 |
| D       | -3        | +56         | +12        | +49          | +24  | +17  | +19  | +16 | +14 | +12  | +11 | +13 |
| F       | -24       | +45         | +11        | +48          | +39  | +37  | +31  | +42 | +32 | +33  | +34 | +33 |
| IRL     | :         | +34         | +2         | +40          | +31  | +25  | +37  | +21 | +17 | +20  | +18 | +16 |
| I       | +1        | +63         | +17        | +58          | +37  | +37  | +37  | +38 | +39 | +41  | +35 | +33 |
| L       | -72       | +73         | +37        | +62          | +48  | +12  | +1   | +4  | 0   | -4   | +3  | +6  |
| NL      | -3        | +60         | +14        | +51          | +12  | +4   | +5   | +2  | +4  | +2   | +4  | +6  |
| UK      | :         | :           | :          | +63          | +33  | +23  | +24  | +22 | +19 | +28  | +27 | +28 |
| EUR (c) | -7        | +54         | +14        | +50          | +31  | +26  | +26  | +27 | +24 | +25  | +24 | +24 |

**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) |                | 1984 | 1985 | 1984 | 1985 |     |     | 1986 |     |     |     |
|---------|-----------|----------------|------|------|------|------|-----|-----|------|-----|-----|-----|
|         | Peak 1979 | Trough 1981/82 |      |      |      | O    | J   | A   | J    | O   | J   | A   |
| B       | +8        | -22            | -7   | -1   | -8   | -4   | -1  | -1  | +2   | -7  | -13 | -1  |
| DK      | :         | -14            | +30  | +21  | +36  | +31  | +15 | +27 | +11  | +18 | +16 | +13 |
| D       | +17       | -26            | +8   | +1   | +7   | -9   | -4  | -1  | +10  | +1  | -11 | +5  |
| F       | +14       | -35            | -17  | -14  | -15  | -17  | -16 | -13 | -9   | -11 | -8  | -9  |
| IRL     | :         | -46            | -4   | -8   | -10  | -7   | -10 | -6  | -10  | -10 | -17 | -19 |
| I       | +7        | -25            | +3   | +6   | +5   | +6   | -5  | +3  | +19  | +4  | +8  | +7  |
| L       | +45       | -67            | +3   | +12  | +6   | +5   | +31 | +6  | +6   | +3  | -22 | -29 |
| NL      | +9        | -6             | +7   | +4   | 0    | -1   | +5  | +11 | 0    | -3  | -1  | +4  |
| UK      | :         | -21            | +17  | +14  | +18  | +13  | +14 | +12 | +18  | +1  | -13 | -10 |
| EUR (c) | +14       | -21            | +3   | +2   | +4   | -2   | -2  | +1  | +9   | +1  | -6  | -1  |

**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) |                | 1984 | 1985 | 1984 | 1985 |     |     | 1986 |     |     |     |
|---------|-----------|----------------|------|------|------|------|-----|-----|------|-----|-----|-----|
|         | Peak 1979 | Trough 1981/82 |      |      |      | O    | J   | A   | J    | O   | J   | A   |
| D       | +6        | -15            | +10  | +8   | +16  | +9   | +12 | +4  | +7   | 0   | -3  | -5  |
| GR      | :         | -13            | +27  | +27  | +28  | +27  | +24 | +33 | +23  | +20 | +21 | +19 |
| F       | +13       | -23            | 6    | +1   | -5   | +3   | -2  | -5  | +6   | 0   | -6  | -17 |
| IRL     | :         | -8             | +14  | +12  | +6   | +8   | +8  | +7  | +24  | +16 | +19 | +22 |
| I       | +16       | -14            | +11  | +9   | +9   | +11  | +6  | +6  | +12  | +1  | +11 | +14 |
| L       | +62       | -67            | 7    | +2   | +13  | +6   | -6  | +1  | +7   | +10 | -41 | -48 |
| NL      | +20       | -11            | +12  | +4   | +10  | +3   | +3  | +1  | +8   | +6  | 0   | +8  |
| UK      | :         | -4             | +17  | +15  | +20  | +22  | +16 | +14 | +9   | +4  | +14 | +1  |
| EUR (c) | +11       | -11            | +9   | +8   | +11  | +10  | +9  | +4  | +8   | +2  | +2  | -2  |

**TABLE 6: Employment expectations in manufacturing industry (a)(s.a.)**  
Balance of respondents expecting employment up, unchanged or down

|     | Range (b) |             | Range (b) |                | 1984 | 1985 | 1985 |     |     | 1986 |     |     |
|-----|-----------|-------------|-----------|----------------|------|------|------|-----|-----|------|-----|-----|
|     | Peak 1973 | Trough 1975 | Peak 1979 | Trough 1982/83 |      |      | II   | III | IV  | I    | II  | III |
| B   | +12       | -26         | -2        | -17            | -9   | -9   | -11  | -11 | -7  | -8   | -10 | -14 |
| DK  | :         | :           | :         | -14            | +10  | +4   | +5   | +2  | +1  | -1   | -3  | -5  |
| D   | +13       | -34         | +2        | -38            | -11  | -4   | -5   | -5  | +2  | +1   | +1  | -2  |
| GR  | :         | :           | :         | :              | -2   | -3   | -4   | -1  | -3  | -1   | 0   | -6  |
| F   | +17       | -35         | -23       | -48            | -44  | -43  | -41  | -44 | -45 | -40  | -44 | -47 |
| IRL | +15       | -34         | +4        | -35            | -20  | -7   | -14  | -1  | +7  | -9   | -7  | -8  |
| I   | +13       | -26         | +3        | -39            | -34  | -33  | -31  | -39 | -29 | -35  | -38 | -34 |
| L   | +75       | -67         | -1        | -62            | -26  | +1   | +3   | -2  | -3  | +6   | +5  | -2  |
| NL  | +4        | -32         | -6        | -36            | -4   | +11  | +10  | +9  | +13 | +17  | +15 | +16 |
| UK  | :         | :           | :         | -43            | -11  | -3   | +2   | -9  | -4  | -7   | -15 | -15 |
| EUR | +12       | -31         | -6        | -40            | -21  | -17  | -15  | -20 | -14 | -16  | -19 | -20 |

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

|         | Range     |             | Range     |                | 1984 | 1985 | 1985 |     |     | 1986 |     |     |
|---------|-----------|-------------|-----------|----------------|------|------|------|-----|-----|------|-----|-----|
|         | 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  | 3,4  | 3,3  | 3,5 | 3,4 | 3,3  | 3,3 | 3,2 |
| D       | 3,3       | 2,8         | 3,4       | 2,6            | 2,8  | 2,9  | 2,8  | 2,9 | 2,9 | 2,9  | 2,8 | 2,8 |
| GR      | :         | :           | :         | 5,0            | 5,3  | 5,1  | 5,1  | 5,0 | 4,9 | 6,0  | 5,3 | 6,1 |
| F       | 3,5       | 2,7         | 4,2       | 3,3            | 3,1  | 3,1  | 3,1  | 3,2 | 3,1 | 2,9  | 2,7 | 2,9 |
| IRL     | 2,2       | 1,8         | 2,6       | 1,5            | 1,9  | 2,0  | 2,1  | 1,8 | 1,9 | 1,9  | 2,2 | 1,8 |
| I       | 4,7       | 3,7         | 5,3       | 3,8            | 4,3  | 4,4  | 4,3  | 4,4 | 4,4 | 4,1  | 4,1 | 3,8 |
| L       | 3,5       | 1,4         | 2,4       | 1,7            | 1,9  | 1,9  | 1,8  | 2,0 | 1,9 | 2,7  | 2,7 | 2,3 |
| NL      | 4,7       | 2,6         | 4,2       | 2,5            | 2,9  | 3,1  | 3,0  | 3,0 | 3,3 | 3,2  | 3,3 | 3,2 |
| UK      | :         | :           | 4,2       | 1,9            | 3,0  | 3,7  | 3,9  | 4,0 | 4,5 | 3,6  | 3,9 | 3,8 |
| EUR (c) | 3,7       | 3,0         | 3,9       | 3,0            | 3,2  | 3,4  | 3,4  | 3,5 | 3,6 | 3,3  | 3,3 | 3,3 |

(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.

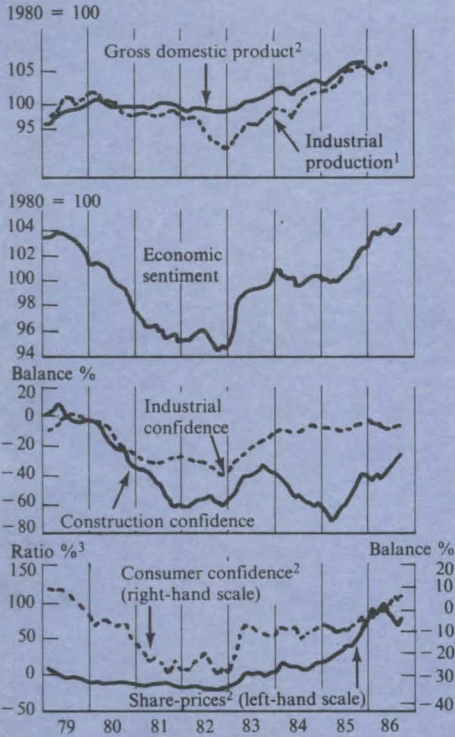
(c) Weighted total of available country data.

(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.

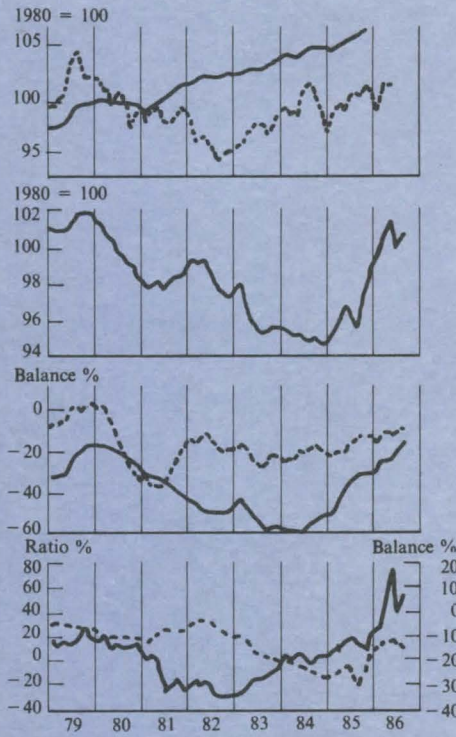
GRAPHS 4-9: Indicators of output and economic sentiment

GRAPH 4: Federal Republic of Germany



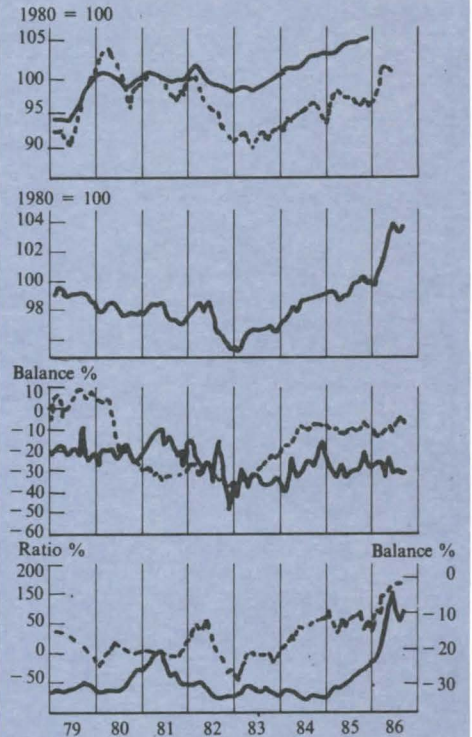
<sup>1</sup> Three-month moving average.  
<sup>2</sup> See notes to Table 8.  
<sup>3</sup> Deviations from trend in %.

GRAPH 5: France



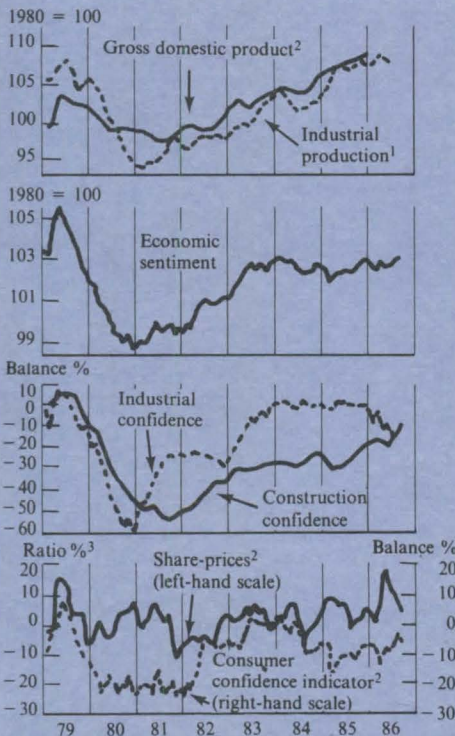
For explanations, see Graph 4.

GRAPH 6: Italy



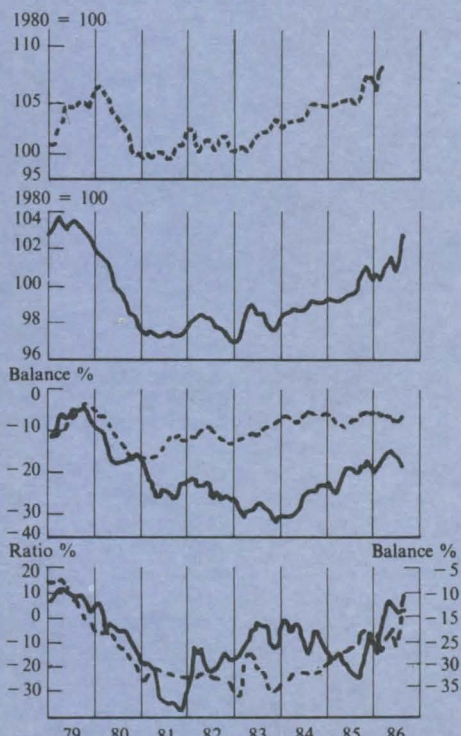
For explanations, see Graph 4.

GRAPH 7: United Kingdom



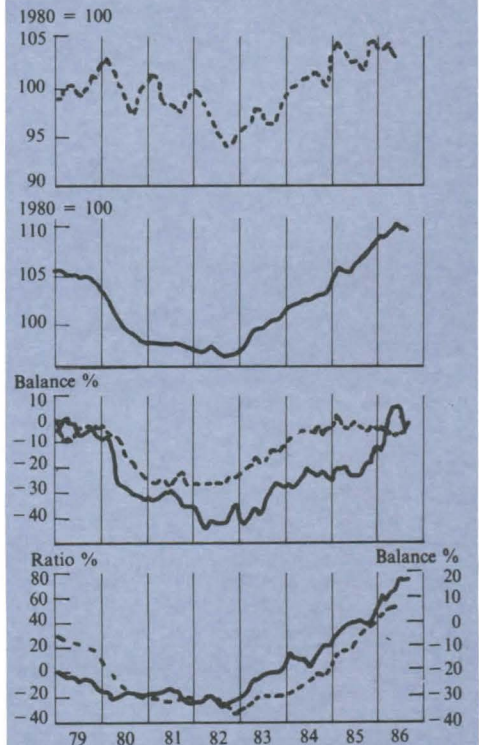
<sup>1</sup> Three-month moving average.  
<sup>2</sup> See notes to Table 8.  
<sup>3</sup> Deviations from trend in %.

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)       |                   | 1985  | 1985  | 1986  |       |       | 1986  |       |       |       |       |
|------------|---------------------------------------|-----------------|-------------------|-----------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|            |                                       | Peak<br>1972/73 | Trough<br>1974/75 | Peak<br>1979/80 | Trough<br>1981/83 |       | IV    | I     | II    | March | April | May   | June  | July  | Aug.  |
| <b>B</b>   | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 102,5           | 76,5              | 106,3           | 92,4              | 104,0 | 105,9 | 107,6 | :     | :     | 111,1 | 106,8 | :     | :     | :     |
|            | 1. industrial confidence indicator    | +19             | -56               | -4              | -35               | -13   | -11   | -12   | -13   | -12   | -13   | -12   | -14   | -15   | -13   |
|            | 2. construction confidence indicator  | +9              | -36               | -7              | -65               | -40   | -36   | -36   | -30   | -34   | -31   | -30   | -31   | -33   | -37   |
|            | 3. consumer confidence indicator (c)  | 7,0             | -18,0             | -7,0            | -31,0             | -21   | -19   | -20   | -19   | -20   | -19   | -17   | -21   | -17   | -10   |
|            | 4. share-price index (c)              | 155,1           | 98,0              | 114,3           | 75,0              | 185,3 | 219,7 | 240,0 | 278,2 | 261,0 | 277,7 | 280,6 | 276,4 | 283,2 | 289,0 |
|            | = 5. economic sentiment indicator     | 109,0           | 98,9              | 103,9           | 96,8              | 99,8  | 100,6 | 100,6 | 101,1 | 100,8 | 101,2 | 101,6 | 100,6 | 101,3 | 102,7 |
| <b>DK</b>  | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | :               | :                 | 107,7           | 95,5              | 121,2 | 126,5 | 124,2 | :     | :     | 118,2 | 137,9 | 128,4 | :     | :     |
|            | 1. industrial confidence indicator    | :               | :                 | :               | -22               | +13   | +9    | +5    | +1    | (+5)  | +1    | (+1)  | (+1)  | -1    | (-1)  |
|            | 2. construction confidence indicator  | :               | :                 | :               | -36               | +11   | +15   | +15   | +28   | (+15) | +21   | (+21) | (+21) | +14   | (+14) |
|            | 3. consumer confidence indicator (c)  | :               | -16               | 5,0             | -22               | +4    | 7     | 7     | -4    | (7)   | -1    | -5    | -6    | -6    | -2    |
|            | 4. share-price index (c)              | :               | :                 | :               | :                 | 415,9 | 459,6 | 463,0 | 458,4 | 483,6 | 482,4 | 456,8 | 436,1 | 412,8 | 395,6 |
|            | = 5. economic sentiment indicator     | :               | :                 | :               | :                 | 103,5 | 103,3 | 103,0 | 102,4 | 103,0 | 102,7 | 102,4 | 102,1 | 101,8 | 101,7 |
| <b>D</b>   | <i>gross domestic product</i> (b)     | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 85,1            | 83,3              | 101,2           | 98,9              | 106,1 | 107,4 | :     | :     | :     | :     | :     | :     | :     | :     |
|            | 1. industrial confidence indicator    | +10             | -49               | +2              | -40               | -6    | -2    | -4    | -7    | -6    | -7    | -7    | -8    | -6    | -6    |
|            | 2. construction confidence indicator  | -4              | -72               | +11             | -64               | -54   | -38   | -41   | -35   | -41   | -39   | -35   | -32   | -28   | -26   |
|            | 3. consumer confidence indicator (c)  | :               | -22,2             | 9,0             | -31,0             | -7    | -4    | 0     | 3     | 1     | 2     | 1     | 5     | 4     | 6     |
|            | 4. share-price index (c)              | 109,0           | 75,2              | 115,6           | 97,6              | 209,4 | 256,3 | 295,3 | 298,4 | 298,2 | 315,8 | 295,6 | 283,7 | 271,3 | 288,8 |
|            | = 5. economic sentiment indicator     | 103,8           | 97,0              | 103,6           | 94,7              | 102,1 | 103,7 | 104,6 | 104,9 | 104,7 | 105,2 | 104,6 | 104,9 | 104,8 | 105,3 |
| <b>F</b>   | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 85,4            | 84,2              | 99,8            | 102,4             | 105,9 | 107,4 | :     | :     | :     | :     | :     | :     | :     | :     |
|            | 1. industrial confidence indicator    | +29             | -49               | +5              | -39               | -17   | -13   | -15   | -13   | -12   | -12   | -13   | -13   | -11   | (-11) |
|            | 2. construction confidence indicator  | :               | :                 | -17             | -57               | -38   | -32   | -27   | -24   | (-27) | -24   | (-24) | (-24) | -18   | (-18) |
|            | 3. consumer confidence indicator (c)  | :               | -9,0              | 3,0             | -27,0             | -23   | -17   | -12   | -11   | (-12) | -11   | -11   | -15   | -14   | (-14) |
|            | 4. share-price index (c)              | 86,6            | 53,6              | 101,2           | 82,7              | 201,7 | 219,7 | 267,7 | 322,9 | 292,4 | 333,4 | 339,7 | 295,5 | 312,7 | 329,6 |
|            | = 5. economic sentiment indicator     | 107,8           | 97,6              | 101,8           | 95,1              | 96,6  | 98,1  | 99,8  | 100,5 | 100,3 | 100,9 | 101,0 | 99,7  | 100,3 | 100,6 |
| <b>IRL</b> | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 80,4            | 72,3              | 103,8           | 99,6              | 126,0 | 126,3 | 127,7 | :     | :     | 131,4 | 130,2 | 121,9 | :     | :     |
|            | 1. industrial confidence indicator    | :               | -41               | +20             | -40               | -7    | -6    | -6    | -10   | -9    | -8    | -11   | -12   | -14   | 0     |
|            | 2. construction confidence indicator  | :               | :                 | :               | :                 | -27   | -28   | -24   | -10   | (-24) | -10   | (-10) | (-10) | -14   | (-14) |
|            | 3. consumer confidence indicator (c)  | :               | -41,0             | 12,0            | -44,0             | -29   | -27   | -28   | -27   | (-28) | -27   | (-27) | (-27) | -24   | -26   |
|            | 4. share-price index (c)              | 85,8            | 29,9              | 112,2           | 79,4              | 148,9 | 169,8 | 234,8 | 240,0 | 223,2 | 239,3 | 248,7 | 231,9 | 249,6 | 265,5 |
|            | = 5. economic sentiment indicator     | 109,1           | 96,7              | 103,6           | 98,1              | 100,2 | 100,7 | 100,8 | 101,2 | 100,9 | 101,3 | 101,3 | 101,1 | 101,5 | 101,7 |
| <b>I</b>   | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 80,4            | 77,2              | 101,2           | 98,2              | 104,7 | 105,7 | :     | :     | :     | :     | :     | :     | :     | :     |
|            | 1. industrial confidence indicator    | +31             | -59               | +13             | -41               | -10   | -8    | -12   | -9    | -12   | -9    | -11   | -8    | -6    | -8    |
|            | 2. construction confidence indicator  | -8              | -56               | -5              | -51               | -29   | -26   | -29   | -27   | -34   | -24   | -33   | -30   | -32   | (-32) |
|            | 3. consumer confidence indicator (c)  | :               | -39,0             | -12,1           | -29,6             | -12   | -14   | -8    | -3    | -5    | -5    | -3    | -2    | -2    | (-2)  |
|            | 4. share-price index (c)              | 169,6           | 68,5              | 185,0           | 116,9             | 286,8 | 363,2 | 477,0 | 718,6 | 549,0 | 697,0 | 786,0 | 672,8 | 657,1 | 721,9 |
|            | = 5. economic sentiment indicator     | 103,8           | 97,4              | 101,6           | 97,6              | 101,7 | 101,8 | 103,3 | 105,7 | 104,2 | 105,4 | 106,1 | 105,5 | 105,4 | 105,7 |
| <b>NL</b>  | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 94,8            | 87,1              | 117,5           | 90,7              | 104,0 | 104,3 | 106,3 | 103,0 | 106,0 | 107,0 | 99,0  | 103,0 | :     | :     |
|            | 1. industrial confidence indicator    | +12             | -44               | +4              | -31               | -2    | -3    | -3    | -6    | -4    | -7    | -5    | -6    | -4    | -5    |
|            | 2. construction confidence indicator  | +3              | -47               | +3              | -46               | (-19) | -15   | -8    | +6    | -2    | +5    | +5    | +6    | -3    | -2    |
|            | 3. consumer confidence indicator (c)  | 6,0             | -15,0             | 5,0             | -37,0             | -7    | -1    | +6    | +7    | +6    | +5    | +9    | +7    | +6    | +4    |
|            | 4. share-price index (c)              | :               | 86,3              | 122,8           | 92,8              | 255,1 | 275,8 | 304,0 | 327,4 | 305,9 | 320,7 | 318,0 | 343,5 | 343,3 | 346,3 |
|            | = 5. economic sentiment indicator     | 107,8           | 100,7             | 105,3           | 97,1              | 106,4 | 107,9 | 109,1 | 110,1 | 109,3 | 109,6 | 110,3 | 110,4 | 109,9 | 109,6 |
| <b>UK</b>  | <i>gross domestic product</i>         | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 94,6            | 91,0              | 102,5           | 97,7              | 109,0 | 110,2 | :     | :     | :     | :     | :     | :     | :     | :     |
|            | 1. industrial confidence indicator    | :               | :                 | +9              | -60               | 0     | 0     | -6    | -12   | -7    | -12   | -9    | -15   | -13   | -9    |
|            | 2. construction confidence indicator  | :               | :                 | +7              | -60               | -25   | -18   | -15   | -19   | (-15) | -19   | (-19) | (-19) | -12   | (-12) |
|            | 3. consumer confidence indicator (c)  | :               | -32,5             | 14,4            | -25,5             | -10   | -7    | -11   | -7    | -11   | -8    | -8    | -6    | -3    | -5    |
|            | 4. share-price index (c)              | 78,5            | 23,3              | 111,6           | 104,4             | 242,3 | 256,7 | 280,6 | 308,2 | 303,7 | 314,0 | 304,1 | 306,4 | 304,7 | 299,3 |
|            | = 5. economic sentiment indicator     | 103,8           | 97,7              | 104,9           | 98,8              | 102,3 | 102,9 | 102,7 | 102,7 | 102,8 | 102,8 | 102,7 | 102,7 | 103,0 | 103,1 |
| <b>EUR</b> | <i>gross domestic product</i> (a)(b)  | 1980 = 100      |                   |                 |                   |       |       |       |       |       |       |       |       |       |       |
|            | <i>index of industrial production</i> | 85,1            | 85,5              | 101,1           | 101,0             | 106,4 | 107,6 | :     | :     | :     | :     | :     | :     | :     | :     |
|            | 1. industrial confidence indicator    | +16             | -49               | +3              | -36               | -7    | -5    | -8    | -10   | -8    | -10   | -10   | -10   | -9    | (-8)  |
|            | 2. construction confidence indicator  | :               | :                 | -1              | -48               | -38   | -29   | -27   | -25   | (-28) | -26   | (-25) | (-24) | -20   | (-20) |
|            | 3. consumer confidence indicator (c)  | 4,6             | -16,7             | 0,8             | -22,0             | -13   | -10   | -7    | -5    | -6    | -5    | -5    | -6    | -4    | -4    |
|            | 4. share-price index (c)              | :               | 47,0              | 115,4           | 111,7             | 238,8 | 267,2 | 300,5 | 336,6 | 320,2 | 344,7 | 339,1 | 326,1 | 322,4 | 329,6 |
|            | = 5. economic sentiment indicator     | 107,5           | 96,6              | 104,1           | 97,4              | 101,1 | 101,6 | 102,1 | 102,7 | 102,5 | 102,9 | 102,8 | 102,4 | 103,0 | 103,1 |

(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)       |                   | 1985 | 1985 | 1986 |     | 1986  |       |     |      |      |       |
|---------------------------------|-----------------|-------------------|-----------------|-------------------|------|------|------|-----|-------|-------|-----|------|------|-------|
|                                 | Peak<br>1972/73 | Trough<br>1974/75 | Peak<br>1979/80 | Trough<br>1981/83 |      | IV   | I    | II  | March | April | May | June | July | Aug.  |
| <b>B</b>                        |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +31             | -56               | -4              | -37               | -6   | -4   | -6   | -6  | -5    | -5    | -6  | -8   | -12  | -7    |
| order-books                     | +13             | -74               | -14             | -49               | -24  | -20  | -21  | -29 | -24   | -28   | -30 | -29  | -26  | -23   |
| export order-books              | +15             | -82               | -19             | -55               | -27  | -28  | -27  | -35 | -28   | -34   | -35 | -34  | -33  | -26   |
| stocks of finished products     | -14             | +37               | +2              | +18               | +10  | +8   | +8   | +5  | +7    | +6    | +2  | +6   | +7   | +8    |
| selling-price expectations      | +64             | -10               | +39             | +12               | +19  | +13  | +21  | +2  | +3    | +4    | +2  | +0   | -2   | +3    |
| industrial confidence indicator | +19             | -56               | -4              | -35               | -13  | -11  | -12  | -13 | -12   | -13   | -13 | -14  | -15  | -13   |
| <b>DK</b>                       |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | :               | :                 | :               | +8                | +18  | +16  | +11  | +4  | :     | +4    | :   | :    | +4   | :     |
| order-books                     | :               | :                 | :               | -34               | +25  | +22  | +15  | +12 | :     | +12   | :   | :    | +9   | :     |
| export order-books              | :               | :                 | :               | +14               | +24  | +16  | +2   | +1  | :     | +1    | :   | :    | -2   | :     |
| stocks of finished products     | :               | :                 | :               | +24               | +4   | +10  | +12  | +14 | :     | +14   | :   | :    | +15  | :     |
| industrial confidence indicator | :               | :                 | :               | -22               | +13  | +9   | +5   | +1  | :     | +1    | :   | :    | -1   | :     |
| <b>D</b>                        |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +17             | -32               | +10             | -30               | +3   | +6   | +4   | +1  | +1    | +2    | 0   | +2   | +1   | +2    |
| order-books                     | +5              | -73               | -6              | -59               | -14  | -9   | -11  | -16 | -12   | -17   | -16 | -16  | -14  | -14   |
| export order-books              | :               | :                 | -14             | -50               | -9   | -7   | -13  | -18 | -17   | -16   | -19 | -20  | -16  | -20   |
| stocks of finished products     | -7              | +43               | -2              | +31               | +7   | +4   | +6   | +7  | +6    | +6    | +6  | +9   | +5   | +5    |
| selling-price expectations      | +55             | +4                | +38             | +4                | +17  | +15  | +9   | +4  | +5    | +1    | +7  | +5   | +7   | +10   |
| industrial confidence indicator | +10             | -49               | +2              | -40               | -6   | -2   | -4   | -7  | -6    | -7    | -7  | -8   | -6   | -6    |
| <b>GR</b>                       |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | :               | :                 | :               | :                 | +21  | +19  | +24  | +28 | +23   | +30   | +29 | +25  | +23  | :     |
| order-books                     | :               | :                 | :               | :                 | -24  | -18  | -11  | -16 | -13   | -18   | -12 | -18  | -21  | :     |
| export order-books              | :               | :                 | :               | :                 | -33  | -30  | -22  | -24 | -24   | -16   | -20 | -36  | -34  | :     |
| stocks of finished products     | :               | :                 | :               | :                 | +10  | +10  | +10  | +10 | +16   | +17   | +9  | +6   | +13  | :     |
| selling-price expectations      | :               | :                 | :               | :                 | +32  | +42  | +25  | +16 | +14   | +15   | +16 | +15  | +16  | :     |
| industrial confidence indicator | :               | :                 | :               | :                 | -4   | -3   | +1   | +1  | -2    | -2    | +3  | 0    | -4   | :     |
| <b>F</b>                        |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +33             | -29               | +18             | -20               | -3   | 0    | 0    | -2  | 0     | -2    | -1  | -3   | +5   | :     |
| order-books                     | +26             | -69               | 0               | -56               | -30  | -24  | -27  | -23 | -21   | -23   | -23 | -22  | -23  | :     |
| export order-books              | +24             | -66               | +10             | -52               | -20  | -22  | -24  | -29 | -16   | -29   | -28 | -30  | -32  | :     |
| stocks of finished products     | -14             | +50               | +3              | +42               | +19  | +16  | +18  | +14 | +16   | +12   | +14 | +15  | +15  | :     |
| selling-price expectations      | +76             | +15               | +62             | +17               | +29  | +19  | +18  | +13 | +19   | +15   | +12 | +11  | +14  | :     |
| industrial confidence indicator | +29             | -49               | +5              | -39               | -17  | -13  | -15  | -13 | -12   | -12   | -13 | -13  | -11  | :     |
| <b>IRL</b>                      |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | :               | -21               | +40             | -33               | +6   | +7   | +9   | +14 | +10   | +19   | +9  | +13  | +6   | +21   |
| order-books                     | :               | -68               | +18             | -55               | -20  | -17  | -16  | -29 | -21   | -31   | -29 | -26  | -28  | -13   |
| stocks of finished products     | :               | +35               | -6              | +33               | +8   | +8   | +12  | +16 | +15   | +11   | +13 | +24  | +19  | +9    |
| selling-price expectations      | :               | +64               | +77             | +20               | +14  | +3   | -1   | -16 | -9    | -16   | -13 | -19  | -18  | -13   |
| industrial confidence indicator | :               | -41               | +20             | -40               | -7   | -6   | -6   | -10 | -9    | -8    | -11 | -12  | -14  | 0     |
| <b>I</b>                        |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +40             | -43               | +24             | -26               | +8   | +13  | +7   | +13 | +6    | +17   | +9  | +12  | +15  | +6    |
| order-books                     | +30             | -82               | +7              | -66               | -21  | -21  | -26  | -23 | -25   | -27   | -24 | -19  | -23  | -19   |
| export order-books              | +13             | -67               | -6              | -59               | -30  | -30  | -30  | -33 | -29   | -34   | -39 | -27  | -34  | -28   |
| stocks of finished products     | -24             | +53               | -8              | +32               | +16  | +15  | +18  | +18 | +16   | +17   | +19 | +18  | +10  | +12   |
| selling-price expectations      | +76             | +10               | +87             | +37               | +39  | +34  | +26  | +15 | +25   | +17   | +15 | +13  | +11  | +6    |
| industrial confidence indicator | +31             | -59               | +13             | -41               | -10  | -8   | -12  | -9  | -12   | -9    | -11 | -8   | -6   | -8    |
| <b>L</b>                        |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +84             | -80               | +40             | -66               | -1   | -5   | +1   | -7  | +3    | +9    | +2  | -33  | -35  | -38   |
| order-books                     | :               | :                 | +8              | -70               | +3   | +2   | -5   | -2  | -1    | -2    | -3  | -2   | +4   | -5    |
| export order-books              | :               | :                 | +9              | -80               | -3   | -21  | -18  | -14 | -16   | -12   | -15 | -14  | -2   | -16   |
| stocks of finished products     | -14             | +74               | 0               | +58               | +3   | +3   | +1   | +6  | +4    | +12   | 0   | +6   | +2   | +5    |
| selling-price expectations      | :               | -46               | +74             | -38               | +17  | +18  | -20  | -48 | -48   | -60   | -46 | -39  | -51  | -39   |
| industrial confidence indicator | :               | :                 | +16             | -65               | 0    | -2   | -1   | -5  | +1    | -2    | 0   | -14  | -11  | -16   |
| <b>NL</b>                       |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +26             | -26               | +20             | -13               | +4   | +3   | +3   | +2  | +3    | 0     | +2  | +3   | +7   | +5    |
| order-books                     | +7              | -48               | -5              | -42               | -5   | -8   | -8   | -12 | -11   | -12   | -12 | -13  | -13  | -13   |
| stocks of finished products     | -3              | +57               | +3              | +39               | +4   | +4   | +5   | +7  | +5    | +8    | +6  | +7   | +7   | +7    |
| industrial confidence indicator | +12             | -44               | +4              | -31               | -2   | -3   | -3   | -6  | -4    | -7    | -5  | -6   | -4   | -5    |
| <b>UK</b>                       |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | :               | :                 | +29             | -52               | +20  | +20  | +11  | +9  | +8    | +7    | +12 | +7   | +4   | +9    |
| order-books                     | :               | :                 | -2              | -85               | -7   | -5   | -12  | -24 | -14   | -23   | -21 | -28  | -24  | -20   |
| export order-books              | :               | :                 | -11             | -72               | -5   | -8   | -15  | -21 | -15   | -24   | -16 | -23  | -27  | -22   |
| stocks of finished products     | :               | :                 | -1              | +42               | +14  | +15  | +16  | +20 | +15   | +19   | +18 | +23  | +19  | +15   |
| selling-price expectations      | :               | :                 | +70             | +7                | +23  | +16  | +14  | +13 | +14   | +16   | +13 | +9   | +16  | +14   |
| industrial confidence indicator | :               | :                 | +9              | -60               | 0    | 0    | -6   | -12 | -7    | -12   | -9  | -15  | -13  | -9    |
| <b>EUR</b>                      |                 |                   |                 |                   |      |      |      |     |       |       |     |      |      |       |
| production expectations         | +24             | -30               | +15             | -24               | +7   | +9   | +6   | +4  | +4    | +4    | +4  | +5   | +5   | (+5)  |
| order-books                     | +15             | -70               | -7              | -56               | -17  | -14  | -17  | -21 | -17   | -21   | -20 | -21  | -21  | (-18) |
| export order-books              | :               | :                 | -12             | -50               | -15  | -16  | -19  | -25 | -19   | -25   | -25 | -24  | -25  | (-25) |
| stocks of finished products     | -10             | +48               | -1              | +31               | +12  | +11  | +13  | +14 | +12   | +13   | +13 | +15  | +11  | (+11) |
| selling-price expectations      | +64             | +9                | +53             | +22               | +25  | +21  | +16  | +10 | +13   | +10   | +10 | +8   | +10  | (+10) |
| industrial confidence indicator | +16             | -49               | +3              | -36               | -7   | -5   | -8   | -10 | -8    | -10   | -10 | -10  | -9   | (-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 1979-1983, respectively.

Note: (s.a.) = seasonally adjusted.

: = not available.

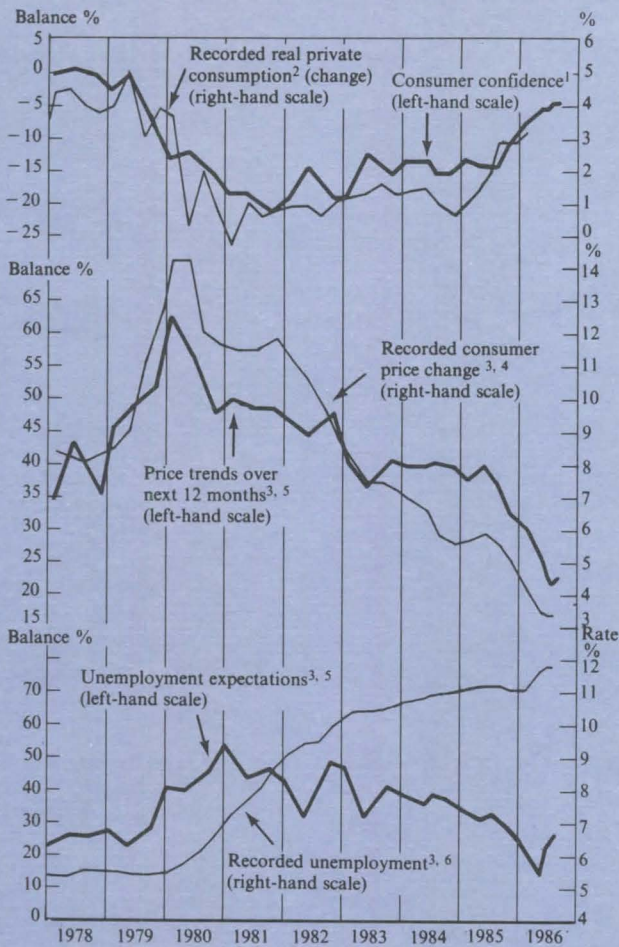
( ) = estimated.

Source: European Community business surveys.





GRAPH 10: Survey results and objective economic indicators — European Community total



For notes, Table 12.  
Sources: European Community consumer survey and Eurostat.

firms' assessments of the order-book situation and the probable employment situation in the coming months were less favourable. Apart from the United Kingdom and Greece the price trend in the construction sector is expected to remain rather flat during the next months.

**Community leading indicator up again.** — In August this composite Community indicator rose to its highest level for seven years (103.1; 1980=100). The summer months of July and August therefore more than made up for the decline in May and June (to 102.8 and 102.4; 1980=100). Contributing factors were the industrial confidence indicator, the construction confidence indicator, and above all the consumer climate. But, particularly in July, though also to a small extent in August, the composite indicator was curbed by share prices—the fourth component which is designed to measure confidence on the financial markets. Broken down by member country, the rise in the composite indicator was sharper than the average in Belgium (from 100.6 in June to 102.7 in August; 1980=100), mainly as a result of the strong improvement in the consumer climate. Denmark and the Netherlands were the only countries to show a slight decline in the composite indicator. In Denmark this slightly widened the negative gap with the Community indicator value (101.9 compared with the Community value of 103.1) while the indicator for the Netherlands despite its slight deterioration, retained its leading position among all the other member countries (109.6; 1980=100).

To judge from the leading indicators, the upswing is set to continue in the Community and will pick up again somewhat in Japan in the coming months. In the United States the cyclical component of the leading indicator is more or less flat and still shows no clear signs of improvement (see Graph 3).

**Consumer survey results**

In July/August 1986 the consumer climate in the European Community has improved further (-4 compared with -5 in

June). However, notwithstanding the recent improvement, the purchasing behaviour in Europe can still not be described as buoyant. Much of the sharp increase in real income in most member countries in 1986 has been used to build up savings. In 1986 the savings ratio of private households will be higher than in 1985 (15 % compared with 14.7 % in 1985). The healthy but not buoyant trend of consumer demand is also reflected in answers to the question as to whether this is a good time to buy major household items (+2 in August, compared with an average of -3 in 1985, but +28 during the previous 1978/79 upswing); in the United States the corresponding figure was +61 in August, only slightly down on the all-time peak of +70 (balance) in June 1986. These US data reflect the very low savings ratio and the high exposure to consumer credit, pointing to a tendency of American consumers to bring buying forward. Consumer demand in Europe has, until now, been less dynamic in most member countries than it has been in the past three years in the United States but it seems to be sustainable over a longer period.

The developments in the Member States are looked at more closely below.

The consumer confidence indicator in *Belgium*, which, with the exception of a dip in June, has risen steadily since February, recorded a further, appreciable jump in August. This was due to the unusually favourable consumer perceptions of the general economic situation, both in the preceding twelve months and in the coming months. And so, as in July, consumers were less apprehensive than in the preceding months about a further deterioration in employment.

The austerity programme announced by the Belgian government to stabilize the economy seems to have been well received by the majority of consumers in spite of some significant cuts in social spending. The current and future financial situation of Belgian households was viewed more positively in July and August alike. This was one of the factors that in both months influenced the propensity to purchase generally.

Consumer confidence in *Denmark*, which had ebbed somewhat in May and June, again showed clear signs of picking up in August (no survey was carried out in Denmark in July). Danish consumers took a particularly favourable view of recent developments in the general economic situation. But also their own financial situation, especially in the months ahead, was viewed more favourably than in the preceding months. The propensity to purchase also showed a further, small improvement in August.

In the consumer confidence indicator in the *Federal Republic of Germany*, consumers' much greater willingness to make purchases in August was a major factor in the brighter consumer climate. Judging by the findings of the surveys in the retail trade, the improvement in the propensity to make purchases, including motor vehicles, can be relied upon to continue in the months ahead (see Table 11). After displaying a markedly reluctant attitude towards saving in July, German consumers again became appreciably more willing to save in August. This was discernible in virtually all, but especially in the highest income categories. Consumer expectations regarding developments on the labour market deteriorated in August. This is a fairly normal attitude in August, since consumers usually anticipate higher unemployment in the autumn and winter ahead. However, this August, consumers do not expect unemployment to increase by as much as they did in the past three years.

The consumer climate in *Greece*, which in July was already on a very low level, compared to the situation in most other Member States, deteriorated in August. Practically all components of the consumers' behaviour contributed to this negative development, including the assessments of the advisability of making major purchases, which in the previous months had shown an undeniable improvement. The improvement in July in the consumer climate in *Spain*, attributable primarily to a much greater propensity to purchase, continued in August, again almost entirely in response to a further increase in the propensity to purchase. In August, consumers also expected to purchase more in the coming months. This contrasts with their more cautious attitude in July. In August, a broad-based recovery in the attitude to savings was discernible although this does not appear to be influencing the attitude to purchases, both now and in the future.

After declining in June, consumer confidence in *France* staged something of a recovery in July (no survey was carried out in

TABLE 12: Consumer opinion on economic and financial conditions<sup>(a)</sup>

|  |                | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |      |      |       |      |     |      |      |      |
|--|----------------|------|------|------|------|------|------|------|------|------|------|------|-------|------|-----|------|------|------|
|  |                |      |      |      |      |      |      |      |      |      | Jan. | Feb. | March | Apr. | May | June | July | Aug. |
| CONSUMER CONFIDENCE INDICATOR <sup>(b)</sup> | <b>B</b>       | -8   | -10  | -20  | -27  | -27  | -28  | -27  | -21  | -18  | -22  | -20  | -19   | -17  | -21 | -17  | -10  |      |
|  | <b>DK</b>      | -1   | -2   | -19  | -17  | -12  | 0    | 6    | 4    | 7    | :    | :    | -1    | -5   | -6  | :    | -2   |      |
|  | <b>D</b>       | 5    | 6    | -5   | -22  | -26  | -15  | -10  | -7   | -2   | 0    | 1    | 2     | 1    | 5   | 4    | 6    |      |
|  | <b>GR</b>      | :    | :    | :    | :    | 0    | -11  | -4   | -5   | -13  | -16  | -19  | -18   | -21  | -19 | -19  | -23  |      |
|  | <b>E</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | -12 | -8   | -7   |      |
|  | <b>F</b>       | 1    | -5   | -10  | -9   | -5   | -15  | -23  | -21  | -12  | :    | :    | -11   | -11  | -15 | -14  | :    |      |
|  | <b>IRL</b>     | 8    | -10  | -22  | -28  | -34  | -39  | -33  | -29  | -28  | :    | :    | -27   | :    | :   | -24  | -26  |      |
|  | <b>I</b>       | -18  | -17  | -22  | -22  | -18  | -24  | -15  | -12  | -9   | -10  | -5   | -5    | -3   | -2  | -2   | :    |      |
|  | <b>NL</b>      | -1   | -8   | -25  | -31  | -32  | -30  | -22  | -7   | 6    | :    | :    | 5     | 9    | 7   | 6    | 4    |      |
|  | <b>P</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | -10 | -6   | -10  |      |
|  | <b>UK</b>      | 8    | -4   | -18  | -21  | -12  | -3   | -4   | -10  | -7   | -14  | -11  | -8    | -8   | -6  | -3   | -5   |      |
|  | <b>EUR (c)</b> | 0    | -3   | -13  | -19  | -17  | -15  | -14  | -12  | -7   | :    | :    | -5    | -5   | -5  | -4   | -4   |      |
| FINANCIAL SITUATION OF HOUSEHOLDS            | <b>B</b>       | -11  | -11  | -15  | -19  | -25  | -29  | -31  | -23  | -16  | -18  | -16  | -15   | -15  | -15 | -13  | -10  |      |
|  | <b>DK</b>      | 2    | 1    | -10  | -12  | -7   | -4   | -2   | -3   | :    | :    | :    | -3    | -4   | -3  | :    | 0    |      |
|  | <b>D</b>       | 1    | 2    | -4   | -16  | -18  | -14  | -11  | -8   | -2   | -2   | -3   | -1    | -2   | 1   | 1    | 3    |      |
|  | <b>GR</b>      | :    | :    | :    | :    | -2   | -13  | -8   | -8   | -18  | -19  | -21  | -22   | -24  | -23 | -23  | -27  |      |
|  | <b>E</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | -12 | -9   | -11  |      |
|  | <b>F</b>       | -2   | -4   | -7   | -8   | -7   | -11  | -15  | -13  | -10  | :    | :    | -9    | -8   | -13 | -11  | :    |      |
|  | <b>IRL</b>     | -9   | -21  | -32  | -38  | -41  | -43  | -42  | -37  | -31  | :    | :    | -36   | :    | :   | -35  | -31  |      |
|  | <b>I</b>       | -14  | -13  | -14  | -14  | -13  | -15  | -12  | -10  | -6   | -8   | -7   | -6    | -6   | -5  | -6   | :    |      |
|  | <b>NL</b>      | 4    | 1    | -9   | -18  | -20  | -28  | -26  | -17  | -6   | :    | :    | -4    | -3   | -2  | -2   | 1    |      |
|  | <b>P</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | -11 | -8   | -11  |      |
|  | <b>UK</b>      | -10  | -11  | -24  | -30  | -27  | -15  | -15  | -16  | -11  | -17  | -16  | -17   | -16  | -14 | -11  | -9   |      |
|  | <b>EUR (c)</b> | -4   | -5   | -11  | -17  | -16  | -15  | -15  | -12  | -7   | :    | :    | -8    | -8   | -8  | -7   | -6   |      |
| — over last 12 months                        | <b>B</b>       | -3   | -3   | -6   | -9   | -12  | -15  | -18  | -13  | -4   | -10  | -8   | -6    | -5   | -7  | -6   | 0    |      |
|  | <b>DK</b>      | 6    | 3    | -8   | -4   | -2   | 0    | 3    | 3    | 5    | :    | :    | 1     | -1   | 1   | :    | 6    |      |
|  | <b>D</b>       | 2    | 2    | -3   | -12  | -14  | -9   | -6   | -4   | -1   | 0    | 0    | 2     | 0    | 1   | 2    | 4    |      |
|  | <b>GR</b>      | :    | :    | :    | :    | 15   | 0    | 6    | 2    | -6   | -6   | -12  | -7    | -11  | -10 | -10  | -15  |      |
|  | <b>E</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | 5   | 4    | 5    |      |
|  | <b>F</b>       | 4    | 0    | -2   | 0    | 0    | -4   | -7   | -3   | 3    | :    | :    | 1     | 2    | -5  | -5   | :    |      |
|  | <b>IRL</b>     | 1    | -13  | -19  | -24  | -23  | -26  | -22  | -22  | -14  | :    | :    | -14   | :    | :   | -11  | -15  |      |
|  | <b>I</b>       | -6   | -7   | -10  | -8   | -6   | -8   | -3   | -2   | 1    | -1   | 0    | 1     | 1    | 1   | 2    | :    |      |
|  | <b>NL</b>      | 1    | 1    | -9   | -13  | -14  | -21  | -17  | -6   | 2    | :    | :    | 1     | 3    | 2   | 0    | 1    |      |
|  | <b>P</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | 2   | 3    | -1   |      |
|  | <b>UK</b>      | 3    | -1   | -13  | -15  | -9   | -2   | -3   | -5   | -4   | -7   | -6   | -5    | -3   | -1  | 1    | -2   |      |
|  | <b>EUR (c)</b> | 2    | 0    | -6   | -9   | -8   | -7   | -6   | -4   | 0    | :    | :    | 0     | 0    | -1  | 0    | 0    |      |
| — over next 12 months                        | <b>B</b>       | -28  | -29  | -45  | -51  | -43  | -38  | -33  | -17  | -9   | -17  | -14  | -11   | -14  | -15 | -15  | -2   |      |
|  | <b>DK</b>      | -21  | -24  | -42  | -29  | -23  | 3    | 6    | 4    | 5    | :    | :    | -6    | -6   | -9  | :    | -7   |      |
|  | <b>D</b>       | -1   | 1    | -19  | -33  | -32  | -14  | -10  | -6   | -1   | 0    | 2    | 3     | 3    | 4   | 5    | 5    |      |
|  | <b>GR</b>      | :    | :    | :    | :    | 25   | 6    | 10   | 3    | -3   | -5   | -12  | -6    | -13  | -11 | -14  | -17  |      |
|  | <b>E</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | 5   | 5    | 6    |      |
|  | <b>F</b>       | -15  | -29  | -40  | -27  | -23  | -36  | -45  | -34  | -14  | :    | :    | -16   | -16  | -21 | -17  | :    |      |
|  | <b>IRL</b>     | 2    | -26  | -35  | -38  | -42  | -45  | -29  | -26  | -30  | :    | :    | -17   | :    | :   | -20  | -25  |      |
|  | <b>I</b>       | -14  | -19  | -30  | -30  | -24  | -25  | -9   | -8   | -3   | -5   | 6    | 4     | 7    | 9   | 4    | :    |      |
|  | <b>NL</b>      | -16  | -26  | -48  | -42  | -42  | -28  | -5   | 10   | 24   | :    | :    | 13    | 19   | 14  | 11   | 4    |      |
|  | <b>P</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | 7   | 5    | -2   |      |
|  | <b>UK</b>      | 5    | -16  | -24  | -23  | -10  | -5   | -10  | -16  | -16  | -25  | -20  | -13   | -12  | -12 | -12  | -18  |      |
|  | <b>EUR (c)</b> | -8   | -16  | -30  | -30  | -24  | -21  | -18  | -14  | -6   | :    | :    | -5    | -4   | -4  | -4   | -5   |      |
| PRICE TRENDS                                 | <b>B</b>       | 59   | 55   | 65   | 69   | 77   | 78   | 78   | 72   | 61   | 65   | 60   | 60    | 53   | 47  | 47   | 37   |      |
|  | <b>DK</b>      | 47   | 39   | 50   | 51   | 48   | 26   | 26   | 26   | 6    | :    | :    | 14    | 16   | 19  | :    | 14   |      |
|  | <b>D</b>       | 16   | 25   | 44   | 52   | 46   | 23   | 15   | 9    | 2    | 0    | -4   | -8    | -18  | -20 | -18  | -23  |      |
|  | <b>GR</b>      | :    | :    | :    | :    | 15   | 30   | 24   | 26   | 41   | 37   | 43   | 39    | 36   | 40  | 37   | 39   |      |
|  | <b>E</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | 48  | 45   | 45   |      |
|  | <b>F</b>       | 60   | 70   | 79   | 77   | 62   | 55   | 58   | 44   | 19   | :    | :    | 12    | 13   | 13  | 11   | :    |      |
|  | <b>IRL</b>     | 57   | 80   | 85   | 87   | 87   | 80   | 71   | 59   | 50   | :    | :    | 55    | :    | :   | 38   | 44   |      |
|  | <b>I</b>       | 67   | 72   | 80   | 79   | 72   | 69   | 55   | 49   | 48   | 46   | 42   | 38    | 37   | 31  | 31   | :    |      |
|  | <b>NL</b>      | 47   | 43   | 62   | 68   | 63   | 43   | 41   | 22   | 11   | :    | :    | 12    | 8    | -8  | -13  | -22  |      |
|  | <b>P</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | 38  | 31   | 33   |      |
|  | <b>UK</b>      | 35   | 48   | 59   | 41   | 31   | 15   | 19   | 24   | 17   | 21   | 21   | 22    | 17   | 12  | 11   | 12   |      |
|  | <b>EUR (c)</b> | 42   | 49   | 63   | 62   | 53   | 40   | 37   | 30   | 19   | :    | :    | 15    | 10   | 12  | 12   | 11   |      |

TABLE 12 (continued): Consumer opinion on economic and financial conditions<sup>(a)</sup>

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

TABLE 12 (continued): Consumer opinion on economic and financial conditions<sup>(a)</sup>

|                                   |                | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |      |       |      |     |      |      |      |
|-----------------------------------|----------------|------|------|------|------|------|------|------|------|------|------|-------|------|-----|------|------|------|
|                                   |                |      |      |      |      |      |      |      |      | Jan. | Feb. | March | Apr. | May | June | July | Aug. |
| FINANCIAL SITUATION OF HOUSEHOLDS | <b>B</b>       | 11   | 12   | 9    | 7    | 6    | 5    | 6    | 5    | 14   | 12   | 10    | 12   | 13  | 13   | 15   | 19   |
|                                   | <b>DK</b>      | 10   | 9    | 4    | 4    | 4    | 8    | 8    | 11   | 10   | :    | :     | 10   | 9   | 13   | :    | 11   |
|                                   | <b>D</b>       | 23   | 22   | 21   | 16   | 12   | 11   | 11   | 12   | 14   | 15   | 16    | 16   | 16  | 18   | 17   | 19   |
|                                   | <b>GR</b>      | :    | :    | :    | :    | 0    | 0    | 2    | 3    | 1    | 3    | 1     | 1    | 1   | 1    | 1    | -1   |
|                                   | <b>E</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | :   | 1    | 7    | 3    |
|                                   | <b>F</b>       | 10   | 10   | 8    | 8    | 8    | 6    | 4    | 3    | 6    | :    | :     | 8    | 7   | 2    | 3    | :    |
|                                   | <b>IRL</b>     | 11   | 8    | 2    | -4   | -1   | -1   | -1   | -1   | -1   | :    | :     | -1   | :   | :    | 3    | 1    |
|                                   | <b>I</b>       | 7    | 8    | 8    | 8    | 13   | 9    | 11   | 12   | 16   | 14   | 14    | 15   | 15  | 16   | 16   | :    |
|                                   | <b>NL</b>      | 14   | 22   | 19   | 18   | 17   | 15   | 13   | 16   | 17   | :    | :     | 17   | 16  | 18   | 18   | 18   |
|                                   | <b>P</b>       | :    | :    | :    | :    | :    | :    | :    | :    | :    | :    | :     | :    | :   | -1   | 0    | -1   |
| <b>UK</b>                         | 8              | 10   | 8    | 9    | 9    | 12   | 12   | 11   | 9    | 11   | 12   | 10    | 9    | 10  | 12   | 12   |      |
|                                   | <b>EUR (c)</b> | 14   | 15   | 12   | 11   | 10   | 9    | 9    | 9    | 11   | :    | :     | 12   | 12  | 11   | 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.  
<sup>1</sup> 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.  
<sup>2</sup> Quarterly data; percentage change on corresponding quarter of preceding year.  
<sup>3</sup> Quarterly data; monthly from May 1986 onwards.  
<sup>4</sup> Percentage changes on corresponding quarter resp. month of preceding year.  
<sup>5</sup> See table 12 for data and notes.  
<sup>6</sup> Seasonally adjusted.  
 Source: European Community consumer survey.

France in August). This was due to the optimistic assessments of developments in the general economic situation, especially in the months immediately ahead. The propensity to purchase, which had already shown signs of slackening in June, deteriorated further in July, a tendency that also came to light in the findings of the retail surveys (see Table 11).

The consumer climate in *Ireland*, which had improved steadily since the end of 1985, deteriorated somewhat in August. This was due mainly to the pessimistic expectations regarding the general economic situation and the financial situation of households. There is still a great deal of concern surrounding the future trend of employment. The indicator for this component of consumer confidence has been more alarming than elsewhere in the Community since the beginning of 1986. The propensity to purchase declined a little in August. The above situation will be significantly influenced by the apprehension regarding the effects of the August devaluation of the Irish pound. Consumer expectations on the inflation front are indeed very pessimistic. However, this apprehension does seem to be somewhat exaggerated: underlying factors conducive to bringing down inflation, such as movements in the exchange rate of the dollar and in the oil price, are felt to outweigh the inflationary effect of the recent devaluation.

In *Italy*, there was no change in the overall consumer climate in July as compared with June (no consumer survey is conducted in August), but some changes in consumers' assessments deserve closer attention, especially as far as their propensity to buy durable goods is concerned. After a period in which consumers held back on purchases, in July they gave clear evidence of more expansive buying behaviour. A contributing factor was their fear that inflation could start to pick up again. On the whole, consumers' assessments of developments in the near future can be described as more or less cautious: they show a degree of pessimism concerning the general economic situation and developments on the labour market.

The consumer confidence indicator in the *Netherlands* in May reached the highest level recorded that month in the Community and, at the same time, set a new Dutch record but, since then, the climate has deteriorated steadily, the main reason being the increasingly pessimistic perceptions by consumers of the general economic situation. By contrast, assessments of their own financial situation were either slightly positive (for the preceding twelve months) or more or less unchanged (for the twelve months ahead). The propensity to purchase has also been hovering around the same level for a number of months. The gloomy assessments of the general economic situation, which are shaping the consumer climate, are also reflected in the pessimistic expectations regarding the unemployment trend.

After picking up in July, the consumer climate in *Portugal* showed a distinct deterioration in August. This was largely due to the changes in the propensity to purchase in the higher-income categories, which improved significantly in July but fell back sharply in August. Assessments in both months of the financial situation of households contributed to the attitude towards making purchases described above.

After improving almost continuously since February 1986, consumer confidence in the *United Kingdom* sagged somewhat in August, the main reason being the decline in the propensity to purchase, which was particularly evident in the lower-income and middle-income categories, where assessments of the financial situation of households in the future were also much less favourable than a month earlier. In actual fact, economic prospects generally were viewed fairly pessimistically, and this was reflected in the expectations of a further rise in unemployment. In spite of this gloomy picture of the overall economy, there are still some indications of a slightly more buoyant propensity to purchase in the months ahead.

24 September 1986

Prices (excluding VAT) in Luxembourg

|  | ECU   | BFR   | IRL   | UKL   | USD |  |
|--|-------|-------|-------|-------|-----|--|
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