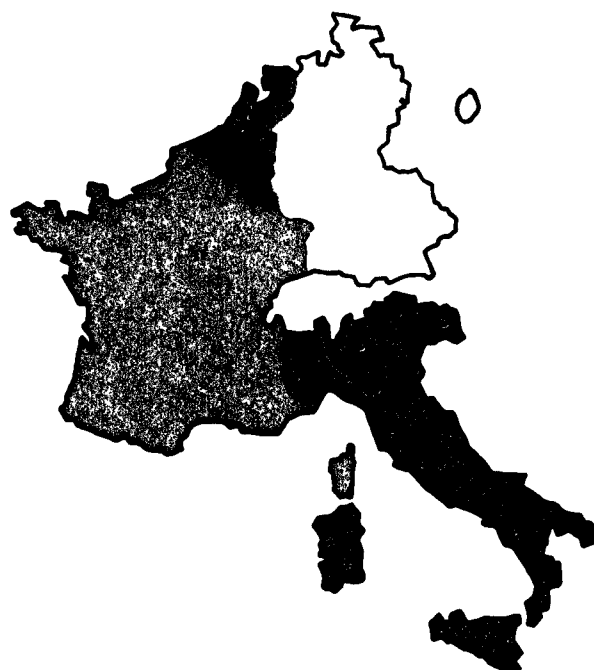


EUROPEAN
ECONOMIC
COMMUNITY

COMMISSION



DIRECTORATE-
GENERAL
FOR ECONOMIC
AND FINANCIAL
AFFAIRS

**RESULTS OF THE BUSINESS SURVEY
CARRIED OUT AMONG HEADS OF ENTERPRISES
IN THE COMMUNITY**

DECEMBER

1965

**Commission of the European Economic Community
Directorate-General for Economic and Financial Affairs
Directorate for National Economies and Economic Trends
23, Avenue de la Joyeuse Entrée, Brussels**

EEC business survey, carried out:

- in the German Federal Republic by the IFO-Institut
- in France by INSEE
- in Italy by ISCO-Mondo Economico
- in Belgium by the National Bank
- in Luxembourg by STATEC

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PRESENTATION OF THE RESULTS

This issue summarizes the results of the monthly business surveys carried out between the end of May and the end of October 1965. The report will now have four main chapter headings: industry as a whole; consumer goods production; capital goods production; production of intermediate goods. Each chapter consists of comments on the appropriate sector, illustrated by diagrams and tables displaying the relevant data for each participating country and for the Community as a whole. The data relating to specific industries are given only for the Community as a whole and will be found in a consolidated table at the end of the brochure. For Luxembourg, the data given concern only industry as a whole; the relatively small number of firms in this country makes it practically impossible to publish a breakdown for the three types of industry without disclosing confidential information.

All the Community countries save the Netherlands co-operate in the survey. The data for the Community as a whole have thus been calculated on the basis of the information supplied by the five participating countries, whose aggregate contribution to the Community's industrial production is more than 90%. However, as concerns individual industries, overall Community data are reckoned only in those cases where they are deemed sufficiently representative: thus, for the man-made fibre branch no figure is given, since no results can at present be included for the Federal Republic of Germany.

The classification into main sectors of economic activity has been based provisionally on the nomenclature given below. In the near future a more detailed breakdown, with a classification based on the main end-uses for each product, will be provided.

INDUSTRIES PRODUCING CONSUMER GOODS	INDUSTRIES PRODUCING CAPITAL GOODS	INDUSTRIES PRODUCING INTERMEDIATE GOODS
Garments and knitted and crocheted goods	Building materials	Textiles
Footwear and processing of leather	General equipment products	Leather
Consumer chemicals	Mechanical equipment (other than electrical)	Wool and cork
Furniture	Electrical equipment goods	Paper
China and hollow glass	Commercial vehicles	Printing
Metal consumer articles	Shipbuilding, aircraft manufacturing, railway and tramway rolling stock	Processing of plastics
Domestic electric appliances	Precision instruments	Basic chemicals
Private cars		Chemicals for industrial and agricultural uses
Photographic goods, spectacles, watches and clocks		Petroleum
		Iron and steel and primary processing thereof
		Production of man-made fibres
		Rubber
		Non-ferrous metals industry

INDUSTRY AS A WHOLE

For the Community as a whole, the expansion of economic activity has gathered a little momentum since the summer and this trend is likely to continue in the coming months. Within this expansion, however, developments have varied from country to country. There was a slowdown in Germany and Belgium, but this has been largely offset by an increase of activity in Italy and even more in France. In general, the principal contribution to growth now comes from the consumer goods sector, which has benefited from an appreciable increase in the disposable income of households. Although heads of enterprises are still rather disappointed with their total order-books, these have shown a slight improvement, and the percentage of managements judging their order-books below normal has declined a little. The outlook for production is favourable and the wholesale price situation remains relatively settled. Since May, the extent to which production capacity is being utilized seems to have varied little, save in France, where it is rather high.

In Germany, business activity continues to be very buoyant, although the replies from heads of enterprises suggest that the intermediate and capital goods sectors are beginning to lose momentum: assessments of total order-books have slowly deteriorated, and the percentage of managements finding their order-books above normal fell from 18 at the end of May to 12 at the end of October. It would seem that export order-books are getting steadily shorter: one quarter of the firms questioned have found them below normal. Expectations concerning production, too, are still favourable, but less so than previously. Manpower demand is flattening out at a high level. The price climate, which had previously been extremely strained, now seems relatively calm.

In France, the improvement in the economic situation has been confirmed and there is a good deal of evidence to suggest that a recovery is under way in several industries, particularly in those producing consumer goods. In the capital goods sector, the situation has remained disappointing, having shown scarcely any improvement. Broadly speaking, the general mood of pessimism reflected in the replies from heads of enterprises has disappeared; in particular, reports concerning total order-books indicate a definite improvement, and the percentage of firms reporting order-books below normal declined from 49 at the end of May to 38 at the end of October. Demand from abroad remains firm. The tendency for stocks to return to normal, which began in the spring, has been maintained and expectations concerning production are now unmistakably favourable. Though firms are still running well below capacity, there has been a slight improvement here, too. On the basis of this evidence, it is reasonable to expect that in the months ahead growth will continue at a relatively rapid pace.

In Italy there has for some time been a recovery in economic activity, from which the consumer goods sector was the first to benefit. The latest survey shows that the recovery is now spreading to other sectors, but that it has not touched the majority of firms in the capital goods sector, which would seem to be still suffering from the reticence of private investors. The views of heads of enterprises concerning their total order-books have become less pessimistic, their answers concerning demand from abroad are fairly satisfactory. There seems to have been no noteworthy new development in the stocks situation. Expectations concerning production remain uncertain. Apparently there is still a great deal of idle capacity, and it seems — since demand is weak and remains so — that this situation inhibits any vigorous recovery of investment.

In Belgium, production has so far failed to break through the ceiling it reached some time ago — signs of a recovery in expansion remain rather tentative, and are confined mainly to the consumer goods sector. In general, the assessments made by heads of enterprises concerning their total order-books have become less optimistic of late, while for export order-books they have remained unchanged. Fewer managements say they hold unduly high stocks. The percentage gap between those reporting stocks below normal and those reporting them above normal declined from 13 at the end of May to 3 at the end of October. Production expectations remain uncertain, and the margin of idle capacity is not expected to change. The forecasts of managements concerning their selling prices do not suggest that there will be fresh pressures in this field.

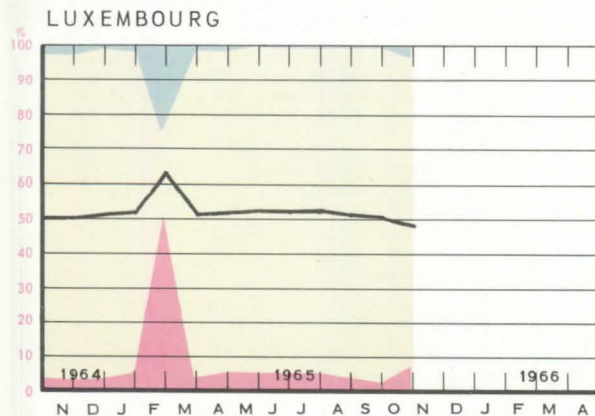
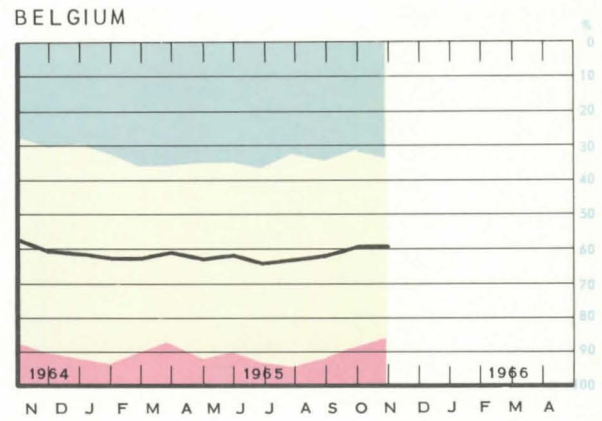
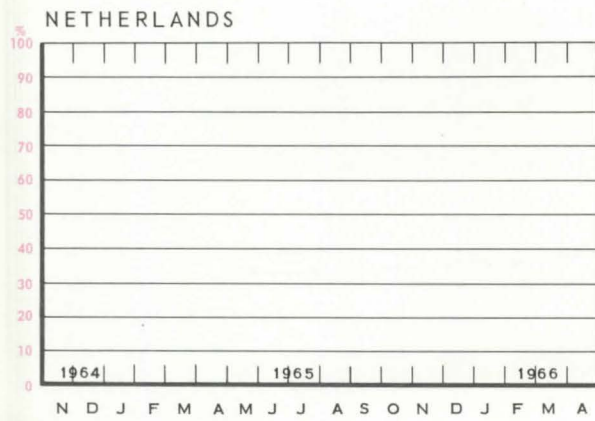
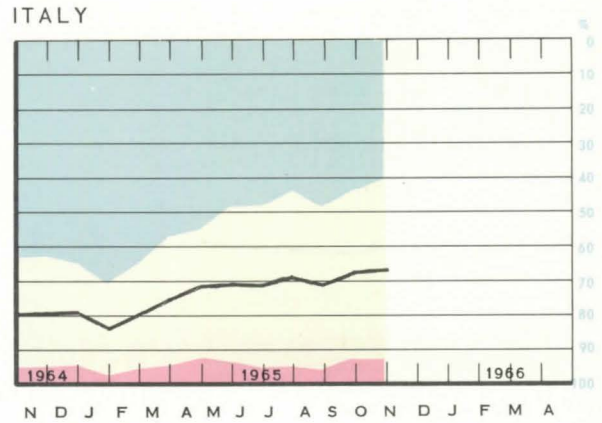
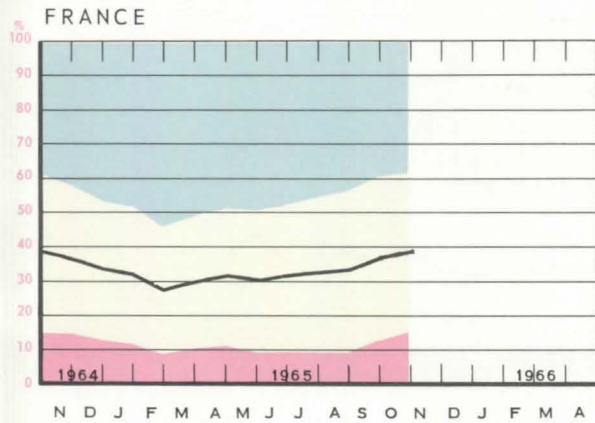
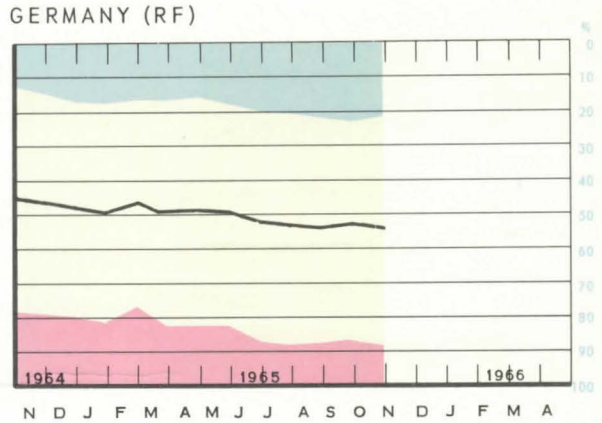
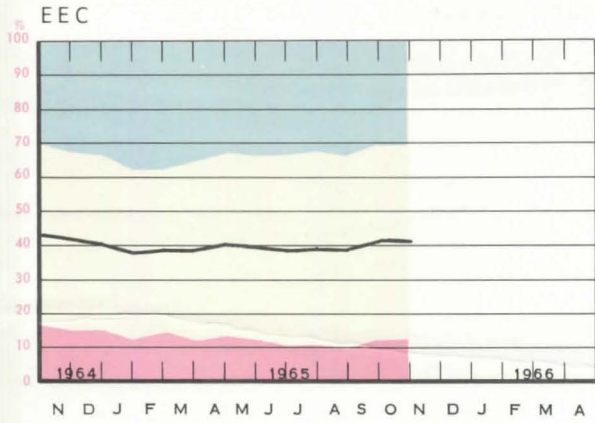
In Luxembourg, the economic situation weakened with the ending of the heavy foreign demand on the iron and steel industry, the mainstay of the country's economy. The weakening of demand in this sector is, it is true, connected with efforts by steel users to run down heavy surpluses they had built up, but it is also a reflection of keener competition, notably on the Community market. In the latest surveys, the majority of managements in Luxembourg considers the situation normal, both in regard to order-books and stocks; production is expected to be stable.

(the figures are percentages of replies received)

Country	Questions 1965	Estimations									Outlook															
		Total order-book					Export order-book				Stocks of finished products				Production				Selling prices							
		J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O
GERMANY (FR)	+	12	11	10	11	8	6	6	6	6	9	8	9	12	9	9	14	19	18	15	14	9	8	8	9	10
	=	72	71	70	70	70	78	77	76	76	72	85	85	83	86	86	78	73	76	77	75	77	84	81	80	78
	-	16	18	20	19	22	16	17	18	18	19	7	6	5	5	5	8	8	6	8	11	14	8	11	11	12
FRANCE	+	6	7	7	12	14	12	11	11	14	13	29	28	26	25	22	21	22	24	26	24	10	13	15	12	12
	=	45	47	48	49	46	59	57	55	50	51	67	68	70	69	71	65	67	68	59	61	80	78	77	80	79
	-	49	46	45	39	40	29	32	34	36	36	4	4	4	6	7	14	11	8	15	15	10	9	8	8	9
ITALY	+	6	6	11	7	8	26	13	18	25	14	31	25	27	27	25	7	15	17	16	13	8	10	8	15	15
	=	51	58	50	59	62	36	57	52	46	51	65	65	66	63	66	75	70	69	71	71	72	77	83	72	76
	-	43	36	39	34	30	38	30	30	29	35	4	10	7	10	9	18	15	14	13	16	20	13	9	13	9
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	6	6	8	12	12	8	7	5	11	8	20	17	14	14	15	10	15	20	15	10	12	16	14	12	12
	=	58	60	59	54	53	59	61	57	50	56	72	76	81	74	77	68	67	65	65	73	67	70	72	68	68
	-	36	34	33	34	35	33	32	38	39	36	8	7	5	12	8	22	18	15	20	17	21	14	14	20	20
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	9	8	9	11	10	11	9	9	11	10	19	18	19	17	16	15	19	20	18	16	9	10	10	12	12
	=	59	61	59	61	60	65	67	65	62	62	75	76	76	76	77	73	70	72	70	70	76	80	80	77	77
	-	32	31	32	28	30	24	24	26	27	28	6	6	5	7	7	12	11	8	12	14	15	10	10	11	11

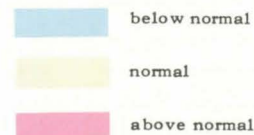
INDUSTRY AS A WHOLE

Order-books



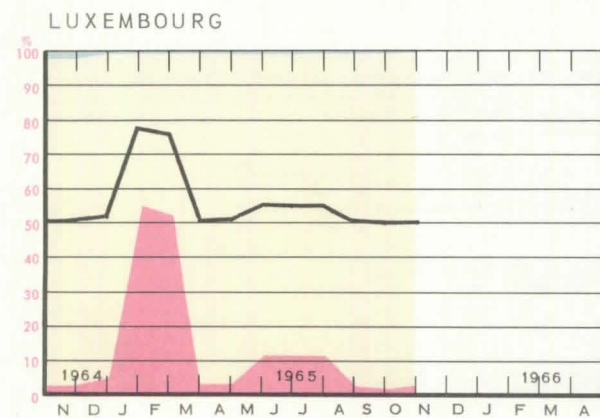
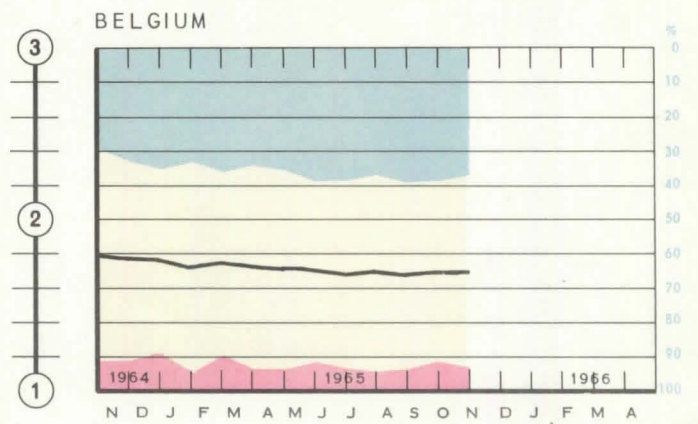
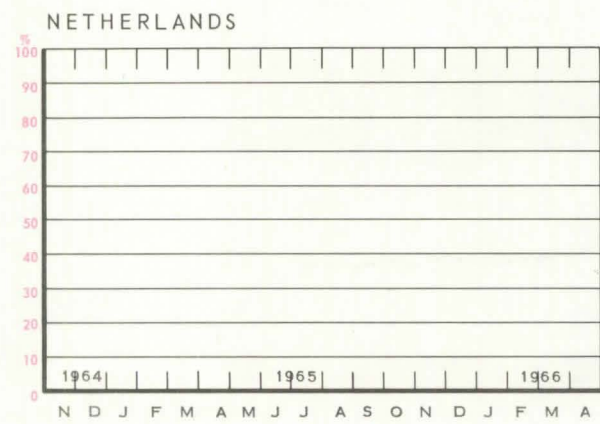
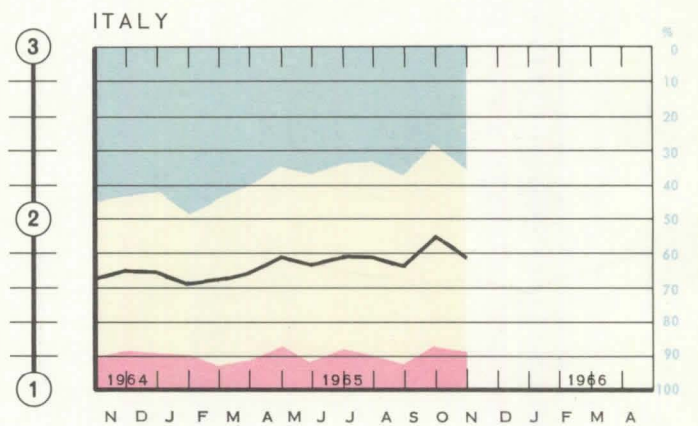
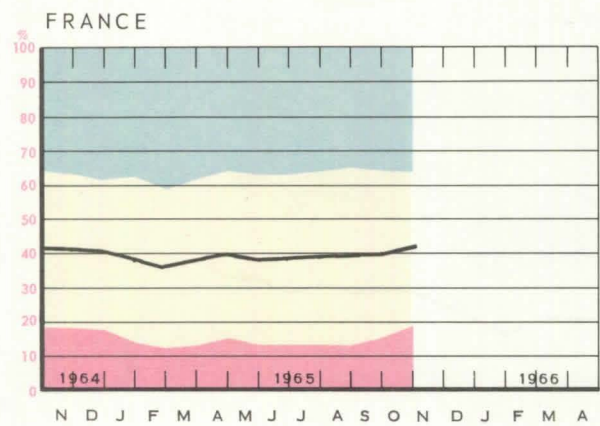
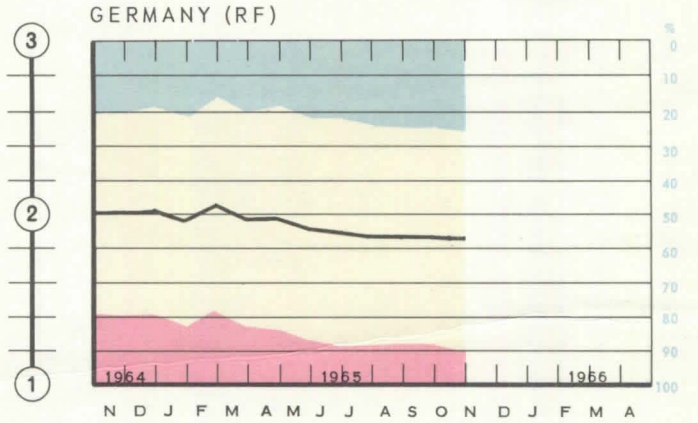
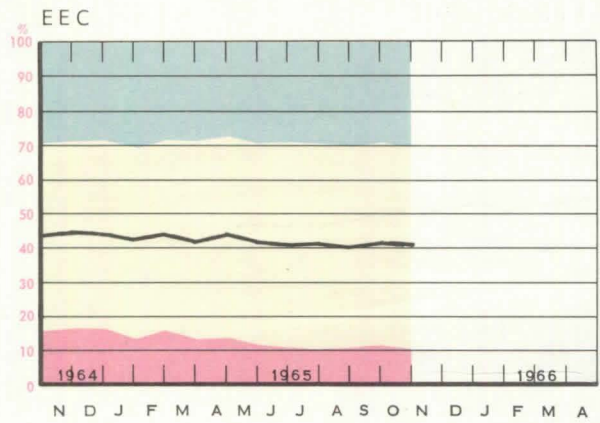
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- by 0.03 for the answer "above normal";
- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



INDUSTRY AS A WHOLE

Export order-books



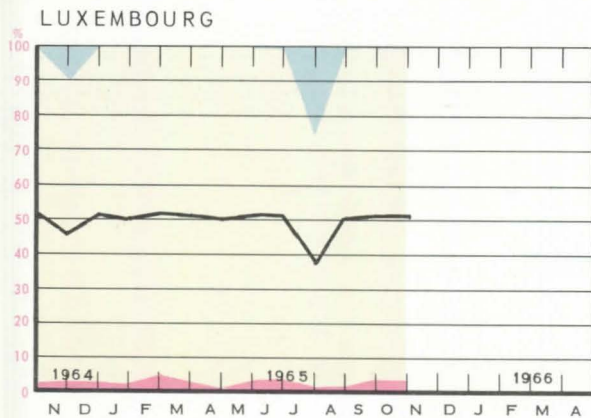
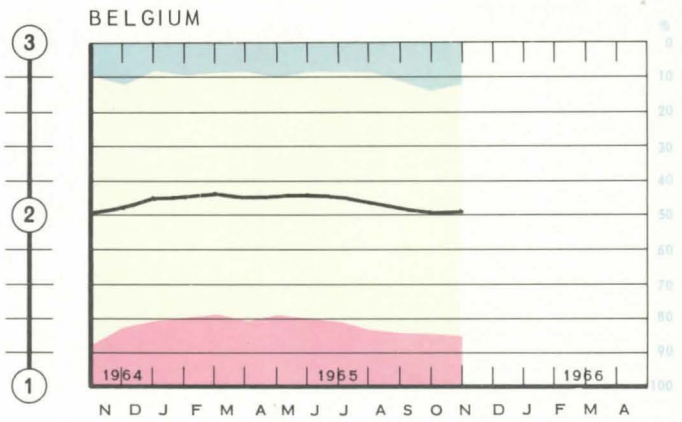
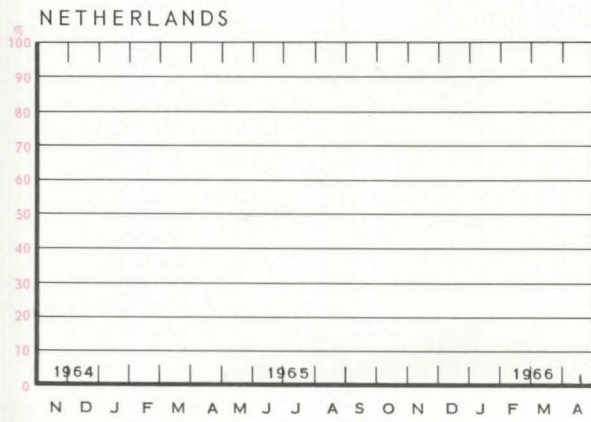
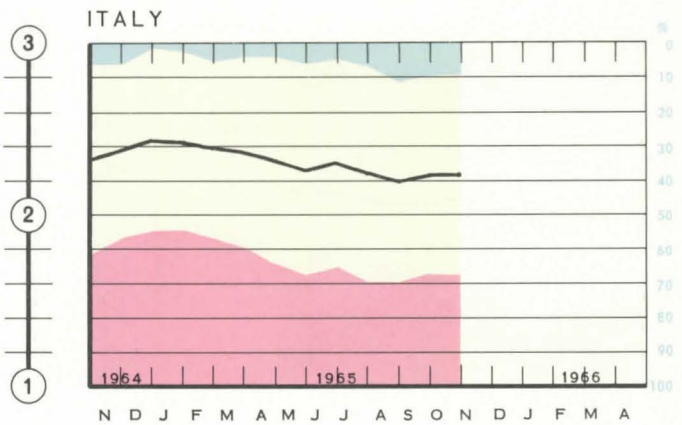
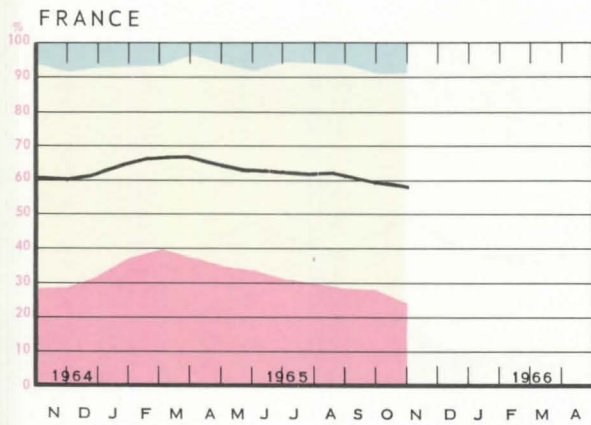
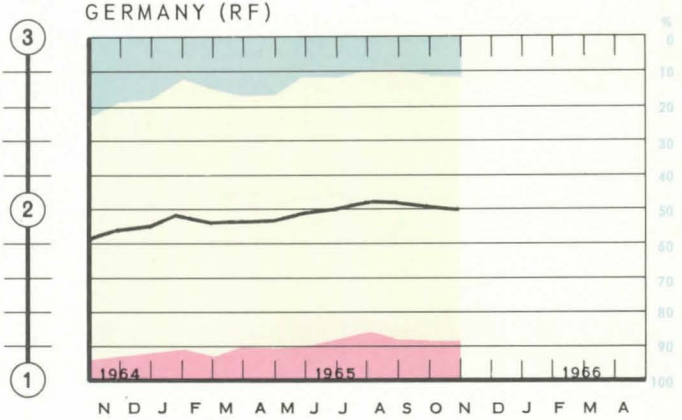
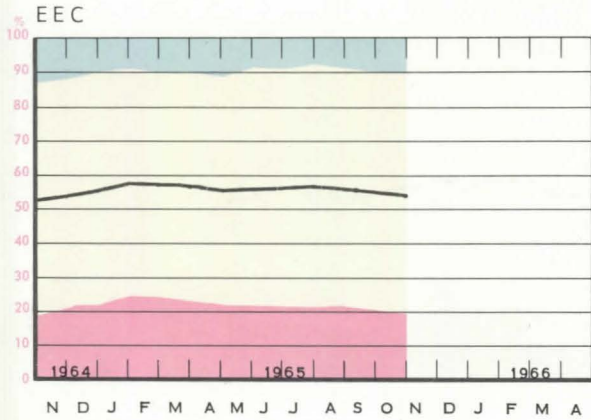
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- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";

below normal
 normal
 above normal

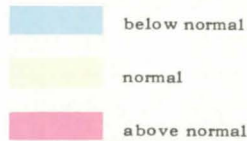
INDUSTRY AS A WHOLE

Stocks of finished products



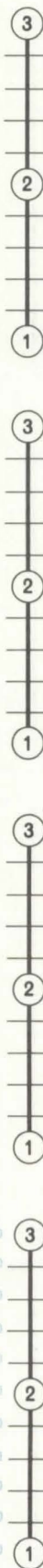
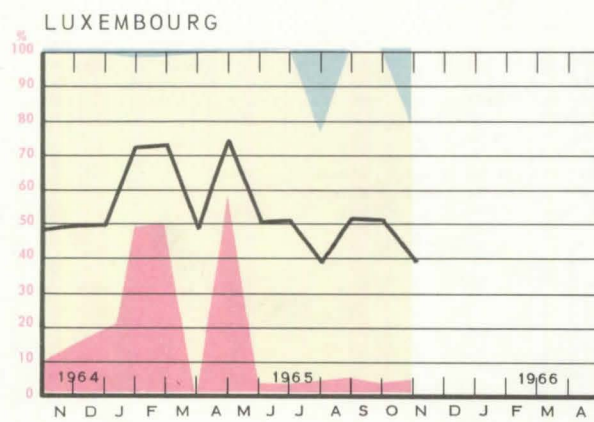
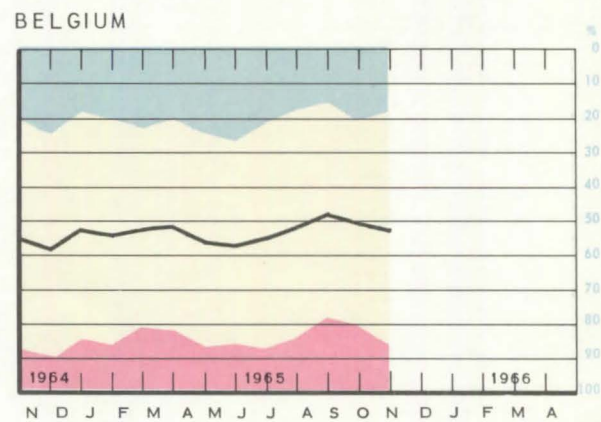
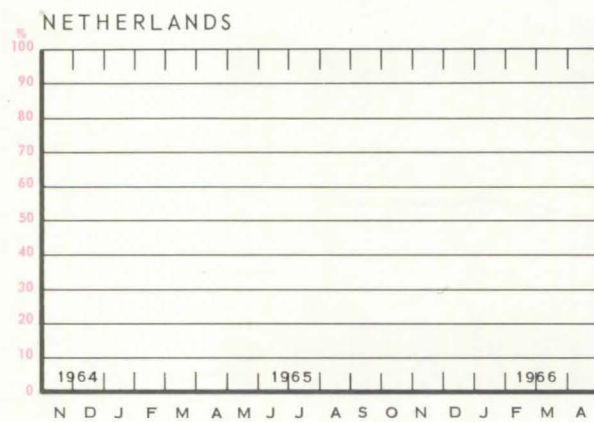
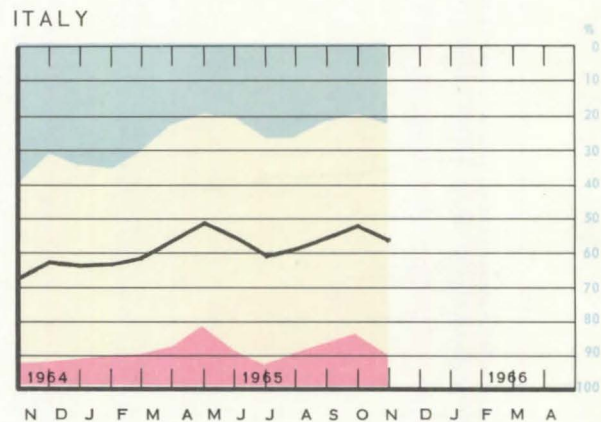
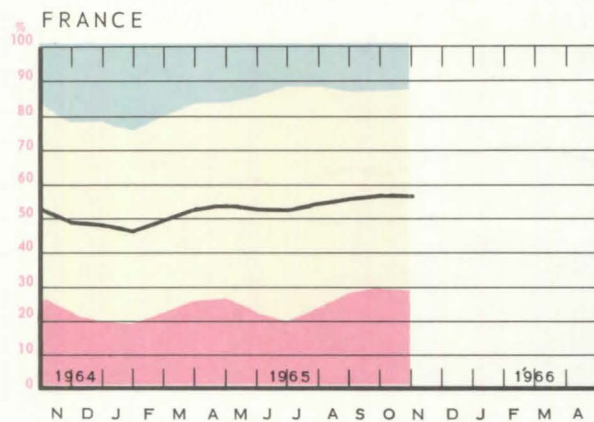
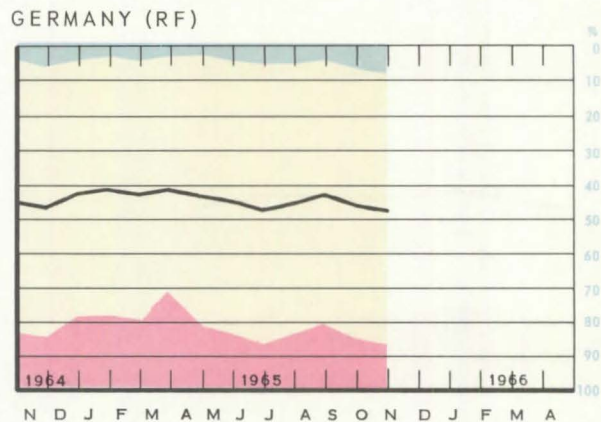
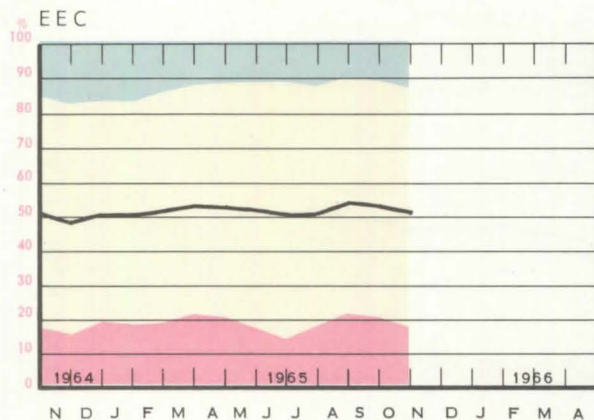
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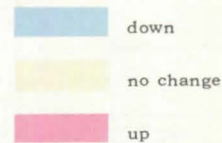
INDUSTRY AS A WHOLE

Trend in production



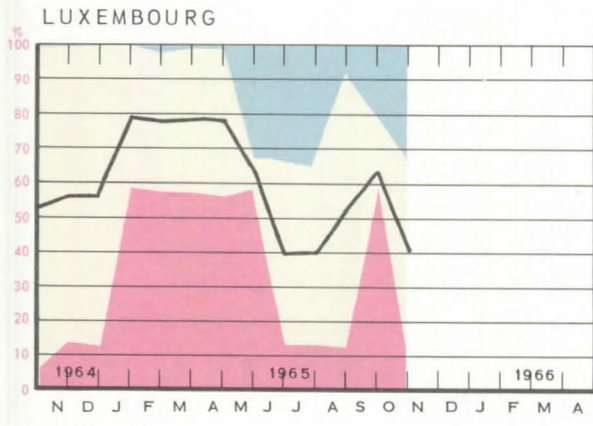
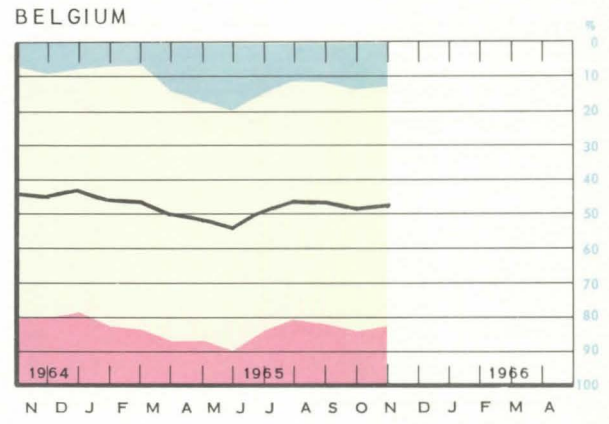
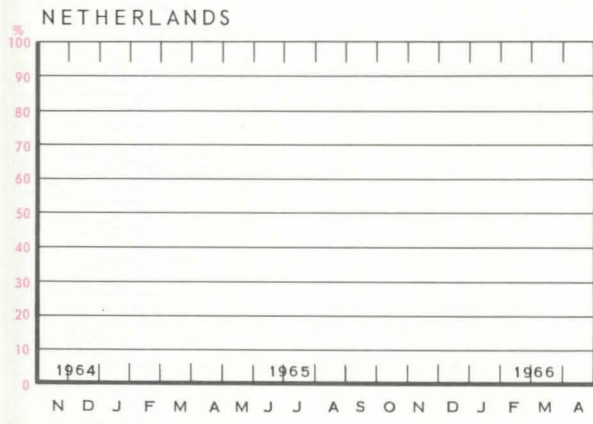
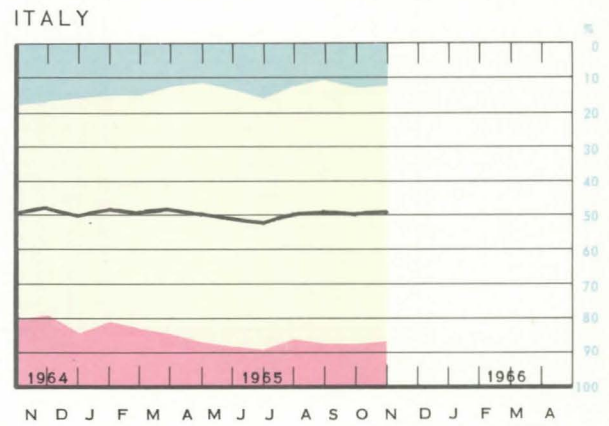
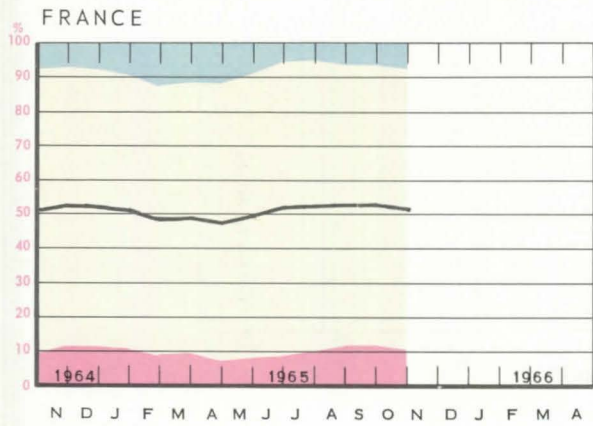
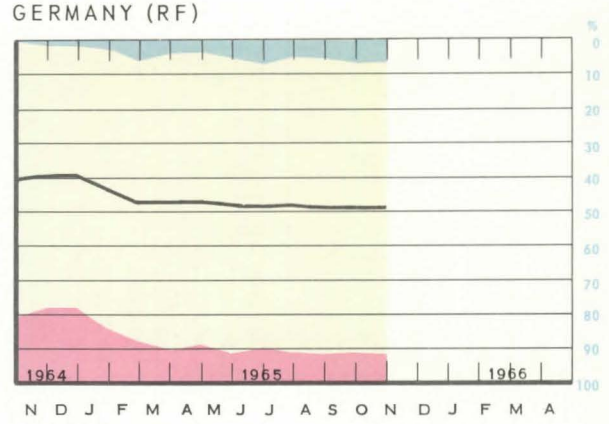
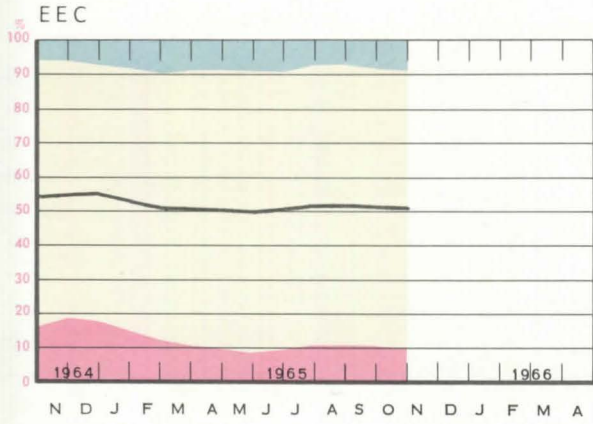
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- by 0.02 for the answer "no change";
- by 0.01 for the answer "down".



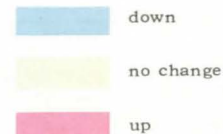
INDUSTRY AS A WHOLE

Trend in selling prices



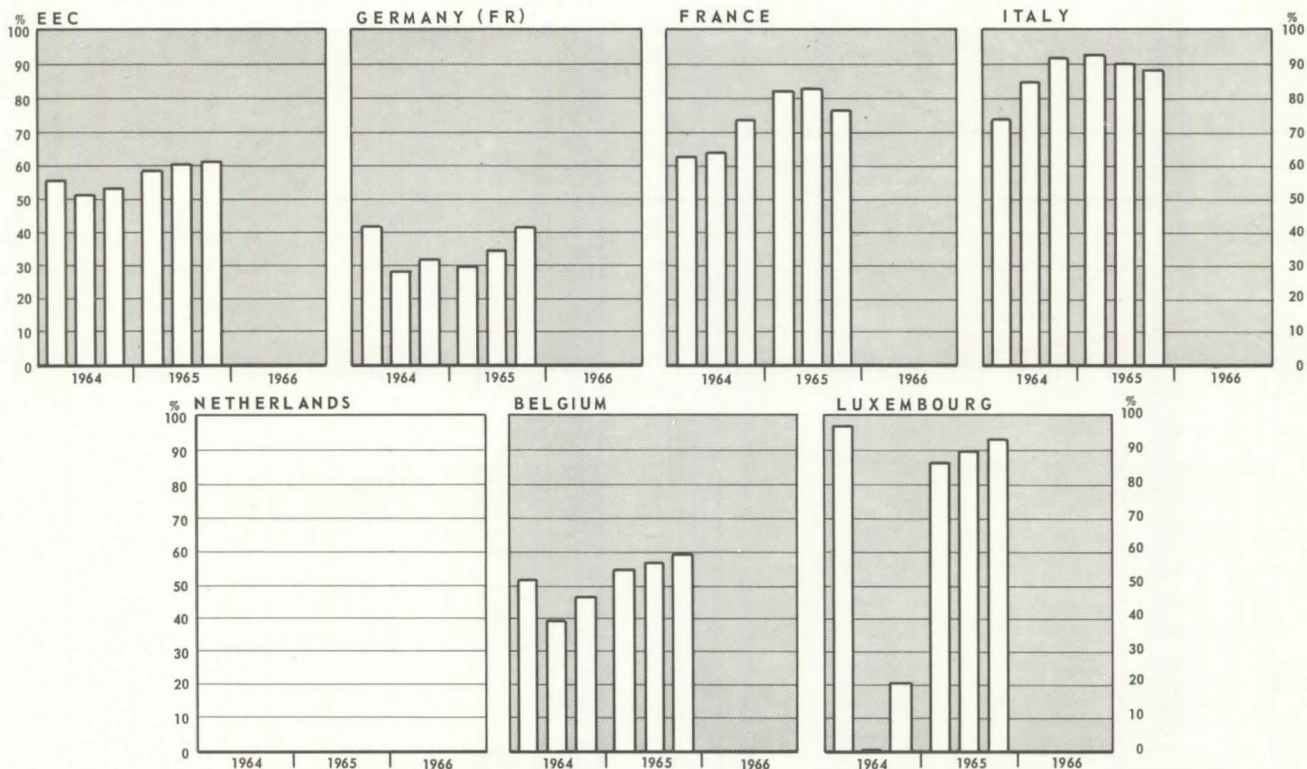
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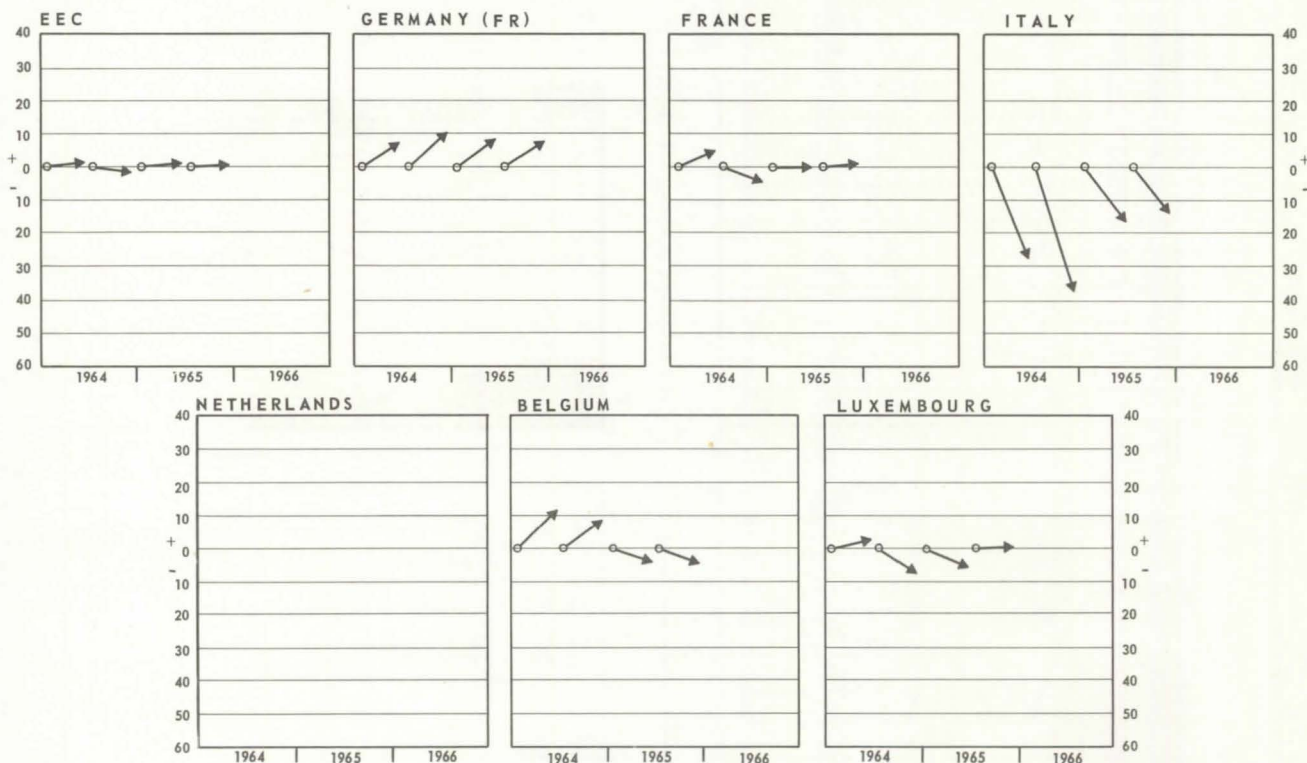


INDUSTRY AS A WHOLE

Output reserves 1)



Expectations 2)



1) The length of the columns indicates the percentage of enterprises that could produce more with current resources if they had more orders. This question is sent out three times a year, at the end of January, the end of May, and the end of October.

2) The upward or downward slant of the arrows indicates the difference between the percentage of enterprises expecting the number of persons they employ to go up and the percentage expecting it to go down in the next 3 or 4 months; they slant up when the majority expects the number employed to rise and down when the majority expects it to fall. This question is sent out twice a year, at the end of May and the end of October.

CONSUMER GOODS

In the Federal Republic of Germany, the consumer goods industry seems to have benefited from the rapid increase in incomes coupled with the tax reliefs introduced in January. The percentage of managements reporting order-books above normal has increased, though this trend is no doubt in part due to the usual autumn improvement in business. Exports are likely to make a further considerable contribution, as is evidenced by the more encouraging assessments of export order-books. This positive trend in demand is reinforced by the tendency of managements to consider stocks as below normal and also by a continuing tendency for prices to rise — though this might well prove less strong than was feared earlier. Managements expect that there will again be a distinct increase in production. Several industries were already running close to capacity and the available reserves have diminished further. According to the replies received, the demand for additional manpower, though still heavy, will show little change.

In France, the trend of domestic demand and of production in the consumer goods industries has shown more vigour, partly because dealers have been increasing their stocks. This improvement, signs of which were noted in the last report, is now unmistakable. Managements have been regularly reporting an improvement in demand. The percentage of those that consider their order-books below normal fell from 49 at the end of May to 25 at the end of October; export order-books also showed a markedly favourable trend, notably in the durable goods sector. The vigour of the recovery in demand for manufactured goods is also reflected in the answers concerning stocks: fewer and fewer managements looked on these as being above normal. Expectations concerning production are definitely optimistic, and suggest that there will be a rise in output without heavy pressure on prices, since most managements (86%) expect their selling prices to remain unchanged in the coming months. Firms are making fuller use of capacity, and the percentage of those which could produce more fell from 86 at the end of May to 70 at the end of October.

In Italy, the consumer goods sector, which had been the first to benefit from the improvement in the general climate, continues to show a fairly appreciable improvement. Originally the revival of activity was concentrated in the durable goods industries, but it has now spread to non-durable industries, partly perhaps owing to the increase in the purchasing power of households. The export situation remains on the whole satisfactory. It seems that stocks are being allowed to fall again a little, although they are probably still running at a fairly high level. Expectations on production are encouraging, and for the first time in nearly two years the businessmen who expect an increase in the tempo of activity are as numerous as those who believe activity will slow down. Managements consider that this relative gain in vigour should also be reflected on the labour market. The price climate remains calm: about three quarters of the businessmen asked expect their selling prices to remain unchanged in the coming months.

In Belgium, where the consumer goods sector was already benefiting from the comparative vigour of exports, activity in the sector has remained firm on account of the still appreciable — if slightly weaker — advance in household incomes. In the sector as a whole, reports on total order-books have recently been improving from one survey to another, and the percentage of those who considered their order-books were above normal rose from 15 at the end of May to 24 at the end of October. The build-up of stocks noted at the beginning of the year has not continued, and it is quite likely that they will now go back to normal. Production expectations have improved steadily, and those expecting it to be up are definitely a majority; it may however be that businessmen have been influenced by the heavier purchases that regularly occur at the end of the year and by the assumption that housewives will tend to spend early to avoid increased purchase tax. Although there has been little change in the

high rate of utilization of productive capacity, the demand for additional workers could well grow stronger. There is no reason to expect that in this country price trends will ease in the immediate future, since more than a quarter of the managements questioned are still expecting increases in their selling prices.

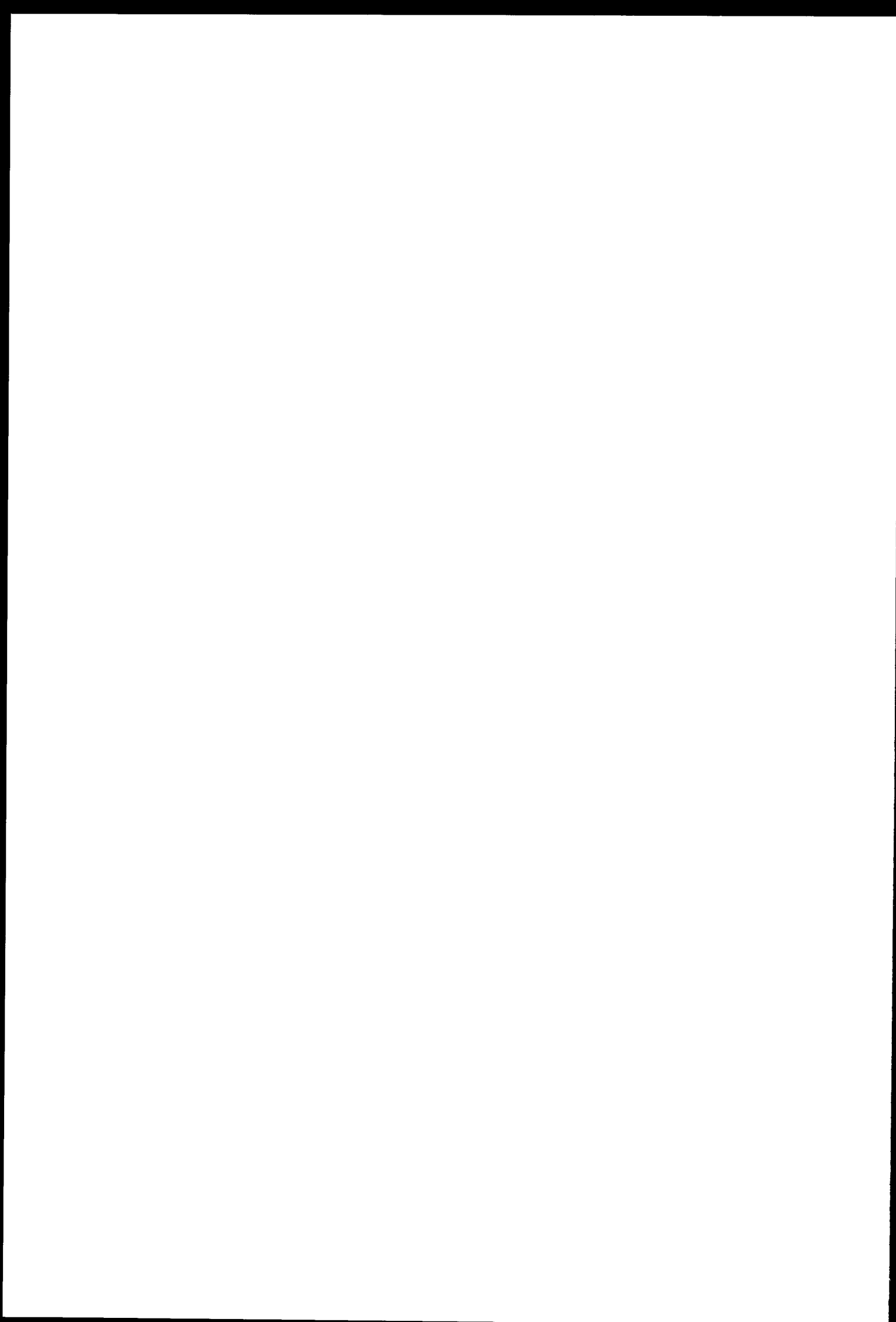
For the Community as a whole, the pace of expansion in the consumer goods industry has for several months been showing a distinct tendency to increase. This sector has benefited both from an advance in the consumption expenditure of households within the Community and from the vigour of demand from abroad. The number of managements expecting their output to be up suggests that the rising trend will continue.

The situation in the non-durable consumer goods industry, which was already better in the second quarter, has shown a distinct improvement. Stocks left on the hands of retailers have gradually dwindled, and so it has been possible to place further orders. In the garments and knitwear industry, production expectations have recently increased greatly, and although some capacity is still available despite the heavier pressure of demand, a good deal of the slack has been taken up: only 46% of those replying now state that they could produce more with their present resources. A similar trend is to be seen in the footwear industry, and may lead to pressure on prices.

The industries producing durable consumer goods had suffered from the slowdown in the expansion of household demand, but the situation has now improved, this sector being fairly sensitive to income fluctuations, and managements generally expect output to rise. It seems that everywhere except in Italy the contribution made by the motor vehicle industry, which led the revival, will grow as demand increases. The margin of unused capacity is distinctly smaller; output ought to expand vigorously. The producers of domestic electric appliances are rather less optimistic, although their assessments in the last few surveys suggest a distinctly improved situation. They expect output to rise, and the price climate should remain calm. Activity in the furniture industry has also gathered considerable strength, and the pessimism shown even quite recently by managements has now faded.

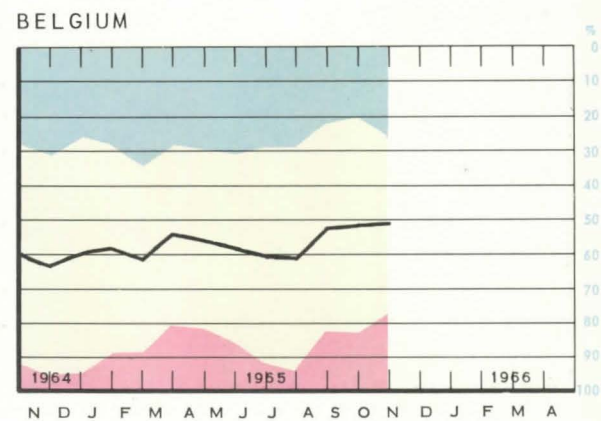
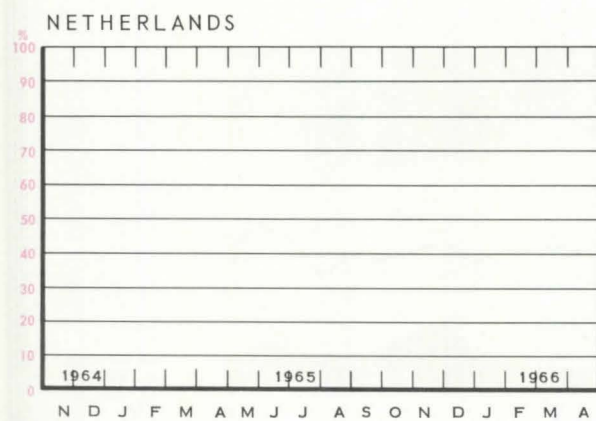
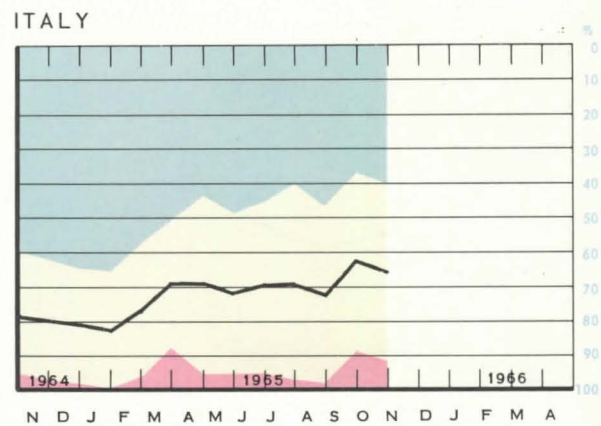
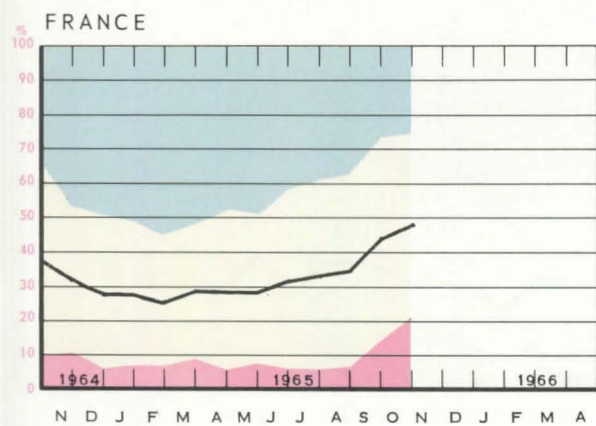
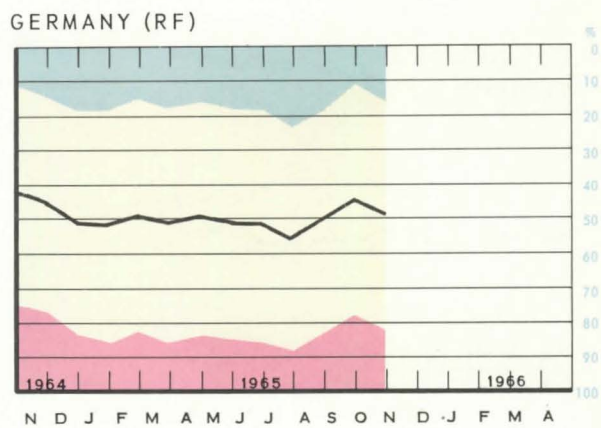
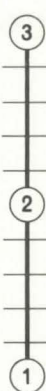
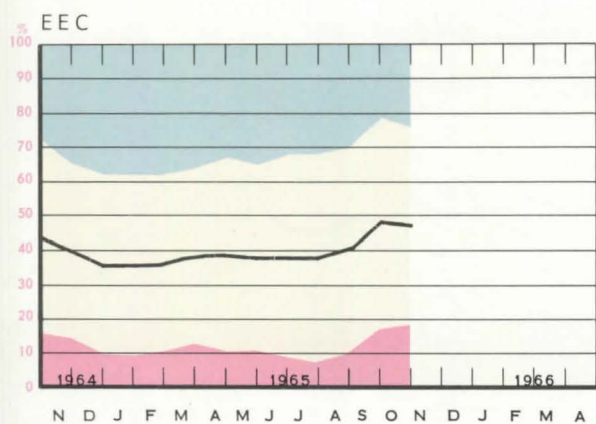
(the figures are percentages of replies received)

Country	Questions 1965	Estimations															Outlook									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O
GERMANY (FR)	+	16	17	15	15	13	14	14	12	12	12	11	12	12	14	13	13	15	13	11	11	10	8	9	9	6
	=	62	60	61	60	65	56	56	55	55	57	71	73	75	73	75	82	81	82	83	82	88	90	89	89	92
	-	22	23	24	25	22	30	30	33	33	31	18	15	13	13	12	5	4	5	6	7	2	2	2	2	2
FRANCE	+	17	16	15	15	16	18	19	20	21	19	37	34	32	34	29	12	18	24	24	22	9	9	9	13	14
	=	34	35	36	38	39	38	37	36	35	36	58	62	65	63	65	74	66	58	60	63	87	87	87	82	81
	-	49	49	49	47	45	44	44	44	44	45	5	4	3	3	6	14	16	18	16	15	4	4	4	5	5
ITALY	+	3	6	2	3	2	12	11	10	10	13	42	44	39	47	43	6	4	5	7	6	13	16	16	14	14
	=	40	36	33	35	44	51	49	50	58	51	53	52	52	50	51	63	57	62	60	63	70	68	68	70	69
	-	57	58	65	62	54	37	40	40	32	36	5	4	9	3	6	31	39	33	33	31	17	16	16	16	17
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	7	6	7	5	10	8	5	7	4	3	22	21	21	19	20	15	17	22	20	8	19	19	16	16	20
	=	62	61	57	60	52	43	48	44	46	57	69	64	59	60	66	61	63	57	53	66	74	73	75	75	74
	-	31	33	36	35	38	49	47	49	50	40	9	15	20	21	14	24	20	21	27	26	7	8	9	9	6
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	14	14	13	12	12	14	14	13	13	13	24	24	22	25	23	12	14	16	15	13	11	10	11	12	11
	=	50	49	49	50	53	51	51	50	51	52	64	66	68	66	68	75	72	70	71	73	84	85	84	83	84
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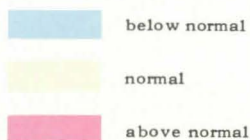
CONSUMER GOODS

Order-books



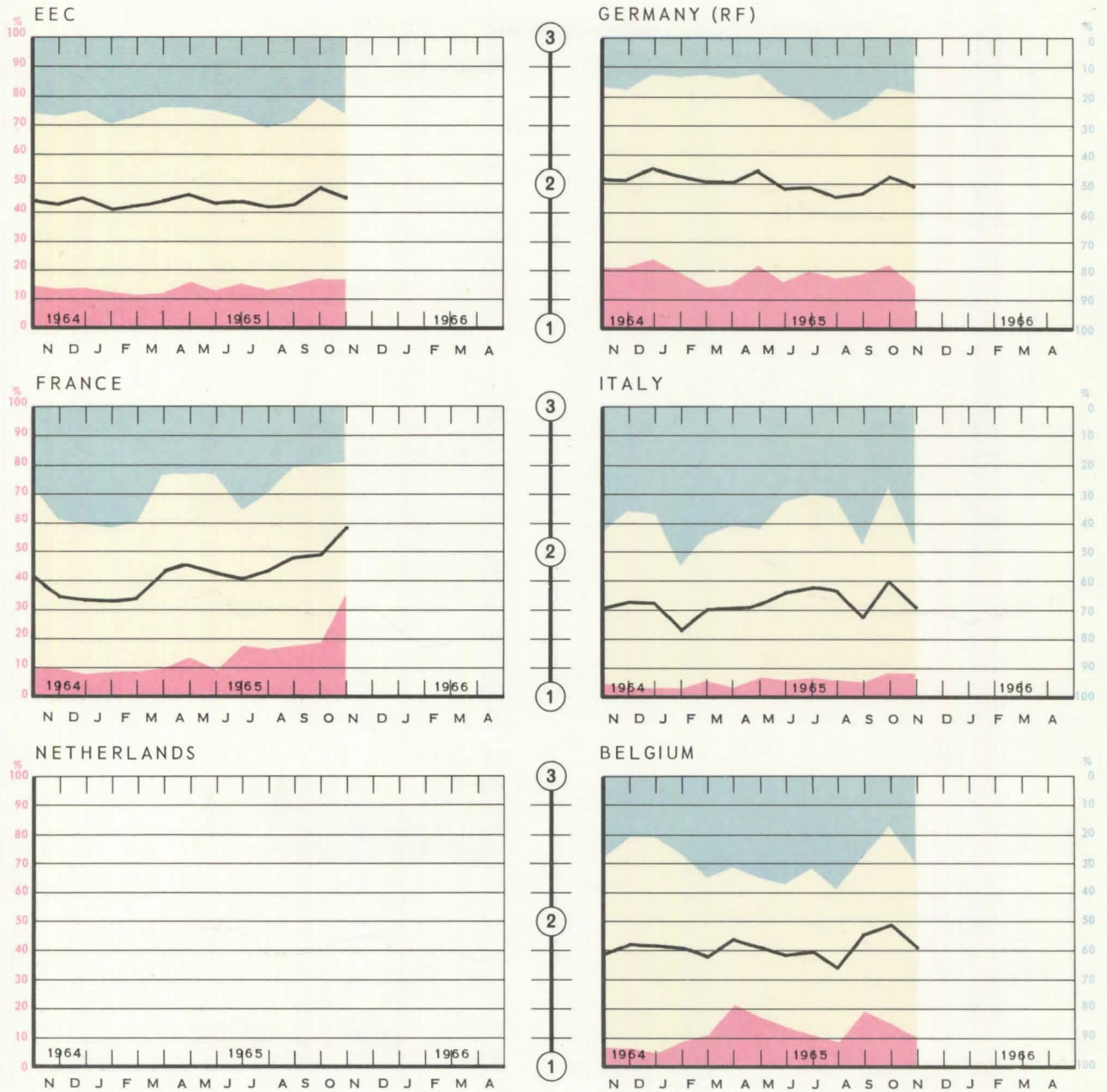
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- by 0.03 for the answer "above normal";
- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



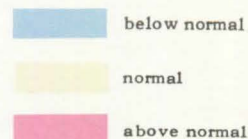
CONSUMER GOODS

Export order-books



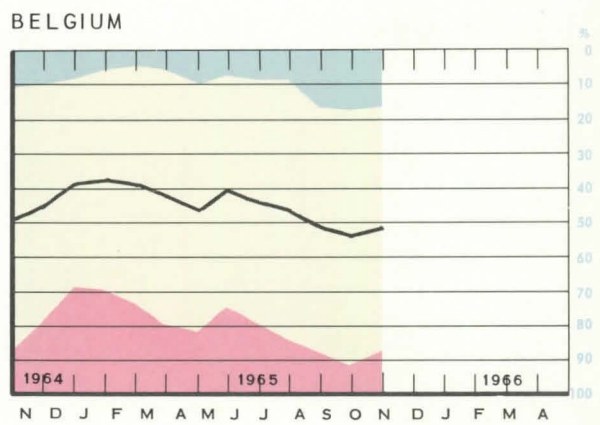
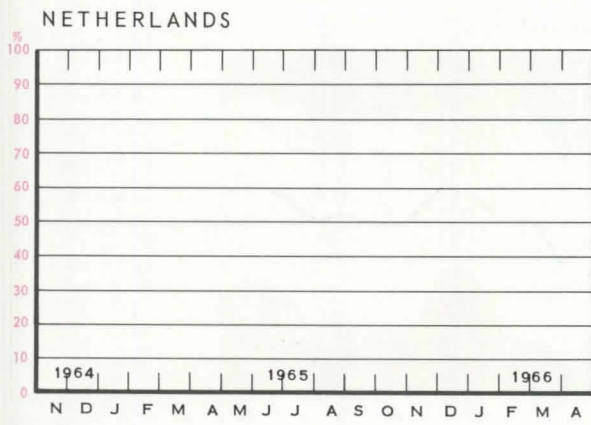
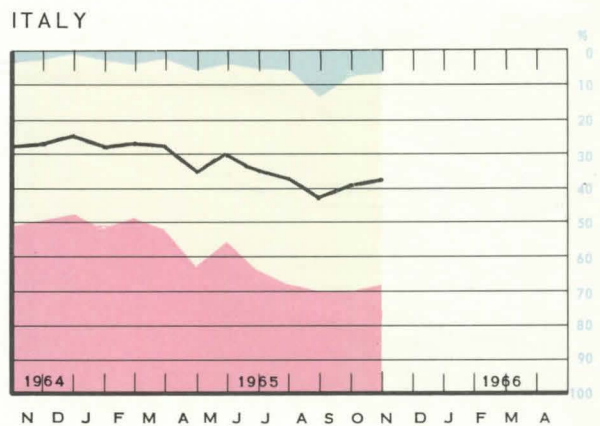
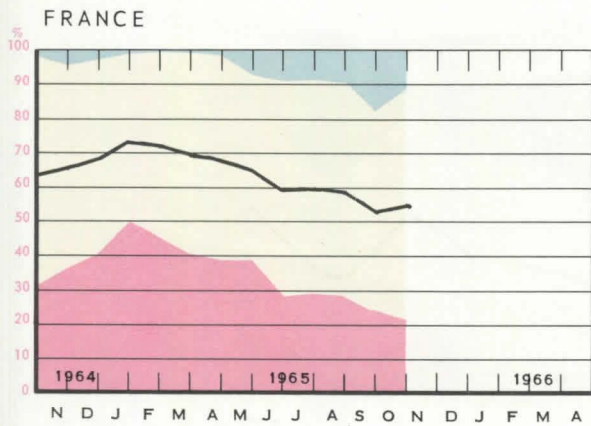
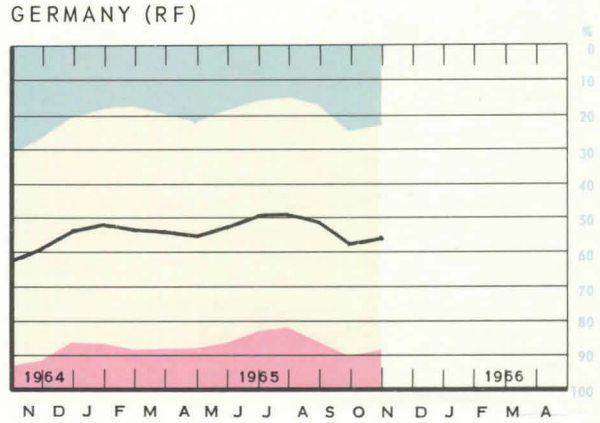
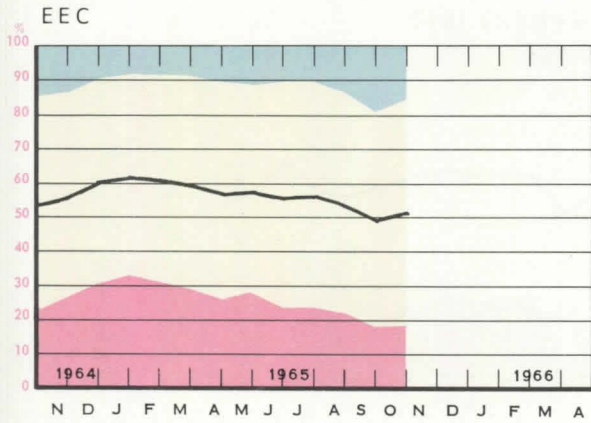
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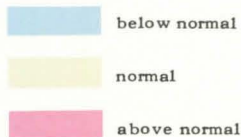
CONSUMER GOODS

Stocks of finished products



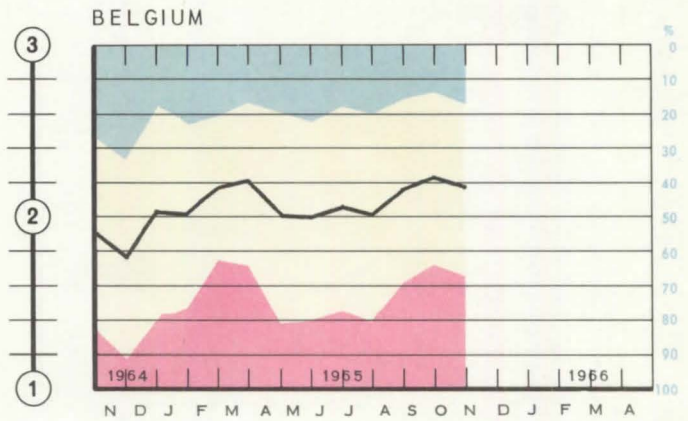
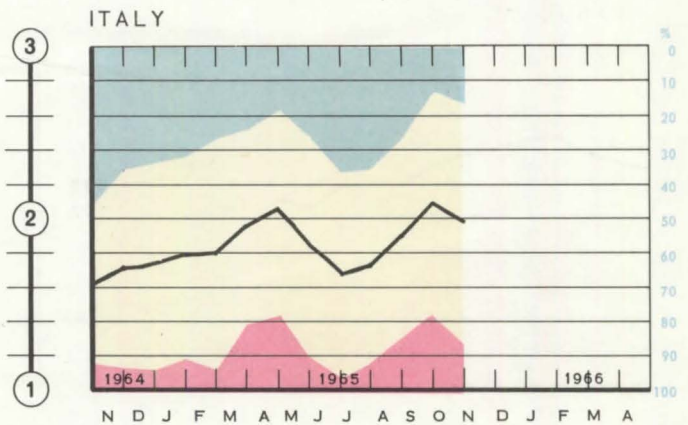
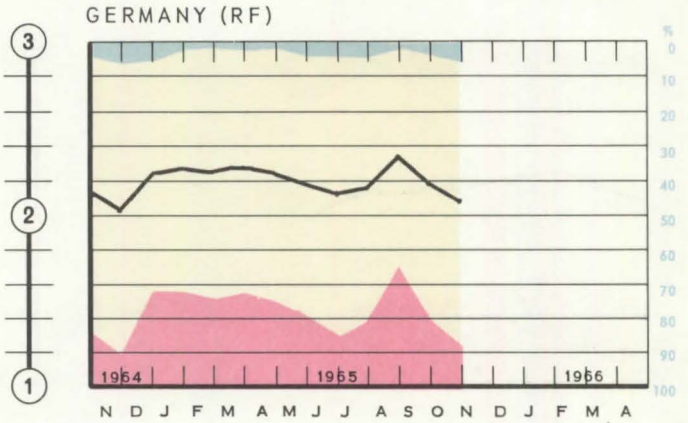
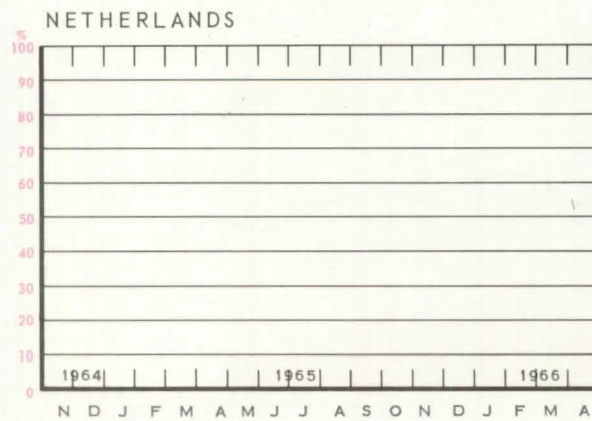
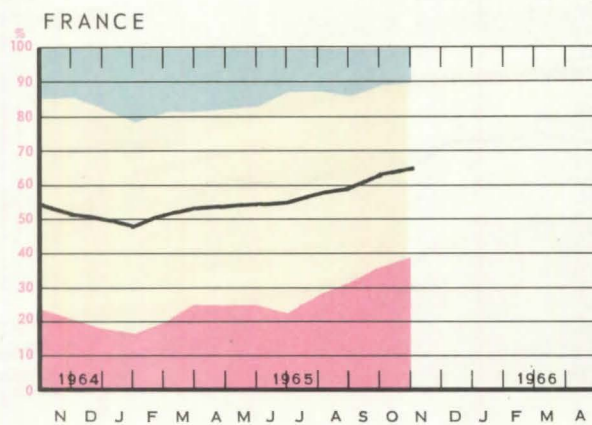
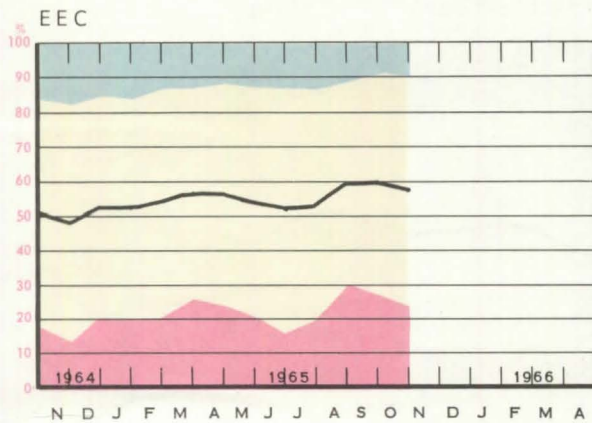
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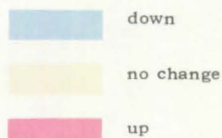
CONSUMER GOODS

Trend in production



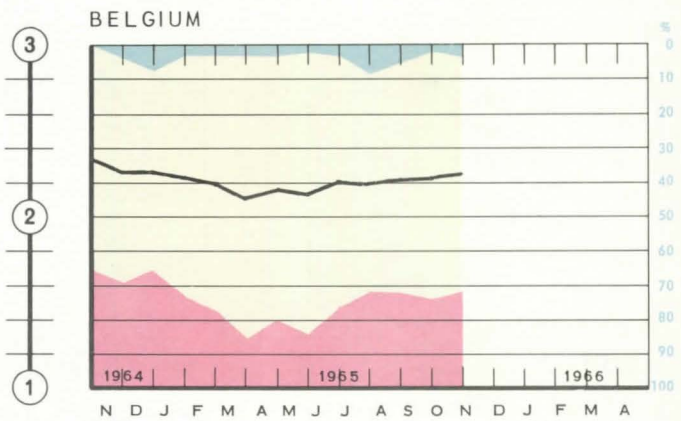
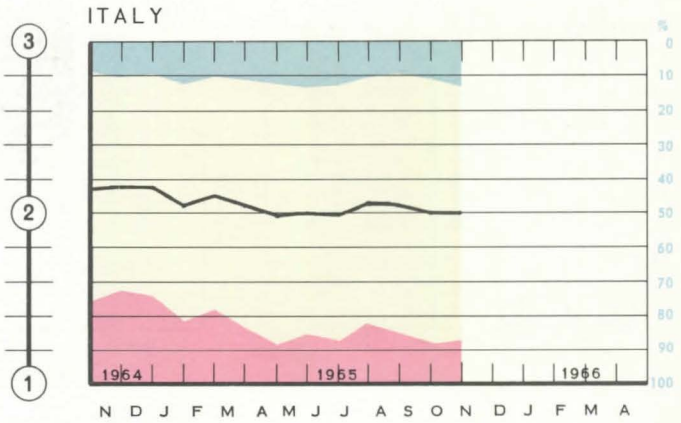
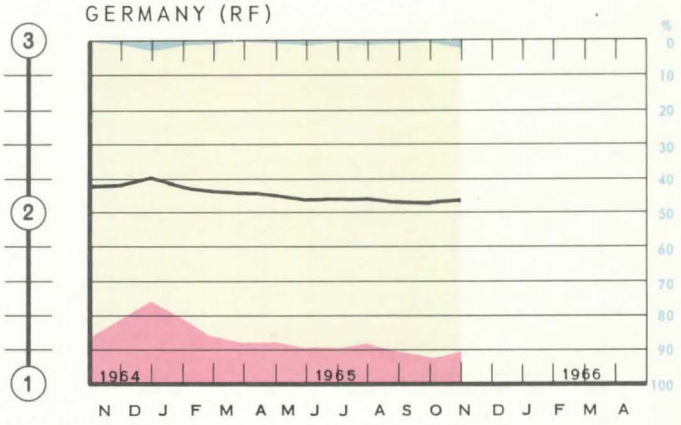
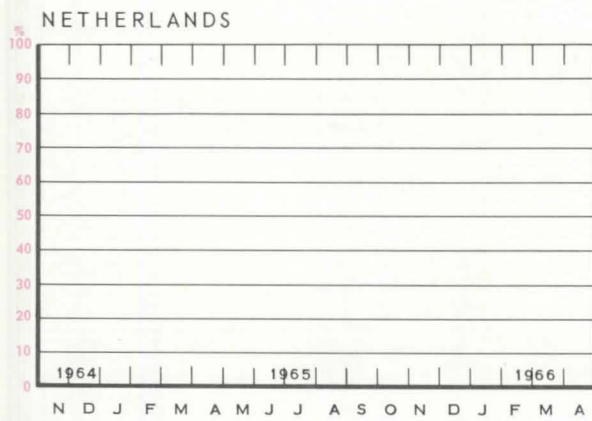
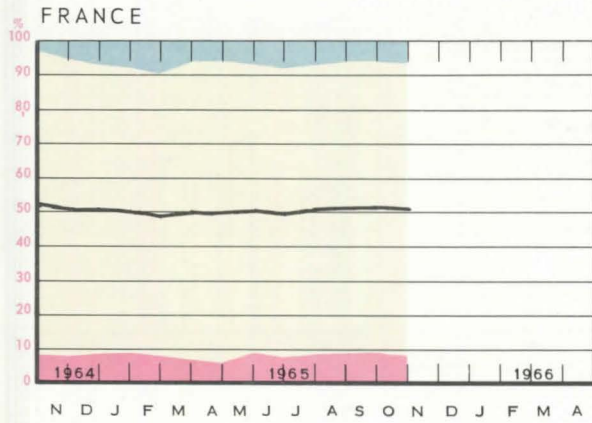
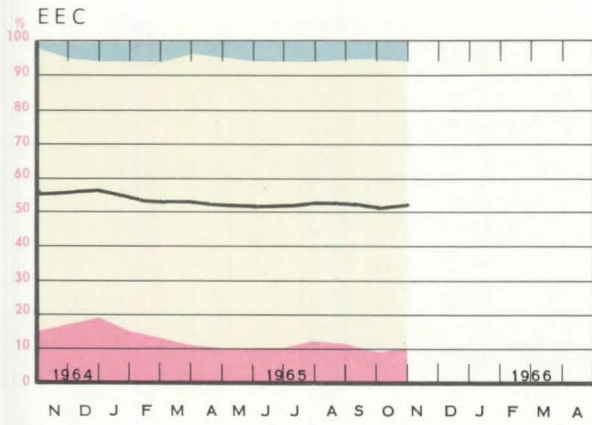
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by 0.01 for the answer "down".



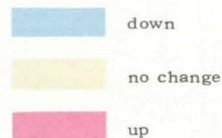
CONSUMER GOODS

Trend in selling prices



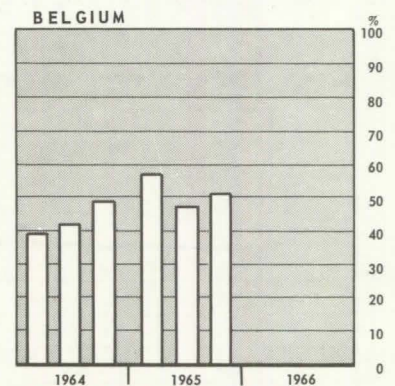
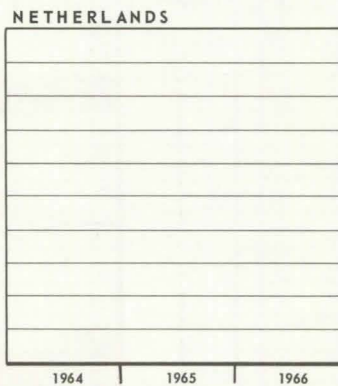
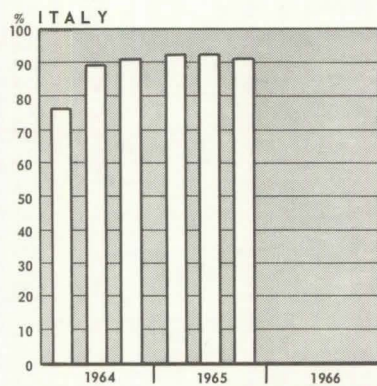
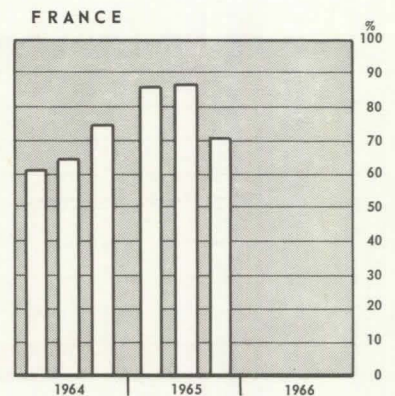
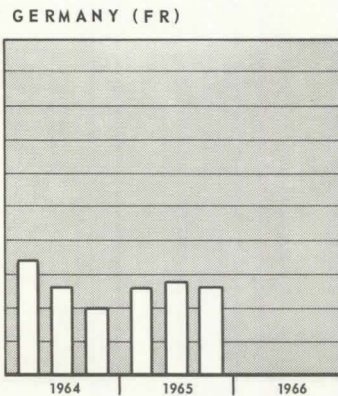
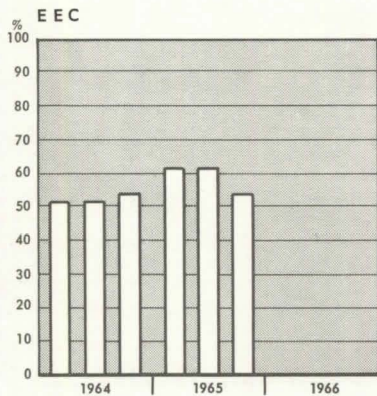
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by 0.01 for the answer "down".

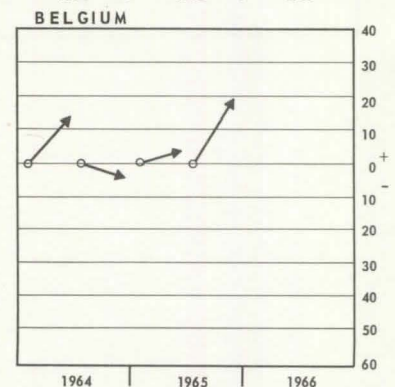
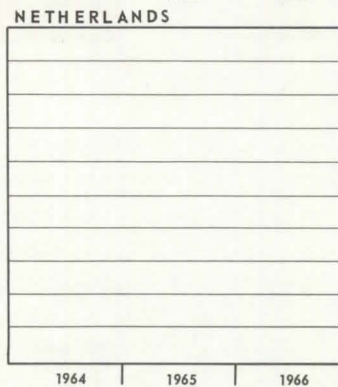
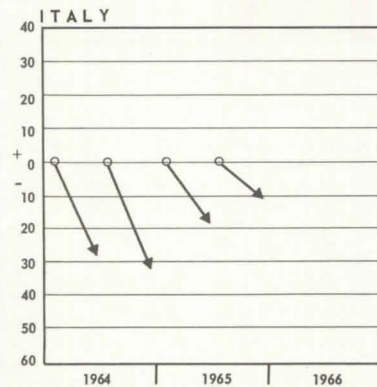
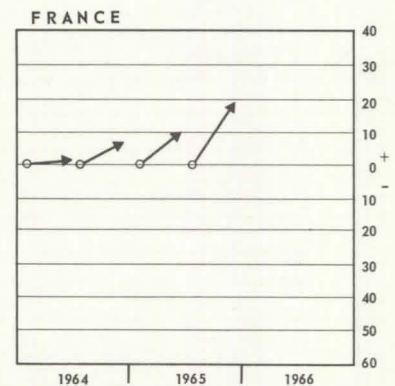
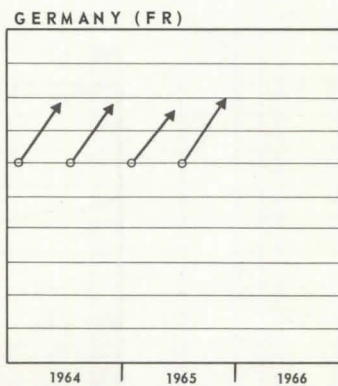
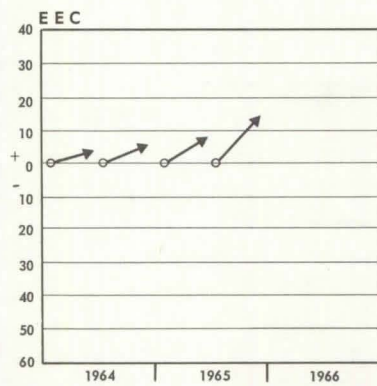


CONSUMER GOODS

Output reserves¹⁾



Expectations²⁾



1) The length of the columns indicates the percentage of enterprises that could produce more with current resources if they had more orders. This question is sent out three times a year, at the end of January, the end of May, and the end of October.

2) The upward or downward slant of the arrows indicates the difference between the percentage of enterprises expecting the number of persons they employ to go up and the percentage expecting it to go down in the next 3 or 4 months; they slant up when the majority expects the number employed to rise and down when the majority expects it to fall. This question is sent out twice a year, at the end of May and the end of October.

CAPITAL GOODS

In Germany boom conditions have continued; however, in recent surveys the optimism shown by heads of enterprises is less marked and firms seem to be running a little less near capacity. This trend doubtless reflects financing difficulties encountered by investors as a result of growing tightness on the money and capital markets and of the narrowing of profit margins, which has restricted opportunities for self-financing. In addition, uncertainty over the outlook for investment in some of the other member countries has made managements cautious in their assessment of export order-books. It is less widely felt that production will expand. Price strains should not grow more serious, they might even ease a little. In the industries serving construction, the outlook for production and employment has become less favourable because of a slowdown of expansion in the construction industry itself, notably in public works.

In France, while the other sectors are already benefiting from more expansionary business conditions, the surveys have so far elicited no clear sign of a recovery in the capital goods industry. The replies from heads of enterprises, which are on the whole rather pessimistic, show scarcely any change. Capacity is far from being fully used, with more than 80% of managements believing they could produce more with present resources. In about one third of the firms, stocks are assessed at above normal. Output expectations have none the less improved; it may be that managements are already counting on the favourable effects which the higher level of demand in the other sectors should have on the propensity to invest of private industry. The belief that prices would rise was rather more widespread than in other sectors, where the control of prices is easier. In the industries associated with construction, replies from managements appear to reflect doubt, which can hardly be due entirely to the normal seasonal decline but may well be partly connected with a slowdown in the growth of residential building.

In Italy, the surveys indicate that activity in the capital goods industry remains depressed, whereas in the other sectors the recovery is already confirmed. The contrast in the trends is due mainly to the fact that investment by private industry is being inhibited by factors such as the slowness with which the wide margins of idle production capacity are being reduced. The replies of managements on total order-books remain disappointing, although the wave of deep pessimism at the end of 1964 and early 1965 has now receded. Output expectations, though still very unfavourable, have improved, but the large percentage of firms with idle capacity and the level of stocks — reported as high — mean that there is little hope of production making much of a recovery in the coming months. The trend in selling prices remains in general unchanged. Despite the various measures adopted by governments on behalf of construction, managements in associated industries still show widespread pessimism; their views have probably been affected by seasonal factors.

In Belgium, the capital goods industries have been marking time for several months and this trend continues. The heads of enterprises are inclined to be pessimistic. The number of those satisfied with their order-books has tended to decline or to remain low: more than one third of managements have reported their order-books as below normal. As for output expectations, they still lack assurance, and there seems to be a great deal of idle capacity. In such conditions it is unlikely that activity in this sector will change appreciably in coming months. In industries associated with construction the replies showed that demand became firmer as the restrictive policy was relaxed.

In the Community as a whole, the capital goods industry is at present not expanding to any appreciable extent, and the pace of expansion seems even to have slackened slightly since the spring, the loss of momentum in Germany not yet having been fully offset by the recovery in France, Italy and Belgium.

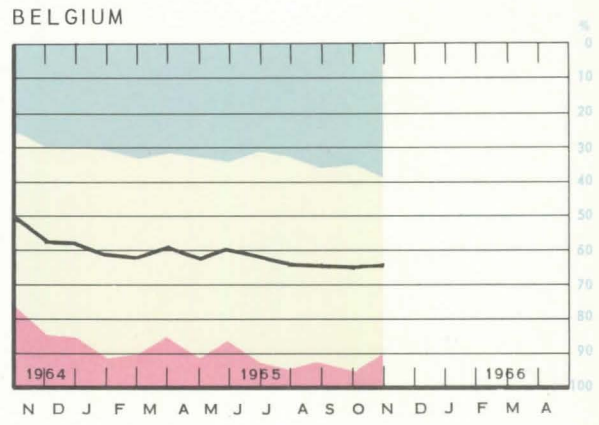
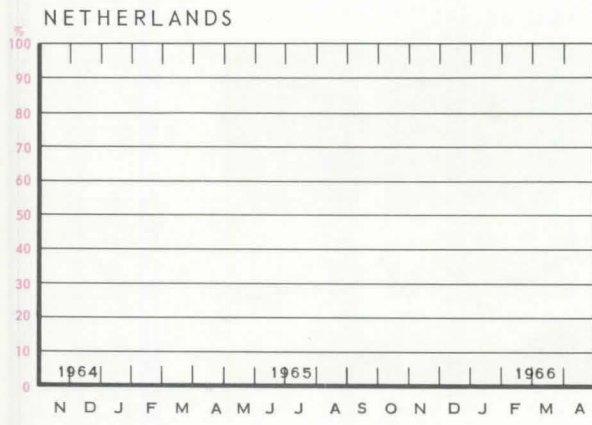
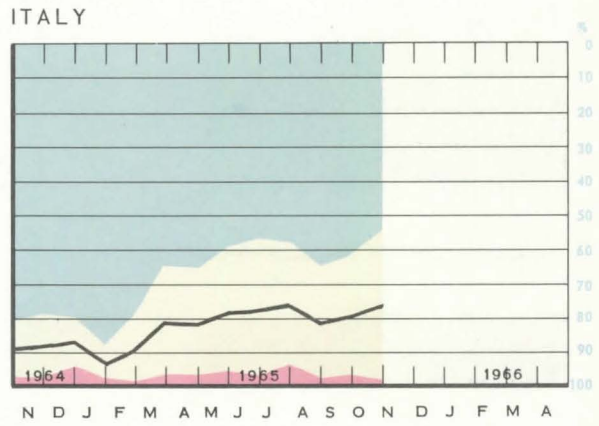
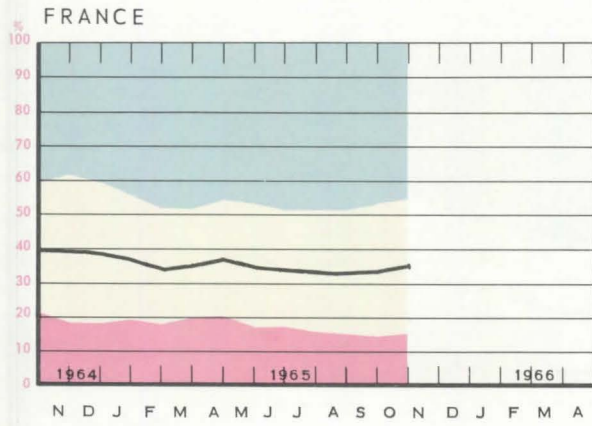
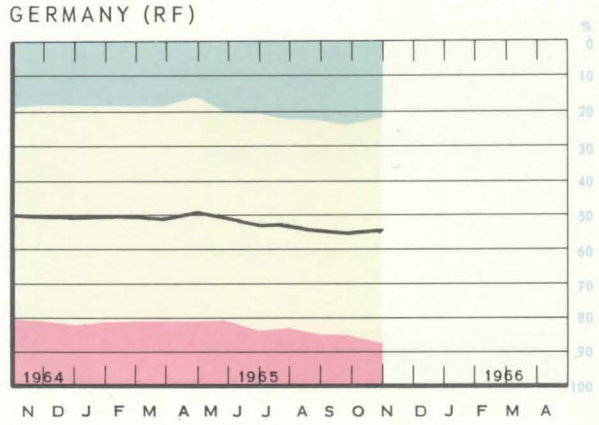
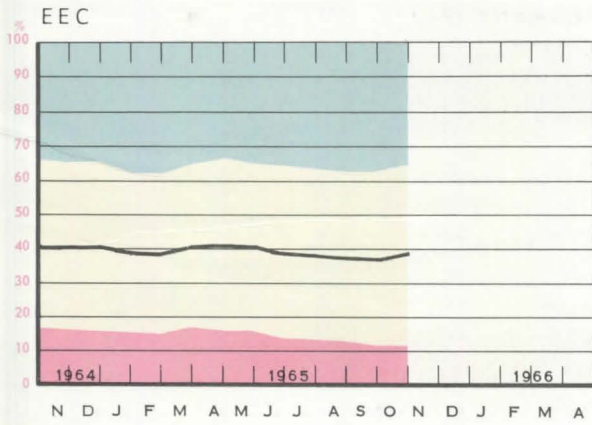
In the utility vehicles industry, replies from managements reflect a certain deterioration in the climate, due in all likelihood to the continued weakness of domestic demand in several member countries and to the delay in the adoption of Community technical regulations; the outlook for production is still, however, considered to be favourable. Non-electrical machinery seems to have lost a little momentum: the level of stocks is high, demand is rather weak and the margin of unused capacity is increasing slightly. General equipment products, broadly speaking, show no change, while for electrical equipment goods the replies from heads of enterprises remain satisfactory, particularly in regard to total order-books and production expectations.

(the figures are percentages of replies received)

Country	Questions 1965	Estimations															Outlook									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O
GERMANY (FR)	+	15	12	18	23	19	19	17	18	22	15	17	18	14	10	12	16	20	36	21	14	10	11	9	7	10
	=	67	65	64	66	65	59	54	57	61	67	67	67	69	65	65	80	76	62	76	81	89	87	89	92	88
	-	18	23	18	11	16	22	29	25	17	18	16	15	17	25	23	4	4	2	3	5	1	2	2	1	2
FRANCE	+	6	6	7	15	22	17	16	17	18	36	28	29	28	24	22	23	28	32	37	40	7	8	8	8	8
	=	52	55	56	59	53	47	55	62	62	45	63	62	62	58	67	64	59	54	52	50	85	85	86	86	86
	-	42	39	37	26	25	36	29	21	20	19	9	9	10	18	11	13	13	14	11	10	8	7	6	6	6
ITALY	+	5	3	2	12	9	6	5	4	8	8	36	32	30	30	32	4	8	16	23	15	12	17	15	12	13
	=	51	57	52	51	51	64	63	48	64	45	59	63	56	63	62	60	57	58	64	69	75	72	75	76	74
	-	44	40	46	37	40	30	32	48	28	47	5	5	14	7	6	36	35	26	13	16	13	11	10	12	13
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	8	7	18	18	24	11	8	19	15	10	21	16	13	9	13	24	21	32	37	34	24	28	28	26	29
	=	63	64	60	62	51	57	53	53	68	61	71	76	71	74	71	59	60	53	50	50	73	64	67	72	68
	-	29	29	22	20	25	32	39	28	17	29	8	8	16	17	16	17	19	15	13	16	3	8	5	2	3
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	9	8	11	18	19	15	13	15	17	17	24	24	22	18	19	17	21	31	28	25	10	12	11	9	11
	=	59	60	59	61	57	58	56	56	63	57	65	65	64	63	66	70	66	58	64	66	84	82	84	86	84
	-	32	32	30	21	24	27	31	29	20	26	11	11	14	19	15	13	13	11	8	9	6	6	5	5	5

CAPITAL GOODS

Order-books



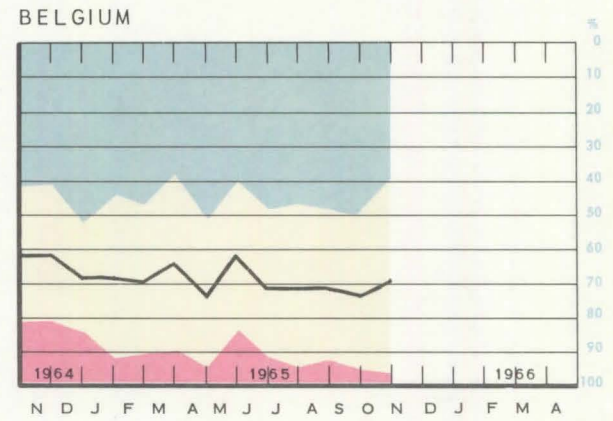
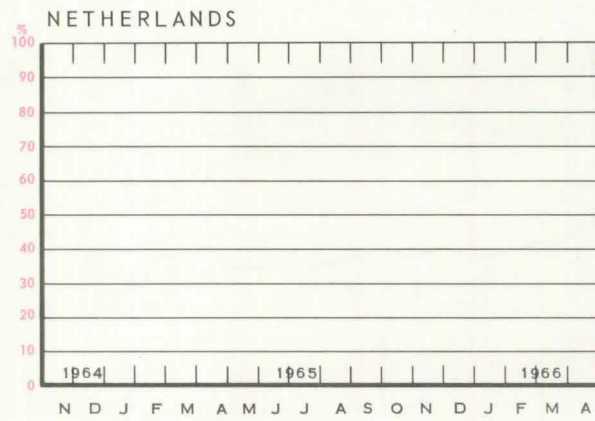
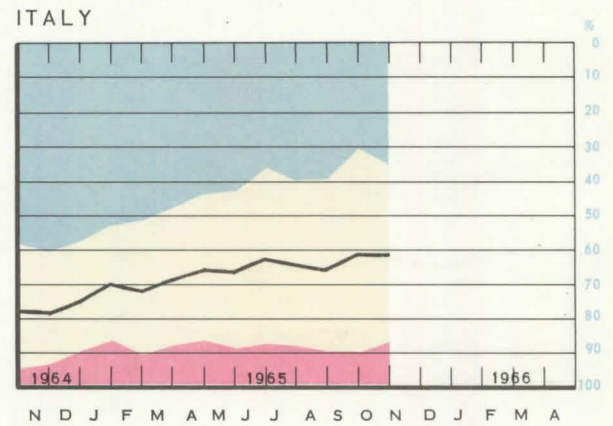
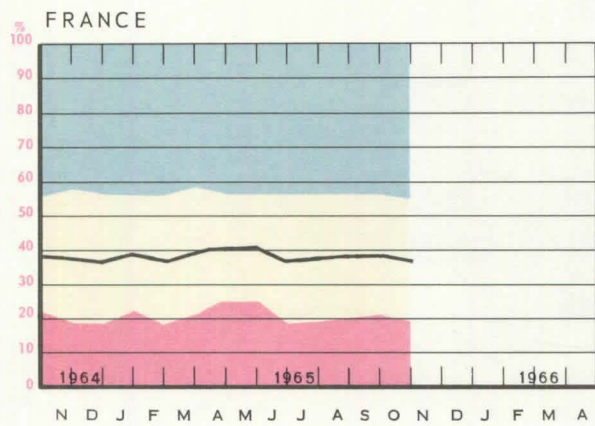
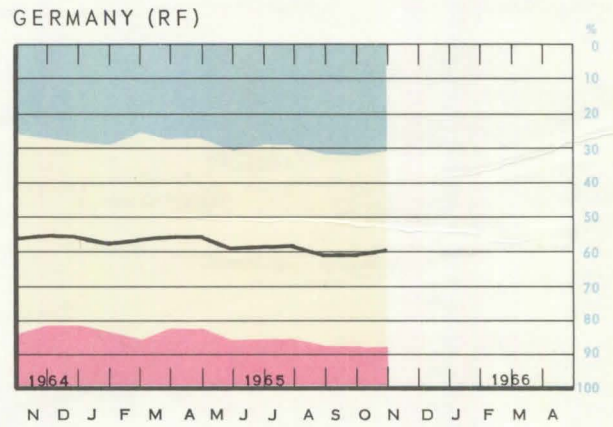
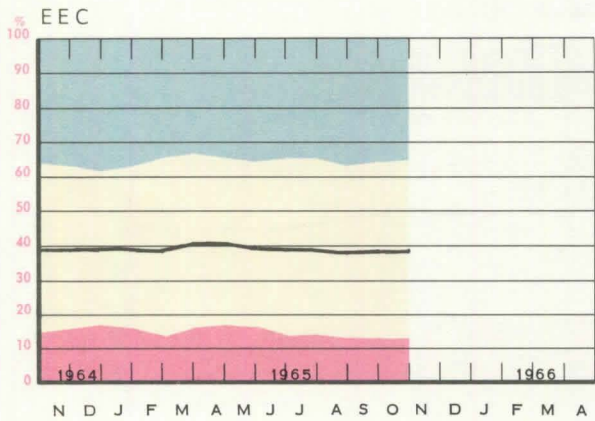
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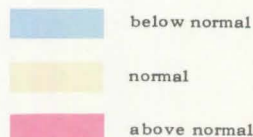
CAPITAL GOODS

Export order-books



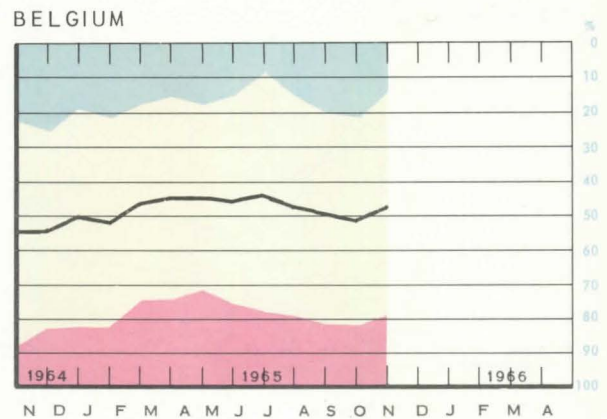
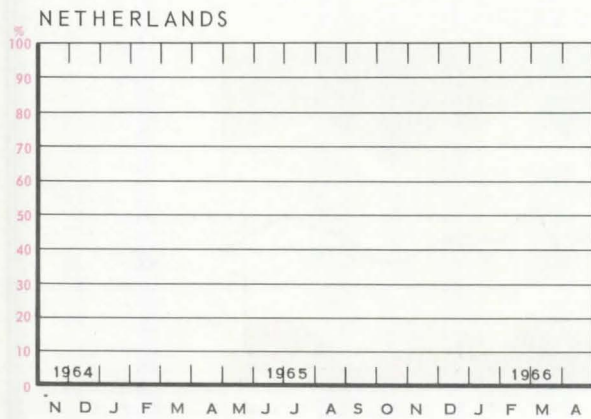
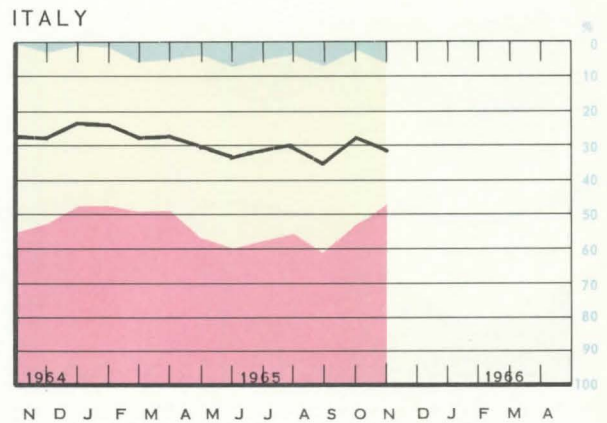
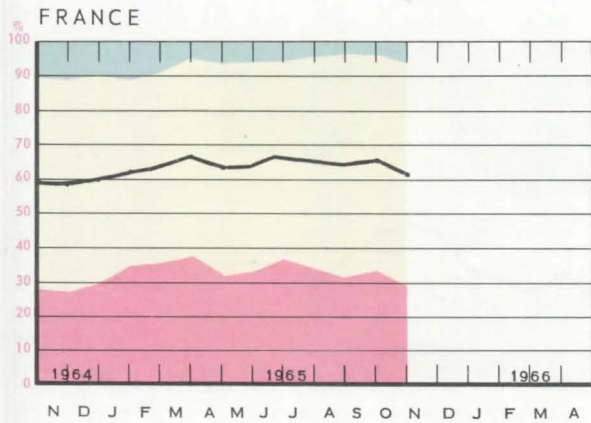
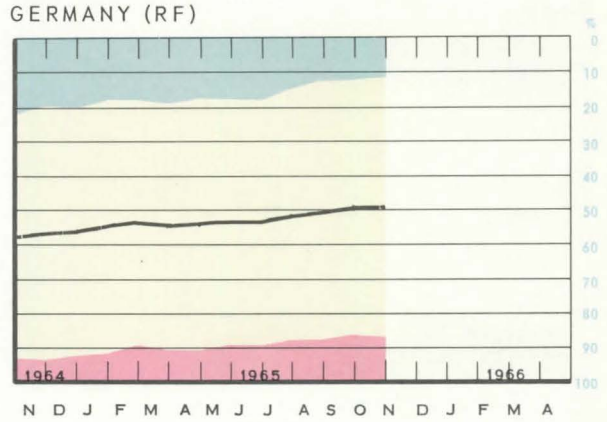
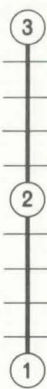
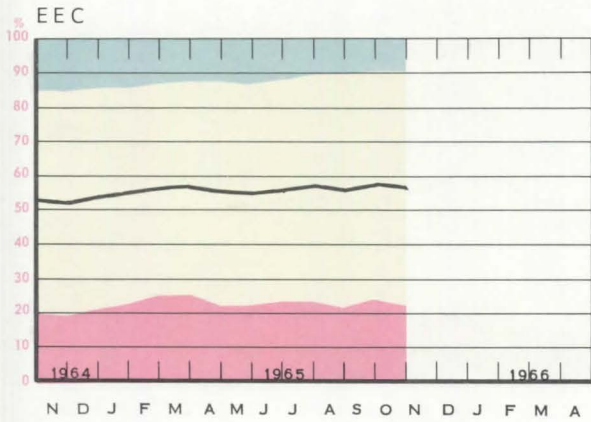
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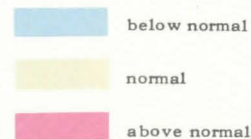
CAPITAL GOODS

Stocks of finished products



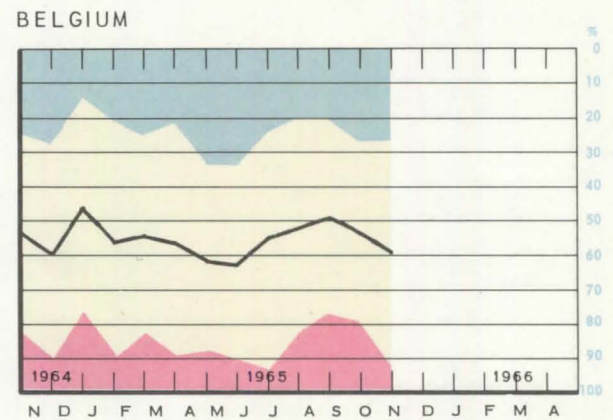
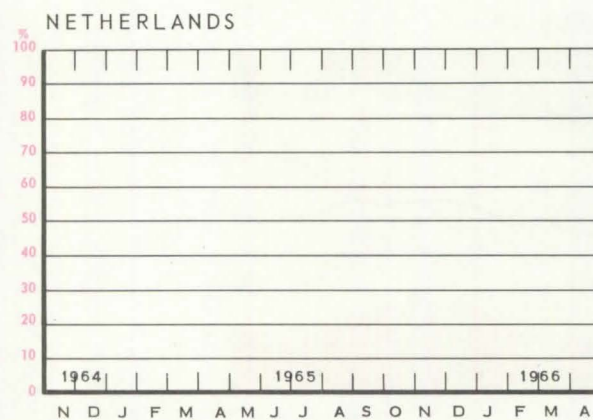
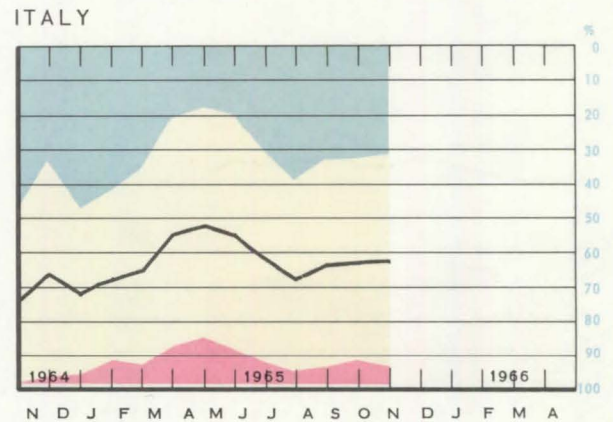
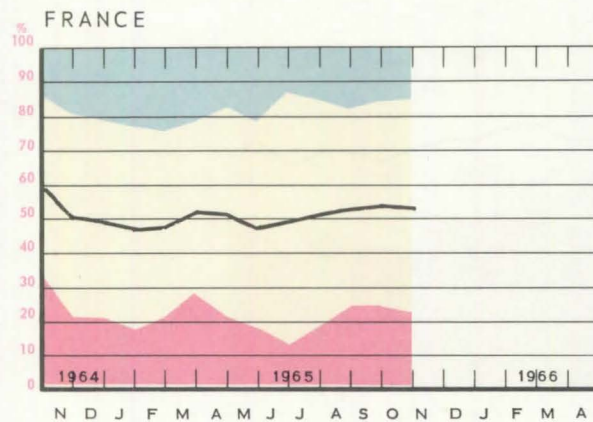
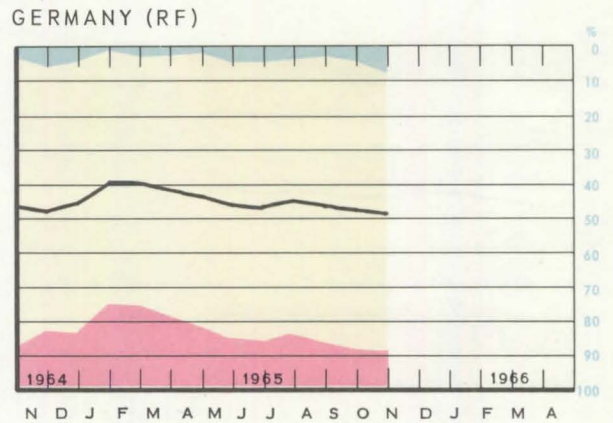
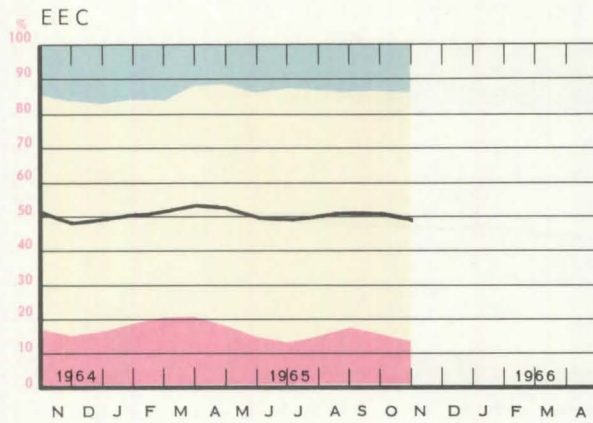
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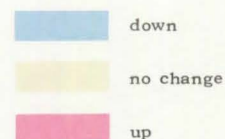
CAPITAL GOODS

Trend in production



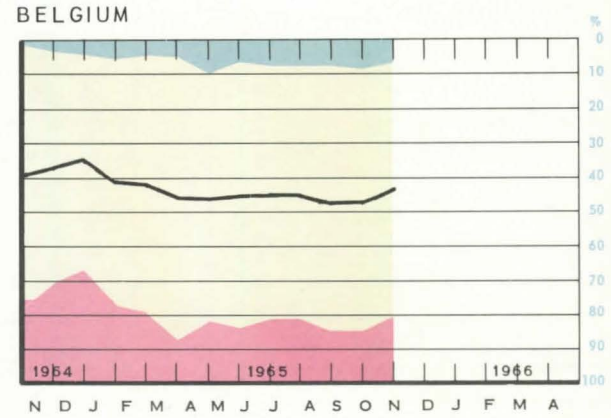
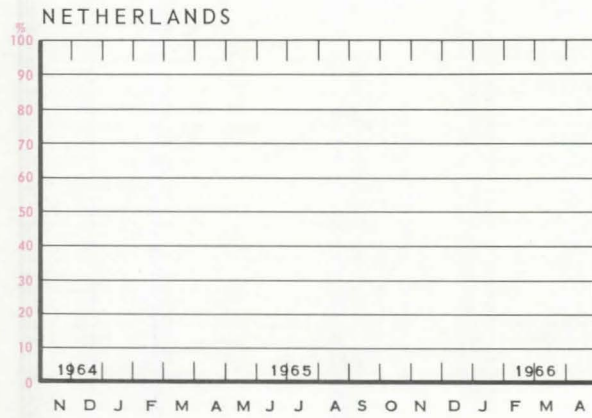
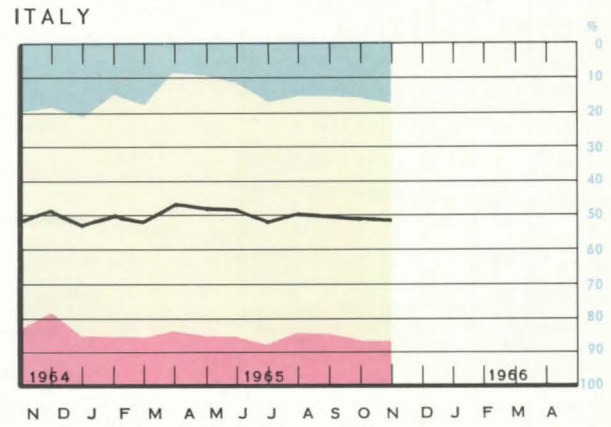
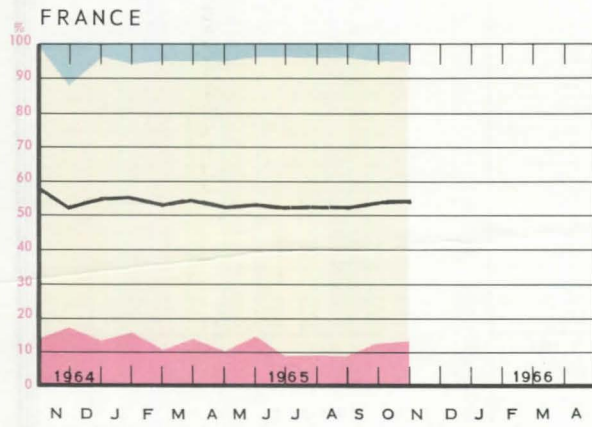
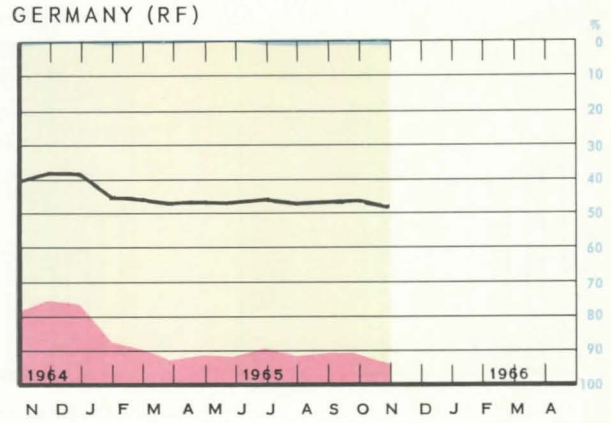
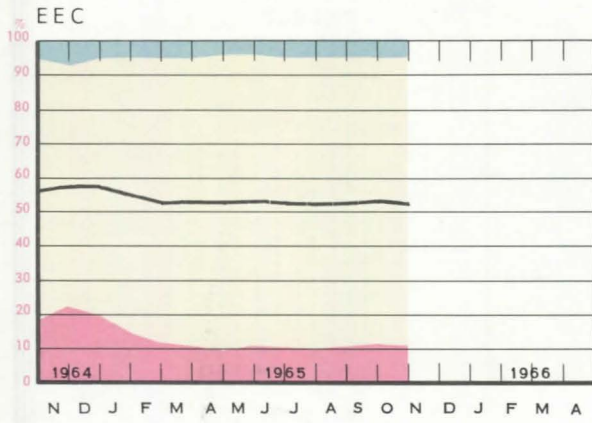
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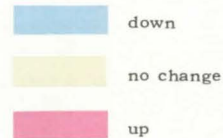
CAPITAL GOODS

Trend in selling prices



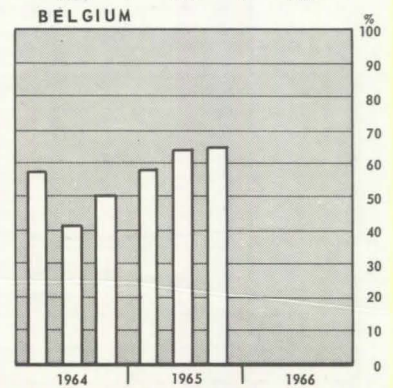
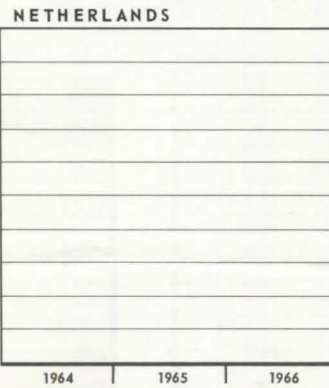
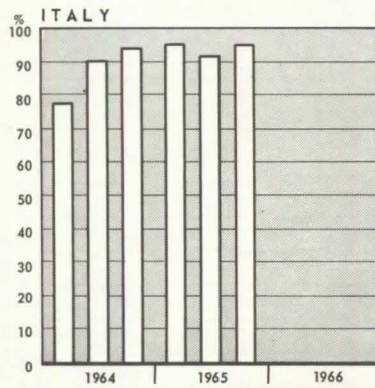
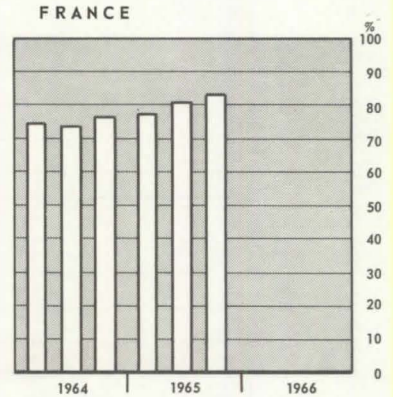
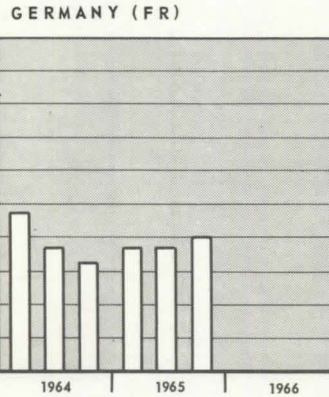
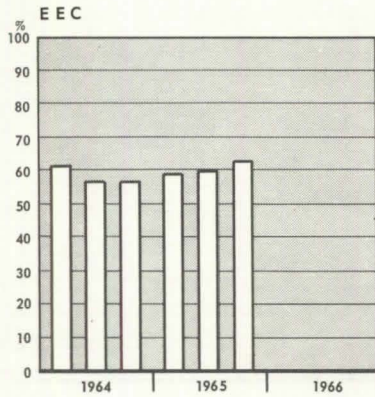
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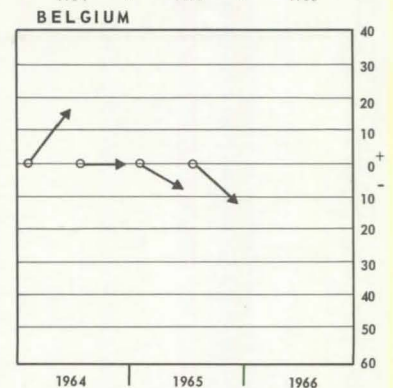
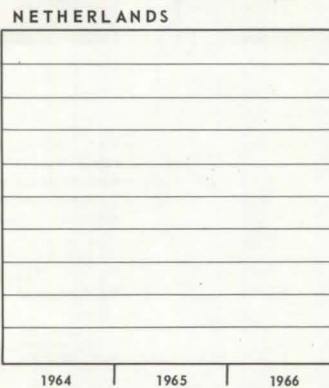
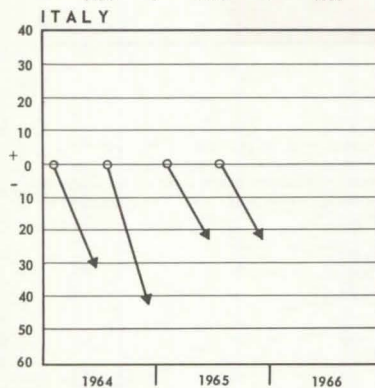
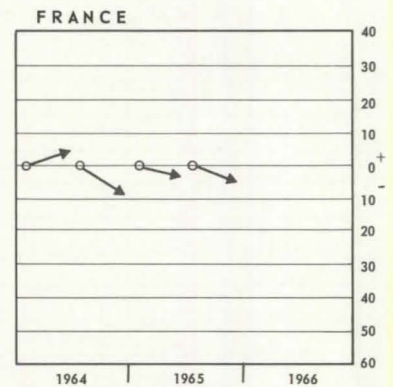
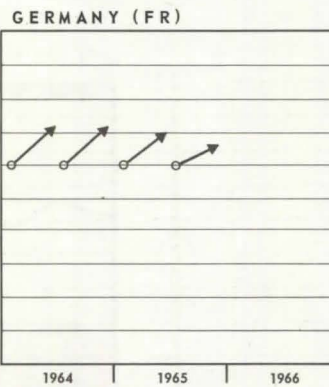
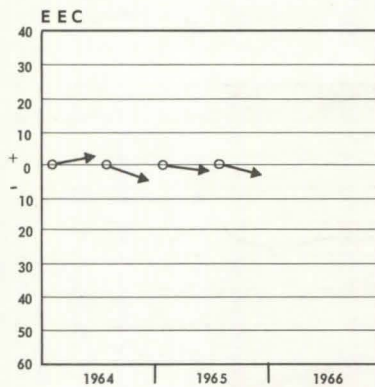


CAPITAL GOODS

Output reserves 1)



Expectations 2)



1) The length of the columns indicates the percentage of enterprises that could produce more with current resources if they had more orders. This question is sent out three times a year, at the end of January, the end of May, and the end of October.

2) The upward or downward slant of the arrows indicates the difference between the percentage of enterprises expecting the number of persons they employ to go up and the percentage expecting it to go down in the next 3 or 4 months; they slant up when the majority expects the number employed to rise and down when the majority expects it to fall. This question is sent out twice a year, at the end of May and the end of October.

INTERMEDIATE GOODS

In Germany, activity slackened in this sector some months ago, and this trend has continued; none the less about 70% of heads of enterprises still considered their order-books satisfactory and expectations on production remained favourable, though less so than before. In many branches of this sector progress has been maintained, but a lull in foreign demand for crude and finished metals has slowed down the expansion of overall demand. This factor, and a change in the policy on stocks followed by certain customers of heavy industry, has been reflected in the intermediate goods sector; here it is not so much the state of stocks that has been affected — they are reported normal by about 85% of those replying to the questionnaire — as the length of order-books, which is considered to be below normal by a growing number of managements, and production capacity, where idleness had previously been negligible but was now increasing appreciably. Although expectations concerning manpower are largely unchanged and still point to a slight increase in the total of persons employed, it should be noted that in certain industries working hours have of late been shortened. Price forecasts do not suggest that prices will be under pressure.

In France, the surveys show distinct signs of improvement in the intermediate goods sector, which had suffered from the general weakening of economic activity. The percentage of managements reporting that order-books were below normal has been steadily declining and fell from 53 at the end of May to 40 at the end of October. Production expectations have for several months been definitely expansionary, and margins of capacity are narrowing. It is therefore reasonable to expect an improvement in the tempo of activity. Although some industries are still suffering from the weak propensity to invest of private industry, many basic industries — notably those in direct contact with the consumer goods sector — are benefiting from the firm state of demand. Practically all managements expect their selling prices to remain unchanged, and there is therefore no reason to expect difficulties in this field.

In Italy, although the replies from heads of enterprises still show some pessimism, the recovery of expansion is benefiting industries in this sector too. The relatively favourable trend of exports is stimulating activity, but it would seem that domestic demand also has hardened, at least for the products of certain industries. The number of replies stating that total order-books were below normal has declined, while reports on export order-books have remained relatively satisfactory. Assessments of stocks have indicated a tendency for them to return to normal, particularly in the heavy industries, and production expectations are no longer unfavourable. It should however be stressed that enterprises are likely to go on running well below capacity, although the situation in this respect seems to have improved slightly.

In Belgium, activity had weakened in the first half of the year, but this trend does not seem to have continued and there have even been certain signs of an improvement. The view that total order-books are below normal has become a little less widespread, and stocks seem, if anything, to have been shrinking. Production expectations, though still unfavourable, are showing a tendency to improve, and the percentage of managements expecting a decline in output fell from 28 at the end of May to 17 at the end of October. Firms are still reluctant to recruit fresh manpower. Their forecasts on prices suggest a fall more frequently than a rise.

In the Community as a whole no noteworthy change has been discerned since the last report, but this apparent stability masks divergent trends both from country to country and from industry to industry.

Among firms producing crude and finished steel, the general climate has deteriorated in recent months, partly because foreign demand has weakened. The percentage of enterprises finding their export order-books below normal rose from 20 at the end of May to 30 at the end of October. This trend is connected with a movement to run down surplus stocks accumulated by consumers. The motor vehicle sector is now expanding again, and this has benefited the rubber industry, where managements now report that their order-books are distinctly longer than in the first half of the year.

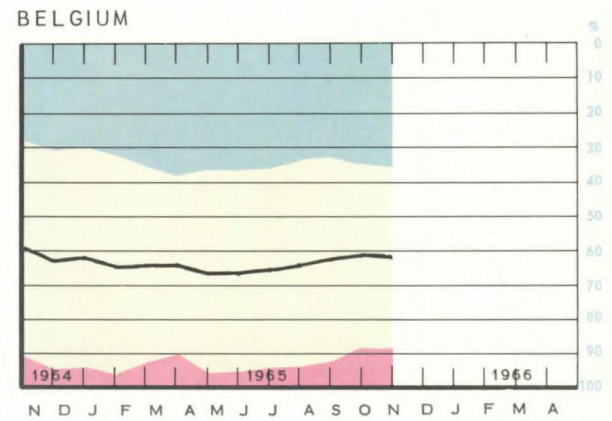
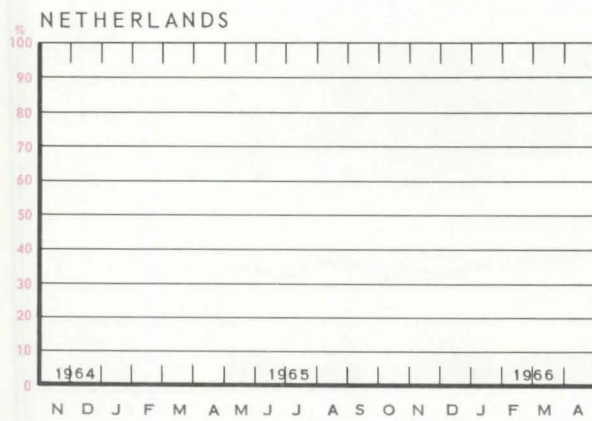
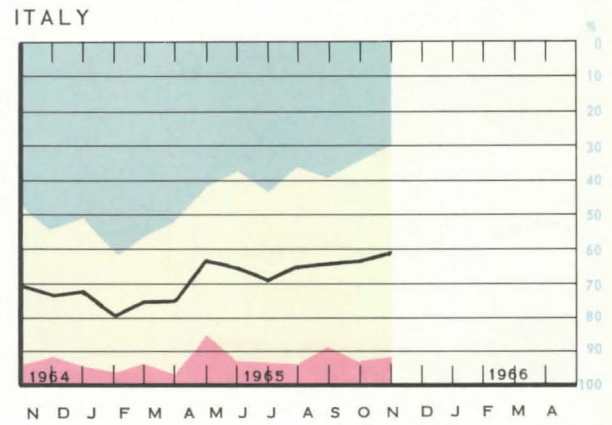
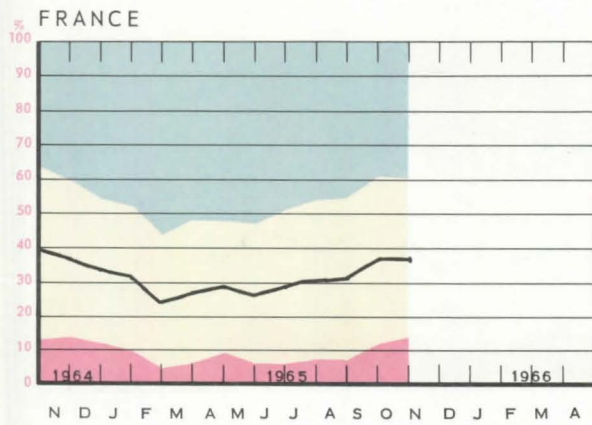
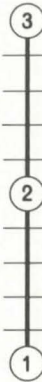
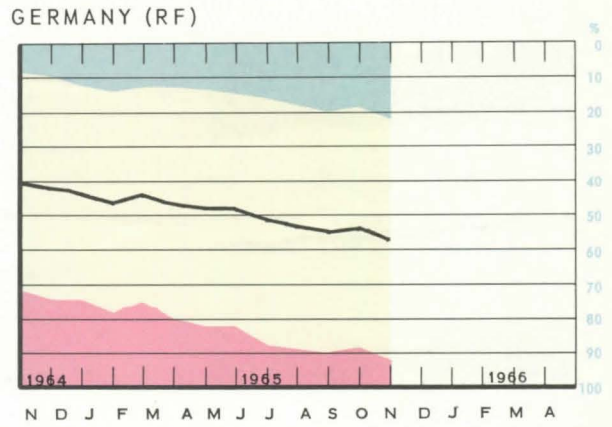
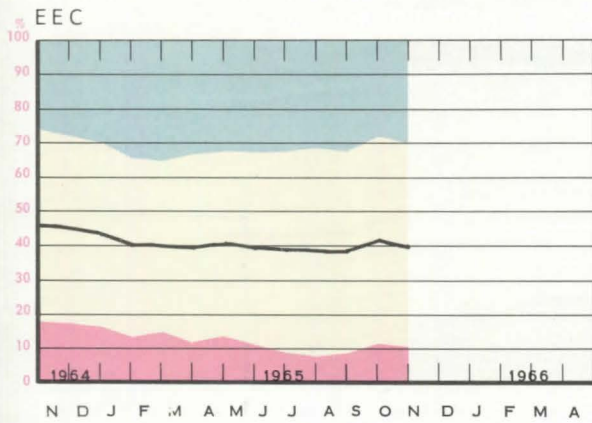
The chemical industry is still doing good business, and the forecasts made by heads of enterprises point unmistakably to a further advance. The paper industry is experiencing something of a recovery. The revival of consumption in certain member countries has had a visible effect on the textiles and leather industries which, after a long period of depression, now seem to be picking up again. Assessments of total order-books are appreciably more encouraging, and for the first time for more than a year production expectations have become definitely favourable: in the textile industry, for instance, the percentage of managements expecting production to decline was 37 early in the year, but fell to 20 at the end of May and 10 at the end of October.

(the figures are percentages of replies received)

Country	Questions 1965	Estimations															Outlook									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O
GERMANY (FR)	+	14	13	13	14	12	12	12	12	12	11	12	14	14	12	12	13	16	19	15	13	10	9	8	9	9
	=	67	67	66	66	67	66	64	63	63	64	76	76	76	77	76	81	78	76	78	79	83	86	86	84	85
	-	19	20	21	20	21	22	24	25	25	25	12	10	10	11	12	6	6	5	7	8	7	5	6	7	6
FRANCE	+	10	10	10	13	16	14	14	14	16	20	31	30	29	28	25	19	23	27	29	28	9	10	12	12	11
	=	43	45	47	48	46	49	50	51	48	44	63	64	65	63	67	68	64	59	57	59	86	85	82	82	82
	-	47	45	43	39	38	37	36	35	36	36	6	6	6	9	8	13	13	14	14	13	5	5	6	6	7
ITALY	+	5	6	5	8	7	13	11	9	14	12	35	31	31	33	33	6	10	13	16	10	11	14	13	13	14
	=	48	51	48	49	53	53	56	54	58	53	61	62	58	58	58	67	63	64	64	68	73	73	76	74	74
	-	47	43	47	43	40	34	33	37	28	35	4	7	11	9	9	27	27	23	20	22	16	13	11	13	12
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	7	6	9	12	14	7	6	7	9	7	20	17	16	16	15	13	15	21	20	14	17	20	19	17	18
	=	58	62	58	57	53	55	58	54	52	56	72	75	73	70	73	65	67	63	59	67	69	69	70	70	70
	-	35	32	33	31	33	38	36	39	39	37	8	8	11	14	12	22	18	16	21	19	14	11	11	13	12
LUXEMBOURG	+	5	5	3	2	3	12	12	2	1	2	3	1	1	3	3	2	3	4	2	3	13	13	12	60	14
	=	95	95	97	98	89	87	87	97	98	98	96	73	99	97	97	98	72	96	98	72	54	54	80	7	53
	-	0	0	0	0	8	1	1	1	1	0	1	26	0	0	0	0	25	0	0	25	33	33	8	33	33
EEC	+	11	11	10	13	13	12	12	11	13	12	22	22	22	21	20	14	17	21	20	17	10	11	11	11	11
	=	56	57	57	57	57	59	59	59	58	58	69	70	69	69	70	74	70	68	68	70	81	82	82	81	81
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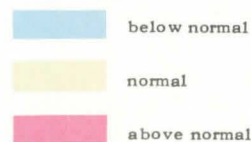
INTERMEDIATE GOODS

Order-books



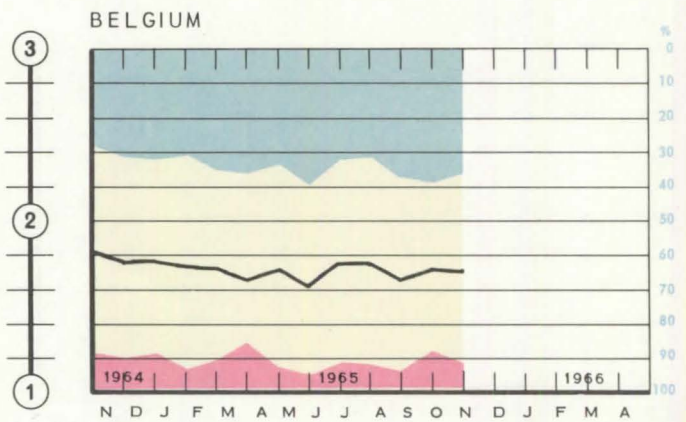
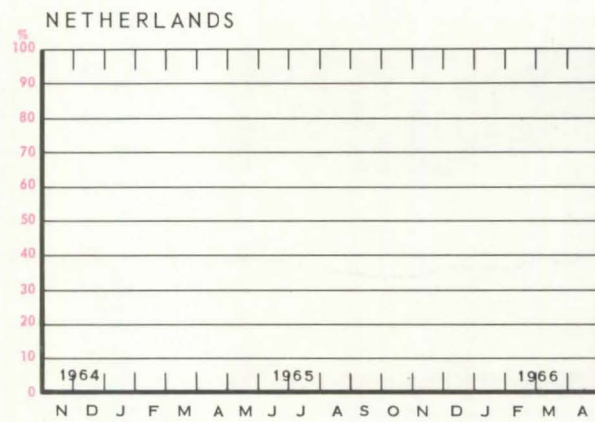
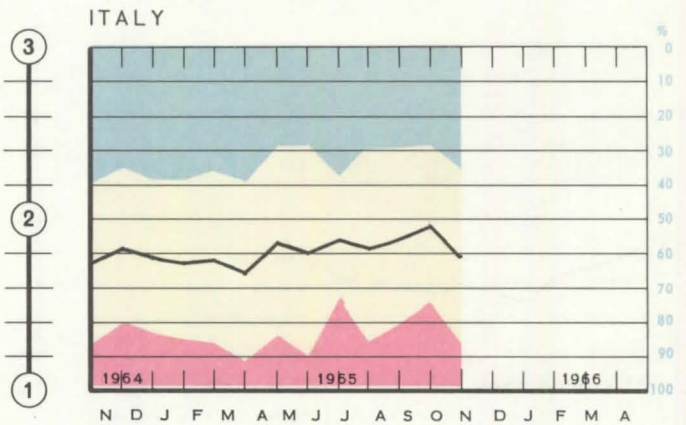
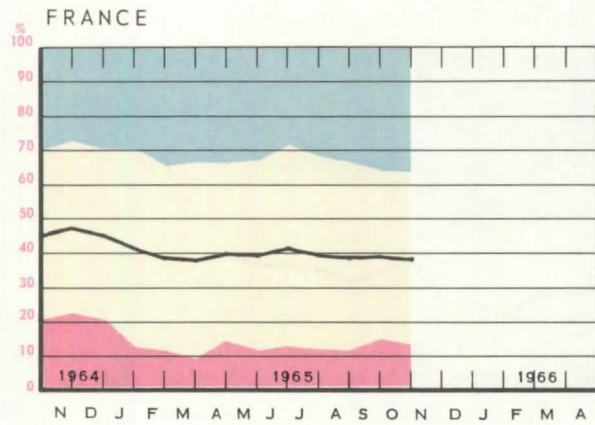
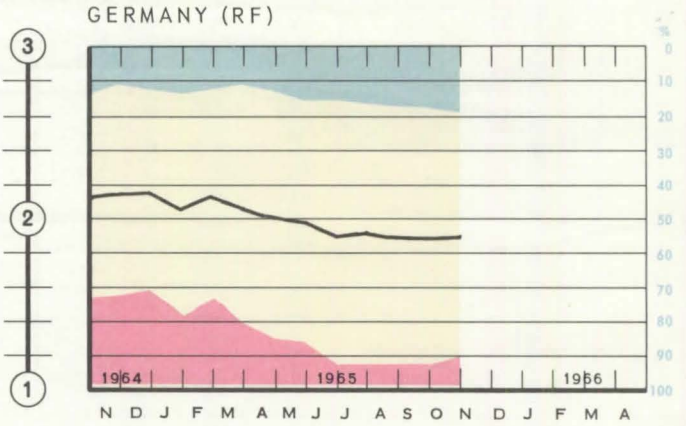
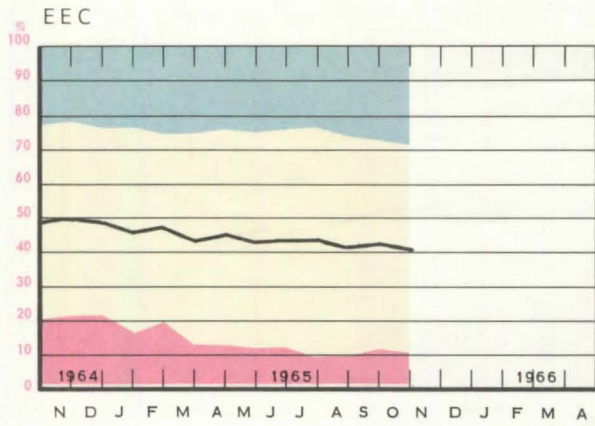
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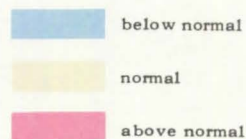
INTERMEDIATE GOODS

Export order-books



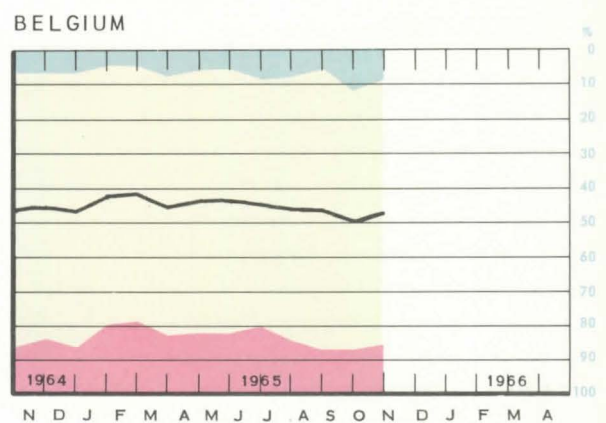
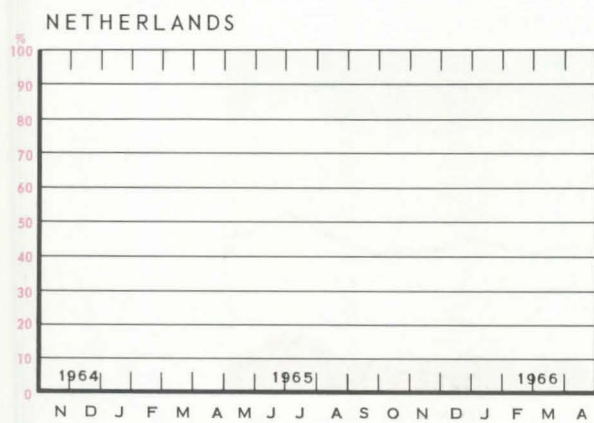
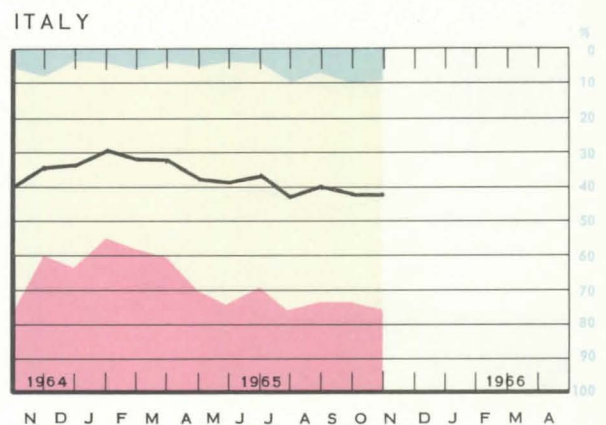
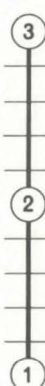
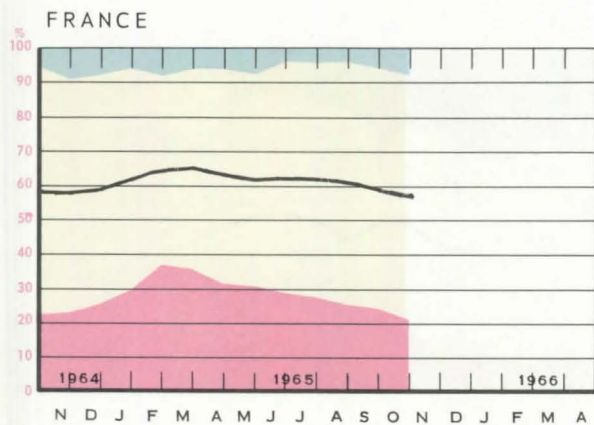
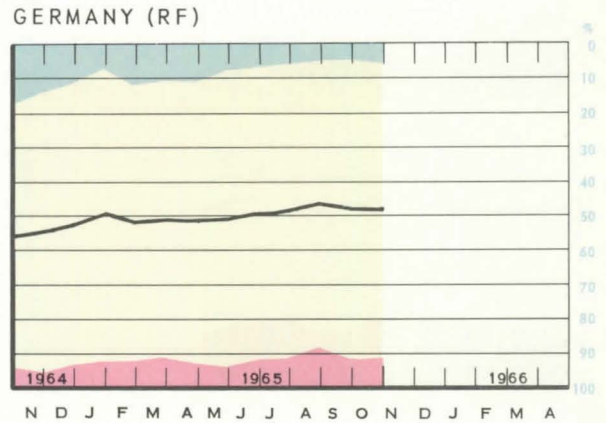
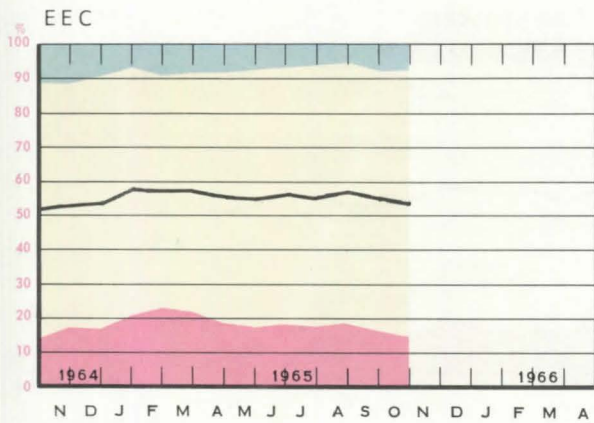
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- by 0.03 for the answer "above normal" ;
- by 0.02 for the answer "normal" ;
- by 0.01 for the answer "below normal" ;



INTERMEDIATE GOODS

Stocks of finished products



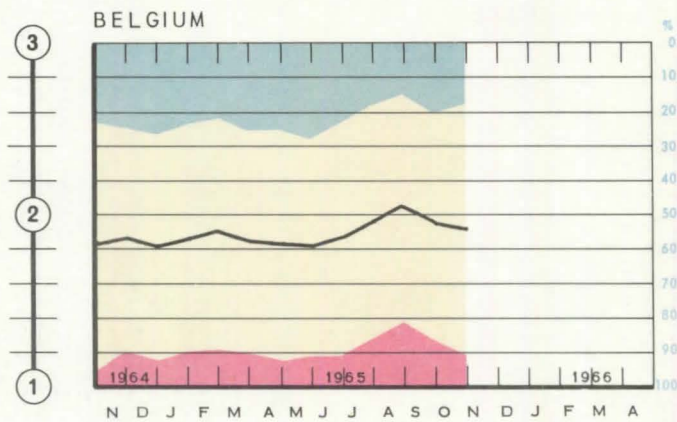
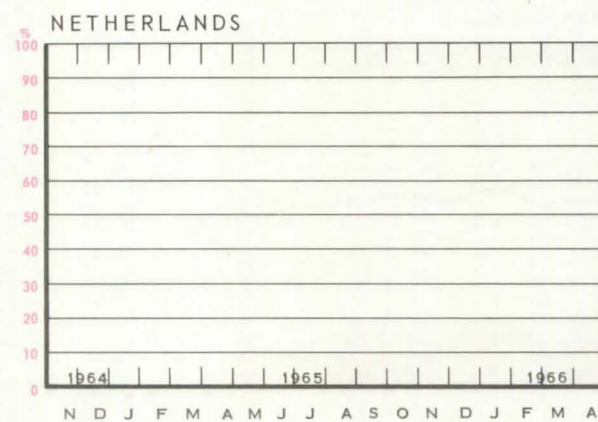
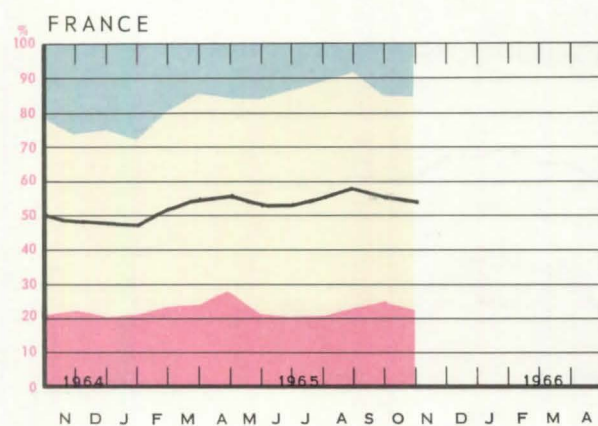
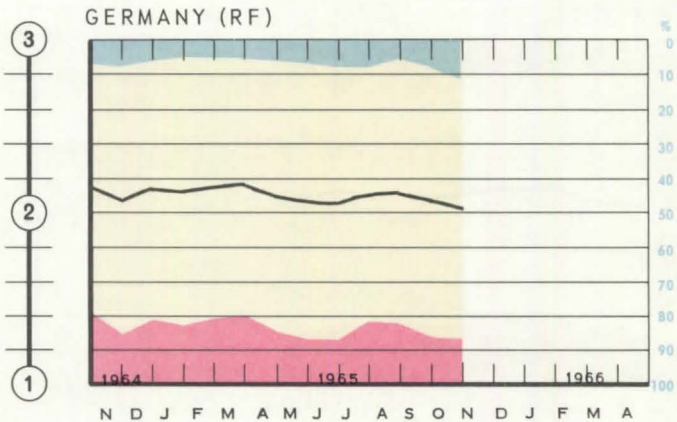
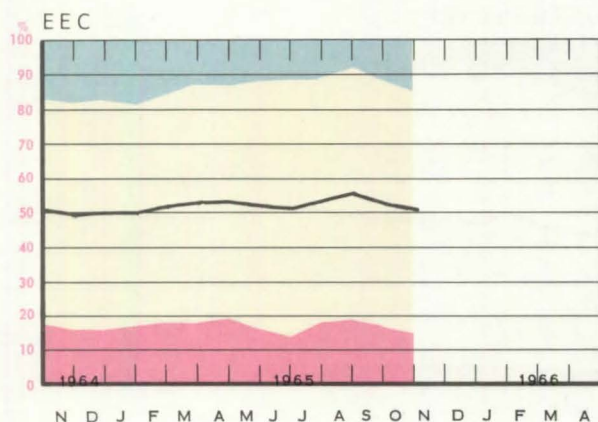
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- by 0.03 for the answer "above normal";
- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



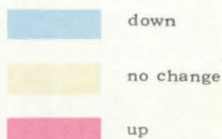
INTERMEDIATE GOODS

Trend in production



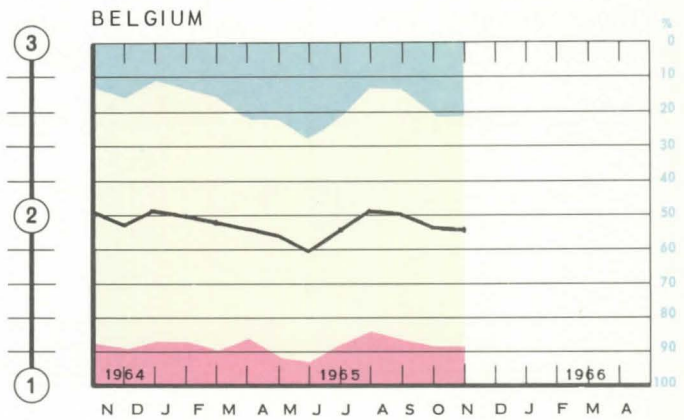
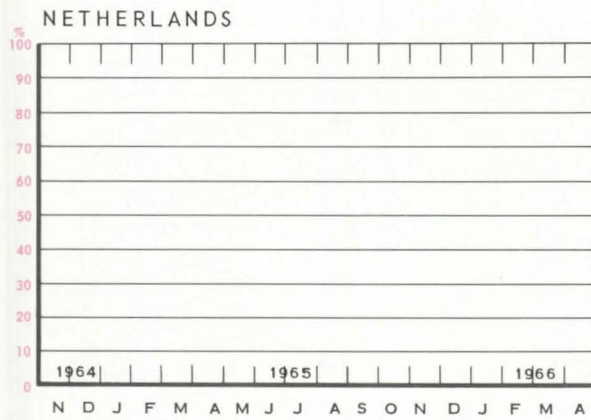
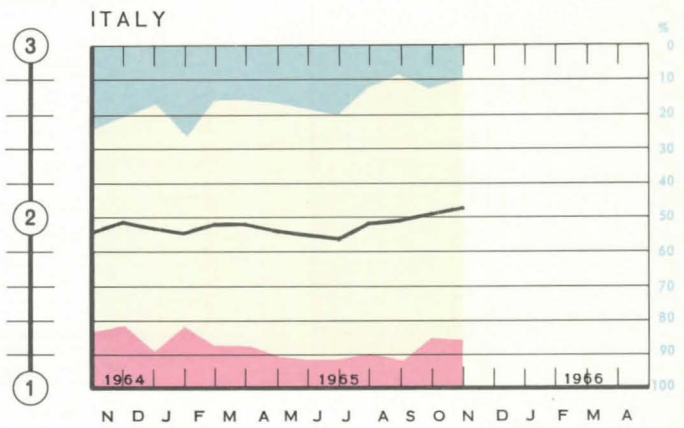
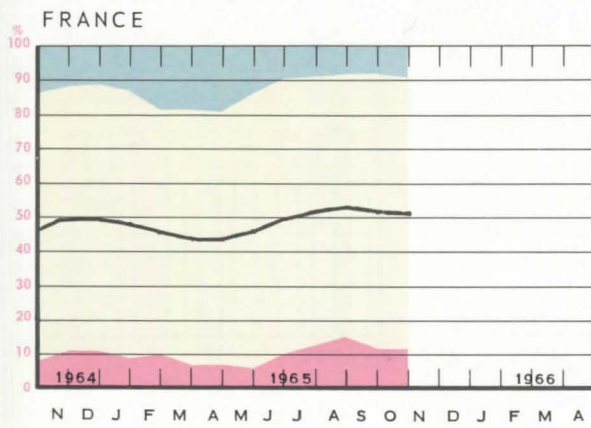
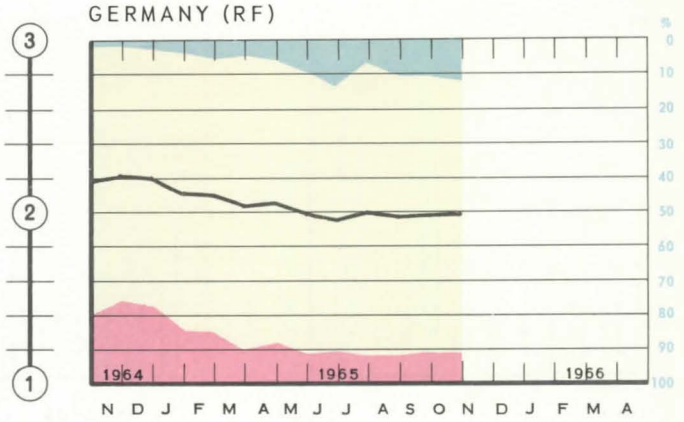
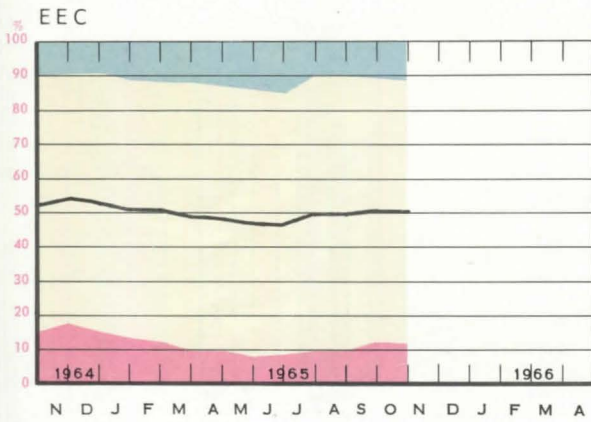
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- by 0.03 for the answer "up";
- by 0.02 for the answer "no change";
- by 0.01 for the answer "down".



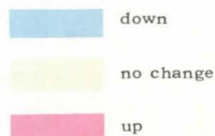
INTERMEDIATE GOODS

Trend in selling prices



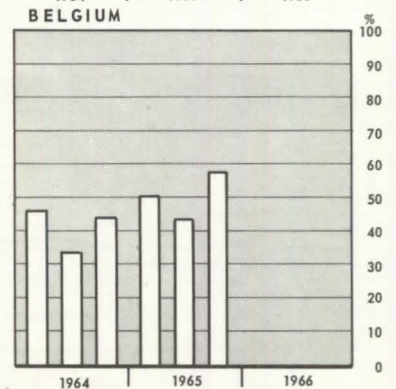
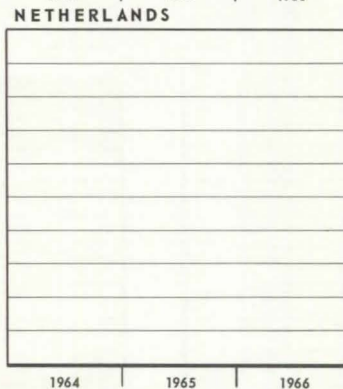
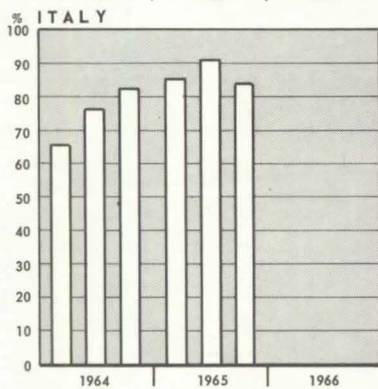
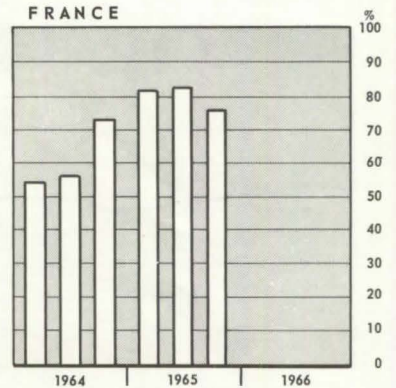
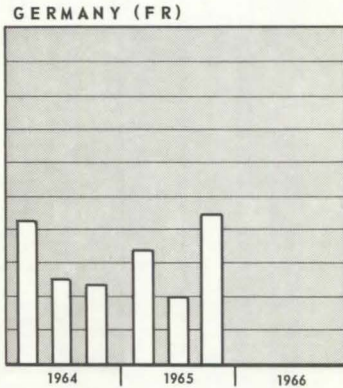
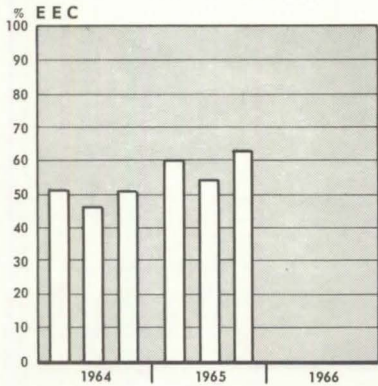
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

by 0.03 for the answer "up";
 by 0.02 for the answer "no change";
 by 0.01 for the answer "down".

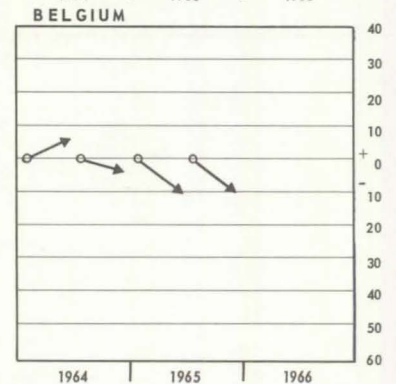
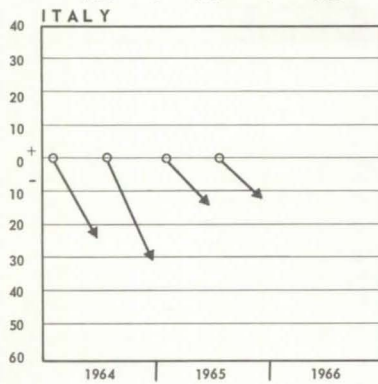
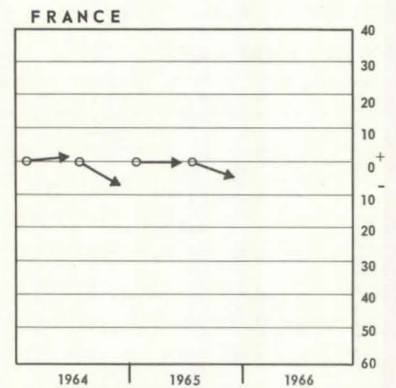
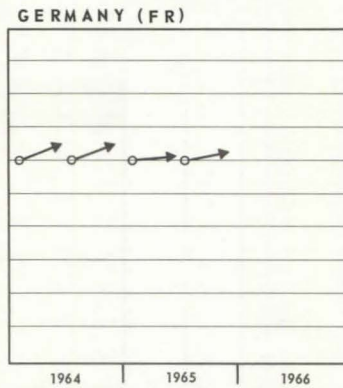
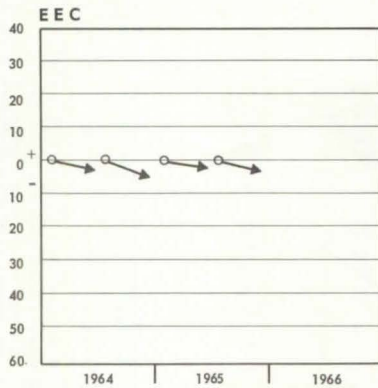


INTERMEDIATE GOODS

Output reserves 1)



Expectations 2)



1) The length of the columns indicates the percentage of enterprises that could produce more with current resources if they had more orders. This question is sent out three times a year, at the end of January, the end of May, and the end of October.

2) The upward or downward slant of the arrows indicates the difference between the percentage of enterprises expecting the number of persons they employ to go up and the percentage expecting it to go down in the next 3 or 4 months; they slant up when the majority expects the number employed to rise and down when the majority expects it to fall. This question is sent out twice a year, at the end of May and the end of October.

RESULTS BY BRANCH OF INDUSTRY AT COMMUNITY LEVEL (cont'd)

(the figures are percentages of replies received)

Sector	Questions	1965	Estimations															Outlook														
			Total order-book					Export order-book					Stocks of finished products					Production					Selling prices									
			J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O	J	J	A	S	O					
			+	=	-	+	=	-	+	=	-	+	=	-	+	=	-	+	=	-	+	=	-	+	=	-						
16. Mechanical equipment (other than electrical)	+	13	15	12	13	12	17	17	17	13	13	26	28	28	29	27	11	13	15	11	12	12	19	11	13	11						
	=	47	46	46	43	51	52	49	48	49	52	63	63	63	61	66	77	74	73	76	76	86	87	87	85	86						
	-	40	39	42	44	37	31	24	35	38	35	11	9	9	10	7	12	13	12	13	12	2	3	2	2	3						
17. Domestic electric appliances, radio, television	+	8	2	8	11	9	13	6	8	9	9	28	28	24	24	23	14	16	24	24	23	5	5	6	3	5						
	=	51	60	61	59	57	55	62	64	65	58	62	65	69	64	63	73	71	64	68	64	88	88	84	89	87						
	-	41	38	31	30	34	32	32	28	26	33	10	7	7	12	14	13	13	12	8	13	7	7	10	8	8						
18. Electrical equipment	+	19	23	23	19	19	18	19	20	21	20	21	21	19	19	18	18	21	24	26	21	11	11	11	14	15						
	=	60	53	53	59	56	55	52	52	53	53	69	68	71	72	71	73	72	69	67	72	84	84	83	79	77						
	-	21	24	24	22	25	27	29	28	26	27	10	11	10	9	11	9	7	7	7	7	5	5	6	7	8						
19. Motor vehicle industry	+	11	10	12	18	23	19	20	21	22	21	13	12	16	17	16	22	32	46	34	27	5	3	4	3	2						
	=	65	67	62	62	53	58	52	56	64	64	66	68	59	56	67	64	55	41	56	65	94	94	94	96	97						
	-	24	23	26	20	24	23	28	23	14	15	21	20	25	27	17	14	13	13	10	8	1	3	2	1	1						
20. Shipbuilding, aircraft manufacturing, railway and tramway rolling stock	+	14	15	11	9	13	2	2	3	4	8	36	27	19	20	20	5	19	22	20	15	14	15	16	22	18						
	=	37	30	29	42	40	41	43	39	45	41	64	73	81	80	80	81	63	55	53	62	85	85	83	77	81						
	-	49	55	60	49	47	57	55	58	51	51	0	0	0	0	0	14	18	23	27	23	1	0	1	1	1						
21. Precision and optical instruments, watches and clocks	+	11	13	13	14	17	11	10	9	9	11	23	23	21	21	25	11	12	19	19	17	13	15	14	14	21						
	=	58	51	46	59	49	56	61	57	58	59	65	63	65	62	60	75	73	69	71	69	85	83	83	83	76						
	-	31	36	41	27	34	33	29	34	33	30	12	14	14	17	15	14	15	12	10	14	2	2	3	3	3						
A. Production of man-made fibres	+	2	2	3	8	17	18	2	2	2	2	69	37	39	20	20	45	42	48	53	61	7	6	1	1	6						
	=	24	19	27	31	61	22	59	61	42	55	31	52	60	79	71	33	34	31	28	25	87	93	99	99	83						
	-	74	79	70	61	22	60	39	37	56	43	0	11	1	1	9	22	24	21	19	14	6	1	0	0	11						
B. Rubber	+	5	2	3	15	14	28	29	22	30	29	14	12	13	9	9	25	18	17	25	14	9	18	27	28	28						
	=	65	72	79	70	72	48	45	50	46	45	81	83	77	73	69	70	78	80	71	80	89	81	72	71	71						
	-	30	26	18	15	14	24	26	28	24	26	5	5	10	18	22	5	4	3	4	6	2	1	1	1	1						
C. Non-ferrous metals industry	+	9	8	8	15	13	8	8	9	14	12	17	16	18	14	14	13	12	8	9	7	13	8	5	5	12						
	=	52	53	47	50	42	59	57	55	56	51	71	77	74	76	74	73	77	74	76	74	71	83	73	75	69						
	-	39	39	45	35	45	33	35	36	30	37	12	7	8	10	12	14	11	18	15	19	16	9	22	20	19						
Total of industry	+	11	11	10	13	13	12	12	11	13	12	22	22	22	21	20	14	17	21	20	17	10	11	11	11	11						
	=	56	57	57	57	57	59	59	59	58	58	69	70	69	69	70	74	70	68	68	70	81	82	82	81	81						
	-	33	32	33	30	30	29	29	30	29	30	9	8	9	10	10	12	13	11	12	13	9	7	7	8	8						