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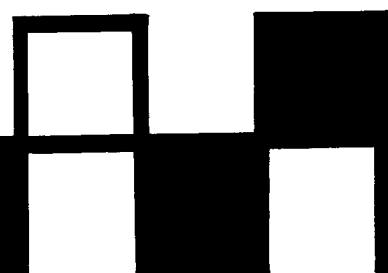
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**Directorate-
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for Economic
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Affairs**

**Report of the results
of the business surveys
carried out among heads
of enterprises
in the Community**

2

1966



Published three times a year

**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 surveys, carried out :

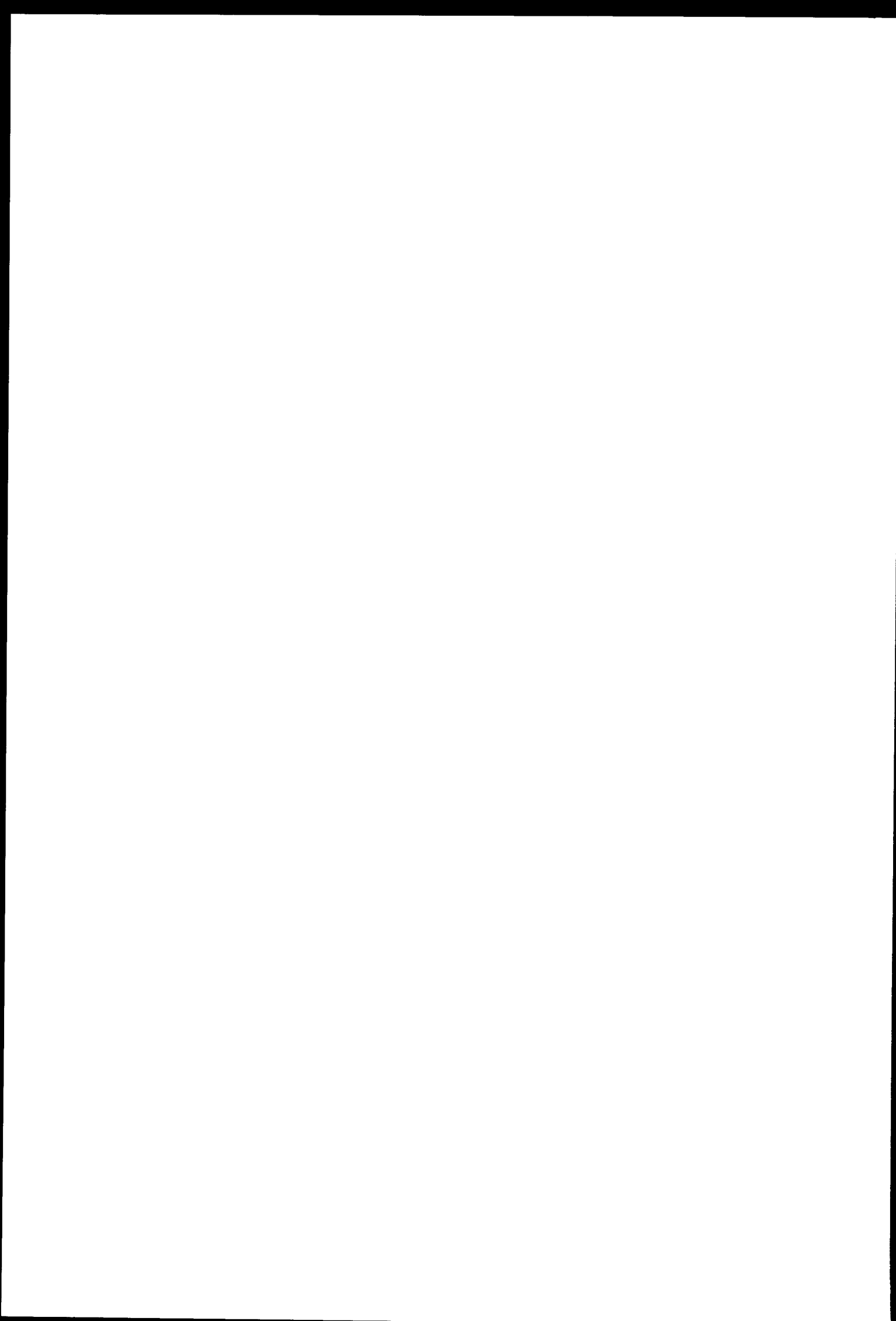
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EUROPEAN ECONOMIC COMMUNITY
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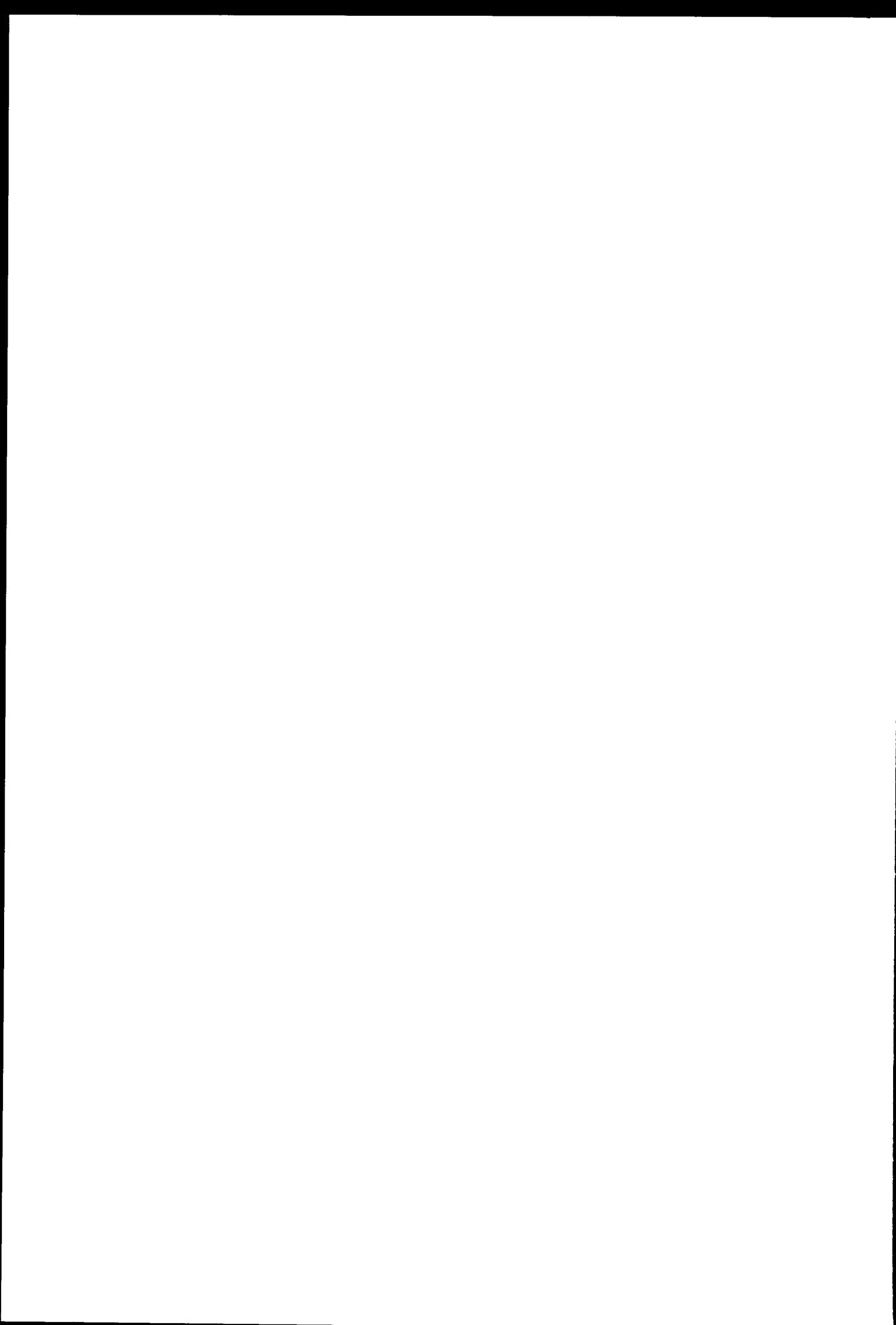
Directorate-General for Economic and Financial Affairs

RESULTS OF THE BUSINESS SURVEYS
CARRIED OUT AMONG HEADS OF ENTERPRISES
IN THE COMMUNITY

July 1966



MONTHLY BUSINESS SURVEY
(ECONOMIC TRENDS)



PRESENTATION OF THE RESULTS

This issue summarizes the results of the monthly business surveys carried out between the end of January and the end of May 1966. It comprises four chapters — industry as a whole, consumer goods, capital goods, and intermediate goods — each with comments 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 member countries save the Netherlands contribute to the survey on a voluntary basis. For reasons of industrial secrecy Dutch firms, or their federations, still feel unable to take part under arrangements in which they would enjoy the same rights and shoulder the same obligations as in the other countries, with each participant receiving, by country and for the Community, the results for the industry of which it is a part and for the whole of industry.

A monthly business survey is carried out in the Netherlands at national level by the "Centraal Bureau voor de Statistiek"; results are published only under the headings "industry as a whole", "consumer goods", "plant and equipment" and "intermediate goods"; so far the standard questionnaire used for this survey has not been fully adapted to the joint outline form chosen for the Community survey.

It is therefore impossible to use these results for the Community survey or to aggregate them with those of the EEC survey. As far as possible, however, the Dutch results are used by the EEC Commission in its analyses of the current economic situation. They are also published in part twice a year in the form of charts in the Quarterly Surveys of "The Economic Situation in the Community".

In the EEC Business Survey the data concerning the Community as a whole have been calculated on the basis of information obtained from 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 of the main sectors of economic activity is based provisionally on the nomenclature given below. It is intended in the future to provide a more detailed breakdown, with a classification based on the main end-uses for each product.

INDUSTRIES PRODUCING CONSUMER GOODS	INDUSTRIES PRODUCING CAPITAL GOODS	INDUSTRIES PRODUCING INTERMEDIATE GOODS
Garments and knitted and crocheted goods Footwear and processing of leather Consumer chemicals Furniture China and hollow glass Metal consumer articles Domestic electric appliances Private cars Photographic goods, spectacles, watches and clocks	Building materials General equipment products Mechanical equipment (other than electrical) Electrical equipment goods Commercial vehicles Shipbuilding, aircraft manufacturing, railway and tramway rolling stock Precision instruments	Textiles Leather Wool and cork Paper Printing Processing of plastics Basic chemicals Chemicals for industrial and agricultural uses 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, industrial production has expanded at a fairly vigorous rate. The growth of output, which has been very brisk in Italy and in France, has remained rather sluggish in the Federal Republic of Germany and in Belgium. Almost all sectors — though in varying degrees — have helped in the development of activity. The main contributions to expansion have come once again from the consumer goods sector, and only to a lesser extent from the capital goods and intermediate goods sectors. For industry as a whole, output expectations have been very optimistic, and in recent months more than 90% of the replies received have predicted the same or a higher rate of activity. In addition, reports concerning order-books have shown steady improvement. In the circumstances, the buoyant trend of industrial production can be expected to continue. According to managements there has been no increase in the pressure on prices since early in the year.

In the Federal Republic of Germany the surveys show that the lull in domestic activity has persisted and that the loss of momentum in production is tending to become general. The basic and capital goods industries were the first to report slacker business, which has spread lately to the consumer goods sector, where there have also been signs of faltering. All in all, the answers from managements show more reserve and point to less expansion in domestic demand. Order-books are, if anything, shorter and stocks rather high. None the less, output expectations have remained good and the positive answers still outnumber the negative ones: 83% of managements answering the questions sent at the end of May expected their rate of output to remain unchanged and 9% were looking forward to an increase. It is therefore likely that the coming months will bring no great change in the tempo of production. Upward price movements are still fairly pronounced, but the situation has recently shown signs of easing. According to the surveys, the labour shortage has grown no worse and there could even be some easing of the situation: at the end of May a very high number of managements were predicting that in the months ahead there would be no change in the numbers they employ.

In France, the expansion of industrial production has continued in recent months at a vigorous rate. The upswing has now spread to the capital goods and basic industries; in certain industries, however, this trend is being slowed down by structural difficulties peculiar to them. Domestic demand is assessed as heavy. Answers concerning total order-books have indicated an appreciable improvement in recent months, and in May about three quarters of those replying reported that their order-books were normal or above normal. Foreign demand also seems firm: export order-books are now considered fairly satisfactory, particularly in certain basic and consumer durable industries. Production expectations were still very optimistic: about 26% of managements were looking forward to an increase in production, whereas only 9% were expecting a decline. In general the level of activity is unlikely to lose momentum in the coming months, although as far as growth is concerned the emphasis may tend to shift from the consumer goods industries to the capital goods industries. At the end of last year and early this year replies from managements indicated a certain tendency for selling prices to move upwards, but this trend has not gained strength.

In Italy, it looks as if expansion has gained a firmer basis and it is now spreading — although to differing extents — to all sectors. There has been appreciable progress in production, despite the fact that towards the end of the year and in the spring certain fortuitous factors (strikes in the mechanical engineering sector) hampered its upward thrust. Managements' replies concerning order-books, which were already improving steadily, suddenly showed a very marked improvement in March, revealing a degree of optimism not reached since 1963. At the end of May, about 80% of firms questioned reported their order-books to be adequate or above normal.

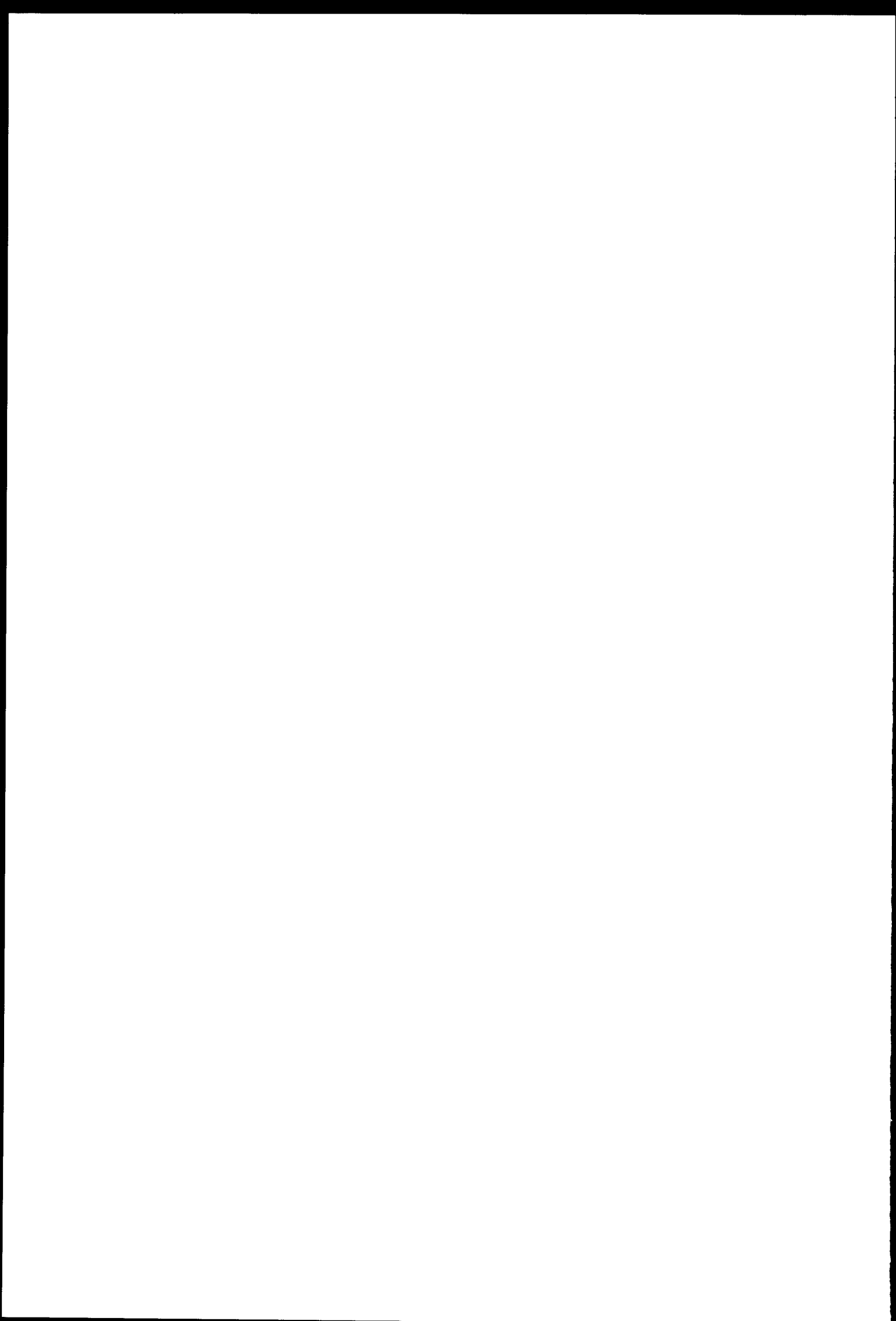
Orders from abroad have also been considered satisfactory, the volume of exports, especially of consumer durables, evidently being still very large. Expectations on output have remained decidedly optimistic, and predictions on employment trends in the coming months have become distinctly less negative. The vigorous expansion of industrial production should therefore continue and may gather a little momentum. The price trend was expected to remain fairly quiet.

In Belgium, the underlying trend has remained relatively quiet and industrial production has increased slowly. Managements have remained a little hesitant in their assessments of total order-books, which some 30% still report as below normal. Again, the level of orders from abroad is, on the whole, felt to be somewhat unsatisfactory; however, replies may have been affected by the fact that weaker domestic demand has freed production capacity. Output expectations, which had become more optimistic early in the year, probably because the announcement of higher taxes boosted demand at the end of 1965, have declined again: the percentage of managements expecting their output to increase fell from 20% in January to 8% in May. Once again the replies received suggest strongly that prices will rise; in comparison with the situation early in the year, however, the situation has eased, particularly in May. The change in sentiment may be due in part to the psychological effect of price-freezing measures adopted by the Government.

In the Grand Duchy of Luxembourg, business activity has remained quiet, mainly because demand from abroad has slackened: of late the flow of orders to the iron and steel industry has declined, though the extent of the decline has varied from firm to firm. But for industry as a whole the surveys reveal a very high degree of stability, both in the assessment of order-books and in production expectations: virtually all managements expect output to continue growing at the present rate. The replies have shown, however, that there is a strong tendency for prices to rise; here the views expressed by managements have probably been influenced by the recent hardening of world demand for iron and steel products.

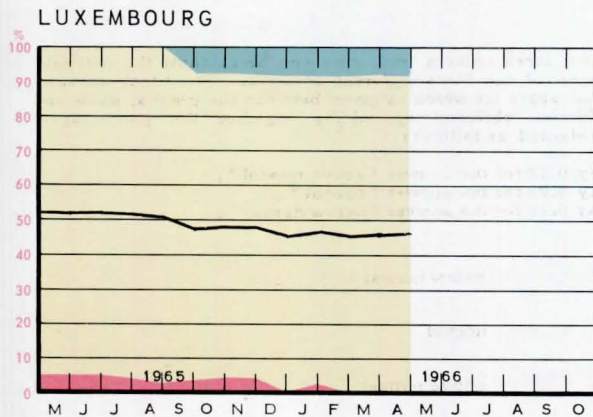
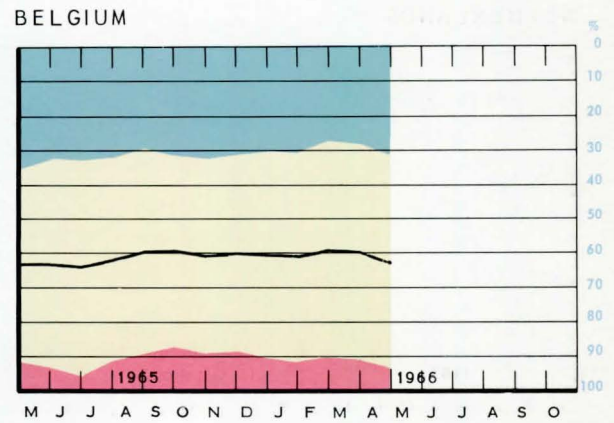
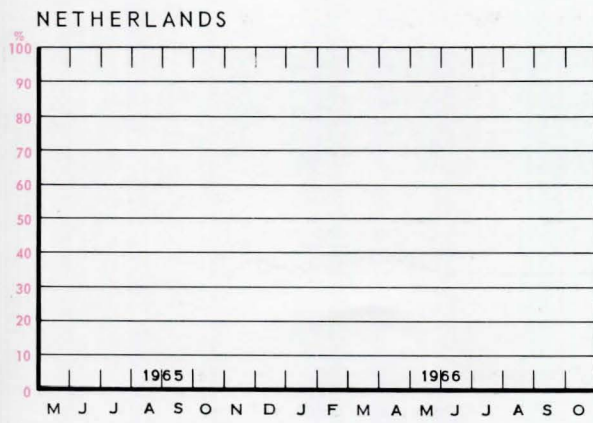
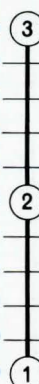
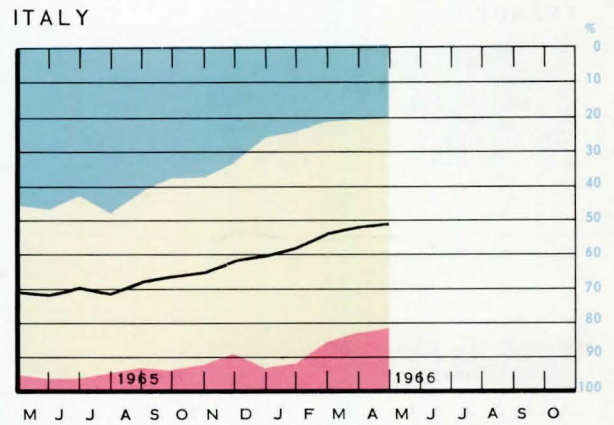
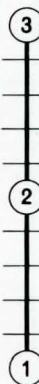
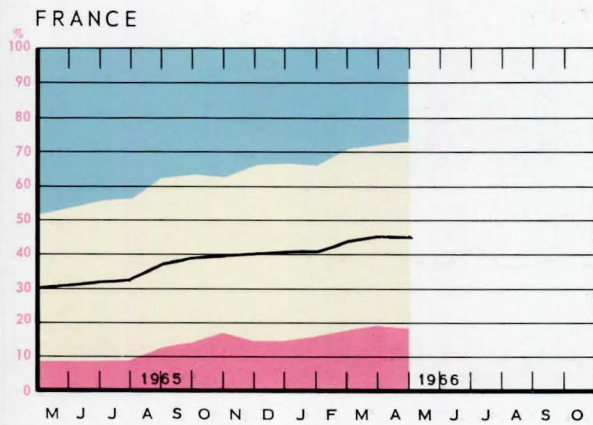
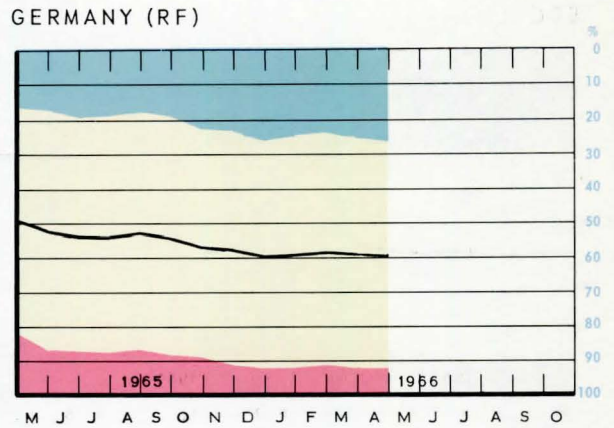
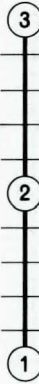
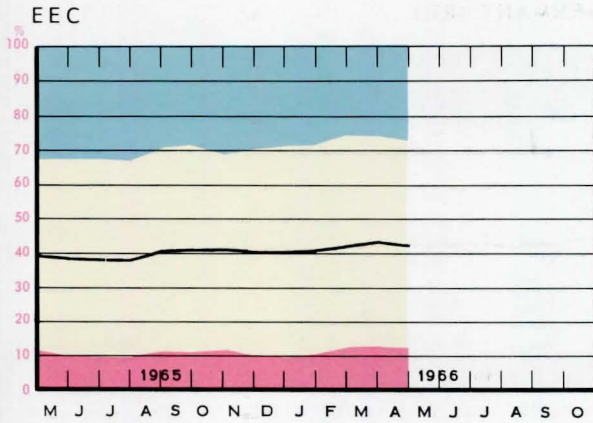
(the figures are percentages of replies received)

Questions Country	1966	Assessments															Expectations														
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices									
		J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M					
GERMANY (FR)	+	8	8	9	8	8	9	9	11	11	11	16	15	14	16	17	16	20	18	15	9	16	20	21	15	11					
	=	65	66	66	66	65	66	66	63	62	64	78	79	80	77	77	77	75	76	79	83	78	74	74	80	82					
	-	27	26	25	26	27	25	25	26	27	25	6	6	6	7	6	7	5	6	6	8	6	6	5	5	7					
FRANCE	+	15	16	18	20	19	18	20	19	20	19	20	21	18	18	19	29	32	30	27	26	15	15	18	17	14					
	=	51	50	52	51	53	52	48	53	53	50	73	73	76	75	74	61	59	62	67	65	79	80	76	77	81					
	-	34	34	30	29	28	30	32	28	27	31	7	6	6	7	7	10	9	8	6	9	6	5	6	6	5					
ITALY	+	7	9	15	18	19	15	10	12	23	18	28	24	24	20	18	22	26	24	26	24	15	13	12	15	13					
	=	66	66	63	60	60	49	63	64	52	57	67	69	71	70	76	71	67	70	67	68	76	78	81	78	78					
	-	27	25	22	22	21	36	27	24	25	25	5	7	5	10	6	7	7	6	7	8	9	9	7	7	9					
NETHERLANDS	+																														
	=																														
	-																														
BELGIUM	+	10	9	10	10	7	9	7	8	9	4	19	20	19	20	18	20	21	20	13	8	35	32	22	26	19					
	=	59	60	62	61	61	60	59	56	61	60	73	71	70	69	72	66	63	62	65	66	61	64	70	68	70					
	-	31	31	28	29	32	31	34	36	30	36	8	9	11	11	10	14	16	18	22	26	4	4	8	6	11					
LUXEMBOURG	+	0	2	0	0	0	0	1	0	0	0	2	2	2	3	3	3	2	1	2	1	84	74	74	52	50					
	=	91	89	91	92	92	100	99	91	91	91	97	97	93	95	94	97	97	98	96	98	16	18	26	48	50					
	-	9	9	9	8	8	0	0	9	9	9	1	1	5	2	3	0	1	1	2	1	0	8	0	0	0					
EEC	+	10	11	13	14	13	12	11	12	14	13	20	19	17	17	18	21	25	23	21	17	17	18	19	16	13					
	=	61	60	61	60	60	60	61	61	59	59	74	75	77	75	76	71	68	70	72	74	77	76	75	78	80					
	-	29	29	26	26	27	28	28	27	27	28	6	6	6	8	6	8	7	7	7	9	6	6	6	6	7					



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:

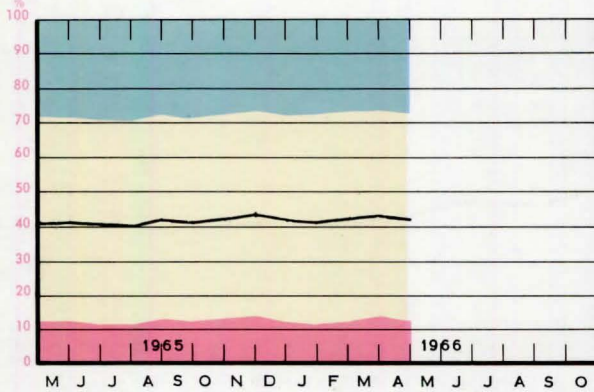
- by 0.03 for the answer "above normal";
- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



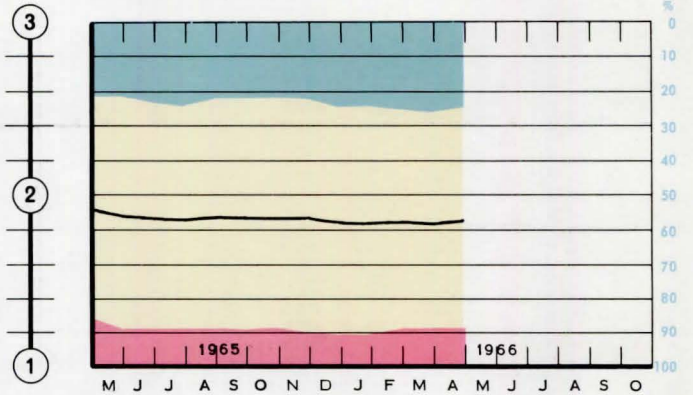
INDUSTRY AS A WHOLE

Export order-books

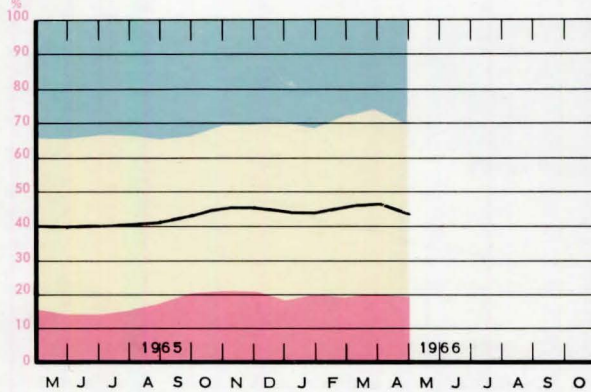
EEC



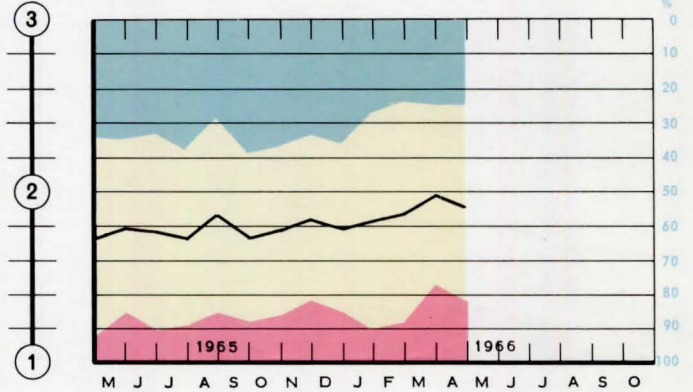
GERMANY (RF)



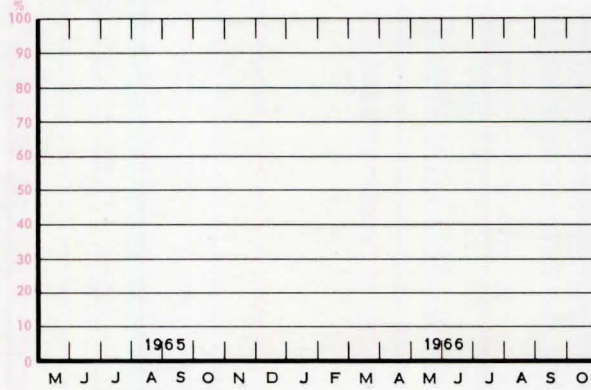
FRANCE



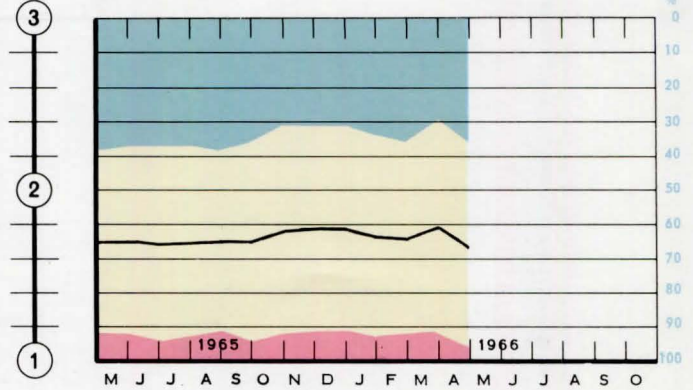
ITALY



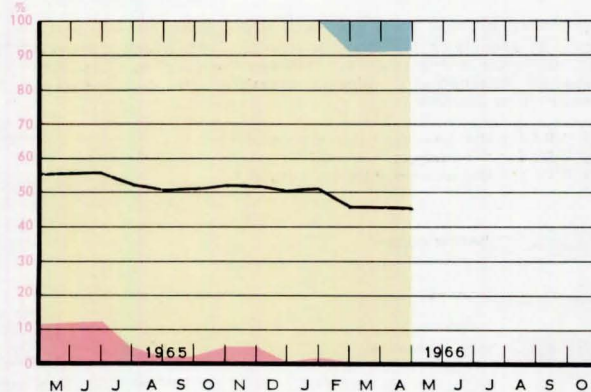
NETHERLANDS



BELGIUM



LUXEMBOURG



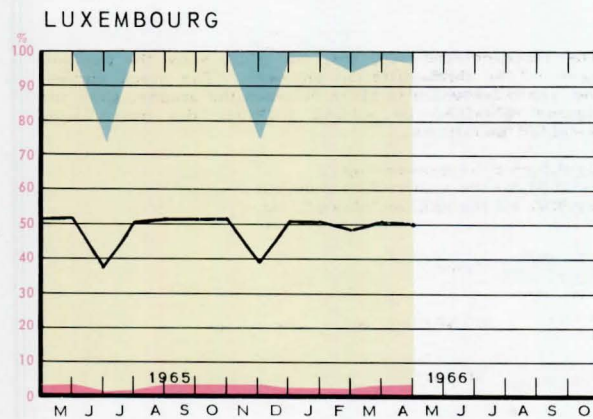
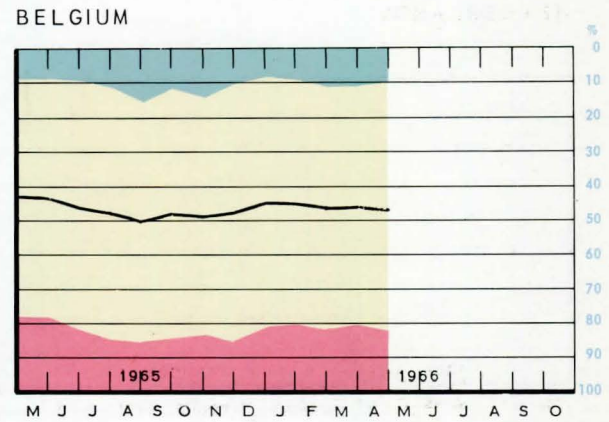
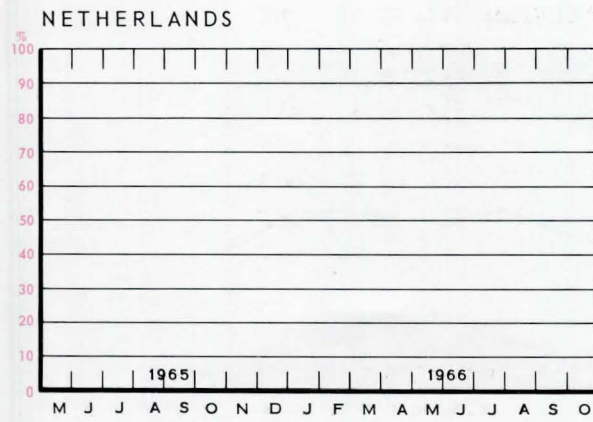
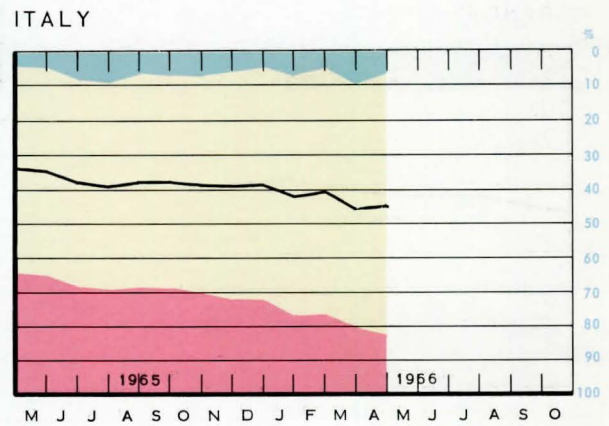
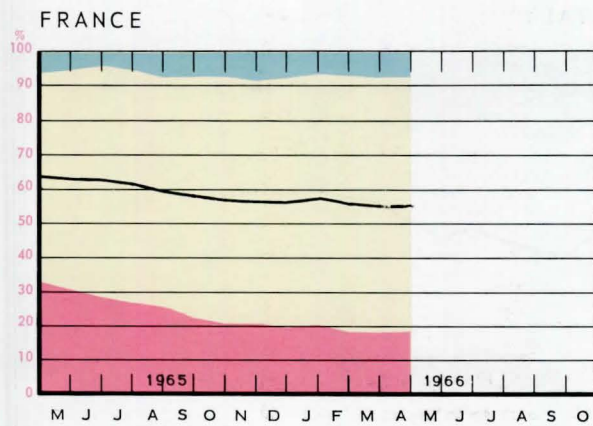
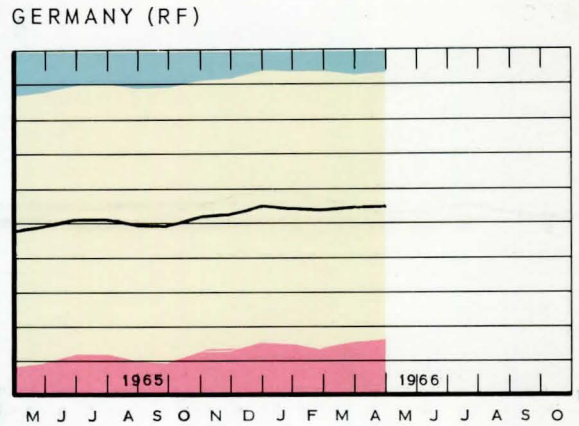
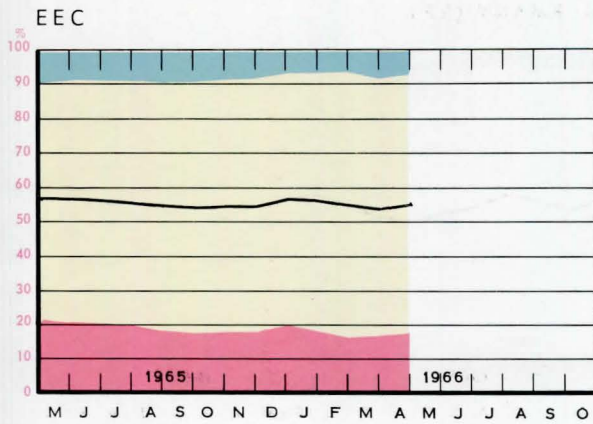
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- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



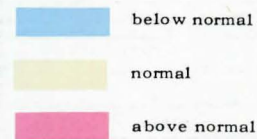
INDUSTRY AS A WHOLE

Stocks of finished products



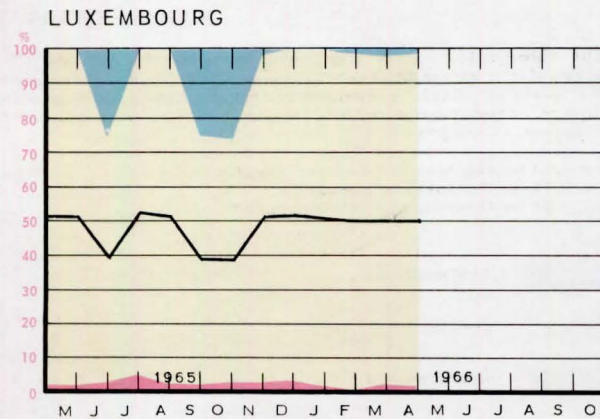
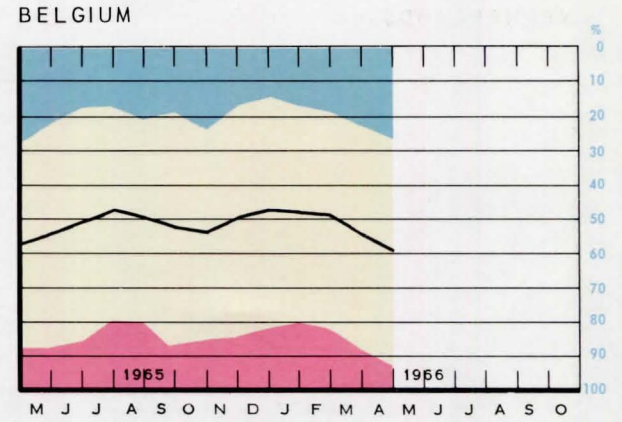
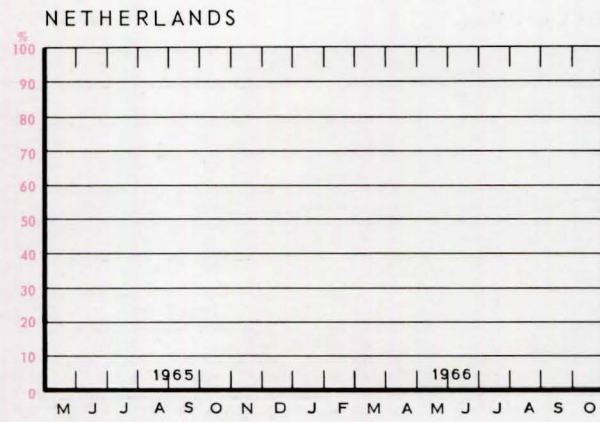
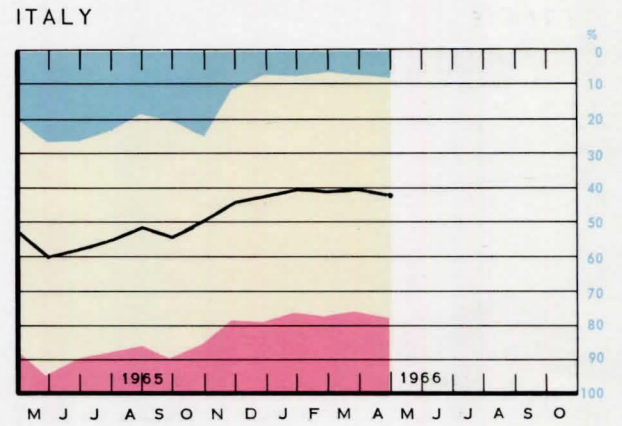
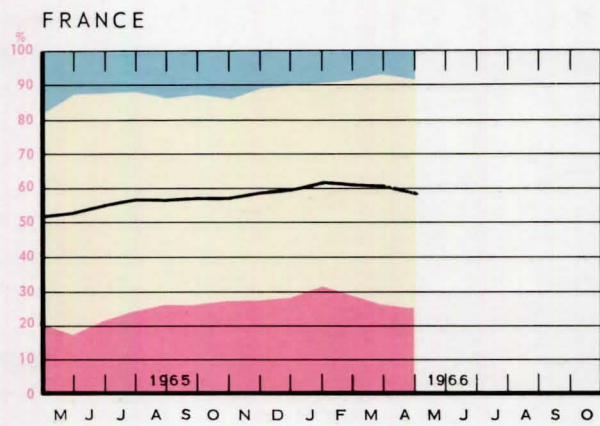
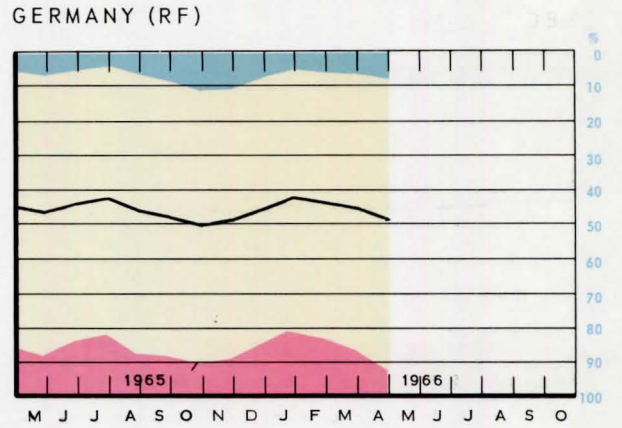
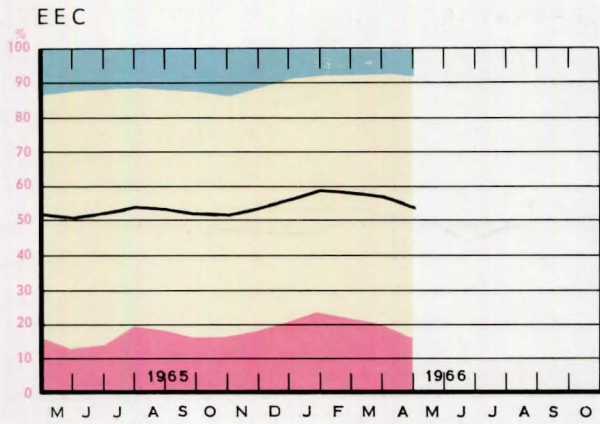
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- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



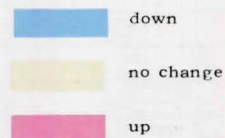
INDUSTRY AS A WHOLE

Trend in production



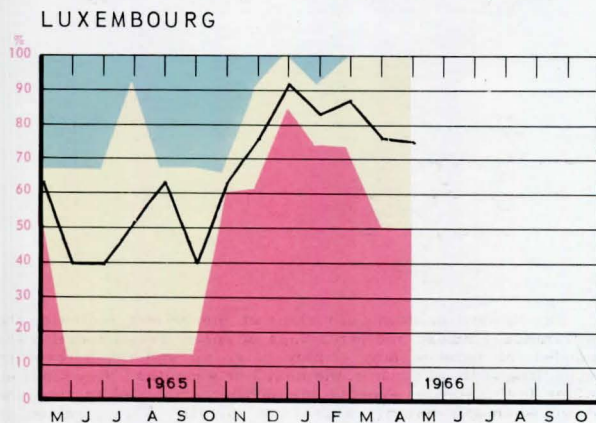
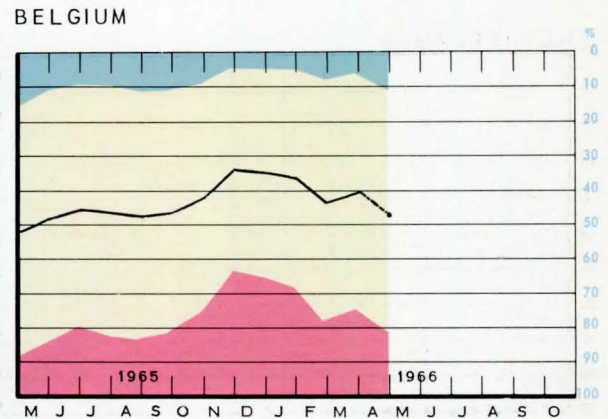
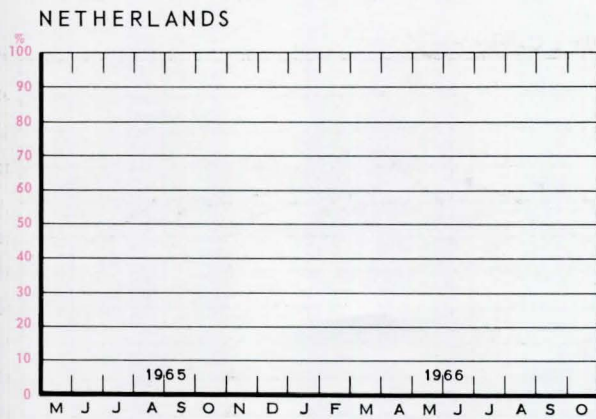
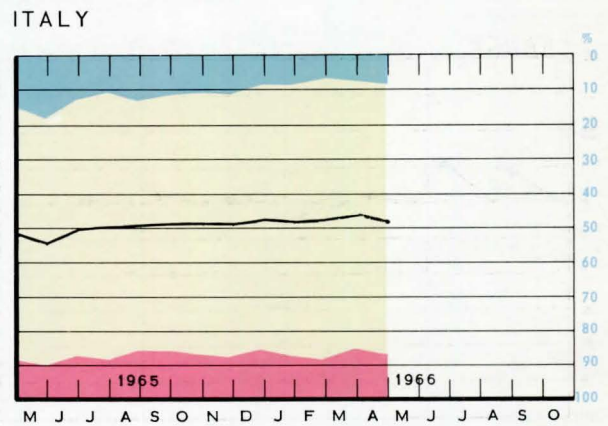
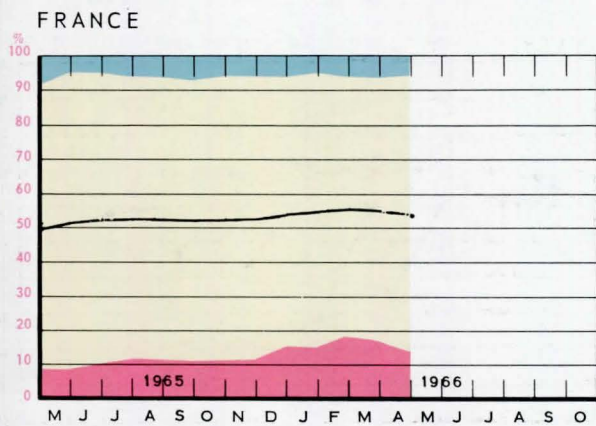
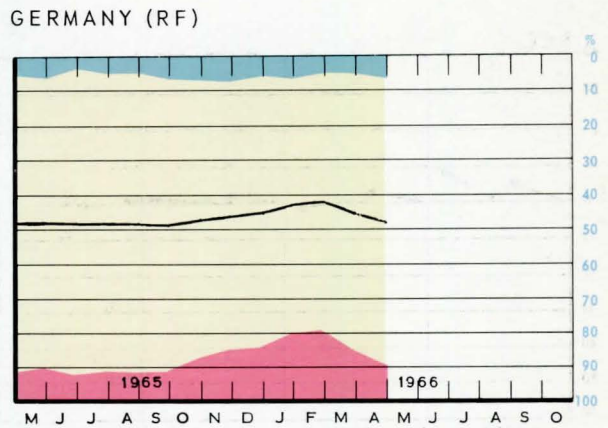
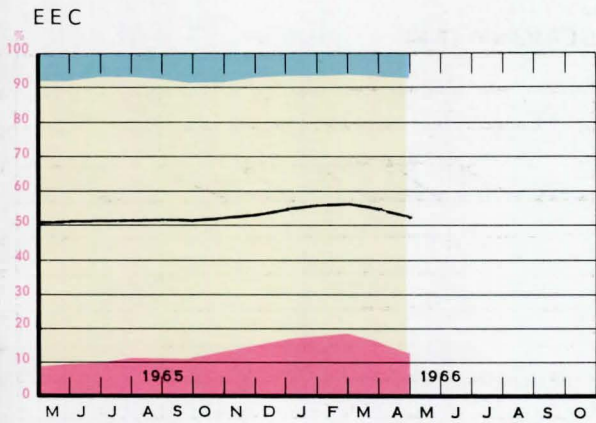
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- by 0.03 for the answer "up" ;
- by 0.02 for the answer "no change" ;
- by 0.01 for the answer "down" .



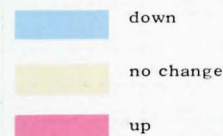
INDUSTRY AS A WHOLE

Trend in selling prices



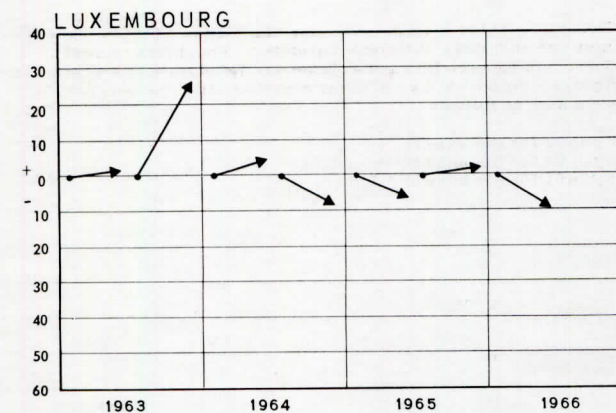
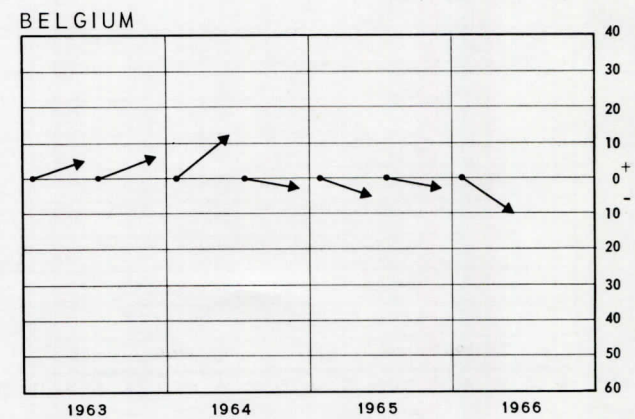
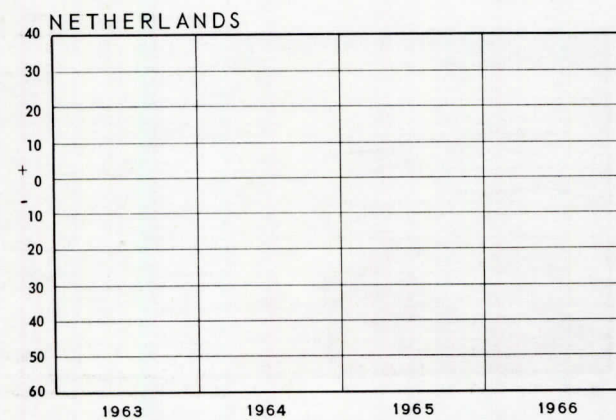
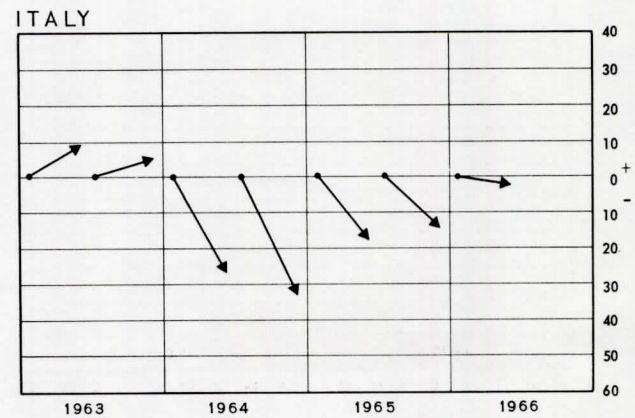
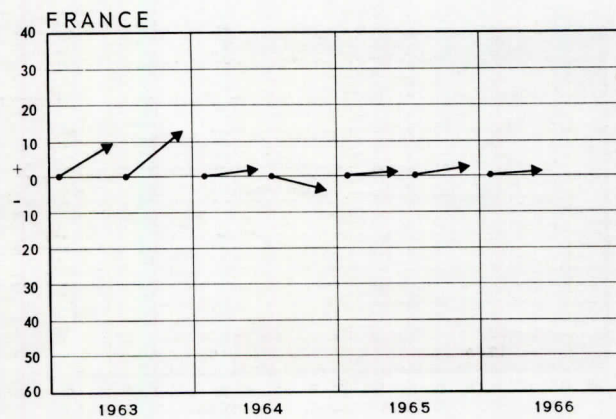
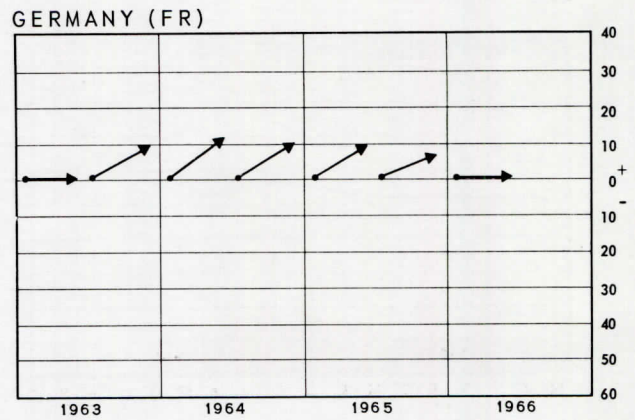
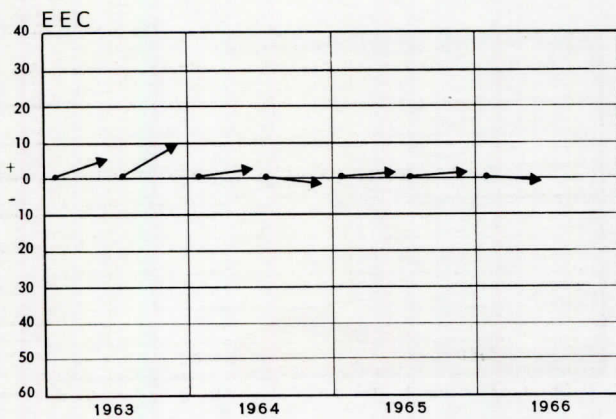
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- by 0.03 for the answer "up";
- by 0.02 for the answer "no change";
- by 0.01 for the answer "down".



INDUSTRY AS A WHOLE

Expectations ⁽¹⁾



⁽¹⁾ 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, where some reduction in the growth rate of incomes has been partly offset by a decline in the rate of savings, household demand has continued to spur activity in the consumer goods industries, which has thus been maintained at a high level. However, the last three surveys have indicated some loss of momentum, particularly if account is taken of the seasonal factor, which at this time of the year is never fully eliminated from managements' replies. The number of managements finding their order-books below normal has increased a little, while stocks, which for two years had been regularly reported below normal, have recently tended to build up slightly. The predictions of managements on the trend of production have grown less happy, but on balance they have remained positive, the numbers of those expecting an increase being still ahead of those expecting a decline. Price expectations still point to increases, but some easing of strain is now discernible.

In France the incomes of households have improved appreciably and activity in the consumer goods sector has remained very buoyant; in particular, there has been a distinct improvement of late for certain industries producing durable goods, which had so far not benefited much from the recovery. All in all, order-books have been reported satisfactory, and in May nearly a quarter of the managements described them as above normal. Export order-books were considered fairly encouraging until the end of 1965, and despite some deterioration of late, they are still considered satisfactory. Given the level of stocks, which on average are reported as normal, expectations on output have remained very optimistic, though the last three surveys have shown a little reduction in this optimism; accordingly the growth rate of output, while remaining very high, could well ease a little, probably because firms are running nearer to capacity. Price predictions suggest that prices will be fairly firm.

In Italy, the consumer goods industry has benefited since the end of the winter from the sustained expansion of income, coupled with an increased propensity to spend on the part of households. Total order-books have evidently improved further; on balance the replies received, in which the "below normal" had outweighed the "above normal" for more than two years, showed a distinct improvement from the end of 1965 onwards, and the "above normal" took the lead in March. Order-books have since continued to lengthen, and in May about one firm in three reported its order-books to be above normal. The assessment of export order-books — which has remained very favourable — suggests that the build-up of domestic demand is not affecting sales abroad: production is still relatively elastic and the prices of Italian products are competitive. Output expectations have remained very optimistic and hold out prospects of a further expansion of activity, especially now that the effect produced by heavy stocks is on the wane. Price predictions since the end of last year, although still moderate, imply the likelihood of a rise in prices.

In Belgium, expenditure by households was at the end of last year swollen by exceptional circumstances, and activity in the consumer goods sector now seems to have lost a little momentum. In comparison with the autumn returns, the number of managements reporting their total order-books as well filled has declined appreciably; at the end of May it was about 10%, compared with 20% in December. However, the tendency for stocks to build up seems to have disappeared. Output expectations have become distinctly less optimistic in the latest surveys than at the beginning of the year. All in all, the surveys suggest that production will mark time or even slow down slightly. Price expectations have continued to indicate heavy strain, though less than at the beginning of the year.

For the Community as a whole production, sustained by the continuing expansion of personal incomes and by a further general decline in the savings rate, has continued to advance rapidly. Optimistic output expectations and favourable assessments of order-books suggest that in the coming months the current rate of development will show little change. Predictions on the trend of selling prices indicate fairly marked increases.

In general, the situation in the industries producing non-durable consumer goods can be regarded as very good: that demand was still vigorous is evident from the reports on total order-books, which have remained fairly favourable. Output expectations have also remained very optimistic. After rather a long lull, the garments and knitwear industry has experienced a noteworthy recovery, which has reinforced the seasonal rise in sales. The leather and footwear industry has benefited, notably in Italy, from hardening demand. Output expectations in this industry have been optimistic. A growing number of managements have been predicting price increases, due mainly to the further rise of leather prices.

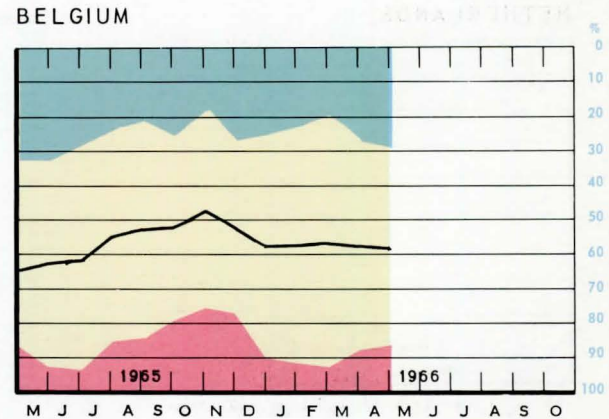
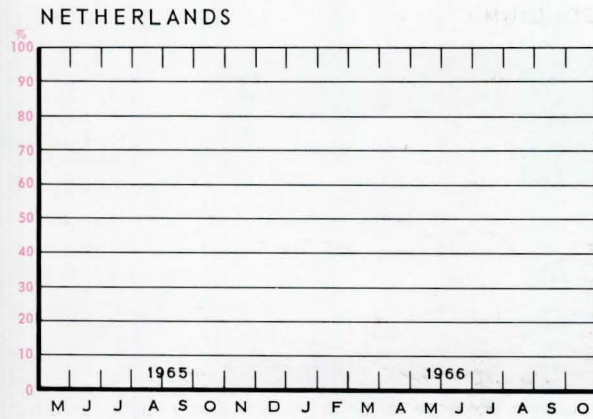
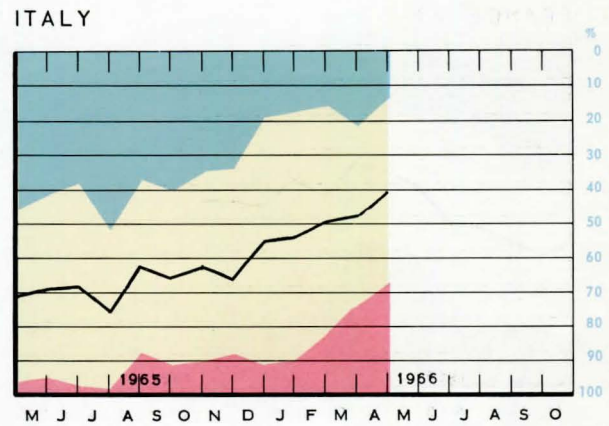
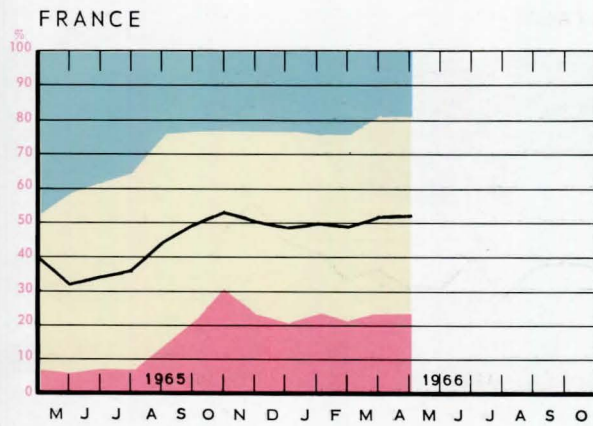
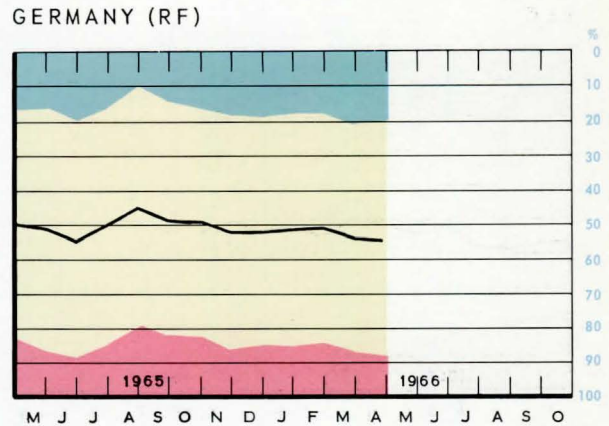
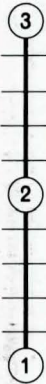
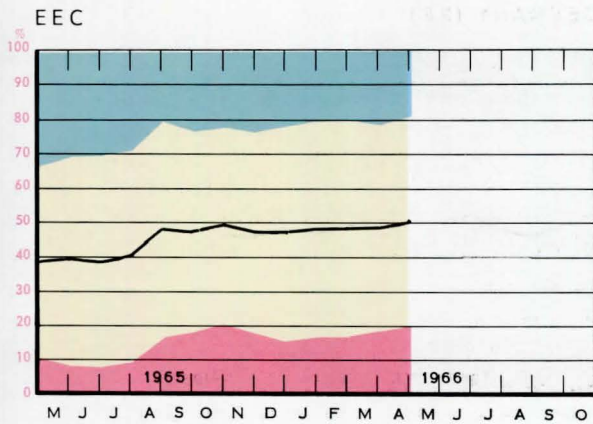
Since early in the year business activity in the durable consumer goods sector has been very lively, having benefited very much from the expansion of private consumption. The situation was particularly favourable for the manufacturers of private cars; almost all firms have reported normal or above normal order-books, while stocks are often reported to be at a low level. In the metal consumer articles industries and in the domestic electric appliances industries, the situation was not so encouraging and some reserve was still apparent in a number of countries; but the export situation was fairly good and production expectations were optimistic.

(the figures are percentages of replies received)

Country	Questions 1966	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M
GERMANY (FR)	+	15	15	16	13	12	13	14	17	15	15	17	17	16	17	21	29	29	25	22	11	19	20	25	13	10
	=	66	67	66	66	68	71	66	62	62	62	73	73	74	71	70	68	68	71	71	81	78	78	72	84	85
	-	19	18	18	21	20	16	20	21	23	23	10	10	10	12	9	3	3	4	7	8	3	2	3	3	5
FRANCE	+	21	24	22	24	24	26	40	23	25	25	16	19	13	13	15	40	40	31	32	31	12	12	12	13	12
	=	56	52	54	57	57	60	43	62	61	61	69	70	78	77	75	54	55	64	62	63	82	82	82	82	83
	-	23	24	24	19	19	14	17	15	14	14	15	11	9	10	10	6	5	5	6	6	6	6	6	5	5
ITALY	+	9	10	17	27	33	11	7	11	29	13	37	19	23	20	23	34	37	41	35	30	18	14	16	20	18
	=	72	73	67	51	53	44	69	67	54	67	58	76	70	60	68	59	58	54	55	58	74	77	77	70	73
	-	19	17	16	22	14	45	24	22	17	20	5	5	7	20	9	7	5	5	10	12	8	9	7	10	9
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	10	8	7	12	13	10	10	7	13	7	26	24	20	20	19	26	31	24	25	16	34	35	28	26	20
	=	65	69	73	61	58	63	67	69	61	53	65	69	66	68	69	59	54	59	54	60	63	64	71	71	78
	-	25	23	20	27	29	27	23	24	26	40	9	7	14	12	12	15	15	17	21	24	3	1	1	3	2
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	16	17	17	19	20	14	17	16	20	16	21	18	16	17	19	33	34	30	28	21	17	17	19	15	13
	=	63	63	63	60	61	63	62	63	60	62	68	73	74	70	71	62	61	65	64	70	78	79	77	80	81
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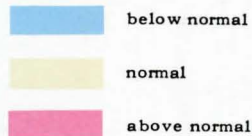
CONSUMER GOODS

Order-books



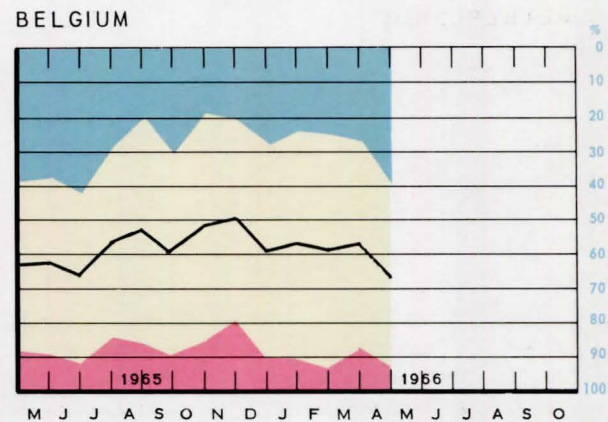
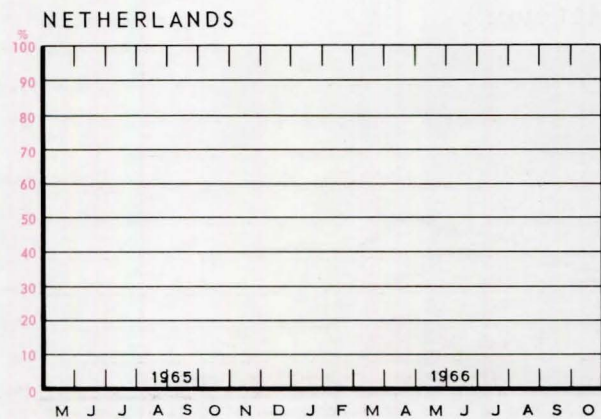
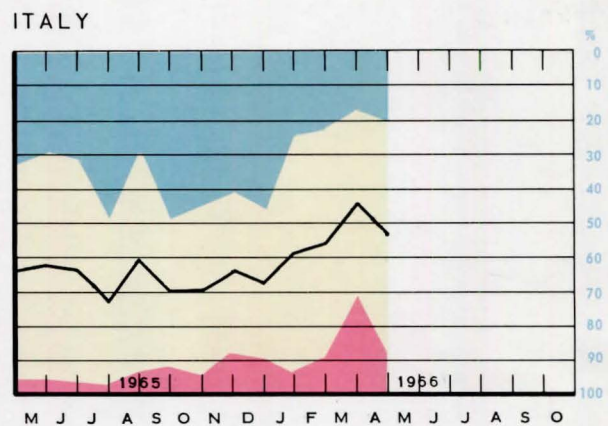
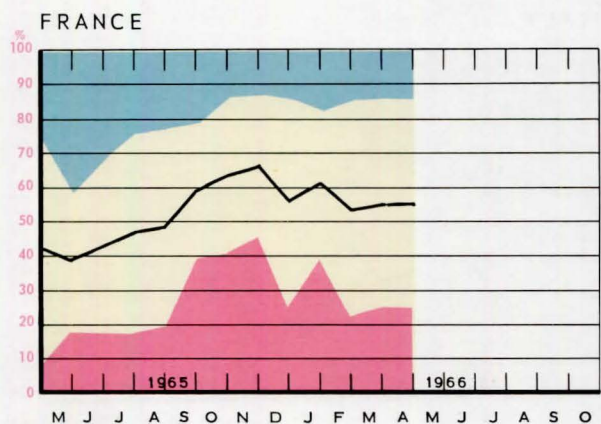
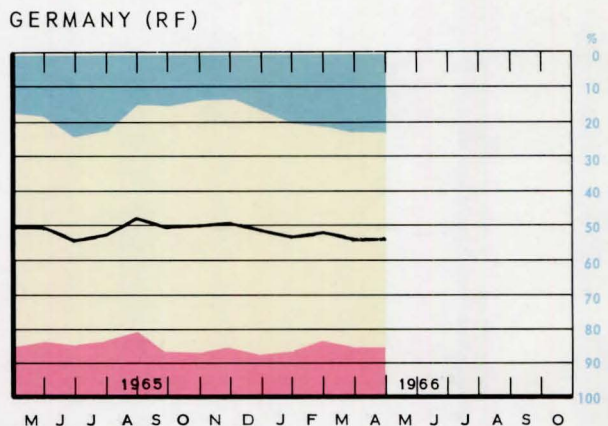
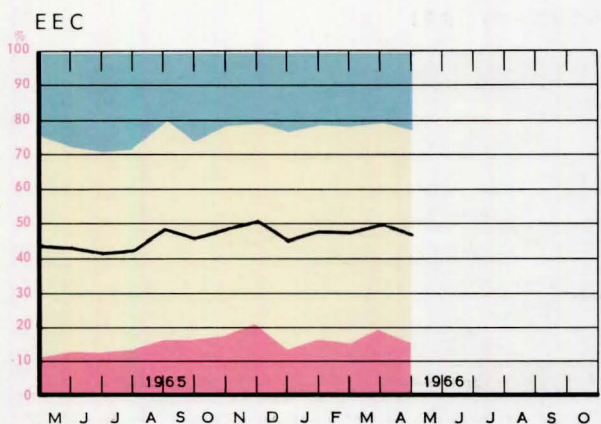
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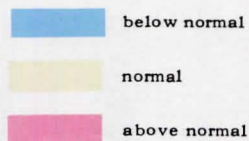
CONSUMER GOODS

Export order-books



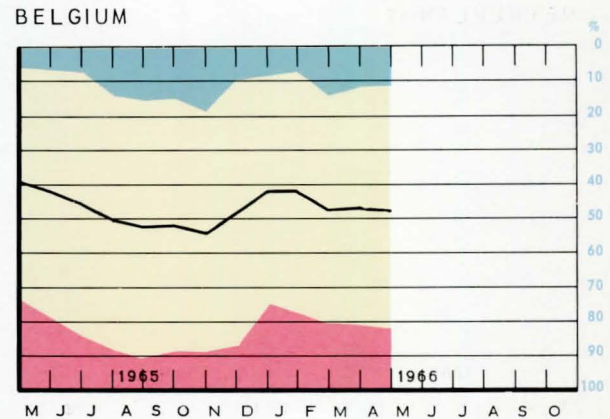
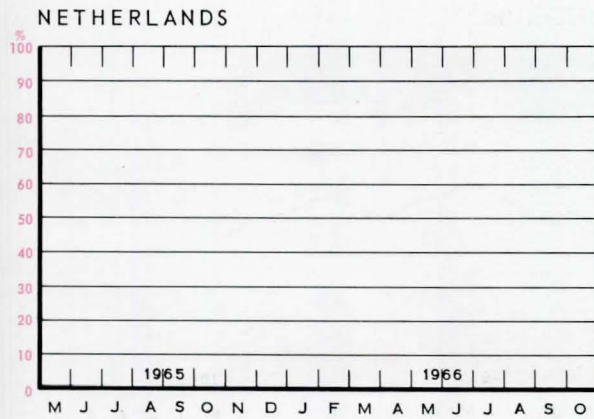
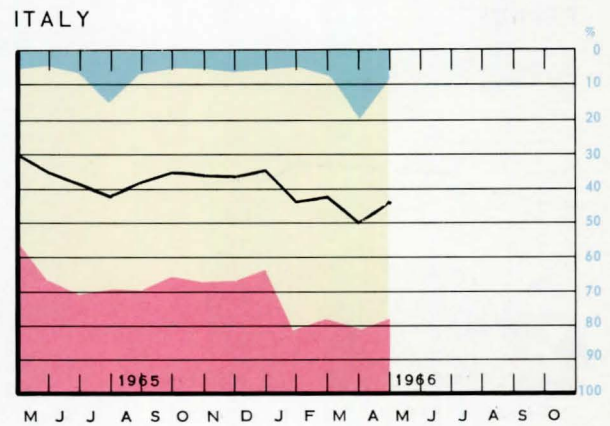
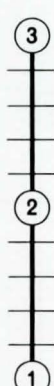
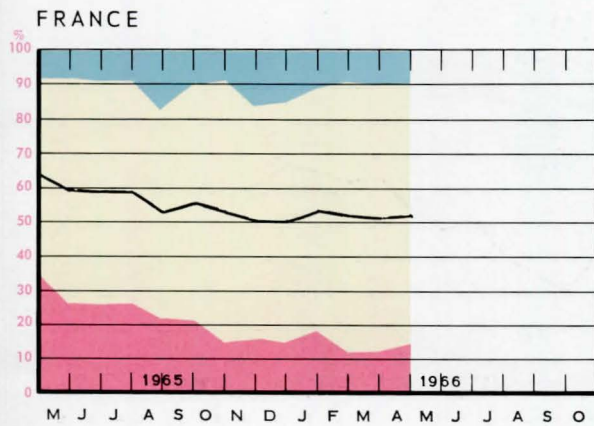
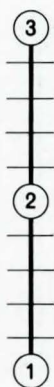
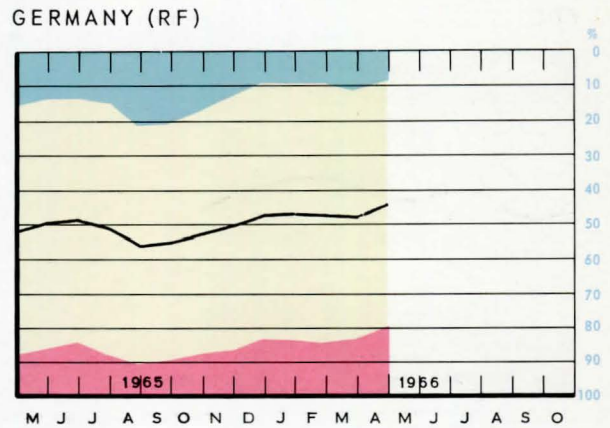
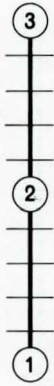
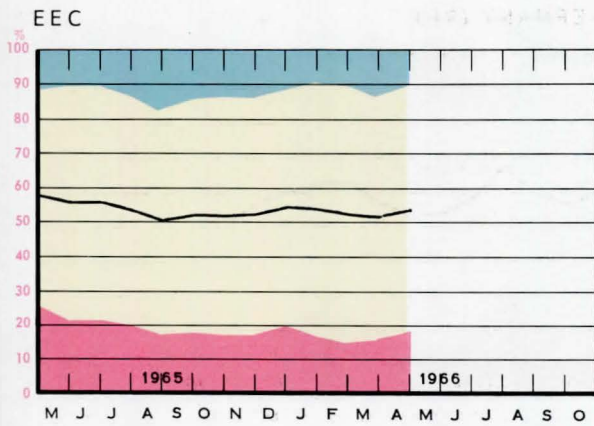
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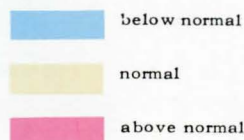
CONSUMER GOODS

Stocks of finished products



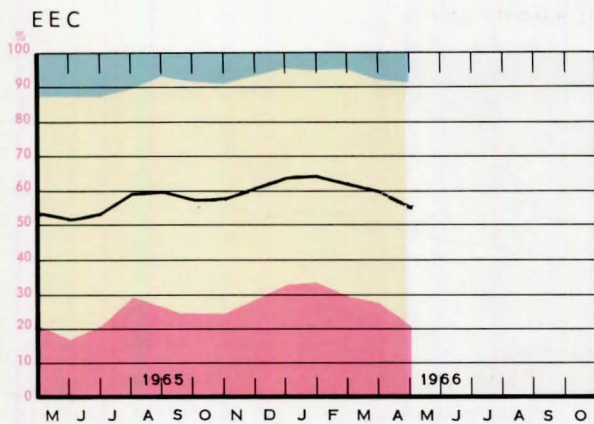
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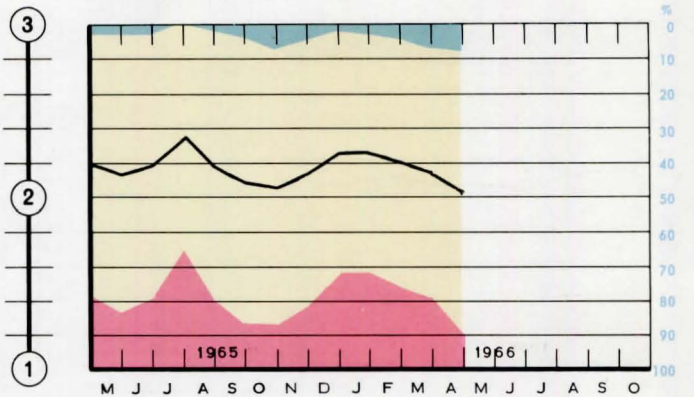


CONSUMER GOODS

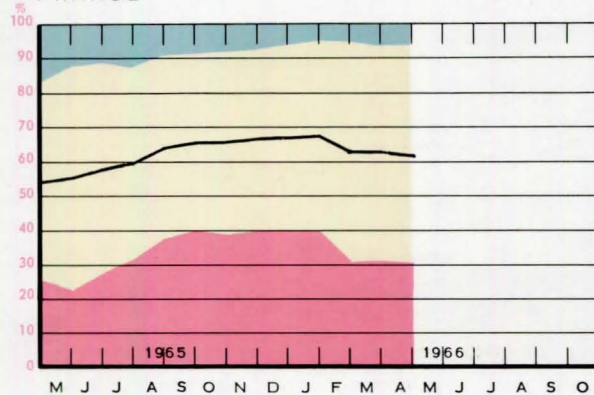
Trend in production



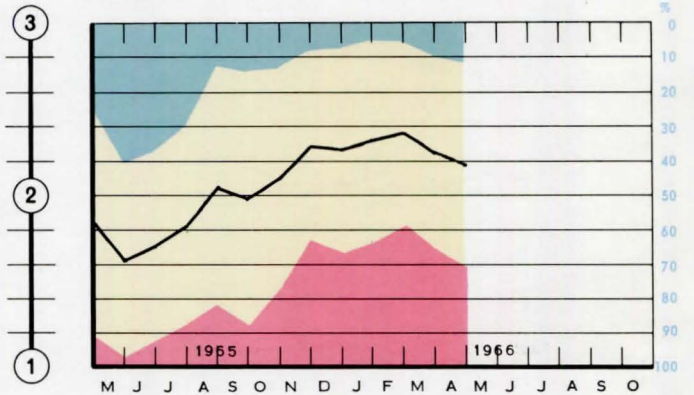
GERMANY (RF)



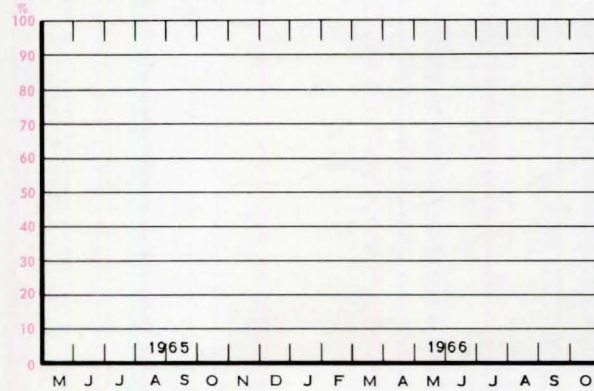
FRANCE



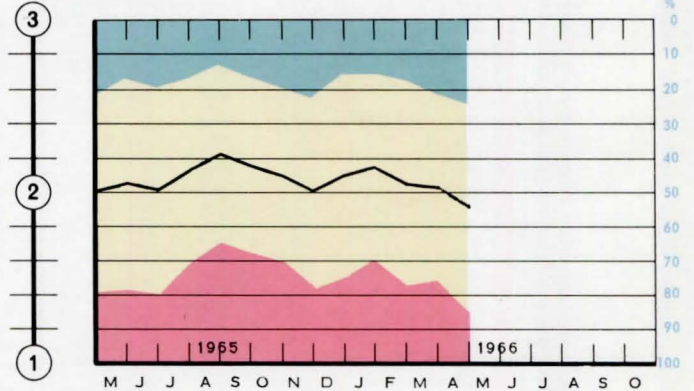
ITALY



NETHERLANDS

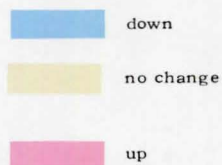


BELGIUM



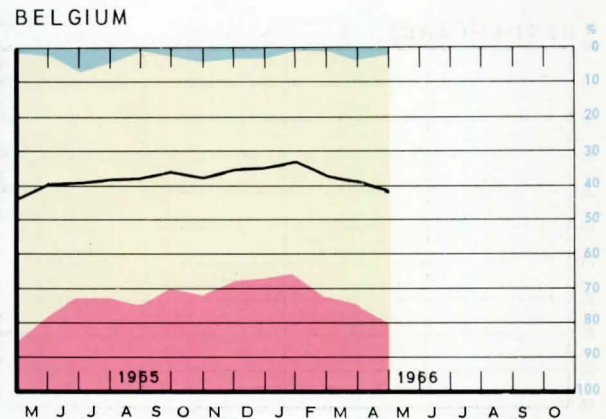
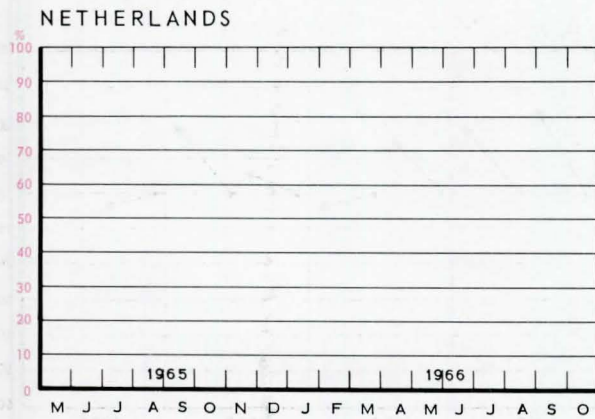
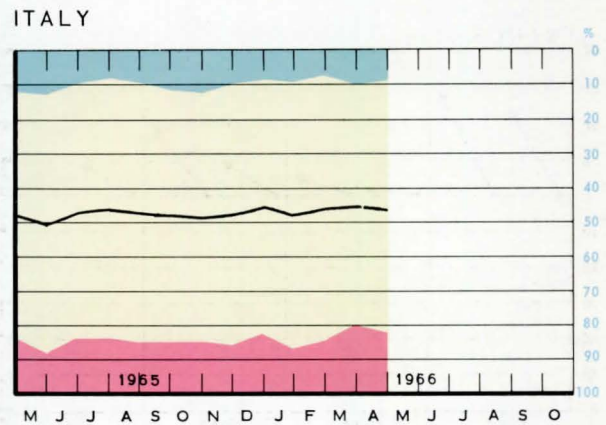
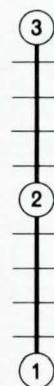
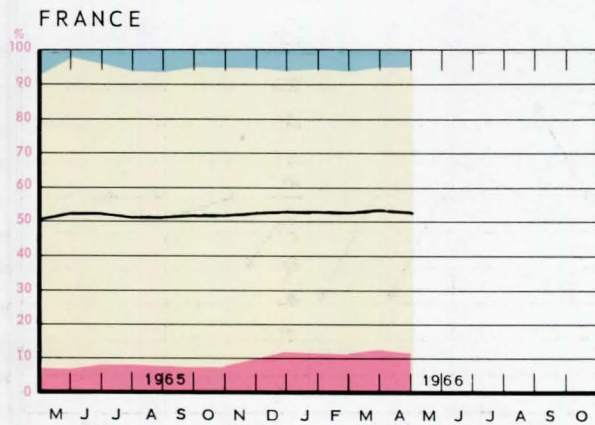
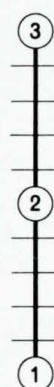
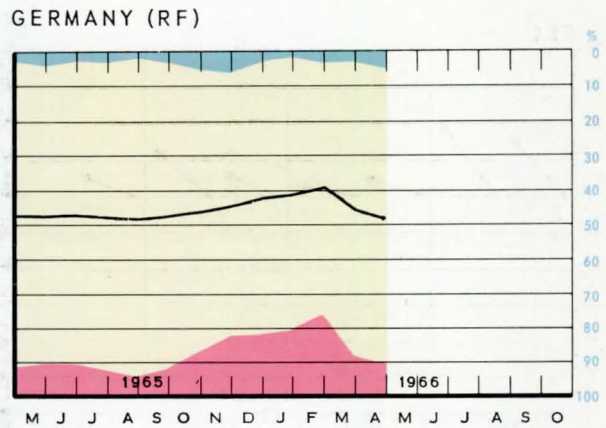
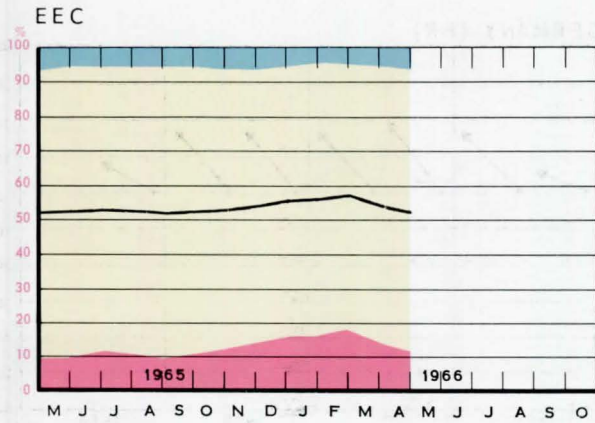
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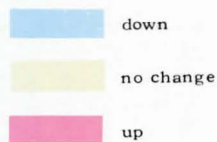
CONSUMER GOODS

Trend in selling prices



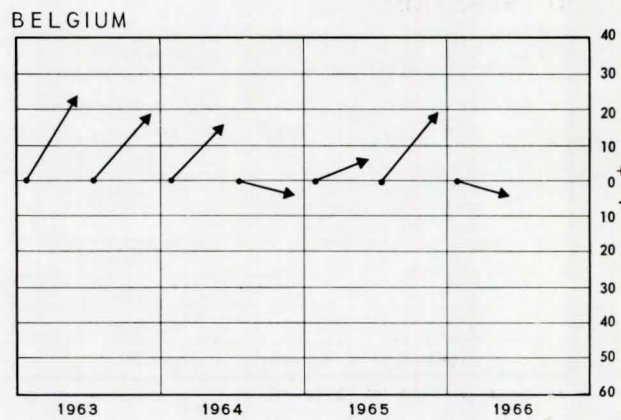
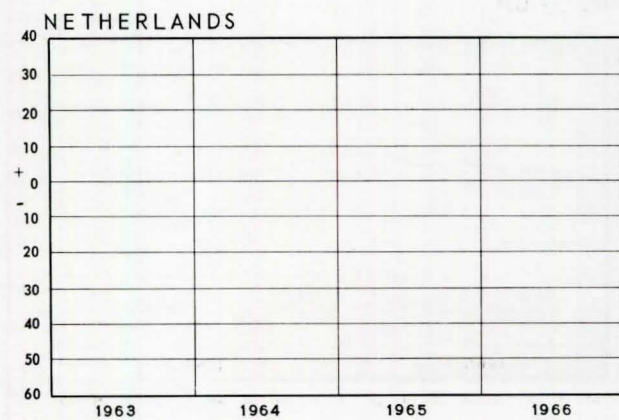
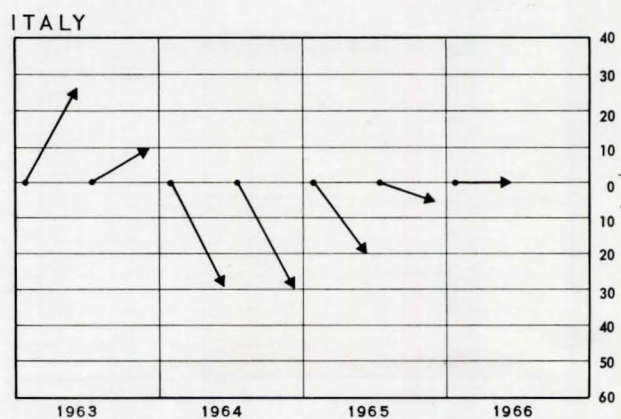
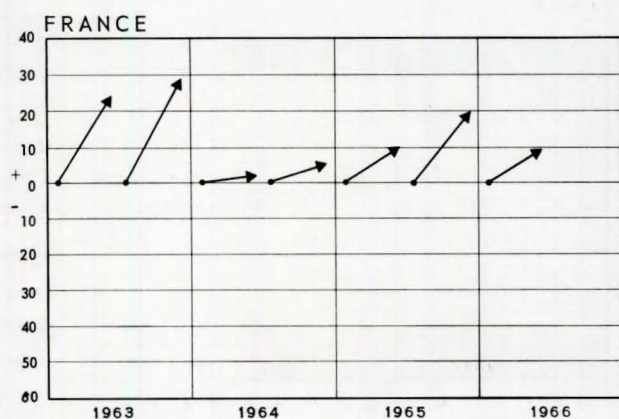
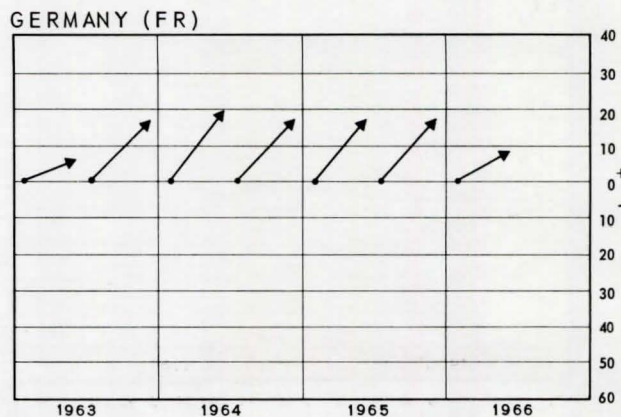
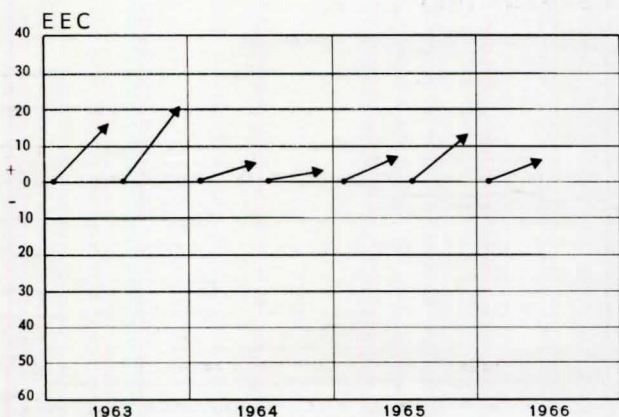
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CONSUMER GOODS

Expectations⁽¹⁾



⁽¹⁾ 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 the Federal Republic of Germany, expansion has slowed down in the capital goods sector. The answers elicited by the questionnaires indicate that expansion began losing momentum towards the end of last summer and that this trend has continued since; throughout this period a growing percentage of managements has been reporting order-books as below normal (about 30% in May). The trend has also spread to a broader range of industries within the sector. In general, demand from abroad does not seem to have helped to any appreciable extent, export orders having been unsatisfactory for several months; assessments here have, however, probably been influenced by the fact that a certain amount of capacity has now become available in one field or another. In line with the trend of other indicators, managements' replies reflect a slight build-up in stocks. Nevertheless output expectations, which are more or less optimistic, have pointed to very stable trends and suggest that the rate of growth of production is unlikely to decline. The increased strain on prices discernible in the surveys early in the year has recently relaxed. The industries associated with building have also reported some weakening in activity; however, managements are still relatively optimistic as to the future trend of output.

In France, the incipient recovery noted in the last report has now been confirmed and widened, although the progress of certain industries is still somewhat hesitant. Despite the caution with which order-books have been assessed since the wave of pessimism in 1965, a very appreciable improvement has been apparent for some months past: while at the end of January the number of firms finding their order-books below normal was 31% greater than those finding them above normal, this figure fell to 15% at the end of May. Managements have also been running their stocks down a little. Increasingly general optimism is discernible in answers concerning production expectations, and at the end of May only 10% of the firms expected their rate of production to decline, while about 30% looked forward to an increase. Prices however seem to be hardening: for some time now a growing number of managements has been predicting increases. Reports concerning order-books in the industries associated with building, after showing a heavy decline during the winter, have now brightened considerably, and output expectations have also become more optimistic. Even if seasonal influences are borne in mind — and managements never allow for them fully — this improvement seems to reflect a rather more favourable underlying situation than that obtaining a few months ago.

In Italy, recovery is also well under way in this sector as well, there having been a revival in the expansion of demand for capital goods from the private sector. Replies on order-books, which were still very pessimistic early in 1965, had gradually improved, and there was a new wave of optimism in April-May, months during which the proportion of managements reporting total order-books above normal was more than 20%. On export order-books, too, sentiment has improved. At the same time, the surveys have reflected a fairly marked tendency for stocks to contract. As there has also been a sharp increase in the number of managements expecting their output to improve, the recovery in Italy is likely to continue on a firmer basis. Once again the industries associated with building proved to be the weakest element in the situation; despite the lively expansion of public works, these industries have continued to suffer from the sluggishness that has befallen residential construction. Production expectations in this sector have, however, improved since the end of the winter, and this holds out hope of a recovery in the near future.

In Belgium there has been, by and large, no abatement of the pessimism that for some time has coloured the replies of managements. A high number of firms has continued to report order-books below normal, and production expectations have actually deteriorated: at the end of May more than 30% of managements expected their output to decline, while stocks have tended to build up. The export situation

was not considered very promising either. Predictions concerning prices have continued to betray strain, since a high percentage of managements has been expecting increases. The industries associated with building are the only ones in which there was still some degree of optimism as to production expectations.

In the Community as a whole the latest surveys have revealed a more expansionary general trend: the heavier demand for capital goods in Italy and in France has more than offset the effects of the lull now prevailing in Germany and Belgium. The tendency for prices to rise was felt to have gathered a little strength, partly owing to the persistent upward movement of certain commodity prices.

The utility vehicles industry seems to be benefiting from greater investment in transport, particularly in Italy. Order-books, to judge from the replies sent in by managements, were fuller than before, although there was still no difficulty in meeting demand. Production expectations have been decidedly optimistic and, except in Italy, the replies of managements have pointed to some pressure on selling prices. The mechanical equipment industry (other than electrical) also seems to have gained ground. Orders have been better than early in the year and the answers concerning order-books indicated that export trends were in many cases fairly good. The latest surveys have shown a stronger upward trend of prices.

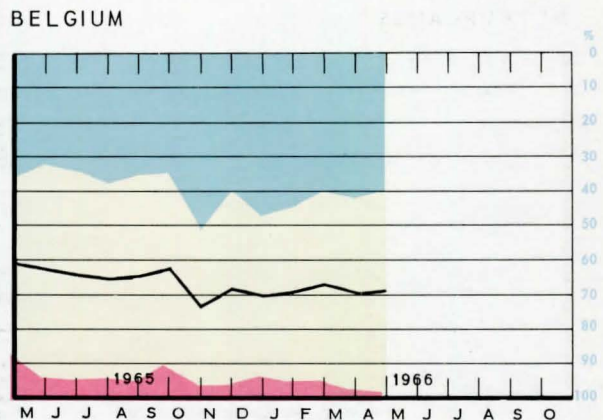
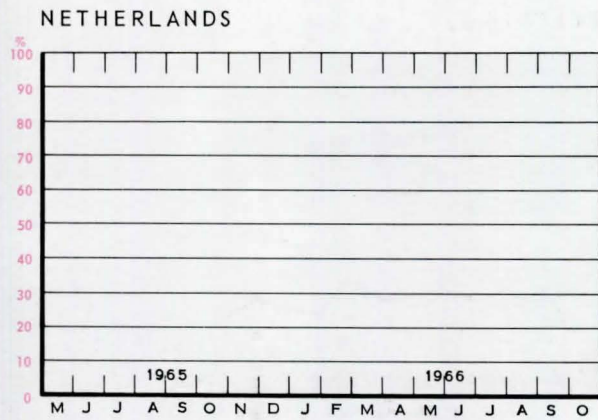
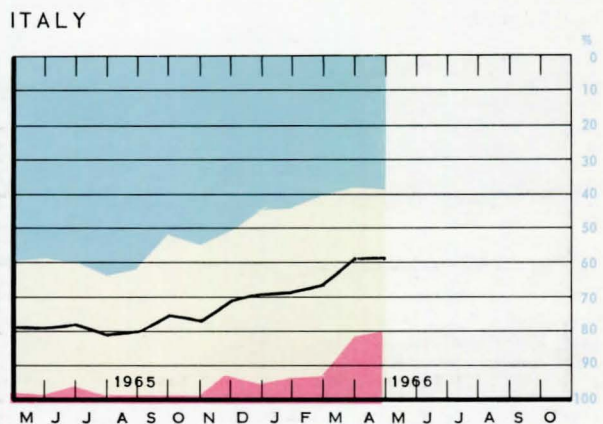
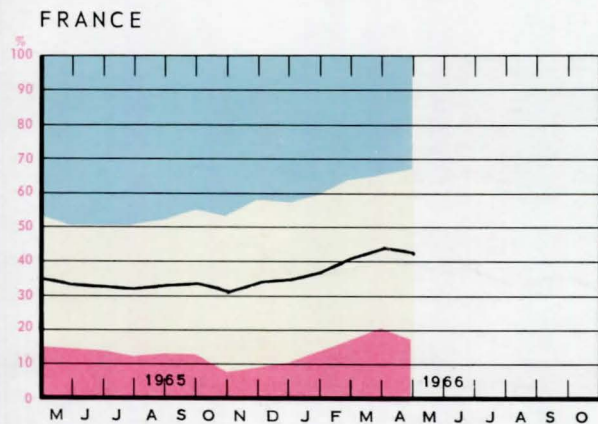
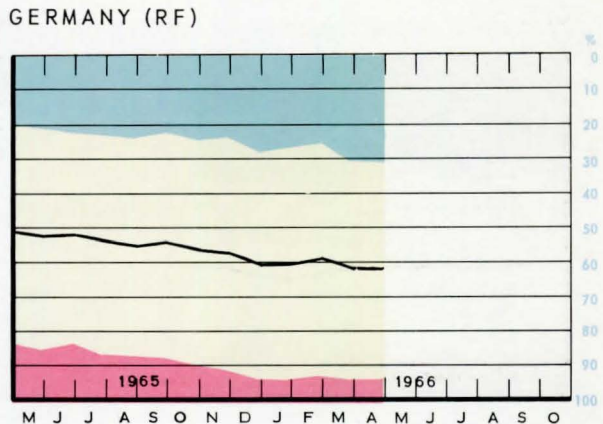
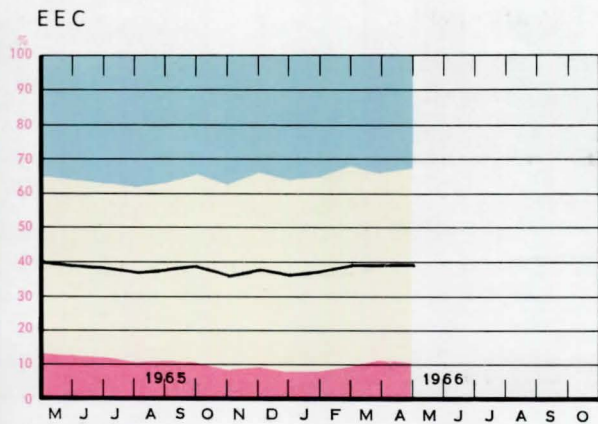
The electrical equipment industry in the different countries has followed fairly closely the trend of capital goods in general: for the Community as a whole the situation has remained good and production expectations optimistic. The easier pace of business expansion in Germany and in Belgium has been reflected in the other countries by less favourable assessments of export order-books.

(the figures are percentages of replies received)

Country	Questions 1966	Assessments									Expectations															
		Total order-book					Export order-book				Stocks of finished products				Production					Selling prices						
		J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M
GERMANY (FR)	+	7	7	8	7	7	9	8	10	11	10	17	16	15	17	19	10	13	10	12	8	20	26	25	16	12
	=	65	66	66	62	62	55	57	54	52	58	75	76	76	75	74	82	82	83	81	83	76	71	73	82	86
	-	28	27	26	31	31	36	35	36	37	32	8	8	9	8	7	8	5	7	7	9	4	3	2	2	2
FRANCE	+	12	15	18	23	18	18	14	17	16	14	30	29	25	23	21	24	30	28	26	28	15	16	22	23	19
	=	45	44	46	42	49	40	41	46	47	47	66	67	72	72	73	64	59	61	66	61	82	81	74	70	78
	-	43	41	36	35	33	42	45	37	37	39	4	4	3	5	6	12	11	11	8	11	3	3	4	7	3
ITALY	+	6	7	8	20	21	14	10	8	22	19	37	36	28	24	21	16	16	17	30	30	14	16	12	15	18
	=	49	49	52	42	40	46	54	58	46	54	58	59	67	63	75	71	69	73	62	63	75	72	79	75	73
	-	45	44	40	38	39	40	36	34	32	27	5	5	5	13	4	13	15	10	8	7	11	12	9	10	9
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	7	6	7	4	3	10	4	1	3	1	22	26	26	29	23	14	10	13	12	7	24	22	16	34	27
	=	46	50	53	54	57	50	41	51	51	44	72	68	65	61	64	65	68	64	57	61	71	72	77	61	65
	-	47	44	40	42	40	40	55	48	46	55	6	6	9	10	13	21	22	23	31	32	5	6	7	5	8
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	9	9	11	13	12	11	9	10	12	11	24	23	21	20	20	15	19	17	19	17	18	21	22	19	16
	=	55	56	57	53	55	51	52	53	51	54	70	71	73	72	73	74	72	73	72	72	78	75	74	76	80
	-	36	35	32	34	33	38	39	37	37	35	6	6	6	8	7	11	9	10	9	11	4	4	4	5	4

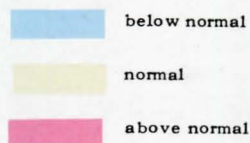
CAPITAL GOODS

Order-books



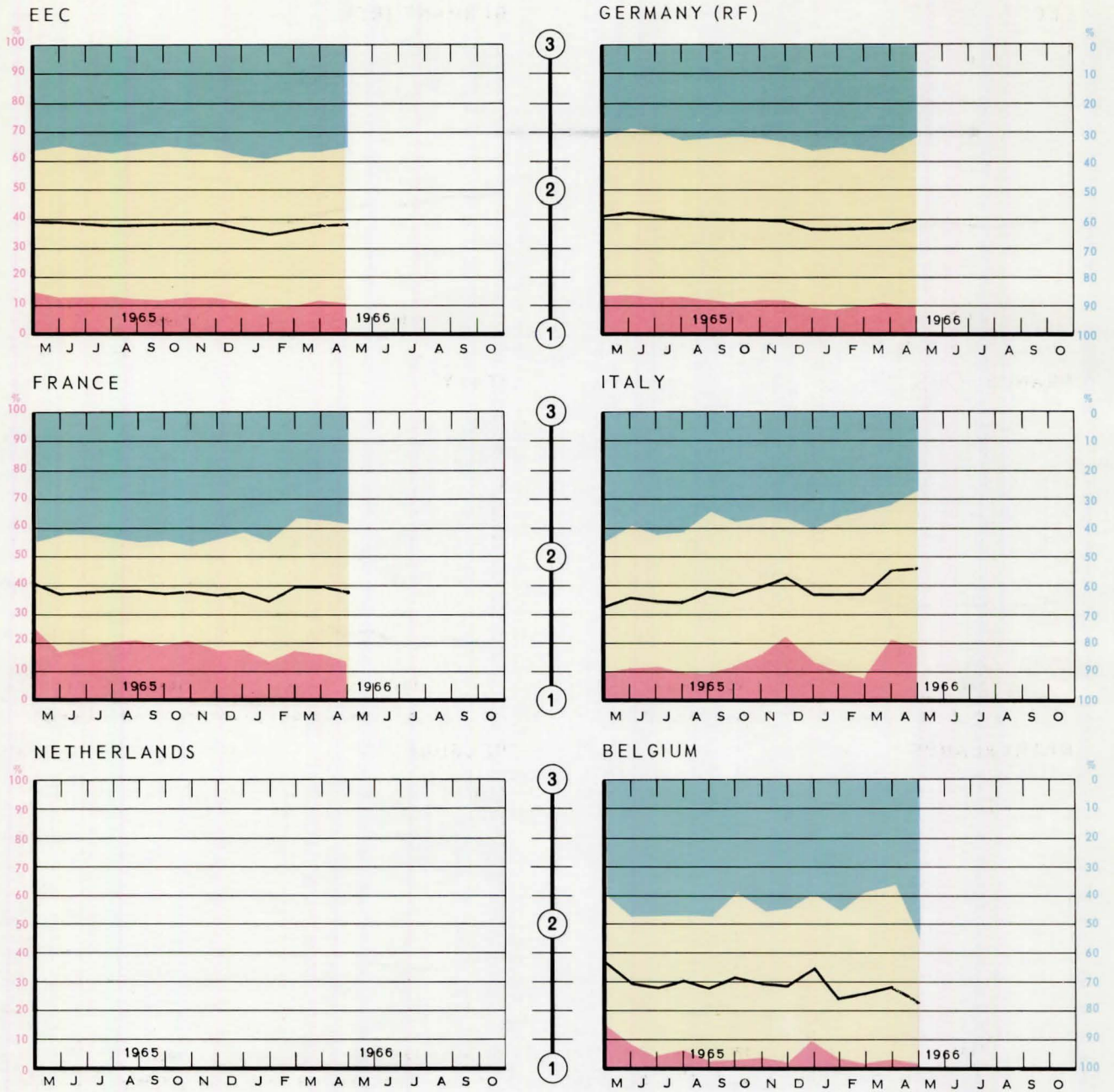
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



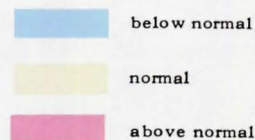
CAPITAL GOODS

Export order-books



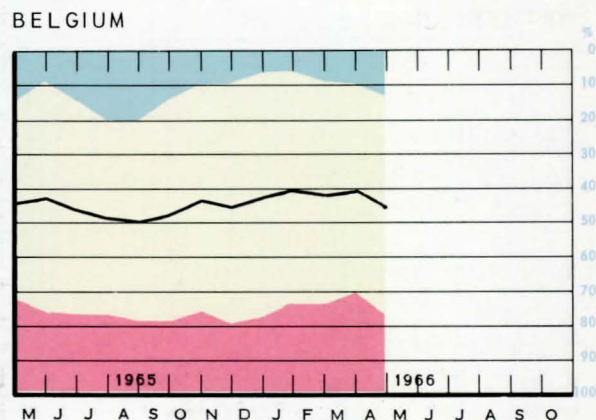
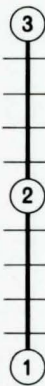
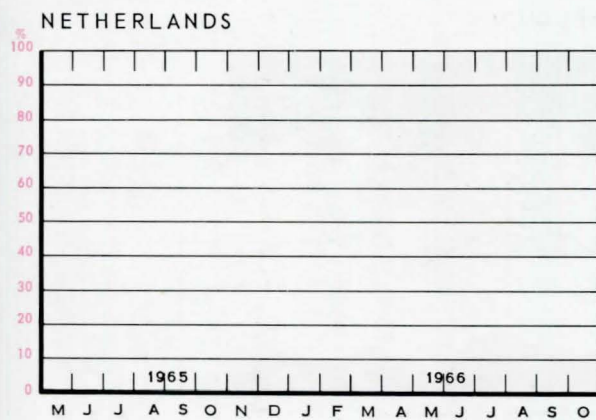
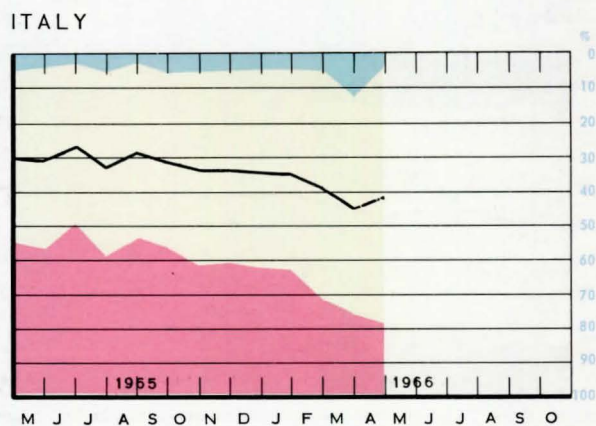
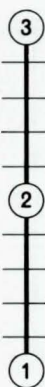
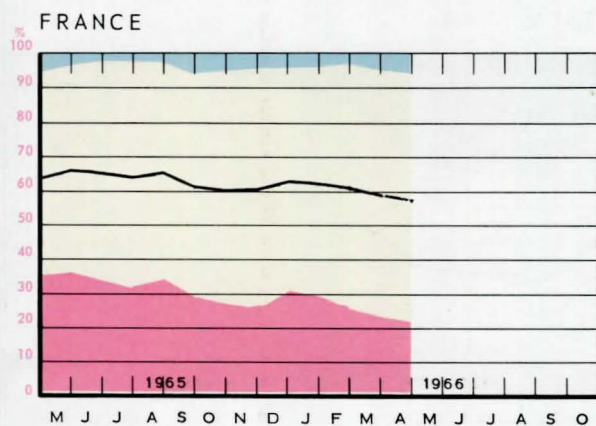
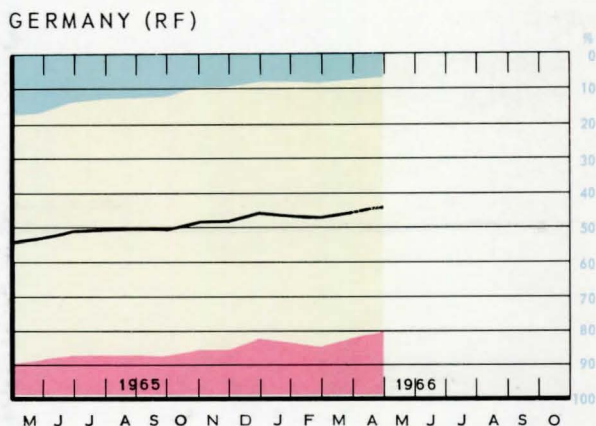
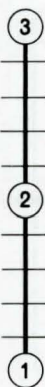
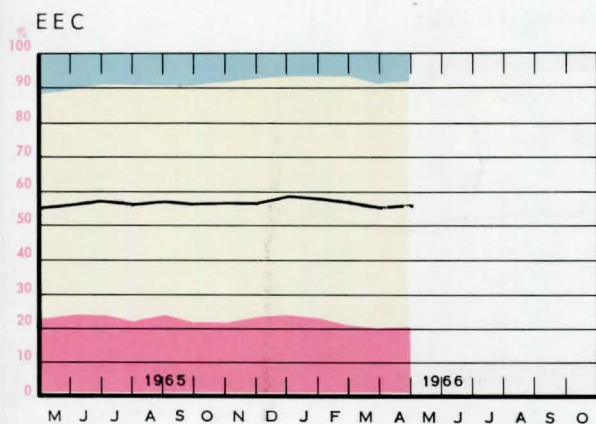
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CAPITAL GOODS

Stocks of finished products



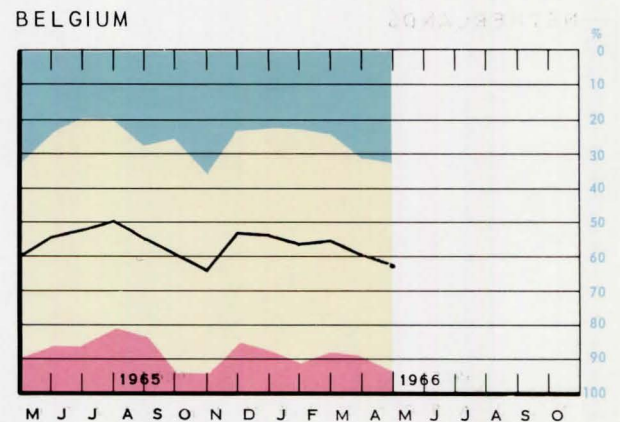
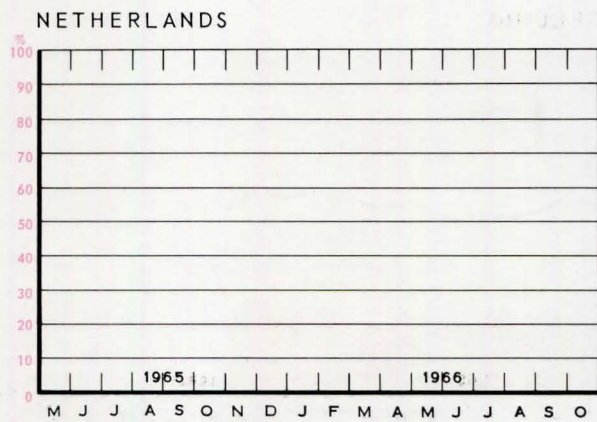
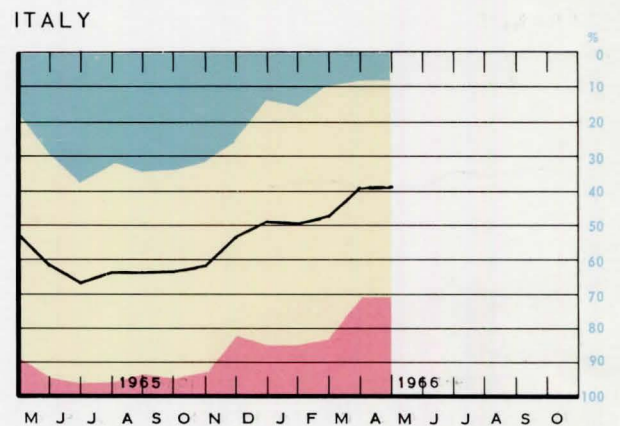
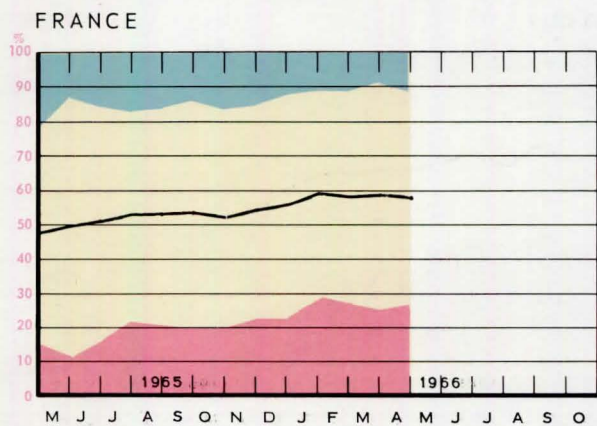
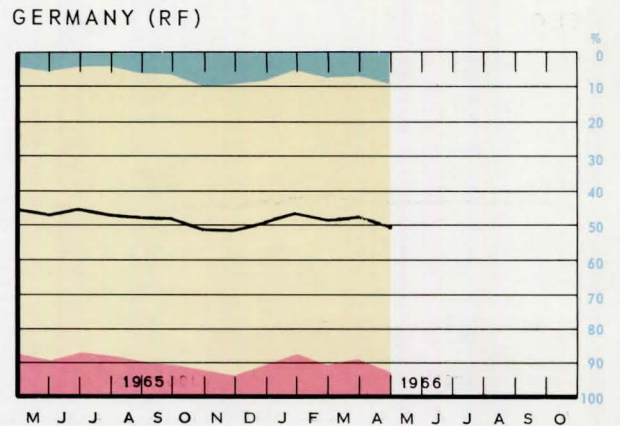
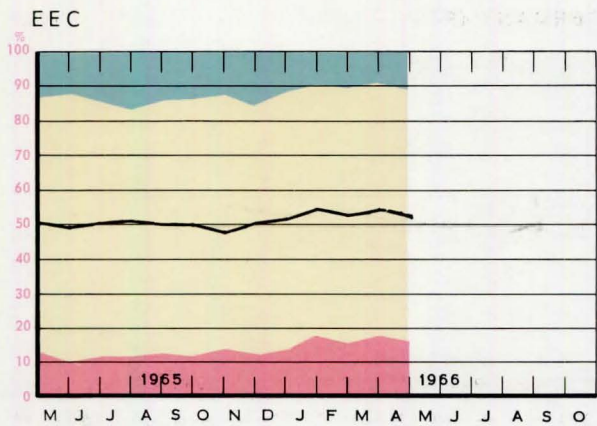
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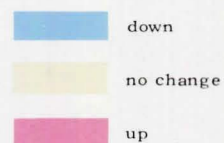
CAPITAL GOODS

Trend in production



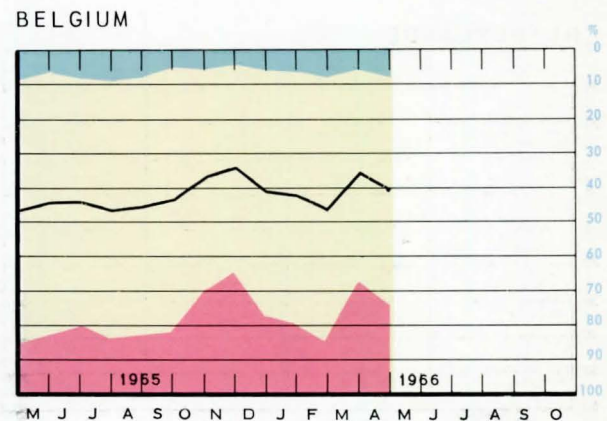
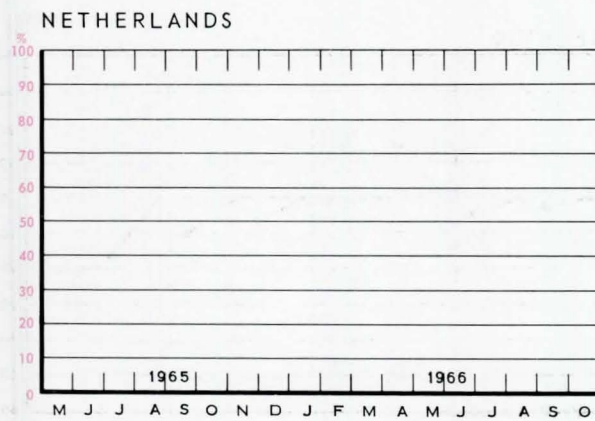
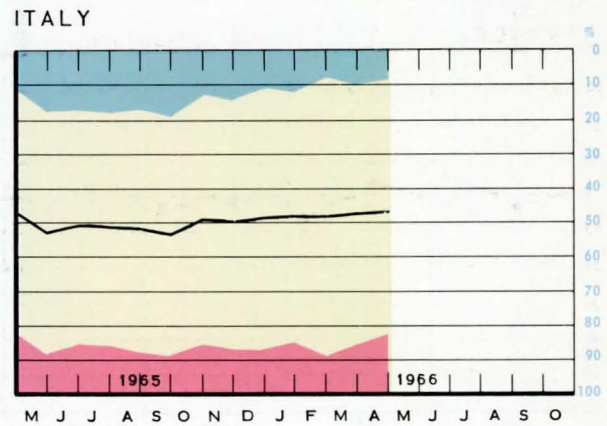
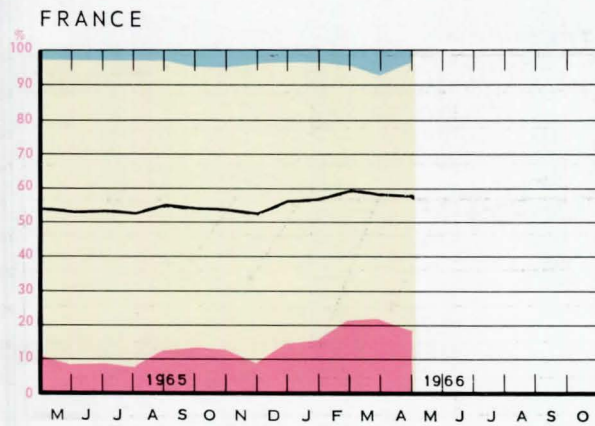
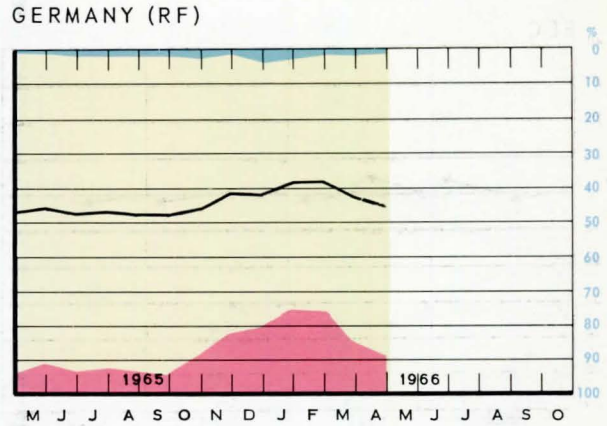
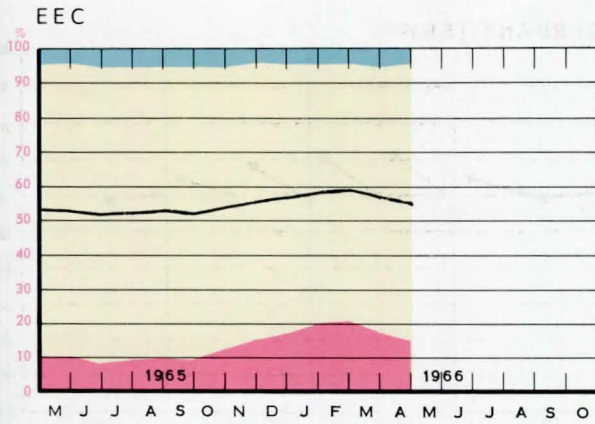
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- by 0.03 for the answer "up";
- by 0.02 for the answer "no change";
- by 0.01 for the answer "down".



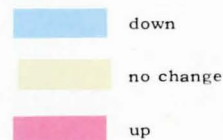
CAPITAL GOODS

Trend in selling prices



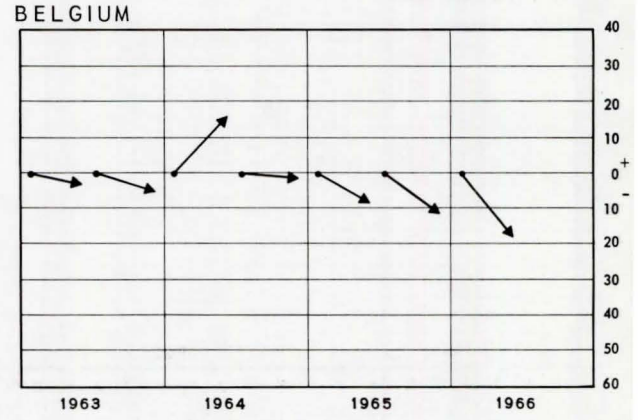
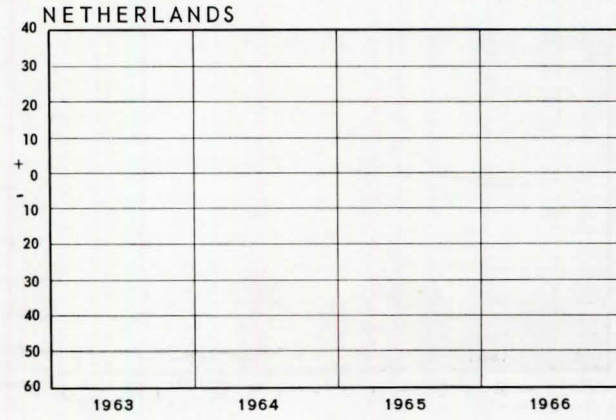
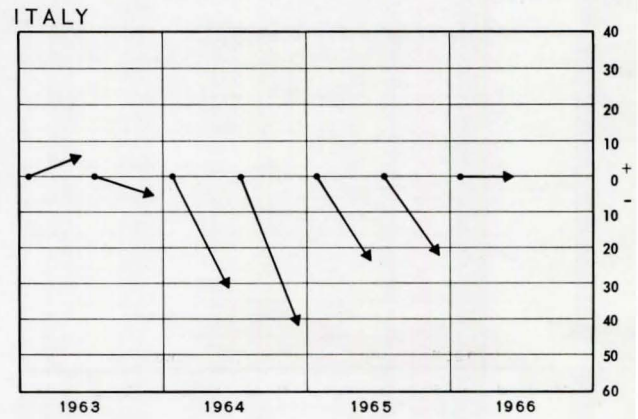
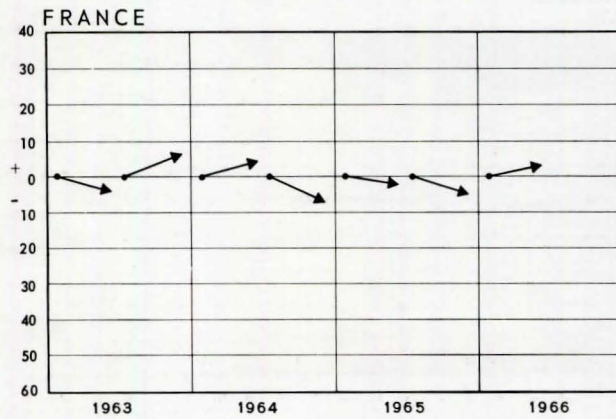
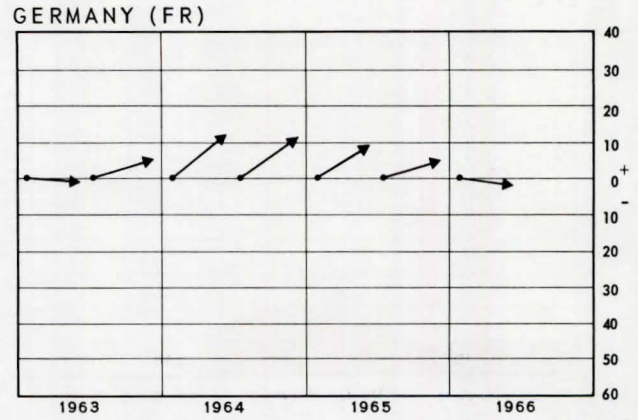
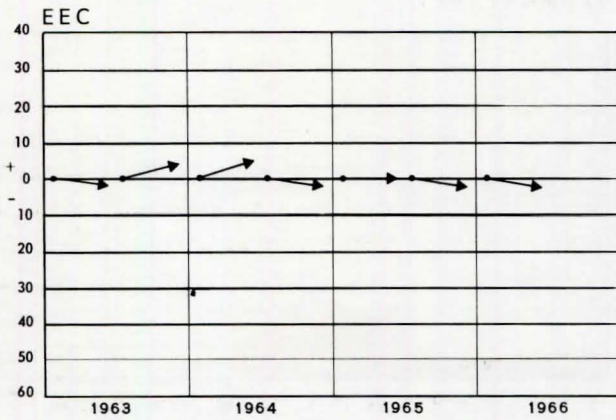
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by 0.03 for the answer "up";
by 0.02 for the answer "no change";
by 0.01 for the answer "down".



CAPITAL GOODS

Expectations (1)



(1) 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 the Federal Republic of Germany the slackening of expansion in the other sectors, combined with structural difficulties, has had a fairly substantial impact on activity in several basic industries. In the latest surveys, replies on total order-books have been more cautious, and a certain tendency for stocks to build up has emerged. None the less, in the growth industries, output expectations have remained very optimistic and point to continuing vigorous development. Demand from abroad has remained, for this sector as a whole, fairly strong, and in recent months about 75 % of managements have reported their export orders as normal. The price climate was apparently settled, since about 80 % of managements expected prices to remain unchanged.

In France, expansion in the processing industries has engendered a recovery in the basic industries. For a number of months now, according to the surveys, the demand for intermediate goods, particularly basic products and semi-manufactures for the consumer goods' industries, has increased substantially. Demand from abroad has also remained buoyant. All in all, the output expectations of managements have reflected a distinct tendency for activity to build up; even in heavy industry, where the mood has been consistently pessimistic since the autumn of 1964, expectations have recently shown an improvement. Selling prices should in general remain relatively stable, since the percentage of managements expecting increases has remained very low.

In Italy, the surveys have confirmed the re-appearance in the industries producing intermediate goods of an upward trend in line with the general recovery. Even in the industries that still showed hesitation early in 1966, demand has gained strength of late. All in all, the recent assessment of order-books by managements has shown a sharp improvement and has reached a degree of optimism not matched since 1963: at the end of May about 85 % of managements found their order-books normal or above normal. In addition, export order-books have been considered fairly satisfactory and production expectations were very optimistic. Some evidence of price strain was discerned in March-April, almost certainly due to the firmness of certain commodity prices, but in May the situation eased.

In Belgium, the slight improvement noted at the end of 1965 and early in 1966 continued until April. In May, however, conditions deteriorated a little. On average the percentage of managements reporting a poor flow of orders has for several months been running at about 25 %, whereas the number reporting order-books above normal has tended to contract. Replies on stocks have shown no noteworthy change. Production expectations, which were optimistic at the end of the winter, have deteriorated since, notably in heavy industry. Many managements reported that their prices were under pressure early in the year, but this trend has declined very appreciably; despite the steady rise of unit costs and a recent increase in taxes, the percentage of managements expecting their selling prices to remain unchanged rose from 58 % in February to 70 % in May.

For the Community as a whole, the situation in the intermediate goods sector has gained strength since the early months of the year: assessments of order-books have indicated an expansion of demand, but this trend varies fairly considerably from country to country and industry to industry.

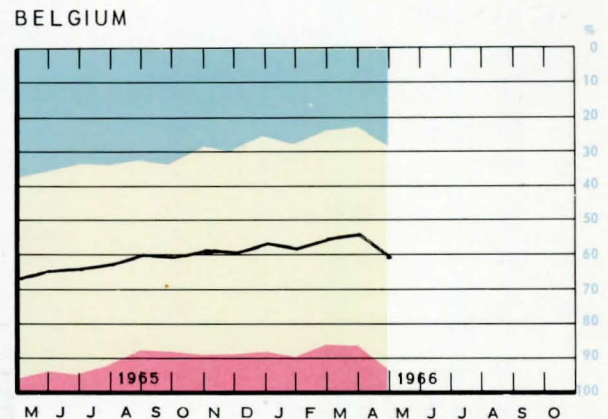
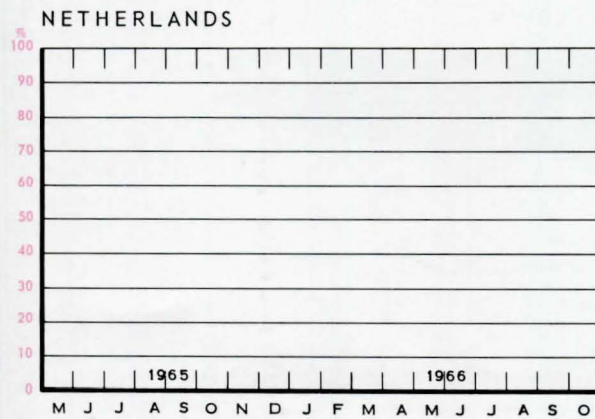
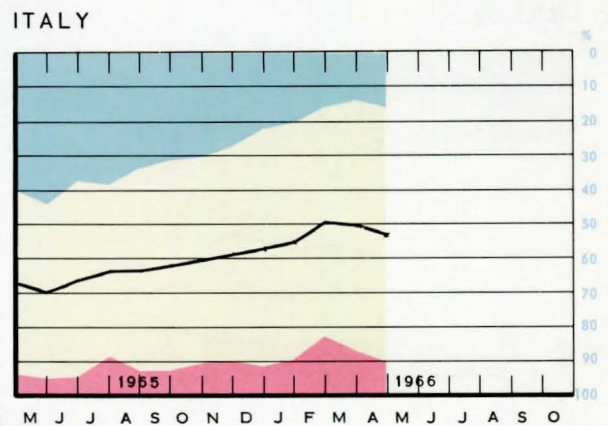
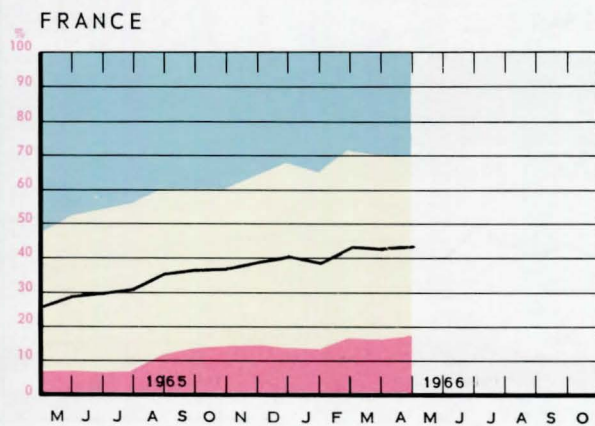
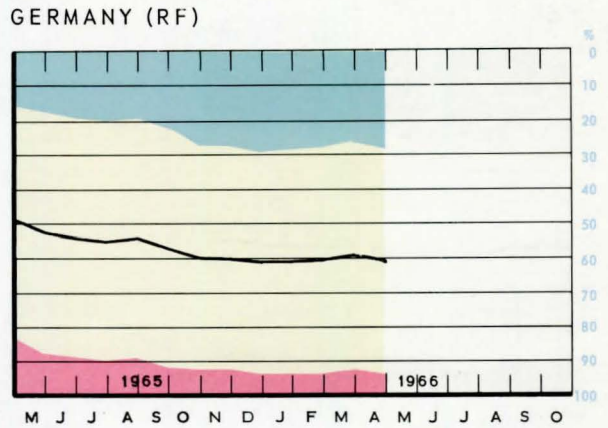
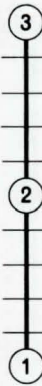
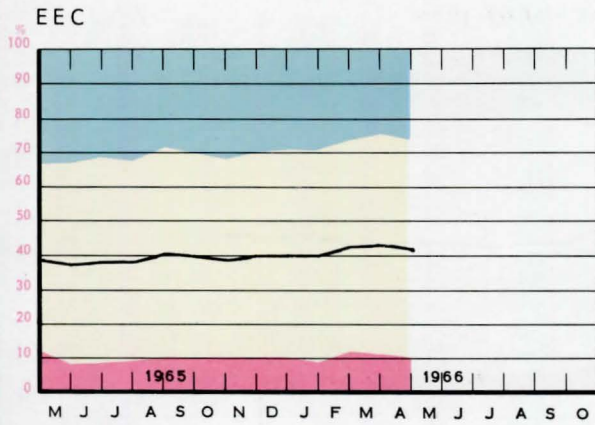
Because they are closely linked to private consumption trends, the textile and leather industries have been expanding vigorously, notably in Italy and in France. The production expectations of managements have on the whole been positive. Activity in the rubber industry has also been very buoyant; in particular, sales to the motor industry have recently increased substantially. Managements' replies indicate a distinct tendency for prices to rise. In the steel industry, demand has improved a little in recent months; it is none the less still sluggish. In general the distinct tendency for managements to predict higher prices has lost a little momentum, higher prices for specific iron and steel products having already been introduced in certain member countries. In the non-ferrous metals industry, the demand situation has on the whole been reported as fairly good; production expectations have improved but some price strain has also become discernible.

(the figures are percentages of replies received)

Country	Questions 1966	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M
GERMANY (FR)	+	6	6	6	7	6	6	7	8	8	10	15	14	13	15	13	15	21	21	14	9	11	14	16	14	10
	=	65	66	67	67	66	76	77	75	75	73	82	84	85	81	84	77	73	74	81	84	81	76	76	78	77
	-	29	28	27	26	28	18	16	17	17	17	3	2	2	4	3	8	6	5	5	7	8	10	8	8	13
FRANCE	+	14	13	16	16	17	16	15	19	20	19	16	17	16	17	19	26	28	31	25	22	18	16	18	16	12
	=	53	51	55	54	53	55	55	52	53	48	79	77	77	76	75	63	63	60	70	70	75	78	74	77	81
	-	33	36	29	30	30	29	30	29	27	33	5	6	7	7	6	11	9	9	5	8	7	6	8	7	7
ITALY	+	8	10	17	13	10	19	12	15	18	20	18	22	22	19	15	19	25	19	21	18	13	11	10	13	8
	=	70	70	67	73	74	54	66	68	56	53	76	69	75	78	81	77	71	78	75	76	78	81	84	82	83
	-	22	20	16	14	16	27	22	17	26	27	6	9	3	3	4	4	4	3	4	6	9	8	6	5	9
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	12	11	14	14	7	8	8	12	11	5	14	16	15	14	14	21	22	22	9	5	43	37	23	21	11
	=	63	62	62	64	65	65	65	55	66	70	77	73	74	75	78	69	66	64	75	74	53	58	66	70	70
	-	25	27	24	22	28	27	27	33	23	25	9	11	11	11	8	10	12	14	16	21	4	5	11	9	19
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	9	9	12	11	10	10	10	12	13	12	16	16	16	16	15	19	24	23	18	14	16	17	17	15	11
	=	62	62	62	65	64	67	68	65	66	64	79	79	80	79	80	73	69	71	76	78	76	75	75	78	78
	-	29	29	26	24	26	23	22	23	21	24	5	5	4	5	5	8	7	6	6	8	8	8	8	7	11

INTERMEDIATE GOODS

Order-books



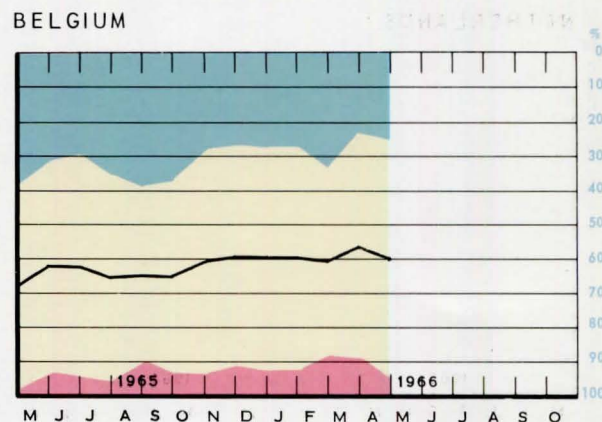
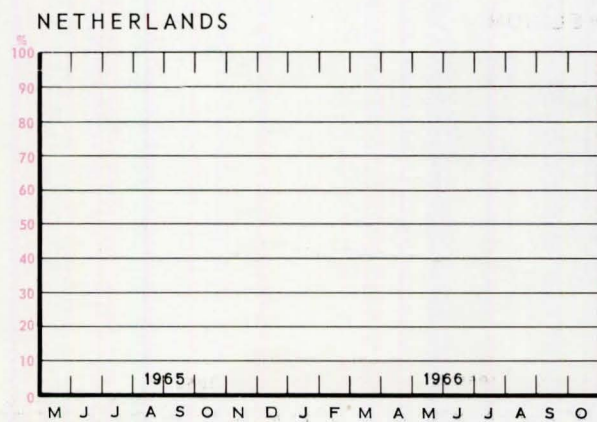
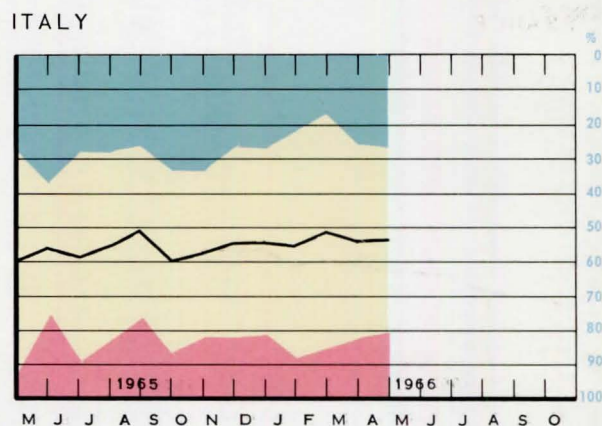
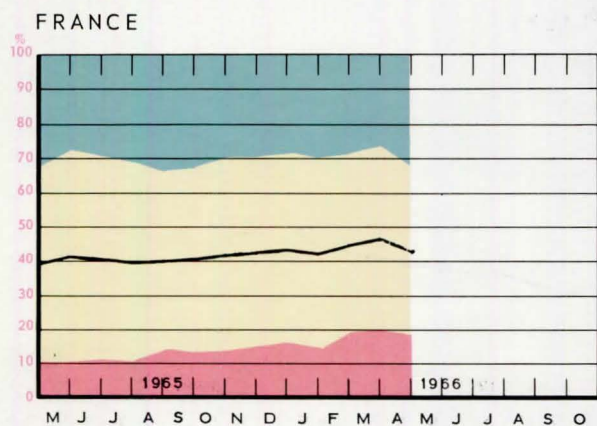
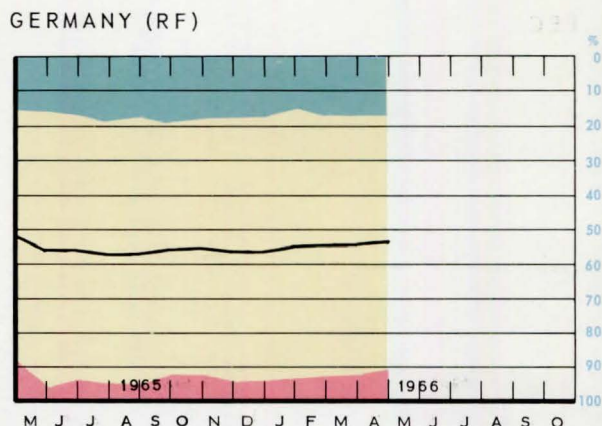
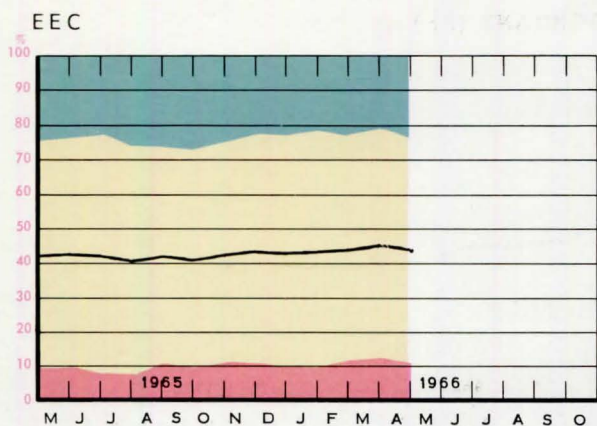
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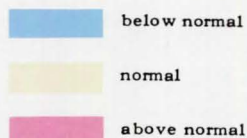
INTERMEDIATE GOODS

Export order-books



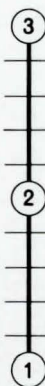
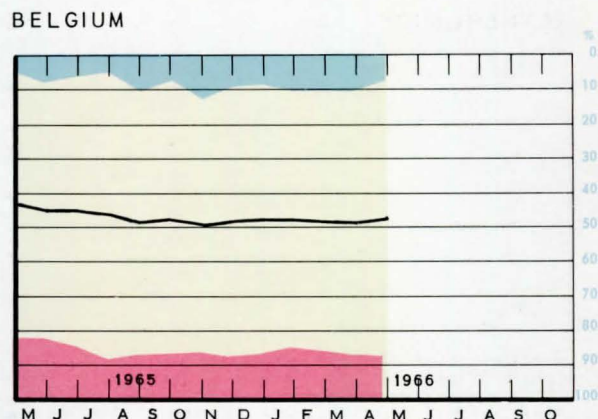
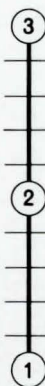
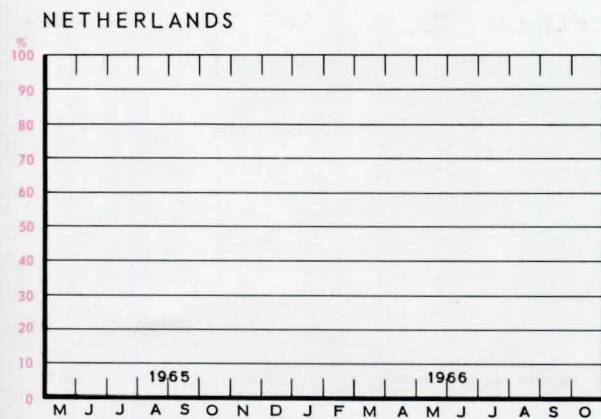
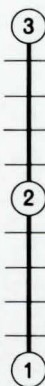
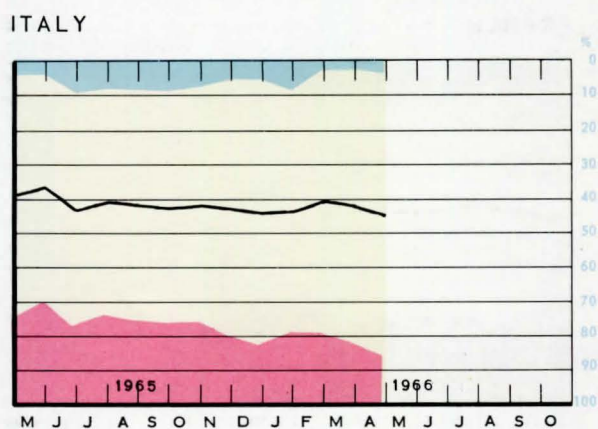
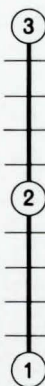
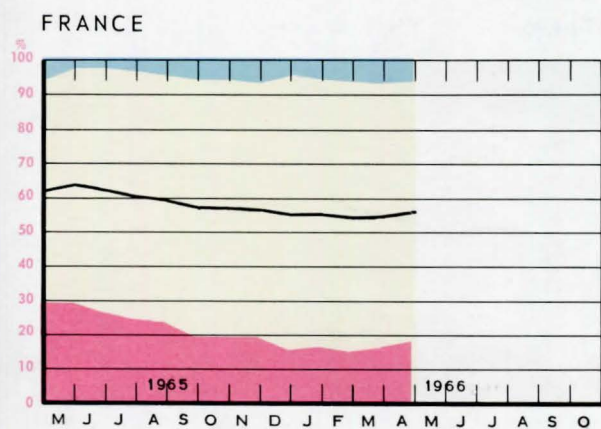
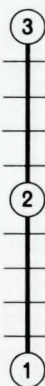
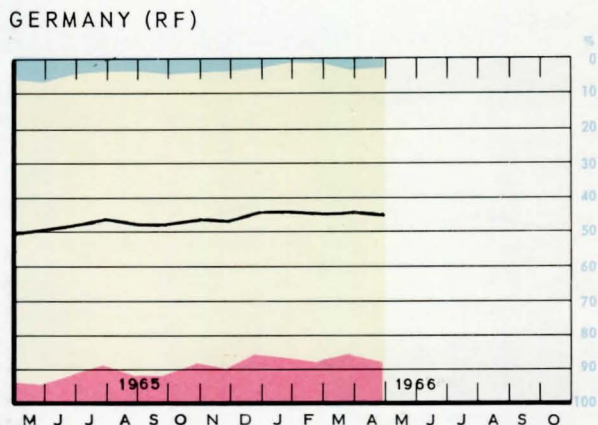
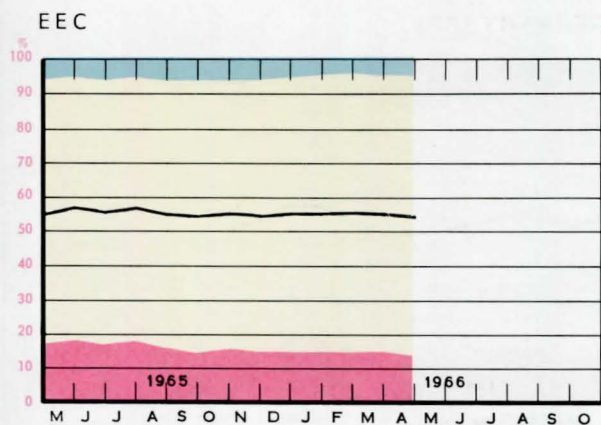
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale of which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- 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



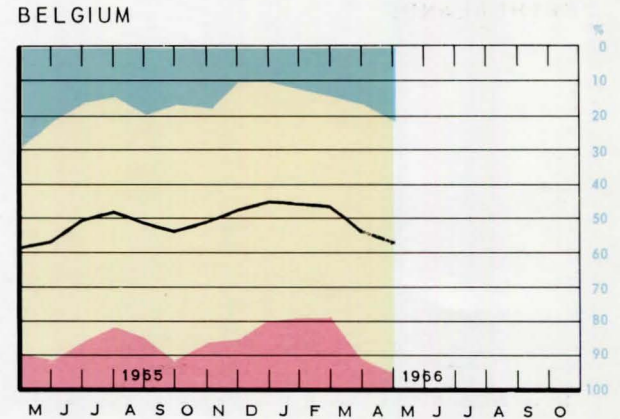
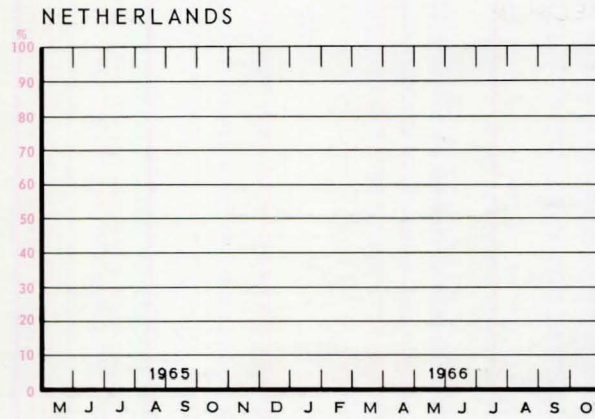
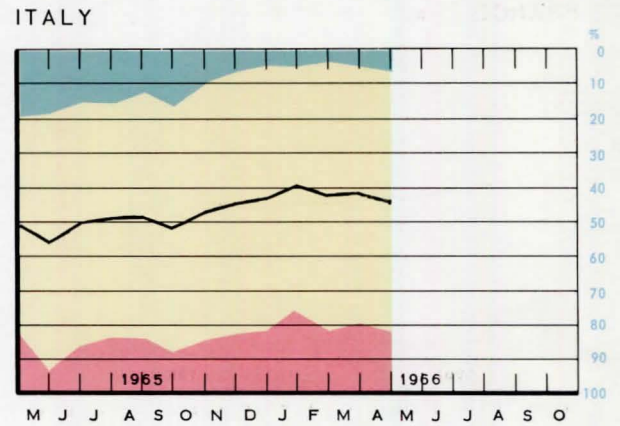
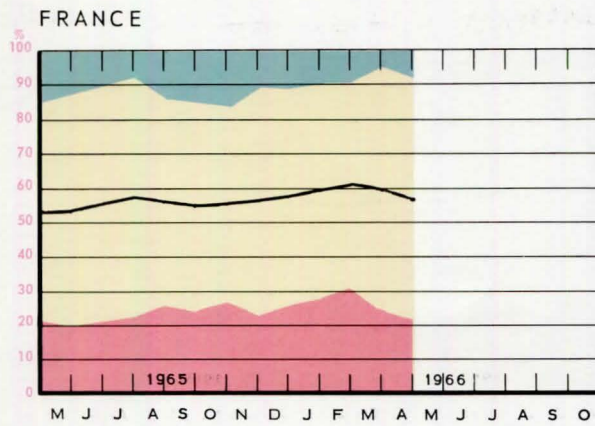
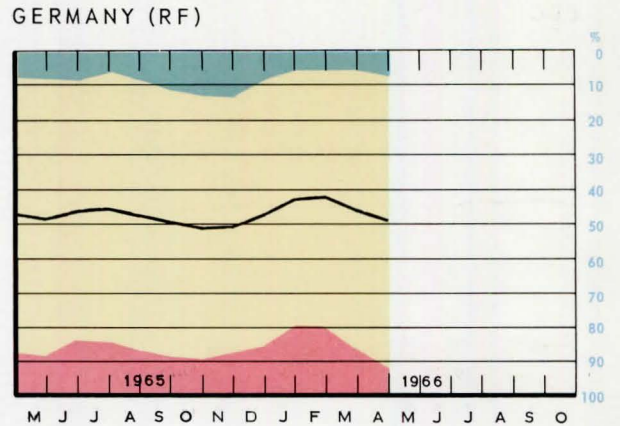
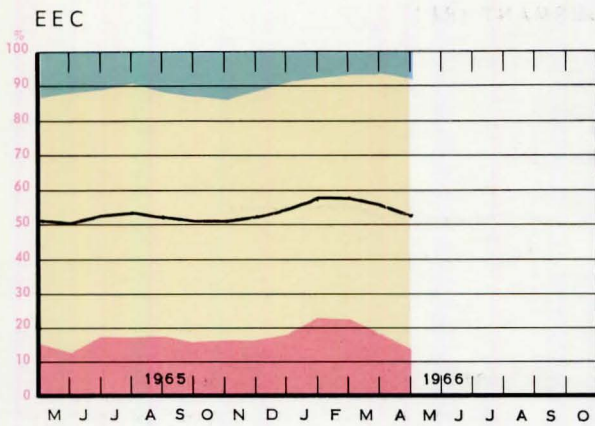
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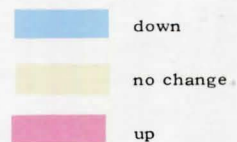
INTERMEDIATE GOODS

Trend in production



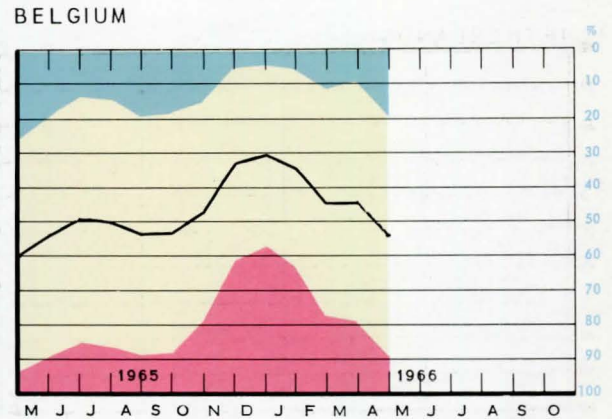
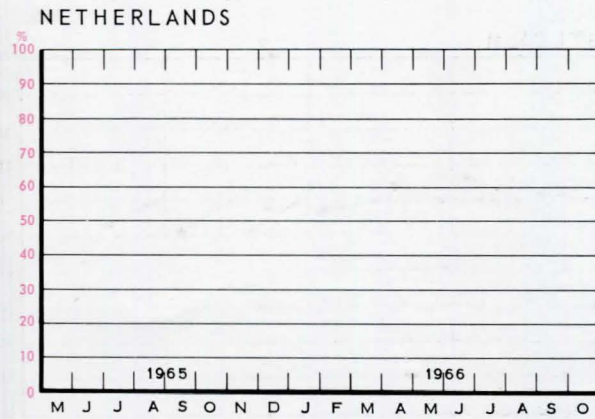
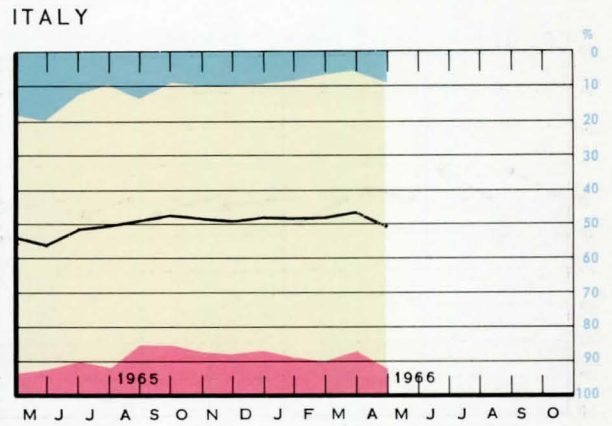
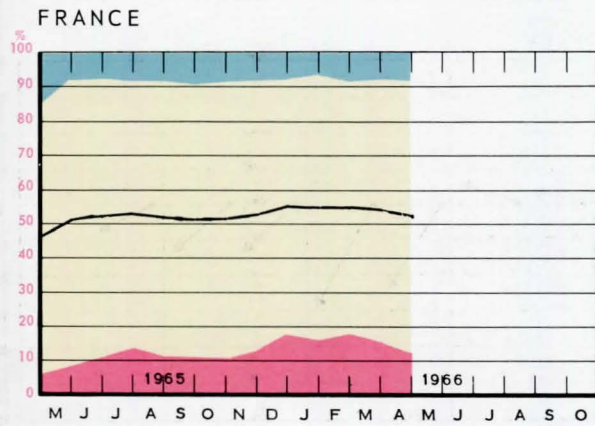
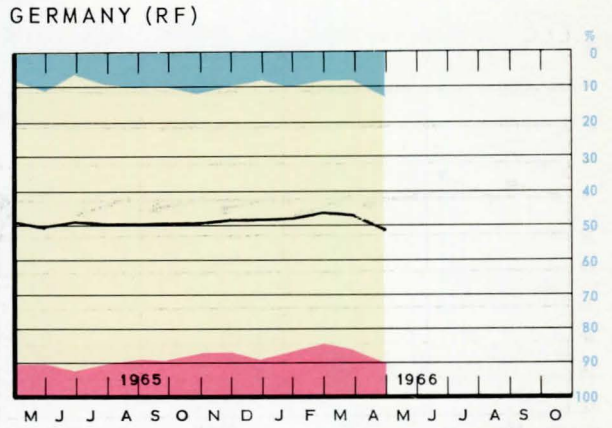
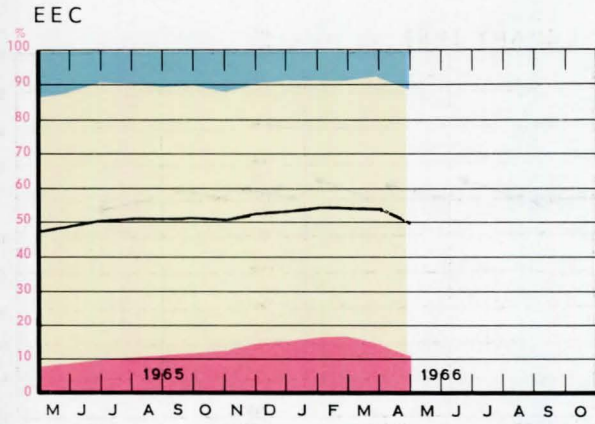
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



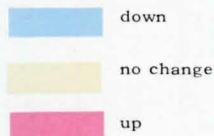
INTERMEDIATE GOODS

Trend in selling prices



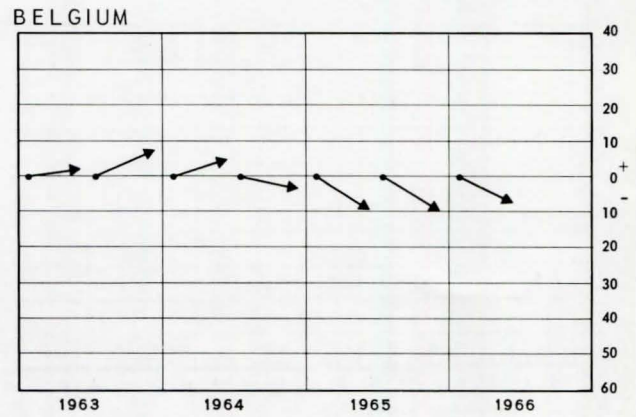
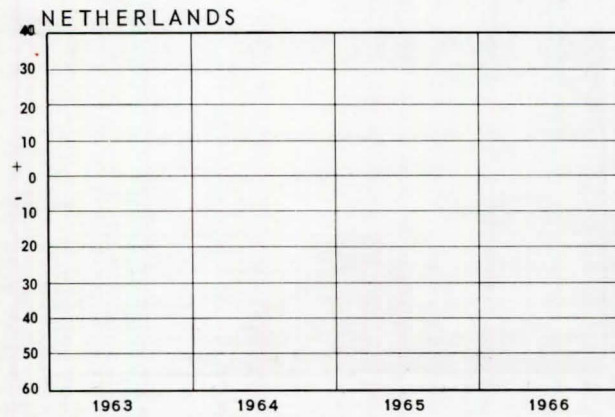
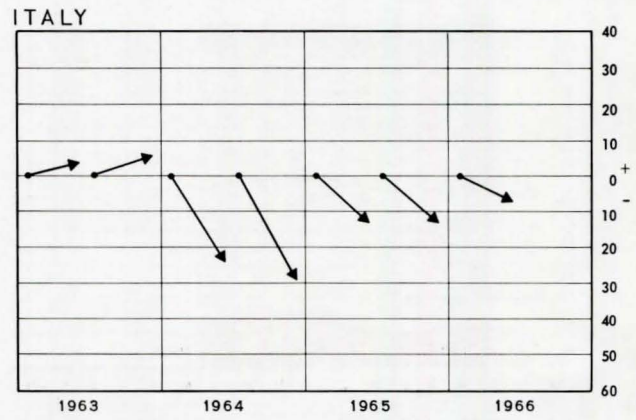
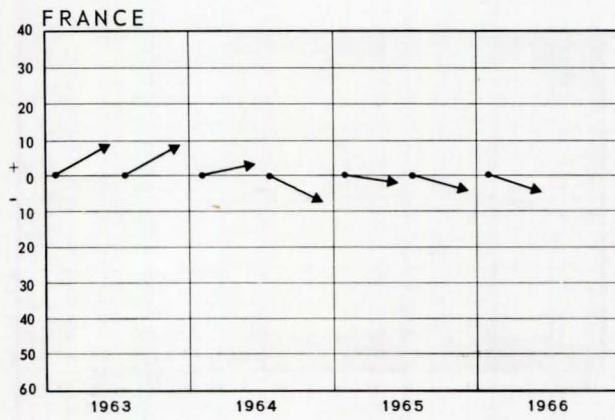
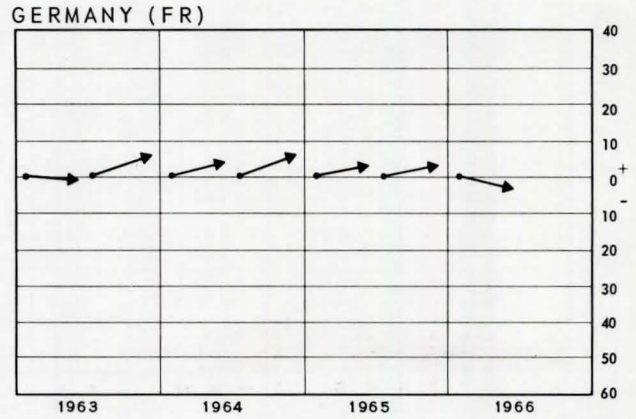
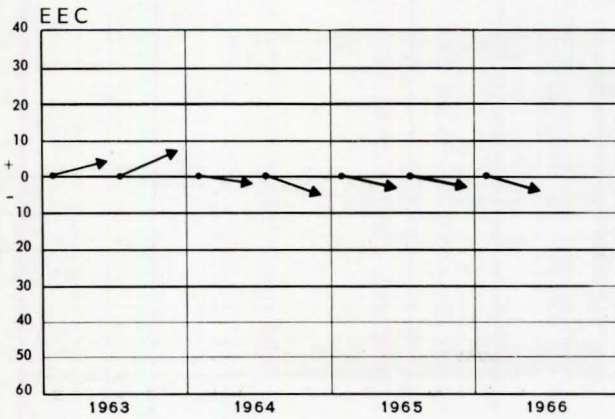
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



INTERMEDIATE GOODS

Expectations ⁽¹⁾



⁽¹⁾ 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

(the figures are percentages of replies received)

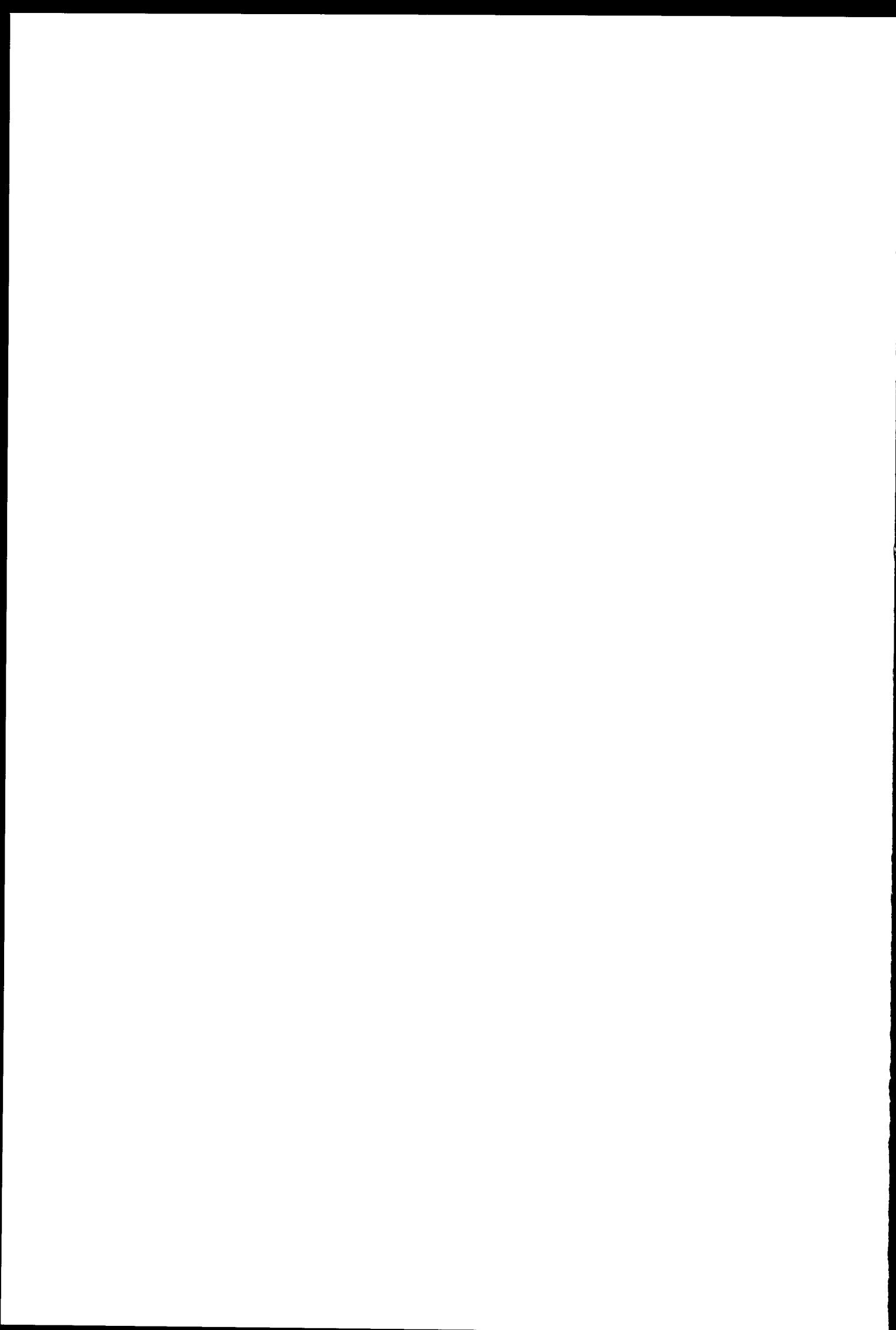
Sector	Questions 1966	Assessments															Expectations									
		Total order-book					export order-book					Stocks of finished products					Production					Selling prices				
		J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M
1. Textiles	+	13	13	13	13	13	6	6	9	8	9	29	34	31	34	35	21	21	17	19	14	19	16	18	15	11
	=	54	51	55	55	51	53	53	56	53	52	66	58	63	60	61	72	70	74	72	76	77	76	74	79	79
	-	33	36	32	32	36	41	41	35	39	39	5	8	6	6	4	7	9	9	9	10	4	8	8	6	10
2. Garments and knitted and crocheted goods	+	23	19	21	23	21	12	9	8	10	9	19	20	15	17	23	30	31	27	27	27	24	21	16	18	17
	=	60	64	61	60	62	53	58	58	61	60	71	71	74	74	69	65	63	67	67	66	75	77	82	80	81
	-	17	17	18	17	17	35	33	34	29	31	10	9	11	9	8	5	6	6	6	7	1	2	2	2	2
3. Leather and footwear	+	20	19	24	26	23	11	7	25	14	19	14	14	12	13	20	21	21	26	19	19	50	50	54	50	40
	=	59	58	53	50	54	63	60	49	60	52	76	76	80	77	71	74	74	64	65	72	48	38	44	47	56
	-	21	23	23	24	23	26	33	26	26	29	10	10	8	10	9	5	5	10	16	9	2	12	2	3	4
4. Wood and cork	+	6	8	9	7	9	6	10	8	5	1	33	33	31	30	26	18	21	17	15	12	13	14	15	16	10
	=	50	50	56	58	54	47	51	48	49	60	64	62	63	66	68	74	73	74	78	78	78	79	78	79	83
	-	44	42	35	35	37	47	39	44	46	39	3	5	6	4	6	8	6	9	7	10	9	7	7	5	7
5. Furniture	+	15	18	17	18	21	16	11	15	15	16	18	22	21	14	15	33	36	27	30	22	27	25	26	24	23
	=	52	53	59	60	55	59	59	55	52	56	74	66	66	71	74	64	62	70	66	71	71	73	72	75	76
	-	33	29	24	22	24	25	30	30	33	28	8	12	13	15	11	3	2	3	4	7	2	2	2	1	1
6. Paper	+	8	9	8	9	9	1	8	10	13	7	24	24	20	21	21	19	22	24	22	18	13	10	13	11	8
	=	60	60	67	65	62	61	56	51	56	57	73	70	74	74	74	75	75	73	73	76	81	86	83	84	89
	-	32	31	25	26	29	38	36	39	31	36	3	6	6	5	5	6	3	3	5	6	6	4	4	5	3
7. Printing	+	13	10	14	9	9	8	8	8	1	5	7	8	8	7	4	13	17	19	11	8	17	16	10	7	7
	=	67	69	69	73	72	87	86	86	95	86	93	92	92	93	96	81	75	75	83	82	83	84	90	92	93
	-	20	21	17	18	19	5	6	6	4	9	0	0	0	0	0	6	8	6	6	10	0	0	0	1	0
8. Processing of plastics	+	14	10	13	14	12	6	2	5	4	5	14	16	16	11	9	29	31	34	35	38	5	7	4	3	2
	=	62	61	67	57	56	54	55	74	54	50	80	80	75	86	87	64	66	64	62	57	75	75	79	78	81
	-	24	29	20	29	32	40	43	21	42	45	6	4	9	3	4	7	3	2	3	5	20	18	17	19	17
9. Chemicals	+	7	10	17	17	18	13	14	14	21	19	16	14	10	10	10	29	41	41	29	15	5	7	5	5	7
	=	85	78	72	73	75	78	75	78	71	74	79	81	86	82	83	68	56	56	66	83	75	77	76	77	63
	-	8	12	11	10	7	9	11	8	8	7	5	5	4	8	7	3	3	3	5	2	20	16	19	18	30
10. Petroleum	+	11	3	12	8	3	31	21	24	25	25	0	7	18	25	14	37	36	39	32	41	15	0	0	0	4
	=	85	91	78	82	91	67	76	69	64	64	90	92	82	69	80	63	61	60	68	59	85	78	97	92	91
	-	4	6	10	10	6	2	3	7	11	11	10	1	0	6	6	0	3	1	0	0	0	22	3	8	5
11. Building materials, pottery, glassware	+	3	9	10	8	7	8	12	8	10	8	35	37	33	28	31	14	16	17	17	14	9	15	17	15	13
	=	54	53	59	58	59	63	51	65	66	66	62	60	63	68	65	75	75	78	76	79	82	75	75	77	81
	-	43	38	31	34	34	29	37	27	24	26	3	3	4	4	4	11	9	5	7	7	9	10	8	8	6
12 + 13. Iron and steel - Primary processing of iron and steel	+	3	4	4	5	4	4	4	6	6	7	9	9	9	8	10	8	15	12	10	8	19	27	28	24	17
	=	49	48	56	60	58	69	74	66	73	67	89	88	91	92	89	77	74	80	84	81	75	69	68	73	76
	-	48	48	40	35	38	27	22	28	21	26	2	3	0	0	1	15	11	8	6	11	6	4	4	3	7
14. Metal consumer articles	+	3	5	8	6	7	16	16	14	19	18	29	28	27	29	32	19	23	22	20	20	24	27	23	18	11
	=	55	56	53	51	57	44	50	50	47	50	68	67	67	63	61	69	69	68	69	71	71	72	76	78	87
	-	42	39	39	43	36	40	34	36	34	32	3	5	6	8	7	12	8	10	11	9	5	1	1	4	2
15. General equipment	+	7	7	8	9	6	7	8	7	9	6	21	18	17	13	14	13	15	12	17	16	19	25	20	16	12
	=	56	53	54	54	55	40	42	41	40	47	72	76	76	81	79	74	70	77	74	74	76	66	74	76	83
	-	37	40	38	37	39	53	50	52	51	47	7	6	7	6	7	13	15	11	9	10	5	9	6	8	5

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

(the figures are percentages of replies received)

Sector	Questions 1966	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M	J	F	M	A	M
16. Mechanical equipment (other than electrical)	+	9	10	13	17	16	11	10	14	17	16	25	23	19	20	21	13	16	16	18	17	21	24	25	19	13
	=	52	54	54	46	52	52	53	54	49	51	68	69	74	73	74	77	77	76	73	72	76	75	73	80	86
	-	39	36	33	37	32	37	37	32	34	33	7	8	7	7	5	10	7	8	9	11	3	1	2	1	1
17. Domestic electric appliances, radio, television	+	11	8	8	2	3	8	5	6	10	5	27	26	26	29	28	15	18	17	17	12	10	9	8	5	2
	=	62	67	63	68	65	72	73	68	64	57	67	69	68	64	65	77	75	75	76	72	82	84	87	86	87
	-	27	25	29	30	32	20	22	26	26	38	6	5	6	7	7	8	7	8	7	16	8	7	5	9	11
18. Electrical equipment	+	15	13	12	14	16	26	14	13	16	13	17	15	18	18	19	22	27	24	26	24	15	18	20	21	22
	=	60	63	62	57	54	49	57	54	51	55	77	80	76	72	73	67	63	63	62	61	77	77	75	71	71
	-	25	24	26	29	30	25	29	33	33	32	6	5	6	10	8	11	10	13	12	15	8	5	5	8	7
19. Motor vehicle industry	+	18	21	19	29	28	16	22	19	23	18	23	16	12	12	11	54	51	41	34	22	9	11	25	13	8
	=	67	66	68	58	60	65	63	66	60	65	55	70	72	62	71	45	47	57	59	68	90	88	74	86	91
	-	15	13	13	13	12	19	15	15	17	17	22	14	16	26	18	1	2	2	7	10	1	1	1	1	1
20. Shipbuilding, aircraft manufacturing, railway and tramway rolling stock	+	7	7	12	14	9	1	1	2	2	3	17	23	17	18	0	11	13	6	7	8	19	19	24	26	29
	=	50	52	57	56	58	53	52	53	53	59	83	77	83	82	98	72	76	72	82	79	81	81	73	70	67
	-	43	41	31	30	33	46	47	45	45	38	0	0	0	0	2	17	11	22	11	13	0	0	3	4	4
21. Precision and optical instruments, watches and clocks	+	8	10	17	13	14	4	7	8	9	12	17	18	13	16	18	18	20	17	16	16	35	26	21	17	11
	=	63	62	57	56	62	59	61	52	56	55	73	70	77	72	72	73	72	75	75	76	62	72	77	82	88
	-	29	28	26	31	24	37	32	40	35	33	10	12	10	12	10	9	8	8	9	8	3	2	2	1	1
B. Rubber	+	7	9	7	8	8	25	0	13	20	13	20	8	16	19	9	28	17	18	19	21	27	27	22	44	22
	=	79	81	82	81	81	60	71	67	60	67	74	85	78	73	86	68	79	81	81	79	71	73	78	53	75
	-	14	10	11	11	11	15	29	20	20	20	6	7	6	8	5	4	4	1	0	0	2	0	0	3	3
C. Non-ferrous metals industry	+	12	16	20	14	16	21	18	22	18	20	12	11	11	10	5	13	13	17	16	8	20	18	24	17	6
	=	47	52	47	49	44	50	54	46	47	46	81	84	74	72	82	73	80	67	72	74	66	76	63	69	78
	-	41	32	33	37	40	29	28	32	35	34	7	5	15	18	13	14	7	16	12	18	14	6	13	14	16
Total of industry	+	10	11	13	14	13	12	11	12	14	13	20	19	17	17	18	21	25	23	21	17	17	18	19	16	13
	=	61	60	61	60	60	60	61	61	59	59	74	75	77	75	76	71	68	70	72	74	77	76	75	78	80
	-	29	29	26	26	27	28	28	27	27	28	6	6	6	8	6	8	7	7	7	9	6	6	6	6	7

INDUSTRIAL INVESTMENT SURVEY



INTRODUCTION (1)

As part of the work being carried out to improve the instruments for analysing economic trends, a harmonized questionnaire on current and projected investment operations has been sent to managements in the European Economic Community since the beginning of 1964. As with the general Business Survey, and for similar reasons, Dutch firms do not yet feel able to take part.

The questionnaire, which is sent out twice a year, seeks to discover variations in investment outlay. In February-March it covers the outlay for the past year and the forecasts for the current year; in October-November it calls for an estimate for the current year and a forecast for the following year. Thus, for any given year, the first forecast is made in reply to the October-November questionnaire of the preceding year, and the second in the February-March survey of the current year; an estimate of actual investment is obtained from the answers to the October-November questionnaire and firm figures from replies to the February-March questionnaire of the following year.

The sectors covered by the survey are:

- I. Basic products industries
- II. Metallurgical industries
- III. Mechanical and electrical engineering industries
- IV. Processing industries
- V. Extractive industries
- VI. Food industries.

Groups I to VI together account for the bulk of industrial activity; in general, however, the investment of public utilities such as the railways, post office, telephones, etc., and electricity are not included. The definition of investment is that used for national accounting purposes.

In the interpretation of the results it must be noted that by and large total investment in the sectors mentioned above accounts, in the various member countries, for only about 60% of overall investment by business enterprises as defined for national accounting purposes (excluding residential construction). In particular, investment in agriculture, transport, wholesale and retail trade and in the services sector generally is not covered by the survey. Moreover, total investment in the six sectors accounts for only about one quarter of total gross fixed asset formation.

After the usual preparatory period needed for any new inquiry, especially in the particularly delicate field of investment, results are published for the first time in this report. For the present only Germany, France and Italy are covered. For the other countries taking part, in which the operation has just been started, a running-in period is required before results can be published. The data given here concern the total investment expenditure (in money terms) in Sectors I to IV. For reasons connected with comparability in time, the extractive and food industries have for the present been excluded; it is only in October 1965 that these two sectors were brought within the scope of the survey. The graphs below give, for each year, the forecasts made in October-November and again in February-March on variations in investment outlay, and also the investment actually carried out, as revealed by the inquiry made early in the following year.

(1) Details of the method adopted in this survey have already been published in "Principles and Methods used in the Business Surveys carried out among Heads of Enterprises in the Community" (December 1963).

In the Federal Republic of Germany, investment by private industry began to soar at the end of 1963 and probably reached its peak in the first half of 1965. Since then investment outlay has shown signs of flagging; this was already very evident in the investment forecasts for 1966 made in October of last year. Meanwhile, the situation has further deteriorated: figures given in replies to the spring questionnaire were even less favourable. This trend is mainly due to the progressive narrowing of profit margins and to the increasing difficulty of obtaining funds from outside sources. However, the forecasts still point to a slight increase in the volume of investment.

In France, the predictions for 1966 made in October and in March are very much the same, and show a revival of the propensity to invest. In the two preceding years the investment outlay of private industry had marked time or even contracted slightly and, given the upward price movement, this meant a slight decline in volume. The higher figures forecast for 1966 should more than offset this loss; not only the general development of activity (with firms running nearer capacity) and improved sales expectations, but also the enhanced scope for self-financing will contribute to the revival of growth. It should be noted, in this connection, that tax incentives introduced by the Government are almost certainly contributing to the new trend. The favourable results of the surveys of industrial investment plans are also confirmed by the replies on order-books sent in by managements in the capital goods sector.

In Italy, the investment plans for 1966 reported in the last two surveys show that investment will be more dynamic, and this is reflected in distinctly positive growth rates. The very buoyant growth of production and a tendency for industrial profit margins to revert to normal are certainly the main reasons for this trend, which is in line with the recovery in Italy, but which is also being encouraged by the various measures taken by the Government (tax incentives, financing facilities, subsidies, etc). However, firms are still running below capacity and it is therefore very probable that this new investment will for the greater part be devoted once more to rationalization. In view, however, of the very sharp decline which occurred in 1964 and in 1965, the increase planned for 1966 does not hold out any hope that outlay will again touch the peak reached in 1963.

TABLE SHOWING INVESTMENT BY MANUFACTURING INDUSTRY (1)

(% change on figures of preceding year – forecasts and actual outlay)

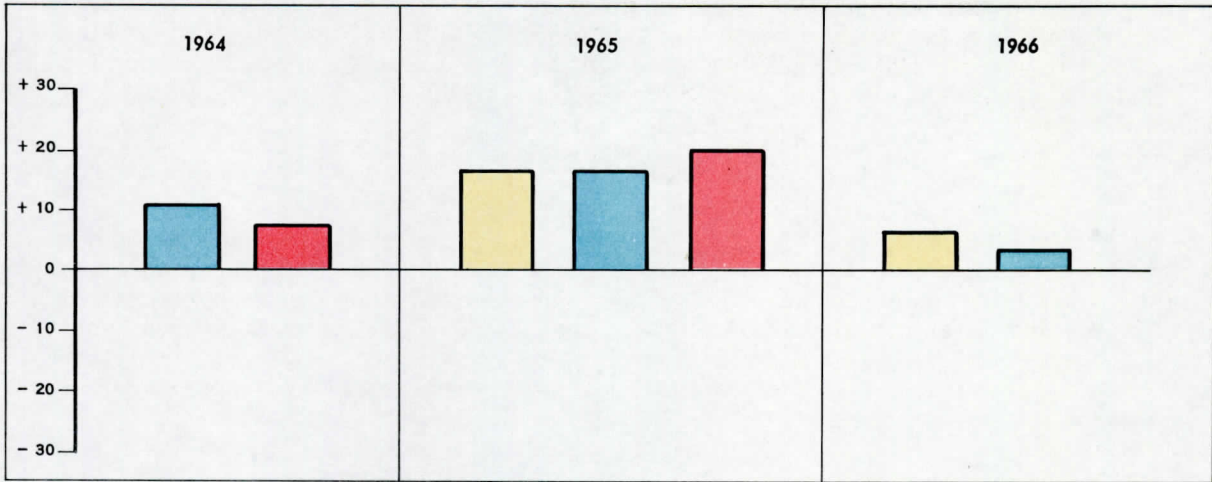
Investment for the year	Germany (FR)			France			Italy		
	1964	1965	1966	1964	1965	1966	1964	1965	1966
Date of survey:									
February/March 1964	+ 10			- 1			- 8		
October/November 1964	+ 12	+ 16		- 1	0		- 12	- 23	
February/March 1965	+ 7	+ 16		0	0		- 8	- 24	
October/November 1965		+ 17	+ 6		- 4	+ 4		- 17	+ 21
February/March 1966		+ 19	+ 3		- 2	+ 4		- 28	+ 10

(1) Excl. food and extractive industries.

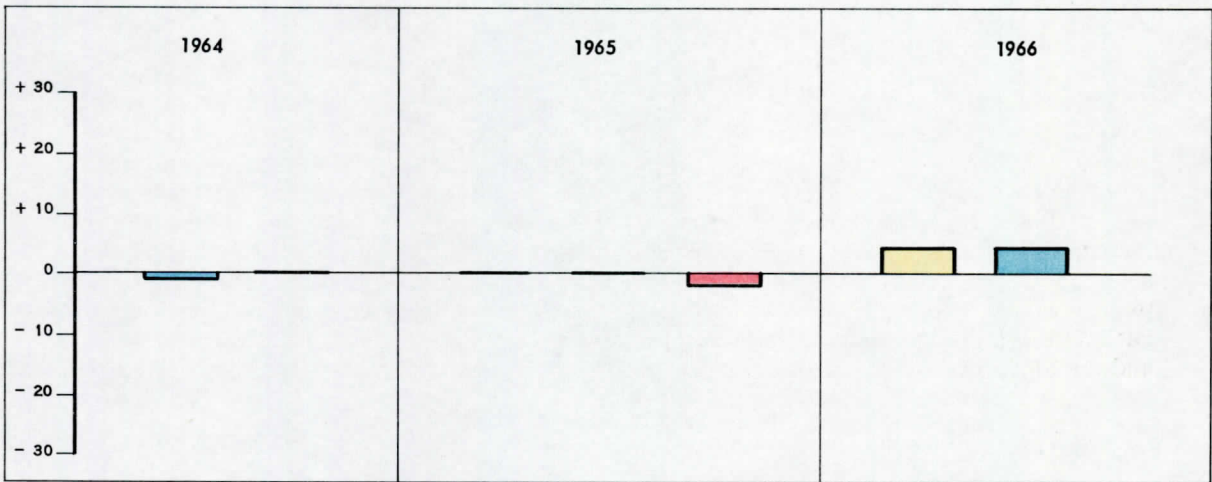
GRAPHS SHOWING INVESTMENT BY MANUFACTURING INDUSTRY (1)

(% change on figures of preceding year)

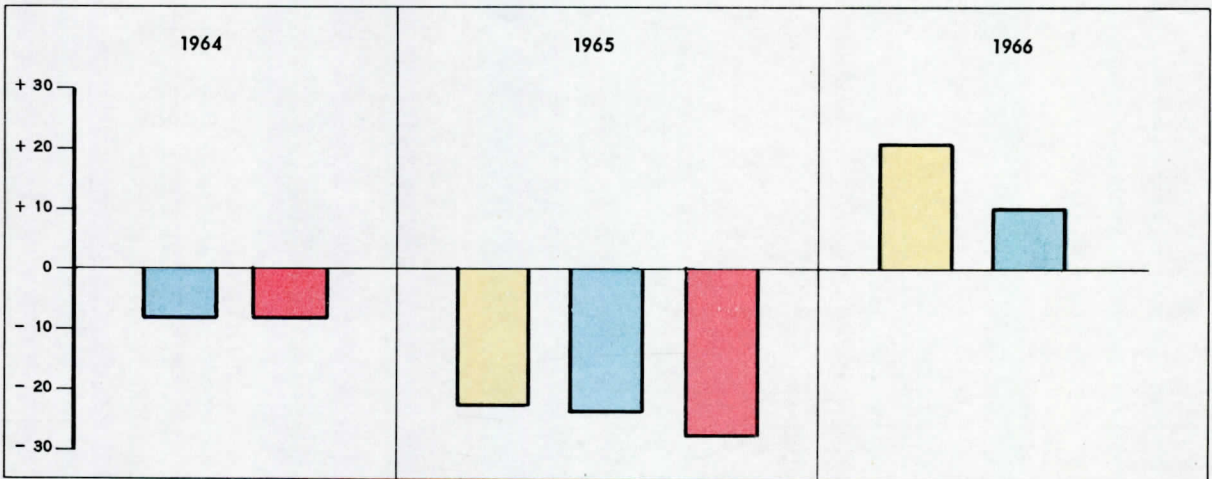
GERMANY (FR)



FRANCE



ITALY



- First forecast of outlay, made October-November of preceding year.
- Second forecast of outlay, made February-March of current year.
- Amount actually spent, as reported February-March of following year.

(1) Excl. food and extractive industries.

