

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

**European
Economic
Community**
Commission



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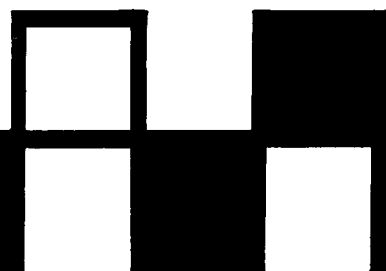
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**Directorate-
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and Financial
Affairs**

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1967



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**Commission of the European Economic Community
Directorate-General for Economic and Financial Affairs
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EEC business surveys, carried out :

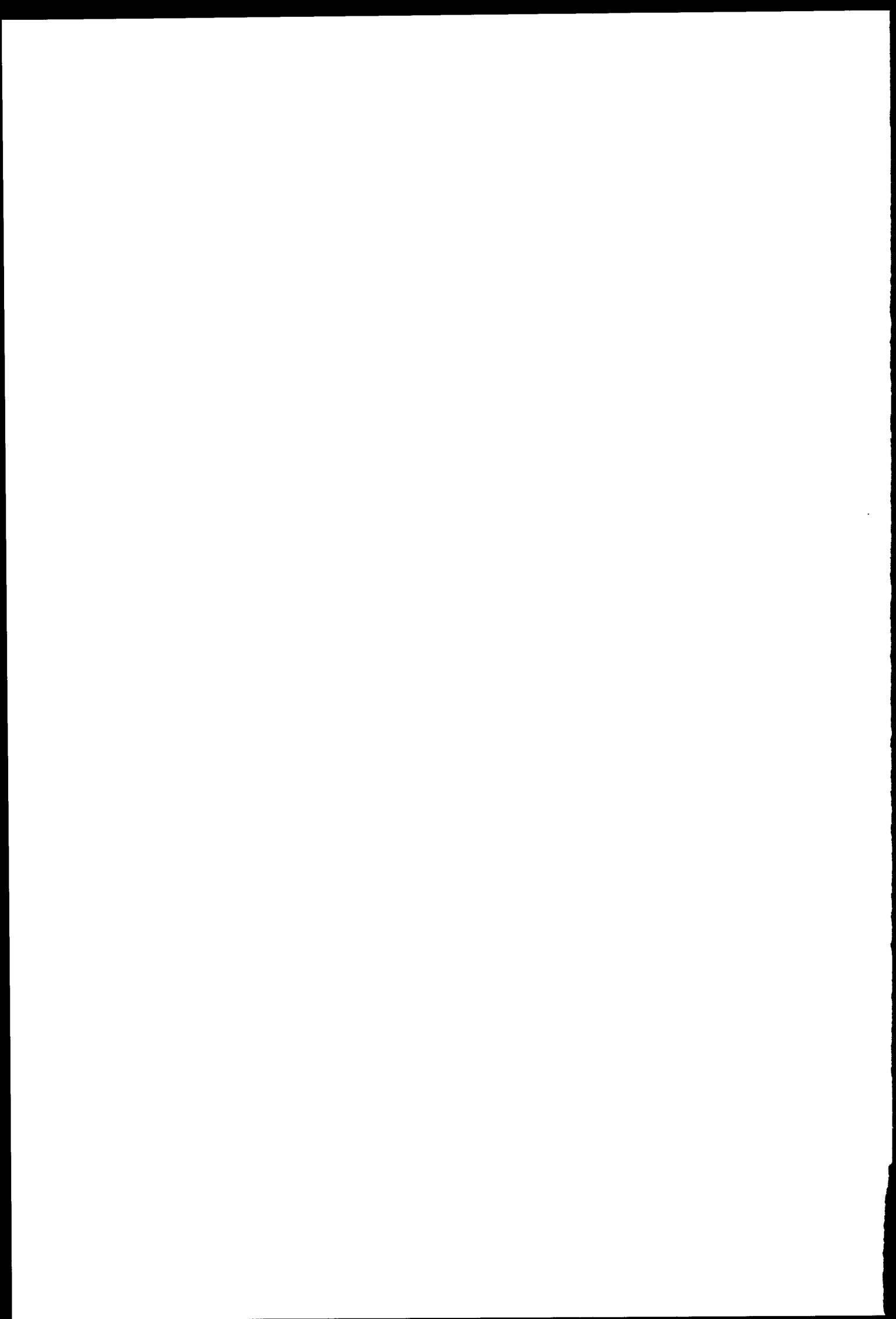
**in the German Federal Republic by the IFO-Institut
in France by INSEE
in Italy by ISCO-Mondo Economico
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EUROPEAN ECONOMIC COMMUNITY
COMMISSION

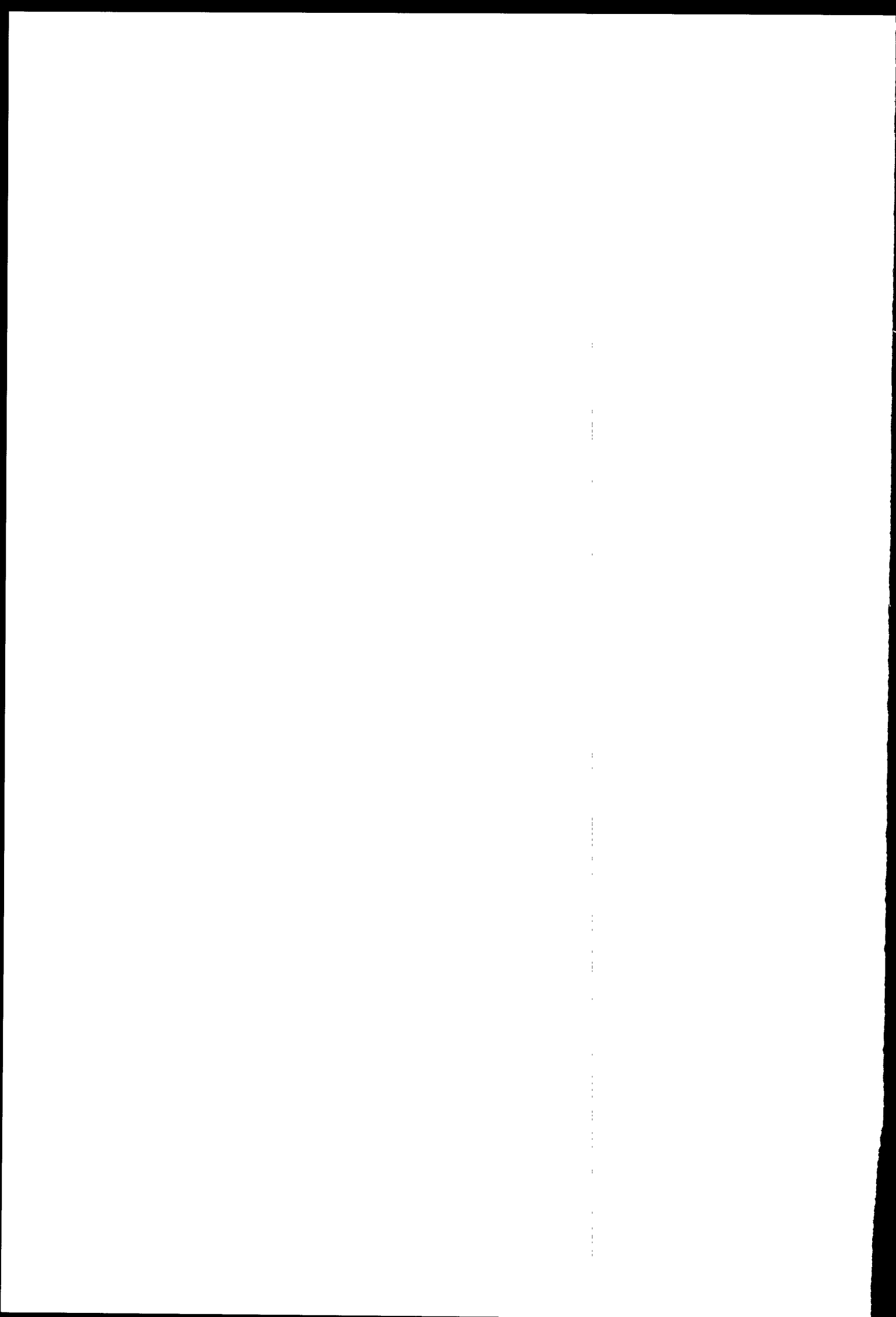
Directorate-General for Economic and Financial Affairs

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

May 1967



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 October 1966 and the end of March 1967. 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
<p>Garments and knitted and crocheted goods</p> <p>Footwear and processing of leather</p> <p>Consumer chemicals</p> <p>Furniture</p> <p>China and hollow glass</p> <p>Metal consumer articles</p> <p>Domestic electric appliances</p> <p>Private cars</p> <p>Photographic goods, spectacles, watches and clocks</p>	<p>Building materials</p> <p>General equipment products</p> <p>Mechanical equipment (other than electrical)</p> <p>Electrical equipment goods</p> <p>Commercial vehicles</p> <p>Shipbuilding, aircraft manufacturing, railway and tramway rolling stock</p> <p>Precision instruments</p>	<p>Textiles</p> <p>Leather</p> <p>Wool and cork</p> <p>Paper</p> <p>Printing</p> <p>Processing of plastics</p> <p>Basic chemicals</p> <p>Chemicals for industrial and agricultural uses</p> <p>Petroleum</p> <p>Iron and steel and primary processing thereof</p> <p>Production of man-made fibres</p> <p>Rubber</p> <p>Non-ferrous metals industry</p>

INDUSTRY AS A WHOLE

In the Community as a whole, business activity has expanded only very moderately in recent months. The slackening which has been apparent since the spring of 1966, and was originally due in large part to the decline that took place first in the Federal Republic of Germany and subsequently in the Netherlands, seems to have become slightly more pronounced in the first quarter of 1967, owing above all to a slightly slower rate of expansion in France. Total order-books were felt to have deteriorated a little since the autumn of 1966, while the trend in demand from abroad was generally looked upon as rather unsatisfactory. More firms reported that stocks were above normal; the period for which work is assured appears to have decreased further between December 1966 and March 1967.

Although managements were in general not very optimistic, the recent surveys have revealed one favourable feature, in that production expectations, while still rather depressed, have improved. In view of this change in the attitude of heads of firms, there is reason to hope that the situation will not get any worse and that there may even be signs of a revival in the not too distant future. When activity picks up, production expectations are generally the first thing to change, whereas order-books are slower to react.

In the Federal Republic of Germany, the slowdown in business activity was very clearly reflected in the replies sent in by managements during the period under review, but the situation does not now seem to be getting any worse. Total order-books deteriorated until the beginning of 1967 and then stabilized at a fairly low level: at the end of March, 57% of managements reported order-books below normal. On the other hand, the assessment of demand from abroad was much the same as a year ago. In line with the trend in the other indicators, stocks of finished products were still considered very high; however, the percentage of managements that think them above normal is no longer rising. Lastly, the surveys suggest a marked fall in the degree to which production capacity is utilized; but this deterioration now seems to be coming to an end. More favourable signs have appeared in the latest surveys. It is significant that production expectations have become much less negative: at the end of March, only 15% of the firms questioned were expecting production to go down, as against 23% at the end of October and 33% at the end of December 1966. This trend — if confirmed — should probably be taken as the first sign of an impending revival of activity.

In France, the firms' replies have recently become somewhat less favourable, although they do not reveal any decisive change in the general business trend. The assessment of total order-books confirms a slight slackening since the autumn of 1966; this is partly due to the less satisfactory trend in demand from abroad, particularly in new orders from the Federal Republic of Germany: at the end of March, only 10% of managements reported total order-books above normal, compared with 17% at the end of October 1966. At the same time, the situation as regards stocks of finished products has gradually deteriorated: at the end of March, 24% of the firms questioned said these were above normal, as against 18% at the end of October 1966. No doubt the cautious attitude adopted by dealers pending introduction of the added-value tax in retail trading has had something to do with this. Production expectations remain good but have become slightly less optimistic since the last quarter of 1966, and there has been no significant change as far as prices are concerned. Under the circumstances, there is no reason to expect any important change in the way industrial production develops in the immediate future, and its growth rate should remain relatively low, as in the last few months.

In Italy, the surveys reflect the current buoyancy of the economy, the only slightly discordant note being the steady weakening of demand from abroad. Heads of firms

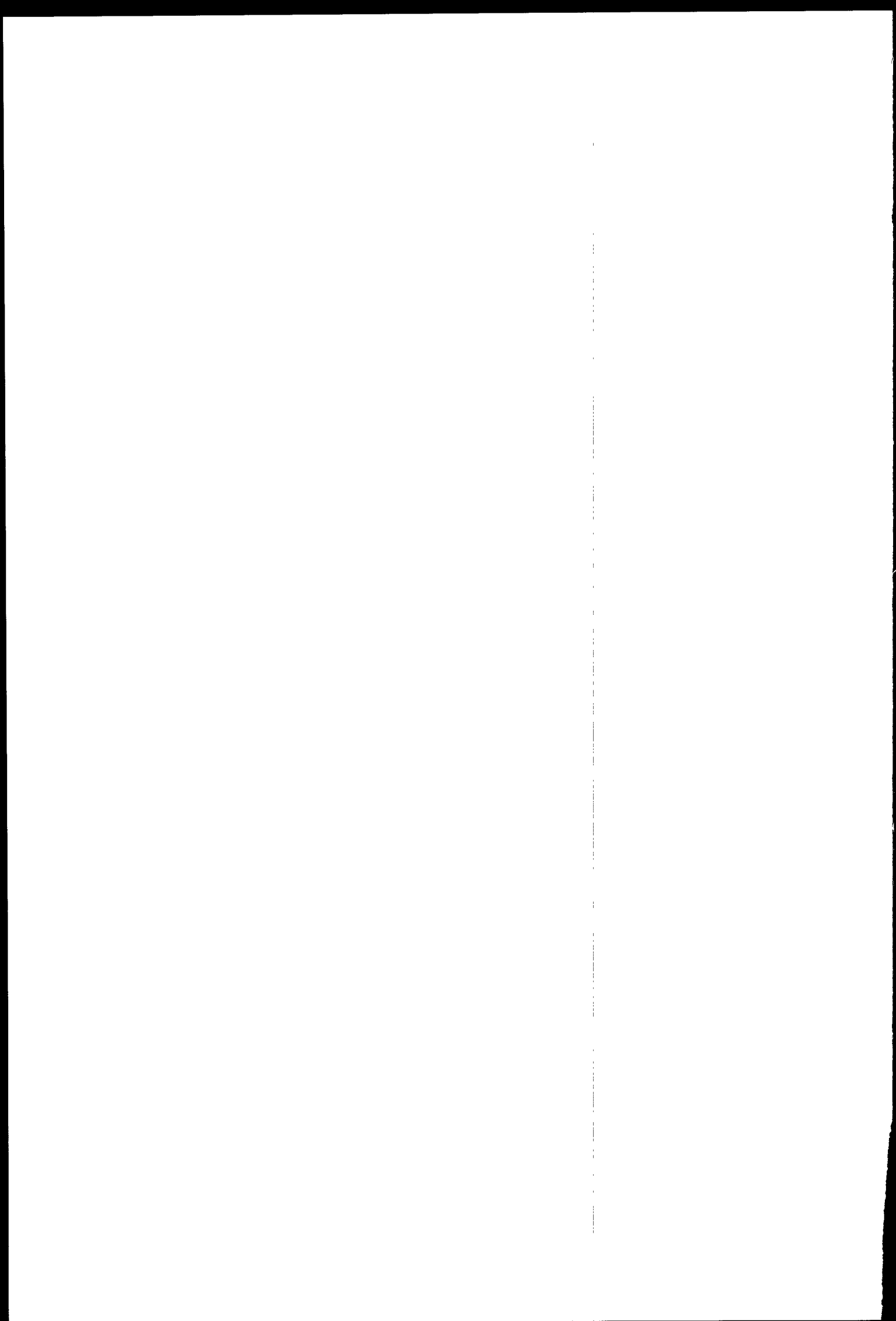
reported that the level of orders on the books remained satisfactory on the whole and even showed a further slight improvement; in March, 80% regarded it as "normal" or "above normal". There does not seem to have been any important change in stocks. Production expectations have continued to improve: at the end of March, 29% of the firms surveyed were expecting production to go up, as against 19% at the end of October 1966. At the same time, the period for which order-books show that work is assured increased further. Prices do not appear to have come under more strain. Altogether, the survey suggests that for the next few months the pace of production will be well sustained.

In Belgium, expansion remains very slow, but even if the surveys generally do not yet indicate any substantial change in the business situation, the fact that production expectations have stabilized gives reason to hope that the lowest point of the cycle may have been reached. The tendency for prices to ease, mentioned in the previous report, seems to have become somewhat less marked. The assessments of total order-books are still relatively pessimistic: at the end of March, 44% of managements considered them below normal, compared with 39% in October 1966. The same is true of export orders. At the same time, the period for which work is assured has decreased further. Stocks of finished products are generally regarded as being above normal.

In the Grand Duchy of Luxembourg, the surveys do not reveal any important new feature. Expansion is still hesitant, although there was a slight improvement in the first quarter. The replies received suggest no significant acceleration during the coming months. Almost 90% of firms described their total order-books or export order-books as normal; 95% said the same of their stocks, and about 92% did not expect the rate of production to change during the next few months. Nevertheless there is still a marked tendency for prices to rise.

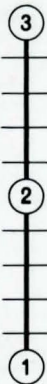
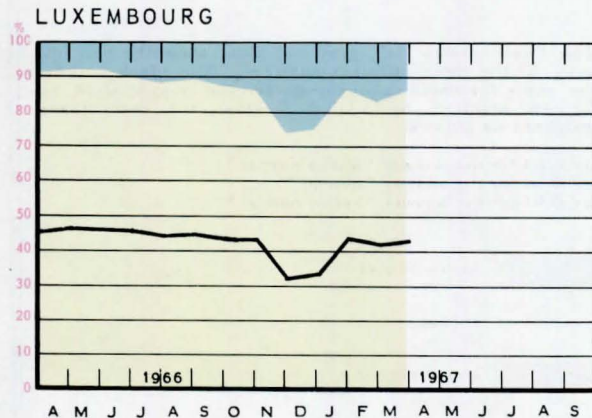
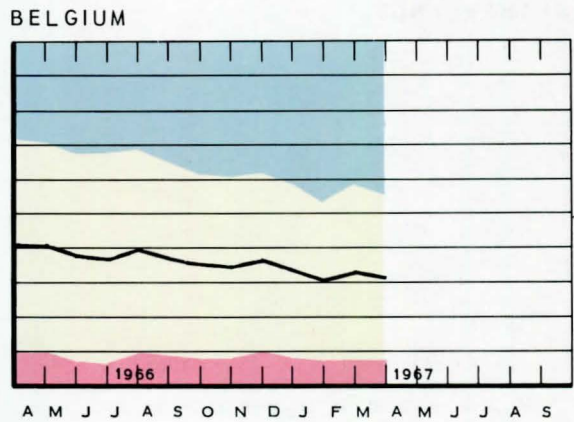
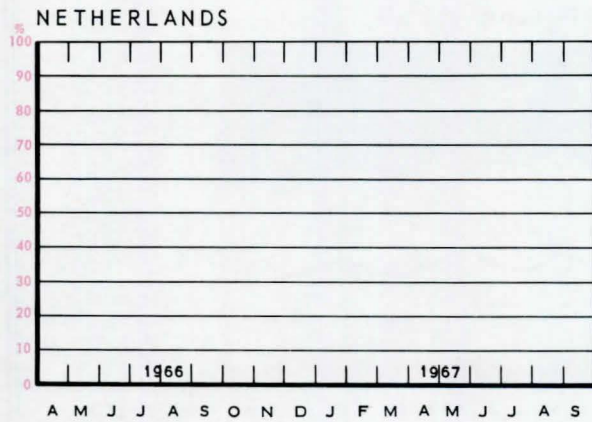
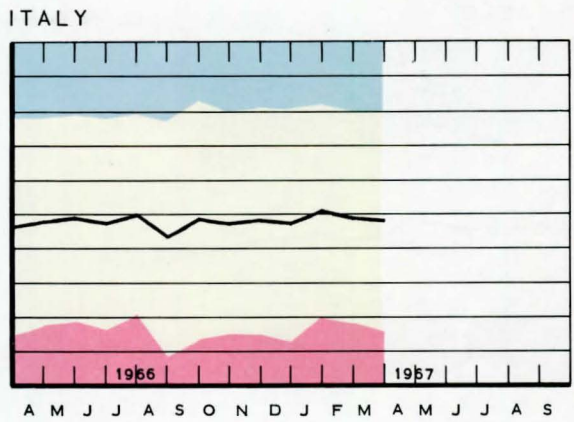
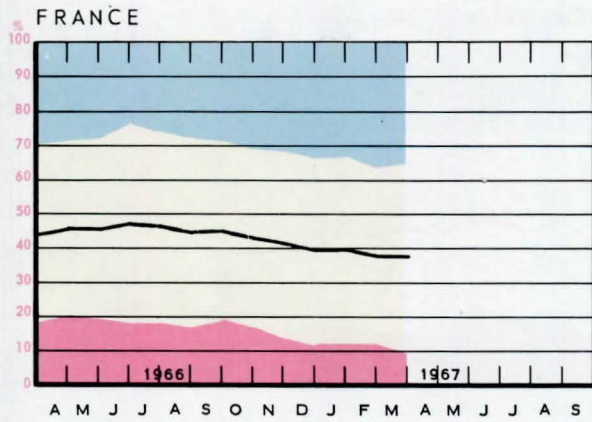
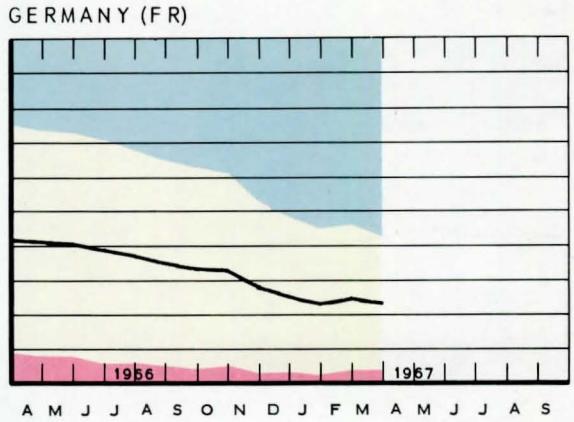
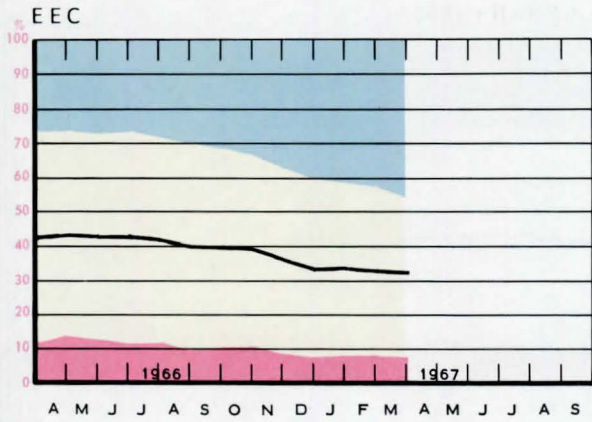
(the figures are percentages of replies received)

Questions Country	1966/ 1967	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M
GERMANY (FR)	+	3	3	2	3	4	9	13	14	13	16	25	29	30	31	28	6	8	13	15	12	5	7	3	4	3
	=	50	45	43	43	39	66	60	54	55	48	72	69	67	68	70	65	59	60	65	73	82	78	81	80	83
	-	47	52	55	54	57	25	27	32	32	36	3	2	3	1	2	29	33	27	20	15	13	15	16	16	14
FRANCE	+	14	12	12	12	10	18	18	17	17	15	20	20	22	26	24	21	22	23	24	19	14	13	13	14	11
	=	55	55	55	51	55	52	50	50	45	50	72	75	73	69	72	67	66	64	65	70	74	79	79	79	82
	-	31	33	33	37	35	30	32	33	38	35	8	5	5	5	4	12	12	13	11	11	12	8	8	7	7
ITALY	+	15	13	20	18	16	18	14	8	10	13	20	19	17	17	18	24	27	32	30	29	18	18	18	16	14
	=	66	68	62	62	64	55	54	65	59	54	72	75	77	78	74	66	67	62	65	64	75	77	74	76	76
	-	19	19	18	20	20	27	32	27	31	33	8	6	6	5	8	10	6	6	5	7	7	5	8	8	10
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	10	8	7	7	7	10	10	9	5	7	21	23	27	25	24	12	13	14	15	13	13	14	15	17	14
	=	52	51	47	52	49	54	51	47	54	51	70	68	65	68	68	56	54	53	59	56	73	71	73	70	70
	-	38	41	46	41	44	36	39	44	41	42	9	9	8	7	8	32	33	33	26	31	14	15	12	13	16
LUXEMBOURG	+	0	0	0	0	0	0	0	0	0	0	4	5	4	3	5	3	3	2	2	5	52	52	50	49	50
	=	63	65	86	83	86	65	65	89	88	90	95	94	96	97	95	93	70	91	94	92	45	45	46	47	45
	-	37	35	14	17	14	35	35	11	12	10	1	1	0	0	0	4	27	7	4	3	3	3	4	4	5
EEC	+	9	8	9	9	8	12	14	13	12	14	22	24	25	27	25	14	16	19	20	17	11	11	10	10	8
	=	54	52	50	49	49	60	55	54	54	50	72	72	71	70	71	66	62	62	65	69	77	78	78	78	81
	-	37	40	41	42	43	28	31	33	34	36	6	4	4	3	4	20	22	19	15	14	12	11	12	12	11



INDUSTRY AS A WHOLE

Order-books



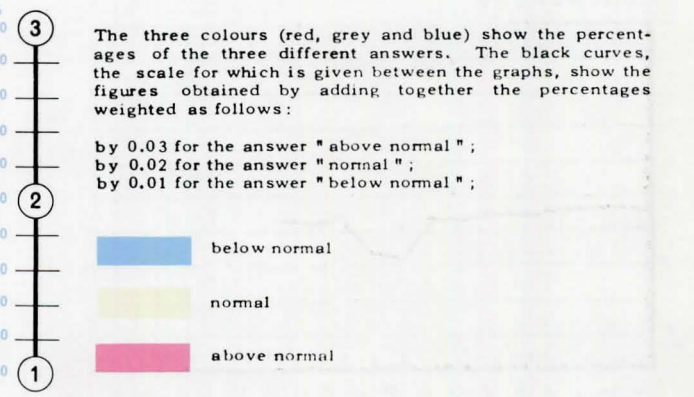
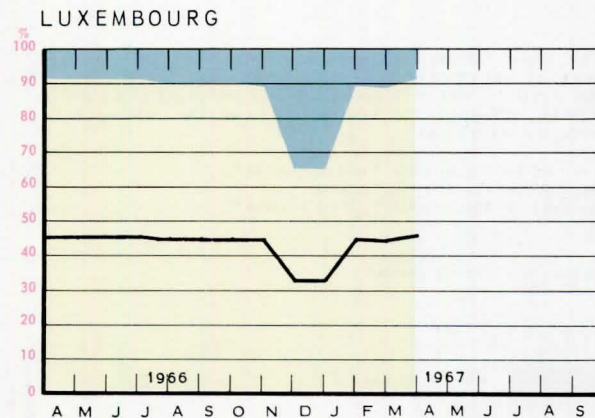
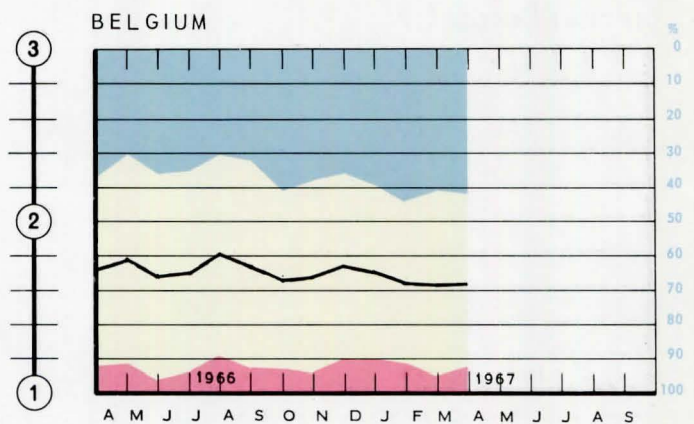
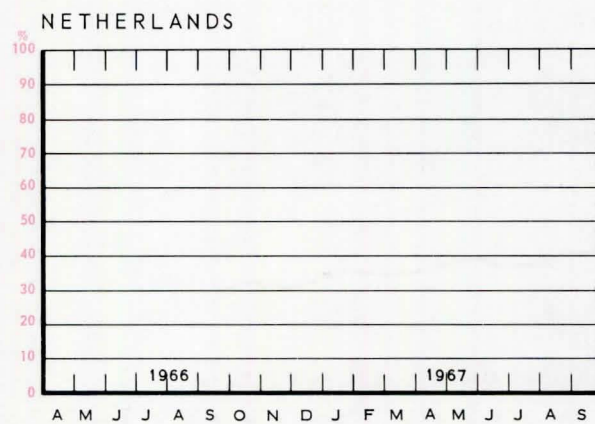
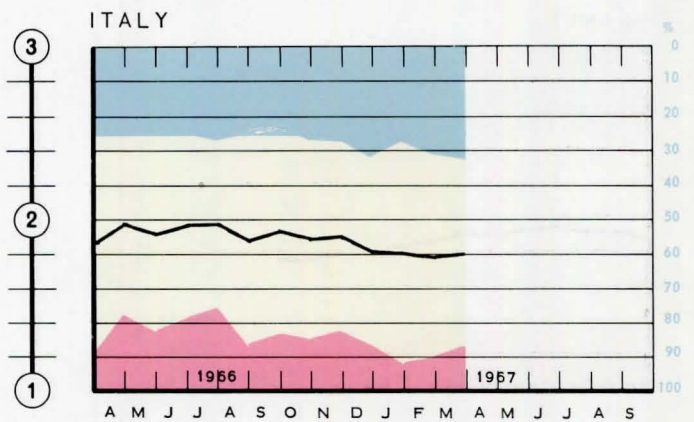
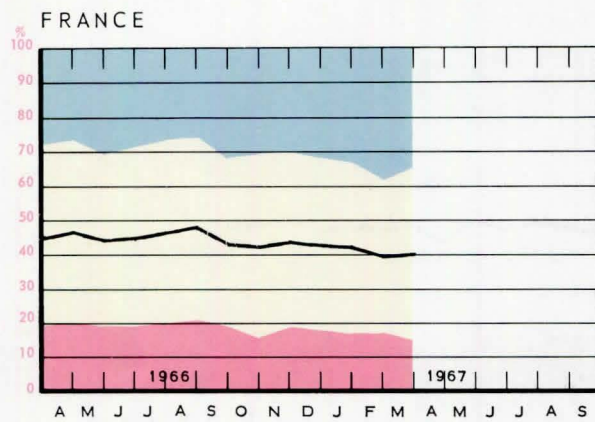
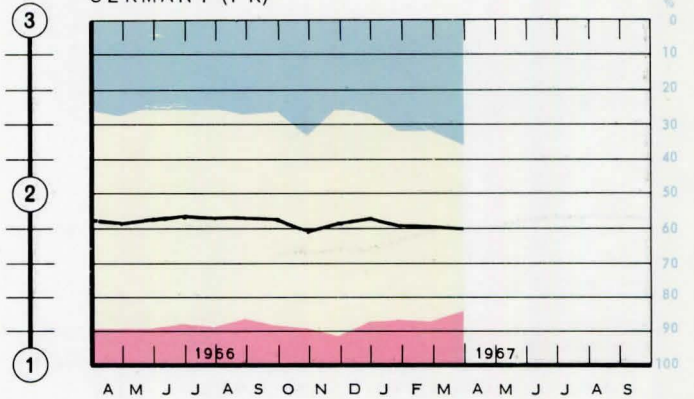
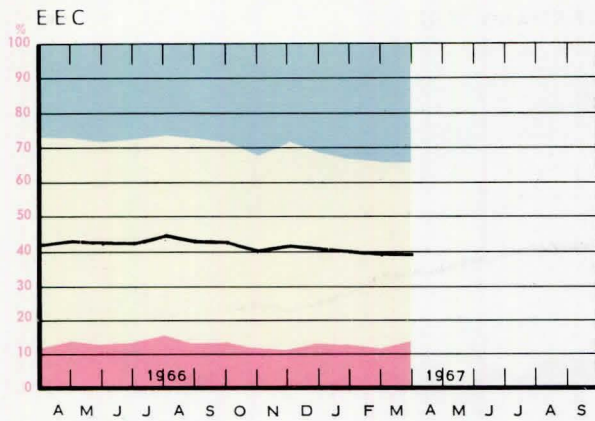
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- by 0.03 for the answer "above normal" ;
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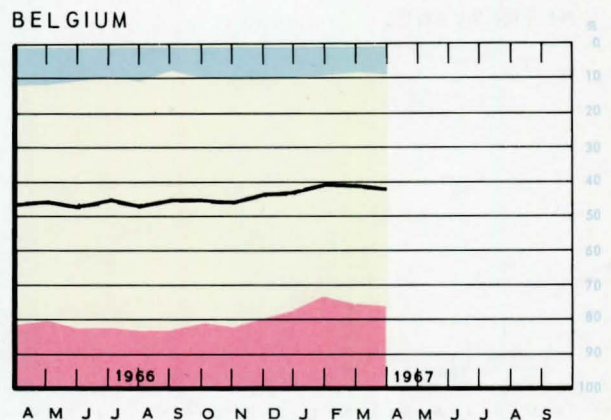
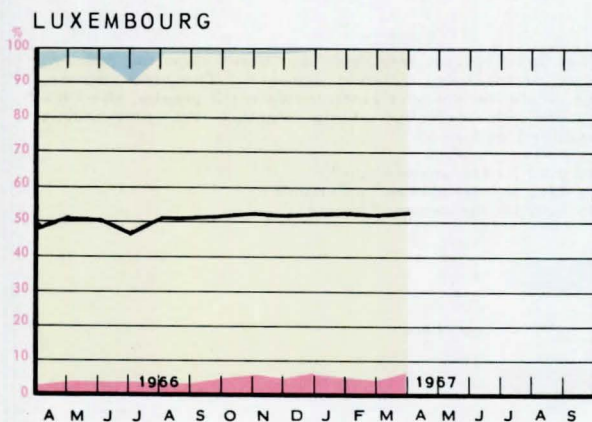
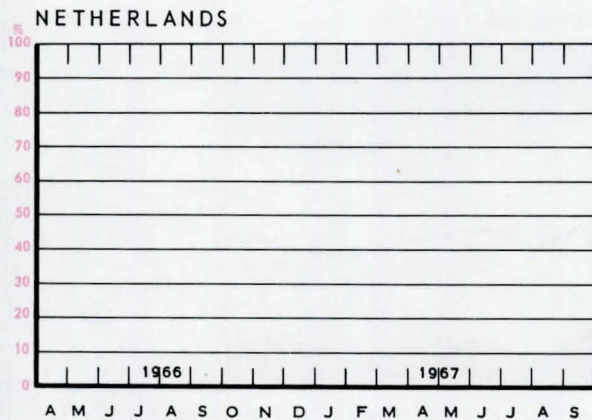
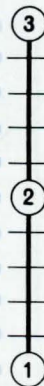
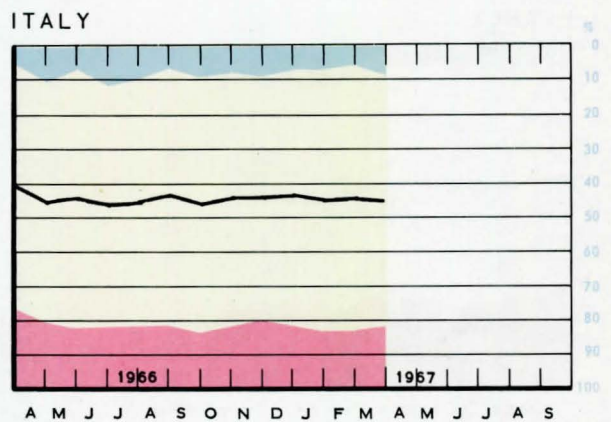
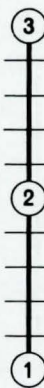
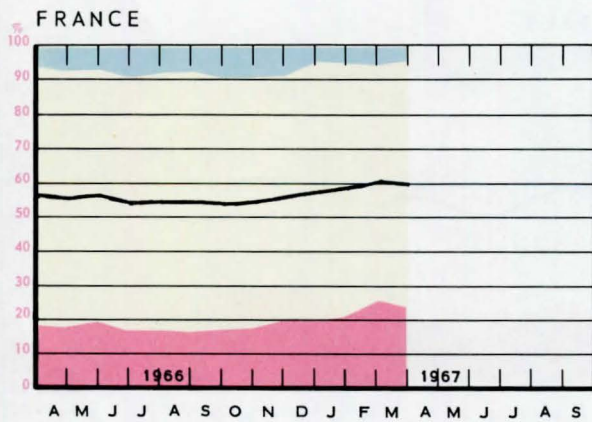
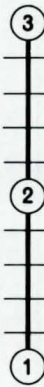
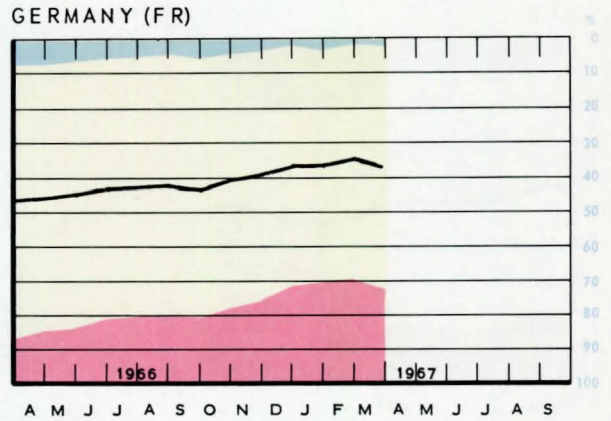
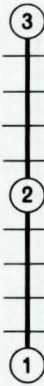
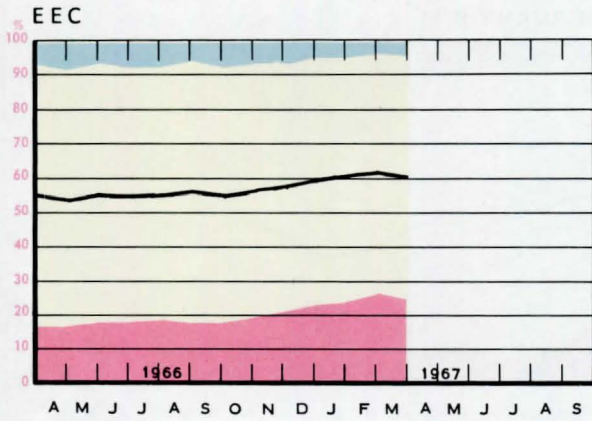
INDUSTRY AS A WHOLE

Export order-books



INDUSTRY AS A WHOLE

Stocks of finished products



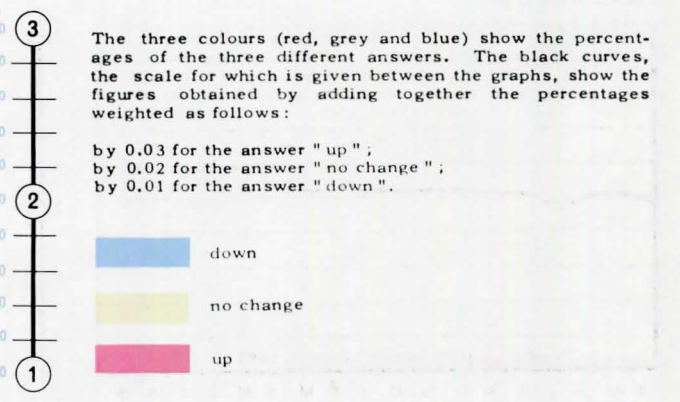
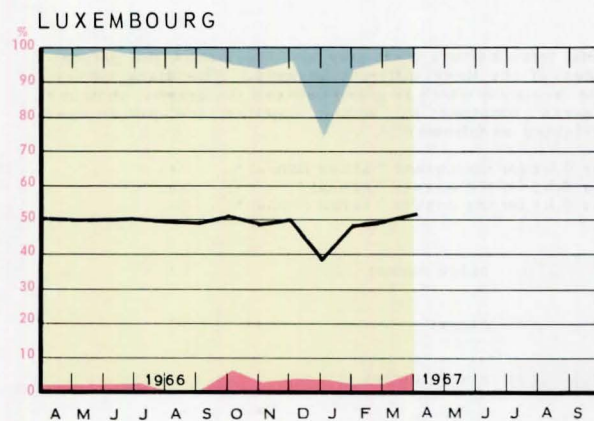
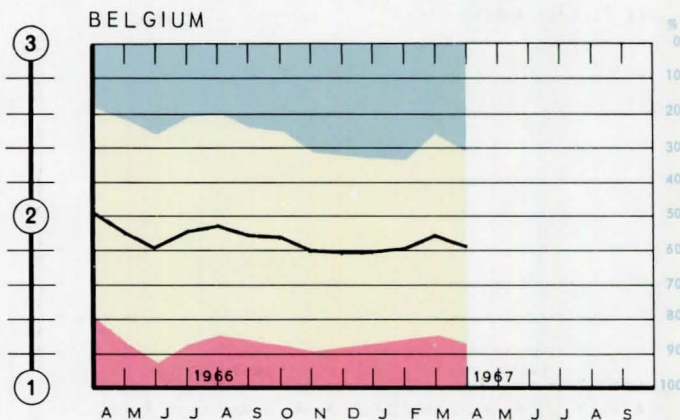
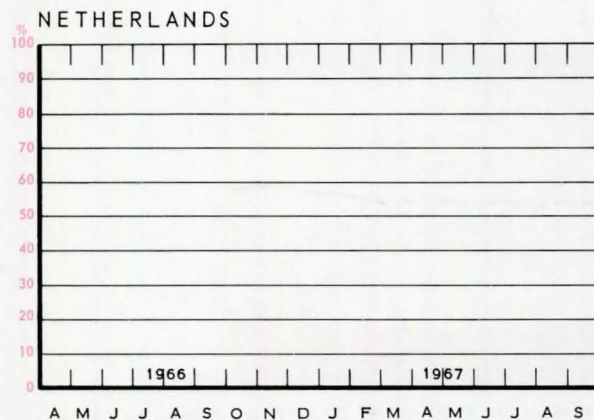
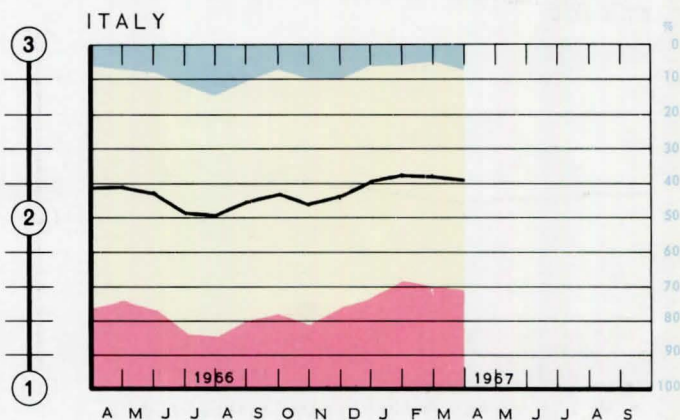
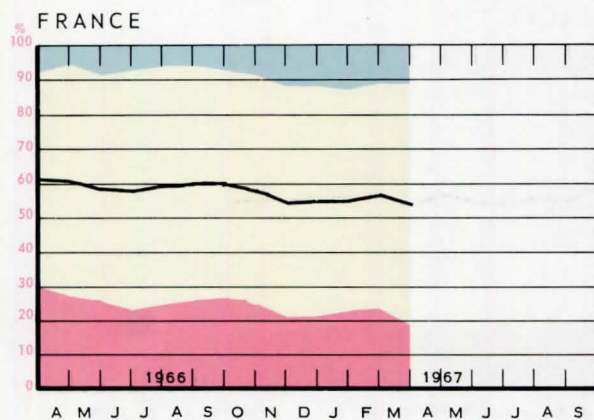
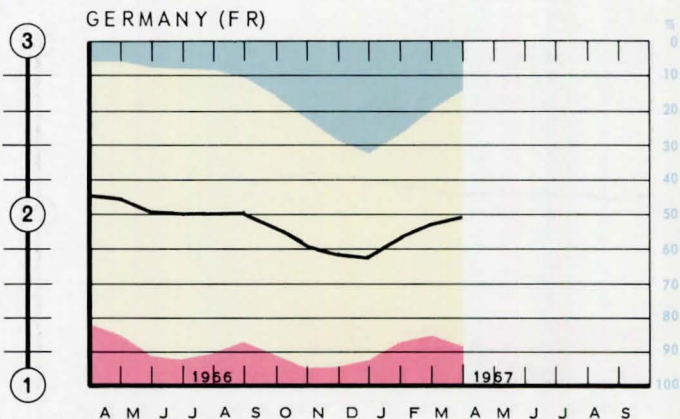
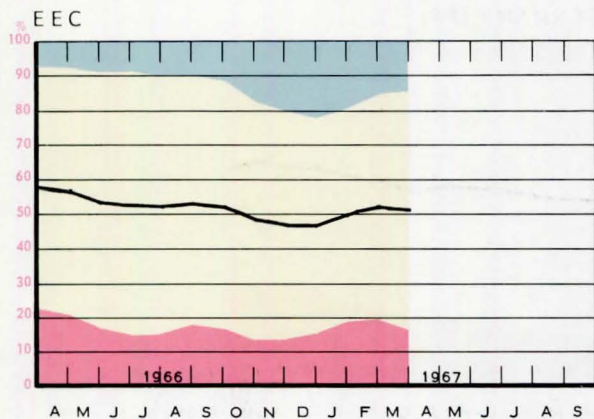
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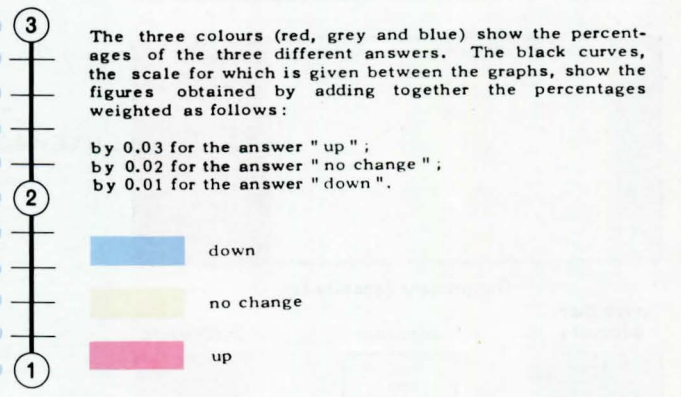
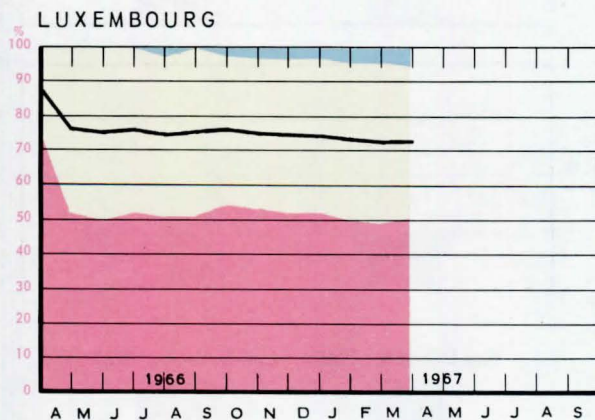
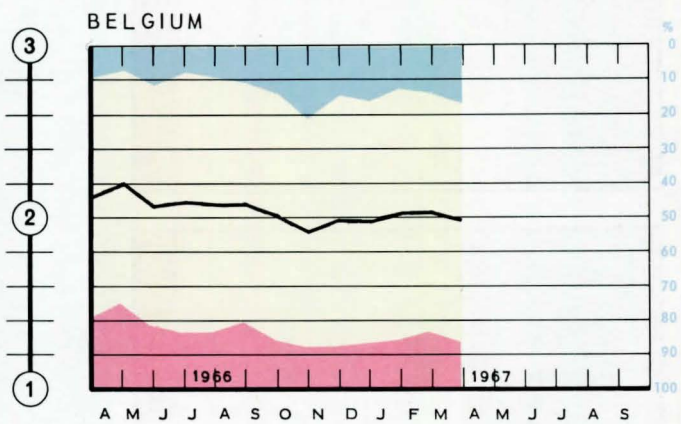
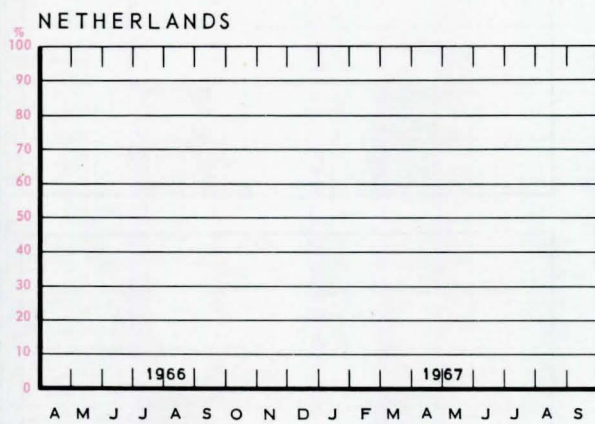
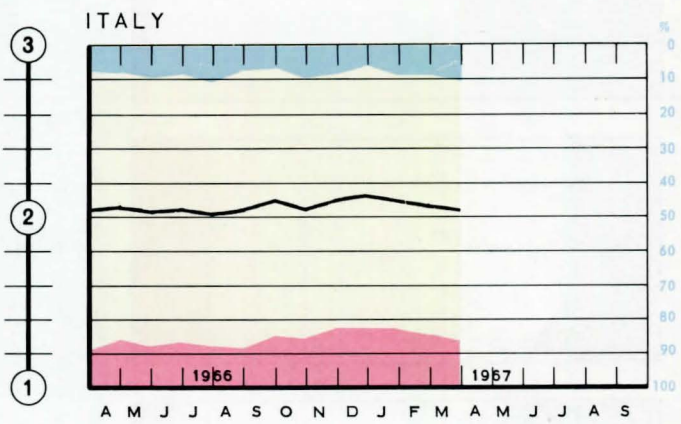
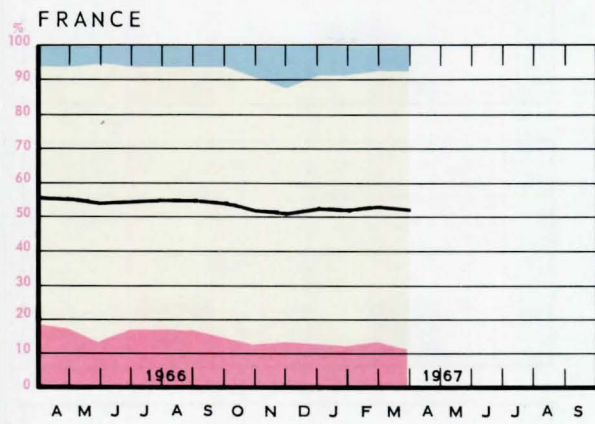
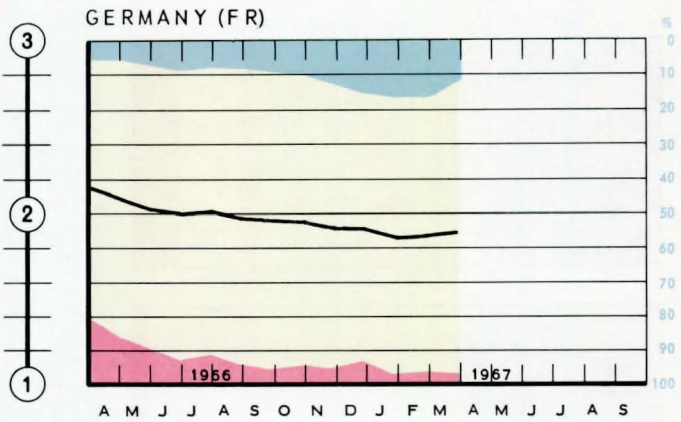
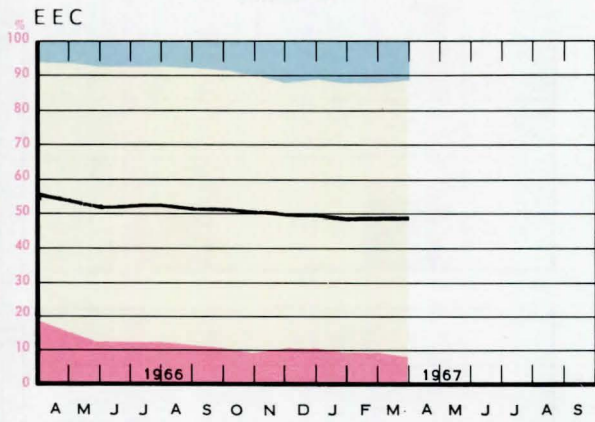
INDUSTRY AS A WHOLE

Trend in production



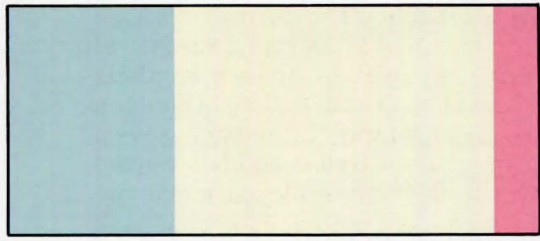
INDUSTRY AS A WHOLE

Trend in selling prices

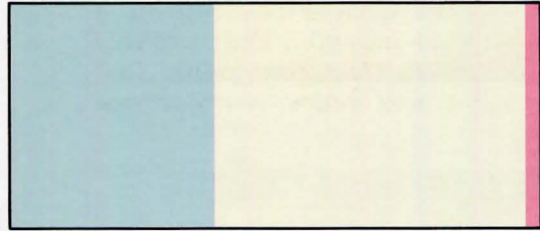


INDUSTRY AS A WHOLE

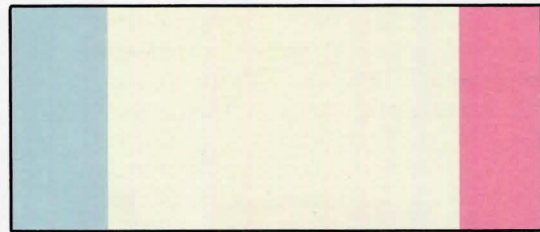
Assessment of production capacity
(January 1967)



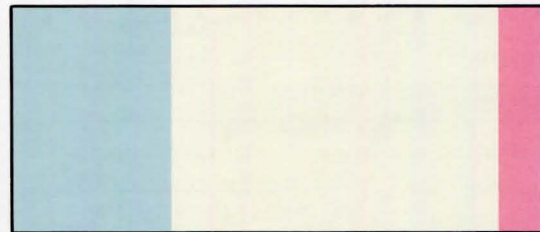
EEC



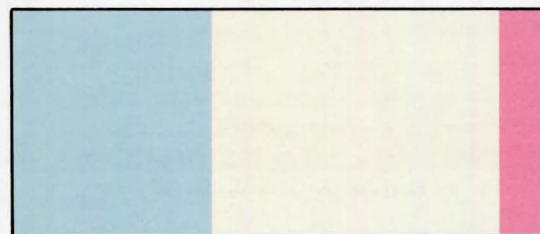
GERMANY (FR)



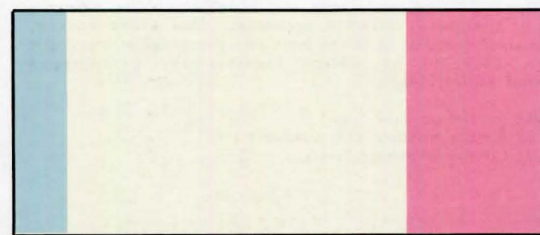
FRANCE



ITALY

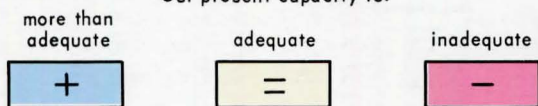


BELGIUM

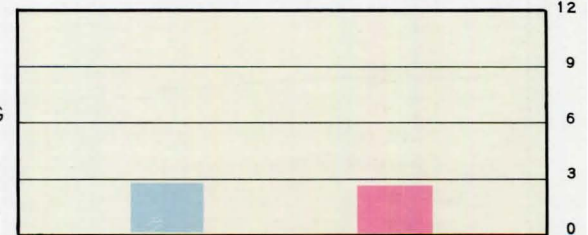
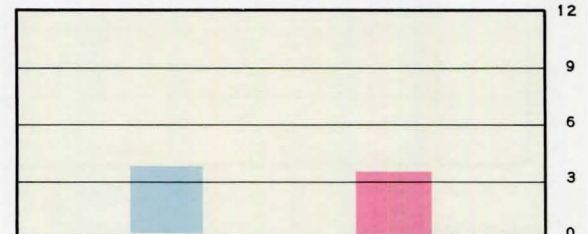
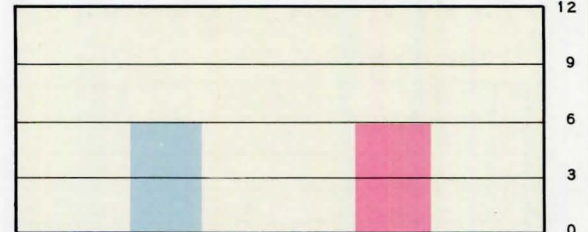
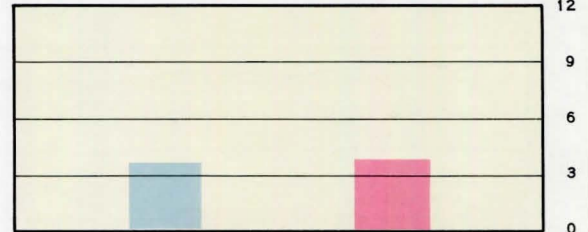
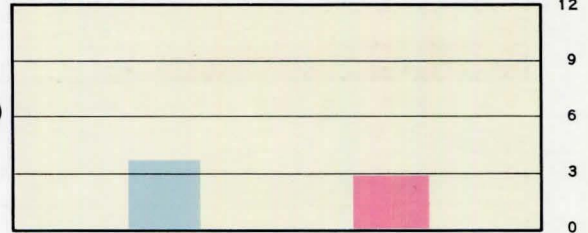


LUXEMBOURG

Our present capacity is:



Period of production assured by order-books
(December 1966 - March 1967)
In months



End December 1966

End December 1967



CONSUMER GOODS

In the Federal Republic of Germany, the atmosphere has remained rather depressed in the consumer goods industries. The latter have suffered not a little from the smaller advance in household incomes coupled with a tendency for the savings rate to increase. Order-books deteriorated steadily until the end of January, so that at the end of March over 50% of managers considered the level of orders on their books as below normal, compared with only 38% at the end of October 1966. Opinions concerning demand from abroad also became more pessimistic, after having been much more stable. To judge from the increasing number of firms which reported that stocks were abnormally high, it has generally not been possible to make the desired adjustments. The upward movement of prices has continued to ease and replies from managements show that the price trend is at present very calm. Production expectations, while still fairly mediocre, have improved decidedly since the end of 1966: in March, 18% of the firms questioned were expecting their production to go down, compared with 22% in October and 39% in December 1966. This recent change in the reaction of heads of firms to the economic outlook may perhaps mean that the slackening of business activity is not far from its lowest point.

In France, where the attitude of households has been cautious, the latest surveys have shown that expansion in the consumer goods industries has been slowing down. The assessment of total order-books has been less optimistic both for durables and for consumer goods: the proportion of managements that considered their order-books below normal went up from 21% at the end of October to 38% at the end of March; export order-books deteriorated even more. In addition, a growing number of firms reported that their stocks of finished products were higher than normal. On the other hand, production expectations remained good, although the March survey indicated a fairly appreciable deterioration. Price expectations showed little change.

In Italy, demand for consumer goods remained strong, being generally supported by a perceptible increase in household incomes; the industries that manufacture consumer durables have benefited considerably from this rising phase in the business cycle. The replies received indicated that total order-books were at a very satisfactory level, notwithstanding a slight fall in orders from abroad. Stocks of finished products showed no important change and were, on the whole, considered to be normal. Production expectations, which were already very positive, became even better: at the end of March, 39% of the firms expected their production to go up, as against 27% at the end of October 1966. Moreover, managements say that the period for which work is assured has risen slightly. On the other hand, the pressure on prices has eased slightly. Altogether, therefore, the situation in this sector seems excellent, and activity should continue to be brisk in the coming months.

In Belgium, where, as always, the business situation in general appears to be not very favourable in the consumer goods industries, replies are still pessimistic but do not seem to have become more so since the end of last year. At the end of March, 47% of managements said that orders were below normal, compared with 45% at the end of December 1966. Export order-books have hardly improved at all and were still below normal; moreover, the latest surveys indicate further involuntary stocking of finished products: at the end of March, 23% of managements considered these stocks above normal, as against 14% at the end of October 1966. Owing no doubt to the slackness of demand, price expectations showed signs of easing. One favourable feature, however, is the marked improvement in production expectations, which cannot altogether be explained by seasonal factors.

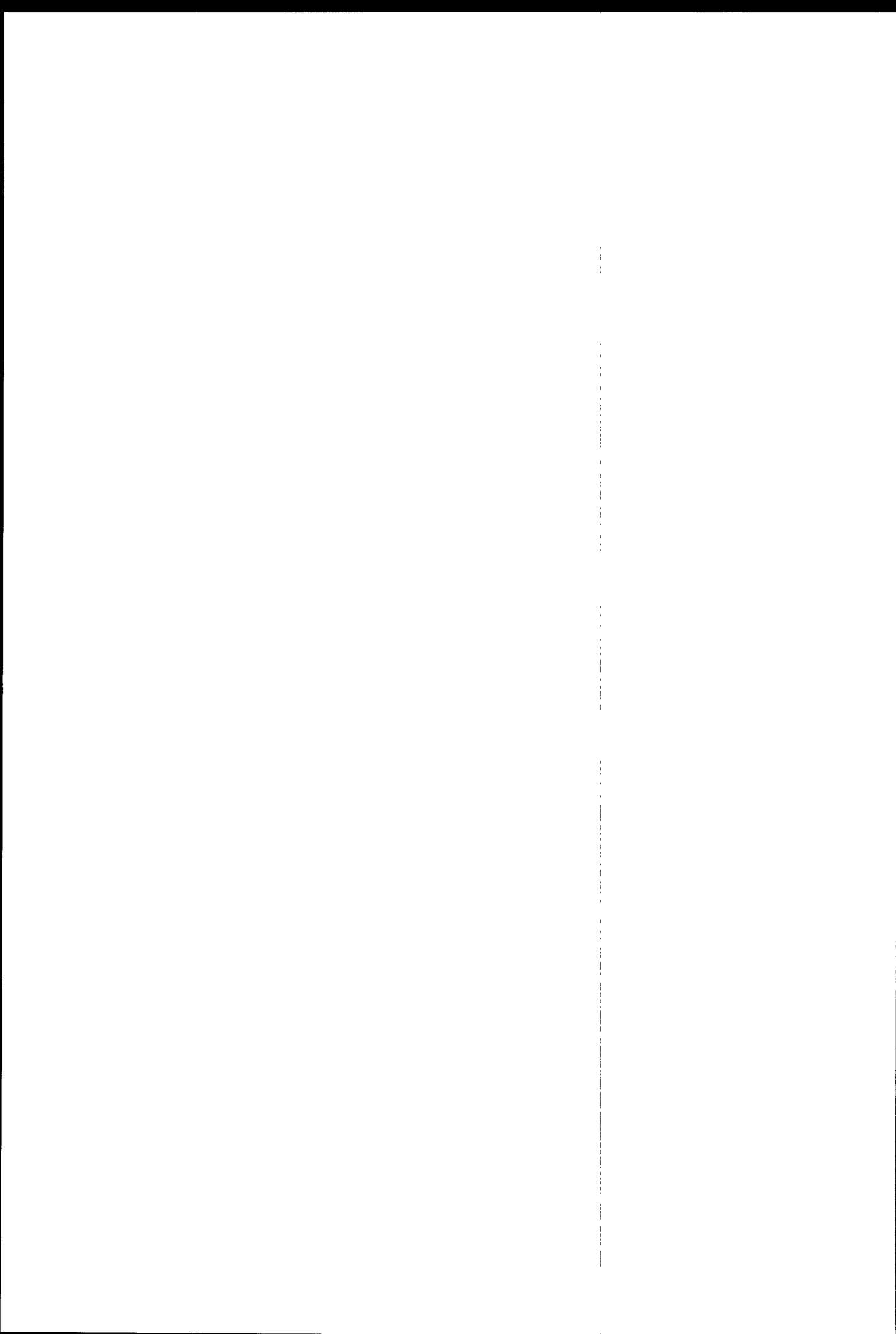
For the Community as a whole, the latest surveys show some hesitation in this sector. More heads of firms reported order-books below normal; demand from abroad seems to have weakened slightly and, to judge from the steady increase in the number of firms reporting stocks abnormally large, the stocks held must have been rising. Production expectations improved slightly at the beginning of the year, but were still markedly below the average for 1966. The trend in prices seems to have remained quiet, for a large number of managements were not expecting them to change.

The first signs of a deterioration in the industries producing non-durable consumer goods, revealed in the previous report, have since been confirmed. Order-books have gradually shortened and production expectations have become less favourable since the last quarter of 1966. The slackening has been more marked in the industries producing garments and knitted and crocheted goods: in this sector demand appears to be falling, stocks have risen and production expectations have become negative. In the leather and footwear industry, the situation seems little better although it appears that the deterioration which took place in 1966 has now come to an end.

In the durable consumer goods sector, the general atmosphere has deteriorated slightly. Order-books have been less full for some time, but production expectations have remained positive, although lower than in 1966; moreover, the seasonal recovery has been fairly pronounced. In the motor vehicle industry, which is an important part of this sector, replies to the last two surveys have revealed some anxiety, in contrast to the revival of optimism at the beginning of the year; demand was regarded as moderate, and production expectations tended to be rather hesitant. In the industries connected with domestic appliances — metal articles, china, domestic appliances and furniture — uncertainty persists and heads of firms were extremely cautious in their replies.

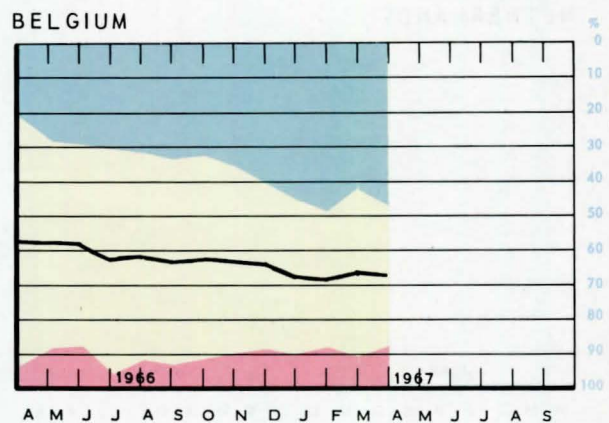
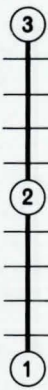
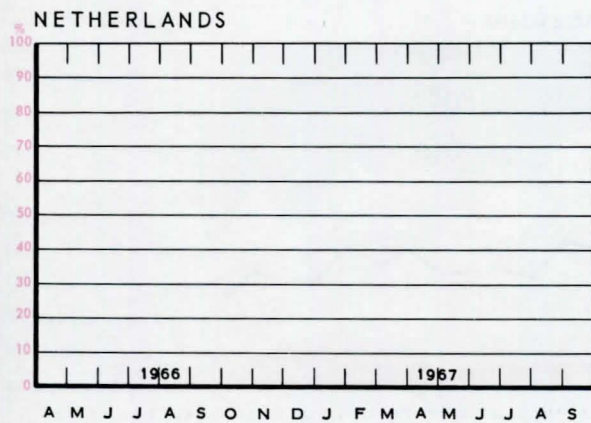
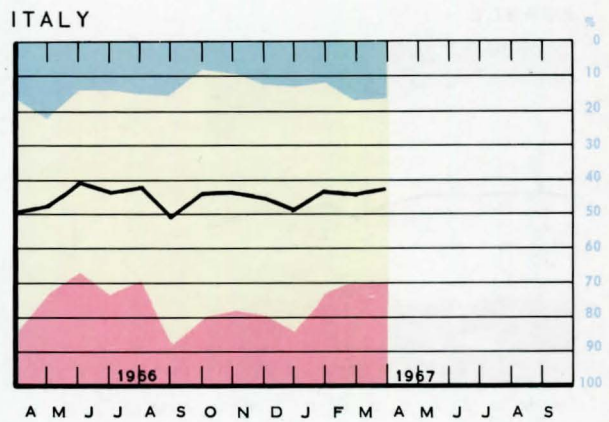
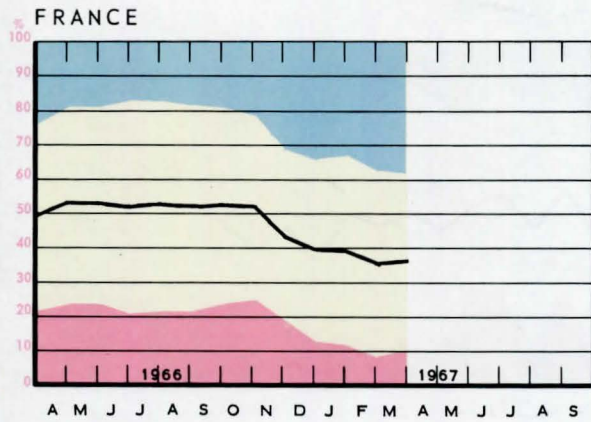
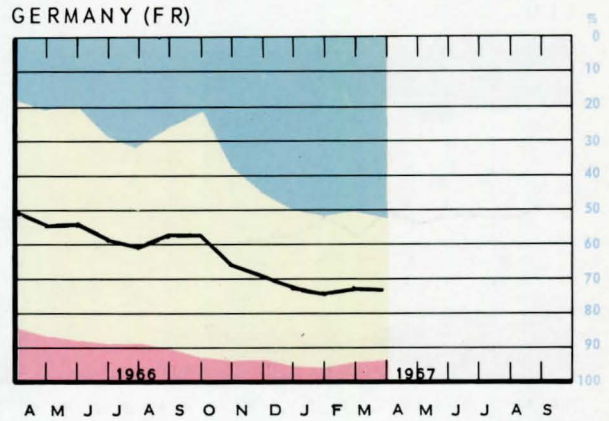
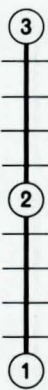
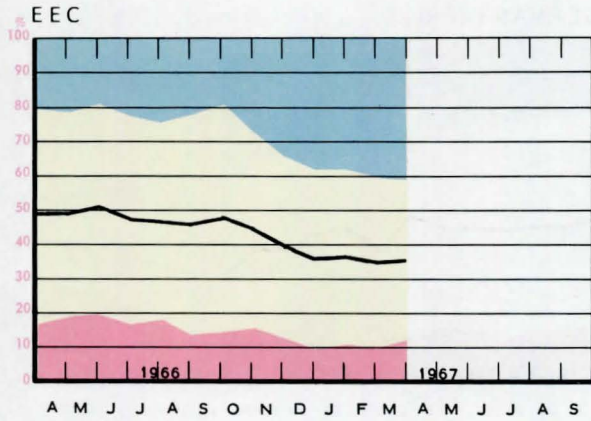
(the figures are percentages of replies received)

Country	Questions 1966/ 1967	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M
GERMANY (FR)	+	6	5	4	5	6	9	12	12	13	16	33	41	43	42	35	6	9	16	14	9	4	5	2	1	1
	=	49	45	44	44	41	73	64	53	52	32	60	54	52	54	60	61	52	55	59	73	90	84	88	88	90
	-	45	50	52	51	53	18	24	35	35	52	7	5	5	4	5	33	39	29	27	18	6	11	10	11	9
FRANCE	+	18	13	12	8	10	25	24	25	22	22	18	18	25	27	30	27	23	26	26	17	10	11	8	11	10
	=	51	53	55	55	52	54	53	52	53	47	70	77	71	70	68	61	69	63	65	62	79	84	85	82	84
	-	31	34	33	37	38	21	23	23	25	31	12	5	4	3	2	12	8	11	9	21	11	5	7	7	6
ITALY	+	21	16	26	29	30	17	10	9	6	24	30	28	19	17	21	40	35	48	43	39	19	17	17	16	13
	=	67	71	62	54	54	67	53	75	70	46	57	66	76	77	72	54	61	47	52	54	73	77	74	76	77
	-	12	13	12	17	16	16	37	16	24	30	13	6	5	6	7	6	4	5	5	7	8	6	9	8	10
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	12	10	12	10	12	16	12	14	10	12	22	30	33	24	23	16	22	27	24	26	24	20	17	19	17
	=	48	45	40	48	41	52	40	34	50	32	70	63	60	69	67	43	39	37	48	44	71	73	76	77	80
	-	40	45	48	42	47	32	48	52	40	56	8	7	7	7	10	41	39	36	28	30	5	7	7	4	3
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	13	10	11	10	12	16	14	14	13	18	27	30	32	31	30	20	19	26	23	18	10	10	8	8	7
	=	53	52	51	50	47	65	57	55	55	38	63	65	63	65	66	58	59	55	60	64	82	82	84	83	85
	-	34	38	38	40	41	20	29	31	32	44	10	5	5	4	4	22	22	19	17	18	8	8	8	9	8



CONSUMER GOODS

Order-books



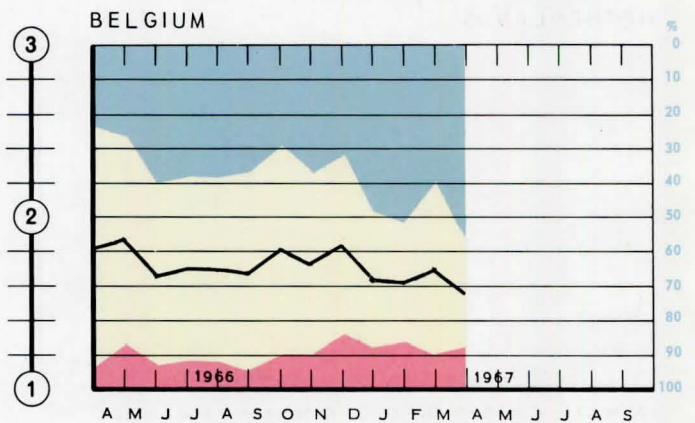
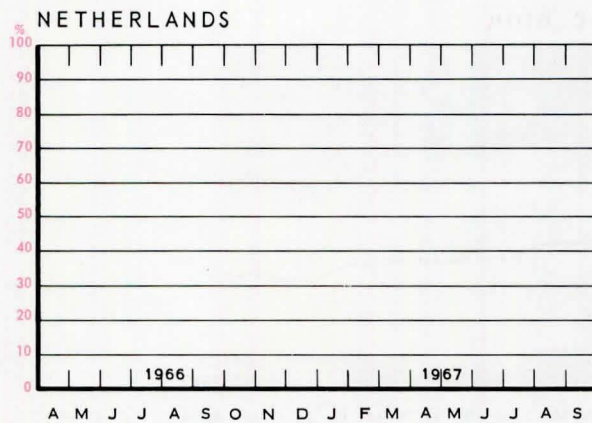
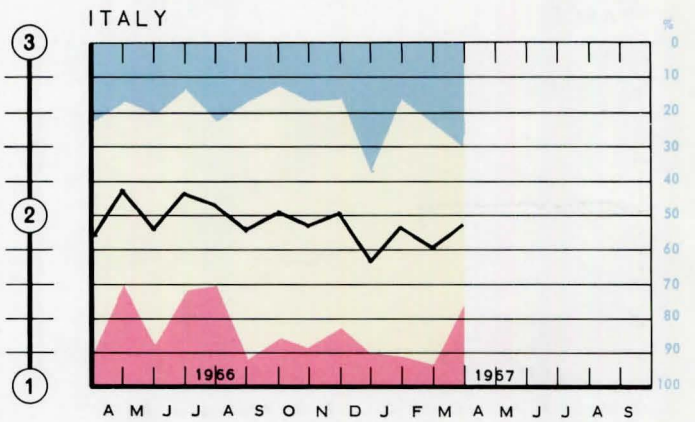
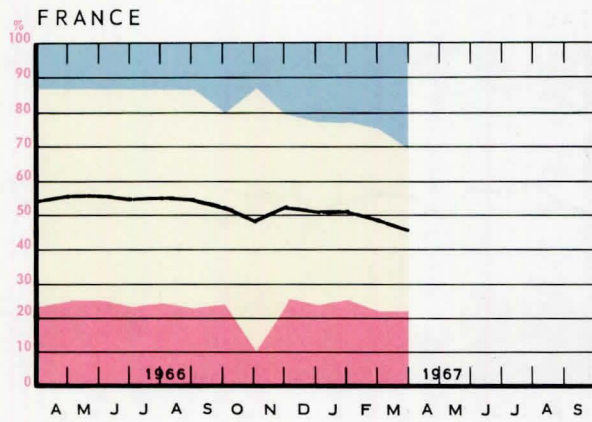
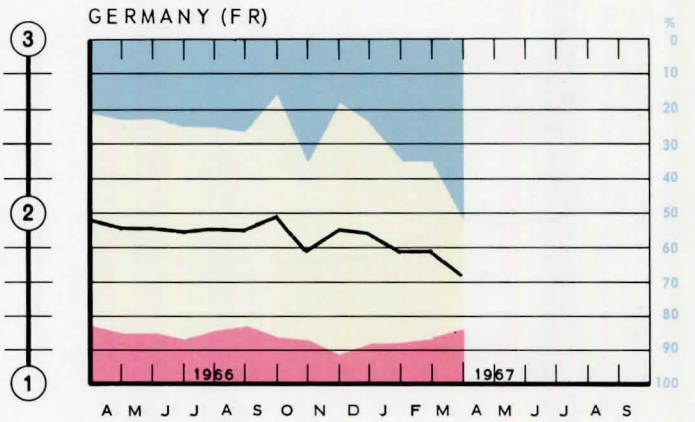
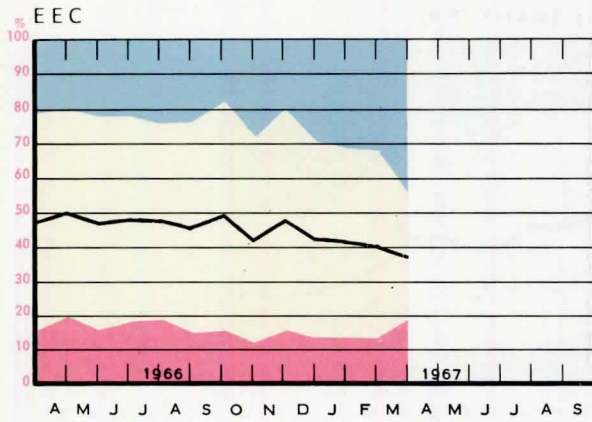
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



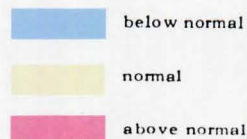
CONSUMER GOODS

Export order-books



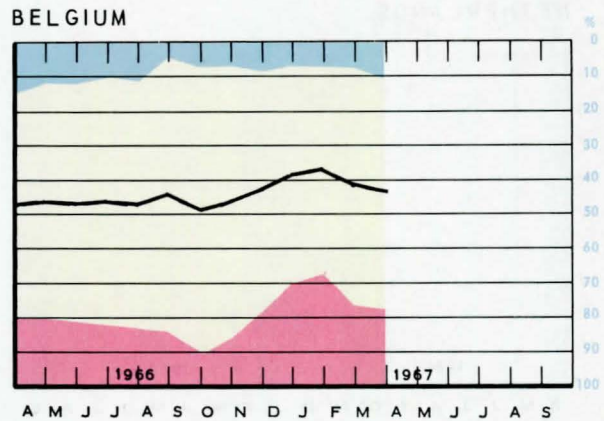
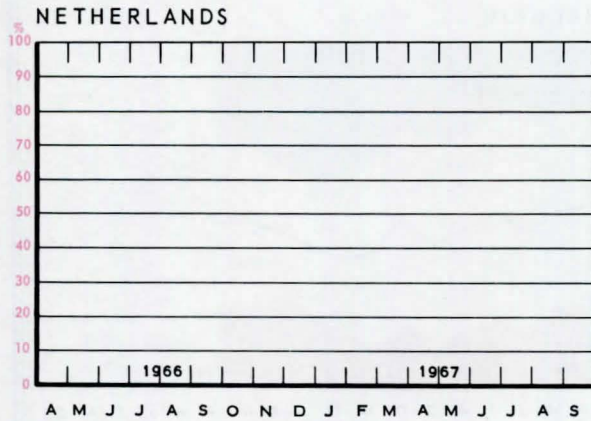
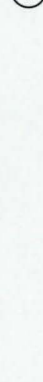
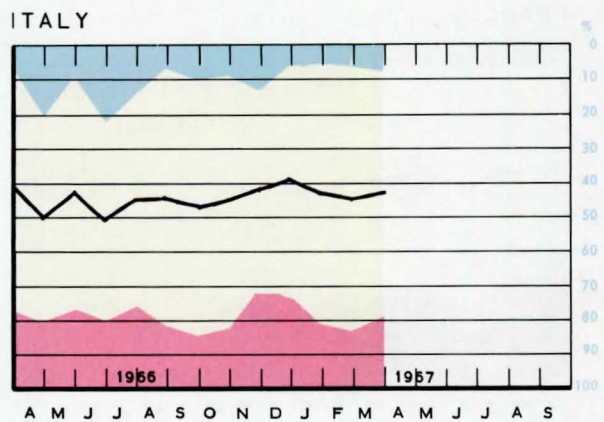
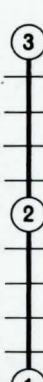
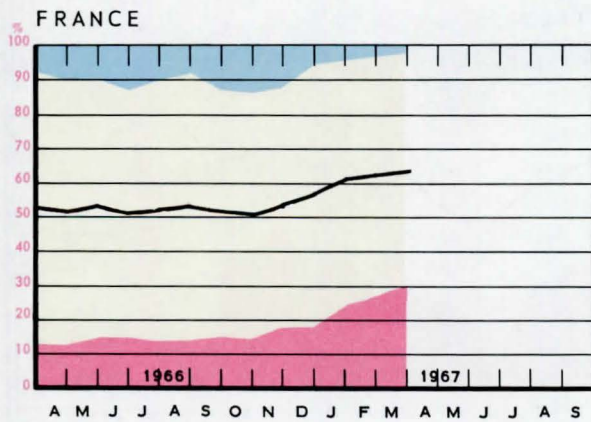
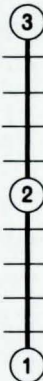
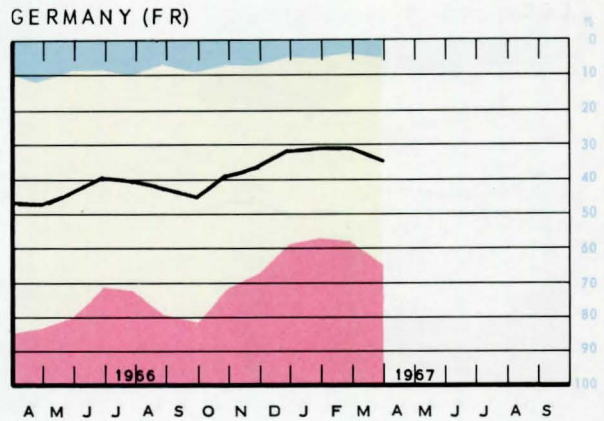
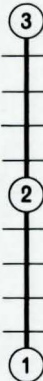
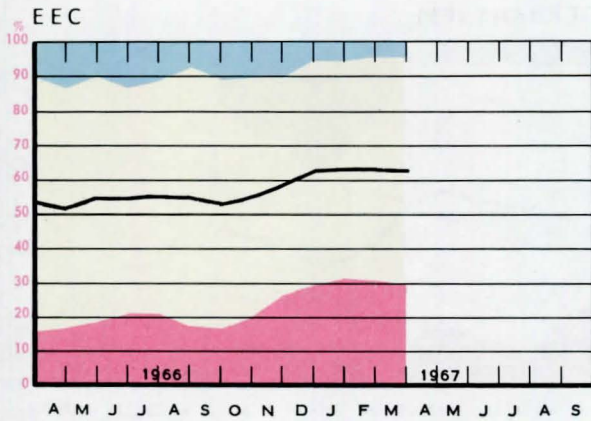
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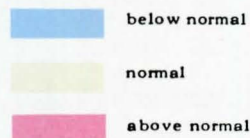
CONSUMER GOODS

Stocks of finished products



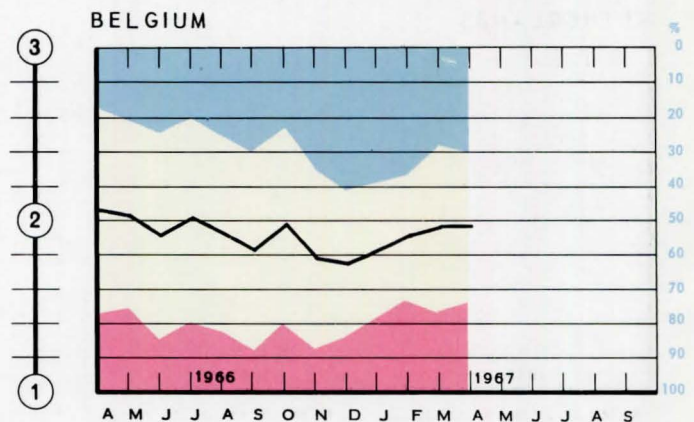
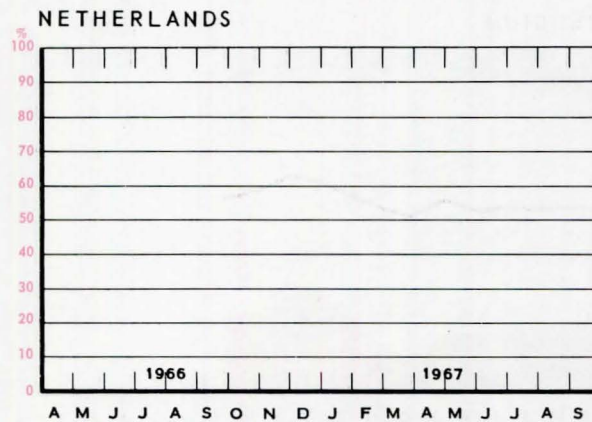
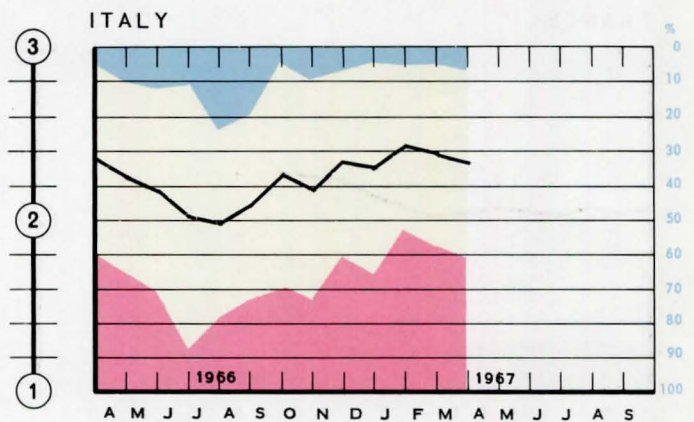
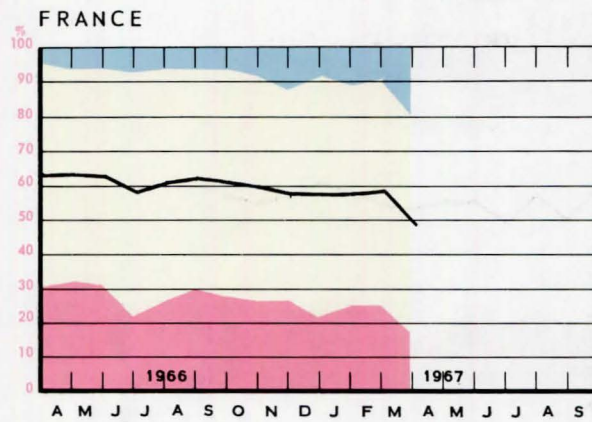
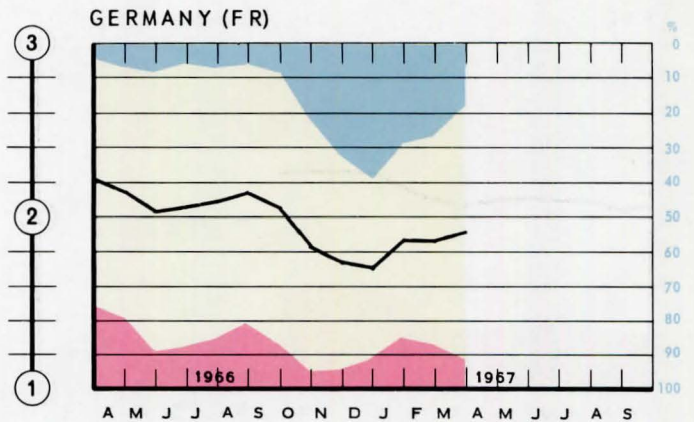
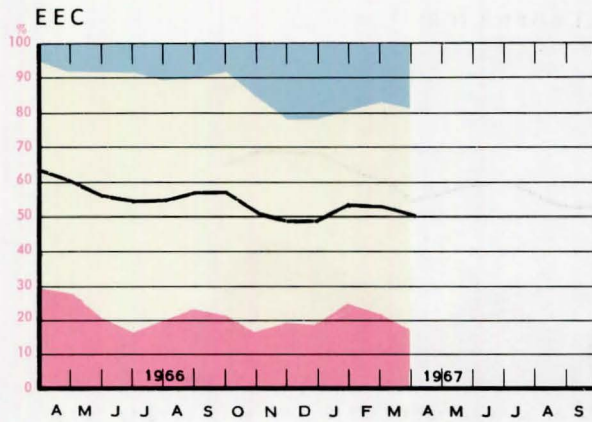
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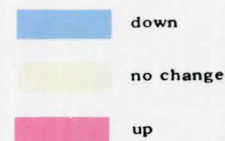
CONSUMER GOODS

Trend in production



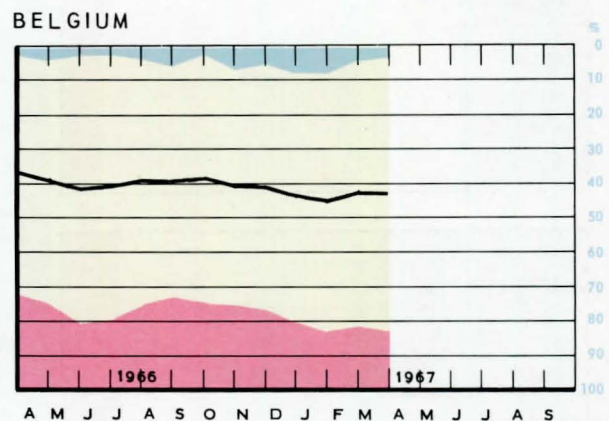
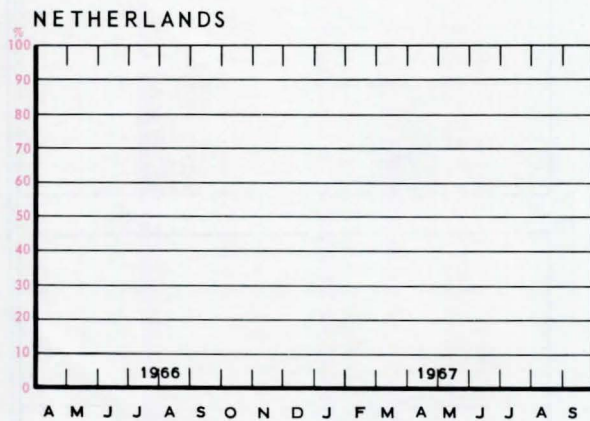
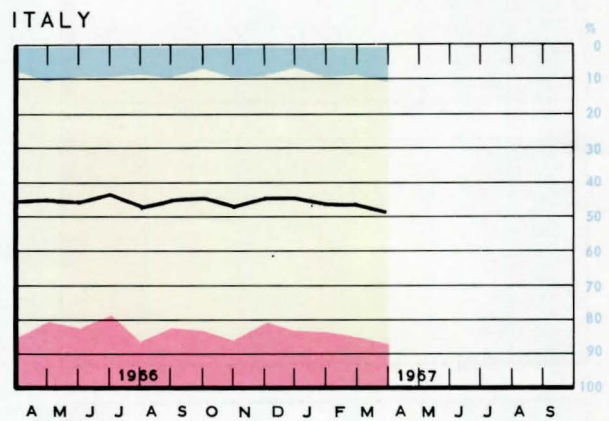
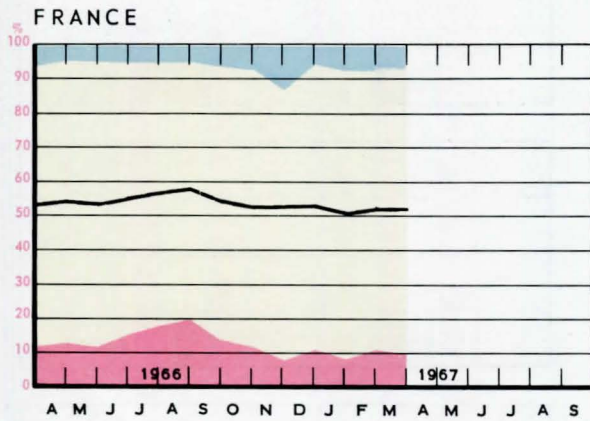
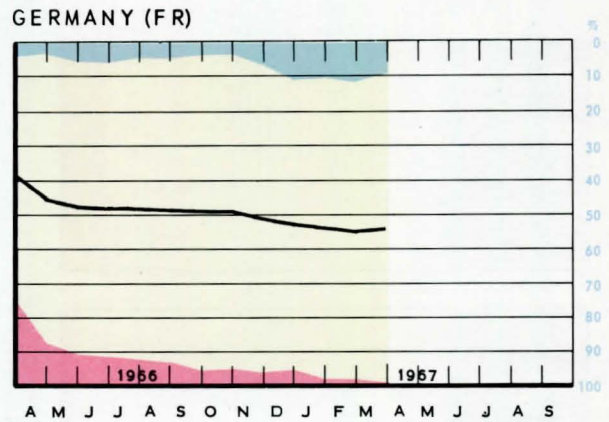
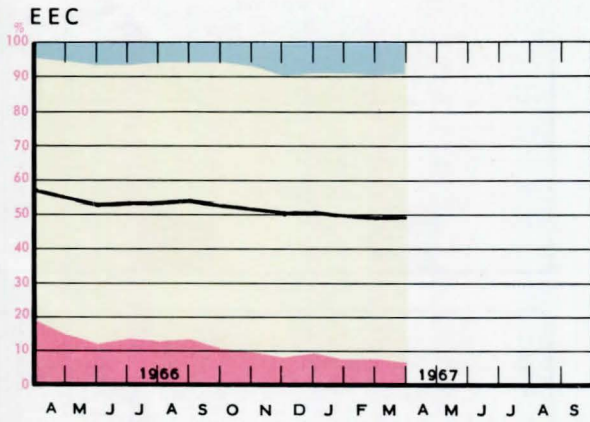
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by 0.03 for the answer "up";
by 0.02 for the answer "no change";
by 0.01 for the answer "down".



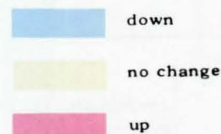
CONSUMER GOODS

Trend in selling prices



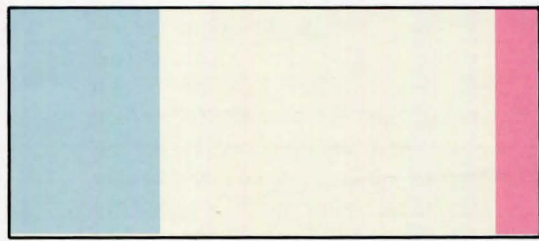
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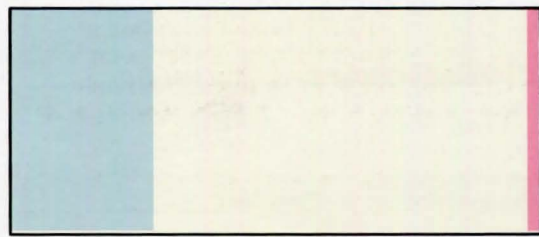


CONSUMER GOODS

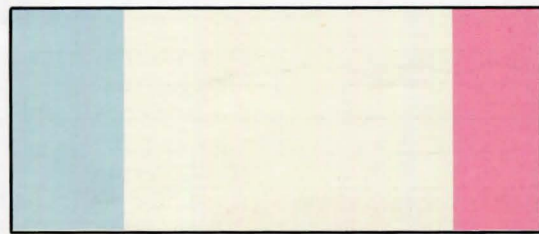
Assessment of production capacity
(January 1967)



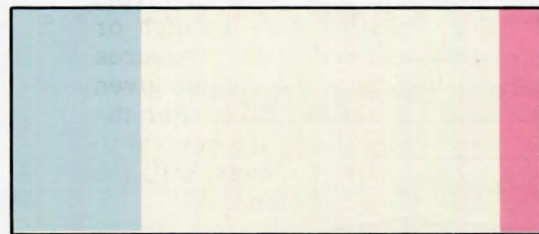
EEC



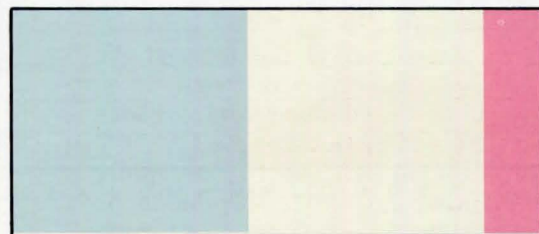
GERMANY (FR)



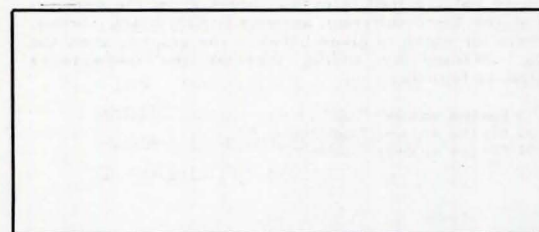
FRANCE



ITALY

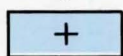


BELGIUM

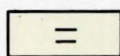


Our present capacity is:

more than adequate



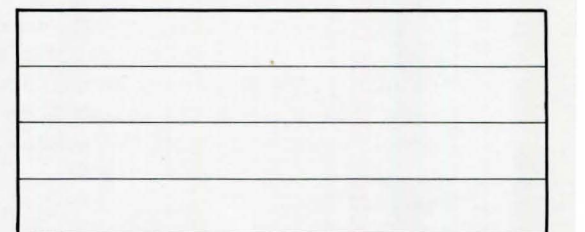
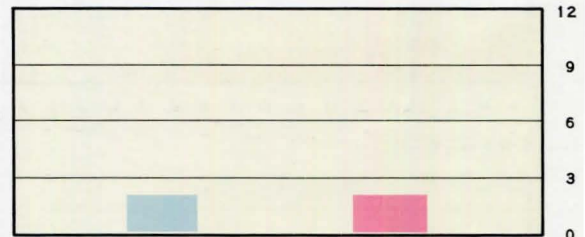
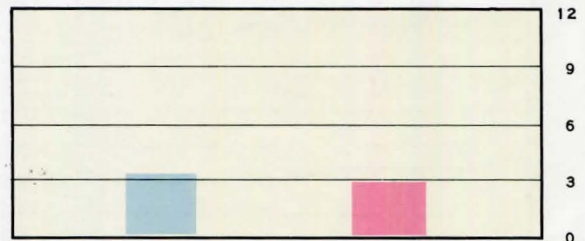
adequate



inadequate



Period of production assured by order-books
(December 1966 - March 1967)
In months



End December 1966



End December 1967



CAPITAL GOODS

In the Federal Republic of Germany, the situation in the industries that manufacture capital goods is still adversely affected by the decline in the propensity to invest. Demand fell until the end of the year, to stabilize at a level that is far from satisfactory. In March, 61% of managements considered their total order-books below normal. Demand from abroad has on the whole been firmer, but has not been sufficient to compensate completely for the weakness of business activity within the country. Stocks, which seemed in general fairly heavy, are not apparently rising further. Production expectations, while remaining negative, have improved greatly in the latest surveys: at the end of March, 83% of managements were expecting production to remain unchanged or to go up, compared with only 73% at the end of October and 64% at the end of December 1966. This trend appears too pronounced to be purely seasonal. Although it may have been reinforced by a favourable psychological reaction on the part of managements to the measures that have been taken or announced by the government in order to boost activity, it is nevertheless substantial and could, if maintained, perhaps be interpreted as the first sign of a recovery. The price climate has remained calm. In the industries associated with building, activity is still at a low level, but production expectations have been better than at the end of 1966, although this is of course partly due to seasonal factors.

In France, the satisfactory tone of replies, already noted in the previous report, has been confirmed in replies to the latest surveys. In the range of industries that produce plant and equipment, demand — particularly demand from abroad — appears to have expanded slightly, but it must be borne in mind that managements are generally more optimistic at this time of year. At the end of March, 26% of the firms questioned said that their total order-books were below normal, as against 36% at the end of October 1966. The level of stocks still seems to be normal. Production expectations, while remaining favourable, were less good than last year; however, at the end of March, 92% of those replying expected production to be as high or higher in the coming months. From the surveys, it would seem that the pressures on prices are tending to become slightly more acute. Altogether, the replies given by heads of firms suggest that growth will continue at a sustained pace. For the industries associated with building, the surveys clearly reflected the revival in activity which is very typical of this sector in the spring; it was, however, still too early to say whether this indicated any really fundamental change of trend.

In Italy, the capital goods sector is still expanding vigorously; the tone of the answers elicited by the surveys is improving steadily. Demand was found to be rising slightly: the proportion of managements that considered their total order-books normal or above normal went up from 70% at the end of October 1966 to 76% at the end of March. Orders from abroad, on the other hand, increased less rapidly because of the slowdown in purchases by several member countries. Opinions on stocks have hardly changed since October, while production expectations, after some hesitation in the middle of 1966, now show a definite upward tendency: at the end of March, 94% of managements were expecting the present pace to be maintained or to increase, and this is one of the highest figures produced by the survey in Italy. The pressures on prices, mentioned in the last report, are no heavier than they were in the autumn. In the industries associated with building, production expectations reflect, over and above the seasonal upsurge of activity, a more fundamental recovery; the surveys suggest that in the second quarter there will be brisk expansion in this sector.

In Belgium, there has been little change in the uninspiring situation described in the previous report. The level of orders was still very low: about 55% of managements continued to consider it below normal; nor has there been any revival in

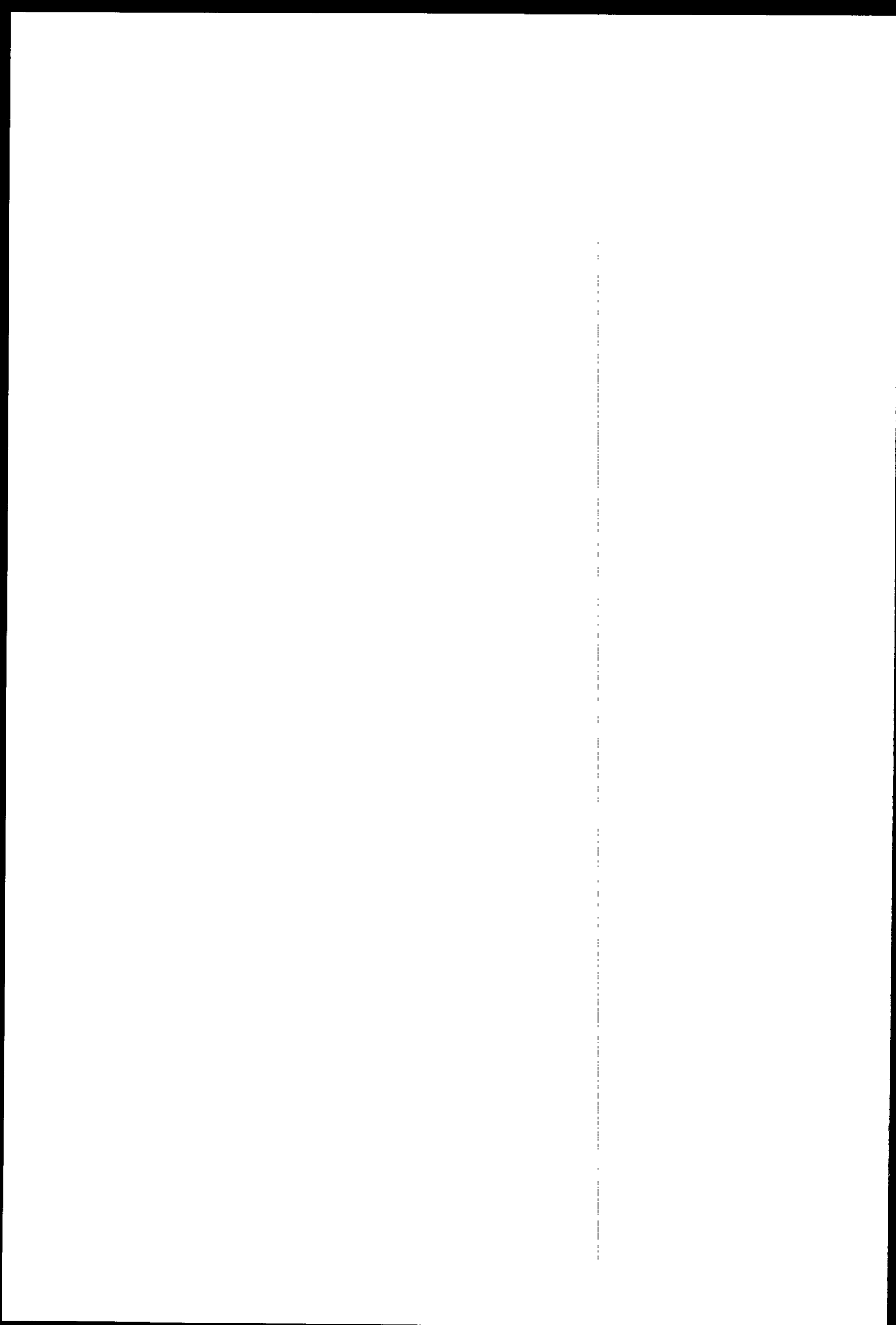
demand from abroad, which continues to be weak. The period for which work is assured contracted slightly between December 1966 and March 1967, and the replies concerning stocks suggest that these were building up during the winter. In short, the only gleam of light at the beginning of this year was in production expectations. In the industries associated with building, which benefit from the support given by the steady increase in public works, the replies showed a certain improvement connected with the usual seasonal recovery.

In the Community as a whole, the fairly pessimistic atmosphere already evident during 1966 seems to persist. The level of orders is still considered rather low. The brisk expansion in Italy and the steady development in France have not completely offset the weakness of business activity elsewhere. The improvement in production expectations is nevertheless an important fact; this trend, if maintained, might prove to be forerunner of an impending recovery.

The situation in the commercial vehicle industry has changed but little despite the improvement in the spring: the low propensity to invest continues to depress order-books, which are still described as below normal; production expectations are, however, now no longer negative. In the industries manufacturing general equipment products, uncertainty is still prevalent; managements' replies concerning order-books remained pessimistic, but production expectations, although still negative, have improved. In the mechanical equipment industry (other than electrical), the tone of replies was virtually unchanged: order-books were still considered below normal by a large number of managements, but the percentage expecting production to go down in the coming months has fallen. In the electrical equipment industry, the general atmosphere has deteriorated a little in the latest surveys: at Community level, this branch has nevertheless proved fairly resistant and, in particular, production expectations changed from negative to positive at the end of March.

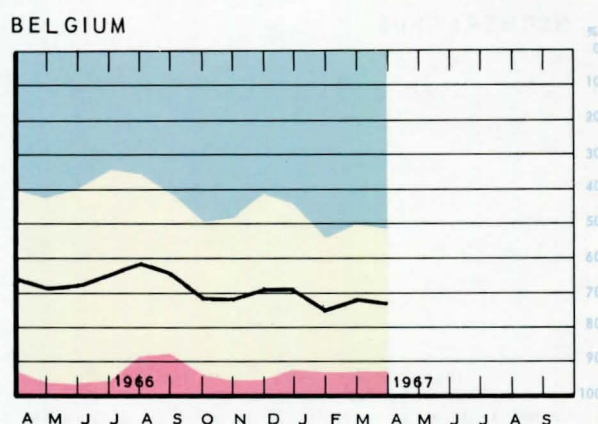
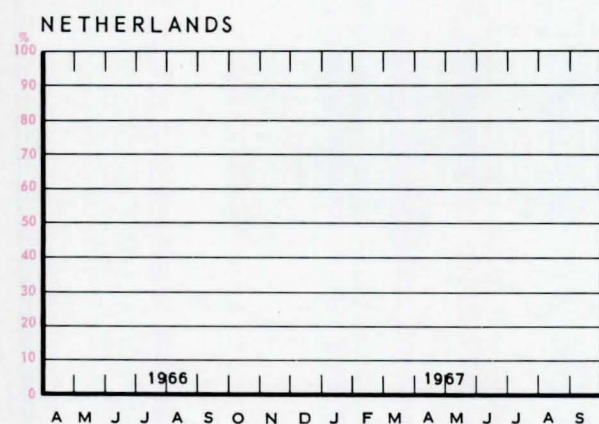
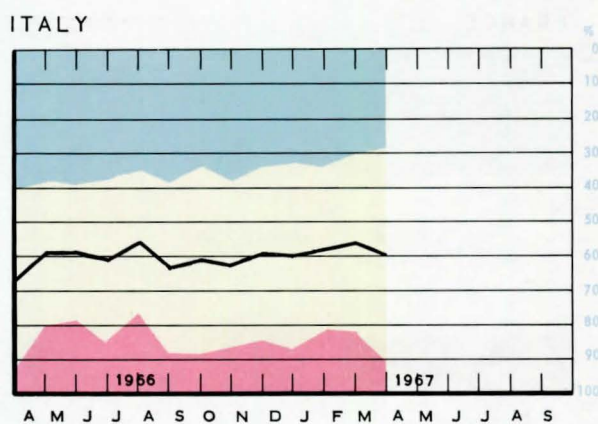
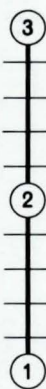
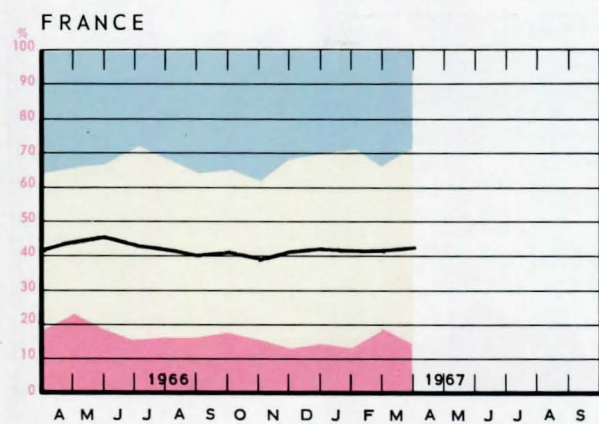
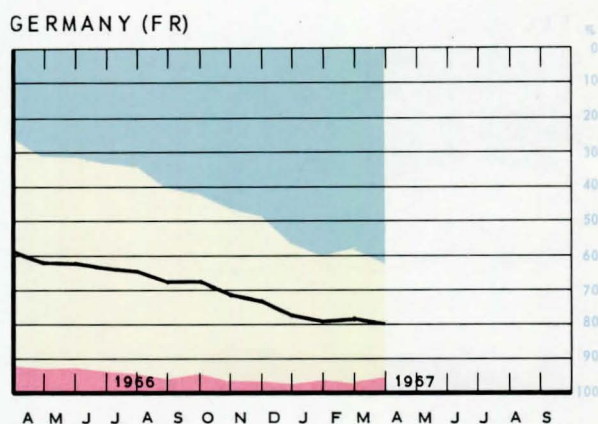
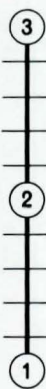
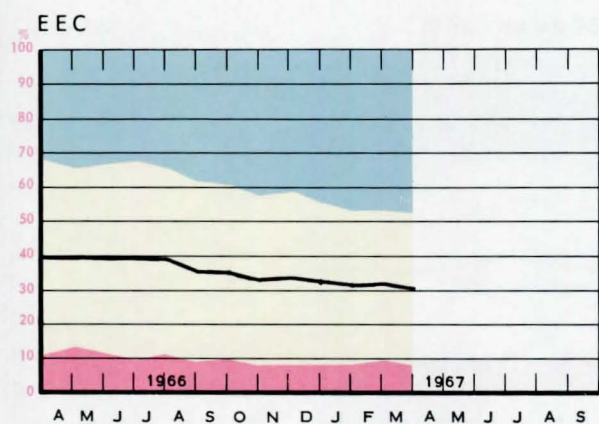
(the figures are percentages of replies received)

Questions Country	1966/ 1967	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M
GERMANY (FR)	+	3	2	3	2	3	10	11	12	11	10	26	31	32	33	33	4	3	7	11	7	7	9	4	5	2
	=	48	42	37	40	34	53	51	46	47	47	72	68	67	66	66	64	60	65	67	75	86	82	88	85	89
	-	49	56	60	58	63	37	38	42	42	43	2	1	1	1	1	32	37	28	22	18	7	9	8	10	9
FRANCE	+	13	14	13	18	14	16	23	19	22	20	27	27	24	26	24	19	23	18	19	15	20	15	16	21	12
	=	55	56	58	48	57	52	45	51	40	50	66	66	70	69	71	67	62	66	69	77	72	78	79	75	83
	-	32	30	29	34	29	32	32	30	38	30	7	7	6	5	5	14	15	16	12	8	8	7	5	4	5
ITALY	+	15	13	18	18	9	17	16	11	16	11	25	24	19	19	16	25	36	36	38	36	23	23	22	20	17
	=	51	54	48	52	62	52	56	60	53	55	66	68	77	77	79	58	54	56	56	59	70	72	72	72	73
	-	34	33	34	30	29	31	28	29	31	34	9	8	4	4	5	17	10	8	6	5	7	5	6	8	10
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	4	6	6	6	6	1	5	4	5	4	23	22	28	31	27	9	11	12	16	13	10	16	22	25	18
	=	55	50	39	44	42	55	50	37	36	47	67	70	62	58	63	60	55	53	53	55	75	65	71	60	63
	-	41	44	55	50	52	44	45	59	59	49	10	8	10	11	10	31	34	35	31	32	15	19	7	15	19
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	8	8	8	10	8	11	13	12	13	11	26	29	28	28	27	12	14	15	17	14	13	13	11	13	8
	=	51	48	46	44	45	53	51	48	45	49	69	67	69	69	70	64	60	63	65	72	79	79	82	79	83
	-	41	44	46	46	47	36	36	40	42	40	5	4	3	3	3	24	26	22	18	14	8	8	7	8	9



CAPITAL GOODS

Order-books



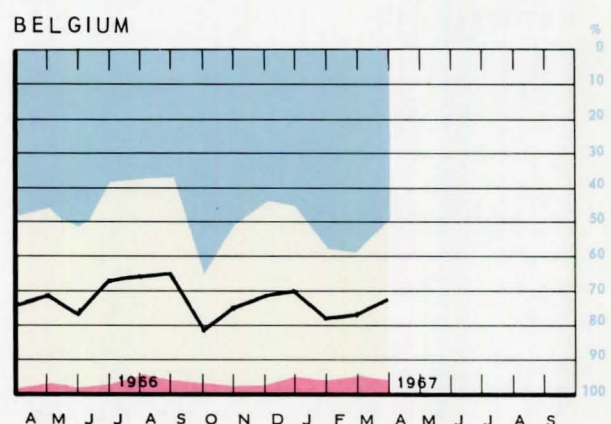
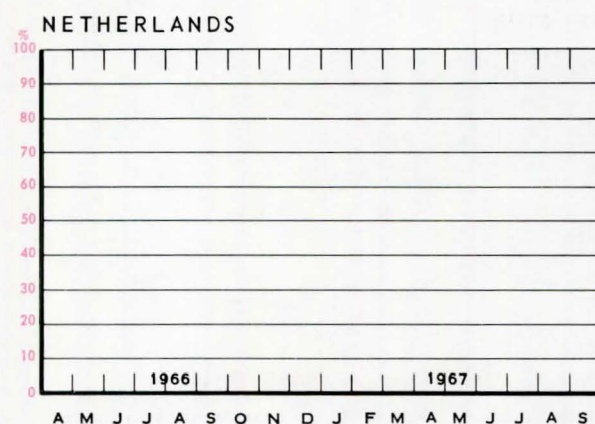
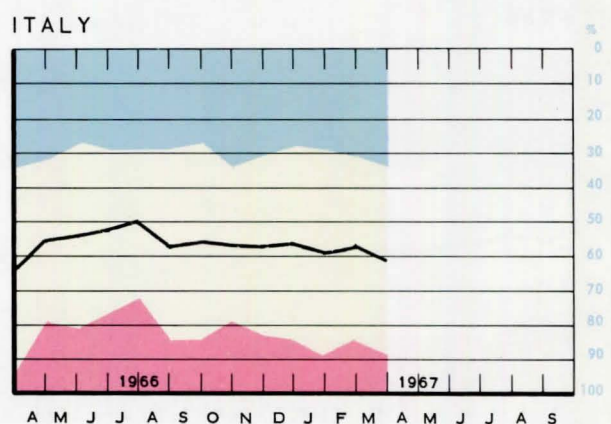
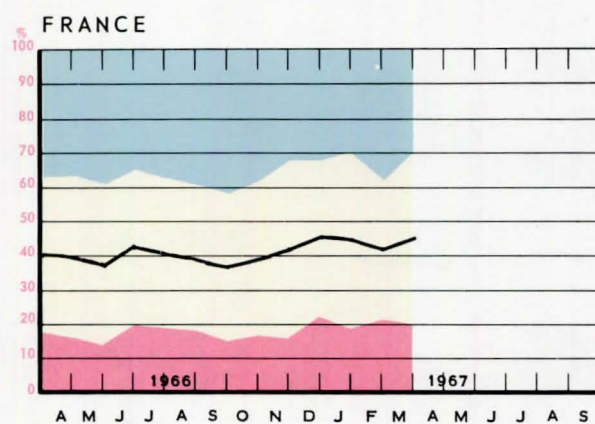
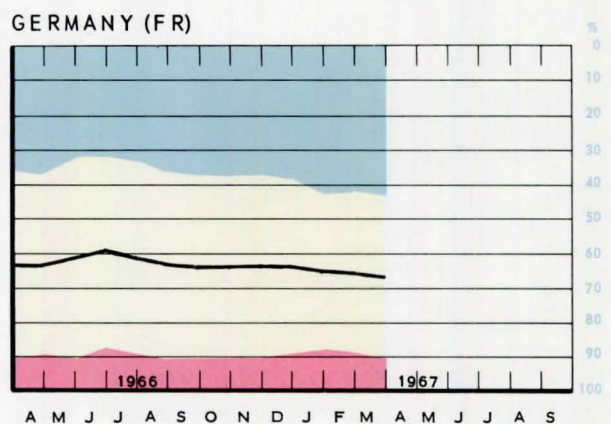
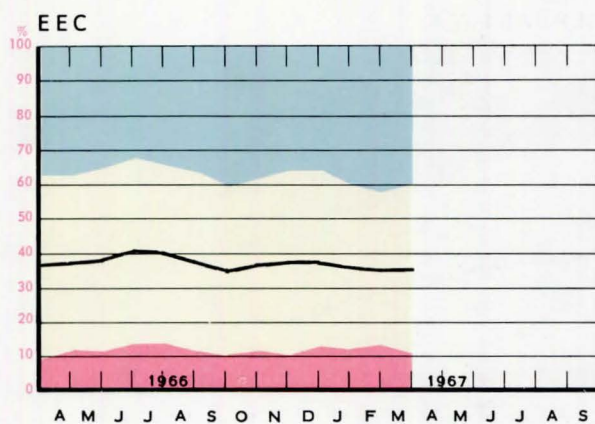
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



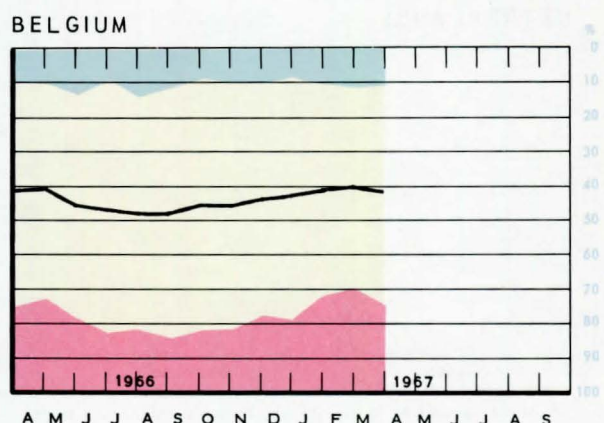
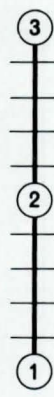
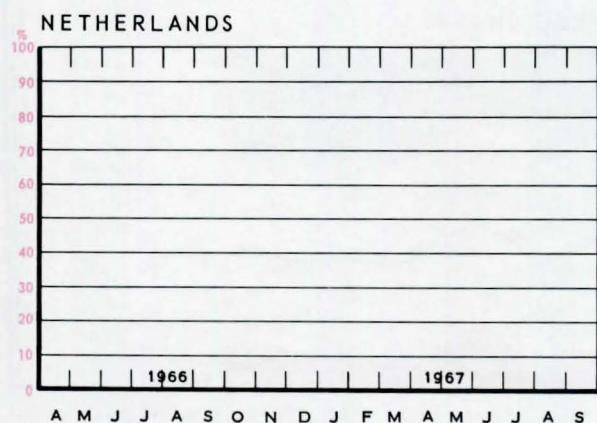
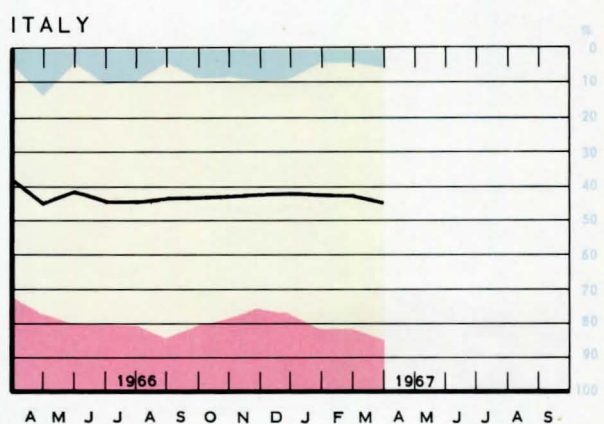
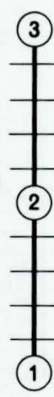
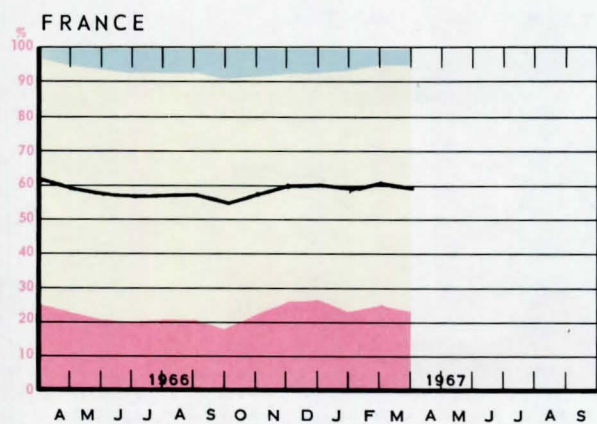
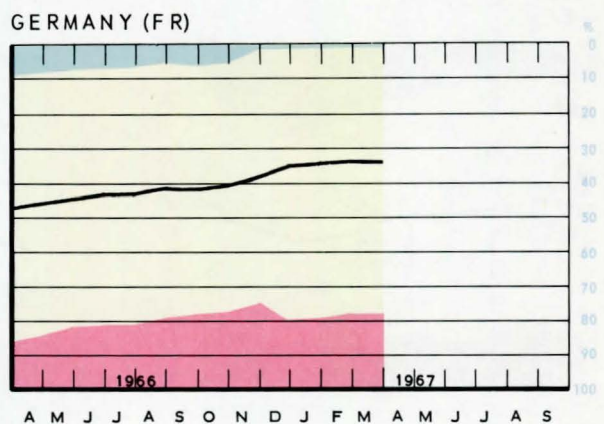
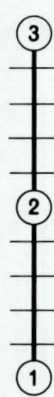
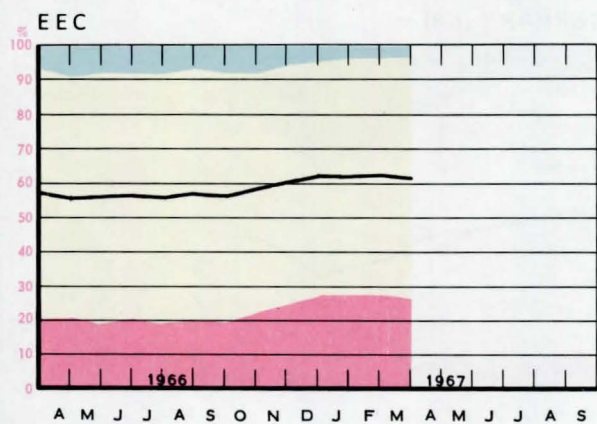
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- by 0.02 for the answer "normal" ;
- by 0.01 for the answer "below normal" ;



CAPITAL GOODS

Stocks of finished products



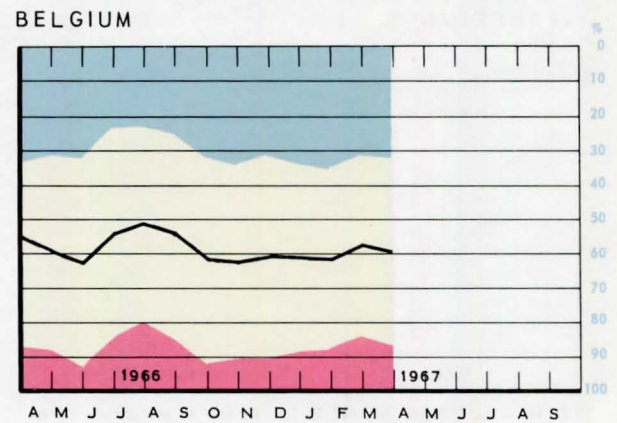
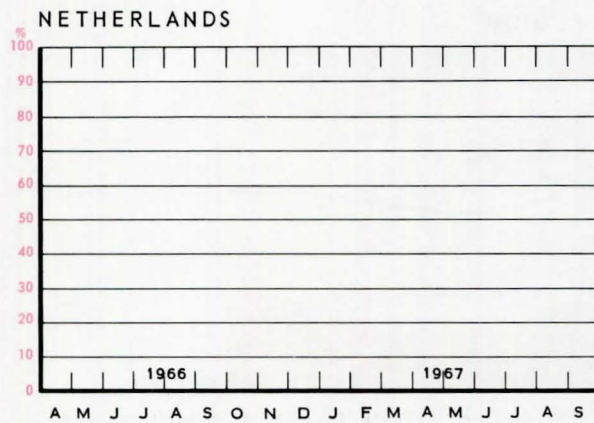
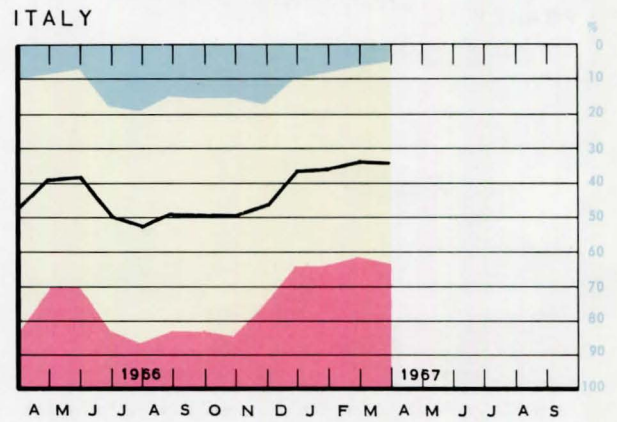
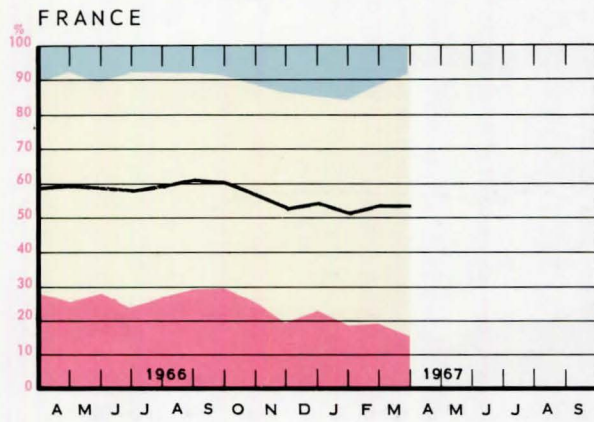
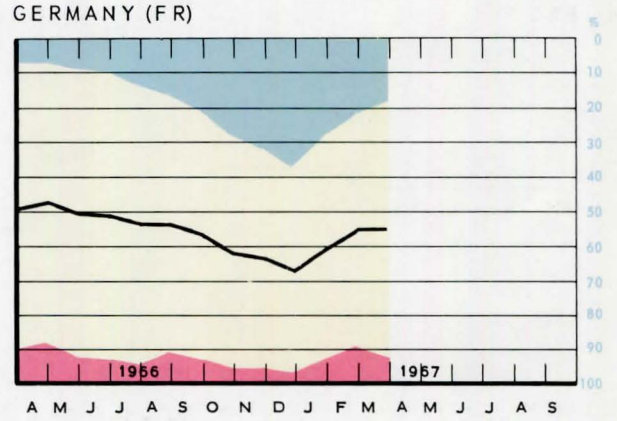
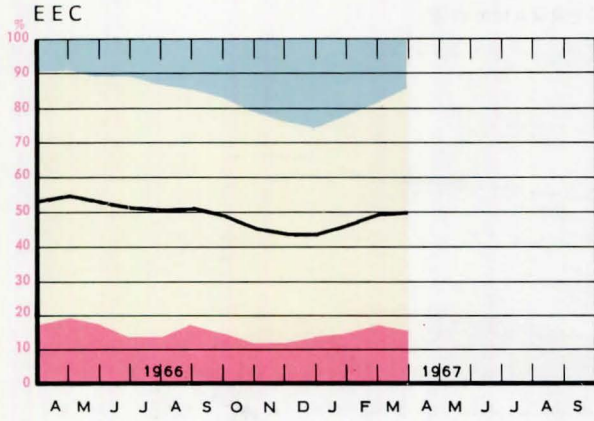
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- by 0.02 for the answer "normal";
- by 0.01 for the answer "below normal";



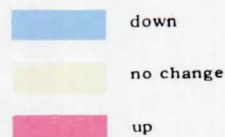
CAPITAL GOODS

Trend in production



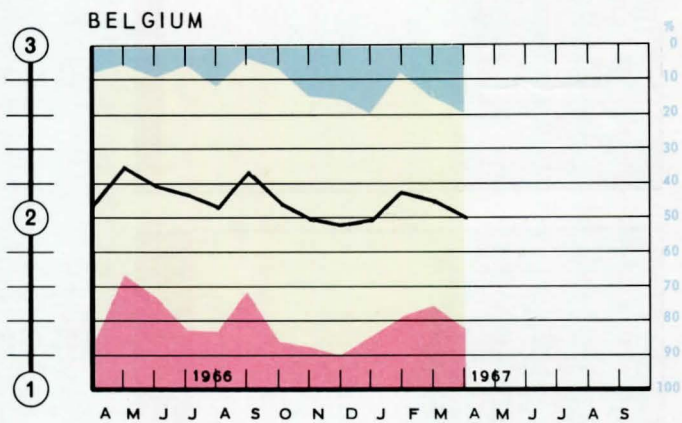
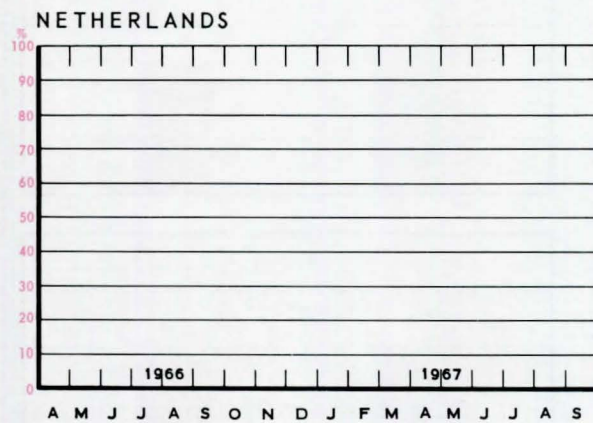
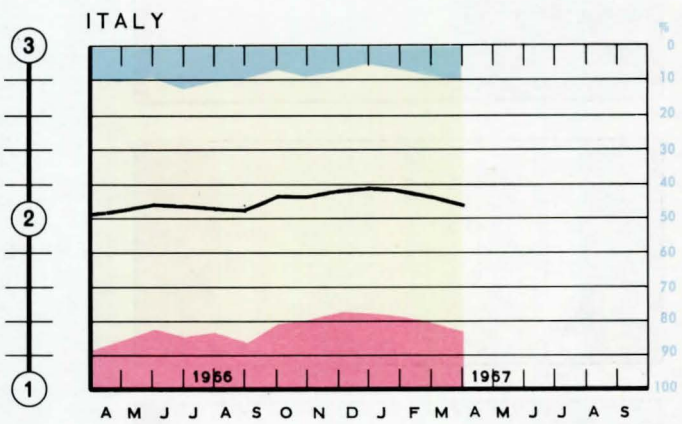
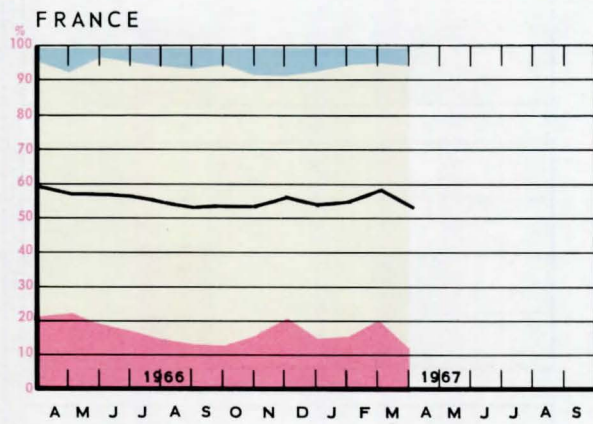
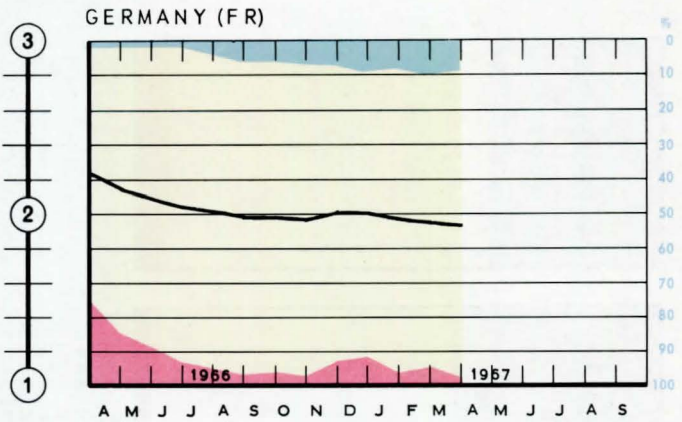
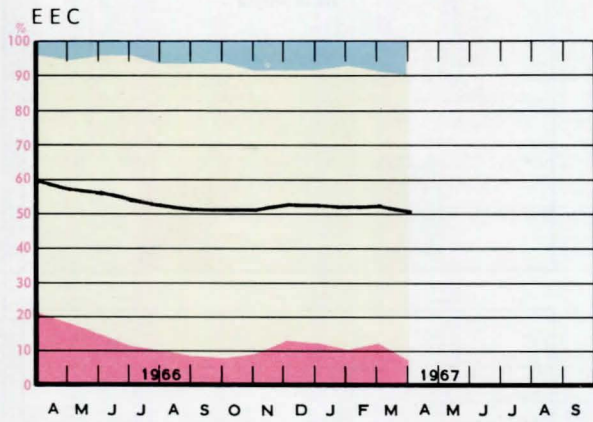
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



CAPITAL GOODS

Trend in selling prices



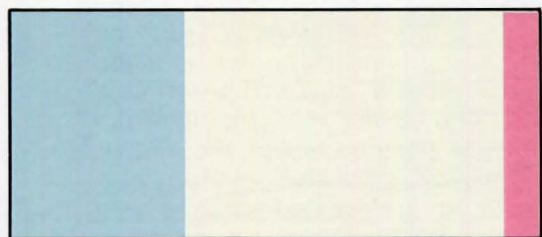
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by 0.01 for the answer "down".

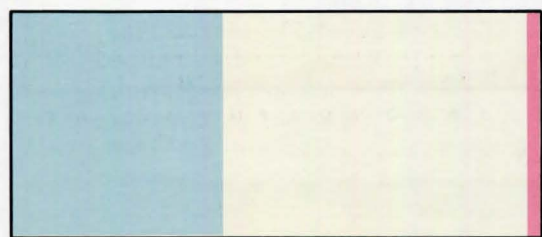


CAPITAL GOODS

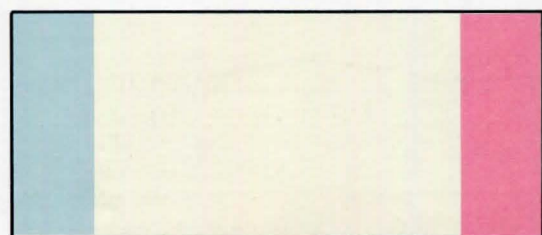
Assessment of production capacity
(January 1967)



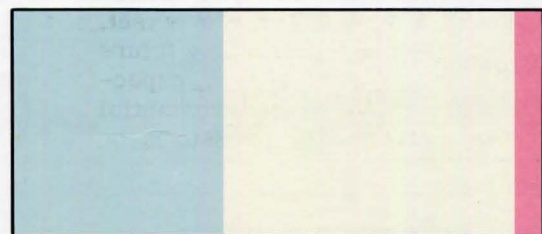
EEC



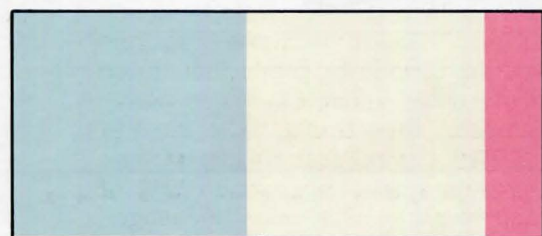
GERMANY (FR)



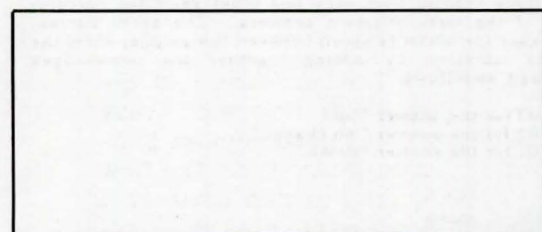
FRANCE



ITALY

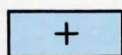


BELGIUM

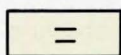


Our present capacity is:

more than adequate



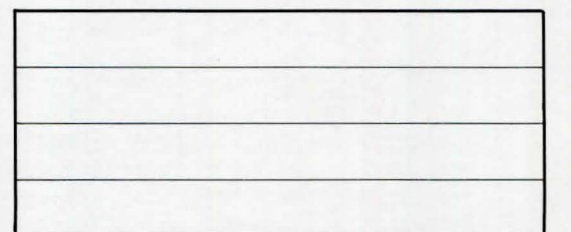
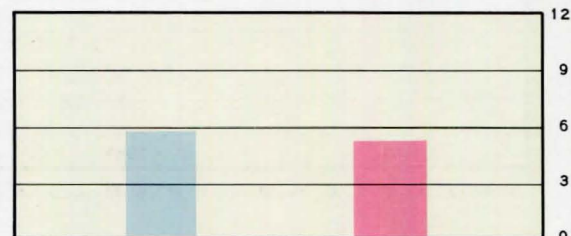
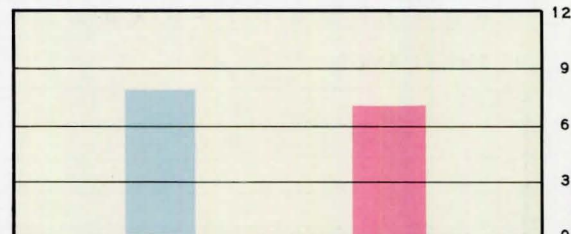
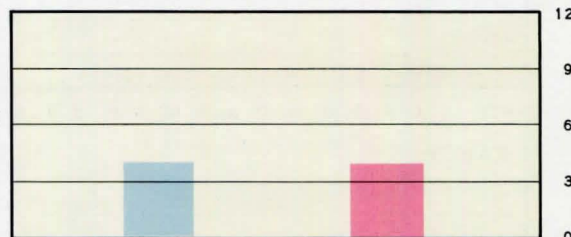
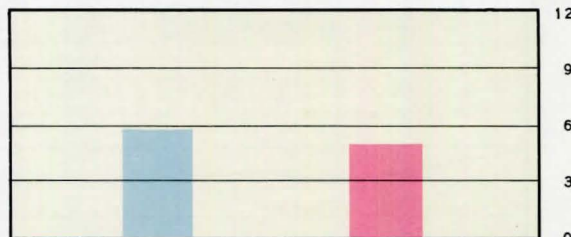
adequate



inadequate



Period of production assured by order-books
(December 1966 - March 1967)
In months



End December 1966



End December 1967



INTERMEDIATE GOODS

In the Federal Republic of Germany, the intermediate goods sector follows fairly closely the trends registered by the industries that manufacture capital and consumer goods. From the latest surveys it would seem that the situation, although still relatively mediocre, has not deteriorated further. Moreover, the opinions expressed by heads of firms varied from one industry to another, and certain sectors were still relatively buoyant. Despite some stabilization since the beginning of the year, the replies on order-books remained tinged with pessimism: at the end of March, 55% of firms considered their orders to be below normal, compared with 35% at the end of October 1966. It appears, however, that more orders have been coming in from abroad: the percentage of firms giving the reply "above normal" is now greater than that giving "below normal". Stocks do not appear to have risen further since October: between the end of October 1966 and the end of March 1967, the percentage of managements reporting abnormally high stocks has hardly changed at all. Prices seemed to be heading definitely downward. Production expectations have clearly improved; although this development does not yet definitely mean an early increase in activity, it reflects a more favourable outlook: at the end of March, 88% of managements questioned were expecting production to go up or remain unchanged in the next few months, compared with 79% at the end of October and 72% at the end of December 1966.

In France, the improvement in the replies appears to have levelled off since the middle of 1966. On the whole, the situation may even have deteriorated slightly, particularly as regards demand from abroad. This development has, moreover, been reflected in total order-books which, at the end of March, were described as below normal by 38% of managements questioned, compared with 32% at the end of October 1966. The decline appears to have been greatest in the industries upstream of the consumer goods industries. Where heavy industry was concerned, the situation improved, but it must be pointed out that it was far from good at the outset. Stocks changed very little but tended to pile up. However, replies concerning future production remained optimistic; after a slight weakening at the end of 1966, expectations have again improved slightly. Altogether, there should not be any substantial changes in the rate of production during the next few months. The pressures on prices seem to have been easing steadily.

In Italy, activity in the intermediate goods industries is exhibiting a definite tendency to expand. Total order-books have stabilized in spite of the fairly marked decline in orders from abroad. The industries upstream of the consumer goods industries have continued to benefit from the increase in household incomes, while heavy industry has been stimulated by the revival in domestic investment. The level of stocks, which by and large was normal, has changed little. Production expectations have not improved further but still appeared to be very good: more than 90% of firms were expecting the present rate of production to go up or remain unchanged in the coming months.

In Belgium, the pessimism that for the last two years has been a feature of the replies from industrialists in this sector has in general persisted. However, heavy industry appears to have withstood the unfavourable business situation more successfully than the industries upstream of the consumer goods industries. The flow of orders, which had been slackening until the end of 1966, then settled down at a fairly modest level: at the end of March, 37% of managements considered the level of orders to be below normal. Stocks of finished products have tended to rise, and production expectations have become slightly more pessimistic in the surveys; the rate of production is therefore hardly likely to increase in the months ahead. In line with the general atmosphere, price expectations have usually shown a tendency to remain unchanged.

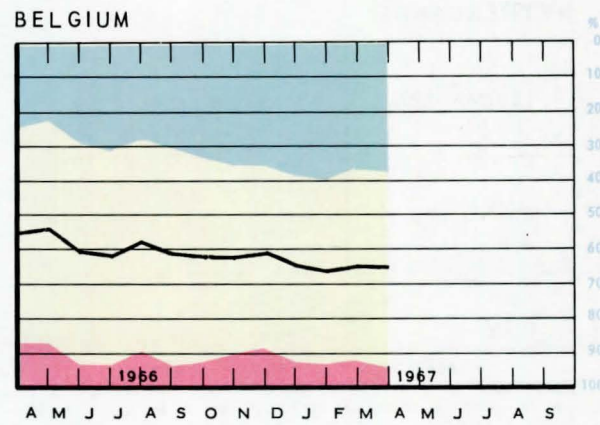
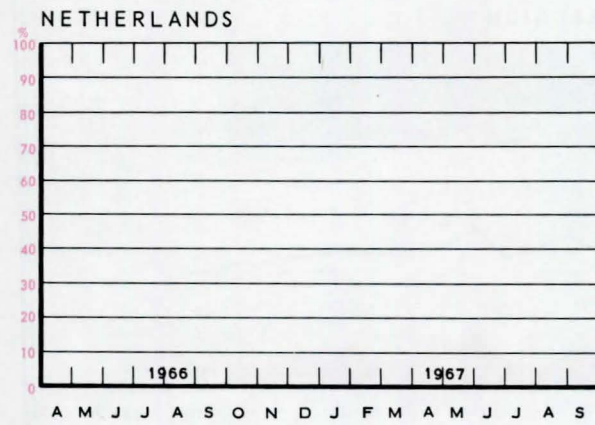
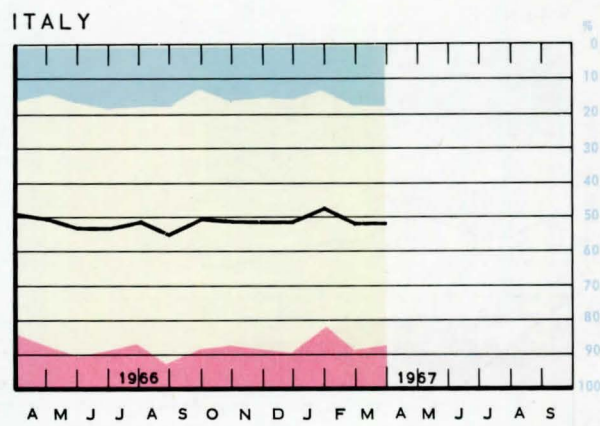
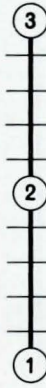
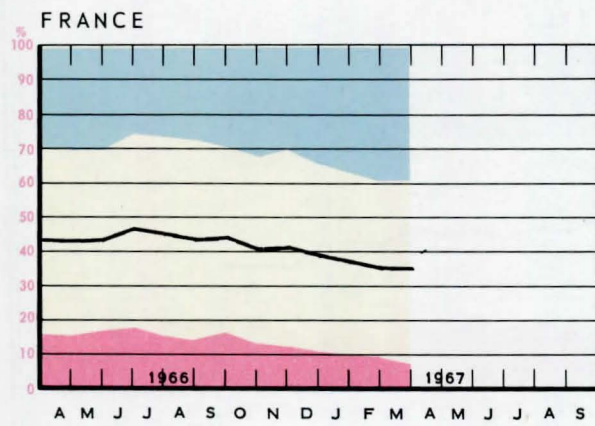
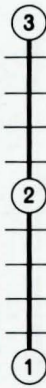
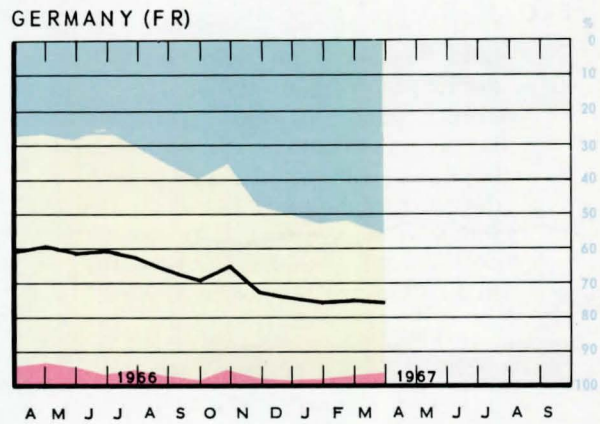
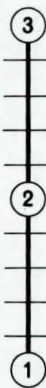
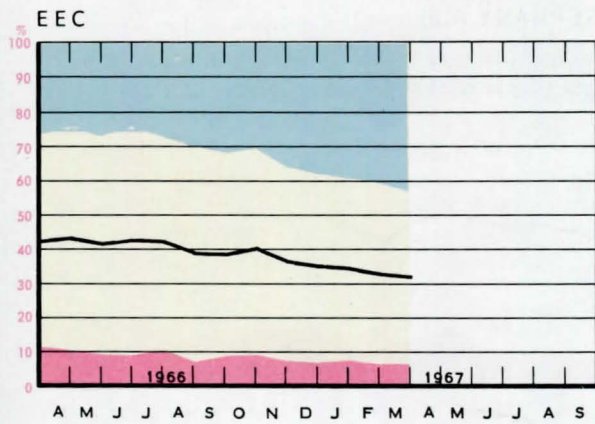
For the Community as a whole, the assessment of demand from abroad has changed little, but total demand has fallen; this movement has, however, slowed down perceptibly since the beginning of 1966. Moreover, production expectations are now more encouraging. In the iron and steel industry, which has been considerably affected by the low level of business activity and by structural difficulties, opinions on the subsequent development of production have become more optimistic. Order-books, on the other hand, were reported to be still rather thin. The industries that supply firms manufacturing consumer goods have been affected by the weakening of household demand. The level of orders in the textile and leather industries, for instance, declined owing to the decrease in purchases by the industries they supply, such as clothing and footwear. In the wood and paper industries, the situation was considered far from satisfactory; almost half the firms questioned reported order-books below normal. Chemicals and petroleum, on the other hand, were still registering very definite expansion, being no doubt helped by structural developments. The rubber industry was affected by the slackening of activity in the motor vehicle industry; the outlook for production, however, is felt to have improved appreciably, particularly in France and the Federal Republic of Germany.

(the figures are percentages of replies received)

Country	Questions 1966/ 1967	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M
GERMANY (FR)	+	2	2	2	3	4	9	16	17	17	22	20	22	23	25	22	8	12	15	18	17	5	6	3	5	5
	=	51	48	45	45	41	75	68	64	66	59	79	77	74	75	76	67	60	60	67	71	75	72	73	72	75
	-	47	50	53	52	55	16	16	19	17	19	1	1	3	0	2	25	28	25	15	12	20	22	24	23	20
FRANCE	+	13	11	10	10	8	16	12	14	12	9	16	16	19	26	22	20	21	24	26	22	12	12	13	11	10
	=	57	55	54	51	54	52	53	48	46	52	78	79	77	68	75	70	67	64	64	69	74	77	76	79	80
	-	30	34	36	39	38	32	35	38	42	39	6	5	4	6	3	10	12	12	10	9	14	11	11	10	10
ITALY	+	12	11	18	12	13	18	15	5	8	8	13	13	15	17	18	16	19	22	19	20	15	16	18	14	13
	=	73	74	69	71	70	51	55	61	56	57	83	81	78	78	73	76	75	73	76	72	79	80	74	78	77
	-	15	15	13	17	17	31	30	34	36	35	4	6	7	5	9	8	6	5	5	8	6	4	8	8	10
NETHERLANDS	+																									
	=																									
	-																									
BELGIUM	+	12	8	7	6	6	13	12	10	4	7	19	21	23	23	22	12	10	9	11	6	10	10	10	10	9
	=	53	54	54	58	57	53	54	55	63	58	72	69	69	72	73	60	61	60	66	64	72	74	71	73	71
	-	35	38	39	36	37	34	34	35	33	35	9	10	8	5	5	28	29	31	23	30	18	16	19	17	20
LUXEMBOURG	+																									
	=																									
	-																									
EEC	+	8	7	8	7	7	12	14	13	11	14	17	18	20	23	21	13	16	19	20	18	10	11	10	9	9
	=	57	56	53	53	51	62	60	58	60	57	79	78	76	74	75	70	65	63	68	71	75	74	74	76	77
	-	35	37	39	40	42	26	26	29	29	29	4	4	4	3	4	17	19	18	12	11	15	15	16	15	14

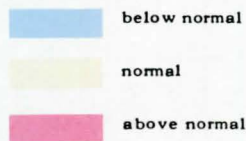
INTERMEDIATE GOODS

Order-books



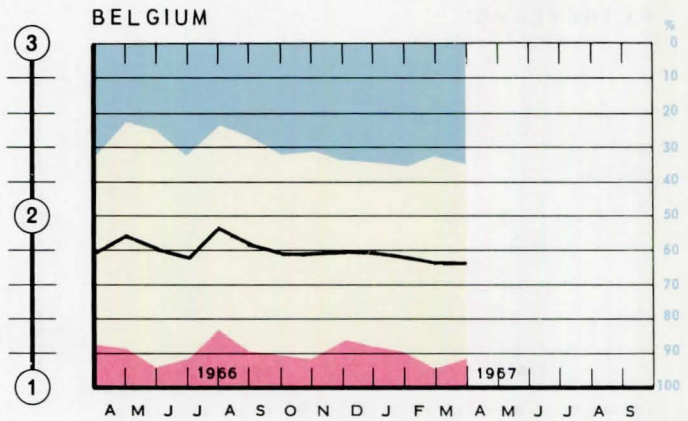
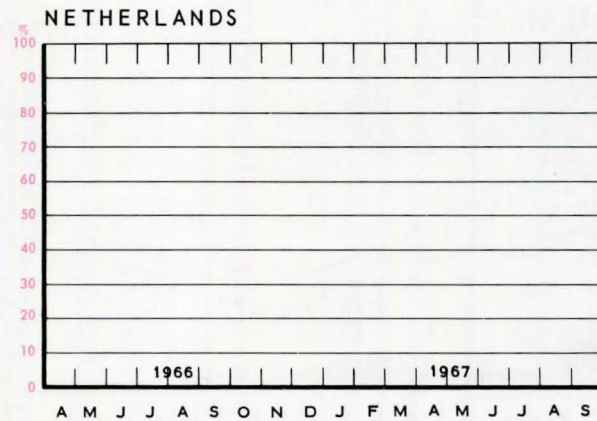
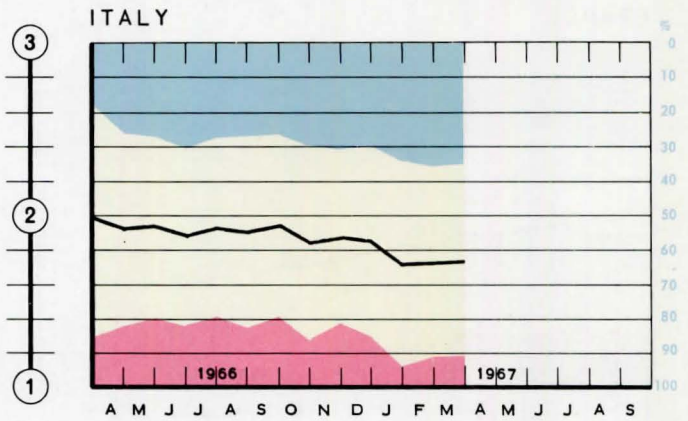
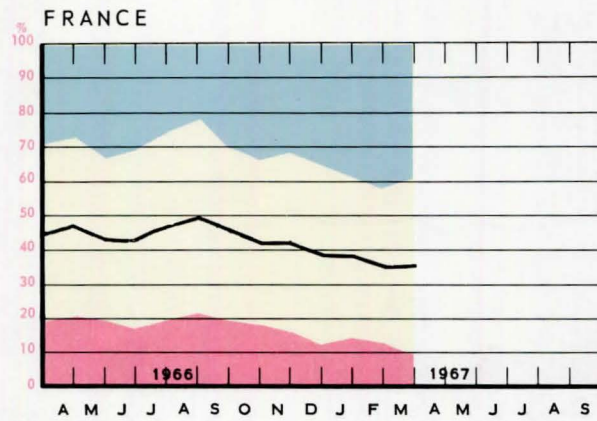
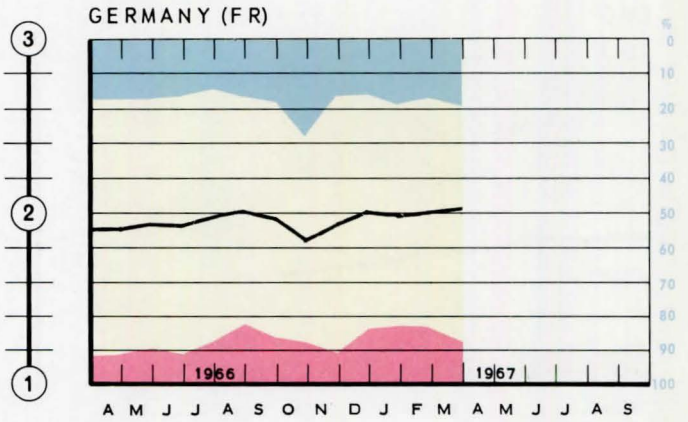
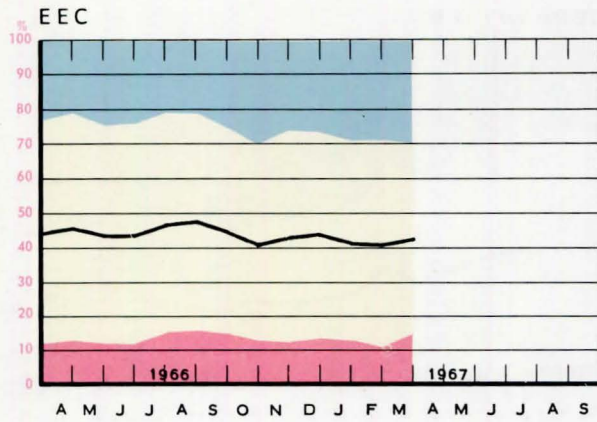
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



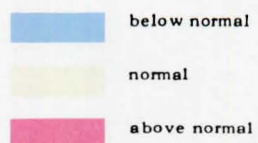
INTERMEDIATE GOODS

Export order-books



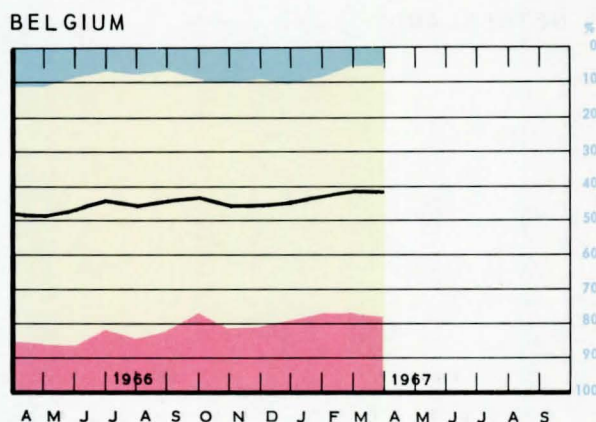
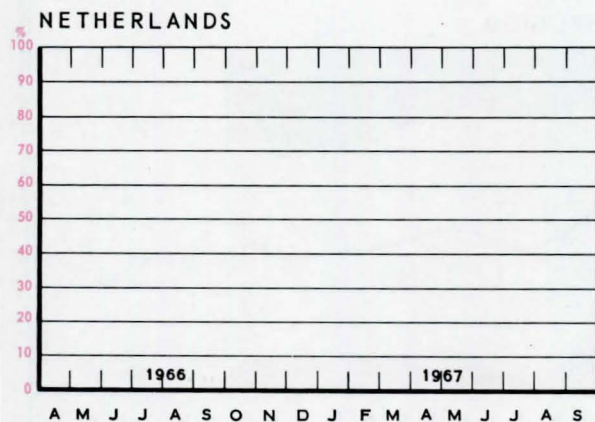
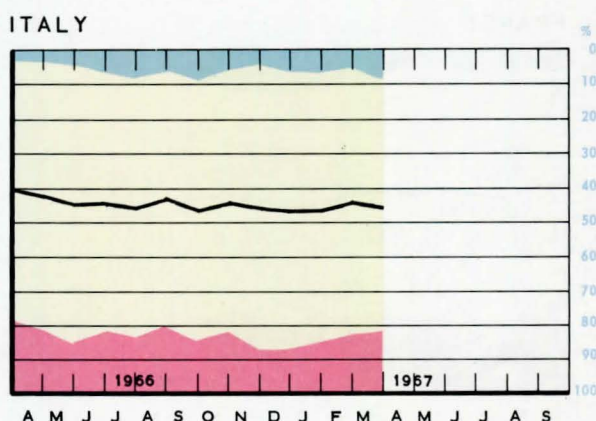
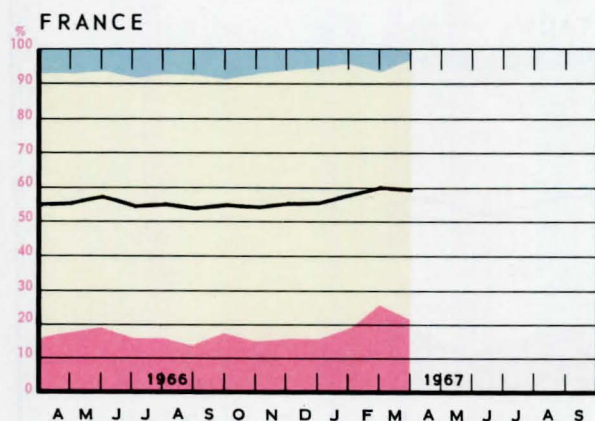
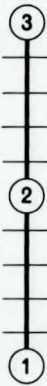
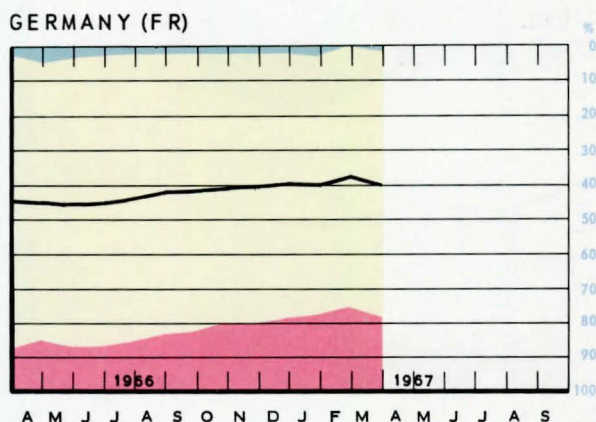
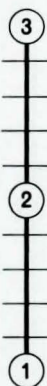
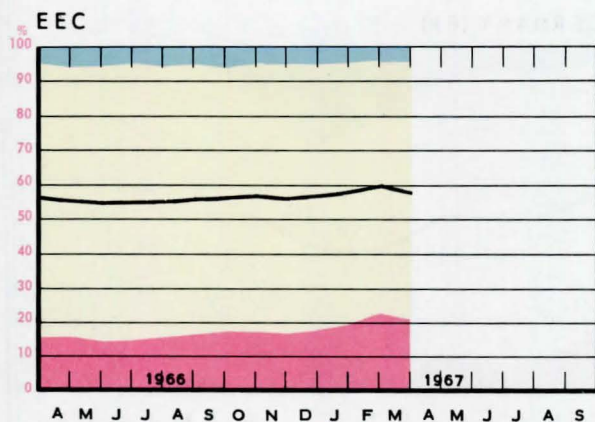
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

- 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



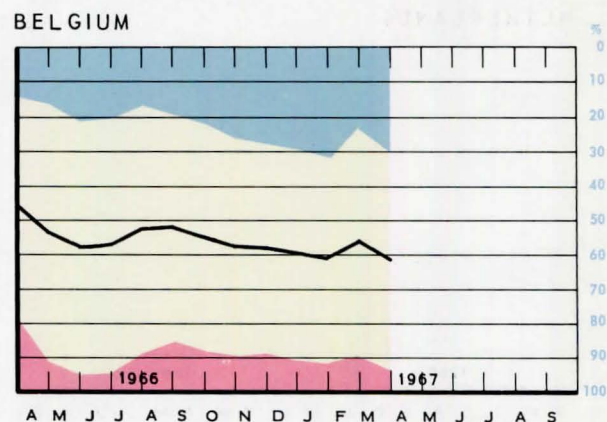
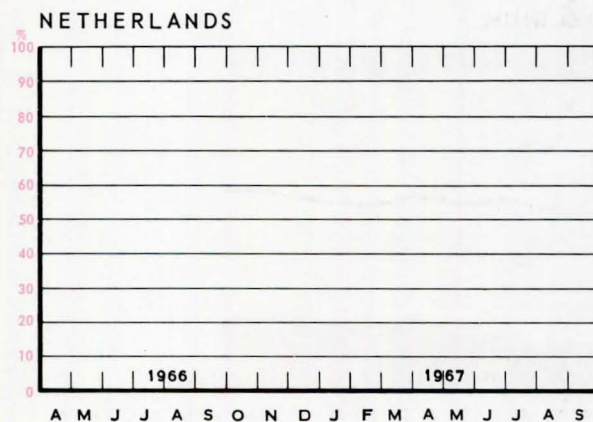
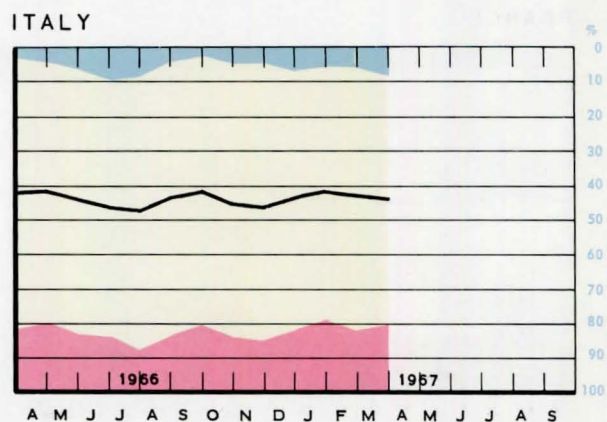
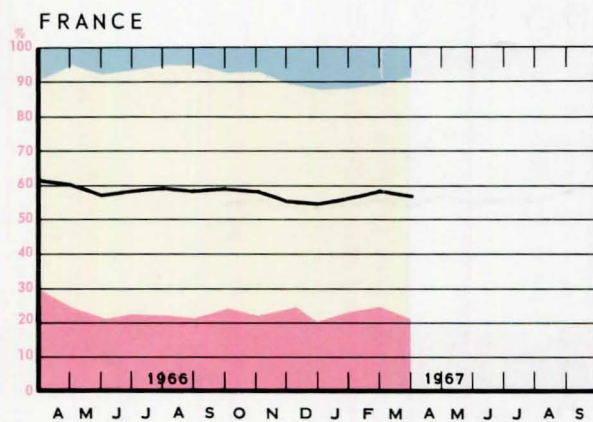
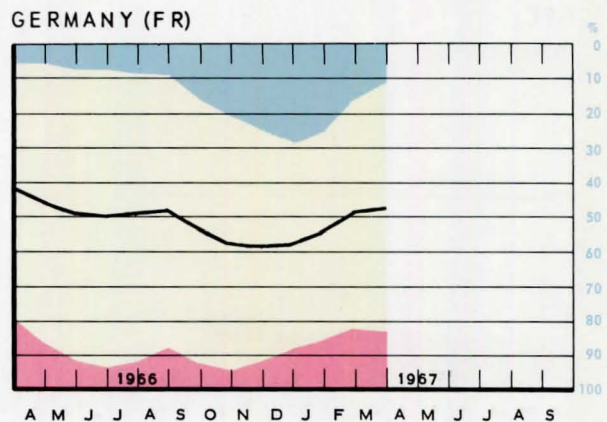
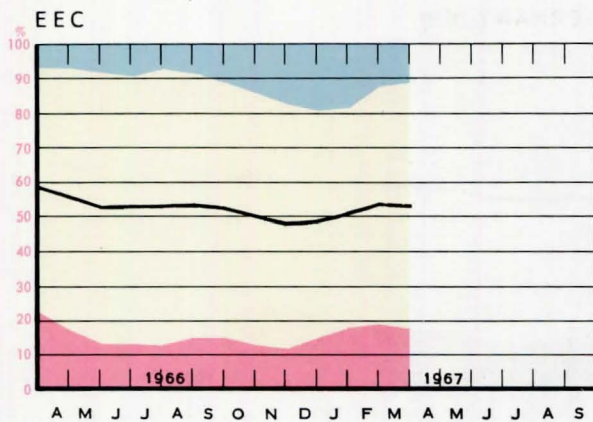
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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



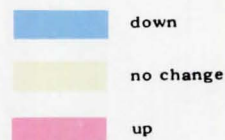
INTERMEDIATE GOODS

Trend in production



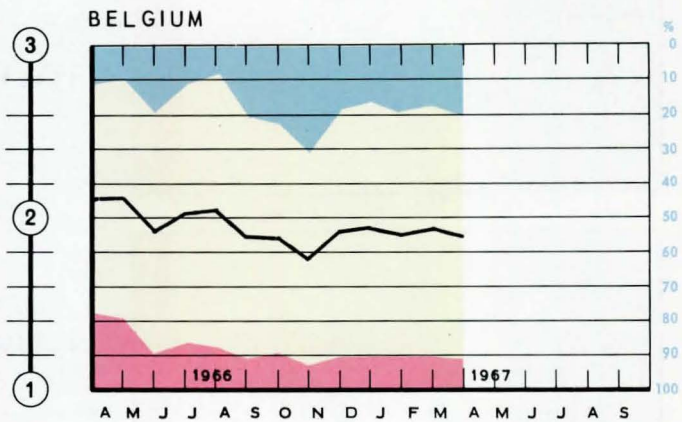
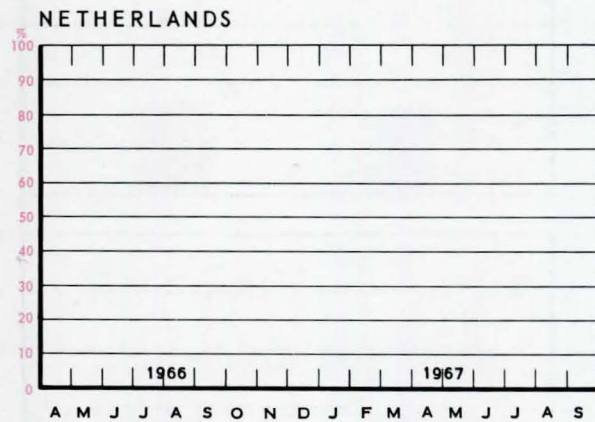
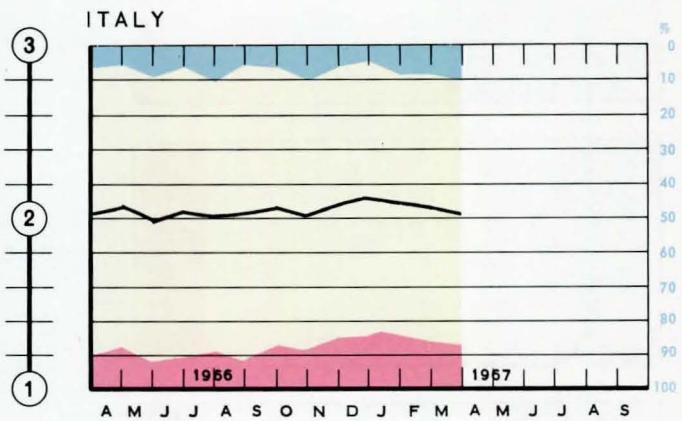
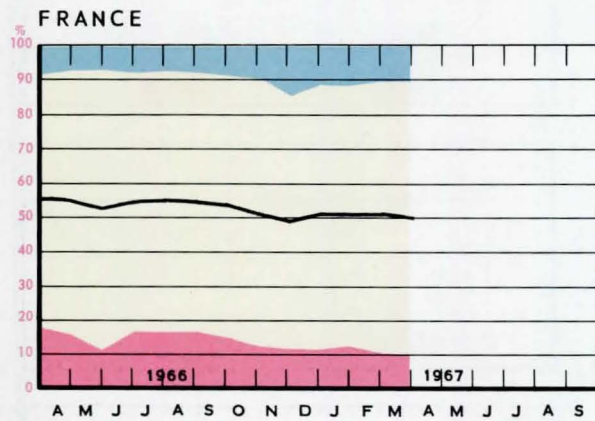
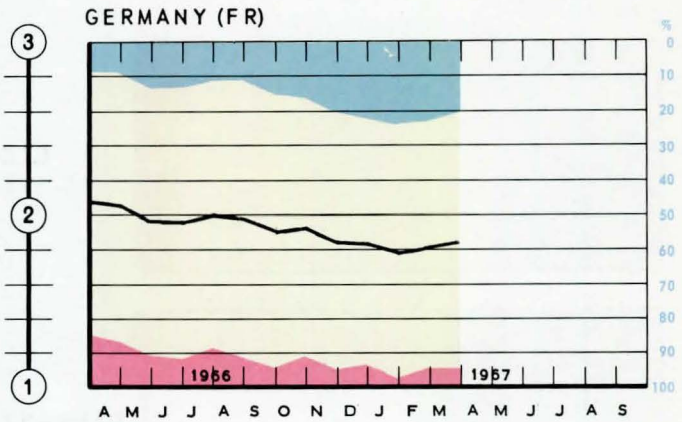
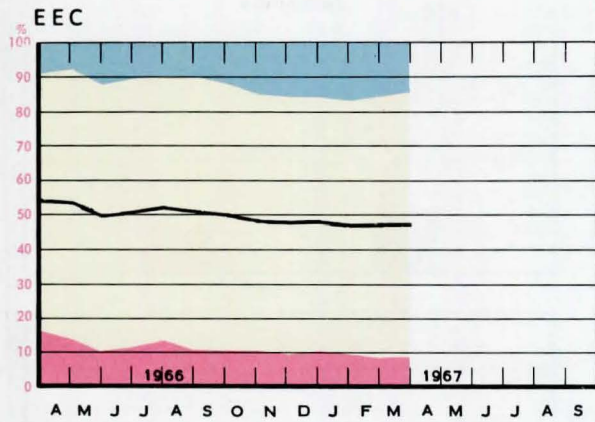
The three colours (red, grey and blue) show the percentages of the three different answers. The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows:

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:

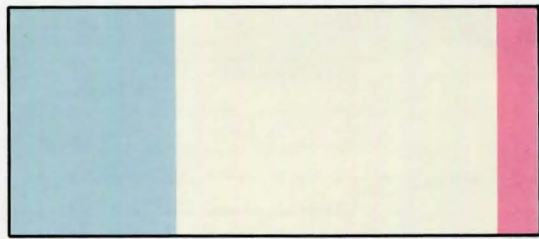
by 0.03 for the answer "up";
by 0.02 for the answer "no change";
by 0.01 for the answer "down".



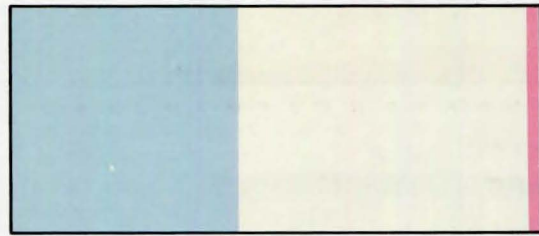
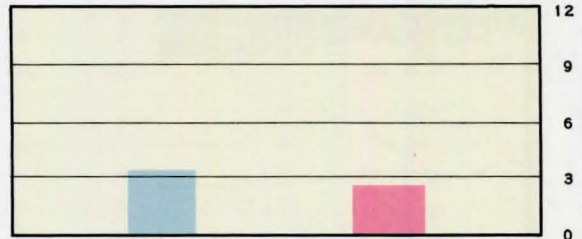
INTERMEDIATE GOODS

Assessment of production capacity
(January 1967)

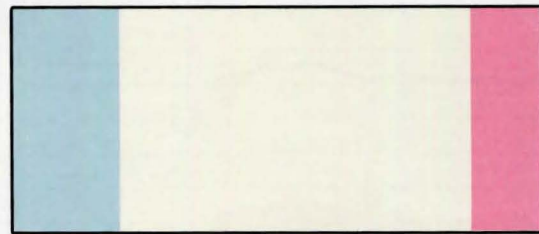
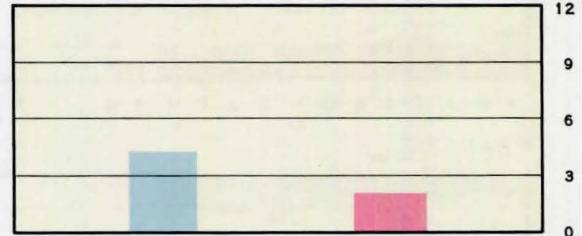
Period of production assured by order-books
(December 1966 - March 1967)
In months



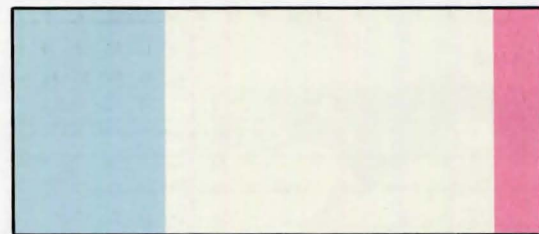
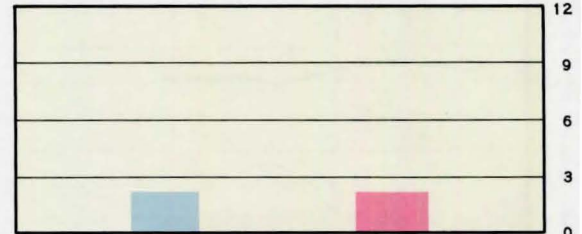
EEC



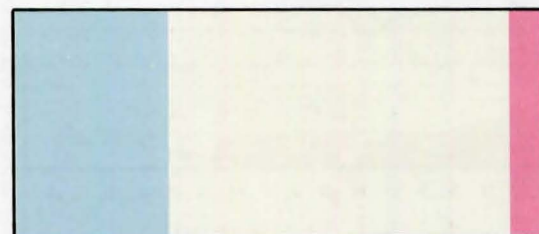
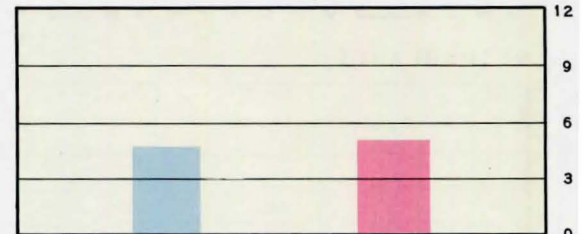
GERMANY (FR)



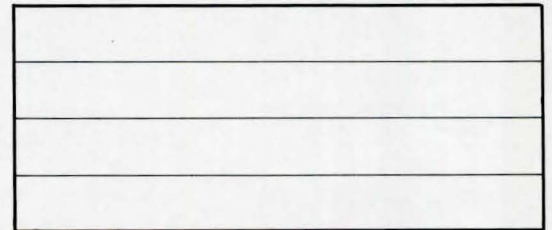
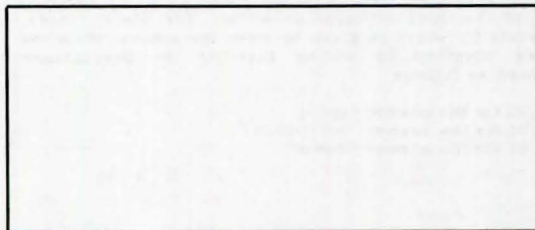
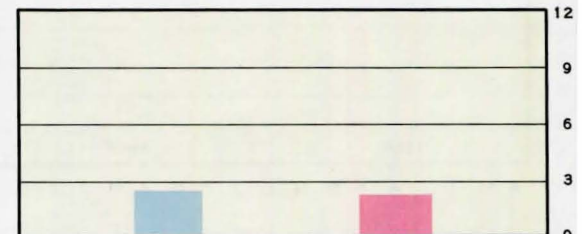
FRANCE



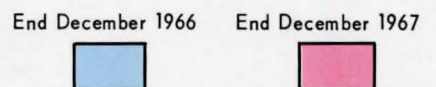
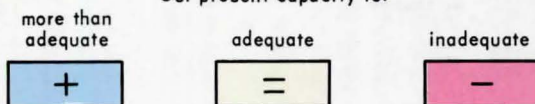
ITALY



BELGIUM



Our present capacity is:



RESULTS BY BRANCH OF INDUSTRY AT COMMUNITY LEVEL

(the figures are percentages of replies received)

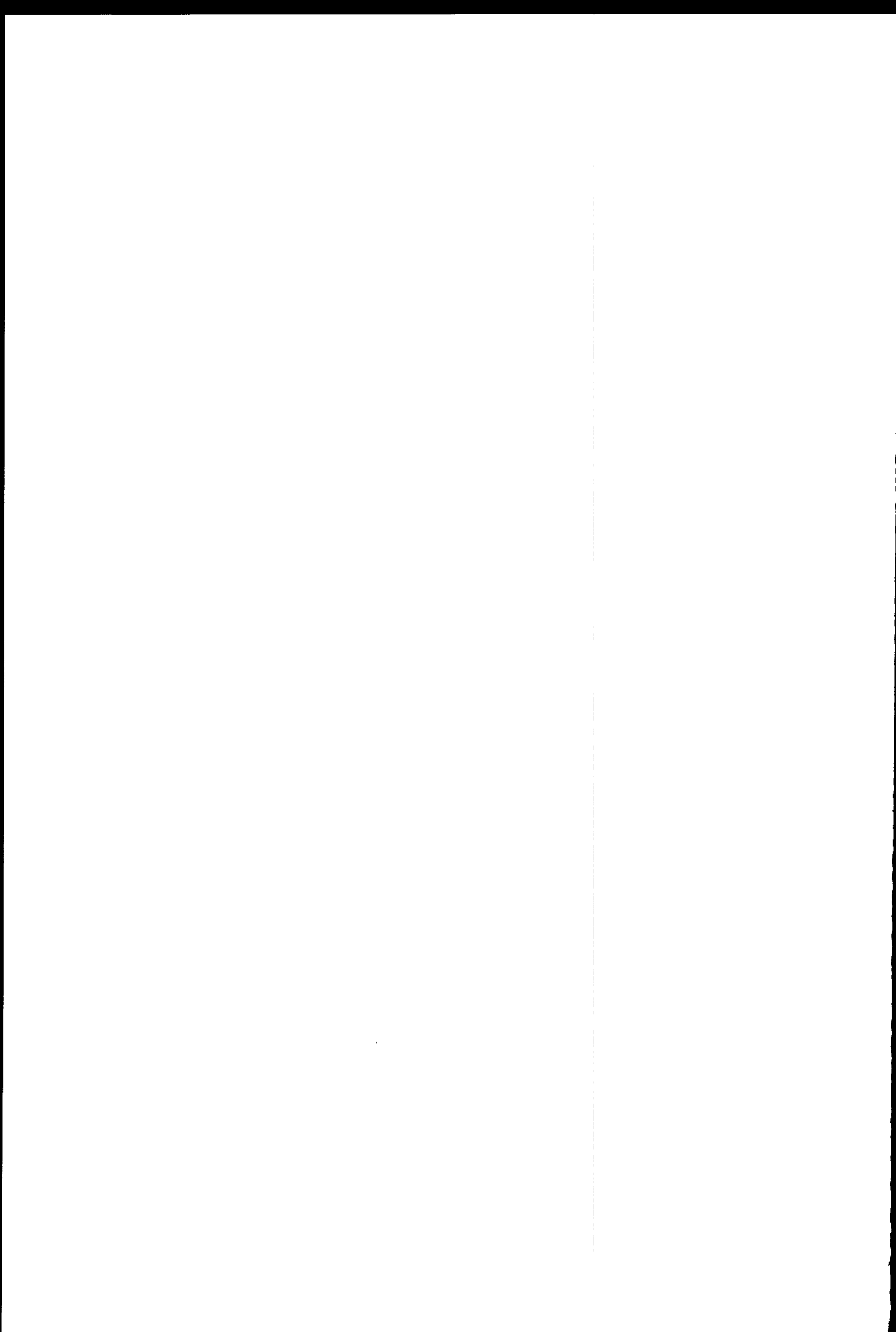
Sector	Questions	1966/ 1967	Assessments															Expectations									
			Total order-book					export order-book					Stocks of finished products					Production					Selling prices				
			N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M
1. Textiles	+		10	5	4	4	3	8	3	3	3	3	40	41	46	50	51	8	8	11	11	9	13	10	13	9	9
	=		44	45	39	39	35	44	43	32	34	36	57	56	49	49	48	66	61	57	63	65	72	76	69	75	74
	-		46	50	57	57	62	48	54	65	63	61	3	3	5	1	1	26	31	32	26	26	15	14	18	16	17
2. Garments and knitted and crocheted goods	+		12	8	7	6	8	5	6	5	1	4	31	32	32	33	35	18	20	16	14	13	13	12	11	11	11
	=		49	50	51	46	46	60	54	57	53	47	65	64	65	65	63	57	56	60	62	58	84	83	80	79	82
	-		39	42	42	48	46	35	40	38	46	49	4	4	3	2	2	25	24	24	24	29	3	5	9	10	7
3. Leather and footwear	+		10	10	12	13	10	29	15	18	14	12	27	37	36	36	36	18	13	18	19	19	17	10	12	8	6
	=		54	43	44	39	43	45	55	52	42	43	65	61	62	61	59	65	67	50	57	57	76	81	72	81	80
	-		36	47	44	48	47	26	30	30	44	45	8	2	2	3	5	17	20	32	24	24	7	9	16	11	14
4. Wood and cork	+		7	7	6	9	5	2	1	2	7	2	31	33	40	41	39	10	10	14	21	15	7	9	8	10	9
	=		49	40	40	34	42	48	50	43	43	45	64	63	57	56	57	63	64	67	68	74	72	72	71	72	72
	-		44	53	54	57	53	50	49	55	50	53	5	4	3	3	4	27	26	19	11	11	21	19	21	18	19
5. Furniture	+		10	5	2	6	5	15	6	7	5	2	22	27	31	34	31	7	6	20	22	20	9	9	7	9	7
	=		52	50	45	40	43	55	59	52	49	54	69	69	66	64	65	67	62	60	66	70	68	87	88	85	88
	-		38	45	53	54	52	30	35	41	46	44	9	4	3	2	4	26	32	20	12	10	23	4	5	6	5
6. Paper	+		6	4	5	5	5	3	7	5	5	9	30	29	32	30	33	13	10	13	17	15	12	11	9	9	13
	=		44	44	45	47	52	59	55	53	55	51	67	70	67	69	65	74	76	75	73	76	76	77	80	81	77
	-		50	52	50	48	43	38	38	42	40	40	3	1	1	1	2	13	14	12	10	9	12	12	11	10	10
7. Printing	+		6	8	7	7	5	4	5	4	5	3	7	6	6	5	6	16	13	13	18	13	7	14	15	15	9
	=		72	71	75	70	70	88	85	88	87	85	92	93	94	93	94	72	75	77	73	79	92	85	84	84	88
	-		22	21	18	23	25	8	10	8	8	12	1	1	0	2	0	12	12	10	9	8	1	1	1	1	3
8. Processing of plastics	+		8	8	15	11	14	2	6	4	8	7	12	10	15	14	12	19	22	26	31	28	2	2	3	2	4
	=		62	57	47	56	60	50	54	55	54	58	82	84	81	81	84	66	62	63	62	69	71	75	71	79	79
	-		30	35	38	33	26	48	40	41	38	35	6	6	4	5	4	15	16	11	7	3	27	23	26	19	17
9. Chemicals	+		18	16	15	11	19	19	27	30	27	38	9	11	9	11	11	27	37	39	36	33	10	9	3	5	4
	=		71	73	75	79	60	72	64	61	64	53	82	81	85	83	83	70	60	57	63	61	72	72	76	68	69
	-		11	11	10	10	21	9	9	9	9	9	9	8	6	6	6	3	3	4	1	6	18	19	21	27	27
10. Petroleum	+		4	7	27	25	11	29	27	4	2	0	5	2	7	15	17	33	39	40	26	36	8	13	0	1	4
	=		95	91	65	61	78	65	69	91	95	96	90	90	85	72	74	67	61	54	71	63	92	84	91	92	83
	-		1	2	8	14	11	6	4	5	3	4	5	8	8	13	9	0	0	6	3	1	0	3	9	7	13
11. Building materials, pottery, glassware	+		7	6	7	8	6	4	5	6	6	7	35	35	36	38	37	6	8	14	24	16	9	6	9	9	9
	=		52	49	47	48	38	75	69	51	57	46	57	58	59	56	54	63	64	64	60	69	79	82	81	79	81
	-		41	45	46	44	56	21	26	43	37	47	8	7	5	6	9	31	28	22	16	15	12	12	10	12	10
12 + 13. Iron and steel - Primary processing of iron and steel	+		2	3	3	3	5	9	11	11	7	7	6	6	5	13	4	6	8	12	14	10	8	9	13	17	18
	=		47	47	47	46	48	65	62	65	67	67	94	93	91	87	92	71	70	73	73	79	74	79	76	74	75
	-		51	50	50	51	47	26	27	24	26	26	0	1	4	0	4	23	22	15	13	11	18	12	11	9	7
14. Metal consumer articles	+		9	5	3	6	4	12	6	10	8	6	14	23	31	29	35	15	13	18	17	16	20	29	14	12	7
	=		52	61	49	54	51	49	55	44	52	47	69	69	62	66	60	56	72	66	63	71	78	69	82	85	90
	-		39	34	48	40	45	39	39	46	40	47	17	8	7	5	5	29	15	16	20	13	2	2	4	3	3
15. General equipment	+		6	5	7	11	7	9	11	12	10	7	20	18	21	21	25	9	13	10	14	12	9	9	7	11	8
	=		51	51	44	42	46	49	44	42	40	41	73	77	76	76	71	68	55	58	64	70	76	76	78	75	76
	-		43	44	49	47	47	42	45	46	50	52	7	5	3	3	4	23	32	32	22	18	15	15	15	14	16

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

(the figures are percentages of replies received)

Sector	Questions 1966/ 1967	Assessments															Expectations									
		Total order-book					Export order-book					Stocks of finished products					Production					Selling prices				
		N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M	N	D	J	F	M
16. Mechanical equipment (other than electrical)	+	9	10	9	9	7	16	17	17	15	12	29	30	27	27	27	12	16	16	14	10	13	16	11	12	6
	=	46	44	46	46	47	50	48	47	46	53	66	66	69	71	71	65	59	62	73	77	84	80	86	84	90
	-	45	46	45	45	46	34	35	36	39	35	5	4	4	2	2	23	25	22	13	13	3	4	3	4	4
17. Domestic electric appliances, radio, television	+	8	7	2	2	4	9	2	2	3	9	29	26	32	30	39	17	15	13	10	8	4	6	5	6	3
	=	60	62	63	63	50	71	62	62	60	52	66	71	65	67	56	61	61	64	69	74	76	79	79	84	84
	-	32	31	35	35	46	20	36	36	37	39	5	3	3	3	5	22	24	23	21	18	20	15	16	10	13
18. Electrical equipment	+	11	11	9	10	9	13	17	14	19	17	22	25	27	28	25	17	18	16	21	19	16	15	12	15	13
	=	55	53	46	46	48	56	57	54	53	54	73	71	71	68	72	60	60	65	61	69	73	73	80	73	75
	-	34	36	45	44	43	31	26	32	28	29	5	4	2	4	3	23	22	19	18	12	11	12	8	12	12
19. Motor vehicle industry	+	11	9	20	17	14	13	14	13	14	20	29	44	42	37	27	26	21	39	37	20	4	4	1	3	1
	=	53	44	39	40	41	77	61	59	59	32	60	52	54	59	69	44	43	40	42	69	92	87	96	95	97
	-	36	47	41	43	45	10	25	28	27	48	11	4	4	4	4	30	36	21	21	11	4	9	3	2	2
20. Shipbuilding, aircraft manufacturing, railway and tramway rolling stock	+	6	6	6	13	18	1	4	2	10	12	13	19	15	21	10	7	8	12	10	11	26	27	30	36	10
	=	54	50	45	31	48	40	41	36	16	43	87	81	85	79	90	79	77	73	67	71	72	71	68	62	85
	-	40	44	49	56	34	59	55	62	74	45	0	0	0	0	0	14	15	15	23	18	2	2	2	2	5
21. Precision and optical instruments, watches and clocks	+	14	12	11	10	14	10	14	13	10	12	28	29	25	25	23	16	15	16	16	18	15	18	14	10	10
	=	50	50	53	54	52	53	48	47	54	46	58	61	67	72	71	68	69	68	72	65	82	80	83	86	87
	-	36	38	36	36	34	37	38	40	36	42	14	10	8	3	6	16	16	16	12	17	3	2	3	4	3
B. Rubber	+	5	3	2	4	1	19	19	14	13	3	22	28	32	34	29	10	11	15	22	54	25	27	26	8	6
	=	73	71	70	67	75	62	61	65	64	85	70	67	63	52	67	73	61	62	73	43	62	58	57	74	86
	-	22	26	28	29	24	19	20	21	23	12	8	5	5	14	4	17	28	23	5	3	13	15	17	18	8
C. Non-ferrous metals industry	+	10	3	3	3	4	17	10	9	11	13	22	18	22	19	19	3	3	6	9	11	11	11	6	4	1
	=	37	35	34	34	33	38	48	45	35	32	74	78	72	75	75	75	66	62	72	73	68	61	63	66	70
	-	53	62	63	63	63	45	42	46	54	55	4	4	6	6	6	22	31	32	19	16	21	28	31	30	29
Total of industry	+	9	8	9	9	8	12	14	13	12	14	22	24	25	27	25	14	16	19	20	17	11	11	10	10	8
	=	54	52	50	49	49	60	55	54	54	50	72	72	71	70	71	66	62	62	65	69	77	78	78	78	81
	-	37	40	41	42	43	28	31	33	34	36	6	4	4	3	4	20	22	19	15	14	12	11	12	12	11

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.

The results commented on below concern the Federal Republic of Germany, France, Italy, Belgium and the Grand Duchy of Luxembourg. The graphs give, for each year, the forecasts made in October-November and again in February-March on variations in investment outlay, plus an estimate based on the survey made at the end of the current year.

In the Federal Republic of Germany, replies have faithfully reflected the worsening of the investment climate. The survey carried out in the spring of 1966 still suggested a moderate increase of investment for the year, but the autumn survey pointed instead to a slight decrease, to be followed by a very substantial decline for 1967; part of this decline will probably already be evident even at the beginning of the year.

In France, the investment programmes for 1966 which were covered in the survey at the beginning of the year have been practically completed. The plans for 1967 show a similar increase to that in 1966 (+ 4%). The propensity to invest remains

⁽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).

relatively strong, despite a somewhat slower increase in overall demand. This favourable development is confirmed by the assessments given by managements in the capital goods sector with regard to their order-books and the outlook for production.

In Italy, the surveys carried out in October–November 1966 show that gross fixed asset formation in industry declined slightly in 1966, whereas the February survey had still suggested that there would be a fairly substantial increase. It should, however, be pointed out that, for technical reasons, the estimate given for 1966 was probably too low. Expectations for 1967 are markedly more optimistic and are perfectly consonant with the general revival of business in Italy: the profitability of enterprises has improved perceptibly during the last few years, external means of finance are abundant, and the unused margins of productive capacity have not narrowed.

In Belgium, the surveys still show an appreciable increase in investment in 1966. The strongest impetus certainly came from expenditure by foreign firms. For 1967, on the other hand, expectations show a pronounced downward trend: this is partly due to a deterioration in the psychological climate, to the uncertainty regarding economic policy which was prevalent when the survey was carried out, to the rather disappointing financial results achieved by enterprises and, lastly, to the substantial reserves of productive capacity available.

In the Grand Duchy of Luxembourg, the propensity to invest remains low. The replies given by managements suggest that gross fixed asset formation will in 1967 again be lower than in the preceding year.

TABLE SHOWING INVESTMENT BY INDUSTRY⁽¹⁾

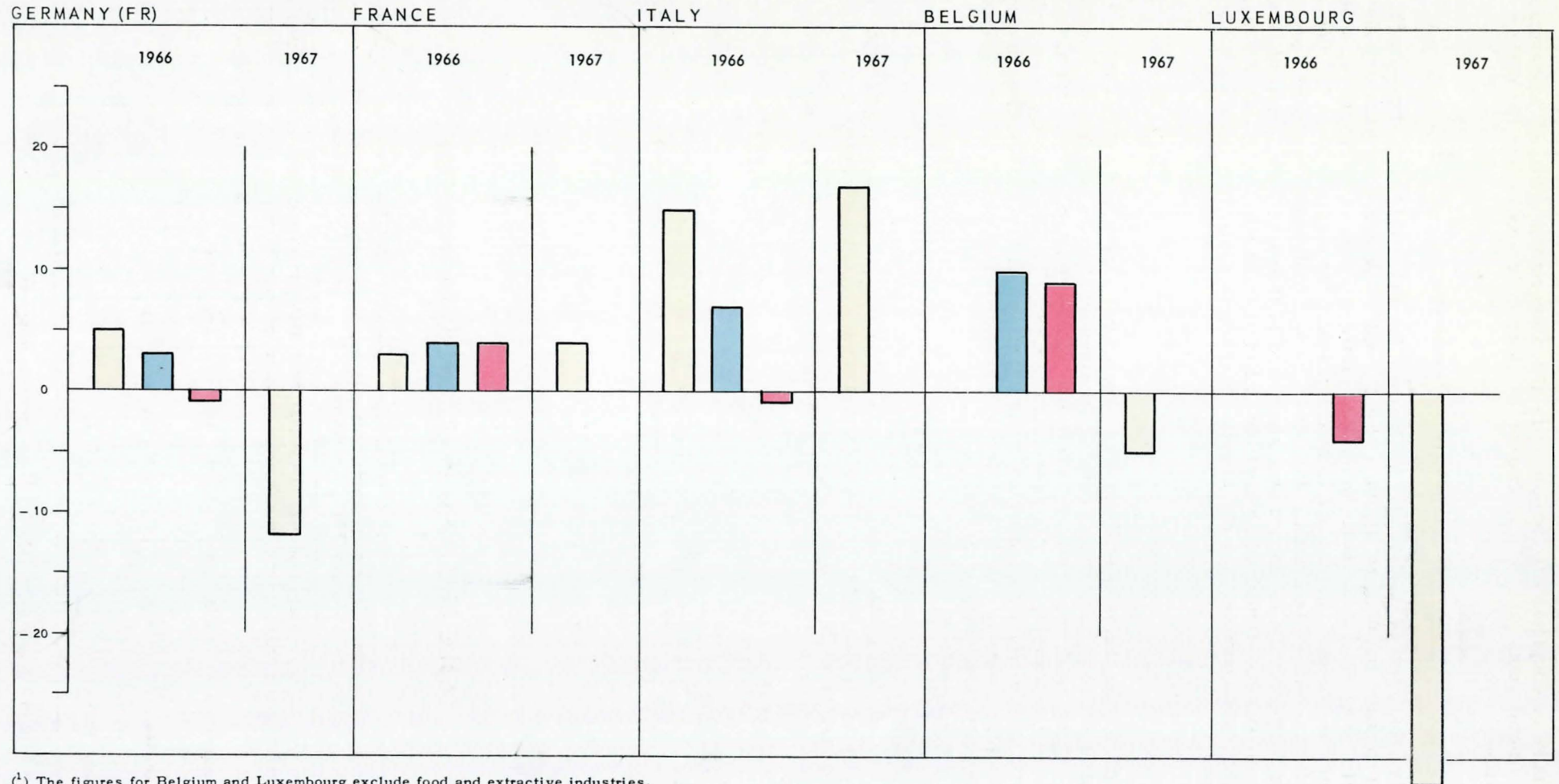
(% change on figures of preceding year – forecasts and estimates of actual outlay)

	Germany (FR)			France			Italy			Belgium			Luxembourg		
	1965	1966	1967	1965	1966	1967	1965	1966	1967	1965	1966	1967	1965	1966	1967
<i>Date of survey:</i>															
October/November 1965	+ 15	+ 5		- 4	+ 3		- 22	+ 15		+ 1					
February/March 1966	+ 16	+ 3		- 1	+ 4		- 28	+ 7		+ 7	+ 10				
October/November 1966		- 1	- 12		+ 4	+ 4		- 1	+ 17		+ 9	- 5		- 4	- 32

⁽¹⁾ The figures for Belgium and Luxembourg exclude food and extractive industries.

GRAPHS SHOWING INVESTMENT BY INDUSTRY⁽¹⁾

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



⁽¹⁾ The figures for Belgium and Luxembourg exclude food and extractive industries.

- First forecast, made in October-November of preceding year.
- Second forecast, made in February-March of current year.
- Estimate of actual outlay, made in October-November of current year.

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