European Commission
Directorate General Economic and Financial Affairs

Economic Tendency Surveys in the EU

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*Business and consumer surveys and short-term forecast (DG ECFIN A4.2)*

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Outline

Introduction to 'Economic Tendency Surveys' (ETS)

The Joint Harmonised EU Programme of Business and Consumer Surveys (BCS):

- history
- administration of the survey
- time-table of data-collection & publication
- geographical scope and sample sizes
- overview of survey questions by sector
- aggregation of responses into 'balances'
- presentation of survey results on website
Introduction to 'Economic Tendency Surveys' (ETS)

**definition:** 'ETS' ask economic agents to (qualitatively) assess past, current and future economic developments (i) business managers or (ii) consumers

**example:** "How do you expect your production to develop over the next three months? It will...

+ ...increase = ...remain unchanged - ...decrease

**advantages:**
- simplicity of the questions allows for a quick response
- no need for respondents to consult accounting records
- replies are given by business managers that have a general view of their business' situation/outlook
**Introduction to 'Economic Tendency Surveys' (ETS)**

**definition:** 'ETS' ask economic agents to (qualitatively) assess past, current and future economic developments

**purpose:** complementing (delayed) quantitative statistics

**added value:**
- timeliness (end of reference month)
- high frequency

**main use:**
- assessing current state of economy
- forecasting short-term developments
- event analysis

**publication dates of real activity series:**
- **Industrial production:**
  - ref. month: January, February, March, April, May …
  - publication dates:
    - 12 February
    - 12 March
    - 15 April
    - 12 May
    - 28 May

**ref. quarter: Q1**

**not covered by official statistics**
History of the Joint Harmonised EU Programme of Business and Consumer Surveys (BCS)

since 1962: monthly survey in **Industry**
since 1966: monthly survey in **Construction**
since 1972: monthly survey among **Consumers**
since 1984: monthly survey in **Retail Trade**
since 1996: monthly survey in **Services**
since 2007: monthly survey in **Financial Services**

**Additionally:**
since 1966: bi-annual **investment survey** of the manufacturing sector
Administration of the BCS

decentralised structure:
- surveys carried out by national institutes
- all the "big" names…

high degree of harmonisation:
- same harmonised questionnaires
- same frequency
- same timetable
- methodology: soft harmonisation - respect of guidelines on data collection and survey design, metadata sheets

financing: Commission grant covering up to 50% of institutes' costs ('prime d'harmonisation')
Timetable for data collection and publication

- Consumer data is sent to COM on the last but one working day of the month.
- All data is sent to COM 5 working days before the end of the month.
- All data is sent to COM 7 working days before the end of the month.

Publications:
- Publication of Flash Consumer Confidence Indicator (EA and EU) 7 working days before the end of the month.
- Publication of Economic Sentiment Indicator + Business Climate Indicator 5 working days before the end of the month.
Geographical scope

EU-28

+ 

candidate countries:
- Macedonia,
- Turkey,
- Montenegro,
- Serbia (since '13)

publication after 3 years (due to seasonal adjustment)
Sample sizes (monthly questions)

Furthermore:
- sample size for bi-annual investment survey: 53,000
- sample size for monthly financial services sector survey: 500 (spread over 11 Member States)

TOTAL: 136,000 firms

TOTAL: 39,000 people
Sample size vs. country size

**Gross sample**

- For PL, FR, ES, UK:
  - $y = 123.19x + 4188.8$
  - $R^2 = 0.4339$

**Effective sample**

- For PL, UK:
  - $y = 97.165x + 3090$
  - $R^2 = 0.3995$
### Questions by economic sector (monthly)

<table>
<thead>
<tr>
<th>Last 3 Months</th>
<th>Currently</th>
<th>Next 3 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>production / business situation / business activity</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>demand for firm's services/turnover</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>order books</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>export order books</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>stock of (finished) products</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>prices charged</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>firm's employment</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td><strong>orders placed with suppliers</strong></td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
</tbody>
</table>

= Industry  = Services  = Retail  = Construction  = Financial Services
Questions by economic sector (quarterly)

**Industry:**
- main factors limiting production (insufficient demand, labour shortage, etc.)
- assessment of current production capacity, given order books and expected demand
- months of production assured by current order books
- development of order books past 3 months
- development of export order books next 3 months
- current capacity utilisation (in % of full capacity)
- development competitive position on i) domestic market, ii) foreign markets in EU, iii) foreign markets outside EU over last 3 months
Services:
- main factors limiting business (insufficient demand, labour shortage, etc.)
- capacity utilisation (by what %age could you increase volume of activity with current resources?)

Construction:
- months' of work accounted for by work in hand and work already contracted for

Financial Services:
development over past 3 months / next 3 months of:
- firm's operating income
- firm's operating expenses
- firm's profitability
- firm's capital expenditure
- firm's competitive position
Questions of investment survey (bi-annual)

**March/April survey:**
- % change in investment year t-1 compared to year t-2
- % change in investment year t compared to year t-1

**October/November survey:**
- % change in investment year t compared to year t-1
- % change in investment year t+1 compared to year t

→ 4 consecutive estimates for each year
October/November survey – additional questions:

- **description of kind of investment** in year t and t+1:
  - replacement investments
  - extension of production capacity
  - rationalisation
  - other (pollution control, safety, …)

- **factors influencing investments** of year t and t+1:
  from "very stimulating" to "very limiting":
  - demand
  - financial resources / expected profits
  - technical factors
  - other factors
Breakdown of answers by sectors

- **for SERV:** NACE 2-digit level* (div. 49-96)
- **for BUIL:** NACE 2-digit level (div. 41-43)
- **for RETA:** NACE 2+3-digit level (div. 45, 47)
- **for INDU:**
  - NACE 2-digit level (div. 10-33)
  - main industrial groupings (industry goods sector, intermediate goods sector, etc.)
- **for INVE:**
  - NACE 2-digit level (div. 29)
  - main industrial groupings
  - business size classes (business <50 employees, etc.)
- **for FIN.-SERV:** NACE 2-digit level (div. 64-66)

* NACE codes can be found here: http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL&StrNom=NACE_REV2&StrLanguageCode=EN&IntPcKey=&StrLayoutCode=HIERARCHIC
## Questions to consumers (monthly)

<table>
<thead>
<tr>
<th>Last 12 Months</th>
<th>Currently</th>
<th>Next 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Micro Questions</strong></td>
<td><strong>Macro Questions</strong></td>
<td><strong>Micro Questions</strong></td>
</tr>
<tr>
<td>Development household's financial position</td>
<td>Development general economic situation in MS</td>
<td>Development general economic situation in MS</td>
</tr>
<tr>
<td>Development consumer prices</td>
<td>Development household's financial position</td>
<td>Development consumer prices</td>
</tr>
<tr>
<td>Development consumer prices</td>
<td>Good moment to save money?</td>
<td>Development unemployment in MS</td>
</tr>
<tr>
<td>Development household's financial position</td>
<td>Right moment for people to make major purchases?</td>
<td></td>
</tr>
<tr>
<td>Development general economic situation in MS</td>
<td>Spending more or less on major purchases?</td>
<td></td>
</tr>
<tr>
<td>Development consumer prices</td>
<td>Household's likelihood of saving money</td>
<td></td>
</tr>
<tr>
<td>Development household's financial position</td>
<td>Household's position (from running into debt to saving a lot)</td>
<td></td>
</tr>
</tbody>
</table>
Questions to consumers (quarterly)

- likelihood of **buying a car** in next 12 months
- likelihood of **buying / building house** in next 12 months
- likelihood of **spending money on renovations** in next 12 months

*for both monthly and quarterly questions:*

**Breakdown of answers by respondents' characteristics:**

- household income
- education
- age
- sex
- type of job (self-employed, etc.)
- working part- or full-time?
Aggregation of questions into balances (per MS)

3 possible answer categories to the questions:

+ e.g. production? - "has increased!",
  order books? - "more than sufficient!"

= e.g. production? - "remained unchanged!",
  order books? - "normal for the season!"

- e.g. production? - "decreased!",
  order books? - "below normal!"

Calculation of $P$ (= % of positive answers) &
$N$ (= % of negative answers)

Balance $B$ (in %age points!):
$B = P - N$
A few remarks:

1) for questions referring to consumers:
   - 6 instead of 3 answer categories:
     ++ (PP: very positive) + (P: positive) = (N: neutral)
     - (N: negative) -- (NN: very negative) ? (don't know)

   revised balance: $B = (PP + 1/2P) - (1/2N + NN)$

2) in case of all balances:
   - seasonal adjustment using Dainties algorithm

3) aggregation of country-level balances on:
   - EU-level
   - Euro-area level
Presentation of results on website

Summary of survey results

Link to press release
April 2015: Economic Sentiment broadly unchanged in both the euro area and the EU

In April, after three consecutive months of improved readings, the Economic Sentiment Indicator (ESI) remained broadly unchanged in both the euro area (-0.2 points to 103.7) and the EU (+0.3 points to 104.4).

Euro area developments

The stabilization of euro-area sentiment resulted from increasing confidence in the services sector being offset by opposite developments in the construction sector and among consumers. Industry and retail trade, by contrast, signalled no major changes compared to the last month. Amongst the largest euro-area economies, Spain (+1.3) and the Netherlands (+0.9) saw economic sentiment improving, whereas it declined in France (-1.4) and Germany (-0.6) and remained unchanged in Italy.

With managers sending mixed signals, industry confidence remained broadly flat (-0.3). While the appraisal of the current level of overall order books brightened and the assessment of the stocks of finished products was fairly unchanged, production expectations deteriorated markedly. Of the questions not included in the confidence indicator, past production was viewed much more positively, the same going, to a lesser extent, for export order books. Services confidence (+0.5) improved on the back of managers’ increased satisfaction with developments in the recent past (past demand and past business situation). Looking into the future, demand expectations, by contrast, became more cautious. Consumer confidence eased (-0.3) as a consequence of fading optimism about macro-economic variables, notably the level of future unemployment and the future general economic situation. Consumers’ expectations in respect of their financial situation and future savings remained largely unchanged. The unchanged level of retail trade confidence (+0.6) reflects managers’ positive judgments on the adequacy of the volume of stocks and the present business situation, coupled with reduced optimism concerning the expected business situation. Construction confidence (-1.4) declined, with managers revising their employment expectations significantly downwards, while keeping their appraisal of the level of order books broadly unchanged. Lower confidence in financial services (not included in the ESI) resulted from managers’ diverging assessments of the most recent and future developments. While the past business situation and past demand were viewed much more positively, demand expectations, which had slumped in March, were corrected downwards again.

Employment plans were revised downwards in construction and retail trade, while remaining broadly unaltered in industry and services. Selling price expectations increased among retail trade and industry managers, while remaining broadly unchanged in services and edging down in the construction sector. Consumer price expectations continued the upward trend observed since February.

EU developments

In line with euro area developments, the headline indicator for the EU remained broadly flat (+0.2). The block’s two largest economies outside the euro area, the UK and Poland, sent comparatively positive signals (+2.0 and +1.3, respectively). From a sectoral perspective, developments in industry, consumer, services and financial services confidence paralleled euro-area trends, however EU developments differed in so far as confidence in retail trade dropped somewhat, while it rallied in construction.

Employment expectations differed from the euro area as the retail trade and construction sectors were signalling upward revisions, while industry managers became more cautious compared to last month. Turning to price expectations, developments in the EU were uniform, with also the services and construction sectors revising their assessments upwards.
Introduction to ETS -- EU BCS: history -- administration -- time-table of data-collection & publication -- geographical scope & sample sizes -- overview of survey questions by sector -- aggregation of responses into 'balances' -- presentation of survey results on website

ca. 25 pages of data annex:
- exact figures by Member State, by sector, by survey question
Further information on the Harmonised EU BCS programme

methodological User Guide (March 2014):

all time-series free for download:
http://ec.europa.eu/economy_finance/db_indicators/surveys/time_series/index_en.htm

questionnaires in original languages:
http://ec.europa.eu/economy_finance/db_indicators/surveys/questionnaires/index_en.htm

Thanks for your attention!