



Lombard Street Research Ltd.

Economic Analysis for the Institutional Investor

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Survey evidence on the main European economies

Professor Tim Congdon

17th November, 1992

UA

12 month forecast of expenditure authorisations compared with previous 12 months on:

	Jul 91	Oct 91	Jan 92	Apr 92	Jul 92	Oct 92
a Product and process innovation	-4	+16	+6	+12	+12	+4
b Training and retraining	+5	+20	+12	+17	+18	+3

14 Four month forecast of factors likely to limit output*

	Jul 91	Oct 91	Jan 92	Apr 92	Jul 92	Oct 92
Orders or sales	88	89	89	87	88	90
Skilled labour	5	5	4	5	4	3
Other labour	1	1	+	1	1	+
Plant capacity	7	10	8	10	7	7
Credit or finance	4	4	5	4	5	5
Materials/components	4	2	3	3	4	4
Other	2	1	2	3	1	2

Export trade

2 Optimism re export prospects	-7	+14	-7	+10	-3	+20
7b Volume of new export orders - past 4 months	-25	-20	-16	-8	-10	-19
- next 4 months	-2	+8	-1	+15	+4	+6
9b Volume of export deliveries - past 4 months	-19	-14	-13	-6	-13	-13
- next 4 months	-4	+5	0	+11	+1	+5
12b Average export prices - past 4 months	-6	-12	-7	-6	-10	-16
- next 4 months	+2	+3	+10	+2	-6	+3

15 Four month forecast of factors likely to limit export orders*

Prices	56	61	59	61	60	56
Delivery dates	6	12	7	6	10	8
Credit or finance	7	7	7	8	7	6
Quota and licence	3	4	5	5	4	4
Political/economic conditions abroad	31	29	34	34	32	36
Other	16	15	12	13	14	16

CBI Monthly Trends Enquiry

In the intervening months between quarterly Industrial Trends surveys the CBI carries out a much abbreviated monthly Trends Enquiry, in which participants are asked only to answer the five questions set out below. These questions are also included in the main quarterly survey under the question numbers indicated in brackets.

		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
1a Total order book (Q.5a)		-61	-51	-51	-60	-52	-47	-51	-37	-42	-48	-52	-53	-53
b Export order book (Q.5b)		-35	-23	-33	-41	-36	-32	-33	-23	-26	-38	-33	-33	-36
2 Stocks (Q.5c)		+20	+17	+18	+21	+20	+16	+17	+13	+14	+19	+22	+21	+19
3 Volume of output (Q.8)		+2	+1	-5	-4	-3	-2	+5	+13	+8	-3	-12	-14	-7
4 Average prices (Q.12a)		+4	+4	+7	+12	0	+2	+3	+1	-4	-2	-6	-11	-3

Better output prospects other forecasts

Figures marked thus (*) are weighted percentages of respondents. In these questions a plus (+) indicates a negligible response, ie less than 0.5% but more than zero. All other figures are percentage balances, ie the difference between the those replying 'more', 'up', 'above normal' or 'more than adequate' and those replying 'less', 'down', 'below normal' or 'less than adequate'.

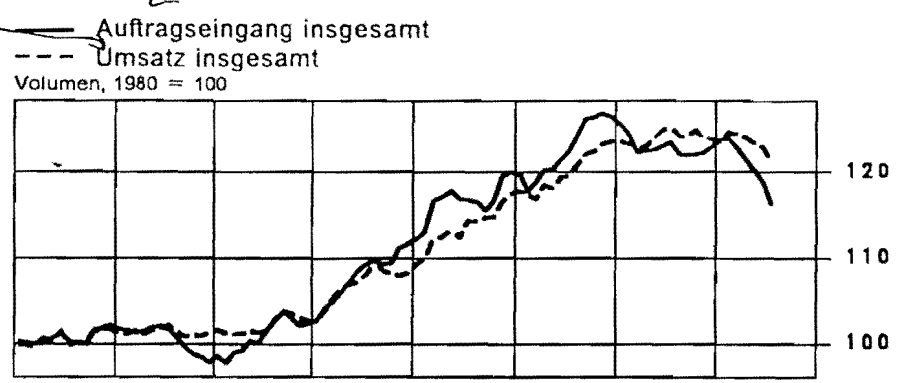
October 1992 - CBI Economic Situation Report

51/ "minus" balance on prices

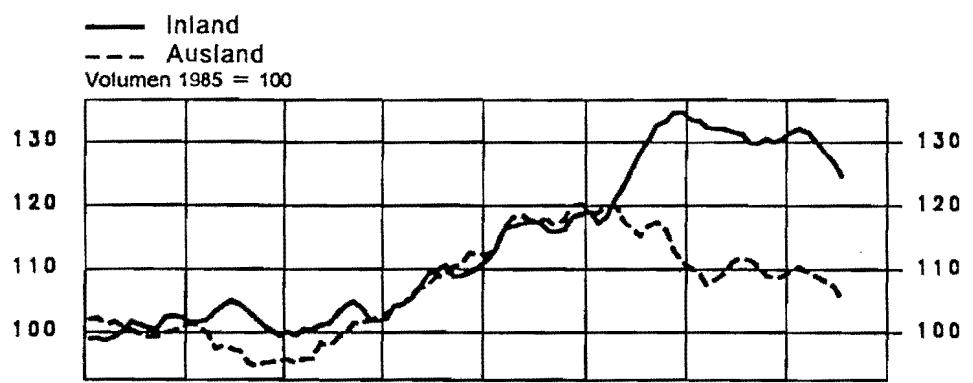
~~General tendencies~~ Manufactured goods
Verarbeitendes Gewerbe

Sales → *Order inflow*

24. Auftragseingang und Umsatz insgesamt

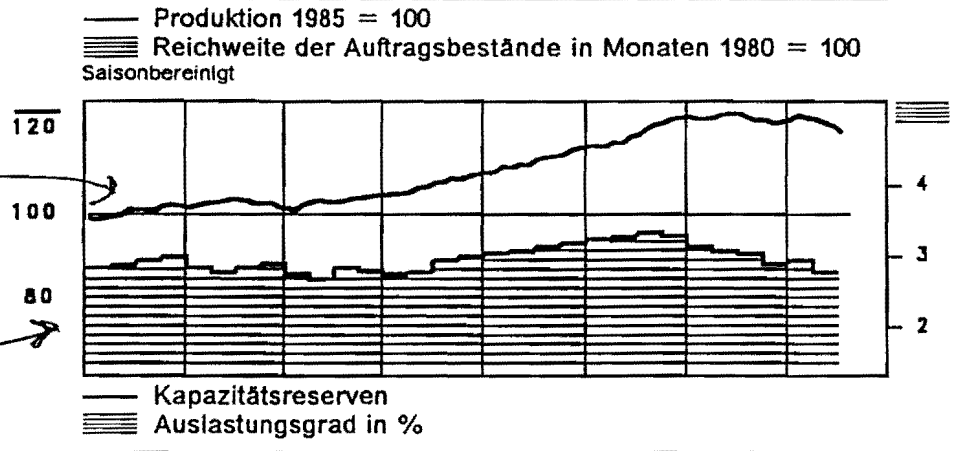


25. Auftragseingang Inland und Ausland



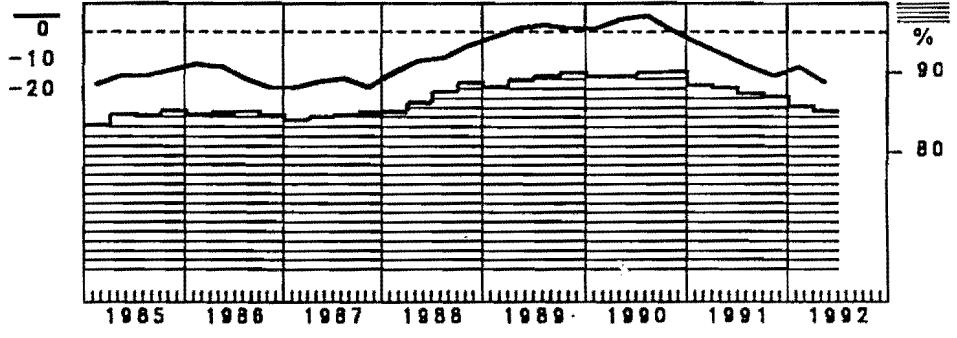
Order inflow - domestic foreign

26. Produktion und Auftragsbestand



Produktion →
Orders outstanding →

27. Kapazitätsauslastung



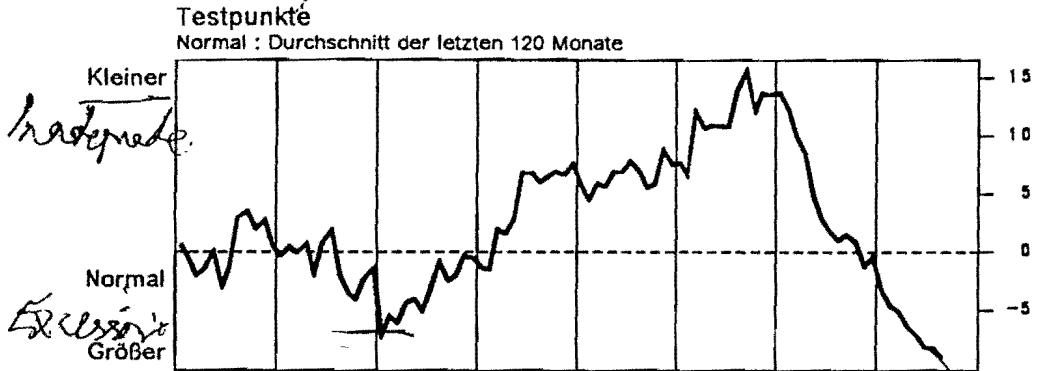
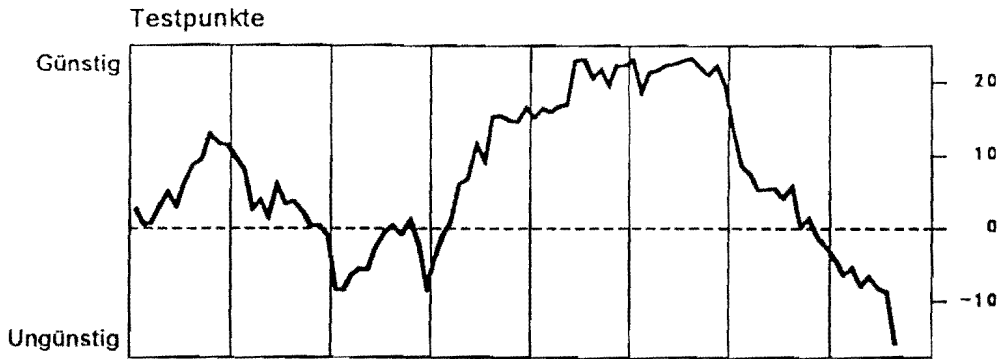
Capacity utilization

September - on August

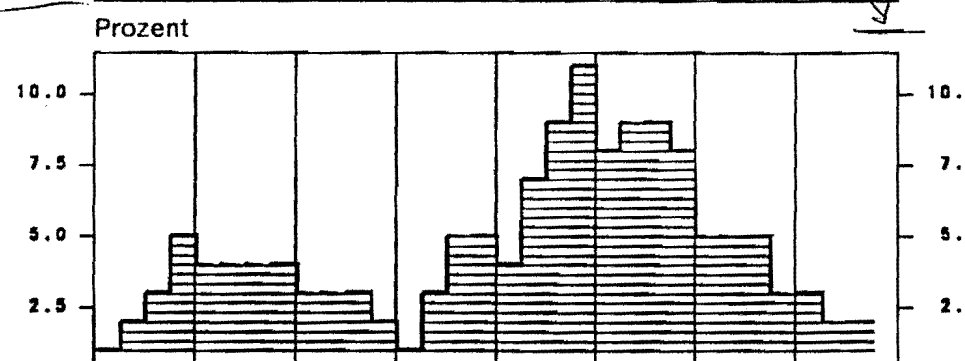
Manufactured goods

Verarbeitendes Gewerbe

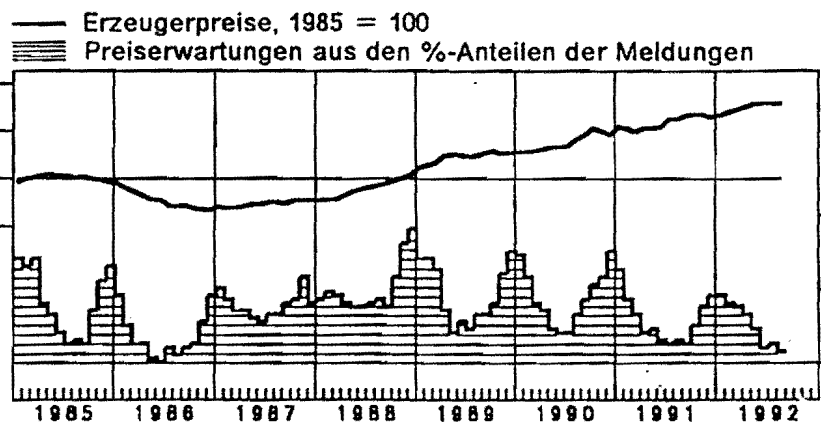
Business Climate
28. Geschäftsklima



29. Fertigwarenlager Beurteilung
Stocks/Inventory position



30. Produktionsbehinderung durch Arbeitskräftemangel bei ... % der Firmen
Production affected by labor shortage



31. Preisentwicklung
Price outlook

September or August results

Germany

The IFO survey of West German industry illustrated just how weak the economy is and how it is set to weaken even more. Business confidence continues to nose-dive: the business climate index deteriorated to -25.9 in September from -16 in August and -8 in June, while the more forward looking business expectations index plunged to -29.8 from -16.8 in August and -8.4 in June. Total orders deteriorated to -34.6 from -26.2 and -16.1 in June, investment expectations fell to -37.5 from -25.0 and -16.3 in June. Stocks rose to 20.7 from 15.5, the prices balance moved to +1 from +3 and capacity utilisation fell to 83.1 from 85.0 three months ago. You don't have to be an economics professor to see that these numbers have "recession" written all over them.

The "five wise men" - the five leading economic research institutes - have revised their growth forecasts downwards. They now expect 0.5% next year in the west. This still looks too optimistic and is probably deliberately conservative in order not to embarrass the government, which expects 1.5%. The institutes' expect inflation to average 3.5% next year after 4% this year. The institutes also called for wage increases to be capped at 4% and proposed a 7% M3 target for next year. They suggested that special factors like subsidised rents in East Germany had distorted M3 upwards in 1992 and that a higher target (than the current 3.5-5.5%) would have been appropriate.

Otmar Issing in a TV interview today said he assumed an M3 target would be set for 1993 and conceded that this year's target may have been too tight. He suggested that the weaker economy will soon be reflected in M3 (it already has been reflected in a slow down in bank lending -Ed). He also said that the margin between the discount and lombard rates gave the central bank room to manoeuvre implying perhaps that rates can continue to be steered lower.

*October on
September results.*

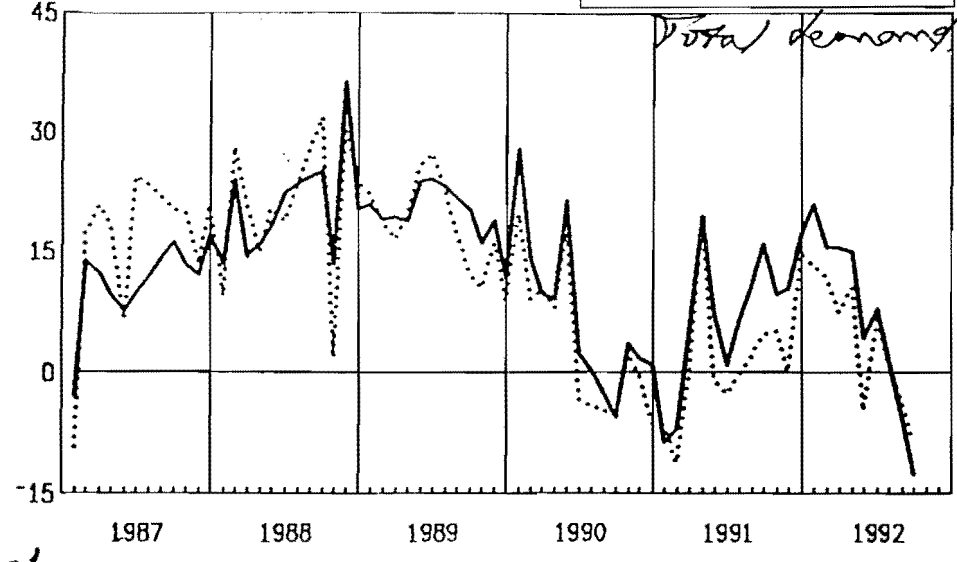
Source: Bankers Trust

1. EVOLUTION DE LA DEMANDE DANS L'INDUSTRIE

Balance of opinions.
Solde des opinions

Foreign demand
— DEMANDE ETRANGERE CVS
..... DEMANDE GLOBALE CVS

France



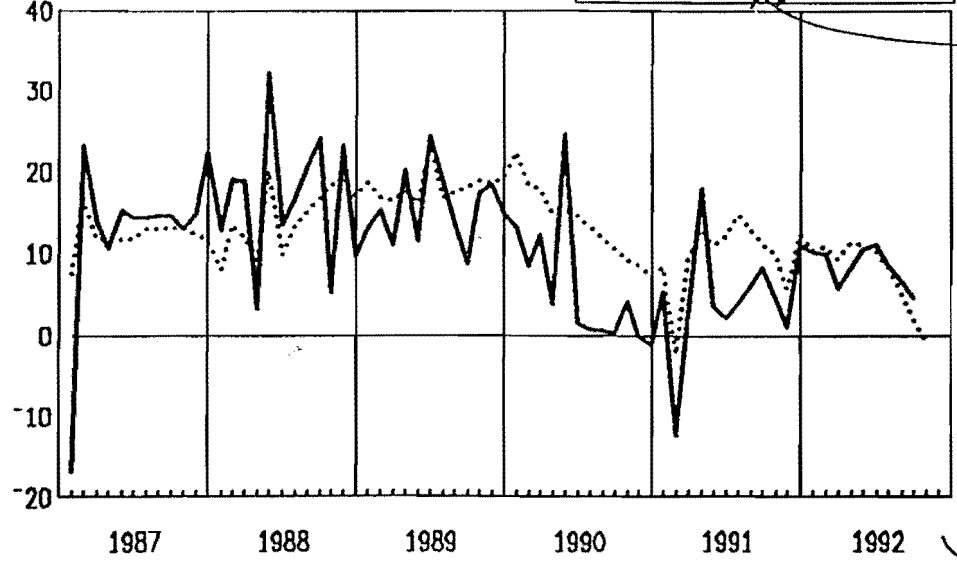
2. EVOLUTION DE LA PRODUCTION DANS L'INDUSTRIE

Solde des opinions

— PRODUCTION PASSEE CVS
..... PREVISION CVS

Past production

Future production



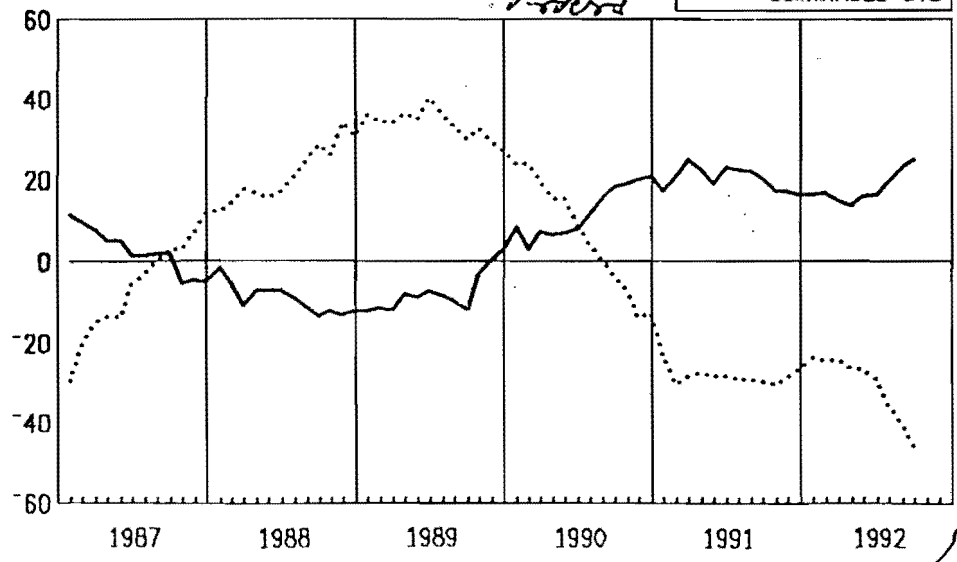
3. NIVEAU DES STOCKS ET DES CARNETS DE COMMANDE PAR RAPPORT A UN NIVEAU JUGE NORMAL.

Level of stocks order books relative to normal.

Solde des opinions

Stocks
order books
— STOCKS CVS
..... COMMANDES CVS

Normal

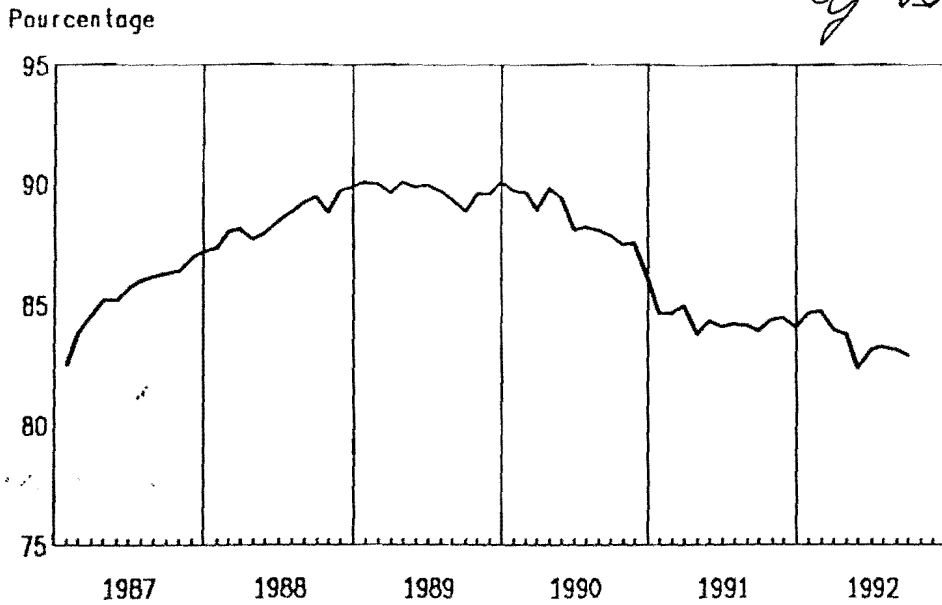


Bulletin Mensuel - Banque de France - mai 1997

France

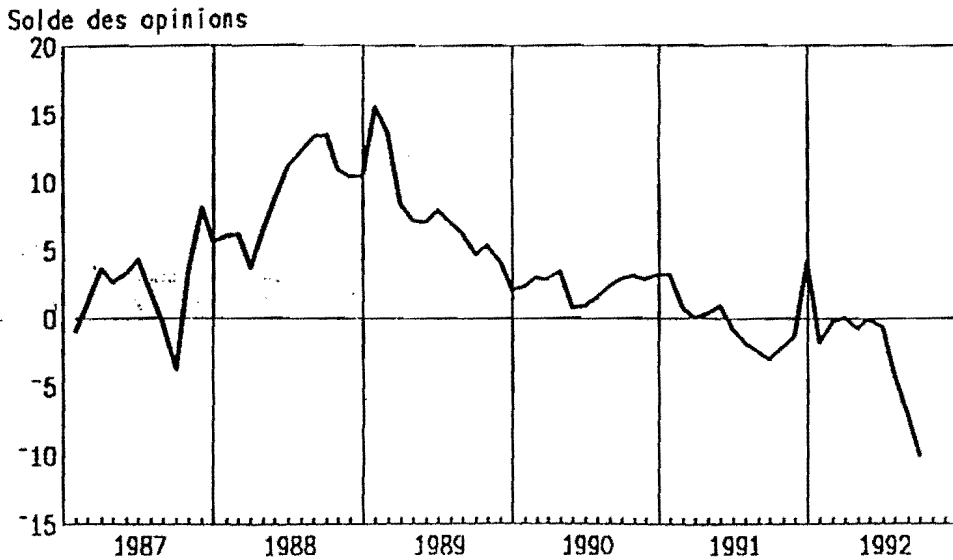
Utilisation rate,
seasonally
adjusted

4. TAUX D'UTILISATION DES CAPACITES DE PRODUCTION DANS L'INDUSTRIE (CVS)



5. EVOLUTION DES PRIX DE PRODUCTION DANS L'INDUSTRIE (CVS)

Price developments



N.b. French inflation averaged
3% 1987-90, 2% 1991 - 1% if
leading for 0% - 1%.)
Bulletin Mensuel - Oct. 1992

Economic prospects - next 3

Italy

CONGIUNTURA

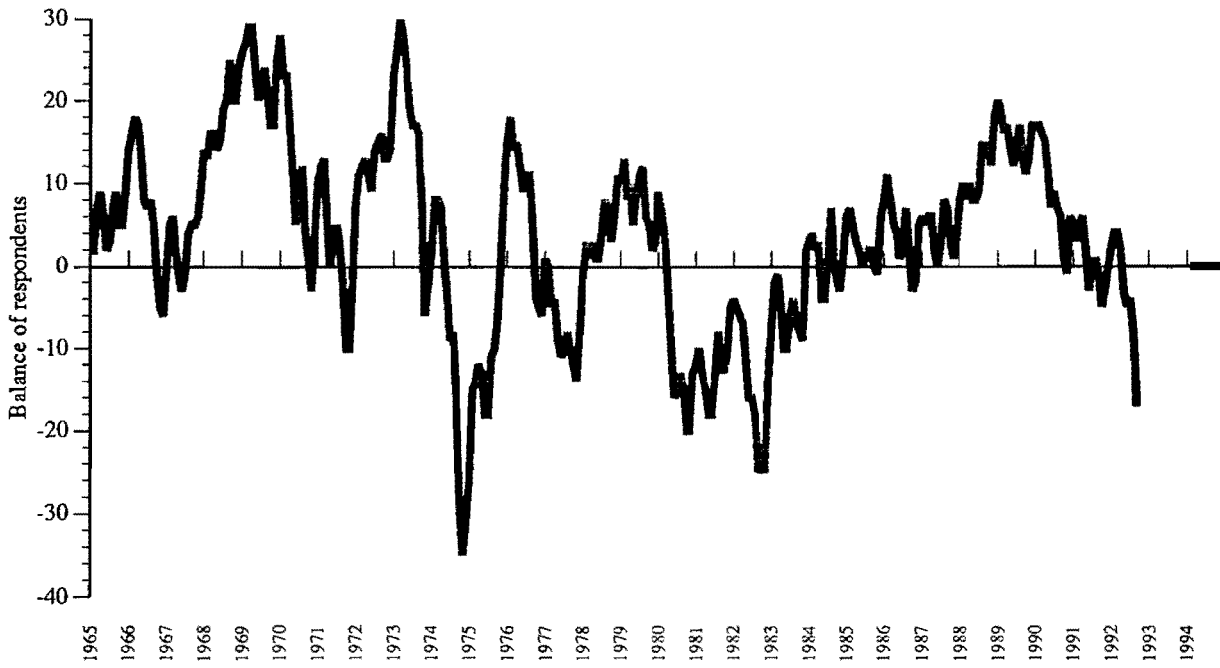
or for months.

Gli indicatori dell'economia reale...

		A	B	C	A/B	A/C
		ultimo periodo	periodo preced.	stesso periodo anno preced.		
INDICI SINTETICI						
1. Indicatore ciclico-indice composito (gennaio 1978=100)	luglio (provv.)	176,0	176,5	173,5	- 0,3	+ 1,4
3. Indicatore globale di clima (gennaio 1982 = 100)	agosto	94,6	98,0	106,0	- 3,5	-10,8
PRODUZIONE						
5. Produzione industriale-dato grezzo (1985 = 100)	agosto (provv.)	50,1	126,4	52,0	- 60,4	- 3,7
7. Produzione industriale-previsione Confindustria (1985 = 100)	ottobre (provv.)	113,3	112,9	114,9	+ 0,4	- 1,4
9. Grado di utilizzo degli impianti industriali (valori %)	3° trimestre	74,3	76,4	76,7	-2,7	-3,1
11. Produzione di acciaio (migliaia di tonnellate)	settembre (provv.)	1.748	1.295	2.220	+ 35,0	-21,3
13. Consumi di elettricità (milioni di kwh)	ottobre (provv.)	20.800	19.900	21.040	+ 4,5	- 1,1
15. Traffico ferroviario merci tonnellate/chilometro (milioni)	settembre (provv.)	1.804	953	1.764	+ 89,3	+ 2,3
17. Valore aggiunto dei servizi destinabili alla vendita (miliardi di lire 1985)	2° trimestre (provv.)	117.100	116.443	114.689	+ 0,6	+ 2,1
DOMANDA E CONSUMI						
18. Consumi delle famiglie (miliardi di lire 1985)	2° trimestre (provv.)	159.490	158.962	156.009	+ 0,3	+ 2,2
20. Ordinativi nell'industria - Indice in valore (1985 = 100)	luglio	149,9	155,7	152,4	- 3,7	- 1,6
22. Inchiesta Isco-ME nuovi ordinativi (saldi risposte)	3° trimestre	2	- 9	17	(...)	(...)
24. Indicatore del clima di fiducia delle famiglie (1980 = 100)	ottobre	94,5	103,0	116,6	-8,3	-19,0
26. Vendite di autovetture (migliaia)	settembre	162	88	168	+ 84,1	- 3,7
MERCATO DEL LAVORO						
28. Occupati totali (migliaia)	luglio	21.615	21.727	21.817	- 0,5	- 0,9
30. Occupati nell'industria (migliaia)	luglio	6.804	6.871	6.952	- 1,0	- 2,1
32. Occupati nel settore terziario (migliaia)	luglio	12.989	13.024	12.974	- 0,3	+ 0,1
34. Ore concesse dalla cassa integrazione guadagni (migliaia)	giugno (provv.)	39.863	39.795	33.917	+ 0,2	+17,5

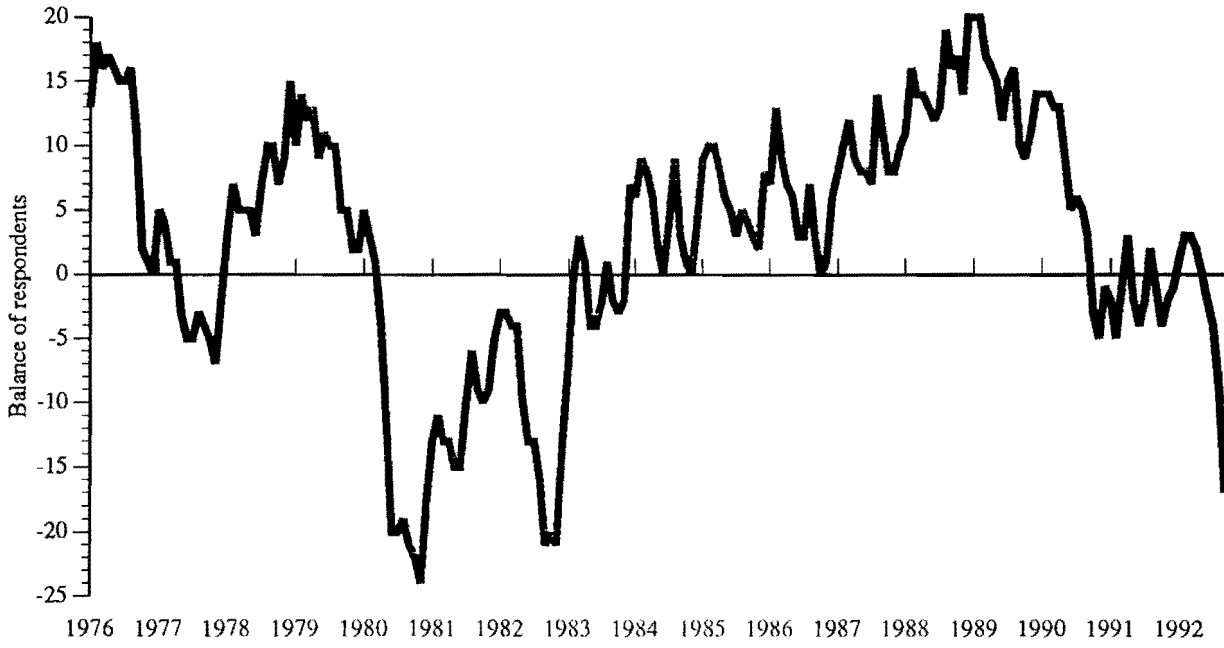
1965

Business surveys on output expectations - European composite ~~1966~~ - 1992
3 major continental economies



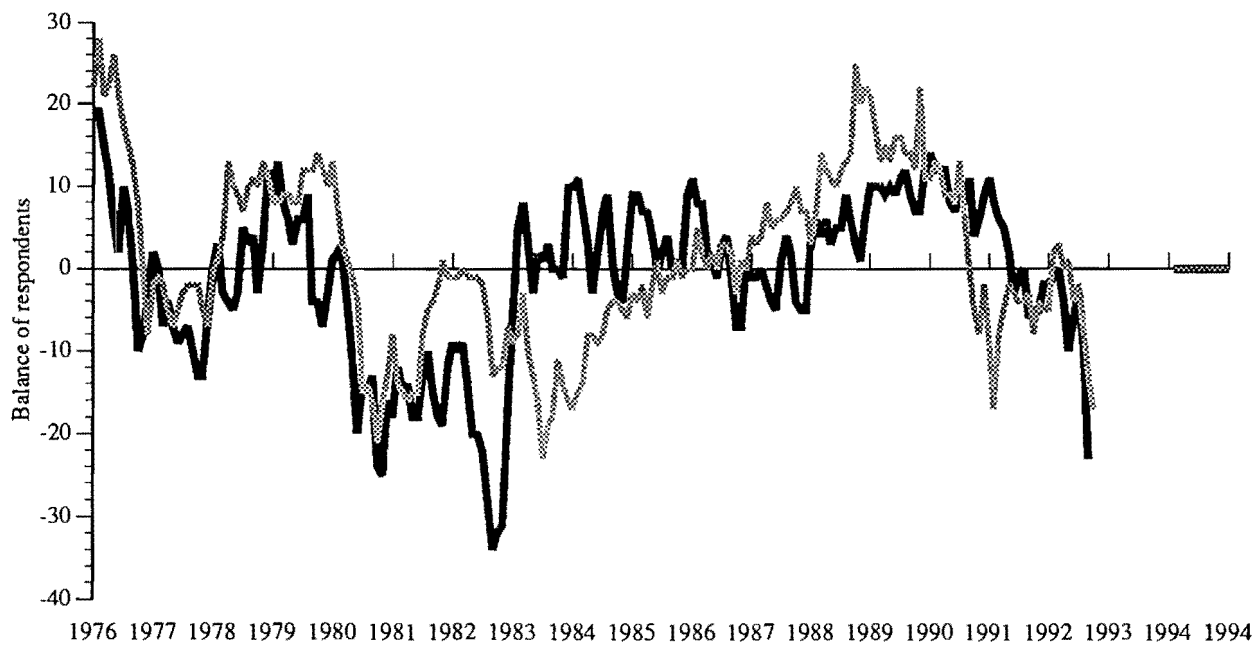
This excludes the UK.

Business surveys on output expectations - European composite 1976 - 1992



Including UK and Italy

Business surveys on output expectations - Germany and France 1976 - 1992



Business surveys on output expectations - the UK and Italy 1976 - 1992

