
***PART FOUR:
THE HARMONISED EUROPEAN PROGRAMME
OF BUSINESS AND CONSUMER SURVEYS***

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The Harmonised European Programme of Business and Consumer Surveys (hereafter: “Harmonised Programme”) is administered by the European Commission (Directorate-General for Economic and Financial Affairs [DG-Ecfin], based in Brussels). It is the framework for organising the harmonisation of European business surveys. It defines very comprehensive rules concerning the content of harmonised questionnaires (in particular precise wording of questions), frequency, sectors covered, survey periods, publication dates, and so on. The producer institutes participating in the program have committed themselves to following these rules in an agreement signed with the Commission¹.

4.1. - INSEE surveys in the EU system

4.1.1. - Surveys concerned

4.1.1.1. - Sub-annual surveys

The Harmonised Programme currently concerns the following seven sub-annual business surveys conducted by INSEE:

- industry (current situation and outlook);
- two INSEE surveys of the construction industry (building and public works);
- retail trade (current situation and outlook);
- services (current situation and outlook);
- industrial investment;
- household survey (or “consumer survey” in EU terminology).

The Industry Survey was the first INSEE business survey included in the harmonised system, in 1962.

4.1.1.2. - *Ad hoc* surveys

At the request of the European Commission, some *ad hoc* surveys may be carried out by institutes producing business surveys that are members of the Harmonised Programme.

For example, an *ad hoc* survey on the growth and job-creation outlook in the EU is executed simultaneously in several Member States every five years². The main questions of the *ad hoc* survey for the “enterprises” sector (industry, retailing, and services) concern workforce size, employment situation in the enterprise, working-time structure, and total operating hours, as well as changes in operating hours. Sectoral results are sent to the Commission, which aggregates them in order to publish data on the entire EU.

¹ For more details on the Harmonised Programme, see *European Economy*, “Reports and Studies” (1997). Most European organisations producing business surveys are not national statistical institutes. That is why business surveys have not been included in the 1998 European regulation on short-term statistics.

² As of this writing, the latest *ad hoc* survey dates from June 2004. For more details on these *ad hoc* surveys, see *European Economy*, “Reports and Studies” (2000).

4.1.2. Countries participating in the Harmonised European Programme of Business and Consumer Surveys

All twenty-seven Member States of the European Union (EU) participate in the Harmonised Programme. They include the fifteen older Member States (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom), the ten countries that joined the EU in May 2004 (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia), plus the two countries that joined the EU in January 2007 (Bulgaria and Romania).

Member States participating in the Harmonised Programme are represented by one or more institutes producing business and/or consumer surveys selected by the European Commission on the basis of their responses to its five-year calls for bids to produce business and consumer surveys. In France, INSEE is in charge of all the harmonised national surveys.

4.2. - Results sent to European Commission

The sectoral results forwarded monthly to the European Commission by Member State institutes in charge of industry surveys cover past and expected production, total and export order books, stocks, expected prices, productive capacities, and competitiveness (see Appendix 4).

The data supplied are the percentages of positive responses (% +), the percentages of intermediate responses (% =), and the percentages of negative responses (% -) to each question, by sector. From these series, the Commission calculates the opinion balances, which it seasonally adjusts by means of a dedicated software programme (*DAINTIES*) that differs from the programmes more commonly used by Member States (*X11-ARIMA*, *X12-ARIMA*, and *TRAMO-SEATS*). This may generate discrepancies—which, as a rule, are modest—between the seasonally adjusted balances published by INSEE (in particular) and the Commission.

As the data of a Survey *S* are systematically reprocessed at the time of the following Survey (*S*+1), INSEE communicates the preliminary results of the latest Survey and the final results of the previous Survey each month. Most other European institutes producing business surveys do not revise their figures from month to month.

4.3. - European classification of economic activities

The results supplied to the European Commission are aggregated in accordance with the European Classification of Economic Activities (NACE). The correspondence between the French classification (Nomenclature d'Activités Française: NAF) and NACE is established at the NAF 700 level³.

4.4. - Business-survey results published by the European Commission

Every month, the Commission publishes the main results of the business surveys of the twenty-seven EU Member States for each country, for the entire EU, and for the euro zone. The “France” rows reproduce the results of INSEE surveys, after a special restatement by the Commission to achieve greater homogeneity at the European level. This includes the application of a common seasonal-adjustment method (see §4.2).

The Commission makes its publications in the *Business and Consumer Survey Results* series available on its website (English only)⁴.

³ For the correspondence between NAF and NACE, see http://www.insee.fr/en/nom_def_met/nomenclatures/naf/pages/naf.htm.

⁴ Go to http://europa.eu.int/comm/economy_finance/indicators/businessandconsumersurveys_en.htm, then to the survey-results release calendar. To access the latest *Business and Consumer Survey Results*, click on the “press release” column of the calendar. More detailed results and long-term series are also available from the Commission.

- The first pages of these publications describe and comment on the recent trends in the Commission's overall Economic Sentiment Indicator (ESIN) and its components: the business sentiment indicators in industry, construction, the retail trade, and services, as well as the consumer confidence indicator. These are monthly composite indicators based on results of business and consumer surveys forming part of the Harmonised Programme. They are compiled using a simpler method than the common-factor method favoured by INSEE. The industrial climate indicator for each country is obtained by computing the arithmetic mean of three aggregated balances of opinion (total order books, stocks, and personal production outlook). The aggregation of the EU or euro zone takes into account the country's economic weight.

- The Commission publication also offers a brief commentary on the information provided by the harmonised surveys on the labour force, unemployment, and price expectations in the EU.

- The remaining pages contain tables of the main monthly and quarterly results of Harmonised Programme surveys for the past two years, along with a recapitulation of the survey variables' highs and lows since 1990. An initial table breaks down the overall ESIN into its five components for the EU, the euro zone, and the twenty-seven Member States. The following tables summarise the main results of the monthly surveys of consumers and producers in industry, construction, the retail trade, and services by country and area.

- In some months, the Commission publication also summarises the results of a harmonised survey conducted at longer intervals (for example, World Economic Survey, Industrial Investment Survey).

4.5. - INSEE's use of results of harmonised retail-trade surveys for tracking the euro zone

INSEE's Department of Short-Term Economic Analysis compiles quarterly forecasts for France and the euro zone, published in the Institute's *Notes* and *Points de Conjoncture*. It also publishes, in two *Informations Rapides* series (monthly and quarterly), the results of the EU industry surveys from which the Commission calculates a composite indicator and a turning-point indicator for the euro zone. Lastly, INSEE prepares a quarterly bulletin entitled *Euro-zone economic outlook* in collaboration with IFO and ISAE, the producers of the harmonised business surveys in Germany and Italy respectively. The bulletin presents short-term forecasts for the euro zone jointly compiled by the three institutes⁵.

The tracking and use of the Member States' harmonised business surveys are valuable analytical tools for this purpose. In particular, the short-term forecasts for euro-zone industrial-production growth prepared in this context rely on the results of the harmonised industry surveys.

4.5.1. - Results of EU surveys

4.5.1.1. - Monthly publication

Every month, INSEE publishes the results of EU business and consumer surveys in the *Informations Rapides*⁶ series. This bulletin mainly covers economic conditions in industry, but also reports the consumer confidence indicator⁷. The results of the national industry surveys are provided for the six leading countries of the euro zone individually (Germany, France, Italy, Spain, Netherlands, and Belgium), for the euro zone, and for the United Kingdom.

The "monthly European business and consumer surveys" issue of *Informations Rapides* runs to 8 pages.

Several sources are used for the euro zone survey. For France, Germany, and Italy, INSEE reproduces the results published by national producers (INSEE, IFO, and ISAE). For Spain, the Netherlands, Belgium, and the United Kingdom, INSEE reports the results published by the European Commission. The data used are therefore seasonally adjusted by the national institutes for France, Germany, and Italy and by the Commission for the

⁵ INSEE's *Notes* and *Points de conjoncture* are available on the Institute's website, as is *Euro-zone economic outlook*, co-signed by IFO, ISAE, and INSEE. To access these publications, go to http://www.insee.fr/en/indicateur/analys_conj/euro_zone.htm.

⁶ This issue of *Informations Rapides* is available on the INSEE website under "indicateurs de conjoncture" (short-term indicators), then "autres indicateurs" (other indicators), then "international".

⁷ The results for the consumer confidence indicator also include those of the U.S. survey.

other countries. The results released for the euro zone are produced by aggregating the balances of the six countries listed above, which contribute some 92% of the zone's GDP. We thus implicitly observe a euro zone confined to six countries. For the industry survey, the weightings are based on the countries' value added in the goods-producing industries (excluding food) recorded between 1995 and 2000 (see Table 5). For the household survey, the weightings are based on consumer expenditures.

Table 5: Weightings for euro-zone indicators (%)

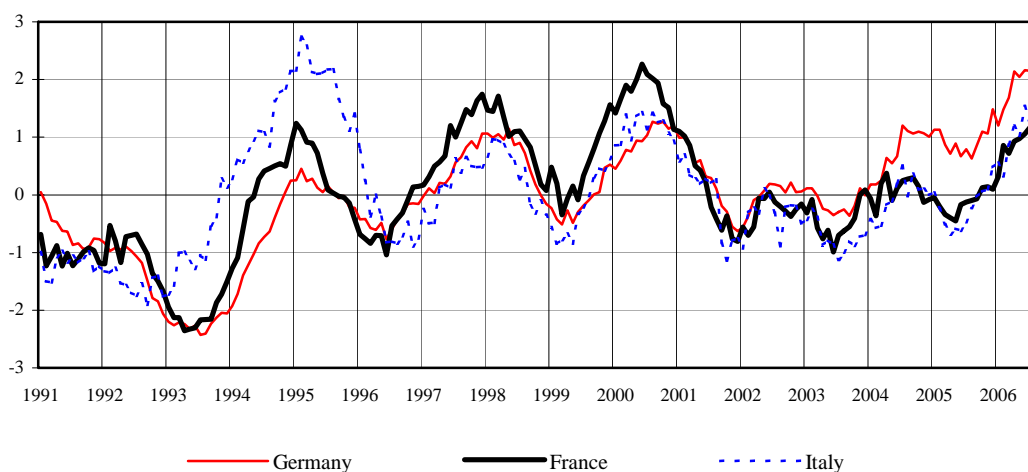
Euro zone	Survey scope of	Germany	Belgium	Spain	France	Italy	Netherlands
	Industry (except. food)	40.4	4.3	10.0	21.5	17.4	6.2
Households	38.1	4.1	10.0	23.8	18.0	5.9	

All balances are shown in zero-mean standardised form in order to make them easier to read and allow direct international comparisons. They consist of the six balances of opinion concerning the respondents' individual situation:

- Change in past production: increase, stability, decrease;
- Order books: above normal, normal, below normal;
- Stocks of finished products: above normal, normal, below normal;
- Production outlook in months ahead: increase, stability, decrease;
- Outlook for selling prices in months ahead: increase, stability, decrease;
- Export order books: above normal, normal, below normal.

By way of illustration, Chart 10 (published monthly) shows that German industrialists reported that their export order books were filling out in late 2005 / early 2006 (the corresponding balance of opinion was running above the long-term average). Moreover, we can directly compare the levels of the three curves as the data have been zero-measured and standardised. We can thus see that export order books were fuller in Germany than in the other countries. We should emphasise that this observation is consistent with actual German exports, which were more vibrant than those of the rest of the euro zone in the same period.

Chart 10: Balances of opinion on export order books in Germany, France, and Italy



4.5.1.2. - Quarterly publication

The quarterly publication supplements the monthly survey in January, April, July, and October. The results are provided for the euro zone, its six leading countries (Germany, France, Italy, Spain, Netherlands, and Belgium), and the United Kingdom.

The “quarterly European business and consumer surveys” issue of *Informations Rapides* runs to 4 pages.

The sources used are identical to those of the monthly publication (national data for France, Germany, and Italy; European Commission data for the other countries). The euro-zone results are produced by aggregating the six country balances as described earlier.

Four harmonised statistics are shown in zero-mean standardised form. The first three are the balances of opinion on the following qualitative questions:

- Past change in total demand: increase, stability, decrease.
- Expected change in export demand: increase, stability, decrease.
- Opinion on productive capacity: more than adequate, adequate, inadequate.

The fourth concerns the productive capacity utilisation rate (quantitative question, in percentage form).

4.5.2. - Indicators computed from EU surveys

From the EU survey results, INSEE prepares two types of synthetic indicators. The first aims to summarise as effectively as possible the common information contained in the set of balances of opinion in the euro-zone industry surveys. The second is a turning-point indicator for the entire euro zone that signals, as early as possible, the cyclical turning points identified by the set of survey balances.

4.5.2.1. - Synthetic indicator of euro-zone business climate

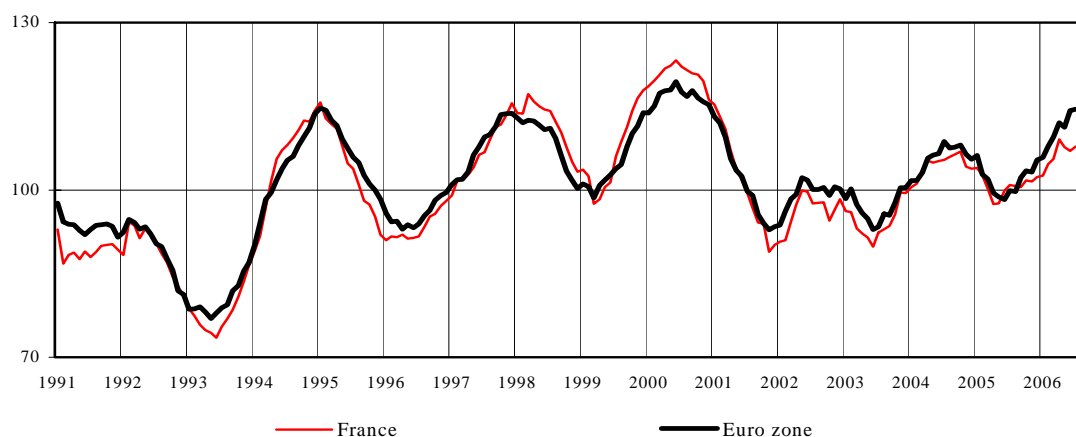
INSEE prepares this indicator from the euro-zone industry surveys.

We have selected five balances of opinion (past and expected changes in production, total order books, export order books, and stocks) for six countries (Germany, France, Italy, Spain, Belgium, and Netherlands) to track the cyclical fluctuations in euro-zone industrial activity.

The indicator shown in Chart 11 summarises in a single variable the common component of the selected balances of opinion. The change in the synthetic indicator thus provides a relevant gauge of economic conditions influencing the entire set of business-survey balances. The methodology used to construct the euro-zone indicator is static factor analysis, chosen for its ease of application and its robustness (see description of methodology in §3.1.2).

The common factor is extracted from the 30 balances without pre-weighting: all questions and countries are treated equally. This enables us to highlight the economic-activity movements common to all euro-zone countries. The European Commission publishes its own monthly indicator of “business climate in industry” but using a different methodology from INSEE’s, with a weighted average of national balances of opinion.

Chart 11: Industry synthetic indicator for France and euro zone



To enlarge and refine the tools for interpreting EU business surveys, we can use factor analysis to estimate simultaneously a synthetic indicator of economic activity for the entire euro zone and indicators measuring the

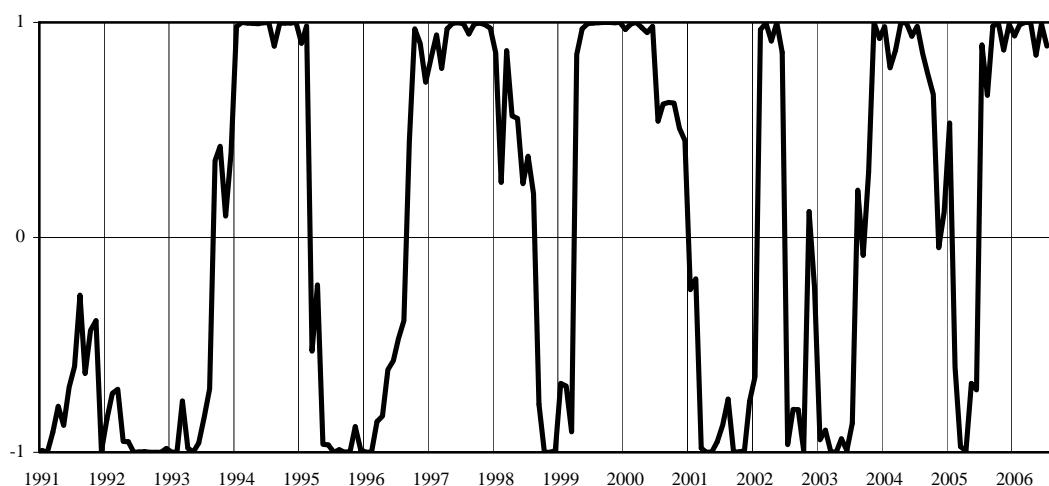
cyclical climate differential for each of the zone's main countries. These new indicators are consistent with the broad features of contemporary economic history in the euro zone and its leading countries⁸.

4.5.2.2. - Turning-point indicator for the euro zone

This indicator seeks to provide the earliest possible signal of cyclical turning points in the euro-zone industry. As noted in §3.1.3, it is a qualitative variable not directly observed. The indicator is displayed as a curve, plotting at each date the difference between the probability that the cyclical phase is favourable and the probability of its being unfavourable (see chart 12).

The indicator moves between +1 and -1: a point very close to +1 (or -1) signals that economic activity is in a period of sharp acceleration (or sharp deceleration). The moments when the indicator is close to 0 can be viewed as stabilisation phases, i.e., moments when the pace of activity returns to its long-term average, and when the signals received are very varied and so indicate no clearcut upward or downward movement. INSEE may revise the indicator's value for the latest month in the following month; users should thus wait at least two consecutive months before analysing a wide variation as the signal of a significant cyclical change. The euro-zone turning-point indicator, which uses 30 balances of opinion, has proved less volatile than the French indicator, based on the six balances in the French Industry Survey⁹.

Chart 12: Industry turning-point indicator for euro zone



⁸ See Lengart, Mora, and Toutlemonde (2002).

⁹ For the euro-zone turning-point indicator to detect a cyclical turning point in the favourable or unfavourable area, a large proportion of balances of opinion (among the 30 selected) must display long-term movement in the same direction.