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THEME 4 – 25/1999

Contents



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# EU-15 Industrial Production: Decline of –0.1% in April

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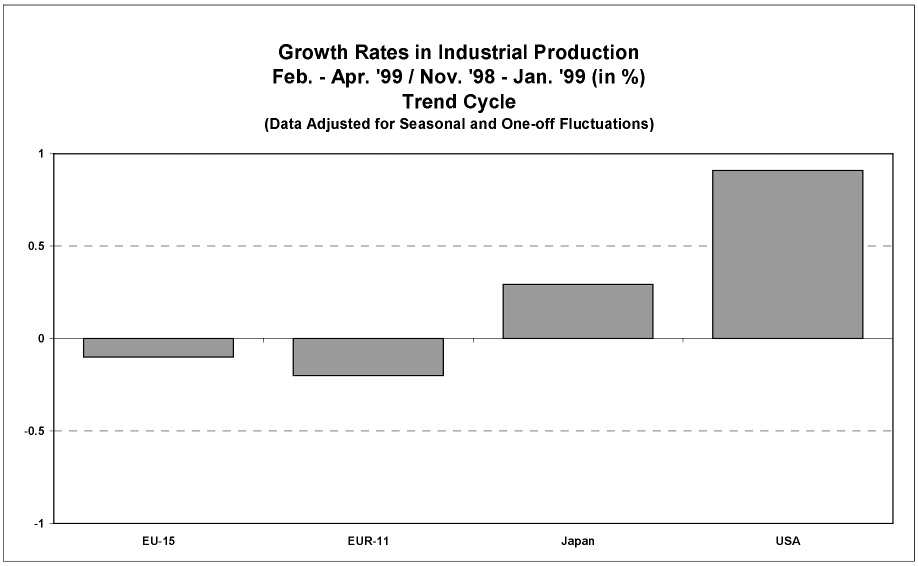
***07/1999***




Production for total industry in **EU-15** declined by 0.1% in the three months to April 1999 (when compared to the previous three-month period). If we compare this rate of growth to the changes observed at the start of 1999, we see there has been a general improvement in the index of production (although moderate negative rates were still being recorded). In February 1999 industrial production was falling by 0.5%, since when the rate of decrease has been reduced in successive months. Industrial production within the **euro-zone**[1] declined by 0.2% in April 1999 (using the same measure).
Data available for the other two main economies are displaying the following trend: In the **USA** the growth in industrial output is still rising, the rate of change was equal to +0.9% for the three months period to April 1999 compared to the previous three months. With a rate of +0.3% **Japan** recorded the first positive growth rate since August 1997.

**Annual changes**

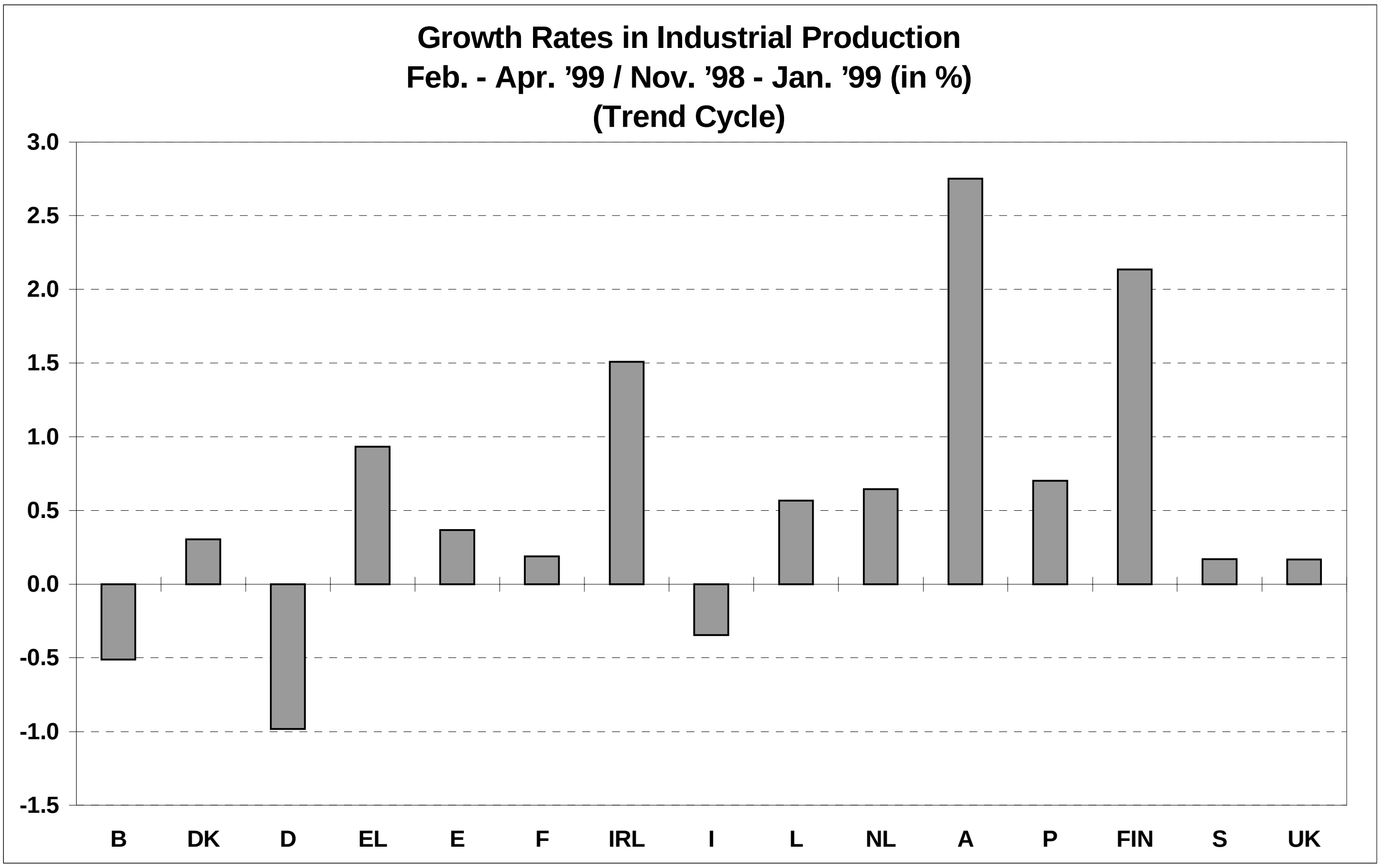
Turning attention to the changes in the production index compared to a year before, we find that the pace of increase of output has slowed considerably over the last year in Europe. Back in May 1998, the annual rate of growth of the production index (based on working day adjusted data) was equal to 5.9% in the EU and to 6.9% for the EUR-11 aggregate. These rates of increase slowed at a rapid pace during the remainder of 1998 and by the turn of the year (January 1999) growth in output was recording positive gains of around 1%. This slow down in activity has subsequently continued and the latest figures for April 1999 report that the EU's production index was falling by -0.7% (with respect to data from a year earlier), the corresponding rate for EUR-11 was -0.6%.

[1] *Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland make up the EUR-11 aggregate, otherwise known as the euro-zone.*

## Situation in the Member States

In **Germany** the latest data showed that industrial production fell by 1.0% in the three months to April 1999 (similar rates of change had been recorded in February and March of 1999). There would hence appear to be little change in the current state of German industry. The **French** index of industrial production rose by 0.2% in the three months to April 1999. This was the first month that French industry recorded positive rates of change, following a moderate decline of 0.1% in February 1999. In Italy the production index fell by 0.3% (again in April 1999). This reduction constitutes a considerable progress compared to the figures that were being recorded at the start of the year (-0.9% in January 1999). In the **United Kingdom** there was a moderate expansion in activity. Latest figures for April 1999 reported that total industry expanded by 0.2% (compared to a reduction of 0.3% in March 1999).

Growth in production was highest in **Austria** and **Finland**, where total industry was expanding by 2.7% and 2.1% during the three months to March and April 1999. Ireland reported the next highest levels of expansion with total industry growing by 1.5% in the three months to March 1999. Indeed, with the exception of Belgium, all other Member States reported moderate positive growth for total industrial production (the latest data available varied between December and April according to the country studied).



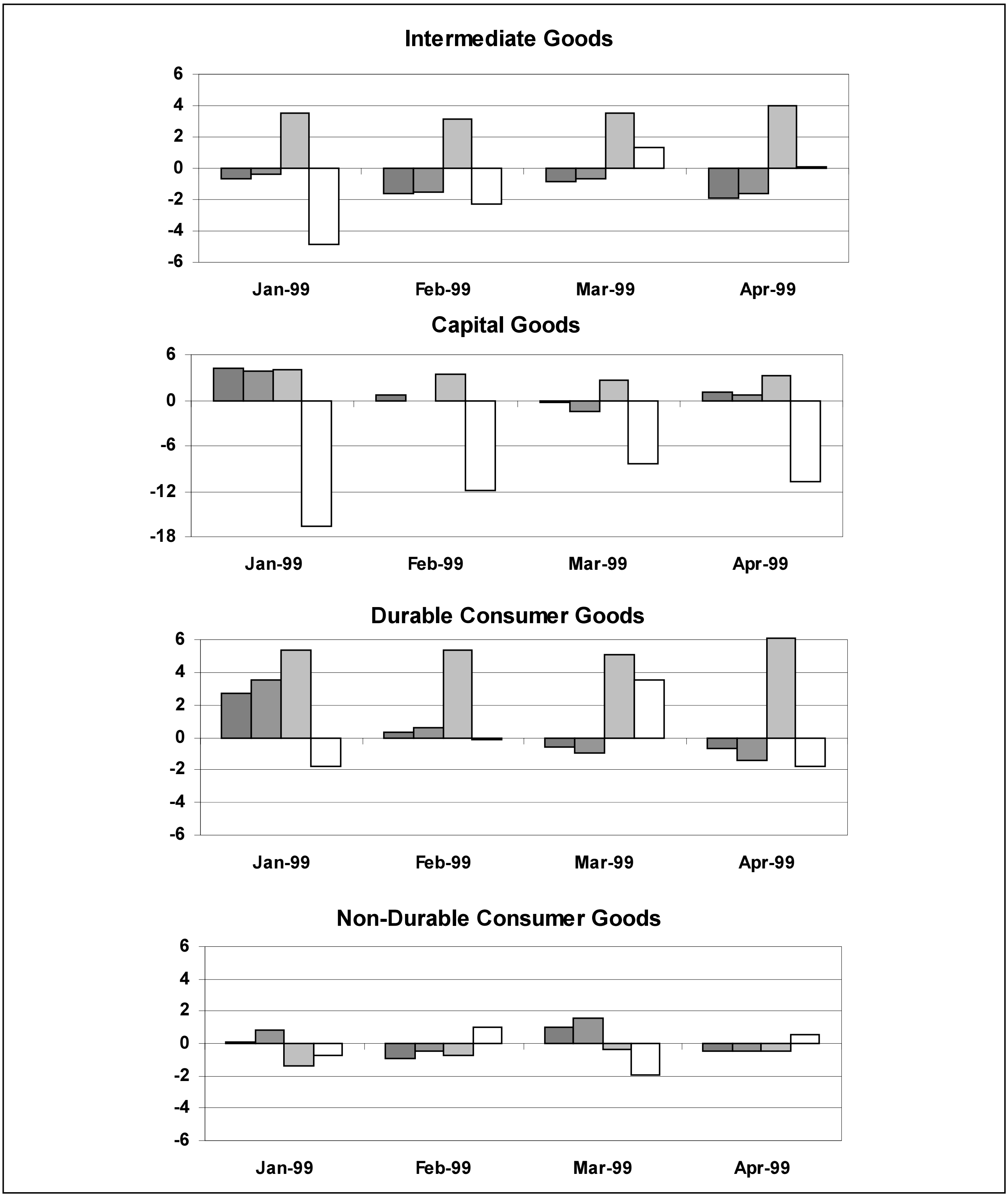

## Main Industrial Groupings

Looking at the annual rates of change for the four main industrial groupings the most pronounced reduction at the European level was recorded in the activity of intermediate goods, where **EU-15** output fell by 1.9%. Positive growth was maintained in the capital goods industry where output rose by 1.1% to April 1999. Looking at the **EUR-11** aggregate we find that intermediate goods also reported the largest decline in activity (down by 1.6% to April 1999), whilst the activity of capital goods was the only one of the four main industrial groupings to post positive figures (growth of 0.6% to April 1999).

In the **USA** despite a slowdown in activity (compared to growth rates from early 1998), positive growth was still recorded in early 1999, which has since quickened again. Indeed, apart from the activity of consumer non-durables, the other three main industrial groupings all posted positive rates of growth, rising to as high as 6.1% per annum for consumer durables.

In **Japan** the capital goods industries continued to report the largest negative rate of growth, down by –10,7% through the year to April 1999. The output of durable consumer goods displayed as well a negative annual rate of –1,8%. On the other hand, intermediate goods and consumer durables reported positive rates of change to a year before, the rates for April are up by 0,1% and 0,6% respectively.

## Production Trends for the Main Industrial Groupings



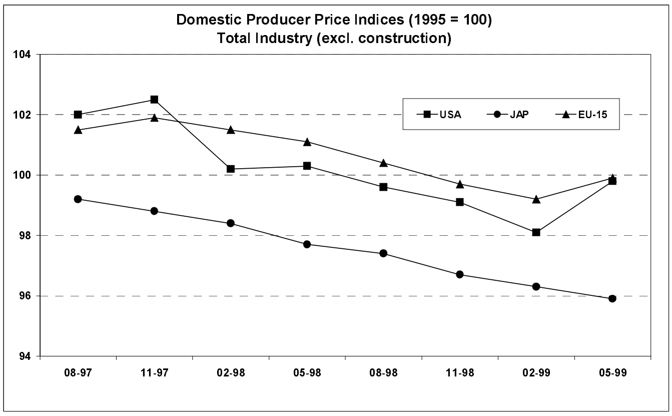

*Figures:* *Annual growth rates (t / t-12) in % (working day adjusted series)*

EU-15 EUR-11
USA Japan

## Industrial producer prices continue to fall

There would appear to be little inflationary pressure as producer prices in all three Triad economies continue to fall. In the EU the latest data for May 1999 reported that industrial producer prices for the **EU-15** fell by 1.2% when compared to the same month of a year before, whilst figures for **EUR-11** showed a decline of 1.4% (also to May 1999). The 1.2% reduction of EU producer prices in May 1999 was similar to the latest figure in the **USA** (down 1.1% in April 1999). The latest figure in **Japan** showed that prices were falling by 1.9% during the year to April 1999.

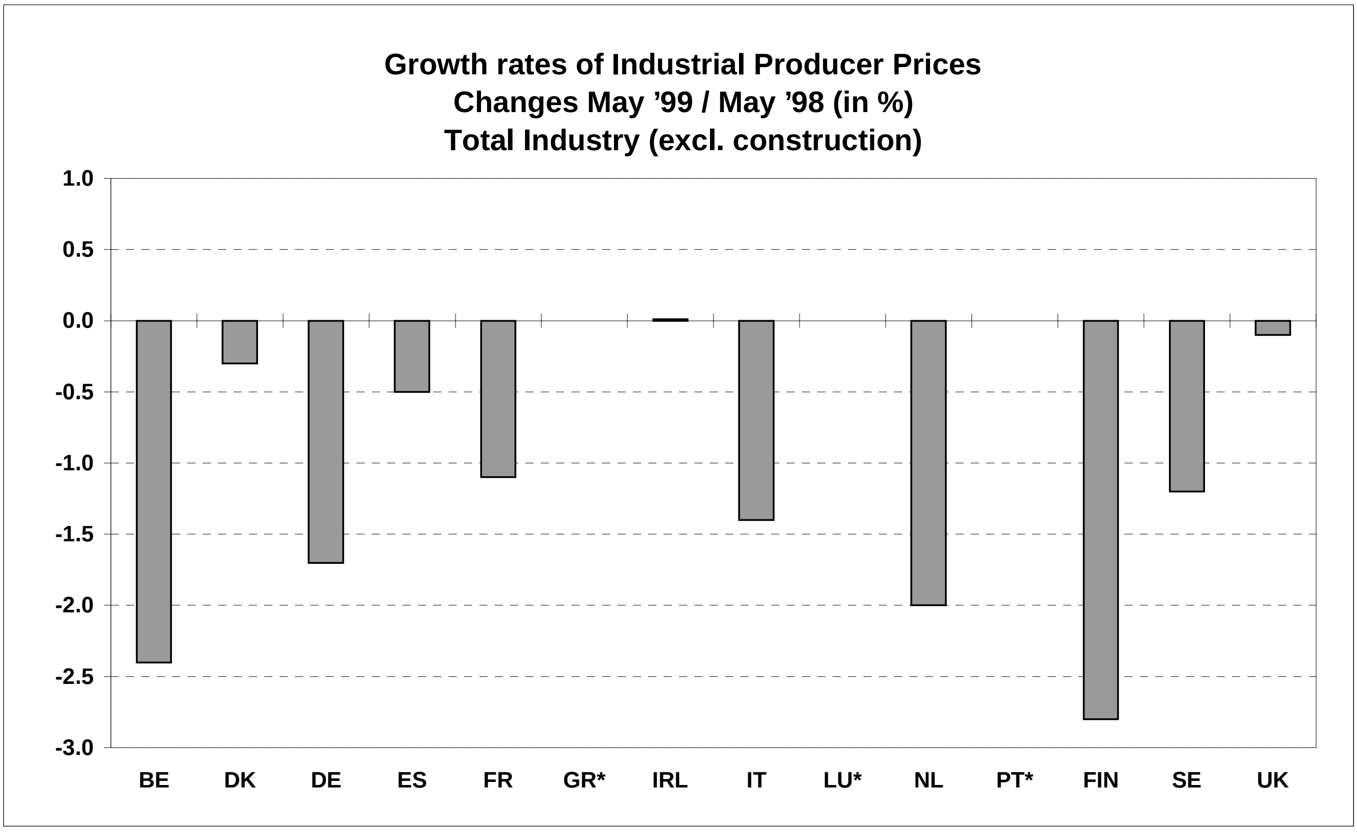
Indeed, there has been a great deal of symmetry between data for all three Triad members if we compare the rate of change of producer prices over the last two years. During 1997 both the EU and Japan reported that producer prices were growing at a moderate pace, peaking in August 1997. Between August 1997 and the start of 1999, the growth of prices was reduced in successive months, turning negative in the late spring of




1998. The negative trend was amplified through until early 1999, when it appears a turning point occurred. In the USA the largest negative changes were recorded in November 1998. Since these dates there has been a gradual movement in price changes, moving towards stable prices.

## Price Developments in the Member States

The latest data available for the Member States showed that price reductions were slowing rapidly. For example, in Portugal producer prices were declining by as much as 7.4% in January 1999, whilst the latest data for April 1999 reported a reduction of just 2.4%. Similar though less pronounced developments were taking place in the majority of the Member States. The largest reductions for the total industry aggregate were recorded in Finland (down by 2.8% in the year to May 1999). For the four largest EU economies the latest rates of change were (for May 1999): France (-1.1%), Germany (-1.7%), Italy (-1.4%) and the United Kingdom (-0.1%).

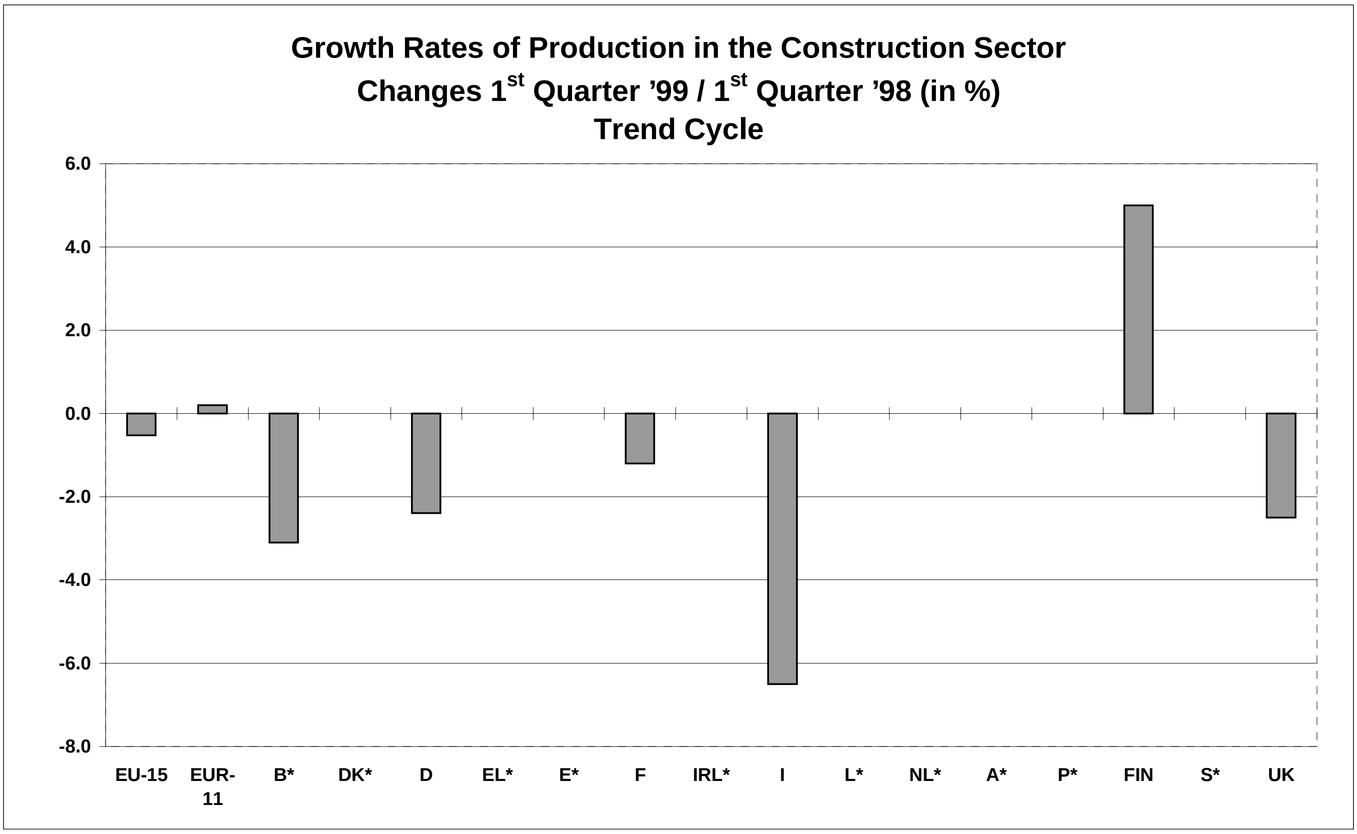



* no data available

## Construction Activity

**Construction activity in the EU** was generally following a negative trend at the end of 1998 and start of 1999. EU activity in the construction sector fell by 3.2% in the final quarter of 1998 when compared to the final quarter of 1997, with a reduction of just 0.5% in the first quarter of 1999. Positive rates of change in construction activity were recorded in three countries (subject to data availability); they were Spain (10.1%, December 1998), France (0.1%, April 1999) and Finland (5.0%, March 1999).

After twelve successive months of decline construction activity turned positive in France in April 1999 (rising by just 0.1%). Of the other Member States only Belgium and Germany were able to provide data through until this date. German construction activity declined by 3.5% in the three months to April 1999. These figures also showed a slight improvement in the figures compared to the start of 1999, when German construction activity retracted by 4.4%.




* no data available

## Building and Civil Engineering

Looking in more detail at the production index by activity we find that civil engineering activity fell by 1.5% in the final quarter of 1998 (again compared to the final quarter of 1997). There was some optimism in the most recent data available, with French figures for April 1999 showing positive rates of growth up by 1.9%.

The most recent data for building was not as encouraging, with negative rates still being recorded in France and Germany (again to April 1999), reductions of 3.9% and 5.1% were registered.

## Output Prices for Residential Buildings

Prices of residential buildings showed some signs of increasing (contrary to the trends seen for total industry producer prices). Indeed, data for the first quarter of 1999 showed that Germany was the only country reporting a decline in prices. Price increases in Greece and the United Kingdom were above the level of 4% per annum. EU-15 prices increased by 2.3% in March 1999 (compared to the first quarter of 1998).
More recent data is available for a number of countries, as well as the euro-zone, where prices increased by 1.1% per annum in the twelve months to March 1999. Figures for EUR-11 aggregate for the final quarter of 1998 had shown that prices were increasing at the rate of 0.3% per annum.

## Retail Sales Volumes

In the three months to April 1999 the **European index** of retail sales volumes continued its upward trend (when compared to the same three months of the year before). Growth was slightly faster for the **EUR-11** aggregate than the data posted for EU-15 (with increases of 3.7% and 3.4% respectively). The retail sales index displayed a fairly constant trend when compared to March 1999.

Within the **larger Member States**, retail sales volumes were generally positive, increasing by between 7.6% in **Italy** (for April 1999) and 1.8% in the **United Kingdom** (for April 1999). There was one exception to this rule, in **Germany** the index remained almost unchanged (up by 0.1% in April 1999). There had been signs of an expansion of retail sales in Germany during the first three months of 1999, which was not confirmed by the evolution in April 1999. Indeed, German retail sales continued to show moderate or no growth throughout the latter part of 1998 up to the spring of 1999 (except for a slight increase around Christmas 1998). **France** was the only larger economy reporting considerably higher increases in retail sales' volumes on a continued basis (latest figures showed an increase of 4.7% in April 1999). French retail sales volumes increased at the same pace as during the winter of 1998, whilst in Italy growth expanded to over 7% during the spring of 1999 from a figure of just 0.9% during the final quarter of 1998.
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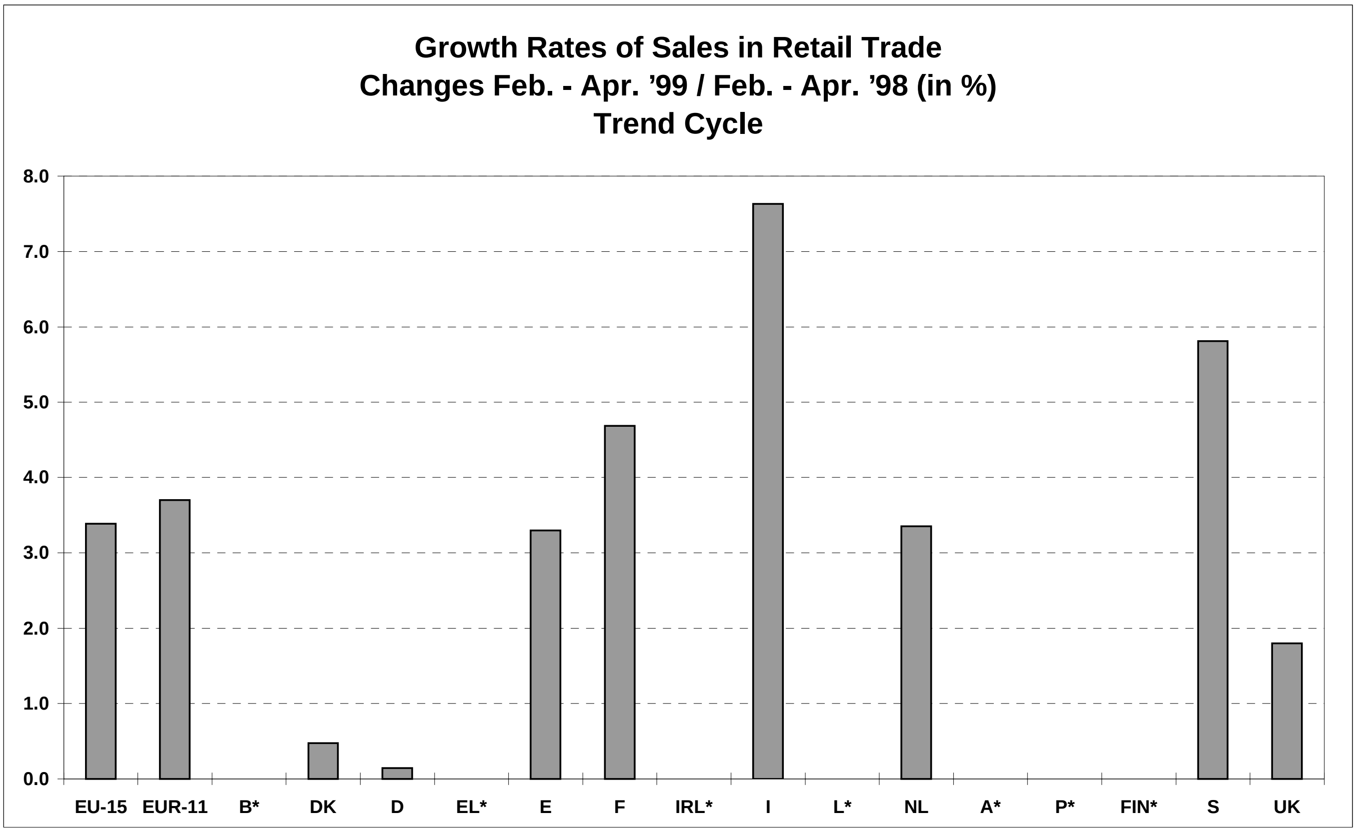


* no data available

## New Vehicle Registrations

In **Europe** the number of new vehicle registrations increased by 9.1% in the three months to May 1999 (compared to the same period the year before). This positive rate of change was part of a general trend of expansion seen in the data since April 1997. There was an increase in the rate of change for the number of new car registrations compared to March 1999 (when figures rose by 6.3%).

Several Member States recorded higher growth rates for new vehicle registrations (again for May 1999, except otherwise stated). The highest rates were found in **Greece** (39.3%), **Finland** (16.0%) and **Sweden** (14.5%, for May 1999). Whilst in the latter two countries the index grew at a faster pace than in previous months, in Greece the latest figure reported a slower pace of expansion (when compared to the first months of 1999). A similar trend was evident in **Belgium**, where despite new vehicle registrations growing at a positive rate (up by 7.3% in April 1999), the index slowed down compared to the start of the year. In **Germany** new vehicle registrations increased by 7.4% in May 1999, a rate of growth which reversed the slight reduction registered during the month of March 1999 (down by 0.5%).

## Business Cycle at a Glance

| Growth Rates - Three months average compared to the previous three months (in %) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Latest 3 months available | | | Production | Producer prices | Capacity utilisation (1) | New orders |
| **EU-15** | 02-99 | ⇨ | 04-99 | ➔ | ➔ | ➔ | : |
| **EUR-11** | 02-99 | ⇨ | 04-99 | ➔ | ➔ | : | : |
| **B** | 02-99 | ⇨ | 04-99 | ↘ | ➔ | ↗↗ | : |
| **DK** | 03-99 | ⇨ | 05-99 | ➔ | ↗ | ↘ | ↗ |
| **D** | 02-99 | ⇨ | 04-99 | ↘ | ➔ | ➔ | ↗ |
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| **I** | 02-99 | ⇨ | 04-99 | ➔ | ➔ | ➔ | : |
| **L** | 10-98 | ⇨ | 12-98 | ↗ | ↘ | ↘ | : |
| **NL** | 03-99 | ⇨ | 05-99 | ↗ | ➔ | ↗ | ➔ |
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| **USA** | 02-99 | ⇨ | 04-99 | ↗ | ➔ | : | : |

(1) Capacity utilisation is fixed on the first month of the quarter of the period given.

| | | | |
|---|---|---|---|
| ↗↗ | >2.5% | ↘ | -2.5% to -0.5% |
| ↗ | 0.5% to 2.5% | ↘↘ | <-2.5% |
| ➔ | -0.5% to 0.5% | **:** | no data available |

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