

1st Quarter 1999: EU-Industrial Output down by -0.1%

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06/1999

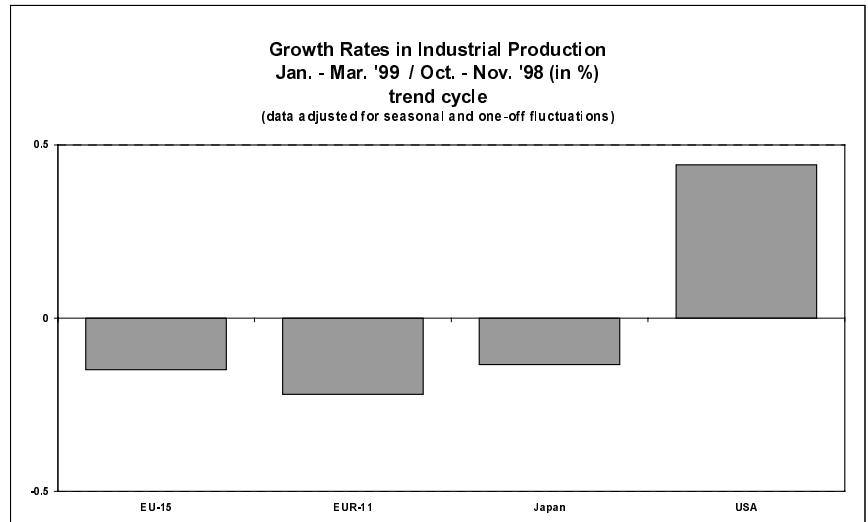
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INDUSTRY, TRADE
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THEME 4 – 19/1999

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Industrial production in the **EU** fell by 0.1% in the first quarter of 1999 when compared to the final quarter of 1998. The figure for March 1999 showed an **improvement** on that recorded in February 1999, when EU output was down by 0.4%. The **euro-zone**¹ aggregate reported a decline of -0.2%. The short-term growth rate that compares figures for a three month moving average with those of the previous three months turned negative in October 1998. After falling to -0.4% by January 1999 there has been a stabilisation of the EU-15 rate of change, with no further reductions during the first quarter of 1999 and an improvement in data for March 1999.

International comparison shows that industrial output in **Japan** declined by 0.1% in the first quarter of 1999 (compared to the final quarter of 1998). The rate of change was equal to -0.6% in March 1999, which could be compared to reductions of 0.6% and 0.5% in January and February 1999. In the **USA**, industrial output continued to expand, rising by 0.4% in March 1999.

Annual changes

Looking at growth in output between the first quarter of 1999 and the same quarter of 1998 (based on working day adjusted data) we find that **EU** output had progressed by 0.2%, whilst the **euro-zone** also recorded growth of 0.2%. These figures showed that the slow down in industrial activity in the EU was continuing its trend. Data for the EU for the third and final quarters of 1998 reported growth rates of the magnitude of 3.5% and 1.1% respectively. For the EUR-11 aggregate the corresponding figures for the third and fourth quarters of 1998 were 3.9% and 1.2% respectively.



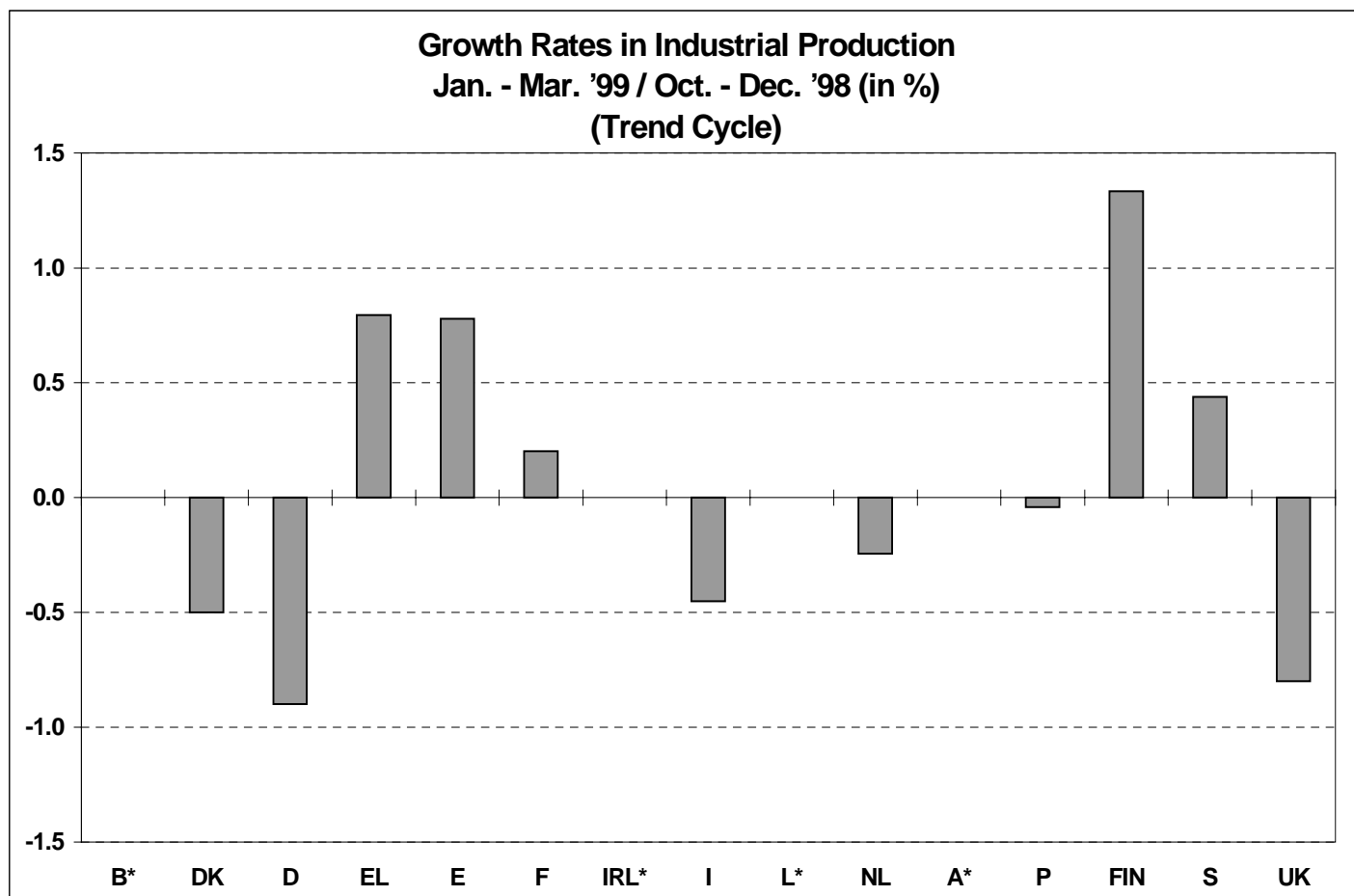
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¹ Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland make up the EUR-11 aggregate, otherwise known as the euro-zone.

Situation in the Member States

Looking at the business cycle across the Member States we can see that production trends were showing **signs of growth** in a number of countries: in Finland, for example, a growth rate above the level of one per cent could be observed. There was also positive growth in output in

France, Luxembourg, Spain and Sweden. Hence, the negative European values were essentially caused by the negative output experienced in Germany (-1.2% to April 1999), Italy (-0.5% to March 1999) and the United Kingdom (-1.0% to April 1999).



* no data available

Main Industrial Groupings

If we look at the growth of the individual industrial groupings that make up the **EU** industry aggregate we find positive rates for consumer durables, where growth of 0.3% in March 1999 was recorded (again compared to the final quarter of 1998). The other EU-15 growth rates for the remaining three industrial groupings were as follows: intermediate goods (-0.4%), capital goods (-0.1%), consumer non-durables (no change).

In **France** production started to take a positive trend. All four industrial groupings reported increasing output for the fifth consecutive month in March 1999. Growth was somewhat subdued in intermediate goods (+0.3%) and capital goods (+0.2%), whilst growth in the remaining two industrial groupings was higher, consumer durables (+1.2%) and consumer non-durables (+0.5%).

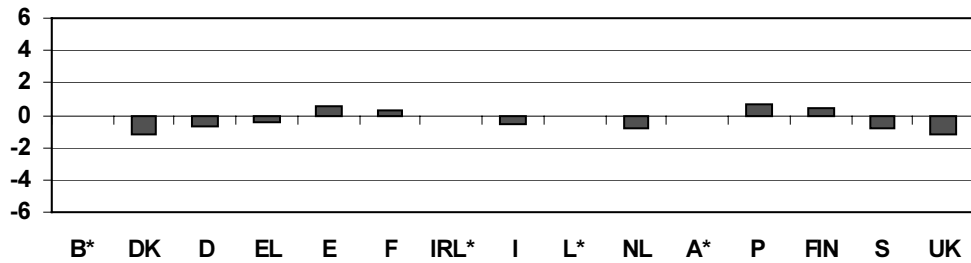
There was a mixed set of data recorded in the **United Kingdom**, with negative rates of change for all four industrial groupings. February 1999 was the seventh

consecutive month that capital goods reported growth in excess of one per cent in the United Kingdom (since when rates turned negative, down by 3.8% by April 1999). Rates of change for the other industrial groupings in the United Kingdom were as follows (for April 1999): intermediate goods (-1.1%), consumer durables (-4.0%), consumer non-durables (-3.5%).

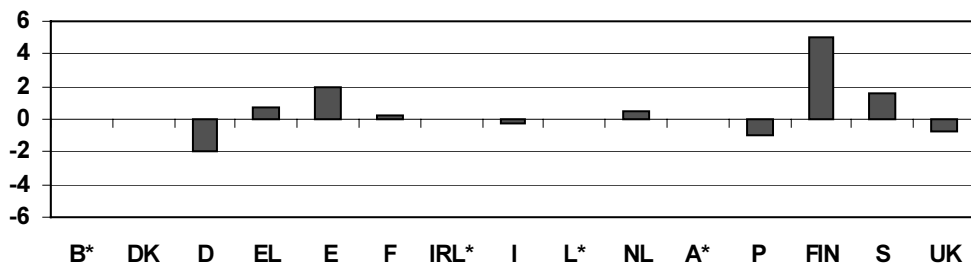
In **Germany** industrial production fell by 1.2% in the three months to April 1999, this reduction was more pronounced than those seen for German industry since the start of 1999, when rates of between -0.7% and -0.9% were recorded. The main reason for a decline in the German index was the performance of capital goods, where the latest figure recorded a loss of some 2.1% for April 1999.

Production Trends for the Main Industrial Groupings

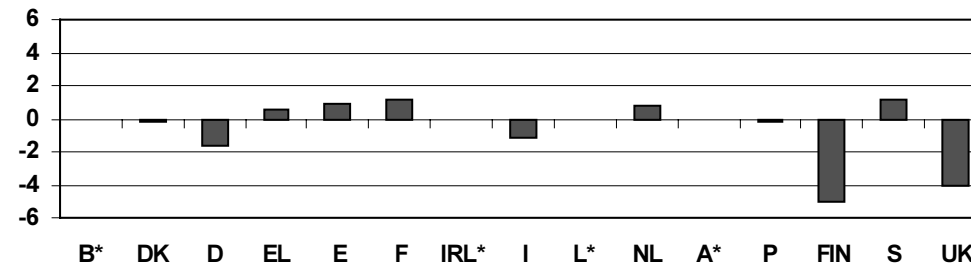
Intermediate Goods



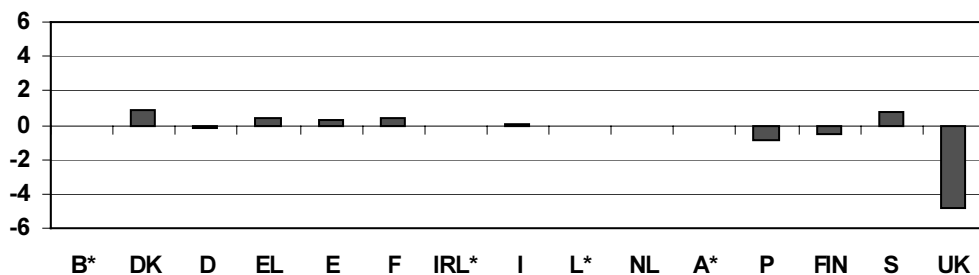
Capital Goods



Durable Consumer Goods



Non-durable Consumer Goods

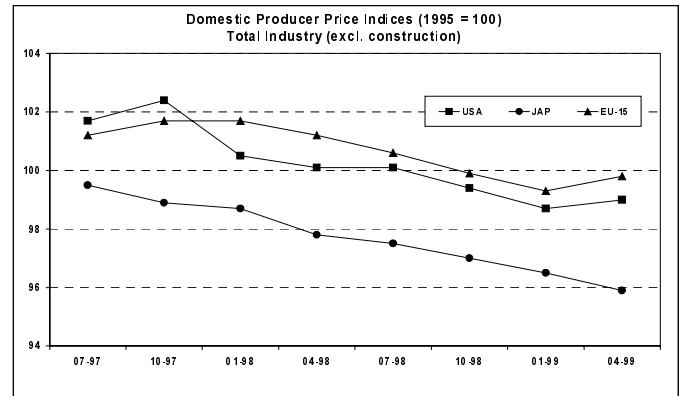


Figures: Growth rates (trend cycle)
 Changes Jan. – Mar. '99 / Oct. – Dec. '98 (in %)
 * no data available

Continuous decline of industrial producer prices

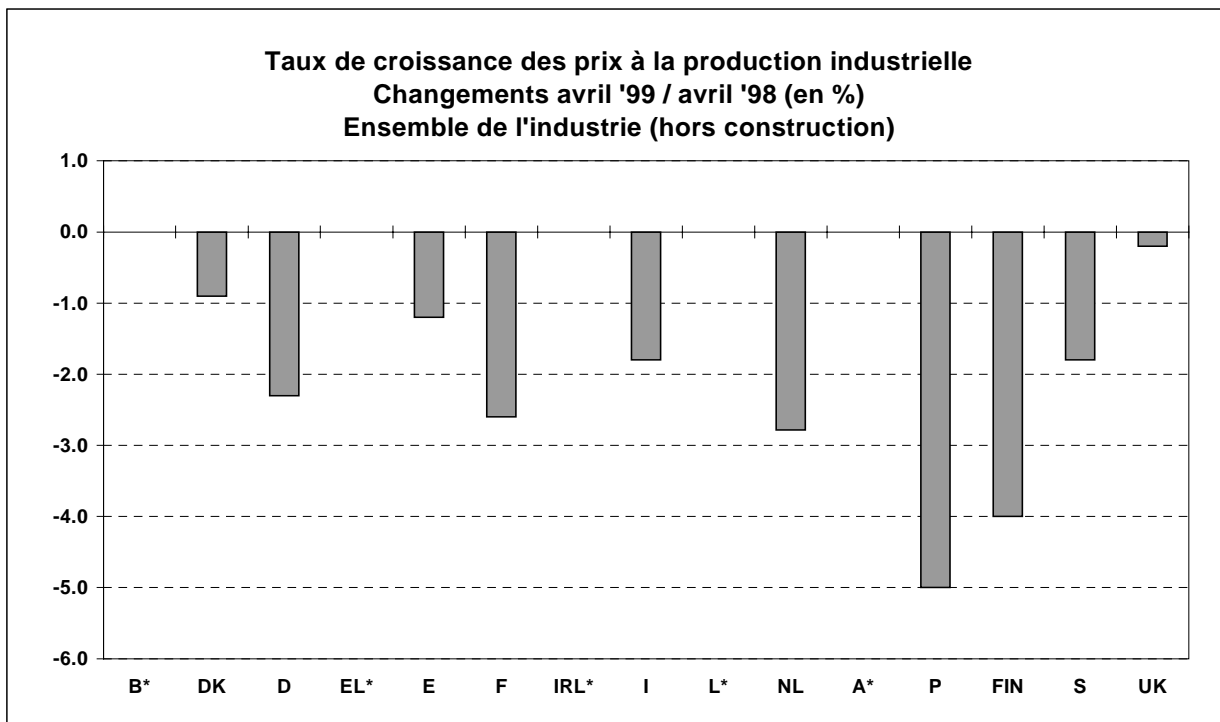
The negative trend of industrial producer prices seen since the month of May 1998 continued into the second quarter of 1999, with falling prices in Europe for twelve consecutive months. Latest figures for **EU-15** showed that European producer prices fell by 1.3% during the year to April 1999. Data for the **euro-zone** was also available until April 1999, when domestic prices were down by 1.6%. If we compare the price reductions for the latest month with those reported at the start of 1999, we see that there has been a slow down in the negative trends reported. European industrial producer prices had fallen by 2.3% in February 1999, then by 1.9% in March 1999. Euro-zone figures also showed a declining trend from 2.7% in February 1999.

Japanese producer prices continued on a negative trend with a reduction of around 2%. Indeed, from April 1998 through until March 1999 each month has seen a decline of between -1.9% and -2.2% in the Japanese data.



In the **USA** producer prices had been falling by as much as 3.4% in November 1998 - however, this rate has been reduced somewhat in recent months, with the latest figure for March 1999 showing a decline of 1.5% in the industrial producer prices. It is now two years that American producer prices have been falling.

Price Developments in the Member States



* no data available

In **Germany** producer prices declined by 1.7% in April 1999 for the industry aggregate. This decline was largely concentrated in the grouping of intermediate goods, where a reduction of 3.2% was recorded. In **France**, there has been a fairly rapid reduction in the rate of decrease of industrial producer prices from -4.1% in February 1999 to -2.7% in March 1999 and a subsequent slow down to 1.4% in April 1999. Whilst consumer goods reported little or no change in the rate

of decrease of prices (-1.2% for consumer durables and -0.9% for consumer non-durables), there was a marked slow down in the rate of decrease for intermediate goods (latest data -3.1% compared to -6.7% in January 1999). In the **UK** there were signs of positive growth again in producer prices. Data for April 1999 reported that industrial producer prices rose by 0.1%, largely due to an expansion in prices within consumer non-durables (up by 0.8% in the same month).

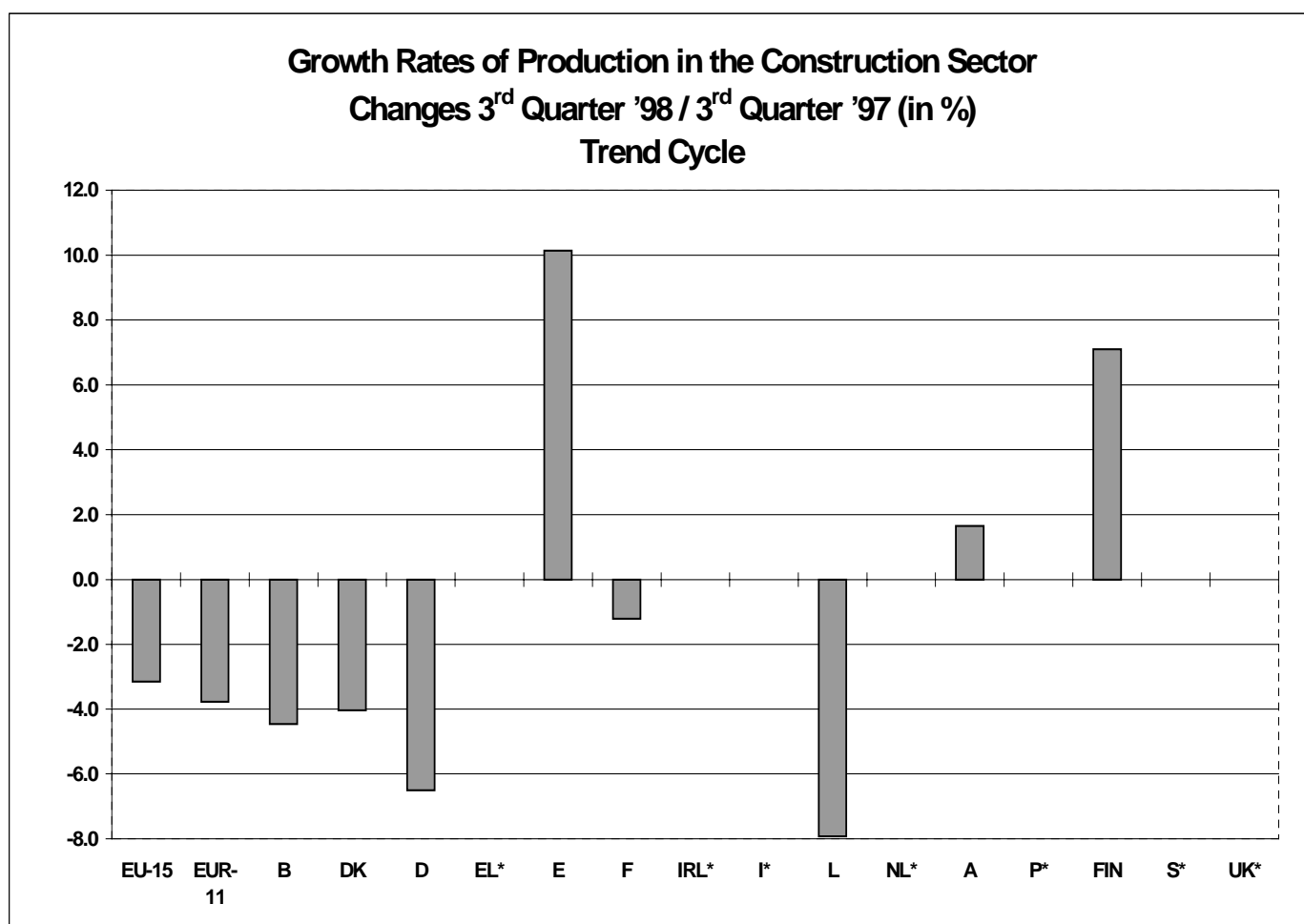
Construction Activity

European construction activity declined by 3.1% during the final quarter of 1998, when compared to the final quarter of 1997. This decline in activity was the fifth consecutive month that activity in the EU construction industry reported negative values.

Corresponding data for the **EUR-11** aggregate showed that production was falling by 3.8% during the same period, also the fifth consecutive

month that a negative figure had been posted. Of the **Member States** that were able to report data through to the end of 1998, Austria, Finland and Spain were the only countries reporting an expansion in activity for construction. Finnish and Spanish growth rates were particularly pronounced (rising by 7.1% and 10.1% respectively during the final quarter of 1998 compared to the final quarter of 1997).

French and German growth rates were available to a much more recent date, however the trend in the figures was not as encouraging, construction activity declining by 1.4% in France and 3.5% in Germany. These figures were for the three month period to March and April 1999 respectively (compared to the same three months of a year before).



* no data available

Building Permits

In order to measure future activity in construction we may look at the actual **number of building permits** being granted. Data is available for the number of permits that were granted through until January 1999, when the **EU-15** figure was rising by 8.1% (when compared to data from the same three months of a year before). December 1998 had been only the second month during the whole of 1998 that a positive value

was returned and data for January 1999 confirmed the positive trend.

Data for the **euro-zone** was available until December 1998, when the 5.1% decline recorded in November 1998 was reversed as the number of new building permits was positive again (4.3%).

Retail Sales Volumes

In Europe the index of retail sales volumes reported an upward trend. For **EU-15** a growth of 3,8% could be observed for the first quarter 1999 compared to the same quarter of 1998. The corresponding rate for **EUR-11** showed an increase of even 4,3%.

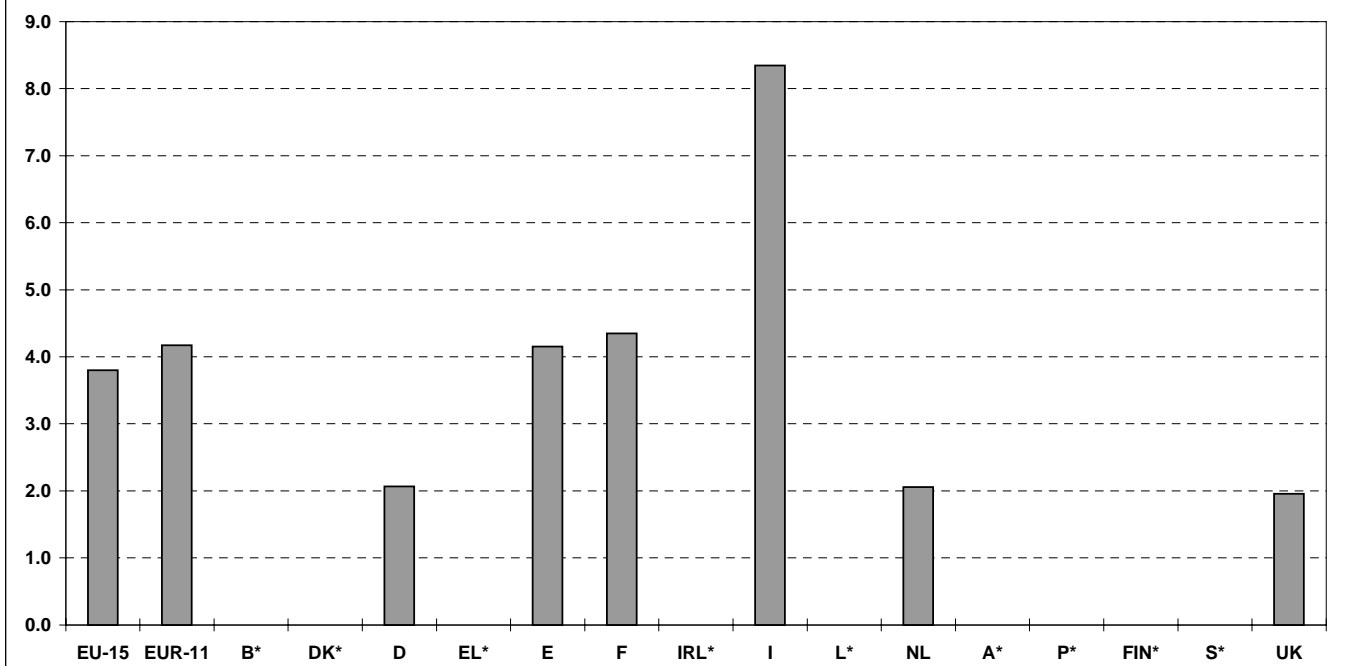
If we look at the data reported by the **larger Member States** there were rates of growth between 1.8% in the United Kingdom (for the three months to April 1999) and 8.3% in Italy (for the three months to March 1999). These growth rates compare

the index of sales volumes to the same period of a year before. In Germany, the largest market within Europe, the index of retail sales volumes growth increased to 2.1% in March 1999, following more moderate growth during the majority of 1998.

Most of the **smaller Member States** also reported growth of retail sales volumes. In Sweden the index increased by 4.3% (for February 1999), similar rates of growth were observed from the summer of 1998 onwards. Data for Ireland and

Finland reflected high consumer confidence in the economic situation as retail sales volumes increased by 7.4% and 4.6% respectively (both for February 1999). However, in Ireland there has been somewhat of a slowdown in the growth of the index, falling by some 3.5 percentage points since April 1998. Amongst the countries for which data was available only Austria recorded a slight decline in retail sales, down by 1.6% for February 1999, following a slowdown in activity during the winter of 1998.

Growth Rates of Sales in Retail Trade
Changes Jan - Mar '99 / Jan - Mar '98 (in %)
Trend Cycle



* no data available

New Vehicle Registrations

In the **EU** new vehicle registrations increased by 5.7% in the three months to March 1999 (when compared with data for the same period a year earlier). The European index of new vehicle registrations has now registered positive growth for twenty four consecutive months.

Fresher data was available for several **Member States**. In the majority of the countries for which data was available the number of new vehicle registrations

increased in the early part of 1999. Only Denmark reported a large decline of some 6.8% for April 1999, the decline was the third consecutive month that a negative figure was recorded.

In Germany the number of registrations decreased by 0.3% (April 1999), after three positive rates of growth during the first quarter of 1999. In Italy, new vehicle registrations rose by 1.9% in the three months to April 1999, the first growth recorded since April 1998.

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 01-99 ⇔ 03-99	→	→	↘	:
EUR-11 01-99 ⇔ 03-99	→	↘	:	:
B 10-98 ⇔ 12-98	→	:	↘	:
DK 02-99 ⇔ 04-99	→	→	↘	↗
D 02-99 ⇔ 04-99	↘	→	→	↗
EL 01-99 ⇔ 03-99	↗	:	↘	:
E 01-99 ⇔ 03-99	↗	→	→	:
F 01-99 ⇔ 03-99	→	→	→	:
IRL 12-98 ⇔ 02-99	↗	:	↘↘	:
I 01-99 ⇔ 03-99	→	↘	↘	:
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UK 02-99 ⇔ 04-99	↘	→	→	↘↘
Japan 01-99 ⇔ 03-99	→	↘	:	:
USA 01-99 ⇔ 03-99	→	↘	:	:

(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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