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Evaluation of Business & Consumer Surveys

The European Commission The Directorate-General for Economic and Financial Affairs

FINAL REPORT

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The European Evaluation Consortium (TEEC)

The Evaluation Partnership Limited (UK) Economisti Associati (Italy) Particip GmbH (Germany) navreme knowledge development (Austria)

Authorised Representative The Evaluation Partnership Limited (TEP) 6 Cole Park Road Twickenham, Middlesex TW1 1HW United Kingdom

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This report was prepared by a team of TEEC experts composed of:

Mr Alberto Bolognini (Team Leader) - Economisti Associati , Italy Mr. John Watson (Contract Manager) - TEP, UK Ms. Susannah Tillson - Economisti Associati, Italy Ms. Guja Bacchilega - Prometeia, Italy (specifically responsible for par. 2.3) Mr. Giulio Cainelli - Economisti Associati, Italy Mr. Roberto Zavatta - Economisti Associati, Italy Mr. Rob Forster - TEP, UK

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List of ACRONYMS

BCI	Business Climate Indicator
BCS	Business and Consumer Surveys
CATI	Computer Assisted Telephone Interviewing
CCNM	Centre for Co-operation with Non-Member Economies
CEPR	Centre for Economic Policy Research
CIRET	Centre for International Research on Economic Tendency Surveys
CLI	Composite Leading Indicator
COE	Centre d'Observation Economique
СРВ	Netherlands Bureau of Economic Policy Analysis
DNB	Netherlands Central Bank
EC	European Commission
ECB	European Central Bank
ECRI	Economic Cycle Research Institute
ESI	Economic Sentiment Indicator
EU	European Union
EU-15	Old Member States (before 05/2004)
EU-10	New Member States (after 05/2004)
GDP	Gross Domestic Product
HALPIM	Hungarian Association of Logistics, Purchasing and Inventory Management
IFO	Institut fuer Wirtshaftforsschung
INSEE	Institut National de la Statistique et des Etudes Economiques
ISAE	Istituto di Studi e Analisi Economica
MS	Member State
NBER	National Bureau of Economic Research (USA)
NIESR	National Institute of Economic and Social Research
NMS	New Member States
OECD	Organisation for Economic Co-operation and Development
PMI	Purchasing Managers' Index
RIED	Survey produced by the Research Institute of the Warsaw School of Economics
SKEP	Economic Outlook & Policy Services Chamber of Commerce & Industry of Slovenia
TEEC	The European Evaluation Consortium
ToR	Terms of Reference
UNICE	Union des Industries de la Communauté Européenne
WES	World Economic Survey
ZEW	Zentrum für Europäische Wirtschaftsforschung GmbH

EXECUTIVE SUMMARY

This external evaluation of the Commission's Business and Consumer Survey Programme was conducted between September 2004 and April 2005 in the context of the multi-annual evaluation programme of DG Economic and Financial Affairs. The exercise focused on addressing the following issues:

- Use of the surveys, survey quality and users' future needs
- Survey programme effectiveness
- Comparisons with alternative products
- Likely consequences of discontinuing eu co-financing
- Efficiency and alternative contractual arrangements
- Impact of recent methodological improvements
- International dimension of the joint-harmonised methodology

Summary of Main Conclusions

The European Commission's **joint-harmonised surveys** are used by almost all Government and Research institutions interested in macroeconomic surveillance in Europe and also by a large majority of financial institutions for research and trading guidance purposes. Their use in non-financial companies appears to be more limited and restricted to strategic marketing only. All users refer to the surveys in a qualitative way, but there is a growing trend in the use of their quantitative content for short term forecasting purposes. There is a potential for even more intensive use of the surveys for quantitative purposes, which would be realised if more information were available on techniques that facilitated the extraction of such information.

There is convincing evidence that the Commission **Economic Sentiment Indicators are relatively well known and reasonably well used** at the European level, although there is competition with other products. The case for their use at national level is much less convincing because competition from alternative products is much stronger. The innovative **Business Climate Indicator** certainly has the potential for a more extended use, but it suffers from communication problems at the present time and is not as well known among the community of users as it could be.

So far the Business and Consumer Survey Programme has **largely met the quality requirements of the average user** in all respects, but further improvements are possible, particularly in the field of methodological transparency and availability of more commentary on the meaning of data. The delayed availability of August data is also of concern to some. Traders in financial markets need to be reassured about maximum transparency in dissemination modalities. Surveys are generally considered to be highly reliable and relevant instruments, except in the case of specific sectors in certain countries. Further research would be needed before concluding whether this depends on the intrinsic weakness of the survey instrument in certain contexts or on the specific modalities adopted in implementing the surveys.

Existing requests regarding future information needs include the following:

- a much more detailed breakdown of the information available on the service industry (including specific data on the banking and financial sector);
- more detailed information on the financial situation of households and firms;
- more detailed data on the labour market;
- better data on investment;
- a clearer distinction between durable and non durable goods in all consumption-related surveys;
- more geographical detail on external trade flows.

However, participating institutes appear to be reluctant to amend or modify the existing surveys and are somewhat conservative in their attitudes, except with regard to including ad hoc questions in the existing surveys from time to time, especially in the consumer survey. Although this cautious behaviour can be justified on technical grounds, there is a risk that the future programme development will be driven too much by supply-driven technical considerations to the detriment of the more visionary requests.

The surveys can be considered a **highly effective instrument to monitor macroeconomic developments** and the economic situation in the EU, the Euro Area and the Member States. This is particularly true for the EU and the Euro Area where statistical estimates of GDP are released with a certain delay and frequently subject to revisions. Effectiveness at the Member State level, while generally high, varies with the specific surveys and the availability of alternative timely sources of information. The industry survey is generally acknowledged to have leading properties which are even good enough to allow reliable forecasts of the turning points in the cycle. The indicators produced by the Commission to summarize survey results can be considered as reasonably good coincident proxies of the business cycle in Europe and the Euro Area, but are not necessarily significant at the Member State level, especially when compared to other indicators produced by participating institutes. Among European Institutions, the ECB appears to be a fairly satisfied client of the Business and Consumer Survey Programme.

There are very few **alternative products at European level** and none shares the features of the Commission business and consumer surveys programme in terms of either country coverage or frequency. There are diverging views on how these alternative products compare with those of the Commission in terms of quality and reliability, but researchers and Government forecasters tend to prefer Commission sources. There are a number of alternative surveys at national level, but these are not really deemed to be substitutes of the Business and Consumer Surveys by professional users, except in some New Member States where competition is still open in deciding on which are the best surveys. Conversely, alternative indicators at the national level, when available, are generally preferred to those produced by the Commission, because they are deemed to be more tailored to the features of the different economies. It is very unusual for major organisations and forecasting institutes not to be users of the surveys; these institutions tend to use all sources of information available and to cross-check them. When a limited set of survey sources are used, the Business and Consumer Surveys tend to be by far the preferred source. When surveys are not used for quantitative purposes it is mainly because timely hard statistics are available.

The effects of any discontinuation of Commission co-financing would be highly varied across Europe. Reactions would vary by country and, in a very limited number of cases, would lead to the termination of all survey activities. A few, mostly larger, countries would be in a position to continue the joint-harmonised approach with some minor amendments and savings, but in several Member States (particularly among small countries) there would be strong pressure to cut parts of the programme or modify it substantially. There is convincing evidence that the Commission co-financing provides European added-value in that European harmonisation and the possibility of aggregating homogeneous data at the European and Euroarea level would be lost. Co-financing provides financial incentives for participating institutes to perform activities they would not spontaneously undertake if driven purely by market forces.

There are notable **limitations in the availability of data for an analysis of the efficiency of the Programme**. This information gap should be addressed if the Commission wants to have a better understanding of its value for money. Based on the limited information available, the Business and Consumer Surveys can be considered to be a reasonably cost-effective programme, but there is certainly a scope for better synergies with the parallel EUROSTAT effort to improve short-term statistics. For the time being, the rationale behind co-financing the World Economic Survey appears unconvincing and also the value for money of the investment survey could be improved, although probably at a higher cost. The surveys should be considered a multi-year investment yielding results over a long period of time. Any discontinuation of series would lead to a substantial loss of informational added-value and meet considerable resistance from end users.

Turning the Business and Consumer Surveys financing from the current grant scheme into a contract for service is unlikely to bring, per se, any major operational efficiency that could not be achieved through other mean; in fact it could result in a legal stalemate if a number of legal issues on the surveys is not solved in advance. It is certainly true that in theory the contract could allow a better visibility of the Business and Consumer Surveys data on the media, but the practical achievement of such a result would depend on a number of factors well beyond contractual technicalities. The centralised survey option, with a European sample, could allow substantial cost savings but this would also lead to the highly controversial discontinuation of some national series if it were to replace national co-funded schemes. A mixed implementation mechanism based on the subsidiarity principle would represent no major practical improvement in terms of costs as respect the present situation, but would provide fewer incentives to those who most need them.

Over the last few years there have been several improvements in **the data produced by participating institutes** and, in parallel, the Commission has worked extensively to refine its set of indicators. Intensive, but so far inconclusive, work has also been carried out on harmonised seasonal adjustment techniques. However there is limited awareness of methodological developments among users, first of all because there is limited awareness concerning the relations between the surveys implemented at the national level by participating institutes and the Business and Consumer Survey Programme itself. When this awareness exists, the presence of different seasonal adjustment techniques, resulting in different series published at the national and European level has engendered considerable confusion and mistrust among users.

The European Harmonised Methodology developed by the European Commission has been adopted by the OECD as the international standard for **expanding the Business and Consumer Survey Programme worldwide** and the two institutions have developed a co-operation programme to further develop the methodology. While welcoming this international dimension and co-operation, there is a prevailing view

among participating institutes and European stakeholders that further progress in European harmonisation should be steered by European institutions rather than left to international co-operation alone. However, at present, it can be concluded that, through the combined EU-OECD efforts, the joint-harmonised methodology is becoming the prevailing business survey methodology in the world.

Recommendations

The evaluation gave rise to 14 recommendations in response to the evaluation questions of which the following have the highest priority:

- In the context of ensuring both the reliability of the surveys and methodological transparency, the Commission should continue and strengthen its present efforts aimed at improving sample design, data collection and transmission, with a view to reaching a fully harmonised set of guidelines for all participating institutes.
- Together with the expansion of the Business and Consumer Surveys to the candidate countries, in the next few years the Commission's agenda for developing the programme should focus on better coverage of the service industry and of the financial sector. In the long run, some pilot testing of requests by the user community for new and modified sets of data appears worth considering, in line with the indications coming from the economic literature.
- Unless a difficult and complex regulatory solution is found, the **Business and Consumer Survey Programme should continue receiving support from the Commission,** since a decision to discontinue co-financing is likely to result in the loss of European Harmonised data.
- The Commission should not change its approach by implementing surveys through service contracts or by implementing a centralised survey. The risks of such an action would probably far outweigh its possible benefits, as the substantial value of information accumulated since 1985 could be lost. Furthermore, a careful assessment of the legal status of the surveys would be required before any reform, aimed at making the submission of business and consumer surveys mandatory, is planned.
- Should any further methodological problem arise in the future, the Commission should strongly discourage participating institutes from autonomously implementing methodological solutions that could result in diverging sets of the same data published at the National and European level, as this engenders confusion and mistrust among users resulting in risks to the credibility of the surveys at both the national and EU level.

Furthermore, the following recommendations were made with respect to the individual components of the Business and Consumer Survey Programme:

- In the case of the Industry, Construction and Retail surveys, further investigations should be made of the reasons for perceived lack of reliability in certain countries. In the longer run the simplification of the Retail survey or its merging with another survey should be considered.
- In the longer run pilot research on an alternative phrasing of questions is worth considering in the case of the **Consumer survey**.
- •
- The **Service survey** should consistently expand its sector coverage across Europe.
- The **Investment survey** should be radically reconsidered and an alternative formulation of questions explored. Furthermore, consideration should be given to merging the survey with another one to increase its frequency. In the longer run, if no improvements occur the discontinuation of this survey should be considered.
- Co-financing of the **World Economic Survey** should be discontinued. If the Commission is interested in using its results, it can become an ordinary subscriber.
- In the case of the **European Sentiment Indicator**, the use of graphics to aid readers in their understanding of cross-country comparisons between the economic cycles could be improved.
- A better link between the Business and Consumer Survey Programme and the **Business Climate** Indicator should be created.

RÉSUMÉ EXÉCUTIF

Cette évaluation externe du Programme des Enquêtes de Conjoncture de la Commission a été réalisé entre Septembre 2004 et Décembre 2005 dans le cadre d'un programme d'évaluation pluri annuelle de la DG Affaires Economiques et Monétaires. L'évaluation s'est attachée à répondre aux problématiques suivantes :

- Utilisation des enquêtes, qualité des enquêtes et besoins futures des usagers
- Efficacité du programme d'enquête
- Comparaisons avec des produits alternatifs
- Conséquences possibles d'une interruption de co-financement de la part de l'UE
- Efficacité et arrangements contractuels alternatifs
- Impact des récentes améliorations méthodologiques
- Dimension internationale de la méthodologie commune harmonisée

Résumé et conclusions majeures

Les **enquêtes communes harmonisées** de l'Union Européenne sont utilisées par presque tous les instituts gouvernementaux et de recherche intéressés dans la veille macroéconomique en Europe ainsi que par une large majorité d'institutions financières à des fins d'orientations commerciales et de recherche. Leur utilisation par des entreprises non financières parait plus limitée et réduite uniquement au marketing stratégique. Tous les utilisateurs se réfèrent à l'aspect qualitatif des enquêtes, mais il se dégage une tendance générale vers l'utilisation quantitative de leur contenu à des fins de prévisions à court terme. Il existe un potentiel pour une utilisation encore plus intensive des enquêtes à des fins quantitatives, qui pourrait être effective si des informations sur les techniques nécessaires pour extraire les données étaient disponibles.

Il apparaît clairement que les Indicateurs de Climat Economique de la Commission sont relativement bien connus et raisonnablement bien utilisés au niveau Européen, bien qu'ils soient en compétition avec d'autres produits. Leur utilisation à l'échelle nationale est beaucoup moins évidente car les produits alternatifs exercent une compétition bien plus forte. L'innovant Indicateur de Climat Economique a certainement le potentiel pour être utilisé de manière plus large, mais il souffre aujourd'hui de problèmes de communication et n'est pas autant connu qu'il pourrait l'être parmi la communauté d'utilisateurs.

Jusqu'ici, le Programme d'Enquête de Conjoncture a largement **rempli de tous points de vue les exigences de qualité** d'un usager standard, mais des progrès additionnels sont envisageables, particulièrement dans le domaine de la transparence méthodologique et de la disponibilité d'informations sur la signification des données. Le retard concernant la disponibilité des données du mois d'Août fut également mentionnée par certains. Les traders des marchés financiers ont besoins d'être rassuré quant à la transparence maximum des modalités de divulgation. Les enquêtes sont généralement considérés comme étant très fiables et comme étant des instruments pertinents, sauf dans le cas de secteurs spécifiques dans certains pays. Des recherches additionnelles seraient nécessaires afin de déterminer si ce fait relève de la faiblesse intrinsèque de l'enquête en tant qu'outil dans certains contextes, ou s'il relève des modalités spécifiques adoptées lors de la réalisation des enquêtes.

Les requêtes actuelles, au regard des futures informations nécessaires, sont les suivantes :

- Une présentation beaucoup plus détaillée de l'information disponible pour l'industrie des services (notamment des données spécifiques sur le secteur de la banque et de la finance) ;
- Des informations plus détaillées sur la situation financière des ménages et des entreprises ;
- Plus de données détaillées sur le marché du travail ;
- De meilleures données sur l'investissement ;
- Une distinction plus claire entre les biens durables et non durables dans toutes les enquêtes relatives à la consommation ;
- Plus de détails géographiques sur les flux de commerce extérieur.

Cependant, les instituts participants apparaissent comme peu enthousiastes à l'idée d'amender ou modifier les enquêtes existantes et adoptent des attitudes quelque peu conservatrices, sauf pour le cas où seraient rajoutées des questions ad hoc aux enquêtes existantes de temps en temps, spécialement pour l'enquête de consommateur. Bien que ce comportement frileux puisse être justifié au regard de considérations techniques, il existe un risque que le développement du prochain programme soit guidé par des considérations techniques au détriment de critères plus visionnaires.

Les enquêtes peuvent être considérés comme un instrument hautement efficace pour suivre les développements macroéconomiques et la situation économique dans l'UE, la Zone Euro et les Etats Membres. C'est particulièrement vrai pour l'UE et la Zone Euro où les estimations statistiques du PNB sont publiées avec un certain retard et sont fréquemment sujettes à des révisions. L'efficacité à l'échelle des Etats Membres, généralement élevée, varie avec les enquêtes spécifiques et la disponibilité, en temps et en heure, de sources d'informations alternatives. L'enquête sur l'industrie est généralement reconnue comme ayant des propriétés directrices de suffisamment bonne qualité pour permettre des prévisions fiables en matière de points charnière des cycles. Les indicateurs produits par la Commission pour résumer les résultats d'enquêtes peuvent être considérés comme étant de relativement bons indices représentatifs du cycle économique en Europe et dans la Zone Euro, mais ne sont pas nécessairement pertinents à l'échelle des Etats Membres, surtout lorsqu'ils sont comparés à d'autres indicateurs produits par des instituts participants. Parmi les Institutions Européennes, la BCE semble être un client raisonnablement satisfait du Programme d'Enquête de Conjoncture.

Il existe très peu de produits alternatifs au niveau Européen et aucun d'entre eux ne partage les caractéristiques du Programme des Enquêtes de Conjoncture de la Commission en terme de couverture géographique et fréquence des enquêtes. Il existe des points de vue divergents sur la manière dont ces produits alternatifs concurrencent ceux de la Commission en terme de qualité et de fiabilité, mais les chercheurs et les prévisionnistes gouvernementaux tendent à préférer les sources de la Commission. Il existe de nombreuses enquêtes alternatives au niveau national, mais elles ne sont vraiment pas considérées comme étant des substituts des enquêtes de conjonctures par les utilisateurs professionnels, exception faite de certains nouveaux Etats Membres où la compétition est toujours ouverte lorsqu'il s'agit de décider quelles sont les meilleures enquêtes. Inversement, les indicateurs alternatifs au niveau national, quand ils sont disponibles, sont généralement préférés à ceux élaborés par la Commission, car considérés comme étant plus adaptés aux caractéristiques des différentes économies. Il est très inhabituel que les organisations majeures et les instituts de prévisions ne soient pas des usagers des enquêtes ; ces institutions tendent à utiliser toutes les sources d'informations disponibles et à les recouper entre elles. Quand un panel limité de sources d'enquêtes est utilisé, les Enquêtes de Conjoncture représentent la source largement privilégiée. Lorsque les enquêtes ne sont pas utilisées à des fins quantitatives, c'est surtout parce que statistiques tangibles sont disponibles en temps voulue.

Les effets d'une quelconque interruption du co-financement de la Commission seraient très variables à travers l'Europe. Les réactions varieraient selon les pays et, dans un nombre très limité de cas, entraîneraient la fin de toute activité liée aux enquêtes. Quelques pays, les plus grands, seraient en mesure de poursuivre l'approche commune harmonisée avec quelques amendements et sauvegardes mineures, mais dans d'autres Etats Membres (particulièrement parmi les petites pays) il y aurait une pression forte pour couper des partis du programme voir le modifier substantiellement. Il apparaît clairement que le co-financement de la Commission offre une valeur ajoutée Européenne dans cette harmonisation Européenne, et la possibilité d'agréger des données homogènes au niveau Européen et au niveau de la Zone Euro serait ainsi perdue. Le co-financement offre aux instituts participants des incitations financières afin de développer des activités qu'elles n'entreprendraient pas spontanément si elles n'étaient guidées que par le marché.

Il existe des limitations notables dans la disponibilité des données afin de réaliser une analyse sur l'efficacité du Programme. Ce problème de manque d'informations devrait être posé si la Commission souhaite avoir une meilleure compréhension de son retour sur investissement. A partir de l'information limitée disponible, les enquêtes de conjoncture peuvent être considérées comme étant un programme relativement bon en terme de coût-efficacité, mais il y existe certainement une possibilité d'améliorer les synergies avec EUROSTAT qui, en parallèle, tentent d'améliorer ses statistiques court terme. Pour le moment, les motivations pour co-financer l'Etude Economique Mondiale apparaissent comme peu convaincantes et la rentabilité financière de l'enquête sur les investissements pourrait être amélioré, bien que probablement à un coût plus élevé. Les enquêtes devraient être considérées comme le résultat d'un investissement pluriannuel sur une longue période donnée. Toute interruption de séries entraînerait une perte substantielle de valeur ajoutée informative et rencontrerait une résistance considérable de la part des utilisateurs finaux.

Orienter les enquêtes de conjoncture depuis le format actuelle de don vers celui de contrat de service n'apportera pas, en soit, d'efficacité opérationnelle majeure qui ne puisse pas être atteinte par d'autres moyens ; En fait cela pourrait aboutir à une impasse légale si un nombre de problèmes légaux sur les études ne sont pas résolus à l'avance. Il est certain qu'en théorie le système de contrat offrirait aux medias une meilleure visibilité sur les données d'enquêtes de conjoncture. Mais la réalisation effective d'un tel changement dépendrait d'un nombre de facteurs allant bien au-delà des technicités

contractuelles. L'option « enquête centralisée », à partir d'un échantillon européen, permettrait des réaliser des économies substantielles mais entraînerait dans le même temps l'interruption très controversée de quelques séries nationales si elles étaient amenées à remplacer les systèmes nationaux co-financés. Un mécanisme d'implémentation mixte basé sur le principe de subsidiarité ne proposerait aucune amélioration pratique majeure en terme de coût par rapport à la situation actuelle, et priverait de certaines primes ceux qui en ont le plus besoins.

Ont eu lieu au cours de dernières années plusieurs améliorations **dans la production de données réalisées par les instituts participants** et, en parallèle, la Commission a travaillé considérablement afin d'affiner sa série d'indicateurs. Beaucoup de travail, peu concluant par ailleurs, a été également mené sur les techniques d'harmonisation d'ajustement saisonnier. Cependant, II existe parmi les utilisateurs une prise de conscience limitée sur les développements méthodologiques. Premièrement à cause de la prise de conscience limitée concernant les relations entre les enquêtes menées à l'échelle nationale par les instituts participants et le Programme d'Enquête de Conjoncture lui-même. Lorsque cette prise de conscience existe, la présence de différentes techniques d'ajustement saisonnier – générant la publication de différentes séries à l'échelle nationale et Européenne - a engendré une confusion considérable et de la méfiance parmi les utilisateurs.

La méthodologie Européenne harmonisée développée par la Commission Européenne a été reconnue par l'OCDE comme étant le standard international pour **étendre le Programme d'Enquête de Conjoncture à l'échelle mondiale** et les deux institutions ont mis en place un programme de coopération pour développer par la suite cette méthodologie. Tout en saluant la dimension internationale et la coopération, la majorité des instituts et des parties prenantes Européennes pensent que des progrès futurs concernant l'harmonisation Européenne devrait être guidée par les institutions européennes plutôt que délaissé à la coopération internationale. Cependant, aujourd'hui, nous pouvons conclure que, à travers les efforts combinées de l'UE et de L'OCDE, la méthodologie commune harmonisée est en passe de devenir la méthodologie d'enquête économique dominante dans le monde.

Recommandations

En réponse aux questions d'évaluations posées préalablement, l'évaluation propose 14 recommandations, les suivantes étant les plus prioritaires :

- Dans le but d'assurer à la fois la fiabilité des enquêtes et la transparence méthodologique, la Commission devrait poursuivre et renforcer ses efforts actuels visant à améliorer la conception des échantillons, la collecte et la transmission des données, avec la finalité d'atteindre une liste harmonisée d'indications pour tous les instituts participants.
- Avec l'élargissement des enquêtes de Conjoncture aux pays candidats, l'agenda de la Commission pour développer le programme devrait se focaliser dans les prochaines années sur une meilleure couverture de l'industrie des services et du secteur financier. Sur le long terme, quelques requêtes pilotes émises par la communauté des usagers pour la mise en place de nouvelles séries de données méritent d'être prises en considération, dans la lignée des indications provenant de la littérature économique.
- A moins qu'une solution de régulation complexe et difficile soit trouvée, le Programme d'Enquête de Conjoncture devrait continuer de recevoir le support de la Commission, la décision d'interrompre le co-financement pouvant entraîner la perte de données Européennes harmonisées.
- La Commission ne devrait pas modifier son approche en réalisant à la place des enquêtes à travers des contrats de service ou en réalisant une enquête centralisée. Les risques d'un tel changement dépasseraient largement les bénéfices potentiels, puisqu'une part substantielle de l'information accumulée depuis 1985 pourrait être perdue. Par ailleurs, une évaluation minutieuse du statut légal des enquêtes devrait être exigée avant que toute réforme visant à rendre obligatoire la soumission des études commerciales et de consommation ne soit envisagée.
- Même si un problème méthodologique supplémentaire surgit dans le futur, la Commission doit dissuader fortement les instituts participants de mettre en œuvre de manière autonome des solutions méthodologiques qui pourrait conduire à la publication à l'échelle Nationale et Européenne de résultats divergents provenant pourtant des mêmes données, ce qui engendrerait confusion et méfiance parmi les utilisateurs et entraînerait des risques de crédibilité par rapport aux enquêtes, à la fois au niveau national et Européen.

Additionnement, les recommandations concernant les composants individuels du Programme d'Enquête de Conjoncture sont les suivantes :

- Dans le cas de l'industrie, les enquêtes sur la construction et le commerce, des recherches supplémentaires doivent être faites sur les raisons d'un manque de fiabilité perçue dans certains pays. A plus long terme, la simplification de l'enquête sur le commerce ou sa fusion avec une autre enquête devrait être envisagée.
- A plus long terme une étude pilote sur une formulation alternative des questions devrait être envisagée dans le cas des études de consommation.
- L'enquête sur les services devrait étendre de manière conséquente sa couverture sectorielle à travers l'Europe.
- L'enquête sur les investissements devrait être reconsidéré radicalement et une formulation alternative des questions devrait être explorée. Par ailleurs, sa fusion avec une autre enquête afin d'augmenter sa fréquence devrait être envisagée. A plus long terme, si aucune amélioration n'est faite, une interruption de cette enquête doit être envisagée.
- Le co-financement de **l'Etude Economique Mondiale** devrait être interrompu. Si la Commission est intéressée pour utiliser ses résultats, elle peut le faire en devenant un souscripteur ordinaire.
- Dans le cas de l'Indicateur de Climat Economique, l'utilisation des graphiques afin d'aider les lecteurs dans la compréhension des comparaisons inter pays entre les cycles économiques pourrait être améliorée.

Une meilleure synergie entre le Programme d'Enquête de Conjoncture et l'Indicateur de Climat des Affaires devrait être mis en place.

1. INTRODUCTION

1.1 STRUCTURE OF THE REPORT

This document represents the Final Report for the evaluation of the European Commission's Business and Consumer Survey Programme (BCS) conducted by The European Evaluation Consortium (TEEC).

As envisaged in the Terms of Reference (ToR), this report will succinctly describe the business and consumer survey programme and the methodological approach to the evaluation exercise, will include a full set of answers to the evaluation questions, and will provide conclusions and recommendations.

This document is structured as follows:

Section 1 (this section) includes in its first part an outline of the BCS programme and of the related activities carried out by DG Economic and Financial Affairs for its implementation. This will serve as background information for the following chapters. Then it provides a description of the methodological approach inclusive of a summary review of its strengths and weaknesses to allow the reader to have a better appreciation of the reliability of the evaluation tools used during this exercise and related results.

Section 2 details the complete set of findings with specific reference to the evaluation questions included in the TOR and also addresses the more specific evaluation issues identified in the Inception Report through cross-references to the various evaluation tools proposed at that time.

Section 3 summarises the main conclusions and sets out a set of recommendations to address key issues.

Finally, **the Annexes** contain information referring to all parts of the evaluation covering: the evaluation methodology, the literature review, the questionnaire survey and the fieldwork / interview programmes.

1.2 AN OUTLINE OF THE BUSINESS AND CONSUMER SURVEY PROGRAMME

1.2.1 Key Concepts

Business and consumer surveys collect information on the future performance of the economy and trends in the business cycle. They are "qualitative" instruments in that respondents are generally asked to assign "qualities" (higher than average, average, below average", etc.) rather than quantities or precise figures in response to given questions. The surveys are designed to elicit the respondents' opinions rather than hard facts and questions are phrased in such a way to allow as much forward-looking insight as possible.

The surveys are implicitly based on the assumption that insiders are in a privileged position to assess developments in a given market and therefore the same insiders, if taken on an aggregate basis, can roughly anticipate business cycle trends. The surveys came into vogue as a purely empirical instrument to track the business cycle with the big post 1929 recession and were further developed after the Second World War as an early warning tool to manage anticyclical policies. There is no clear economic theory explaining why the surveys should work and the subject has been the matter of fierce debate among economic scholars. In Europe it was the European Commission that in the sixties drew from the more consolidated experiences in some MS (the IFO survey in Germany, INSEE in France and ISAE in Italy) with a view to come to a harmonised European approach to be gradually expanded to the entire Community.

Because of some intrinsic features of the surveys, (their being based on opinions and the qualitative nature of the questions asked¹) their results are not necessarily considered as "official statistics" in all MS. In fact only a few statistical offices in Europe are responsible for the programme implementation. This is one of the historical reasons why the development of the BCS "Programme has been undertaken within the Commission by the Directorate General for Economic and Financial Affairs rather than by the Statistical Office (EUROSTAT).

Today, four separate monthly business surveys are at the core of the European Commission's BCS Programme. These surveys are addressed to executives in the industry, construction, retail trade and service sectors, although the coverage of the latter does not necessarily include all the branches of the service

¹ Level questions on comparison of the current situation with what is perceived by them as a "normal" state, or tendency questions on the likely direction of changes in the economy the survey results.

industry. In addition, there is a consumer survey² aimed at the general public. The consumer survey has always been considered as something conceptually separate from the rest, first of all because it is not clear why consumers should be considered insiders when it comes to assessing consumption trends and secondly because the survey modalities for reaching the public at large tend to be fairly different from those followed to track executive opinions.

The BCS Programme began in the various MS at different times and its coverage has constantly been expanding in terms of sectors, countries covered, and frequency. The first survey programs focused on industry and construction only. These were later followed by the controversial consumer survey which was in turn followed by the retail survey. The most recent addition to the programme was the service survey. The longest series available in the Commission website date from 1985 when a major restructuring of the surveys took place making comparisons with previous data pointless, but some national series are much older than that. Many European countries have started implementing surveys when they joined the EU or in preparation for joining the EU as an *acquis* requirement. The survey programme now includes a total of some 50 questions, variously distributed among the different surveys. Three quarters of them are asked on a monthly basis and the remaining questions on a quarterly basis. From time to time the questionnaires include additional pilot questions for various testing purposes, but their results are not necessarily made public.

Over and above this core set of data, the Commission's BCS Programme also includes a biannual survey on investment, a quarterly poll of economic experts' opinions at the World level, (the World Economic Survey, previously known as Economic Survey International), and ad hoc surveys on broad themes of economic policy, typically a survey on the employment market that is implemented every 4-5 years. Although formally part of the BCS Programme, the employment survey has not been included within the scope of this evaluation.

The Commission surveys are *harmonised* at the European level in that they are carried out in practically all the MS according to a common basic broad methodological approach, a common timetable and a common set of agreed questions. It is possible, and indeed frequently happens, that other "national" questions are attached to the surveys over and above the "harmonised" ones. So far, the MS have been allowed a certain degree of freedom in the survey technicalities such as the sampling approaches, including sampling restricted to members of given associations and the survey modalities used to increase questionnaire return rates and the quality of the information gathered. Reward mechanisms for participating entities are also possible.

Presently, the surveys are carried out in the MS by a network of 43 participating institutes (plus another 4 in the applicant countries). These institutes can be variously responsible for different subsets of surveys. Examples range from MS where there is a single institution responsible for all the surveys to MS where the surveys are implemented by 3 different institutions. Participating institutes can be national statistical offices, ministries, central banks, public research institutes, business associations or private companies. It can happen that participating institutes together with the harmonised surveys also carry out parallel non harmonised ones at the national level. In fact, the survey program has developed by gradually including examples of best practice from non harmonised surveys across Europe. However it can be difficult for end users at the national level to distinguish between harmonised and non harmonised surveys or to identify the harmonised parts in a questionnaire.

The statistical series drawn from the surveys are used to build composite indicators that can either lead or coincide with the cycle depending on the sector and the nature of the questions summarized in the indicators themselves. The indicators are supposed to mimic a given reference series: usually GDP, private consumption or industrial production and they can be purely based on survey results only, or mixed if they also use data from other quantitative sources.

From the BCS programme, the Commission first builds sectoral confidence indicators drawn from a selected sample of questions that are subsequently aggregated into a general Economic Sentiment Indicator (ESI) whose purpose is to track GDP growth at the European and MS level. Until a few years ago, the ESI was a mixed indicator, as it also included a stock exchange index component. To improve the understanding of the business cycle in the euro area as a whole, the Commission also produces a monthly Business Climate Indicator to assess cyclical situation within the euro area. The indicator is based on a common factor methodology and uses, as input series, five balances of opinions from the industrial surveys and separates out the information that is common to each of the series. While de facto a result of the BCS the BCI is marketed separately from the rest and is accessible through a separate webpage. Also separate press

² Consumer opinion surveys monitor consumer behaviour and generally include topics such as: consumer opinions on the general economic situation; their opinion on their personal financial situation and their ability to save; buying intentions concerning consumer durable goods; and intentions with regard to housing.

releases are made to present its results. Although composite indicators usually include at least some form of survey results, this is not always strictly true. It is also possible, although relatively rare in practice, to have composite indicators fully made of quantitative variables. The main difficulty in this case lies in the timeliness these quantitative data are released. Examples of these proxy quantitative data include VAT statistics, sales of registered vehicles, unemployed registered in labour offices and the like.

1.2.2 The Legal Basis and Financial Aspects

The legal basis for the survey programme is represented by a 1997 Commission Decision (E/97/1419-C(97)2241) adopting the joint harmonised EU programme and enlarging it to the service sector. This decision represented the legal continuation of a programme actually started back in 1961 and it was followed by a 2000 Communication [COM(2000) 770 final] with an updated programme and clearer rules on financial aspects. A report on the implementation of the Communication was supposed to be prepared 3 years later, but it never materialised. On the contrary, the EC has reportedly started working on a new Communication focusing on legal and financial issues also in the light of the new financial regulation.

The present financial mechanism is based on a co-financing grant. Participating institutes are given from a minimum of around 10% to a maximum of 50% of the total costs of surveys. The system allows for a certain degree of flexibility in the allocation of funds and small countries are generally compensated for lack of economies of scale by being allotted a larger share of co-financing than large countries. New Member States (NMS), that also lack a tradition of implementing of these surveys, tend to be given the largest possible financial incentive. The selection of participating institutes takes place through a call for proposal whose results remain valid for 3-5 years. Annual agreements with EC are then made to define specific work programmes taking account of the available financial resources. According to EU rules the mechanism of grant financing does not require actual competition among bidders and grants can be awarded even if there is just one bid. This has allowed the Commission to ensure smooth continuation of activities even in countries where there is no competition in the provision of such services or the task is traditionally considered a Government responsibility.

The total annual EC budget available for the entire survey programme is in the region of \in 5mn. The contributions to each single survey can vary from \in 3,000 to \in 130,000 depending on the survey and the country. NMS have a lower variation range from \in 10,000 to \in 50,000. In 2004 the total Commission subsidies amounted to a little less than \in 5 mn with the total cost of surveys at approximately \in 16 Mn across the 25 MS giving an average subsidy ratio of somewhat over 30%. The average cost of surveys has reportedly been increasing over time. Through the provision of financial support in the form of a grant and not as a contract for services the participating institutes retain the copyright on their data. However, the Commission also acquires a parallel right of free use on the data themselves. How the two can coexist has remained so far a matter of gentlemen's agreement and customary use, also because participating institutes can have economic interest in the economic exploitation of their data.

The co-financed surveys typically are fairly well-known exercises at the national level and the set of national results is usually made known by participating institutes a few days before EC data are released. Participating institutes are free to publish their set of national data for free or at a cost. Their national co-financing can come either from public contributions, membership fees, sponsorships, and other market sources such as subscriptions or other forms of data sales. It is not necessarily true that the EU financial contribution to the surveys is acknowledged and communicated to the public. The Commission exerts some degree of control on the implementation of the programme through various means, including a contractual commitment to follow Commission instructions and a pre-emptive indication on the part of participating institutes regarding the chain of responsibility and the operational organisation of the surveys themselves. Subcontracting is at any rate possible and reportedly practised on a regular basis especially for the consumer survey where CATI³ facilities are required. As envisaged in the call for proposal, the survey work is physically carried out from within the premises of the participating institute.

1.2.3 Main Activities and Processes

Methodological Preparation. Methodological harmonisation is a primary Commission responsibility. However, the harmonisation work is *de facto* the result of consensus building and a mediation process among participating institutes that often have already developed work in the same areas at the national level. The Commission usually sets minimum standards once they have been agreed by all participants. There can be countries, especially among the EU-15, that for historical reasons have kept a slightly different formulation

³ Computer Assisted Telephone Interviewing.

of certain, admittedly few, questions. Official versions of the harmonised questionnaire are available in English only.

The Commission can have an initiating role in methodological reform by commissioning studies and feasibility analyses. Methodological issues are debated in an annual workshop with all participating institutes organised by the Commission itself. Since the seminal 1997 report on the joint harmonised EU programme of business and consumer surveys was published, subsequent methodological updates have been reported in the user guides and methodological notes posted on the DG Economic and Financial Affairs website.

Data Collection and Processing. The surveys are carried out by participating institutes in the first fortnight of each month and results are transmitted to the Commission at least 4 working days before the end of the month. This 10 day interval leaves some leeway for possible problems with delayed data collection (which can also be done on purpose as occurred, for instance, after September 11, 2001), data inputting, national processing (including the conversion of multiple questions into time series) and publication. Results from multiple choice questions are converted into balances without a separate indication of non respondents or respondents indicating "zero" or unchanged levels.

As some seasonality can be found, the Commission then processes data through its seasonal adjustment methodology (DAINTIES) which does not allow for subsequent revisions, weighs results and finally calculates the related confidence indicators. These confidence indicators are then aggregated in an overall Economic Sentiment Indicator for each country, the EU as a whole and the EURO area. In almost no case (except France) are data subsequently revised because of late answers or other reasons. Results from the surveys are also used by other units of DG Economic and Financial Affairs as inputs for the Commission's indicator-based model for short-term forecasts in the EU and Euro zone.

Publication and Dissemination. Data are published and disseminated through two different sets of press releases in English: a short and long version, as well as through excel files. The short press release is aimed at the media and news agencies and summarises main results from the ESI, while the longer version includes the detailed breakdown of the confidence indicators in the various areas and, whenever relevant, excerpts from the World Economic Survey. The press releases are posted on the internet according to an agreed calendar and are freely available to the public. Data are made known in advance to the European Central Bank (ECB) and, reportedly one hour before publication, to news agencies. The summary press release is usually succinctly commented in the Commission daily press conference and journalists are sent back to the extended press release in case of requests for further data or more in-depth analysis.

Since 2002, results of the BCS have no longer been published as Supplement B of the review *European Economy*. The advance mailing of results to a selected group of news agencies and clients (some 300) has reportedly also been discontinued. Every month a list of clients receives more detailed results (e.g. breakdown by branches) via e-mail.

1.3 THE METHODOLOGICAL APPROACH

1.3.1 The Evaluation Questions.

The mandate for this evaluation includes seven specific evaluation questions as follows:

- 1. a.) Who are the current users of the surveys and for what reason do they use them (for example: quantitative or qualitative use; in short term forecasting models, prospective studies, etc.)? What are the actual needs of the different users of the surveys and to what extent are they met, including in terms of the timeliness, reliability and relevance of survey outputs?
 - b.) What are likely to be the future needs of users and what, if any, are the new issues and problems that could be specifically addressed by the DG's survey activities in the context of an enlarged EU?
- 2. To what extent are survey activities and their outputs effective with regard to the Commission objectives of allowing users to: 1)have an overview of the economic situation in the EU, euro area and Member States; 2) make a preliminary comparison of business cycles between Member States?
- 3. What alternative products exist? How do they compare with the surveys in terms of scope, reliability, cost, timeliness and usability? In the case of important forecasting institutes and organisations that are not users of the survey outputs, why is this the case and what alternative data sources do they use?
- 4. What would be the likely effects of a decision by the Commission to stop co-financing the data collection work of participating institutes and organisations: 1) For the survey work of the participating institutes and organisations? 2) For users of harmonised EU-level and euro area data? 3) For users of MS-level data?

- 5. To what extent are the survey activities efficient in respect to the relationship between their implementing costs and outputs/effects? What would be the gains/losses in terms of efficiency of implementing the following alternative arrangements: 1) instituting a contracts-based approach with participating institutes and organisations instead of the current grants-based set-up; 2) Instituting a single centralised survey at EU level in place of the current decentralised national level set-up where the Commission coordinates data collection and harmonises the results
- 6. To what extent have studies and analyses been carried out with the aim of ameliorating the quality of surveys and indicators actually led to improvements: 1) In terms of the data produced by participating institutes? 2) In the way the data are processed by the Commission services? 3) Discernable from the point of view of users?
- 7. What has been the influence, if any, of the Business and Consumer Surveys on methodological developments and approaches, in particular at the level of: 1) other institutions (OECD, ...)?; 2) Member States; 3) Third countries?

N.B. The intrinsic quality of the surveys (i.e., matters such as participating institutes' actual compliance with the agreed methodology, questionnaire design and verification of the questions asked in the different languages, sample selection, weighting of results at the national level, survey modalities, as well as accuracy of data processing techniques and related quality control) has expressly not been evaluated within this assignment, but will be referred to only to the extent needed to support main findings in other related areas.

1.3.2 The Logical Framework.

In line with Commission best practices, a logical framework (logframe) for evaluating the survey programme has been prepared and validated in the inception phase. The logframe (reported in **Annex 1**) describes the programme intervention logic in terms of the *set of hypothetical cause and effect linkages* and describes how the programme is expected to attain its objectives. It includes a hierarchy of objectives and indications on how and why resources are converted into certain outputs which are in turn intended to attain certain results, as well as detailed considerations on key assumptions and risks and the possible side consequences of the programme.

Key Features of the Logframe. The logframe analysis has allowed to identify a number of potential methodological problems from the very beginning. In particular:

Lack of Fully Objective Benchmarks. The BCS are a purely empirical instrument not supported by any agreed underlying economic theory on how and why they should work. It might be expected that a number of the programme goals lend themselves to be verified through "objective" means such as statistical tests or models. However, in economics, testing and modelling is hardly neutral and always presupposes some kind of implicit theory. Since this is missing, results can be controversial or inconclusive, as indeed are most of those published so far. For this reason, a key benchmark indicator we have assumed is what key policymakers themselves think that the surveys provide them in practice in terms of informational added value.

Different Sets of Value Judgments. Economists belonging to different schools of thought can have fairly diverging opinions on numberless issues and business cycle analysis is no exception to the rule. Some of the opinions expressed during the interviews, such as the radically different views on the appropriateness of the use of surveys for certain purposes or the reliability of certain economic techniques, partly reflect these a priori beliefs⁴. From an evaluation methodology point of view, insofar as these matters remain controversial among experts themselves, they have been dealt with as different sets of a priori value judgements, as such unsuitable to provide relevant information for effectiveness measurement purposes.

Multiple Objectives. As indicated in their legal basis, the BCS are commissioned by the Commission primarily for macroeconomic surveillance purposes. The fact that BCS results can be of interest to other users for other purposes has therefore been considered a side consequence and such is also the eventual interest of the media. Similarly, BCS have been assumed to be primarily commissioned to track the turning point in the

⁴ Examples, to name just a few, include the recently launched dynamic common factor models to forecast GDP growth, the appropriateness of using NBER-type aggregate indicators to define and monitor the growth cycle or the appropriateness of asking consumers about inflation expectations and inflation behaviour in general. More generally speaking, interviewees favouring a Keynesian approach appeared more likely to attach importance to "consumer confidence" or "propensity to consume" as a kind of independent economic variable to be autonomously considered. Conversely, researchers with a more neoclassical background were more likely to be sceptical about the surveys, maintaining that more research is needed before their relevance to economic analysis is fully demonstrated. Some radical sceptics maintain that since asymmetric information lies at the very heart of the cycle phenomena, surveys are intrinsically useless.

cycles and possibly to improve economic forecasting. The fact that they can also contribute to explain economic phenomena or replace otherwise missing data can also be very important to economic surveillance purposes but should be intended as secondary results of the surveys themselves.

European Added Value. There is an implicit assumption in the intervention logic of the programme that European institutions are more interested than National Governments in a comparison of the economic cycles among the MS and need aggregated data at the European level. Were it not for this interest, they would not provide incentive financing to MS to comply with the harmonised methodology

Potential Lack of Awareness About the Programme Among End Users. End users have been assumed not to be necessarily aware that some "national" surveys are in fact co-funded under the EC survey programme and this was taken into consideration in the methodology and in the design of interviews. This is even more relevant as there can be discrepancies in the series published by the Commission and the various participating institutes to the extent different seasonal adjustment methods are used. Consequently, a certain degree of ambiguity is likely to exist among respondents in whether they consider themselves "users" or "non users" of Commission surveys.

Success Criteria. Most of the evaluation questions are not normative but rather descriptive in nature, and therefore do not envisage any predefined success criteria. In the evaluation inception phase it was agreed that only a few evaluation questions, namely question # 1 and 2 would have success benchmarks mainly based on questionnaire results. More in detail, it was defined that average scores higher than 3 in questions ranged from 1 to 4 would be considered as an indicator of full success, results between 2.5 and 3 although positive to be taken as indicators of possible problems deserving further investigation and results lower than 2.5 as indicators of problem areas.

Moreover, no explicit success criteria were deemed appropriate for question number 5. Efficiency assessment has been possible only based on very indirect proxies. This because of some major limitations: 1) no detailed breakdown of costs per survey and per country was made available, as this was deemed confidential contractual information. This hindered any concrete possibility of asking policymakers whether costs were in line with perceived benefits and 2) the cost benchmark for any alternative more subjective analysis was also not available. In fact for several reasons one could conclude that the real benchmark for any survey programme comparative efficiency considerations should be the cost of improving the timeliness of release of hard statistical data.

1.3.3 The Evaluation Tools

Several different tools have been used for this evaluation also to allow for better compliance with the principle of cross-checking and triangulation of findings as requested in the ToR, and namely: 1) a desk research and literature review; 2) two separate questionnaire surveys addressed at key national stakeholders and participating institutes; 3) field visits to MS, 4) a telephone interview programme; 5) face-to-face interviews with officials from the European institutions and 6) a small market survey. A table summarizing the relations between the various evaluation tools, the different evaluation questions and the issues highlighted in the logical framework is reported as **Annex 2**.

Desk Research and Literature Review. The Desk Research and Literature Review covered both the information sources provided by DG Economic and Financial Affairs and the information collected through independent research as reported in **Annex 3**. It has represented the <u>only</u> source of information to elicit the views of the academic research community on the surveys.

The Questionnaire Surveys. Two separate questionnaires have been sent respectively to a target population of 1) <u>national stakeholders</u> composed of: a) treasuries or the ministries or agencies otherwise responsible for fiscal policy and economic forecasting b) national central banks, and in particular, their research departments; c) national statistical offices, and in particular their departments responsible for short term forecasting and 2) to <u>participating institutes</u>. The latter questionnaire differs in some important features: because of the intrinsic conflict of interest, participating institutes have been assumed not to be perfectly neutral judges of the effectiveness of the survey programme for their policymaking purposes, but they have also been assumed to have a privileged knowledge of the market for surveys and of the possible alternative sources of financing available.

The final list of questionnaire recipients was prepared mainly on the basis of indications received by DG Economic and Financial Affairs, the OECD and EUROSTAT. In a very limited number of cases, recipients have been identified through indirect sources such as contribution to the literature or participation to relevant international conferences and workshops. A total of 100 questionnaires were sent out (minus those visited on

a face-to-face basis)⁵ and a total of 68 completed questionnaires have been received: 31 from stakeholders and 37 from participating institutes.

Participating Institute Questionnaire Recipients. We received 37 completed responses from the participating institutes (corresponding to 35 participating institute entities since one institute submitted more than one completed questionnaire) and a number of others were visited directly through face-toface interviews. The breakdown of number of respondents for each type of survey was fairly even and the exact numbers are as follows:

Industry	Construction	Retail Trade	Service	Consumer	Investment
Survey	Survey	Survey	Survey	Survey	Survey
22	20	21	21	20	21

Stakeholder Questionnaire Recipients. A total of 57 stakeholder entities were sent the questionnaire and we have received a total of 31 completed questionnaires from stakeholders (from one country, two stakeholders completed the questionnaire together), a 56% return rate. Of the total, 13 completed questionnaires were from Central Banks, 13 from Ministries (combination of ministries of finance, economy and treasury) and 6 from National Statistical Offices (non participating institutes).

Annex 4 provides details on questionnaire recipients, identifies those who responded to the questionnaire and includes the text of the two questionnaires.

Field Visits to Member States. In order to pilot test the issues included in the questionnaire and to complement its results with better context information some 30 interviews have been carried out in 5 MS. The total number of meetings was higher than originally planned and also included representatives of INSEE (both as data producers and data users), IFO and the Bundesbank. As a result, direct information was gathered from 5 MS (Italy, Belgium, Germany, France and Hungary) as compared the originally planned 3 (Italy, Belgium and Hungary) and all the participating institutes that have historically contributed to develop the joint harmonised methodology. The group of interviewees include among the best informed stakeholders in the related MS and selected institutions - including well known contributors to the methodological debate on the surveys and as high as 4 associate editors of the CIRET - Journal of Business Cycle Measurement and Analysis. A detailed list of interviewees is reported in Annex 5.

Face to Face Interviews. The face-to-face interviews with policymakers in European and International Institutions have involved representatives of DG Economic and Financial Affairs, EUROSTAT, the OECD and the ECB. A total 17 face-to-face interviews have been carried out as reported in Annex 6.

Telephone Interview Programme. A telephone interview programme was specifically aimed at user groups deemed unlikely to answer a written questionnaire and whose needs and quality requirements were less known and namely: the private sector. The private sector was defined as a combination of banks and financial institutions, companies in various sectors, and the media. The evaluation team targeted counterparts that were more likely to have a research department or to carry out research work for their marketing purpose and included regular contributors to the Consensus Forecast of Consensus Economics⁶ and entities that sponsor economic research institutes or are otherwise known to have an interest in economic research. Based on a total list of more than 200 potential contacts, the evaluation team made more than 100 attempts and completed a total of 32 telephone interviews. The interview included 17 banks and financial institutions (including 2 hedge funds), 13 multi-national companies (covering industry, services, construction and retail and including 3 federations of companies) and 2 from the media. The telephone interview programme followed a semi-structured approach partly replicating the stakeholders' questionnaire and partly leaving room to spontaneous comments and replies on selected issues of interest. Each interview was conducted on the basis of a common list of discussion points so as to ensure comparability. The discussion points were slightly modified for each of the three groups of interviewees. The list of interviewees is reported in Annex 7.

Small Market Survey. A small market benchmarking survey has been carried out through a combination of both direct and secondary sources to understand what alternative products exist in the European market and what data are used by the main forecasting/research organisations there. To this aim, 14 partly semistructured telephone interviews have been carried out with research institutes and database producers. The evaluation team used the 1998 CIRET inquiry on existing business and consumer surveys as a starting point

⁵ The results from the face-to-face meetings are not included in the Questionnaire analysis except in a couple of cases where it was possible to fill out the Questionnaire during the interview. www.consensuseconomics.com

for the market survey, together with information coming from other indirect sources. This was complemented by interviews with professional users and research institutes. Related information sheets, and a list of interviewees are reported in **Annex 8**.

The interview guidelines for all groups of interviews (face-to-face, telephone, and small market survey) can be found in **Annex 9**.

2. MAIN FINDINGS ON THE DETAILED EVALUATION QUESTIONS

2.1 USE OF THE SURVEYS, SURVEY QUALITY AND USERS' FUTURE NEEDS

Evaluation Question 1:

a.) Who are the current users of the surveys and for what reason do they use them (for example: quantitative or qualitative use; in short term forecasting models, prospective studies, etc.)? What are the actual needs of the different users of the surveys and to what extent are they met, including in terms of the timeliness, reliability and relevance of survey outputs?

b.) What are likely to be the future needs of users and what, if any, are the new issues and problems that could be specifically addressed by the DG's survey activities in the context of an enlarged EU?

2.1.1 Definition of Key Concepts and Underlying Key Issues

Based on a review of literature and existing OECD sources⁷, several different categories of potential survey users have been identified including: policymakers and government institutions responsible for economic surveillance, economic research institutes and the academia, companies and financial institutions and the media. Surveys are primarily intended for economic surveillance purposes and are mainly addressed to policymakers. Private users can also have other less well-known interests. The financial community may be interested in surveys to forecast interest rate developments or stock market trends. The business world can use survey results to assess business conditions in a given sector (which was their original aim) or as an input for their marketing forecasts. The media can be interested in such data because they are of general appeal to the public. Synthetic confidence indicators were created to quickly convey information to executives and policymakers, but have also been extensively used by the media.

Possible quality criteria for users include timeliness, reliability, relevance, transparency, interpretability / usability of data and their accessibility. In particular, timeliness can have different meanings to different users. It may refer to the period of time elapsing between data collection and when they are made public, or it may refer to how early results appear during the month compared to other similar products⁸. Finally, it may relate to how early results appear compared to the underlying national account data they are assumed to estimate. Reliability is quite straightforwardly related to the intrinsic volatility of data and their coincident or leading properties. Relevance relates to whether the type of information collected through the surveys is really of interest to the end users. Transparency refers to the availability of methodological information or the way data are processed and collected and policies for release of data, interpretability / usability of data refers to whether users are put in a position to interpret data correctly by the way they are presented, including the format and content of the press releases and accessibility broadly refers to the public right to have impartial access to data. The identification of future needs and problems appears to be a specification of relevance criteria including new information needs related to the enlargement. The enlargement process can act as a bottleneck to any further expansion of the programme in terms of coverage and scope to the extent that NMS may have difficulties in keeping track of new requests or in finding co-financing for needs that appear too sophisticated to their domestic stakeholders.

2.1.2. Nature of Users and Types of Use

Nature of the Users. The categories of users identified at the beginning of the evaluation have been substantially confirmed in the subsequent phases with some important specifications. Institutional users also include: business associations, chambers of commerce and regional governments. All these categories of institutional users can become survey commissioning institutes. There is a clear hierarchy in frequency and intensiveness of use among potential users. Evidence from related interviews shows that policymaking bodies and banks and financial institutions are fairly intensive users of the surveys, in as much as is relatively likely to find users among these groups. The same cannot be necessarily said of companies and business associations where the level of interest is certainly lower. Among policymaking bodies, the level of interest is equally shared by central banks and bodies responsible for fiscal policy, while it is certainly less strong among national statistical offices⁹. The evidence from research institutes shows that, although generally fairly high, the level of interest among research institutes is for the time being unequally distributed across Europe and has not reached among the EU 10 the same level as in the old Member States.

⁷ The OECD – Business Tendency Surveys – A Handbook.

⁸ For instance, the University of Michigan publishes its fortnight results immediately and then revise them in the following weeks also because it faces competition from official figures on retail sales being published at the end of the month.

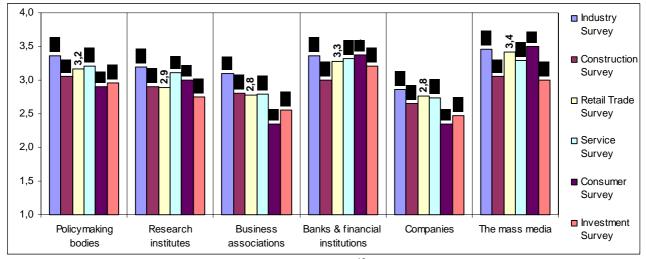
⁹ As a proxy of this it can be observed that national statistical offices returned half the number of questionnaires returned by central banks and treasuries.

Evaluation of Business and Consumer Surveys

As reported in Figure 2.1 below, according to the participating institutes, the media is the user group most interested in the survey. There is not enough evidence from the fieldwork to conclude whether this is true or if it is a somehow biased view of the institutes themselves. What can certainly be confirmed is that the media are usually very interested in the consumer survey results, an interest that some economic analysts see with some concern, as this could represent a source of biased information for the public. Interviews with banks and financial institutions show that there is a strong correlation between the area of interests of the financial community and what is reported by the media.

Figure 2.1 Level of Interest Among the Following User Groups in the Results of BCS

(average results from 4: very interested, 3: interested, 2: moderately interested, 1: little to no interest)



Source: Participating Institutes Survey – average responses¹⁰

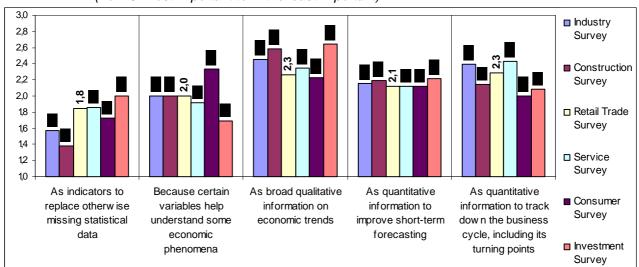
More specifically, interviews in the financial community have shown that banks and financial institutions routinely tend to use the surveys internally for their analytical purposes. The other private companies are less frequent users and make a direct use of the surveys only when they can afford an internal research department. Otherwise, they more frequently rely on the services of intermediate research companies for analysis of survey results. The amount of resources available for research purposes also made a difference in the likely source of data. While banks and financial institutions generally rely on relatively expensive data providers, private companies more often download data where they are available for free or try to "trade" data with participating institutes.

There is certainly a hierarchy in the level of interest in the surveys with the industry survey clearly coming first, followed then by the service and the retail surveys, the consumer and the construction surveys and finally the investment survey (not necessarily in this order in all countries and for all user groups). These findings have also been broadly confirmed by the interviews with all user groups with one important specification. There can be huge variations in the importance attached to the consumer survey by different users irrespective of their professional occupation, possibly reflecting their academic background and "school of thought".

Type of Use. Fieldwork has shown how overall, qualitative use of surveys for cross checking other sources on cycle directions and trends can be considered the norm by almost all users. Quantitative use for short-term forecasting / nowcasting through bridge models is also fairly widespread and possibly the prevailing quantitative use. However, among private users including banks, the quantitative use of survey generally is not very sophisticated and when data are processed this is mainly to build "internal" indicators to roughly track the cycle rather than to feed econometric models. Research institutes are very keen on quantitative uses. This is also broadly the perception of participating institutes based on their experience as reported in Figure 2.2 below.

¹⁰ All averages included in the questionnaire results refer to the simple mathematical average of the relevant answers provided (excluding questions left blank).





Source: Questionnaire to Participating Institutes- average responses

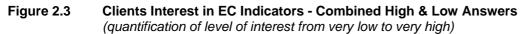
There is an overall consensus among interviewees and participating institutes that it is mainly the consumer survey that is used not only for business cycle analysis, but also as a broader explanatory tool to understand economic phenomena. These additional uses range from economic studies on consumer behaviour and inflation to banks that employ the survey to assess the market for consumer credit and its systemic risk. Consumer surveys are also used by companies for marketing purposes and reportedly, participating institutes are known to frequently attach other specific marketing-related questions commissioned by private companies onto the consumer survey.

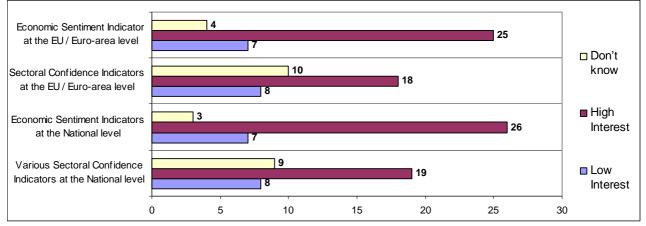
Interviews with forecasters have shown how quantitative use for short term forecasting usually includes a specific subset of survey data. In particular, a core subset of the industry survey data has intensive forecasting purposes (the inventories cycle, capacity utilisation, etc.). There is some evidence that the recently introduced common factor forecasting models are increasingly being adopted and these envisage the use of all available information including all survey series and therefore, a certain tendency to expand the range of data used for quantitative purposes can be anticipated. At any rate, surveys are hardly ever applied for forecasting purposes exceeding two quarters ahead. As anticipated, quantitative use for long term forecasting is very rare and was found in just one case during fieldwork.

The business survey results are mainly utilised by private non financial companies for strategic marketing purposes¹¹ and to provide a rough qualitative appreciation of sectoral trends. Therefore, there is a strong demand for disaggregated information (sub-sector, regional even county level) which is not normally made available to the public but can be bought from participating institutes on a private basis. The same also broadly applies to business associations. Banks and financial institutions on the contrary are mainly interested in macroeconomic developments to monitor financial markets but can also use business survey results to appreciate sectoral credit risks or target marketing campaigns.

The Indicators. Results on the level of use of Commission indicators have provided complex and partly contradictory evidence. As shown in Figure 2.3 below, the participating institutes have given a fairly positive opinion on the level of interest surrounding the EC indicators.

¹¹ The evaluation team is aware of just one large study on this, namely: P. Carnazza, *The Role of Short Term Economic Information in Industrial Firms Strategy*. ISAE Working Papers 15 /2001





Source: Questionnaire to Participating Institutes - number of responses per category

However, this positive assessment has been only partially confirmed by stakeholders themselves in their questionnaires. As reported in Table 2.4 below, there are a substantial number of respondents that do not use or rely on such instruments, and at the MS level the preference usually goes to other products when available. These were also the findings from interviews with research institutes and private businesses.

Table 2.4 T	The National Stakeholders'	Favourite Aggregate Indicator
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	Economic Sentiment Indicator (ESI)	Other	I don't use / rely on such indicators	Left answer blank
For the EU	14	4	12	1
For the Euro-Area	14	9	7	1
In Your Member State	7	12	8	2

Source: National stakeholder questionnaire - number of responses per category

In particular, evidence from the interviews with private companies and financial institutions shows that the Commission ESI aggregate indicator¹² appears to be only used at the European level and by those operating within European institutions themselves. This seems to depend on a combination of factors: 1) the inertia of past reputation problems that have already been addressed but users still discount; 2) more general reservations on aggregate indicators as such; 3) the impact of the media which more extensively report other indicators (notably IFO as a synonym for Europe) thereby influencing other users through a kind of "we cannot not quote what the media report" process; and 4) the very high dependence of financial markets on fresh news makes the ESI irrelevant vis-à-vis indicators from participating institutes released earlier.

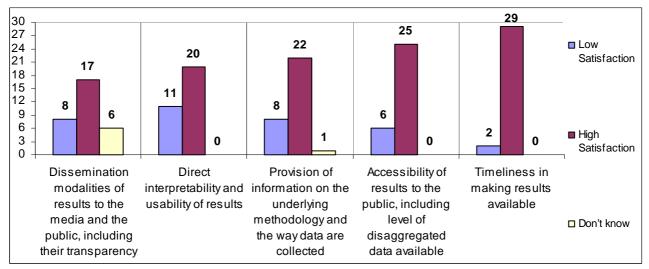
These fairly diverging findings from various sources are probably the combined result of two parallel biases. On the one hand, participating institutes probably overestimate the use made of indicators as such and do not like to emphasize competition with their indicators when these exist. On the other hand, the economic researchers in policymaking institutions are mainly interested in understanding the dynamics of the cycle and tend to be more overtly critical of the composite indicator instrument in itself and, when they use them they appear more inclined to use either instruments with clear leading properties such as the OECD leading indicators or sophisticated analytical factor-based indicators like the Eurocoin or the Commission BCI. Based on anecdotal evidence from the interviews it seems the latter is not always well known and underused, possibly also as a result of it being communicated as a separate product from the BCS programme.

2.1.3 Responsiveness to Users' Needs

Results of the stakeholders' questionnaire survey show (see Figure 2.5 below) that all in all, the BCS Programme is considered to be responsive to end users' needs. The success criteria defined in the inception phase have been largely met with average scores higher than three as far as timeliness in making results available (score 3.3.) and accessibility of results to the public (score 3.2) are concerned. At any rate, the

¹² The more specific business and consumer confidence indicators produced by the Commission appear slightly more frequently used.

same success criteria also show that there are some areas where the level of satisfaction is not so clear-cut and some further improvement would seem desirable, and namely: 1) provision of further methodological information (score 2.8); 2) better interpretability and usability of results (score 2.7); and 3) more user-friendly dissemination modalities (score 2.9)





Source: National Stakeholder questionnaire - number of responses per category

Timeliness. As far as macroeconomic surveillance purposes are concerned, the survey results are considered timely by the vast majority of interviewees and respondents, especially considering that comparable "hard" statistics still appear with a certain delay. The only exception is the August-data that are generally considered too late since they are published at the very end of September. There is a widespread understanding that problems with visibility are more related to problems with lack of coverage by the media and that European data often are not necessarily visible also because of the previous releases from national participating institutes. This is not of particular concern to the vast majority of professional users interested in macroeconomic surveillance. It is mainly financial institutions and banks who need to "beat the market" complaining that European data appear too late in comparison to national ones. This has more to do with the data impact on trading in financial markets (an effect which can be measured in terms of minutes) and not to their timeliness for macroeconomic surveillance purposes. Participating institutes appear very focused on visibility in the media.

Accessibility of Results. No major complaints concerning the accessibility of results have been recorded. In certain countries, some interviewees experience banal problems with their internet connections, and other more traditionalist interviewees would like to have access to the data also in the traditional printed format. Ordinary users interested in macroeconomic surveillance are generally happy with the level of detail available. Of course, private companies interested in the marketing exploitation of data require a much deeper level of detail than what is ordinarily available to the public.

Methodological Transparency. In the interviews with very expert survey users, requests for more methodological transparency from participating institutes on the way data are gathered and processed came out very clearly and sometimes were one of the main messages interviewees wanted to convey to the programme managers through the evaluation exercise. This is the reason why DG Economic and Financial Affairs' recent initiative moving towards the publication of methodological metadata (interviews took place before these metadata were released on the internet) on the surveys was generally welcomed as highly timely and appropriate. However, generally speaking, less sophisticated users (especially in the private sector) are generally much less concerned about methodological transparency issues. On the contrary, they tend to consider data from official "public" sources as methodologically reliable almost by definition. Actually many interviewees especially in the private sector seemed to have more trust in data that can be somehow related to official sources than purely independently produced data. It has very sporadically happened in our small sample that financial institutions do not trust data just because they were perceived as Governmentfunded.

Interpretability and Usability of Results. A request often made mainly by "qualitative" users of the surveys is to have the interpretation of results supported by enhanced use of explanatory graphic tools – although the

diffusion graph methodology adopted by PMI for presenting their data remains controversial. Others remark that data on frequencies of responses (and in particular frequency of "no change" responses) is an important piece of information presently hindered by the publication of balances only. Although the definition and chronology of a business cycle is not entirely a settled question, even among professional users, some are puzzled by how the data fit within the cycle chronology and would like to receive more guidance in understanding what data mean in the cycle including possibly some graphic reference chronology. Private users sometimes complain about the lack of information on structural breaks or major changes in the questionnaires. Generally speaking, users appear to need more information on whatever exceptional fact may have an impact on the quality of data and the usability of series. Finally, users can become very confused when two "official" sets of the same data published at the European and National level apparently diverge.

Dissemination. Some interviewees would like to receive a more detailed explanation on what survey results actually mean when these are released and ask for a more detailed commentary in the text. Others, on the contrary, maintain that a clear distinction should remain between those who release the data and those who comment on them. Private users (especially from financial institutions) seem to be somewhat unsatisfied with the level of debriefing and methodological clarification presently provided when data are released to the media. Transparency with survey dissemination modalities has appeared as an issue of some concern to financial institutions only, and they can become very nervous about the short time period elapsing between when the news agencies are given the data to when they appear on the DG Economic and Financial Affairs and data providers' websites. All in all, there is very limited literature available on the behaviour of financial markets immediately after BCS data are published and the issue of potential scope for insider trading in the modalities data are released is not particularly debated or felt outside the financial community. In this respect, the relatively limited visibility of Commission data and their delayed publication further reinforces a feeble perception of any practical problem. It can be easily foreseen that the issue could come much more in the spotlight if the visibility of Commission data and therefore their impact on financial markets were enhanced by their anticipated publication during the month.

2.1.4 The Quality of the Survey Information

Reliability Needs. Problems with survey reliability have been reported both in the interviews and the questionnaires but appear specifically related to individual countries and surveys. Reliability is frequently associated with the perceived way the surveys are implemented and refers more to supposed methodological problems than to the survey instrument itself. These problems may range from exceeding volatility of results (typically for the construction survey) to lack of clear connection with underlying hard variables (typically for the retail survey). Based on the impressions gathered in the interviews with informed stakeholders (and without having conducted additional detailed research), one would be led to believe that surveys actually tend to be less reliable in highly fragmented sectors. This could explain perceived problems with the retail and construction survey in certain countries and the problems with reliability reportedly experienced by those who have not fully successfully ventured into surveying restaurants and the tourism sector. However, this remains inconclusive evidence because also the underlying official statistics used as a benchmark for reliability can often be very volatile and are not necessarily fully trusted by end users.

There are strongly diverging views on the relevance of consumer survey results. The prevailing view among interviewees and in the literature is that they generally cannot be considered as reliable indicators of GDP or consumption growth. However, these same surveys are frequently used to appreciate possible consequences on growth of external shocks, including terrorism acts. Others maintain the consumer survey reliability depends on some intrinsic features of the different countries including dependence on external trade.

Relevance Needs. Surveys are generally deemed highly relevant to users' needs, although the degree of relevance varies from survey to survey. Some professional users may have reservations on the consumer survey substantially still mirroring the original debate in the 1950s (see **Annex 3**) and opinions may range from "the survey is intrinsically useless" for macro-economic analytic purposes to "not the right questions are being asked." As will be better detailed later in this report, the relevance of the investment survey as it is now also leads to divergent views among users.

Relevance concerns on the other surveys are more question-specific and focused on the technicalities of individual questions. Although some survey experts and even participating institutes may share the view that some questions are not particularly relevant or are so highly correlated with others to appear redundant and would drop them if left free to do so, there does not seem to be enough consensus on whether they would drop exactly the same questions, so that any reconciliation of opinions on the matter by means of consensus-building would require considerable effort.

2.1.5 The Future User Needs

General Comments. A wide and fairly heterogeneous range of future information needs has been voiced by survey users during the interviews and is also reported in selected papers¹³. These needs cover both requests for new surveys and amendments / improvements to existing surveys and generally go well over and above business cycle assessment needs to cover information gaps in presently available statistics. The fairly heterogeneous nature of these requests greatly depends on the different focus of respondents' main field of professional interest. For instance, it can be noted how Treasury officials tend to pay great attention to dynamics in the labour market, while Central Bank staff are obviously more interested in price trends and inflation-related matters. However, there appears a more general propensity to use the surveys to supplement missing statistical information, almost irrespective of any consideration on the suitability of the survey instrument for this purpose (thereby confirming a growing broader tendency to use qualitative information for quantitative purposes). The future information needs gathered in this evaluation exercise can be broadly classified into 7 broad categories, namely:

- 1. specific data on the banking and financial service industry basically through a dedicated survey;
- 2. more detailed information on the financial situation of households and firms;
- 3. more detailed data on the labour market, through either a dedicated survey or more specific and quantified questions in the existing surveys;
- 4. better quality data on investment, through either an overall reshuffling of the existing investment survey or improved dedicated questions in the existing ones;
- 5. a clearer distinction between durable and non durable goods in all consumption-related surveys;
- 6. a much more detailed breakdown of the information available on the service industry including a better coverage of all its branches;
- 7. better level of geographical detail on external trade flows.

Since some of these needs are already included in the Commission agenda and have been debated in international fora, it is difficult to say the extent to which face-to-face interviewees in their answers simply confirmed developments they were aware of in order to avoid a possible "don't know" answer or expressed truly spontaneous needs. Table 2.6 below summarises the request for new / better information reported in the stakeholders' questionnaires. The frequency of "don't know" answer is much higher in the questionnaires than it was in direct or telephone interviews, and improvements are requested for the surveys that tend to be better known and more frequently used.

	Yes	No	Don't know	Left blank	If so, which improvement in particular
Need for other surveys	7	9	13	2	 expectations about future commodity price developments labour market survey every month (like in the US) a survey that reflects the opinion of the banking and financial sector wholesale trade survey
Industry Survey	8	11	9	3	 monthly capacity utilisation rate current investment activity and investment plans for the near future
Construction Survey	6	11	11	3	 an assessment of envisaged increase in employment in better defined time horizons. current investment activity and investment plans for the near future
Retail Trade 4 12 Survey		12	3	better distinction between durable and non-durable goods	
Service 7 10 11 2		2			
Consumer Survey	Consumer 8 11 9 3 • better distinction between durable goods, services		 need to improve the relevance of the questions to make them suitable to 		
Investment 4 6 17 4 • better comp formation		4	better beinparability min the national accounte and inter capital groop		

Table 2.6	Possible Improvements for the Joint-Harmonised Programme
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Source: National stakeholder questionnaires - number of responses per category

On the contrary, participating institutions have appeared fairly reluctant to amend or modify the existing programme and are fairly conservative in their attitudes institutes (both in direct interviews and in completed

¹³ See box on the European Central Bank below

questionnaires). In particular, there is a certain shared concern that existing questionnaires are already overburdened and should remain specifically targeted to their original qualitative purpose. At any rate, as also reported in Table 2.7 below, they are also very technical and specific in their proposals for improvement and particularly open to the idea of including *ad hoc* questions from time to time (especially in the consumer survey).

Table 2.7	Areas for	Joint-Harmonised	Programme	Improvement	According	to Participating
Institutes						

	Yes	No	Don't know	Left blank	If so. which improvement in particular
Need for other surveys	7	8	9	13	 coverage of the financial and banking sector coverage of municipalities and local finances wholesale surveys tourism as well as habits and interests among consumers. monitoring ad hoc phenomena (perhaps with smaller ad hoc surveys) the real estate market.
Industry Survey	4	17	4	12	 more questions on the business situation a present tendency question on the financial situation
Construction Survey	3	15	5	14	 inclusion of questions on the business situation inclusion of present tendency question on financial situation
Retail Trade Survey	5	13	5	14	level question on financial situationfactors limiting activity
Service Survey	6	16	4	11	 better coverage of IT inclusion of a level question on the financial situation need to include more sectors
Consumer Survey	0	19	6	12	
Investment Survey	5	16	4	12	 need for quarterly coverage and inclusion of trends need to include more qualitative questions (trends) enlargement of the scope of the survey need run it on an annual basis

Source: Participating Institute Questionnaires - number of responses per category

Comparing the two sets of results, and in the light of the more detailed contents of the interviews, the following observations can be made:

- There are areas where user requests and the Commission and Participating Institute agendas fully coincide, namely regarding coverage of the financial and banking sectors, better coverage of the service industry, and to some extent better information on the financial situation of firms and households;
- There are very strong requests from end users to have better coverage of the labour market and investment plan aspects that are not necessarily shared by data suppliers, possibly because the latter are aware of some intrinsic limitations of the survey instrument to provide good quality data in certain areas¹⁴;
- More generally speaking, there is an evident end user tendency to demand survey results to replace
 missing statistical data or results that can be immediately compared with hard figures and turned into
 national account/quantitative terms. This is a request often resisted by participating institutes that instead
 insist on the "qualitative" nature of the information collected and are very reluctant to enter any explicit
 quantitative assessment of economic variables.

Enlargement-Related Problems. As a general remark, it can be observed that the limited weight of the EU-10 GDP on total EU GDP means that many users are not necessarily very motivated to focus on enlargement-related information requirements. It is not therefore a big surprise than when asked about the focus of their comparisons, national stakeholders' questionnaire respondents have scored the EU-10 area as the least interesting one and no enlargement-related information needs has been spontaneously indicated in the questionnaires. Those interviewees who are more familiar with the NMS often talked about the need to better differentiate the indigenous industry from foreign-owned industries, as these would have different behaviours. Since foreign investment and trade flows are understood to represent key components of NMS cycles, many would like to better understand the behaviours of these determinants. Requests for more information on trade flows is also due to a perceived weaker reliability of present INTRASTAT figures and compounds with a more general request to better understand extra EU or extra Euro area trade flows through the surveys. Some economic analysts, especially in Central Banks, would like the surveys to contribute to a better understanding of structural features of the enlarged EU economy such as the

¹⁴ See for instance the minutes of the recent debate on the proposed questions on temporary work.

delocalisation process and remittances flows, but this has been regarded by some participating institutes with a certain scepticism on its feasibility.

2.1.6. Summary Conclusions

The surveys are used by almost all Government and Research institutions interested in macroeconomic surveillance in Europe (Central Banks, Treasuries, Research Centres, etc.) for monitoring the business cycle and related developments in the monetary and real markets (inflation, market for labour). In the private sector surveys are also used by a large majority of financial institutions for research purposes and guidance to trading. Non financial companies make a more limited use of surveys also depending on the company size and availability of analytical resources within staff. Non financial companies appear mainly interested in use for strategic marketing. Banks can also use the surveys for credit risk assessment. The media are also very interested in publishing the survey results and often give a great emphasis to both the industry and consumer survey results as predictors of the cycle. The impact on the media of the surveys correlates with their impact on financial markets. The level of interest among economic researchers has not reached among the EU 10 the same level as in the old Member States.

All users interested in macroeconomic surveillance make a qualitative use of the surveys. A growing number of them use survey results (especially results from the industry survey) for short term forecasting purposes through models with various degree of sophistication. There is certainly a hierarchy in the level of interest in the surveys with the industry survey clearly coming first, followed then by the service and the retail surveys, the consumer and the construction surveys and finally the investment survey (not necessarily in this order in all countries and for all user groups). In certain countries, some survey results are used as proxies of otherwise missing statistical data. It is mainly the consumer survey, whose leading properties do not appear fully convincing to many users, that is extensively used for other study purposes because its data are appreciated for their "explanatory" power on economic phenomena. There is certainly a potential for an even more intensive use of the surveys for quantitative purposes, if more information were available on techniques allowing the extraction of such information.

There is convincing evidence the Commission ESI indicators are relatively well known and reasonably used at the European level, although in competition with other products (see evaluation question 3 below). The case is much less convincing for use at the national level also because competition from alternative products is stronger. The innovative BCI certainly has a potential for more extended use, but presently suffers from communication problems and is not known among the community of users as it could have been.

The different categories of users have different needs in terms of timeliness, reliability and relevance of results, as well as in terms of their accessibility, dissemination modalities, methodological transparency, interpretability and usability. So far the business and consumer programme has largely met the quality requirements of the average users on all aspects, but the more demanding and sophisticated ones within the different categories would like to see further improvements. These particular refer to more methodological transparency in the way data are collected (an aspect recently addressed by the Commission through the publication of metadata) and more commentary on the meaning of data. More specific concerns refer to the delayed availability of August data. The private business sector is also very interested in a level of disaggregated data which is not commonly made available to the public for free. Traders in financial markets need to be reassured on maximum transparency in dissemination modalities. Users interested in macroeconomic surveillance are generally happy with timeliness in publication of results, but visibility in the media and financial markets would certainly be higher if European results were published earlier during the month, and ideally before national data are published by participating institutes,

Surveys are generally considered a highly reliable and relevant instrument, but for specific sectors in certain countries. Further research would be needed before concluding whether this depends on the intrinsic weakness of the survey instrument in certain economic contexts or on the modalities these surveys are implemented, as users tend to think. However, the benchmark for such an analysis would also be controversial, as surveys are deemed to be of low reliability in countries and sectors where related hard statistics appear fairly volatile and are not always trusted by analysts. There are strongly diverging views on the relevance of the consumer survey substantially still mirroring the harsh debate that took place during its introduction in the USA in the sixties and many users are still persuaded of its limited reliability in ordinary conditions as a leading or coincident instrument. However, other properties of the consumer survey make it a relevant and reliable instrument for business cycle analysis, especially in times of economic uncertainty or when major shocks take place.

A wide and fairly heterogeneous range of future information needs has been reported by users also depending on the fields of main professional interest. Prevailing requests have included a much more

detailed breakdown of the information available on the service industry including a better coverage of all its branches and, more specifically, data on the banking and financial service industry; more detailed information on the financial situation of households and firms; more detailed data on the labour market; better data on investment, a clearer distinction between durable and non durable goods in all consumption-related surveys; better level of geographical detail on external trade flows. In spite of these requests, participating institutes have appeared fairly reluctant to amend or modify the existing programme and fairly conservative in their attitudes but for the idea of including *ad hoc* questions from time to time in the existing surveys (especially in the consumer survey). Therefore there appears the risk that the future programme development be excessively biased by supply-driven technical considerations to the detriment of new information needs and that the more visionary requests are dismissed just to avoid unnecessary complications or too risky challenges.

Generally speaking the limited weight of the EU-10 GDP on total EU GDP means that many users are not necessarily very motivated to focus on enlargement-related information requirements. Requests sporadically voiced include the need to better differentiate the indigenous industry from foreign-owned industries, more information on trade flows and possibly information on delocalisation process and remittances flows. These requests are not necessarily regarded as technically feasible by participating institutes.

2.2 THE SURVEY PROGRAMME EFFECTIVENESS

Evaluation Question 2:

To what extent are survey activities and their outputs effective with regard to the Commission objectives of allowing users to: 1)have an overview of the economic situation in the EU, euro area and Member States; 2) make a preliminary comparison of business cycles between Member States?

2.2.1 Definition of Key Concepts and Underlying Key Issues

General Effectiveness Criteria. Effectiveness considerations have been primarily defined in relation to the surveys' main purpose of representing tools for macroeconomic surveillance. Therefore, effectiveness has been assessed with reference to the survey capacity to:

- track the business cycle (primarily);
- improve economic forecasting (economic forecasting in the short-term period is also referred to in the economic jargon as "nowcasting" – another primary objective);
- explain reasons for certain economic behaviours (secondarily);
- complement otherwise missing data from the national accounts (secondarily).

Other possible uses have not been considered as components of effectiveness. In other words, it has been assumed that the program is not funded to address the particular needs of banks or of the media.

Effectiveness Criteria for Comparative Purposes. The assessment of effectiveness for comparative purposes can be split into several components. Of course, the very same fact that these data exist allows for a comparison of business cycles between MS. However, the real added value of the joint-harmonisation should lie in making intra-EU comparisons easier and more reliable than extra-EU comparison, in facilitating aggregation of data at the EU and Euro-area level and in facilitating the understanding of cross-country effects or common factors. As this is an institutional objective of the EU, it will be kept separate from the assessment of whether there is real demand for such comparisons at the MS level.

Success Criteria. In the evaluation inception phase it was agreed the following success criteria for questionnaire survey results: average scores higher than 3 in questions ranged from 1 to 4 would be considered as an indicator of full success, results between 2.5 and 3 although positive to be taken as indicators of possible problems deserving further investigation and results lower than 2.5 as indicators of problem areas.

2.2.2 Effectiveness for Macroeconomic Surveillance Purposes

The Programme As a Whole. The BCS Programme can be considered as a fully effective instrument for macroeconomic purposes. This was confirmed through the results from interviews and questionnaires. There was a general consensus among interviewees that the survey programme is a highly effective instrument for assessing the conjuncture because of the timeliness with which its data are released compared to hard data. In several cases, interviewees in the private sector actually deemed the survey data more effective than hard statistics themselves in providing an overview of the economy because statistical data are often revised and revisions tend to be more and more in line with survey original indications. The emphasis on the underlying

degree of effectiveness may vary depending on the MS and geographical areas considered. Analysts in MS with comparatively more timely releases of reliable hard data tend to view the survey more as an effective complementary tool to other instruments. At the EU or Euro-area level, the surveys appear to represent an almost indispensable information tool for conjunctural analysis because other timely information is missing (see box on the ECB below).

The Various Surveys. There are huge variations in the way overall effectiveness is assessed for the various components of the programme in the different MS, thereby reflecting different degrees of satisfaction in the different countries for the different surveys and for different users' needs (see Figure 2.8 and Table 2.9). All in all, the surveys meet the success criteria defined at the beginning of the evaluation exercise, but only the industry and the consumer surveys meet these criteria in an unambiguous way (average score > 3.0), while the extent to which the other surveys are effective is less clear cut (average score <3.0).

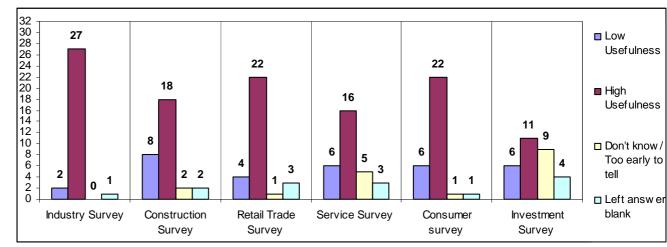


Figure 2.8 Survey Effectiveness for Macroeconomic Surveillance Purposes

Source: National stakeholder questionnaires - number of responses per category of overall assessments for each survey and average responses. The full questionnaire results can be found in **Annex 10.**

Together with the existing significant country differences the data above also highlight that:

- The investment survey is not only the most questionable in effectiveness terms, but is also the least known and least frequently used among all surveys¹⁵. Causes of dissatisfaction are both related with the frequency of the survey itself which makes it of little relevance for cycle analysis and with the relevance and quality of the information collected
- The leading properties of the construction survey and its usefulness for forecasting purposes are not apparent to many users who complain, especially in certain MS, about its exceeding volatility making results useless for quantitative analysis. Nevertheless even the MS interviewees showed cases of users in certain MS who are apparently very happy about its econometric and its very short-term cycle tracking properties;
- There is a notable "wait-and-see" attitude as far as the service survey is concerned and some respondents prefer to wait for longer time series and a more extensive coverage before making any definite assessment. Causes of dissatisfaction with the survey are related, as mentioned in the previous chapter, with the insufficient coverage of the sector and breakdown by branches of the data made available;
- There is strong consensus on the effectiveness of the industry survey: its main results, if properly processed, could allow a highly accurate detection of the turning points in the cycle. It is interesting to note that this piece of information, when available is not necessarily shared with the public by Central Banks or Treasuries.
- There is reasonable satisfaction with both the consumer and the retail surveys which can be viewed as substitute products in some countries, but not necessarily in others. However on average across Europe neither survey manages to have the same fully convincing quantitative properties and robustness of results the industry survey has.

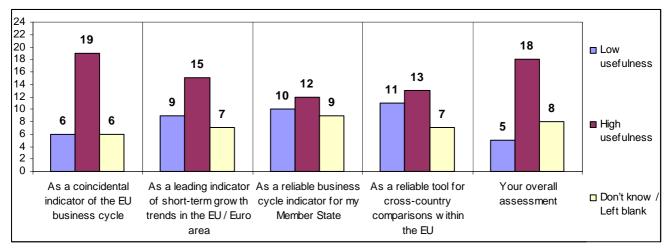
More generally speaking it is worth noting (see Table 2.9 blow) how end users systematically tend to give a higher score to the surveys as a whole than to the average scoring of their possible quality features, as if

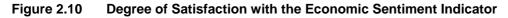
¹⁵ Results may also be biased by the fact that there are a few MS where the investment survey is carried out together with the industry survey.

their overall assessment were strongly influenced by the successful aspects of the programme. This is particularly the case with the consumer survey which is deemed effective mainly because of its explanatory properties and qualitative contents, even if there is a fairly strong (but not unanimous¹⁶) agreement on its limited usefulness to track GDP or even consumption growth.

AVERAGE SCORE FOR EACH SURVEY	Industry	Construct -ion	Retail Trade	Service	Consum- er	Invest- ment
As quantitative information to track down the business cycle, including its turning points	3,3	2,8	2,8	2,9	2,8	2,8
As quantitative information to improve short-term forecasting	3,1	2,6	2,7	2,7	2,8	2,7
As broad qualitative information to understand sectoral trends	3,3	3,0	3,1	3,1	3,1	3,1
As indicators to explain certain economic phenomena	2,6	2,4	2,6	2,6	2,9	2,6
As indicators to provide otherwise missing statistical data	2,5	2,4	2,4	2,5	2,3	2,4
Your overall assessment	3,2	2,8	2,9	2,8	3,0	2,7

The Economic Sentiment Indicator. Although the use of the ESI is not necessarily widespread at the national level, the questionnaire results (Figure 2.10) show an overall good level of satisfaction with its effectiveness as a coincident instrument (average score 3.0), especially when referred to its original purpose, i.e. to track European aggregates (average score 2.9). This favourable assessment has been substantially confirmed also by the interviews with European institutions (see box on ECB below). Nevertheless there are widespread strong reservations on the effectiveness of the ESI as an indicator at the MS level (average score 2.5) and consequently as a tool to facilitate cross-country comparisons (average score 2.6).





Source: National stakeholder questionnaires - number of responses per category and average of answers

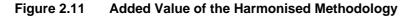
2.2.3 Effectiveness for Comparative Purposes

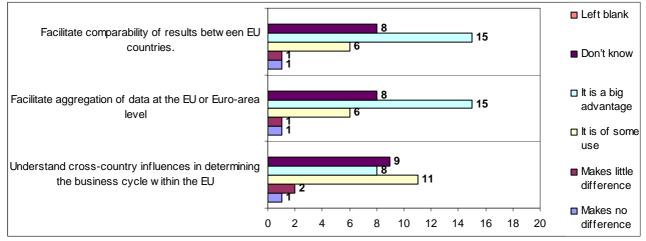
Irrespective of reservations on the ESI, the argument that the joint-harmonised methodology enhances data comparability across Europe appeared as conclusively convincing to most interviewees¹⁷ and questionnaire

¹⁶ As a matter of fact, the interview programme showed how there can be specific countries where the consumer survey is deemed the most useful survey of all to track down the cycle.

¹⁷ Only highly sophisticated users pointed at alternative approaches (such as the standardisation of the OECD Composite Leading Indicators) that would be at least as effective. These users emphasized the fact that the real added value of the harmonised methodology lies in facilitating data aggregation rather than in sheer data comparability. In this sense, harmonisation is essential to allow the calculation of a meaningful business cycle index for the Euro area and for the EU as a whole and makes possible a common factor approach.

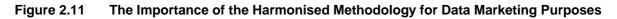
respondents (see Figure 2.11 below) and also participating institutes are fairly positive on the fact that the harmonised methodology is a plus for them when they have to market the survey results (see Figure 2.12 below).

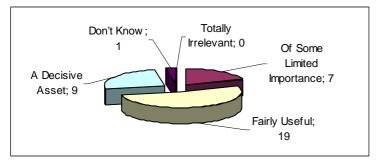




Source: National stakeholder questionnaires - number of responses per category

However, while agreeing on the effectiveness of the harmonised methodological approach in principle, several interviewees voiced concerns or reservations about the fact comparability / data aggregation could be actually hindered by how the methodology is actually implemented at the MS level and would need to be reassured about sampling, weighting techniques and the exact phrasing of the questions in the different national languages. Private sector users appeared more concerned about the perceived confusion in the harmonisation process at the EU level resulting from the publication of different sets of data.





Source: Participating institute questionnaire - number of responses per category

Box 2.1 The Business and Consumer Surveys in the ECB Experience

At the European level, the European Central Bank (ECB) is one of the main clients of the Business and Consumer Survey Programme. Within the ECB, the survey data are used to monitor macroeconomic developments at both the Euro area and the country level and for research purposes. Selected survey results for the Euro-area are published regularly in ECB publications (Monthly Bulletin, Statistical Pocket Book) and on the ECB website, including the ESI, the various confidence indicators and some key questions¹⁸. On several occasions, articles in the ECB's Monthly Bulletin on the subject of surveys were published¹⁹ and, also through its sponsoring the activities of the Euro Area Business Cycle Network, it has produced several working papers on business cycle indicators including a specific research work on the

¹⁸ See, <u>http://www.ecb.int/stats/prices/indic/html/index.en.html#data</u>

¹⁹ See for instance, *Opinion Surveys on Activity, Prices and Labour Market Developments in the Euro Area: Features and Uses,* ECB Monthly Bulletin January 2004, *The role of short-term economic indicators in the analysis of the price developments in the Euro area,* ECB Monthly Bulletin April 1999 and *The information content of composite indicators of the euro area business cycle* ECB Monthly Bulletin November 2001.

usefulness of confidence indicators for predicting short term GDP growth²⁰ and on consumers' inflation expectations²¹.

Within the ECB one can find almost all possible examples of survey use ranging from experimental common factor-type short term forecasting models making use of all existing survey series, to more traditional bridge-type forecasting models and finally to more qualitative-oriented uses for policy reporting purposes or for detecting the possible reasons behind certain macroeconomic phenomena. The ECB attaches high importance to the surveys, as they are used for macroeconomic surveillance purposes to track the business cycle and GDP growth and as an instrument to monitor the possible determinants of inflation and inflationary behaviours including perception of inflation and inflation expectations among the public.

In comparison to national users, the benefits of the joint-harmonised programme are magnified when looking at the surveys from the ECB perspective. One key feature of survey results is their good timeliness compared with hard statistics, this is even more so at the aggregated euro area level, as related statistics are released with a certain delay: for instance typically flash real GDP growth estimates for the euro-area appear some 45 days after the end of the reference quarter. Secondly, the high degree of harmonisation of survey results is considered as an added value for comparability over time and cross-country data comparability.

One can conclude that the degree of satisfaction with the effectiveness of the survey as an instrument for economic analysis within the ECB can be assessed as high. Some shortfalls relate to the coverage and level of detail of the service survey and some would like to see the investment survey conducted on a quarterly basis and with more precise information on the reasons for investment.

Not surprisingly, the ECB is also an intensive and fairly satisfied user of the ESI as an indicator, as it allows quick and effective cross-country comparisons. However, more sophisticated analyses are usually carried using the EUROCOIN, as it allows for a more precise appreciation of the various specific factors at work in the different phases of the cycle. Needless to say, country-specific analyses usually also envisage cross-checks and comparisons with the indicators more frequently used at the national level in the given country.

As far as other opinion survey results are concerned, the ECB makes use of the PMI survey which provides aggregated data at the euro-area level as well. Both data sources are used as complementary instruments rather than competitors. The assessment of their relative strengths and weaknesses is varied. According to some, the PMI has a better sectoral breakdown, has appeared so far less volatile than the BCS and conveys more information on pricing behaviours. According to others, due to its backward-looking nature, the PMI is not necessarily as leading as some questions in the BCS are. The length of the available time series from the EC surveys is substantially higher and the geographic coverage of European aggregates is almost complete.

With regard to possible future expansion of the EC surveys, the ECB is interested in seeing the final results of the ongoing debate on whether the surveys can be used to assess the public's perception of inflation and inflationary expectations also in quantitative terms. Aside from that, the expansion of the survey programme to cover better extra Euro area trade has been raised. Moreover, generally speaking, all improvements leading to a better understanding of pricing behaviours of firms (especially in the wholesale and retail surveys) would be welcome, as well as better information on trends in wages. Finally the idea of having from time to time *ad hoc* questions to exploit the survey flexibility is broadly seen with favour.

NMS data are perceived in the same way than the EU-15 ones, and, there is a quite positive appreciation of the progresses made. Additional survey results for the NMS might be useful for research on labour migration and related remittance flows but there are no strong views on whether the surveys could be a good instrument to fill the present information gap on these matters.

Based on the above perceptions, the ECB is fully supportive of the continuation of the BCS programme. Further efficiency gains would be certainly welcome to the extent that they do not impact on existing coverage and quality of data. While a centralised survey approach at the European level might be considered for certain special cases (e.g. the financial sector), results for individual countries, in particular for the largest euro area countries, remain crucial.

 ²⁰ Annabelle Mouragane, Moreno Roma, *Can Confidence Indicators Be Useful to Predict Short-Term Real GDP Growth*? ECB Working Paper 133, March 2002.
 ²¹ M. Forsells and G. Kenny: *The rationality of consumers' inflation expectations: survey-based evidence for the euro area; ECB*

²¹ M. Forsells and G. Kenny: The rationality of consumers' inflation expectations: survey-based evidence for the euro area; ECB Working Paper 163, August 2002.

2.2.4. Summary Conclusions

The surveys can be considered a highly effective instrument to monitor macroeconomic developments and the economic situation in the EU, the Euro Area and the Member States. This is particularly true for the EU and the Euro Area where statistical estimates of GDP are released with a certain delay and frequently subject to revisions. Effectiveness at the Member State level, while generally high, varies with the specific surveys and the availability of alternative timely sources of information. The industry survey is generally acknowledged to have leading properties good enough even to allow, after proper data processing, reliable forecasts of the turning points in the cycle. Evidence of any substantial contribution of the investment survey to improve the understanding of economic situation for conjunctural analysis remains controversial and appears weak in the best of cases.

The indicators produced by the Commission to summarize survey results can be considered as reasonably good coincident proxies of the business cycle in Europe and the Euro Area, but are not necessarily significant at the Member State level, especially when compared to other indicators produced by participating institutes. Therefore in certain cases to have a comparative appreciation of the business cycles between Member States users have better recourse to direct survey data - and this requires some degree of familiarity with the different cycle chronologies that is not always to be found - or to other sources.

The ECB is a fairly satisfied client of the BCS Programme. It has certainly benefited from the improved timeliness of the surveys whose results generally come out at the last working day of the reporting month and are therefore in time for its monthly Governing Council meetings. Recent efforts to further harmonise the wording in the national questionnaires has created structural breaks in selected cases. Precise information on the timing of such changes and comprehensive metadata and information on methodological compliance with agreed standards are considered important in this respect, although the international harmonisation of the BCS Programme should never be to the detriment of European harmonisation needs. That is why it is considered important within the Bank that a European institution co-ordinates any further harmonisation at the European level.

2.3 COMPARISONS WITH ALTERNATIVE PRODUCTS

Evaluation Question 3:

What alternative products exist? How do they compare with the surveys in terms of scope, reliability, cost, timeliness and usability? In the case of important forecasting institutes and organisations that are not users of the survey outputs, why is this the case and what alternative data sources do they use?

2.3.1 Definition of Key Concepts and Underlying Key Issues.

Alternative products. The term alternative products appears to be a fairly heterogeneous definition that encompasses different items, including: 1) composite economic indicators alternative to the *Economic Sentiment Indicator* at the EU, EURO and MS level; 2) BCS carried out at the EU or EURO-area level; and 3) non-harmonised BCS implemented at the MS level. In particular, alternative composite economic indicators may actually be based on a subset of results from the Commission surveys and therefore, they would be alternative just in the way they are built and not as far as the sources of data are concerned. Much in the same vein, alternative products can include indicators built through the aggregation of indicators from EU co-funded national surveys. Broadly speaking, alternative products might also include the indicators built at the national level by participating institutes through recourse to the same (often expanded) EU co-funded surveys, but aggregated in a different way from the indicator calculated by the Commission. Alternative products <u>do not</u> include GDP growth forecasts for the Euro area, sometimes mentioned by those interviewees who prefer quantitative assessments, similar to the fact that the Commission's own GDP growth forecasts are not deemed a substitute of the ESI²².

²² A quantitative assessment for the current quarter and one-two quarters ahead - based on conjunctural indicators, included surveys results - is made available for the Euro area by several sources (for instance IFO-ISAE-INSEE and Euroframe). Moreover, PMI based indicators of GDP are constructed by NTC Research for the Eurozone, the EU and five individual MS (United Kingdom, Germany, France, Italy, Spain) in order to give a quantitative assessment for GDP growth in the current quarter (some information on these indicators are shown in the information sheets in Annex 8). In this regard we would like to point out also that many interviewees do their own "nowcasts" and short term forecasts for GDP growth in the euro area as well as their own country and other European countries in the sphere of their economic analysis and forecasting activity and not necessarily disseminate them.

There are a number of alternative business and consumer surveys carried out at the national level. The most likely sources include: 1) national central banks, 2) business associations, 3) private research institutes, 4) economic newspapers and the media. The Small Market Survey carried out to collect information on these products has met three major limitations: i) there can be surveys with a very restricted circulation within Government institutions (particularly Central Banks) that are not made routinely available to the research community, even for a payment. These surveys do exist, but they are basically known to their commissioning institutes that are *de facto* the only possible users. These surveys have not been considered as alternative products, as it is not possible to have any real external benchmarking from the user Community; ii) there can be a number of consumer surveys carried out at the national level and published by the media for supposedly "infotainment" purposes which are not routinely considered by the research community and private users. Mainstream researchers often are not even in a position to identify them. To the extent that professional users do not think a survey has minimum quality requirements to be considered as an alternative source to the Commission-funded ones we have not considered them as alternative products. In other words, publication in the media is not a sufficient requirement per se to be considered as a valid alternative product. iii) the market survey has been carried out through secondary sources, i.e. a combination of desk research and interviews with professional users, and hence its findings cannot be considered as being exhaustive. The starting point for the review of the existing products was represented by a 1998 CIRET inquiry on existing business and consumer surveys (see, www.ciret.org/pdf/synopticA.pdf). However, some surveys were discontinued, in other cases the reference research institutes had never heard about them, so it was concluded that they must have a very restricted national audience and cannot really compare in use with the BCS programme.

Reasons for non-use. It seemed a priori *extremely* unlikely that research institutes do not use survey results at all for their nowcasting exercises, as they usually look at all the information available. The relevant difference is whether they use disaggregated survey results or confidence indicators as inputs for their models (fully fledged models or the so-called GDP bridge models or simplified forecasting regressions) or simply use them for a qualitative cross-check of results. Another hypothesis tested was whether there are preferences strong enough for a given survey product to rule out the use of alternative surveys.

2.3.2 The Alternative Products at the European and National Level

Surveys at the European Level. There are two alternative surveys carried out at the EU level with the same monthly periodicity: the PMI business and service sector survey carried out by NTC Research on behalf of Reuters and, more recently (that is to say starting last Autumn) the Bloomberg PMI retail survey (both covering the Euro zone). There are another two European surveys with a lower periodicity: a Eurochambres annual survey and a UNICE semi-annual survey. An alternative consumer survey at the EU level does not seem to exist. All alternative EU surveys are made of aggregation of different national surveys and are not carried out through a central sampling at the European level.

Aggregate Indicators at European Level. If it is assumed that 1) GDP is the reference variable and 2) availability to the public is a basic pre-requirement, alternative products are few and are "alternative" mainly in terms of their construction, since to different extent they are mainly partly based also on the BCS results. It is worth noting that the Economic Sentiment Indicator is constructed to be a coincident indicator. Nevertheless we have included in our small market survey also leading indicators since interviewees sometimes consider them as alternative aggregate indicators. A recently introduced coincident indicator -Eurocoin - refers to the euro area only, even though national versions are reportedly in the making. Moreover a coincident index of business conditions is derived from PMI manufacturing and services surveys at least for the Eurozone by NTC Research. The OECD leading indicators are available for several European countries and for the EU-15 and the Euro area as a whole. The Conference Board produces monthly coincident and leading indexes also for four European countries (France, Germany, Spain, United Kingdom). Also ECRI (Economic Cycle Research Institute) provides monthly coincident and leading indicators for some European countries (Austria, Germany, France, United Kingdom, Italy, Spain, Sweden). In the field of indicators with leading properties we can find also the IARC indicator constructed by the Centre d'Observation Economic (COE), a research institute linked to the Paris Chamber of Commerce, for the Euro zone, France, Germany and Italy. This kind of indicator aims to forecast the turning points of the business cycle using a probabilistic approach.

If a much more practical view is assumed and focus is made on end-use only, irrespective of any methodological consideration, results of interviews with both research institutes and national stakeholders also show that the IFO Business Climate Indicator is an alternative product at the European level, because users tend to equate the business climate in Germany with the growth cycle in the EU/Euro area. This is possibly because of the very strong influence the IFO Business Indicator has historically had in influencing

the monetary policy of the German Bundesbank and of the Deutsche Mark-area²³ and probably because of the weight of the German economy and hence its role in influencing the European business cycle.

Surveys at the National Level. Several other surveys are available at the national level in addition to the Commission funded surveys. PMI-related surveys are produced by NTC-Research in the UK, Germany, France, Italy, Spain, the Netherlands, Austria, Ireland, Greece, Poland and the Czech Republic. Other PMI-associated surveys used for the ISM-JPMorgan Global PMI are implemented in Sweden by SILF Foreningssparbanken, in Denmark by DILF Danske Bank and in Hungary by HALPIM (The Hungarian Association of Logistics, Purchasing and Inventory Management) under the sponsorship of the Hungarian National Bank. Table 2.13 below summarises non-PMI related findings, and details surveys (at national level) for which more specific Information Sheets are reported in **Annex 8**. However, as mentioned above, it has to be noted that this list is merely indicative and cannot be considered as fully exhaustive.

	ALTERNATIVE SURVEYS
Austria	Consumer survey – Institut fur Empirische Sozialforschung – Vienna
	It is not carried out anymore
Belgium	Consumer survey – Aspemar-Gfk (formerly Dimarso)
	The Institute carries out a number of surveys on behalf of clients
Bulgaria	Business and investment survey - Bulgarian Industrial Association
	According toCIRET it covers the manufacturing sector.
Finland	Investment survey – Bank of Finland
	It was carried out from early 1960's up to spring 1995. After that it is carried
F	out by the Confederation of Finnish industries (participating institute)
France	Business survey – Bank of France See information sheet.
	See momation sheet.
	Business survey – Conseil national du Patronat Français (Medef since
	1998)
	According to CIRET it is a monthly survey in industry.
Germany	Consumer survey – Infas Bonn-Bad Godesberg
	This Institute changed its corporate form in 1998: the former institute does
	not exist anymore. The survey is not carried out anymore.
	Consumer survey - Institut für Marktforschung Leipzig/Wiesbaden
	This monthly survey was restricted to the eastern regions. Results were
	published in Konsumklima Ost. It ceased to be carried out.
	Business survey - Zentrum für Europäische Wirtschaftsforschung
	(ZEW) Mannheim
	See information sheet.
	Business and investment survey - Deutscher Industrie- und Handelstag
	Bonn
	Semi-annually survey concerning Industry, Construction, Wholesale, Retail
	trade, services, including question on investment. Further Information in the
	website.
	Business and consumer survey – EMNID-Institut (now Tns-Emnid)
	Bielefeld
	According to CIRET the results of the quarterly business surveys are
	published in Unternehmerbarometer and the ones of the monthly consumer
0	survey in Emnid-Informationen and Emnid-Presse-dienst.
Greece	Consumer survey – Pan mail
	Pan mail was acquired in 2000 by the Wunderman network, the present
Hungary	participating institute.
Hungary	Business survey – Kopint Datorg See information sheet.
Ireland	Business survey - Construction Industry Federation Dublin
ireland	Dusiness survey - construction industry rederation Dubin

Table 2.13 Alternative National Surveys

²³ See on the argument: Sterken E, *The Role of the IFO Business Climate Indicator and Asset Prices in German Monetary Policy,* CesINFO Working Paper 1204, May 2004.

	ALTERNATIVE SURVEYS
	This survey is part of the EC survey. The Construction Industry Federation cooperates with Esri, the participating Institute.
	Business survey - Irish Business and Employment Confederation and Economic and Social Research Institute It is part of the EC survey. It concerns industry. Results are published in Ibec / Esri Monthly Industrial Survey
	Consumer survey - The Agricultural and Food Development Authority Dublin According to CIRET this is a monthly survey carried out among 2000 people. The Agricultural and Food Development Authority mentions only an annual survey of farmers income and expenditure.
Italy	Consumer survey SWG (not quoted by CIRET) See information sheet.
	Business and investment survey – Bank of Italy (not quoted by CIRET) See information sheet.
	Business survey - Mondo Economico It is carried out by II Sole 24 ore – Banca Intesa because Mondo Economico ceased to be published in 1997. See information sheet.
Netherlands	Business survey – Elsevier Science Publishers B.V. (North Holland) Ceased to be carried out Consumer survey - Intomart (now Intomart GFK)
.	Discontinued. It was part of the EC survey.
Poland	Consumer survey – Ipsos See information sheet.
	Business survey – Ried See information sheet.
	Business survey – Poznam University Information not available in the English version of the website. According to Ciret, it is a quarterly survey countrywide since 1988; it covers manufacturing and wholesale sectors
Slovakia	Business survey - Infostat - Institute of Informatics and Statistics Bratislava Discontinued when the Statistical Office began to provide all the co-funded surveys.
Slovenia	Business survey – Skep (not quoted by CIRET) See information sheet.
Spain	Business survey - Cámara Oficial de Comercio, Industria y Navegacíon de Barcelona - Barcelona (in cooperation with Cámara de Alava y Cámara de Guipuzcoa) Limited to some regions. Information available in the website
	Business survey – Consejo Superior de Camaras de Comercio (not quoted by Ciret) See information sheet.
	Consumer survey – Instituto de Crédito Oficial (not quoted by Ciret) See information sheet.
	Consumer Survey – Camara de Comercio de Madrid (not quoted by Ciret) It is a regional survey. Information available in the website
	Consumer survey – Instituto Galego de Estatistica (not quoted by Ciret) It is a regional survey. Information available in the website
	Consumer survey – Federacion de Cajas de Ahorros Vasco-Navarras

	ALTERNATIVE SURVEYS
	(not quoted by Ciret)
	It is a regional survey. Information available in the website.
Sweden	Consumer survey – Svenska Institutet för Opinionsundersökningar AB (SIFO), Stockholm
United	It is not carried out anymore Business survey - Centre for Economics and Business Research Ltd.
Kingdom	London
Kinguoin	The survey quoted in Ciret publication has been discontinued. This institute carries out a number of surveys concerning business sectors on behalf of clients.
	Consumer survey – Mori (not quoted by CIRET) See information sheet.
	Business survey - Department of the Environment London According to Ciret this survey concerns the construction sector. The Department of Trade and Industry is now in charge of the data collection on construction (further information on the Department website). Investment survey - Departments of Trade and Industry Business Statistics Office Newport According to CIRET, these are two surveys, one ex post on a quarterly basis, the other one ex ante on semi annual basis. It includes questions on inventories in some sectors. Results are published on British Business.
	Business survey - Gallup / BSL Business Strategies (BSL was acquired by Experian in 2002) . According to CIRET this survey has a regional focus.
	Business survey – Institute of Directors See information sheet
	Business survey – National Economic Development Office This institute was abolished by the government in 1992. The survey, concerning the construction sector, was part of the EC survey.
	Consumer survey – PA Cambridge Economic Consultants Dissolved in 1998
	Business survey – Royal Institute of British Architects London The quarterly Architects Workload Survey, originally commissioned by the Royal Institute of British Architects, is actually independently researched and published by Mirza and Nacey Research Ltd under the title Construction Futures (restricted to subscribers).
	Business survey – The British Chamber of Commerce London See information sheet.
	Consumer survey – Social Surveys Gallup Institute London Changed name in 1995; the new company dissolved in 2000.
	Consumer survey – The Conference Board and Research Surveys of G. B. London
	Discontinued (Research Surveys of Great Britain changed name in 1992).

Alternative Aggregate Indicators at the National Level. These can be defined much less straightforwardly, as they can be: 1) indicators coming from qualitative data used to nowcast or forecast industrial output (as a proxy of GDP); 2) GDP itself; or 3) direct industrial output and GDP. Strictly speaking, economic sentiment type indicators (to be used as a business cycle indicator) are autonomously produced by the participating institutes in some countries (we have collected information for Belgium, Bulgaria, Czech Republic, Germany, Estonia, France, Hungary, Portugal, Slovenia and Slovakia, shown in the information sheets in Annex 8). For instance, Insee provides a confidence indicator for the industrial sector. IFO business climate indicator is based on manufacturing, construction, wholesale and retail trade confidence.

GKI provides several indicators for Hungary: two are based on confidence in manufacturing, construction and trade sector while the third one takes into account also consumer confidence beside the above mentioned sectors. In the Czech Republic the participating institute provides a composite confidence indicator based on industry, construction, trade and consumer confidence and a composite business confidence indicator concerning industry, construction and trade. In other words, the BCS participating institutes rearrange the different confidence indicators / survey data and publish them together with the surveys results as an indicator of economic sentiment or of business climate.

Partly similar cases (at least from the point of view of end users) can be found in Finland and Sweden where the national statistical offices (the Swedish one is a participating institute with regard to the investment survey, the Finnish one in the consumer survey case) produce monthly Flash GDP Estimates. Moreover, the Swedish national statistical office provides a quarterly coincident and a quarterly leading indicator for production in manufacturing industry. In Italy ISAE produces a forecast three months ahead of monthly industrial output²⁴ together with a leading indicator which is not released to public but only shown as a graph in some publications.

Apart from these cases, there are very few alternative aggregate indicators at the national level made available to the public. For instance, the cyclical indicators constructed by the Bank of Italy or by the Bank of Greece are not usually released to the public, and are mainly used for internal purposes. Also the Bank of Portugal builds its own coincident indicator. NTC-Bank of Scotland provides a coincident and a leading indicator for the United Kingdom. For the Dutch economy two indicators are available: the business cycle indicator provided by the Dutch Central Bank (DNB) and the leading indicator constructed by the Netherlands Bureau of Economic Policy Analysis (CPB). In the field of quantitative assessment, as far as industrial output is concerned, two alternative mixed estimates are publicly available in Italy based on mixed sources. In the United Kingdom there is a monthly GDP indicator produced by a private institute NIESR providing a quantitative assessment of GDP growth. The Bank of Austria also delivers an assessment for GDP growth in the current quarter and the next (see information sheets in Annex 8 for information concerning indicators providing a quantitative assessment).

2.3.3 Comparative Assessment

General Comments. Generally speaking, whenever possible, interviewees appeared to prefer Commission co-funded surveys in their national versions to the version published by the Commission. They find that the data provided by participating institutes are more detailed, with regional and sectoral breakdown of data, and in some cases slightly more timely and they tend to use Commission sources mainly for cross country comparisons. As a result, especially in the private sector there can be some confusion on the fact that the national surveys of participating institutes and the Commission co-funded surveys are the same thing, at least in their harmonised parts. Again generally speaking (although with some notable exceptions in the financial community), interviews²⁵ have shown how alternative products both at the national and European level are not highly considered for several reasons (for instance, they are not perceived as sufficiently related with the business cycle, are considered less detailed, or perceived as less reliable or even methodologically obscure) and in some cases not even well known. At any rate, those who can afford the cost (i.e. not necessarily research institutes) tend to use all surveys available and cross check them to be reassured about findings, even if they use surveys just for qualitative purposes.

Surveys at European Level The Reuters PMI survey covers only three sectors (manufacturing, construction and services),²⁶ has a lower country coverage, is less timely and the access to the time series as well as to the detailed information is restricted to clients. There are mixed views on the PMI and based on results from fieldwork the survey seems to be more appreciated by European (although not necessarily all of them) and financial institutions than by national users and research institutes. This is due to the fact that PMI European data appear to some interviewees somewhat smoother than the BCS ones and financial institutions particularly appreciate the PMI modalities of release and impact on the media (after all financial markets react to financial news and to some extent level of interest becomes a self-fulfilling prophecy). Those who like the PMI also tend to like very much the diffusion index graph presentation used to make results more

²⁴ When the official data is released by the national statistical office: for instance, when the figure for September was released in November, the forecast covered the October-December period.

²⁵ In one notable case, a major competitor has reportedly commissioned market research among financial executives in the City of London that would broadly confirm these findings.

²⁶ Each of these surveys contain the following indicators: (i) <u>manufacturing</u> (PMI, output, new orders, export orders, quantity of goods purchased, input prices, suppliers' delivery times, stocks of purchases, stock of finished goods, employment, backlogs of work, prices charged); (ii) <u>service</u> (business activity, incoming new business, outstanding business, prices charged, input prices, employment, business expectations); and finally (iii) <u>construction</u> (total business activity, housing activity, civil engineering activity, commercial activity, new orders, employment, quantity of purchases, suppliers' delivery times, prices, business expectations, subcontractor usage, subcontractor charges, subcontractor availability, subcontractor quality.

understandable. Among national stakeholders and research institutes with a stronger econometrical orientation, not all the interviewees were familiar with the PMI surveys and those who knew them at the national level often did not use their results (some are unconvinced with sample size, and others find unreliable indications on the direction of business cycle²⁷). The Bloomberg PMI survey is too recent to be well known and to allow for a comparative assessment. It covers only the retail sector, has a lower country coverage and is less timely than the Commission surveys Also in this case the access to data is restricted. The Eurochambres and UNICE surveys are also not very much used and poorly known in the research community, at least for short term analysis purposes, probably due to their low frequency. Table 2.14 below summarises the results of the comparative assessment of the various products in terms of their perceived strengths and weaknesses.

	Timeliness	Sector	Country	Time	Frequency	Access
		coverage	coverage	coverage		
PMI Reuters	lower	lower	lower	lower	monthly	restricted
PMI	lower	lower	lower	lower	monthly	restricted
Bloomberg					-	
Eurochambres	lower	lower	lower	lower	annual	free
Unice	lower	lower	lower	lower	half yearly	free

Table 2.14 Surveys at European Level Compared with the Commission Surveys

Aggregate Indicators at the European level. The European indicator is known mainly in the research community and used in practice only by extremely sophisticated users. The indicator is perceived as difficult to understand and not particularly user-friendly by the non specialists. Moreover, it is less timely than the ESI. The access to time series is free and easy on the website. The OECD composite leading indicators are comparatively much better known and more widely used often as a complementary information source, and this has been also confirmed by the questionnaire survey where they were quoted as the most likely alternative indicators for the EU area. Users greatly appreciate that they are specifically constructed to give an early indication of the turning points, but they may also be too complex to understand for private sector customers. Their country coverage is lower than the ESI (not available for the NMS or candidate countries) and access to time series is free and easy on the website. The Conference Board indexes as well as the ECRI indicators have never been quoted by any interviewee. They are designed to provide signals about peaks and troughs in the business cycle. However, their country coverage is very limited (France, Germany, Spain and the UK for the Conference Board; these countries plus Austria, Italy and Sweden for ECRI). Moreover, they are less timely than the ESI and access to data is restricted to subscribers or to clients of a data provider. All other indicators are fairly unknown and used infrequently, but the PMI that is popular enough among users of the PMI surveys, but usually as a complementary indicator to something else rather than as a standalone product. Table 2.15 below summarises the results of the comparative assessment of the various indicators in terms of their perceived strengths and weaknesses.

	Timeliness	Country	Time	Frequency	Access
		coverage	coverage		
Eurocoin	lower	lower	lower	monthly	free
Oecd Cli	lower	lower	higher	monthly	free
The	lower	lower	higher	monthly	restricted
Conference					
Board					
PMI based	lower	lower	lower	monthly	restricted
composite				-	
index					
ECRI	lower	lower	higher	monthly	restricted
Coe	lower	lower	higher	monthly	restricted

Alternative national surveys. Kopint-Datorg is a very well known and frequently used business survey in Hungary.²⁸ It mirrors the joint-harmonised methodology, covers only the manufacturing sector and has a

²⁷ However as suggested by some interviewees, the PMI is not generally a good predictor of the turning points of the business cycle. Moreover, it is characterised by an extremely high volatility. A possible reason for this phenomenon (as suggested during an interview) is that the sample is too small and is not opportunely stratified from a statistical point of view. Therefore, few outliers are sufficient to alter the predictive performance of this indicator.

²⁸ According to some it is also the most reliable one: See Gabor Pula, Adam Reiff *Can Business Confidence Indicators Be Useful to Predict Short-Term Industrial Growth In Hungary* ? MNB Background Studies # 3, 2002. On the contrary, Papanek, Petz and Sulok

quarterly periodicity. In practice, access to data is reported as very difficult, although nominally for free. However, also access to Commission co-funded data is reported as extremely difficult.²⁹ A similar situation can be found in Poland where the RIED survey programme (5 sectors + consumer) implemented by the Research Institute of the Warsaw School of Economics is considered as extremely reliable and widely used³⁰. In Poland there is also a well known alternative consumer survey carried out by IPSOS. Again, data accessibility appears a problem area³¹ as well as methodological transparency in the case of RIED. In Slovenia, the alternative SKEP survey is reportedly preferred by certain Government sources.

In Germany the ZEW survey is very well known, also because it is released very early in the month. However, it appears mainly targeted at financial market needs and with an audience made of financial institutions themselves, because it is based on the expectations of financial experts and not firms. There are conflicting views on its effectiveness in assessing developments in the real economy. Access to ZEW data is free and easy through their website. Data can also be accessed through the main data providers. The only alternative surveys for France seem to be those carried out by the Bank of France. Although these surveys have been hardly ever quoted by the interviewees, there have been cases where they have been recently used to supplement structural break-downs in INSEE data. The periodicity is monthly for industry, services and retail, quarterly for construction and wholesale trade. The surveys are less timely than those co-funded by the Commission. The access to times series (for manufacturing and retail sector only) is free and easy through their website. Some results are also provided by DataStream. The results provided on the Bank website seem to be more detailed, at the sectoral level, than those provided in the press release by INSEE in the website (where the access to time series however is not for free).

In the United Kingdom, there are a lot of surveys but only the official ones (co-funded by the Commission) are reportedly deemed reliable, quoted in the literature and commonly used by researchers. The alternative Mori consumer survey is frequently quoted but based on one question only. However its access is free and easy online (the time series is available also through Bloomberg). In the case of the co-funded surveys, only the press release (which does not report time series) is for free and the rest is at a cost. The BCC survey and the Institute of Directors survey provide details by firm size and region but have a lower frequency. Moreover, access to results is restricted. In Spain several alternative surveys have a regional focus. To our knowledge. only two are carried out at national level. However, they are relatively too recent and do not seem to be well known. Since 2003 in Italy a monthly consumer survey has been carried out by a private institute. However, the survey only provides a confidence index and does not seem to be updated on a regular basis. Moreover, it is less timely than the co-funded survey although data are free online. The Bank of Italy carries out another bi-annual survey the business sector (manufacturing and services) and is mostly known for the results concerning investments (the co-funded one covers only the industrial sector). Some results are shown in the Italian version of two free publications (Annual report and Autumn Economic Bulletin). In the case of the cofunded surveys, only the press release (which does not report time series) is for free and the rest is at a cost. As far as the PMI surveys are concerned, their characteristics have already been underlined. Their presentation is often appreciated. However, they are less timely than the co-funded surveys and access to data is restricted to clients. Table 2.16 below summarises the results of the comparative assessment of the non EU-funded various national surveys in terms of their perceived strengths and weaknesses compared with the joint-harmonised ones.

	Timeliness	Sector coverage	Time coverage	Frequency	Access
Germany - ZEW	higher	whole economy	lower	monthly	free
France - BANK OF FRANCE	lower	industry, market services, construction, retail trade and wholesale	lower	partly monthly	free

Table 2.16 Survey at Member State Level Compared with the EC Funded Survey

³¹ Access to IPSOS survey data is possible through Bloomberg therefore not for free.

⁽²⁰⁰⁴⁾ show in a paper aimed at assessing the GKI Co.'s forecast, that forecasts based on information drawn from business surveys are quite reliable in Hungary. However, it seems it was the biannual "regional" survey of the Chambers of Commerce the first detecting a turning point in the Hungarian economy last year and this was given extensive media coverage and World Bank attention.

²⁹ GKI shows only some aggregate indicators in the English version of its website while publications are based on subscriptions only.
³⁰ For example, Matkowsky (2002) presents a set of composite indicators of economic activity for Poland based on qualitative data from these surveys. These time series are referred to the period 1994-2001. This paper finds that statistical indicators obtained from business and consumer surveys are quite good predictors of business cycle, when this latter is measured in terms of GDP or industrial production index.

	Timeliness	Sector	Time	Frequency	Access
		coverage	coverage		
	la an	trade	Le co		6
Italy - IBEF	lower	consumer	lower	monthly	free
Italy - BANK OF ITALY		industry excluding construction, private sector non financial services			free
Spain – Consejo superior de Camaras de Comercio	lower	industry, construction, retail, tourism and hotel, other services	lower	quarterly	free
Spain – Instituto de Crédito Oficial	lower	consumer	lower	monthly	free
United Kingdom - Bcc	lower	manufacturing and services	lower	quarterly	restricted
United Kingdom - Institute of Directors	lower	manufacturing, construction, services, distribution, government	lower	quarterly	restricted
United Kingdom - MORI	lower	consumer	lower	monthly	free
Denmark PMI	lower	manufacturing	lower	monthly	restricted
Sweden - PMI	lower	manufacturing	higher	monthly	restricted
Hungary -PMI	lower	manufacturing	higher	monthly	restricted
Hungary - KOPINT DATORG	lower	manufacturing	higher	quarterly	Free
Poland - IPSOS	higher	consumer	higher	monthly	restricted
Poland - RIED		industry, trade, agriculture, construction, banking and households	higher	partly monthly	restricted
Slovenia - SKEP	lower	manufacturing, construction, services	higher	quarterly	restricted

Alternative Aggregate Indicators at the National Level. At the national level, the indicators from participating institutes are used, as a rule. They are much better known than the Commission's BCS, are generally deemed as more reliable and in some cases have longer time series. Some of the alternative indicators constructed by other institutes, shown in Table 2.17 below, have leading properties. However, they are little known and, as mentioned above, access to data is not easy in some cases. As far as indicators providing a quantitative assessment of GDP or industrial output are concerned, in Italy, monthly estimates of industrial output produced by REF (a private research institute) and by CSC (the research department of the employers association) are less timely and have a lower forecast horizon than the ones produced by ISAE, the participating institute. In the United Kingdom the NIESR monthly GDP growth estimate produced by NIESR is only slightly more timely than the official GDP data. Also the estimates provided by Bank of Austria are timelier than the official GDP data.

Table 2.17 Indicators at Member State Level Compared with the Economic Sentiment Indicator

a) produced by participating institutes

	Timeliness of release	Length of Series	Frequency	Access
Belgium- National Bank	higher	higher	monthly	free
Bulgaria- NSO	higher	higher	monthly	partly free
Czech Republic – CSO	higher	lower	monthly	free
Estonia – Eki	higher	lower	monthly	free
France – Insee	higher	higher	monthly	partly free
Germany - IFO	higher	lower	monthly	free
Hungary – GKI	lower	same	monthly	free
Portugal - INE	lower	lower	monthly	partly free
Slovakia – Statistical Office of the Slovak Republic	higher	lower	monthly	free
Slovenia – Statistical Office of the Republic of Slovenia	higher	same	monthly	free
Sweden – Statistics Sweden	lower	lower	quarterly	free

b) by other sources

	Timeliness of release	Length of Series	Frequency	Access
United Kingdom - NTC-Bank of Scotland	lower	higher	monthly	restricted
Italy - BANK OF ITALY	lower	higher	monthly	not disseminated
Portugal -Bank of Portugal	lower	higher	monthly	free
Greece -Bank of Greece	lower	lower	monthly	not disseminated
Netherlands – Bank of Netherlands	higher	higher	monthly	restricted
Netherlands - CPB	lower	higher	monthly	not disseminated

c) indicators by participating institutes providing a quantitative assessment

	Timeliness compared to statistical reference series	Timeliness Compared to ESI	Frequency	Access
Sweden – Activity index	higher	lower	monthly	free
Italy – ISAE Industrial output growth	higher	higher	monthly	free
Finland – Monthly GDP	higher	lower	monthly	Free

d) indicators by other sources providing a quantitative assessment

	Timeliness Compared to the reference series	Timeliness Compared Esi	Frequency	Access
United Kingdom NIESR Monthly GDP	higher	lower	monthly	partly restricted
Italy - CSC Industrial output growth	higher	lower	monthly	free
Italy - REF Industrial output growth	higher	higher	monthly	partly restricted
Austria -Bank of Austria GDP indicator	higher	higher	quarterly	free

To sum up, on average, the alternative products we have taken into account so far do not seem to perform particularly better than the Commission's products at least in the light of users mainly interested in macroeconomic surveillance. One paradoxically conclusion is that for the time being, the strongest "competitors" of the BCS Programme at the national level are the participating institutes themselves with their national versions. However a notable exception is the financial sector where surveys better marketed and with a strong echo in the media, such as the PMI and the ZEW, are widely appreciated and enjoy a very good reputation.

2.3.4 Reasons for Non-Use of Surveys Among Research Institutes and Other Users

Non-use of the Commission-funded surveys is a relatively rare phenomenon and hardly ever extends to nonuse not even for qualitative purposes, unless a given user (usually a private company) finds that data are not disaggregated enough for its marketing purposes. Fieldwork has shown how alternative products are generally employed together with the BCS and how only in a limited number of instances users have radically preferred alternative surveys. When this kind of non-use occurs, the reasons for using alternative products include: 1) they are deemed more reliable; 2) their time series are longer; 3) researchers are given a deeper insight of results and then can interpret findings better. So far this seems to happen mainly in the NMS, where some of the new participating institutes have not always fully convinced the market that they can deliver the best results and they are still dealing with fierce competition in a relatively fluid market. In some cases, quite banally, non expert users prefer alternative quarterly surveys, because they are obviously perceived as less volatile.

Some other less common reasons for non-use for quantitative purposes is an *a priori* preference for hard data, or due to practical reasons when these are released very early in the month (this can happen particularly with retail). Some rare cases have been detected of users trying to mimic the way quarterly data are built. Another reason is the lack of familiarity with the techniques that might be used to extract information from the survey. In this latter case there is a tendency to indirectly use survey results "processed and digested" by other institutes and organisations. Finally, surveys are not employed for quantitative purposes when their time series is too short or when users just need to carry out long term forecasts on a quarterly or biannual basis.

2.3.5. Summary Conclusions

There are very few alternative products at the European level and none share the features of the Commission's Business and Consumer Survey Programme in terms of either country coverage or frequency. The closest product to the BCS is the PMI survey programme that offers results for the Euro zone with a timeliness and reliability broadly comparable to the BCS, but at a substantial cost for end users and with much shorter time series.

There are diverging views on the user-friendliness of PMI data when compared to the results published by the Commission. Evidence from the evaluation shows that the BCS is preferred by Government forecasters and researchers, while the PMI is more frequently used in the financial sector, because of its visibility in the media and impact on financial markets. There are a number of alternative surveys at the national level, but these are rarely viewed as substitutes to the BCS by professional users in terms of scope, reliability, timeliness, cost and usability. The only exception is represented by the New Member States where instances can be found of surveys running in parallel with the BCS and where competition is still open among users in deciding which the best performer is, because most of these countries have hardly experienced a business cycle without undergoing radical reforms of their economies. Conversely alternative indicators at the national level, when available, are generally preferred to Commission indicators, because they are considered more tailored to the features of the different economies.

It very infrequently happens that major organisations and forecasting institutes are not users of the surveys, since these institutions tend to use all sources of information available and to cross-check them. When only some survey sources are used (again with the notable exception of some New Member States) it is generally the BCS ones that are by far preferred to other sources than vice versa. When surveys are not used for quantitative purposes it is mainly because timely hard statistics are available, as some users tend to have a preference for facts rather than opinions. Researchers' academic backgrounds and schools of thought also play a role in the degree of preference for hard data.

2.4 THE LIKELY CONSEQUENCES OF DISCONTINUING EU CO-FINANCING

Evaluation Question 4:

What would be the likely effects of a decision by the Commission to stop co-financing the data collection work of participating institutes and organisations: 1) For the survey work of the participating institutes and organisations? 2) For users of harmonised EU-level and euro area data? 3) For users of MS-level data?

2.4.1 Definition of Key Terms and Concepts and Underlying Key Issues.

The assessment of the possible consequences of the discontinuation of EU co-financing is a prospective question which of course has no single definite answer, as there are several variables that can possibly influence the behaviour of the various actors if such a scenario were ever to become reality. Therefore this question has been approached by highlighting the most likely factors that could influence the outcome of such a process and, at the same time, realistically considering that the genuineness of the answers given in interviews and questionnaires could have been biased by the evident conflicts of interest or other strategic considerations several respondents had, either as recipients of funds under the current financing scheme or as potential providers of funding if the present scheme were discontinued.

Effects on Participating Institutes. Discontinuation of EU co-financing could imply a reduction in the scope of existing national surveys or their discontinuation in their harmonised form. To this end, it is necessary to understand whether other national institutional sources could be potentially available to provide financing support while allowing some degree of accessibility to results. Potential contributors include national banks, Ministries and other Government agencies, statistical offices and national business associations. As an alternative the participating institutes could rely purely on market sources.

Effects on Users of Harmonised EU-level and Euro Area Data. First, MS can continue producing a subset of national survey data, but their aggregation into composite indexes could then take place in international organisations (such as the OECD) through other standardisation techniques. Secondly, the BCS Programme could be made mandatory under the responsibility of EUROSTAT through an ad hoc statistical regulation. Finally, it could be imagined the joint harmonised program is replicated at the EU level on a purely market basis with the same level of statistical detail. When it comes to effects on MS end users, it is evident in the different MS there could be different effects in terms of availability of series and access to data.

2.4.2 General Remarks

Interviewees largely felt that the policy argument sometimes voiced in the literature, (that, if the EC is somehow given some direct responsibilities in managing fiscal policies, for instance through various broadly "cycle-related" budgetary mechanisms then it should discontinue activities in the field of BCS because policymakers should never be data producers) is largely theoretical. This position was actually shared in a very limited number of cases but mainly as a principle, and the more widespread feedback during the interviews was that EC independence would not really be a practical issue.

2.4.3 Consequences for Participating Institutes

Likely Reactions. As shown in Table 2.18 below, according to participating institutes themselves, the lack of any EC support to survey activities at the national level would result in the discontinuation of activities in an estimated roughly 16% of cases. On the contrary in a very limited number of cases (8%) Commission support could be considered as practically redundant insofar as participating institutes would be able to find alternative public sources of sponsorship without the need to have recourse to the market.

Table 2.18Participating Institutes' Assessment of Likely Scenario if Commission Support Were
Discontinued at the National Level

We would have to discontinue them altogether	We would have to reduce the size & scope of surveys	We would continue producing the same set of data but with further restrictions on accessibility due to the increased need to sell data	We would probably find other public sponsors able to ensure the same degree of public accessibility as today	Don't know / Don't want to answer to this question
6	12	5	3	11

Source: Participating Institute Questionnaire. - number of responses per category

When asked what they would do if EC co-financing were discontinued, participating institutes have replied with three different patterns of answers. There are participating institutes that 1) would take action on certain specific surveys only, 2) would achieve savings by changing some survey features (sample size, frequency, implementation modalities etc.) common to all (or almost all) the surveys and finally, 3) others claim they would react with a combination of both approaches. As shown in table 2.19 below participating institutes that have replied to this question (some 20 of them) would undertake i) survey specific actions targeted (in the majority of cases) at the consumer and construction surveys when it comes to reducing the number of questions asked and their frequency, ii) implement the surveys using less expensive survey modalities including sample size (mainly industry and investment) or iii) would simply drop the survey (typically construction). The retail and the service surveys would be specifically addressed in much lower number of cases. It is interesting to note that if "only as a last resort measure" answers are included, the consumer survey is the most likely target in three categories of action out of five. It is understood that the strong preference given to reducing the industry survey sample size depends on the fact that it very frequently happens that the survey has a very large sample at the national level to provide regional and sectoral breakdowns of data that can be sold on the market.

	Industry	Construction	Retail	Service	Consumer	Investment
Drop the Survey Altogether	1	3	2	1	1	2
Only as a last resort measure	3	5	4	5	8	7
Drop Some of the Questions	4	5	2	1	8	4
Only as a last resort measure	4	6	5	6	4	4
Reduce the Survey Frequency	4	10	6	7	7	6
Only as a last resort measure	3	2	1	2	2	3
Reduce the Sample Size	8	5	4	6	3	7
Only as a last resort measure	2	3	3	3	5	1
Change Survey Modalities	5	5	2	3	4	6
Only as a last resort measure	2	1	1	1	4	1

Table. 2.19 Likely Countermeasures in case of Commission's Discontinuation of Financial Support

Source: Participating Institute Questionnaire. - cumulative number of responses per category

Among the various categories of action possible, roughly half of respondents acknowledge there are savings to be made in the way surveys are implemented or would move towards smaller sample size and a lower degree of statistical significance in the answers (thereby broadly following the PMI model whose samples are noticeably smaller than the BCS ones). In particular, a substantial number of respondents would primarily move towards less frequent surveys accompanied in some cases by a reduction in sample size. It is interesting to notice how few participating institutes would be willing to free up resources currently devoted to their non harmonised surveys (Table. 2.20) to make up for the lack of EU co-financing.

Table. 2.20 Likely Consequences of Commission Discontinuation of Cofinancing on the Other Non-Harmonised Surveys

Type of action taken	Drop some of them	Drop only some parts	Reduce their frequency	Reduce the sample size
	2	5	1	4
Only as a last resort measure	4	1	4	1

Source: Participating Institute Questionnaire. - cumulative number of responses per category

When asked about their own organisation's willingness to pay for the surveys, most questionnaire respondents have been very negative (see Table 2.21) and only few central bank staff have been willing to admit a possible partial contribution. However, when directly interviewed, the same categories of respondents proved much more positive in stating that surveys would continue because other national public sponsors would certainly be found. A certain consensus could be found among both participating institutes and national stakeholders that in the large majority of cases, market and private sponsorship sources alone would be unlikely to allow for continuation with the present level of quality and detail. Private clients and the media would pay for lower quality surveys, as they do already. It is unclear whether public participating institutes would substantially cut the amount of resources they presently devote to research on the surveys, which in some cases is not negligible.

Table 2.21Assessment of Your Own Organisation's Willingness to Pay for the Survey Program if
the Commission discontinued Co-financing

No, I don't think so	Probably yes, but only in part	Probably yes, in full	Don't know/ Don't want to answer	Left answer blank
14	2	0	14	1

Source: Stakeholder Questionnaire - number of responses per category

2.4.4 Consequences for European and Euro-Area Users

From what is reported above, it appears that the consequences of discontinuation of EU co-financing would be by far the most serious for EU and Euro-area users. It seems extremely likely that each participating institute would react in a highly country specific way and as a result, comparability and aggregation would be lost for a significant number of series. Currently there does not seem to be enough "willingness to pay" at the national level for EU level data to spontaneously ensure harmonisation through "pressure from below" although evidence from interviews shows this demand is increasing, especially among research institutes. The case can be made that such pressure is certainly growing faster in the countries within the Euro-area, which is the economic aggregate most users have interest in making comparisons with, but, whether such pressure would be enough remains for the time being a matter of speculation. A notable discrepancy has been found during fieldwork between the political importance attached to having European/Euro area data available and the willingness to pay for them.

Most interviewees, especially among national stakeholders, have reacted to the issue of the possible discontinuation of EU co-financing with a certain incredulity, as if the question were highly speculative and the resulting scenario extremely unlikely. In the majority of cases respondents did not truly believe European institutions could ever have the political willingness to discontinue support to the BCS Programme, as the matter is deemed likely to elicit immediate reactions at the political level in the Council or among central banks. As a matter of fact, the same interviewees usually appeared to understand the question as if it were a mere EU technicality and took for granted that the programme would continue at any rate as a EUROSTAT or ECB³² initiative regardless of the consequences this could have in terms of financing at the National or EU level. The bottom line for many interviewees was that if the Commission ever had to discontinue financing, something would have to be done to allow regular continuation of activities and governments or Bank governors would have to step in to ensure this happens as smoothly as possible. At any rate, this alleged political support would not necessarily cover all the surveys in all the countries or be targeted at the present participating institutes. If one looks at questionnaire results (see Table 2.22) what seems to be certain is that there is a generic willingness to have the EU series continued by some EU level or International organisations, or even, although uncertainties are higher in this case, through a mandatory statistical regulation.

Table 2.22 How Stakeholders Would React IF the Commission Discontinued BCS Financing

QUESTIONS	Yes	No	Don't know	Left blank
Would you feel the need to have the joint-harmonised series continued by another International or European organisation (e.g. the ECB, the OECD)?	19	8	4	0
Would you support making the BCS programme mandatory under the European statistical regulation and the supervision of EUROSTAT?	17	6	7	1

Source: Stakeholder Questionnaire - number of responses per category

However, practical difficulties are also often underestimated by interviewees. Those who think or even take for granted that central banks and the ECB in particular would have to step in to ensure continuation of activities are not necessary aware of the ECB's statutory constraints that would reportedly hinder such possibility. Much in the same tune, regulation of surveys through a kind of EUROSTAT output-regulation would require a careful assessment of the legal status that surveys currently have in the various MS, irrespective of any diverging opinion users might have on the compatibility of such a regulatory framework with a lean and flexible management style to ensure timeliness of results. On the other hand, supporters of the regulatory solution insist this would be the best way to ensure real methodological homogeneity across Europe, as well as to ensure a stable financial framework once and for all.

2.4.5 Consequences for National Users

Based on the evidence collected from various sources it is relatively easy to conclude that consequences for National users would be very country specific and would also depend on the perceived likelihood of finding complementary sources of co-financing, through sponsoring or other market sources. There are significant differences in the way questionnaire respondents and interviewees mainly interested in macroeconomic surveillance purposes would react to any cut in resources when compared to the possible reaction of participating institutes themselves (Table 2.23). First of all, users are much more likely to acknowledge there can be redundancies in the questionnaires and tend to propose first of all a reduction in the number of questions asked. Secondly, they are much more likely to single out the construction survey as a sacrificial lamb where savings can be made. The retail and consumer surveys are second candidates. There is a relatively strong consensus to keep the sample size as large as it is today and not to decrease the survey frequency. All in all, it can be concluded that respondents and interviewees are not sufficiently informed on survey modalities to give an informed reply on the subject.

³² To this aim a remarkable discrepancy could be noted between the widespread perception among interviewees that central banks in general (and therefore the ECB in particular) are the institutions with the strongest practical interest in having timely homogeneous survey data available at the European level and that therefore, they would have to step in to ensure continuation of activities and the reported ECB's own statutory constraints that would hinder such possibility.

	Industry	Construction	Retail	Service	Consumer	Investment
Drop the Survey Altogether	0	3	2	2	3	4
Only as a last resort measure	1	1	1	1	0	0
Drop Some of the Questions	6	8	8	10	10	6
Only as a last resort measure	3	1	3	2	2	3
Reduce the Survey Frequency	5	9	9	6	5	6
Only as a last resort measure	2	3	3	3	2	0
Reduce the Sample Size	4	4	4	4	3	4
Only as a last resort measure	4	2	4	4	3	2

Table 2.23 Ideal Countermeasures in case of Commission's Discontinuation of Financial Support

Source: Stakeholder Questionnaire. – cumulative number of responses per category

2.4.6 Summary Conclusions

The effects on participating institutes would be highly varied across Europe also depending on participating institutes' nature and experience in the market and the availability of alternative sponsors at the national level and other market sources. Reactions would be very survey and country-specific and in a very limited number of cases would lead to discontinuation of survey activities.

The reaction at the Euro-area is likely to be much stronger than in the rest of the EU. This reaction could take shape in several forms: requests to the ECB to step in or requests to have the matter settled by a regulation. Each option would have different practical and legal difficulties in implementation (the ECB statutory constraints, the legal difficulties in agreeing a regulation, etc) substantially slowing the process or bringing it to a standstill. As a result, there would probably be strong political pressure on the Commission to step back from its decision, at least until these difficulties are solved. There is convincing evidence that Commission co-financing provides European added-value in that European harmonisation and the possibility of aggregating homogeneous data at the European and Euro-area level would be lost and participating institutes would not take the same measures as end users would do to make savings. This means that co-financing provides financial incentives for participating institutes to perform activities requested by Government users and researchers would not spontaneously undertake if purely driven by market forces.

A few (mostly large) countries would be in a position to continue the joint-harmonised approach with some minor amendments and savings, but in several MS (particularly among small countries) there would be strong pressure to cut parts of the programme or modify it substantially. Such a decision would therefore also be likely to spur a notable vocal reaction at the national level in Government circles and in the end there would be considerable pressure to have the programme continued as a European homogeneous and comparable initiative either at the level of central banks, especially in the Euro area, or through a Eurostat regulation.

2.5 EFFICIENCY AND ALTERNATIVE CONTRACTUAL ARRANGEMENTS

Evaluation Question 5:

To what extent are the survey activities efficient in respect to the relationship between their implementing costs and outputs/effects? What would be the gains/losses in terms of efficiency of implementing the following alternative arrangements: 1) instituting a contract-based approach with participating institutes and organisations instead of the current grant-based set-up; 2) Instituting a single centralised survey at EU level in place of the current decentralised national level set-up where the Commission coordinates data collection and harmonises the results

2.5.1 Definition of Key Concepts and Underlying Key Issues.

General Efficiency. In the economic literature, some recent studies³³ have questioned the value for money of the BCS with specific reference to the total \in 16 Mn cost of the joint harmonised programme (2004 figures) inclusive of the \in 11Mn national co-financing and of the \in 5Mn Commission grant support³⁴. The argument runs that timeliness of data would not be enough of a justification per se to have these surveys implemented,

³³ See first and foremost, A. Lemmens, C. Croux and M.G. Dekimpe, On the predictive content of production surveys: a pan-European study, Department of Applied Economics, Leuven, Belgium, 2004, also explicitly quoted in the terms of reference for this exercise.
³⁴ The total cost of the programme should also include the cost of the dedicated DG Economic and Financial Affairs 7 permanent staff members.

unless they also have convincing leading properties. Since a detailed breakdown of cost per survey is not provided by participating institutes and detailed budgetary information available is presently very limited, the assessment of efficiency has had to be made based on very indirect proxies. In fact, major limitations have been found in carrying out a thorough analysis of efficiency not only because there is no breakdown of costs per survey and per country, but also because a reference benchmark for such an analysis is not available. The cost of alternative surveys is not known and there is no information also on the cost of improving the timeliness of release of hard statistical data. Moreover efficiency considerations would not necessarily make sense on standalone surveys, but all considerations on value for money should take into account the cumulated total investment needed to build a series.

Contract-based scenario. It has been assumed that in a contract-based scenario the Commission would bear the full costs of the surveys although this would be in their limited harmonised form and without the extra "national" questions. It would achieve the full copyright on data including probably the possibility of publishing results earlier and in their full format. Whether data are to remain a public good or not then is a discriminating point in terms of efficiency. In fact, through a contract-based system, the Commission could recover part of the extra costs by reselling results. However, this would no longer be a pure efficiency assessment, as the provision of information as a public good underlies a judgement of value. Discontinuation of national series can represent further possible obstacles. The evaluation will not enter into considerations on the legal feasibility of such an option.

Centralised survey scenario. A centralised survey scenario would allow obvious economies of scale in sampling but would also result in the loss of national details. Apart from possible resistance (due to the same reasons already detailed above: possible discontinuation of well-established national series, etc.), one of the strongest methodological arguments against such a scenario is that valuable information would be lost during the process. Some economists maintain the EU or Euro-area GDP growth can be better estimated by aggregating 4 to 6"key" GDP estimates than by estimating the EU/Euro-area on its own, as valuable information would be lost by "smoothing" data at the aggregated level. Much in the same vein, centralised data would not necessarily allow an appreciation of so-called GDP asymmetric shocks hitting some countries more than others.

2.5.2 General Efficiency Considerations

Given the existing limitations in analysis, efficiency has been considered in terms of generic broad principles and, more specifically, as a second-order consequence of limited or unconvincing effectiveness in terms of use. In other words, it has been assumed that an instrument which does not appear fully effective or widely used is unlikely to be efficient even if little or nothing is known on the detailed costs of its production process.

Efficiency in Data Production. There is no detailed information available on the survey modalities implemented by participating institutes and their costs. However, in both interviews and questionnaire results there was some indirect evidence from participating institutes themselves that the survey modalities adopted in each country are not necessarily the least costly, and that savings could be made at least in some cases (see also paragraph 2.3.4 above). However, a detailed assessment of the trade-offs between these savings and resulting possible decrease in data quality, would require a very detailed audit of the processes followed by participating institutes which falls outside the scope of this exercise. There is an obvious principle of diminishing returns and it appears very likely that data quality do not increase proportionally with more costly survey modalities, but, apart from sampling, no definition has ever been made of the minimum quality standards that have to be complied with. Some expert users among interviewees had the impression that participating institutes deliver different quality data because of the different costs of the techniques adopted, but these were educated guesses unsubstantiated by evidence.

Efficiency in the Light of Use. The argument used by critics of the BCS Programme that the lack of clear leading properties in the surveys means that they do not justify their cost has not been confirmed by the fieldwork. First of all, questionnaire results show that end users perceive effectiveness, and therefore efficiency as related to a more complex set of quality factors different from leading properties. On the contrary, since there is a clear demand for monthly information for macroeconomic assessment purposes, it cannot be abruptly concluded that the total \in 16 mn budget of the joint harmonised programme is *per se* not an efficient use of resources unless one considers the alternative cost of improving nowcasting and the assessment of the growth cycle through other means, in particular more timely and more consistent delivery of hard statistics. In fact, one of the most convincing arguments that can be heard in favour of a prospective stronger involvement of EUROSTAT in the BCS Programme lies exactly in the need to better co-ordinate efforts and possibly avoid waste of public resources in order to bring Europe closer to a set of statistical data comparable to the US. Practical synergies are evident from the statistical point of view in co-ordinating the

various possible instruments irrespective of any legal status the surveys are given based on their claimed voluntary or compulsory basis.

All other efficiency considerations are indirectly possible as a result of analysis of use and presumed effectiveness taken as rough proxies of users' willingness to pay. For instance, both the interviewees and questionnaire participants (see Fig. 2.24 below) confirm there is very limited use of the World Economic Survey and interest in its results, which can be regarded as a good proxy of a limited willingness to pay. Although the very few users can be fairly enthusiastic about the survey (one interviewee even said results can be used in a quantified form to anticipate world cycle trends) and overall average appreciation is that use of results appears very limited both within and outside the Commission including institutes that are polled by IFO to have their estimates. Moreover, since the full set of results is available on a subscription basis, those who are interested in them could easily buy the report as a separate fully market-based product without any form of public support. Since it seems the publication of the World Economic Survey could probably continue even without EU co-financing, one would be led to believe that the efficiency argument for co-financing it under the BCS Programme is not straightforward, especially given the fact that the EC itself, if interested, could buy the data as an ordinary client

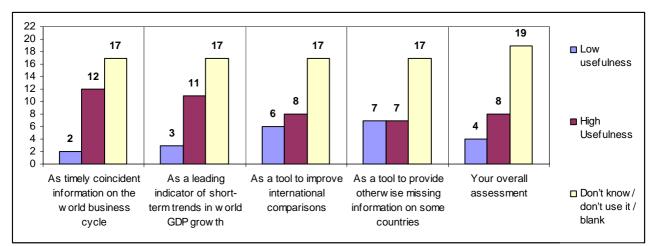


Figure 2.24 Use of the World Economic Survey

Source: Stakeholder questionnaire - number of responses per category and average.

A similar case could be made also for the investment survey, which in its presently underused biannual form does not appear extremely efficient in terms of use of results (see Fig. 2.25). However, it is unclear whether more investment in terms of resources would result in better results. This is because a higher frequency would also involve problems with sampling and it might be difficult to elicit information on such decisions a quarterly basis. Finally, both the questionnaires and interviews with expert users point to the existence of possible redundancies in the questions asked in the questionnaires. The reduction of such overlaps would leave room to some potential increases in efficiency. However, this statement needs to be substantiated through a more detailed statistical analysis of correlation between series.

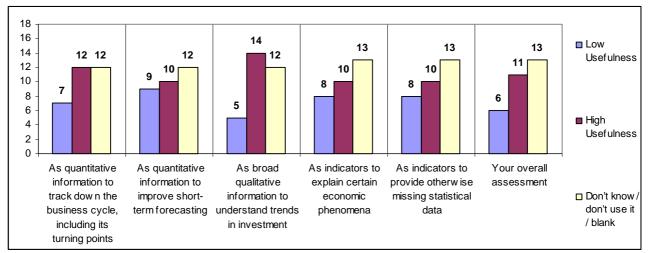


Figure 2.25 Survey Effectiveness for Macroeconomic Surveillance Purposes – Investment Survey

Source: National stakeholder questionnaires - number of responses per category and average of answers

The Survey Programme as an Investment. Any methodologically appropriate cost-benefit analysis of the survey programme needs to consider the surveys not as a current cost, but as an investment yielding results over a certain period of time. It can be easily concluded that for the first 3-4 years of their existence, surveys actually do not produce any output at all that is perceived of any value by end-users. In fact, end-users have more stringent criteria to attach value to economic series than is perceived by participating institutes. As an average, respondents to the stakeholders' questionnaire have indicated that as long as 7 years (i.e. roughly speaking what is empirically considered as a business cycle) are needed before a survey series can be used as compared with the participating institutes' estimate that on average some 5 years are needed to produce valuable results. Evidence from interviews shows that the more econometrically oriented the users are, the longer the period of time theoretically needed to produce testable results. The more econometric-oriented purists that have followed the results of Prof. Granger's studies on the business cycle (a non negligible subset in our small sample of interviews) maintain that at least 2 business cycles (i.e. an estimated 14-15 years) are needed to really appreciate the value of results and start using them and such responses were also found in the questionnaires. In contrast, a few others maintain that when the structural features of the economy radically change, data are no longer comparable. This leads some to believe that 30-year old data have really no use.

Because of the cumulated investment nature of the BCS Programme. some interviewees maintain that: 1) the Commission does not maximise the value of the programme by publishing data only from 1985 onwards³⁵; 2) any modification (including improvements and new information needs) implying a structural break in the series represents a potential huge cost and ways should be found to reduce potential damage; 3) any contract mechanism is not really suitable to manage the programme to the extent that the selection of new participating institutes may result (as some say as sometimes happened in the past) in structural breaks destroying informational value that goes well beyond any possible increase in efficiency.

2.5.3 The Contract-Based Scenario

Broadly speaking, there could be 3 main reasons behind the decision to move away from the present "grant co-financing" scheme towards a "contract for service" scenario: 1) to achieve a top-down harmonisation effort through mandatory contractual clauses that would be speedier than the present bottom-up management-by-consensus harmonisation process including better supervision of survey implementation; 2) to obtain a clearer data publication policy; 3) to have improved visibility and timeliness of release of European data. However the budgetary consequences of this decision could be important. Even if it is assumed that some cost savings could be achieved by cutting national samples aimed at providing regional details or by increasing competition, the lack of national co-financing could roughly mean that the present Commission budget for the surveys will have to be doubled if the same level of national detail is to be maintained.

Consequences on Harmonisation. Needless to say, any contract for service commitment would make (at least on paper) programme management speedier and smoother by avoiding lengthy negotiations and the need to reach consensus-building. In reality, there could be other less costly means to achieve the same

³⁵ Actually in 1985 a major methodological change occurred, so that according to Commission services data before and after 1985 are not really comparable.

objective, possibly through reputational tools, a prospective output regulation, or input harmonisation guidelines. A potentially important risk of the contract approach would be that by removing the participatory management approach, any incentive that participating institutes have in developing the programme and refining its methodology would be lost. This would kill the cross-country fertilisation process of best practice experiences through which the programme has developed in the past (see the bibliography in **Annex 3** to have recent examples of this) and would presumably leave the burden of developing it to the Commission itself, who would have to seek intellectual contributions for developing ideas through other means, and possibly at an additional cost. All in all, results from fieldwork do not show strong consensus for moving to a contractual approach just for these reasons. On the contrary, they emphasize the appropriateness of alternative instruments (publication of metadata, regulation, etc.) to tackle potential problems in this area.

There are diverging value judgments on the appropriateness of the contract instrument to manage the surveys. As Figure 2.26 below shows, the argument that because of their potential sensitiveness the publication of BCS results should be put under some kind of public supervision and cannot be left to the free market as this would not provide enough reputational incentives remains highly controversial. Broadly speaking, a cultural division between Southern and Northern Europe can be noticed, with respondents in Southern Europe much more likely to object to the appropriateness of having the surveys carried out by private institutes on a purely contractual basis without any kind of public supervision from Statistical Offices or other Government-controlled bodies.

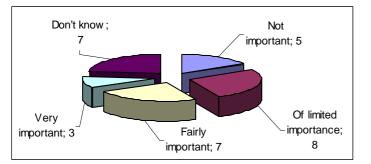
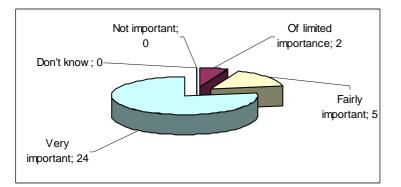


Figure 2.26 The Importance of Public Supervision of BCS Data

Consequences on Data Availability for the Public. . The present grant mechanism has indeed created a very confused situation as far as publication of data and copyright rights are concerned. Results from both interviews and the questionnaires (see Table 2.27 below) show that there is considerable support for the idea of considering survey results as public goods, although interviewees present varying reasons for this. Many interviewees simply thought that survey results should be made available to the public simply because they are being publicly funded while more sophisticated arguments point to the importance of ensuring equal access to information for financial markets (although in practice this principle covers information which is already made available). It seems a broad agreement can be reached (also with participating institutes) on the principle that data with a possible direct macroeconomic utilisation should be made freely available to the public, while more detailed sectoral or regional breakdowns more for interest for marketing purposes can remain private market information.





Source: Stakeholder Questionnaires - number of responses per category

Source: Stakeholder Questionnaire - number of responses per category

A potentially subtler issue is represented by the problems that restrictions on data publication might create for the research community and for the use of data for research purposes. Although the full set of BCS data is reportedly available from the EC for research purposes upon request, during fieldwork a few cases have been reported of uncertainties about availability of data / right to publish results that have apparently *de facto* hindered the development of potentially interesting research. On one hand, it seems that not many researchers are necessarily aware of this possibility, nor are they aware of the amount of information potentially available. On the other hand, when they are aware, the fact that this information is not in the public domain, sometimes copyrighted by participating institutes or otherwise not easily available, represents for them a negative incentive to carry out research that could not be easily verified and refereed by peers. Finally, according to private sector users, freer accessibility of data would also have an impact on the market. As an interviewee from a financial institution mentioned regarding competition with private standards, if a clearer and wider set of BCS data were made available, everybody would use them, and as a result, everybody would have to use the same data others use and this would compensate the competitive advantage other sources have in their relations with the media (according to some interviewees in the financial industry the PMI has been intensively "pushed" by some media).

Consequences on Visibility. When asked about the contract for service scenario, some interviewees understood this hypothesis was formulated mainly as a way of improving the BCS and EC visibility in the media. It was thought that a contract would allow the Commission to finally release European data before any set of national data, therefore substantially increasing the visibility of the programme among the public at large. This understanding prompted some to say that a contract for service would not be necessarily needed for this purpose, as nothing impedes the achievement of the same results through a grant agreement clause explicitly stating a "first Europe" clause similar to the approach followed with the Flash GDP estimates release, where national data are released after the European ones. The overall argument appears questionable from many points of view. First of all, it is not clear why the Commission should be so interested in increasing the visibility of the programme in the media and in the financial markets, while its visibility among the main target population: experts interested in macroeconomic surveillance could be increased with much simpler means. At any rate, this would be an oversimplification of a complex market matter where economic interests, brand names and national prestige are at stake. Some of the participating institutes have a very strong autonomous reputation in the "market for surveys" and no obvious incentive to reduce the value of their brand names through any such contractual proposal, or grant clause. They could simply decide to leave the programme and autonomously compete with it by exploiting their well-established brand names. This is even more so, as they presently depend on EC funding for a very limited share of the total programme costs. In addition, some of the participating institutes could claim historical rights on the surveys and legally challenge any replication of them in court. If increasing the visibility of the European data is deemed as a political aim per se, then only very strong political pressure on participating institutes, rather than various contractual approaches could prevent a potentially conflictual situation.

2.5.4 The Centralised Survey Scenario

The centralised survey scenario with a European sample would allow substantial cost savings for the Commission because a sample aimed at reaching a certain degree of statistical significance at the European level only would be much smaller in size than the sum of samples with the same degree of statistical significance at the national level. However this has appeared to be fairly unlikely to most interviewees because of the strong resistance to the discontinuation of national series, especially in the larger MS. If the survey had to be carried out over and above the national programs, this would result in a duplication of resources, while if it were to replace national schemes, the level of national detail would be lost in several small MS and this would create pressure to expand the sample. The idea of European sampling is accepted where the market is considered really European or where there are too many difficulties to implement national sampling (i.e. the financial service industry).

On paper, a sampling based on the subsidiarity principle (as is implemented in Belgium where the Federal bodies pay for a sample representative at the federal level, and the regions pay for additional regional sampling) would appear straightforward. However in practice, some end users and participating institutes think it would lead to some operational difficulties, as this would require the co-ordination of different institutes responsible for different sub-samples in different MS and would have the paradoxical result of giving the small MS less financial incentives to run the domestic surveys than the large ones, which is exactly the opposite of what reportedly DG Economic and Financial Affairs does while managing co-financing. Apart from financial and operational technicalities, there still is some slight consensus among end users as both the interviews and the questionnaire survey show (see Table 2.28 below), and as also

mentioned in the literature³⁶. For the time being, it is better to estimate European data through aggregation of national estimates because otherwise, valuable information would be at risk of being lost.

Not at all, actually the quality of data is lower	No, nothing really substantial is added	Yes at least for the time being	Yes, definitely	Don't know	Left answer blank
4	5	9	4	8	1

Table 2.28	Preference for Estimating European Data through Aggregation of National Sources
	Treference for Estimating European Data infough Aggregation of National Oburdes

Source: Stakeholder questionnaire - number of responses per category

2.5.5 Summary Conclusions

There are notable limitations in the availability of data for efficiency analysis, both in terms of breakdown of costs provided by participating institutes and meaningful benchmarks. This information gap should be addressed if the Commission wants to have a better understanding of the value for money of the programme. Based on the limited information available the BCS can be deemed a reasonably cost-effective programme, but there is certainly a scope for better synergies with the parallel EUROSTAT effort of improving short-term statistics. For the time being, based on frequency of use of results the rationale behind co-financing the World Economic Survey appears unconvincing and also the value for money of the investment survey could be improved, although probably at a higher cost. The surveys should be considered a multi-year investment yielding results after five to seven years. Any discontinuation of series would therefore lead to a substantial loss of informational added-value and meet considerable resistance from end users.

The contract based scenario is unlikely to bring about any major operational efficiency that could not be achieved through other means, but could on the contrary result in a legal stalemate if a number of legal issues on the surveys is not solved. Moreover, this would come at the cost of depriving participating institutes from any incentive they have in developing the programme and refining its methodology. In certain Member States there would be objections to have these activities purely run on a private basis without some kind of public supervision from national governments. It is certainly true that a contract approach would allow a freer data publication policy and meet the strong demand for having survey information as a public good also for research purposes, but a reasonable compromise can probably be found on this point by better distinguishing data for macroeconomic surveillance policy (that should remain publicly available) from data mainly of interest to private users (that could be sold). Finally in theory the contract could allow a better visibility of the BCS data on the media, but such a result would depend on a complex competitive game and such a choice would require a strong political value judgment on whether this should be the objective of the Commission. Moreover the same objective could be achieved through other means than a contract for service.

The centralised survey scenario with a European sample would allow substantial cost savings but also lead to the discontinuation of national series if it were to replace national co-funded schemes or to unnecessary duplication of efforts and therefore inefficiencies. Alternatively, a mixed implementation mechanism based on the subsidiarity principle sampling would require co-ordination of different institutes responsible for different sub-samples in different MS and would give small countries less financial incentives to run the programme. It would therefore represent no major improvement as respect the present situation, but would provide fewer incentives to those who most need them. Finally, among analysts there still is the prevailing view that at least for the time being European data are better estimated through aggregation of national estimates than in a centralised way.

2.6 IMPACT OF RECENT METHODOLOGICAL IMPROVEMENTS

Evaluation Question 6:

To what extent have studies and analyses been carried out with the aim of ameliorating the quality of surveys and indicators actually led to improvements: 1) In terms of the data produced by participating institutes? 2) In the way the data is processed by the Commission services? 3) Discernable from the point of view of users?

³⁶ See for instance among others, Bruno G., Lupi C. (2003), Forecasting Euro-area industrial production using (mostly) business surveys data, in: Documenti di Lavoro Istituto di Studi e Analisi Economica (ISAE), March, 2003.

2.6.1 Definition of Key Concepts and Underlying Key Issues.

Studies and analyses initiated by the Commission especially concern those made in the last 5 years (i.e. from when the last Communication on the subject was issued and research needs outlined) and also broadly include the methodological developments discussed in the annual workshops with participating institutes and the research papers presented therein. The aspect on data processing by Commission services mainly relates to the research work carried out to improve the ESI and to seasonal adjustment which is the Commission's other main contribution to data processing. Discernability from the point of view of users refers to 2 separate aspects: 1) whether users are put in a position to appreciate that methodological improvements have been made; 2) whether users notice any difference in the quality of data available for their purposes.

2.6.2 Improvements in the Data Produced by Participating Institutes

Desk research has shown that over the last few years there have been several improvements in the data produced by participating institutes ranging from the gradual extension of the coverage of the service survey, to better synchronisation of the timing that surveys are carried out across MS, to improvements in the wording of questionnaires and new pilot tests (monthly employment, limiting factors, service questionnaire questions, etc.) and finally to a more consistent nomenclature of the surveys themselves. Experiments have also been run to cover the financial sector, but so far they have had limited success.

In a few cases, the proposed innovations have proved controversial because: 1) they have impacted on well established series (i.e. questions on savings in the consumer questionnaire) and sometimes resulted in structural breaks, especially when semantics substantially differ from the previous version and accompanying measures have not been taken to allow reconciliation of series; or 2) because the matter is not straightforward in theoretical terms and is highly politically-sensitive, such as the question on quantification of perceived inflation where it is not clear what consumers really measure, whether it is perceived inflation or their perceived change in purchasing power. Finally, 3) in other cases, proposed innovations (survey of temporary work) have not been endorsed because of perceived exceeding volatility of data.

2.6.3 Improvements in the Way Data are Processed by the Commission

The Commission has extensively worked over the last few years in refining its set of indicators, (including first and foremost the ESI) to give it more clearly leading properties. In parallel, a business confidence indicator has also been developed as a separate thing from industrial confidence. The last revision of the ESI was done in May 2004 when the NMS entered the EU.

Intensive, but so far inconclusive work has also been carried out on seasonal adjustments where the Commission still uses DAINTIES, a relatively old seasonal-adjustment data programme (and an old EUROSTAT standard) that does not carry out any pre-testing of seasonality but avoids any further revision of data. The latter is a feature that is apparently widely appreciated by the market, especially when survey results are compared with quarterly GDP-data revisions. There are diverging studies and views on the extent that the seasonality problem impacts the quality of survey data, and possible solutions also have related cost implications in terms of resources, because different methods have different costs, especially if the need to revise historical data is considered. Studies are still going on and for the time being participating institutes follow their own approaches. Over the last few years, the Commission has also moved away from printed publication of the survey results towards a website-based data delivery policy, inclusive of data in Excel format.

2.6.4 Discernability From the Users Point of View

As interviews and the questionnaire survey (see Table 2.28 below) have shown, there is very limited awareness even among expert users about the methodological improvements and the innovations introduced in the BCS. This is particularly true when it comes to the activities of the participating institutes at the national level that users know very little about (and would like to know more). Generally speaking, interviewees have appeared fairly inertial in their views and do not necessarily take into consideration or are aware of improvements and innovations made. When this perception is there, there is a general positive appreciation of a however unfinished agenda. For instance, there has been a general positive perception of increased coverage of services and more timely release of data by participating institutes. However, so far, the prevailing impression is that the extended coverage of the service sector is not perceived as enough (see also section 2.1.5 on Future Information Needs). The fact that when accession came, the NMS were already ready with a long established survey programme has been certainly appreciated and widely praised. Other

improvements have been rarely reported in the interviews and some instances of confusion with survey nomenclature have been found.

Improvements of the European indicators have not been necessarily perceived by the public (for instance a few interviewees still even complained about the irrelevance of stock market indexes that are no longer included in the ESI). When improvements have been noted, the prevailing view is that further progress has still to be made. At any rate, it is too early to tell results for the recently introduced ESI revision from May 2004, as users take time to notice differences and appreciate improvements.

SURVEY CHARACTERISTICS	None, the situation has gotten worse	None & improvement is indeed needed	None & there was no real need	Yes, but something remains to be done	Yes & main problems have been addressed	Don't know
Data collection in your country (e.g. sampling, questions asked, etc.)	0	0	2	9	1	17
Harmonisation done at the EC level (e.g. seasonal adjustment, etc)	0	1	1	10	6	12
Communication to the public (e.g., websites, printed documents, press releases, etc.)	0	0	1	14	5	10

Table 2.28	Perception of Methodological Improvements Among End Users
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Source: National stakeholder questionnaire - number of responses per category

Interviewees (also among not extremely sophisticated data users) commonly expressed reservations on DAINTIES as a not totally appropriate seasonally-adjustment technique. It is difficult to appreciate how large the niche of end-users aware of and unsatisfied with seasonal adjustment actually is, but it is certainly higher than the evaluation team would expect based on desk research, where the issue seemed of some relevance to academics only. In this respect, results from Table 2.27 above can be misleading, as these do not take into consideration those respondents (4 of them) who chose to expressly indicate "better seasonal adjustment" among their requests for new information and the others who otherwise informally included spontaneous comments on the issue in their replies. It can be concluded that the issue is not necessarily key for overall data reliability, but it is certainly a hot topic for end users. However, for the time being, the existence of different seasonal adjustment techniques resulting in different series published at the national and European level has, if possible, added confusion to confusion, and has contributed to raising doubts about the methodological consistency of the BCS programme overall, since users cannot easily believe that two methods are equally good when results are even slightly different.

2.6.5 Summary Conclusions

Over the last few years there have been several improvements in the data produced by participating institutes in terms of scope of surveys, their synchronisation and wording of questionnaires and several pilot tests have been undertaken including experiments to better cover the financial sector. In a few cases, the proposed innovations have proved controversial because they have resulted in structural breaks in data. In other cases proposed tests have faced difficulties with implementation and are still under debate.

In parallel the Commission has extensively worked to refine its set of indicators, and managed to improve leading properties. Intensive, but so far inconclusive work has also been carried out on harmonised seasonal adjustment techniques, a problem deeply felt by experienced users because of the parallel non-availability of raw non-seasonally adjusted data. In the meantime participating institutes have been left free to implement their seasonal adjustment techniques in the sets of data published nationally.

There is limited awareness of methodological developments among users, first of all because there is limited awareness among non sophisticated users of the relations between the surveys implemented at the national level by participating institutes and the BCS programme itself. However, even among expert users there is very limited awareness about the innovations introduced in the surveys and related indicators and users tend

to react very slowly. At any rate there is a generic appreciation of improvements, while dissatisfaction on the delayed solution of seasonal adjustment problems is higher than expected and the existence of different seasonal adjustment techniques resulting in different series published at the national and European level has engendered considerable confusion and mistrust.

2.7 THE INTERNATIONAL DIMENSION OF THE JOINT-HARMONISED METHODOLOGY

Evaluation Question 7:

What has been the influence, if any, of the Commission's Business and Consumer Surveys on methodological developments and approaches, in particular at the level of: 1) other institutions (OECD, ...)?; 2) Member States; 3) Third countries?

2.7.1 Definition of Key Concepts and Underlying Key Issues.

This question broadly refers to the last decade, with a more specific focus on the last 5 years. Among international organisations, the OECD certainly is the leading institution co-ordinating business and consumer survey development work at the international level and promoting common standards. In particular, although the point was not expressly raised in the ToR for this evaluation, it appeared there was a specific interest in understanding what the expectations about who should take the lead in future methodological developments were and whether there was enough consensus that the OECD international harmonisation role could replace the European one. In Europe, the joint-harmonised methodology has expanded to those countries that have started implementing their BCS programmes because of their accession to the EU or had to modify existing ones. Moreover the joint-harmonised methodology has been exported to a number of third countries either directly by the OECD and the Commission (e.g., countries of the former USSR) or indirectly by participating institutes.

2.7.2 Influence on OECD

Since 1991, the Centre for Co-operation with Non-Member Economies (CCNM), the Division for Non Members of the OECD Statistics Directorate has worked in co-operation with the Commission to develop the joint harmonised methodology as a basis for promoting a common standard in the field of business and consumer surveys worldwide. In particular, in 2003, the OECD published the first handbook on business tendency surveys directly aimed at potential participating institutes in third countries. This handbook represented the first such publication ever issued. The Commission and the OECD first began co-operating over the years 1991 - 1996 within the framework of a larger project aimed at providing technical assistance to transition economies in Central and Eastern Europe in order to develop business and consumer surveys in this area. At present, the division of labour is such that, broadly speaking, the European Commission takes the lead in developing the methodology in the EU and in the candidate countries technical assistance programmes (Bulgaria, Romania, Croatia and possibly Turkey in the future) while the OECD mainly follows developments in non-EU countries and non-Candidate countries.

Over the last few years, the OECD and the Commission have intensified their co-operation and are working towards the establishment of a common work-plan based on: 1) promoting information-sharing on the BCS (through a dedicated portal); 2) fostering further input harmonisation (sample design, assessment of impact of different wording); and 3) improving other methodological areas including the controversial seasonal adjustment, assessment of impact of non responses, development of indicators, etc. This is made easier by the fact that participating institutes usually are members of CIRET, the scientific society sponsored by the OECD to foster developments and research in the business and consumer survey field. All in all, interviewees from among end users and participating institutes, showed a general positive appreciation of the present state of affairs, although there are mixed views on whether the OECD should take a stronger leadership in methodological developments or if these should remain first and foremost a concern of the European Commission. In particular, especially among participating institutes (see Figure 2.29 below) there are concerns that the OECD although very authoritative from the scientific point of view, cannot ensure the same level of long term commitment in developing the BCS programme as the Commission has done over all these years. On the contrary there are notable preferences for a stronger involvement of European institutions including both DG Economic and Financial Affairs and Eurostat.

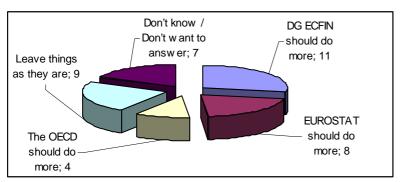
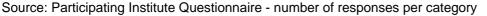


Figure 2.29 Future Leadership in Developing the Harmonised Methodology



2.7.3 Influence on Member States

In the last decade, several MS have started implementing a survey programme in line with the jointharmonised methodology also as a result of their accession to the EU. Notable examples can be found in Austria, the Nordic Countries the Central and Eastern European Countries as shown in the Table 2.30 below.

	Industry	Constru ction	Retail trade	Consum er	Investm ent	Service
Austria	1985	1996	1996	1995	1996	1996
Bulgaria	1991	1992	1992	2001	2002	2002
Czech Republic	1992	1992	1992	1995	2002	2002
Estonia	1991	1993	1993	1992	2002	2002
Finland	1993	1985	1997	1987	1996	1996
Hungary (GKI)	1995	1996	1995	1993	2002	2002
Hungary (Koping-Datorg)	1987	1993	1992			
Latvia	1993	1993	1996	1996	2001	2002
Lithuania	1993	1994	1995	2001	2002	2002
Poland	1998	1998	1997	2001	2002	2003
Poland (AEP)	1988					
Poland (GUS)	1992	1993	1993			
Poland (RIED)	1986	1993	1993			
Romania	1991	1993	1994	2001	2002	2002
Slovak Republic	1992	1992	1992	1999	2002	2002
Slovenia	1995	2002	1999	1996	2002	2002
Spain	1987	1989	1985	1986	1988	1996
Sweden	1996	1990	1996	1995	1996	1996

Table 2.30 BCS implemented in New Weinber States Since 1930	Table 2.30	BCS Implemented in New Member States Since 1990
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Source: Various Publications

According to a number of interviewees, in some of these countries, the joint-harmonised methodology has not necessarily been well received by major national stakeholders, possibly because of its representing in their views an unfamiliar methodology imported from outside rather than as a development that they spontaneously felt a need for. Anecdotal evidence has been reported from countries and surveys where the data produced have been perceived of a lower quality than those previously available due to the increased frequency of surveys (from bimonthly or quarterly to monthly). This however is inevitably due to an intrinsically higher volatility of monthly data. It remains a fact also confirmed by the questionnaire survey that building a good reputation with the BCS programme is a slow process that is bound to face considerable resistance and scepticism at the national level in the first years of implementation. For instance, as Table 2.31 below shows, the degree of satisfaction with the surveys effectiveness is still much lower among the "recent entrants" (including the Nordic Countries, Austria and the NMS) than among historical users.

Table 2.31 Degree of Satisfaction with the Surveys Among Old Users and Recent Entrants³⁷

	EU-25	Old Users (EU12)	Recent Entrants (EU 10 plus Finland, Sweden and Austria)
Industry Survey	3.2	3.5	3.0
Construction Survey	2.8	3.1	2.7
Retail Survey	2.9	3.2	2.7
Service Survey	2.8	3.1	2.7
Consumer Survey	3.0	3.3	2.9
Investment Survey	2.7	3.1	2.6

Source: Stakeholder Questionnaire – average of responses

2.7.4 Influence on Third Countries

As shown in Table 2.31 below, through the joint OECD-Commission technical assistance programme, the harmonised methodology has been exported to most former Soviet Union Countries³⁸.

Table 2.31 BCS in other Former Soviet Union Countries

	INDUSTRY	CONSTRUCTIO N	RETAIL TRADE
Russian Federation (IMEMO)	1992		
Russian Federation (CAEF)	1992	1993	1994
Russian Federation (IET)	1992	1993	
Azerbaijan	1995	1996	
Belarus	1994		
Georgia	1993		
Kazakhstan	1992	1995	
Moldova	1993		
Tajikistan	1994		
Turkmenistan	1994		1997
Ukraine	1994	1997	1997
Uzbekistan	1993		1997

Source: Nilsson (1999)

The OECD has also been exporting the joint-harmonised methodology to the other Big 6 non-OECD Members countries (Brazil, China, India, Indonesia, and South Africa) as well as the to the Asian-Pacific (Korea) and Latin American countries with a view to come to a World Composite Leading Indicator covering 85% of the world GDP as compared to the present 60% of the OECD CLI. The next 2005 CIRET meeting is expressly intended to address large non-European Countries although again with local adaptations. For instance, Asian countries prefer to have one single business survey covering both manufacturing and non manufacturing instead of several different ones. They also prefer phrasing expectation questions on a 6-month horizon, and quite obviously after the 1997 crisis, they closely monitor the financial industry and the financing of manufacturing. Substantial support to the promotion of the joint-harmonised methodology in the world has been given by IFO, as an implementing agency of various technical assistance programmes including GTZ-ones. For GTZ, IFO has played a big role in China whose industry survey covers 12 of 13 European harmonised core questions³⁹ except the question concerning the 'access to credit'. On top of that, IFO has technically supported countries such as Kazakhstan, Ukraine, Mongolia, or in Latin America, countries such as Brazil, Columbia, and Argentina. Some activity has also been realised in favour of African countries such as South Africa, Tunisia, and others.

³⁷ It is worth noting that this is one of the few instances where such a discrepancy in the break-down of opinions between the tow subsets of respondents could be noted. The size of the sub-sets was broadly similar.

³⁸ It is worth noting that in the surveys carried out in Belarus, Kazakhstan, Ukraine, and Uzbekistan, most of the core harmonised question of the EU approach were used, while in other countries such as Moldavia, Tajikistan and Turkmenistan, only a few core

harmonised variables were taken into account. However, more specific variables were added to the questionnaires for these economies. These country-specific variables were selected in order to measure variables considered to be important for an economic system in transition, including first and foremost financial turbulence. Therefore Russia for example has long implemented a survey of the financial sector.

³⁹ However also in the Chinese case, the question on 'business situation in the future' has been formulated in the Asian way with reference to future in the next six months rather than future in the next 3 months. This however does not seem to cause any major difference in results.

At present, one can conclude that through the combined EU-OECD efforts, the joint-harmonised methodology is becoming the prevailing business survey methodology in the world. However, the PMI based on surveys of what is actually happening at the firm-level is also developing fast world-wide. The countries covered by the JPMorgan Global Manufacturing PM,⁴⁰ produced by JPMorgan and NTC Research in association with the Institute for Supply Management (ISM) and the International Federation of Purchasing and Materials Management (IFPMM), together account for about 76% of global manufacturing output.

2.7.5 Summary Conclusions

The European Harmonised Methodology developed by the European Commission has been adopted by the OECD as the international standard for expanding the BCS programme worldwide and the two institutions have developed a co-operation programme to further develop the methodology. In this co-operation programme the OECD mainly follows developments in non-EU countries and non-Candidate countries and the Commission is responsible for Candidate Countries. While welcoming this international dimension and co-operation with the OECD there is a prevailing view among participating institutes and European stakeholders that further progress in European harmonisation should be steered by European institutions (including more involvement of EUROSTAT) rather than left to international co-operation alone.

Through the accession process the joint-harmonised methodology has been exported to all new Member States and Candidate Countries, as it previously was to Austria, Finland and Sweden.

The OECD has also been exporting the joint-harmonised methodology to the other Big 6 non-OECD Members countries (Brazil, China, India, Indonesia, and South Africa) and to the Asian-Pacific (Korea) and Latin American countries with a view to come to a World Composite Leading Indicator covering 85% of the world GDP. At present, one can conclude that through the combined EU-OECD efforts, the joint-harmonised methodology is becoming the prevailing business survey methodology in the world in competition with the PMI standard that already covers 76% of global manufacturing output.

⁴⁰ JPMorgan Global Manufacturing PMI provides the first indication each month of global manufacturing business conditions, based on collected from over 6,000 purchasing executives.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1 QUESTION-SPECIFIC CONCLUSIONS AND RECOMMENDATIONS

Evaluation Question 1:

a.) Who are the current users of the surveys and for what reason do they use them (for example: quantitative or qualitative use; in short term forecasting models, prospective studies, etc.)?

The surveys are used by almost all Government and Research institutions interested in macroeconomic surveillance in Europe (Central Banks, Treasuries, Research Centres, etc.) for monitoring the business cycle and related developments in the monetary and real markets (inflation, market for labour). In the private sector surveys are also used by a large majority of financial institutions for research purposes and guidance to trading. Non financial companies make a more limited use of surveys, depending on company size and the availability of analytical resources within their staff. Non financial companies appear mainly interested in using the surveys for strategic marketing. Banks can also use the surveys for credit risk assessment. The media are also very interested in publishing the survey results and often give great emphasis to both the industry and consumer survey results as predictors of the cycle. The impact on the media of the surveys correlates with their impact on financial markets. The level of interest among economic researchers in the EU-10 Member States has not reached the same level as in the old Member States.

All users interested in macroeconomic surveillance make qualitative use of the surveys. A growing number of them use survey results (especially results from the industry survey) for short term forecasting purposes through models with various degree of sophistication. There is certainly a hierarchy in the level of interest in the surveys, with the industry survey clearly coming first followed by the service and retail surveys, the consumer and construction surveys and finally the investment survey (not necessarily in this order in all countries and for all user groups). In certain countries, some survey results are used as proxies for otherwise missing statistical data. It is mainly the consumer survey, whose leading properties do not appear fully convincing to many users, that is extensively used for other study purposes because its data are appreciated for their "explanatory" power in interpreting economic phenomena. There is a potential for even more intensive use of the surveys for quantitative purposes, which would be realised if more information were available on techniques that facilitated the extraction of such information.

There is convincing evidence the Commission's ESI indicators are relatively well known and reasonably used at the European level, although in competition with other products (see evaluation question 3 below). The case is much less convincing for use at the national level also because competition from alternative products is stronger. The innovative BCI certainly has the potential for a more extended use, but it suffers from communication problems at the present time and is not as well known among the community of users as it could be.

1.1 To improve the level of knowledge about more sophisticated uses of the survey, the Commission should **continue to support all initiatives aimed at fostering the methodological debate** around the surveys and improve the level of knowledge about their possible uses, including (possible) direct or indirect organising and/or sponsoring of seminars aimed at policymakers and financial analysts as a way to strengthen the consensus around the programme and further improve the degree of users' satisfaction.

Priority: Medium

1.2 To improve the level of knowledge about the BCI, the Commission should **better communicate the BCI** as part of the BCS programme, including joint press releases and easier accessibility in the Internet.

Priority: Low

What are the actual needs of the different users of the surveys and to what extent are they met, including in terms of the timeliness, reliability and relevance of survey outputs?

The different categories of users have different needs in terms of timeliness, reliability and relevance of results, as well as in terms of their accessibility, dissemination modalities, methodological transparency, interpretability and usability. So far the business and consumer programme has largely met the quality requirements of the average users on all aspects, but the more demanding and sophisticated ones within the different categories would like to see further improvements. These particular refer to more methodological transparency in the way data are collected (an aspect recently addressed by the Commission through the publication of metadata) and more commentary on the meaning of data. More specific concerns refer to the delayed availability of August data. The private business sector is also very interested in a level of disaggregated data which is not commonly made available to the public for free. Traders in financial markets need to be reassured on maximum transparency in dissemination modalities. Users interested in macroeconomic surveillance are generally happy with timeliness in publication of results, but visibility in the media and financial markets would certainly be higher if European results were published earlier during the month, and ideally before national data are published by participating institutes.

Surveys are generally considered to be highly reliable and relevant instruments, except for specific sectors in certain countries. Further research would be needed before concluding whether this depends on the intrinsic weakness of the survey instrument in certain economic contexts or on the modalities these surveys are implemented, as users tend to think. However, the benchmark for such an analysis would also be controversial, as surveys are deemed not to be very reliable in countries and sectors where related hard statistics appear fairly volatile and are not always trusted by analysts. There are strongly diverging views on the relevance of the consumer survey, which still substantially mirror the harsh debate that took place during its introduction in the USA in the sixties and many users are still persuaded of its limited reliability in ordinary conditions as a leading or coincident instrument. However, other properties of the consumer survey make it a relevant and reliable instrument for business cycle analysis, especially in times of economic uncertainty or when major shocks take place.

1.3 In the context of ensuring both the reliability of the surveys and methodological transparency, the Commission should continue and strengthen its present efforts aimed at improving sample design, data collection and transmission, with a view to reaching a fully harmonised set of guidelines for all participating institutes.

Priority: High

1.4 The Commission should **improve the way the survey results are communicated to the public** through more extensive recourse to graphical aids and a more exhaustive explanation in the text of the economic meaning of survey results and their significance for business cycle analysis. **August data should be made available with less delay.**

Priority: Medium

1.5 The Commission should investigate the reasons behind the perceived poor performance of specific surveys in certain countries more thoroughly, possibly including audits on the degree of best practice in the techniques used to gather and process data. In order to build mutual trust among participating institutes, these audits would take, inter alia, the form of peer-reviews and lead to an exchange of recommendations.

Priority: Medium

b.) What are likely to be the future needs of users and what, if any, are the new issues and problems that could be specifically addressed by the DG's survey activities in the context of an enlarged EU?

A wide and fairly heterogeneous range of future information needs has been reported by users also depending on the fields of main professional interest. Prevailing requests have included a much more detailed breakdown of the information available on the service industry including a better coverage of all its branches and, more specifically, data on the banking and financial service industry; more detailed information on the financial situation of households and firms; more detailed data on the labour market; better data on investment, a clearer distinction between durable and non durable goods in all consumption-related surveys; better level of geographical detail on external trade flows. In spite of these requests, participating institutes have appeared fairly reluctant to amend or modify the existing programme and fairly conservative in their attitudes except in relation to the idea of including ad hoc questions from time to time in the existing surveys (especially in the consumer survey). There is therefore

a risk that the future programme development be driven too much by supply-driven technical considerations to the detriment of new information needs and that the more visionary requests will be dismissed just to avoid unnecessary complications or challenges which are too risky.

Generally speaking the limited weight of the EU-10 GDP on total EU GDP means that many users are not necessarily very motivated to focus on enlargement-related information requirements. Requests sporadically voiced include the need to better differentiate the indigenous industry from foreign-owned industries, more information on trade flows and possibly information on delocalisation process and remittances flows. These requests are not necessarily regarded as technically feasible by participating institutes.

1.6 Together with the expansion of the BCS Programme to the candidate countries, in the next few years the Commission's agenda for developing the programme should **focus on better coverage of the service industry and of the financial sector**. In the long run, some pilot testing of requests by the user community for new and modified sets of data appears worth considering, in line with the indications coming from the economic literature.

Priority: High

1.7 The Commission should ensure that representatives of end-users and major stakeholders are also routinely involved as contributors in its workshop activities to **allow a better feedback on users' perceptions of methodological problems and information needs** and thereby counteract the risk of the BCS Programme development being mainly influenced by supply-side considerations.

Priority: Low

Evaluation Question 2:

To what extent are survey activities and their outputs effective with regard to the Commission objectives of allowing users to:

1) ... have an overview of the economic situation in the EU, euro area and Member States;

The surveys can be considered to be a highly effective instrument to monitor macroeconomic developments and the economic situation in the EU, the Euro Area and the Member States. This is particularly true for the EU and the Euro Area where statistical estimates of GDP are released with a certain delay and frequently subject to revisions. Effectiveness at Member State level, while generally high, varies with the specific surveys and the availability of alternative timely sources of information. The industry survey is generally acknowledged to have leading properties good enough even to allow, after proper data processing, reliable forecasts of the turning points in the cycle. Evidence of any substantial contribution of the investment survey to improve the understanding of economic situation for conjunctural analysis remains controversial and appears weak in the best of cases.

2) ...make a preliminary comparison of business cycles between Member States?

The indicators produced by the Commission to summarize survey results can be considered as reasonably good coincident proxies of the business cycle in Europe and the Euro Area, but are not necessarily significant the Member State level, especially when compared to other indicators produced by participating institutes. Therefore, in certain cases, to have a comparative appreciation of the business cycles between Member States, users have better recourse to direct survey data - and this requires some degree of familiarity with the different cycle chronologies that is not always to be found - or to other sources.

The ECB is a fairly satisfied client of the BCS Programme. It has certainly benefited from the improved timeliness of the surveys whose results generally come out at the last working day of the reporting month and are therefore in time for its monthly Governing Council meetings. Recent efforts to further harmonise the wording in the national questionnaires has created structural breaks in selected cases. Precise information on the timing of such changes and comprehensive metadata and information on methodological compliance with agreed standards are considered important in this respect, although the international harmonisation of the Survey Programme should never be at the price of detriment to European harmonisation needs. That is why it is considered important within the Bank that a European institution co-ordinates any further harmonisation at the European level.

No question-specific recommendations made. See cross-cutting conclusions and recommendations on the programme component in the next section.

Evaluation Question 3:

What alternative products exist?

There are very few alternative products at the European level and none shares the features of the Commission's Business and Consumer Survey Programme in terms of either country coverage or frequency. The closest product to the BCS is the PMI survey programme that offers results for the Euro zone with a timeliness and reliability broadly comparable to the BCS, but at a substantial cost for end users and with much shorter time series.

How do they compare with the surveys in terms of scope, reliability, cost, timeliness and usability?

There are diverging views on the user-friendliness of PMI data when compared to the results published by the Commission. Evidence from the evaluation shows that the BCS is preferred by Government forecasters and researchers, while the PMI is more frequently used in the financial sector, also because of its visibility in the media and impact on financial markets. There are a number of alternative surveys at the national level, but these are hardly deemed to be substitutes of the BCS by professional users in terms of scope, reliability, timeliness, cost and usability. The only exception is represented by the New Member States where instances can be found of surveys running in parallel with the BCS and where competition is still open among users in deciding which the best performer is, also because most of these countries have not really experienced a business cycle without undergoing radical reforms of their economies. Conversely alternative indicators at the national level, when available, are generally preferred to Commission ones, because they are seen to be more tailored to the features of the different economies.

In the case of important forecasting institutes and organisations that are not users of the survey outputs, why is this the case and what alternative data sources do they use?

Very infrequently, major organisations and forecasting institutes are not users of the surveys; partly because these institutions tend to use all sources of information available and to cross-check them. When only some survey sources are used (again with the notable exception of some New Member States) it is generally the BCS that are by far preferred to other sources than vice versa. When surveys are not used for quantitative purposes it is mainly because timely hard statistics are available, as some users tend to have a preference for facts rather than opinions. Researchers' academic backgrounds and schools of thought also play a role in the degree of preference for hard data.

No question-specific recommendations made.

Evaluation Question 4:

What would be the likely effects of a decision by the Commission to stop co-financing the data collection work of participating institutes and organisations: 1) For the survey work of the participating institutes and organisations?

The effects on participating institutes would be highly varied across Europe also depending on participating institutes' nature and experience in the market and the availability of alternative sponsors at the national level and other market sources. Reactions would be very survey and country-specific and in a very limited number of cases would lead to discontinuation of survey activities.

For users of harmonised EU-level and euro area data?

The reaction at the Euro-area is likely to be much stronger than in the rest of the EU. This reaction could take shape in several forms: requests to the ECB to step in or requests to have the matter settled by a regulation. Each option would have different practical and legal difficulties in implementation (the ECB statutory constraints, the legal difficulties in agreeing a regulation, etc) substantially slowing the process or leading it to a standstill. As a result, there would probably be strong political pressure on the Commission to withdraw its decision, at least until these difficulties are solved. There is convincing evidence that the Commission co-financing provides European added-value in that European harmonisation and the possibility of aggregating homogeneous data at the European and Euro-area level would be lost and participating institutes would not take the same measures as end users would do to make savings. This means that

co-financing provides financial incentives for participating institutes to perform activities requested by Government users and researchers, which would not be spontaneously undertaken if purely driven by market forces.

For users of MS-level data?

A few (mostly large) countries would be in a position to continue the joint-harmonised approach with some minor amendments and savings, but in several MS (particularly among small countries) there would be strong pressure to cut parts of the programme or modify it substantially. Such a decision would therefore also be likely to spur a notable vocal reaction in Government circles at national level and in the end there would be considerable pressure to have the programme continued as a European homogeneous and comparable initiative either at the level of central banks, especially in the Euro area, or through a Eurostat regulation.

4.1 Unless a difficult and complex regulatory solution is found **the BCS Programme should continue receiving support from the Commission,** since a decision to discontinue co-financing is likely to result in the loss of European Harmonised data.

Priority: High

Evaluation Question 5:

To what extent are the survey activities efficient in respect to the relationship between their implementing costs and outputs/effects?

There are notable limitations in the availability of data for efficiency analysis, both in terms of breakdown of costs provided by participating institutes and meaningful benchmarks. This information gap should be addressed if the Commission wants to have a better understanding of the value for money of the programme. Based on the limited information available the BCS can be deemed a reasonably cost-effective programme, but there is certainly scope for better synergies with the parallel EUROSTAT effort to improve short-term statistics. For the time being, based on frequency of use of results, the rationale behind co-financing the World Economic Survey appears unconvincing. The value for money of the investment survey could also be improved, although probably at a higher cost. The surveys should be considered a multi-year investment, yielding results after five to seven years. Any discontinuation of series would therefore lead to a substantial loss of informational added-value and meet considerable resistance from end users.

5.1 In order to **maintain the continued cost-effectiveness of the BCS programme, to exploit potential synergies and to avoid any duplication of effort**, the Commission should:

- Gradually integrate the BCS Programme more into the overall framework of improving the quality and timeliness of the economic information available in Europe.
- Ensure closer contact and develop exchanges of information with the parallel relevant EUROSTAT programmes, including first and foremost that for GDP Flash statistics estimates

Priority: Medium

What would be the gains/losses in terms of efficiency of implementing the following alternative arrangements: 1) instituting a contract-based approach with participating institutes and organisations instead of the current grant-based set-up; 2) Instituting a single centralised survey at EU level in place of the current decentralised national level set-up where the Commission coordinates data collection and harmonises the results?

The contract based scenario in unlikely to bring *per* se any major operational efficiency that could not be achieved through other means, but could on the contrary result in a legal stalemate if a number of legal issues on the surveys are not solved. Moreover, this would come at the cost of depriving participating institutes from any incentive they have in developing the programme and refining its methodology. In certain Member States there would be objections to have these activities run purely on a private basis without some kind of public supervision from national governments. It is certainly true that a contract approach would allow a freer data publication policy and also meet the strong demand for having survey information as a public good for research purposes, but a reasonable compromise can probably be found on this point by better distinguishing data for macroeconomic surveillance policy (that should remain publicly available) from data mainly of interest to private users (that could be sold). Finally **in theory the contract could allow a better visibility of the BCS data on the media, but such a result would depend on a complex competitive game** and would require a strong political value judgment on whether this should be the objective of the Commission. Moreover the same objective could be achieved through means other than a contract for service.

The centralised survey scenario with a European sample would allow substantial cost savings but also lead to the discontinuation of national series if it were to replace national co-funded schemes or to unnecessary duplication of efforts and therefore inefficiencies. Alternatively, a mixed implementation mechanism based on the subsidiarity principle sampling would require co-ordination of different institutes responsible for different sub-samples in different MS and would give small countries fewer financial incentives to run the programme. It would therefore represent no major improvement as respect the present situation, but would provide fewer incentives to those who most need them. Finally, among analysts there still is the prevailing view that at least for the time being European data are better estimated through aggregation of national estimates than in a centralised way.

5.2 The Commission should **not change its approach by implementing surveys through service contracts or by implementing a centralised survey.** The risks of such an action would probably far outweigh its possible benefits, as the substantial value of information accumulated since 1985 could be lost. Furthermore, a careful assessment of the legal status of the surveys would be required before any reform, aimed at making the submission of business and consumer surveys mandatory, is planned.

Priority: High

5.3 Unless there is strong political consensus to achieve broader political visibility aims, the Commission **should not place the survey's visibility in the media and financial markets at the top of its agenda** via means such as i) contractual provisions and ii) the implementation of the "First for Europe" principle or other similar means), as this would probably cause major operational problems and create a situation with a potential for conflict with some participating institutes.

Priority: Medium

Evaluation Question 6:

To what extent have studies and analyses been carried out with the aim of ameliorating the quality of surveys and indicators actually led to improvements: 1) In terms of the data produced by participating institutes?

Over the last few years there have been several improvements in the data produced by participating institutes in terms of scope of surveys, their synchronisation and wording of questionnaires and several pilot tests have been undertaken including experiments to better cover the financial sector. In a few cases, the proposed innovations have proved controversial because they have resulted in structural breaks in data. In other cases proposed tests have faced difficulties with implementation and are still under debate.

2) In the way the data is processed by the Commission services?

In parallel the Commission has extensively worked to refine its set of indicators, and managed to improve their coincident properties. Intensive, but so far inconclusive, work has also been carried out on harmonised seasonal adjustment techniques, a problem deeply felt by experienced users also because of the parallel non- availability of raw non-seasonally adjusted data. In the meantime participating institutes have been left free to implement their seasonal adjustment techniques in the sets of data published nationally.

3) Discernable from the point of view of users?

There is limited awareness of methodological developments among users, first of all because there is limited awareness among non sophisticated users of the relations between the surveys implemented at the national level by participating institutes and the BCS Programme itself. However, even among expert users there is very limited awareness about the innovations introduced in the surveys and related indicators and users tend to react very slowly. At any rate there is a generic appreciation of improvements, while dissatisfaction on the delayed solution of seasonal adjustment problems is higher than expected and

the existence of different seasonal adjustment techniques resulting in different series published at the national and European level has engendered considerable confusion and mistrust.

6.1 Should any further methodological problem arise in the future, the Commission should **strongly discourage participating institutes from autonomously implementing methodological solutions** that could result in diverging sets of the same data published at the National and European level, as this engenders confusion and mistrust among users resulting in risks to the credibility of the surveys at both the national and EU level.

Priority: High

6.2 The Commission should take measures to ensure that participating institutes acknowledge Commission co-financing of their survey activities and raise awareness of the fact that their national surveys are included in a joint-harmonised common European programme. These measures include mandatory references in press releases and rules for the use of the EU logo.

Priority: Medium

Evaluation Question 7

. What has been the influence, if any, of the ECFIN surveys on methodological developments and approaches, in particular at the level of:

1) other institutions (OECD, ...)?;

The European Harmonised Methodology developed by the European Commission has been adopted by the OECD as the international standard for expanding the BCS programme worldwide and the two institutions have developed a co-operation programme to further develop the methodology. In this cooperation programme the OECD mainly follows developments in non-EU countries and non-Candidate countries and the Commission is responsible for Candidate Countries. While welcoming this international dimension and co-operation with the OECD there is a prevailing view among participating institutes and European stakeholders that further progress in European harmonisation should be steered by European institutions (including more involvement of EUROSTAT) rather than left to international cooperation alone.

2) Member States ?;

Through the accession process the joint-harmonised methodology has been exported to all new Member States and Candidate Countries, as it previously was to Austria, Finland and Sweden.

3) Third countries?

The OECD has also been exporting the joint-harmonised methodology to the other 5 large non-OECD Members countries (Brazil, China, India, Indonesia and South Africa) and to the Asian-Pacific (Korea) and Latin American countries with a view to come to a World Composite Leading Indicator covering 85% of the world GDP. At present, one can conclude that through the combined EU-OECD efforts, the joint-harmonised methodology is becoming the prevailing business survey methodology in the world in competition with the PMI standard that already covers 76% of global manufacturing output.

7.1 The Commission should **continue its present co-operation with the OECD and CIRET** including support to the OECD/CIRET idea of establishing a portal specifically devoted to the surveys. However, methodological developments of the joint harmonised programme should remain primarily the responsibility of the EU institutions

Priority: Low to medium

3.2 CROSS-CUTTING CONCLUSIONS ON THE PROGRAMME COMPONENTS

The following table summarises the most relevant conclusions and recommendations related to the specific components of the BCS Programme.

Product	Typology of use	Quality and effectiveness	Efficiency in the use of funds	Recommendations
Industry survey	 Intensively used for quantitative purposes 	 Good leading properties Successfully used to detect turning points Results in the eu 10 not perceived as reliable as in the eu 15. 	• High	Further investigate reasons for perceived lack of reliability in certain countries
Construction survey	 Mainly used for qualitative assessments In some countries intensive quantitative use also reported In competition with hard data where these exist. 	Exceeding volatility and poor reliability reported in countries where sector is fragmented	 Fairly high but some implementation aspects in certain countries unclear. 	 Further investigate reasons for perceived lack of reliability in certain countries.
Consumer survey	 Very popular in the media Extensively used for qualitative purposes Diverging views on quantitative use 	 Generally deemed to have little or no leading properties Very appreciated for insights on reasons behind certain economic behaviours and in times of economic shocks 	 High, unless for those who think the programme should stick to forecasting instruments only. 	 None. In the long run pilot research on alternative phrasing of questions is worth considering
Retail survey	 In some countries successfully replaces the consumer survey Suffers competition from hard statistics in countries where these are released early during the month 	Exceeding volatility and poor reliability reported in countries where sector is fragmented	 Fairly high but some implementation aspects in certain countries unclear. In the long run convergence with hard statistics will require re- assessment of value of money 	 Further investigate reasons for perceived lack of reliability in certain countries. In the long run consider simplification or merge, also in the light of availability of hard data
Service survey	Familiarity with this recently-	Coverage of branches	Requires further investment to	Consistently expand sector

Product	Typology of use	Quality and effectiveness	Efficiency in the use of funds	Recommendations
	 introduced instrument increasing Quantitative use also depends on diverging levels of development in the different countries Sometimes used as a proxy of otherwise missing statistical data 	generally deemed insufficient In several cases duration of series too short to allow assessment of usefulness	meet requests from end users	coverage across Europe
Investment survey	Infrequently used for business cycle analysis also because of its biannual frequency	Fairly widespread reservations on the survey capability in its present form of detecting trends, for any quantitative or qualitative use, but diverging views on whether this depends on nature of questions asked or on the intrinsic nature of the subject matter itself.	 Fairly limited use of the survey, as well as reservations on the nature of the questions asked seriously reduce the efficiency of resources spent. It is possible that further investment is needed to meet requests from end users. 	 Radically reconsider the survey and explore alternative formulation of questions. Consider merging the survey with another one to increase its frequency If no improvement reached in the long run consider discontinuation of activities
World Economic Survey	 Very limited use including from within European institutions Availability of full set of results requires subscription Practically almost no awareness it is funded under the programme 	 Actual users happy about the instrument Widespread reservations on its conceptually being as expert panel rather than a survey. 	From the European perspective unclear rationale for subsidizing it as a BCS programme product in view of very limited use and different nature.	Discontinue institutional co- financing. If Commission is interested in results, they can become ordinary subscribers
European Sentiment Indicator	 Executives, policymakers and the media 	 Coincident and not leading Well accepted at the european level, much less used at 	Not applicable	Improve graphic understanding of cross-country comparisons between economic

Product		Typology of use	Quality and effectiveness	Efficiency in the use of funds	Recommendations
			 the national level Correlation with the different national cycles often uneasy for the general user 		cycles
Business Indicator	Climate	Economic researchers	 Poorly known Based on factor methodology 	Not applicable	Create better communication link with the BCS programme