

# Contents

<b>Summary and Main Conclusions</b> .....	<b>1</b>
<b>Part A. A user manual to the Joint Harmonised EU Programme of Business and Consumer Surveys</b> ....	<b>9</b>
1. Introduction .....	11
2. General principles underlying the harmonised business and consumer surveys.....	12
2.1. Overview of the harmonised survey programme.....	12
2.2. Common properties of the surveys .....	14
3. Collecting and processing business and consumer surveys .....	21
3.1. Sampling .....	21
3.2. Aggregation and weighting .....	22
3.3. Calculation of balances .....	22
3.4. Calculating EU and euro-area aggregates .....	24
3.5. Seasonal adjustment.....	24
3.6. Calculation of composite indicators.....	25
4. Data dissemination and publication .....	29
4.1. Publication of survey results .....	29
4.2. Metadata .....	29
5. The use of business and consumer surveys for economic analysis.....	30
5.1. Key features of survey data .....	30
5.2. Information content of the Commission composite indicators .....	31
5.3. The use of survey data for economic analysis .....	31
6. External evaluation of the harmonised survey programme.....	40
6.1. Main findings of the evaluation .....	40
6.2. Recommendations of the evaluation .....	42
6.3. Conclusions .....	43
7. References.....	45
<b>Part B. International guidelines and recommendations on the conduct of business and consumer surveys.</b>	<b>47</b>
1. Background .....	49
2. Recommendations on improvement of response rates and minimisation of respondent load .....	50
3. Recommendations on harmonisation of survey operations and technical design.....	52
3.1. Efficient sample design and weighting methods .....	52
3.2. Design of internet surveys .....	53

<b>Part C</b>	<b>Studies related to the EU BCS programme</b>	<b>57</b>
1.	Performance of seasonal adjustment procedures	59
1.1.	Introduction	59
1.2.	Seasonal adjustment methods	59
1.3.	Main findings of DG ECFIN Study Group on seasonal adjustment	60
1.4.	Summary of the study “Performance of seasonal adjustment procedures: Simulation and empirical results”	62
1.5.	Conclusions	66
1.6.	References	67
2.	Comparison of national versus European Commission confidence indicators	68
2.1.	Introduction	68
2.2.	Possible sources of discrepancies between Commission indicators and national indicators	68
2.3.	Comparison of a selected number of indicators	71
2.4.	Summary	76
3.	Using factor models to compute composite indicators from business and consumer survey data	78
3.1.	Introduction	78
3.2.	Summary of the study “Using factor models to construct composite indicators from BCS data – A comparison with European Commission confidence indicators”	81
3.3.	Summary of the study “Dynamic factor models for survey-based confidence indicators”	71
3.4.	Discussion and overall conclusions	86
3.5.	References	88
4.	Consumers’ quantitative inflation perceptions and expectations: A first look	90
4.1.	Introduction	90
4.2.	Data and methodological issues	90
4.3.	Empirical features of consumers’ inflation sentiment	92
4.4.	Summary and concluding remarks	96
4.5.	References	98
5.	The impact of survey aggregation methods on the quality of business survey indicators	99
5.1.	Introduction	99
5.2.	Description of the “disaggregate” approach	99
5.3.	Summary of some properties of the survey data and of the official data for manufacturing output growth	101
5.4.	In-sample performance of the aggregate and disaggregate indicators in the retrospective and prospective cases	101
5.5.	Comparing the out-of-sample performance of the retrospective and prospective aggregate and disaggregate indicators of manufacturing output growth	103
5.6.	Conclusions	104
5.7.	References	105

## Annexes

<b>Annex A.1 Communication from the Commission on the Joint Harmonised EU Programme of Business and Consumer Surveys</b> .....	<b>109</b>
1. Introduction .....	109
2. The need for a joint harmonised EU programme .....	109
3. Implementation of the programme .....	109
4. Publication .....	111
5. Use of the information .....	111
6. Evaluation .....	111
7. Reporting .....	112
8. Conclusion .....	112
<b>Annex A.2 Dainties – description of the seasonal adjustment method</b> .....	<b>113</b>
1. General features .....	113
2. Adjustment by Dainties .....	113
<b>Annex A.3 Questionnaires and classifications</b> .....	<b>115</b>
Annex A.3.1 The joint harmonised EU industry survey .....	115
Annex A.3.2 The joint harmonised EU services survey .....	119
Annex A.3.3 The joint harmonised EU consumer survey .....	120
Annex A.3.4 The joint harmonised EU retail trade survey .....	123
Annex A.3.5 The joint harmonised EU construction survey .....	124
Annex A.3.6 The joint harmonised EU investment survey .....	125
Annex A.3.7 The EU financial services survey .....	127
<b>Tables</b>	
<i>Part A</i>	
2.1. Sample sizes per Member State and per survey .....	13
2.2. Variables covered in the monthly business and consumer surveys .....	18
2.3. Variables covered in the half-yearly investment survey and answer scheme .....	19
3.1. Reference series (AMECO database) used to compute the country weights .....	24
5.1. Correlations between ICI and national or euro-area industrial production series .....	35
<i>Part C</i>	
1.1. Summary results of diagnostic tests .....	64
2.1. Methodological differences between national and Commission survey indicators .....	70
3.1. Correlation of confidence indicators and selected factor-based CCI with target series .....	83
3.2. Correlation of ESI and best factor-based CCI with GDP growth .....	84
4.1. Consumers' quantitative estimates of perceived and expected inflation – Descriptive statistics of the EU-17 distribution (May 2003 – November 2006) .....	94

4.2. Effects of different trimming schemes on the mean and the standard deviation of consumers' perceived and expected inflation .....	96
4.3. EU-17 consumers' perceived and expected inflation across socio-economic groups (averages for May 2003 – November 2006) .....	97
5.1. In-sample correlation of the aggregate and disaggregate indicator against manufacturing output growth: Summary results .....	102
5.2. RMSE of the aggregate and disaggregate indicators against manufacturing output growth in the out-of-sample period: Summary results .....	103

## Graphs

### Part A

Box 2.1 Survey in the financial services sector .....	15
5.1. Projection of euro-area GDP growth using DG ECFIN's dynamic factor model (Monthly projections, November 2006) .....	33
5.2. Industrial confidence indicator and industrial production index (1980:01-2006:10) .....	33
5.3. NBER business cycle dating and estimated recession probabilities of the Markov-switching model .....	34
5.4. Cyclical components of the ICIs (bandpass-filtered) .....	35
5.5. Three-year moving correlations of country-specific ICIs with the euro-area ICI .....	36
5.6. Effects of extreme changes in the euro-dollar exchange rate on confidence .....	38
5.7. Actual and perceived inflation in the euro area .....	38

### Part C

2.1. The Consumer Confidence Indicator for Finland: comparison between the national and the Commission indicators (in level) .....	72
2.2. The CCI for Finland: comparison between the national and the Commission indicators (month-on-month change) .....	72
2.3. The Industrial Confidence Indicator for Italy: comparison between the national and the Commission indicators (in level) .....	73
2.4. The ICI for Italy: comparison between the national and the Commission indicators (month-on-month change) .....	73
2.5. The Consumer Confidence Indicator for Hungary: comparison between the national and the Commission indicators (in level) .....	74
2.6. The CCI for Hungary: comparison between the national and the Commission indicators (month-on-month change) .....	75
2.7. The Industrial Confidence Indicator for France: comparison between the national and the Commission indicators (in level) .....	75
2.8. The ICI for France: comparison between the national and the Commission indicators (month-on-month change) .....	76
2.9. Comparison between the IFO indicator and the Commission's ICI for Germany (in level) .....	77
2.10. Comparison between the IFO indicator and the Commission's ICI for Germany (month-on-month change) .....	77
4.1. Time series of consumers' quantitative estimates of inflation perceptions and expectations in the EU-17 .....	93
4.2. EU-17 distributions of replies to the quantitative questions of inflation sentiment .....	95