

# ERT Economic Confidence Survey

## Background Report

For

**European Round Table of Industrialists  
Brussels**

**Centre for European Economic Research  
Zentrum für Europäische Wirtschaftsforschung (ZEW)**

Mannheim, 19 November 2018

The logo for ZEW (Zentrum für Europäische Wirtschaftsforschung) consists of the letters 'ZEW' in a large, bold, white sans-serif font. The background of the logo area is a blue vertical bar on the right side of the page, which also features a white dotted map of Europe and three upward-trending lines in white, red, and yellow.

Zentrum für Europäische  
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## 1 Introduction

The Economic Confidence Survey is organized by the European Round Table of Industrialists (ERT) and is carried out by the Centre for European Economic Research (ZEW). The aim of the survey is to provide insights into the short-term business expectations of leading European companies in and outside the European economic area. All 55 ERT members were invited to participate to give the most comprehensive and unbiased result possible.

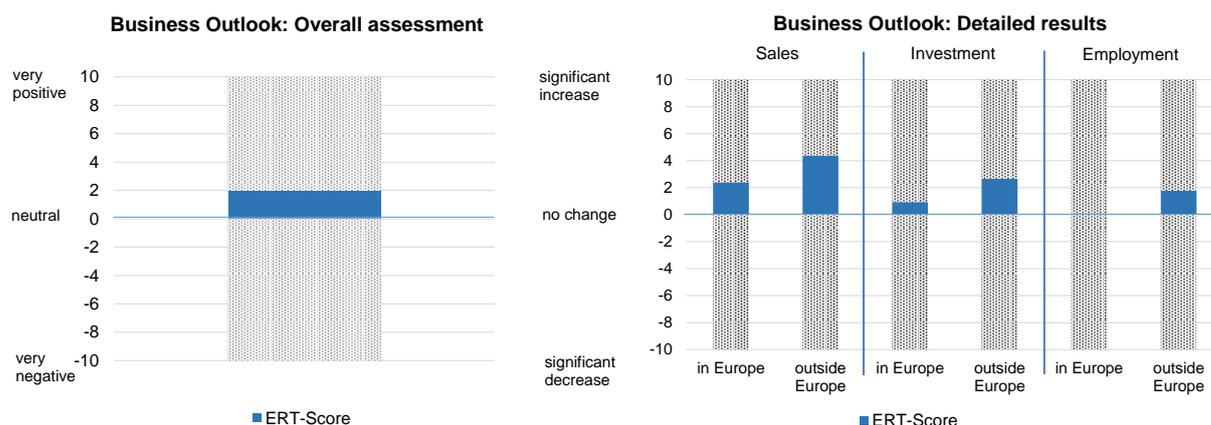
This edition from autumn 2018 of the ERT Economic Confidence Survey constitutes the third full version of the bi-annual survey. The next edition will be launched in May 2019. The Economic Confidence Survey tries to visualize the economic expectations of ERT members with regard to sales, investment and employment distinguishing the developments inside and outside of Europe. The previous surveys also included questions regarding the view of ERT members towards current economic policy issues in the European economy. These questions have been left out of the current edition.

## 2 Results

### 2.1 ERT Index

The ERT Index serves as a tool to quantify the overall results, to make a comparison of different editions and to allow tracking of the development over time. It is an index, which is

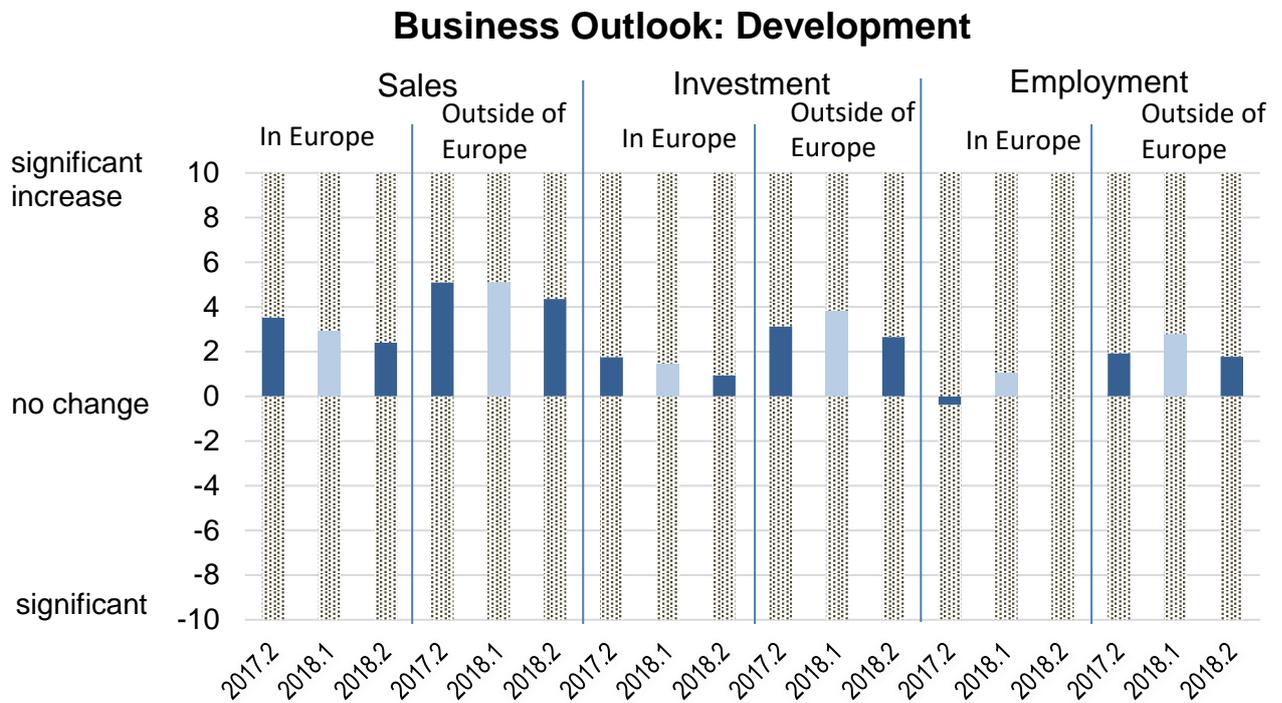
FIGURE 1: ERT INDEX: OVERVIEW



bounded between -10 and 10 with zero being a neutral score. The exact calculation of the ERT Index is explained in detail in Appendix 2.

Result of autumn 2018 survey: The ERT Indices show overall still a positive picture. Every index of the three main outlook categories turns out to be positive indicating that ERT members in general expect an increase in sales, investment and employment. This is also re-

FIGURE 2: ERT INDEX: CHANGE



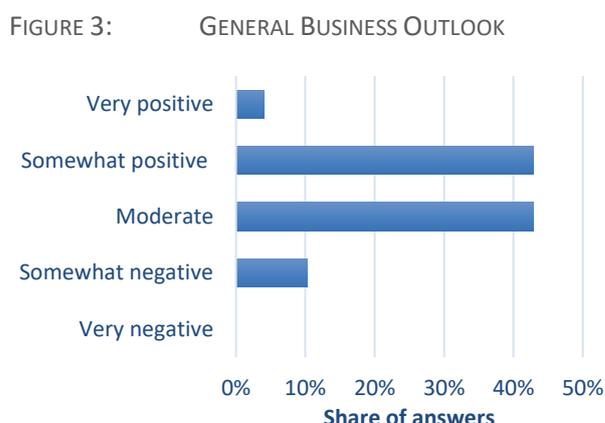
flected in the overall positive assessment of the general business outlook as shown in figure 1. The general business expectations in the next six months has a score of 2.04, meaning that ERT members still look optimistically into the future. However, even though the score is positive, it is located quite close to zero showing that expectations are close to a neutral position. In order to analyse this result in greater detail, three key components of the business development – sales, investment and employment - are focussed on. They are further split into their expected development inside and outside of Europe. Even though all indices are positive, all show a higher expected development outside of the European market than inside. The ERT index for sales outside of Europe (4.36) is almost twice as high as its counterpart for the development within Europe (2.40), which indicates that sales are overall expected to grow rather moderately inside Europe but slightly higher than moderate outside. This difference is even greater for investment, where expectations of investment inside Europe in the next six months has an ERT index of 0.94 versus a score of 2.66 for the development outside of Europe. These results show that investments are planned to stay nearly constant within Europe but to increase moderately outside. The indices for employment show a similar pattern. The ERT index for employment inside Europe scores an exact 0 while ERT index for employment expectations outside Europe scores 1.77. Employment inside Europe is on average expected to stay the same while employment outside Europe is on average expected to increase only slightly.

Development over time: Overall, results are in line with the observations of last survey editions, where the expectations were most of the times less positive inside of Europe than for the rest of the world. Sales expectations for Europe constantly declined slightly over the last 1.5 years from an ERT index of 3.53 to 2.40, indicating a move away from a believed moderate increase to a small increase or no change. The score of sales outside of Europe also declined slightly even though it stayed constant over the last surveys. However, the drop is not significant and the index still shows that on average a moderate increase of sales outside of Europe is expected. The ERT index of planned investment within Europe experienced a drop from autumn 2017 to spring 2018 to a score of 1.47 and continued to drop to a value of 0.94, indicating a move towards stable instead of expansionary investment inside Europe. These scores are however still much lower than the ERT index scores for investment plans for the rest of the world, which experienced a steep increase between autumn 2017 and spring 2018 but dropped from 3.82 down to a new level of 2.66. Employment expectations inside Europe have previously been the most pessimistic with a negative value of -0.38 in autumn 2017. The development of these expectations has shown an improvement for Europe with a value of 0. The employment expectations for the rest of the world show quite a contrary movement. The ERT index score initially located at 1.92 in autumn 2017 increased half a year later to 2.79 and dropped to its current level of 1.77 indicating slightly less optimistic expectations for employment outside of Europe.

The ERT indices enable a short overview and a comparison over time but cannot capture the business expectations in detail. Therefore, a more detailed analysis of the answers is conducted in the next section below.

## 2.2 Business Outlook in General

Overall the **business outlook for the ERT members' companies for months to come looks positive** as one can see in Figure 3 below. Even though a large part of ERT members (43%)

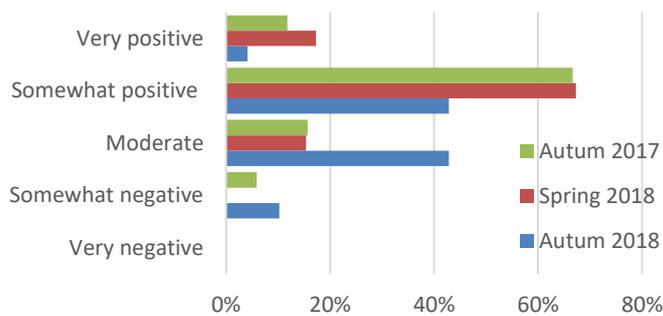


sees business to develop moderately, an equally large percentage of 43% expect their situation to improve slightly. Only 4% of ERT members have a very positive outlook of the next six months but also only 10% expect their situation to develop somewhat negatively. Even though these results show that most ERT members look optimistically into the future, the answers correspond to an ERT index of only 2.04 which is as explained above much lower than in the two previous waves of the survey.

Focussing on figure 4, one can see that the majority of ERT members expected their situation to increase in autumn 2017 and spring 2018. This has now shifted downwards for a number of companies

towards expecting the situation not to change in the next six months. This development is moving in the opposite direction of the change from autumn 2017 to spring 2018, where no members expected a negative future and a larger number saw a strongly positive future.

FIGURE 4: GENERAL BUSINESS OUTLOOK: CHANGE



Analysing the changes in detail, the percentage of members having a very positive outlook increased from 12% in autumn 2017 to 17% in spring 2018, then sharply declined to only 4% in autumn 2018. Also the number of members seeing a 'somewhat positive' outlook declined strongly from a previously stable 67% over the last two surveys to 42% in this edition.

Therefore, a large part of 44% of ERT members now expects moderate developments, whereas in previous editions only between 15% and 16% saw a similar outlook. In the first edition of autumn 2017 about 6% expected their position to develop 'somewhat negative', which changed within half a year to no members expecting a negative development. This trend now reversed with about 10% having a slightly negative outlook. However, all in all ERT members still mostly expect positive developments.

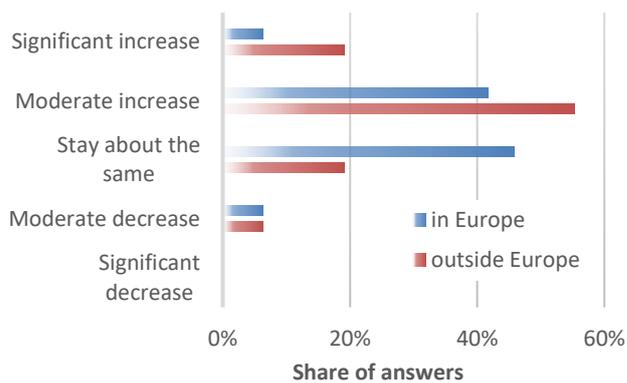
### 2.3 Sales, Investment and Employment

We break down the general business outlook into three subcategories for a deeper analysis of the business expectations of ERT members. All three dimensions are subdivided into expectations for Europe and expectations for the development in the rest of the world.

### 2.3.1 Sales Expectations

In general, ERT members expect an increase in sales inside and outside of Europe. However, as explained above, the ERT index scores already suggest that expectations inside and outside Europe differ strongly.

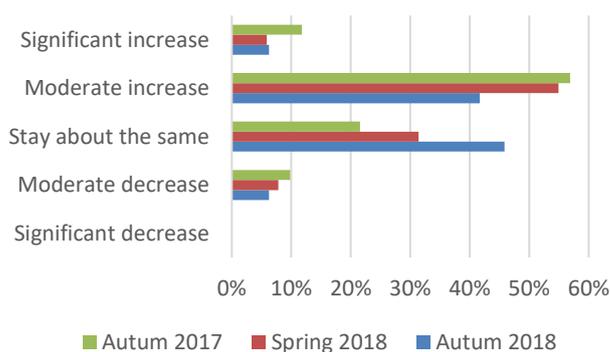
FIGURE 5: SALES OUTLOOK



Even though most members have optimistic expectations, the percentage of members awaiting an increase in sales in Europe almost equals the number of members who foresee no change in sales in the next six months inside of Europe (see figure 5). About 6% of ERT members do see a moderate decrease of sales inside of Europe in the next half year while no member expects a significant decrease. Sales expectations

outside of Europe also tend to be more optimistic than expectations for sales in Europe for this survey edition. The percentage of members expecting a significant increase in sales in the rest of the world is more than two times higher than the percentage of members expecting a significant increase in Europe. Also the number of members expecting a moderate increase is with 55% largely higher than the part of members expecting the same for inside-Europe sales. As shown in figure 5, less than 20% expect sales outside of Europe to stay at a similar level, compared to more than 40% for inside Europe. The portion of members expecting a decrease in sales is about the same for both sales regions and again no member expects a significant decrease of sales in either region.

FIGURE 6: SALES INSIDE EUROPE: CHANGE



Comparing the results of the survey to the latest predictions of the European Economic Forecast<sup>1</sup> similarities in the comparison between economic expectations can be found. The expected GDP growth rates for the European Union in 2019 are with 1.9% much lower than for the rest of the world (3.5%), which is also reflected by expected sales growth of the ERT member companies.

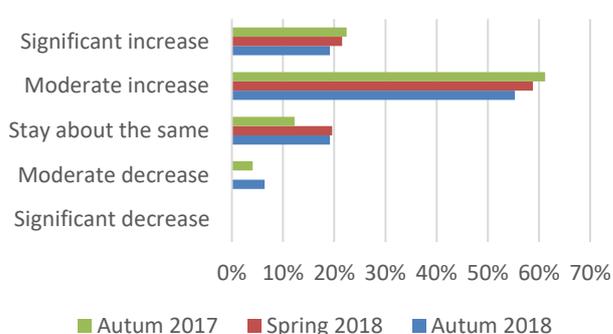
Analysing the development over time reveals that the moderation of sales expectations is limited to Europe, while they are

<sup>1</sup> See ECFIN: European Economic Forecast Autumn (Institutional Paper No. 089) by EU Commission's Directorate General on Economic and Financial Affairs

rather stable for sales in the rest of the world. While over 10% of members expected a significant increase and over 55% expected a moderate increase in sales for Europe in autumn 2017, this optimistic outlook has slowly declined over the last year (see figure 6). In spring 2018 a majority still awaited moderate- or significant increases in sales. This has now changed in the way that now equal parts expect an increase and no movement in the next six months. However, the number of members expecting a decrease in sales has also declined slightly over time and still no member expects a significant decrease of sales in Europe.

Similarly to the development in Europe, the expectations of sales outside of Europe have declined as well, even though not as strongly. About 20% think that their sales will increase significantly, compared to about 22% in the last surveys. Also the portion of members seeing

FIGURE 7: SALES OUTSIDE OF EUROPE: CHANGE



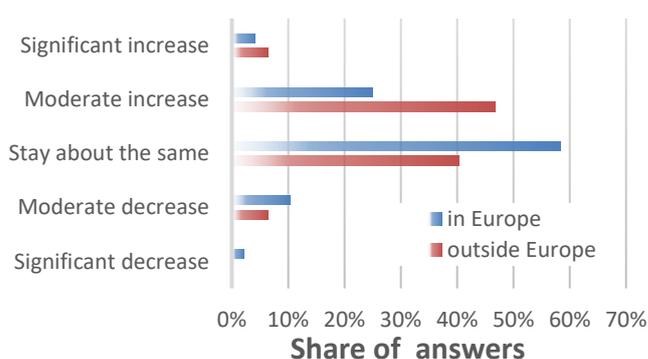
a moderate increase has been lowered from over 60% to 55%. A stagnation of sales in the rest of the world has increased from autumn 2017 to spring 2018 but stayed at 19% in this survey. The number of members seeing a moderate decrease did decline initially but has risen above its initial level of spring 2017 (4%) to 6% for this survey. This development is supported by the ERT indices analysed above.

### 2.3.2 Investment Expectations

Similarly to sales expectation, the **investment outlook is generally positive** but is awaited to grow much stronger outside of Europe than inside. Investment expectations in general are also lower than sales expectations, which was also indicated by their ERT indices above.

A majority of almost 60% of ERT members expect investments in Europe to stay at a similar level in the next six months (see figure 8). Only about 30% think that their investments will

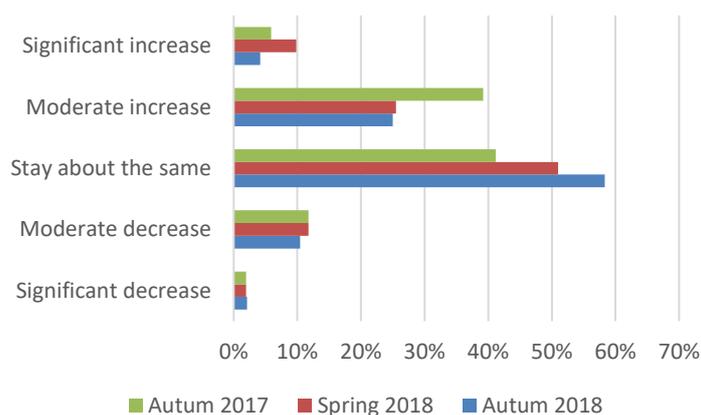
FIGURE 8: INVESTMENT OUTLOOK



increase either moderately (25%) or significantly (4%), while 12% believe that their investments inside Europe will decrease. 2% of ERT members even expect a significant investment drop in the near future. The development for investment in the rest of the world is again more positive. Here, a majority of over 50% expects their investments will in-

crease moderately (47%) or significantly (6%). Only about 40% see no change in investment in the near future and just 6% expect a moderate decrease while no significant decrease is expected by any member.

FIGURE 9: INVESTMENT INSIDE EUROPE: CHANGE

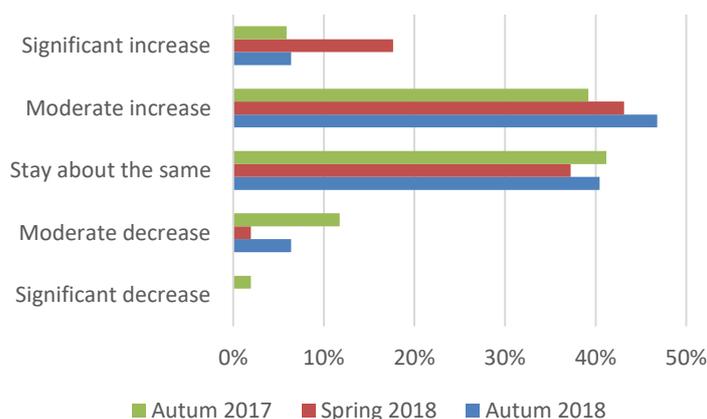


As shown in figure 9, the optimism about investment in Europe has continuously decreased over the last 1.5 years. The ERT index of 1.76 from autumn 2017 represented a majority of members expecting an increase in investments and less than 15% seeing a decrease in investments. While the minority expecting a decrease stayed relatively stable, the expectations of the

rest of the members have shifted from an expected increase to staying at the same level. Already in the spring edition of this year, a majority expected investments to stay constant. The support for this position has now even increased by taking support from the expectation of a significant increase.

The situation seems to develop differently for investment expectations outside of Europe. Over the last 1.5 years, ERT members generally had more optimistic investment expectations for the rest of the world compared to expectations for investment in Europe. The distribution of expectations has changed but from the initial survey in autumn 2017 on, a majority always believed in increases in investment outside of Europe. 'Stay about the same' was in autumn 2017 the most selected answer. This had changed half a year later to a 'moderate increase' being the most often chosen answer, while the percentage of members expecting a significant increase jumped from about 6% to about 18%. This jump has been reversed in this survey by falling back to 6% of ERT members seeing a significant increase in investment outside of Europe. The part of ERT members expecting a moderate increase has risen once more to over 45% while the

FIGURE 10: INVESTMENT OUTSIDE OF EUROPE: CHANGE



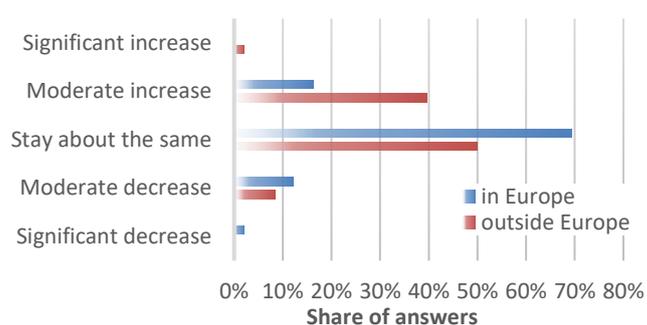
expecting a significant increase jumped from about 6% to about 18%. This jump has been reversed in this survey by falling back to 6% of ERT members seeing a significant increase in investment outside of Europe. The part of ERT members expecting a moderate increase has risen once more to over 45% while the

part of ERT members believing in no change has risen to its initial level in autumn 2017. The number of members awaiting a decrease of investments of some kind has dropped from autumn 2017 to spring 2018 but now again increased slightly. However, no member believed in a significant decrease of investment since the initial survey.

### 2.3.3 Employment Expectations

The third and last indicator of business expectations in focus in this survey is the employment expectation in the next six months inside and outside of Europe. A vast majority (69%)

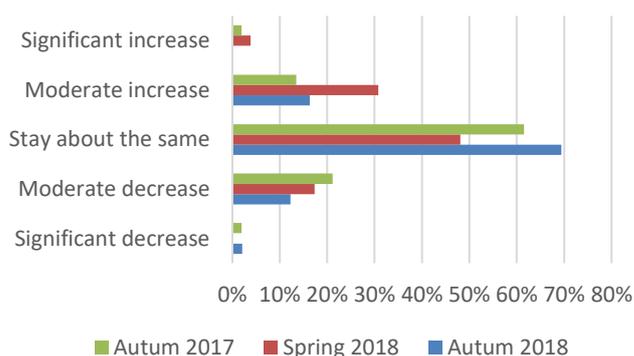
FIGURE 11: EMPLOYMENT OUTLOOK



of ERT members expects employment in their business to stay constant in Europe for the next six months (see figure 11). Members who think differently are almost equally distributed between an increase and a decrease of employment. 16% expect a moderate increase and no member sees a significant increase in the next half year. 12%

expect a moderate decrease and 2% even await a significant decrease. However, the distribution is strongly centred at the position of no change in employment, which is also supported by the ERT index of exactly 0 for employment inside Europe. The distribution of answers for employment expectations outside of Europe is more optimistic. 50% of members

FIGURE 12: EMPLOYMENT INSIDE EUROPE: CHANGE

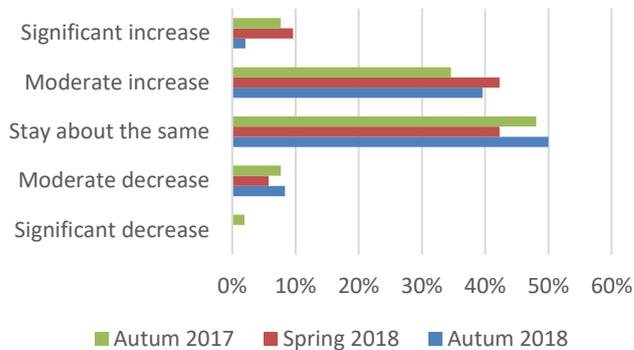


also expect a constant development of employment. About 40% believe in a moderate increase and 2% even expect a significant increase in employment outside of Europe. The positivity of the expectations is also supported by the result that only 8% of ERT members expect a moderate decrease and no one sees a significant decrease coming in the next six months.

Focussing on the development of the answers over the last surveys, one can observe in figure 12 that expectations changed strongly over the last 1.5 years. A large majority of ERT members expected no employment change in autumn 2017 while the belief in an increase or a decrease was symmetrically distributed. This had changed in spring 2018, where a significant part saw a moderate increase in employment in the near future. Also the number of members expecting a significant increase had risen from 2% to 4% and no member expected a significant decrease in employment inside of Europe anymore. Half a year later,

the development has been reversed. As explained above most members expect no change and equal parts expect increases and decreases in employment.

FIGURE 13: EMPLOYMENT OUTSIDE OF EUROPE: CHANGE



The employment expectations outside of Europe also developed positively between autumn 2017 and spring 2018. More ERT members expected a moderate or significant increase in employment in spring 2018. The number of members believing in no movement or a moderate decrease in employment declined and no member expected a significant decrease. This

trend has reversed in the current survey. The previously 10% of members who expected a significant increase have been reduced to only 2% and the percentage of members expecting no movement has exceeded its previous highest level of autumn 2017 slightly. Also the part of members awaiting a moderate decrease has risen again from 6% to 8%. However, since the spring 2018 survey no member expects a significant decrease of employment outside of Europe.

All in all, the indicators show generally positive expectations. However, comparing the results to the previous survey, a downward trend can be observed. Even though some indicators showed a positive trend from autumn 2017 to spring 2018.

### 3 Field Work

Initially, a mail was sent to all ERT associates of the 55 ERT members on October 24, 2018 containing an ERT member specific link to the online questionnaire as well as operating instructions. Brian Ager, ERT Secretary General also sent a supporting email to all ERT members. 19 ERT members responded until the initial deadline of Tuesday, October 30. Therefore, friendly reminders were sent out to the ERT associates or their personal assistants responsible for ERT matters by phone and mail between Wednesday, October 31 and Tuesday, November 13. We were able to motivate all but 7 ERT members to take part in the survey. One ERT member was not taking part because it was discussed that it is not appropriate for him to take part as several companies from the same group already responded. Email follow-ups were sent out between Wednesday, October 13 and Tuesday, November 13 to all companies who did not complete the survey until that date. The latest responses considered for the final survey outcome were recorded on Thursday, November 15. Until that date a

total of 49 ERT members have actively participated in completing the survey which represents a total response rate of 89% (49 out of 55)<sup>2</sup>. Such a high response rate is quite unusual for voluntary company-level survey. Also a number of bank holidays and the short initial response period made the answer collection especially demanding for this edition of the survey.

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<sup>2</sup> Please see Appendix 1 for the number of response by question.

## Appendix 1: Detailed results of the spring 2018 edition

**Question 1:** How would you characterize the general business outlook for your company right now?

Answer Option	Relative	Absolute
Very negative	0%	0
Somewhat negative	10%	5
Moderate	43%	21
Somewhat positive	43%	21
Very positive	4%	2
N		49
Missings		0
ERT Index Score		2.04

**Question 2:** Over the next six months, what do you expect will happen with your company's sales?

Answer Option	In Europe		Outside Europe	
	Relative	Absolute	Relative	Absolute
Significant decrease	0%	0	0%	0
Moderate decrease	6%	3	6%	3
Stay about the same	46%	22	19%	9
Moderate increase	42%	20	55%	26
Significant increase	6%	3	19%	9
N		48		47
Missings		1		2
ERT Index Score		2.40		4.36

**Question 3:** Over the next six months, what do you expect will happen with your company's investment?

Answer Option	In Europe		Outside Europe	
	Relative	Absolute	Relative	Absolute
Significant decrease	2%	1	0%	0
Moderate decrease	10%	5	6%	3
Stay about the same	58%	28	40%	19
Moderate increase	25%	12	47%	22
Significant increase	4%	2	6%	3
N		48		47
Missings		1		2
ERT Index Score		0.94		2.66

**Questions 4:** Over the next six months, what do you expect will happen with your employment?

Answer Options	In Europe		Outside Europe	
	Relative	Absolute	Relative	Absolute
Significant decrease	2%	1	0%	0
Moderate decrease	12%	6	8%	4
Stay about the same	69%	34	50%	24
Moderate increase	16%	8	40%	19
Significant increase	0%	0	2%	1
N		49		48
Missings		0		1
ERT Index Score		0.00		1.77

## Appendix 2: The ERT Index Score

The ERT Index is a quantitative measure to ease the interpretation of the results of the survey, enable comparison between different survey waves and also between the assessments of the likely development between regions. The index turns the shares of firms expecting a “significant increase”, a “moderate increase”, “no change”, a “moderate decrease” or a “significant decrease” into a single number.

The index is built as follows:

$$Index = \frac{1}{N} (n_1 \times 10 + n_2 \times 5 + n_3 \times 0 + n_4 \times (-5) + n_5 \times (-10))$$

Where  $n_1$  to  $n_5$  represent the number of participants who chose the different answer options with  $n_1$  indicating a significant increase to  $n_5$  indicating a significant decrease. The sum in parentheses is divided by the total number of responses ( $N$ ) to bind the index between 10 and  $-10$ .

In case all ERT member expect a significant increase (decrease) the index will take the value of 10 (-10). If the responses are equally distribute between the 5 categories the index amount to 0. Positive values of the index correspond to positive expected growth rate of the underlying variable, negative values to a negative growth expectations. The construction also implicitly links larger values of the index to larger growth rates

### Appendix 3: The Online Questionnaire

ERT  
Economic  
Confidence  
Survey

performed by ZEW

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**What will happen to the data you provide?**

ZEW bears full legal responsibility for data protection. All data will be treated strictly confidential, based on the provisions of data privacy law. ZEW will strictly follow the rule of the German data protection laws. For more information see <http://www.zew.de/en/datenschutz>. All collected data will be processed anonymously, and only pooled data will be analyzed. It will not be possible to identify the data for individuals from the published results. Data protection is in other words fully guaranteed.

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**How to answer the survey**

The survey is implemented solely as a web survey. It takes not more than 5-10 minutes to respond to all questions. There is a specific link for each ERT member. This link is working unless you explicitly state at the end of the survey that you have finalized the survey. Hence, unless you have done so you can leave the survey and reenter the webpage to continue the survey or change your responses. So, please do not forget to answer to this last item in the survey.

[Legal Note](#)

[Data Protection](#)

ERT

Economic Confidence Survey

ZEW

- 1** How would you characterize the general business outlook for your firm right now?

Very positive	Somewhat positive	Moderate	Somewhat negative	Very Negative
<input type="radio"/>				
- 2** Over the next six months, what do you expect will happen with your company's...

	Significant increase	Moderate increase	Stay about the same	Moderate decrease	Significant decrease
<b>sales in Europe?</b>	<input type="radio"/>				
<b>sales outside of Europe?</b>	<input type="radio"/>				
- 3** Over the next six months, what do you expect will happen with your company's...

	Significant increase	Moderate increase	Stay about the same	Moderate decrease	Significant decrease
<b>capital investment in Europe?</b>	<input type="radio"/>				
<b>capital investment outside of Europe?</b>	<input type="radio"/>				
- 4** Over the next six months, what do you expect will happen with your company's...

	Significant increase	Moderate increase	Stay about the same	Moderate decrease	Significant decrease
<b>employment* in Europe?</b>	<input type="radio"/>				
<b>employment* outside of Europe?</b>	<input type="radio"/>				

\* in fulltime equivalents

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<b>Confirmation</b>		
You have the following options to exit this questionnaire:		
<input type="radio"/> I have finished the questionnaire. My login will be disabled and no further access is possible.		
<input type="radio"/> The login will stay active to change the data in future sessions.		
3/3	<input type="button" value="Back"/>	<input type="button" value="OK"/>