

ERT Economic Confidence Survey

Background Report

For

**European Round Table of Industrialists
Brussels**

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

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Table of Contents

1	Introduction.....	3
2	Results.....	3
2.1	ERT Index	3
2.2	Business Outlook in General.....	6
2.3	Sales, Investment and Employment	7
2.3.1	Sales expectations	7
2.3.2	Investment Expectations	9
2.3.3	Employment Expectations	11
2.4	Attractiveness of Europe	13
2.5	Important Priorities of the New European Commission	16
3	Field Work.....	20
4	Appendix 1: Detailed results of the spring 2019 edition.....	21
5	Appendix 2: The ERT Index Score	26
6	Appendix 3: The Online Questionnaire	27

1 Introduction

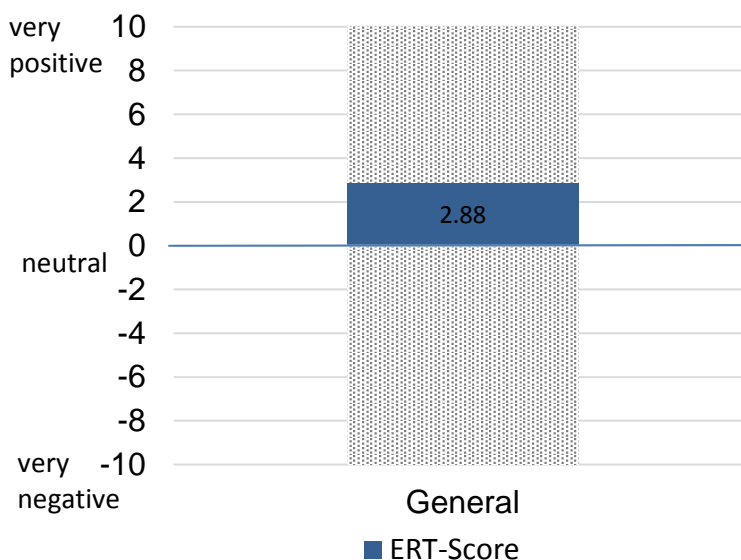
The Economic Confidence Survey is an initiative launched by the European Round Table of Industrialists (ERT) and is conducted by the Centre for European Economic Research (ZEW). It aims to provide insights into the short-term business expectations of leading European companies in the European economic area. All 55 ERT members were invited to take part in the survey to give a comprehensive and unbiased result.

The spring 2019 edition of the ERT Economic Confidence Survey is the fourth full version of the bi-annual survey first conducted in autumn 2017. The next edition will be launched in October 2019. The Economic Confidence Survey is designed to track and visualize the economic expectations of ERT members with regard to sales, investment and employment distinguishing the developments inside and outside of Europe. In addition, each survey also features the attitude of ERT members towards current economic international policy issues which might have a crucial impact on future economic development of the European economy¹. The current edition includes questions about the attractiveness of the European market and about important topics the European Commission needs to focus on in the future.

2 Results

2.1 ERT Index

FIGURE 1: ERT INDEX: BUSINESS OUTLOOK: OVERALL ASSESSMENT



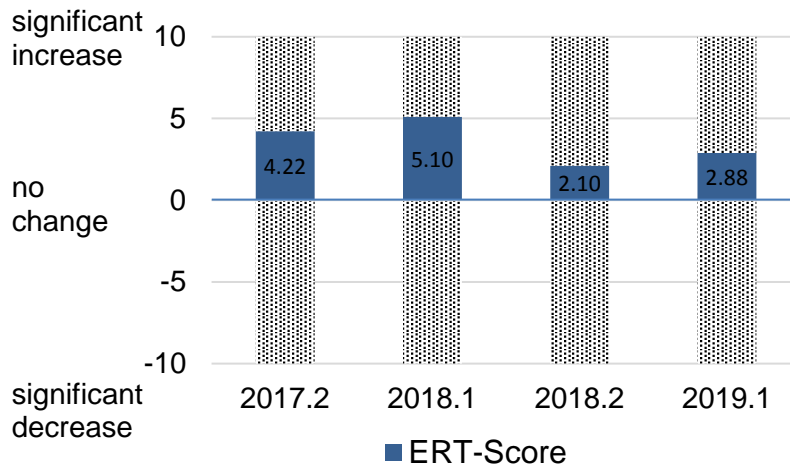
The ERT Index was developed as a tool allowing a quantification of the overall results, to make a comparison of different survey editions possible and to allow tracking of the development of results over time. The ERT index is bounded between -10 and 10 with zero being a neutral score. The exact calculation of the ERT Index is explained in detail in Appendix 2.

In general, the ERT indices show a positive picture

¹ The autumn 2018 edition did not include any question on the current political debates.

(see figure 1). The ERT index summarizing the outlook of the general business situation scores a value of 2.88. This indicates a moderate positive expected general development over the next six months. This score shows an improvement of expectations since the last

FIGURE 2: ERT INDEX: OVERALL DEVELOPMENT

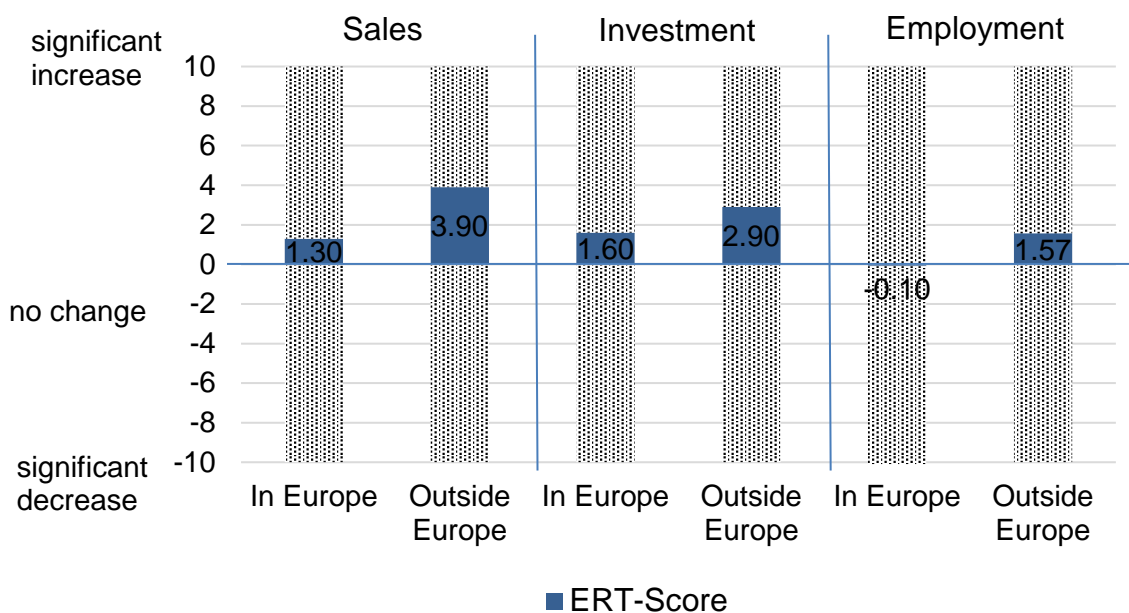


survey on autumn of 2018 (see figure 2). However, general business expectations still score a markedly lower ERT index than in autumn 2017 (4.22) and spring 2018 (5.10). The results of all surveys however deliver the same qualitative result

of expected “moderate increases” in the business expectations for the next months.

Furthermore, we split the examination of the business expectations into three performance indicators – sales, investment and employment. The expectations of the development of these indicators are separately analysed for inside and outside European expectations. The results are reported in figure 3. All but one ERT index for the indicators score positive values expressing positive expectations. ERT indicators are generally lower for inside European expectations than for expectations of the development outside Europe, as already seen in

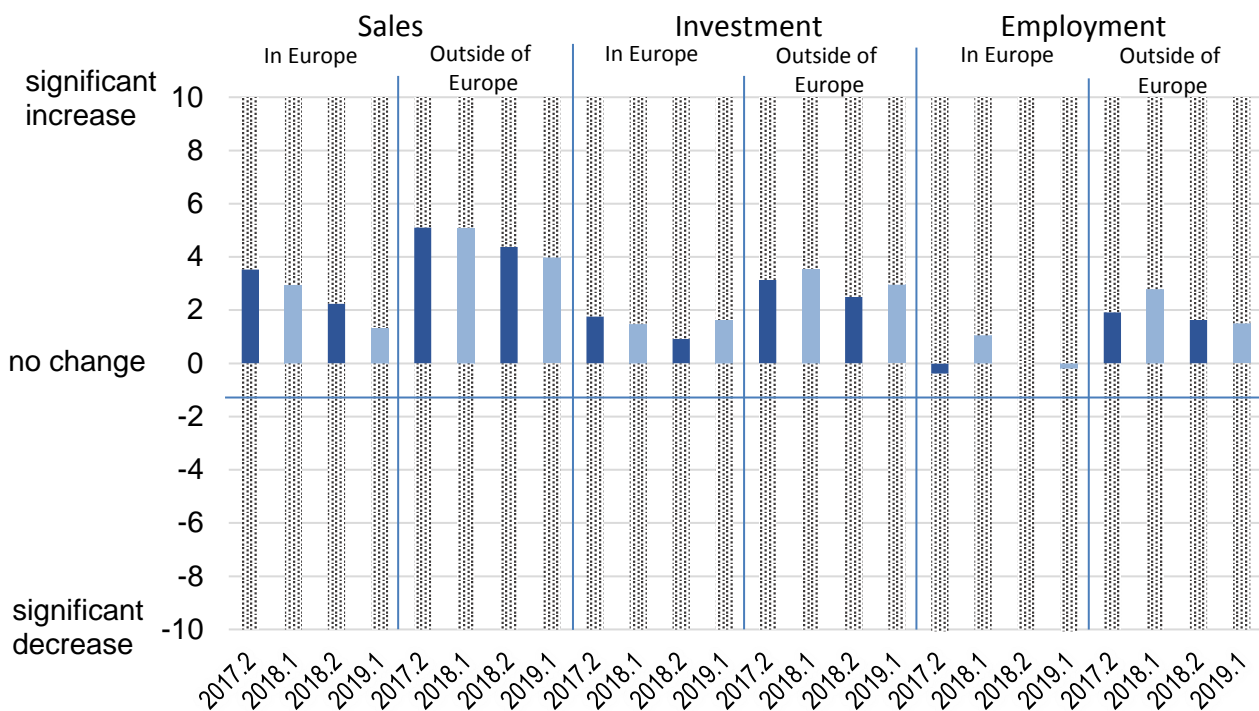
FIGURE 3: ERT INDEX: DETAILED RESULTS



previous editions of this survey. Sales expectations score with 1.30 much lower inside Europe than outside, where they reach an ERT index value of 3.90. Investment expectations are positive both inside and outside Europe but score inside only 1.60 and outside 2.90, expressing higher expected increase in investment outside Europe. Employment expectations are positive outside of Europe with an ERT index value of 1.57 but express in general no expected change in employment inside Europe with a slightly negative ERT index value of -0.10.

The results of the ERT indices are in line with the pattern seen in previous versions of the survey as shown in figure 4 below. Sales expectations outside of Europe have always scored the highest of the three indicators followed by investment expectations outside of Europe. Even though most ERT indices are positive and have mostly been positive in previous years, a slow downwards trend can be seen for sales inside and outside of Europe scoring highest in autumn of 2017 and lowest in the current ERT confidence survey. Investment expectations seem to have stayed positive and rather stable over the last years for both regions, they were lowest in autumn of 2018 and have increased in this survey. Employment expectations for Europe stayed lowest in the group of the indicators in all previous survey, effectively expressing no expected change in employment since autumn 2017. The expected development of employment outside of Europe has also stayed fairly stable but scoring higher positive values that can be interpreted as moderate expected increases in employment. All in all, the ERT Indices draw a positive picture, even though expectations for Europe are lower than for the outside.

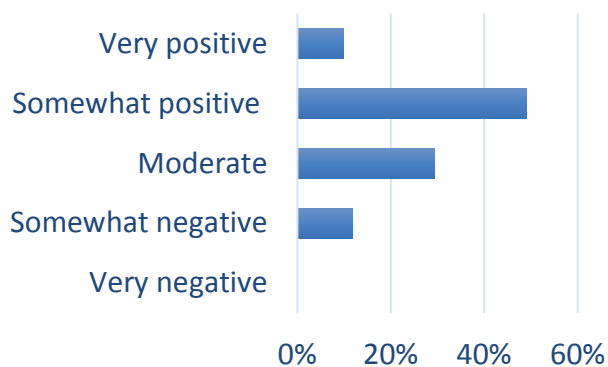
FIGURE 4: ERT INDEX: CHANGE



2.2 Business Outlook in General

In general, the **expected business development for the ERT member companies in the next months is reported to be positive**, as depicted in figure 5 below. A majority of 60% of ERT

FIGURE 5: GENERAL BUSINESS OUTLOOK

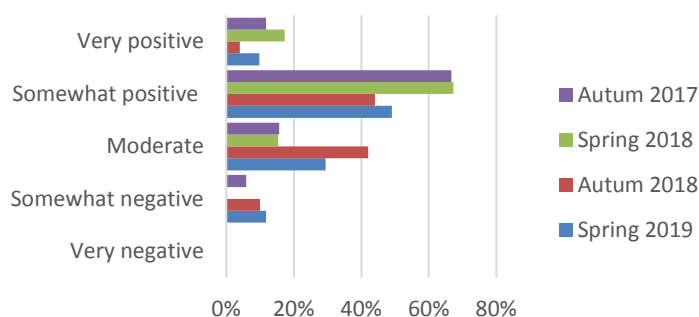


members express that their business in the next six months develops either “very positive” (10%) or “somewhat positive” (50%). Even though about 29% of ERT members see their business to develop moderately, only about 12% expect a “somewhat negative” general development. No ERT member has “very negative” business expectations. The overall optimistic assessment of the expected development corresponds to the

current positive outlook for the European and the world economy estimated by ECFIN² in their European Economic Forecast from spring 2019 and indicates that the ERT members are taking part in this development.

Comparing the results to business expectations in previous surveys one can observe that even though more ERT members see a positive development coming than half a year ago, the share of members expecting a somewhat negative development increased slightly. Expectations from autumn 2017 and spring 2018 are substantially more positive than the recent findings where a much

FIGURE 6: GENERAL BUSINESS OUTLOOK: CHANGE



higher share of respondents expects a moderate or negative business development. The share of ERT members expecting a moderate development, which sharply increased from 15% to 42% in the autumn 2018 wave of the survey, already declined to under 30% in the recent re-

sults but is still markedly higher than before the autumn 2018 survey. At the same time the share of ERT members seeing a somewhat positive development declined strongly between the spring 2018 (67%) and the autumn 2018 edition (44%). This share recovered only slightly by about 6%pts in spring 2019. A similar development can be observed for the number of ERT members that see a very positive development of their business in the next six months.

² See ECFIN: European Economic Forecast Spring 2019 (Institutional Paper No. 102)

However, the observed drop of general business expectations in autumn 2018 seem to have stopped and even bounced back slightly in the most recent survey.

However, expected regional developments behind these general assessments are heterogeneous as a comment by one respondent illustrates: “[g]rowth in the US will likely slow down, Europe stable, Asia slight growth and China [is] the big question mark”.

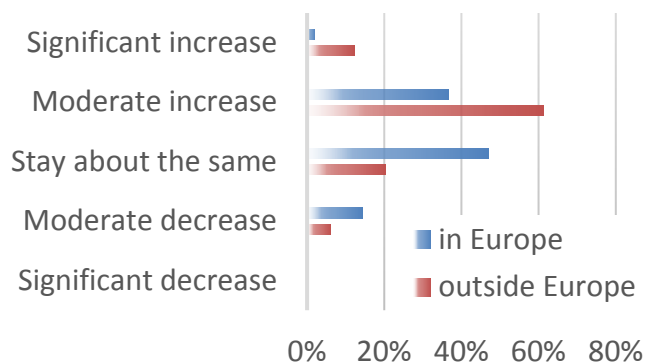
2.3 Sales, Investment and Employment

A deeper analysis is conducted by breaking down the general business outlook to expectations in three performance indicators: sales, investment and employment. These indicators are further separately analyzed in the survey for their expected development inside of Europe and for expectations in the rest of the world.

2.3.1 Sales expectations

In general, ERT members expect an increase in sales and a moderate development both inside and outside of Europe. As mentioned above, the ERT index scores already suggest that expectations inside and outside Europe differ strongly. Again, this overall picture is in line with the current economic expectations for Europe by DG ECFIN, as GDP and private

FIGURE 7: SALES OUTLOOK

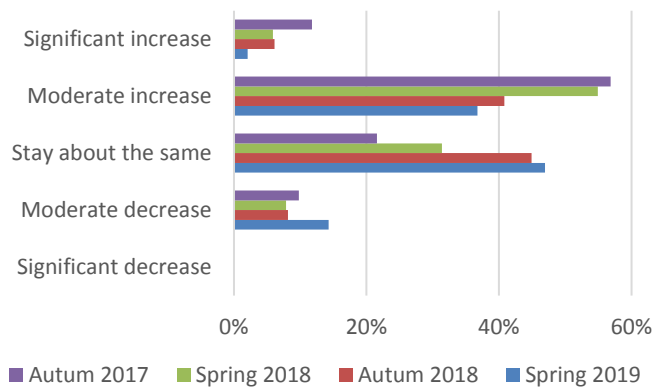


consumption for European member states are predicted to increase by 1.4% and 1.6%, respectively, while world GDP growth is expected to increase much stronger by 3.2%. One driver for positive sales expectations is stable demand in some industries. E.g. one ERT member states that “[g]rowth in demand for healthcare based on a solid consumer confidence”. However, the general positive growth trends seem to be slowed down by trade

disputes which increase uncertainty in the business environment. ERT members state that “[w]hile the global economy has some forward momentum, especially in the US, there are significant headwinds to growth from trade disputes that appear challenging to resolve and deepen social and political divisions in many parts of the world” and that “[u]ncertainty relating to trade policy/trade wars impact[s] business atmosphere negatively”.

As shown in figure 7, only 2% of ERT members expect sales to “increase significantly” inside of Europe while 10% more ERT members expect their sales to “increase significantly” in the

FIGURE 8: SALES INSIDE EUROPE: CHANGE

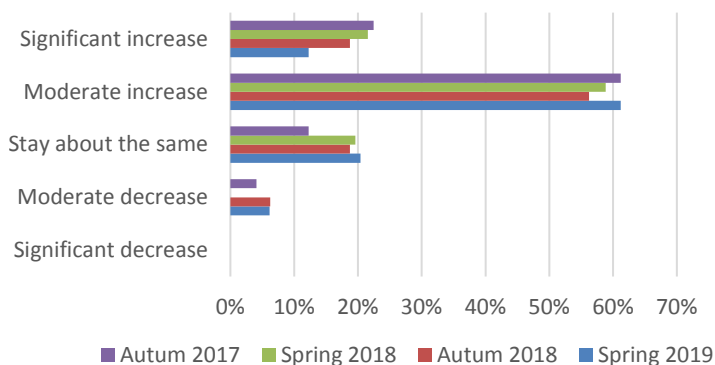


rest of the world. A share of 36% see a “moderate increase” in sales in Europe whereas a majority of 60% expects sales outside of Europe to increase moderately. Almost half of the ERT members (48%) assume that sales in Europe will not change while less than half of the share of ERT members (22%) expect sales outside of Europe to stay about the same. A small minority expects sales

to decline moderately: about 14% for inside Europe and 6% for outside of Europe. No ERT member expects a significant decrease in sales in any region. Therefore, sales expectations of most ERT members are generally positive while the development inside Europe is expected to be lower than for the rest of the world.

Focusing on the change of sales expectations over the last surveys a slow but constant negative trend can be observed for both for sales in Europe and also outside of Europe. While growth expectations for world markets seems to be more positive compared to the development of European market. This picture is similar compared to previous survey. However, the gap seems to become even wider. The share of companies expecting a moderate increase in sales in Europe is shrinking again while the share of those expecting not change

FIGURE 9: SALES OUTSIDE OF EUROPE: CHANGE



outside Europe is growing. The number of members expecting a decline in sales has also increased slightly over time whereas no member expected a significant decrease of sales in Europe in any survey version.

Sales expectations outside of Europe have declined as well even though expectations have in all survey versions

been much more positive than for inside Europe and have not declined as strongly over the observed period. The percentage of ERT members expecting a significant increase in sales outside of Europe has declined over time from about 22% in autumn of 2017 to 12% in the current survey. The number of ERT members seeing a moderate increase has stayed con-

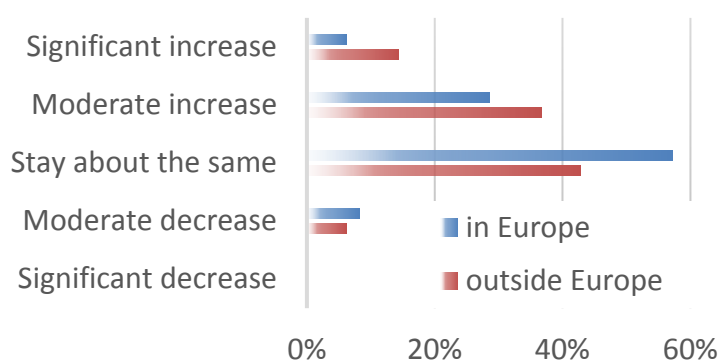
stant at about 60% over the observed period. The share expecting no change in sales increased from only 12% in 2017 to 22% in 2019. The percentage of members expecting a moderate decrease in sales outside of Europe stayed constantly below 10% and no ERT member reported a significant decrease in sales in any version of the ERT confidence survey.

2.3.2 Investment Expectations

A similar development of investment expectations of the ERT members can be observed. The positive expectations for sales are also accompanied by a positive investment outlook of ERT members in Europe and outside of Europe. Investment expectations are generally positive but better for outside of Europe than inside. One reason for the generally optimistic investment climate is certainly the need to invest in digitalization and digital products as one ERT member states for example that investments are needed due to a “start of a positive investment cycle in our industry, customers requiring more powerful networks including a new technology generation”. The trend to digitalization of industries is also seen as a driver of “[s]trong demand for software products driven by digital transformations and transition to the cloud”. However, the digitalization of industries is not to be the only driver of investment that was explicitly mentioned. One ERT member observes a “continued long-term trends for increasing automation and electrification in process, hybrid, and discrete industries”. In addition, ERT members comments also point to the need to invest in the development of infrastructure as an important investment driver

A majority of almost 58% of ERT members expect investments inside Europe to stay about the same in the next six months as seen in figure 10. Just about 28% expect their investments

FIGURE 10: INVESTMENT OUTLOOK

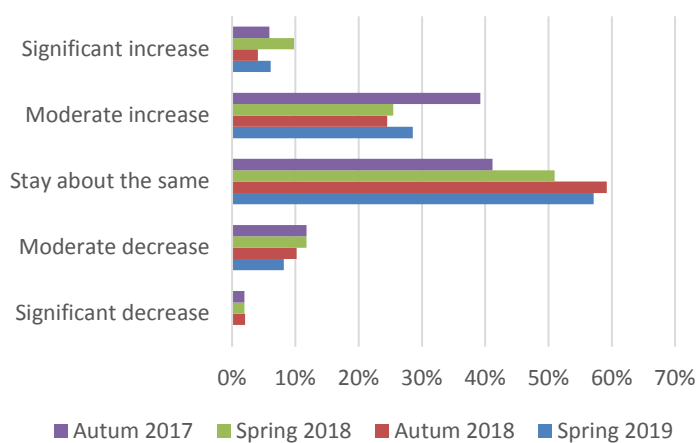


in Europe to increase moderately and only 6% see a significant increase in their investment. However, only 8% expect a moderate decrease in investments and no ERT member sees investments to drop significantly in the next six months.

Investment expectations for the rest of the world are again more positive. A majority awaits here either a significant increase (14%) or a moderate decrease (36%). Compared to expectations inside Europe a much smaller share of about 44% of ERT members expect investment for the rest of the world to stay at a similar level. However, moderate decrease of investment is expected by a similar percentage of ERT members in both regions.

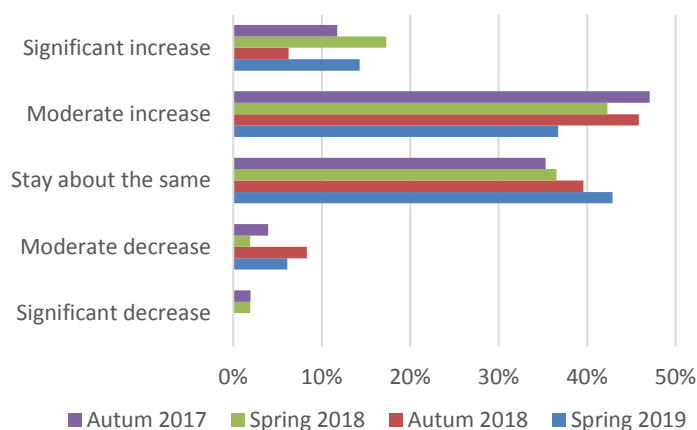
The trend observed in the general business outlook and in sales cannot be observed for the development of investment expectations in Europe. As shown in figure 11 the optimism in investment expectations stayed rather constant over the past survey waves. The share of ERT members expecting a significant increase in investment in Europe initially increased to about 10% from autumn 2017 to spring 2018 but fell directly afterwards in autumn 2018 to a lower level than initially recorded. This movement reversed in the current edition where

FIGURE 11: INVESTMENT INSIDE EUROPE: CHANGE



the share is at a similar level than in autumn 2017. The percentage of members expecting a “moderate increase” initially dropped from about 40% in autumn 2017 to about 25% and stayed rather constant since, even though it recently increased to 28%. The relative majority of ERT members expected investment in Europe to stay about the same in all survey waves while this share constantly increased from 41% in the autumn of 2017 to 59% one year later. In this survey the share that expects no changes in investment inside Europe stayed at this high level with 58% of ERT members. The number of members who believe in a moderate or significant decrease in investment inside Europe has constantly dropped over the survey waves. In this survey, less than 10% expect any decrease in investments and no member expects a significant decrease anymore.

FIGURE 12: INVESTMENT OUTSIDE OF EUROPE: CHANGE



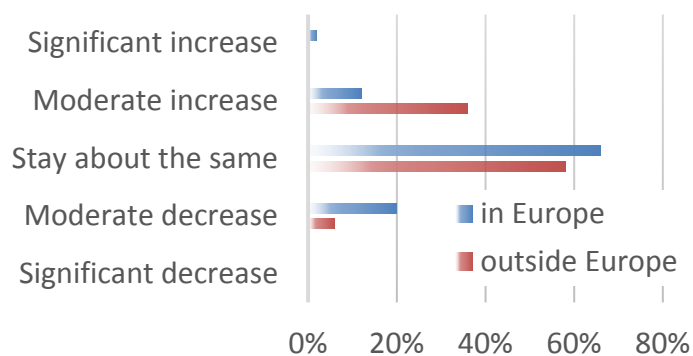
The development observed for investment expectations inside Europe differs quantitatively from the trend of investment expectations outside of Europe but a similar pattern can be observed in figure 12. Initially, the share of members expecting a significant increase in investment increased from about 12% to 17% in spring 2018, declined afterwards strongly to less than 10% and increased again in this survey wave outperforming the initial share by about 2%pts. A “moderate increase” in investment in the rest of the world was initially expected

by 47% of members, then constantly declined over the survey waves while the result in autumn 2018 constitutes an exception. However, the share of members expecting a “moderate increase” in autumn 2018 is still lower than the initial 47% in spring 2017. Since the initial survey in 2017, a constant increase in the percentage of members believing in no change in investment outside of Europe is observed resulting in over 40% in the current survey wave. The share of ERT members expecting a decrease in investment in the rest of the world has stayed almost constant at a low level below 10%. However, in the last two surveys no member believed in a significant decrease of investment anymore while the share expecting a moderate decrease increased slightly.

2.3.3 Employment Expectations

The third indicator of business expectations focusses on the employment expectation in the next six months inside and outside of Europe. The survey results show that a vast majority

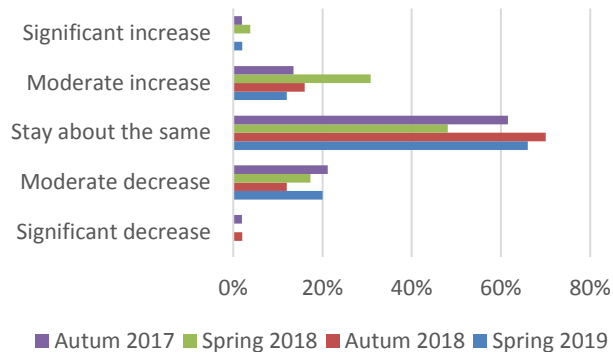
FIGURE 13: EMPLOYMENT OUTLOOK



of 65% expects employment in Europe to stay at similar levels for the next six months. The share of ERT members who expect a different development are almost equal for an increase and a decrease of employment. 14% of members believe that their employment inside Europe will increase moderately and about 2% expect a significant increase. On the other side

about 20% of ERT members expect a moderate decrease in employment in Europe over the next six months and no member expects a significant decrease. The expectations are more positive for employment outside of Europe. Again, a majority (57%) expects no change in employment. However, about 37% state that their employment in the rest of the world will increase moderately compared to only 6% of ERT members who plan for a moderate decrease. No members see their employment outside of Europe to increase or decrease significantly in the next six months.

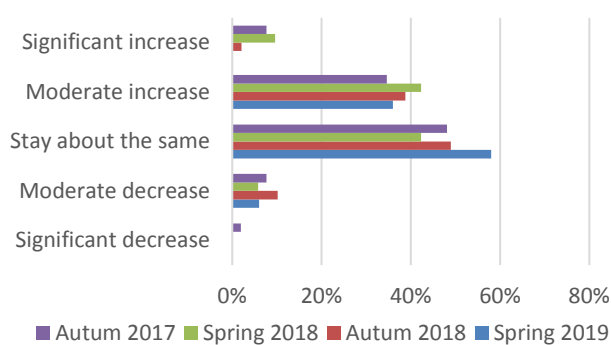
FIGURE 14: EMPLOYMENT INSIDE EUROPE: CHANGE



Employment expectations since the first wave of this survey have stayed rather constant for Europe (see figure 14). In all waves ERT members expected no change in employment in the next half year. Even though in spring 2018 a large minority of 31% believed employment to increase moderately, the ERT index stayed for all other years close to zero and no did only reach 1.63 for spring 2018. A share of less than 5% of ERT members expected employment inside of Europe to increase significantly in any wave. However, an equally small share expected employment to decrease significantly in any wave. The share of members expecting a moderate increase stayed in all waves between 13-16% when excluding the wave from spring 2018, where the share jumped to 31% but decreased in the next survey year again to 16%. A “moderate decrease” in employment inside of Europe was expected in the first wave of the survey by about 21% of ERT members. This share decreased over the following waves to about 12% and increased again to 20%.

The development for employment expectations for the rest of the world stayed positive and fairly stable, even though a slow downward trend can be observed. The number of ERT members expecting employment outside of Europe to increase significantly decreased over time from 8% to zero. However, a significant decrease is also not expected by any ERT member since the first survey in autumn 2017. The share of members expecting a moderate decrease has also stayed rather stable at a low level of less than 10%. A moderate increase was expected in all waves by a large minority between 35% and 42%. In all waves a majority

FIGURE 15: EMPLOYMENT OUTSIDE OF EUROPE: CHANGE



expected employment to stay at similar levels outside of Europe. This majority increased by 8% during the last and the current wave. Only small minorities expect a significant increase or decrease in employment inside and outside Europe and a majority expecting no change in employment in any analysed region. The generally more positive expectations for employment outside of Europe originate in a much larger share of members expecting a moderate increase in employment.

In general, all indicators draw a positive picture. However, comparing the results to the previous survey, a downward trend can be observed for a number of indicators - even though some indicators show a start of a positive trend since last survey. These downward trends seem to be partly driven by political uncertainty and trade wars as an ERT member states that “[p]olitical uncertainties, especially trade conflicts, burden global economic development [...]” as well as a “[...]slow-down in major growth market China, caused by trade war”. However, these are not the only reasons for a less optimistic business environment. Several members point out that demand growth has slowed down in important industries. Members explain that their “[...]industry faces currently a period of modest growth in demand and a relatively fast increase of capacity” or report a “[...] slow-down in important customer industries[...]”. These demand side shifts seem to be especially relevant for some members in the European market as members report a “[...]slow economic growth in home market Europe”. Several ERT members point to issues endangering profitability e.g. “[...]changes in input prices[...]” or a significant “[...]margin pressure in major products (caused by increased competition from Emerging Markets and overcapacities e.g. in China)”.

2.4 Attractiveness of Europe

The first special question included in this survey wave is focussing on the importance of various topics for the attractiveness of Europe for the ERT member’s companies. The topics are generally grouped in topics concerning European institutions, European policies, European markets and infrastructure/social environment. ERT members were asked to mark each topic as detrimental, unimportant or beneficial for Europe’s attractiveness. Overall, all topics seems to be important for the attractiveness of Europe. However, European institutions and Infrastructure/Social Environment seem to highly affect attractiveness.

In the group of European Institutions current social stability seems to be most important. About 88% of ERT members state that this is a factor making Europe more attractive compared to the rest of the world. For only 12% the current social stability seems to be unimportant or even detrimental for Europe’s attractiveness. The status of the political stability and the effectiveness of the legal system in Europe come second place with over 75% of ERT members seeing them as beneficial for Europe’s attractiveness. Financial stability within Europe is stated by the lowest number of members as making Europe more attractive. However, still 66% see the current financial stability influencing Europe’s attractiveness positively, even though 8% of ERT members think that parts of the rest of the world have here an advantage over Europe.

Focussing on European policies, the protection of intellectual property gives Europe an advantage over other markets as 82% of ERT members see the current system as beneficial. Closely related to the protection of intellectual property are data protection policies, which are seen as a major factor in Europe’s attractiveness as well. 59% of ERT members assess current trade policies are a positive factor for Europe even though 10% see the current state affecting attractiveness negatively. Europe’s product regulations, competition policy, employment law and taxation policy are generally not seen to improve Europe’s position as

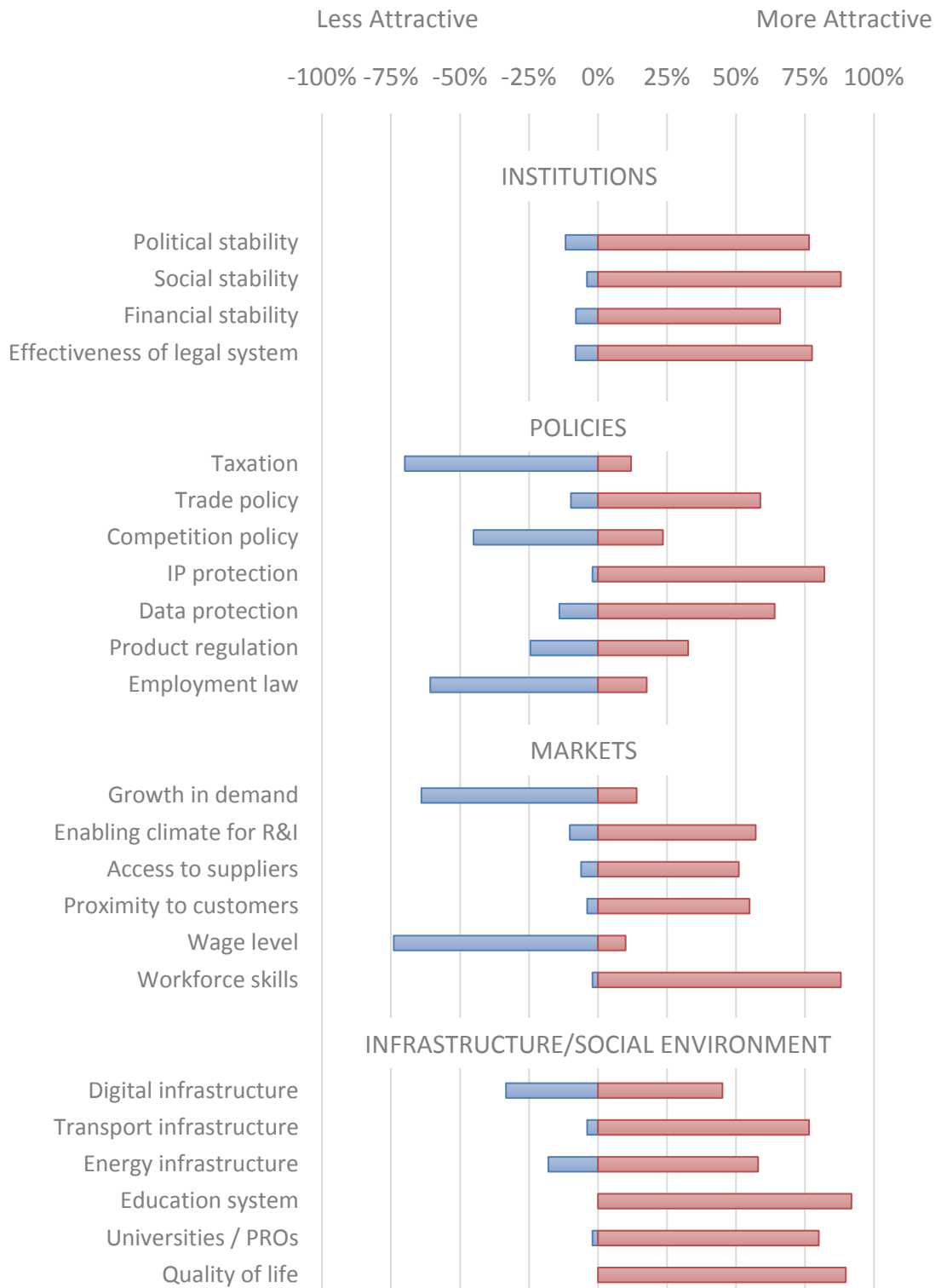
most ERT members either state that they make no difference or are even affecting Europe's attractiveness negatively. Especially, taxation policies and employment law are seen to be problematic by most ERT members.

In the market category, growth in demand and the wage level seem to impact Europe's attractiveness negatively. This finding is in line with the results and the statements in the previous sections on business expectations. Even though ERT members see the current wage level in Europe negative, the skill level of Europe's workforce is highly appreciated by 88%. Access to suppliers and customers are stated as being key advantages of the European market. Also the R&I enabling climate in Europe makes it more attractive for the ERT members companies.

Topics in the category of infrastructure and the social environment are generally seen as giving Europe an advantage over other parts in the world. Especially the quality of life and the educational system in Europe are stated by 90% and 92% of ERT members to be key points in favour of Europe's attractiveness. Research facilities such as universities and other research organizations are also seen as highly important. The current state of the infrastructure is considered to be beneficial for Europe, even though a generally smaller share of ERT members sees it as advantageous as topics in the social environment category. Especially, 33% of ERT members see the digital infrastructure affecting Europe's attractiveness negatively and 18% state that Europe has a disadvantage in energy infrastructure.

Overall, ERT members state that Europe's stability, IP and data protection, work force skills, the social environment and the infrastructure are highly beneficial for Europe's attractiveness compared to other parts of the world.

FIGURE 16: ATTRACTIVENESS OF EUROPE



2.5 Important Priorities of the New European Commission

Recently, EU heads of State and Government have requested the European Commission to present a “long-term vision for the EU’s industrial future” by the end of 2019. In addition, ERT recently published “Strengthening Europe’s Place in the World. Pledges and Priorities” stressing that ERT members will take responsibility for their part in addressing the challenges and opportunities of Europe’s future. The second special question focusses therefore on the priorities that ERT members consider to be important for the development of this vision. ERT members were asked to rate each topic’s importance on a scale between 1 (=very important) and 6 (=not important). The question resembles themes and perspectives which are identified by ERT members as key for the future of European economies like investing in Europe’s infrastructure, tackling climate change, preparing our economies for rapid technological evolution or curbing international trade conflict. Hence, all of the 16 items used focus on crucial priorities for future European policy making and consequently all those aspects are expected to receive a high rating on the scale used.

Not surprisingly, ERT member considered all issues mentioned as important priorities for the next Commission. However, ERT members consider innovations and use of new technology as most important for the future vision. The acceleration of digitalisation, use of AI and 5G are rated highly important with most members answering with a 2 or lower. The support of the development of new technologies is considered similarly important. These results are in line with the factors that ERT members consider as beneficial for Europe’s attractiveness. Consequently, ERT members also viewed investments in workforce skills are perceived as highly important by over 85% of ERT members.

Trade topics are as well understood as highly important for the future of Europe’s businesses. Provisions for fair and rule-based trade around the world, an intensified collaboration with emerging economies and a secure access to raw materials and energy sources are seen as highly important. Hence, an open world markets including access to raw materials and energy sources are ranked as the second most important priority field for the next Commission. Among all important trade related items a new trade deal with the U.S. is considered the least important topic albeit ERT members as an important priority for the next Commission.

A further strengthening of the European single market, the creation of smarter competition policies as well as effectively fighting climate change and advancing toward a circular economy are all rate at similar level as very important priorities for the next commission. It is worth mentioning that the European competition policies were perceived as one weak point in Europe’s attractiveness in section 2.4.

The promotion of economic and social cohesion, improvement of EU capital markets and of the pan European transport networks are also considered by the ERT members to be of high importance for the long-term vision for Europe. This again reflects the deficits in digital network and energy network infrastructure stated above.

Finally, the harmonization of labour market rules across Europe and labour migration are seen as of lower priority compared to the above mentioned top priorities.

Overall, the survey points to a large variety of policy priorities which the next Commission needs to address. This reflects both the wide range of policy areas where policy action by the next Commission are needed. Even more, ERT member rate all items of the priority list as important or very important which convincingly underline the demand for action.

FIGURE 17: PRIORITIES OF THE EUROPEAN COMMISSION

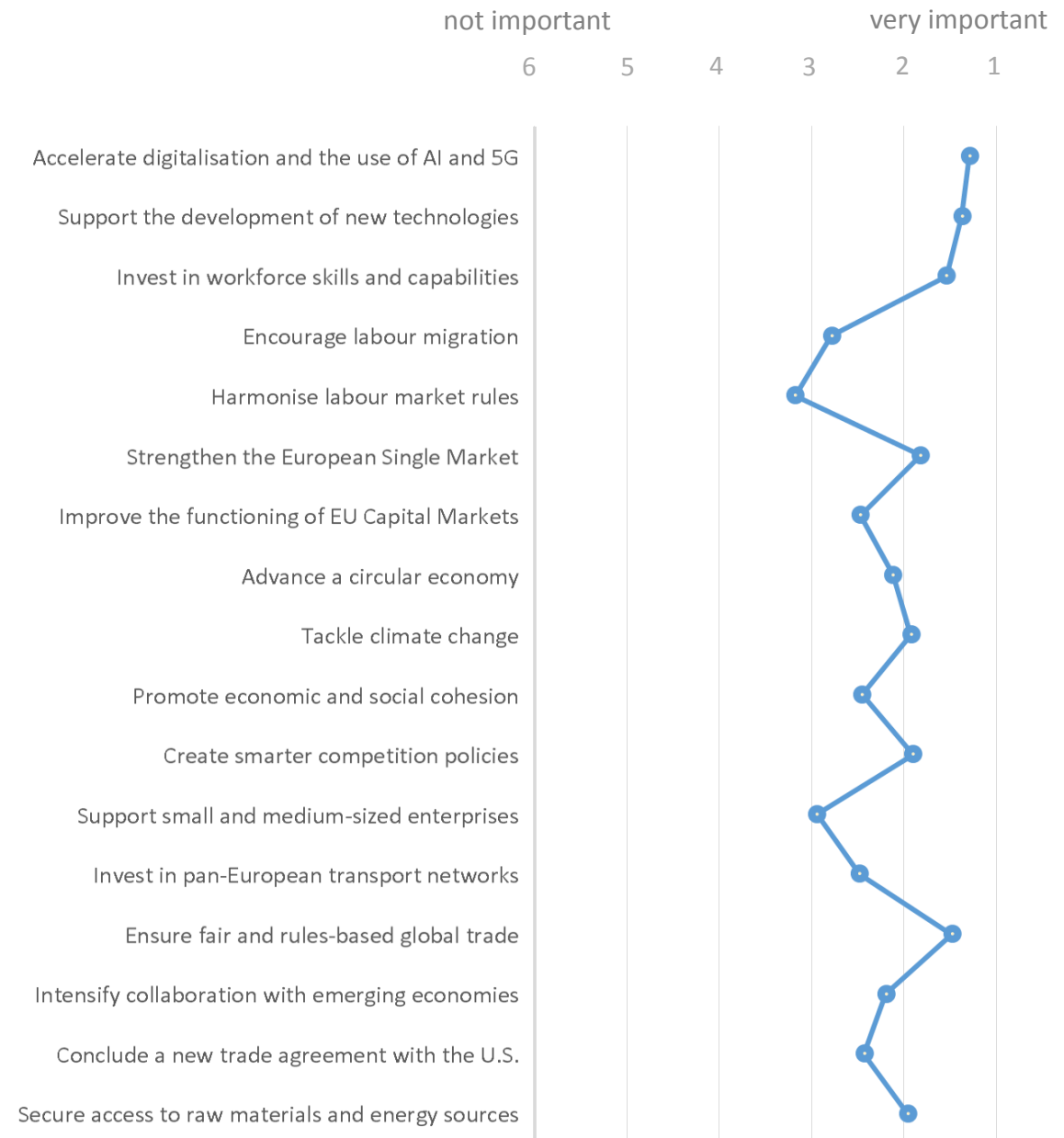
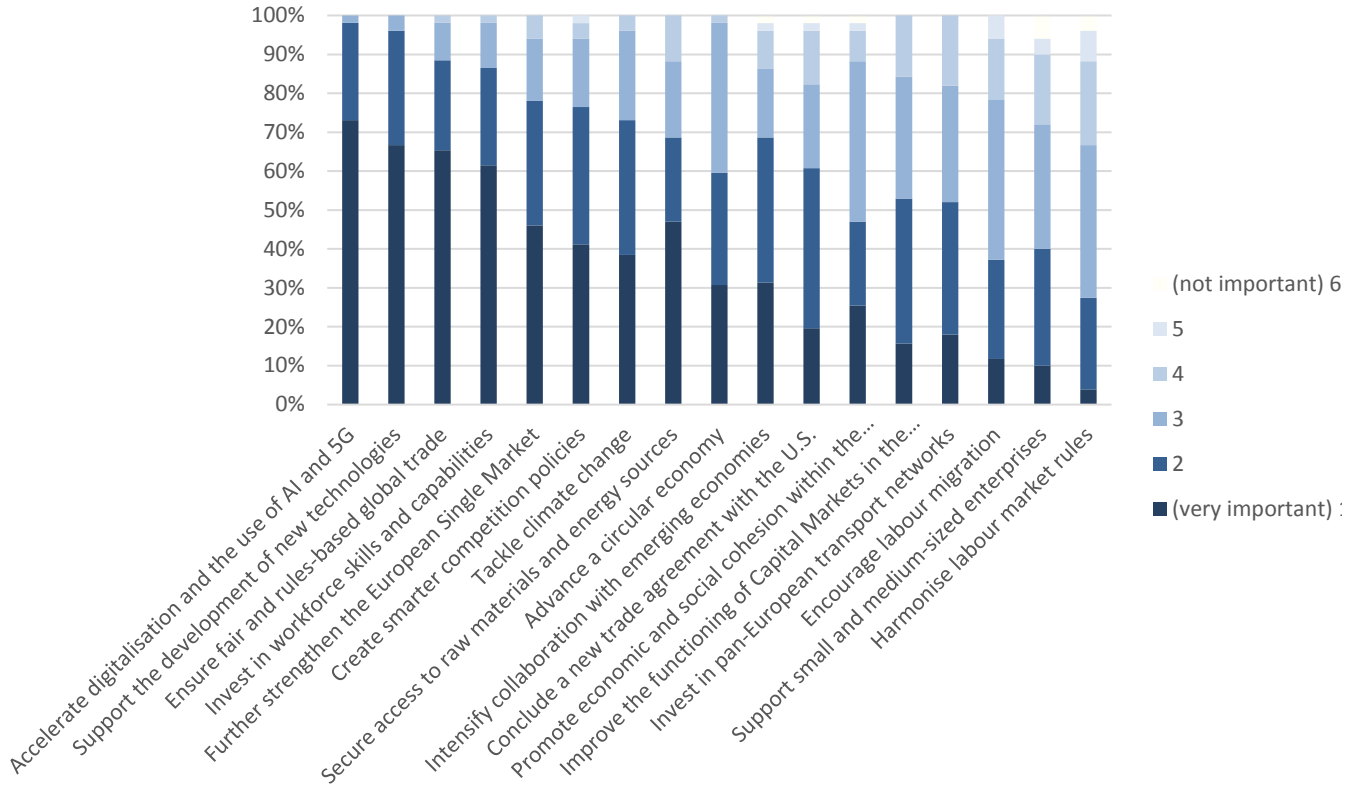


FIGURE 18: PRIORITIES OF THE EUROPEAN COMMISSION



3 Field Work

The first mail was sent out to all ERT associates of the 55 ERT members on May 6, 2019 containing operating instructions and a specific link for each ERT member to the online questionnaire. Frank Heemskerk, ERT Secretary General supported the start by sending an announcement email to all ERT members before the official survey start. 43 ERT members responded until the initial deadline of Tuesday, May 14. Therefore, friendly reminders were sent out to the ERT associates or their personal assistants responsible for ERT matters by phone between Tuesday, May 14 and Monday, May 20. We were able to motivate all but 2 ERT members participate in the survey. As in all previous survey versions, 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 Tuesday, May 14 and Monday, May 20 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, May 23. Until that date a total of 52 ERT members have actively participated in completing the survey which represents a total response rate of 95% (52 out of 55)³. Such a high response rate is quite unusual for voluntary company-level survey and represents one of the highest of all ERT confidence survey versions. Also a number of bank holidays and the short initial response period made the answer collection especially demanding for this edition of the survey.

³ Please see Appendix 1 for the number of response by question.

4 Appendix 1: Detailed results of the spring 2019 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	12%	6
Moderate	29%	15
Somewhat positive	50%	26
Very positive	10%	5
N		52
Missings		0
ERT Index Score		2.88

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	14%	7	6%	3
Stay about the same	48%	24	22%	11
Moderate increase	36%	18	60%	30
Significant increase	2%	1	12%	6
N		50		50
Missings		2		2
ERT Index Score		1.30		3.90

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	0%	0	0%	0
Moderate decrease	8%	4	6%	3
Stay about the same	58%	29	44%	22
Moderate increase	28%	14	36%	18
Significant increase	6%	3	14%	7
N		50		50
Missings		2		2
ERT Index Score		1.60		2.90

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	0%	0	0%	0
Moderate decrease	20%	10	6%	3
Stay about the same	65%	33	57%	29
Moderate increase	14%	7	37%	19
Significant increase	2%	1	0%	0
N		51		51
Missings		1		1
ERT Index Score		-0.10		1.57

Questions 5: Taking into account your expectations for the outlook in Europe and outside of Europe [questions 3-5], which elements make **Europe** for your company **more attractive** or **less attractive** in comparison to the rest of the world?

		Less attractive	No difference	More attractive	N	Missings
Institutions	Political stability	6	6	39	51	1
	Social stability	2	4	44	50	2
	Financial stability	4	13	33	50	2
	Effectiveness of legal system	4	7	38	49	3
Policy	Taxation	35	9	6	50	2
	Trade policy	5	16	30	51	1
	Competition policy	23	16	12	51	1
	Protection of intellectual property	1	8	41	50	2
	Data protection	7	11	32	50	2
	Product regulation	12	21	16	49	3
	Employment law	31	11	9	51	1

Markets	Growth in demand	32	11	7	50	2
	Enabling climate for research and innovation	5	16	28	49	3
	Access to suppliers	3	21	25	49	3
	Proximity to customers	2	21	28	51	1
	Wage level	37	8	5	50	2
	Workforce qualification/skills	1	5	44	50	2
Infrastructure/ Social environment	Quality of life (for employees)	0	5	44	49	3
	Universities/ research institutes	1	9	40	50	2
	Education system	0	4	45	49	3
	Energy infrastructure	9	12	29	50	2
	Transport infrastructure	2	10	39	51	1
	Digital infrastructure	17	11	23	51	1

Questions 6: The European Commission was requested by the EU Heads of State and Government to present by the end of 2019 a “long-term vision for the EU’s industrial future”. Which priorities should the new Commission take into account for developing this vision? Please assess the **importance of each priority** from the perspective of your industry.

Answer Option	Innovation/Technology		Labour		
	Accelerate digitalisation and the use of AI and 5G	Support the development of new technologies	Invest in workforce skills and capabilities	Encourage labour migration	Harmonise labour market rules
(not important) 6	0	0	0	0	2
5	0	0	0	3	4
4	0	0	1	8	11
3	1	2	6	21	20
2	13	15	13	13	12
(very important) 1	38	34	32	6	2
N	52	51	52	51	51
Missings	0	1	0	1	1

Answer Option	Market regulation		Sustainability	
	Further strengthen the European Single Market	Improve the functioning of Capital Markets in the EU	Advance a circular economy	Tackle climate change
(not important) 6	0	0	0	0
5	0	0	0	0
4	3	8	1	2
3	8	16	20	12
2	16	19	15	18
(very important) 1	23	8	16	20
N	50	51	52	52
Missings	2	1	0	0

Answer Option	Cohesion/Infrastructure			
	Promote economic and social cohesion within the EU	Create smarter competition policies	Support small and medium-sized enterprises	Invest in pan-European transport networks
(not important) 6	1	0	3	0
5	1	1	2	0
4	4	2	9	9
3	21	9	16	15
2	11	18	15	17
(very important) 1	13	21	5	9
N	51	51	50	50
Missings	1	1	2	2

Answer Option	Trade			
	Ensure fair and rules-based global trade	Intensify collaboration with emerging economies	Conclude a new trade agreement with the U.S.	Secure access to raw materials and energy sources
(not important) 6	0	1	1	0
5	0	1	1	0
4	1	5	7	6
3	5	9	11	10
2	12	19	21	11
(very important) 1	34	16	10	24
N	52	51	51	51
Missings	0	1	1	1

5 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

6 Appendix 3: The Online Questionnaire

ERT
Economic
Confidence
Survey

performed by ZEW and ERT

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.

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"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
- 2** Please describe in a few words the **main trends** behind the current business outlook for your company (e.g. changes in trade policy, relocation of main business activities, changes in input prices, entry or exit of main competitors, exchange rate development, shift in demand, etc.)?
- 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
sales in Europe?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
sales outside of Europe?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<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
capital investment in Europe?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
capital investment outside of Europe?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
- 5** 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
employment* in Europe?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
employment* outside of Europe?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* in fulltime equivalents

1/4

ERT		Economic Confidence Survey		ZEW
Special Questions: Attractiveness of Europe				
6	Taking into account your expectations for the outlook in Europe and outside of Europe [questions 3-5], which elements make Europe for your company more attractive or less attractive in comparison to the rest of the world?			
		...make Europe more attractive	...make Europe less attractive	...make no difference
	Institutions			
	Political stability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Social stability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Financial stability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Effectiveness of legal system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Policy			
	Taxation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Trade policy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Competition policy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Protection of intellectual property	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Data protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Product regulation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Employment law	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Markets			
	Growth in demand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Enabling climate for research and innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Access to suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Proximity to customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Wage level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Workforce qualification / skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Infrastructure/social environment			
	Digital infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Transport infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Energy infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Education system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Universities / research institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Quality of life (for employees)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Other:			
	<input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

ERT		Economic Confidence Survey					ZEW
7	The European Commission was requested by the EU Heads of State and Government to present by the end of 2019 a “long-term vision for the EU’s industrial future” . Which priorities should the new Commission take into account for developing this vision? Please assess the importance of each priority from the perspective of your industry.						
		very important				not important	
		1	2	3	4	5	6
	Innovation/Technology						
	Accelerate digitalisation and the use of AI and 5G	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Support the development of new technologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Labour						
	Invest in workforce skills and capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Encourage labour migration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Harmonise labour market rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Market regulation						
	Further strengthen the European Single Market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Improve the functioning of Capital Markets in the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Sustainability						
	Advance a circular economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Tackle climate change	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Cohesion/Infrastructure						
	Promote economic and social cohesion within the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Create smarter competition policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Support small and medium-sized enterprises	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Invest in pan-European transport networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Trade						
	Ensure fair and rules-based global trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Intensify collaboration with emerging economies (China, India, Russia, Brazil etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Conclude a new trade agreement with the U.S.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Secure access to raw materials and energy sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3/4						<input type="button" value="Back"/> <input type="button" value="OK"/>	
ERT		Economic Confidence Survey					ZEW
Confirmation							
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.						
4/4						<input type="button" value="Back"/> <input type="button" value="OK"/>	



ECONOMIC CONFIDENCE SURVEY (ECS)



Produced by:

Department „Economics of Innovation and Industrial Dynamics“

Centre for European Economic Research

June 11, 2019



ECONOMIC CONFIDENCE SURVEY (ECS)

Contents:

1. ERT Confidence Index
2. General Business outlook
3. Business outlook in 3 categories
 - a. Sales
 - b. Investment
 - c. Employment
4. Special questions:
 - a. Attractiveness of Europe
 - b. Priorities for the Commission regarding industry
5. Appendix: methodology

Key facts:

- *4th Edition*
- *Data collection: May 2019*
- *Total number of answers (N): 52*
- *Provided by: CEOs or Chairs of Europe's top industrial companies*
- *About: business outlook in next 6 months*

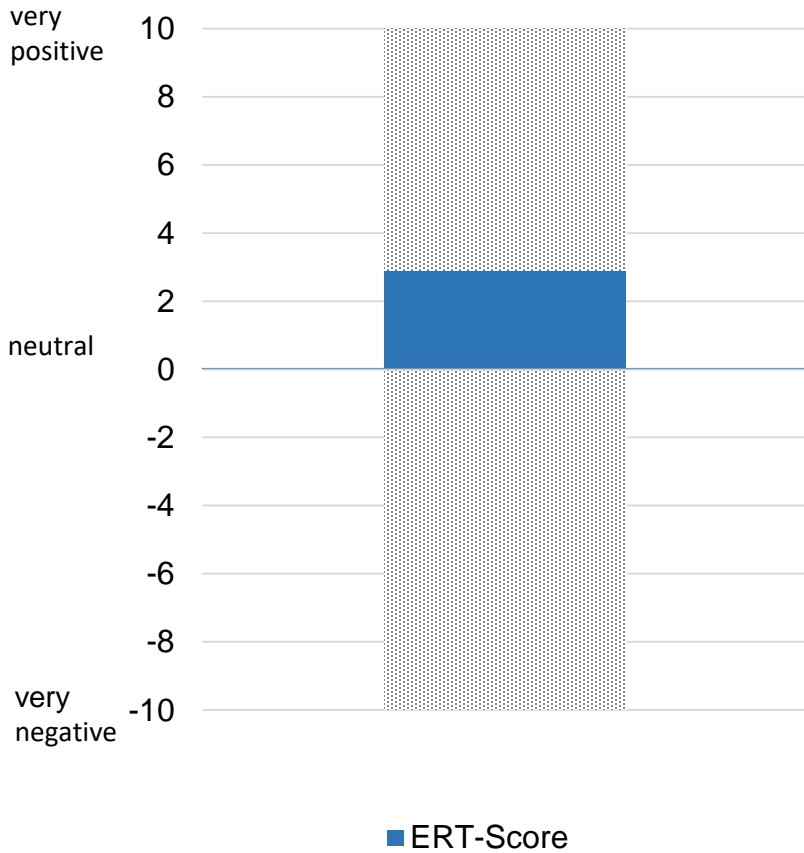
ECONOMIC CONFIDENCE SURVEY (ECS)

ERT Confidence Index
- summary -

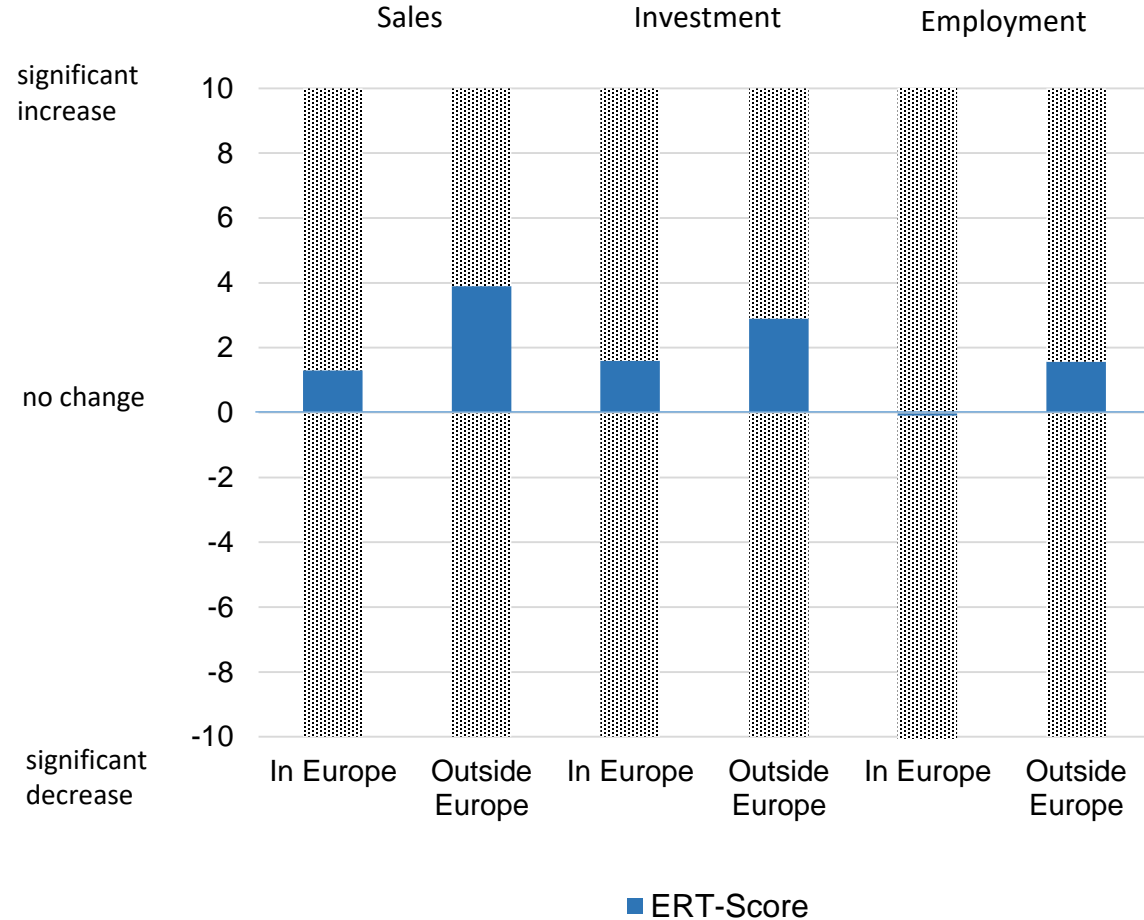
ERT CONFIDENCE INDEX



Business Outlook: Overall assessment

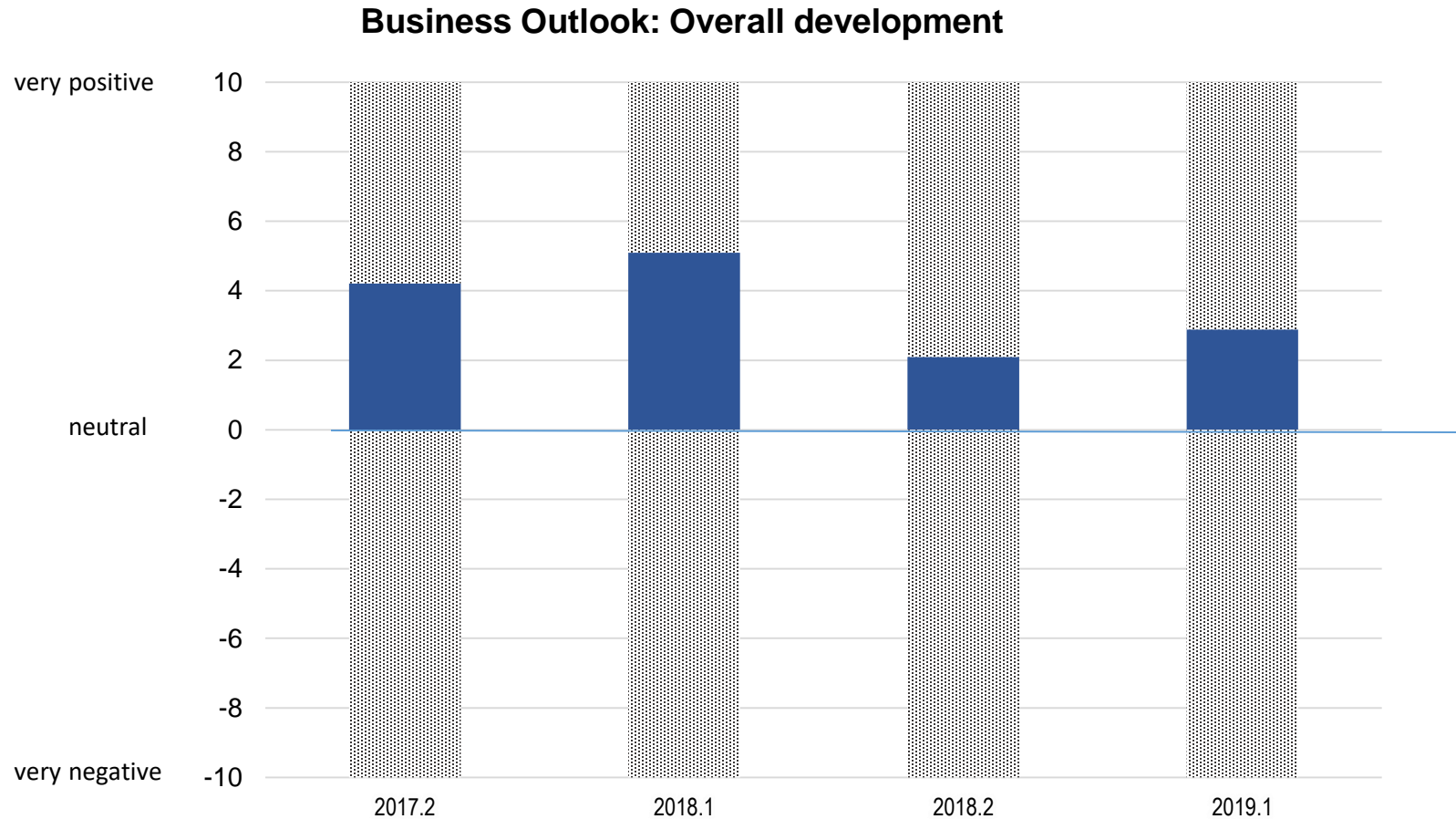


Business Outlook: Detailed results



Sources: ERT Confidence Survey 2019/1

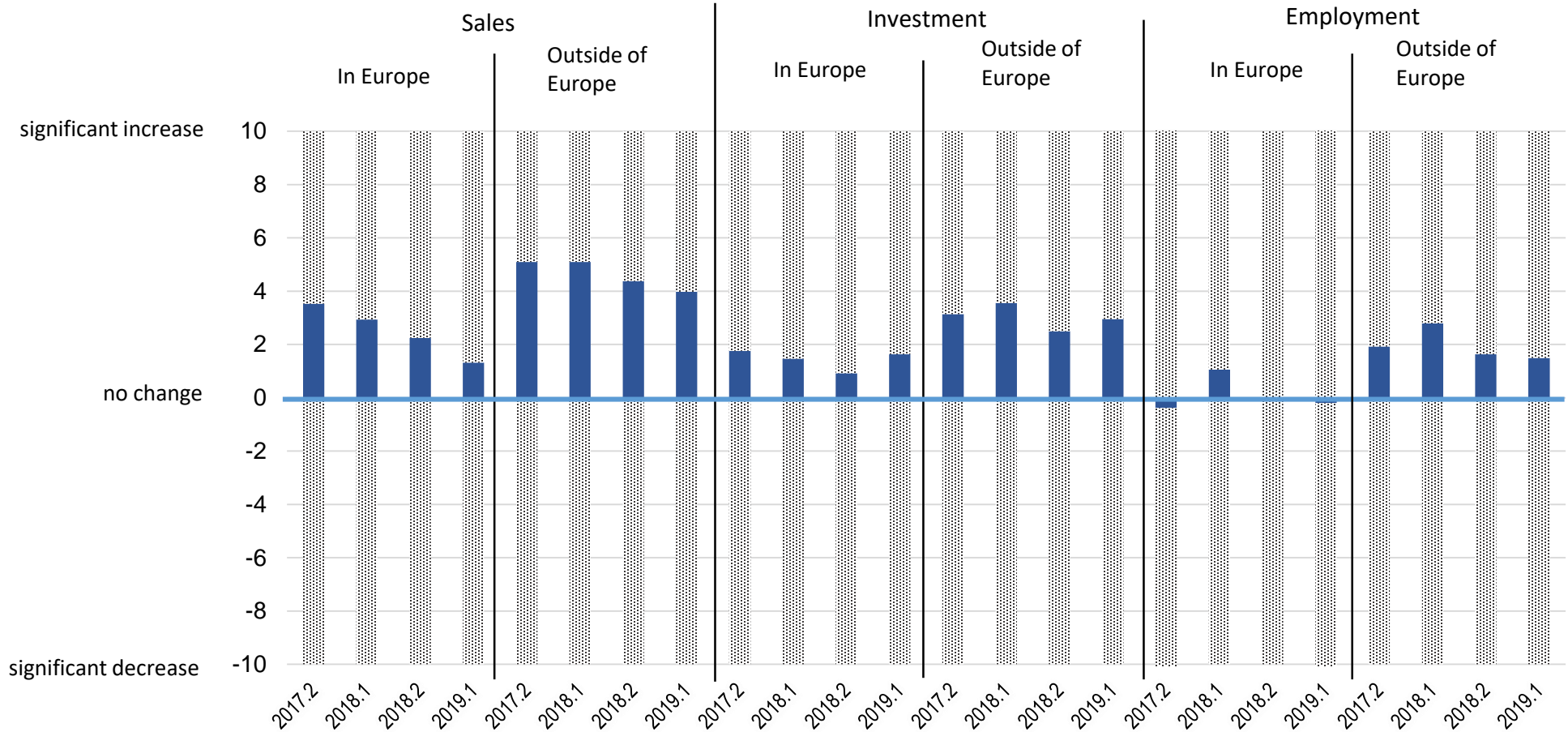
ERT CONFIDENCE INDEX: HISTORIC DEVELOPMENT



ERT CONFIDENCE INDEX: HISTORIC DEVELOPMENT



Business Outlook: Development across all categories

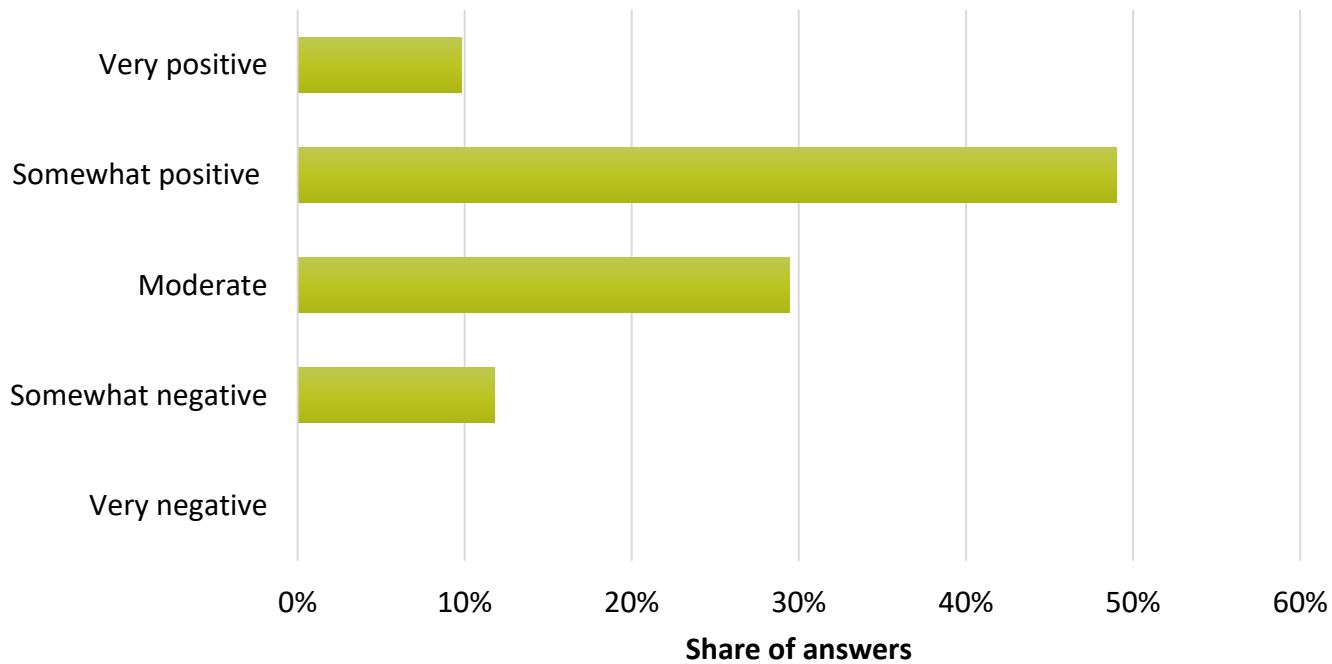


Sources: ERT Confidence Survey 2019/1

ECONOMIC CONFIDENCE SURVEY (ECS)

General business outlook

HOW WOULD YOU CHARACTERIZE THE GENERAL BUSINESS OUTLOOK FOR YOUR COMPANY RIGHT NOW?



Source: ERT Confidence Survey 2019/1

ECONOMIC CONFIDENCE SURVEY (ECS)

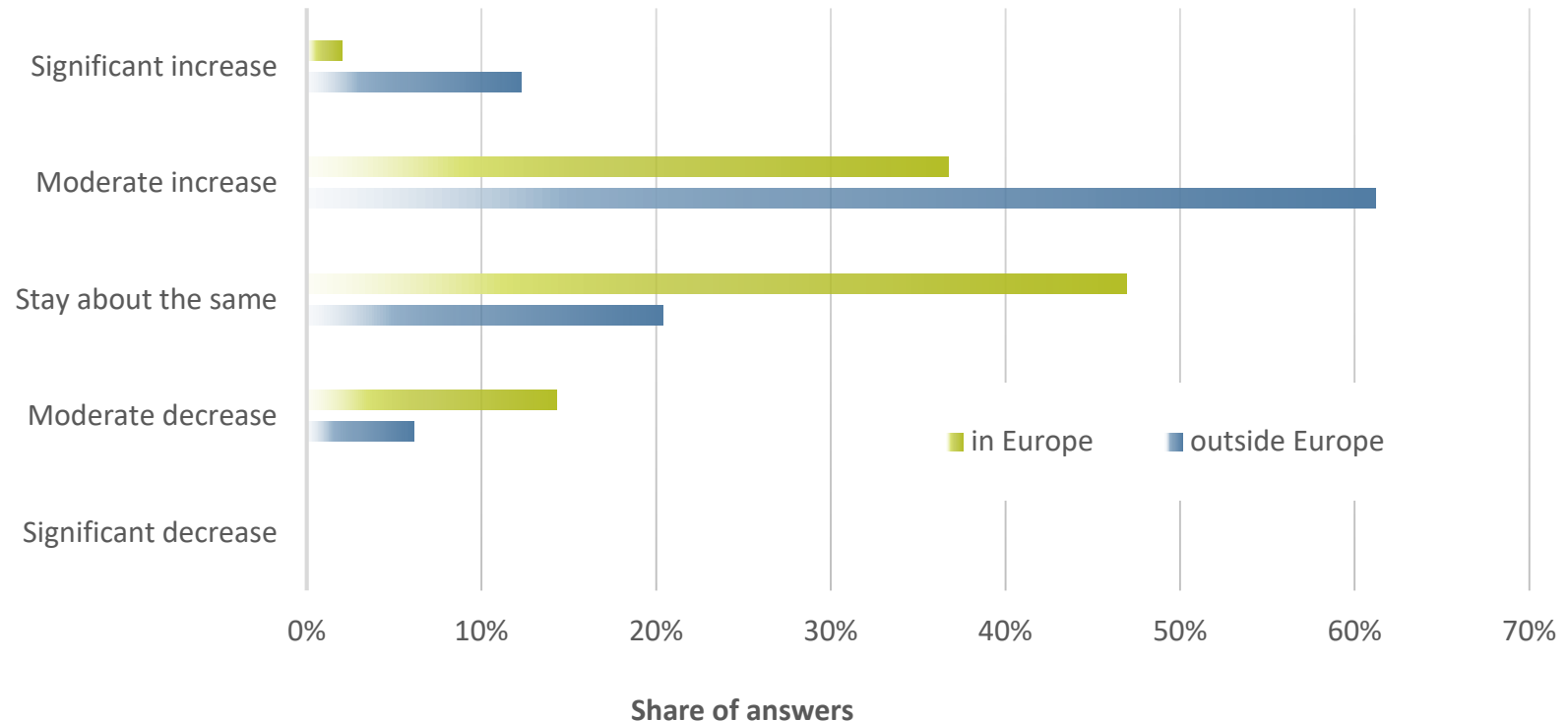
Business outlook in 3 categories:

Sales

Investment

Employment

OVER THE NEXT SIX MONTHS, WHAT DO YOU EXPECT WILL HAPPEN WITH YOUR COMPANY'S SALES?



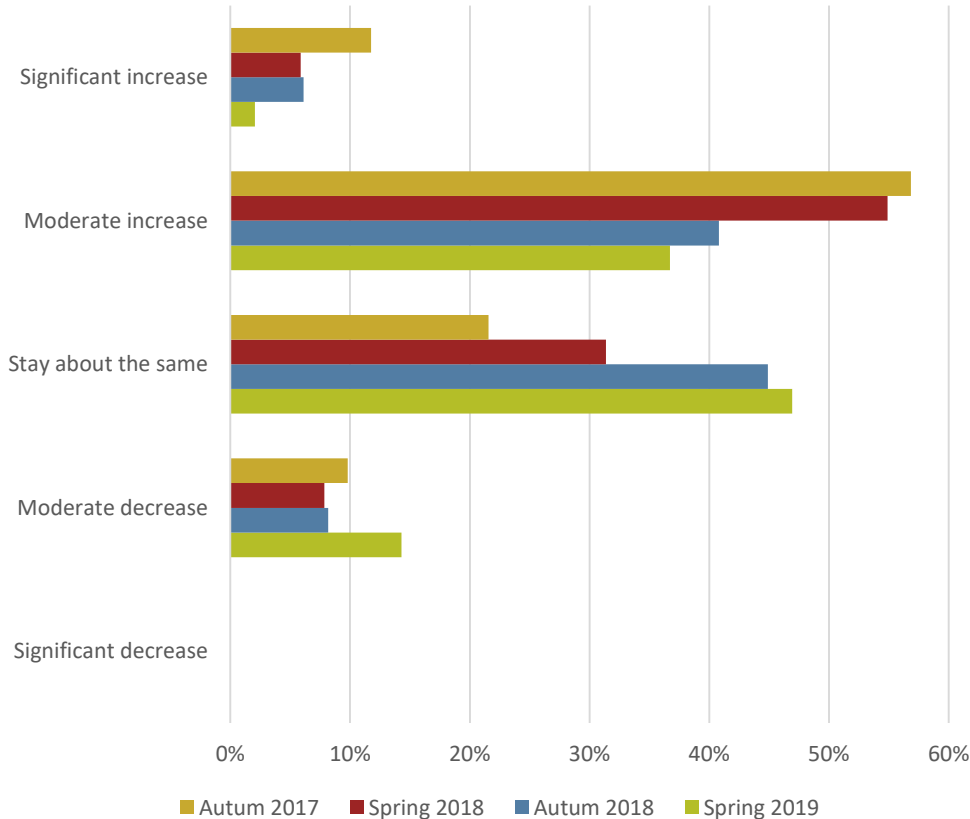
Source: ERT Confidence Survey 2019/1

$N_{\text{in Europe}} = 50$
 $N_{\text{out Europe}} = 50$

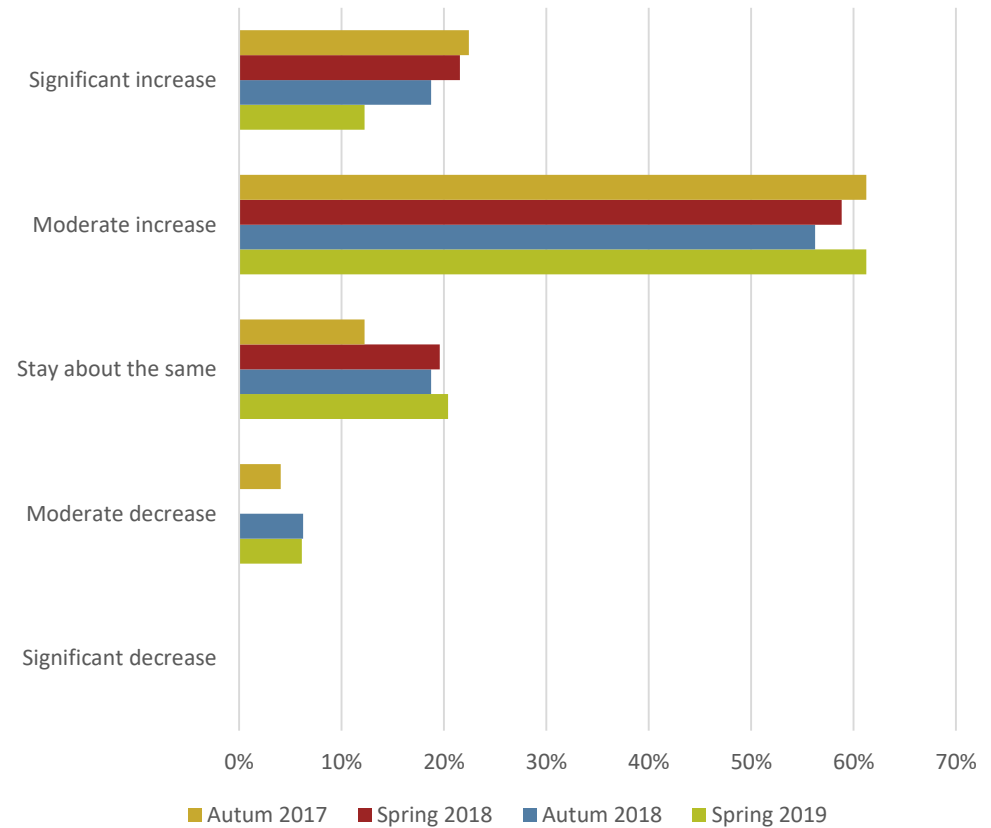
COMPARISON TO THE LAST SURVEYS: NEXT SIX MONTHS SALES EXPECTATIONS



In Europe



Outside Europe

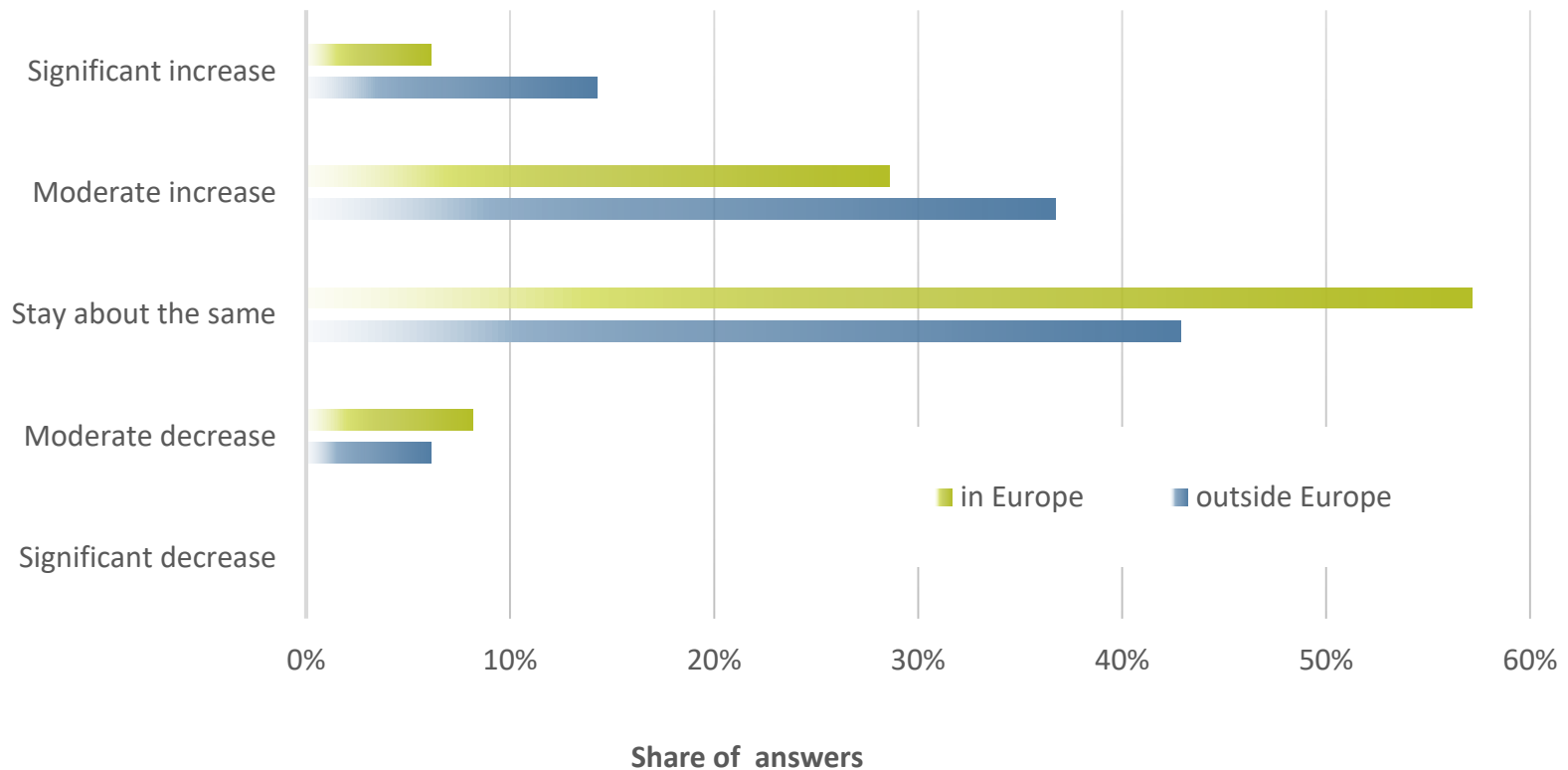


Sources: ERT Confidence Survey 2019/1
 ERT Confidence Survey 2018/2
 ERT Confidence Survey 2018/1
 ERT Confidence Survey 2017/2

In Europe
 N_{2019.1}=50
 N_{2018.2}=49
 N_{2018.1}=51
 N_{2017.2}=51

Outside Europe
 N_{2019.1}=50
 N_{2018.2}=48
 N_{2018.1}=51
 N_{2017.2}=49

OVER THE NEXT SIX MONTHS, WHAT DO YOU EXPECT WILL HAPPEN WITH YOUR COMPANY'S CAPITAL INVESTMENT?



Source: ERT Confidence Survey 2019/1

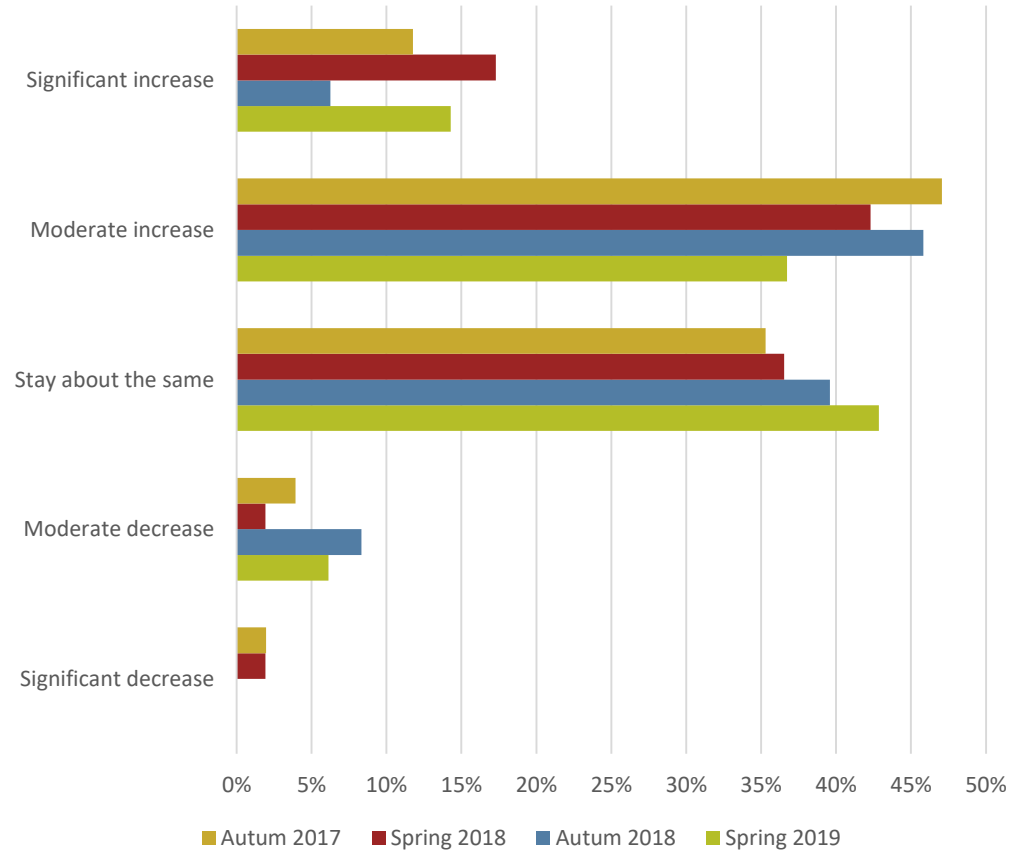
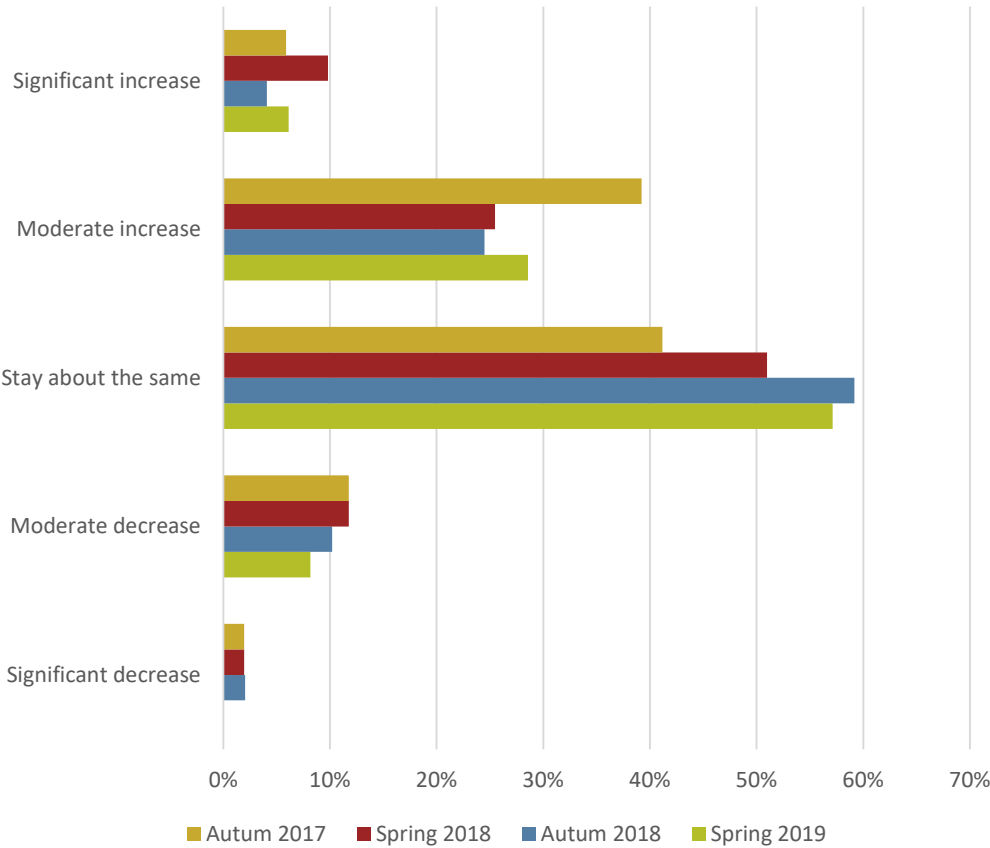
N_{in Europe} =50
N_{out Europe} =50

COMPARISON TO THE LAST SURVEYS: NEXT SIX MONTHS INVESTMENT EXPECTATIONS



In Europe

Outside Europe

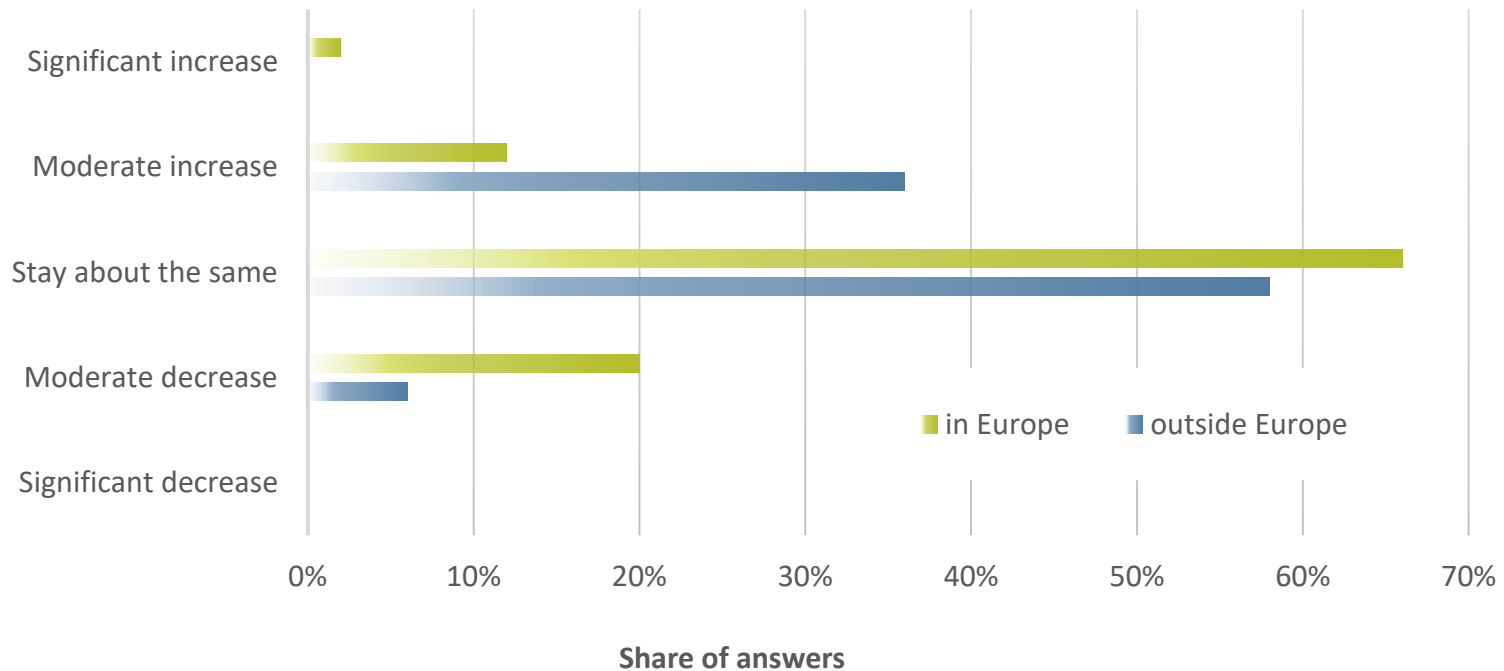


Sources: ERT Confidence Survey 2019/1
 ERT Confidence Survey 2018/2
 ERT Confidence Survey 2018/1
 ERT Confidence Survey 2017/2

In Europe
 N_{2019.1}=50
 N_{2018.2}=49
 N_{2018.1}=51
 N_{2017.2}=51

Outside Europe
 N_{2019.1}=50
 N_{2018.2}=48
 N_{2018.1}=51
 N_{2017.2}=51

OVER THE NEXT SIX MONTHS, WHAT DO YOU EXPECT WILL HAPPEN WITH YOUR COMPANY'S EMPLOYMENT?



Source: ERT Confidence Survey 2019/1

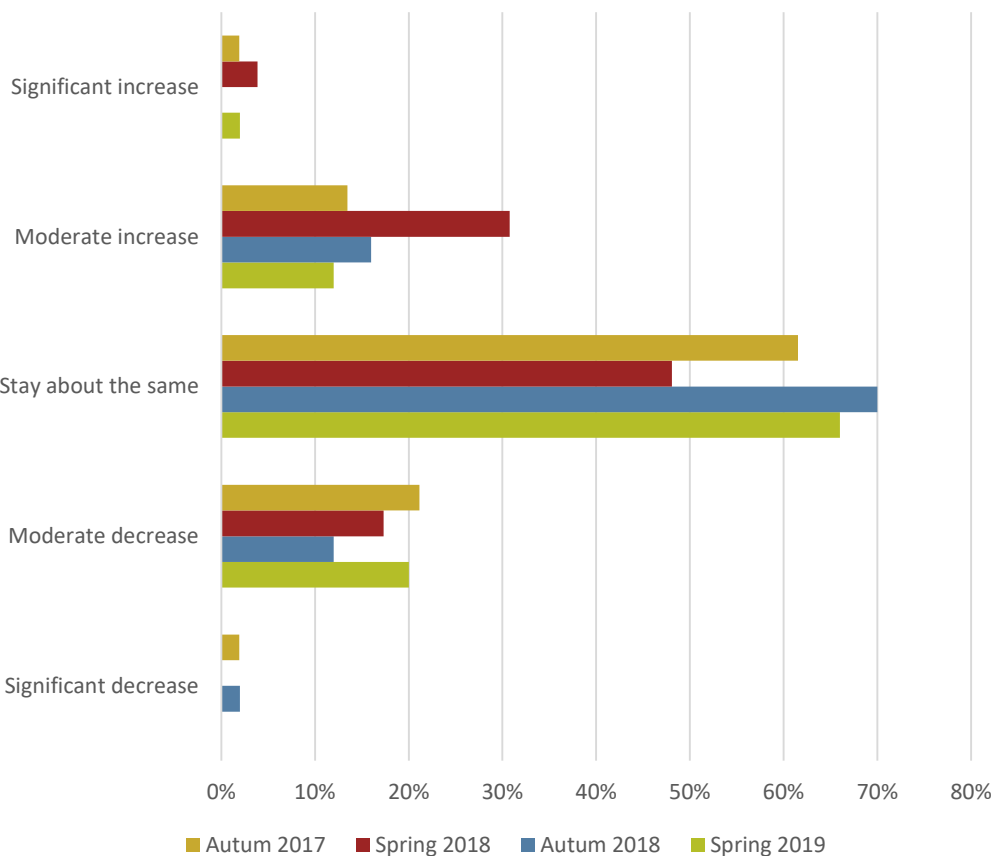
$N_{\text{in Europe}} = 51$

$N_{\text{out Europe}} = 51$

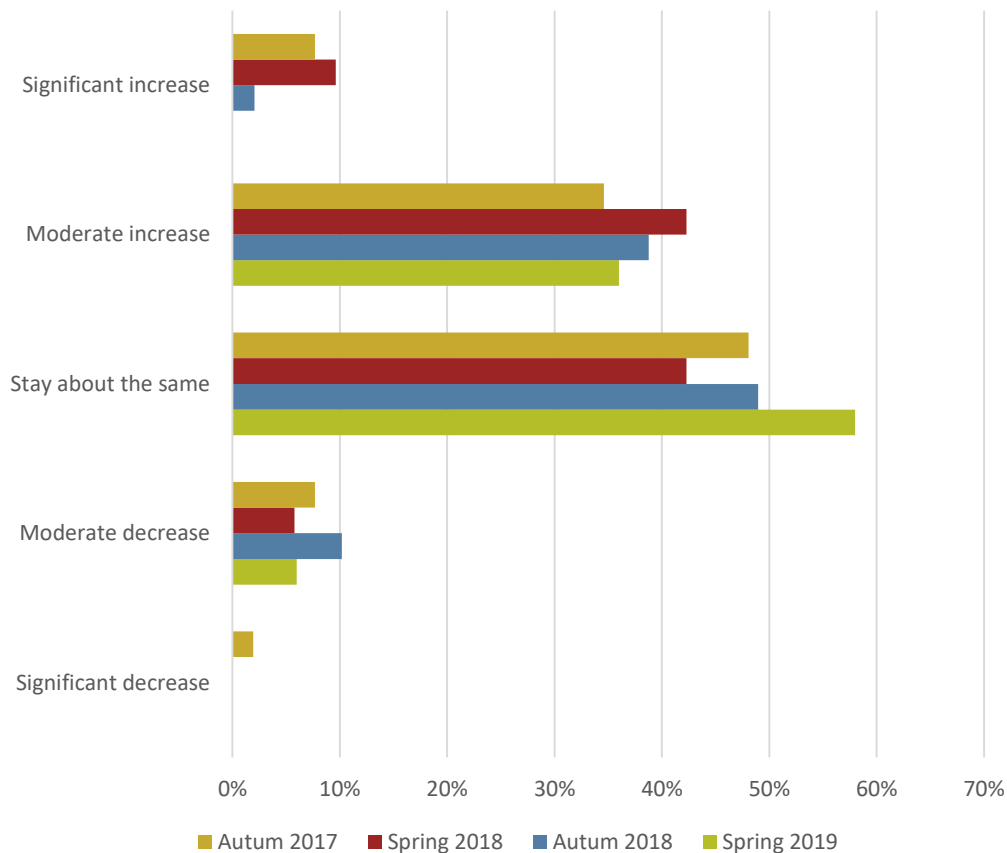
COMPARISON TO THE LAST SURVEYS: NEXT SIX MONTHS EMPLOYMENT EXPECTATIONS



In Europe



Outside Europe



Sources: ERT Confidence Survey 2019/1
ERT Confidence Survey 2018/2
ERT Confidence Survey 2018/1
ERT Confidence Survey 2017/2

In Europe
N_{2019.1}=51
N_{2018.2}=50
N_{2018.1}=52
N_{2017.2}=52

Outside Europe
N_{2019.1}=51
N_{2018.2}=49
N_{2018.1}=52
N_{2017.2}=52

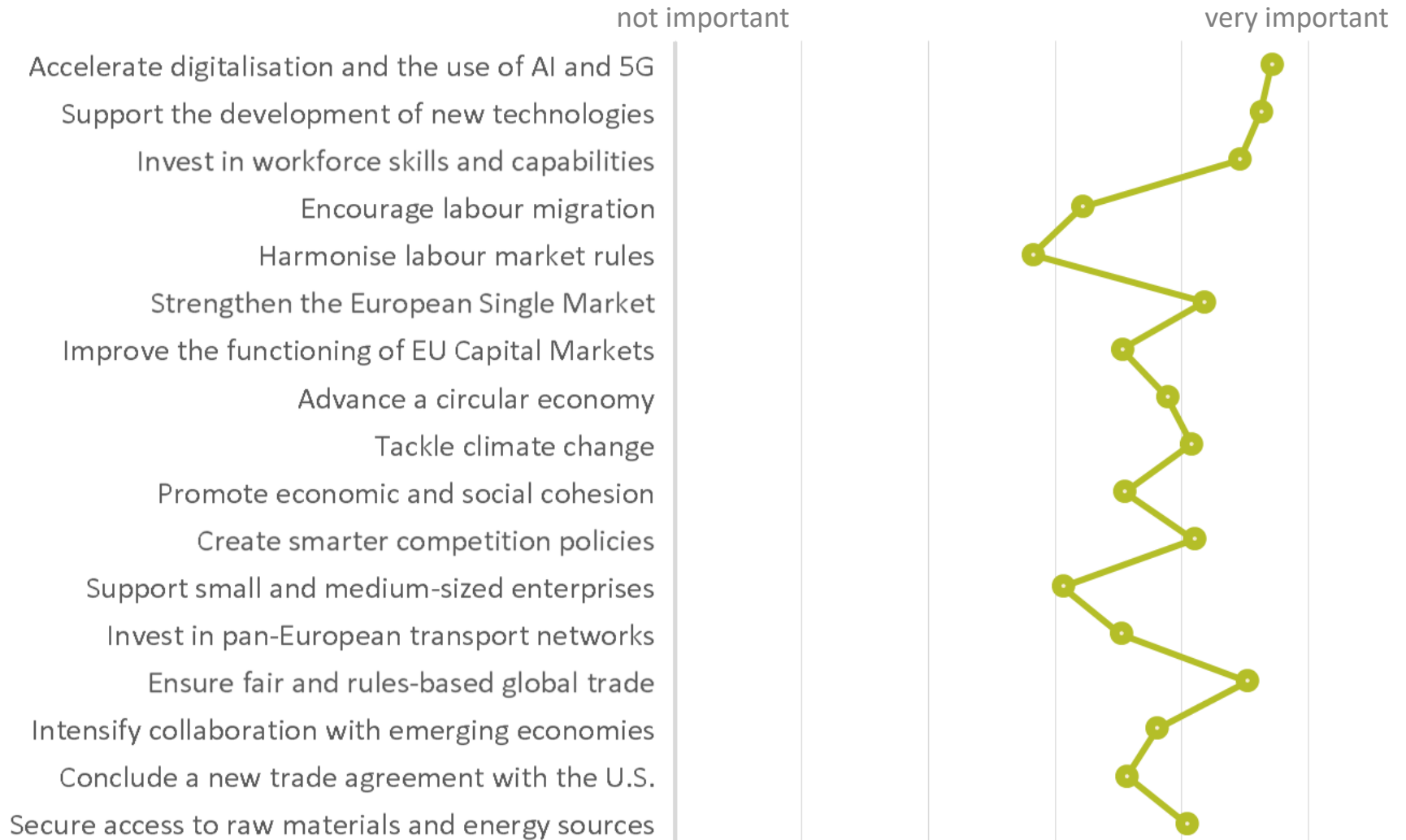
ECONOMIC CONFIDENCE SURVEY (ECS)

Special questions:

Attractiveness of Europe

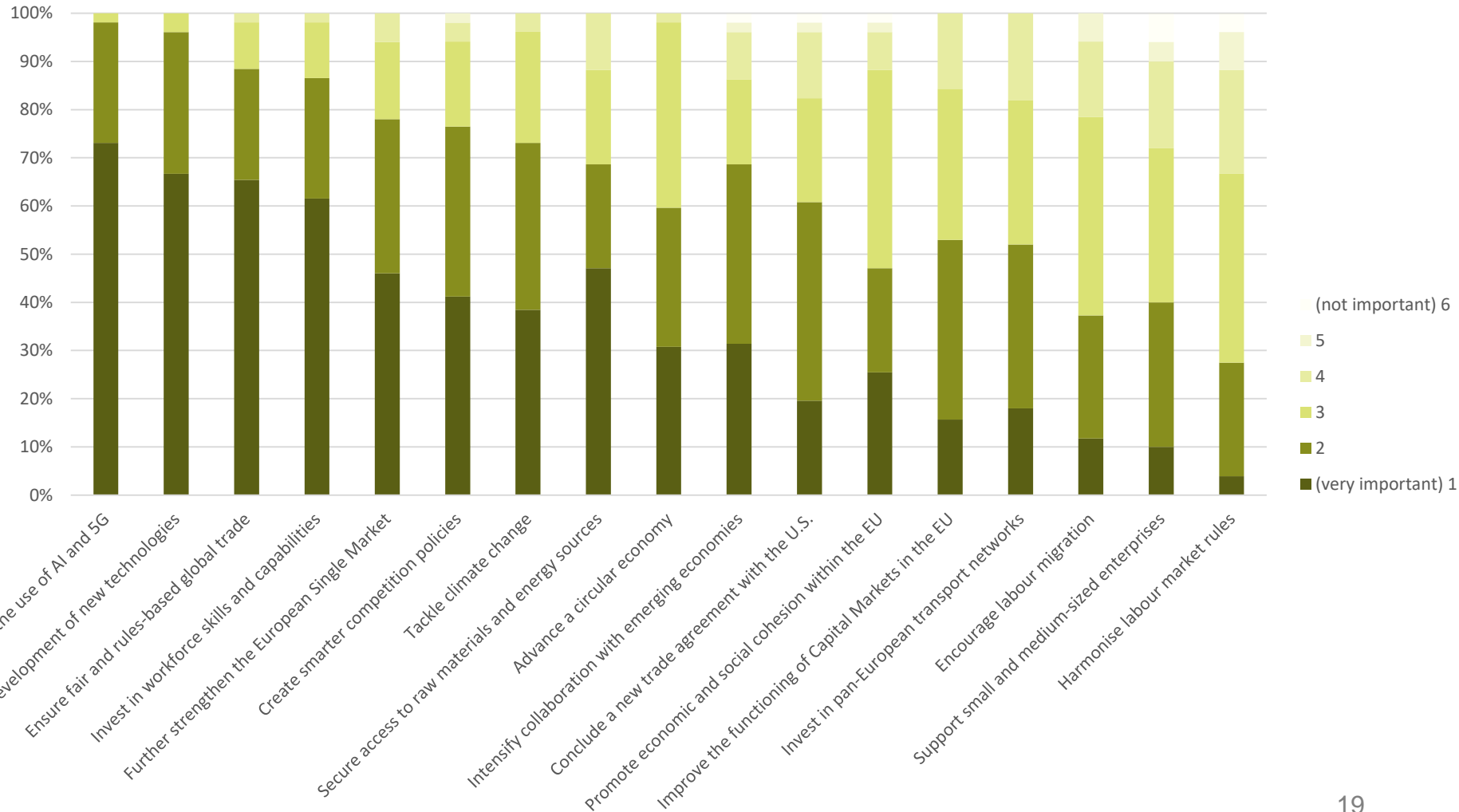
Priorities for the Commission regarding industry

IMPORTANT PRIORITIES FOR THE NEW COMMISSION REGARDING INDUSTRY



IMPORTANT PRIORITIES FOR THE NEW COMMISSION REGARDING INDUSTRY

- RANKED BY IMPORTANCE -



APPENDIX 1

Construction of 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 assessment 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 distributed between the 5 categories the index amounts to 0. Positive values of the index correspond to positive expected growth rate of the underlying variable, negative values to negative growth expectations. The construction also implicitly links larger values of the index to larger growth rates.

APPENDIX 2

FIELD WORK

Data collection: May 6 to May 23.

Total response: 52 out of 55 ERT members

One ERT member informed the survey team that he will not take part to avoid double counting; One ERT member did not take part because of time restrictions.

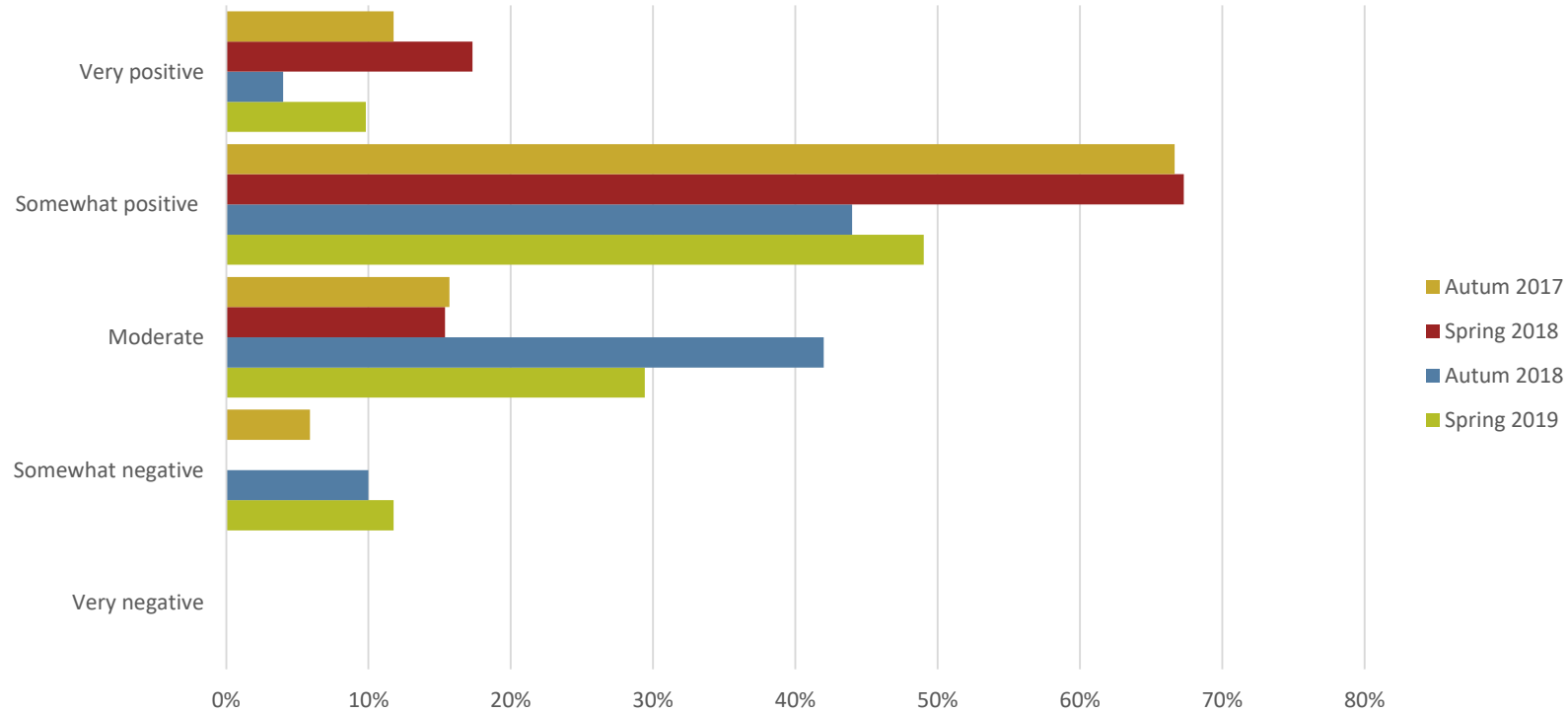
Response rate: 95%

Field work:

- (1) Email by the survey team containing the link to the survey was to ERT associates and/or ERT members personal assistant. ERT secretariat supported the survey by an email to ERT members
- (2) Telephone follow-ups starting May 6.
- (3) Additional emails to ERT assistants and associates to remind them to respond (in cases where no response is recorded by then) between May 6 and May 23.

APPENDIX 3

COMPARISON TO THE LAST SURVEYS: GENERAL BUSINESS OUTLOOK



N_{2019.1}=52
 N_{2018.2}=50
 N_{2018.1}=52
 N_{2017.2}=51

Sources: ERT Confidence Survey 2019/1
 ERT Confidence Survey 2018/2
 ERT Confidence Survey 2018/1
 ERT Confidence Survey 2017/2

APPENDIX 4

REFERENCE FORECAST (2019/2020): EUROPEAN ECONOMIC FORECAST SPRING 2019

GDP Development

	<u>2019</u>	<u>2020</u>
<i>EU28</i>		
<i>Expected GDP growth</i>	1.4%	1.6%
<i>Expected growth of exports</i>	2.5%	3.1%
<i>Euro Area</i>		
<i>Expected GDP growth</i>	1.2%	1.5%
<i>Expected growth of exports</i>	2.3%	3.0%
<i>World</i>		
<i>Expected GDP growth</i>	3.2%	3.5%
<i>Expected growth of world trade¹</i>	2.9%	3.3%

Employment Development

	<u>2019</u>	<u>2020</u>
<i>EU28</i>		
<i>Employment growth</i>	0.8%	0.7%
<i>Unemployment rate</i>	6.5%	6.2%
<i>Euro Area</i>		
<i>Employment growth</i>	0.9%	0.8%
<i>Unemployment rate</i>	7.7%	7.3%

Consumption and Capital Formation

	<u>2019</u>	<u>2020</u>
<i>EU28</i>		
<i>Gross Fixed Capital Formation</i>	2.1%	2.1%
<i>Private Consumption</i>	1.6%	1.7%
<i>Public Consumption</i>	1.6%	1.3%

Source: ECFIN: European Economic Forecast Spring 2019

¹: Global export volume