

Monthly economic outlook survey in the building industry

Presentation of the survey

The INSEE Short-Term Analysis Department conducts a monthly survey of companies in the construction industry. The survey is part of the joint harmonised European Union programme of business tendency surveys, meaning that the questions, classifications and treatment methods are harmonised. The scope of the construction industry that is applied does not include companies of less than eleven employees or civil engineering companies (which are the subject of specific surveys).

The sample used for the survey comprises some 2,500 companies. The companies are drawn using a stratified sampling plan. The sample is composed of strata, each of which corresponds to a sector (grouping of activities defined on the basis of the French classification of activities, NAF Rev.2 2008).

The questions

Most of the questions are qualitative with three responses. They cover all the activities of the companies. Moreover, those concerning trends in activity are widened to the different types of work (new housing, new building or improvement and maintenance) and projects (public or private).

Questions asked monthly

➤ Trend in activity

Trend over the past three months...

... increasing (+) ... stable ... decreasing (-)

Probable trend over the next three months...

... increasing (+) ... stable ... decreasing (-)

➤ Order book

Number of months of work assured by your current order book based on full-time use of your work force.

For the time of year, does your order book seem...

... more than normal (+) ... normal ... less than normal (-)

➤ Utilisation of production capacities

Are there any obstacles to the development of your activity?

Yes No

If yes, what are they...?

- ... insufficient demand
- ... poor weather conditions
- ... shortage of personnel that are difficult to recruit
- ... insufficient equipment or material
- ... financial constraints
- ... sourcing difficulties
- ... other factors (multiple responses).

If you did receive more orders, with your current resources, could you increase your production?

Yes No

If you answered yes, by how much (as a %)?

➤ **Change in employment**

Change observed in your total work force (salaried or not) during the past three months...

... increasing (+) ... stable ... decreasing (-)

Probable change in your work force (salaried or not) over the next three months...

... increasing (+) ... stable ... decreasing (-)

➤ **Price forecasts**

What change in prices do you forecast for the contracts you are going to handle over the next three months...

... increasing (+) ... stable ... decreasing (-)

Questions asked quarterly

Three sets of additional questions are asked in January, April, July and October.

➤ **Trend**

What trend currently seems most likely to you for the construction industry as a whole over the next three months?

... increasing (+) ... stable ... decreasing (-)

➤ **Financial situation**

Compared to the previous survey, is your cash flow situation...

... better (+) ... similar ... worse (-)

The trend in your clients' payment times is tending to...

... shorten (+) ... remain stable ... lengthen (-)

➤ **Investments**

Have you made any investment expenditure?

Yes No

If yes, indicate the amount

Investment expenditure planned for the year N will be...

... higher (+) ... equivalent ... lower (-) than in N-1 ?

➤ **Employment**

Do you have difficulties recruiting?

Yes No

Do you train apprentices?

Yes No

Presentation of the results

The results are presented in the form of balances of opinion, i.e. the differences between the percentage of "increasing" (+) responses and the percentage of "decreasing" (-) responses. This presentation enhances legibility without significant information loss. Some of the questions have two possible responses (yes/no or ticked/checked/not checked). The results presented are the percentage of "yes" responses (percentage

checked) or the percentage of "no" responses as appropriate. Finally, when the questions are quantitative, the result that is presented corresponds to the weighted average of the responses.

The processing of a business tendency question is carried out in two stages. First of all, weighted averages of the individual responses are calculated on the level of each elementary stratum. The weighting coefficient is data provided by the company. This coefficient is based on the work force employed for questions about workforce and recruitment difficulties, and on turnover (total, per type of work and per type of client) for the other questions.

The second stage in processing makes use of external data. For a given question, the balance of opinion for a grouping of elementary strata is calculated as the weighted average of the balances of opinion calculated during the first stage for each stratum. Weighting takes account of the relative importance of the stratum within the scope of the survey as a whole. The adjustment coefficients come from the last known annual business survey. Most of the questions are weighted by turnover. For the question about general prospects, a simple average is calculated from all the companies surveyed.

The effects are estimated with the X13 software under JDemetra+ (provided by Eurostat) at the level of aggregates specific to this survey, composed of sub-classes of the French classification of activities NAF rev 2 (building structural work, roof covering and frames, building installation work, building completion and finishing work). The seasonally-adjusted indices for higher items of the classification are obtained directly, and not by aggregating the seasonally-adjusted indices that compose them.

Series must be interpreted with care: preference should always be given to the trend in a series rather than to its level. However, if an attempt should be made to qualify its level, the reference should always be the long-term average of the series to take account of the usual response behaviour of business leaders. Data from the last available survey are provisional. They are revised when the next survey is published, when late responses can also be taken into account.

The composite business climate indicator

The composite business climate indicator describes, in a single variable, the common component of the selected balances of opinion (past activity, forecast activity, judgement of order books, past work force and production capacity utilisation rate). It is calculated by the factor analysis technique. This technique summarises the concomitant change in several variables whose movements are closely correlated.

Like for the other business tendency surveys, the indicator is normalised to give an average of 100 and a standard deviation of 10.

The balances of opinion used in the calculation of the composite business climate indicator in the building industry are quarterly before July 1993 and monthly from September 1993. The indicator is published with the same periodicity but the normalization is done on the indicator interpolated before September 1993. Consequently, the average of the published climate is not necessarily equal to 100 and the standard deviation is not necessarily equal to 10.

The change in the composite business climate indicator therefore summarises the tendency phase that is influencing the different balances of opinion in the business tendency surveys: the higher its value, the better the view industrialists have of the outlook.

The turning point indicator

The turning point indicator aims to detect as early as possible when the outlook trend changes direction. This is a qualitative variable which is not directly observed. The indicator is presented in the form of a curve, retracing for each date the difference between the probability that the cyclical phase is favourable and the probability that is unfavourable.

It therefore changes between +1 and -1: a point very close to +1 (or -1 respectively) indicates that activity is in a period of sharp acceleration (or sharp deceleration respectively). The moments when the indicator is close to 0 are considered to be stabilisation phases, meaning a return from the growth rate in activity towards its

long-term average, phases during which the signals received vary widely and do not therefore indicate any pronounced movement, either upwards or downwards.

The indicator value for the previous month may be revised in the following month, so it is necessary to wait for at least two consecutive months to be able to conclude that a large variation actually is a signal of significant cyclical change.

Changes in the questionnaire

In January 2017, the questions about recruiting problems by type of personnel were removed :

If yes, what type of personnel?

- ... Labourers
- ... Specialised workers
- ... Qualified workers
- ... Technicians and Supervisors
- ... Others (multiple responses)

Detailed documentation

- Monthly business outlook survey in the building industry: description and methodology
<https://www.insee.fr/en/metadonnees/source/s1044>
- *Insee Méthodes* n°115, « The French business survey on the situation and outlook in the building industry: methodology », May 2006.