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***PART ONE:  
GENERAL DESCRIPTION OF SURVEY***

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### **1.1. - Historical summary**

INSEE conducted its first business survey in 1951<sup>1</sup>. It was patterned on the surveys performed in the United States at regular intervals since 1947 by the magazine *Fortune*. The INSEE survey covered 3,000 enterprises, mainly in manufacturing, but also in retailing, banking, insurance, and transport. The questionnaire comprised two parts: the first concerned the respondent's sentiment on the overall French economy; the second focused on the situation of the enterprise surveyed. Thanks to its initial success, the survey was repeated twice a year until 1957, then four times a year. However, in light of the results obtained, two changes were subsequently introduced:

- an increase in the number of questions on the enterprise and a reduction in the number of those on the overall economy, the results of the former having been found to be more reliable than those of the latter;
- the development of questionnaires tailored to specific industries.

At the same time as in France, but independently at the outset, business surveys were launched in Germany by IFO, the Munich-based Institute for Economic Research, and in Italy by the Rome-based VISCO. In 1952, these two organisations began an informal cooperation with INSEE in the field of business surveys, which was progressively extended to institutes in many other countries.

One of the milestones was the June 1962 launch by the European Communities Commission—on the strength of the French, German, and Italian experience—of the harmonised monthly survey of industrialists in the Community.

Also in 1962, at the initiative of the French Building Industry Federation (Fédération Nationale du Bâtiment: FNB), the first pilot business survey of the industry was conducted in cooperation with INSEE. The survey results were first published in 1966. Initially, questions covered business owners' sentiment on recent trends in their turnover (sales), workforce size, order books, prices, and other variables. The Survey was first executed every four months. It became quarterly in 1975 and monthly in 1993.

The Building Survey has been part of the Harmonised European Programme of Business and Consumer Surveys since 1984 (see §4). Most of its recent changes have been driven by the advances in European business-survey harmonisation. One example is the January 2004 rewording of questions concerning, in particular, past and expected turnover (sales) and past and present workforce trends.

The Survey was submitted for review to the Quality Label Committee of the National Council for Statistical Information (Conseil National de l'Information Statistique: CNIS) on 19 June 2003. The Committee renewed the Survey's classification as a statistical operation "of public interest" and recertified its statistical quality.

<sup>1</sup> Preceded by a pilot survey in November 1950.

## 1.2. - Purpose of Building Survey

Like all business surveys, the Building Survey is a component of the French system for preparing short-term economic analyses and forecasts. It supplies valuable, timely indications on the industry's recent activity and short-term outlook. However, the qualitative nature of business-survey responses and their subjectivity make them delicate to interpret. Indeed, the value of the survey results diminishes once the quantitative statistics become available.

Business surveys have another advantage besides rapid availability of information: they supply a fairly complete, consistent picture of an industry, shedding light on areas covered on a very lagged basis (if at all) by conventional statistics. For example, the monthly Building Survey gives a view of activity in each sectoral component and explanations for the trends observed (order books, production bottlenecks, etc.)—an essential input for short-term forecasting. As a result, the Building Survey helps to track activity in the construction industry (see §3.1.3).

The Building Survey is one of the components of the EU sub-annual statistical system. Because of its inclusion in the Joint Harmonised European Union Programme of Business and Consumer Surveys, its results can be compared with those of building or construction surveys conducted by other European Institutes participating in the system (identical questions, frequency, survey periods, and publication dates). INSEE's Building Survey is thus the prime French source for analysing and forecasting building activity in the EU and the euro zone as a whole or on a country-by-country basis.

The latter aspect is becoming more valuable and important with the deepening and enlargement of the EU. Particularly since the implementation of the European monetary union, decision-makers in both the public and private sectors have expressed a greater need for timely sub-annual economic indicators that are comparable between Member States and can be aggregated at the euro-zone level. This increased need, linked to new objectives (most notably, to provide aid for defining European monetary policy), creates a dynamic that fosters progress in harmonising EU business surveys and improving the statistical investigation system of which they are the components. Moreover, EU enlargement has led to a progressive increase in the number of countries joining the Harmonised Programme of Business and Consumer Surveys<sup>2</sup> and has thus added to the potential for a significant enhancement of the battery of European short-term economic indicators.

## 1.3. - Survey field

The Building Survey covers building enterprises with more than ten employees. The Survey field is described in box 1 below, using the headings of the French Classification of Activities and Products<sup>3</sup> and the groupings used in the publication of results.

<sup>2</sup> For the current list of countries participating in the Programme, see §4.

<sup>3</sup> In full: Nomenclature d'Activités Française (NAF) - Classification de Produits Française (CPF).

### **Box 1: Field of coverage of Building Survey<sup>4</sup>**

#### **Carcase work**

452A: Construction of one-dwelling houses  
452B: Construction of miscellaneous buildings  
452T: Lifting, erection  
452V: General masonry work

#### **Building installation and completion**

Construction of roof covering and frames  
452J: Construction of roof coverings in modular form  
452K: Sealing and waterproofing  
452L: Frame construction

#### **Building installation**

453A: Installation of electrical wiring and fittings  
453C: Insulation work  
453E: Plumbing (water and gas)  
453F: Installation of heating and air conditioning equipment

#### **Building completion**

454A: Plastering  
454C: Joinery installation (wood and plastic)  
454D: Joinery installation (metal) and locks  
454F: Floor and wall covering  
454H: Glazing  
454J: Painting  
454L: Outfitting of sales premises  
454M: Other building completion

## **1.4. - Sampling plan**

The unit surveyed is the enterprise.

Two criteria are used to classify enterprises: principal activity, at the NAF700 level<sup>5</sup>, and workforce size used as an indicator of enterprise size<sup>6</sup>. Each stratum is therefore defined by a combination of an NAF700 heading and a workforce-size bracket.

The sampling frame is the latest available Annual Enterprise Survey in construction (Enquête Annuelle d'Entreprise: EAE - Construction) (see Appendix 1).

The number of units to be surveyed is chosen for consistency with the stratum weight in the building industry. More specifically, it is proportional to the combined share of turnover (sales) by enterprises in the stratum, determined from the EAE. This sample-building method is used only for enterprises in brackets 1 to 5. Bracket 6 (500 or more employees) is surveyed in full.

<sup>4</sup> The Building Survey field covers Division 45 of the French Classification of Activities and Products (NAF-CPF) except the following categories, which are not surveyed: Site preparation (NAF group 45.1); highways, streets, and roads; tunnels and subways; building of pipelines, communication, and electricity lines (NAF 452C, 452D, 452E, and 452F); building of sports grounds and other sport and recreation buildings (NAF 452N and 452P), harbours, waterways, and other waterworks (NAF 452R); other specialised building work (NAF 452U); other installation work (453H); and renting of building equipment with operator (NAF group 45.5).

<sup>5</sup> French classification of activities (Nomenclature d'Activités Française: NAF) at level 700.

<sup>6</sup> The definition of the size brackets is specific to the Survey: bracket 1: 11-19 employees; bracket 2: 20-49 employees; bracket 3: 50-99 employees; bracket 4: 100-199 employees; bracket 5: 200-499 employees; bracket 6: 500 or more employees.

## 1.5. - Questionnaires

The Building Survey is performed every month except August. However, not all the questions are effectively asked every month. Some are asked every three months or once a year<sup>7</sup>.

Two questionnaire models have been developed to accommodate these specific monthly variations:

- the “monthly” questionnaire is used in February, March, May, June, September, November, and December—the months of the so-called “light-weight” survey. This questionnaire includes only the nine questions asked every month.

- the “quarterly” questionnaire is sent in January, April, July, and October. It includes the eleven quarterly questions in addition to the monthly questions.

All questionnaires include a section to identify the surveyed enterprise. The section contains the business name and address of the enterprise, its SIREN (Business Register) number, and the name of the person responding to the Survey. Enterprises must also enter their NAF activity codes.

The main questions are listed in Appendix 2. The two questionnaire models are reproduced in Appendix 3.

## 1.6. - Questions asked in the Building Survey

### 1.6.1. - Two types of questions

As in nearly all other national business surveys, the French Building Survey comprises two distinct categories of questions: structural questions, asked once a year, and short-term questions, generally asked at a sub-annual frequency. The data obtained from the second category allow a monitoring of short-term trends in the surveyed sector, while the structural data serve for weighting and stratification.

- **The structural questions** are asked every April. The responses are then preprinted on the questionnaires until the following April. The questions are quantitative, and concern the enterprise’s total turnover (sales), turnover by type of work performed (new dwellings, other new buildings, improvement and maintenance, and other activities), and workforce size.

- **The short-term questions** cover one of the following areas:

- the enterprise itself: turnover (total, and by project category), order books, prices, financial position, productive capacity, and employment;

- the enterprise’s sentiment on the overall situation in the building industry (question on general business outlook in total building industry);

Most of the short-term questions are qualitative, as the goal is to obtain information rapidly on variables that are not always immediately available in quantitative form.

### 1.6.2. - Main topics addressed by short-term questions

- Business activity

Measured by data on the enterprise’s past and expected total turnover and turnover by project category<sup>8</sup>, as well as by customer category (public-sector or private sector).

<sup>7</sup> Questions asked every year (known as “structural” questions) are discussed in §1.6.1.

<sup>8</sup> The questions cover three types of projects: new dwellings, new buildings (non-residential), and improvement/maintenance.

Business owners are also asked about changes in the French building industry as a whole (general business outlook).

- Order books

Business owners are asked to assess their order books in months of guaranteed work (quantitative criterion) and to give their opinion on the intake (qualitative criterion).

- Prices

The price question concerns the outlook for future selling prices.

- Financial position

Measured via three questions: cash-flow position, settlement times, and late payments by customer category.

- Productive capacity

The questions concern obstacles (if any) to business growth<sup>9</sup>, and the mean productive capacity utilisation rate.

- Employment

Business owners are asked about recent employment in their enterprises (change in workforce size in past three months), and about their employment expectations (likely change in workforce size in three months ahead). They are also asked whether they have had hiring problems.

- Investment

Business owners are asked quantitative and qualitative questions on realised or planned investments every quarter.

### ***1.6.3. - Some examples of short-term questions***

Here are some examples, from the 2006 questionnaires, of questions asked in the Building Survey<sup>10</sup>. There are three kinds: three-choice questions calling for a positive (increasing, above normal, etc.), intermediate (unchanged, normal, etc.) or negative (decreasing, below normal, etc.) response; two-choice questions (yes/no, ticked/unticked box); and quantitative questions:

- Trend in your business turnover in past three months: *increasing, unchanged, decreasing?*
- For the season, do your order books seem to be: *above normal, normal, below normal?*
- Are your customers' settlement times: *getting shorter, unchanged, getting longer?*
- Are there obstacles to your business growth: *yes, no?*
- Months of work guaranteed by your order books?

As we shall see in greater detail in the second and third sections (§2.4.3 and §3.1.1), the responses to each qualitative question are summarised in a single indicator called the *balance of opinion*. A balance of opinion is defined as the difference between the percentage of positive responses (increasing, above normal, etc.) and the percentage of negative responses (decreasing, below normal, etc.)<sup>11</sup>. From experience, this type of indicator is

<sup>9</sup> For more details, see Appendix 2.

<sup>10</sup> See questionnaire models in Appendix 3.

<sup>11</sup> As a rule, enterprises' responses are incorporated into these percentages in weighted form (weighting by turnover or workforce size, depending on the question).

both very legible and very useful for short-term analysis. The dissemination of results of business surveys such as the Building Survey largely consists in publishing the main opinion balances computed from the responses and in interpreting their changes.

Some of the questions in the Building Survey were modified starting with the January 2004 questionnaires at the request of the European Commission. This was a consequence of the development of harmonised questionnaires at the EU level offering a greater degree of precision than previously for several business surveys<sup>12</sup>. To comply with these requirements, some questions in the Building Survey have been rephrased, in most cases slightly.

The very minor drawbacks are more than offset by the advantages: first, a greater harmonisation of national questionnaires in the EU; second, the convergence of the French Building Survey with the other sectoral business surveys harmonised at the European level. These changes facilitate the comparability of responses in different countries but also in different industries, as well as the preparation of industry and macroeconomic synthetic indicators offering high legibility at the national and European levels.

<sup>12</sup> This greater precision was motivated by the search for closer harmonisation of European business surveys. Previously, the harmonised questions left some margins for interpretation. This was a potential cause of discrepancies—most of them admittedly minor, with a few exceptions—between the wordings of national questionnaires. The margins of interpretation have been eliminated by choosing more literal wording in the new harmonised questionnaires.