

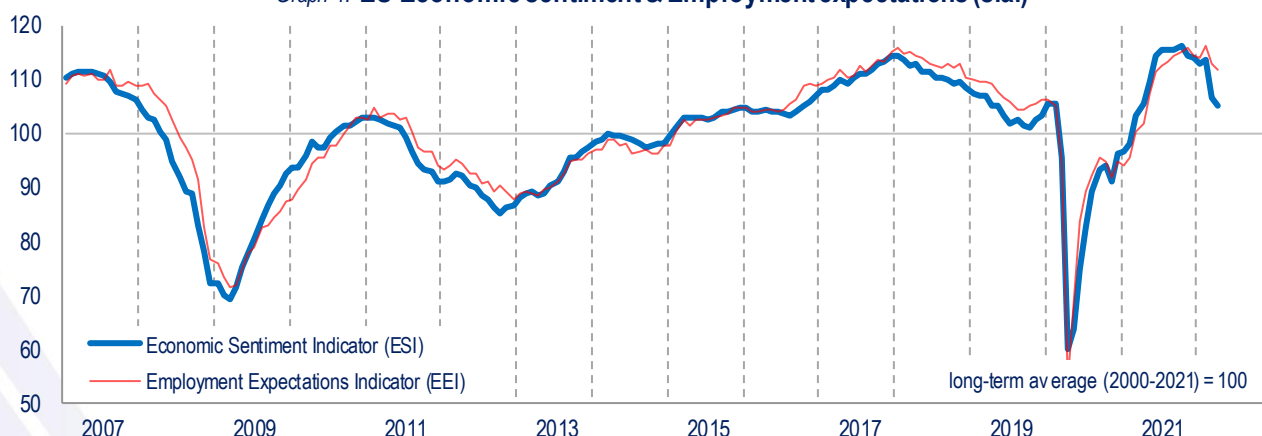
## Business and consumer survey results for April 2022

# Economic Sentiment and Employment Expectations further down in the EU and the euro area

In April 2022, the *Economic Sentiment Indicator* (ESI) declined in both the EU (-1.7 points to 104.9) and the euro area (-1.7 points to 105.0). The *Employment Expectations Indicator* (EEI) also decreased (-1.0 points to 111.7 in the EU and -1.1 points to 112.4 in the euro area).<sup>1</sup>

## EU developments

Graph 1: EU Economic sentiment & Employment expectations (s.a.)

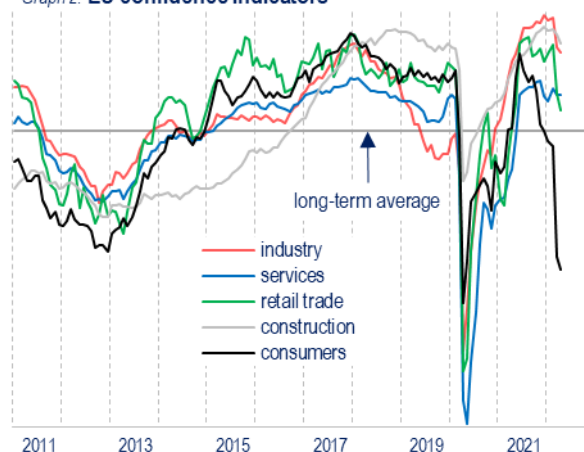


source: European Commission services

In the EU, the ESI's decrease in April was driven by worsening confidence in industry, retail trade, construction, and among consumers,<sup>3</sup> while the confidence indicator remained unchanged in services. Amongst the largest EU economies, the ESI fell markedly in Spain (-4.5) and to a lesser extent in France (-1.4). Confidence remained broadly stable in Germany (-0.1), the Netherlands (-0.1) and Poland (+0.3), while it improved in Italy (+1.3).

The decline in **industry confidence** (-0.8) mainly reflected a marked improvement in managers' assessment of the *stocks of finished products*, which impacts the composite indicator negatively as a sign of lower demand. However, after more than one year of record-low assessments of stocks, the result appears to finally point to some ongoing replenishment of inventories. Managers' assessments of the *current level of overall order books* improved slightly, while their *production expectations* remained broadly unchanged after the steep fall of March. Of the questions not entering the confidence indicator, managers' views on *export order books* improved slightly, while their appraisals of *past production* deteriorated markedly. Unchanged **services confidence** ( $\pm 0.0$ ) resulted from an improvement in managers' views of *past* and *expected demand*, offset by a deterioration in their assessment of the *past business situation*. The decline in **consumer confidence**<sup>3</sup> (-1.0) resulted from marked decreases in households' assessments of their own *past financial situation* and their *intentions to make major purchases*, while consumers' expectations about *their future financial situation* edged up slightly after the steep

Graph 2: EU confidence indicators<sup>2</sup>



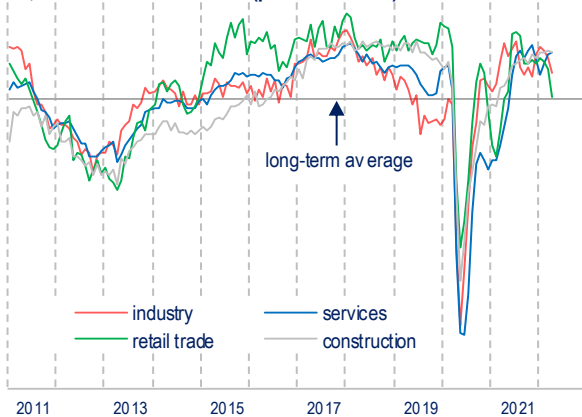
<sup>1</sup> As of April 2022, the seasonal adjustment method of all survey data has changed. As a consequence, all seasonally-adjusted past results have been revised slightly.

<sup>2</sup> The graph presents standardised series to correct for differences in means and standard deviations.

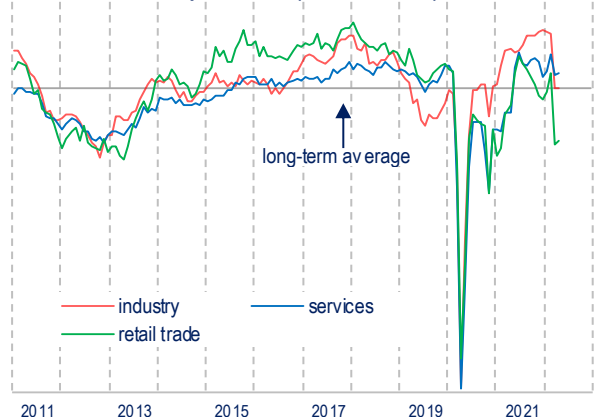
<sup>3</sup> The results of the Flash Consumer Confidence Indicator, published on 21 April 2022, have been revised due to the change in the seasonal adjustment method (see footnote 1).

fall of March. Consumers' expectations on the *general economic situation in their country* remained broadly unchanged at the very low level of March. The further decline in **retail trade confidence** (-2.0) resulted from a decline in managers' assessments of the *past business situation*, partially offset by a small recovery of their *expected business situation*. Managers' appraisals of *their stocks* improved slightly. **Construction confidence** decreased strongly (-1.8) due to a worsening in both managers' appraisals of the *level of order books* and their *employment expectations*. The shares of construction managers pointing to shortage of labour (30.8%, after 29.5% in March) and of material and/or equipment (29.4%, after 29.1% in March) as factors limiting their building activity increased further to their highest levels on record.<sup>4</sup> **Financial services confidence** (not included in the ESI) improved in April (+1.8), resulting from a strong improvement in manager's *demand expectations*, partially offset by more pessimistic views on their *past demand* and the *past business situation*.

Graph 3: Business situation (past 3 months) in the EU<sup>2</sup>



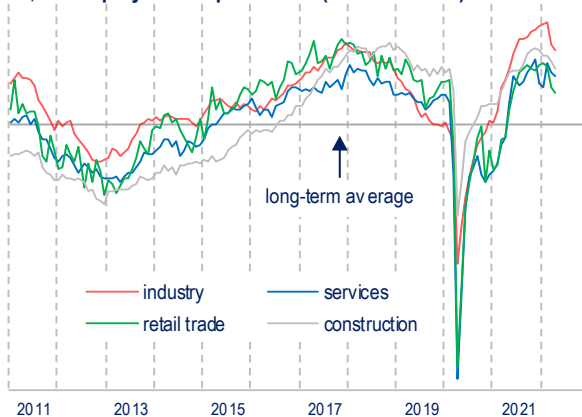
Graph 4: Business expectations (next 3 months) in the EU<sup>2</sup>



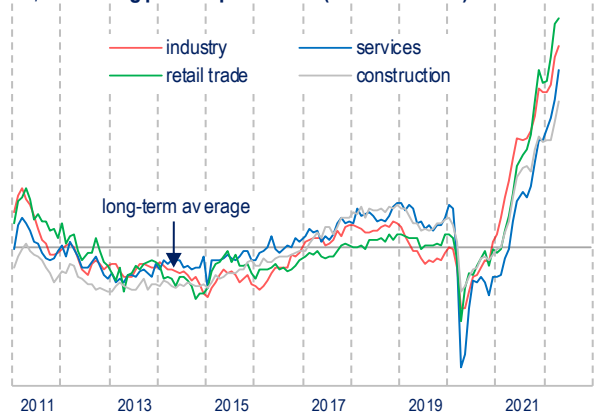
The **Employment Expectations Indicator** decreased further in April (-1.0). The decline was due to worsened employment plans for the next three months in all four business sectors (i.e. industry, services, retail trade and construction). Consumers' unemployment expectations, which are not included in the headline indicator, remained broadly unchanged.

**Selling price expectations** for the next three months rose to new unprecedented levels in all surveyed business sectors. By contrast, after having reached an all-time high in March, consumers' price expectations for the next twelve months dropped in April, while consumers' backward-looking perceptions of price developments over the past twelve months continued their steady upward trend that started in January 2021.

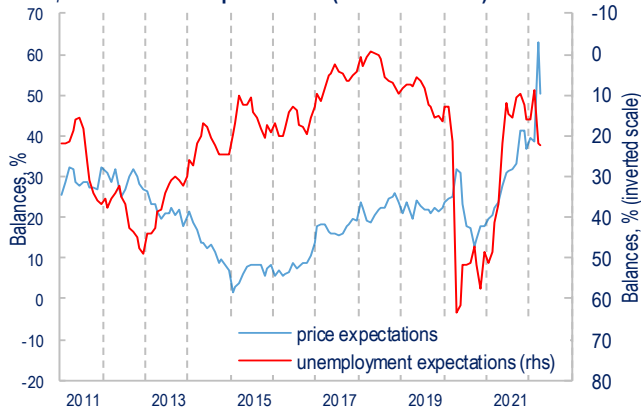
Graph 5: Employment expectations (next 3 months) in the EU<sup>2</sup>



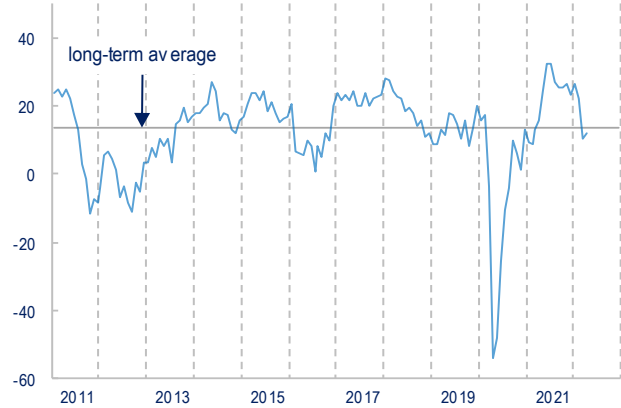
Graph 6: Selling price expectations (next 3 months) in the EU<sup>2</sup>



Graph 7: Consumer expectations (next 12 months) in the EU

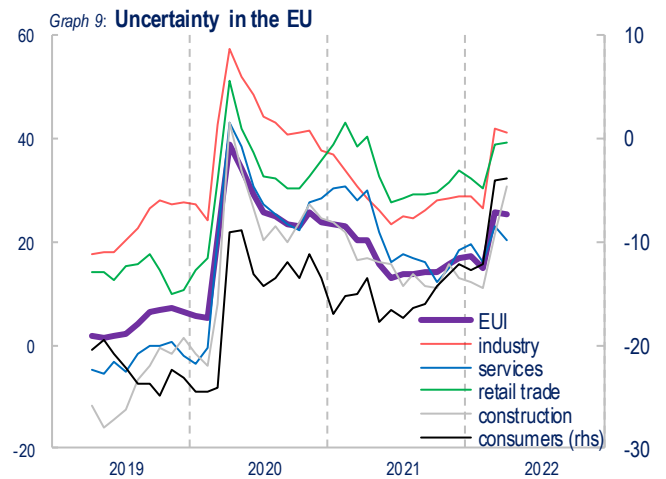


Graph 8: EU Financial services confidence indicator



<sup>4</sup> The detailed data are available for download under the Construction section of the [BCS Time series website](#).

The European Commission's **Economic Uncertainty Indicator (EUI)**<sup>5</sup> declined slightly in April (-0.5 points to 25.3). While uncertainty continued to rise sharply in construction, reaching its highest level since May 2020, it remained broadly stable in retail trade and among consumers and declined somewhat in industry and services.



#### **Quarterly survey results** (conducted in April)

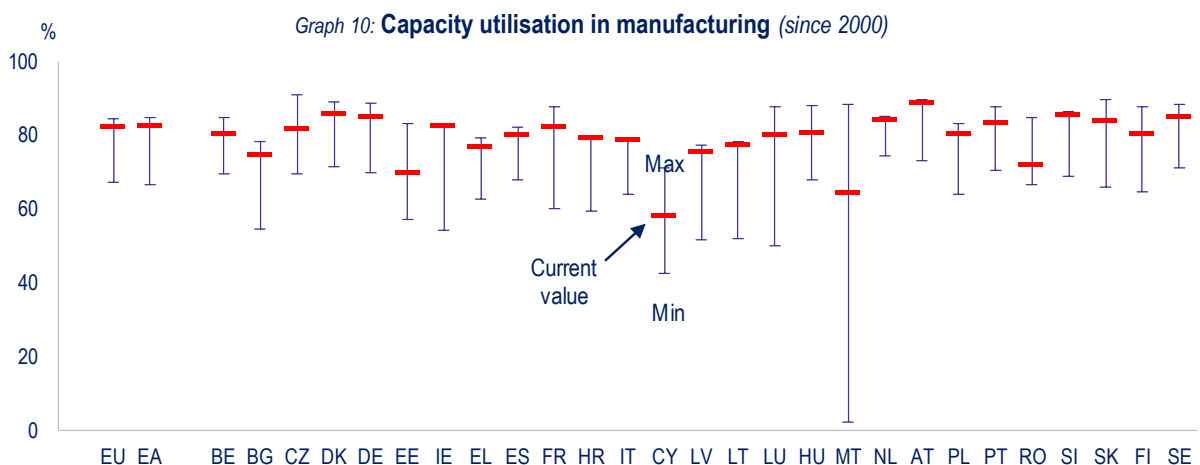
The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In April 2022, the estimated rate of capacity utilisation in the EU industry sector remained broadly stable (-0.2 percentage points to 82.3%) compared to January 2022, at rather high levels. Meanwhile, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) increased (+2.8 points). On the external side, while managers' export volume expectations dropped markedly (-10.7 points compared to January), the assessments of their competitive position on non-EU markets over the past three months improved slightly (+0.5 points). Managers' appraisals of new orders, while still at a high level, declined significantly (-6.9). Nevertheless, the estimated number of months' production assured by orders on hand remained unchanged at the historically high level of 5.2 months.

Reports on shortage of material and/or equipment as a factor limiting production remained unchanged at the highest quote on record (51.1% of all industry managers). These production constraints are compounded by a shortage of labour force, with a record 27.8% (+0.3 pp compared to January) of managers identifying labour shortages as a limiting factor for production.<sup>6</sup>

Euro-area developments were qualitatively in line with the described EU developments; the estimated rate of capacity utilisation remained also high and broadly stable (+0.2 points to 82.6%).

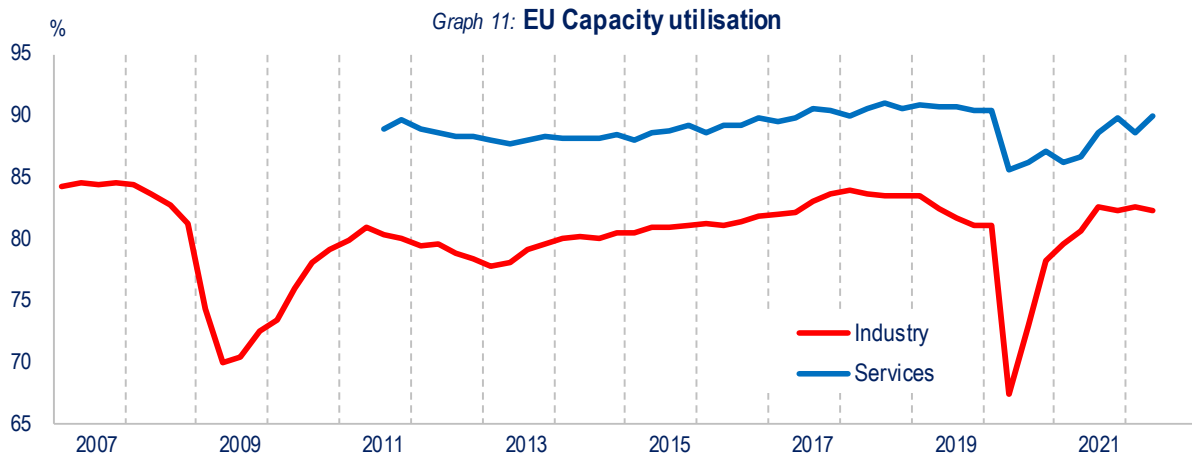
**!!!Due to corrected data for Germany, EU and euro area results for capacity utilisation in services were corrected upwards compared to the original press release (published on 2 May 2022)!!!**

Capacity utilisation in services increased by 1.5 percentage points in the EU (to 90.0%) and by 1.6 percentage points in the euro area (to 89.7%) compared to January. In both areas, the indicator is above its long-term average (of 88.9% and 88.7%, respectively) but remains around half a percentage point below its level before the outbreak of COVID-19 on the continent.



<sup>5</sup> See the special topic of the [2021-Q3 EBCI](#) for background, and section 3.6 of the [BCS User Guide](#) for methodological details.

<sup>6</sup> The detailed data are available for download under the Industry section of the BCS [Time Series website](#).

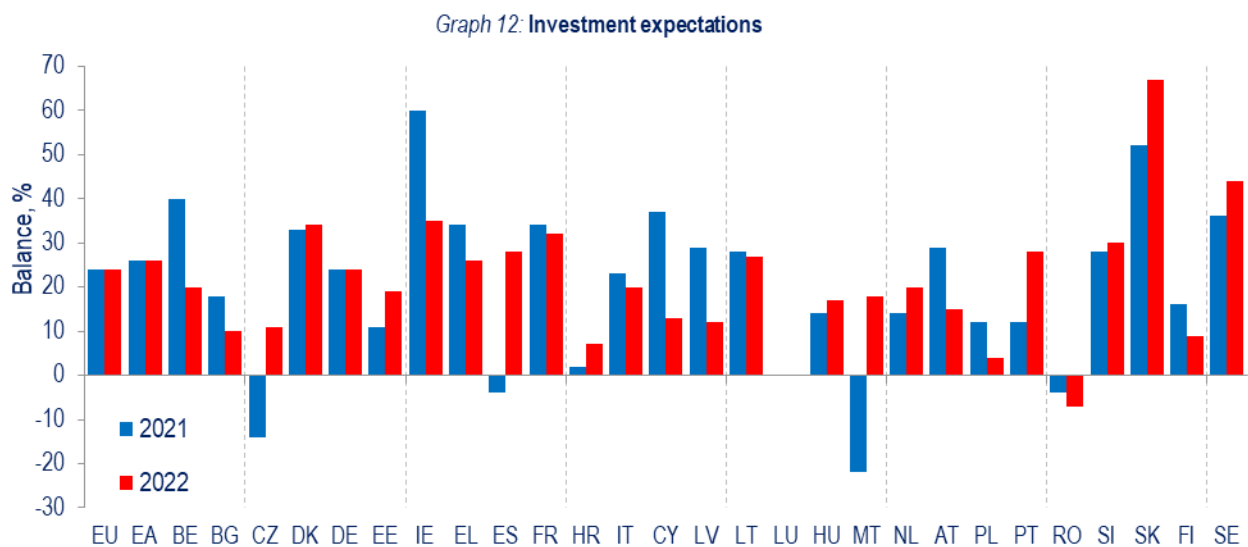


### Investment survey (conducted in March/April)

Since October/November 2021, the revamped *qualitative* bi-annual investment survey asks managers about the direction of change (increase, unchanged, decrease) in the total investment of their company, from the previous to the current year and the current to the next year. Previous *quantitative* results from the investment survey in the manufacturing industry have been transformed into balances of directional changes (i.e. the percentage of managers stating an increase minus those stating a decrease, taking into account the size of the companies), to align them with the revamped qualitative survey. Since October/November 2021 the survey also covers companies in the services sector.

According to the survey conducted in March/April 2022, more EU manufacturing managers estimate to have increased their investments in 2021 (net balance of 24%) than in the previous survey conducted in October/November 2021 (18%). For 2022, the balance of views predicting an increase in investments compared to 2021 stood also at 24%, which represents a slight downward revision compared to the October/November 2021 survey (26%).

Also in services a higher percentage of managers estimate to have increased their investments in 2021 (net balance of 22%) than in the previous survey conducted in October/November 2021 (20%). For 2022, the balance of views predicting an increase compared to 2021 investments stood at 22% as well, which represents a slight upward revision compared to the October/November 2021 survey (19%).



Data collection period: 1 April to 24 April

Annex tables displaying results for the ESI, EEI, confidence indicators and individual survey questions for the past 12 months (as well as historical min, max and averages) are available [here](#).

## Methods and definitions

The Commission's harmonised Business and Consumer Survey (BCS) programme, managed by the Directorate-General for Economic and Financial Affairs (DG ECFIN), was set up in 1961, and its scope has since expanded considerably in terms of both countries and sectors covered. Six surveys are conducted on a monthly basis in the following areas: manufacturing industry, construction, consumers, retail trade, services, and financial services. Some additional questions are asked on a quarterly basis in the January, April, July and October surveys in industry, construction, services, financial services and among consumers. In addition, questions on manufacturing companies' investment plans are included twice a year (April and November). The surveys are conducted by national institutes in the Member States and the candidate countries based on harmonized questionnaires and a common timetable.

The data of the surveys is processed by DG ECFIN's Unit Economic situation, forecasts, business and consumer surveys (A3), Sector Business and consumer surveys and short-term forecast.

The **confidence indicators** are produced to reflect overall perceptions and expectations at the individual sector level in a one-dimensional index. For each of the six surveyed sectors, they are calculated as the simple arithmetic average of the (seasonally adjusted) balances of answers to specific questions chosen from the full set of questions in each individual survey.

The **Economic Sentiment Indicator (ESI)** is a composite indicator combining judgements and attitudes of businesses (in industry, construction, retail trade, services) and consumers by means of a weighted aggregation of standardised input series.

The **Employment Expectations Indicator** is constructed as a weighted average of the employment expectations of managers in four surveyed business sectors (i.e. industry, services, retail trade and construction).

More information on methods and definitions can be found in the [methodological guidelines](#) section of the [BCS website](#). All press releases can be found [here](#). Detailed data results of all surveys are freely available for download in the BCS [time series](#) section of the website.

You can also contact DG ECFIN at the following address: [ECFIN-BCS-MAIL@ec.europa.eu](mailto:ECFIN-BCS-MAIL@ec.europa.eu)

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<b>Upcoming releases:</b>	Flash Consumer Confidence Indicator	20 May 2022
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	30 May 2022