

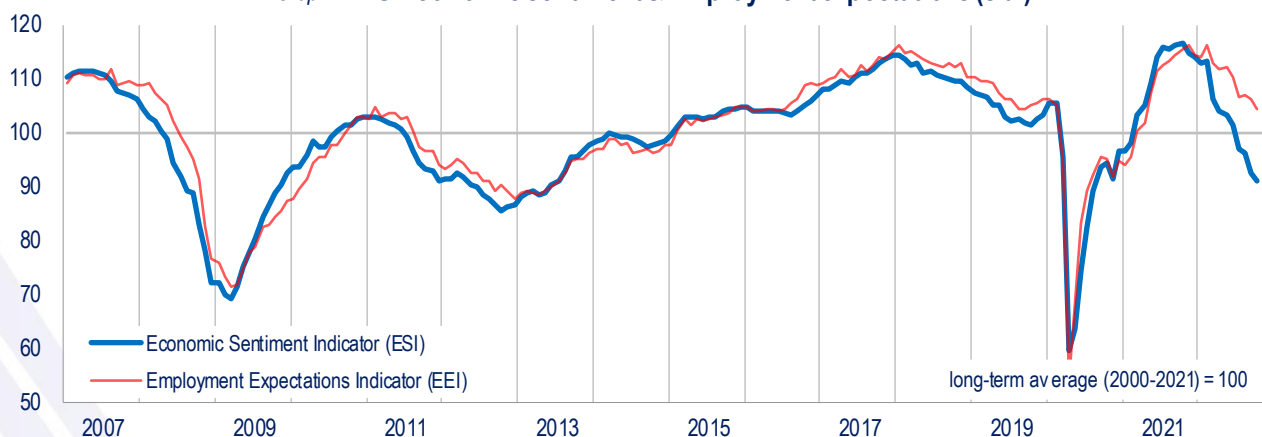
Business and consumer survey results for October 2022

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

In October 2022, the Economic Sentiment Indicator (ESI) declined further in both the EU (-1.5 points to 90.9) and the euro area (-1.1 points to 92.5), reaching its lowest level since August and November 2020, respectively. The Employment Expectations Indicator (EEI) also decreased (-1.8 points to 104.5 in the EU and -1.7 points to 104.9 in the euro area)¹, but remained well above its long-term average.

EU developments

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

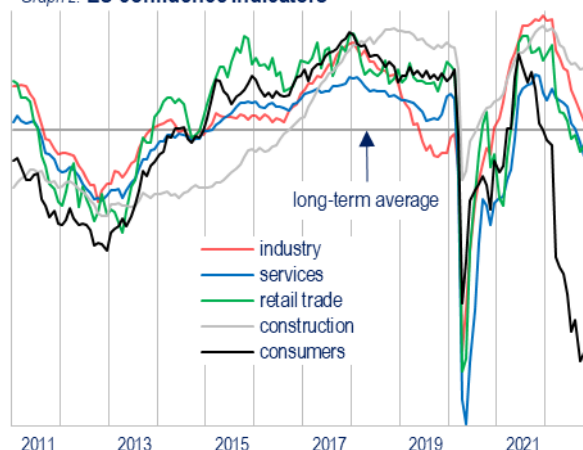


source: European Commission services

In the EU, the ESI's decrease in October resulted from marked deteriorations in services and manufacturing confidence, only partly offset by slight improvements in retail trade and consumer confidence. Confidence in construction remained broadly stable. Amongst the largest EU economies, the ESI fell in Germany (-1.0) and Italy (-0.9), while it remained essentially unchanged in the Netherlands (-0.3) and France (0.0) and improved in Poland (+0.4) and Spain (+1.4).

Industry confidence decreased for the eighth month running (-1.3) as managers' assessments of the current level of overall order books worsened markedly and the stocks of finished products picked up. By contrast, managers' production expectations for the next three months improved somewhat. Of the questions not entering the confidence indicator, managers' appraisals of past production declined slightly, while their views on export order books remained broadly stable. **Services confidence** declined (-2.4) due to a marked deterioration of all three components (i.e., views on the past business situation, past demand, and demand expectations). **Consumer confidence** (+0.7) picked up slightly from its record low of September. Consumers were more optimistic about their outlook on their *household's future financial situation* and the *general economic situation*, while assessments of their *household's past financial situation* deteriorated slightly and *intentions to make major purchases* remained broadly stable. **Retail trade confidence** also picked up (+0.8) thanks to a marked improvement in retailers' assessment of the *past business situation*, while their assessments of the *volume of stocks* and their *expected business situation* remained broadly unchanged. **Construction confidence** remained broadly stable (+0.2), resulting from a marked improvement in managers' employment expectations, offset by a strong decrease in their assessment of the level of order books.

Graph 2: EU confidence indicators²

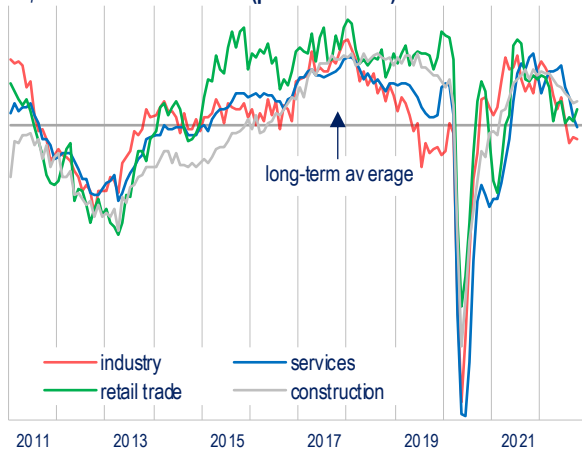


¹ Past results were slightly revised due to seasonal adjustment.

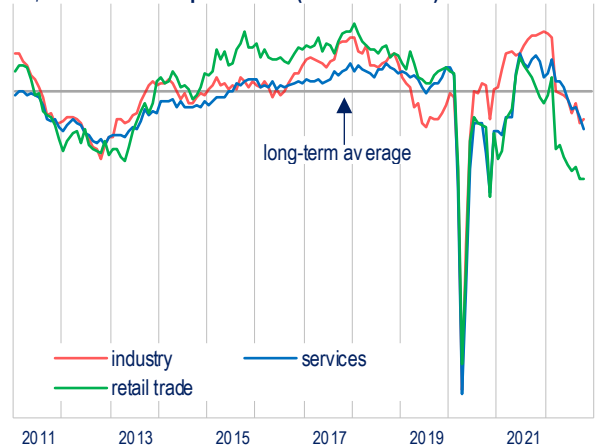
² The graph presents standardised series to correct for differences in means and standard deviations.

While remaining at relatively high levels, the share of construction managers pointing to *shortages of labour* and *shortages of material and/or equipment* decreased to 30.6% and 21.3%, respectively. Meanwhile, the share of construction managers indicating *insufficient demand* and *financial constraints* as factors limiting their building activity increased to 21.2% and 14.7%, respectively. **Financial services confidence** (not included in the ESI) fell dramatically in October (-14.1) due to sharp decreases in all components entering the indicator (*past demand*, *demand expectations*, *past business situation*).

Graph 3: Business situation (past 3 months) in the EU²



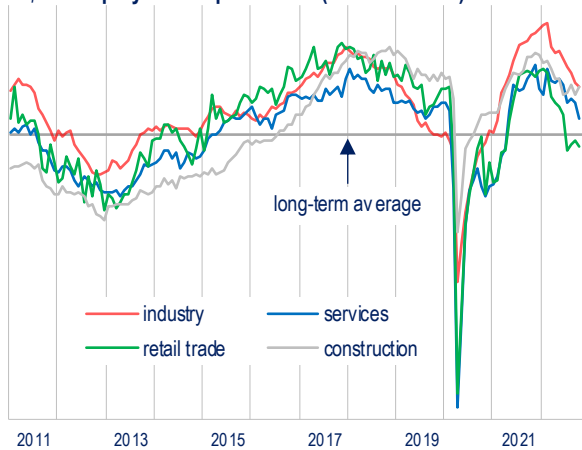
Graph 4: Business expectations (next 3 months) in the EU²



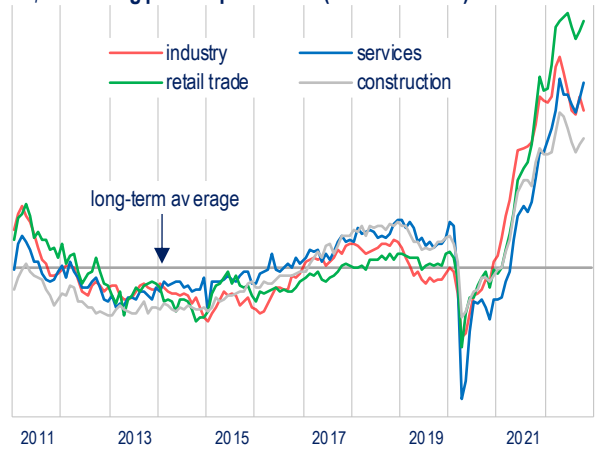
The decrease in the **Employment Expectations Indicator** (-1.8) was driven by worsened employment plans in industry, services and retail trade, while managers in construction expected employment in their firms to increase over the next three months. Consumers' unemployment expectations, which are not included in the headline indicator, worsened.

Selling price expectations rose further in all surveyed business sectors except industry, where the indicator declined somewhat. Consumer price expectations edged down but remained at a high level. Consumers' perceptions of price developments over the past twelve months reached another all-time high.

Graph 5: Employment expectations (next 3 months) in the EU²



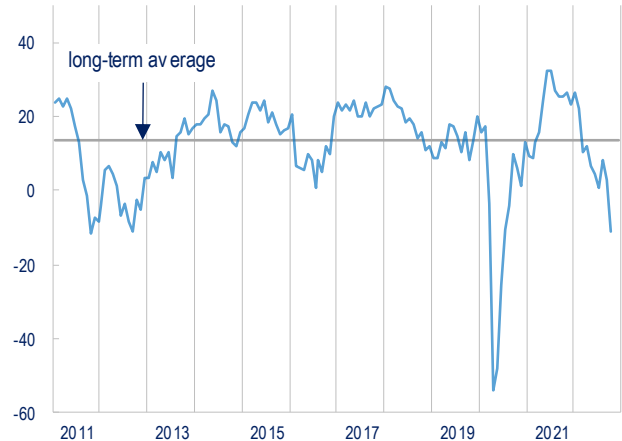
Graph 6: Selling price expectations (next 3 months) in the EU²



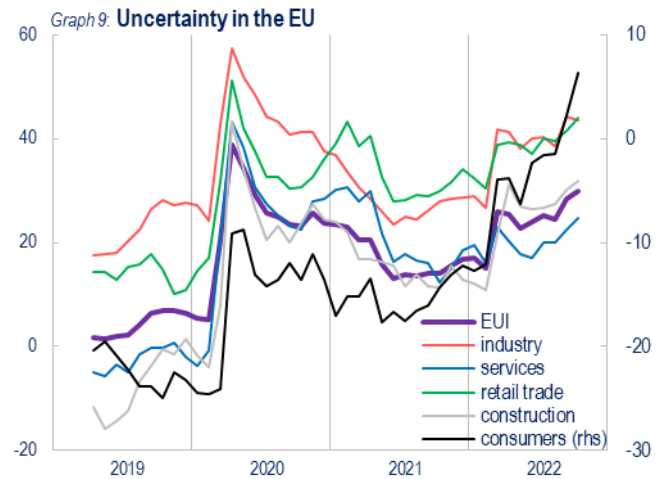
Graph 7: Consumer expectations (next 12 months) in the EU



Graph 8: EU Financial services confidence indicator



The **Economic Uncertainty Indicator (EUI)**³ rose further in October (+1.4 points to 29.9). Uncertainty rose in all business sectors except for industry, where the indicator eased slightly. Consumer uncertainty rose particularly sharply, reaching a new all-time high.



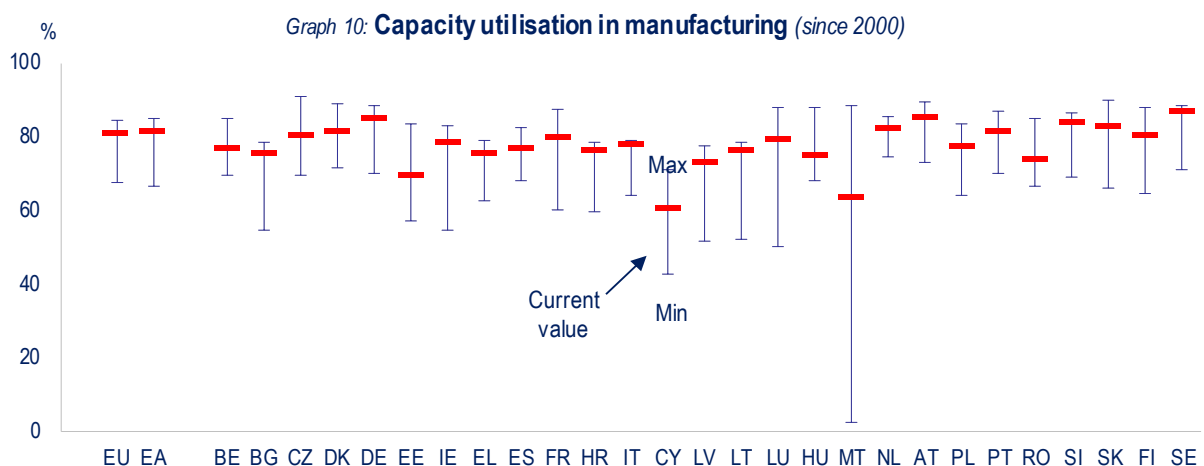
Quarterly survey results (conducted in October)

The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In October 2022, the estimated capacity utilisation rate in the EU industry sector decreased by 0.5 percentage points compared to July 2022. Nevertheless, the rate is still at a relatively high level (81.2%), about half a percentage point above the long-term average. Consistently, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) picked up (+1.9 points). On the external side, managers' export volume expectations decreased (-6.3 points compared to July), and assessments of their competitive position on non-EU markets over the past three months worsened markedly (-4.4 points). Managers' appraisals of new orders declined significantly (-6.0) for the fifth time in a row. Meanwhile, the estimated number of months' production assured by orders on hand increased (+0.2 points compared to July) to a very high level of 5.3 months.

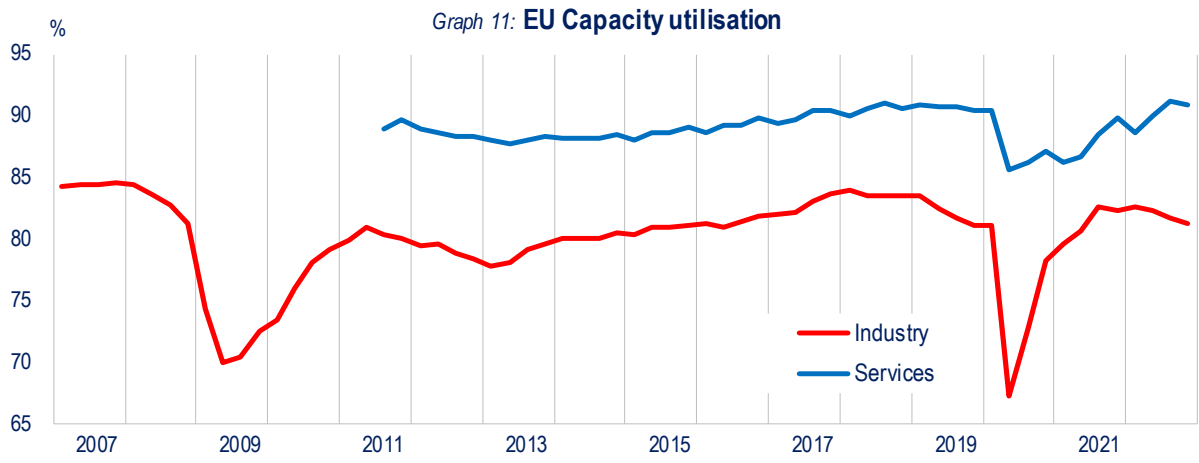
While remaining at a relatively high level, the percentage of industry managers quoting *shortage of material and/or equipment* as a factor limiting production decreased by 4.3 points to 40.0%. Also the share of managers identifying *shortage of labour force* as a factor limiting production decreased in October compared to July (-1.3 percentage points to 25.9% of all industry managers). By contrast, the share of managers indicating insufficient demand and financial constraints as factors limiting their production increased to 25.1% and 8.1%, respectively.

Euro-area developments were qualitatively in line with the described EU developments; the estimated capacity utilisation rate decreased by 0.9 points to 81.4%, still above its long-term average of 80.7%.

Compared to July, capacity utilisation in services decreased in both the EU (-0.4 percentage points) and the euro area (-0.3 p.p.) to 90.8% and 90.7%, respectively. In both areas, the rate remained above its long-term average (of 89.0% and 88.8%, respectively).



³ See the special topic of the [2021-Q3 EBCI](#) for background, and section 3.6 of the [BCS User Guide](#) for methodological details.



Data collection period: 1 October to 24 October

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

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