

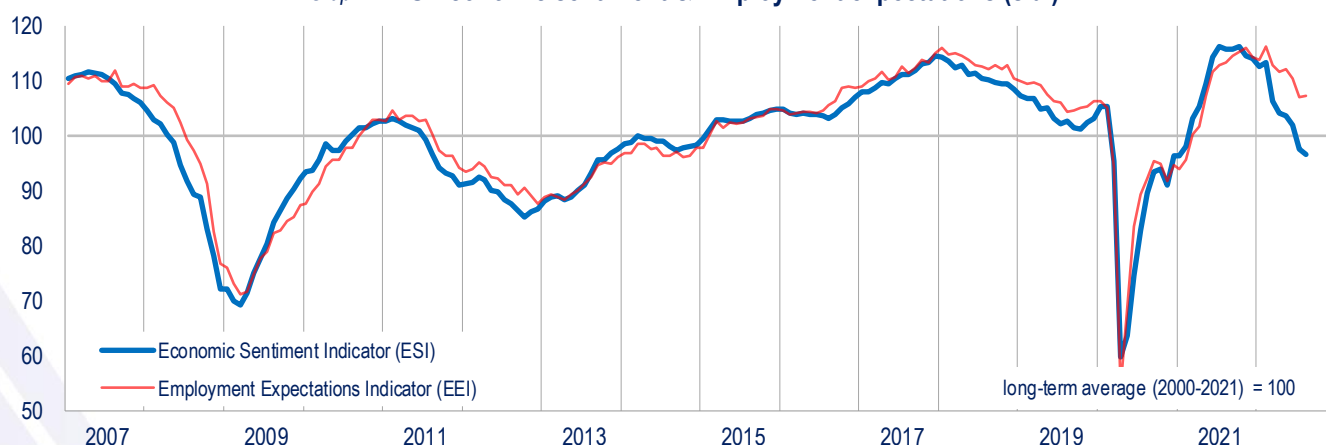
## Business and consumer survey results for August 2022

# Economic Sentiment further down in the EU and the euro area; Employment Expectations mildly up in both regions

In August 2022, the *Economic Sentiment Indicator* (ESI) decreased further in both the EU (-1.0 point to 96.5) and the euro area (-1.3 points to 97.6). The *Employment Expectations Indicator* (EEI), by contrast, stabilised after two months of significant losses (+0.4 points to 107.3 in the EU and +0.8 points to 108.0 in the euro area).<sup>1</sup>

## EU developments

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

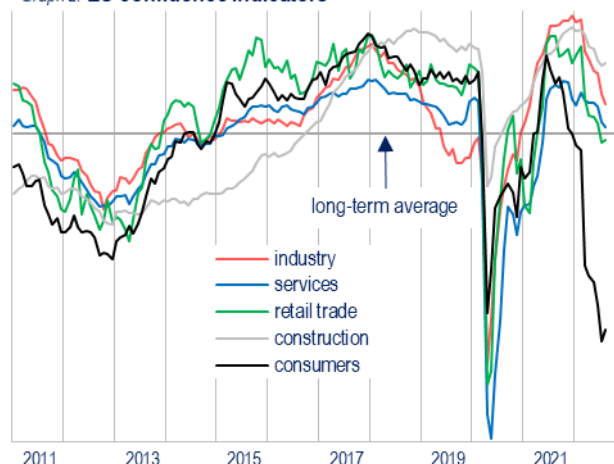


source: European Commission services

In the EU, the ESI's decrease in August was driven by a significant weakening of confidence in industry and, to a lesser extent, services, which was only partially offset by tentative signs of stabilisation of retail trade, construction and consumer confidence. Amongst the largest EU economies, the ESI plummeted in the Netherlands (-4.8) and posted significant declines in Germany (-2.5), France and Poland (both -1.8), as well as Italy (-1.2). Spain stood out with a mild increase (+0.8).

**Industry confidence** decreased for the sixth month running (-1.4), as managers' assessments of the *current level of overall order books* saw another sharp deterioration and the *stocks of finished products* were appraised as more abundant, pointing to weakening sales. *Production expectations* for the next three months, by contrast, edged up. Of the questions not entering the confidence indicator, both managers' views on *export order books* and their appraisals of *past production* deteriorated significantly. **Services confidence** weakened (-0.9) due to deterioration of its backward-looking components (*past business situation*, *past demand*). Managers' *demand expectations*, by contrast, edged up. **Consumer confidence** showed signs of stabilisation (+1.0) after ten months of declining readings. After sinking to new all-time lows in July, households' assessments of their *past financial situation* stayed virtually unchanged and the outlook on their *future financial situation* even improved. Consumers' *expectations about the general economic situation* edged up and their *intentions to make major purchases* stayed practically unaltered. **Retail trade confidence** remained broadly flat (+0.3), as improved appraisals of the *past* and *expected business situation* were offset by less scarce

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

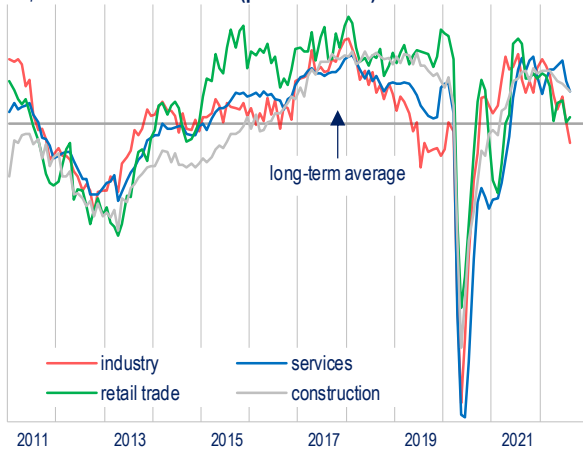


<sup>1</sup> Past results were slightly revised due to seasonal adjustment.

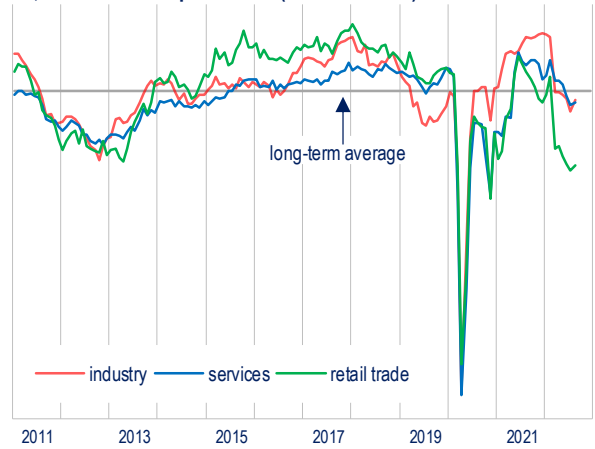
<sup>2</sup> The graph presents standardised series to correct for differences in means and standard deviations.

volumes of stocks, potentially reflecting faltering demand. **Construction confidence** stayed virtually flat (+0.4), as more tepid assessments of the *level of order books* were offset by more optimistic *employment expectations*. The share of construction managers pointing to shortages of labour reached yet another all-time high (32.7%, after 32.2% in July). The share of builders reporting shortages of material and/or equipment as a factor limiting their building activity, by contrast, declined for the fourth month in a row (22.6%, after 23.2% in July). **Financial services confidence** (not included in the ESI) improved significantly in August (+7.3), thanks to managers' more benign appraisals of all components entering the indicator (*past demand, past business situation, demand expectations*).

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



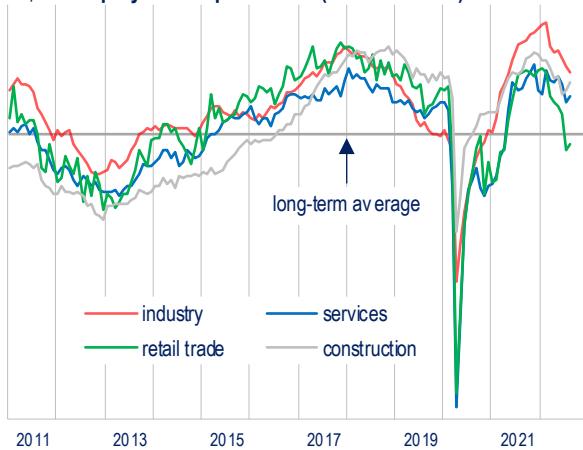
Graph 4: Business expectations (next 3 months) in the EU<sup>2</sup>



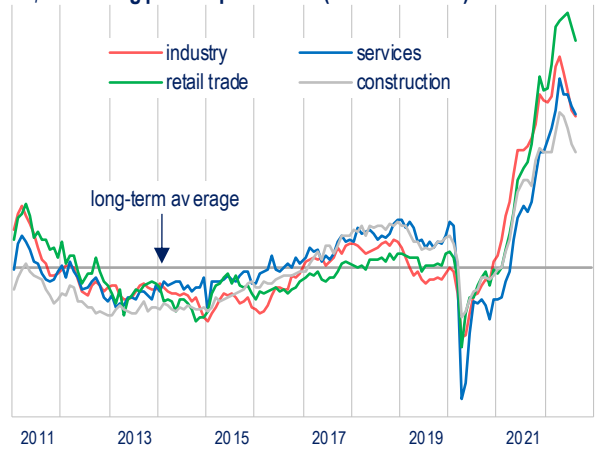
The **Employment Expectations Indicator** stabilised (+0.4) after two months of significant losses, reflecting more optimistic employment plans among services, retail trade and construction managers, combined with a continued deterioration of employment expectations in industry. Consumers' unemployment expectations, which are not included in the headline indicator, stayed virtually unchanged.

**Selling price expectations** in all surveyed business sectors declined for the second (retail trade) / fourth (all other sectors) month in a row. Similarly, consumers' price expectations over the next twelve months decreased for the fifth month running. At the same time, their perceptions of price developments over the past twelve months reached yet another all-time high.

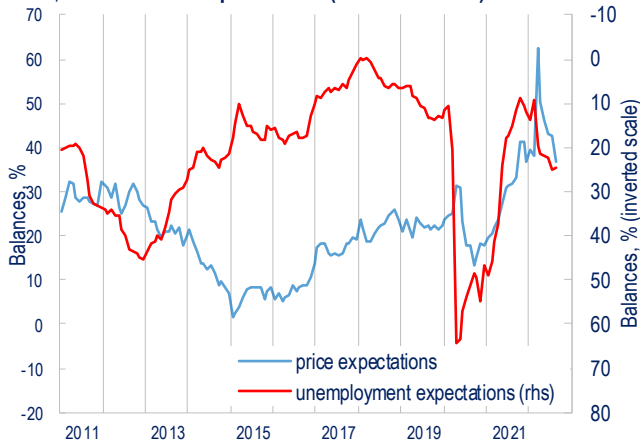
Graph 5: Employment expectations (next 3 months) in the EU<sup>2</sup>



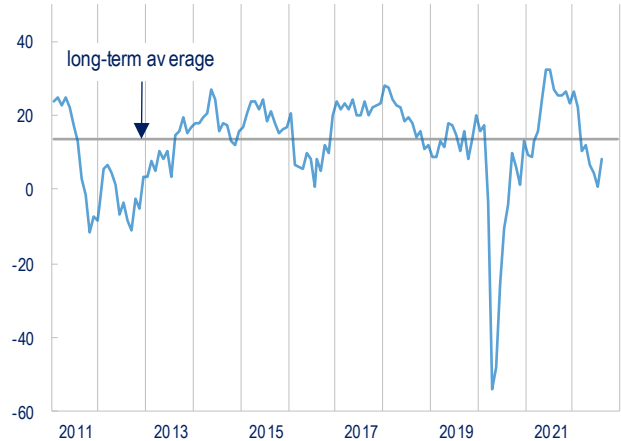
Graph 6: Selling price expectations (next 3 months) in the EU<sup>2</sup>



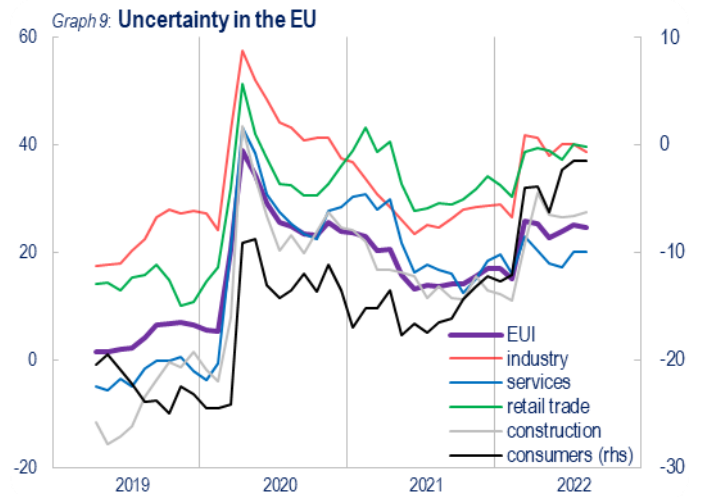
Graph 7: Consumer expectations (next 12 months) in the EU



Graph 8: EU Financial services confidence indicator



The **Economic Uncertainty Indicator (EUI)**<sup>3</sup> posted a mild decline in August (-0.6 points to 24.5). Perceived uncertainty edged down in industry and remained virtually unchanged in services, retail trade and among consumers. Construction managers, by contrast, reported slightly higher uncertainty.



Data collection period: 1 August to 23 August

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

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	22 September 2022
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	29 September 2022