

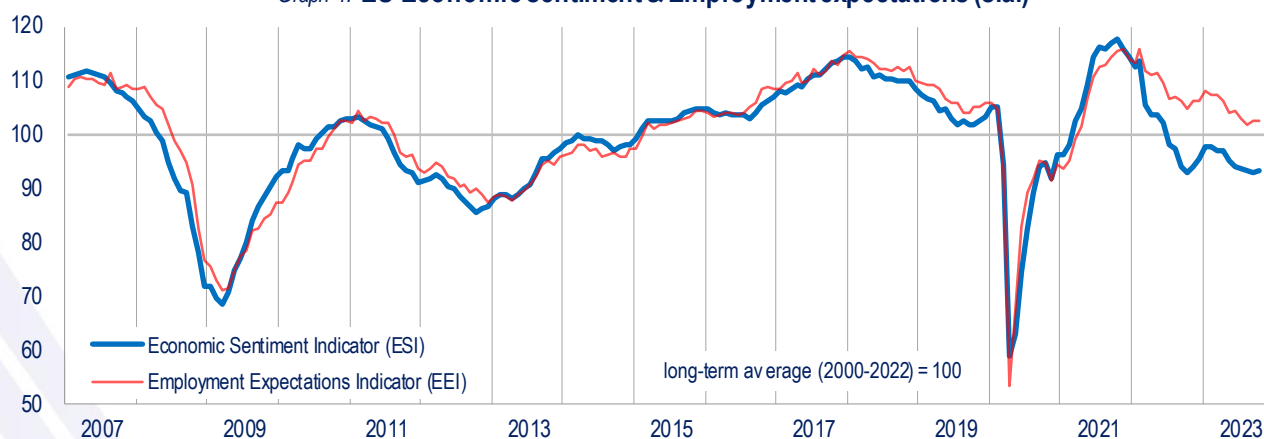
## Business and consumer survey results for October 2023

# Economic Sentiment and Employment Expectations broadly stable in the EU and the euro area

In October 2023, the *Economic Sentiment Indicator* (ESI) stabilised in both the EU (+0.2 points to 93.1) and the euro area (-0.1 points to 93.3). Also the *Employment Expectations Indicator* (EEI) remained broadly stable in both areas (EU: -0.3 points to 102.3, euro area: -0.1 points to 102.8).<sup>1</sup> Contrary to the ESI, the EEI continued to score above its long-term average.

## EU developments

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

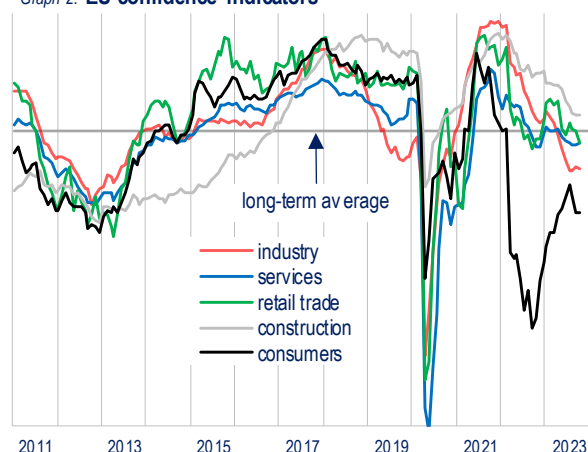


source: European Commission services

In the EU, the broadly stable reading of the ESI was the net result of lower confidence in retail trade and higher confidence in services. Confidence in industry, construction and among consumers remained broadly unchanged. Amongst the largest EU economies, the ESI improved in Poland (+1.4), Spain (+1.2) and Germany (+0.5). By contrast, sentiment deteriorated markedly in France (-2.9) and, to a lesser extent, Italy (-0.9). The ESI remained unchanged in the Netherlands ( $\pm 0.0$ ).

**Industry confidence** remained broadly stable (-0.2), as the *stocks of finished products* were increasingly assessed as too small/below normal, indicating higher demand, while managers' assessment of the *current level of overall order books* deteriorated. Managers' *production expectations* were broadly unchanged. Of the questions not entering the confidence indicator, managers assessed developments in *past production* more negatively, while their assessment of *export order books* improved. **Services confidence** edged up (+0.4), thanks to a marked improvement in managers' *demand expectations*, partially offset by a worsened assessment of *past demand* and a stable assessment of the *past business situation*. **Consumer confidence** remained unchanged ( $\pm 0.0$  compared to September), resulting from consumers' improved views on their *household's past financial situation* and *intentions to make major purchases*, which were offset by worsened expectations about their *future financial situation* and the *general economic situation* in their country. **Retail trade confidence** (-1.4) decreased markedly, reflecting worsened assessments of developments in the *past business situation* as well as *stocks* that were more often considered as too large/above normal. By contrast, retailers became more optimistic about the *future business situation*. **Construction confidence** was virtually stable (+0.2), as builders' *employment expectations* improved marginally but their

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

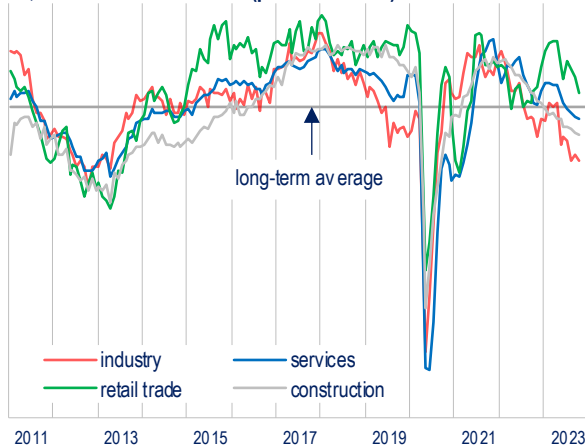


<sup>1</sup> Past ESI and EEI results were slightly revised due to seasonal adjustment.

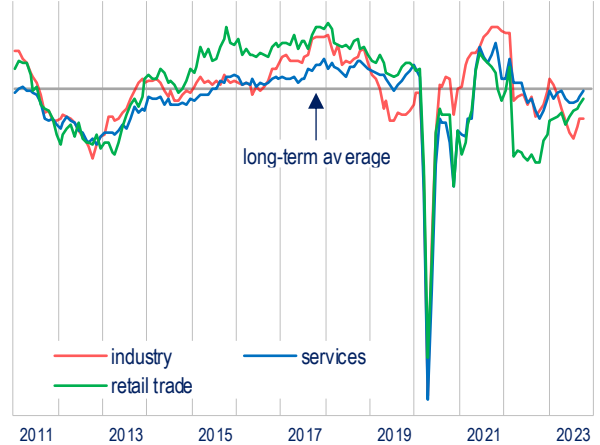
<sup>2</sup> The graph presents standardised series to correct for differences in means and standard deviations.

assessment of the level of *order books* remained broadly inert. The percentage of construction managers indicating *insufficient demand* as a factor limiting construction activity increased further (+0.9 to 29.6%). By contrast, the percentage of construction managers indicating *labour* or *material/equipment shortages* as limiting factors decreased (by, respectively, 0.9 points to 27.8%, and 0.4 points to 9.5%). The prevalence of *financial constraints* among construction companies remained stable at 9.9%.

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



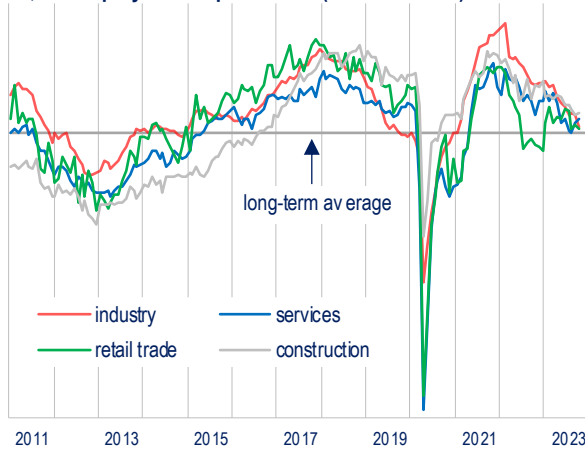
Graph 4: Business expectations (next 3 months) in the EU<sup>2</sup>



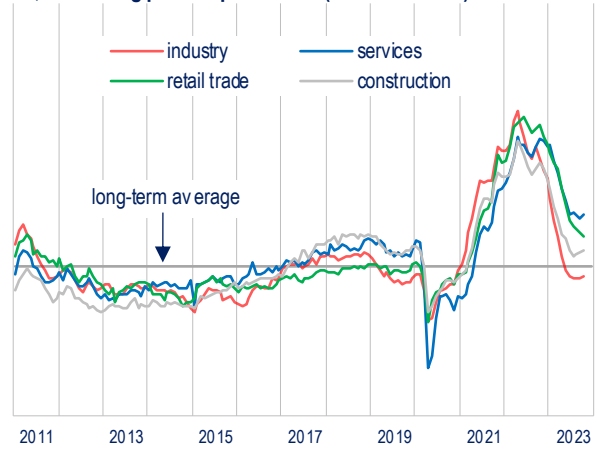
The **Employment Expectations Indicator** (-0.3) remained broadly stable as lower employment plans among industry and retail trade managers were largely offset by managers' improved employment plans in services and construction. Consumers' unemployment expectations, which are not included in the headline indicator, improved slightly.

**Selling price expectations** decreased further in retail trade, while remaining broadly stable in industry and picking up in services and construction. Selling price expectations score below their long-term average in industry, but remain elevated especially in services and retail trade. Consumers' price expectations for the next twelve months edged down in October. While consumers' perceptions of price developments over the past twelve months declined as well, they remained at a very high level.

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



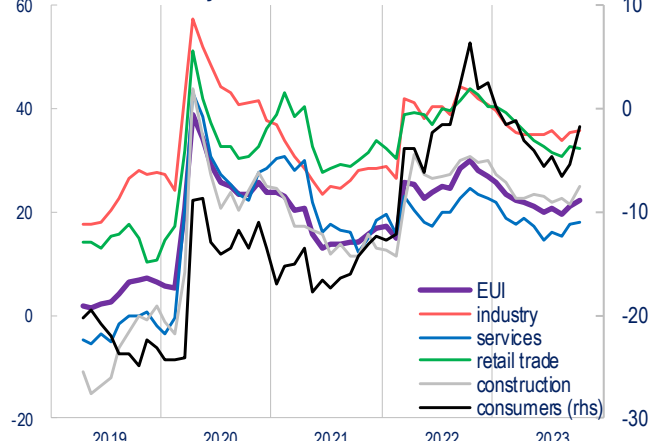
Graph 6: Selling price expectations (next 3 months) in the EU<sup>2</sup>



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



Graph 8: Uncertainty in the EU



The European Commission's **Economic Uncertainty Indicator (EUI)**<sup>3</sup> increased further in October (+1.1 points to 22.2), as managers' uncertainty about their future business situation in construction as well as consumers' uncertainty about their future financial situation increased markedly. Uncertainty in services increased slightly while remaining broadly stable in industry and retail trade.

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

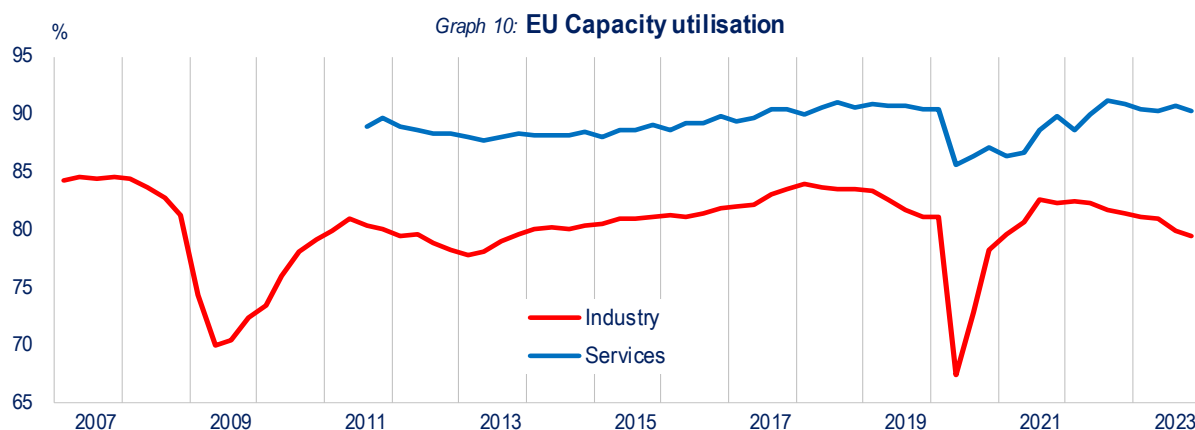
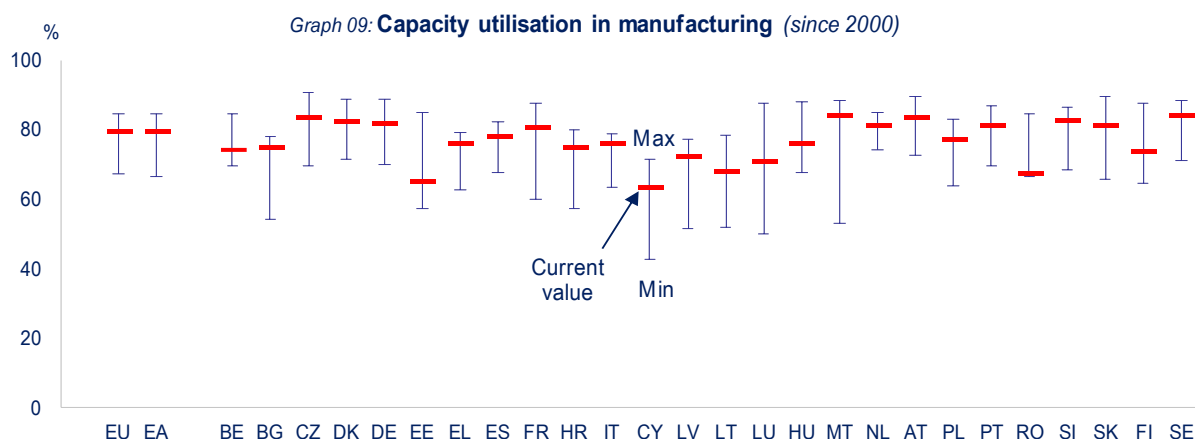
The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year.

In EU industry, the estimated rate of capacity utilisation decreased by 0.4 percentage points, to 79.5%, in October compared to July 2023, slightly further below its long-term average of 80.6%. Accordingly, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) increased markedly (+3.1 points). On the external side, both managers' export volume expectations and their assessments of their competitive position on non-EU markets over the past three months improved (by, respectively, 1.7 and 1.4 points compared to July). Managers' views on developments in orders over the past three months worsened strongly (-4.4), and the estimated number of months' production assured by orders on hand fell slightly compared to July (-0.2 to 4.9 months).

The share of industry managers indicating insufficient demand as a factor limiting their production gained further prominence in October, increasing for the sixth quarter in a row (+2.8 percentage points compared to July 2023, to 36.6%). Meanwhile, the percentage of managers pointing to shortages of material and/or equipment as a factor limiting production decreased further from the record-high level of early 2022 (-3.3 percentage points to 17.3%). Also the share of managers indicating shortage of labour force as a factor limiting production decreased (-2.1 percentage points to 22.4%), but remained relatively high. The prevalence of financial constraints remained broadly stable (+0.1 percentage points) and, at 5.5%, stayed low compared to the other limiting factors.

Turning to services, capacity utilisation in the EU decreased compared to July (-0.5 percentage points to 90.2%), while remaining above its long-term average of 89.1%.

Euro-area developments were qualitatively in line with the described EU developments. The estimated rate of capacity utilisation in industry decreased by 0.6 points compared to July (to 79.4%). In services, it decreased by 0.5 points to 90.1%.



Data collection period: 1 to 23 October.

<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. Five surveys are conducted on a monthly basis in the following areas: manufacturing industry, construction, consumers, retail trade, and services. Some additional questions are asked on a quarterly basis in the January, April, July and October surveys in industry, construction, services, and among consumers. In addition, questions on manufacturing and services 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 five 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 November 2023
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	29 November 2023