

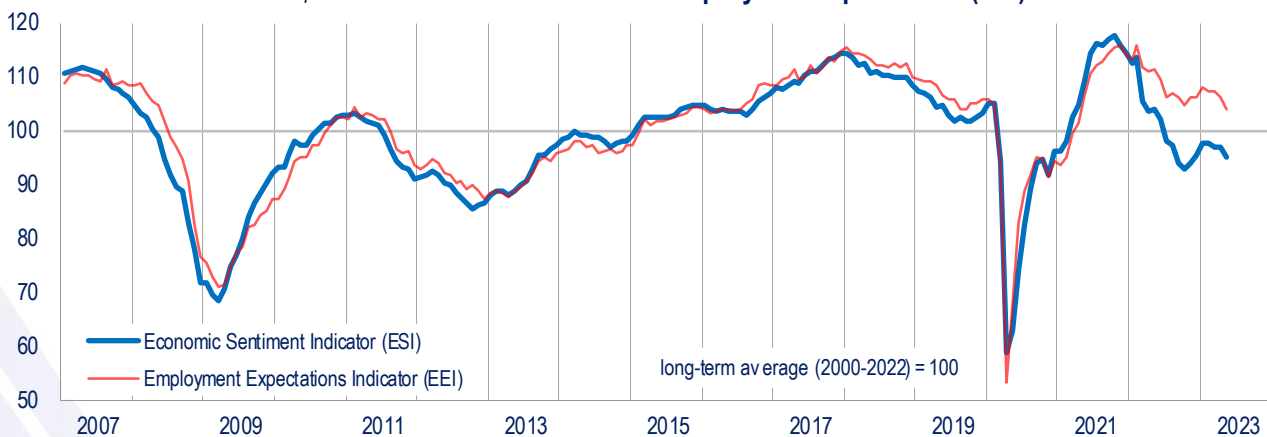
Business and consumer survey results for May 2023

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

In May 2023, the *Economic Sentiment Indicator* (ESI) decreased in both the EU (-1.9 points to 95.2) and the euro area (-2.5 points to 96.5). Also the *Employment Expectations Indicator* (EEI) declined (EU: -2.2 points to 104.0, euro area: -2.8 points to 104.7).¹

EU developments

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

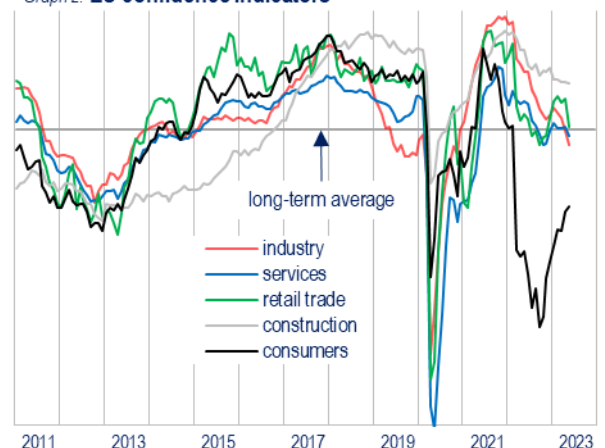


source: European Commission services

In the EU, the decrease of the ESI in May was due to lower confidence in industry, services and, particularly, retail trade. Construction confidence remained broadly unchanged, while consumer confidence continued recovering, albeit at a reduced pace. Amongst the largest EU economies, the ESI deteriorated in Spain (-3.0), Germany (-2.9), Italy (-2.3) and the Netherlands (-1.5), whereas it improved in Poland (+1.9) and France (+1.5).

Industry confidence weakened for the fourth month running (-2.0), as managers' *production expectations* and their assessments of the *current level of overall order books* deteriorated and the *stocks of finished products* were increasingly assessed as too large/above normal. Of the questions not entering the confidence indicator, managers' assessments of *past production*, which had held up well in recent months, saw the sharpest deterioration since the outbreak of the pandemic. Appraisals of *export order books* also deteriorated significantly. **Services confidence** decreased (-1.8), reflecting less upbeat views on both *past* and *expected demand* as well as, to a lesser extent, the *past business situation*. While continuing the recovery from its all-time low in September 2022, **consumer confidence** improved by a mere 0.6 points compared to April. The mild increase was thanks to consumers' improved appraisals of their *household's past and future financial situation*, as well as the *expected general economic situation* in their country. By contrast, consumers' *intentions to make major purchases* edged down slightly. **Retail trade confidence** reported a sharp drop (-3.4), as managers' assessments of their *expected* and, in particular, their *past business situation* deteriorated and stocks were more often assessed as too large/above normal. **Construction confidence** continued moving sideways (-0.1), as managers' assessments of the level of *order books* edged up slightly while *employment expectations* were marginally down. The share of construction managers pointing to *shortages of*

Graph 2: EU confidence indicators²

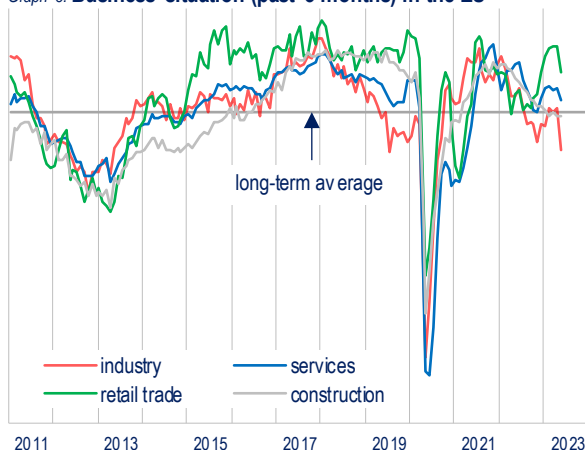


¹ Past results were slightly revised due to seasonal adjustment.

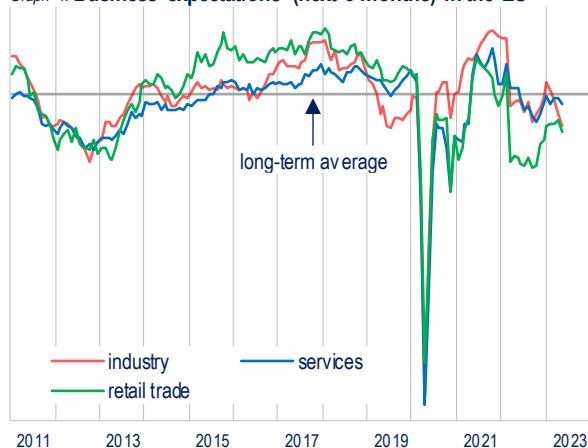
² The graph presents standardised series to correct for differences in means and standard deviations.

material and/or equipment as a factor limiting their building activity saw another significant decline (-1.9 points to 11.3%). By contrast, the share of builders pointing to *shortages of labour* as a limiting factor increased for the second month in a row (+0.9 points to 31.9%), staying close to its all-time high of August last year. The prevalence of *financial constraints* among construction firms increased slightly (+0.3 points to 9.5%) and *insufficient demand* gained further prominence as a factor limiting building activity (+0.8 points to 26.2%).

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



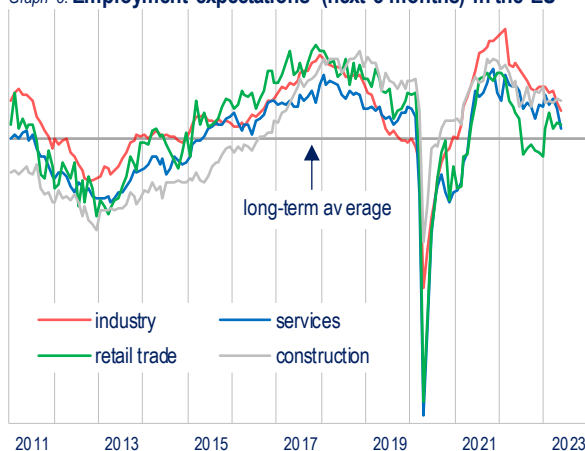
Graph 4: Business expectations (next 3 months) in the EU²



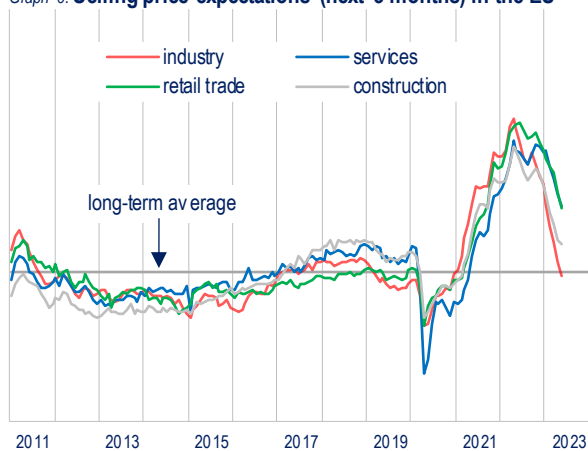
The second consecutive drop in the **Employment Expectations Indicator** (-2.2 in the EU) was due to less optimistic employment plans among services and industry managers and, to a lesser extent, builders. Employment plans in retail trade stayed virtually unchanged. Consumers' unemployment expectations, which are not included in the headline indicator, worsened for the second month in a row.

Selling price expectations dropped further in industry, services, retail trade and, to a lesser extent, in construction. Consumers' perceptions of price developments over the past twelve months decreased for the second month running, but remained close to the all-time high of December 2022. Their expectations for the next twelve months continued the broad downward trend observed since April last year.

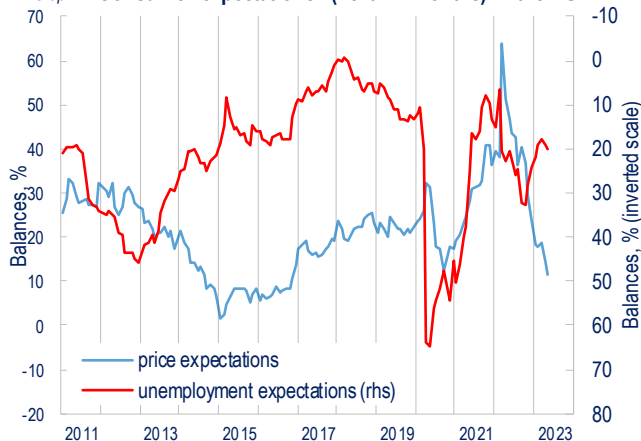
Graph 5: Employment expectations (next 3 months) in the EU²



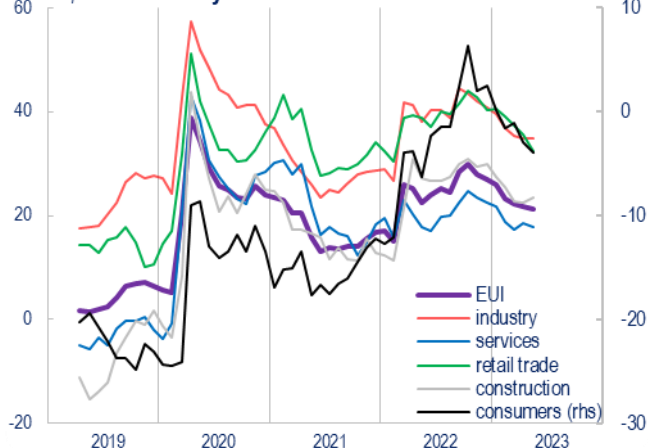
Graph 6: Selling price expectations (next 3 months) in the EU²



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



Graph 8: Uncertainty in the EU



The European Commission's **Economic Uncertainty Indicator (EUI)**³ eased in May (-0.5 points to 21.3), as managers' uncertainty about their future business situation in services and retail trade, as well as consumers' uncertainty about their future financial situation decreased. Construction managers, by contrast, reported higher uncertainty, while reported uncertainty in industry stayed unchanged.

Data collection period: 1 May to 22 May.

³ 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

© European Union, 2023

Reproduction is authorised provided the source is acknowledged

Upcoming releases:	Flash Consumer Confidence Indicator	22 June 2023
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	29 June 2023