

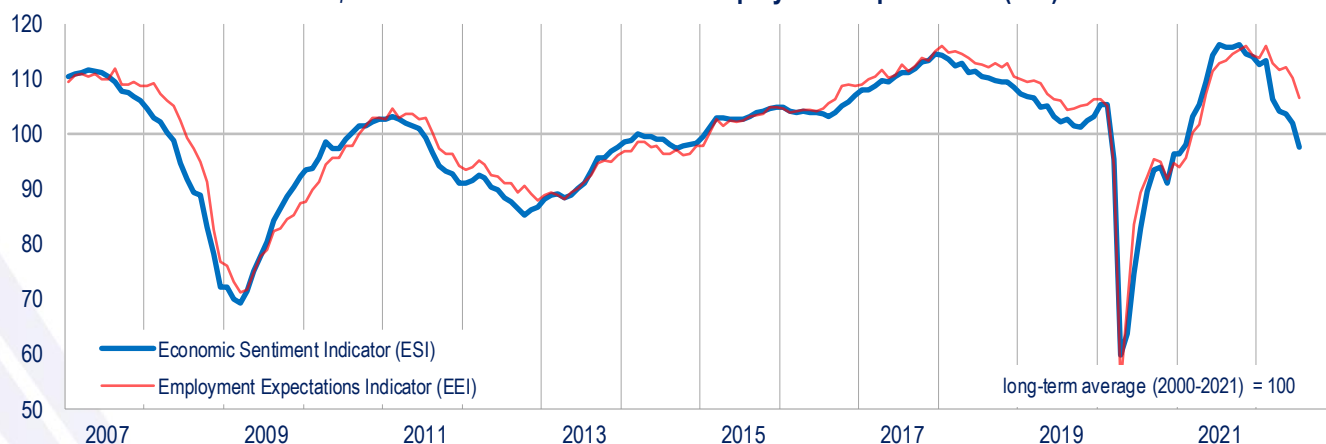
## Business and consumer survey results for July 2022

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

In July 2022, the *Economic Sentiment Indicator* (ESI) plummeted in both the EU (-4.2 points to 97.6) and the euro area (-4.5 points to 99.0), falling below its long-term average. The *Employment Expectations Indicator* (EEI) also decreased markedly (-3.6 points to 106.6 in the EU and -3.2 points to 107.0 in the euro area) while remaining above its long-term average.<sup>1</sup>

## EU developments

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

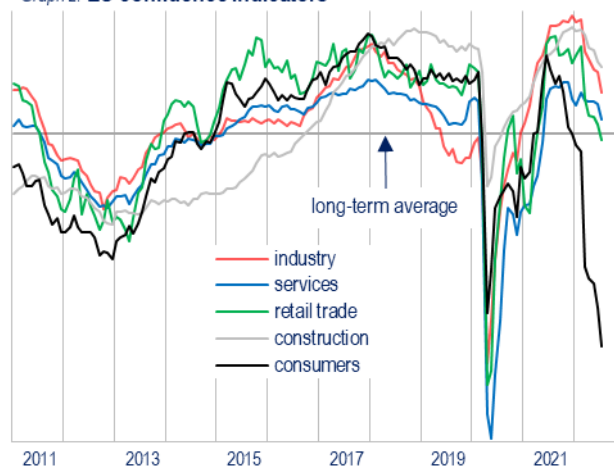


source: European Commission services

In the EU, the drop in the ESI in July was due to significant losses in industry, services, retail trade and consumer confidence, whereas confidence in construction decreased more mildly. The ESI fell markedly in four out of the six largest EU economies, Spain (-5.0), Germany (-4.9), Italy (-3.4) and Poland (-3.2), while it remained broadly stable in France (-0.1) and the Netherlands (+0.2).

The substantial decrease in **industry confidence** (-2.8) resulted from significant deteriorations in managers' assessment of the *current level of overall order books* and their *production expectations*, which dropped to a 20-months low. Assessments of the *stocks of finished products* rose markedly, pointing to weakening sales. Of the questions not entering the confidence indicator, both managers' views on *export order books* and their appraisals of *past production* deteriorated strongly. **Services confidence** declined significantly (-2.9) as well, driven by a worsening of all three components (i.e., managers' assessment of *past demand* and the *past business situation*, and their *demand expectations*). The further substantial drop in **consumer confidence** (-3.0) resulted from marked deteriorations in all four components. Both households' assessment of their *past financial situation* and their outlook on their *future financial situation* hit all-time lows and their *intentions to make major purchases* and *expectations about the general economic situation* fell to the lowest levels since April 2020. **Retail trade confidence** declined (-1.8), as retailers' appraisals of both the *past business situation* and the *expected business situation* deteriorated noticeably. Retailers' assessment of the *volume of their stocks* remained broadly stable compared to June. **Construction confidence** dropped slightly (-0.8), as managers' rather robust *employment*

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

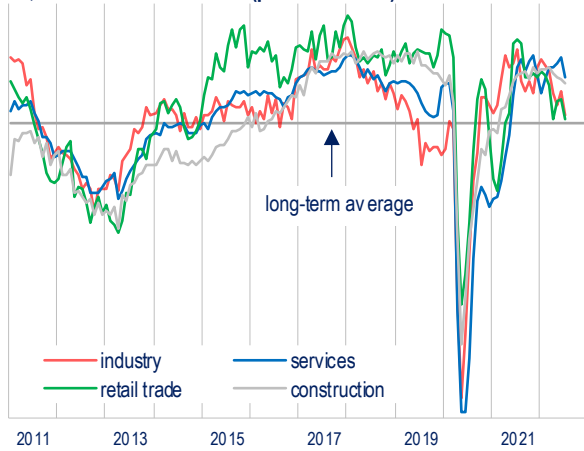


<sup>1</sup> Past results were slightly revised due to seasonal adjustment.

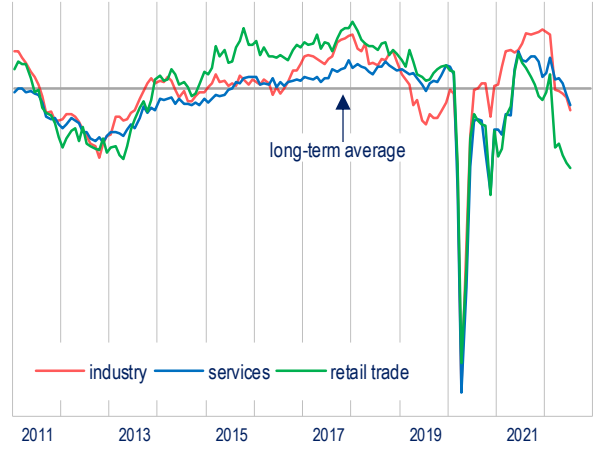
<sup>2</sup> The graph presents standardised series to correct for differences in means and standard deviations.

*expectations* could only partially offset the marked deterioration in their assessment of the *level of order books*. The share of construction managers pointing to shortages of labour picked up and reached a historically high level (32.3%, after 28.8% in June). The share of builders reporting shortages of material and/or equipment as a factor limiting their building activity declined slightly (23.3%, after 24.0% in June). **Financial services confidence** (not included in the ESI) dropped further in July (-3.7) due to a worsening of managers' appraisals of the *past business situation* and their *demand expectations*. Financial managers' appraisal of *past demand* remained broadly stable.

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



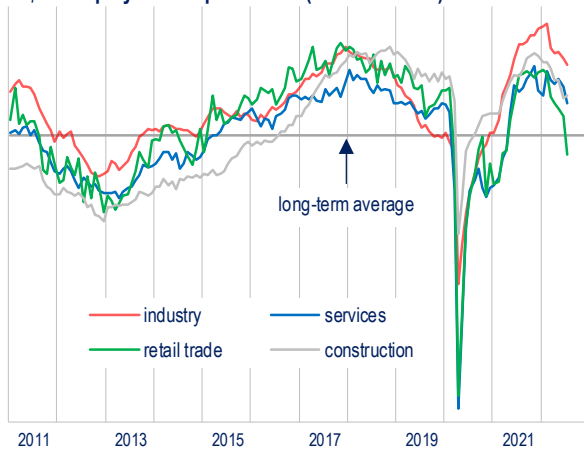
Graph 4: Business expectations (next 3 months) in the EU<sup>2</sup>



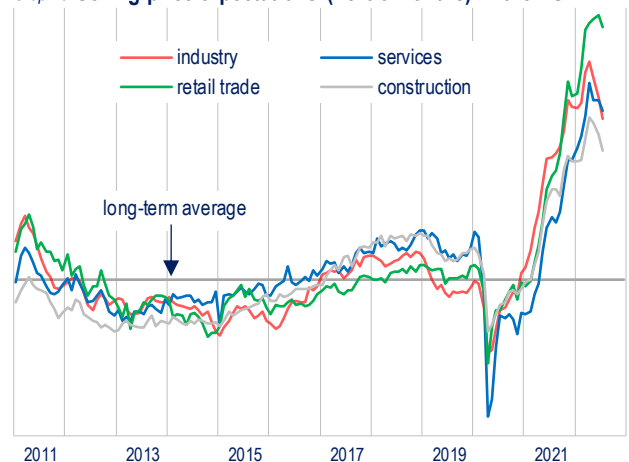
The downturn of the **Employment Expectations Indicator** (-3.6) was driven by significantly worsened employment plans in retail trade, services and, to a somewhat lesser extent, industry. Employment expectations among construction managers improved slightly. Consumers' unemployment expectations, which are not included in the headline indicator, worsened in July compared to June.

**Selling price expectations** decelerated in all four business sectors, particularly in industry and construction. Consumers' price expectations stabilised after three months of decline, while their perceptions of price developments over the past twelve months continued soaring, reaching their highest level ever recorded by the survey.

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



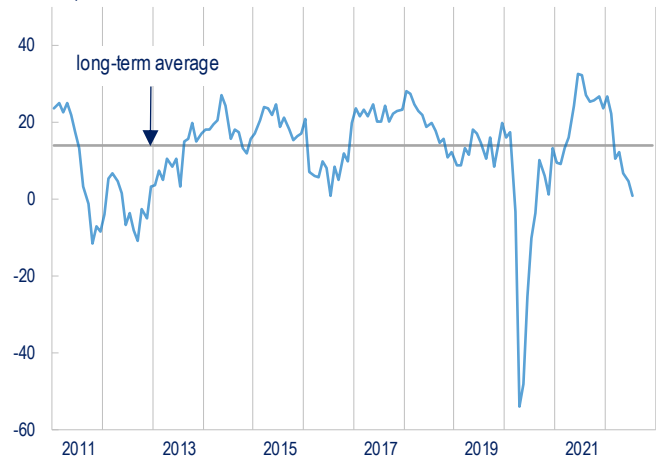
Graph 6: Selling price expectations (next 3 months) in the EU<sup>2</sup>



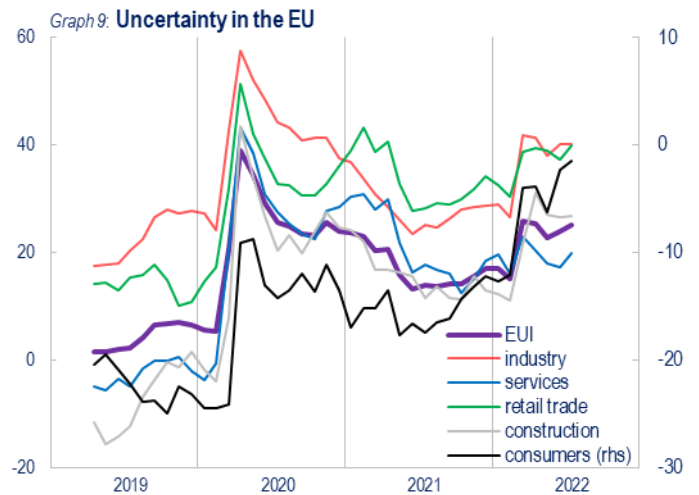
Graph 7: Consumer expectations (next 12 months) in the EU



Graph 8: EU Financial services confidence indicator



The **Economic Uncertainty Indicator (EUI)**<sup>3</sup> rose further in July (+1.2 points to 25.1), driven by higher uncertainty in services, retail trade and among consumers. Uncertainty remained broadly stable in industry and construction.



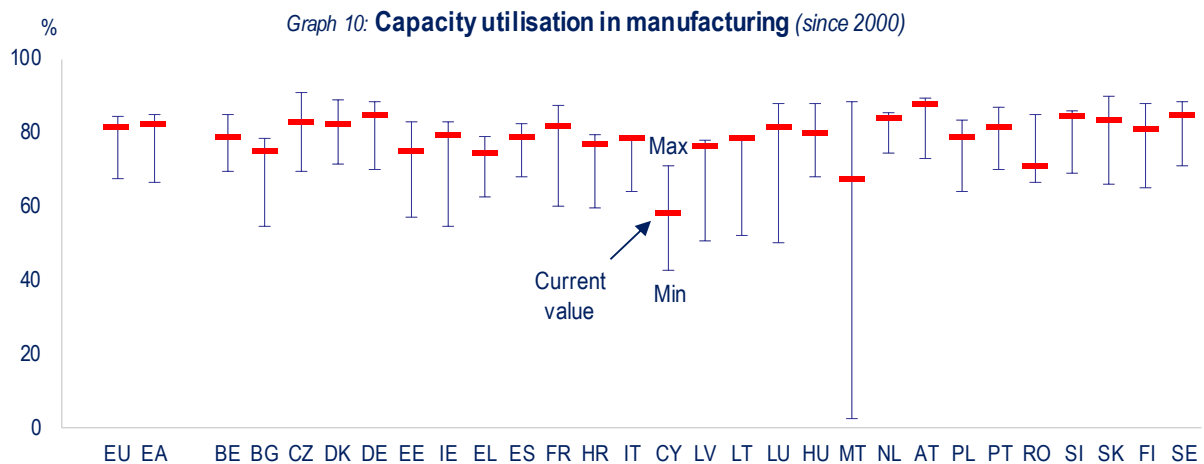
#### Quarterly survey results (conducted in July)

The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In July 2022, the estimated rate of capacity utilisation in the EU industry sector decreased by 0.5 percentage points compared to April 2022. Nevertheless, the indicator is still at a rather high level (81.7%), more than one percentage point above long-term average. Meanwhile, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) increased markedly (+4.7 points). On the external side, while managers' export volume expectations increased (+2.2 points compared to April), the assessments of their competitive position on non-EU markets over the past three months worsened markedly (-4.0 points). Managers' appraisals of new orders declined significantly (-7.2) for the second time in a row. Nevertheless, the estimated number of months' production assured by orders on hand remained unchanged at a very high level of 5.1 months.

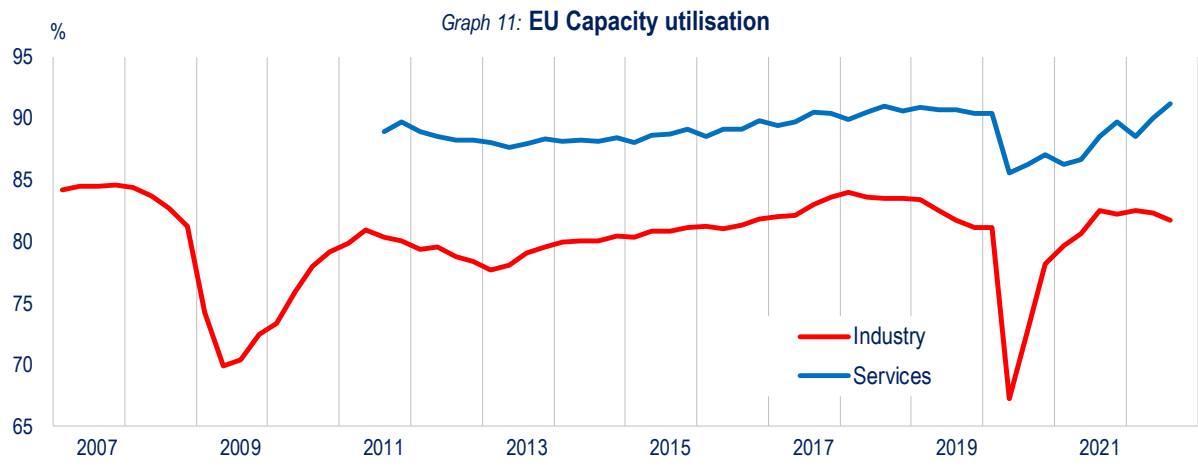
After having reached a maximum in April 2022, the percentage of industry managers quoting *shortage of material and/or equipment* as a factor limiting production decreased by 6.2 points to 44.7%. Though to a lesser degree, also the percentage of managers identifying *shortage of labour force* as a factor limiting production decreased in July compared to April (-0.5 percentage points to 27.4% of all industry managers).

Euro-area developments were qualitatively in line with the described EU developments; the estimated rate of capacity utilisation remained broadly stable at a high level (-0.1 points to 82.4%).

Compared to April, capacity utilisation in services increased by 1.2 percentage points in both the EU and the euro area, reaching 91.2% and 90.9%, respectively. In both areas, the indicator is above its long-term average (of 88.9% and 88.7%, respectively) and slightly less than one percentage point above its level before the outbreak of COVID-19 on the continent.



<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.



Data collection period: 1 to 24 July

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	23 August 2022
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	30 August 2022