

Note: This release introduces the new Labour Hoarding Indicator, which was presented in the Special Topic of the 2023-Q2 European Business Cycle Indicators (EBCI).

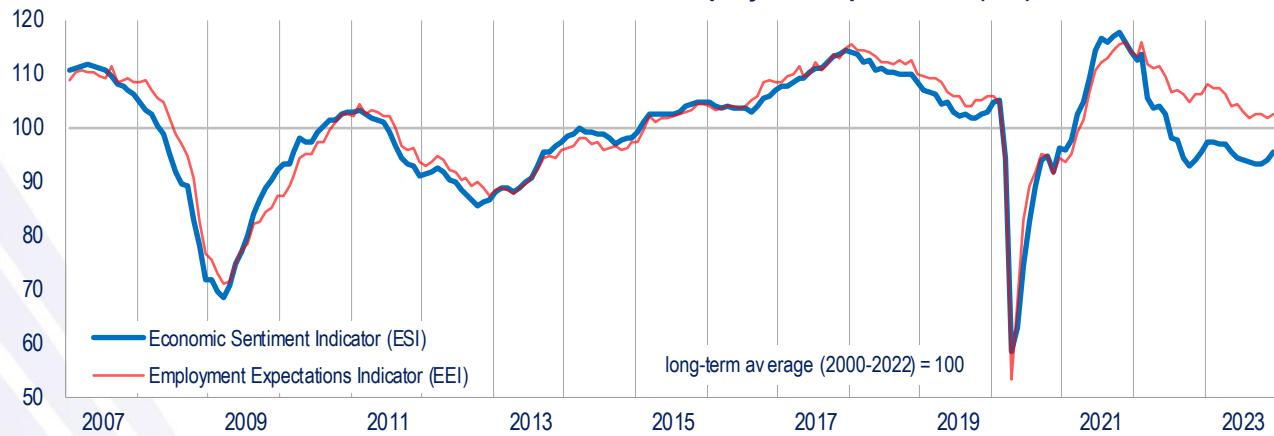
Business and consumer survey results for December 2023

Economic Sentiment improves in the EU and the euro area; Employment Expectations moderately up in the EU and stable in the euro area.

In December 2023, the *Economic Sentiment Indicator* (ESI) increased in both the EU (+1.8 points to 95.6) and the euro area (+2.4 points to 96.4). The *Employment Expectations Indicator* (EEI) picked up moderately in the EU (+0.5 points to 102.4) and remained virtually stable in the euro area (+0.1 points to 102.8).¹

EU developments

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

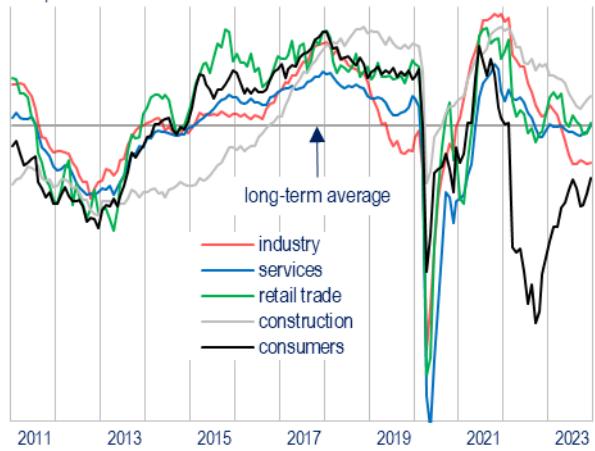


source: European Commission services

In the EU, the improvement of the ESI was driven by higher confidence among consumers and managers in retail trade, services, and construction, while confidence in industry remained broadly unchanged. Amongst the largest EU economies, the ESI improved in Italy (+2.6), Spain (+2.4) and Germany (+2.4), while it eased in the Netherlands (-1.1) and, to a lesser extent, in France (-0.5). Sentiment remained broadly stable in Poland (+0.2).

Industry confidence remained broadly stable (+0.1) for the fifth consecutive month. While managers' assessments of the *current level of overall order books* continued the decline observed since May 2023, fewer managers considered the *stocks of finished products* as too high/above normal and their *production expectations* remained virtually unchanged. Of the questions not entering the confidence indicator, managers' views on changes in *past production* improved, while the assessments of *export order books* worsened. **Services confidence** picked up (+2.1), as managers were significantly more upbeat about *past* and *expected demand* and somewhat more positive about the *past business situation*. **Consumer confidence** increased further (+1.5), driven by an improvement of all its components (i.e. consumers' views of their household's *past* and *future financial situation*, their expectations of the *general economic situation* in their country, and their *intentions to make major purchases*). **Retail trade confidence** improved (+1.1), as views about the *past business situation* brightened and *stocks* were less often considered as too high/above normal. By contrast, views on the *future business situation* deteriorated.

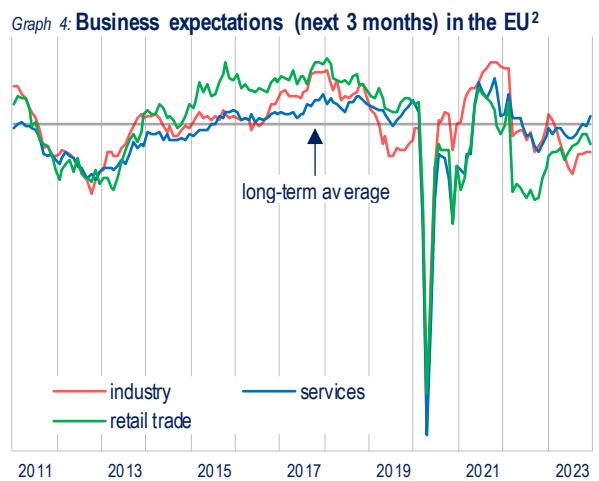
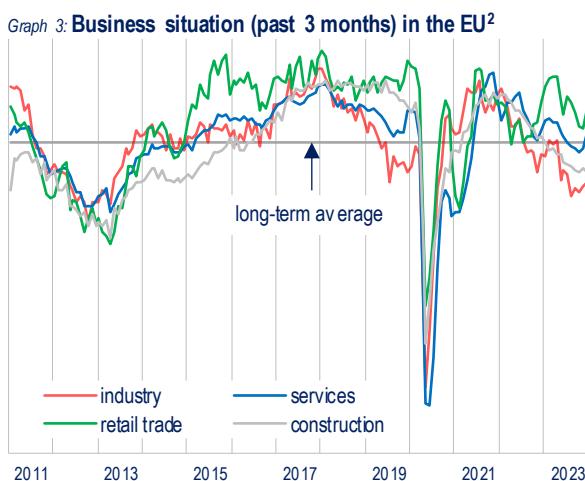
Graph 2: EU confidence indicators²



¹ Past results were slightly revised due to seasonal adjustment.

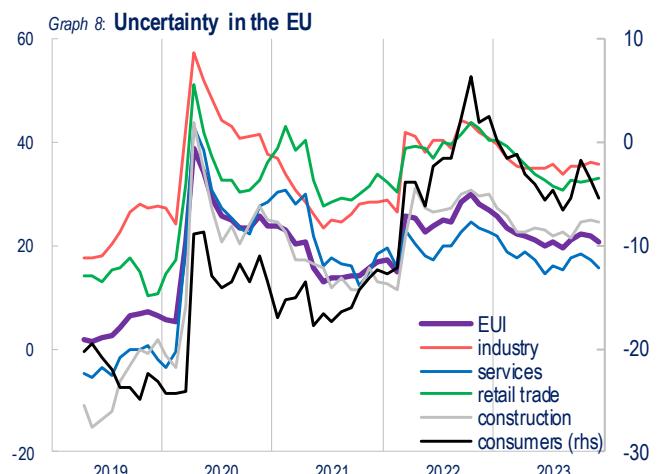
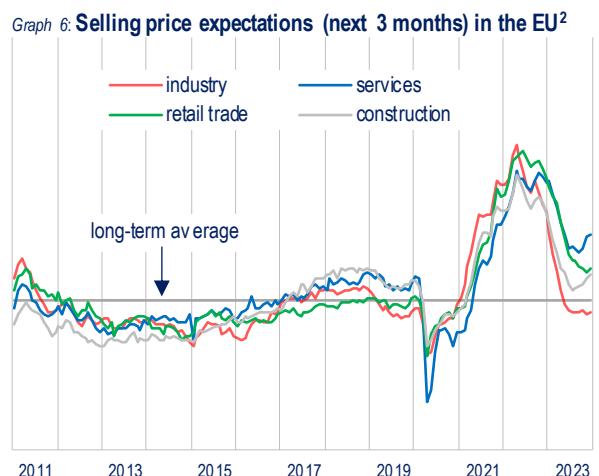
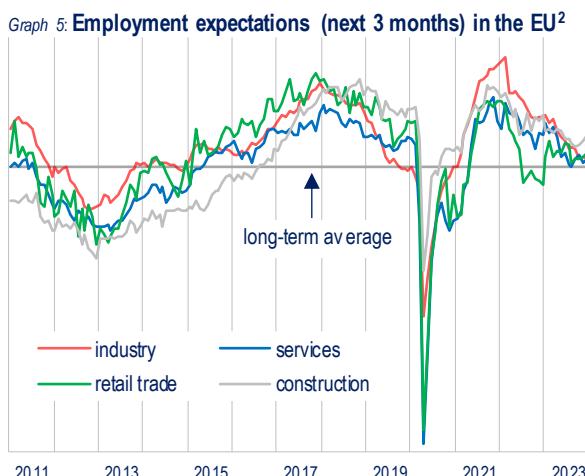
² The graph presents standardised series to correct for differences in means and standard deviations.

Construction confidence strengthened (+0.7) for the third month in a row, reflecting brighter *employment expectations* and appraisals of the level of *order books*. *Insufficient demand* remained the factor most often indicated by builders as limiting construction activity (+0.8 points to 30.5%), followed by *labour shortages* (± 0 points to 28.6%). *Material/equipment shortages* increased slightly (+0.4 points to 9.4%), while *financial constraints* remained broadly stable (+0.1 points to 9.4%).



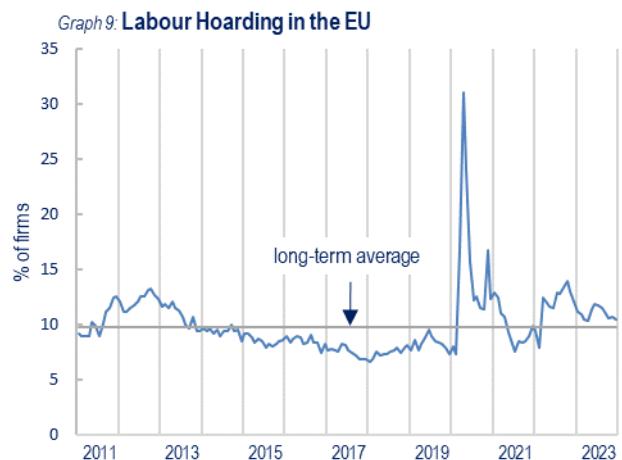
The **Employment Expectations Indicator** (+0.5) edged up, driven by more optimistic employment plans among services and construction managers, which were only partially offset by slightly less upbeat plans in industry. Employment plans among retail trade executives remained virtually flat. Consumers' unemployment expectations, which are not included in the headline indicator, also remained broadly stable.

Selling price expectations edged up in retail trade and industry, and increased further among services and construction managers. With the exception of industry, selling price expectations continued to exceed long-term averages, in particular in services. Consumers' price expectations for the next twelve months picked up again. Despite the downward trend recorded since April 2023, consumers' perceptions of price developments over the past twelve months remained well above long-term average.



The European Commission's **Economic Uncertainty Indicator (EUI)**³ eased further in December (-0.9 points to 20.8), thanks to lower uncertainty among consumers about their future financial situation, as well as among service managers about their future business situation. To a lesser extent, business uncertainty eased also among construction and industry managers. By contrast, uncertainty in retail trade increased marginally.

The European Commission's new **Labour Hoarding Indicator (LHI)**⁴ measures the percentage of managers expecting their firm's output to decrease, but employment to remain stable or increase. In December, in the EU, the LHI stayed virtually unchanged compared to November (-0.2 points). At 10.5%, the LHI was slightly above its long-term average of 9.7%, but significantly below the peak reached during the COVID-19 crisis. Amongst the largest EU economies, labour hoarding in France, Germany and the Netherlands was more wide-spread than in the EU on average. The opposite held true for Poland, Italy and Spain.



Data collection period: 1 December to 20 December.

³ See the special topic of the [2021-Q3 EBCI](#) for background, and section 3.6.8 of the [BCS User Guide](#) for methodological details.

⁴ See the special topic of the [2023-Q2 EBCI](#) for background, and section 3.6.9 of the [BCS User Guide](#) for methodological details. Detailed LHI results per sector and country are available for download in the [time series section](#) of the BCS website.

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

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