

Business and consumer survey results for July 2023

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

In July 2023, the *Economic Sentiment Indicator* (ESI) continued to decline in both the EU (-0.5 points to 93.6) and the euro area (-0.8 points to 94.5). While the ESI's decline was milder than in the previous two months, the *Employment Expectations Indicator* (EEI) fell more markedly, by 1.8 points in both areas (EU: to 102.4, euro area: to 103.0).¹

EU developments

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



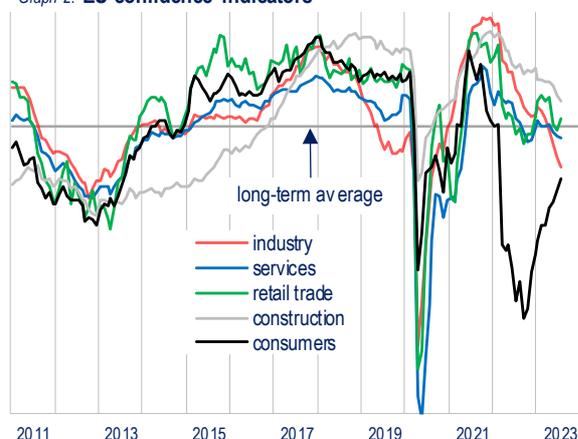
source: European Commission services

In the EU, the decline of the ESI was due to significantly lower confidence among managers in industry and construction, only partially offset by markedly higher confidence in retail trade and among consumers. Confidence in services remained broadly unchanged. Amongst the largest EU economies, the ESI improved in Spain (+1.3) and Poland (+0.9). By contrast, sentiment deteriorated markedly in France (-2.3), Germany (-2.1) and, less so, the Netherlands (-0.9). In Italy (+0.1) the indicator remained broadly stable.

Industry confidence weakened for the sixth month running (-1.4), as managers' *production expectations* and their assessments of the *current level of overall order books* deteriorated markedly and the *stocks of finished products* were increasingly assessed as too large/above normal. Of the questions not entering the confidence indicator, managers were more negative about developments in *past production* and their assessments of *export order books*.

Services confidence moved broadly sideways (-0.2), as a marked deterioration in managers' assessment of *past demand* was partially offset by an increase in their assessment of the *past business situation*. Managers' *demand expectations* remained broadly stable. **Consumer confidence** continued its recovery from the all-time low of September 2022 (+1.0 compared to June), fuelled by improvements in consumers' views on their *household's past financial situation* and the *future financial situation*, as well as the *expected general economic situation* in their country. Consumers' intentions to make *major purchases* remained virtually unchanged. **Retail trade confidence** (+1.4) recovered partially from the losses of the previous two months, reflecting much more optimistic views on the *past and expected business situation*. At the same time, retailers assessed their *stocks* more often as too large/above normal. **Construction confidence** fell (-1.1), as builders' assessments of the level of *order books* continued deteriorating, while their *employment*

Graph 2: EU confidence indicators²



¹ Past ESI and EEI results were slightly revised due to seasonal adjustment.

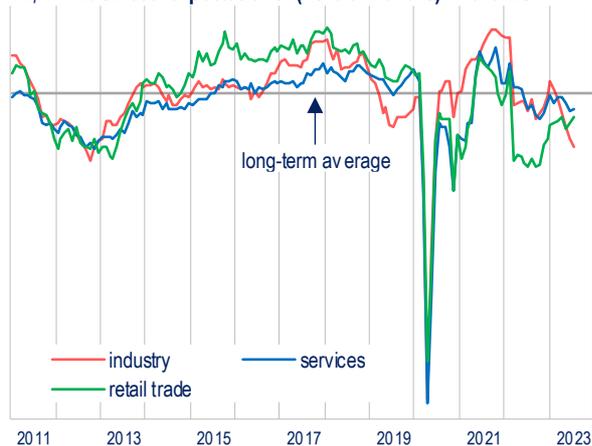
² The graph presents standardised series to correct for differences in means and standard deviations.

expectations remained broadly unchanged. The percentage of construction managers indicating a *shortage of materials and/or equipment* as a limiting factor in construction activity remained virtually unchanged (-0.2 points, 10.0%). The percentage of builders indicating *shortages of labour* as a limiting factor picked up again (+0.8 points, 28.9%). The prevalence of *financial constraints* among construction companies also increased (+1.3 points, to 10.5%), as did *insufficient demand* as a factor limiting construction activity (+0.9, to 26.5%).

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



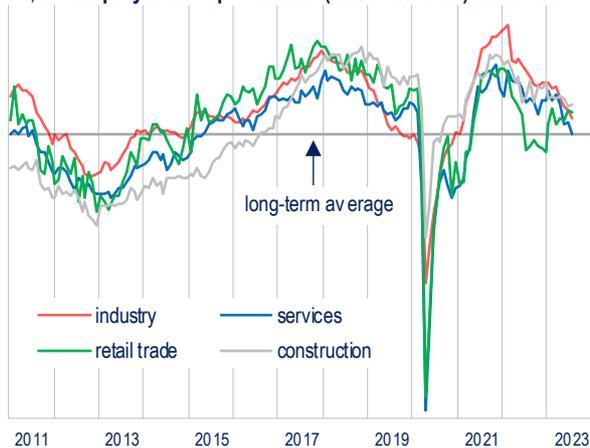
Graph 4: Business expectations (next 3 months) in the EU²



The drop in the **Employment Expectations Indicator** (-1.8) was due to markedly less optimistic employment plans among industry and services managers, while managers' employment plans in retail trade and construction remained broadly unchanged. Consumers' unemployment expectations, which are not included in the headline indicator, worsened slightly in July compared to June.

Selling price expectations continued descending in industry, retail trade and construction, while remaining broadly flat in services. In industry, selling price expectations score below long-term average. Consumers' price expectations for the next twelve months continued the broad downward trend observed since April last year. Also their perceptions of price developments over the past twelve months declined further, remaining, however, at a very high level.

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



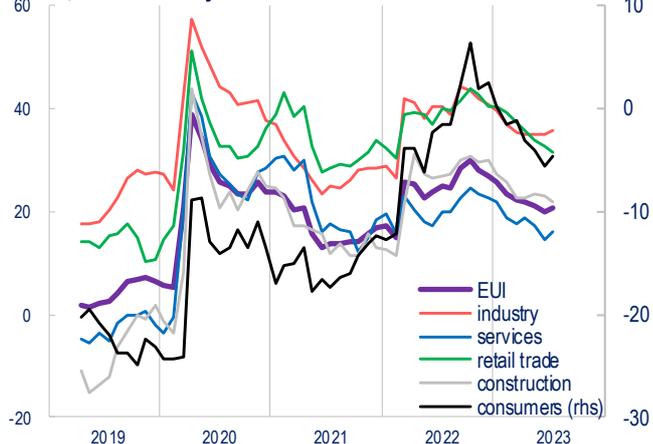
Graph 6: Selling price expectations (next 3 months) in the EU²



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 edged up in July (+0.8 points to 20.8), as managers' uncertainty about their future business situation in industry and services as well as uncertainty of consumers as to their future financial situation increased, while uncertainty in retail trade and construction declined further.

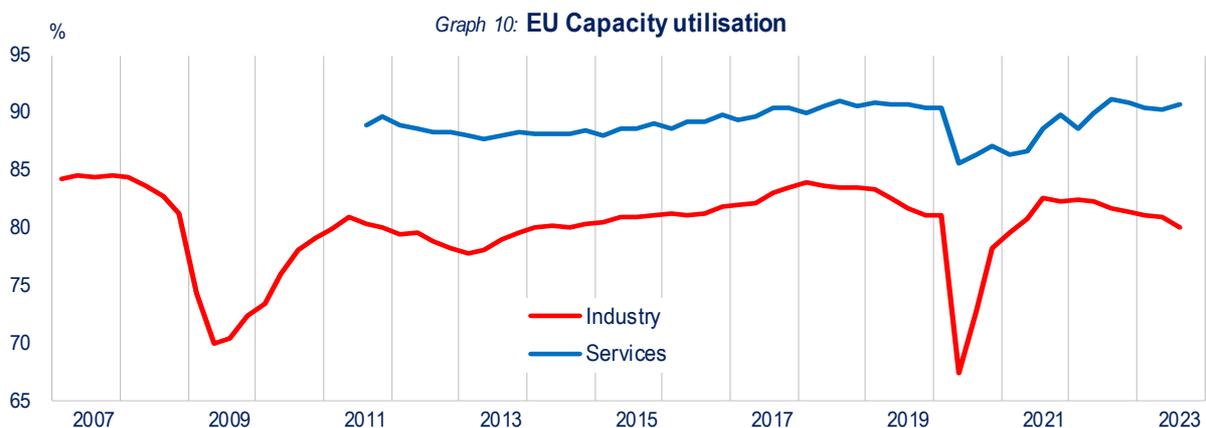
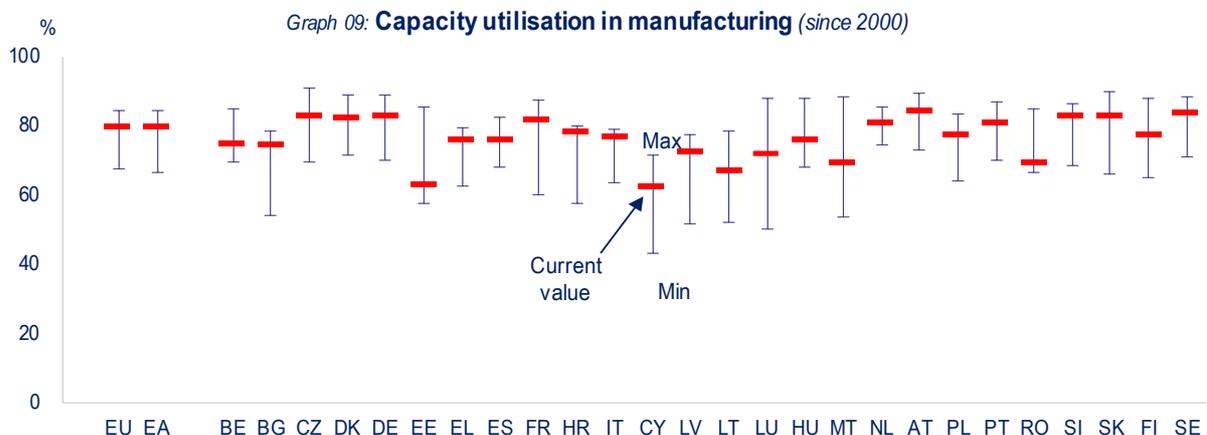
Quarterly survey results (conducted in July)

The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In July 2023, the estimated rate of capacity utilisation in the EU industry sector decreased (-1.0 percentage point to 80.0%) compared to April 2023, dropping slightly 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 (+5.6 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 worsened strongly (by, respectively, 6.9 and 3.8 points compared to April). Managers' appraisals of new orders fell (-5.7), while the estimated number of months' production assured by orders on hand remained unchanged compared to April at 5.1 months, i.e. just a tad below its all-time high of 5.3 months in October last year.

The share of industry managers pointing to shortages of material and/or equipment as a factor limiting production decreased further from the record-high level of early 2022 (-5.9 percentage points to 20.7% compared to April 2023). Also the share of managers indicating shortage of labour force as a factor limiting production decreased (-1.7 percentage points to 24.5%), but remained close to the all-time high registered in April 2022. The prevalence of financial constraints remained broadly stable (-0.1 percentage points) and, at 5.4%, stayed low compared to the other limiting factors. Insufficient demand was the only constraining factor which gained further prominence in July, increasing for the fifth time in a row (+4.7 percentage points to 33.2%).

Turning to services, capacity utilisation in the EU increased compared to April (+0.5 percentage points to 90.7%), staying 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 one point compared to April (to 80.2%), while in services it increased (+0.7 points to 90.6%).



Data collection period: 1 July to 20 July.

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

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