

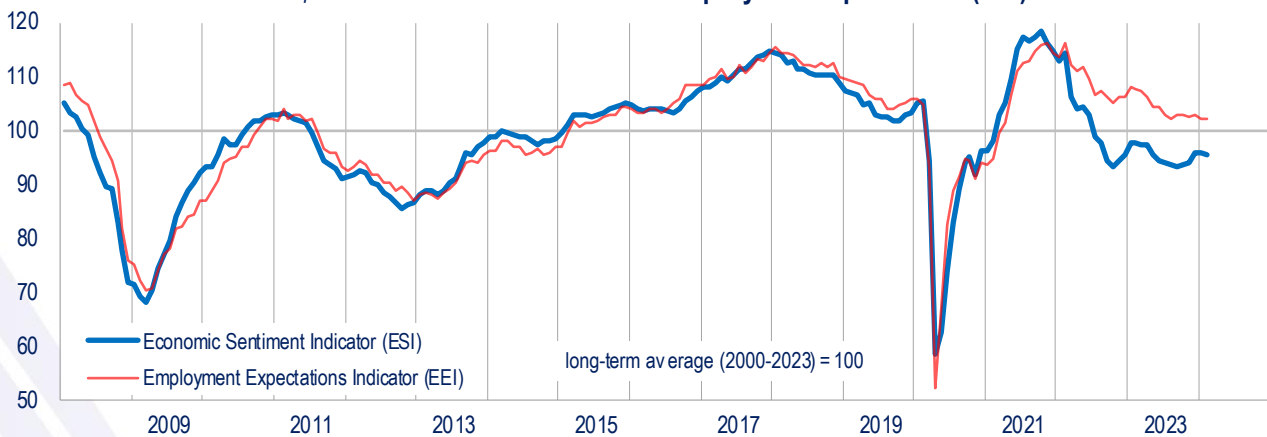
## Business and consumer survey results for February 2024

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

In February 2024, the *Economic Sentiment Indicator* (ESI) decreased slightly in both the EU (-0.4 points to 95.4) and the euro area (-0.7 points to 95.4). The *Employment Expectations Indicator* (EEI) remained broadly stable in both areas (EU:  $\pm 0.0$  points at 102.0, euro area: +0.2 points to 102.5).<sup>1</sup> Contrary to the ESI, the EEI scored above its long-term average.

## EU developments

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

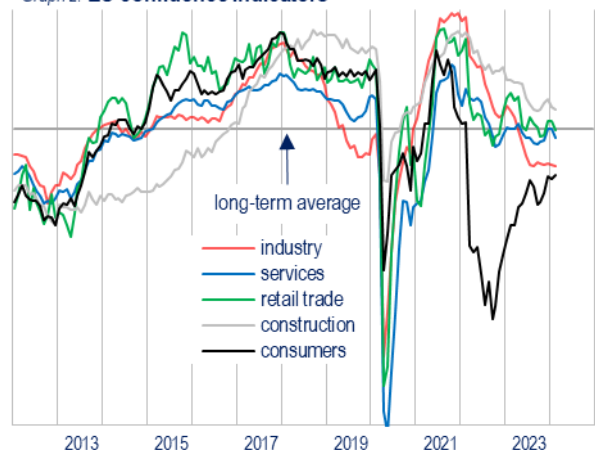


source: European Commission services

In the EU, the mild decline of the ESI was due to lower confidence among services, retail trade and construction managers, while confidence remained broadly stable in industry and increased slightly among consumers. Amongst the largest EU economies, the ESI deteriorated markedly in Italy (-1.6) and slightly in Germany (-0.6) and Poland (-0.5), while it improved strongly in the Netherlands (+1.7) and remained broadly stable in France (-0.3) and Spain (-0.2).

**Industry confidence** remained broadly stable (-0.2), as the *stocks of finished products* were increasingly assessed as too large/above normal, indicating lower demand, while managers' *production expectations* improved. Managers' assessment of the *current level of overall order books* remained broadly stable. Of the questions not entering the confidence indicator, managers' assessment of developments in *production over the past 3 months* improved markedly, while their assessment of *export order books* deteriorated. **Services confidence** worsened markedly (-1.6), due to a strong deterioration in the assessment of all three components (*demand expectations, past demand and past business situation*). **Consumer confidence** improved slightly (+0.4), thanks to consumers' less negative views regarding their *household's past financial situation* and their *intentions to make major purchases*, which were partly offset by lower expectations about the *general economic situation* in their country. Consumers' *expectations about their household's financial situation* remained broadly stable. **Retail trade confidence** declined (-1.0), due to a marked decline in managers' assessment of the *past business situation* and a slightly worse assessment of the adequacy of the *volume of stocks*. Retailers' views on the *future business situation* remained broadly stable. **Construction confidence** worsened somewhat (-0.6) as both builders' *employment expectations* and their

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

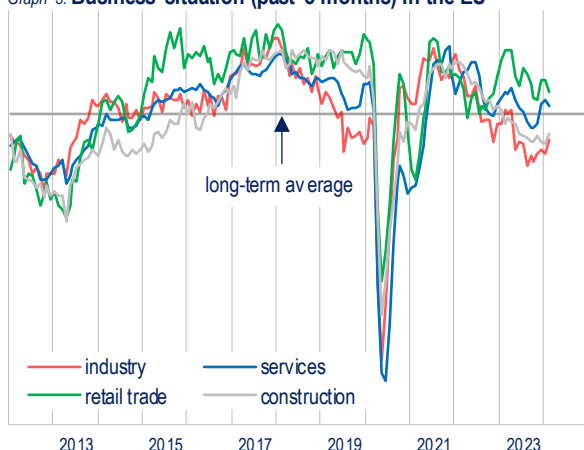


<sup>1</sup> Past survey data were revised due to seasonal adjustment.

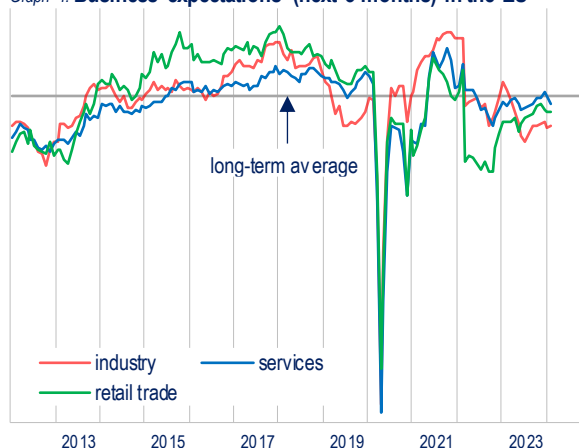
<sup>2</sup> The graph presents standardised series to correct for differences in means and standard deviations.

assessment of the level of *order books* deteriorated. The percentage of construction managers indicating *insufficient demand* as a factor limiting construction activity increased further (+0.4 points to 31.1%), while the percentage indicating *labour shortages* decreased (-0.8 points to 27.2%). The share of construction managers pointing to *material/equipment shortages* or *financial constraints* as limiting factors remained broadly stable (+0.1 points to 9.4% and +0.3 points to 8.9%).

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



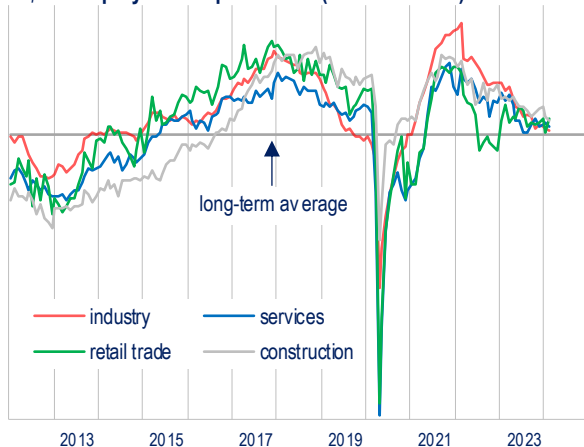
Graph 4: Business expectations (next 3 months) in the EU<sup>2</sup>



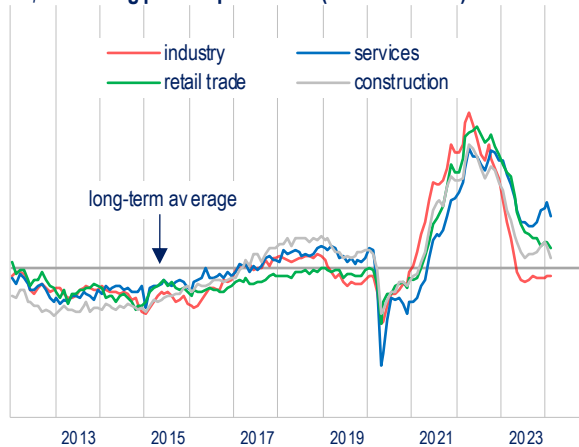
The **Employment Expectations Indicator** remained unchanged above its long-term average, reflecting lower employment plans among industry, services and construction managers, counterbalanced by markedly improved employment plans in retail trade. Consumers' unemployment expectations, which are not included in the headline indicator, improved.

**Selling price expectations** decreased in all four business sectors. The drop was marked in services, retail trade and construction, while very mild in industry. Selling price expectations score below their long-term average in industry. Consumers' price expectations for the next twelve months increased in February, while their perceptions of price developments over the past twelve months declined further, though remaining at a very high level.

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



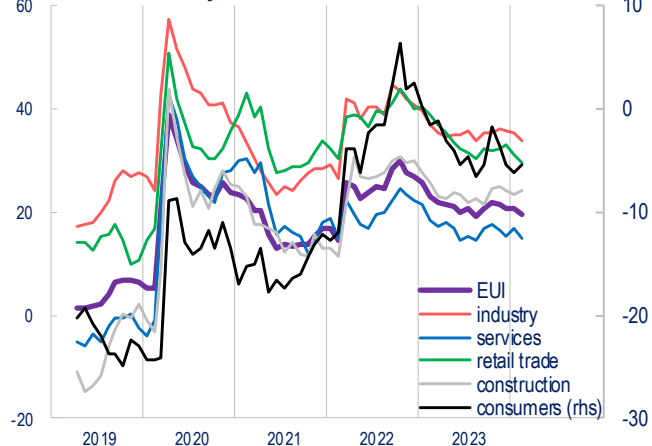
Graph 6: Selling price expectations (next 3 months) in the EU<sup>2</sup>



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

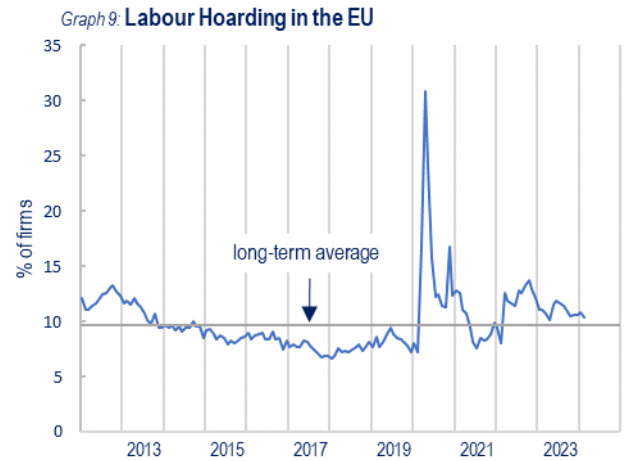


Graph 8: Uncertainty in the EU



The European Commission's **Economic Uncertainty Indicator (EUI)**<sup>3</sup> decreased in February (-1.1 point to 19.6). Managers' uncertainty about their future business situation in industry, services, and retail trade decreased. By contrast, uncertainty by construction managers about their future business situation and by consumers about their future financial situation increased.

The European Commission's new **Labour Hoarding Indicator (LHI)**<sup>4</sup> measures the percentage of managers expecting their firm's output to decrease, but employment to remain stable or increase. In February, in the EU, the LHI decreased slightly compared to January (-0.5 points). At 10.3%, the LHI was slightly above its long-term average of 9.7% and pre-pandemic levels, but significantly below the peak reached during the COVID-19 crisis. Amongst the largest EU economies, labour hoarding in France and Germany was more widespread than in the EU aggregate. The opposite held true for Poland, Spain, Italy and the Netherlands.



*Data collection period: 1 to 22 February.*

<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.

<sup>4</sup> 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](mailto:ECFIN-BCS-MAIL@ec.europa.eu)

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<b>Upcoming releases:</b>	Flash Consumer Confidence Indicator	20 March 2024
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	27 March 2024