

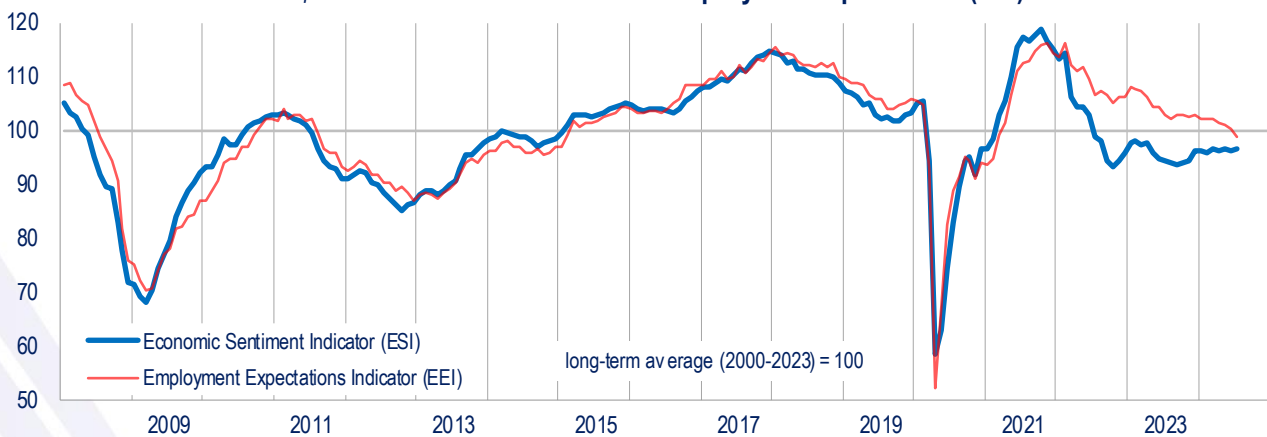
## Business and consumer survey results for July 2024

# Economic Sentiment broadly stable in the EU and the euro area, Employment Expectations decline further

In July 2024, the *Economic Sentiment Indicator* (ESI) remained broadly stable in both the EU (+0.1 points to 96.4) and the euro area (-0.1 points to 95.8).<sup>1</sup> The *Employment Expectations Indicator* (EEI) declined markedly (EU: -1.6 points to 98.7, euro area: -1.8 points to 97.8), falling below its long-term average for the first time since April 2021 in both areas.

## EU developments

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

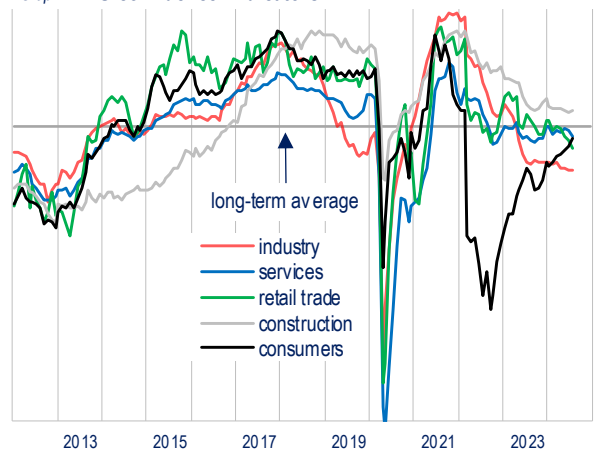


source: European Commission services

In the EU, the ESI's sideward trend resulted from decreases in services and retail trade confidence, offset by improved confidence in construction and among consumers. Confidence in industry remained broadly stable. Amongst the largest EU economies, the ESI deteriorated markedly in France (-2.2) and Poland (-1.8), while it improved strongly in Spain (+1.7) and, less so, in Italy (+0.4). Economic sentiment remained broadly stable in Germany (+0.2) and the Netherlands (-0.2).

**Industry confidence** remained broadly stable (-0.1), as an improvement in *managers' production expectations* was offset by a decrease in their assessment of the *current level of overall order books*. Managers' assessment of the *stocks of finished products* remained broadly stable. Of the questions not entering the confidence indicator, managers' assessment of developments in *past production* edged up, while their assessment of *export order books* plummeted. **Services confidence** declined (-0.9) due to a worsening of managers' *demand expectations* and assessments of the *past business situation*, while their assessment of *past demand* remained virtually unchanged. **Consumer confidence** rose (+0.7), reflecting improvements of all four components (i.e. consumers' views on their *household's past and expected financial situation*, expectations about the *general economic situation* in their country and *intentions to make major purchases*). **Retail trade confidence** (-1.1) decreased markedly, owing to a substantial decline in retailers' assessments of the *past and future business situation*, while their assessment of their *volume of stocks* remained broadly stable. **Construction confidence** improved slightly (+0.4) as a marked increase in builders' *employment expectations* was almost offset by a strong deterioration in their assessment of the level of *order books*. The percentage of construction managers indicating *insufficient demand* or *material/equipment shortages* as a factor limiting

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

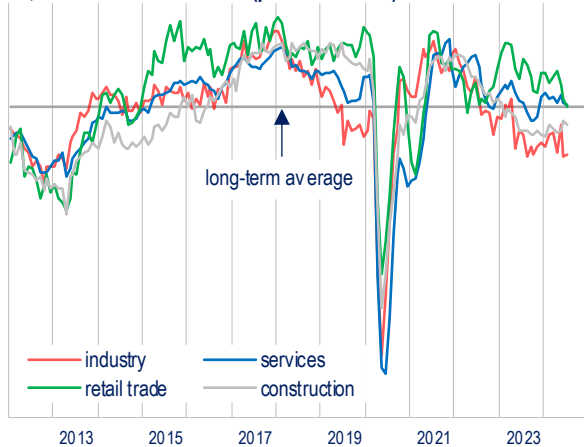


<sup>1</sup> Past survey data were revised due to seasonal adjustment and revisions in French business survey data.

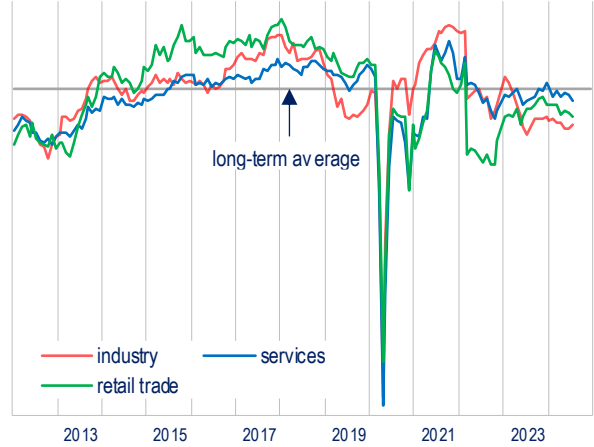
<sup>2</sup> The graph presents standardised series to correct for differences in means and standard deviations.

construction activity remained broadly stable (+0.2 points to 31.8% and  $\pm 0.0$  points at 6.1%, respectively). The percentage of construction managers indicating *labour shortages* or *financial constraints* as limiting factors increased (by, respectively, 0.9 points to 26.1%, and 0.4 points to 8.3%).

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



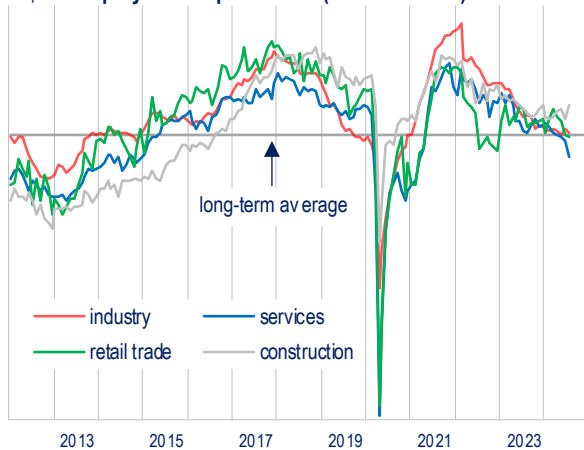
Graph 4: Business expectations (next 3 months) in the EU<sup>2</sup>



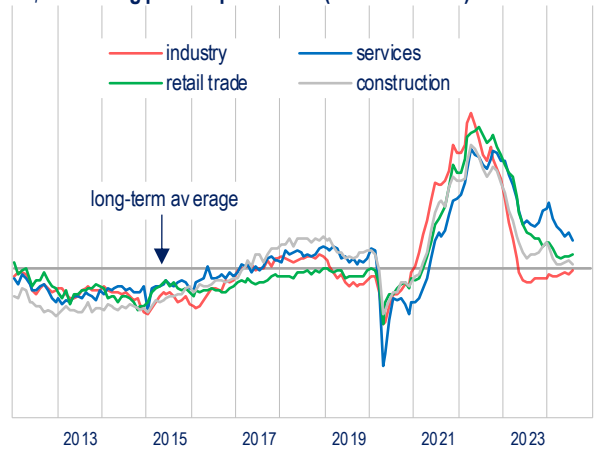
The **Employment Expectations Indicator** (-1.6) fell below its long-term average, reflecting a significant worsening of employment plans among industry and services managers. In retail trade, managers' employment plans remained largely unchanged, while construction managers revised their employment plans upwards. Consumers' unemployment expectations, which are not included in the headline indicator, remained virtually unchanged. The EU **Labour Hoarding Indicator** increased marginally (+0.4 points to 10.8), continuing its broad sideways movement slightly above its long-term average and pre-pandemic levels.<sup>3</sup>

**Selling price expectations** picked up in industry and retail trade, while edging down in services and construction. In industry and construction, selling price expectations score very close to their long-term average, while they are still well above it in retail trade and, in particular, services. Consumers' price expectations for the next twelve months edged down in July. Their perceptions of price developments over the past twelve months declined further, though remaining at a very high level.

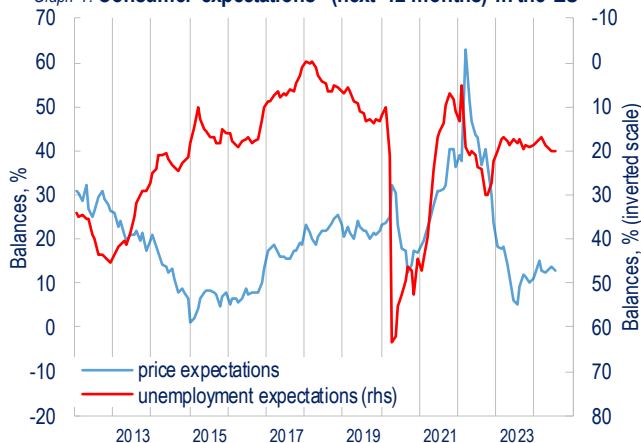
Graph 5: Employment expectations (next 3 months) in the EU<sup>2</sup>



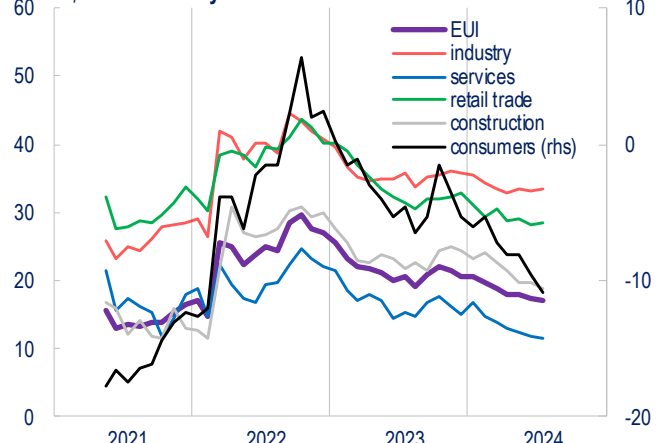
Graph 6: Selling price expectations (next 3 months) in the EU<sup>2</sup>



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



Graph 8: Uncertainty in the EU



<sup>3</sup> The LHI measures the percentage of managers expecting their firm's output to decrease, but employment to remain stable or increase. 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.

The European Commission's **Economic Uncertainty Indicator (EUI)**<sup>4</sup> decreased marginally in July (-0.2 points to 17.1). Managers' uncertainty about their future business situation in services and construction and consumers' uncertainty about their future financial situation decreased. By contrast, business uncertainty increased slightly in industry and retail trade.

### Quarterly survey results (conducted in July)

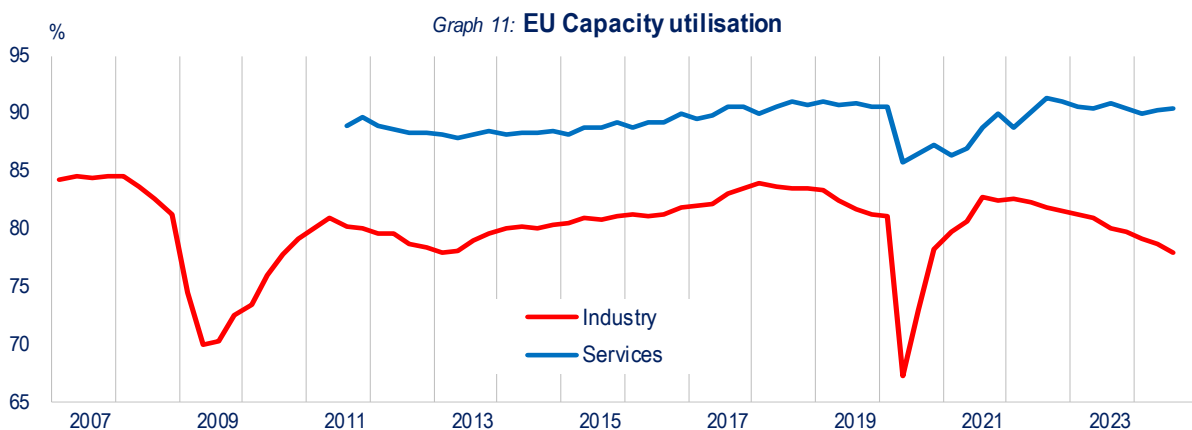
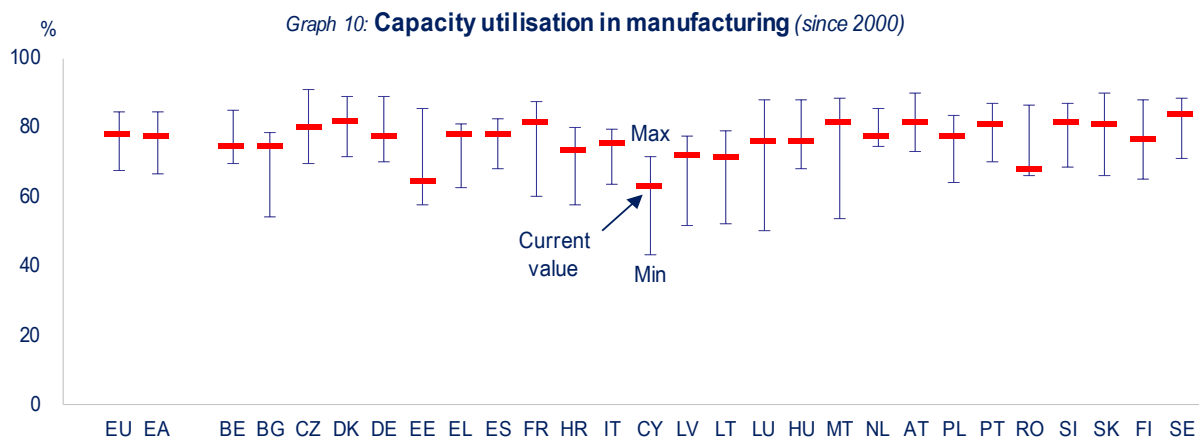
The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year.

In the EU industry, the estimated rate of capacity utilisation decreased by 0.8 percentage points to 77.9% in July compared to April 2024, sinking further below its long-term average of 80.6%. Consistently, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) increased (+0.7 points). On the external side, managers' assessments of their competitive position on non-EU markets over the past three months worsened (-1.6 points). Also managers' assessment of developments in orders over the past three months diminished (-0.5).

The share of industry managers indicating *insufficient demand* as a factor limiting their production increased by 2.0 points to 40.0% in July compared to April. Meanwhile, the percentage of managers pointing to *shortages of material* and/or equipment as a factor limiting production decreased further from the record-high level of early 2022 (-2.5 percentage points compared to April to 11.1%). The share of managers indicating a *shortage of labour force* as a limiting factor decreased further (-2.9 percentage points to 19.6%), while remaining relatively high. At 5.6%, the share of managers pointing to *financial constraints* as limiting their firm's production stayed relatively low and broadly stable (+0.3 points) compared to April.

Turning to services, capacity utilisation in the EU slightly increased compared to April (+0.2 percentage points to 90.4%), above its long-term average of 89.3%.

Euro-area developments were qualitatively in line with the described EU developments. The estimated rate of capacity utilisation in industry decreased by 1.2 points compared to April (to 77.7%). In services, it increased by 0.3 points to 90.4%.



Data collection period: 1 to 23 July.

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

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	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	29 August 2024