

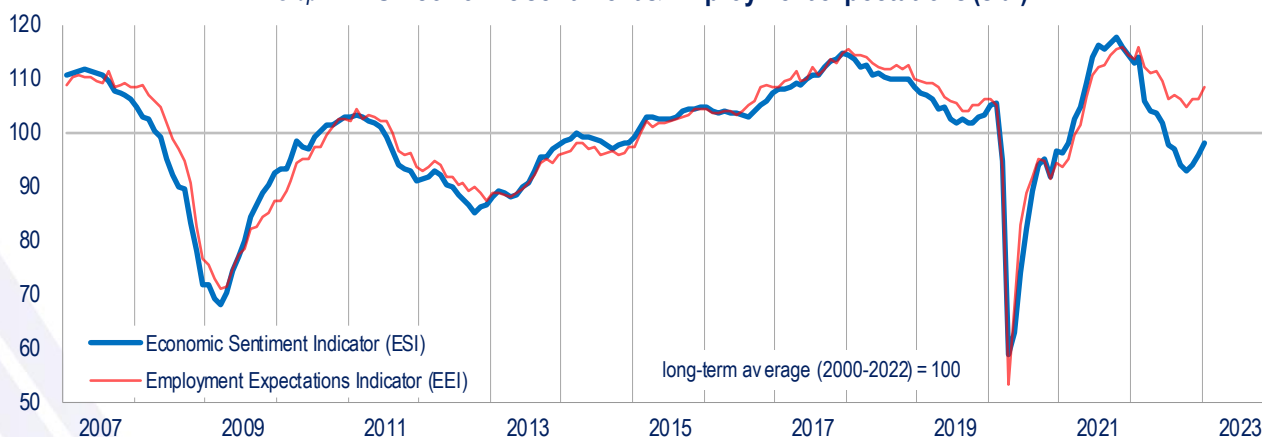
Business and consumer survey results for January 2023

Economic Sentiment and Employment Expectations increased further in the EU and the euro area

In January 2023,¹ the *Economic Sentiment Indicator* (ESI) recovered further in both the EU (+2.3 points to 98.0) and the euro area (+2.8 points to 99.9). With this third consecutive increase, the ESI is approaching its long-term average. The *Employment Expectations Indicator* (EEI) also increased (+2.3 points to 108.5 in the EU and +2.7 points to 110.1 in the euro area) and stands well above its long-term average.

EU developments

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



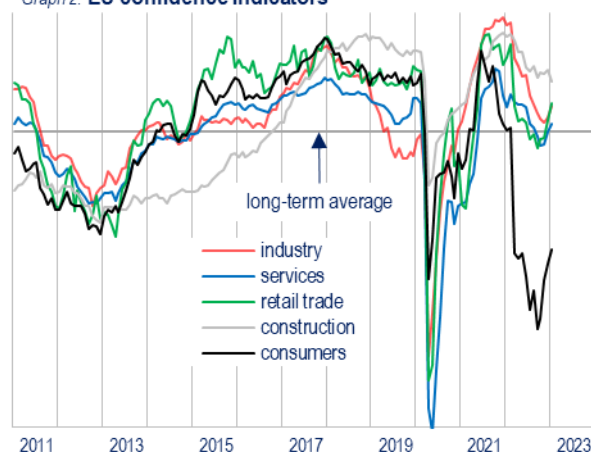
source: European Commission services

In the EU, the ESI's increase in January reflected strong improvements in industry, services, retail trade and consumer confidence, while confidence declined in construction. Amongst the largest EU economies, the ESI increased markedly in France (+4.4), Spain (+2.7), Germany (+2.5), Italy (+1.7) and, to a lesser extent, the Netherlands (+0.5), while it was unchanged in Poland (± 0.0).

Industry confidence increased for the second consecutive month (+1.7), as managers' *production expectations* improved and the scaling down of their assessment of the *current level of stocks of finished products* pointed to increasing demand. By contrast, managers' assessment of *overall order books* remained broadly unchanged compared to December 2022. Of the questions not entering the confidence indicator, managers' appraisals of *past production* declined somewhat, while their views on *export order books* improved firmly. **Services confidence** improved markedly (+1.6), thanks to managers' more optimistic views on all three components (*past business* and *demand situation*, and *demand expectations*). **Consumer confidence** recovered further (+1.4). Consumers were more positive about the *general economic situation of their country*, their *future financial situation* and their *intentions to make major purchases*, while views on their *household's past financial situation* remained stable. **Retail trade confidence** soared by 2.0 points, thanks to strong improvements in managers' assessments of the *past* and *expected business situation*. By contrast, *stocks* were reported to be larger than in December.

Construction confidence dropped (-2.2), reflecting a sharp decline in managers' *employment expectations* and, to a lesser extent, their views on the level of *order books*. The shares of construction managers pointing to

Graph 2: EU confidence indicators²

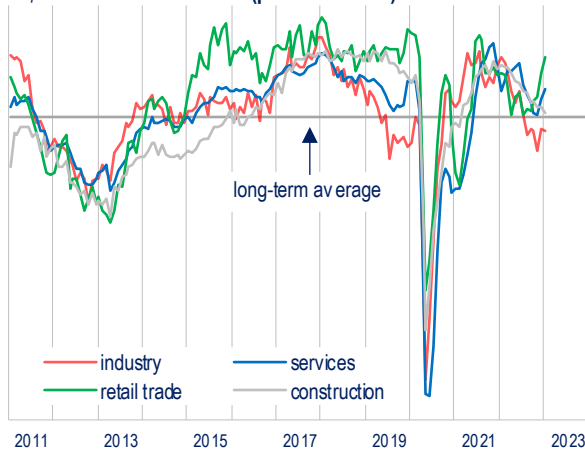


¹ Past results of all headline indicators were revised due to seasonal adjustment (including due to the annual update of model coefficients), the annual update of country weights and the inclusion of Croatia in the euro-area aggregate.

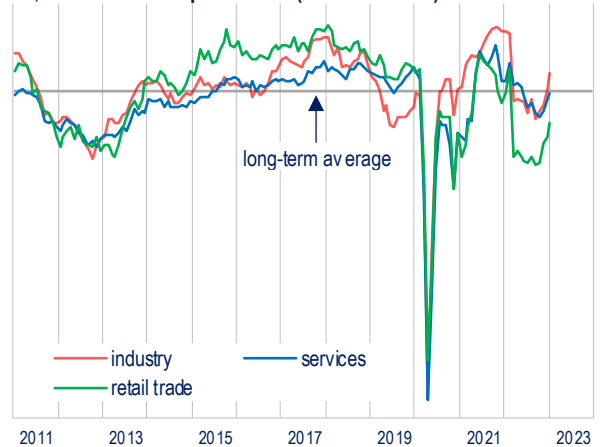
² The graph presents standardised series to correct for differences in means and standard deviations.

shortage of labour and shortages of material and/or equipment as factors limiting their building activity remained broadly stable (-0.2 to 32.0% and +0.3 to 23.2%, respectively). Meanwhile, *insufficient demand* as a limiting factor gained further prominence (+1.1 to 23.9%), while *financial constraints* were reported slightly less often (-0.7 to 10.0%). **Financial services confidence** (not included in the ESI) increased strongly (+4.8), thanks to marked improvements in all components entering the indicator (*past demand, demand expectations, past business situation*).

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



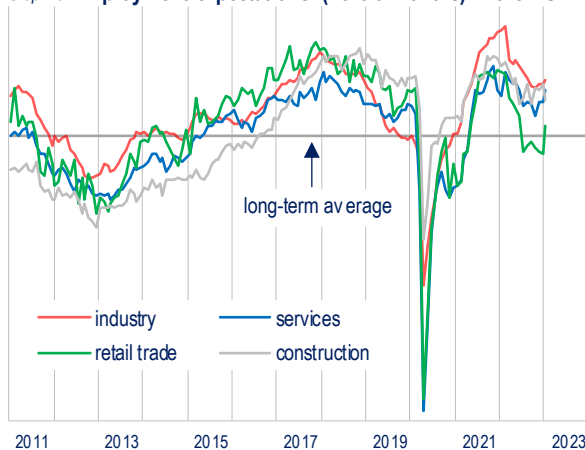
Graph 4: Business expectations (next 3 months) in the EU²



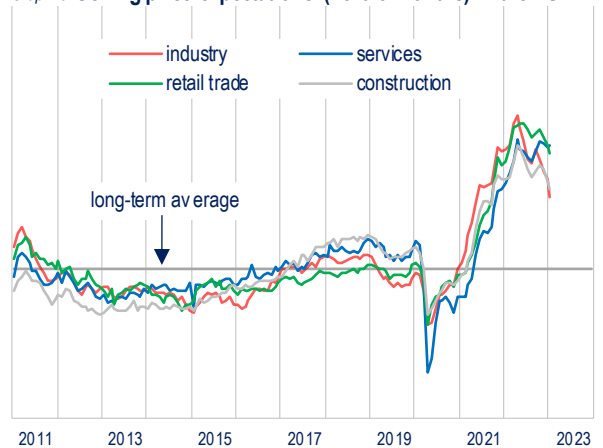
The increase in the **Employment Expectations Indicator** (+2.3) was driven by improved employment plans in services, retail trade and, less so, industry, while managers in the construction sector expected employment in their firms to decrease over the next three months. Consumers' unemployment expectations, which are not included in the headline indicator, eased.

Selling price expectations lessened in industry, retail trade and construction, while they increased slightly in services. Consumer price expectations decreased further.

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



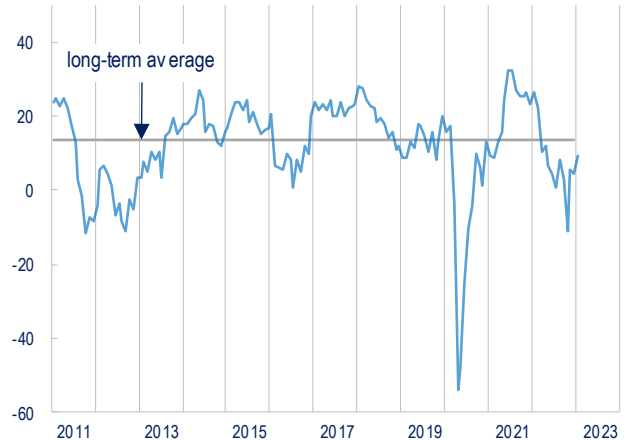
Graph 6: Selling price expectations (next 3 months) in the EU²



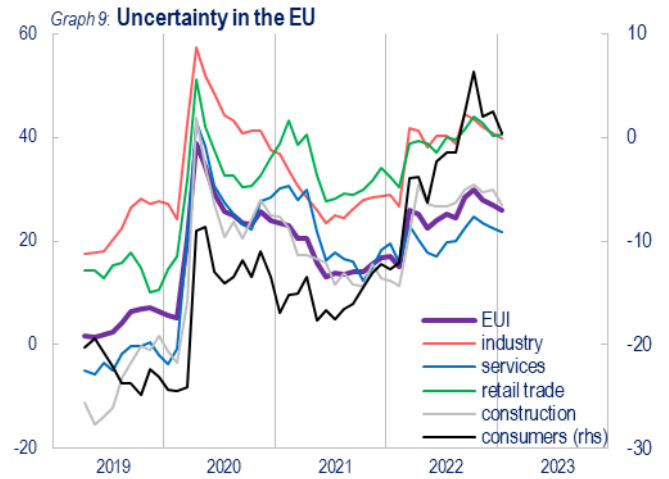
Graph 7: Consumer expectations (next 12 months) in the EU



Graph 8: EU Financial services confidence indicator



The European Commission's **Economic Uncertainty Indicator (EUI)** declined in January (-1.1 points to 25.9), driven by decreasing uncertainty among consumers and in all surveyed business sectors, except for retail trade, where the indicator remained broadly unchanged.



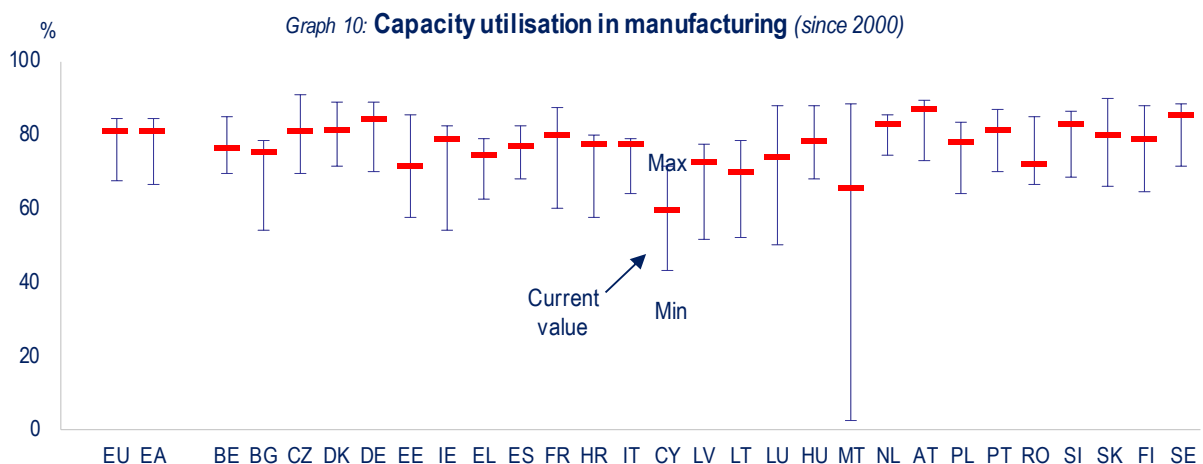
Quarterly survey results (conducted in January)

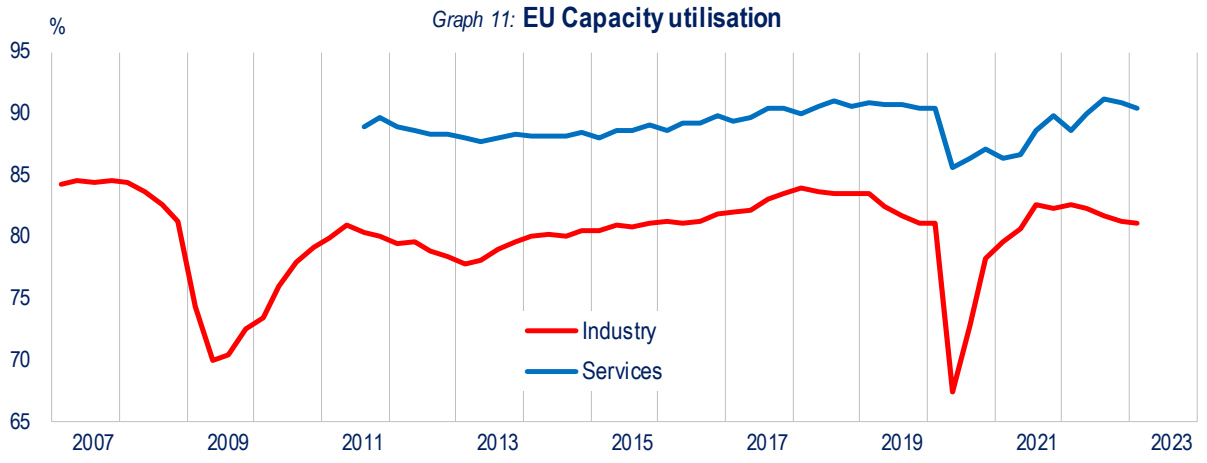
The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In January 2023 compared to October 2022, the estimated *capacity utilisation* rate in the EU industry sector was broadly stable (-0.1 percentage points to 81.1%), remaining half a percentage point above its 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) dropped markedly (-2.1 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* improved (by, respectively, 3.5 and 1.1 points compared to October). Managers' appraisals of new orders declined (-1.2) for the sixth time in a row, while the estimated number of months' production assured by orders on hand remained broadly stable (-0.1 points compared to October) to a still very high level of 5.2 months.

While remaining at a relatively high level, the percentage of industry managers quoting shortage of material and/or equipment as a factor limiting production decreased by 2.5 percentage points to 37.2%. Compared to October, also the share of managers identifying shortage of labour force as a factor limiting production decreased (-2.3 percentage points to 26.4% in January). By contrast, the share of managers indicating insufficient demand as a factor limiting their production increased by 2.4 percentage points to 27.6%, while financial constraints remained broadly stable at 6.2%.

Euro-area developments were qualitatively in line with the described EU developments; the estimated capacity utilisation rate remained broadly stable (-0.1 percentage points to 81.3%), above its long-term average of 80.7%.

Compared to October, capacity utilisation in services decreased in both the EU (-0.4 percentage points) and the euro area (-0.5) to 90.4% and 90.2%, respectively. In both areas, however, the rate remained above its long-term average (of 89.0% and 88.8%, respectively).





Data collection period: 1 January to 23 January

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

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Upcoming releases:	Flash Consumer Confidence Indicator	20 February 2023
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	27 February 2023