

**EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS**



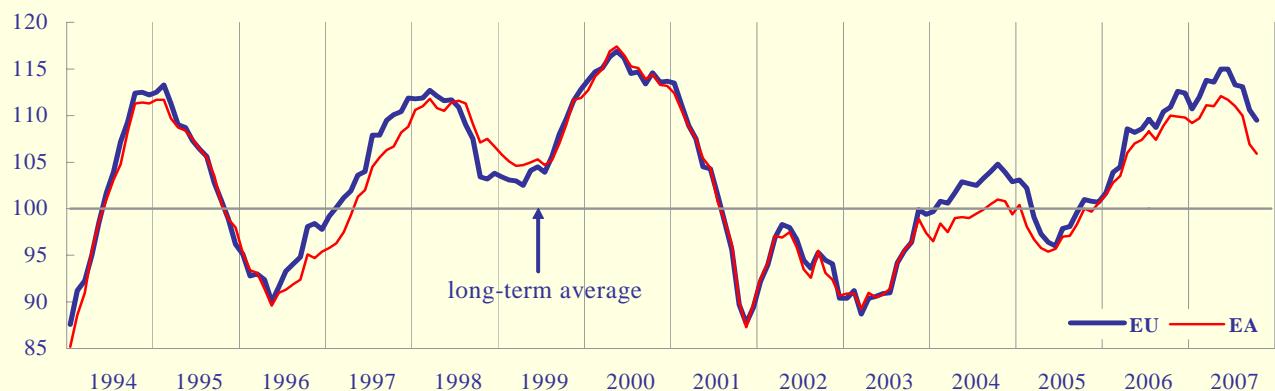
BUSINESS AND CONSUMER SURVEY RESULTS

October 2007

Next publication of Business and Consumer Survey Results scheduled for 30 November 2007

http://ec.europa.eu/comm/economy_finance/indicators/businessandconsumersurveys_en.htm

GRAPH 1: Economic sentiment indicator (s.a.)



Further moderate drop in economic sentiment in both the EU and the euro area

In October, the Economic Sentiment Indicator (ESI) weakened further in both the EU and the euro area. Following last month's sizeable drops, the ESI decreased more moderately by 1.1 points in the EU and by 1 point in the euro area, to 109.5 and 105.9 respectively. However, the indicator still remains well above its long-term average in both areas.

The decrease in the sentiment indicator for the EU is the result of slightly lower confidence in the *industry* and *construction* sectors as well as among *consumers*, while confidence was stable in the *services* sector and improved somewhat in the *retail trade* sector. In the euro area, sectoral developments differed only slightly, with confidence in the *construction* sector decreasing more markedly, by two points, and remaining stable among *consumers*.

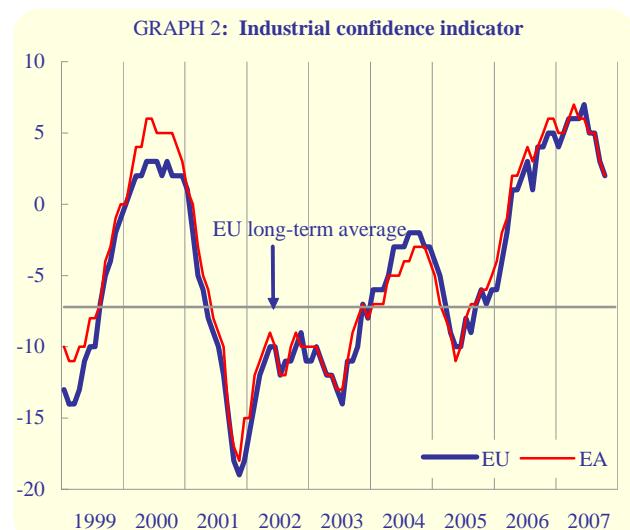
The large majority of countries reported decreases in sentiment in October. Among the large Member States, confidence deteriorated markedly in *Spain* (-2.6) and *the UK* (-2.3). The decreases were more muted in *Germany* (-0.6) and *Poland* (-0.9). In *France* (+0.1) and *Italy* (-0.2), economic sentiment remained virtually unchanged.

Industrial confidence declines further in both the EU and the euro area

In October, the *industrial confidence* indicator continued to decline, losing one point in both the EU and the euro area. Nevertheless, the level of the indicator still remains far above its long-term average.

In the EU, all the underlying components of the indicator contributed to the fall in confidence. While managers' assessments of *order books* and the *stocks of finished products* deteriorated in the euro area as well, *production expectations* remained stable.

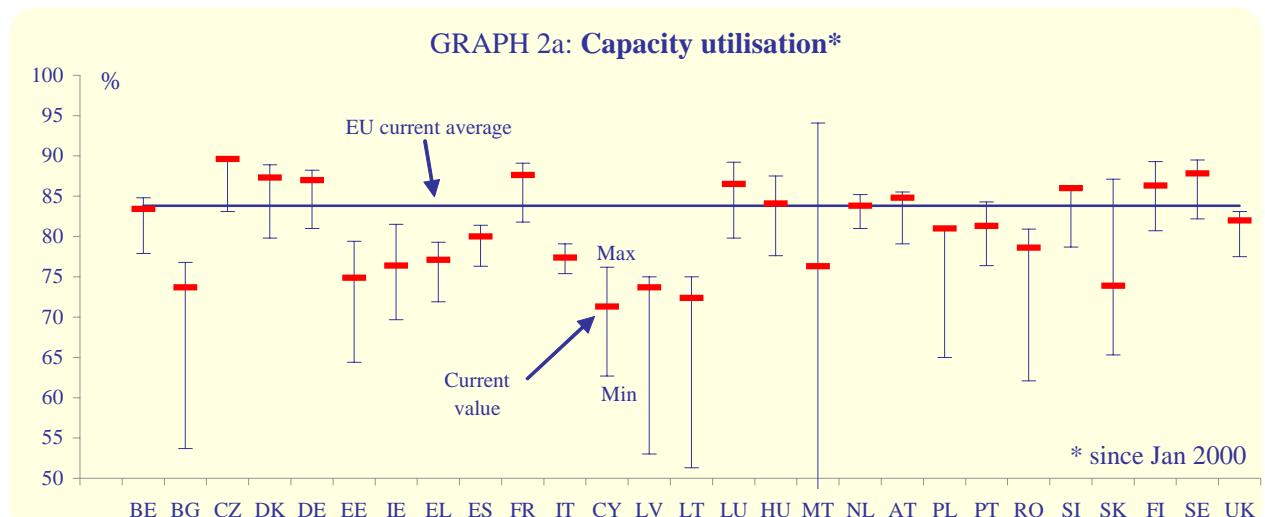
The majority of EU Member States reported a decrease in industrial confidence in October. Among the large Member States, confidence declined in *Germany* (-2), *Spain* (-5) and *the UK* (-4). The industrial confidence indicator remained unchanged in *France* and *Poland* and improved slightly in *Italy* (+1).



In the *quarterly survey of the manufacturing sector*, carried out in October 2007, industrial managers in the EU and the euro area estimated *the number of months' production assured by orders on hand* as virtually unchanged compared to the July results, while they continued to report weaker assessments of *new orders in recent months*. Managers' *export expectations for the months ahead* deteriorated markedly for the first time in almost three years in both the EU and the euro area.

Capacity utilisation remained virtually unchanged compared to July in both the EU and the euro area. At 83.8% and 84.2% respectively, it remains well above its long-term average in both areas. Among the large Member States, capacity utilisation decreased compared to July in *Italy* and *Spain*. On the other hand, it increased further in *France* and *Poland*. In *the UK* also, capacity utilisation increased again after having fallen in July. In *Germany*, it remained broadly unchanged.

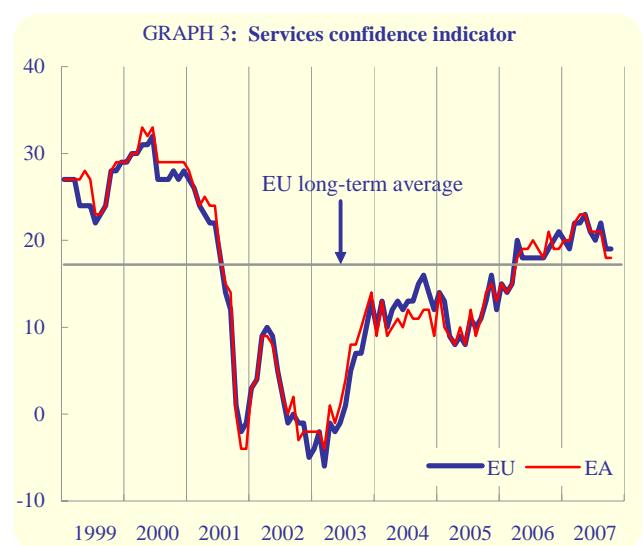
The broad stabilisation of the *capacity utilisation* rate in the EU's manufacturing industry is the net result of divergent developments at the branch level. While producers of *consumer goods* and *investment goods* reported slightly higher utilisation rates than in July, producers of *intermediate goods* reported a further decrease. The deteriorating *export expectations* in the EU's manufacturing industry are reflected in all three main industrial groupings, with the producers of *intermediate goods* reporting the largest regression.



Services confidence remains stable in both the EU and the euro area

The *services confidence indicator* remained stable in both the EU and the euro area in October. As a consequence, confidence among managers in the services sector remains above and at the long-term average in the EU and the euro area respectively.

In the EU, the decline in the confidence indicator was the net result of a worsening in managers' assessment of both the *current business situation* and the *recent evolution of demand*, and a pick-up in their *demand expectations*. By contrast, the *expected evolution of demand* remained unchanged in the euro area, while the *current business situation* was assessed slightly more positively.

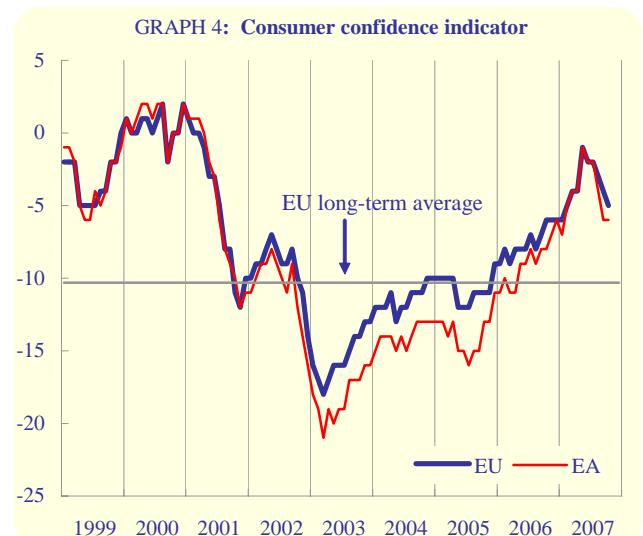


At the country level, the results are mixed but changes are of muted amplitude overall. Among the large Member States, services confidence recovered somewhat in *Germany* (+1) and *Italy* (+1), and remained stable in *France*. Slight deteriorations were registered in *Spain* (-1), *Poland* (-2) and the *UK* (-1).

Consumer confidence declines further in the EU while remaining stable in the euro area

In October, consumer confidence declined further in the EU while remaining unchanged in the euro area. Despite the decreases registered since May of this year, confidence in both areas remains at a relatively high level.

Consumers in both areas were more pessimistic regarding their *savings over the next 12 months*. Consumers' expectations regarding their *financial situation over the next 12 months* improved slightly in the EU and remained stable in the euro area. Prospects over the next 12 months regarding the *general economic situation* and *unemployment* remained unchanged in the EU while consumers in the euro area became slightly more confident.



At the individual country level, a majority of the countries reported a decrease in confidence, but the changes were fairly muted overall. Among the large Member States, consumer confidence worsened by 2 points in *France*, *Spain* and *Italy* and by one point in *Poland*. On the other hand, it improved by one point in *Germany* and the *UK*.

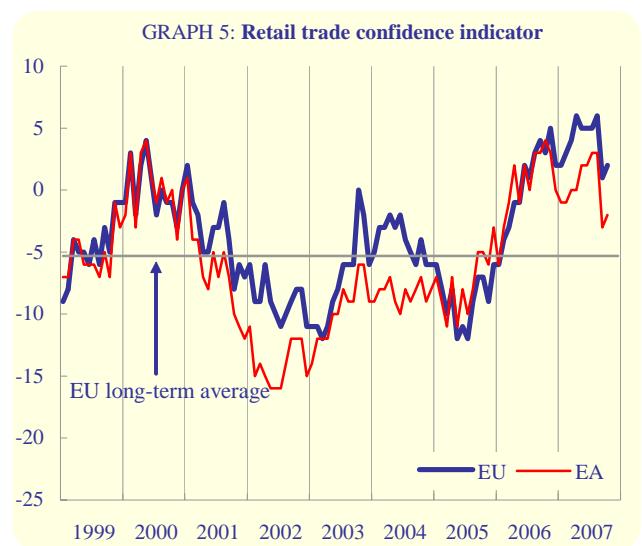
According to the *quarterly consumer survey*, intentions *to buy a car, to purchase or build a home* and *to carry out home improvements over the next 12 months* have decreased only marginally in the EU in October compared to July. Compared to one year ago, the net balance of consumers planning to undertake such large-scale outlays is unchanged in both the EU and the euro area.

Retail confidence recovers somewhat in both the EU and the euro area

After last month's sharp drop, the *retail confidence* indicator recovered by one point in October in both the EU and the euro area.

While the assessment of the *current business situation* picked up only slightly in both the EU and the euro area, retailers' *business expectations* recovered more markedly. Their assessment of the *volume of stocks* deteriorated somewhat in the euro area but remained stable in the EU.

At the country level, the results are fairly mixed. Focusing on the large Member States, however, October developments are predominantly positive, with confidence increasing in *Germany* (+3), *Spain* (+4), *Italy* (+3) and *Poland* (+1) and remaining stable in *the UK*. Only retailers in *France* reported further deteriorating confidence (-2).

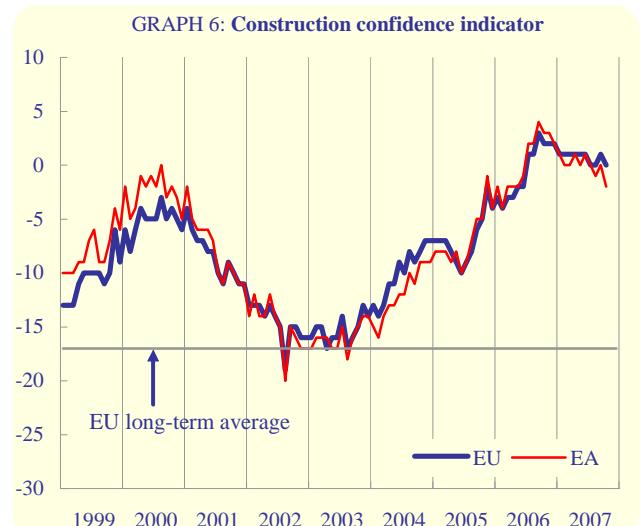


Construction confidence declines in both the EU and the euro area

Following last month's slight pick-up, the *construction confidence* indicator decreased in October in both the EU and the euro area. Despite the muted downward trend followed for roughly one year, the indicator remains at a historically high level.

In both areas, the decrease in construction confidence was driven by a worsening of managers' views of their *order books* and of their *employment expectations*.

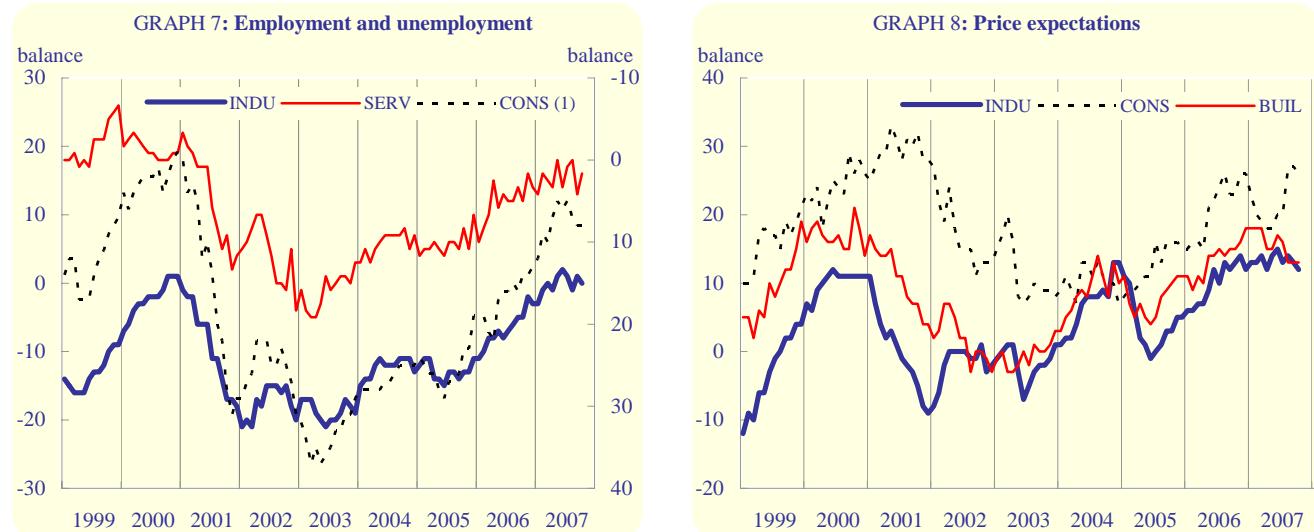
Developments at the individual country level were fairly mixed. Among the large Member States, construction confidence weakened by one point in *France*, *Italy* and *Poland* and dropped more sizeably, by seven points, in *Spain*. On the other hand, it improved in *Germany* (+1) and *the UK* (+2).



Employment, unemployment and price expectations in the EU

Employment expectations in the EU showed diverging developments in October. Compared to September, managers' *employment expectations for the next three months* deteriorated slightly in the industry sector, while they improved by three points in the services sector. At the same time, consumers' *unemployment expectations for the next 12 months* remained unchanged.

Concerning *future price* developments, the results in October give a slightly more coherent picture. While construction managers' selling-price expectations remained unchanged, industry managers and consumers revised their price expectations downwards compared to September.



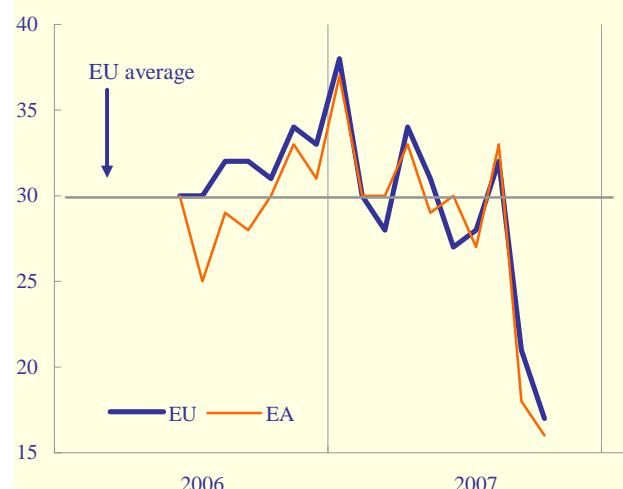
1) Unemployment expectations (right-hand scale)

The financial services confidence indicator falls further in both the EU and the euro area

Following last month's slump, the *financial services confidence* indicator fell somewhat further in both the EU and the euro area in October. While the decrease was fairly muted in the euro area (-2), the indicator fell by four points in the EU.

All three underlying components contributed to the fall in the EU indicator, with a further worsening in managers' assessments of their *business situation over the past three months* as well as of the *past* and *expected evolution of demand*. The relatively more positive result in the euro area is mainly due to a stabilisation in managers' assessment of their *business situation over the past three months*.

GRAPH 9: Financial services confidence indicator



These results are derived from the new EU survey in the financial services sector, launched by the European Commission to further increase the sectoral coverage of its survey programme. In line with the schedule of the other business surveys, the survey has been carried out on a monthly basis since April 2006. The objective is to achieve representative results for the EU and the euro area as a whole, rather than for individual Member States.¹

¹ More information on the new survey is provided in the User Guide, available at http://ec.europa.eu/economy_finance/indicators/business_consumer_surveys/userguide_en.pdf

TABLE 2b (*continued*) : Quarterly survey of manufacturing industry**Export volume expectations in manufacturing industry (s.a.)^{(a) (c)}**

	Since 01/1990				2006				2007				
	Min.		Ave.	Max.			I	II	III	IV	I	II	III
	Value	Date	Value	Date									IV
EU	-10	IV-01	8	21	I-95	14	16	17	16	16	16	16	11
EA	-10	II-93	8	20	I-95	16	18	18	18	17	15	16	12
BE	-26	I-96	-1	35	IV-97	3	8	7	11	23	10	2	-4
BG	6	I-02	22	41	III-95	16	15	21	24	26	22	19	24
CZ	0	IV-01	30	54	IV-97	28	25	34	29	31	29	34	27
DK	-2	IV-98	12	24	I-98	7	11	8	14	8	13	6	3
DE	-16	IV-92	7	21	I-07	20	20	19	20	21	19	19	14
EE	2	IV-01	19	38	III-00	26	16	24	27	35	21	20	15
IE	-33	IV-01	5	48	II-04	-5	9	25	0	21	9	8	32
EL	6	III-03	23	41	IV-97	27	33	29	27	30	29	24	19
ES	-8	II-93	5	16	IV-06	8	10	6	16	14	9	9	6
FR	-34	III-93	6	29	I-95	16	22	21	16	12	9	15	9
IT	-3	II-92	13	27	IV-94	15	19	21	19	16	16	16	14
CY	-9	IV-04	20	41	IV-02	25	17	21	11	23	40	26	10
LV	-2	IV-98	15	24	IV-00	16	17	16	17	16	12	14	13
LT	-11	II-94	13	36	III-97	17	16	21	15	11	18	8	11
LU	-58	III-91	-6	42	II-00	-3	-8	6	7	8	16	-1	-4
HU	-3	IV-01	12	32	IV-00	12	11	6	18	17	17	26	11
MT	-6	II-07	14	31	III-04	30	29	0	4	4	-6	27	22
NL	-11	III-03	8	22	III-00	10	11	20	16	13	12	13	12
AT	-8	IV-01	7	15	IV-03	12	12	13	14	12	14	15	13
PL	-1	I-02	16	25	III-04	15	21	20	21	24	23	23	24
PT	-24	III-93	6	30	IV-94	-2	4	-6	0	10	7	14	7
RO	7	IV-07	18	35	III-96	7	8	8	10	8	8	7	7
SI	3	IV-95	25	41	I-07	25	30	40	35	41	39	39	32
SK	-15	I-04	34	75	I-96	15	18	37	18	57	29	9	50
FI	-21	I-03	18	53	III-05	30	21	29	23	30	40	21	16
SE	-21	IV-01	19	49	I-04	34	8	13	20	7	18	2	1
UK	-34	IV-01	2	30	III-95	-1	7	12	1	5	15	14	2

(a) Data collected in January, April, July and October each year.

(b) Answers to the questions whether, taking into account the level of order-books or production, capacity is more than sufficient (+), sufficient (=) or less than sufficient (-). Thus, negative balances (capacity less than sufficient) indicate high levels of capacity utilisation, whereas positive balances (capacity more than sufficient) are associated with low levels of capacity utilisation.

(c) Balances: i.e., differences between the percentages of respondents giving positive and negative replies.

TABLE 4b (continued): Quarterly survey of consumers

Intention to carry out home improvements over the next 12 months (s.a.)^{(a)(b)}

	Since 01/1990				2006				2007			
	Min.		Ave.	Max.								
	Value	Date	Value	Date	I	II	III	IV	I	II	III	IV
EU	-67	IV-96	-60	-53	III-07	-54	-55	-56	-55	-56	-55	-55
EA	-68	III-93	-62	-57	III-00	-61	-62	-61	-61	-62	-60	-59
BE	-65	III-97	-52	-32	III-01	-48	-48	-48	-46	-48	-47	-50
BG	-86	I-02	-73	-60	II-07	-69	-68	-66	-63	-65	-60	-62
CZ	-51	III-01	-34	-18	I-07	-35	-23	-35	-26	-18	-27	-26
DK	-87	I-90	-65	-26	I-00	-56	-50	-54	-52	-56	-55	-58
DE	-60	III-93	-53	-46	I-90	-48	-48	-50	-51	-50	-48	-49
EE	-68	IV-92	-42	-12	II-06	-23	-12	-22	-21	-27	-27	-22
IE	-81	II-90	-67	-50	I-06	-50	-57	-55	-60	-66	-51	-66
EL	-84	II-06	-70	-44	IV-95	-77	-84	-81	-71	-73	-66	-64
ES	-82	II-94	-73	-61	IV-90	-74	-76	-78	-79	-79	-79	-81
FR	-79	IV-95	-70	-52	III-07	-61	-64	-58	-57	-58	-55	-54
IT	-88	IV-06	-71	-59	III-98	-85	-84	-86	-88	-85	-87	-86
CY	-73	III-06	-61	-46	III-01	-66	-72	-73	-72	-62	-57	-55
LV	-77	IV-95	-54	-10	I-02	-33	-24	-29	-23	-27	-24	-18
LT	-65	IV-01	-59	-52	I-07	-62	-53	-55	-54	-52	-53	-53
LU	-45	I-03	-33	-22	II-04	-33	-27	-31	-37	-37	-38	-29
HU	-76	IV-07	-59	-23	III-00	-63	-64	-66	-69	-69	-71	-76
MT	-71	III-04	-66	-57	I-07	-70	-70	-71	-64	-57	-60	-59
NL	-59	II-96	-48	-35	IV-00	-44	-47	-44	-42	-43	-44	-41
AT	-50	III-02	-37	-21	II-06	-23	-21	-25	-29	-29	-25	-23
PL	-48	III-03	-37	-30	II-04	-31	-34	-35	-35	-43	-34	-42
PT	-86	III-07	-67	-52	I-98	-85	-83	-82	-80	-79	-82	-81
RO	-58	IV-03	-48	-40	I-07	-52	-44	-43	-47	-40	-40	-42
SI	-48	I-04	-30	-16	III-07	-25	-33	-32	-28	-38	-36	-35
SK	-63	III-04	-55	-46	III-07	-55	-55	-51	-55	-52	-51	-47
FI	-72	III-98	-63	-49	III-07	-54	-54	-50	-54	-55	-51	-53
SE	-47	II-96	-29	-18	IV-04	-22	-20	-22	-21	-21	-20	-18
UK	-74	III-96	-54	-35	I-04	-36	-40	-45	-41	-45	-46	-44

(a) Data collected in January, April, July and October each year.

(b) Balances: i.e., differences between the percentages of respondents giving positive and negative replies.

