

Note: This release introduces the new Economic Uncertainty Indicator, which was presented in the Special Topic of the 2021-Q3 European Business Cycle Indicators (EBCI).

Business and consumer survey results for October 2021

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

In October 2021, the *Economic Sentiment Indicator* (ESI) picked up in both the EU (+1.0 point, to 117.6) and the euro area (+0.8 point, to 118.6). The *Employment Expectations Indicator* (EEI) continued to increase (+1.2 points to 114.7 in the EU and +1.1 points to 114.5 in the euro area), reaching its highest reading since February (EU) / May (EA) 2018.¹

EU developments

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

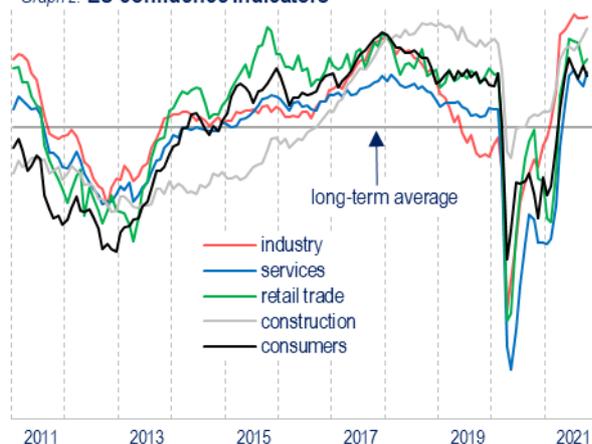


source: European Commission services

In the EU, the ESI's increase in October was driven by improving confidence in services, construction and, to a lesser extent, retail trade. Confidence remained virtually unchanged in industry, while it weakened among consumers. Amongst the largest EU economies, the ESI rose in Spain (+2.5), France (+2.1), Italy (+1.8), Poland (+1.5) and the Netherlands (+1.4), while it weakened slightly in Germany (-0.5).

Industry confidence remained broadly unchanged (+0.3) at its second highest reading on record. While *managers' production expectations* eased mildly, assessments of the *current level of overall order books* and the *scarcity of the stocks of finished products* were moderately up and almost back to their record levels of July. Of the questions not entering the confidence indicator, managers' appraisals of *past production* edged up, whereas their views on *export order books* remained virtually unchanged. **Services confidence** increased (+2.8), thanks to managers' improved assessments of all components entering the indicator (i.e. *past business situation, past demand and expected demand*). **Consumer confidence** weakened (-0.9), reflecting households' more negative views on their *past and future financial situation*, as well as the expected *general economic situation*. Consumers' *intentions to make major purchases* stayed unchanged. **Retail trade confidence** edged up (+0.6). While the *expected business situation* deteriorated, retailers' assessment of the *current volume of stocks*, which enters the confidence indicator with an inverted sign, reached yet another all-time low. Assessments of the *past business activity* remained virtually unchanged.

Graph 2: EU confidence indicators²

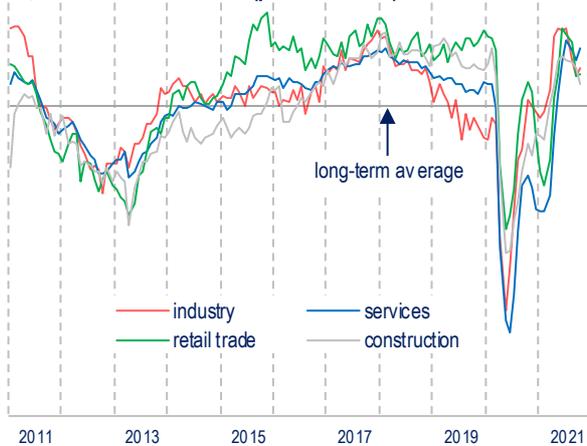


¹ The Employment Expectations Indicator for France was revised compared to the September press release, the net effect being a downward revision of the EEI for September by 0.1 points to 113.5 in the EU and by 0.2 points to 113.4 in the euro area.

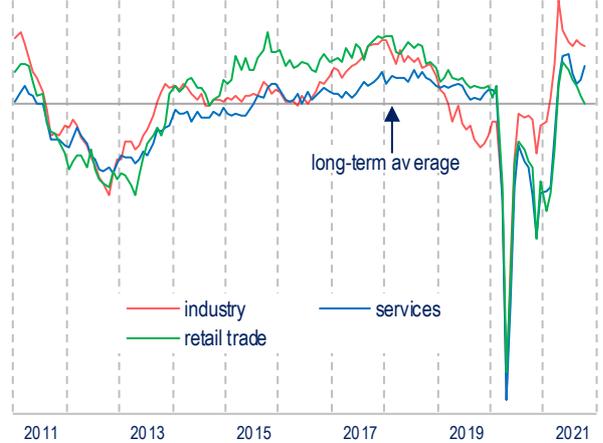
² The graph presents standardised series to correct for differences in means and standard deviations.

Construction confidence firmed (+1.5) on the back of a solid improvement of managers' appraisals of the *level of order books*. *Employment expectations*, by contrast, stayed virtually flat. The share of construction managers pointing to shortage of labour force (29.0%) and shortage of material and/or equipment (20.9%) as factors limiting activity reached new record-high levels.³ **Financial services confidence** (not included in the ESI) remained broadly flat (+0.3), as managers' more positive assessments of *past demand* and the *past business situation* were counterbalanced by less optimistic *demand expectations*.

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



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



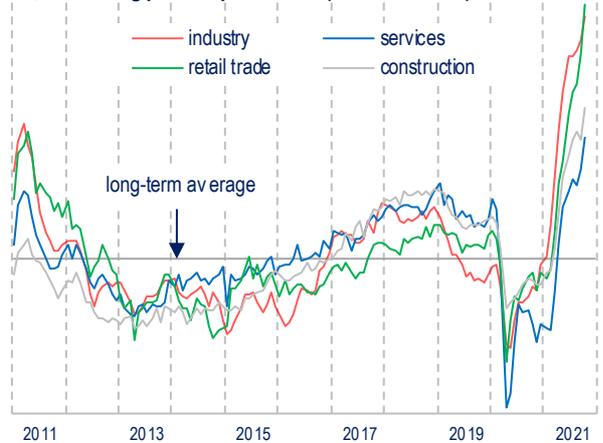
The **Employment Expectations Indicator** continued rising (+1.2), thanks to improved employment plans in services and industry, the latter recording an all-time high. Retail trade and construction managers' employment plans remained broadly unchanged. Consumers' unemployment expectations, which are not included in the headline indicator, saw a moderate improvement.

Selling price expectations in all surveyed business sectors (i.e. industry, services, retail trade and construction) continued their steep increase observed since the beginning of the year and reached new all-time highs. Similarly, consumer price expectations reached their highest reading since November 1992.

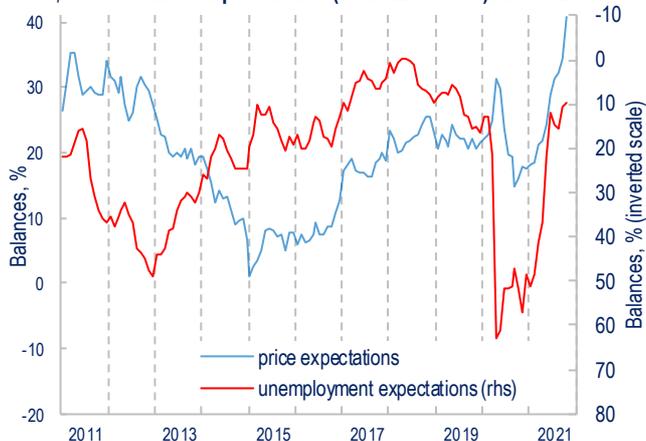
Graph 5: Employment expectations (next 3 months) in the EU²



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



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

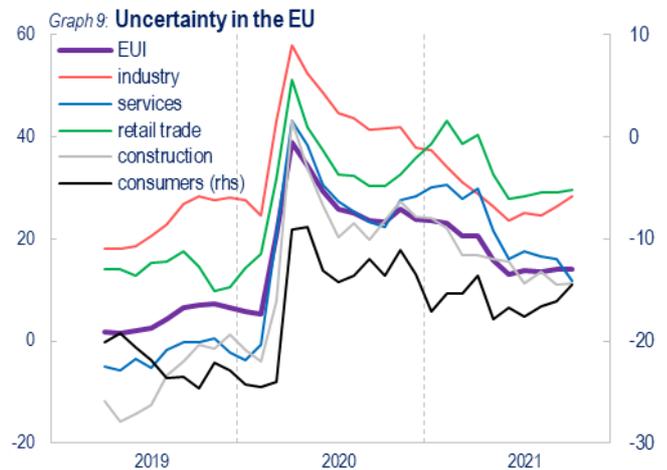


Graph 8: EU Financial services confidence indicator



³ The detailed data are available for download under the Construction section of the BCS [Time Series website](#).

The European Commission's new **Economic Uncertainty Indicator (EUI)**⁴ stayed virtually unchanged (-0.1 points to 14.0), still at a high level compared to pre-pandemic levels. The flat trend resulted from two opposing forces in the underlying sectoral uncertainty measures. On the one hand, uncertainty increased among industry managers, potentially associated with growing bottlenecks due to the shortage of certain input components and raw materials (see quarterly results below), as well as among consumers. On the other hand, services managers reported the third consecutive decrease of perceived uncertainty. The readings for retail trade and construction remained virtually unchanged compared to the last month.



Quarterly survey results (conducted in October)

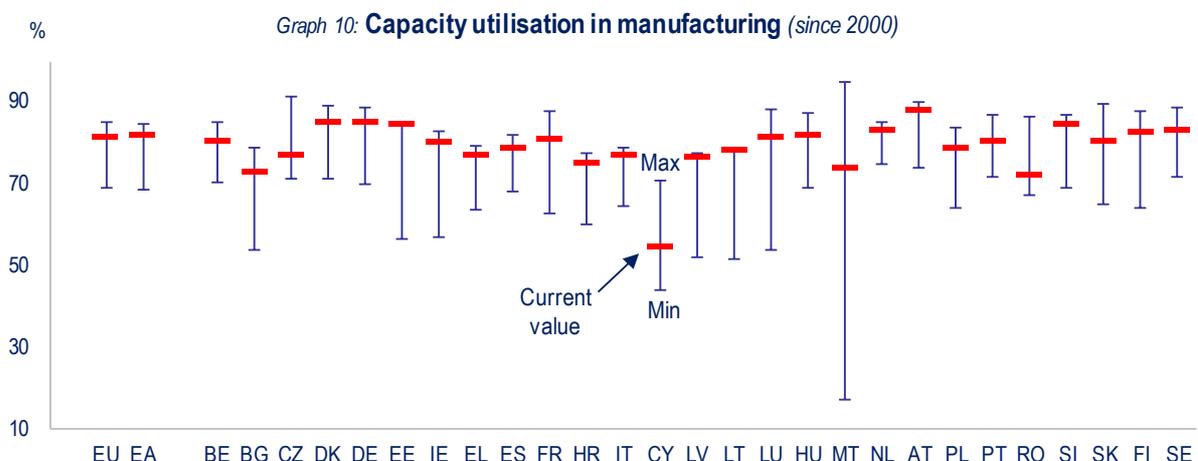
The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In October 2021, the estimated rate of capacity utilisation in the EU industry sector edged down (-1.2 points) for the first time since the onset of its recovery in July 2020. At 81.6%, it remains very high. Meanwhile, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) declined further (-0.7 points), reaching its lowest level on record. On the external side, managers' export volume expectations deteriorated for the second time in a row (-1.9 points compared to July). Firms' assessments of their competitive position on foreign markets outside the EU over the past three months were less upbeat (-2.7 points). Also managers' appraisals of new orders deteriorated significantly, ending the sharp upward trend prevailing since July 2020. Still, the estimated number of months' production assured by orders on hand stayed unchanged at the historically high level of 4.9 months, which had already been observed in April and July.

Reports on shortage of material and/or equipment as a factor limiting production climbed to the highest quote on record (+10.2pp to 49.4% of all industry managers). These production constraints are compounded by shortage of labour force, with a record 23.3% (+2.7pp compared to July) of managers identifying labour shortages as a limiting factor for production.⁵

Euro-area developments were qualitatively in line with the described EU developments; the estimated rate of capacity utilisation edged down (-0.9 points to 82.1%) for the first time since the onset of its recovery in July 2020.

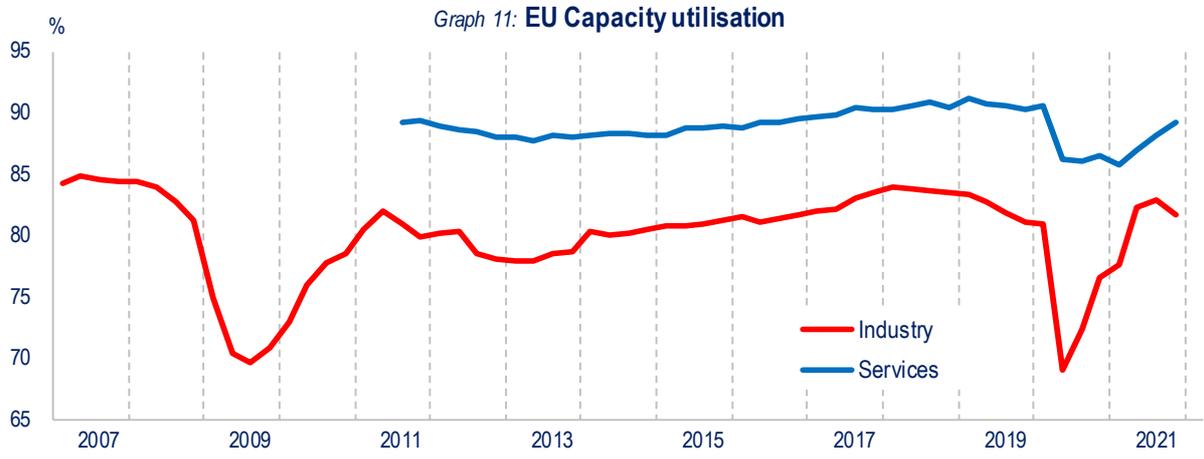
Capacity utilisation in services increased by 1.0 percentage points in the EU (to 89.2%) and by 0.9 percentage points in the euro area (to 88.9%) compared to July. Nonetheless, it remains around 1¼ (EU) and 1½ percentage points below its level before the outbreak of COVID-19 on the continent.

Data collection period: 1 October to 21 October



⁴ See the special topic of the [2021-Q3 EBCI](#) for background, and section 3.6 of the [BCS User Guide](#) for methodological details.

⁵ The detailed data are available for download under the Industry section of the BCS [Time Series website](#).



Annex tables displaying results for the ESI, EEI, EUI, 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 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 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 the four surveyed business sectors (i.e. industry, services, retail trade and construction).

The **Economic Uncertainty Index** is constructed as a weighted average of the perceived uncertainty as reported by managers in the four surveyed business sectors (i.e. industry, services, retail trade and construction), as well as consumers.

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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