

Business and consumer survey results for December 2021

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

In December 2021, the *Economic Sentiment Indicator* (ESI) eased further in both the EU (-2.1 points to 114.5) and the euro area (-2.3 points to 115.3), while remaining at historically high levels.¹ For the first time since January 2021, also the *Employment Expectations Indicator* (EEI) decreased (-1.4 points to 114.2 in the EU and -1.6 points to 114.0 in the euro area).

EU developments

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



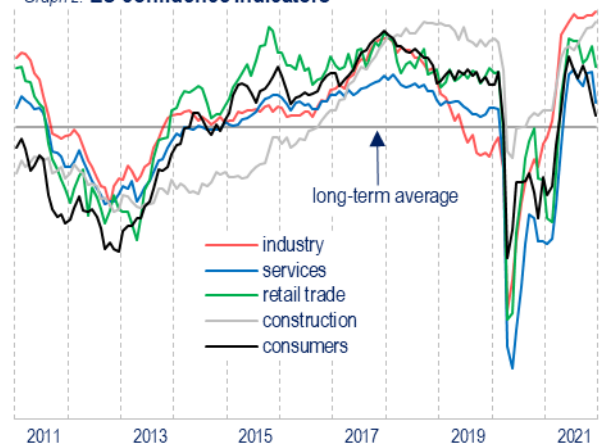
source: European Commission services

In the EU, the ESI's decrease in December was driven by a marked decline in services and, to a lesser extent, retail trade and consumer confidence, while confidence improved in industry and construction. Amongst the largest EU economies, the ESI rose only in Poland (+0.6). By contrast, confidence worsened in the Netherlands (-4.1), Germany (-2.8), France (-2.1), Italy (-1.6) and Spain (-0.8).

Industry confidence improved slightly (+0.6) to its highest reading on record, resulting from unprecedented appraisals of the *current level of overall order books* and a renewed uptick in the scarcity assessment of the stocks of finished products. Managers' production expectations remained broadly stable. Of the questions not entering the confidence indicator, managers' appraisals of past production improved markedly. By contrast, assessments of export order books eased slightly, after having reached an all-time high in November. **Services confidence** fell markedly (-6.4) to its lowest level since May 2021. The fall was driven by a decrease in all its components, i.e. managers' views on *past* and *expected demand* and on their *past business situation*. The further drop in **consumer confidence** (-1.4) reflected a decrease in households' *expectations about the general economic situation* and their *intentions to make major purchases*.

Consumers' assessments of their *past* and *expected financial situation* remained broadly stable. The decline in **retail trade confidence** (-2.6) resulted from deteriorations of all three components, i.e. managers' lower assessments of their *past* and *expected business situation* and a slight recovery in the appraisals of the *volume of stocks*. While the latter is reflected negatively in the composite indicator as a sign of lower demand, at the current

Graph 2: EU confidence indicators²

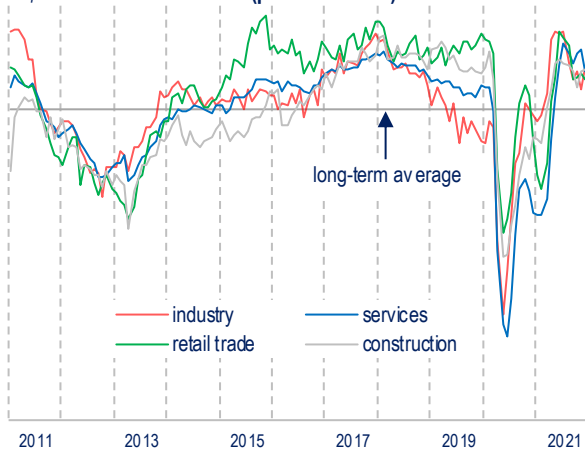


¹ Business confidence indices for France were revised compared to the November press release, the net effect being a slight upwards revision of the ESI for November by 0.1 point to 116.6 in the EU and 117.6 in the euro area.

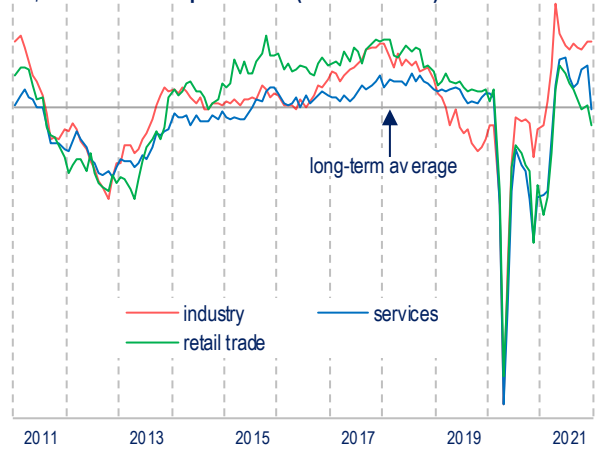
² The graph presents standardised series to correct for differences in means and standard deviations.

at the juncture of record low stocks, it also points to some normalisation of inventories. **Construction confidence** improved slightly again (+0.9), equalling its highest reading on record of September 2018, driven by managers' improved appraisals of the *level of order books*, whereas their *employment expectations* remained broadly stable. The share of construction managers pointing to the shortage of labour (31.2%) and material and/or equipment (25.5%) as factors limiting building activity reached new record levels.³ **Financial services confidence** (not included in the ESI) dropped substantially in December (-3.0), resulting from the deterioration of manager's appraisals of *past and expected demand*. Managers' assessment of their *past business situation* was broadly unchanged.

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



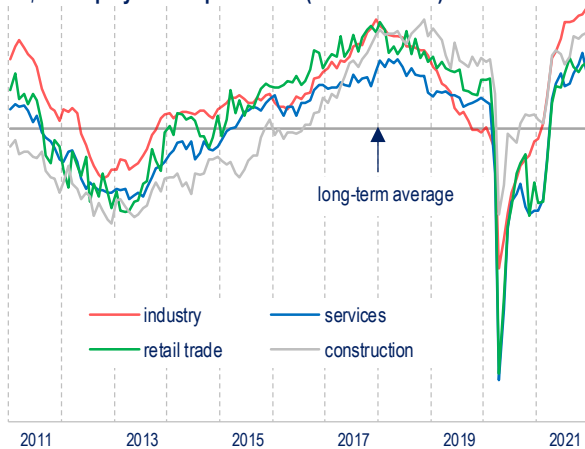
Graph 4: Business expectations (next 3 months) in the EU²



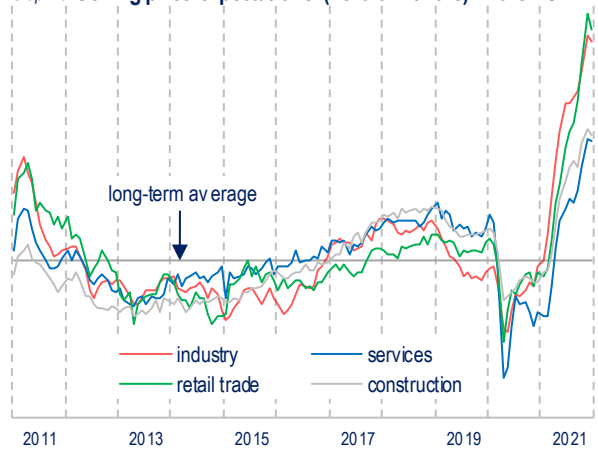
The decline of the **Employment Expectations Indicator** (-1.6) was solely due to deteriorating employment plans in services. In industry, employment expectations reached a new all-time high and also in retail trade and construction, managers' employment plans improved again slightly. Consumers' unemployment expectations, which are not included in the headline indicator, worsened.

Selling price expectations eased across all surveyed business sectors (i.e. industry, services, retail trade and construction), after reaching record high levels in November. Consumer price expectations also eased further from their all-time high of October.

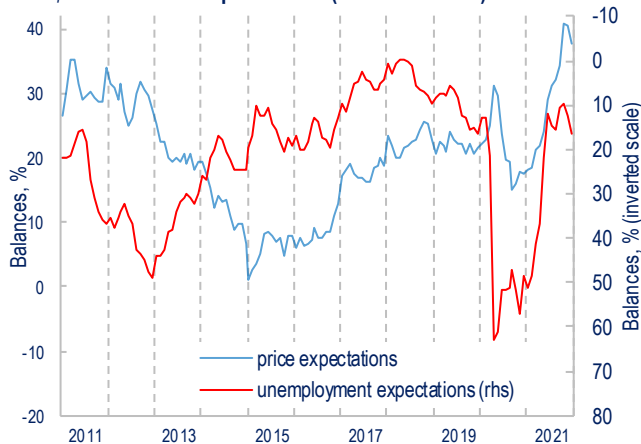
Graph 5: Employment expectations (next 3 months) in the EU²



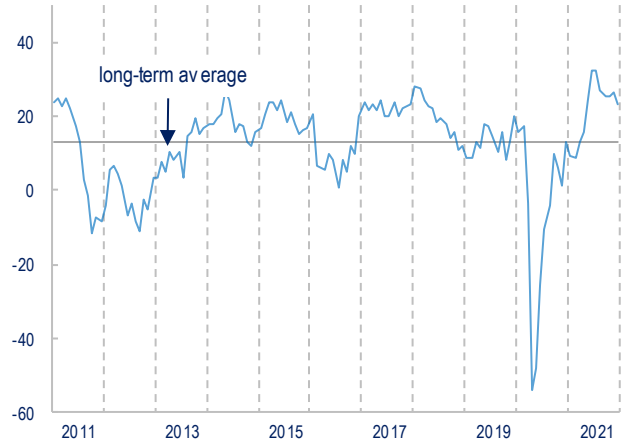
Graph 6: Selling price expectations (next 3 months) in the EU²



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

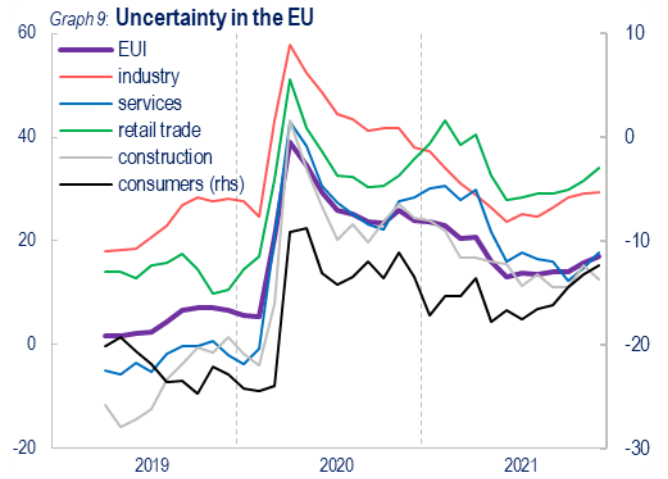


Graph 8: EU Financial services confidence indicator



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

The European Commission's **Economic Uncertainty Indicator (EUI)**⁴ rose in December (+1.1 points to 16.9), driven by increases in services, retail trade and among consumers. While virtually unchanged in industry, the EUI decreased in construction. Increasing uncertainty is likely to be related to the emergence of the Omicron variant and the re-introduction of containment measures, especially hitting service sector activities and retail trade.



Data collection period: 1 to 21 December

⁴ 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. 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

© European Union, 2021

Reproduction is authorised provided the source is acknowledged

Upcoming releases:	Flash Consumer Confidence Indicator	21 January 2022
	Full Business and Consumer Survey Results (incl. ESI, EEI, sectoral CIs)	28 January 2022