

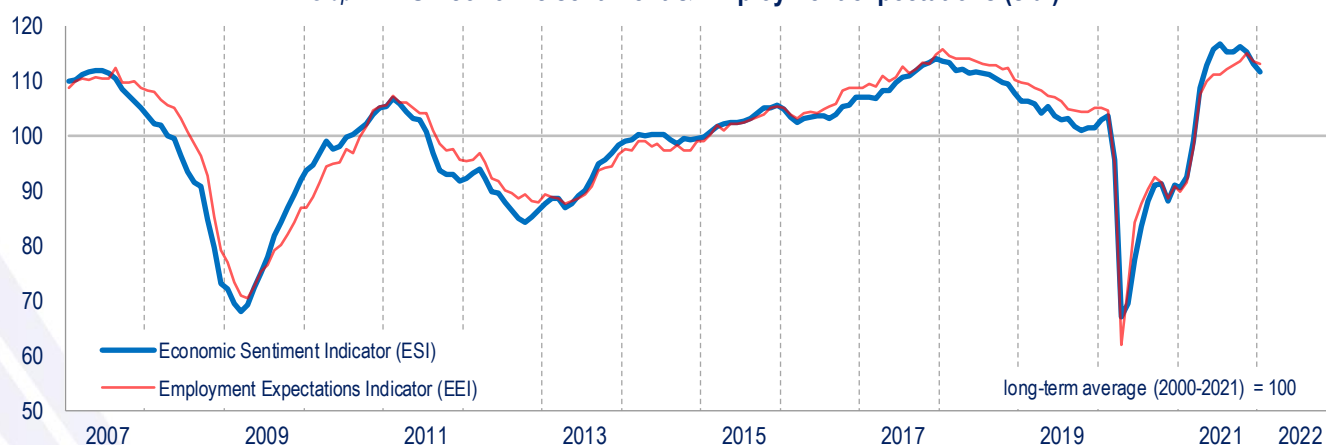
Business and consumer survey results for January 2022

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

In January 2022, the *Economic Sentiment Indicator* (ESI) eased further in both the EU (-1.4 points to 111.6) and the euro area (-1.1 points to 112.7) but remained high overall.¹ Also the *Employment Expectations Indicator* (EEI) decreased slightly for the second month in a row in the EU (-0.5 points to 113.1) and the euro area (-0.2 points to 113.3).

EU developments

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

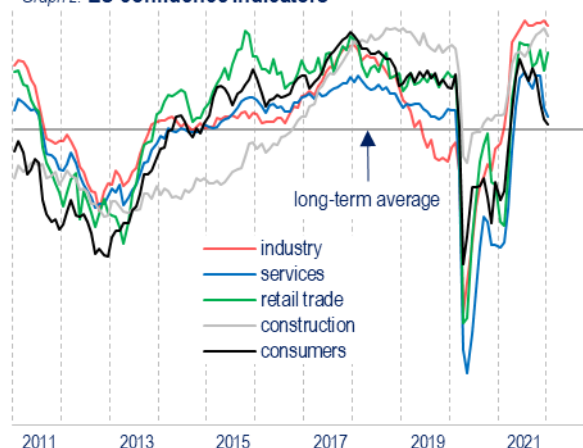


source: European Commission services

In the EU, the ESI's decrease in January was driven by a decline in services, construction and, to a lesser extent, industry and consumer confidence, while confidence rebounded in retail trade. Amongst the largest EU economies, the ESI rose in Germany (+0.8) and Spain (+0.6) while it worsened in Italy (-6.1), Poland (-4.2), France (-2.8) and the Netherlands (-1.3).

The decline in **industry confidence** (-0.9) was mainly due to some improvement in managers' assessment of the *stocks of finished products*, which is reflected negatively in the composite indicator as a sign of lower demand. However, at the current juncture of record low stocks, it also points to some welcome normalisation of inventories. Managers' assessments of the *current level of overall order books* declined slightly, while their *production expectations* remained broadly unchanged. By contrast, of the questions not entering the confidence indicator, both managers' views on *export order books* and *past production* improved. **Services confidence** decreased strongly again (-2.0), dragged by managers' less positive views on the *past business situation* and *past demand*. By contrast, after the steep fall of December, their *demand expectations* recovered somewhat. The small decrease in **consumer confidence** (-0.4) was the result of an increase in households' *intentions to make major purchases* which was more than offset by more pessimistic expectations about their *future financial situation*, and especially the *general economic situation*. Consumers' assessment of their *past financial situation* remained almost unchanged. The rebound in **retail trade confidence** (+2.2) resulted from marked improvements of retailers' assessments of the *past* and *expected business situation*.

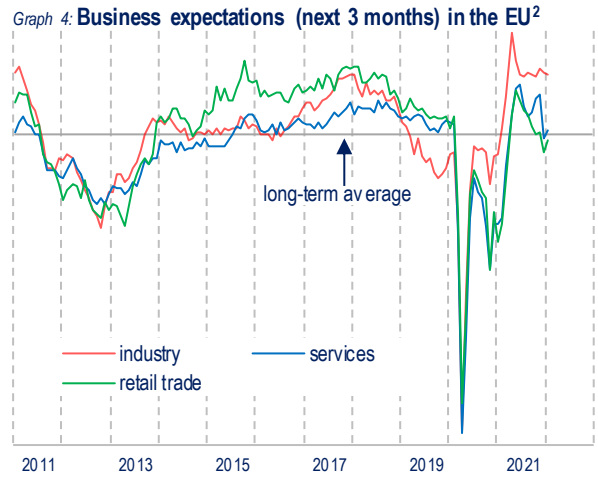
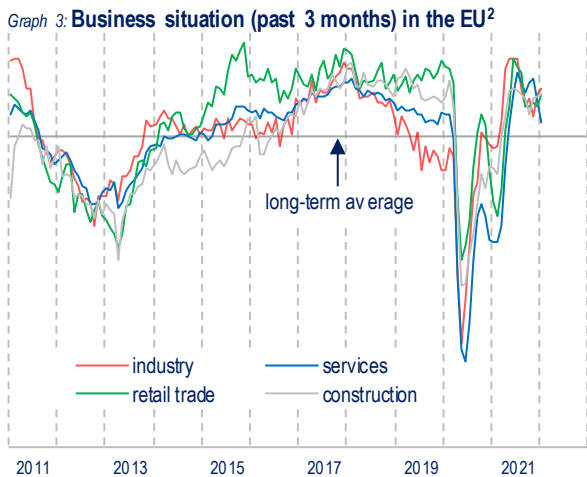
Graph 2: EU confidence indicators²



¹ Due to the annual updating of country weights and the inclusion of 2021 in the standardization sample, data have been revised for previous periods. The effect on the ESI for December 2021 is a downward revision to 113.0 (EU) and 113.8 (euro area). The effect on the EEI for December 2021 is a downward revision to 113.6 and 113.5, respectively.

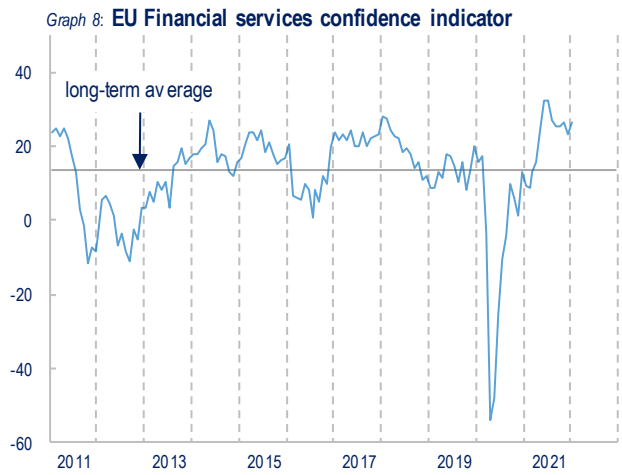
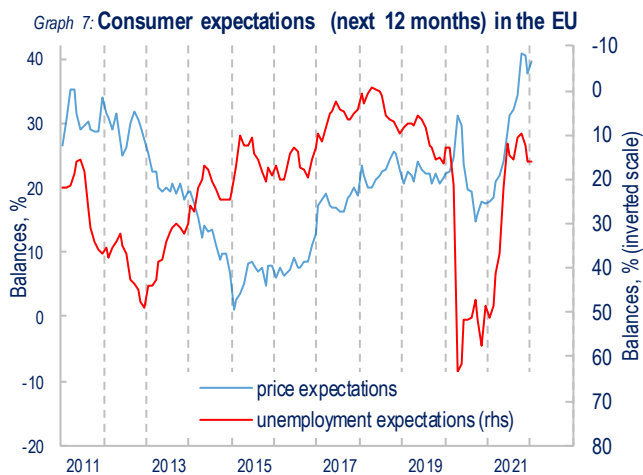
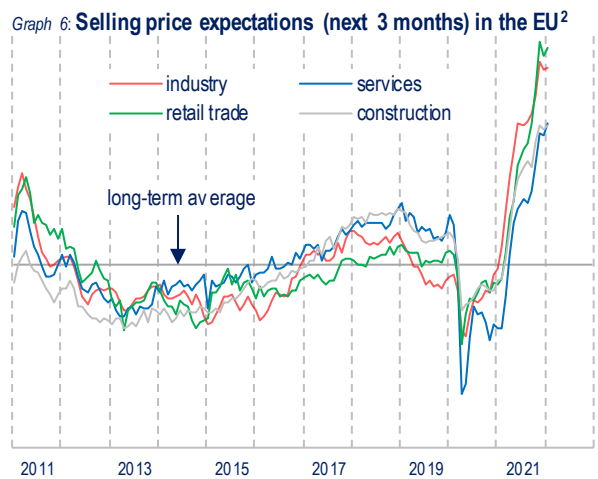
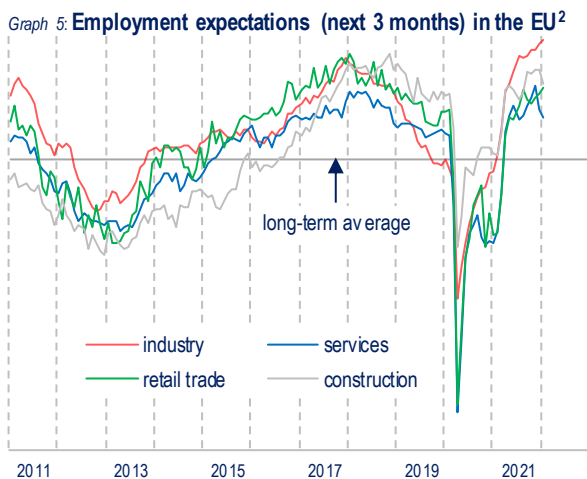
² The graph presents standardised series to correct for differences in means and standard deviations.

Also their again worsened assessment of the *volume of stocks* contributed to the improvement of confidence, as a sign of higher demand. Nonetheless, it points to the continued issue of record low inventories. **Construction confidence** decreased for the first time since August 2021 (-1.4), mainly due to managers' worsened *employment expectations*, while their appraisal of the *level of order books* remained virtually unchanged. The share of construction managers pointing to the shortage of labour (31.4%) and material and/or equipment (28.6%) as factors limiting building activity reached new record levels.³ **Financial services confidence** (not included in the ESI) increased substantially in January (+3.1). While manager's appraisals of *past demand* and the *past business situation* improved significantly, their *demand expectations* worsened markedly.



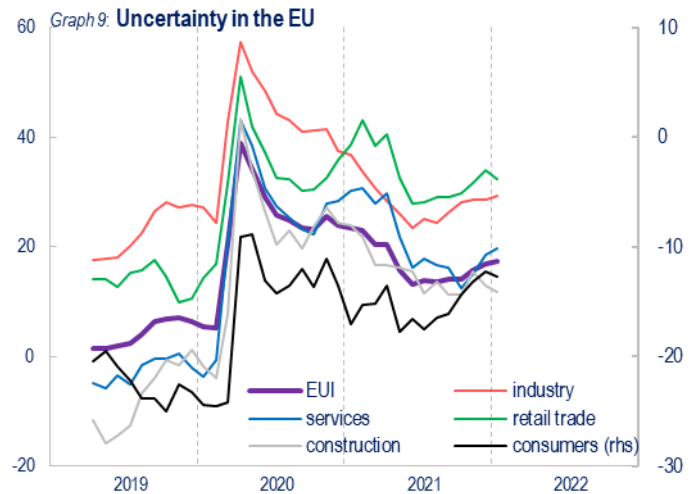
The small decline of the **Employment Expectations Indicator** (-0.5) was due to deteriorating employment plans in services and construction. In industry, employment expectations reached a new all-time high and also in retail trade, managers' employment plans improved further. Consumers' unemployment expectations, which are not included in the headline indicator, improved slightly.

Following the brief respite of December, **selling price expectations** picked up again across all surveyed business sectors (i.e. industry, services, retail trade and construction). Consumer price expectations also increased in January, partly offsetting the decreases registered in November and December.



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 edged up further in January (+0.4 points to 17.3), driven by increases in industry and services. By contrast, economic uncertainty decreased in construction, retail trade and among consumers.



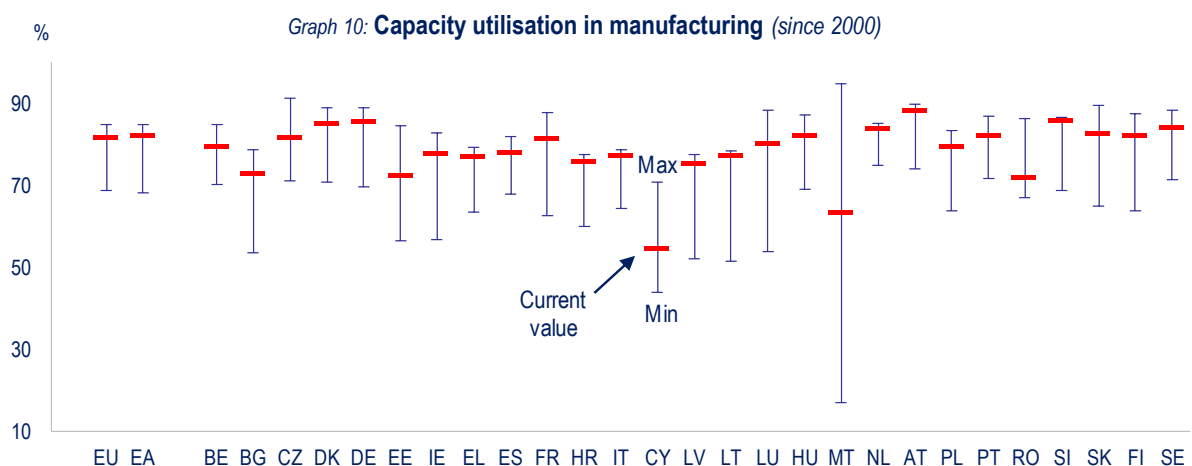
Quarterly survey results (conducted in January)

The quarterly questions in the industry and services surveys are asked in January, April, July and October of each year. In January 2022, the estimated rate of capacity utilisation in the EU industry sector remained broadly stable (+0.1 percentage points to 81.7%) compared to October 2021, at rather high levels. In line with the higher capacity utilisation, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) declined further (-0.8 points), reaching its lowest level on record. On the external side, managers' export volume expectations remained broadly stable (-0.1 points compared to October). Firms' assessments of their competitive position on foreign markets outside the EU over the past three months were less upbeat (-2.6 points). Also managers' appraisals of new orders, while still at high level, declined further (-1.6). By contrast, the estimated number of months' production assured by orders on hand improved further and reached the historically high level of 5.2 months.

Reports on shortage of material and/or equipment as a factor limiting production climbed to the highest quote on record (+3.6pp to 50.8% of all industry managers). These production constraints are compounded by shortage of labour force, with a record 25.9% (+2.4pp compared to October) of managers identifying labour shortages as a limiting factor for production.⁵

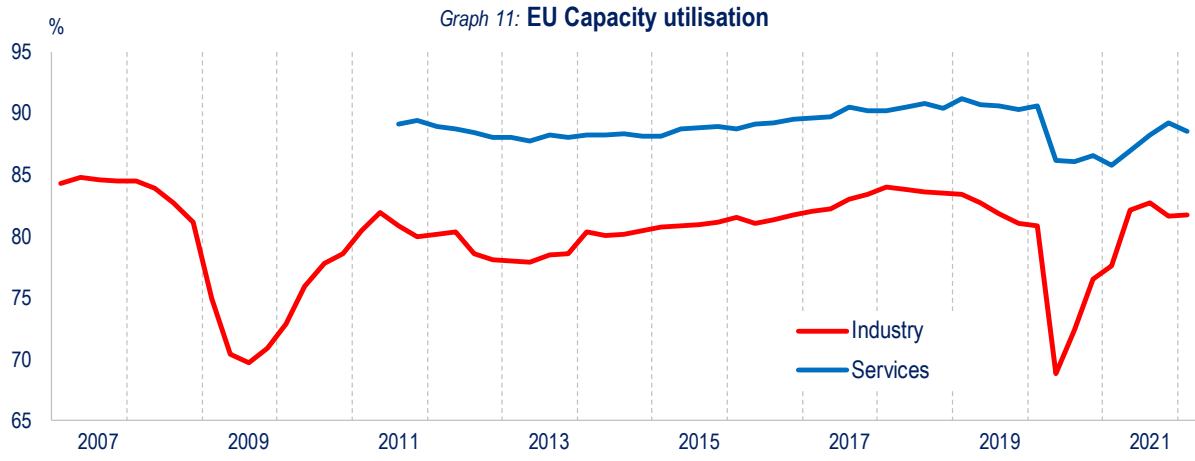
Euro-area developments were qualitatively in line with the described EU developments; the estimated rate of capacity utilisation remained also high and broadly stable (-0.1 points to 81.9%).

Capacity utilisation in services decreased by 0.7 percentage points in the EU (to 88.5%) and by 0.9 percentage points in the euro area (to 88.1%) compared to October. In both areas, the indicator is slightly below its long-term average (of 88.9% and 88.6%, respectively) and around two percentage points below its level before the outbreak of COVID-19 on the continent.



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](#).



Data collection period: 1 to 24 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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